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(Summary)  
Annual Securities Report  
for the Year Ended February 28, 2022

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, 2021 to February 28, 2022) and non-consolidated financial statements for the fiscal year (March 1, 2021 to February 28, 2022) 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, 2021		As of February 28, 2022	
<b>Assets</b>				
Current assets				
Cash and deposits	*4	19,652	*4	18,767
Notes and accounts receivable - trade		3,341		2,659
Merchandise and finished goods		9,406		7,819
Work in process		155		191
Raw materials and supplies		249		237
Other		1,154		955
Allowance for doubtful accounts		(12)		(6)
Total current assets		33,947		30,626
Non-current assets				
Property, plant and equipment				
Buildings and structures	*4	5,944	*4	5,730
Accumulated depreciation		(2,131)		(2,286)
Buildings and structures, net		3,813		3,443
Land	*1, *4	4,136	*1, *4	4,136
Leased assets		992		826
Accumulated depreciation		(472)		(555)
Leased assets, net		519		271
Construction in progress		2		2
Other	*4	1,460	*4	1,399
Accumulated depreciation		(568)		(591)
Other, net		891		807
Total property, plant and equipment		9,363		8,662
Intangible assets				
Trademark right		109		3,323
Goodwill		1,248		–
Other		809		626
Total intangible assets		2,167		3,949
Investments and other assets				
Investment securities	*2, *4	4,954	*2, *4	4,802
Leasehold and guarantee deposits		1,559		1,284
Deferred tax assets		5		–
Retirement benefit asset		872		2,284
Other		64		28
Allowance for doubtful accounts		(8)		(8)
Total investments and other assets		7,448		8,390
Total non-current assets		18,979		21,003
Total assets		52,926		51,629

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,876	4,176
Current portion of bonds payable	20	—
Short-term borrowings	*4, *5 3,200	*4, *5 3,000
Current portion of long-term borrowings	—	*4 2,800
Lease obligations	266	195
Accrued expenses	5,184	1,615
Accrued consumption taxes	957	462
Income taxes payable	33	138
Provision for bonuses	193	212
Provision for sales returns	10	10
Other	828	1,632
Total current liabilities	14,570	14,242
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	—	553
Long-term borrowings	*4 2,800	1,000
Lease obligations	422	208
Long-term accounts payable - other	*3 108	*3 74
Deferred tax liabilities	762	899
Deferred tax liabilities for land revaluation	*1 540	*1 540
Retirement benefit liability	235	164
Other	24	25
Total non-current liabilities	4,893	3,465
Total liabilities	19,464	17,708
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus	9,688	9,658
Retained earnings	6,109	6,769
Treasury shares	(1,044)	(994)
Total shareholders' equity	29,755	30,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,721	2,031
Deferred gains or losses on hedges	—	3
Revaluation reserve for land	*1 1,199	*1 1,199
Foreign currency translation adjustment	146	93
Remeasurements of defined benefit plans	639	—
Total accumulated other comprehensive income	3,707	3,328
Non-controlling interests	—	156
Total net assets	33,462	33,920
Total liabilities and net assets	52,926	51,629

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

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net sales	37,939	38,642
Cost of sales	*1 23,424	*1 20,095
Gross profit	14,515	18,547
Selling, general and administrative expenses	*2 23,429	*2 19,605
Operating loss	(8,913)	(1,058)
Non-operating income		
Interest income	9	0
Dividend income	218	152
Foreign exchange gains	–	58
Subsidy income	*3 45	*3 246
Other	29	42
Total non-operating income	303	499
Non-operating expenses		
Interest expenses	79	82
Loan related expenses	16	–
Share of loss of entities accounted for using equity method	314	92
Foreign exchange losses	7	–
Other	9	1
Total non-operating expenses	426	176
Ordinary loss	(9,036)	(735)
Extraordinary income		
Gain on sale of non-current assets	*4 7,128	–
Gain on sale of investment securities	517	501
Gain on sale of golf membership	–	6
Subsidy income	*3 759	*3 304
Reversal of accrued expenses for Cancellation penalty	*5 71	–
Gain on partial termination of retirement benefit plan	–	*6 1,248
Total extraordinary income	8,476	2,060
Extraordinary losses		
Loss on sale of non-current assets	*7 35	–
Loss on retirement of non-current assets	*8 198	*8 8
Impairment losses	*9 937	*9 400
Loss on sale of investment securities	311	–
Loss on sale of golf club membership	3	5
Business restructuring expenses	*10 1,242	–
Cancellation penalty	*11 296	–
Extraordinary loss due to closing and other	*12 1,364	*12 209
Total extraordinary losses	4,390	624
Profit (loss) before income taxes	(4,951)	700
Income taxes - current	41	39
Income taxes - deferred	(1)	(0)
Total income taxes	39	38
Profit (loss)	(4,991)	661
Loss attributable to non-controlling interests	(3)	–
Profit (loss) attributable to owners of parent	(4,988)	661

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit (loss)	(4,991)	661
Other comprehensive income		
Valuation difference on available-for-sale securities	(92)	310
Deferred gains or losses on hedges	–	3
Foreign currency translation adjustment	10	(53)
Remeasurements of defined benefit plans, net of tax	429	(639)
Total other comprehensive income	* 347	* (378)
Comprehensive income	(4,644)	283
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,641)	283
Comprehensive income attributable to non-controlling interests	(3)	–

(iii) Consolidated Statement of Changes in Equity  
Fiscal year ended February 28, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	10,028	12,890	(1,072)	36,848
Changes during period					
Dividends of surplus			(278)		(278)
Profit (loss) attributable to owners of parent			(4,988)		(4,988)
Disposal of treasury shares		(15)		27	12
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(324)			(324)
Reversal of revaluation reserve for land			(1,516)		(1,516)
Net changes in items other than shareholders' equity			2		2
Total changes during period	–	(340)	(6,780)	27	(7,093)
Balance at end of period	15,002	9,688	6,109	(1,044)	29,755

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,814	(316)	135	210	1,843	130	38,822
Changes during period							
Dividends of surplus							(278)
Profit (loss) attributable to owners of parent							(4,988)
Disposal of treasury shares							12
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							(324)
Reversal of revaluation reserve for land							(1,516)
Net changes in items other than shareholders' equity	(92)	1,516	10	429	1,863	(130)	1,736
Total changes during period	(92)	1,516	10	429	1,863	(130)	(5,360)
Balance at end of period	1,721	1,199	146	639	3,707	–	33,462

Fiscal year ended February 28, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,002	9,688	6,109	(1,044)	29,755
Changes during period					
Profit (loss) attributable to owners of parent			661		661
Disposal of treasury shares		(30)		51	21
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity			(2)		(2)
Total changes during period	–	(30)	659	50	680
Balance at end of period	15,002	9,658	6,769	(994)	30,435

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,721	–	1,199	146	639	3,707	–	33,462
Changes during period								
Profit (loss) attributable to owners of parent								661
Disposal of treasury shares								21
Purchase of treasury shares								(0)
Net changes in items other than shareholders' equity	310	3	–	(53)	(639)	(378)	156	(224)
Total changes during period	310	3	–	(53)	(639)	(378)	156	458
Balance at end of period	2,031	3	1,199	93	–	3,328	156	33,920



## (iv) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(4,951)	700
Depreciation	869	1,039
Amortization of goodwill	153	–
Impairment losses	937	400
Increase (decrease) in allowance for doubtful accounts	(5)	(6)
Increase (decrease) in provision for bonuses	(217)	18
Increase (decrease) in retirement benefit liability	235	(71)
Decrease (increase) in retirement benefit asset	(435)	(400)
Interest and dividend income	(227)	(152)
Interest expenses	79	82
Share of loss (profit) of entities accounted for using equity method	314	92
Loss on retirement of non-current assets	198	8
Business restructuring expenses	1,242	–
Loss (gain) on sale of property, plant and equipment	(7,092)	–
Loss (gain) on sale of investment securities	(206)	(501)
Loss (gain) on sale of golf club membership	3	(1)
Subsidy income	(805)	(550)
Cancellation penalty	296	–
Reversal of accrued expenses for Cancellation penalty	(71)	–
Gain on partial termination of retirement benefit plan	–	(1,248)
Extraordinary loss due to closing and other	1,364	209
Decrease (increase) in trade receivables	834	618
Decrease (increase) in inventories	4,252	1,535
Decrease (increase) in other current assets	195	35
Increase (decrease) in trade payables	(2,720)	299
Increase (decrease) in other current liabilities	1,155	(2,958)
Other, net	(95)	(1)
<b>Subtotal</b>	<b>(4,693)</b>	<b>(849)</b>
Interest and dividends received	227	153
Interest paid	(87)	(82)
Income taxes paid	(145)	(66)
Income taxes refund	55	94
Cancellation penalty paid	(500)	–
Business structure improvement expenses paid	–	(1,232)
Extraordinary loss due to closing and other paid	(1,318)	(206)
Subsidies received	805	550
<b>Net cash provided by (used in) operating activities</b>	<b>(5,656)</b>	<b>(1,638)</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(870)	(1,610)
Purchase of property, plant and equipment	(466)	(176)
Proceeds from sale of property, plant and equipment	12,588	–
Proceeds from sale of investment securities	4,531	622
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	*2 1,286
Purchase of intangible assets	(471)	(1,679)
Purchase of shares of subsidiaries and associates	(10)	–
Loan advances	(390)	(70)
Proceeds from collection of loans receivable	1	71
Payments of leasehold and guarantee deposits	(182)	(84)
Proceeds from refund of leasehold and guarantee deposits	1,274	345
Payments for asset retirement obligations	(235)	(83)
Other, net	(8)	20

