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April 3, 2025

Consolidated Financial Results for the Fiscal Year Ended February 20, 2025 (Under Japanese GAAP)

MEMBERSHIP

Company name: HEIWADO CO., LTD.
Listing: Tokyo Stock Exchange
Securities code: 8276
URL: https://www.heiwado.jp/
Representative: Masashi Hiramatsu, Representative Director, Executive President and CEO
Inquiries: Norimasa Wada, Corporate Officer and General Manager of Finance & Accounting Div.
Telephone: +81-749-23-3111

Scheduled date of annual general meeting of shareholders: May 15, 2025
Scheduled date to commence dividend payments: May 16, 2025
Scheduled date to file securities report: May 16, 2025
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and securities analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended February 20, 2025 (from February 21, 2024 to February 20, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 20, 2025	444,898	4.6	13,360	0.8	14,639	1.1	10,727	58.1
February 20, 2024	425,424	2.3	13,257	17.5	14,482	10.8	6,784	(9.7)

Note: Comprehensive income For the fiscal year ended February 20, 2025: ¥11,082 million [35.9%]
For the fiscal year ended February 20, 2024: ¥8,152 million [11.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to operating revenue
Fiscal year ended	Yen	Yen	%	%	%
February 20, 2025	209.08	—	5.7	4.7	3.0
February 20, 2024	129.37	—	3.7	4.7	3.1

Reference: Share of profit or loss of entities accounted for using equity method
For the fiscal year ended February 20, 2025: ¥- million
For the fiscal year ended February 20, 2024: ¥- million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 20, 2025	307,868	192,026	61.7	3,764.48
February 20, 2024	309,461	188,266	60.2	3,551.29

Reference: Equity
As of February 20, 2025: ¥189,910 million
As of February 20, 2024: ¥186,258 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 20, 2025	22,973	(14,646)	(15,167)	22,881
February 20, 2024	22,699	(16,649)	(1,692)	29,426

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 20, 2024	—	19.00	—	23.00	42.00	2,202	32.5	1.2
Fiscal year ended February 20, 2025	—	30.00	—	33.00	63.00	3,208	30.1	1.7
Fiscal year ending February 20, 2026 (Forecast)	—	33.00	—	33.00	66.00		—	

3. Consolidated financial results forecasts for the fiscal year ending February 20, 2026 (from February 21, 2025 to February 20, 2026)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	221,000	2.0	7,100	12.6	7,800	10.3	5,700	24.9	114.12
Full year	456,000	2.5	14,500	8.5	15,600	6.6	10,800	0.7	217.09

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None
Newly included: –
Excluded: –

(2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: Yes
- (iv) Restatement: None

Note: For details, please see “3. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements (Changes in accounting estimates)” on page 17 of the attachments.

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of February 20, 2025	51,546,470 shares
As of February 20, 2024	52,546,470 shares

(ii) Number of treasury shares at the end of the period

As of February 20, 2025	1,098,542 shares
As of February 20, 2024	98,338 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended February 20, 2025	51,307,540 shares
Fiscal year ended February 20, 2024	52,448,320 shares

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended February 20, 2025 (from February 21, 2024 to February 20, 2025)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 20, 2025	403,686	6.0	10,326	(5.8)	12,106	(1.8)	8,831	60.3
February 20, 2024	380,967	2.6	10,965	10.3	12,324	0.1	5,509	(33.1)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 20, 2025	172.13	—
February 20, 2024	105.05	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 20, 2025	281,906	167,213	59.3	3,314.57
February 20, 2024	282,007	166,037	58.9	3,165.75

Reference: Equity
As of February 20, 2025: ¥167,213 million
As of February 20, 2024: ¥166,037 million

2. Non-consolidated financial results forecasts for the fiscal year ending February 20, 2026 (from February 21, 2025 to February 20, 2026)

(Percentages indicate year-on-year changes.)

	Operating revenue		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	204,000	4.9	7,000	16.2	5,300	27.0	106.11
Full year	425,000	5.3	13,400	10.7	10,200	15.5	205.03

* Financial results reports are exempt from audits conducted by certified public accountants or an audit corporation.

* Explanation regarding proper use of earnings forecasts and other special matters

Forward-looking statements such as earnings forecasts in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Actual operating results may differ substantially from these forecasts due to a variety of factors.

For the assumptions used for the financial results forecasts and the notes regarding the use thereof, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 5 of the attachments.

Table of Contents - Attachments

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review (from February 21, 2024 to February 20, 2025), the Japanese economy continued to recover gradually due to improvements in the employment and income environment, and monetary policy moved toward normalization. However, prices of daily necessities and energy remained high, and consumers maintained a heightened sense of protecting their daily lives. In addition, global conditions and economies have become increasingly uncertain due to protectionist movements regarding tariffs and the situation in Ukraine, continuing to create an unclear outlook.

In the retail industry, although revenue has been strong due to rising product prices, profits have been under pressure from surges in labor and construction material costs. Additionally, the business environment remains extremely challenging due to intensifying competition among companies across different business formats and difficulties in recruitment.

Under these circumstances, the Group has been working on enhancing sales capabilities and productivity. In May, Maizuru Distribution Industry Co., Ltd., a consolidated subsidiary of the Company, was merged into Yell Co., Ltd., and in August, Maruzen Co., Ltd. was merged into the Company through an absorption-type merger. We are striving to improve the customer experience value through integrated operations while boosting operational efficiency.

As a result of the foregoing, the operating results for the fiscal year under review were operating revenue of ¥444,898 million (up 4.6% year on year), operating profit of ¥13,360 million (up 0.8% year on year), ordinary profit of ¥14,639 million (up 1.1% year on year), and profit attributable to owners of parent of ¥10,727 million (up 58.1% year on year).

The overview of segment results is as given below.

[Retail Business]

Heiwado Co., Ltd., the Group's core company, has formulated the Fifth Medium-Term Management Plan and is executing specific initiatives with key strategies aimed at "gaining customer support by addressing the needs of the child-rearing generation," "expanding the HOP economic sphere based on the dominant strategy," and "promoting cost structure reform, including productivity improvement" to become a comprehensive community-based lifestyle (creation) company.

(1) Gaining customer support by addressing the needs of the child-rearing generation

- Strengthening price adjustment for daily-use products
- Differentiation through fresh foods and private brand products
- Strengthening communication using apps

(2) Expanding the HOP economic sphere based on the dominant strategy

- Expanding store openings in priority areas through multiple formats
- Solidifying our customer base through community-based initiatives
- Expanding new channels such as small stores and online supermarkets

(3) Promoting cost structure reform, including productivity improvement

- Wage increases through productivity improvement and business process reviews
- Balancing job satisfaction improvement and labor cost control
- Optimizing various costs through promotion of logistics reform, operational reviews, etc.

To support families raising children, we enhanced large-volume packs that are popular among this demographic and highlighted the price appeal of frequently purchased items as Key Value Items (KVI). In addition, we released the HOP app in July 2024, and by February 2025, 810,000 people have registered as the app members.

For new store openings to strengthen the dominant strategy, we opened three stores in Aichi Prefecture, one in Shiga Prefecture, and one in Osaka Prefecture, while closing three stores. We also continuously renovated existing stores, reviewing zoning and tenants to make the stores more appealing to the generation raising children. The online supermarket business has expanded to five stores, broadening our sales channels.

As part of our cost structure reform, we have been pushing ahead with the use of case-ready products packaged at processing centers and delicatessen centers run by Bestone Co., Ltd., a consolidated subsidiary, while promoting initiatives to enhance employee job satisfaction and productivity. In our logistics operations, we have been pursuing efficiency improvements in response to the 2024 Problem, implementing joint delivery and lead time adjustments.

