

(Summary)
Annual Securities Report
for the Year Ended 28 February 2026

SANYO SHOKAI LTD.

5. Financial Information

1. Basis of preparation of the consolidated and non-consolidated financial statements

- (1) The Company prepares its consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).
- (2) The Company prepares its non-consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; the “Regulation on Financial Statements”).

Additionally, as a special company submitting financial statements, the Company prepares its non-consolidated financial statements based on Article 127 of the Regulation on Financial Statements.

2. Audit certification

Pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements for the fiscal year (1 March 2025 to 28 February 2026) and non-consolidated financial statements for the fiscal year (1 March 2025 to 28 February 2026) have been audited by KPMG AZSA LLC.

3. Special measures to ensure the appropriateness of consolidated financial statements, etc.

The Company undertakes special measures to ensure the appropriateness of consolidated financial statements, etc. Specifically, in order to appropriately understand the details of accounting standards, the Company has joined the Financial Accounting Standards Foundation (FASF) and participates in seminars and other events hosted by the FASF.

1. Consolidated Financial Statements and Other Information

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

(Millions of yen)

	As of 28 February 2025	As of 28 February 2026
Assets		
Current assets		
Cash and deposits	*4 23,714	23,992
Accounts receivable - trade	3,419	3,180
Merchandise and finished goods	9,070	9,291
Work in process	216	153
Raw materials and supplies	324	346
Other	1,477	1,750
Allowance for doubtful accounts	(5)	(5)
Total current assets	38,218	38,710
Non-current assets		
Property, plant and equipment		
Buildings and structures	*4 5,596	5,750
Accumulated depreciation	(2,574)	(2,783)
Buildings and structures, net	3,021	2,967
Land	*1, *4 4,309	*1 4,824
Leased assets	782	1,054
Accumulated depreciation	(249)	(446)
Leased assets, net	532	607
Construction in progress	11	49
Other	*4 1,454	1,523
Accumulated depreciation	(650)	(721)
Other, net	803	801
Total property, plant and equipment	8,679	9,251
Intangible assets		
Trademark right	1,887	1,577
Other	865	1,141
Total intangible assets	2,752	2,718
Investments and other assets		
Investment securities	*2 6,298	*2 7,838
Leasehold and guarantee deposits	1,045	978
Retirement benefit asset	12	24
Other	17	365
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	7,366	9,199
Total non-current assets	18,798	21,169
Total assets	57,017	59,880

(Millions of yen)

	As of 28 February 2025	As of 28 February 2026
Liabilities		
Current liabilities		
Notes payable – trade	372	–
Accounts payable - trade	5,009	4,701
Current portion of long-term borrowings	*4 3,140	2,175
Lease liabilities	174	338
Accrued expenses	1,970	1,958
Accrued consumption taxes	11	265
Income taxes payable	638	651
Provision for bonuses	386	390
Provision for bonuses for directors (and other officers)	10	11
Other	*5 323	*5 351
Total current liabilities	12,036	10,842
Non-current liabilities		
Long-term borrowings	*4 3,790	5,150
Lease liabilities	522	912
Long-term accounts payable - other	*3 52	*3 44
Deferred tax liabilities	418	1,061
Deferred tax liabilities for land revaluation	*1 540	*1 556
Retirement benefit liability	288	322
Other	67	65
Total non-current liabilities	5,679	8,113
Total liabilities	17,715	18,956
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus	9,640	3,686
Retained earnings	14,032	16,033
Treasury shares	(4,369)	(2)
Total shareholders' equity	34,306	34,720
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,635	4,847
Deferred gains or losses on hedges	0	3
Revaluation reserve for land	*1 1,224	*1 1,208
Foreign currency translation adjustment	116	122
Total accumulated other comprehensive income	4,977	6,182
Non-controlling interests	18	20
Total net assets	39,301	40,923
Total liabilities and net assets	57,017	59,880

(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Net sales	*1 60,526	*1 58,448
Cost of sales	*2 22,718	*2 22,852
Gross profit	37,807	35,595
Selling, general and administrative expenses	*3 35,092	*3 34,297
Operating profit	2,715	1,298
Non-operating income		
Interest income	11	52
Dividend income	259	220
Share of profit of entities accounted for using equity method	25	—
Other	15	51
Total non-operating income	311	324
Non-operating expenses		
Interest expenses	114	133
Share of loss of entities accounted for using equity method	—	11
Foreign exchange losses	20	24
Commission for purchase of treasury shares	25	0
Loss on cancellation of license contracts	*4 29	*4 6
Other	11	10
Total non-operating expenses	200	186
Ordinary profit	2,825	1,436
Extraordinary income		
Gain on sale of investment securities	1,916	4,115
Total extraordinary income	1,916	4,115
Extraordinary losses		
Loss on retirement of non-current assets	*5 0	*5 3
Loss on sale of investment securities	0	—
Impairment losses	*6 160	*6 519
Litigation settlement	*7 20	—
Cancellation penalty	*8 25	—
Total extraordinary losses	207	523
Profit before income taxes	4,534	5,028
Income taxes - current	695	861
Income taxes - deferred	(170)	50
Total income taxes	524	912
Profit	4,009	4,116
Profit attributable to non-controlling interests	2	2
Profit attributable to owners of parent	4,007	4,113

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Profit	4,009	4,116
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,147)	1,211
Revaluation reserve for land	—	(15)
Deferred gains or losses on hedges	(15)	3
Foreign currency translation adjustment	(5)	6
Total other comprehensive income	* (2,167)	* 1,205
Comprehensive income	1,841	5,321
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,839	5,319
Comprehensive income attributable to non-controlling interests	2	2

(iii) Consolidated Statement of Changes in Equity
Fiscal year ended 28 February 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	9,631	11,051	(1,587)	34,097
Changes during period					
Dividends of surplus			(1,026)		(1,026)
Profit (loss) attributable to owners of parent			4,007		4,007
Purchase of treasury shares				(2,798)	(2,798)
Disposal of treasury shares		9		17	26
Cancellation of treasury shares			–		–
Net changes in items other than shareholders' equity					–
Total changes during period	–	9	2,980	(2,781)	208
Balance at end of period	15,002	9,640	14,032	(4,369)	34,306

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	5,783	15	1,224	121	7,145	16	41,258
Changes during period							
Dividends of surplus							(1,026)
Profit (loss) attributable to owners of parent							4,007
Purchase of treasury shares							(2,798)
Disposal of treasury shares							26
Cancellation of treasury shares							–
Net changes in items other than shareholders' equity	(2,147)	(15)	–	(5)	(2,167)	2	(2,165)
Total changes during period	(2,147)	(15)	–	(5)	(2,167)	2	(1,956)
Balance at end of period	3,635	0	1,224	116	4,977	18	39,301

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	9,640	14,032	(4,369)	34,306
Changes during period					
Dividends of surplus			(2,113)		(2,113)
Profit (loss) attributable to owners of parent			4,113		4,113
Purchase of treasury shares				(1,722)	(1,722)
Disposal of treasury shares		19		116	135
Cancellation of treasury shares		(5,972)		5,972	–
Net changes in items other than shareholders' equity					–
Total changes during period	–	(5,953)	2,000	4,367	414
Balance at end of period	15,002	3,686	16,033	(2)	34,720

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	3,635	0	1,224	116	4,977	18	39,301
Changes during period							
Dividends of surplus							(2,113)
Profit (loss) attributable to owners of parent							4,113
Purchase of treasury shares							(1,722)
Disposal of treasury shares							135
Cancellation of treasury shares							–
Net changes in items other than shareholders' equity	1,211	3	(15)	6	1,205	2	1,207
Total changes during period	1,211	3	(15)	6	1,205	2	1,621
Balance at end of period	4,847	3	1,208	122	6,182	20	40,923

(iv) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Cash flows from operating activities		
Profit before income taxes	4,534	5,028
Depreciation	1,016	1,136
Impairment losses	160	519
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	(96)	4
Increase (decrease) in provision for bonuses for directors (and other officers)	(11)	0
Increase (decrease) in retirement benefit liability	43	34
Decrease (increase) in retirement benefit asset	(1)	(11)
Interest and dividend income	(270)	(272)
Interest expenses	114	133
Share of loss (profit) of entities accounted for using equity method	(25)	11
Commission for purchase of treasury shares	25	0
Loss on cancellation of licence contracts	29	6
Loss on retirement of non-current assets	0	3
Loss (gain) on sale of investment securities	(1,915)	(4,115)
Litigation settlement	20	—
Cancellation penalty	25	—
Decrease (increase) in trade receivables	(107)	239
Decrease (increase) in inventories	(1,794)	(180)
Decrease (increase) in other current assets	264	(248)
Decrease (increase) in long-term prepaid expenses	264	(346)
Increase (decrease) in trade payables	1,012	(682)
Increase (decrease) in other current liabilities	(294)	315
Other, net	47	155
Subtotal	3,042	1,732
Interest and dividends received	270	272
Interest paid	(115)	(124)
Income taxes paid	(476)	(848)
Litigation settlement paid	(20)	—
Loss on cancellation of licence contracts paid	(19)	(9)
Cancellation penalty paid	—	(25)
Net cash provided by (used in) operating activities	2,681	995
Cash flows from investing activities		
Payments into time deposits	(3,580)	(9,100)
Proceeds from withdrawal of time deposits	3,580	7,780
Purchase of property, plant and equipment	(207)	(1,090)
Proceeds from sale of investment securities	2,127	4,365
Purchase of intangible assets	(160)	(294)
Loan advances	—	(2)
Proceeds from collection of loans receivable	0	0
Payments of leasehold and guarantee deposits	(154)	(112)
Proceeds from refund of leasehold and guarantee deposits	86	151
Payments for asset retirement obligations	(58)	(56)
Other, net	(5)	(3)
Net cash provided by (used in) investing activities	1,629	1,637

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Cash flows from financing activities		
Proceeds from long-term borrowings	3,000	3,500
Repayments of long-term borrowings	(2,870)	(3,105)
Dividends paid	(1,021)	(2,102)
Purchase of treasury shares	(2,824)	(1,722)
Repayments of lease liabilities	(158)	(250)
Net cash provided by (used in) financing activities	(3,874)	(3,680)
Effect of exchange rate change on cash and cash equivalents	(5)	6
Net increase (decrease) in cash and cash equivalents	431	(1,041)
Cash and cash equivalents at beginning of period	19,103	19,534
Cash and cash equivalents at end of period	*1 19,534	*1 18,492

Notes to the Consolidated Financial Statements

Basis of preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

The following two of the three subsidiaries have become consolidated subsidiaries.