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net cash provided by (used in) investing activities	15,761	(1,356)

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	2,200	(200)
Proceeds from long-term borrowings	12,800	1,000
Repayments of long-term borrowings	(18,000)	–
Redemption of bonds	(32)	–
Purchase of treasury shares	(0)	(0)
Dividends paid	(278)	–
Repayments of lease obligations	(498)	(271)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(451)	–
Other, net	(16)	–
Net cash provided by (used in) financing activities	(4,276)	527
Effect of exchange rate change on cash and cash equivalents	16	(59)
Net increase (decrease) in cash and cash equivalents	5,844	(2,526)
Cash and cash equivalents at beginning of period	12,936	18,781
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	32
Cash and cash equivalents at end of period	*1 18,781	*1 16,287

## 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 three of the four subsidiaries have become consolidated subsidiaries.

SANYO SHOKAI NEW YORK, INC.

SHANGHAI SANYO FASHION INC.

ECOALF JAPAN LTD.

The Company transferred all the shares of its consolidated subsidiary, Ruby Groupe, Inc., in the fiscal year under review. Accordingly, the company was excluded from the scope of consolidation from the beginning of the fiscal year under review. In addition, the Company implemented an absorption-type merger under which its consolidated subsidiary, Sanyo Apparel Ltd., became a disappearing company, effective on September 1, 2021.

Accordingly, the company was excluded from the scope of consolidation from the beginning of the third quarter of the fiscal year ended February 28, 2022.

ECOALF JAPAN LTD., a non-consolidated subsidiary accounted for using the equity method, has been included in the scope of consolidation due to its increased significance as of the end of the fiscal year under review.

##### (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.

Of the consolidated subsidiaries, SANYO SHOKAI NEW YORK, INC. and SHANGHAI SANYO FASHION INC. have fiscal year-ends different from the consolidated balance sheet date. In preparing the consolidated financial statements, the Company uses their financial statements for their fiscal year, and makes necessary adjustments to reflect significant transactions that occurred between their fiscal year-ends and the consolidated balance sheet date.

#### 4. Accounting policies

##### (1) Valuation basis and methods for significant assets

###### 1) Securities

###### Available-for-sale securities

Securities with market value..... Stated at fair value based on the market price on the consolidated balance sheet date (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Securities without market value..... Stated at cost determined by the moving average method

###### 2) Derivatives..... Stated at fair value

###### 3) Inventories

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

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.

- (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 for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and 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 sales returns
 

To cover losses from sales returns expected to occur after the fiscal year end, the estimated amount of loss on future sales returns is provided in consideration of past return rates and other factors.
- (4) Accounting methods for retirement benefits
 

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.

Additional information

On February 1, 2022, the Company made a transition from a defined benefit corporate pension plan to a defined contribution pension plan, and introduced a new system consisting of a defined contribution pension plan and a lump-sum retirement benefit plan.

Regarding accounting associated with this transition, the Company has applied the “Accounting for Transfer between Retirement Benefit Plans” (Accounting Standards Board of Japan (ASBJ) Guidance No. 1, December 16, 2016) and the “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Practical Issues Task Force (PITF) No. 2, February 7, 2007).
- (5) 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.
- (6) 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 receivables and 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.
- (7) Accounting for consumption taxes  
National and local consumption taxes are accounted for by the tax-excluded method.
- (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 28, 2022  
(Millions of yen)

	Fiscal year ended February 28, 2022
Merchandise and finished goods	7,819
Loss on valuation of inventories	422

(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 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 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 affect the consolidated financial statements for the next fiscal year.

2. Necessity of recognition of impairment losses on non-current assets, including trademark right pertaining to ECOALF business

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended February 28, 2022

In the fiscal year under review, the Company recognized non-current assets of ¥7 million and trademark right of ¥490 million pertaining to the ECOALF business. ECOALF JAPAN LTD., which is jointly established by the Company (ownership ratio of 70.6%) and Ecoalf Recycled Fabrics, S.L. (“Ecoalf”; ownership ratio of 29.4%), acquired the trademark right in Japan from Ecoalf in September 2019.

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

The Group, in principle, classifies assets or groups of assets by cash generating unit, which is the smallest identifiable group of assets that generates independent cash inflows. The ECOALF business is jointly operated by the Company and 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. These non-current assets are depreciated on a regular basis. However, if indications of impairment losses are identified, the Company judges whether there is a necessity of recognition of impairment losses by comparing the total amount of undiscounted future cash flows obtained from the assets group with the carrying amount of non-current assets.

As a result of the delayed development of the ECOALF business due to the impact of the novel coronavirus disease (COVID-19) and other factors, the Company, taking into consideration the status of achievement to date in the initial business plan, has made a significant revision to the business plan in the fiscal year under review. As a result, the Company has identified indications of impairment losses.

However, as the total amount of undiscounted future cash flows exceeds the carrying amount of non-current assets, the Company has judged that there is no necessity of recognition of impairment losses.

The undiscounted future cash flows used for the judgement were estimated based on the business plan associated with the ECOALF business. The plan includes an assumption with high uncertainty in terms of a forecast increase in sales including the opening of stores and the expansion of EC sales channels, the time of COVID-19 containment and other factors.

At the end of the fiscal year under review, the Group carefully considered identification of indication of impairment losses and recognition of impairment losses, and has judged that the above estimate of undiscounted future cash flows is reasonable. However, if changes in the market environment cause preconditions and assumptions for the estimate to change, such change may significantly affect the consolidated financial statements for the next fiscal year.

## Accounting standards issued but not yet applied

1. Accounting standard for revenue recognition, etc.
  - “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan)
  - “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan)
  - “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

### (1) Overview

International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that the application of IFRS 15 is effective from the fiscal year beginning on or after January 1, 2018 and the application of Topic 606 is effective from the fiscal year beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with its implementation guidance.

The ASBJ’s basic policy in developing the accounting standard for revenue recognition was to incorporate the basic principles of IFRS 15 as a starting point to establish the accounting standard, from the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15, and to add alternative accounting treatments, but to the extent not impairing comparability, where consideration should be given to practices that have been conducted to date in Japan.

### (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, 2023.

### (3) Effects of application of the accounting standard, etc.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, the Company intends to recognize revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

With respect to buying sales transactions conducted mainly at department stores, the Company has traditionally recognized revenue at sales prices to department stores. However, these transactions correspond to consignment sales contracts, and the Company, therefore, will adopt the method to recognize revenue at sales prices to consumers. For the application of the standards, the Company intends to adopt a method of recognizing cumulative effect as of the commencement date of application as permitted as the transitional measures. The impact on operating profit affected thereby is expected to be immaterial.

The effects of applying the accounting standards, including the changes above, on the consolidated financial statements are currently under review.



2. Accounting standard for fair value measurement, etc.
  - “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)
  - “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019, Accounting Standards Board of Japan)
  - “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)
  - “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019, Accounting Standards Board of Japan)
  - “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

In light of the situation in which the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have established detailed guidance on fair value measurement with almost the same content (IFRS 13 “Fair Value Measurement” in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 “Fair Value Measurement” in the US GAAP), the Accounting Standards Board of Japan (ASBJ) worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and issued the “Accounting Standard for Fair Value Measurement” and relevant ASBJ regulations.

The ASBJ’s basic policy for the development of the accounting standard for fair value measurement is to incorporate, in principle, all the provisions of IFRS 13 from the perspective of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not impaired largely.

(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, 2023.

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

The effects of applying the “Accounting Standard for Fair Value Measurement” and relevant ASBJ regulations on the consolidated financial statements are currently under evaluation.

**Changes in presentation**

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to consolidated financial statements related to the end of the fiscal year under review, and includes notes regarding significant accounting estimates in the consolidated financial statements.

However, in accordance with transitional treatment provided for in proviso to paragraph 11 of the accounting standard, contents related to the previous fiscal year are not described.