While these initiatives and the effects of the absorption-type merger with Maruzen Co., Ltd. on August 21, 2024 boosted operating revenue, the gross profit margin declined due to insufficient accuracy in sales planning related to the use of case-ready products and increased net sales, leading to a drop in operating profit and ordinary profit. Profit rose year on year because of the recovery from the extraordinary losses associated with the damage from the Noto Peninsula Earthquake that occurred in the previous fiscal year and gains from the sale of cross-shareholdings.

Yell Co., Ltd., which operates general retail businesses in Kyoto Prefecture, experienced an increase in both revenue and profit due to higher operating revenue from its merger with Maizuru Distribution Industry Co., Ltd. and the recovery from elevated expenses related to renovations in FY2023.

Direct Shop Inc., which sells books and operates a fitness business, saw a decline in revenue but a reduction in its deficit due to the downsizing of an unprofitable business and a decrease in selling and administrative expenses.

Heiwado (China) Co., Ltd., which operates a retail store in Hunan Province, China, experienced a decrease in both revenue and profit due to the slowdown of the Chinese economy and aggravated surrounding environments.

As a result of the above, operating revenue in the retail business was ¥421,323 million (up 4.6% year on year), and ordinary profit was ¥13,058 million (down 0.8% year on year).

[Retail-Related Business]

Bestone Co., Ltd., which manufactures and processes prepared foods, rice dishes, and fresh foods, achieved increased revenue and profit due to the consistent rise in production volume at the new delicatessen center that began operations on May 31, 2023, along with increased orders stemming from Heiwado's productivity improvement initiatives.

National Maintenance Co., Ltd., which operates a building maintenance business, experienced increased revenue and profit due to orders for restoration work related to the Noto Peninsula Earthquake damage and the revision of work unit prices.

As a result of the above, operating revenue in the retail-related business was ¥6,631 million (up 2.5% year on year), and ordinary profit was ¥1,925 million (up 74.3% year on year).

[Other Businesses]

Fivestar Co., Ltd., which operates a restaurant business, saw an increase in net sales, but due to higher selling and administrative expenses, it experienced increased revenue but decreased profit.

C.O.M Corporation Ltd., which operates a restaurant business, experienced increased revenue and profit due to the strong sales performance of its mainstay, Kentucky Fried Chicken.

As a result of the above, operating revenue in other businesses was ¥16,942 million (up 3.8% year on year), and ordinary profit was ¥765 million (down 12.3% year on year).

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets as of the end of the fiscal year under review decreased by ¥1,592 million from the end of the previous fiscal year (down 0.5% from the end of the previous fiscal year) to ¥307,868 million. The main factors included decreases of ¥6,233 million in cash and deposits, ¥1,950 million in deferred tax assets, and ¥589 million in investment securities, which were partially offset primarily by increases of ¥5,453 million in property, plant and equipment and ¥1,660 million in notes and accounts receivable - trade, and contract assets.

Liabilities decreased by ¥5,351 million from the end of the previous fiscal year (down 4.4% from the end of the previous fiscal year) to ¥115,842 million. The main factors included decreases of ¥5,980 million in short-term borrowings, ¥1,966 million in retirement benefit liability, and ¥1,850 million in long-term borrowings, which were partially offset primarily by increases of ¥2,928 million in asset retirement obligations and ¥1,669 million in notes and accounts payable - trade.

Net assets increased by ¥3,759 million from the end of the previous fiscal year (up 2.0% from the end of the previous fiscal year) to ¥192,026 million. The main factors included increases of ¥5,728 million in retained earnings and ¥1,164 million in remeasurements of defined benefit plans, while treasury shares increased by ¥2,286 million and foreign currency translation adjustment decreased by ¥581 million.

(3) Overview of Cash Flows for the Fiscal Year under Review

The status of cash flows for each activity during the fiscal year under review is given below.

(Cash flows from operating activities)

Net cash provided by operating activities increased by ¥274 million year on year to ¥22,973 million. The breakdown of cash flows from operating activities for the fiscal year under review consisted of an increase in funds mainly due to profit before income taxes of ¥15,218 million and depreciation of ¥13,170 million, and a decrease in funds mainly due to income taxes paid of ¥4,117 million and an increase in trade receivables of ¥1,646 million.

(Cash flows from investing activities)

Net cash used in investing activities decreased by ¥2,002 million year on year to ¥14,646 million. The breakdown of cash flows from investing activities for the fiscal year under review consisted of an increase in funds mainly due to proceeds from sale and redemption of short-term and long-term investment securities of ¥1,735 million, and a decrease in funds mainly due to purchase of property, plant and equipment and intangible assets of ¥16,176 million.

(Cash flows from financing activities)

Net cash used in financing activities increased by ¥13,475 million year on year to ¥15,167 million. The breakdown of cash flows from financing activities for the fiscal year under review consisted of an increase in funds due to proceeds from long-term borrowings of ¥4,500 million, and a decrease in funds mainly due to repayments of long-term borrowings of ¥9,330 million, purchase of treasury shares of ¥4,535 million, and a net decrease in short-term borrowings of ¥3,000 million.

Reference: Trends in cash flow indicators

		Fiscal year ended				
		Feb. 20, 2021	Feb. 20, 2022	Feb. 20, 2023	Feb. 20, 2024	Feb. 20, 2025
Equity-to-asset ratio	(%)	55.6	58.5	60.0	60.2	61.7
Equity-to-asset ratio on mark-to-market basis	(%)	36.8	34.6	38.0	35.0	38.3
Ratio of interest-bearing debt to cash flow	(%)	108.2	149.1	174.8	124.0	88.5
Interest coverage ratio	(times)	846.6	753.9	578.7	707.2	347.3

Note: All indicators are calculated using consolidated financial figures. The calculation methods for each indicator are as follows.

- Equity-to-asset ratio: Equity/Total assets
- Equity-to-asset ratio on mark-to-market basis: Market capitalization/Total assets
  Market capitalization is calculated by multiplying the closing share price on the last day of the period by the number of issued shares at the end of the period (excluding treasury shares).
- Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flows from operating activities
  Interest-bearing debt refers to liabilities recorded in the consolidated balance sheets that are subject to interest payments.
  Cash flows from operating activities are cash flows from operating activities in the consolidated statements of cash flows.
- Interest coverage ratio: Cash flows from operating activities/Interest payment
  Interest payment refers to the amount of interest paid as recorded in the consolidated statements of cash flows.

(4) Future Outlook

With concerns for the next fiscal year, such as inflation and rapid exchange rate fluctuations, the future outlook remains uncertain.

Under these circumstances, we will work to improve productivity and strengthen sales capabilities throughout the company. We will also strive to revitalize our stores through active renovations to enhance store loyalty.

For the next fiscal year, the Group forecasts operating revenue of ¥456.0 billion (up 2.5% year on year), operating profit of ¥14.5 billion (up 8.5% year on year), ordinary profit of ¥15.6 billion (up 6.6% year on year), and profit attributable to owners of parent of ¥10.8 billion (up 0.7% year on year).

