

(Summary)

Annual Securities Report

for the Year Ended February 29, 2024

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 (March 1, 2023 to February 29, 2024) and non-consolidated financial statements for the fiscal year (March 1, 2023 to February 29, 2024) 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 February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	*4 20,896	*4 23,283
Accounts receivable - trade	3,360	3,311
Merchandise and finished goods	8,024	7,298
Work in process	176	229
Raw materials and supplies	279	289
Other	1,993	1,802
Allowance for doubtful accounts	(5)	(5)
Total current assets	34,725	36,209
Non-current assets		
Property, plant and equipment		
Buildings and structures	*4 5,767	*4 5,562
Accumulated depreciation	(2,384)	(2,431)
Buildings and structures, net	3,383	3,130
Land	*1, *4 4,136	*1, *4 4,309
Leased assets	694	750
Accumulated depreciation	(517)	(405)
Leased assets, net	177	345
Construction in progress	3	3
Other	*4 1,459	*4 1,448
Accumulated depreciation	(601)	(638)
Other, net	858	810
Total property, plant and equipment	8,559	8,598
Intangible assets		
Trademark right	2,512	2,197
Other	714	910
Total intangible assets	3,226	3,108
Investments and other assets		
Investment securities	*2, *4 5,748	*2 9,580
Leasehold and guarantee deposits	1,081	978
Retirement benefit asset	*7 3	11
Other	1,074	278
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	7,902	10,842
Total non-current assets	19,687	22,548
Total assets	54,413	58,758

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,265	4,435
Current portion of convertible bond-type bonds with share acquisition rights	553	—
Short-term borrowings	*4, *5 3,000	—
Current portion of long-term borrowings	—	*4 2,870
Lease liabilities	150	121
Accrued expenses	2,110	1,935
Accrued consumption taxes	359	222
Income taxes payable	354	412
Provision for bonuses	510	482
Provision for bonuses for directors (and other officers)	20	21
Other	*6 414	*6 382
Total current liabilities	12,738	10,883
Non-current liabilities		
Long-term borrowings	*4 3,800	*4 3,930
Lease liabilities	64	236
Long-term accounts payable - other	*3 61	*3 58
Deferred tax liabilities	506	1,543
Deferred tax liabilities for land revaluation	*1 540	*1 540
Retirement benefit liability	201	244
Other	65	62
Total non-current liabilities	5,239	6,616
Total liabilities	17,978	17,499
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus	9,631	9,631
Retained earnings	8,930	11,051
Treasury shares	(1,608)	(1,587)
Total shareholders' equity	31,955	34,097
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,132	5,783
Deferred gains or losses on hedges	13	15
Revaluation reserve for land	*1 1,199	*1 1,224
Foreign currency translation adjustment	119	121
Total accumulated other comprehensive income	4,465	7,145
Non-controlling interests	13	16
Total net assets	36,435	41,258
Total liabilities and net assets	54,413	58,758

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

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Net sales	*1 58,273	*1 61,353
Cost of sales	*2 22,162	*2 23,182
Gross profit	36,110	38,171
Selling, general and administrative expenses	*3 33,874	*3 35,123
Operating profit	2,235	3,047
Non-operating income		
Interest income	0	0
Dividend income	188	224
Share of profit of entities accounted for using equity method	—	11
Foreign exchange gains	53	—
Subsidy income	*4 48	—
Other	28	19
Total non-operating income	319	254
Non-operating expenses		
Interest expenses	98	101
Share of loss of entities accounted for using equity method	12	—
Other	8	16
Total non-operating expenses	118	117
Ordinary profit	2,437	3,184
Extraordinary income		
Gain on sale of non-current assets	—	*5 44
Subsidy income	*4 67	—
Total extraordinary income	67	44
Extraordinary losses		
Loss on sale of non-current assets	*6 0	—
Loss on retirement of non-current assets	*7 45	*7 0
Impairment losses	*8 808	*8 182
Loss on sale of investment securities	184	—
Loss on liquidation of subsidiaries and associates	*9 117	—
Total extraordinary losses	1,155	183
Profit before income taxes	1,348	3,045
Income taxes - current	219	388
Income taxes - deferred	(883)	(132)
Total income taxes	(664)	255
Profit	2,012	2,790
Profit (loss) attributable to non-controlling interests	(142)	2
Profit attributable to owners of parent	2,155	2,787

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Profit	2,012	2,790
Other comprehensive income		
Valuation difference on available-for-sale securities	1,100	2,650
Deferred gains or losses on hedges	9	1
Foreign currency translation adjustment	26	1
Total other comprehensive income	*	*
	1,136	2,654
Comprehensive income	3,149	5,444
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,292	5,441
Comprehensive income attributable to non-controlling interests	(142)	2

(iii) Consolidated Statement of Changes in Equity
Fiscal year ended February 28, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	9,658	6,769	(994)	30,435
Cumulative effects of changes in accounting policies			6		6
Restated balance	15,002	9,658	6,775	(994)	30,441
Changes during period					
Dividends of surplus					—
Profit (loss) attributable to owners of parent			2,155		2,155
Disposal of treasury shares		(26)		47	21
Purchase of treasury shares				(662)	(662)
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity					
Total changes during period	—	(26)	2,155	(614)	1,513
Balance at end of period	15,002	9,631	8,930	(1,608)	31,955

	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	2,031	3	1,199	93	3,328	156	33,920
Cumulative effects of changes in accounting policies							6
Restated balance	2,031	3	1,199	93	3,328	156	33,926
Changes during period							
Dividends of surplus							—
Profit (loss) attributable to owners of parent							2,155
Disposal of treasury shares							21
Purchase of treasury shares							(662)
Reversal of revaluation reserve for land							—
Net changes in items other than shareholders' equity	1,100	9	—	26	1,136	(142)	994
Total changes during period	1,100	9	—	26	1,136	(142)	2,508
Balance at end of period	3,132	13	1,199	119	4,465	13	36,435

Fiscal year ended February 29, 2024

(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	8,930	(1,608)	31,955
Cumulative effects of changes in accounting policies					—
Restated balance	15,002	9,631	8,930	(1,608)	31,955
Changes during period					
Dividends of surplus			(641)		(641)
Profit (loss) attributable to owners of parent			2,787		2,787
Disposal of treasury shares		(0)		23	23
Purchase of treasury shares				(2)	(2)
Reversal of revaluation reserve for land			(25)		(25)
Net changes in items other than shareholders' equity					—
Total changes during period	—	(0)	2,121	20	2,141
Balance at end of period	15,002	9,631	11,051	(1,587)	34,097