**Additional information**

Accounting estimates associated with the spread of COVID-19

The spread of COVID-19, which is continuously mutating, changes consumer behavior, and is expected to force us to engage in economic activities on the premise of coexistence with COVID-19. However, the Company expects that progress in prevention measures, change in infection routes and less severe variants will not stop normal economic activities as it has done for the past two years, and that the consumption environment will be improved to some degree. Based on the situations above, the Company has assumed that net sales and operating profit will be on a recovery trend, whereas the consumption environment in the apparel and fashion industry will not return to that prior to the COVID-19 pandemic, and that its impact will continue. With this assumption, the Company has made accounting estimates (mainly, considering future financing related to the premise of a going concern, etc.).

The accounting estimates are the best estimate at present, but there exists a certain uncertainty in the assumption used for the estimates. If the recent situation of the COVID-19 pandemic and its impact on economic activities change, or due to changes in circumstances surrounding Ukraine, the results of the estimates above may change and affect the Company’s financial position, operating results and cash flows.



\*4. Assets pledged as collateral for borrowings

As of February 28, 2021

The following assets are pledged as collateral for revolving mortgages and revolving pledges on borrowings from the Company's banks (¥3,000 million) and overdraft agreements (maximum limit of overdraft: ¥4,000 million).

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

Buildings and structures	3,098	million yen
Land	4,072	
Other	36	
Investment securities	3,628	
Total	10,835	

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

As of February 28, 2022

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: ¥4,000 million).

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

Cash and deposits	380	million yen
Buildings and structures	2,957	
Land	4,072	
Other	29	
Investment securities	4,011	
Total	11,450	

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.

\*5. Overdraft agreements

As of February 28, 2021

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

Maximum amount of overdraft	4,000	million yen
Outstanding balance of used line of credit	3,000	
Unused amount	1,000	

As of February 28, 2022

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

Maximum amount of overdraft	4,000	million yen
Outstanding balance of used line of credit	3,000	
Unused amount	1,000	

## Notes to consolidated statement of income

- \*1. 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, 2021	Fiscal year ended February 28, 2022
Cost of sales	68 million yen	(302) million yen

- \*2. The major items and amounts of selling, general and administrative expenses are as follows:

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Salaries and allowances	11,232 million yen	9,589 million yen
Advertising expenses	1,716	1,346
Provision for bonuses	132	144
Retirement benefit expenses	193	(2)
Depreciation	697	627
Rent expenses on real estate	1,945	1,880
Outsourcing expenses	3,042	2,638
Amortization of goodwill	153	–

- \*3. Subsidy income

Fiscal year ended February 28, 2021

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), subsidies for employment adjustment during the period of closure of stores are recorded as non-operating income and extraordinary income.

The subsidy income recorded as extraordinary income is subsidies for employment adjustment, etc. corresponding to loss on temporary closure recorded as extraordinary losses.

Fiscal year ended February 28, 2022

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), subsidies for employment adjustment during the period of closure of stores are recorded as non-operating income and extraordinary income.

The subsidy income recorded as extraordinary income is subsidies for employment adjustment, etc. corresponding to loss on temporary closure recorded as extraordinary losses.

- \*4. Gain on sale of non-current assets

Fiscal year ended February 28, 2021

Gain on sale of non-current assets is gain on sale of the Company's SANYO GINZA TOWER (GINZA TIMELESS 8) and the buildings and land in its recreation center.

Fiscal year ended February 28, 2022

Not applicable

- \*5. Reversal of accrued expenses for cancellation penalty

Fiscal year ended February 28, 2021

This is a reversal accrued as a result of the negotiation over cancellation penalty for withdrawing stores.

Fiscal year ended February 28, 2022

Not applicable

\*6. Gain on partial termination of retirement benefit plan

Fiscal year ended February 28, 2021

Not applicable

Fiscal year ended February 28, 2022

Gain on partial termination of ¥1,248 million due to change in retirement benefit plans is recorded as extraordinary income.

\*7. Loss on sale of non-current assets

Fiscal year ended February 28, 2021

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

Fiscal year ended February 28, 2022

Not applicable

\*8. Loss on retirement of non-current assets is mainly as follows:

Fiscal year ended February 28, 2021

Loss on retirement of non-current assets is loss on retirement of buildings and structures due to renovation and withdrawal of stores.

Fiscal year ended February 28, 2022

Loss on retirement of non-current assets is loss on retirement of tools, furniture and fixtures due to renovation and withdrawal of stores.

\*9. Impairment loss

The Group recognized impairment loss on the following asset groups.

Fiscal year ended February 28, 2021

Location	Used for	Type of assets	Amount (Millions of yen)
Tokyo, etc.	Stores, offices, etc.	Buildings and structures	349
		Leased assets	187
		Leasehold and guarantee deposits	86
		Other	74
Tokyo	—	Goodwill	239

The Group classifies business assets mainly by store, 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. For goodwill, it is classified by company.

Assets associated with stores that continuously generate negative cash flows 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 (¥697 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.

For goodwill, it was recorded when the consolidated subsidiary Ruby Groupe, Inc. became a subsidiary, and the sale of all the shares of Ruby Groupe, Inc. was resolved at the meeting of the Board of Directors held on March 11, 2021. The difference between the net realizable value based on the sale price (less sale fee) and the consolidated carrying amount of Ruby Groupe, Inc. is recorded as impairment losses (¥239 million) under extraordinary losses.

Fiscal year ended February 28, 2022

Location	Used for	Type of assets	Amount (Millions of yen)
Tokyo, etc.	Stores, offices, etc.	Buildings and structures	270
		Leased assets	48
		Leasehold and guarantee deposits	45
		Other	36

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 generate negative cash flows 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 (¥400 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.

\*10. Business restructuring expenses

Fiscal year ended February 28, 2021

This consists mainly of extra retirement payments, etc. associated with call for voluntary retirement of employees.

Extra retirement payments, etc. associated with call for voluntary retirement of employees	1,238 million yen
Other	4
<b>Total</b>	<b>1,242</b>

Fiscal year ended February 28, 2022

Not applicable

\*11. Cancellation penalty

Fiscal year ended February 28, 2021

The cancellation penalty consists mainly of cancellation penalty, etc. associated with the withdrawal of tenants.

Fiscal year ended February 28, 2022

Not applicable

\*12. Extraordinary loss due to closing and other

Fiscal year ended February 28, 2021

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), fixed costs of ¥1,364 million during the period of about two-month closure of stores are recorded as extraordinary losses.

Main items include payroll and allowances of ¥975 million (mainly for store staff), rent expenses on real estate and depreciation.

Fiscal year ended February 28, 2022

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), fixed costs of ¥209 million during the period of about two-month closure of stores are recorded as extraordinary losses.

Main items include payroll and allowances of ¥169 million (mainly for store staff), rent expenses on real estate and depreciation.

**Notes to consolidated statement of comprehensive income**

\* Reclassification adjustments and tax effects relating to other comprehensive income

Fiscal year ended February 28, 2021 Fiscal year ended February 28, 2022

Valuation difference on available-for-sale securities:		
Amount arising during the fiscal year	98 million yen	947 million yen
Reclassification adjustments	(199)	(500)
Before tax effect adjustments	(100)	447
Tax effects	7	(136)
Valuation difference on available-for-sale securities	(92)	310
Deferred gains or losses on hedges:		
Amount arising during the fiscal year	–	5
Reclassification adjustments	–	–
Before tax effect adjustments	–	5
Tax effects	–	(1)
Deferred gains or losses on hedges	–	3
Foreign currency translation adjustment:		
Amount arising during the fiscal year	10	(53)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the fiscal year	449	–
Reclassification adjustments	(20)	(639)
Before tax effect adjustments	429	(639)
Tax effects	–	–
Remeasurements of defined benefit plans, net of tax	429	(639)
Total other comprehensive income	347	(378)

**Notes to consolidated statement of changes in equity**

Fiscal year ended February 28, 2021

## 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)	525	1	13	513

Outline of causes of change

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	13 thousand shares

## 3. Dividends

## (1) Dividends paid

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
May 26, 2020 Annual General Meeting of Shareholders	Common shares	Retained earnings	278	23	February 29, 2020	May 27, 2020

- (2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date  
Not applicable, because no dividend is paid for the fiscal year ended February 28, 2021.

Fiscal year ended February 28, 2022

## 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)	513	0	25	488

Outline of causes of change

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	25 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



Not applicable, because no dividend is paid for the fiscal year ended February 28, 2022.