2. Basic Policy on Selection of Accounting Standards

The Group plans to use Japanese GAAP for the time being. Regarding the adoption of IFRS (International Financial Reporting Standards), the Group’s policy is to respond appropriately based on the situation in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 20, 2024	As of February 20, 2025
Assets		
Current assets		
Cash and deposits	33,051	26,817
Notes and accounts receivable - trade, and contract assets	10,180	11,840
Merchandise and finished goods	19,124	19,837
Raw materials and supplies	200	246
Other	5,917	5,898
Allowance for doubtful accounts	(60)	(38)
Total current assets	68,413	64,602
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	90,613	94,754
Land	98,640	98,383
Construction in progress	1,416	3,001
Other, net	10,115	10,099
Total property, plant and equipment	*1 200,786	*1 206,239
Intangible assets		
Goodwill	607	540
Leasehold interests in land	5,513	5,555
Other	3,925	3,745
Total intangible assets	10,046	9,841
Investments and other assets		
Investment securities	*2 4,460	*2 3,871
Long-term loans receivable	520	478
Leasehold and guarantee deposits	18,003	18,006
Deferred tax assets	4,963	3,013
Retirement benefit asset	97	104
Other	2,524	2,066
Allowance for doubtful accounts	(355)	(355)
Total investments and other assets	30,214	27,184
Total non-current assets	241,047	243,266
Total assets	309,461	307,868

	As of February 20, 2024	As of February 20, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,810	31,479
Short-term borrowings	17,330	11,350
Lease liabilities	11	9
Accounts payable - other, and accrued expenses	11,855	13,177
Income taxes payable	2,303	2,184
Accrued consumption taxes	694	1,545
Deposits received	4,031	3,762
Gift certificates	52	—
Provision for bonuses	1,937	1,519
Refund liabilities	7,674	7,855
Contract liabilities	11,598	10,723
Provision for loss on interest repayment	23	13
Provision for loss on shop close	371	124
Provision for bonuses for directors (and other officers)	36	65
Provision for loss on disaster	1,114	—
Other	442	722
Total current liabilities	89,287	84,532
Non-current liabilities		
Long-term borrowings	10,825	8,975
Lease liabilities	11	2
Retirement benefit liability	8,127	6,160
Asset retirement obligations	4,426	7,355
Leasehold and guarantee deposits received	8,250	8,301
Deferred tax liabilities	59	100
Other	206	415
Total non-current liabilities	31,907	31,310
Total liabilities	121,194	115,842
Net assets		
Shareholders' equity		
Share capital	11,614	11,614
Capital surplus	19,748	19,746
Retained earnings	150,087	155,815
Treasury shares	(198)	(2,485)
Total shareholders' equity	181,251	184,690
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,284	913
Foreign currency translation adjustment	3,424	2,843
Remeasurements of defined benefit plans	298	1,462
Total accumulated other comprehensive income	5,007	5,219
Non-controlling interests	2,008	2,116
Total net assets	188,266	192,026
Total liabilities and net assets	309,461	307,868

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Operating revenue		
Net sales	390,491	408,323
Real estate lease revenue	16,337	16,702
Other operating revenue	18,595	19,872
Total operating revenue	425,424	444,898
Cost of sales	*1 270,536	*1 283,644
Gross profit	119,954	124,678
Operating gross profit	154,887	161,253
Selling, general and administrative expenses		
Selling sundry expenses	21,358	22,375
Salaries and allowances	60,935	63,708
Provision for bonuses	1,964	1,781
Retirement benefit expenses	1,418	1,204
Rent expenses	13,317	13,467
Depreciation	12,423	13,170
Amortization of goodwill	66	66
Other	30,146	32,119
Total selling, general and administrative expenses	141,630	147,893
Operating profit	13,257	13,360
Non-operating income		
Interest income	183	164
Dividend income	108	108
Insurance claim income	78	75
Receipt subsidy	102	201
Foreign exchange gains	20	2
Commission income	578	580
Other	356	315
Total non-operating income	1,427	1,447
Non-operating expenses		
Burden charge payment	54	1
Interest expenses	34	68
Compensation expense	2	28
Provision of allowance for doubtful accounts	75	—
Other	36	70
Total non-operating expenses	203	168
Ordinary profit	14,482	14,639

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Extraordinary income		
Reversal of asset retirement obligations	18	11
Gain on sale of non-current assets	*2 11	*2 57
Gain on sale of investment securities	25	1,082
Reversal of provision for loss on store closing	99	46
Compensation income	20	—
Insurance claim income	—	*3 204
Reversal of provision for loss on disaster	—	369
Other	4	38
Total extraordinary income	180	1,811
Extraordinary losses		
Loss on disaster	*4 212	*4 7
Provision for loss on disaster	*5 1,114	—
Loss on retirement of non-current assets	*6 993	*6 367
Provision for loss on store closing	57	66
Impairment losses	*7 1,556	*7 655
Other	198	136
Total extraordinary losses	4,133	1,232
Profit before income taxes	10,529	15,218
Income taxes - current	4,111	3,986
Income taxes - deferred	(441)	398
Total income taxes	3,670	4,384
Profit	6,859	10,833
Profit attributable to non-controlling interests	74	106
Profit attributable to owners of parent	6,784	10,727

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Profit	6,859	10,833
Other comprehensive income		
Valuation difference on available-for-sale securities	680	(370)
Foreign currency translation adjustment	304	(544)
Remeasurements of defined benefit plans, net of tax	307	1,164
Total other comprehensive income	*1 1,293	*1 249
Comprehensive income	8,152	11,082
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,062	10,939
Comprehensive income attributable to non-controlling interests	90	143

(3) Consolidated Statements of Changes in Equity

For the Fiscal Year Ended February 20, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,614	19,748	145,505	(197)	176,670
Changes during period					
Dividends of surplus			(2,202)		(2,202)
Change in ownership interest of parent due to transactions with non-controlling interests					–
Profit attributable to owners of parent			6,784		6,784
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	4,582	(0)	4,581
Balance at end of period	11,614	19,748	150,087	(198)	181,251

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	603	3,115	(9)	3,710	1,917	182,297
Changes during period						
Dividends of surplus						(2,202)
Change in ownership interest of parent due to transactions with non-controlling interests						–
Profit attributable to owners of parent						6,784
Purchase of treasury shares						(0)
Cancellation of treasury shares						–
Net changes in items other than shareholders' equity	680	308	307	1,297	91	1,388
Total changes during period	680	308	307	1,297	91	5,969
Balance at end of period	1,284	3,424	298	5,007	2,008	188,266

For the Fiscal Year Ended February 20, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,614	19,748	150,087	(198)	181,251
Changes during period					
Dividends of surplus			(2,749)		(2,749)
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)
Profit attributable to owners of parent			10,727		10,727
Purchase of treasury shares				(4,535)	(4,535)
Cancellation of treasury shares			(2,249)	2,249	—
Net changes in items other than shareholders' equity					
Total changes during period	—	(2)	5,728	(2,286)	3,439
Balance at end of period	11,614	19,746	155,815	(2,485)	184,690

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,284	3,424	298	5,007	2,008	188,266
Changes during period						
Dividends of surplus						(2,749)
Change in ownership interest of parent due to transactions with non-controlling interests						(2)
Profit attributable to owners of parent						10,727
Purchase of treasury shares						(4,535)
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity	(370)	(581)	1,164	212	107	319
Total changes during period	(370)	(581)	1,164	212	107	3,759
Balance at end of period	913	2,843	1,462	5,219	2,116	192,026

