

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Fiscal Year Ended February 28, 2026 <under IFRS>

April 3, 2026

Company name: World Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 3612
 URL: <https://corp.world.co.jp/>
 Representative: Nobuteru Suzuki, Representative Director of the Board
 President and Executive Officer
 Inquiries: Keiichi Nakabayashi, Member of the Board
 Executive Vice President and Executive Officer
 TEL: +81-3-6887-1300
 Scheduled date of ordinary general meeting of shareholders: May 28, 2026
 Scheduled date to commence dividend payments: May 29, 2026
 Scheduled date to file Securities Report: May 21, 2026
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded to the nearest million yen, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended February 28, 2026 (from March 1, 2025 to February 28, 2026)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 28, 2026	284,014	25.9	16,407	(3.6)	16,028	(4.2)	14,203	(8.0)
Fiscal year ended February 28, 2025	225,658	–	17,013	–	16,730	–	15,440	–

	Profit attributable to owners of parent	
	Millions of yen	%
Fiscal year ended February 28, 2026	12,013	8.8
Fiscal year ended February 28, 2025	11,039	–

(Note) Core operating profit is revenue less cost of sales and selling, general and administrative expenses.

	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of parent	Profit before tax / Total assets	Operating profit / Revenue
	Yen	Yen	%	%	%
Fiscal year ended February 28, 2026	171.36	171.36	13.7	5.1	5.6
Fiscal year ended February 28, 2025	158.61	158.61	13.5	6.0	7.4

Reference: Share of profit (loss) of investments accounted for using equity method
 For the fiscal year ended February 28, 2026: (2,790) million yen
 For the fiscal year ended February 28, 2025: (301) million yen

(Note) Basic earnings per share for the fiscal year ended February 28, 2025 takes into consideration the amount not attributable to common shareholders of parent (amount attributable to owners of other equity instruments).

- (Note) Provisional accounting treatment, which had been applied for business combinations in the fiscal year ended February 28, 2025, was finalized during the fiscal year under review. Accordingly, the figures for the fiscal year ended February 28, 2025 have been revised to reflect adjustments to the allocation of acquisition costs.
- (Note) The percentage of year-on-year change (%) for the fiscal year ended February 28, 2025 is not presented, as the fiscal year ended February 28, 2024 covered an 11-month period due to a change in the fiscal year-end.
- (Note) The Company implemented a share split at a ratio of two shares for each share of ordinary shares effective March 1, 2026. Basic earnings per share and diluted earnings per share have been calculated assuming that the stock split had been carried out at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of February 28, 2026	280,059	96,282	94,659	33.8	1,300.45
As of February 28, 2025	273,826	86,439	81,188	29.7	1,191.48

- (Note) The Company implemented a share split at a ratio of two shares for each share of ordinary shares effective March 1, 2026. Equity attributable to owners of parent per share has been calculated assuming that the stock split had been carried out at the beginning of the previous fiscal year.
- (Note) Provisional accounting treatment, which had been applied for business combinations in the fiscal year ended February 28, 2025, was finalized during the fiscal year under review. Accordingly, the figures for the fiscal year ended February 28, 2025 have been revised to reflect adjustments to the allocation of acquisition costs.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended February 28, 2026	30,984	(4,132)	(30,937)	18,109
Fiscal year ended February 28, 2025	31,992	(10,262)	(20,755)	21,748

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2025	–	37.00	–	43.00	80.00
Fiscal year ended February 28, 2026	–	49.00	–	60.00	109.00
Fiscal year ending February 28, 2027 (Forecast)	–	31.00	–	36.00	67.00

	Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Equity attributable to owners of parent per share (Consolidated)
	Millions of yen	%	%
Fiscal year ended February 28, 2025	2,726	25.2	3.3
Fiscal year ended February 28, 2026	3,746	30.9	4.3
Fiscal year ending February 28, 2027 (Forecast)		38.7	

(Note) The Company implemented a share split at a ratio of two shares for each share of ordinary shares effective March 1, 2026. The actual amounts of dividends before the stock split are presented for the fiscal years ended February 28, 2025 and February 28, 2026. For the fiscal year ending February 28, 2027 (forecast), the amounts after the stock split are presented. Assuming that the stock split had been carried out at the beginning of the fiscal year ended February 28, 2025, the total annual dividends per share would have been 40.00 yen for the fiscal year ended February 28, 2025 and 54.50 yen for the fiscal year ended February 28, 2026.