## 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, 2021	Fiscal year ended February 28, 2022
Cash and deposits	19,652 million yen	18,767 million yen
Time deposits with maturity over three months	(871)	(2,480)
Cash and cash equivalents	18,781	16,287

- \*2. Major components of assets and liabilities of a company that ceased to be a consolidated subsidiary due to sale of shares

The components of assets and liabilities of Ruby Groupe, Inc., which ceased to be a consolidated subsidiary due to sale of its shares during the fiscal year ended February 28, 2022, at the time of the sale, as well as the sale price of shares and proceeds from the sale are as follows:

Current assets	557 million yen
Non-current assets	1,383
Current liabilities	(338)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation	(2)
Sale price of shares of subsidiaries	1,600
Sale fee	(75)
Cash and cash equivalents	(238)
Net: proceeds from sale	1,286

3. Details of significant non-monetary transactions

Amount of assets and liabilities related to finance lease transactions

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Amount of assets related to finance lease transactions	87 million yen	8 million yen
Amount of liabilities related to finance lease transactions	96	9

## 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 system servers and computer terminals.

###### (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 “4. Accounting policies, (2) Accounting methods for depreciation of significant depreciable assets” of “Basis of preparation of consolidated financial statements.”

#### 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, 2021	As of February 28, 2022
Due within one year	430	354
Due after one year	927	566
Total	1,357	921

## 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 nine years and nine months after the fiscal year-end. Convertible-bond-type bonds with share acquisition rights are intended to strengthen relationship between the Company and the allotted party and explore the opportunity for collaboration. The bonds are exposed to liquidity risk.

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 "4. Accounting policies, (6) Accounting methods for significant hedging" of notes to basis of preparation of consolidated financial statements stated above.

#### (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 receivables and 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

The fair values of financial instruments are based on their market price and, if the market price is not available, reasonably calculated price. Since variable factors are reflected in the calculation of the fair values, the values may vary depending on the different assumptions and factors used.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the differences between them are as follows. The figures do not include items whose fair value is deemed extremely difficult to determine (refer to (Note) 2.).

As of February 28, 2021

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	19,652	19,652	–
(2) Notes and accounts receivable - trade	3,341	3,341	–
(3) Investment securities			
Available-for-sale securities	4,070	4,070	–
<b>Total assets</b>	<b>27,063</b>	<b>27,063</b>	<b>–</b>
(1) Notes and accounts payable - trade	3,876	3,876	–
(2) Current portion of bonds payable	20	20	–
(3) Short-term borrowings	3,200	3,200	–
(4) Long-term borrowings	2,800	2,800	–
<b>Total liabilities</b>	<b>9,896</b>	<b>9,896</b>	<b>–</b>

As of February 28, 2022

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	18,767	18,767	–
(2) Notes and accounts receivable - trade	2,659	2,659	–
(3) Investment securities			
Available-for-sale securities	4,395	4,395	–
<b>Total assets</b>	<b>25,823</b>	<b>25,823</b>	<b>–</b>
(1) Notes and accounts payable - trade	4,176	4,176	–
(2) Short-term borrowings	3,000	3,000	–
(3) Current portion of long-term borrowings	2,800	2,800	–
(4) Long-term borrowings	1,000	1,003	3
(5) Convertible-bond-type bonds with share acquisition rights	553	553	–
<b>Total liabilities</b>	<b>11,529</b>	<b>11,533</b>	<b>3</b>
Derivatives (*1)	5	5	–

(\*1) 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. Methods for calculating fair values of financial instruments, and securities and derivatives

Assets

(1) Cash and deposits and (2) Notes and accounts receivable - trade

Since these accounts are settled in a short period of time, the fair value is nearly equal to the carrying amount.

Therefore, the carrying amount is used for their fair values.

(3) Investment securities

With regard to their fair value, the fair value of shares is based on the prices quoted by stock exchanges.

#### Liabilities

- (1) Notes and accounts payable - trade and (2) Short-term borrowings  
Since these accounts are settled in a short period of time, the fair value is nearly equal to the carrying amount. Therefore, the carrying amount is used for their fair values.
- (3) Current portion of long-term borrowings  
Because the fair value of current portion of long-term borrowings with floating interest rate reflects market interest rates in a short period of time and the credit spread does not change significantly when borrowings are made, the fair value is nearly equal to the carrying amount. Therefore, the carrying amount is used for the fair value.
- (4) Long-term borrowings  
The fair value of long-term borrowings is calculated by the present value obtained by discounting the total of principal and interest at an interest rate that would be charged for similar new loans.
- (5) 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 similar issuance of bonds.

#### Derivatives

Derivatives consist of forward exchange contracts, and the fair value is determined based on the price provided by financial institutions.

2. Financial instruments whose fair value is deemed extremely difficult to determine

(Millions of yen)

Category	As of February 28, 2021	As of February 28, 2022
Unlisted shares	884	406

Since these financial instruments do not have market prices, the fair value is deemed extremely difficult to determine. Therefore, they are not included in “(3) Investment securities.”

3. Expected redemption amounts of monetary claims after the consolidated balance sheet date  
As of February 28, 2021

	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	19,652	–	–	–
Notes and accounts receivable - trade	3,341	–	–	–
Total	22,993	–	–	–

As of February 28, 2022

	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	18,767	–	–	–
Notes and accounts receivable - trade	2,659	–	–	–
Total	21,427	–	–	–

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

As of February 28, 2021

	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	3,200	–	–	–	–	–
Bonds payable	20	–	–	–	–	–
Long-term borrowings	–	2,800	–	–	–	–
Total	3,220	2,800	–	–	–	–

As of February 28, 2022

	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 long-term borrowings	2,800	–	–	–	–	–
Long-term borrowings	–	–	70	140	140	650
Convertible-bond-type bonds with share acquisition rights	–	553	–	–	–	–
Total	5,800	553	70	140	140	650

## Securities

### 1. Available-for-sale securities

As of February 28, 2021

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	3,628	960	2,668
	(2) Debentures	–	–	–
	(3) Other	–	–	–
	Subtotal	3,628	960	2,668
Items whose carrying amount does not exceed acquisition cost	(1) Shares	441	628	(186)
	(2) Debentures	–	–	–
	(3) Other	–	–	–
	Subtotal	441	628	(186)
Total		4,070	1,588	2,481

(Note) Since unlisted shares (carrying amount: ¥3 million) do not have market prices, the fair value is deemed extremely difficult to determine. Therefore, they are not included in “Available-for-sale securities” in the above table.

As of February 28, 2022

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	4,011	838	3,173
	(2) Debentures	–	–	–
	(3) Other	–	–	–
	Subtotal	4,011	838	3,173
Items whose carrying amount does not exceed acquisition cost	(1) Shares	384	628	(244)
	(2) Debentures	–	–	–
	(3) Other	–	–	–
	Subtotal	384	628	(244)
Total		4,395	1,467	2,928

(Note) Since unlisted shares (carrying amount: ¥3 million) do not have market prices, the fair value is deemed extremely difficult to determine. Therefore, they are not included in “Available-for-sale securities” in the above table.

### 2. Available-for-sale securities sold

Fiscal year ended February 28, 2021

Type of assets	Sale proceeds (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	4,531	517	311
(2) Debentures	–	–	–
(3) Other	–	–	–
Total	4,531	517	311



Fiscal year ended February 28, 2022

Type of assets	Sale proceeds (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	622	501	–
(2) Debentures	–	–	–
(3) Other	–	–	–
Total	622	501	–

## 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.

#### Additional information

On February 1, 2022, the Company made a transition from a defined benefit corporate pension plan to a defined contribution pension plan, and introduced a new system consisting of a defined contribution pension plan and a lump-sum retirement benefit plan.

Regarding accounting associated with this transition, the Company has applied the “Accounting for Transfer between Retirement Benefit Plans” (Accounting Standards Board of Japan (ASBJ) Guidance No. 1, December 16, 2016) and the “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Practical Issues Task Force (PITF) No. 2, February 7, 2007).

There is no return from retirement benefit trust.