SHANGHAI SANYO FASHION INC.

ECOALF JAPAN LTD.

(2) Names of non-consolidated subsidiaries

The non-consolidated subsidiary is Sanyo Sewing Co., Ltd.

Reason for the exclusion from the scope of consolidation

The non-consolidated subsidiary is small in scale, and any total amount in terms of its total assets, net sales, and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

2. Application of equity method

The following is a non-consolidated subsidiary accounted for using equity method.

Sanyo Sewing Co., Ltd.

3. Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, ECOALF JAPAN LTD. has the fiscal year-end that is the same as the consolidated balance sheet date.

SHANGHAI SANYO FASHION INC. has a fiscal year-end that is different from the consolidated balance sheet date. In preparing the consolidated financial statements, the Company uses its financial results as of the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and methods for significant assets

1) Securities

Available-for-sale securities

Securities other than shares, etc. without market prices Stated at fair value
(valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Shares, etc. without market prices Stated at cost determined by the moving average method

2) Derivatives Stated at fair value

3) Inventories

Merchandise and finished goods, work in process and supplies Stated at cost determined by the first-in, first-out method

Raw materials Stated at cost determined by the last purchase price method

The consolidated balance sheet value is calculated by the method of writing down the carrying amount based on decreased profitability.

- (2) Accounting methods for depreciation of significant depreciable assets
- 1) Property, plant and equipment (excluding leased assets)

The declining balance method is applied, while the straight-line method is applied to buildings acquired on or after 1 April 1998 (excluding facilities attached to buildings) and to facilities attached to buildings and structures acquired on or after 1 April 2016.

For foreign consolidated subsidiaries, the straight-line method is applied.

Major useful lives are as follows:

Buildings and structures: 3-50 years
 - 2) Intangible assets (excluding leased assets)

The straight-line method is applied.

For useful life in the Company and its domestic consolidated subsidiaries, the same standard as the method stipulated in the Corporation Tax Act is applied. Major useful lives are as follows:

Trademark right: 10 years

Software (for internal use): 5 years
 - 3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.
- (3) Accounting policy for significant provisions
- 1) Allowance for doubtful accounts

To cover credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
 - 2) Provision for bonuses

To cover bonus payments to employees, provision for bonuses is provided based on the estimated amount of payment.
 - 3) Provision for bonuses for directors (and other officers)

To cover bonus payments to directors (and other officers), provision for bonuses is provided based on the estimated amount of payment for the fiscal year under review.
- (4) Accounting methods for retirement benefits
- To cover retirement benefits payment to employees, the Company has adopted a defined contribution pension plan and a lump-sum retirement benefit plan. The amount of required contributions to the defined contribution pension plan is recorded as expenses. The lump-sum retirement benefit plan applies the simplified method that assumes the amount required for voluntary resignation at the end of the fiscal year to be retirement benefit obligations in calculating retirement benefit liability and retirement benefit expenses.
- (5) Accounting policy for significant revenue and expenses
- The major performance obligations of the Company and its consolidated subsidiaries in their principal operations and the usual points in time at which revenue is recognized are as follows.
- Sales of merchandise and finished goods..... The Company subsidiaries engage in sales of clothing and others. In the sales of merchandise and finished goods, The Company has a performance obligation to deliver the merchandise and finished goods to the customer and recognize revenue when the merchandise and finished goods are delivered to the customer. For sales in EC & mail/online order, revenue is recognized at the time of shipment since the period from the shipment to the time at which the control of the merchandise and finished goods is transferred to the customer is a normal period of time.
- (6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen
- Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss. Assets and liabilities as well as revenue and expenses of foreign consolidated subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date. Translation differences are included in foreign currency translation adjustment under net assets.

(7) Accounting methods for significant hedging

1) Accounting methods for hedging

The deferral hedge accounting is adopted.

For forward exchange contracts, the designated hedge accounting is adopted if they meet the requirements for that accounting.

2) Hedging instruments and hedged items

Hedging instruments Forward exchange contracts

Hedged items Foreign currency trade payables

3) Hedging policy

The risk of fluctuations in foreign exchange rates is hedged based on the risk management method as specified in internal regulations.

4) Method of assessing hedge effectiveness

Effectiveness is determined by comparing the accumulated changes in fair value of hedging instruments and the accumulated changes in fair value of hedged items. However, if key conditions related to assets or liabilities of hedging instruments and hedged items are the same, the assessment of hedge effectiveness is omitted.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash in hand, demand deposits and short-term investments with maturities of three months or less from the acquisition date that are highly liquid, readily convertible into cash and are exposed to only an insignificant risk of fluctuations in value.

Significant accounting estimates

1. Evaluation of inventories

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended 28 February 2026

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Merchandise and finished goods	9,070	9,291
Loss on valuation of inventories	87	82

(Note) Cost of sales includes loss on valuation of inventories or reversal due to revaluation of loss on valuation of inventories.

(2) Information related to significant accounting estimates pertaining to distinguishable items

The consolidated balance sheet value of merchandise and finished goods is calculated by the method of writing down the carrying amount based on decreased profitability. If the net realizable value at the end of the fiscal year under review is below the carrying amount, the carrying amount is written down to be the consolidated balance sheet value. Mainly with respect to merchandise and finished goods, the Company sets the sales period of half a year (calendar year and season) for spring/summer items and autumn/winter items, respectively, on a calendar year basis for their sales and management.

The Company owns multiple brands of merchandise and finished goods and assumes that there are no significant differences among each brand in a decline in profitability that arises from discount sales due to obsolescence over time and climate change. Based on the assumption, the Company calculates net realizable value by regularly deducting the acquisition cost using the uniform assessment rate for all brands set for each sales period estimated based on past sales of slow-moving inventories.

The assessment rate for each sales period used to calculate net realizable value is determined in consideration of the market environment, sales periods for merchandise and finished goods, the status of reduction in sales prices, and the salability of merchandise and finished goods, and whether the rate needs to be revised is considered based on the results of sales below cost and the results of disposal every fiscal year.

If the net realizable value and the assumption need to be revised due to changes in the market environment and other factors, the revision may materially affect the consolidated financial statements for the next fiscal year.

2. Collectability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended 28 February 2026

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Deferred tax assets (before offsetting against deferred tax liabilities)	1,188	1,139

(2) Information related to significant accounting estimates pertaining to distinguishable items

Deferred tax assets are recognized to the extent that tax loss carry forward and deductible temporary differences are expected to reduce the tax burden in the future.

The collectability of deferred tax assets is determined on the ground of the scheduling of deductible temporary differences; and future taxable income, tax planning, etc. based on profitability. The estimate of future taxable income based on profitability incorporates assumptions such as future sales growth, reduction of purchases and inventories through inventory control, and improvement of gross margins through adhering to sales at full price.

The amount of future taxable income may be affected by future changes in uncertain economic conditions including consumption trends in the overall market and the environment related to product procurement. If the actual amount of taxable income differs from the estimate, the amount of deferred tax assets determined to be collectible may change, which would have a material impact on the consolidated financial statements for the following fiscal year.

Changes in Accounting policies

Application of Accounting Standard for Current Income Taxes, etc.

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, 28 October 2022; the “2022 Revised Accounting Standard”), etc. from the beginning of the fiscal year under review.

With respect to the amendment of classification of income taxes (taxation on other comprehensive income), the Company has followed the transitional treatment prescribed in the proviso to paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment prescribed in the proviso to paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, 28 October 2022; the “2022 Revised Guidance”). This change in accounting policies has no impact on the consolidated financial statements.

With respect to the amendment related to the revised treatment in the consolidated financial statements when gains or losses on sale of shares in subsidiaries, etc. arising from transactions between consolidated companies are deferred for tax purposes, the Company has applied the 2022 Revised Guidance from the beginning of the fiscal year under review. This change in accounting policies has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospectively applied basis. This change in accounting policies has no impact on the consolidated financial statements for the previous fiscal year.

Accounting standards issued but not yet applied

1. Accounting Standard for Leases, etc.
 - Accounting Standard for Leases (ASBJ Statement No. 34, 13 September 2024, Accounting Standards Board of Japan)
 - Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, 13 September 2024, Accounting Standards Board of Japan), etc.

(1) Overview

ASBJ deliberated on how to develop an accounting standard for leases which is designed to recognize assets and liabilities associated with all leases for a lessee based on international accounting standards. This was part of its efforts to ensure that the Japanese accounting standards will be more in line with international standards. ASBJ aimed to develop an accounting standard for leases that is simple, highly convenient and basically free from the need for revisions even if the provisions of IFRS 16 are applied to non-consolidated financial statements. To this aim, ASBJ has adopted only the major provisions of IFRS 16 rather than all the provisions, while its basic policy is to base the standard on the single accounting treatment model in IFRS 16. Through this process, ASBJ published the Accounting Standard for Leases mentioned above.

In the Accounting Standard for Leases, a single accounting treatment model is applied to the method of distributing expenses related to leases, whereby a lessee shall recognize depreciation associated with right-of-use assets and interest expense associated with lease liabilities for all leases, regardless of whether they are operating leases or finance leases.

(2) Scheduled date of application

The standard is scheduled to be applied effective from the beginning of the fiscal year ending 28 February 2029.

(3) Effects of application of the Accounting Standard for Leases, etc.

The effects of applying the “Accounting Standard for Leases,” etc. on consolidated financial statements are currently under evaluation.

2. Accounting Standard for Subsequent Events, etc.
Accounting Standard for Subsequent Events (ASBJ Statement No. 41, 9 January 2026, Accounting Standards Board of Japan)
Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, 9 January 2026, Accounting Standards Board of Japan)

(1) Overview

The Accounting Standard for Subsequent Events, etc. set out accounting treatment and disclosure requirements for subsequent events. In developing these standards, the Accounting Standards Board of Japan gave priority to establishing comprehensive accounting standards addressing the definition of subsequent events, accounting treatment, disclosure and other matters. Its basic policy was to transfer to the Accounting Standards Board of Japan the accounting-related content set out in Practical Guideline No. 1 of Auditing Standards Committee Statement No. 560, *Audit Treatment Concerning Subsequent Events*, issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants, while in principle carrying over that content. The standards also revise the wording, clarify the evaluation period for subsequent events, and newly require notes on approval for the issuance of financial statements.