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2027 (from March 1, 2026 to February 28, 2027)

(Percentages indicate year-on-year changes.)

	Revenue		Business profit		Operating profit		Profit before financing and income taxes	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending August 31, 2026	143,500	4.8	8,350	0.6	8,000	(14.2)	8,050	(14.0)
Fiscal year ending February 28, 2027	300,000	5.6	18,500	12.3	17,500	11.5	17,750	8.5

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Six months ending August 31, 2026	5,700	1.1	78.31
Fiscal year ending February 28, 2027	12,600	4.9	173.10

(Reference) NOPAT (forecast) Six months ending August 31, 2026 6,670 million yen (1.0%) Fiscal year ending February 28, 2027 14,530 million yen (4.3%)

(Note) The Company has elected to early adopt IFRS 18 from the fiscal year ending February 28, 2027. The consolidated earnings forecasts have been prepared on a basis adjusted to reflect IFRS 18. The percentages of year-on-year changes are presented based on comparisons between the consolidated earnings forecasts and the actual results for the current fiscal year under review, which have been reclassified in accordance with IFRS 18.

(Note) Business profit, in the same manner as the conventional core operating profit, is revenue less cost of sales and selling, general and administrative expenses.

(Note) NOPAT (Net Operating Profit After Tax) represents after-tax operating performance and is calculated by adding back net finance income (interest income less interest expenses and financial fees) to profit before tax, and then deducting income taxes and profit attributable to non-controlling interests. It is used as the numerator in the calculation of ROIC (Return on Invested Capital).

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 company (RIGHT-ON Co., Ltd.)

Excluded: –

(2) Changes in accounting policies, changes in accounting estimates

a. Changes in accounting policies required by IFRS: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

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

As of February 28, 2026	73,717,266 shares
As of February 28, 2025	68,781,930 shares

b. Number of treasury shares at the end of the period

As of February 28, 2026	927,726 shares
As of February 28, 2025	641,216 shares

c. Average number of shares during the period

For the fiscal year ended February 28, 2026	70,102,351 shares
For the fiscal year ended February 28, 2025	68,118,108 shares

(Note) The Company implemented a share split at a ratio of two shares for each share of ordinary shares effective March 1, 2026. Total number of issued shares at the end of the period (including treasury shares), number of treasury shares at the end of the period, and average number of shares during the period have been calculated assuming that the stock split had been carried out at the beginning of the previous fiscal year.

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

*** Proper use of earnings forecasts, and other special matters**

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to the section of “(4) Forecasts” of “1. Review of operating results and others” on page 10 of the attached material.

Attached Material Index

- 1. Review of operating results and others 2
 - (1) Review of operating results for the fiscal year under review 2
 - (2) Review of financial position for the fiscal year under review 8
 - (3) Overview of cash flows for the fiscal year under review 9
 - (4) Forecasts 10
 - (5) Basic policy on profit distribution and information on dividends for the fiscal year under review and next fiscal year 11
- 2. Basic concept regarding selection of accounting standards 12
- 3. Consolidated financial statements and significant notes thereto 13
 - (1) Consolidated statement of financial position 13
 - (2) Consolidated statement of profit or loss 15
 - (3) Consolidated statement of comprehensive income 16
 - (4) Consolidated statement of changes in equity 17
 - (5) Consolidated statement of cash flows 19
 - (6) Notes to consolidated financial statements 21
 - 1. Notes on premise of going concern 21
 - 2. Reporting entity 21
 - 3. Material accounting policies 21
 - 4. Segment information 31
 - 5. Selling, general and administrative expenses 34
 - 6. Other income 34
 - 7. Other expenses 34
 - 8. Earnings per share 35
 - 9. Events after the reporting period 35

1. Review of operating results and others

(1) Review of operating results for the fiscal year under review

In the fiscal year under review (March 1, 2025 to February 28, 2026), revenue was 284,014 million yen, up 25.9% year on year. Core operating profit was 16,407 million yen, down 3.6% year on year, operating profit was 16,028 million yen, down 4.2% year on year, profit before tax was 14,203 million yen, down 8.0% year on year, and profit attributable to owners of parent was 12,013 million yen, up 8.8% year on year. While we achieved growth in both top-line and bottom-line results, core operating profit and operating profit—intermediate profit measures—declined year on year, reflecting weaker performance in the fourth quarter of the fiscal year under review.