### 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, 2021	Fiscal year ended February 28, 2022
Balance of retirement benefit obligations at beginning of period	5,663 million yen	5,417 million yen
Service cost	250	214
Interest cost	–	9
Actuarial gains and losses accrued	(192)	(90)
Retirement benefits paid	(306)	(1,419)
Other	2	0
Partial termination of retirement benefit plan	–	(3,946)
Balance of retirement benefit obligations at end of period	5,417	187

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

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Balance of plan assets at beginning of period	5,893 million yen	6,290 million yen
Expected return on plan assets	58	148
Actuarial gains and losses accrued	257	100
Contribution from employer	386	315
Retirement benefits paid	(306)	(1,424)
Partial termination of retirement benefit plan	–	(2,959)
Balance of plan assets at end of period	6,290	2,471

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

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Retirement benefit liability at beginning of period	222 million yen	235 million yen
Retirement benefit expenses	49	101
Retirement benefits paid	(34)	(171)
Contribution to plans	(1)	0
Retirement benefit liability at end of period	235	164

(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, 2021	As of February 28, 2022
Retirement benefit obligations of funded plans	5,417 million yen	187 million yen
Plan assets	(6,290)	(2,471)
	(872)	(2,284)
Retirement benefit obligations of unfunded plans	235	164
Net amount of liabilities and assets recorded in the consolidated balance sheet	(637)	(2,120)
Retirement benefit liability	235	164
Retirement benefit asset	(872)	(2,284)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(637)	(2,120)

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

(5) Amounts of retirement benefit expenses and their components

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Service cost	250 million yen	214 million yen
Interest cost	–	9
Expected return on plan assets	(58)	(148)
Amortization of actuarial gains and losses	(20)	(166)
Retirement benefit expenses calculated by the simplified method	49	101
Retirement benefit expenses for defined benefit plans	220	10
Extra retirement payments	1,077	–
Gain on partial termination of retirement benefit plan	–	(1,248)

(Note) Extra retirement payments are included in “Business restructuring expenses” under extraordinary losses.

(6) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) are as follows:

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Actuarial gains and losses	(429) million yen	– million yen
Total	(429)	–

(7) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

	As of February 28, 2021	As of February 28, 2022
Unrecognized actuarial gains and losses	(639) million yen	– million yen
Total	(639)	–

(8) 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, 2021	As of February 28, 2022
Debtentures	36%	48%
Shares	40	28
General account	18	—
Short-term assets	2	15
Other	4	8
Total	100	100

(Note) The total plan assets include a retirement benefit trust established for defined benefit corporate pension plans constituting 35% as of February 28, 2021, and a retirement benefit trust established for lump-sum retirement benefit plans constituting 92% as of February 28, 2022.

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.

(9) Actuarial assumptions

Major actuarial assumptions (presented as weighted average)

	As of February 28, 2021	As of February 28, 2022
Discount rate	0.2%	0.2%
Long-term expected rate of return	1.0%	2.5%
Expected rate of salary increase	6.1%	6.1%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were ¥54 million (from March 1, 2020 to February 28, 2021) and ¥54 million (from March 1, 2021 to February 28, 2022).

## Deferred tax accounting

### 1. Major components of deferred tax assets and liabilities

	As of February 28, 2021	As of February 28, 2022
Deferred tax assets		
Excess of provision of allowance for doubtful accounts	6 million yen	4 million yen
Excess of provision for bonuses	59	64
Retirement benefit liability	644	116
Excess of provision for sales returns	3	3
Expenses for loss on valuation of inventories	222	129
Excess of depreciation	6	2
Expenses for impairment loss	288	325
Excess of deferred assets	161	113
Expenses for loss on valuation of investment securities	32	32
Expenses for loss on valuation of golf club membership	2	1
Tax loss carryforwards (Note)	7,814	8,852
Other	749	336
Offset against deferred tax liabilities	(3)	-
Subtotal deferred tax assets	9,988	9,981
Valuation allowance for tax loss carryforwards for tax purposes (Note)	(7,812)	(8,852)
Valuation allowance for total future taxable temporary differences	(2,170)	(1,128)
Subtotal valuation allowance	(9,982)	(9,981)
Total deferred tax assets	5	-
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(759)	(896)
Other	(5)	(3)
Offset against deferred tax assets	3	-
Total deferred tax liabilities	(762)	(899)
Net deferred tax assets (liabilities)	(756)	(899)

(Note) Amount of tax loss carryforwards for tax purposes and deferred tax assets by expiration period

As of February 28, 2021

	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*	372	7	-	59	2,356	5,018	7,814
Valuation allowance	(372)	(7)	-	(59)	(2,356)	(5,015)	(7,812)
Deferred tax assets	-	-	-	-	-	2	2

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

As of February 28, 2022

	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 *	404	–	53	2,351	1,080	4,962	8,852
Valuation allowance	(404)	–	(53)	(2,351)	(1,080)	(4,962)	(8,852)
Deferred tax assets	–	–	–	–	–	–	–

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

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

	As of February 28, 2021	As of February 28, 2022
Deferred tax assets		
Revaluation reserve (loss)	7 million yen	7 million yen
Subtotal deferred tax assets	7	7
Valuation allowance	(7)	(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, 2021	As of February 28, 2022
Statutory effective tax rate	The information is omitted	30.62%
(Adjustments)	since loss before income	
Expenses not deductible permanently, such as entertainment expenses	taxes was recorded.	0.25
Income not taxable permanently, such as dividend income		(1.33)
Inhabitant per capita taxes		5.38
Share of loss of entities accounted for using equity method		4.04
Increase (decrease) in valuation allowance		(0.18)
Effect of new consolidated subsidiaries		(7.92)
Effect of fluctuations in foreign exchange rates for overseas subsidiaries		(4.65)
Effect of reorganization		(5.97)
Difference in final tax return in the previous fiscal year		(14.41)
Other		(0.30)
Effective rate of income taxes after application of deferred tax accounting		5.53

## Business combination

### Business divestiture (transfer of shares of subsidiaries)

At the meeting of the Board of Directors held on March 11, 2021, the Company resolved to transfer all the shares of the consolidated subsidiary Ruby Groupe, Inc. (“Ruby Groupe”) and transferred them to SMN Corporation (“SMN”) on March 25, 2021.

According to this transfer, Ruby Groupe was excluded from the scope of consolidation.

#### (1) Overview of business divestiture

##### 1) Name of successor company

SMN Corporation

##### 2) Name of divested subsidiary and contents of business

Name of subsidiary: Ruby Groupe, Inc.

Contents of business: Building and operation of e-commerce (EC) sites for luxury brands, consulting business and others

##### 3) Reason for carrying out business divestiture

In accordance with the “Revitalization Plan” released on April 14, 2020, the Company is currently working to reform its business structure and make its businesses more efficient in order to secure profits. As part of it, the Company has continued to consider selection and concentration of its businesses. As a result of such considerations, the Company decided to transfer all the shares of the consolidated subsidiary Ruby Groupe, which develops EC support businesses for brands, to SMN.

After becoming the Company’s consolidated subsidiary, Ruby Groupe greatly helped the Company to strengthen its EC business by absorbing Ruby Groupe’s know-how about the EC site building and operation. In the meantime, as the competitive environment in the EC support industry was becoming increasingly intense, the Company continued to discuss the necessity of the best partner for Ruby Groupe to further grow, as the best owner described in the “Practical Guidelines for Business Transformations - Toward Changes to Business Portfolios and Organizations -,” announced in July 2020 by the Ministry of Economy, Trade and Industry. During these discussions, the Company explored the best transferee of the company’s shares because the environment surrounding the business was becoming increasingly severe.

SMN develops advertisement distribution service using the leading-edge technology as a marketing technology company of the Sony Group. The Company had high expectations of synergy effects that SMN’s data analysis and artificial intelligence technologies as well as the solution know-how utilizing them would generate together with the EC support businesses provided by Ruby Groupe. Therefore, the Company judged that SMN would be the best transferee and decided on the transfer of the shares of Ruby Groupe.

##### 4) Date of business divestiture

March 25, 2021 (Deemed date of sale: March 1, 2021)

##### 5) Overview of business divestiture including legal form

Share transfer in which consideration received is only property including cash

#### (2) Overview of accounting treatment performed

##### 1) Amount of transfer profit or loss

In the previous fiscal year, the difference between the net realizable value based on the sale price (less sale fee) and the consolidated carrying amount of Ruby Groupe was recorded as impairment losses under extraordinary losses.

Therefore, there is no effect on profit or loss in the fiscal year under review.

##### 2) Carrying amount of assets and liabilities of the business transferred

Current assets	557	million yen
Non-current assets	1,383	
Total assets	1,940	
Current liabilities	338	
Total liabilities	338	

#### (3) Reportable segment in which the divested business was included

Other

#### (4) Approximate amounts of profit or loss related the divested business included in the consolidated statement of income

for the fiscal year under review

Since the business divestiture was implemented with the beginning of the fiscal year under review regarded as the deemed date of transfer, profit or loss associated with the divested business is not included in the consolidated statement of income for the fiscal year under review.



## **Segment information, etc.**

### *Segment information*

Fiscal year ended February 28, 2021

The Group designates fashion-related business centered on apparel as a single reportable segment. The segment information is omitted, because businesses other than fashion-related business are immaterial.

Fiscal year ended February 28, 2022

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, 2021

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 28, 2022

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, 2021

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 28, 2022

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, 2021

The information is omitted as it is immaterial.