	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	3,132	13	1,199	119	4,465	13	36,435
Cumulative effects of changes in accounting policies							—
Restated balance	3,132	13	1,199	119	4,465	13	36,435
Changes during period							
Dividends of surplus							(641)
Profit (loss) attributable to owners of parent							2,787
Disposal of treasury shares							23
Purchase of treasury shares							(2)
Reversal of revaluation reserve for land							(25)
Net changes in items other than shareholders' equity	2,650	1	25	1	2,679	2	2,681
Total changes during period	2,650	1	25	1	2,679	2	4,823
Balance at end of period	5,783	15	1,224	121	7,145	16	41,258

(iv) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	1,348	3,045
Depreciation	953	933
Impairment losses	808	182
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Increase (decrease) in provision for bonuses	298	(28)
Increase (decrease) in provision for bonuses for directors (and other officers)	20	0
Increase (decrease) in retirement benefit liability	37	43
Decrease (increase) in retirement benefit asset	2,280	(7)
Interest and dividend income	(189)	(224)
Interest expenses	98	101
Share of loss (profit) of entities accounted for using equity method	12	(11)
Loss on retirement of non-current assets	45	0
Loss (gain) on sale of property, plant and equipment	0	(44)
Loss (gain) on sale of investment securities	184	—
Subsidy income	(115)	—
Loss (gain) on liquidation of subsidiaries and associates	117	—
Decrease (increase) in trade receivables	(701)	49
Decrease (increase) in inventories	(231)	662
Decrease (increase) in other current assets	(924)	259
Decrease (increase) in long-term prepaid expenses	(1,056)	792
Increase (decrease) in trade payables	1,027	(872)
Increase (decrease) in other current liabilities	23	(296)
Other, net	19	30
Subtotal	4,055	4,616
Interest and dividends received	189	224
Interest paid	(101)	(100)
Income taxes paid	(67)	(321)
Income taxes refund	25	—
Subsidies received	115	—
Net cash provided by (used in) operating activities	4,215	4,419
Cash flows from investing activities		
Payments into time deposits	—	(1,700)
Purchase of property, plant and equipment	(346)	(439)
Proceeds from sale of property, plant and equipment	0	194
Proceeds from sale of investment securities	444	—
Purchase of intangible assets	(1,175)	(384)
Loan advances	(0)	(0)
Proceeds from collection of loans receivable	1	0
Payments of leasehold and guarantee deposits	(44)	(31)
Proceeds from refund of leasehold and guarantee deposits	141	120
Payments for asset retirement obligations	(70)	(96)
Other, net	1	(0)
Net cash provided by (used in) investing activities	(1,048)	(2,337)

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(3,000)
Proceeds from long-term borrowings	2,800	3,000
Repayments of long-term borrowings	(2,800)	—
Redemption of convertible bond-type bonds with share acquisition rights	—	(553)
Dividends paid	—	(641)
Purchase of treasury shares	(662)	(2)
Repayments of lease liabilities	(257)	(198)
Net cash provided by (used in) financing activities	(920)	(1,395)
Effect of exchange rate change on cash and cash equivalents	(118)	1
Net increase (decrease) in cash and cash equivalents	2,128	687
Cash and cash equivalents at beginning of period	16,287	18,416
Cash and cash equivalents at end of period	*1 18,416	*1 19,103

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 April 1, 1998 (excluding facilities attached to buildings) and to facilities attached to buildings and structures acquired on or after April 1, 2016.

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

Major useful lives are as follows:

Buildings and structures: 6-50 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 and its consolidated subsidiaries engage in sales of clothing and others. In the sales of merchandise and finished goods, Company and its consolidated subsidiaries have 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 February 29, 2024

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Merchandise and finished goods	8,024	7,298
Loss on valuation of inventories	184	90

(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 February 29, 2024

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Deferred tax assets (before offsetting against deferred tax liabilities)	895	1,018

(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 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.

Accounting standards issued but not yet applied

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

In February 2018, the Accounting Standards Board of Japan (ASBJ) issued “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28) and related guidance (hereinafter collectively referred to as “ASBJ Statement No. 28, etc.”), which marked the completion of the transfer of practical guidelines on tax effect accounting to ASBJ from the Japanese Institute of Certified Public Accountants (JICPA). In the course of the deliberations, it was decided that the following two issues would be reviewed again after the release of ASBJ Statement No. 28, etc. The accounting standards listed above that were issued but not yet applied are those released by ASBJ after reviewing the two issues.

- Reporting classification of tax expenses (taxes on other comprehensive income)
- Tax effects relating to sale of subsidiaries’ shares, etc. (shares of subsidiaries or associates) when the group taxation regime is applied

(2) Scheduled date of application

These accounting standards and relevant ASBJ regulations will be applied effective from the beginning of the fiscal year ending February 28, 2026.

(3) Effects of application of the accounting standards, etc.

The effects of applying the “Accounting Standard for Current Income Taxes” and relevant ASBJ regulations on the consolidated financial statements are currently under evaluation.

Notes to consolidated balance sheet

- *1 Pursuant to the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 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 March 31, 1998).

Revaluation date December 31, 2001

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

	As of February 28, 2023	As of February 29, 2024
Investment securities (shares)	391 million yen	402 million yen

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

As of February 28, 2023

Long-term accounts payable - other include the outstanding amount of ¥61 million such as loss on transfer between retirement benefit plans including defined contribution pension plan implemented prior to the fiscal year ended February 28, 2021.

As of February 29, 2024

Long-term accounts payable - other includes the outstanding amount of ¥58 million, such as losses on transfers between retirement benefit plans including defined contribution pension plans implemented prior to the fiscal year ended February 28, 2021.

- *4 Assets pledged as collateral for borrowings

As of February 28, 2023

The following assets are pledged as collateral for revolving mortgages and revolving pledges on borrowings from the Company's banks (¥2,800 million) and overdraft agreements (maximum limit of overdraft: ¥3,000 million).

Borrowings corresponding to overdraft agreements are ¥3,000 million.

Cash and deposits	380	million yen
Buildings and structures	2,830	
Land	4,072	
Other	23	
Investment securities	4,588	
Total	11,894	

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

Some of the assets described above are pledged as collateral for debts to suppliers.

As of February 29, 2024

The following assets are pledged as collateral for revolving mortgages and revolving pledges on borrowings from the Company's banks (¥5,800 million).