The fiscal year under review is the third and final year of the “PLAN-W” Medium-Term Management Plan announced on May 8, 2023. While wrapping up that plan, we have been preparing for the “VISION-W” Medium-Term Management Plan, our next medium-term management plan and “the next challenge.” We conclude that this financial result reflects the outcomes of our business portfolio reform efforts and that the challenges we face for the next phase of growth became evident during this period.

Specifically, in the Brand Business, for apparel brands that had continued to struggle since the first half, we determined that a decisive reform of the revenue structure in preparation for the next medium-term management plan was essential. Accordingly, while thoroughly improving productivity and reallocating human resources to other growth businesses, we shifted our strategy to prioritize improving the sell-through rate of regular price items and optimizing inventory levels by strategically curtailing winter merchandise purchases. As a result of these initiatives, we achieved improvements in cash flow and gross profit margin heading into the next fiscal year. However, these measures were insufficient to offset the shortfall in sales during the peak seasons in the fourth quarter of the fiscal year under review, including the year-end and New Year selling seasons, and this became the primary factor behind the year-on-year decline in core operating profit for the full year.

On the other hand, the Platform Business achieved a significant increase in profit mainly due to the contribution of MC Fashion Co., Ltd., which was included in the scope of consolidation at the end of February 2025. Together with the solid performance of certain businesses within the Brand Business, such as lifestyle brands, we recognize that this is evidence that the shift toward an earnings structure that is less susceptible to changes in specific business environments has further progressed.

In addition, with respect to RIGHT-ON Co., Ltd., which became a consolidated subsidiary in December 2025, we recorded one-time gains on the valuation of options and on step acquisition. Furthermore, the effect of making NARUMIYA INTERNATIONAL Co., Ltd. a wholly owned subsidiary of the Company as of October 1, 2025 through a share exchange contributed to increases in profit attributable to owners of parent and in capital (equity attributable to owners of parent) through stopping the outflow of profits to the non-controlling interests.

On the other hand, due to the recognition of a loss on the sale of land and buildings at the Kobe head office, as well as an investment loss related to Laxus Technologies Inc., an equity-method affiliate, the excess over the planned operating profit achieved through the nine months ended November 30, 2025 was absorbed. These accounting treatments were intended to eliminate future uncertainties at an early stage and to facilitate the reallocation of assets and the strengthening of the financial base in preparation for the full-scale implementation of ROIC management under the “VISION-W” Medium-Term Management Plan.

Descriptions of each segment are given below.

1) Brand Business

In the Brand Business, we are pursuing sustainable growth that strikes a balance between growth potential and profitability from the standpoint of optimizing the overall Brand Business segment, aiming to complete our appropriate brand portfolio strategy.

With regard to the middle-upper brands, mainly operated at department stores, we are developing differentiated, high-value-added products that reflect their unique brand essence. At the same time,

we are promoting a return to domestic manufacturing by vertically integrating our own factory system so that our business is not affected by global increases in prices or sharp forex fluctuations. Furthermore, to create strong bonds with our customers, we are promoting our multichannel strategy and Online Merges with Offline (OMO) strategy, and creating new growth through the development of various prototypes and store openings.

For the middle-lower brands, mainly operated at shopping centers, we have vertically integrated our product procurement teams at the beginning of the previous fiscal year to further promote direct trade, optimizing the number of styles, and other initiatives to reduce the cost ratio and strengthen price competitiveness. We are also working to improve store operations and strengthen store development by leveraging the scale of our middle-lower brand business subsidiaries and sharing know-how across the organization.