(2) Scheduled date of application

The standard is scheduled to be applied effective from the beginning of the fiscal year ending 28 February 2029.

Changes in presentation

“Accounts payable – trade,” which was included in “Notes and accounts payable – trade” under “Current liabilities” in the previous fiscal year is presented as “Accounts payable – trade” from the fiscal year under review because the Company no longer has transactions involving “Notes payable – trade” and does not expect any such transactions to arise in the future. To reflect this change in presentation, certain reclassifications have been made to the consolidated financial statements for the previous fiscal year.

As a result, ¥5,382 million presented as “Notes and accounts payable – trade” under “Current liabilities” in the consolidated balance sheet for the previous fiscal year has been reclassified as “Notes payable – trade” of ¥372 million and “Accounts payable – trade” of ¥5,009 million.

Additional information

Decision on matters relating to stock repurchase

At the meeting of the Board of Directors held on 26 December 2025, the Company resolved to repurchase its stock in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan, as follows.

(1) Reason of stock repurchase

The Company has been enhancing shareholder returns in its Medium-Term Business Plan to Fiscal 2028 announced on 14 April 2025 and Fiscal 2026 Semi Annual Financial Results Explanatory disclosed on 6 October 2025. The Company has also announced that it would flexibly consider the implementation of share buybacks in accordance with the progress of its business results.

In accordance with the above policy, the Company will repurchase its stock in order to expand shareholder returns and improve capital efficiency.

(2) Details of repurchase

(1)	Class of share	Common stock of the Company
(2)	Total number of shares of common stock to be repurchased	Up to 500,000 shares (4.9% of the total number of shares of common stock outstanding excluding treasury stock)
(3)	Total amount	Up to 2,000,000,000 yen
(4)	Period	From 19 January 2026 to 31 August 2026
(5)	Repurchase method	Auction market on Tokyo Stock Exchange

(Stock split and a partial change to the Articles of Incorporation associated with the stock split)

At the meeting of the Board of Directors held on 26 December 2025, the Company decided on a stock split and a partial change to the articles of incorporation associated with the stock split.

(1) Purpose of the split

The purpose is to create a more investor-friendly environment by conducting a stock split and lowering the price per stock trading unit, thereby improving the liquidity of its shares and increasing the number of new shareholders.

(2) Overview of the split

i. Method of the split

With 31 August 2026 as the record date, the Company will conduct a 3-for-1 stock split of the Company's common stock held by shareholders listed or recorded in the final list of shareholders on the same date.

ii. Number of shares to be increased by the split

Number of shares to be increased by the split	20,561,868 shares
Total number of shares issued before the stock split	10,280,934 shares
Total number of shares issued after the stock split	30,842,802 shares
Total number of authorized shares after the split	120,000,000 shares

iii. Schedule of the split

Date of public announcement of the record date (planned)	14 August 2026
Record date	31 August 2026
Effective date	1 September 2026

iv. Effect on per-share information

Per-share information assuming that the share split was conducted at the beginning of the previous fiscal year is as follows.

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Net assets per share (Yen)	1,227.26	1,337.18
Basic earnings per share (Yen)	117.16	130.72

Note: Diluted earnings per share is omitted since there were no potential shares.

(3) Partial change to the articles of incorporation associated with the stock split

i. Reason for the change

With the stock split, the Company will change the total number of authorized shares stipulated in Article 6 of the articles of incorporation of the Company, with 1 September 2026 as the effective date, in accordance with the provisions of Article 184, paragraph 2 of the Companies Act.

ii. Details of the change (the change is underlined)

Current articles of incorporation	Articles of incorporation after the change
(Total number of authorized shares) Article 6 The total number of authorized shares by the Company shall be <u>40,000,000</u> .	(Total number of authorized shares) Article 6 The total number of authorized shares by the Company shall be <u>120,000,000</u> .

iii. Effective date of the change

Effective date 1 September 2026

(4) Other

Change in the amount of stated capital.

With this stock split, there will be no change in the amount of stated capital.

Notes to consolidated balance sheet

- *1 Pursuant to the Act on Revaluation of Land (Act No. 34 promulgated on 31 March 1998), the Company has implemented revaluation of its land for business use. Of the valuation difference, the amount equivalent to income taxes and other taxes that are imposed on amounts related to profits as the tax base is recorded as deferred tax liabilities under liabilities. In addition, the amount of the valuation difference less the deferred tax liabilities is recorded as revaluation reserve for land under net assets.

Revaluation method provided for in Article 3, paragraph (3) of the Act

Land price is calculated with reasonable adjustments such as value correction by depth based on the amount calculated by the method established and published by the Commissioner of the National Tax Agency in order to calculate the land value for a basis of determining the taxable amount subject to land-holding tax provided for in Article 16 of the Land-holding Tax Act (Act No. 69 of 1991) under Article 2, item (iv) of the Enforcement Order of the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on 31 March 1998).

Revaluation date 31 December 2001

- *2 Major assets invested in non-consolidated subsidiaries and associates are as follows:

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Investment securities (shares)	428 million yen	416 million yen

- *3 Outstanding amounts including loss on transfer between retirement benefit plans

As of 28 February 2025

Long-term accounts payable - other includes the outstanding amount of ¥52 million, such as loss on transfer between retirement benefit plans including defined contribution pension plans implemented prior to the fiscal year ended 28 February 2021.

As of 28 February 2026

Long-term accounts payable - other includes the outstanding amount of ¥44 million, such as losses on transfers between retirement benefit plans including defined contribution pension plans implemented prior to the fiscal year ended 28 February 2021.

- *4 Assets pledged as collateral for borrowings

As of 28 February 2025

The following assets are pledged as collateral for revolving mortgages on borrowings from the Company's banks (¥5,000 million).

Buildings and structures	2,548	million yen
Land	4,072	
Other	13	
Total	6,634	

In addition, cash and deposits of ¥600 million are pledged as collateral for opening a letter of credit (L/C) with financial institutions.

As of 28 February 2026

Not applicable

- *5 Contract liabilities

As of 28 February 2025

Contract liabilities included in "other" under current liabilities	113	million yen
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As of 28 February 2026

Contract liabilities included in "other" under current liabilities	150	million yen
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Notes to consolidated statement of income

*1 Revenue from contracts with customers

For net sales, revenue from contracts with customers and other revenue are not separately stated.

The amount of revenue from contracts with customers is stated in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Revenue recognition, 1. Information on the breakdown of revenue from contracts with customers.”

*2 Write-downs of the carrying amount of inventories held for normal sales purposes based on decreased profitability (reversal amount shown in parentheses)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Cost of sales	(3) million yen	(5) million yen

*3 The major items and amounts of selling, general and administrative expenses are as follows:

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Salaries and allowances	10,021 million yen	9,875 million yen
Provision for bonuses	298	300
Retirement benefit expenses	173	155
Sales commission	14,085	13,213

*4 Loss on cancellation of licence contracts

Fiscal year ended 28 February 2025

Loss on cancellation of licence contracts is expense incurred for the disposal of IP products following the cancellation of licence contracts.

Fiscal year ended 28 February 2026

Loss on cancellation of license contracts is mainly disposal costs following the cancellation of license contracts.

*5 Loss on retirement of non-current assets

Fiscal year ended 28 February 2025

Loss on retirement of non-current assets is mainly loss on retirement of facilities (other), etc. in association with improvement of stores.

Fiscal year ended 28 February 2026

Loss on retirement of non-current assets is mainly loss on retirement of facilities (other), etc. in association with improvement of stores.

*6 Impairment losses

The Group recognized impairment loss on the following asset groups.

Fiscal year ended 28 February 2025

Location	Used for	Type of assets	Amount (Millions of yen)
Tokyo, etc.	Stores, offices, etc.	Buildings and structures	47
		Leased assets	39
		Leasehold and guarantee deposits	64
		Other	9

The Group classifies business assets mainly by store, except some shared assets, basically taking into consideration the categories of management accounting, whereas the Group classifies idle assets by individual asset and assets for lease by each item.

Assets associated with stores that continuously record losses from operating activities, and stores and offices that have been decided to be closed are reduced to the recoverable amount. Such reduction is recorded as impairment losses (¥160 million) under extraordinary losses.

The recoverable amount was measured based on the net realizable value or value in use. The net realizable value was evaluated by a reasonable estimate including expected disposal amounts, whereas the value in use was

calculated based on future cash flows. However, the description of discount rates is omitted as undiscounted future cash flows are negative.

Fiscal year ended 28 February 2026

Location	Used for	Type of assets	Amount (Millions of yen)
Tokyo, etc.	Stores, offices, etc.	Buildings and structures	262
		Leased assets	168
		Leasehold and guarantee deposits	55
		Other	34

The Group classifies business assets mainly by store, except some shared assets, basically taking into consideration the categories of management accounting, whereas the Group classifies idle assets by individual asset and assets for lease by each item.

Assets associated with stores that continuously record losses from operating activities, and stores and offices that have been decided to be closed are reduced to the recoverable amount. Such reduction is recorded as impairment losses (¥519 million) under extraordinary losses.

The recoverable amount was measured based on the net realizable value or value in use. The net realizable value was evaluated by a reasonable estimate including expected disposal amounts, whereas the value in use was calculated based on future cash flows. However, the description of discount rates is omitted as undiscounted future cash flows are negative.

*7 Litigation settlement

Fiscal year ended 28 February 2025

Litigation settlement was recognized as a result of the settlement of a copyright infringement lawsuit filed against the Company.

Fiscal year ended 28 February 2026

Not applicable

*8 Cancellation penalty

Fiscal year ended 28 February 2025

Cancellation penalty was recognized as a result of contract breaches due to tenant withdrawals.