Cash and deposits	700	million yen
Buildings and structures	2,689	
Land	4,072	
Other	18	
Total	7,479	

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

***5 Overdraft agreements**

As of February 28, 2023

The Company has entered into overdraft agreements with a bank to finance working capital efficiently. The unused balances under these agreements are as follows:

Maximum amount of overdraft	3,000	million yen
Outstanding balance of used line of credit	3,000	
Unused amount	—	

As of February 29, 2024

Not applicable

***6 Contract liabilities**

As of February 28, 2023

Contract liabilities included in “other” under current liabilities	160	million yen
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As of February 29, 2024

Contract liabilities included in “other” under current liabilities	162	million yen
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***7 Refund from retirement benefit trust**

As of February 28, 2023

The Company established a retirement benefit trust to further strengthen the retirement benefit finance. However, due to changes in the retirement benefit plan and other factors, plan assets including the trust assets of the retirement benefit trust became overfunded. Since the trust assets are no longer expected to be used for retirement benefits in the future, the excess was refunded.

Gains or losses resulting from changes in the retirement benefit plan have already been recognized in the fiscal year ended February 28, 2022.

As of February 29, 2024

Not applicable

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 square brackets)**

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cost of sales	(238) million yen	(94) million yen

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

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Salaries and allowances	9,546 million yen	9,844 million yen
Advertising expenses	1,848	1,959
Provision for bonuses	381	359
Retirement benefit expenses	256	151
Depreciation	531	580
Rent expenses on real estate	1,922	1,956
Outsourcing expenses	2,539	2,634
Sales commission	13,802	14,418

***4 Subsidy income**

Fiscal year ended February 28, 2023

Subsidies for employment adjustment during the period of closure of stores in association with the Focused Anti-infection Measures, etc. in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.) are recorded as non-operating income and extraordinary income.

The subsidy income recorded as extraordinary income includes subsidy for cooperation in temporary closing, etc. of large-scale facilities, etc.

Fiscal year ended February 29, 2024

Not applicable

***5 Gain on sale of non-current assets**

Fiscal year ended February 28, 2023

Not applicable

Fiscal year ended February 29, 2024

Gain on sale of non-current assets is gain on sale of the buildings and land in the Company's recreation center.

***6 Loss on sale of non-current assets**

Fiscal year ended February 28, 2023

Loss on sale of non-current assets is loss on sale of artworks (tools, furniture and fixtures).

Fiscal year ended February 29, 2024

Not applicable

*7 Loss on retirement of non-current assets

Fiscal year ended February 28, 2023

Loss on retirement of non-current assets is mainly loss on retirement of software in association with improvement of the systems and other factors.

Fiscal year ended February 29, 2024

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

*8 Impairment losses

The Group recognized impairment loss on the following asset groups.

Fiscal year ended February 28, 2023

Location	Used for	Type of assets	Amount (Millions of yen)
Tokyo, etc.	Stores, offices, etc.	Buildings and structures	74
		Leased assets	31
		Leasehold and guarantee deposits	248
		Other	13
Tokyo	ECOALF business	Buildings and structures	3
		Trademark right	425
		Leasehold and guarantee deposits	5
		Other	4

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.

The ECOALF business is jointly operated by the Company and its consolidated subsidiary ECOALF JAPAN LTD., generating independent cash inflows. Therefore, the ECOALF business into which the two companies are integrated is deemed as one independent unit of grouping.

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 (¥368 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.

In addition, the Company reviewed the business plan taking into consideration the impact of COVID-19 and determined that it can no longer expect ECOALF business to have earning power to achieve the revenue target of the initial business plan. As a result, the carrying amounts of assets associated with ECOALF business were reduced to the recoverable amount and the reduction is recorded as impairment losses (¥439 million) under extraordinary losses.

The recoverable amount was measured based on the value in use with future cash flows discounted at 11.8%.

Fiscal year ended February 29, 2024

Location	Used for	Type of assets	Amount (Millions of yen)
Tokyo, etc.	Stores, offices, etc.	Buildings and structures	131
		Leased assets	2
		Leasehold and guarantee deposits	33
		Other	15

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 (¥182 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.

*9 Loss on liquidation of subsidiaries and associates

Fiscal year ended February 28, 2023

Loss on liquidation of subsidiaries and associates is loss associated with liquidation of SANYO SHOKAI NEW YORK, INC., which was a consolidated subsidiary of the Company.

Fiscal year ended February 29, 2024

Not applicable

Notes to consolidated statement of comprehensive income

* Reclassification adjustments and tax effects relating to other comprehensive income

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Valuation difference on available-for-sale securities:		
Amount arising during the fiscal year	1,402 million yen	3,820 million yen
Reclassification adjustments	184	—
Before tax effect adjustments	1,586	3,820
Tax effects	(485)	(1,169)
Valuation difference on available-for-sale securities	1,100	2,650
Deferred gains or losses on hedges:		
Amount arising during the fiscal year	14	2
Reclassification adjustments	—	—
Before tax effect adjustments	14	2
Tax effects	(4)	(0)
Deferred gains or losses on hedges	9	1
Foreign currency translation adjustment:		
Amount arising during the fiscal year	(118)	1
Reclassification adjustments	144	—
Before tax effect adjustments	26	1
Tax effects	—	—
Foreign currency translation adjustment	26	1
Total other comprehensive income	1,136	2,654

Notes to consolidated statement of changes in equity

Fiscal year ended February 28, 2023

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)	488	500	23	965

Outline of causes of change

Increase due to purchase of treasury shares based on a resolution of the Board of Directors 500 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 23 thousand shares

3. Dividends

(1) Dividends paid

Not stated, because no dividend is paid.