In the lifestyle brand, we continue to strive to expand customer support by offering goods for everyday life and fashion accessories that meet their lifestyle needs. The effect of the fundamental reform of the revenue structure has also been realized, driven by flexible appropriation of resources through the integration of the middle-lower lifestyle brand business into a single company, which was implemented at the beginning of the previous fiscal year, and sharing of know-how.

In addition, we succeeded to the cosmetics select shop “Color Field” Business and the furniture and interior goods “Double Day” Business operated by Hankyu Style Labels Co., Ltd. on March 1, 2026, and are further strengthening our business foundation in the lifestyle domain.

Meanwhile, in the investment group, the Group’s themes are pursuing synergies by introducing platforms and improving and establishing revenue structures. Regarding the business revitalization of RIGHT-ON Co., Ltd., which is being undertaken as a large-scale project in the restructuring investment business by an investment company W&D Investment Design Inc., the fundamental structural reform of revenue has exceeded initial expectations. Accordingly, with the aim of completing the final stage of the fundamental structural reform, we made the company a wholly owned subsidiary effective March 1, 2026.

We are also actively developing and expanding our overseas business. In Thailand, World Saha (Thailand) Co., Ltd., a joint venture established with the SAHA GROUP in January 2025, opened the first and second overseas “RAGTAG” stores in Bangkok in July 2025 and September 2025, respectively. In Taiwan, in collaboration with NARUMIYA INTERNATIONAL Co., Ltd., we opened the first overseas “petit main” store in March 2025, and also opened the third overseas “RAGTAG” store in November 2025. In Hong Kong, through a local agent, we opened the second overseas “petit main” store in September 2025 and the third store in November 2025.

In the fiscal year under review, some apparel brands struggled throughout the year, as their merchandising design failed to fully capture customer needs in terms of both quantity and quality, and there were delays in the changeover of products from summer to autumn. As a result, the increase in profit driven by strong performance in lifestyle brands was offset. To address these issues and implement a fundamental reform of the revenue structure, we will reorganize and consolidate functions under World Brands Co., Ltd., which oversees the B2C business, from the next fiscal year, and promote initiatives to improve apparel merchandising.

As a result, the operating results of the Brand Business were as follows: revenue was 200,091 million yen, up 0.6% year on year (of which external revenue was 193,927 million yen, up 1.7% year on year), and core operating profit (segment profit) was 8,854 million yen (down 19.9% year on year), resulting in an increase in revenue and a decrease in core operating profit.

2) Digital Business

The Digital Business consists of B2B solutions and B2C “Neo Economy.” In B2B, we aim to recover aggressive investments made to date through external sales revenue, and in B2C, we aim to accelerate the growth of our “circular.”

In the B2B solutions business, in the area of the commissioned e-commerce business service, we are contracted to develop and operate WORLD ONLINE STORE (WOS), a directly managed fashion site centered on sales of World brand products, and official e-commerce sites of other

companies. In the operation of its own website, the Company is making investments in improving the app functionality and OMO activities, while also promoting seamless service improvements with its directly managed stores in unison with its Brand Business. We are also promoting upfront investments for the transition of WOS into a mall-type platform through expanding the assortment of other companies' brands. On the other hand, in solution services, the Company is not only working to curb logistics costs for its own group and updating its core system, but also providing inventory control system installation and operation services to other companies, and will continue to strengthen sales activities to expand sales.

In the B2C "Neo Economy," we are pursuing a growth strategy, focusing on the keyword "circular" as a result of applying the strategy of "selection and concentration" to businesses that experimented with various themes. In addition to pursuing growth as part of our OMO strategy combining purchasing and sales through the mutual use of stores and EC channels by TIN PAN ALLEY CO., LTD., which operates "RAGTAG," a store marketing used products from selected brands, we are continuing trials of "usebow!" as a casual business format for future growth. In overseas development, we are making focused upfront investments toward future growth, including taking on the challenge of developing stores in Thailand and Taiwan by utilizing what we have learned from opening local pop-up stores. &Bridge Co., Ltd, which operates the off-price store "& Bridge," is promoting business collaboration with TIN PAN ALLEY CO., LTD. and is generating synergies such as improved store profitability and growth in EC sales.