Fiscal year ended 28 February 2026

Not applicable

Notes to consolidated statement of comprehensive income

Reclassification adjustments and tax effects on other comprehensive income

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Valuation difference on available-for-sale securities:		
Amount arising during the fiscal year	(1,181)	5,917
Reclassification adjustments	(1,914)	(4,115)
Before income taxes and tax effects	(3,095)	1,802
Income taxes and tax effects	947	(591)
Valuation difference on available-for-sale securities	(2,147)	1,211
Revaluation reserve for land:		
Income taxes and tax effects	—	(15)
Revaluation reserve for land	—	(15)
Deferred gains or losses on hedges:		
Amount arising during the fiscal year	(22)	5
Reclassification adjustments	—	—
Before income taxes and tax effects	(22)	5
Income taxes and tax effects	6	(1)
Deferred gains or losses on hedges	(15)	3
Foreign currency translation adjustment:		
Amount arising during the fiscal year	(5)	6
Reclassification adjustments	—	—
Before income taxes and tax effects	(5)	6
Income taxes and tax effects	—	—
Foreign currency translation adjustment	(5)	6
Total other comprehensive income	(2,167)	1,205

Notes to consolidated statement of changes in equity

Fiscal year ended 28 February 2025

1. Issued shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common shares (Thousands of shares)	12,622	–	–	12,622

2. Treasury shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common shares (Thousands of shares)	952	1,010	10	1,953

Outline of causes of change

Increase due to purchase of treasury shares based on a resolution of the Board of Directors	1,010 thousand shares
Increase due to repurchase of shares less than one unit	0 thousand shares
Decrease due to disposal of treasury shares based on a resolution of the Board of Directors	10 thousand shares

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
29 May 2024 Annual General Meeting of Shareholders	Common shares	1,026	Retained earnings	88	29 February 2024	30 May 2024

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
29 May 2025 Annual General Meeting of Shareholders	Common shares	1,376	Retained earnings	129	28 February 2025	30 May 2025

Fiscal year ended 28 February 2026

1. Issued shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common shares (Thousands of shares)	12,622	–	2,425	10,197

Outline of causes of change

Decrease due to cancellation of treasury shares based on a 2,425 thousand shares resolution of the Board of Directors

2. Treasury shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common shares (Thousands of shares)	1,953	521	2,474	0

Outline of causes of change

Increase due to purchase of treasury shares based on a resolution of the Board of Directors 519 thousand shares
 Increase due to repurchase of shares less than one unit 1 thousand shares
 Increase due to acquisition of restricted shares without contribution 1 thousand shares
 Increase due to acquisition of shares without contribution under a restricted share incentive plan for the Employee Stock Ownership Association 0 thousand shares
 Decrease due to disposal of treasury shares based on a resolution of the Board of Directors 48 thousand shares
 Decrease due to cancellation of treasury shares based on a 2,425 thousand shares resolution of the Board of Directors

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
29 May 2025 Annual General Meeting of Shareholders	Common shares	1,376	Retained earnings	129	28 February 2025	30 May 2025
6 October 2025 Board of Directors	Common shares	736	Retained earnings	69	31 September 2025	12 November 2025

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
28 May 2026 Annual General Meeting of Shareholders	Common shares	713	Retained earnings	70	28 February 2026	29 May 2026

Notes to consolidated statement of cash flows

*1 Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Cash and deposits	23,714 million yen	23,992 million yen
Time deposits with maturity over three months	(4,180)	(5,500)
Cash and cash equivalents	19,534	18,492

2 Details of significant non-monetary transactions

Amount of assets and liabilities related to finance lease transactions

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Amount of assets related to finance lease transactions	466 million yen	753 million yen
Amount of liabilities related to finance lease transactions	512	829

Lease

As a lessee

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

1) Components of leased assets

(i) Property, plant and equipment

This consists mainly of shop furniture.

(ii) Intangible assets

This consists of software.

2) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is as described in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Basis of preparation of consolidated financial statements, 4. Accounting policies, (2) Accounting methods for depreciation of significant depreciable assets.”

2. Operating lease transactions

Future lease payments to be received under non-cancellable leases of operating lease transactions

(Millions of yen)

	As of 28 February 2025	As of 28 February 2026
Due within one year	111	212
Due after one year	99	267
Total	211	479

Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group's policy is to limit its asset management to short-term deposits and other low risk financial assets, and raise funds mainly through bank loans. The Group uses derivatives to hedge risks described below, but does not engage in speculative transactions.

(2) Description of financial instruments and their risks

Notes and accounts receivable - trade, which are trade receivables, are exposed to credit risks of customers.

Investment securities are mainly shares of companies that have business relationships with the Company, and are exposed to the risk of market share price fluctuations.

Notes and accounts payable - trade, which are trade payables, are due within six months. Some of the payables are denominated in foreign currencies and exposed to the risk of fluctuations in foreign exchange rates. Borrowings are used for working capital and capital investment funds. The redemption date is up to five years and nine months after the fiscal year-end.

Derivatives are used to hedge risks arising from future fluctuations in foreign exchange rates, but not for any purpose other than risk hedge. For details on hedge accounting including hedging instruments, hedging items, hedging policy and method of assessing hedge effectiveness, please refer to "1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Basis of preparation of consolidated financial statements, 4. Accounting policies, (7) Accounting methods for significant hedging."

(3) Risk management system for financial instruments

1) Management of credit risk (risk related to default of contract by counterparties)

In accordance with its credit management regulations, the Company manages relevant due dates and balances for each counterparty and ensures early identification and mitigation of risks of uncollectibility due to the deterioration in their financial position and other reasons.

2) Management of market risk (risk of fluctuations in foreign exchange rates, interest rates and others)

The Group, in principle, uses forward exchange contracts to hedge risks related to trade payables denominated in foreign currencies.

3) Management of liquidity risk related to fund raising (risk of failure to make a payment on the due date)

The Group has the Accounting & Finance Headquarters prepare and update its financial plan on a timely basis based on the report from each department, and ensures to maintain liquidity on hand to manage liquidity risk.

(4) Supplementary explanation of fair values of financial instruments

Since variable factors are reflected in the calculation of fair values of financial instruments, the values may vary depending on the different assumptions and factors used.

The contract amount, etc. related to the derivatives in "2. Fair values of financial instruments" stated below do not indicate the market risk associated with the derivatives.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the differences between them are as follows.

As of 28 February 2025

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Available-for-sale securities	5,869	5,869	–
Total assets	5,869	5,869	–
(1) Current portion of long-term borrowings	3,140	3,139	(0)
(2) Long-term borrowings	3,790	3,772	(17)
Total liabilities	6,930	6,912	(17)
Derivatives (*3)	0	0	–

As of 28 February 2026

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Available-for-sale securities	7,421	7,421	–
Total assets	7,421	7,421	–
(1) Current portion of long-term borrowings	2,175	2,168	(6)
(2) Long-term borrowings	2,175	5,092	(57)
Total liabilities	7,325	7,261	(63)
Derivatives (*3)	5	5	–

*1. Cash is omitted from the notes, while deposits, accounts receivable - trade, and notes and accounts payable - trade are not listed because they are settled in a short period of time and their fair values approximate their carrying amounts.

*2. Shares, etc. without market prices are not included in “(1) Investment securities.” Carrying amount of the financial instrument in the consolidated balance sheet is as follows.

Category	As of 28 February 2025 (Millions of yen)	As of 28 February 2026 (Millions of yen)
Unlisted shares	428	417

*3. Net receivables and payables arising from derivatives are presented on a net basis.

(Notes) 1. Expected redemption amounts of monetary claims after the consolidated balance sheet date

As of 28 February 2025

	Within 1 year (Millions of yen)	After 1 year to 5 years (Millions of yen)	After 5 years to 10 years (Millions of yen)	After 10 years (Millions of yen)
Cash and deposits	23,714	–	–	–
Accounts receivable – trade	3,419	–	–	–
Total	27,134	–	–	–

As of 28 February 2026

	Within 1 year (Millions of yen)	After 1 year to 5 years (Millions of yen)	After 5 years to 10 years (Millions of yen)	After 10 years (Millions of yen)
Cash and deposits	23,992	–	–	–
Accounts receivable – trade	3,180	–	–	–
Total	27,172	–	–	–

2. Repayment schedule of long-term borrowings and other interest-bearing liabilities after the consolidated balance sheet date

As of 28 February 2025

	Within 1 year (Millions of yen)	After 1 year to 2 years (Millions of yen)	After 2 years to 3 years (Millions of yen)	After 3 years to 4 years (Millions of yen)	After 4 years to 5 years (Millions of yen)	After 5 years (Millions of yen)
Current portion of long-term borrowings	3,140	–	–	–	–	–
Long-term borrowings	–	2,140	1,140	140	140	230
Total	3,140	2,140	1,140	140	140	230

As of 28 February 2026

	Within 1 year (Millions of yen)	After 1 year to 2 years (Millions of yen)	After 2 years to 3 years (Millions of yen)	After 3 years to 4 years (Millions of yen)	After 4 years to 5 years (Millions of yen)	After 5 years (Millions of yen)
Current portion of long-term borrowings	2,175	–	–	–	–	–
Long-term borrowings	–	1,140	3,640	140	140	90
Total	2,175	1,140	3,640	140	140	90

3. Breakdown of financial instruments by fair value level

Fair values of financial instruments are categorized into the following three levels, in accordance with the observability and importance of inputs used in the fair value calculation.

Level 1 fair value: Fair values calculated based on the quoted market prices formed in active markets, applied to the assets and liabilities subject to fair value calculation, among observable inputs to the calculation of fair value

Level 2 fair value: Fair values calculated using inputs to the fair value calculation other than those used in Level 1, among observable inputs to the fair value calculation

Level 3 fair value: Fair values calculated using unobservable inputs to the fair value calculation

When multiple inputs that have a material effect on the fair value calculation are used, the fair value is categorized at the level of the lowest priority in the fair value calculation among the levels to which the respective inputs belong.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

As of 28 February 2025

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	5,869	–	–	5,869
Total assets	5,869	–	–	5,869
Derivatives	–	0	–	0

As of 28 February 2026

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	7,421	–	–	7,421
Total assets	7,421	–	–	7,421
Derivatives	–	5	–	5

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

As of 28 February 2025

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Current portion of long-term borrowings	–	3,139	–	3,139
Long-term borrowings	–	3,772	–	3,772
Total liabilities	–	6,912	–	6,912

As of 28 February 2026

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Current portion of long-term borrowings	–	2,168	–	2,168
Long-term borrowings	–	5,092	–	5,092
Total liabilities	–	7,261	–	7,261

(Note) Explanation of valuation techniques and inputs used for fair value calculation

Investment securities

Listed shares are valued using quoted market prices. Since listed shares are traded in active markets, their fair value is categorized as Level 1 fair value.