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Cash flows from operating activities		
Profit before income taxes	10,529	15,218
Depreciation	12,423	13,170
Impairment losses	1,556	655
Amortization of goodwill	66	66
Increase (decrease) in retirement benefit liability	(4)	(292)
Interest income	(183)	(164)
Interest expenses	34	68
Loss (gain) on sale of investment securities	(24)	(1,080)
Loss on retirement of non-current assets	993	367
Increase (decrease) in provision for loss on store closing	(655)	(247)
Decrease (increase) in trade receivables	(2,809)	(1,646)
Decrease (increase) in inventories	(691)	(676)
Decrease (increase) in other assets	1,866	289
Increase (decrease) in trade payables	977	1,624
Increase (decrease) in accounts payable - other	(862)	1,460
Increase (decrease) in deposits received	190	(325)
Increase (decrease) in leasehold and guarantee deposits received	(227)	37
Increase (decrease) in provision for loss on disaster	1,114	(1,114)
Other, net	1,752	(481)
Subtotal	26,046	26,929
Interest and dividends received	428	227
Interest paid	(32)	(66)
Income taxes paid	(3,743)	(4,117)
Net cash provided by (used in) operating activities	22,699	22,973
Cash flows from investing activities		
Net decrease (increase) in time deposits	3,583	—
Proceeds from sale and redemption of short-term and long-term investment securities	45	1,735
Purchase of property, plant and equipment and intangible assets	(19,262)	(16,176)
Proceeds from sale of property, plant and equipment and intangible assets	12	421
Purchase of long-term prepaid expenses	(238)	(45)
Payments of leasehold and guarantee deposits	(127)	(104)
Proceeds from refund of leasehold and guarantee deposits	424	470
Other, net	(1,088)	(948)
Net cash provided by (used in) investing activities	(16,649)	(14,646)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	500	(3,000)
Proceeds from long-term borrowings	5,300	4,500
Repayments of long-term borrowings	(5,070)	(9,330)
Purchase of treasury shares	(0)	(4,535)
Dividends paid	(2,202)	(2,749)
Dividends paid to non-controlling interests	(22)	(35)
Repayments of finance lease liabilities	(27)	(14)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(2)
Other, net	(167)	—
Net cash provided by (used in) financing activities	(1,692)	(15,167)
Effect of exchange rate change on cash and cash equivalents	(27)	296
Net increase (decrease) in cash and cash equivalents	4,329	(6,544)
Cash and cash equivalents at beginning of period	25,096	29,426
Cash and cash equivalents at end of period	*1 29,426	*1 22,881

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Significant matters forming the basis for preparing consolidated financial statements)

1. Scope of consolidation

(1) Consolidated subsidiaries are the following 14 companies:

Yell Co., Ltd., Fivestar Co., Ltd., Bestone Co., Ltd., National Maintenance Co., Ltd., Direct Shop Inc., Kaga Community Plaza Co., Ltd., Heiwado (China) Co., Ltd., Hunan Heiwa Real Estate Development Co., Ltd., Youing Co., Ltd., C.O.M Corporation Ltd., Takefuekikita Parking Co., Ltd., Fukuinanbu Commercial Development Co., Ltd., Toyama Future Development Co., Ltd., and Yanagen Co., Ltd.

During the fiscal year under review, Maizuru Distribution Industry Co., Ltd. and Maruzen Co., Ltd., which were consolidated subsidiaries, have been excluded from the scope of consolidation, as Maizuru Distribution Industry Co., Ltd. was dissolved due to an absorption-type merger with Yell Co., Ltd. as the surviving company and Maruzen Co., Ltd. was dissolved due to an absorption-type merger with the Company as the surviving company.

(2) Non-consolidated subsidiaries are two companies: Bell Co., Ltd. and Kumagai Denko Co., Ltd.

(3) The non-consolidated subsidiaries have been excluded from the scope of consolidation because they are small-scale and their total assets, net sales, profit or loss (amount attributable to the Company's share), retained earnings (amount attributable to the Company's share), etc. have an immaterial impact on the consolidated financial statements.

2. Scope of equity method

(1) Non-consolidated subsidiaries not accounted for using the equity method are two companies: Bell Co., Ltd. and Kumagai Denko Co., Ltd.

(2) The non-consolidated subsidiaries not accounted for using the equity method have been excluded from the scope of application of the equity method because their impact on profit or loss, retained earnings, etc. is negligible and immaterial individually or in the aggregate.

3. Fiscal years, etc. of consolidated subsidiaries

(1) The following two subsidiaries have a fiscal year-end different from the consolidated fiscal year-end:

Heiwado (China) Co., Ltd.: December 31

Hunan Heiwa Real Estate Development Co., Ltd.: December 31

(2) These two companies are consolidated based on their financial statements as of their respective fiscal year-ends. In addition, necessary adjustments are made for any material transactions that occurred during the interval between their fiscal year-end dates and the consolidated fiscal year-end date.

4. Accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Available-for-sale securities:

Securities other than shares, etc. that do not have a market price

Stated at fair value (with valuation differences recorded directly into net assets in full, and the cost of securities sold calculated using the moving average method)

Shares, etc. that do not have a market price

Stated at cost by the moving average method

(ii) Inventories

Inventories held for normal sales purposes

Stated at cost (with the amount shown on the balance sheet written down as profitability declines)

a. Merchandise and finished goods: Mainly by the retail method

b. Raw materials and supplies: Mainly by the last cost method

(2) Depreciation and amortization methods for significant depreciable and amortizable assets

(i) The Company and its subsidiaries in Japan

Depreciation and amortization methods for non-current assets

Property, plant and equipment (excluding leased assets): Declining-balance method

However, certain buildings (other than facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016 are depreciated by the straight-line method.

The useful lives of property, plant and equipment are summarized as follows:

Buildings: 8–39 years

Structures: 10–20 years

Tools, furniture and fixtures: 3–10 years

Intangible assets (excluding leased assets): Straight-line method

However, software (for internal use) is amortized over its expected useful life (five years) using the straight-line method.

Leased assets

Leased assets pertaining to finance lease transactions involving the transfer of ownership

Depreciated by the same depreciation methods applied to self-owned non-current assets.

Leased assets pertaining to finance lease transactions not involving the transfer of ownership

Depreciated by the straight-line method with the leasing period as the useful life and with the residual value of zero.

Long-term prepaid expenses: Straight-line method

(ii) Subsidiaries outside Japan

Depreciated by the straight-line method.

(iii) Small-amount depreciable assets

The Company:

Assets with an acquisition value of ¥100,000 or more but less than ¥200,000 are evenly depreciated over three years.

Consolidated subsidiaries:

For assets with an acquisition value of ¥100,000 or more but less than ¥200,000, the entire amount is expensed at the time of payment.

(3) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts

To prepare for probable losses on collection, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables and on an estimate of the collectability of certain receivables deemed doubtful of collection.

(ii) Provision for bonuses

To prepare for bonuses paid to employees, a provision is recorded based on the estimated payment amount.

(iii) Provision for bonuses for directors (and other officers)

To prepare for bonuses paid to directors (and other officers), a provision is recorded based on the estimated payment amount.

(iv) Provision for loss on interest repayment
To prepare for losses accompanying future requests for interest repayment, a provision is recorded for the required amount considering past repayments, etc.

(v) Provision for loss on shop close
A provision is recorded for the loss expected to occur in the future due to decisions made to close stores, etc.

(vi) Provision for loss on disaster
To prepare for expenditures such as restoration costs associated with disasters, a provision is recorded for the amount expected to be incurred in the future.

(4) Accounting method for retirement benefits

1) Method of allocating estimated retirement benefits to each reporting period
In calculating retirement benefit obligations, the method of allocating estimated retirement benefits to each reporting period up to the end of the fiscal year under review is based on the benefit formula basis.

2) Accounting policy for actuarial differences and prior service costs
Prior service costs are accounted for as expenses over a certain number of years within the average remaining years of service of the employees at the time of occurrence (mainly 12 years) using the straight-line method.
Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the employees at the time of occurrence during each fiscal year (mainly 12 years) using the straight-line method, commencing with the fiscal year following the one in which they were incurred.

3) Adoption of simplified method in small companies
Certain consolidated subsidiaries apply the simplified method in computing retirement benefit liabilities and retirement benefit expenses, whereby the retirement benefit obligations are assumed to be equal to the benefits payable in the case of voluntary retirement of all employees at the fiscal year-end.

(5) Accounting standards for significant revenue and expenses

1) Revenue recognition for merchandise sales
Revenue from sales of the Group's merchandise is mainly generated from retail sales of merchandise. For these transactions, performance obligations are typically considered to be fulfilled when merchandise is delivered to the customer, at which point revenue is recognized.
For merchandise sales where the Company is deemed to be an agent, the net amount after deducting payments to suppliers from the total amount of consideration received from customers is recognized as revenue. Consideration for sales is received in cash. There are also transactions on credit, e-money, and sales on account. These are typically converted into cash within one month.