Excluding the negative impact of changes in the scope of consolidation with the conversion of Laxus Technologies, Inc. from a consolidated subsidiary to an equity-method associate due to its listing, segment profit for the fiscal year under review remained broadly in line with the previous year, as the B2B and B2C businesses absorbed the increased burden of upfront investments on a combined basis. However, as the B2C business bears a relatively higher burden of growth investments compared with the B2B business, we believe that B2C Circular needs to place further emphasis on driving same-store sales growth and improving gross profit margins.

As a result, the operating results of the Digital Business were as follows: revenue was 31,339 million yen, down 3.7% year on year (of which external revenue was 11,858 million yen, down 18.0% year on year), and core operating profit (segment profit) was 2,277 million yen (down 13.1% year on year), resulting in decreases in revenue and core operating profit.

3) Platform Business

The Platform Business engages in operations to make the Group's platforms, where its know-how and mechanisms were accumulated over the years, available to external companies. It tries to expand new business fields that surpass the existing industrial boundaries.

WORLD PLATFORM SERVICE CO., LTD., an intermediate holding company, possesses both the business management functions and the marketing functions for external client companies that build a revenue model for the Platform Business. Combining the full range of know-how and mechanisms of each platform, we propose and provide one-stop services that best suit customer needs.

WORLD PRODUCTION PARTNERS CO., LTD., which functions as the production platform, builds a scheme for direct trade as a trading firm and supervises and supports the improvement of productivity at the Group's manufacturing subsidiaries. It also commissions services for the development and manufacture of other apparel companies' products (OEM and ODM business), at specialist trading firms Idiom Co., Ltd. and a sewing factory La Mode Co., Ltd. that deal mainly with external sales.

WORLD STORE PARTNERS CO., LTD., which functions as the sales platform, operates the NEXT DOOR outlet which, along with events such as family sales for which the opening of stores for other brands has continued to grow year after year, is indispensable to the final liquidation of product inventory, and has steadily expanded its external sales services, including sales agency operations for various types of businesses.

Aside from these production and sales platforms focused on apparel, ASPLUND CO., LTD., and other subsidiaries handle the lifestyle field from space creation to the production and sales of

fixtures (construction), to wholesales and handling contracts of furniture and goods for everyday life, and these businesses are contributing to the expansion of the service lines and client base of the Platform Business.

In addition, by strengthening our platform functions while using M&A, we are progressively expanding our B2B business platform and further expanding our overall business platforms to build the “World Fashion Ecosystem” with the goal of contributing to the realization of both diversity and permanence in fashion.

To provide specific examples, the inclusion of MC Fashion Co., Ltd., which became a subsidiary on February 28, 2025, and WORLD SEWING CO., LTD., which became a subsidiary on March 1, 2025, in the scope of consolidation has significantly expanded the resources of our production platform. We are promoting further business expansion while pursuing synergy effects throughout the Group.

In the fiscal year under review, although challenges remained in expanding the order pipeline, we have continued to make progress mainly on external sales orders, which focused on securing gross profit through changes in transaction conditions while also carefully considering profitability at the project level. We are steadily achieving results by increasing resilience against forex fluctuations and cross-selling multiple services to customers. Compared with the same period of the previous fiscal year, the revenue growth in B2B external sales due to the inclusion of MC Fashion Co., Ltd. in the scope of consolidation, significantly contributed to the increase in segment profit.

As a result, the operating results of the Platform Business were as follows: revenue was 130,422 million yen, up 75.2% year on year (of which external revenue was 77,991 million yen, up 281.9% year on year), and core operating profit (segment profit) was 4,171 million yen (up 128.0% year on year), resulting in increases in revenue and core operating profit.

4) Common

The Common segment, which is not a business segment, has a basic revenue structure whereby incomes such as dividends received from subsidiaries and business advisory fee income from subsidiaries are recorded, and that is used to cover expenses of the Company (Holdings), such as costs for the staff. The dividend income received by the holding company has been deducted in advance from the relevant segment profit.