Current portion of long-term borrowings and long-term borrowings

The fair value of current portion of long-term borrowings and long-term borrowings is calculated using the discounted cash flow method based on the total of principal and interest, and an interest rate that takes into account the remaining period and credit risk of the obligation. The fair value of long-term borrowings with floating interest rate reflects market interest rates in a short period of time and there is no significant change in credit spread when borrowings are made. Therefore, the carrying amount is used for the fair value, but this is categorized as level 2 fair value.

Derivatives

The fair value of derivatives is calculated using observable inputs such as exchange rates, etc. which is categorized as level 2 fair value.

Securities

1. Available-for-sale securities

As of 28 February 2025

Category	Type of assets	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Items whose carrying amount exceeds acquisition cost	(1) Shares	5,869	628	5,240
	(2) Debentures	–	–	–
	(3) Other	–	–	–
	Subtotal	5,869	628	5,240
Total		5,869	628	5,240

(Note) Shares, etc. without market prices (carrying amount: ¥0 million) are not included in “Available-for-sale securities” in the above table.

As of 28 February 2026

Category	Type of assets	Carrying amount (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Items whose carrying amount exceeds acquisition cost	(1) Shares	7,421	378	7,043
	(2) Debentures	–	–	–
	(3) Other	–	–	–
	Subtotal	7,421	378	7,043
Total		7,421	378	7,043

(Note) Shares, etc. without market prices (carrying amount: ¥0 million) are not included in “Available-for-sale securities” in the above table.

2. Available-for-sale securities sold

As of 28 February 2025

Type of assets	Sale proceeds (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	2,127	1,916	0
(2) Debentures	–	–	–
(3) Other	–	–	–
Total	2,127	1,916	0

As of 28 February 2026

Type of assets	Sale proceeds (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	4,365	4,115	–
(2) Debentures	–	–	–
(3) Other	–	–	–
Total	4,365	4,115	–

Retirement benefits

1. Overview of retirement benefit plans adopted

The Company has adopted a defined contribution pension plan and a lump-sum retirement benefit plan. The amount of required contributions to the defined contribution pension plan is recorded as expenses. The lump-sum retirement benefit plan applies the simplified method that assumes the amount required for voluntary resignation at the end of the fiscal year to be retirement benefit obligations in calculating retirement benefit liability and retirement benefit expenses.

2. Defined benefit plans

(1) Changes in retirement benefit obligations (except plans that apply the simplified method stated in (3))

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Balance of retirement benefit obligations at beginning of period	122 million yen	87 million yen
Actuarial gains and losses accrued	(0)	(6)
Retirement benefits paid	(33)	(16)
Balance of retirement benefit obligations at end of period	87	65

(2) Changes in plan assets (except plans that apply the simplified method stated in (3))

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Balance of plan assets at beginning of period	133 million yen	99 million yen
Actuarial gains and losses accrued	2	8
Retirement benefits paid	(36)	(18)
Balance of plan assets at end of period	99	89

(3) Changes in retirement benefit liability for plans that apply the simplified method

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Retirement benefit liability at beginning of period	244 million yen	288 million yen
Retirement benefit expenses	61	54
Retirement benefits paid	(18)	(20)
Retirement benefit liability at end of period	288	322

(4) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheet

	As of 28 February 2025	As of 28 February 2026
Retirement benefit obligations of funded plans	87 million yen	65 million yen
Plan assets	(99)	(89)
Retirement benefit obligations of unfunded plans	(12)	(24)
Net amount of liabilities and assets recorded in the consolidated balance sheet	288	322
Retirement benefit liability	276	298
Retirement benefit asset	288	322
Retirement benefit asset	(12)	(24)
Net amount of liabilities and assets recorded in the consolidated balance sheet	276	298

(Note) Include plans to which the simplified method was applied.

(5) Amounts of retirement benefit expenses and their components

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Amortization of actuarial gains and losses	(3) million yen	(14) million yen
Retirement benefit expenses calculated by the simplified method	61	54
Retirement benefit expenses for defined benefit plans	57	39

(6) Plan assets

1) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

	As of 28 February 2025	As of 28 February 2026
Short-term assets	77%	85%
Other	23	15
Total	100	100

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(7) Actuarial assumptions

Major actuarial assumptions (presented as weighted average)

	As of 28 February 2025	As of 28 February 2026
Discount rate	0.0%	1.7%
Long-term expected rate of return	0.0%	0.0%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥180 million (from 1 March 2024 to 28 February 2025) and ¥176 million (from 1 March 2025 to 28 February 2026).

Deferred tax accounting

1. Major components of deferred tax assets and liabilities

	As of 28 February 2025	As of 28 February 2026
Deferred tax assets		
Excess of provision of allowance for doubtful accounts	3 million yen	3 million yen
Excess of provision for bonuses	118	119
Excess of provision for bonuses for directors (and other officers)	3	3
Retirement benefit liability	84	94
Refund liabilities	1	2
Expenses for loss on valuation of inventories	26	25
Excess of depreciation	0	0
Expenses for impairment loss	313	383
Excess of deferred assets	108	106
Expenses for loss on valuation of investment securities	1	1
Tax loss carryforwards (Note 2)	6,102	5,170
Other	420	403
Subtotal deferred tax assets	7,184	6,314
Valuation allowance for tax loss carryforwards for tax purposes (Note 2)	(5,414)	(4,519)
Valuation allowance for total future taxable temporary differences	(580)	(655)
Subtotal valuation allowance (Note 1)	(5,995)	(5,175)
Total deferred tax assets	1,188	1,139
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,604)	(2,195)
Other	(2)	(4)
Total deferred tax liabilities	(1,606)	(2,200)
Net deferred tax assets (liabilities)	(418)	(1,061)

(Notes) 1. The change in valuation allowance is mainly due to expiration of tax loss carryforwards and the use of tax loss carryforwards for tax purposes.

2. Amount of tax loss carryforwards for tax purposes and deferred tax assets by expiration period

As of 28 February 2025

	Within 1 year (Millions of yen)	After 1 year to 2 years (Millions of yen)	After 2 years to 3 years (Millions of yen)	After 3 years to 4 years (Millions of yen)	After 4 years to 5 years (Millions of yen)	After 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards for tax purposes (*1)	1,080	707	-	665	294	3,354	6,102
Valuation allowance	(392)	(707)	-	(665)	(294)	(3,354)	(5,414)
Deferred tax assets	687	-	-	-	-	-	(*2) 687

*1. Tax loss carryforwards for tax purposes are the amount multiplied by statutory effective tax rate.

*2. Deferred tax assets of ¥687 million was recognized for tax loss carryforwards for tax purposes of ¥6,102 million (multiplied by the statutory effective tax rate). No valuation allowance was recognized for the portion of tax loss carryforwards for tax purposes that are deemed collectable based on the expected future taxable income.

As of 28 February 2026

	Within 1 year (Millions of yen)	After 1 year to 2 years (Millions of yen)	After 2 years to 3 years (Millions of yen)	After 3 years to 4 years (Millions of yen)	After 4 years to 5 years (Millions of yen)	After 5 years (Millions of yen)	Total (Millions of yen)
Tax loss carryforwards for tax purposes (*1)	707	–	685	316	2,168	1,291	5,170
Valuation allowance	(57)	–	(685)	(316)	(2,168)	(1,291)	(4,519)
Deferred tax assets	651	–	–	–	–	–	(*2) 651

*1. Tax loss carryforwards for tax purposes are the amount multiplied by statutory effective tax rate.

*2. Deferred tax assets of ¥651 million was recognized for tax loss carryforwards for tax purposes of ¥5,170 million (multiplied by the statutory effective tax rate). No valuation allowance was recognized for the portion of tax loss carryforwards for tax purposes that are deemed collectable based on the expected future taxable income.

2. Major components of deferred tax assets and liabilities on revaluation reserve for land

	As of 28 February 2025	As of 28 February 2026
Deferred tax assets		
Revaluation reserve (loss)	– million yen	– million yen
Subtotal deferred tax assets	–	–
Valuation allowance	–	–
Total deferred tax assets	–	–
Deferred tax liabilities		
Revaluation reserve (gain)	(540)	(556)
Total deferred tax liabilities	(540)	(556)
Net deferred tax assets (liabilities)	(540)	(556)

3. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	As of 28 February 2025	As of 28 February 2026
Statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Provision for bonuses for directors (and other officers)	0.12	0.08
Expenses not deductible permanently, such as entertainment expenses	0.38	0.11
Income not taxable permanently, such as dividend income	(0.35)	(0.27)
Inhabitant per capita taxes	0.98	0.94
Share of profit of entities accounted for using equity method	(0.17)	–
Share of loss of entities accounted for using equity method	–	(0.07)
Increase (decrease) in valuation allowance	(46.58)	(19.18)
Expiration of tax loss carryforwards	26.61	5.86
Difference in tax rates of subsidiaries	(0.06)	(0.04)
Upward adjustment to deferred tax liabilities at fiscal year-end due to changes in tax rates	–	0.00
Other	0.02	(0.05)
Effective rate of income taxes after application of deferred tax accounting	11.57	18.14

4. Revision of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Following the enactment of the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) at the National Diet on 31 March 2025, the special defense corporate tax will be imposed from the fiscal year beginning on or after 1 April 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to reverse in the fiscal years beginning on or after 1 March 2027 have been calculated using a statutory effective tax rate of 31.52%, changed from 30.62%.

As a result of this change, deferred tax liabilities for the fiscal year under review, net of deferred tax assets, increased by ¥39 million, income taxes – deferred increased by ¥0 million, and valuation difference on available-for-sale securities decreased by ¥39 million.

Deferred tax liabilities for land revaluation also increased by ¥15 million, and revaluation reserve for land decreased by the same amount.

Revenue recognition

1. Information on the breakdown of revenue from contracts with customers

Fiscal year ended 28 February 2025

As stated in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Segment information, etc.,” the Group has a single reportable segment of a fashion-related business centered on apparel.

Principal revenue is broken down by sales channel, as shown below.