2) Revenue recognition for services
Revenue from the Group's services mainly comprises business income from logistics services and facility maintenance services. These services are provided continuously, so performance obligations are considered to be fulfilled over a certain period of time. Therefore, revenue is recognized as the services are provided.

3) Revenue related to real estate business
Revenue from the Group's real estate business mainly comprises business income related to the operation and management of commercial facilities. For these transactions, revenue is recognized primarily in accordance with the method for ordinary lease transactions.

(6) Standard for translation of significant foreign currency-denominated assets and liabilities into Japanese yen

Monetary claims and debts denominated in foreign currencies are translated into Japanese yen using the spot exchange rate at the fiscal year-end, and the translation differences are recorded as gains or losses.

The assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot exchange rate at the subsidiaries' fiscal year-end, while revenue and expenses are translated into Japanese yen using the average exchange rate for the period. The translation differences are included in foreign currency translation adjustment under net assets.

(7) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over a period of 20 years.

(8) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments that mature or have a period of redemption within three months from the date of acquisition, are readily convertible to cash, and have an insignificant risk of changes in value.

(Changes in accounting estimates)

(Changes in estimates for asset retirement obligations)

During the fiscal year under review, regarding the asset retirement obligations recorded as obligations to restore properties to their original state based on the Group's real estate lease contracts, we changed the estimates related to the restoration costs due to our obtaining new information about the restoration costs required when vacating stores.

An increase of ¥2,755 million in the estimates resulting from this change has been added to the amount of asset retirement obligations before the change.

This change in the estimates has resulted in operating profit, ordinary profit, and profit before income taxes each decreasing by ¥165 million in the fiscal year under review.

(Consolidated balance sheets)

*1. Accumulated depreciation of property, plant and equipment

(Millions of yen)

	As of February 20, 2024	As of February 20, 2025
Accumulated depreciation of property, plant and equipment	223,230	229,061

*2. The following are the items pertaining to non-consolidated subsidiaries and affiliates.

(Millions of yen)

	As of February 20, 2024	As of February 20, 2025
Investment securities	10	624

(Consolidated statements of income)

*1. Ending inventories is the amount written down due to declines in profitability, and the following loss on valuation of inventories is included in cost of sales.

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
	664	660

*2. The breakdown of gain on sale of non-current assets is as follows.

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Land	—	26
Buildings and structures	10	—
Other	1	31
Total	11	57

Note: “Other” includes tools, furniture and fixtures.

*3. Insurance claim income

For the fiscal year ended February 20, 2024

Not applicable.

For the fiscal year ended February 20, 2025

This relates to merchandise damage, etc. caused by the 2024 Noto Peninsula Earthquake.

*4. Loss on disaster

The loss on disaster is due to the 2024 Noto Peninsula Earthquake, and the breakdown is as follows.

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Loss on destruction of inventories	206	—
Restoration costs	8	—
Fixed costs during the period of business suspension	11	4
Other	0	2
Insurance income	(14)	—
Total	212	7

*5. Provision for loss on disaster

The provision for loss on disaster is due to the 2024 Noto Peninsula Earthquake, and the breakdown is as follows.

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Restoration costs	1,114	—

*6. The breakdown of loss on retirement of non-current assets is as follows.

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Buildings and structures	90	79
Intangible assets	191	24
Costs incurred for removal	542	239
Other	169	23
Total	993	367

Note: “Other” includes tools, furniture and fixtures.

*7. Impairment losses

For the fiscal year ended February 20, 2024

The Group recorded impairment losses for the following asset groups:

Purpose	Type	Location
Stores	Buildings and structures, land, etc.	Shiga Prefecture, Fukui Prefecture, Toyama Prefecture, Kyoto Prefecture, Osaka Prefecture, Gifu Prefecture, Aichi Prefecture, Hyogo Prefecture, China
Idle assets	Land	Shiga Prefecture

Stores are used as the basic unit for generating cash flows, while real estate for lease other than stores and idle real estate are grouped by individual property.

For stores with operating activities continually resulting in losses, the book value has been reduced to the recoverable amount, and the amount of this decrease has been recorded as an impairment loss under extraordinary losses.

The breakdown of impairment losses is as follows.

	Stores (Millions of yen)	Idle assets (Millions of yen)	Total (Millions of yen)
Buildings and structures	671	—	671
Land	189	594	783
Other (Note)	100	—	100
Total	961	594	1,556

Note: “Other” includes tools, furniture and fixtures.

The recoverable amount for each asset is measured by the net selling price or the value in use. The net selling price is calculated based on the appraisal value by a real estate appraiser or roadside land prices, etc., while value in use is calculated by discounting estimated future cash flows by 4.04%.

For the fiscal year ended February 20, 2025

The Group recorded impairment losses for the following asset groups:

Purpose	Type	Location
Stores	Buildings and structures, land, etc.	Shiga Prefecture, Fukui Prefecture, Toyama Prefecture, Kyoto Prefecture, Osaka Prefecture, Gifu Prefecture, Aichi Prefecture, Hyogo Prefecture, China
Idle assets	Land	Shiga Prefecture

Stores are used as the basic unit for generating cash flows, while real estate for lease other than stores and idle real estate are grouped by individual property.

For stores with operating activities continually resulting in losses, the book value has been reduced to the recoverable amount, and the amount of this decrease has been recorded as an impairment loss under extraordinary losses.

The breakdown of impairment losses is as follows.

	Stores (Millions of yen)	Idle assets (Millions of yen)	Total (Millions of yen)
Buildings and structures	543	—	543
Land	15	51	66
Other (Note)	45	—	45
Total	603	51	655

Note: “Other” includes tools, furniture and fixtures.

The recoverable amount for each asset is measured by the net selling price or the value in use. The net selling price is calculated based on the appraisal value by a real estate appraiser or roadside land prices, etc., while value in use is calculated by discounting estimated future cash flows by 3.56%.

(Consolidated statements of comprehensive income)
*1. Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Valuation difference on available-for-sale securities		
Amount arising during period	1,004	549
Reclassification adjustment	(25)	(1,082)
Before tax effect	978	(533)
Tax effect	(298)	162
Valuation difference on available-for-sale securities	680	(370)
Foreign currency translation adjustment		
Amount arising during period	304	701
Reclassification adjustment	—	—
Before tax effect	304	701
Tax effect	—	(1,245)
Foreign currency translation adjustment	304	(544)
Remeasurements of defined benefit plans, net of tax		
Amount arising during period	275	1,757
Reclassification adjustment	167	(83)
Before tax effect	442	1,674
Tax effect	(134)	(509)
Remeasurements of defined benefit plans, net of tax	307	1,164
Total other comprehensive income	1,293	249

(Consolidated statements of changes in equity)
Fiscal Year Ended February 20, 2024
1. Notes regarding issued shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares (Shares)	52,546,470	—	—	52,546,470

2. Notes regarding treasury shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares (Shares)	98,019	319	—	98,338

(Outline of reasons for changes)
The increase of 319 shares of treasury shares of common shares is due to the purchase of shares of less than one unit.

3. Notes regarding dividends
(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 18, 2023 Annual General Meeting of Shareholders	Common shares	1,206	23.00	Feb. 20, 2023	May 19, 2023
Sept. 28, 2023 Board of Directors meeting	Common shares	996	19.00	Aug. 20, 2023	Nov. 1, 2023

(2) Dividends for which the record date falls in the current fiscal year, but the effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividend	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 16, 2024 Annual General Meeting of Shareholders	Common shares	Retained earnings	1,206	23.00	Feb. 20, 2024	May 17, 2024

Fiscal Year Ended February 20, 2025
1. Notes regarding issued shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares (Shares)	52,546,470	—	1,000,000	51,546,470

(Outline of reasons for changes)
The decrease of 1,000,000 shares of common shares is due to the cancellation of treasury shares.