The Common segment is composed of several key divisions. These include the Group Management Headquarters, which consists of corporate staff, and the Creative Management Center, responsible for overseeing the improvement of Group product freshness and software development. Additionally, the Brand Business Division leads the Digital Retail Promotion Office, which is tasked with developing and operating next-generation OMO stores and promoting DCX. The Digital Solution Business Division is also part of this segment, focusing on the development and operation of the Group’s information and distribution systems.

In addition, we established the Corporate Strategy Office in September 2025 and the Corporate Investment Office, which evolved from World Investment Network Co., Ltd., in January 2026, and have commenced initiatives aimed at realizing the Group’s key strategic priorities under the “VISION-W” Medium-Term Management Plan.

World, the holding company, makes it a rule to collect business advisory fee and other income from subsidiaries, with the amount surpassing the actual expenses of the holding company’s personnel, to fulfill its duty of conducting intensive investments in key target areas. While it bears a portion of experimental costs associated with the development of new businesses and overseas operations, corporate continually endeavors to improve its own productivity through initiatives such as DX leveraging AI and the consolidation of overlapping functions.

In the fiscal year under review, while we benefited from cost reduction effects linked to business performance, the segment was affected by activity costs for the Overseas Business Development Division, which began full-scale operations in the previous fiscal year, as well as increased upfront costs associated with strategic investment for new businesses and other projects undertaken across

Group companies and departments and growth investment. Another factor was an increase in personnel expenses resulting from improved employee compensation.

As a result, the operating results of the Common segment were as follows: revenue was 7,594 million yen, down 24.4% year on year (of which external revenue was 238 million yen, up 64.1% year on year), and core operating profit (segment profit) was 1,119 million yen (down 24.7% year on year), resulting in decreases in revenue and core operating profit.

< Initiatives for Sustainability >

In order to continue to create and provide value as a “Value-Creating Enterprise” on a long-term, sustainable basis, the Group believes that the contribution to “the realization of a sustainable society” is essential and has positioned initiatives associated with environmental burden and social activities as one of its most important issues in corporate management. In the fashion industry, in which the visualization of dispersed structures is not progressing, we are moving forward with the visualization of environmental burdens, and through the “World Fashion Ecosystem,” we are aiming to balance diversity and sustainability in the fashion industry and proactively working to eliminate industry-wide structural issues.

We embodied the strategic guidelines for a sustainable society unique to the World Group by elevating the establishment of the “World Fashion Ecosystem,” to the next level to create new growth opportunities and the value that can gain the empathy of people in society. In addition to expressing our consent to the TCFD recommendations in June 2022, we announced the Group’s own “WORLD SUSTAINABILITY PLAN & REPORT^{*1}” aimed at realizing a decarbonized society. Having set KPIs to achieve our goals, we have been implementing our various measures. As a foundation for realization, we are also focusing on building a human capital management framework and promoting diversity.

The main sustainability activities undertaken in the fiscal year under review are as follows.

■ Environment

- In order to lower our greenhouse gas emissions, we have drafted a plan for the use of sustainable materials on a seasonal basis and are managing the actual results. In the 2023 autumn/winter season, we launched products under the sustainable materials brand “CIRCRIC^{*2}.” In January 2025, original aprons were launched at “212 KITCHEN STORE” as the first initiative among “CIRCRIC” products to reuse leftover inventory as raw materials (recycled materials) instead of discarding them.
- The percentage of sustainable materials used in the Group’s apparel products was 15.9% in 2024 spring/summer season, 18.4% in 2024 autumn/winter season, 17.2% in 2025 spring/summer season, and 24.1% in 2025 autumn/winter season.
- Additionally, we participated in the formulation of the “Industry-Specific Commentary on the Basic Guidelines for Calculating Greenhouse Gas Emissions through the Supply Chain (Fashion Industry)^{*3}” published by the Japan Apparel and Fashion Industry Council (JAFIC) in March 2024 and the “Approach and Estimate Methods for Greenhouse Gas Emission Reduction” of the same guideline published by JAFIC in February 2025. The guidelines include examples of the Group’s greenhouse gas emission reduction efforts.
- To reduce the environmental burden of water use, we are visualizing the amount of water used, promoting water conservation and pollution prevention at our own factories, and promoting load reduction measures in the dyeing of apparel products and in the raw material selection process.
- In areas other than products, we are actively promoting the use of recycled materials and other resources, and we have also promoted providing paper bags to our customers through closed recycling of our own used cardboard boxes.
- In addition to holding our World Ecoromo Campaign^{*4}, which allows customers to drop off their unwanted clothing and other items, at department stores and shopping centers twice a year, we also began the Ecoromo Campaign on our in-house directly managed fashion site WORLD ONLINE STORE (WOS) in January 2025.