		Net sales (Millions of yen)	Composition ratio (%)
Fashion-related business	Department stores	39,109	64.6
	Directory managed stores	3,553	5.9
	EC & mail/online order	8,205	13.6
	Outlets	7,280	12.0
	Other	2,378	3.9
Revenue from contracts with customers		60,526	100.0
Other revenue		–	–
Net sales to external customers		60,526	100.0

Fiscal year ended 28 February 2026

As stated in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Segment information, etc.,” the Group has a single reportable segment of a fashion-related business centered on apparel.

Principal revenue is broken down by sales channel, as shown below.

		Net sales (Millions of yen)	Composition ratio (%)
Fashion-related business	Department stores	36,117	61.8
	Directory managed stores	3,471	5.9
	EC & mail/online order	8,894	15.2
	Outlets	7,847	13.4
	Other	2,117	3.6
Revenue from contracts with customers		58,448	100.0
Other revenue		–	–
Net sales to external customers		58,448	100.0

2. Basic information for understanding revenue from contracts with customers

This is as described in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Basis of preparation of consolidated financial statements, 4. Accounting policies, (5) Accounting policy for significant revenue and expenses.”

3. Relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the information about the amount and recognition timing of revenue that will be generated from contracts with customers existing at the end of the fiscal year under review and that are expected to be recognized in the following fiscal year or later

(1) Balance, etc. of contract liabilities

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Contract liabilities (balance at beginning of period)	162 million yen	113 million yen
Contract liabilities (balance at end of period)	113 million yen	150 million yen

(Notes) 1. Contract liabilities are mainly own points granted for sales to customers and are included in “other” under current liabilities in the consolidated balance sheet.

2. Of revenue recognized in the fiscal year under review, the amount that includes the beginning balance of contract liabilities is not material.

(2) Transaction price allocated to remaining performance obligations

The Group applies the practical simplified method in noting the transaction price allocated to remaining performance obligations. Contracts with one year or less contract period initially forecast are not included in the notes.

Segment information, etc.

Segment information

Fiscal year ended 28 February 2025

The segment information is omitted, because the Group has a single reportable segment of a fashion-related business centered on apparel.

Fiscal year ended 28 February 2026

The segment information is omitted, because the Group has a single reportable segment of a fashion-related business centered on apparel.

Related information

Fiscal year ended 28 February 2025

1. Information about products and services

The information is omitted, because net sales of a single product and service to external customers accounted for more than 90% of net sales in the consolidated statement of income.

2. Information about geographical areas

(1) Net sales

The information is omitted, because net sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information about main customers

The information is omitted, because there is no customer accounting for 10% or more of net sales to external customers in the consolidated statement of income.

Fiscal year ended 28 February 2026

1. Information about products and services

The information is omitted, because net sales of a single product and service to external customers accounted for more than 90% of net sales in the consolidated statement of income.

2. Information about geographical areas

(1) Net sales

The information is omitted, because net sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

The information is omitted, because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information about main customers

The information is omitted, because there is no customer accounting for 10% or more of net sales to external customers in the consolidated statement of income.

Information about impairment loss of non-current assets by reportable segment

The segment information is omitted, because the Group has a single reportable segment of a fashion-related business centered on apparel.

Information about amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended 28 February 2025

Not applicable

Fiscal year ended 28 February 2026

Not applicable

Information about gain on bargain purchase by reportable segment

Not applicable

Related Party Information

1. Transactions with related party

(1) Transactions between the Company and related parties

1) The parent company and major corporate shareholders (limited to companies, etc.) of the Company

Fiscal year ended 28 February 2025

Type	Name of company, etc.	Location	Share capital or investments in capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related party	Nature of transactions	Transaction amount (Millions of yen)	Accounts	Ending balance (Millions of yen)
Major shareholders	Yagi Tsusho Limited	Chuo-ku, Osaka City, Osaka	100	Sales of clothing and others	(Held) Direct 15.00	Purchase of finished goods, Payment of royalty	Purchase of finished goods	2,307	Accounts payable - trade	285
							Payment of royalty	720	Prepaid expenses	660

Fiscal year ended 28 February 2026

Type	Name of company, etc.	Location	Share capital or investments in capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related party	Nature of transactions	Transaction amount (Millions of yen)	Accounts	Ending balance (Millions of yen)
Major shareholders	Yagi Tsusho Limited	Chuo-ku, Osaka City, Osaka	100	Sales of clothing and others	(Held) Direct 11.10	Purchase of finished goods, Payment of royalty	Purchase of finished goods	2,444	Accounts payable - trade	311
							Payment of royalty	720	Prepaid expenses	660

(Note) Transaction terms and policy on determination of transaction terms

Transaction terms are determined through individual negotiations.

2) Non-consolidated subsidiaries and associates of the Company

Fiscal year ended 28 February 2025

The information is omitted as it is immaterial.

Fiscal year ended 28 February 2026

The information is omitted as it is immaterial.

Per share information

Fiscal year ended 28 February 2025		Fiscal year ended 28 February 2026	
Net assets per share	3,681.79 yen	Net assets per share	4,011.55 yen
Earnings per share	351.48 yen	Earnings per share	392.17 yen
Diluted earnings per share		Diluted earnings per share	
Omitted since there were no potential shares.		Omitted since there were no potential shares.	

2. Basis of calculation

1. Net assets per share

Items	As of 28 February 2025	As of 28 February 2026
Total amount of net assets in the consolidated balance sheet (Millions of yen)	39,301	40,923
Amounts deducted from the total amount of net assets (Millions of yen)	18	20
[of which, non-controlling interests (Millions of yen)]	[18]	[20]
Net assets applicable to common shares (Millions of yen)	39,283	40,903
Number of shares of common shares issued and outstanding (Thousands of shares)	12,622	10,197
Number of treasury shares of common shares (Thousands of shares)	1,953	0
Number of common shares used to calculate net assets per share (Thousands of shares)	10,669	10,196

2. The bases for calculating earnings per share are as follows:

	As of 28 February 2025	As of 28 February 2026
Earnings per share		
Profit attributable to owners of parent on the consolidated statement of income (Millions of yen)	4,007	4,113
Profit not attributable to common shareholders (Millions of yen)		
Profit attributable to owners of parent associated with common shares (Millions of yen)	4,007	4,113
Average number of outstanding common shares during the period (Thousands of shares)	11,401	10,489

Subsequent events

At the Board of Directors meeting held 3 April 2026, the Company resolved to transfer the non-current assets as follows.

(1) Reason for transfer

The Company decided to transfer a portion of the non-current assets (land) owned by the Company in order to improve capital efficiency based on the Medium-Term Business Plan.

(2) Details of assets to be transferred

(1) Name of assets	A portion of the land of the head office building
(2) Location	(a) A portion of 14-7 Yotsuya Honshio-cho, Shinjuku-ku, Tokyo (b) 14-18 Yotsuya Honshio-cho, Shinjuku-ku, Tokyo
(3) Area	Land 723.21m ²
(4) Transfer price	Not disclosed due to agreement with the transferee.
(5) Gain on transfer (planned)	2.8 billion yen
(6) Current status	Currently in operation as part of the Company's head office building

(3) Details of assets to be transferred

Although the transferee is a domestic business corporation, the company name of the transferee will not be disclosed due to the arrangement with the transferee. There are no notable capital, personnel or transactional relationships between the transferee and the Company. In addition, the transferee does not qualify as a related party of the Company.

(4) Schedule of transfer

(1) Date of resolution of Board of Directors	3 April 2026
(2) Date of contract conclusion	15 April 2026
(3) Date of delivery	August 2027 (planned)

The above gain on transfer of the non-current assets is expected to be recorded as extraordinary income in the consolidated financial results for the financial year ending 28 February 2028.

In addition, the Company plans to rebuild its head office building on Company's premises other than the subject of this transfer. This will be implemented based on the Company's policy of strengthening investment in human capital, aiming to further improve operational efficiency and productivity through improvement of employees' working environment and promotion of work style reforms. We believe these initiatives will contribute to the Company's sustainable long-term growth. We will disclose detail of this matter as soon as determined.

Annexed Consolidated Detailed Schedules

Consolidated Detailed Schedule of Corporate Bonds

Not applicable

Consolidated Detailed Schedule of Borrowings

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	–		–	–
Current portion of long-term borrowings	3,140	2,175	2.1	–
Current portion of lease obligations	174	338	–	–
Long-term borrowings (excluding current portion)	3,790	5,150	1.9	2027 to 2031
Lease obligations (excluding current portion)	522	912	–	2027 to 2031
Other interest-bearing liabilities	–	–	–	–
Total	7,626	8,575	–	–

(Notes) 1. Average interest rates are calculated as the weighted average on borrowings outstanding and borrowing rate at the end of the fiscal year.

2. Average interest rates for lease obligations are not included since the lease obligations are accounted for on the consolidated balance sheet as the amounts before deducting interest equivalents included in total lease payments.

3. The repayment schedule of long-term borrowings and lease obligations (excluding current portion) within five years after the consolidated balance sheet date is as follows:

	After 1 year to 2 years (Millions of yen)	After 2 years to 3 years (Millions of yen)	After 3 years to 4 years (Millions of yen)	After 4 years to 5 years (Millions of yen)
Long-term borrowings	1,140	3,640	140	140
Lease obligations	336	304	207	64

Consolidated Detailed Schedule of Asset Retirement Obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended 28 February 2026 were not more than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended 28 February 2026, respectively.