Fiscal year ended February 28, 2022

Type	Name of company, etc.	Location	Share capital or investments in capital (Millions of yen)	Business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related party	Nature of transactions	Transaction amount (Millions of yen)	Accounts	Ending balance (Millions of yen)
Major shareholders	Yagi Tsusho Limited	Chuo-ku, Osaka City, Osaka	100	Sales of clothing and others	(Held) Direct 13.19	Purchase of finished goods Payment of royalty	Purchase of finished goods	1,629	Accounts payable - trade	169
							Payment of royalty	760	Prepaid expenses	649

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

- 1 Transaction amounts do not include consumption taxes. Ending balances include consumption taxes.
- 2 Transaction terms are determined through individual negotiations.

2) Non-consolidated subsidiaries and associates of the Company

Fiscal year ended February 28, 2021

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)
Subsidiaries	Sanyo Sewing Co., Ltd.	Kamikita-gun, Aomori	100	Manufacture and sales of clothing and others	(Hold) Direct 100	Purchase of finished goods Concurrent officers	Lending	200	Other Current assets	1
							Underwriting of capital increase	1,055	-	-

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

1. Interest rate for lending is determined in consideration of market interest rate.
2. Capital increase for Sanyo Sewing Co., Ltd. was made by underwriting the company's allotment to shareholders, and execution of debt equity swap was performed.
3. Transaction amounts do not include consumption taxes. Ending balances include consumption taxes.

Fiscal year ended February 28, 2022

The information is omitted as it is immaterial.

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

Fiscal year ended February 28, 2021

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)
Directors of significant subsidiaries	Katsuki Kuwano	-	-	Representative Director (Chairman) of Ruby Groupe, Inc.	-	-	Purchase of shares of the subsidiary	347	-	-

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

1. The purchase prices of the shares of the subsidiary are determined based on the price calculated by the reasonable method to calculate share prices based on an agreement among shareholders.
2. Transaction amounts do not include consumption taxes. Ending balances include consumption taxes.

Fiscal year ended February 28, 2022

Not applicable

### Per share information

Fiscal year ended February 28, 2021		Fiscal year ended February 28, 2022	
Net assets per share	2,763.27	Net assets per share	2,782.64
Loss per share	412.07	Earnings per share	54.59
Diluted earnings per share		Diluted earnings per share	54.13
Omitted since there were no diluted earnings per share.			

(Note) Basis of calculation

#### 1. Net assets per share

Items	As of February 28, 2021	As of February 28, 2022
Total amount of net assets in the consolidated balance sheet (Millions of yen)	33,462	33,920
Amounts deducted from the total amount of net assets (Millions of yen)	–	156
(of which, non-controlling interests (Millions of yen))	(–)	(156)
Net assets applicable to common shares (Millions of yen)	33,462	33,764
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)	513	488
Number of common shares used to calculate net assets per share (Thousands of shares)	12,109	12,134

#### 2. The bases for calculating earnings (loss) per share and diluted earnings per share are as follows:

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Earnings (loss) per share		
Profit (loss) attributable to owners of parent on the consolidated statement of income (Millions of yen)	(4,988)	661
Profit (loss) not attributable to common shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent associated with common shares (Millions of yen)	(4,988)	661
Average number of outstanding common shares during the period (Thousands of shares)	12,106	12,126
Diluted earnings per share		
Remeasurements of profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (Thousands of shares)	–	101
(of which, convertible bonds (Thousands of shares))	(–)	(101)
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	–	None	March 31, 2023
Total			–	553			

(Notes) 1. 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.

2. 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)
–	553	–	–	–

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	3,200	3,000	1.6	–
Current portion of long-term borrowings	–	2,800	1.2	–
Current portion of lease obligations	266	195	–	–
Long-term borrowings (excluding current portion)	2,800	1,000	1.5	2024 to 2031
Lease obligations (excluding current portion)	422	208	–	2023 to 2027
Other interest-bearing liabilities	–	–	–	–
Total	6,689	7,204	–	–

(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	–	70	140	140
Lease obligations	144	60	2	0

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 28, 2022 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 28, 2022, respectively.

(2) Other

Quarterly information for the fiscal year ended February 28, 2022

Cumulative period	First quarter	Second quarter	Third quarter	Fiscal year ended February 28, 2022
Net sales (Millions of yen)	8,710	16,436	27,449	38,642
Profit (loss) before income taxes (Millions of yen)	(738)	(1,891)	(992)	700
Profit (loss) attributable to owners of parent (Millions of yen)	(748)	(1,910)	(1,020)	661
Earnings (loss) per share (yen)	(61.81)	(157.66)	(84.20)	54.59

Accounting period	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (yen)	(61.81)	(95.84)	73.35	138.69

## 2. Financial Statements and Other Information

### (1) Financial Statements

#### 1) Balance Sheet

(Millions of yen)

		As of February 28, 2021		As of February 28, 2022
<b>Assets</b>				
Current assets				
Cash and deposits	*2	18,922	*2	18,640
Accounts receivable – trade	*1	3,328	*1	2,659
Merchandise and finished goods		8,984		7,819
Work in process		128		191
Raw materials and supplies		249		237
Prepaid expenses		829	*1	872
Accounts receivable – other	*1	103	*1	100
Other	*1	11	*1	19
Allowance for doubtful accounts		(11)		(6)
Total current assets		32,546		30,535
Non-current assets				
Property, plant and equipment				
Buildings	*2	3,692	*2	3,390
Structures	*2	59	*2	53
Machinery and equipment	*2	36	*2	29
Tools, furniture and fixtures		834		778
Land	*2	4,136	*2	4,136
Leased assets		519		271
Construction in progress		2		2
Total property, plant and equipment		9,281		8,662
Intangible assets				
Trademark right		109		2,832
Software		754		588
Other		50		50
Total intangible assets		913		3,471
Investments and other assets				
Investment securities	*2	4,073	*2	4,399
Shares of subsidiaries and associates		2,684		941
Investments in capital of subsidiaries and associates		0		0
Leasehold and guarantee deposits		1,394		1,282
Prepaid pension costs		233		2,284
Other	*1	1,340	*1	846
Allowance for doubtful accounts		(787)		(784)
Total investments and other assets		8,939		8,970
Total non-current assets		19,134		21,103
Total assets		51,681		51,639

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
<b>Liabilities</b>		
Current liabilities		
Notes payable – trade	833	732
Accounts payable – trade	*1 3,033	*1 3,434
Short-term borrowings	*2, *3 3,200	*2, *3 3,000
Current portion of long-term borrowings	–	*2 2,800
Lease obligations	260	195
Accounts payable – other	57	1,334
Accrued expenses	*1 5,138	*1 1,598
Accrued consumption taxes	956	462
Income taxes payable	25	138
Deposits received	134	110
Provision for bonuses	190	212
Provision for sales returns	10	10
Other	222	186
Total current liabilities	14,063	14,216
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	–	553
Long-term borrowings	*2 2,800	1,000
Lease obligations	417	208
Long-term accounts payable – other	106	74
Deferred tax liabilities	761	899
Deferred tax liabilities for land revaluation	540	540
Provision for retirement benefits	204	164
Other	24	25
Total non-current liabilities	4,855	3,465
Total liabilities	18,918	17,682
Net assets		
Shareholders' equity		
Share capital	15,002	15,002
Capital surplus		
Legal capital surplus	3,800	3,800
Other capital surplus	6,171	6,140
Total capital surplus	9,971	9,940
Retained earnings		
Other retained earnings		
General reserve	9,750	9,750
Retained earnings brought forward	(3,837)	(2,977)
Total retained earnings	5,912	6,772
Treasury shares	(1,044)	(994)
Total shareholders' equity	29,840	30,721
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,721	2,031
Deferred gains or losses on hedges	–	3
Revaluation reserve for land	1,199	1,199
Total valuation and translation adjustments	2,921	3,235
Total net assets	32,762	33,957
Total liabilities and net assets	51,681	51,639



## 2) Statement of Income

(Millions of yen)