(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
May 30, 2023 Annual General Meeting of Shareholders	Common shares	641	Retained earnings	55	February 28, 2023	May 31, 2023

Fiscal year ended February 29, 2024

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)	965	1	14	952

Outline of causes of change

Increase due to repurchase of shares less than one unit 1 thousand shares

Decrease due to disposal of treasury shares based on a resolution of the Board of Directors 14 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
May 30, 2023 Annual General Meeting of Shareholders	Common shares	641	Retained earnings	55	February 28, 2023	May 31, 2023

(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
May 29, 2024 Annual General Meeting of Shareholders	Common shares	1,026	Retained earnings	88	February 29, 2024	May 30, 2024

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 February 28, 2023	Fiscal year ended February 29, 2024
Cash and deposits	20,896 million yen	23,283 million yen
Time deposits with maturity over three months	(2,480)	(4,180)
Cash and cash equivalents	18,416	19,103

2 Details of significant non-monetary transactions**Amount of assets and liabilities related to finance lease transactions**

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Amount of assets related to finance lease transactions	76 million yen	324 million yen
Amount of liabilities related to finance lease transactions	84	357

Lease

As a lessor

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 February 28, 2023	As of February 29, 2024
Due within one year	335	243
Due after one year	243	26
Total	578	269

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 seven 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 February 28, 2023

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Available-for-sale securities	5,353	5,353	—
Total assets	5,353	5,353	—
(1) Current portion of convertible-bond- type bonds with share acquisition rights	553	553	—
(2) Long-term borrowings	3,800	3,790	(9)
Total liabilities	4,353	4,343	(9)
Derivatives (*3)	20	20	—

As of February 29, 2024

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Available-for-sale securities	9,174	9,174	—
Total assets	9,174	9,174	—
(1) Current portion of long-term borrowings	2,870	2,870	0
(2) Long-term borrowings	3,930	3,920	(9)
Total liabilities	6,800	6,791	(8)
Derivatives (*3)	22	22	—

(*1) Cash is omitted from the notes, while deposits, accounts receivable - trade, notes and accounts payable - trade, and short-term borrowings are not listed because they are settled in a short period of time and their fair value approximates 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 February 28, 2023 (Millions of yen)	As of February 29, 2024 (Millions of yen)
Unlisted shares	394	406

(*3) Net receivables and payables arising from derivatives are presented on a net basis, and value of a net payable after totaling of receivables and payables is shown in square brackets.

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

As of February 28, 2023

	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	20,896	—	—	—
Accounts receivable – trade	3,360	—	—	—

	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)
Total	24,256	—	—	—

As of February 29, 2024

	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	23,283	—	—	—
Accounts receivable – trade	3,311	—	—	—
Total	26,595	—	—	—

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

As of February 28, 2023

	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)
Short-term borrowings	3,000	—	—	—	—	—
Current portion of convertible-bond-type bonds with share acquisition rights	553	—	—	—	—	—
Long-term borrowings	—	2,870	140	140	140	510
Total	3,553	2,870	140	140	140	510

As of February 29, 2024

	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	2,870	—	—	—	—	—
Long-term borrowings	—	3,140	140	140	140	370
Total	2,870	3,140	140	140	140	370

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 February 28, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	5,353	—	—	5,353
Total assets	5,353	—	—	5,353
Derivatives	—	20	—	20

As of February 29, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	9,174	—	—	9,174
Total assets	9,174	—	—	9,174
Derivatives	—	22	—	22

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

As of February 28, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Current portion of convertible-bond- type bonds with share acquisition rights	—	553	—	553
Long-term borrowings	—	3,790	—	3,790
Total liabilities	—	4,343	—	4,343

As of February 29, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Current portion of long-term borrowings	—	2,870	—	2,870
Long-term borrowings	—	3,920	—	3,920
Total liabilities	—	6,791	—	6,791

(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 convertible-bond- type bonds with share acquisition rights

The fair value of convertible-bond-type bonds with share acquisition rights is calculated by the present value obtained by discounting the total of principal and interest (zero interest rate) at an interest rate that would be charged for issuance of similar bonds, and this is categorized as level 2 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 February 28, 2023

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	5,353	838	4,515
	(2) Debentures	—	—	—
	(3) Other	—	—	—
	Subtotal	5,353	838	4,515
Total		5,353	838	4,515

(Note) Shares, etc. without market prices (carrying amount: ¥3 million) are not included in “Available-for-sale securities” in the above table.

As of February 29, 2024

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	9,174	838	8,335
	(2) Debentures	—	—	—
	(3) Other	—	—	—
	Subtotal	9,174	838	8,335
Total		9,174	838	8,335

(Notes) Shares, etc. without market prices (carrying amount: ¥3 million) are not included in “Available-for-sale securities” in the above table.

2. Available-for-sale securities sold

Fiscal year ended February 28, 2023

Type of assets	Sale proceeds (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	444	—	184
(2) Debentures	—	—	—
(3) Other	—	—	—
Total	444	—	184

Fiscal year ended February 29, 2024

Not applicable

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 February 28, 2023	Fiscal year ended February 29, 2024
Balance of retirement benefit obligations at beginning of period	187 million yen	158 million yen
Actuarial gains and losses accrued	5	(1)
Retirement benefits paid	(34)	(35)
Balance of retirement benefit obligations at end of period	158	122

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

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Balance of plan assets at beginning of period	2,471 million yen	161 million yen
Actuarial gains and losses accrued	(83)	9
Retirement benefits paid	(39)	(38)
Refund from retirement benefit trust	(2,186)	–
Balance of plan assets at end of period	161	133

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

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Retirement benefit liability at beginning of period	164 million yen	201 million yen
Retirement benefit expenses	65	59
Retirement benefits paid	(28)	(15)
Retirement benefit liability at end of period	201	244

(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 February 28, 2023	As of February 29, 2024
Retirement benefit obligations of funded plans	158 million yen	122 million yen
Plan assets	(161)	(133)
	(3)	(11)
Retirement benefit obligations of unfunded plans	201	244
Net amount of liabilities and assets recorded in the consolidated balance sheet	197	233
Retirement benefit liability	201	244
Retirement benefit asset	(3)	(11)
Net amount of liabilities and assets recorded in the consolidated balance sheet	197	233

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

(5) Amounts of retirement benefit expenses and their components

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Amortization of actuarial gains and losses	89 million yen	(11) million yen
Retirement benefit expenses calculated by the simplified method	65	59
Retirement benefit expenses for defined benefit plans	155	48

(6) Plan assets

1) Major components of plan assets

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

	As of February 28, 2023	As of February 29, 2024
Short-term assets	61%	79%
Other	39	21
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 February 28, 2023	As of February 29, 2024
Discount rate	0.0%	0.0%
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 ¥182 million (from March 1, 2022 to February 28, 2023) and ¥181 million (from March 1, 2023 to February 29, 2024).