(2) Other

Information for the first half of the fiscal year ended 28 February 2026

	Six months ended 31 August 2025	Fiscal year ended 28 February 2026
Net sales (Millions of yen)	27,042	58,448
Profit before income taxes (Millions of yen)	(158)	5,026
Profit attributable to owners of parent (Millions of yen)	(299)	4,113
Earnings per share (yen)	(28.10)	392.17

2. Non-consolidated Financial Statements and Other Information

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheet

(Millions of yen)

	As of 28 February 2025	As of 28 February 2026
Assets		
Current assets		
Cash and deposits	*2 23,583	23,835
Accounts receivable - trade	3,419	3,180
Merchandise and finished goods	9,070	9,291
Work in process	216	153
Raw materials and supplies	324	346
Prepaid expenses	*1 1,149	*1 1,666
Accounts receivable - other	*1 55	*1 42
Other	308	112
Allowance for doubtful accounts	(5)	(5)
Total current assets	38,123	38,623
Non-current assets		
Property, plant and equipment		
Buildings	*2 2,983	2,933
Structures	*2 38	33
Machinery and equipment	*2 32	25
Tools, furniture and fixtures	771	776
Land	*2 4,309	4,824
Leased assets	532	607
Construction in progress	11	49
Total property, plant and equipment	8,679	9,251
Intangible assets		
Trademark right	1,887	1,577
Software	698	722
Other	166	419
Total intangible assets	2,752	2,718
Investments and other assets		
Investment securities	5,869	7,421
Shares of subsidiaries and associates	486	486
Investments in capital of subsidiaries and associates	0	0
Leasehold and guarantee deposits	1,043	976
Prepaid pension costs	12	24
Other	*1 49	*1 365
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	7,454	9,267
Total non-current assets	18,886	21,236
Total assets	57,010	59,860

(Millions of yen)

	As of 28 February 2025	As of 28 February 2026
Liabilities		
Current liabilities		
Notes payable - trade	372	—
Accounts payable - trade	*1 5,009	*1 4,701
Current portion of long-term borrowings	*2 3,140	2,175
Lease liabilities	174	338
Accounts payable - other	49	58
Accrued expenses	*1 1,981	*1 1,969
Accrued consumption taxes	10	265
Income taxes payable	638	651
Deposits received	118	99
Provision for bonuses	386	390
Provision for bonuses for directors (and other officers)	10	11
Other	*3 155	*3 192
Total current liabilities	12,046	10,853
Non-current liabilities		
Long-term borrowings	*2 3,790	5,150
Lease liabilities	522	912
Long-term accounts payable - other	52	44
Deferred tax liabilities	418	1,061
Deferred tax liabilities for land revaluation	540	556
Provision for retirement benefits	288	322
Other	67	65
Total non-current liabilities	5,679	8,113
Total liabilities	17,725	18,967
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus		
Legal capital surplus	3,800	3,800
Other capital surplus	6,123	169
Total capital surplus	9,923	3,969
Retained earnings		
Other retained earnings		
General reserve	9,750	9,750
Retained earnings brought forward	4,117	6,113
Total retained earnings	13,867	15,863
Treasury shares	(4,369)	(2)
Total shareholders' equity	34,423	34,833
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,635	4,847
Deferred gains or losses on hedges	0	3
Revaluation reserve for land	1,224	1,208
Total valuation and translation adjustments	4,860	6,059
Total net assets	39,284	40,893
Total liabilities and net assets	57,010	59,860

(ii) Non-consolidated Statement of Income

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Net sales	60,526	58,448
Cost of sales	*1 22,712	*1 22,845
Gross profit	37,814	35,602
Selling, general and administrative expenses	*2 35,129	*2 34,322
Operating profit	2,684	1,280
Non-operating income		
Interest and dividend income	*1 271	*1 272
Rental income	6	11
Other	8	38
Total non-operating income	286	323
Non-operating expenses		
Interest expenses	114	133
Foreign exchange losses	17	32
Commission for purchase of treasury shares	25	0
Loss on cancellation of licence contracts	*3 29	*3 6
Other	3	2
Total non-operating expenses	190	174
Ordinary profit	2,780	1,428
Extraordinary income		
Gain on sale of investment securities	1,916	4,115
Total extraordinary income	1,916	4,115
Extraordinary losses		
Loss on retirement of non-current assets	*4 0	*4 3
Impairment losses	160	519
Loss on sale of investment securities	0	—
Litigation settlement	*5 20	—
Cancellation penalty	*6 25	—
Total extraordinary losses	207	523
Profit before income taxes	4,489	5,020
Income taxes - current	695	861
Income taxes - deferred	(170)	50
Total income taxes	524	911
Profit	3,965	4,109

Detailed Schedule of Cost of Products Manufactured

Category	Note number	Fiscal year ended 28 February 2025		Fiscal year ended 28 February 2026	
		Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
I. Material cost		2,318	28.0	2,273	28.2
II. Labor cost		1,751	21.1	1,717	21.3
III. Manufacturing expenses		4,221	50.9	4,062	50.4
[of which, subcontract processing cost]		[1,726]		[1,665]	
Total manufacturing cost		8,291	100.0	8,054	100.0
Beginning inventories of work in process		229		216	
Total		8,521		8,270	
Ending inventories of work in process		216		153	
Cost of products manufactured		8,304		8,116	

(Note) Cost accounting method

The group-separated general cost accounting method using standard costs is applied, and cost variances are allocated to cost of sales and inventories at the end of the fiscal year.

(iii) Non-consolidated Statement of Changes in Equity
Fiscal year ended 28 February 2025

(Millions of yen)

	Shareholders' equity						Total shareholders' equity
	Share capital	Capital surplus		Retained earnings		Treasury shares	
		Legal capital surplus	Other capital surplus	Other retained earnings			
				General reserve	Retained earnings brought forward		
Balance at beginning of period	15,002	3,800	6,113	9,750	1,178	(1,587)	34,257
Changes during period							
Dividends of surplus					(1,026)		(1,026)
Profit (loss)					3,965		3,965
Purchase of treasury shares						(2,798)	(2,798)
Disposal of treasury shares			9			17	26
Cancellation of treasury shares							–
Net changes in items other than shareholders' equity							
Total changes during period	–	–	9	–	2,938	(2,781)	166
Balance at end of period	15,002	3,800	6,123	9,750	4,117	(4,369)	34,423

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	5,783	15	1,224	7,023	41,280
Changes during period					
Dividends of surplus					(1,026)
Profit (loss)					3,965
Purchase of treasury shares					(2,798)
Disposal of treasury shares					26
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity	(2,147)	(15)	–	(2,162)	(2,162)
Total changes during period	(2,147)	(15)	–	(2,162)	(1,996)
Balance at end of period	3,635	0	1,224	4,860	39,284

	Shareholders' equity						Total shareholders' equity
	Share capital	Capital surplus		Retained earnings		Treasury shares	
		Legal capital surplus	Other capital surplus	Other retained earnings			
				General reserve	Retained earnings brought forward		
Balance at beginning of period	15,002	3,800	6,123	9,750	4,117	(4,369)	34,423
Changes during period							
Dividends of surplus					(2,113)		(2,113)
Profit (loss)					4,109		4,109
Purchase of treasury shares						(1,722)	(1,722)
Disposal of treasury shares			19			116	135
Cancellation of treasury shares			(5,972)			5,972	–
Net changes in items other than shareholders' equity							
Total changes during period	–	–	(5,953)	–	1,996	4,367	409
Balance at end of period	15,002	3,800	169	9,750	6,113	(2)	34,833

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	3,635	0	1,224	4,860	39,284
Changes during period					
Dividends of surplus					(2,113)
Profit (loss)					4,109
Disposal of treasury shares					(1,722)
Purchase of treasury shares					135
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity	1,211	3	(15)	1,199	1,199
Total changes during period	1,211	3	(15)	1,199	1,609
Balance at end of period	4,847	3	1,208	6,059	40,893

Notes

Significant accounting policies

1. Valuation basis and methods for securities
 - (1) Shares of subsidiaries and associates
Stated at cost determined by the moving average method
 - (2) Available-for-sale securities
Securities other than shares, etc. without market prices
Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)
Shares, etc. without market prices
Stated at cost determined by the moving average method
 - (3) Derivatives
Stated at fair value

2. Valuation basis and methods for inventories
 - (1) Merchandise and finished goods, work in process and supplies
Stated at cost determined by the first-in, first-out method
 - (2) Raw materials
Stated at cost determined by the last purchase price method
The balance sheet value is calculated by the method of writing down the carrying amount based on decreased profitability.

3. Accounting method for depreciation of non-current assets
 - (1) Property, plant and equipment (excluding leased assets)
The declining balance method is applied, while the straight-line method is applied to buildings acquired on or after 1 April 1998 (excluding facilities attached to buildings) and to facilities attached to buildings and structures acquired on or after 1 April 2016.
Major useful lives are as follows:
Buildings: 3 to 50 years
Tools, furniture and fixtures: 3 to 20 years
 - (2) Intangible assets (excluding leased assets)
The straight-line method is applied.
For useful life, the same standard as the method stipulated in the Corporation Tax Act is applied.
Major useful lives are as follows:
Trademark right: 10 years
Software (for internal use): 5 years
 - (3) Leased assets
Leased assets related to finance lease transactions that do not transfer ownership
The straight-line method is applied assuming the lease period as the useful life without residual value.

4. Accounting policy for provisions
 - (1) Allowance for doubtful accounts
To cover credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
 - (2) Provision for bonuses
To cover bonus payments to employees, provision for bonuses is provided based on the estimated amount of payment.
 - (3) Provision for bonuses for directors (and other officers)
To cover bonus payments to directors (and other officers), provision for bonuses is provided based on the estimated amount of payment for the fiscal year under review.
 - (4) Provision for retirement benefits

To cover retirement benefits payment to employees, the Company has adopted a defined contribution pension plan and a lump-sum retirement benefit plan. The amount of required contributions to the defined contribution pension plan is recorded as expenses. The lump-sum retirement benefit plan applies the simplified method that assumes the amount required for voluntary resignation at the end of the fiscal year to be retirement benefit obligations in calculating provision for retirement benefits and retirement benefit expenses.

5. Accounting policy for revenue and expenses

The major performance obligations of the Company in its principal operations and the usual points in time at which revenue is recognized are as follows.

Sales of merchandise and finished goods The Company engages in sales of clothing and others. In the sales of merchandise and finished goods, the Company has a performance obligation to deliver the merchandise and finished goods to the customer and recognizes revenue when the merchandise and finished goods are delivered to the customer. For sales in EC & mail/online order, revenue is recognized at the time of shipment since the period from the shipment to the time at which the control of the merchandise and finished goods is transferred to the customer is a normal period of time.

6. Accounting policy for translation of foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date, and translation differences are accounted for as profit or loss.

7. Accounting methods for hedging

(1) Accounting methods for hedging

The deferral hedge accounting is adopted.

For forward exchange contracts, the designated hedge accounting is adopted if they meet the requirements for that accounting.

(2) Hedging instruments and hedged items

Hedging instruments Forward exchange contracts

Hedged items Foreign currency trade payables

(3) Hedging policy

The risk of fluctuations in foreign exchange rates is hedged based on the risk management method as specified in internal regulations.