		Fiscal year ended February 28, 2021		Fiscal year ended February 28, 2022
Net sales	*1	36,293	*1	38,227
Cost of sales	*1	22,528	*1	19,819
Gross profit		13,764		18,408
Selling, general and administrative expenses	*2	22,341	*2	19,435
Operating loss		(8,576)		(1,027)
Non-operating income				
Interest and dividend income	*1	535	*1	156
Rental income		0		–
Reversal of allowance for doubtful accounts		48		55
Subsidy income	*3	43	*3	246
Other		20		73
Total non-operating income		648		531
Non-operating expenses				
Interest expenses		79		82
Loan related expenses		16		–
Foreign exchange losses		12		–
Provision of allowance for doubtful accounts		274		46
Other		4		1
Total non-operating expenses		387		130
Ordinary loss		(8,316)		(626)
Extraordinary income				
Gain on sale of non-current assets	*4	7,128		–
Gain on sale of investment securities		517		501
Gain on sale of golf membership		–		6
Subsidy income	*3	744	*3	304
Reversal of accrued expenses for Cancellation penalty	*5	71		–
Gain on extinguishment of tie-in shares		–	*6	86
Gain on partial termination of retirement benefit plan		–	*7	1,248
Total extraordinary income		8,460		2,147
Extraordinary losses				
Loss on sale of non-current assets		35		–
Loss on retirement of non-current assets	*8	147	*8	8
Impairment losses		667		400
Loss on sale of investment securities		311		–
Loss on sale of golf club membership		3		5
Loss on valuation of shares of subsidiaries and associates	*9	1,250		–
Business restructuring expenses	*10	1,238		–
Cancellation penalty	*11	291		–
Extraordinary loss due to closing and other	*12	1,320	*12	209
Total extraordinary losses		5,266		624
Profit (loss) before income taxes		(5,121)		896
Income taxes – current		39		37
Income taxes – deferred		(0)		(0)
Total income taxes		38		36
Profit (loss)		(5,160)		860

Detailed Schedule of Cost of Products Manufactured

Category	Note number	Fiscal year ended February 28, 2021		Fiscal year ended February 28, 2022	
		Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
I. Material cost		1,462	23.0	1,597	23.9
II. Labor cost		1,898	29.9	1,595	23.9
III. Manufacturing expenses		2,992	47.1	3,487	52.2
(of which, subcontract processing cost)		(760)		(924)	
Total manufacturing cost		6,352	100	6,679	100
Beginning inventories of work in process		125		128	
Total		6,478		6,808	
Ending inventories of work in process		128		191	
Cost of products manufactured		6,349		6,616	

(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.

3) Statement of Changes in Equity  
Fiscal year ended February 28, 2021

(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	6,186	9,750	3,117	(1,072)	36,784
Changes during period							
Dividends of surplus					(278)		(278)
Profit (loss)					(5,160)		(5,160)
Disposal of treasury shares			(15)			27	12
Purchase of treasury shares						(0)	(0)
Reversal of revaluation reserve for land					(1,516)		(1,516)
Net changes in items other than shareholders' equity							
Total changes during period	–	–	(15)	–	(6,955)	27	(6,943)
Balance at end of period	15,002	3,800	6,171	9,750	(3,837)	(1,044)	29,840

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	1,814	(316)	1,497	38,281
Changes during period				
Dividends of surplus				(278)
Profit (loss)				(5,160)
Disposal of treasury shares				12
Purchase of treasury shares				(0)
Reversal of revaluation reserve for land				(1,516)
Net changes in items other than shareholders' equity	(92)	1,516	1,423	1,423
Total changes during period	(92)	1,516	1,423	(5,519)
Balance at end of period	1,721	1,199	2,921	32,762

Fiscal year ended February 28, 2022

(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	6,171	9,750	(3,837)	(1,044)	29,840
Changes during period							
Profit (loss)					860		860
Disposal of treasury shares			(30)			51	21
Purchase of treasury shares						(0)	(0)
Net changes in items other than shareholders' equity							
Total changes during period	-	-	(30)	-	860	50	880
Balance at end of period	15,002	3,800	6,140	9,750	(2,977)	(994)	30,721

	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	1,721	-	1,199	2,921	32,762
Changes during period					
Profit (loss)					860
Disposal of treasury shares					21
Purchase of treasury shares					(0)
Net changes in items other than shareholders' equity	310	3	-	314	314
Total changes during period	310	3	-	314	1,194
Balance at end of period	2,031	3	1,199	3,235	33,957

## 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 with market value  
Stated at fair value based on the market price on the balance sheet date (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)  
Securities without market value  
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 for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and 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 sales returns  
To cover losses from sales returns expected to occur after the fiscal year end, the estimated amount of loss on future sales returns is provided in consideration of past return rates and other factors.

(4) Provision for retirement benefits

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.

Additional information

On February 1, 2022, the Company made a transition from a defined benefit corporate pension plan to a defined contribution pension plan, and introduced a new system consisting of a defined contribution pension plan and a lump-sum retirement benefit plan.

Regarding accounting associated with this transition, the Company has applied the “Accounting for Transfer between Retirement Benefit Plans” (Accounting Standards Board of Japan (ASBJ) Guidance No. 1, December 16, 2016) and the “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Practical Issues Task Force (PITF) No. 2, February 7, 2007).

5. 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.

6. 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 receivables and 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.

7. Other basis of preparation of financial statements

Accounting for consumption taxes

National and local consumption taxes are accounted for by the tax-excluded method.

## Significant accounting estimates

### 1. Evaluation of inventories

(1) Amounts recorded in the financial statements for the fiscal year ended February 28, 2022

(Millions of yen)

	Fiscal year ended February 28, 2022
Merchandise and finished goods	7,819
Loss on valuation of inventories	422

(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. Evaluation of inventories” in notes regarding significant accounting estimates in the consolidated financial statements.

### 2. Evaluation of shares of subsidiaries and associates

(1) Amounts recorded in the financial statements for the fiscal year ended February 28, 2022

¥941 million of shares of subsidiaries and associates recorded in the balance sheet includes ¥488 million of investments in the unlisted subsidiary ECOALF JAPAN LTD.

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

With respect to investments in unlisted subsidiaries, if deteriorated financial conditions of an issuing company significantly reduce actual value, recognition of loss on valuation will be needed, except when the possibility of recovery is substantiated by ample evidence.

As a result of the determination of a necessity of recognition of loss on valuation of the shares of ECOALF JAPAN LTD. for the fiscal year under review, the Company judged that there was no necessity of recognition of loss on valuation.

The judgement as to whether the calculation of the actual value of investments in ECOALF JAPAN LTD. and the possibility of the recovery are substantiated by ample evidence is made based on the business plan for the ECOALF business, operated co-jointly by the Company and ECOALF JAPAN LTD. For details on the contents of accounting estimates for the business related to the ECOALF business, please refer to “2. Necessity of recognition of impairment losses on non-current assets, including trademark right pertaining to ECOALF business” in notes regarding significant accounting estimates in the consolidated financial statements.

## Changes in presentation

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to financial statements related to the end of the fiscal year under review, and includes notes regarding significant accounting estimates in the financial statements.

However, in accordance with transitional treatment provided for in proviso to paragraph 11 of the accounting standard, contents related to the previous fiscal year are not described.

## Statement of income

“Reversal of allowance for doubtful accounts” and “Subsidy income,” which were included in “Other” under “Non-operating income” in the fiscal year ended February 28, 2021, have been separately presented from the fiscal year ended February 28, 2022, since the significance of the amount increased. To reflect this change in presentation, the financial statements for the fiscal year ended February 28, 2021 were reclassified.

As a result, ¥112 million presented in “Other” under “Non-operating income” in the statement of income for the fiscal year ended February 28, 2021 was reclassified as ¥48 million in “Reversal of allowance for doubtful accounts,” ¥43 million in “Subsidy income” and ¥20 million in “Other.”

**Additional information**

Accounting estimates associated with the spread of COVID-19

The spread of COVID-19, which is continuously mutating, changes consumer behavior, and is expected to force us to engage in economic activities on the premise of coexistence with COVID-19. However, the Company expects that progress in prevention measures, change in infection routes and less severe variants will not stop normal economic activities as it has done for the past two years, and that the consumption environment will be improved to some degree. Based on the situations above, the Company has assumed that net sales and operating profit will be on a recovery trend, whereas the consumption environment in the apparel and fashion industry will not return to that prior to the COVID-19 pandemic, and that its impact will continue. With this assumption, the Company has made accounting estimates (mainly, considering future financing related to the premise of a going concern, etc.).

The accounting estimates are the best estimate at present, but there exists a certain uncertainty in the assumption used for the estimates. If the recent situation of the COVID-19 pandemic and its impact on economic activities change, or due to changes in circumstances surrounding Ukraine, the results of the estimates above may change and affect the Company's financial position and operating results.



## Notes to balance sheet

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

	As of February 28, 2021	As of February 28, 2022
Short-term receivables	121 million yen	99 million yen
Long-term receivables	1,287	818
Short-term obligations	78	58

### \*2. Assets pledged as collateral for borrowings

As of February 28, 2021

The following assets are pledged as collateral for revolving mortgages and revolving pledges on borrowings from the Company's banks (¥3,000 million) and overdraft agreements (maximum limit of overdraft: ¥4,000 million).

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

Buildings	3,040 million yen
Structures	58
Land	4,072
Other	36
Investment securities	3,628
<b>Total</b>	<b>10,835</b>

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

As of February 28, 2022

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: ¥4,000 million).

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

Cash and deposits	380 million yen
Buildings	2,904
Structures	53
Land	4,072
Other	29
Investment securities	4,011
<b>Total</b>	<b>11,450</b>

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.