Deferred tax accounting

1. Major components of deferred tax assets and liabilities

	As of February 28, 2023	As of February 29, 2024
Deferred tax assets		
Excess of provision of allowance for doubtful accounts	3 million yen	3 million yen
Excess of provision for bonuses	156	147
Excess of provision for bonuses for directors (and other officers)	—	4
Retirement benefit liability	60	71
Refund liabilities	4	2
Expenses for loss on valuation of inventories	56	27
Excess of depreciation	0	0
Expenses for impairment loss	420	369
Excess of deferred assets	111	123
Expenses for loss on valuation of investment securities	32	32
Expenses for loss on valuation of shares of subsidiaries and associates	31	—
Tax loss carryforwards (Note 2)	8,296	7,918
Other	459	425
Subtotal deferred tax assets	9,632	9,126
Valuation allowance for tax loss carryforwards for tax purposes (Note 2)	(8,006)	(7,447)
Valuation allowance for total future taxable temporary differences	(730)	(660)
Subtotal valuation allowance (Note 1)	(8,736)	(8,107)
Total deferred tax assets	895	1,018
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,382)	(2,552)
Other	(18)	(9)
Total deferred tax liabilities	(1,401)	(2,562)
Net deferred tax assets (liabilities)	(506)	(1,543)

(Notes) 1. The change in valuation allowance is mainly due to a review of the collectability of the Company's deferred tax assets and a decrease in tax loss carryforwards for tax purposes.

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

As of February 28, 2023

	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)	—	2,232	1,080	707	—	4,275	8,296
Valuation allowance	—	(1,942)	(1,080)	(707)	—	(4,275)	(8,006)
Deferred tax assets	—	289	—	—	—	—	(*2) 289

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

*2. Deferred tax assets of ¥289 million was recognized for tax loss carryforwards for tax purposes of ¥8,296 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 February 29, 2024

	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*	1,835	1,080	707	–	665	3,629	7,918
Valuation allowance	(1,364)	(1,080)	(707)	–	(665)	(3,629)	(7,447)
Deferred tax assets	470	–	–	–	–	–	(*2) 470

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

*2. Deferred tax assets of ¥470 million was recognized for tax loss carryforwards for tax purposes of ¥7,918 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 February 28, 2023	As of February 29, 2024
Deferred tax assets		
Revaluation reserve (loss)	7 million yen	– million yen
Subtotal deferred tax assets	7	–
Valuation allowance	(7)	–
Total deferred tax assets	–	–
Deferred tax liabilities		
Revaluation reserve (gain)	(540)	(540)
Total deferred tax liabilities	(540)	(540)
Net deferred tax assets (liabilities)	(540)	(540)

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 February 28, 2023	As of February 29, 2024
Statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Provision for bonuses for directors (and other officers)	0.47	–
Expenses not deductible permanently, such as entertainment expenses	0.23	0.18
Income not taxable permanently, such as dividend income	(0.86)	(0.45)
Inhabitant per capita taxes	3.03	1.42
Share of loss of entities accounted for using equity method	0.27	–
Share of profit of entities accounted for using equity method	–	(0.11)
Increase (decrease) in valuation allowance	(79.58)	(20.66)
Tax credits under tax measures to promote wage increases	–	(2.18)

	As of February 28, 2023	As of February 29, 2024
Reversal of revaluation reserve for land	—	(0.25)
Income taxes for prior periods	(1.01)	—
Difference in tax rates of subsidiaries	(2.24)	(0.09)
Other	(0.15)	(0.08)
Effective rate of income taxes after application of deferred tax accounting	(49.22)	8.40

Revenue recognition

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

Fiscal year ended February 28, 2023

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	38,345	65.8
	Directory managed stores	3,284	5.6
	EC & mail/online order	8,155	14.0
	Outlets	6,328	10.9
	Other	2,159	3.7
Revenue from contracts with customers		58,273	100.0
Other revenue		—	—
Net sales to external customers		58,273	100.0

Fiscal year ended February 29, 2024

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	39,915	65.1
	Directory managed stores	3,679	6.0
	EC & mail/online order	8,105	13.2
	Outlets	7,174	11.7
	Other	2,477	4.0
Revenue from contracts with customers		61,353	100.0
Other revenue		—	—
Net sales to external customers		61,353	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 February 28, 2023	Fiscal year ended February 29, 2024
Contract liabilities (balance at beginning of period)	155 million yen	160 million yen
Contract liabilities (balance at end of period)	160 million yen	162 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 February 28, 2023

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

Fiscal year ended February 29, 2024

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 February 28, 2023

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 February 29, 2024

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 February 28, 2023

Not applicable

Fiscal year ended February 29, 2024

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 February 28, 2023

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 share-holders	Yagi Tsusho Limited	Chuo-ku, Osaka City, Osaka	100	Sales of clothing and others	(Held) Direct 13.73	Purchase of finished goods, Payment of royalty	Purchase of finished goods	1,706	Accounts payable - trade	188
							Payment of royalty	706	Prepaid expenses	652

Fiscal year ended February 29, 2024

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 share-holders	Yagi Tsusho Limited	Chuo-ku, Osaka City, Osaka	100	Sales of clothing and others	(Held) Direct 12.98	Purchase of finished goods, Payment of royalty	Purchase of finished goods	1,866	Accounts payable - trade	159
							Payment of royalty	733	Prepaid expenses	484

(Notes) 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 February 28, 2023

The information is omitted as it is immaterial.

Fiscal year ended February 29, 2024

The information is omitted as it is immaterial.

3) Directors and major shareholders (individuals only) of the Company

Fiscal year ended February 28, 2023

Not applicable

Fiscal year ended February 29, 2024

Not applicable

4) Lump-sum retirement benefit plans of the Company

Fiscal year ended February 28, 2023

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)
Lump-sum retirement benefit plans	Retirement benefit trust	—	—	—	—	Plan assets under retirement benefit accounting	Refund of whole assets	2,186	—	—

Fiscal year ended February 29, 2024

Not applicable

Per share information

Fiscal year ended February 28, 2023		Fiscal year ended February 29, 2024	
Net assets per share	3,124.38 yen	Net assets per share	3,534.09 yen
Earnings per share	178.68 yen	Earnings per share	238.96 yen
Diluted earnings per share	171.73 yen	Diluted earnings per share	Omitted since there were no potential shares.