2. Notes regarding treasury shares

Class of shares	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares (Shares)	98,338	2,000,204	1,000,000	1,098,542

(Outline of reasons for changes)
The increase of 204 shares of treasury shares of common shares is due to the purchase of shares of less than one unit.
The increase of 2,000,000 shares of treasury shares of common shares is due to the acquisition based on a resolution of the Board of Directors meeting.
The decrease of 1,000,000 shares of treasury shares of common shares is due to the cancellation of treasury shares.

3. Notes regarding dividends
(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 16, 2024 Annual General Meeting of Shareholders	Common shares	1,206	23.00	Feb. 20, 2024	May 17, 2024
Oct. 3, 2024 Board of Directors meeting	Common shares	1,543	30.00	Aug. 20, 2024	Nov. 1, 2024

(2) Dividends for which the record date falls in the current fiscal year, but the effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividend	Total cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 15, 2025 Annual General Meeting of Shareholders	Common shares	Retained earnings	1,664	33.00	Feb. 20, 2025	May 16, 2025

(Consolidated statements of cash flows)

*1 Relationship between cash and cash equivalents at end of period and the accounts presented in the consolidated balance sheets are as follows.

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Cash and deposits	33,051	26,817
Time deposits with maturities of over three months	(3,625)	(3,936)
Cash and cash equivalents	29,426	22,881

(Asset retirement obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Overview of relevant asset retirement obligations

These are obligations to restore leased land and buildings for stores, etc. to their original state based on real estate lease contracts.

(2) Method of calculating the amount of relevant asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the expected usage period on a property-by-property basis and applying a discount rate (0.0% to 2.3%) corresponding to the usage period (3 to 39 years) for each property.

(3) Increase/decrease in total relevant asset retirement obligations

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Balance at beginning of period	4,492	4,507
Increase due to purchase of property, plant and equipment	69	459
Increase due to passage of time	55	58
Adjustment due to changes in estimates (Note 1)	—	2,755
Decrease due to extinguishment of asset retirement obligations (Note 2)	5	—
Decrease due to performance of obligations	104	47
Balance at end of period (Note 3)	4,507	7,732

(Notes)

1. Details and amount of effect of changes in estimates

Fiscal Year Ended February 20, 2024

Not applicable.

Fiscal Year Ended February 20, 2025

Regarding the asset retirement obligations recorded as obligations to restore properties to their original state based on the Group’s real estate lease contracts, estimates regarding the restoration costs were changed due to our obtaining new information about the restoration costs required when vacating stores.

The balance of asset retirement obligations before the change was increased by ¥2,755 million due to this change in the estimates.

Consequently, operating profit, ordinary profit, and profit before income taxes each decreased by ¥165 million.

2. The main decrease due to the extinguishment of asset retirement obligations is due to the termination of building leases.

3. The balance of asset retirement obligations at the end of the previous fiscal year includes asset retirement obligations (current) of ¥81 million, while the balance at the end of the fiscal year under review includes asset retirement obligations (current) of ¥377 million.

(Segment information, etc.)

1. Summary of reportable segments

The Group’s reportable segments comprise units within the Group for which separate financial information is available and which are periodically reviewed by the Board of Directors, etc. to determine allocation of management resources and evaluate performance.

The Group consists of corporation-based segments, primarily engaged in retail business. These are aggregated into reportable segments of “Retail Business” and “Retail-Related Business” based on the service contents and economic characteristics of each company.

The “Retail Business” sells food products, clothing, sundries, etc. The “Retail-Related Business” rents store spaces, operates and manages commercial complexes, provides building maintenance, etc.

2. Method of calculating operating revenue, profit or loss, assets, liabilities, and other items by reportable segment

Accounting methods for business segments reported are the same as described in “Significant matters forming the basis for preparing consolidated financial statements.”

Profit by reportable segment refers to figures based on ordinary profit. Intersegment net sales and transfers are based on market prices.

3. Information on operating revenue, profit or loss, assets, liabilities, and other items by reportable segment, and revenue breakdown information

For the fiscal year ended February 20, 2024

(Millions of yen)

	Reportable segments			Other	Total	Adjustment	Amount on consolidated financial statements
	Retail	Retail-Related	Total				
Operating revenue							
Product sales	373,925	858	374,784	15,707	390,491	－	390,491
Service revenue	14,867	3,659	18,527	68	18,595	－	18,595
Revenue from contracts with customers	388,793	4,518	393,311	15,775	409,086	－	409,086
Other revenue	13,843	1,951	15,794	542	16,337	－	16,337
Net sales to outside customers	402,636	6,469	409,106	16,318	425,424	－	425,424
Intersegment net sales or transfers	3,375	43,814	47,189	317	47,506	(47,506)	－
Total	406,011	50,284	456,296	16,635	472,931	(47,506)	425,424
Segment profit	13,164	1,105	14,270	872	15,142	(660)	14,482
Segment assets	302,601	29,279	331,880	8,530	340,411	(30,950)	309,461
Other items							
Depreciation	10,458	1,444	11,902	496	12,398	24	12,423
Interest income	209	2	211	6	218	(35)	183
Interest expenses	41	12	54	1	55	(21)	34
Increase in property, plant and equipment and intangible assets	15,696	3,244	18,940	733	19,674	－	19,674

(Notes)

1. The “Other” category represents business segments not included in reportable segments, such as restaurant operation business, etc.
2. The adjustment of ¥(660) million to segment profit is from the elimination of dividend income transactions, etc.
3. Segment profit has been adjusted with ordinary profit on the consolidated statements of income.
4. The adjustment of ¥(30,950) million to segment assets is from the elimination of intersegment transactions, etc.
5. The adjustment of ¥24 million to depreciation is from the elimination of intersegment transactions, etc.
6. Depreciation includes amortization of long-term prepaid expenses.
7. The adjustment of ¥(35) million to interest income is from the elimination of intersegment transactions.
8. The adjustment of ¥(21) million to interest expenses is from the elimination of intersegment transactions.
9. Other revenue represents real estate lease revenue included within the scope of the Accounting Standard for Lease Transactions.

For the fiscal year ended February 20, 2025

(Millions of yen)

	Reportable segments			Other	Total	Adjustment	Amount on consolidated financial statements
	Retail	Retail-Related	Total				
Operating revenue							
Product sales	391,023	971	391,995	16,328	408,323	—	408,323
Service revenue	15,962	3,836	19,799	73	19,872	—	19,872
Revenue from contracts with customers	406,986	4,807	411,794	16,401	428,195	—	428,195
Other revenue	14,337	1,824	16,161	541	16,702	—	16,702
Net sales to outside customers	421,323	6,631	427,955	16,942	444,898	—	444,898
Intersegment net sales or transfers	3,597	49,543	53,141	313	53,454	(53,454)	—
Total	424,921	56,175	481,097	17,255	498,353	(53,454)	444,898
Segment profit	13,058	1,925	14,984	765	15,750	(1,110)	14,639
Segment assets	299,821	27,786	327,608	9,190	336,799	(28,930)	307,868
Other items							
Depreciation	11,143	1,515	12,659	578	13,237	(66)	13,170
Interest income	199	3	203	5	209	(44)	164
Interest expenses	78	20	98	1	100	(31)	68
Increase in property, plant and equipment and intangible assets	15,056	459	15,515	768	16,283	(158)	16,124

(Notes)

1. The “Other” category represents business segments not included in reportable segments, such as restaurant operation business, etc.
2. The adjustment of ¥(1,110) million to segment profit is from the elimination of dividend income transactions, etc.
3. Segment profit has been adjusted with ordinary profit on the consolidated statements of income.
4. The adjustment of ¥(28,930) million to segment assets is from the elimination of intersegment transactions, etc.
5. The adjustment of ¥(66) million to depreciation is from the elimination of intersegment transactions, etc.
6. Depreciation includes amortization of long-term prepaid expenses.
7. The adjustment of ¥(44) million to interest income is from the elimination of intersegment transactions.
8. The adjustment of ¥(31) million to interest expenses is from the elimination of intersegment transactions.
9. The adjustment of ¥(158) million to increase in property, plant and equipment and intangible assets is from the elimination of intersegment transactions.
10. Other revenue represents real estate lease revenue included within the scope of the Accounting Standard for Lease Transactions.