### \*3. Overdraft agreements

As of February 28, 2021

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

Maximum amount of overdraft	4,000 million yen
Outstanding balance of used line of credit	3,000
<b>Unused amount</b>	<b>1,000</b>

As of February 28, 2022

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

Maximum amount of overdraft	4,000 million yen
Outstanding balance of used line of credit	3,000
<b>Unused amount</b>	<b>1,000</b>

## Notes to statement of income

### \*1. Transaction balance from associates

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Transaction balance from operating transactions		
Net sales	406 million yen	(70) million yen
Purchases	128	31
Transaction balance from non-operating transactions	316	4

\*2. The approximate percentage of expenses under selling expenses is 54% in the previous fiscal year and 57% in the fiscal year under review. The approximate percentage of expenses under general and administrative expenses is 46% in the previous fiscal year and 43% 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, 2021	Fiscal year ended February 28, 2022
Salaries and allowances	10,739 million yen	9,481 million yen
Advertising expenses	1,666	1,313
Provision for bonuses	128	142
Retirement benefit expenses	187	(4)
Depreciation	678	628
Outsourcing expenses	3,171	2,703

### \*3. Subsidy income

Fiscal year ended February 28, 2021

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), subsidies for employment adjustment during the period of closure of stores are recorded as non-operating income and extraordinary income.

The subsidy income recorded as extraordinary income is subsidies for employment adjustment, etc. corresponding to loss on temporary closure recorded as extraordinary losses.

Fiscal year ended February 28, 2022

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), subsidies for employment adjustment during the period of closure of stores are recorded as non-operating income and extraordinary income.

The subsidy income recorded as extraordinary income is subsidies for employment adjustment, etc. corresponding to loss on temporary closure recorded as extraordinary losses.

### \*4. Gain on sale of non-current assets

Fiscal year ended February 28, 2021

Gain on sale of non-current assets is gain on sale of the Company's SANYO GINZA TOWER (GINZA TIMELESS 8) and the buildings and land in its recreation center.

Fiscal year ended February 28, 2022

Not applicable

### \*5. Reversal of accrued expenses for cancellation penalty

Fiscal year ended February 28, 2021

This is a reversal accrued as a result of the negotiation over cancellation penalty for withdrawing stores.

Fiscal year ended February 28, 2022

Not applicable

- \*6. Gain on extinguishment of tie-in shares  
Fiscal year ended February 28, 2021  
Not applicable
- Fiscal year ended February 28, 2022  
In association with an absorption-type merger of the Company's consolidated subsidiary, Sanyo Apparel Ltd., ¥86 million of gain on extinguishment of tie-in shares is recorded as extraordinary income.
- \*7. Gain on partial termination of retirement benefit plan  
Fiscal year ended February 28, 2021  
Not applicable
- Fiscal year ended February 28, 2022  
Gain on partial termination of ¥1,248 million due to change in retirement benefit plans is recorded as extraordinary income.
- \*8. Loss on retirement of non-current assets is mainly as follows:  
Fiscal year ended February 28, 2021  
Loss on retirement of non-current assets is loss on retirement of buildings and structures due to renovation and withdrawal of stores.
- Fiscal year ended February 28, 2022  
Loss on retirement of non-current assets is loss on retirement of tools, furniture and fixtures due to renovation and withdrawal of stores.
- \*9. Loss on valuation of shares of subsidiaries and associates  
Fiscal year ended February 28, 2021  
At the meeting of the Board of Directors held on March 11, 2021, the sale of all the shares of Ruby Groupe, Inc. was resolved, and the difference between the net realizable value (less sale fee) and the carrying amount of shares of subsidiaries and associates was recorded as loss on valuation of shares of subsidiaries and associates under extraordinary losses.
- Fiscal year ended February 28, 2022  
Not applicable
- \*10. Business restructuring expenses  
Fiscal year ended February 28, 2021  
This consists of extra retirement payments, etc. associated with call for voluntary retirement of employees.
- Fiscal year ended February 28, 2022  
Not applicable
- \*11. Cancellation penalty  
Fiscal year ended February 28, 2021  
The cancellation penalty consists mainly of cancellation penalty, etc. associated with the withdrawal of tenants.
- Fiscal year ended February 28, 2022  
Not applicable

\*12. Extraordinary loss due to closing and other

Fiscal year ended February 28, 2021

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), fixed costs of ¥1,320 million during the period of about two-month closure of stores are recorded as extraordinary losses.

Main items include payroll and allowances of ¥962 million (mainly for store staff), rent expenses on real estate and depreciation.

Fiscal year ended February 28, 2022

In association with the declaration of a state of emergency in accordance with the revised Act on Special Measures (the Act on Special Measures against Novel Influenza, etc.), fixed costs of ¥209 million during the period of about two-month closure of stores are recorded as extraordinary losses.

Main items include payroll and allowances of ¥169 million (mainly for store staff), rent expenses on real estate and depreciation.

**Securities**

Since the shares of subsidiaries and associates (the amount recorded in the balance sheet in the fiscal year ended February 28, 2022 is ¥941 million of subsidiary shares, and the amount recorded in the balance sheet in the fiscal year ended February 28, 2021 is ¥2,684 million of subsidiary shares) are all subsidiary shares, and do not have market prices, the fair value is deemed extremely difficult to determine. Therefore, they are not included.

## Deferred tax accounting

### 1. Major components of deferred tax assets and liabilities

	As of February 28, 2021	As of February 28, 2022
Deferred tax assets		
Excess of provision of allowance for doubtful accounts	244 million yen	241 million yen
Excess of provision for bonuses	58	64
Excess of provision for retirement benefits	634	116
Excess of provision for sales returns	3	3
Expenses for loss on valuation of inventories	221	129
Excess of depreciation	6	2
Expenses for impairment loss	279	325
Excess of deferred assets	161	113
Expenses for loss on valuation of investment securities	32	32
Expenses for loss on valuation of shares of subsidiaries and associates	1,212	826
Expenses for loss on valuation of golf club membership	2	1
Tax loss carryforwards	7,132	8,392
Other	709	337
Subtotal deferred tax assets	10,697	10,585
Valuation allowance for tax loss carryforwards for tax purposes	(7,132)	(8,392)
Valuation allowance for total future taxable temporary differences	(3,564)	(2,192)
Subtotal valuation allowance	(10,697)	(10,585)
Total deferred tax assets		
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(759)	(896)
Other	(1)	(3)
Total deferred tax liabilities	(761)	(899)
Net deferred tax assets (liabilities)	(761)	(899)

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

	As of February 28, 2021	As of February 28, 2022
Deferred tax assets		
Revaluation reserve (loss)	7 million yen	7 million yen
Subtotal deferred tax assets	7	7
Valuation allowance	(7)	(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, 2021	As of February 28, 2022
Statutory effective tax rate (Adjustments)	The information is omitted since loss before income	30.62%
Expenses not deductible permanently, such as entertainment expenses	taxes was recorded.	0.20
Income not taxable permanently, such as dividend income		(1.04)
Inhabitant per capita taxes		4.13
Increase (decrease) in valuation allowance		(12.48)
Gain on extinguishment of tie-in shares		(2.97)
Effect of reorganization		(4.66)
Difference in final tax return in the previous fiscal year		(11.21)
Other		1.48
Effective rate of income taxes after application of deferred tax accounting		4.07

**Business combination**

The information is omitted since it is described in notes (Business combination) to “1. Consolidated Financial Statements and Other Information” in “5. Financial Information.”

**Subsequent events**

Not applicable

4) 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	3,692	176	270 (270)	208	3,390	2,216
	Structures	59	–	–	5	53	70
	Machinery and equipment	36	–	–	7	29	33
	Tools, furniture and fixtures	834	37	36 (36)	57	778	542
	Land	4,136 [1,740]	– [-]	– [-]	–	4,136 [1,740]	–
	Leased assets	519	8	49 (48)	206	271	555
	Construction in progress	2	30	30	–	2	–
	Total	9,281 [1,740]	253 [-]	387 (355) [-]	484	8,662 [1,740]	3,418
Intangible assets	Trademark right	109	3,099	–	376	2,832	1,637
	Software	754	18	6	178	588	1,429
	Other	50	–	–	0	50	4
	Total	913	3,118	6	555	3,471	3,070

- (Notes)
1. The increase in buildings is mainly store equipment for opening stores.
  2. The increase in trademark right is mainly due to acquisition of Paul Stuart trademark right.
  3. The amounts in parentheses in “Decrease in the fiscal year” are impairment losses.
  4. The amounts in brackets in “Beginning balance” 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	798	46	55	790
Provision for bonuses	190	212	190	212
Provision for sales returns	10	10	10	10

(2) Major Assets and Liabilities

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

(3) Other

Not applicable