2. Basis of calculation

1. Net assets per share

Items	As of February 28, 2023	As of February 29, 2024
Total amount of net assets in the consolidated balance sheet (Millions of yen)	36,435	41,258
Amounts deducted from the total amount of net assets (Millions of yen)	13	16
(of which, non-controlling interests (Millions of yen))	(13)	(16)
Net assets applicable to common shares (Millions of yen)	36,421	41,242
Number of shares of common shares issued and outstanding (Thousands of shares)	12,622	12,622
Number of treasury shares of common shares (Thousands of shares)	965	952
Number of common shares used to calculate net assets per share (Thousands of shares)	11,657	11,669

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

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Earnings per share		
Profit attributable to owners of parent on the consolidated statement of income (Millions of yen)	2,155	2,787
Profit not attributable to common shareholders (Millions of yen)		
Profit attributable to owners of parent associated with common shares (Millions of yen)	2,155	2,787
Average number of outstanding common shares during the period (Thousands of shares)	12,062	11,666
Diluted earnings per share		
Remeasurements of profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of common shares (Thousands of shares)	487	—
(of which, convertible bonds (Thousands of shares))	(487)	(—)
Overview of shares not included in calculation of diluted earnings per share due to non-dilutive effect	Not applicable	Not applicable

Subsequent events

Not applicable

5) Annexed Consolidated Detailed Schedules

Consolidated Detailed Schedule of Corporate Bonds

Company name	Issue name	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Pledge	Redemption date
SANYO SHOKAI LTD.	First series convertible-bond- type bonds with share acquisition rights	December 15, 2021	553 (553)	—	—	None	March 31, 2023
Total			553 (553)	—			

(Notes) 1. Figures in parentheses are the amounts of redemption at maturity within 1 year.

2. Description of bonds with share acquisition rights is as follows:

Issue name	First series convertible-bond- type bonds with share acquisition rights
Shares to be issued	Common shares
Share acquisition rights issuance value	Gratis allotments
Issuance price (yen)	1,135
Total issuance value (Millions of yen)	553
Total issuance value of shares issued by exercise of share acquisition rights (Millions of yen)	—
Grant ratio of share acquisition rights (%)	100
Share acquisition rights exercise period	From December 16, 2021 to March 30, 2023

(Note) Upon execution of each of the share acquisition rights, the bonds payable pertaining to the share acquisition rights shall be contributed. The value of the bonds payable shall be the same as its denomination.

3 The scheduled amount of redemption of bonds for five years after the consolidated balance sheet date is as follows:

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)
—	—	—	—	—

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	3,000	—	—	—
Current portion of long-term borrowings	—	2,870	1.5	—
Current portion of lease obligations	150	121	—	—
Long-term borrowings (excluding current portion)	3,800	3,930	1.4	2025 to 2031
Lease obligations (excluding current portion)	64	236	—	2025 to 2029
Other interest-bearing liabilities	—	—	—	—
Total	7,014	7,158	—	—

(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	3,140	140	140	140
Lease obligations	69	66	64	35

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 February 29, 2024 were not more than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended February 29, 2024, respectively.

(2) Other

Quarterly information for the fiscal year ended February 29, 2024

Cumulative period	First quarter	Second quarter	Third quarter	Fiscal year ended February 29, 2024
Net sales (Millions of yen)	15,969	28,155	44,603	61,353
Profit before income taxes (Millions of yen)	1,025	743	1,773	3,045
Profit attributable to owners of parent (Millions of yen)	896	744	1,696	2,787
Earnings per share (yen)	76.90	63.84	145.41	238.96

Accounting period	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (yen)	76.90	(13.01)	81.54	93.53

2. Financial Statements and Other Information

(1) Financial Statements

(i) Balance Sheet

(Millions of yen)

		As of February 28, 2023		As of February 29, 2024
Assets				
Current assets				
Cash and deposits	*2	20,800	*2	23,169
Accounts receivable - trade		3,360		3,311
Merchandise and finished goods		8,024		7,298
Work in process		176		229
Raw materials and supplies		279		289
Prepaid expenses	*1	1,709	*1	1,537
Accounts receivable - other	*1	203	*1	132
Other	*1	147	*1	165
Allowance for doubtful accounts		(5)		(5)
Total current assets		34,697		36,129
Non-current assets				
Property, plant and equipment				
Buildings	*2	3,334	*2	3,087
Structures	*2	48	*2	43
Machinery and equipment	*2	30	*2	30
Tools, furniture and fixtures		827		779
Land	*2	4,136	*2	4,309
Leased assets		177		345
Construction in progress		3		3
Total property, plant and equipment		8,559		8,598
Intangible assets				
Trademark right		2,512		2,197
Software		670		823
Other		50		87
Total intangible assets		3,232		3,108
Investments and other assets				
Investment securities	*2	5,356		9,177
Shares of subsidiaries and associates		486		486
Investments in capital of subsidiaries and associates		0		0
Leasehold and guarantee deposits		1,079		976
Prepaid pension costs	*5	3		11
Other		1,074	*1	310
Allowance for doubtful accounts		(6)		(6)
Total investments and other assets		7,994		10,955
Total non-current assets		19,786		22,661
Total assets		54,484		58,791

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes payable - trade	868	321
Accounts payable - trade	*1 4,396	*1 4,113
Current portion of convertible bond-type bonds with share acquisition rights	553	—
Short-term borrowings	*2, *3 3,000	—
Current portion of long-term borrowings	—	*2 2,870
Lease liabilities	150	121
Accounts payable - other	41	68
Accrued expenses	*1 2,119	*1 1,946
Accrued consumption taxes	359	222
Income taxes payable	354	412
Deposits received	119	112
Provision for bonuses	510	482
Provision for bonuses for directors (and other officers)	20	21
Other	*4 253	*4 201
Total current liabilities	12,747	10,894
Non-current liabilities		
Long-term borrowings	*2 3,800	*2 3,930
Lease liabilities	64	236
Long-term accounts payable - other	61	58
Deferred tax liabilities	506	1,543
Deferred tax liabilities for land revaluation	540	540
Provision for retirement benefits	201	244
Other	65	62
Total non-current liabilities	5,239	6,616
Total liabilities	17,987	17,511
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus		
Legal capital surplus	3,800	3,800
Other capital surplus	6,114	6,113
Total capital surplus	9,914	9,913
Retained earnings		
Other retained earnings		
General reserve	9,750	9,750
Retained earnings brought forward	(906)	1,178
Total retained earnings	8,843	10,928
Treasury shares	(1,608)	(1,587)
Total shareholders' equity	32,150	34,257
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,132	5,783
Deferred gains or losses on hedges	13	15
Revaluation reserve for land	1,199	1,224
Total valuation and translation adjustments	4,346	7,023
Total net assets	36,496	41,280
Total liabilities and net assets	54,484	58,791