[Related information]

For the fiscal year ended February 20, 2024

1. Information by product and service

This information is not provided here because it is the same as the information provided under the segment information.

2. Information by geographical area

(1) Net sales

Disclosure is omitted because over 90% of net sales on the consolidated statements of income are sales to outside customers in Japan.

(2) Property, plant and equipment

Disclosure is omitted because over 90% of the amount of property, plant and equipment on the consolidated balance sheets consists of property, plant and equipment located in Japan.

3. Information by major customer

There is no disclosure because there are no outside customers accounting for 10% or more of net sales on the consolidated statements of income.

For the fiscal year ended February 20, 2025

1. Information by product and service

This information is not provided here because it is the same as the information provided under the segment information.

2. Information by geographical area

(1) Net sales

Disclosure is omitted because over 90% of net sales on the consolidated statements of income are sales to outside customers in Japan.

(2) Property, plant and equipment

Disclosure is omitted because over 90% of the amount of property, plant and equipment on the consolidated balance sheets consists of property, plant and equipment located in Japan.

3. Information by major customer

There is no disclosure because there are no outside customers accounting for 10% or more of net sales on the consolidated statements of income.

[Information on impairment losses on non-current assets by reportable segment]
For the fiscal year ended February 20, 2024

(Millions of yen)

	Reportable segments			Other	Total	Corporate or elimination of intersegment transactions	Total
	Retail	Retail-Related	Total				
Impairment losses	1,523	—	1,523	32	1,556	—	1,556

(Note) The amount for "Other" relates to the restaurant business.

For the fiscal year ended February 20, 2025

(Millions of yen)

	Reportable segments			Other	Total	Corporate or elimination of intersegment transactions	Total
	Retail	Retail-Related	Total				
Impairment losses	619	—	619	35	655	—	655

(Note) The amount for "Other" relates to the restaurant business, etc.

[Information on amortization of goodwill and unamortized balance by reportable segment]
For the fiscal year ended February 20, 2024

(Millions of yen)

	Reportable segments			Other	Total	Corporate or elimination of intersegment transactions	Total
	Retail	Retail-Related	Total				
(Goodwill)							
Amortization for period	66	—	66	—	66	—	66
Balance at end of period	607	—	607	—	607	—	607

For the fiscal year ended February 20, 2025

(Millions of yen)

	Reportable segments			Other	Total	Corporate or elimination of intersegment transactions	Total
	Retail	Retail-Related	Total				
(Goodwill)							
Amortization for period	66	—	66	—	66	—	66
Balance at end of period	540	—	540	—	540	—	540

[Information on gain on bargain purchase by reportable segment]
For the fiscal year ended February 20, 2024

Not applicable.

For the fiscal year ended February 20, 2025

Not applicable.

(Per share information)

(Yen)

For the fiscal year ended February 20, 2024		For the fiscal year ended February 20, 2025	
Net assets per share	3,551.29	Net assets per share	3,764.48
Basic earnings per share	129.37	Basic earnings per share	209.08

(Notes)

1. Diluted earnings per share are not stated because there were no dilutive shares.
2. Calculation basis of net assets per share is as follows.

	As of February 20, 2024	As of February 20, 2025
Total amount of net assets (Millions of yen)	188,266	192,026
Amount deducted from total amount of net assets (Millions of yen)	2,008	2,116
[Of which, non-controlling interests (Millions of yen)]	[2,008]	[2,116]
Net assets associated with common shares (Millions of yen)	186,258	189,910
Number of common shares issued (Thousand shares)	52,546	51,546
Number of common shares held as treasury shares (Thousand shares)	98	1,098
Number of common shares used in the calculation of net assets per share (Thousand shares)	52,448	50,447

3. Calculation basis of basic earnings per share is as follows.

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	6,784	10,727
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent relating to common shares (Millions of yen)	6,784	10,727
Average number of common shares during the period (Thousand shares)	52,448	51,308

(Significant subsequent events)

(Purchase of treasury shares)

The Company, at the Board of Directors meeting held on June 27, 2024, resolved matters concerning the purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and purchased treasury shares.

1. Details of the Board of Directors resolution regarding the purchase of treasury shares

(1) Reason for purchasing treasury shares

At the time of the resolution, the Company was in the first year of its “Fifth Medium-Term Management Plan FY2024–FY2026,” a plan that calls for accelerating growth toward 2030 while at the same time ensuring stable returns to shareholders. Our basic cash allocation policy is to strive to improve the total return ratio by increasing dividends and implementing treasury shares purchases in line with business performance, while securing internal reserves to continue investments aimed at investment for growth.

Based on the above policy, the Company will purchase treasury shares to improve capital efficiency and increase the level of shareholder returns.

(2) Details of matters related to the purchase

(i) Class of shares to be purchased: Common shares of the Company
(ii) Total number of shares to be purchased: Up to 2,000,000 shares
(iii) Total amount of share purchase costs: Up to 6,000 million yen
(iv) Purchase period: From August 21, 2024, to August 20, 2025
(v) Purchase method: Market purchase on the Tokyo Stock Exchange

2. Details of the acquisition of treasury shares

(1) Class of shares purchased: Common shares of the Company
(2) Total number of shares purchased: 129,500 shares
(3) Total amount of share purchase costs: 313,459,800 yen
(4) Purchase period: From February 21, 2025, to March 20, 2025 (on a delivery date basis)
(5) Purchase method: Market purchase on the Tokyo Stock Exchange

(Absorption-type merger of consolidated subsidiary)

The Board of Directors of the Company has resolved to consolidate its subsidiary, Yell Co., Ltd., through an absorption-type merger at a meeting held on April 3, 2025.

1. Overview of business combination

(1) Name and business description of absorbed company

Name of absorbed company	Yell Co., Ltd.
Business description	Retail business

(2) Date of business combination

August 21, 2025

(3) Legal format of business combination

Absorption-type merger with the Company as the surviving company and Yell Co., Ltd. as the absorbed company

(4) Other matters concerning the overview of this combination

The purpose of this combination is to strengthen the sales capabilities of the Group and improve management efficiency.

2. Overview of accounting treatment

The Company plans to process the accounting as a common control transaction pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No.21 (revised 2019), January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 (revised 2019), January 16, 2019).