(4) Method of assessing hedge effectiveness

Effectiveness is determined by comparing the accumulated changes in fair value of hedging instruments and the accumulated changes in fair value of hedged items. However, if key conditions related to assets or liabilities of hedging instruments and hedged items are the same, the assessment of hedge effectiveness is omitted.

Significant accounting estimates

1. Evaluation of inventories

(1) Amounts recorded in the financial statements for the fiscal year ended 28 February 2026

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Merchandise and finished goods	9,070	9,291
Loss on valuation of inventories	87	82

(Note) Cost of sales includes loss on valuation of inventories or reversal due to revaluation of loss on valuation of inventories.

(2) Information related to significant accounting estimates pertaining to distinguishable items

This is the same content as in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Significant accounting estimates, 1. Evaluation of inventories.”

2. Collectability of deferred tax assets

(1) Amounts recorded in the financial statements for the fiscal year ended 28 February 2026

(Millions of yen)

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Deferred tax assets (before offsetting against deferred tax liabilities)	1,188	1,139

(2) Information related to significant accounting estimates pertaining to distinguishable items

This is the same content as in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Significant accounting estimates, 2. Collectability of deferred tax assets.”

Changes in accounting policies

Application of Accounting Standard for Current Income Taxes, etc.

Notes are omitted because the same information is presented in “Section 5. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, Changes in accounting policies.”

Changes in presentation

“Foreign exchange losses” included in “other” under “non-operating expenses” in the fiscal year ended 28 February 2025 is presented separately from the fiscal year ended 28 February 2026 since the amount has become material. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended 28 February 2025 have been reclassified.

As a result, in the consolidated statement of income for the fiscal year ended 28 February 2025, ¥21 million presented in “other” under “non-operating expenses” has been reclassified as “foreign exchange losses” of ¥17 million and “other” of ¥3 million.

Additional information

Decision on matters relating to stock repurchase

Notes are omitted because the same information is presented in “Section 5. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, Additional information.”

Stock split and a partial change to the Articles of Incorporation associated with the stock split

Notes are omitted because the same information is presented in “Section 5. Financial Information, 1. Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, Additional information.”

Notes to non-consolidated balance sheet

*1 Receivables and obligations to subsidiaries and associates (excluding those separately presented)

	As of 28 February 2025	As of 28 February 2026
Short-term receivables	36 million yen	40 million yen
Long-term receivables	32	32
Short-term obligations	13	19

*2. Assets pledged as collateral for borrowings

As of 28 February 2025

The following assets are pledged as collateral for revolving mortgages and revolving pledges on borrowings from the Company's banks (¥5,000 million).

Buildings	2,510 million yen
Structures	38
Land	4,072
Other	13
Total	6,634

In addition, cash and deposits of ¥600 million are pledged as collateral for opening a letter of credit (L/C) with financial institutions.

As of 28 February 2026

Not applicable

*3 Contract liabilities

As of 28 February 2025

Contract liabilities included in "other" under current liabilities 113 million yen

As of 28 February 2026

Contract liabilities included in "other" under current liabilities 150 million yen

Notes to non-consolidated statement of income

*1 Transaction balance from associates

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Transaction balance from operating transactions		
Purchases	26 million yen	41 million yen
Transaction balance from non-operating transactions	0	0

*2 The approximate percentage of expenses under selling expenses is 75% in the previous fiscal year and 74% in the fiscal year under review. The approximate percentage of expenses under general and administrative expenses is 25% in the previous fiscal year and 26% in the fiscal year under review.

Of selling, general and administrative expenses, the major items and amounts are as follows:

	Fiscal year ended 28 February 2025	Fiscal year ended 28 February 2026
Salaries and allowances	9,974 million yen	9,826 million yen
Provision for bonuses	298	300
Depreciation	670	789
Sales commission	14,085	13,213

*3 Loss on cancellation of licence contracts

Fiscal year ended 28 February 2025

Loss on cancellation of licence contracts is expense incurred for the disposal of IP products following the cancellation of licence contracts.

Fiscal year ended 28 February 2026

Loss on cancellation of license contracts is mainly disposal costs following the cancellation of license contracts.

*4 Loss on retirement of non-current assets

Fiscal year ended 28 February 2025

Loss on retirement of non-current assets is mainly loss on retirement of facilities (buildings), etc. in association with improvement of stores.

Fiscal year ended 28 February 2026

Loss on retirement of non-current assets is mainly loss on retirement of facilities (other), etc. in association with improvement of stores.

*5. Litigation settlement

Fiscal year ended 28 February 2025

Litigation settlement was recognized as a result of the settlement of a copyright infringement lawsuit filed against the Company.

Fiscal year ended 28 February 2026

Not applicable

*6 Cancellation penalty

Fiscal year ended 28 February 2025

Cancellation penalty was recognized as a result of contract breaches due to tenant withdrawals.

Fiscal year ended 28 February 2026

Not applicable

Securities

As of 28 February 2025

Shares of subsidiaries and associates of ¥486 million consist solely of shares in subsidiaries. The information is omitted since they do not have market prices.

As of 28 February 2026

Shares of subsidiaries and associates of ¥486 million consist solely of shares in subsidiaries. The information is omitted since they do not have market prices.

Deferred tax accounting

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	As of 28 February 2025	As of 28 February 2026
Deferred tax assets		
Excess of provision of allowance for doubtful accounts	3	3
Excess of provision for bonuses	118	119
Excess of provision for bonuses for directors (and other officers)	3	3
Excess of provision for retirement benefits	84	94
Refund liabilities	1	2
Expenses for loss on valuation of inventories	26	25
Excess of depreciation	0	0
Expenses for impairment loss	211	302
Excess of deferred assets	108	106
Expenses for loss on valuation of investment securities	1	1
Expenses for loss on valuation of shares of subsidiaries and associates	920	947
Tax loss carryforwards	5,987	5,032
Other	422	406
Subtotal deferred tax assets	7,890	7,045
Valuation allowance for tax loss carryforwards for tax purposes	(5,299)	(4,381)
Valuation allowance for total future taxable temporary differences	(1,401)	(1,525)
Subtotal valuation allowance	(6,701)	(5,906)
Total deferred tax assets	1,188	1,139
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,604)	(2,195)
Other	(2)	(4)
Total deferred tax liabilities	(1,606)	(2,200)
Net deferred tax assets (liabilities)	(418)	(1,061)

2. Major components of deferred tax assets and liabilities on revaluation reserve for land

	(Millions of yen)	
	As of 28 February 2025	As of 28 February 2026
Deferred tax assets		
Revaluation reserve (loss)	—	—
Subtotal deferred tax assets	—	—
Valuation allowance	—	—
Total deferred tax assets	—	—
Deferred tax liabilities		
Revaluation reserve (gain)	(540)	(556)
Total deferred tax liabilities	(540)	(556)
Net deferred tax assets (liabilities)	(540)	(556)

Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	As of 28 February 2025	As of 28 February 2026
Statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Provision for bonuses for directors (and other officers)	0.12	0.08
Expenses not deductible permanently, such as entertainment expenses	0.38	0.11
Income not taxable permanently, such as dividend income	(0.35)	(0.27)
Inhabitant per capita taxes	0.98	0.94
Increase (decrease) in valuation allowance	(46.94)	(19.15)
Expiration of tax loss carryforwards	26.88	5.87
Upward adjustment to deferred tax liabilities at fiscal year-end due to changes in tax rates	—	0.00
Other	(0.02)	(0.05)
Effective rate of income taxes after application of deferred tax accounting	11.67	18.15

4. Changes in the rate of income taxes, etc. after the fiscal year end

Following the enactment of the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) at the National Diet on 31 March 2025, the special defense corporate tax will be imposed from the fiscal year beginning on or after 1 April 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to reverse in the fiscal years beginning on or after 1 March 2027 have been calculated using a statutory effective tax rate of 31.52%, changed from 30.62%.

As a result of this change, deferred tax liabilities for the fiscal year under review, net of deferred tax assets, increased by ¥39 million, income taxes – deferred increased by ¥0 million, and valuation difference on available-for-sale securities decreased by ¥39 million.

Deferred tax liabilities for land revaluation also increased by ¥15 million, and revaluation reserve for land decreased by the same amount.

Revenue recognition

Note is omitted since it is the same content as in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Revenue recognition.”

Subsequent events

Note is omitted since it is the same content as in “1. Consolidated Financial Statements and Other Information, (1) Notes to the Consolidated Financial Statements, Subsequent events.”

(iv) Annexed Detailed Schedules

Detailed Schedules of Property, Plant and Equipment

(Millions of yen)

Category	Type of assets	Beginning balance	Increase in the fiscal year	Decrease in the fiscal year	Amortization in the fiscal year	Ending balance	Accumulated depreciation
Property, plant and equipment	Buildings	2,983	429	262 (262)	217	2,933	2,695
	Structures	38	–	–	4	33	88
	Machinery and equipment	32	3	–	9	25	69
	Tools, furniture and fixtures	771	103	34 (34)	64	776	650
	Land	4,309 [1,765]	515	–	–	4,824 [1,765]	–
	Leased assets	532	448	171 (168)	201	607	446
	Construction in progress	11	95	57	–	49	–
	Total	8,679 [1,765]	1,596 [-]	525 (464) [-]	497	9,251 [1,765]	3,949
Intangible assets	Trademark right	1,887	0	–	310	1,577	2,892
	Software	698	304	10	271	722	1,414
	Other	166	305	–	53	419	74
	Total	2,752	610	10	634	2,718	4,381

- (Notes) 1. The amounts in parentheses in “Decrease in the fiscal year” are impairment losses.
2. The amounts in brackets in “Beginning balance,” “Decrease in the fiscal year” and “Ending balance” are the difference from the carrying amount prior to the revaluation of land implemented pursuant to the Act on Revaluation of Land (Act No. 34 promulgated on 31 March 1998).

Detailed Schedules of Provisions

(Millions of yen)

Accounts	Beginning balance	Increase in the fiscal year	Decrease in the fiscal year	Ending balance
Allowance for doubtful accounts	11	0	0	11
Provision for bonuses	386	390	386	390
Provision for bonuses for directors (and other officers)	10	11	10	11

(2) Major Assets and Liabilities

The information is omitted since consolidated financial statements have been prepared.

(3) Other

Not applicable