(ii) Statement of Income

(Millions of yen)

		Fiscal year ended February 28, 2023		Fiscal year ended February 29, 2024
Net sales		58,273		61,353
Cost of sales	*1	22,095	*1	23,177
Gross profit		36,177		38,175
Selling, general and administrative expenses	*2	33,916	*2	35,157
Operating profit		2,260		3,018
Non-operating income				
Interest and dividend income	*1	189	*1	224
Rental income		1		2
Foreign exchange gains		51		—
Subsidy income	*3	48		—
Other		39		15
Total non-operating income		330		242
Non-operating expenses				
Interest expenses		98		101
Provision of allowance for doubtful accounts		116		—
Other		1		13
Total non-operating expenses		216		115
Ordinary profit		2,374		3,146
Extraordinary income				
Gain on sale of non-current assets		—	*4	44
Subsidy income	*3	67		—
Gain on liquidation of subsidiaries and associates	*5	26		—
Total extraordinary income		93		44
Extraordinary losses				
Loss on sale of non-current assets	*6	0		—
Loss on retirement of non-current assets	*7	45	*7	0
Impairment losses		383		182
Loss on sale of investment securities		184		—
Loss on valuation of shares of subsidiaries and associates	*8	455		—
Total extraordinary losses		1,068		183
Profit before income taxes		1,399		3,007
Income taxes - current		219		388
Income taxes - deferred		(883)		(132)
Total income taxes		(664)		255
Profit		2,064		2,752

Detailed Schedule of Cost of Products Manufactured

		Fiscal year ended February 28, 2023		Fiscal year ended February 29, 2024	
Category	Note number	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
I. Material cost		1,949	25.6	2,036	26.4
II. Labor cost		1,748	22.9	1,803	23.3
III. Manufacturing expenses		3,928	51.5	3,893	50.3
(of which, subcontract processing cost)		(1,429)		(1,388)	
Total manufacturing cost		7,626	100.0	7,733	100.0
Beginning inventories of work in process		191		176	
Total		7,818		7,910	
Ending inventories of work in process		176		229	
Cost of products manufactured		7,642		7,680	

(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) Statement of Changes in Equity
Fiscal year ended February 28, 2023

(Millions of yen)

(millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Other retained earnings			
				General reserve	Retained earnings brought forward		
Balance at beginning of period	15,002	3,800	6,140	9,750	(2,977)	(994)	30,721
Cumulative effects of changes in accounting policies					6		6
Restated balance	15,002	3,800	6,140	9,750	(2,971)	(994)	30,727
Changes during period							
Dividends of surplus							—
Profit (loss)					2,064		2,064
Disposal of treasury shares			(26)			47	21
Purchase of treasury shares						(662)	(662)
Reversal of revaluation reserve for land							—
Net changes in items other than shareholders' equity							
Total changes during period	—	—	(26)	—	2,064	(614)	1,423
Balance at end of period	15,002	3,800	6,114	9,750	(906)	(1,608)	32,150

	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	2,031	3	1,199	3,235	33,957
Cumulative effects of changes in accounting policies					6
Restated balance	2,031	3	1,199	3,235	33,963
Changes during period					
Dividends of surplus					—
Profit (loss)					2,064
Disposal of treasury shares					21
Purchase of treasury shares					(662)
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity	1,100	9	—	1,110	1,110
Total changes during period	1,100	9	—	1,110	2,533
Balance at end of period	3,132	13	1,199	4,346	36,496

Fiscal year ended February 29, 2024

(Millions of yen)

(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	6,114	9,750	(906)	(1,608)	32,150
Cumulative effects of changes in accounting policies							—
Restated balance	15,002	3,800	6,114	9,750	(906)	(1,608)	32,150
Changes during period							
Dividends of surplus					(641)		(641)
Profit (loss)					2,752		2,752
Disposal of treasury shares			(0)			23	23
Purchase of treasury shares						(2)	(2)
Reversal of revaluation reserve for land					(25)		(25)
Net changes in items other than shareholders' equity							
Total changes during period	—	—	(0)	—	2,085	20	2,106
Balance at end of period	15,002	3,800	6,113	9,750	1,178	(1,587)	34,257

	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	3,132	13	1,199	4,346	36,496
Cumulative effects of changes in accounting policies					—
Restated balance	3,132	13	1,199	4,346	36,496
Changes during period					
Dividends of surplus					(641)
Profit (loss)					2,752
Disposal of treasury shares					23
Purchase of treasury shares					(2)
Reversal of revaluation reserve for land					(25)
Net changes in items other than shareholders' equity	2,650	1	25	2,677	2,677
Total changes during period	2,650	1	25	2,677	4,783
Balance at end of period	5,783	15	1,224	7,023	41,280

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 April 1, 1998 (excluding facilities attached to buildings) and to facilities attached to buildings and structures acquired on or after April 1, 2016.
Major useful lives are as follows:
Buildings: 6 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 February 29, 2024

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Merchandise and finished goods	8,024	7,298
Loss on valuation of inventories	184	90

(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 February 29, 2024

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Deferred tax assets (before offsetting against deferred tax liabilities)	895	1,018

(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.”

Notes to balance sheet

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

	As of February 28, 2023	As of February 29, 2024
Short-term receivables	149 million yen	117 million yen
Long-term receivables	—	32
Short-term obligations	95	95

*2. Assets pledged as collateral for borrowings

As of February 28, 2023

The following assets are pledged as collateral for revolving mortgages and revolving pledges on borrowings from the Company's banks (¥2,800 million) and overdraft agreements (maximum limit of overdraft: ¥3,000 million).

Borrowings corresponding to overdraft agreements are ¥3,000 million.

Cash and deposits	380 million yen
Buildings:	2,782
Structures	47
Land	4,072
Other	23
Investment securities	4,588
Total	11,894

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

Some of the assets described above are pledged as collateral for debts to suppliers.

As of February 29, 2024

The following assets are pledged as collateral for revolving mortgages and revolving pledges on borrowings from the Company's banks (¥5,800 million).