4. Non-consolidated Financial Statements and Principal Notes

(1) Balance Sheets

(Millions of yen)

	As of February 20, 2024	As of February 20, 2025
Assets		
Current assets		
Cash and deposits	22,885	16,759
Accounts receivable - trade	8,823	10,715
Merchandise	15,599	16,480
Supplies	29	36
Prepaid expenses	519	467
Short-term loans receivable	4,228	573
Accounts receivable - other	3,223	3,627
Other	1,594	964
Allowance for doubtful accounts	(1,034)	(38)
Total current assets	55,869	49,587
Non-current assets		
Property, plant and equipment		
Buildings, net	68,770	74,609
Structures, net	3,573	3,786
Machinery and equipment, net	661	770
Vehicles, net	1	0
Tools, furniture and fixtures, net	5,557	5,950
Land	91,982	93,203
Leased assets, net	34	28
Construction in progress	1,367	2,898
Total property, plant and equipment	171,947	181,247
Intangible assets		
Goodwill	487	540
Leasehold interests in land	4,127	4,334
Software	3,455	2,875
Other	245	666
Total intangible assets	8,315	8,416
Investments and other assets		
Investment securities	4,417	3,238
Shares of subsidiaries and associates	2,144	1,408
Investments in capital of subsidiaries and associates	2,766	2,766
Long-term loans receivable	520	478
Long-term loans receivable from subsidiaries and associates	6,777	6,971
Long-term prepaid expenses	2,113	1,927
Deferred tax assets	4,495	4,354
Leasehold and guarantee deposits	22,554	22,761
Other	441	166
Allowance for doubtful accounts	(355)	(1,415)
Total investments and other assets	45,874	42,655
Total non-current assets	226,138	232,319
Total assets	282,007	281,906

	As of February 20, 2024	As of February 20, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	28,246	30,029
Short-term borrowings	11,800	7,200
Current portion of long-term borrowings	8,480	6,350
Accounts payable - other	3,396	4,749
Accrued expenses	5,463	5,841
Income taxes payable	2,036	1,584
Accrued business office tax	145	146
Accrued consumption taxes	318	1,062
Deposits received	3,624	3,388
Contract liabilities	8,880	8,227
Refund liabilities	7,639	7,855
Provision for loss on interest repayment	23	13
Provision for bonuses	1,683	1,233
Provision for loss on shop close	360	122
Provision for bonuses for directors (and other officers)	36	65
Provision for loss on disaster	893	—
Other	2,666	5,194
Total current liabilities	85,693	83,065
Non-current liabilities		
Long-term borrowings	10,825	8,975
Provision for retirement benefits	7,391	7,229
Leasehold and guarantee deposits received	7,979	8,396
Asset retirement obligations	4,062	7,009
Other	18	17
Total non-current liabilities	30,276	31,628
Total liabilities	115,970	114,693
Net assets		
Shareholders' equity		
Share capital	11,614	11,614
Capital surplus		
Legal capital surplus	19,017	19,017
Total capital surplus	19,017	19,017
Retained earnings		
Legal retained earnings	2,168	2,168
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	799	743
General reserve	122,350	124,850
Retained earnings brought forward	9,003	10,392
Total retained earnings	134,321	138,153
Treasury shares	(198)	(2,485)
Total shareholders' equity	164,754	166,299
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,283	913
Total valuation and translation adjustments	1,283	913
Total net assets	166,037	167,213
Total liabilities and net assets	282,007	281,906

(2) Statements of Income

(Millions of yen)

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Operating revenue		
Net sales	351,782	372,640
Real estate lease revenue	14,852	15,292
Other operating revenue	14,333	15,753
Total operating revenue	380,967	403,686
Cost of sales		
Beginning merchandise inventory	14,741	15,599
Cost of purchased goods	258,392	276,055
Ending merchandise inventory	15,599	16,480
Gross profit	94,247	97,466
Operating gross profit	123,433	128,512
Selling, general and administrative expenses	112,468	118,185
Operating profit	10,965	10,326
Non-operating income		
Interest income	72	80
Dividend income	630	860
Receipt subsidy	82	188
Foreign exchange gains	19	—
Commission income	588	596
Other	250	275
Total non-operating income	1,644	2,001
Non-operating expenses		
Interest expenses	34	70
Compensation expense	8	27
Burden charge payment	54	1
Provision of allowance for doubtful accounts	75	—
Other	112	121
Total non-operating expenses	285	221
Ordinary profit	12,324	12,106

	For the fiscal year ended February 20, 2024	For the fiscal year ended February 20, 2025
Extraordinary income		
Reversal of asset retirement obligations	7	1
Reversal of provision for loss on store closing	80	39
Gain on sale of non-current assets	—	26
Gain on sale of investment securities	25	1,081
Reversal of provision for loss on disaster	—	219
Insurance claim income	—	204
Other	1	—
Total extraordinary income	114	1,572
Extraordinary losses		
Loss on retirement of non-current assets	890	287
Loss on disaster	209	2
Provision for loss on store closing	37	57
Impairment losses	1,441	603
Loss on support to subsidiaries and associates	420	60
Provision for loss on disaster	893	—
Loss on extinguishment of tie-in shares	—	531
Other	0	2
Total extraordinary losses	3,893	1,544
Profit before income taxes	8,545	12,134
Income taxes - current	3,454	3,007
Income taxes - deferred	(418)	296
Total income taxes	3,035	3,303
Profit	5,509	8,831

(3) Statements of Changes in Equity
For the Fiscal Year Ended February 20, 2024

(Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Share capital	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	11,614	19,017	19,017	2,168	856	119,850	8,139	131,014
Changes during period								
Dividends of surplus							(2,202)	(2,202)
Profit							5,509	5,509
Reversal of reserve for tax purpose reduction entry of non-current assets					(57)		57	—
Provision of general reserve						2,500	(2,500)	—
Purchase of treasury shares								
Cancellation of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	(57)	2,500	863	3,306
Balance at end of period	11,614	19,017	19,017	2,168	799	122,350	9,003	134,321

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(197)	161,448	602	602	162,050
Changes during period					
Dividends of surplus		(2,202)			(2,202)
Profit		5,509			5,509
Reversal of reserve for tax purpose reduction entry of non-current assets		—			—
Provision of general reserve		—			—
Purchase of treasury shares	(0)	(0)			(0)
Cancellation of treasury shares		—			—
Net changes in items other than shareholders' equity			680	680	680
Total changes during period	(0)	3,306	680	680	3,986
Balance at end of period	(198)	164,754	1,283	1,283	166,037

For the Fiscal Year Ended February 20, 2025

(Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Share capital	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	11,614	19,017	19,017	2,168	799	122,350	9,003	134,321
Changes during period								
Dividends of surplus							(2,749)	(2,749)
Profit							8,831	8,831
Reversal of reserve for tax purpose reduction entry of non-current assets					(56)		56	—
Provision of general reserve						2,500	(2,500)	—
Purchase of treasury shares								
Cancellation of treasury shares							(2,249)	(2,249)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	(56)	2,500	1,388	3,832
Balance at end of period	11,614	19,017	19,017	2,168	743	124,850	10,392	138,153

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(198)	164,754	1,283	1,283	166,037
Changes during period					
Dividends of surplus		(2,749)			(2,749)
Profit		8,831			8,831
Reversal of reserve for tax purpose reduction entry of non-current assets		—			—
Provision of general reserve		—			—
Purchase of treasury shares	(4,535)	(4,535)			(4,535)
Cancellation of treasury shares	2,249	—			—
Net changes in items other than shareholders' equity			(370)	(370)	(370)
Total changes during period	(2,286)	1,545	(370)	(370)	1,175
Balance at end of period	(2,485)	166,299	913	913	167,213

(4) Notes to Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting estimates)

(Changes in estimates for asset retirement obligations)

During the fiscal year under review, regarding the asset retirement obligations recorded as obligations to restore properties to their original state based on the Company's real estate lease contracts, we changed the estimates related to the restoration costs due to our obtaining new information about the restoration costs required when vacating stores.

An increase of ¥2,706 million in the estimates resulting from this change has been added to the amount of asset retirement obligations before the change.

This change in the estimates has resulted in operating profit, ordinary profit, and profit before income taxes each decreasing by ¥143 million in the fiscal year under review.

(Significant subsequent events)

(Purchase of treasury shares)

The Company, at the Board of Directors meeting held on June 27, 2024, resolved matters concerning the purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act, and purchased treasury shares.

The details are as described in "Notes (Significant subsequent events)" of the consolidated financial statements.

(Absorption-type merger of consolidated subsidiary)

The Board of Directors of the Company has resolved to consolidate its subsidiary, Yell Co., Ltd., through an absorption-type merger at a meeting held on April 3, 2025.

The details are as described in "Notes (Significant subsequent events)" of the consolidated financial statements.