Cash and deposits	700 million yen
Buildings:	2,646
Structures	42
Land	4,072
Other	18
Total	7,479

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

*3 Overdraft agreements

As of February 28, 2023

The Company has entered into overdraft agreements with a bank to finance working capital efficiently. The unused balances under these agreements are as follows:

Maximum amount of overdraft	3,000 million yen
Outstanding balance of used line of credit	3,000
Unused amount	—

As of February 29, 2024

Not applicable

***4 Contract liabilities**

As of February 28, 2023

Contract liabilities included in “other” under current liabilities	160 million yen
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As of February 29, 2024

Contract liabilities included in “other” under current liabilities	162 million yen
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***5 Refund from retirement benefit trust**

As of February 28, 2023

The Company established a retirement benefit trust to further strengthen the retirement benefit finance. However, due to changes in the retirement benefit plan and other factors, plan assets including the trust assets of the retirement benefit trust became overfunded. Since the trust assets are no longer expected to be used for retirement benefits in the future, the excess was refunded.

Gains or losses resulting from changes in the retirement benefit plan have already been recognized in the fiscal year ended February 28, 2022.

As of February 29, 2024

Not applicable

Notes to statement of income

***1 Transaction balance from associates**

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Transaction balance from operating transactions		
Purchases	37 million yen	27 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 75% in the fiscal year under review. The approximate percentage of expenses under general and administrative expenses is 25% in the previous fiscal year and 25% in the fiscal year under review.

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

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Salaries and allowances	9,505 million yen	9,794 million yen
Advertising expenses	1,848	1,959
Provision for bonuses	381	359
Retirement benefit expenses	256	151
Depreciation	536	586
Outsourcing expenses	2,639	2,733
Sales commission	13,802	14,418

***3 Subsidy income**

Fiscal year ended February 28, 2023

Subsidies for employment adjustment during the period of closure of stores in association with the Focused Anti-infection Measures, etc. in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.) are recorded as non-operating income and extraordinary income.

The subsidy income recorded as extraordinary income includes subsidy for cooperation in temporary closing, etc. of large-scale facilities, etc.

Fiscal year ended February 29, 2024
Not applicable

- *4 Gain on sale of non-current assets
Fiscal year ended February 28, 2023
Not applicable

Fiscal year ended February 29, 2024
Gain on sale of non-current assets is gain on sale of the buildings and land in the Company's recreation center.

- *5 Gain on liquidation of subsidiaries and associates
Fiscal year ended February 28, 2023
Gain associated with liquidation of SANYO SHOKAI NEW YORK, INC., which was a consolidated subsidiary of the Company, is recorded as extraordinary income.

Fiscal year ended February 29, 2024
Not applicable

- *6. Loss on sale of non-current assets
Fiscal year ended February 28, 2023
Loss on sale of non-current assets is loss on sale of artworks (tools, furniture and fixtures).

Fiscal year ended February 29, 2024
Not applicable

- *7 Loss on retirement of non-current assets
Fiscal year ended February 28, 2023
Loss on retirement of non-current assets is mainly loss on retirement of software in association with improvement of the systems and other factors.

Fiscal year ended February 29, 2024
Loss on retirement of non-current assets is mainly loss on retirement of facilities (buildings), etc. in association with improvement of stores.

- *8 Loss on valuation of shares of subsidiaries and associates
Fiscal year ended February 28, 2023
Loss is recorded as extraordinary loss due to a significant decline in the real value of the shares of its consolidated subsidiary ECOALF JAPAN LTD.

Fiscal year ended February 29, 2024
Not applicable

Securities

As of February 28, 2023

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 February 29, 2024

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

	As of February 28, 2023	As of February 29, 2024
Deferred tax assets		
Excess of provision of allowance for doubtful accounts	3 million yen	3 million yen
Excess of provision for bonuses	156	147
Excess of provision for bonuses for directors (and other officers)	—	4
Excess of provision for retirement benefits	60	71
Refund liabilities	4	2
Expenses for loss on valuation of inventories	56	27
Excess of depreciation	0	0
Expenses for impairment loss	273	244
Excess of deferred assets	111	123
Expenses for loss on valuation of investment securities	32	32
Expenses for loss on valuation of shares of subsidiaries and associates	952	920
Tax loss carryforwards	8,220	7,823
Other	460	425
Subtotal deferred tax assets	10,330	9,827
Valuation allowance for tax loss carryforwards for tax purposes	(7,930)	(7,352)
Valuation allowance for total future taxable temporary differences	(1,504)	(1,457)
Subtotal valuation allowance	(9,435)	(8,809)
Total deferred tax assets	895	1,018
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,382)	(2,552)
Other	(18)	(9)
Total deferred tax liabilities	(1,401)	(2,562)
Net deferred tax assets (liabilities)	(506)	(1,543)

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

	As of February 28, 2023	As of February 29, 2024
Deferred tax assets		
Revaluation reserve (loss)	7 million yen	— million yen
Subtotal deferred tax assets	7	—
Valuation allowance	(7)	—
Total deferred tax assets	—	—
Deferred tax liabilities		
Revaluation reserve (gain)	(540)	(540)
Total deferred tax liabilities	(540)	(540)
Net deferred tax assets (liabilities)	(540)	(540)

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 February 28, 2023	As of February 29, 2024
Statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Provision for bonuses for directors (and other officers)	0.46	—
Expenses not deductible permanently, such as entertainment expenses	0.22	0.18
Income not taxable permanently, such as dividend income	(0.83)	(0.46)
Inhabitant per capita taxes	2.90	1.42
Increase (decrease) in valuation allowance	(80.04)	(20.82)
Tax credit under tax measures to promote wage increases	—	(2.21)
Reversal of revaluation reserve for land	—	(0.26)
Income taxes for prior periods	(0.97)	—
Other	0.14	0.01
Effective rate of income taxes after application of deferred tax accounting	(47.50)	8.48

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

Not applicable

(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	3,334	169	217 (131)	198	3,087	2,353
	Structures	48	—	0	5	43	78
	Machinery and equipment	30	7	—	7	30	49
	Tools, furniture and fixtures	827	26	15 (15)	59	779	587
	Land	4,136 [1,740]	236	64 [(25)]	—	4,309 [1,765]	—
	Leased assets	177	284	2 (2)	114	345	405
	Construction in progress	3	3	3	—	3	—
	Total	8,559 [1,740]	728 [—]	304 (148) [(25)]	385	8,598 [1,765]	3,474
Intangible assets	Trademark right	2,512	—	—	314	2,197	2,272
	Software	670	384	—	230	823	909
	Other	50	39	0	3	87	7
	Total	3,232	424	0	549	3,108	3,188

- (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 March 31, 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	11
Provision for bonuses	510	482	510	482
Provision for bonuses for directors (and other officers)	20	21	20	21

(2) Major Assets and Liabilities

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

(3) Other

Not applicable