- We have continued to accept donations of clothing that employees and their families are no longer wearing, as well as conducting a clothing collection activity in collaboration with our business partners. Furthermore, through new cooperation with the Economic and Tourism Bureau of the city of Kobe, we also conducted clothing collection activities at 13 stations on the Kobe Municipal Subway under the “World Ecoromo and City of Kobe SDG Campaign.”
- As a result of these efforts, the number of clothing and other items collected has been increasing every year, reaching 21.43 million items in total since this activity was launched in 2009.

■ Social

- In addition to the World Ecoromo Campaign conducted at our stores and our fashion e-commerce sites, as well as the Group employees’ participation in the Ecoromo Campaign, we have also launched new initiatives such as clothing collection activities in collaboration with Toyooka City (Hyogo Prefecture) and clothing collection activities at schools. The proceeds are donated for the benefit of children’s futures, and the cumulative total of donations has reached 127 million yen. Of this amount, 5.56 million yen in total was donated as relief funds for the 2024 Noto Peninsula Earthquake.
- We held workshops at the Group’s stores nationwide and at facilities operated by local governments to give people the opportunity to make use of the leftover fabric and thread from our factories. In the fiscal year under review, 9,075 people participated in the workshops in total, bringing the cumulative total of people who have attended these workshops to 36,650.

■ Governance

- We aim to improve governance by increasing the diversity of Members of the Board and ensuring transparency, fairness, objectivity, and independence, while encouraging free and vigorous discussion and constructive exchange of opinions. In May 2025, one outside Member of the Board was replaced. In addition, to further enhance corporate governance, an outside Member of the Board chairs the Board of Directors.
- Our sustainability initiatives are driven by officers and departments appointed by the Sustainability Committee, a body that reports directly to the Representative Director of the Board, President and Executive Officer. In addition, the Board of Directors—comprising a majority of independent outside Members of the Board—monitors and supervises the progress of these initiatives by receiving reports on a regular basis from the President and the Sustainability Committee member.

■ Human capital management

- We are promoting “various people-centered measures such as human resource development, work-life balance, diversity, and improved compensation” in conjunction with each of the ESG measures. Also, we have defined the themes we will promote as “improvement of knowledge availability (evolution of knowledge sharing),” “workforce optimization (improvement of productivity),” “improvement of diversity” and “engagement (improvement of organizational strength),” and we set KPIs for these themes and aim to achieve them.
- We identify organizational challenges through the annual “Organizational Strength Questionnaire” conducted as an engagement survey, and accordingly formulate improvement action plans for each company. We also have a system in place to monitor the results and challenges of their implementation.
- As specific measures to promote diversity and inclusion, we have implemented “unconscious bias training,” “roundtable discussions on promoting the active participation of women,” and “online training on DE&I inclusion for managers.” In addition, to promote diversity, we have conducted an employee awareness survey and formulated a roadmap to promote diversity.
- We are promoting “training programs where everyone can continue to learn” by formulating training programs by job level and job category in conjunction with our business strategy. These efforts include enhancing e-Learning content, providing training for managers led by executive officers, and conducting AI utilization training.

- We have established a training plan for all employees and encourage their growth through getting them to take on challenges through initiatives such as career interviews, regular rotations, and an intra-group job posting system.
- As part of our efforts to evolve our system for finding, training and promoting human resources, we regularly hold Human Resources Development Committee meetings.

*1 WORLD SUSTAINABILITY PLAN & REPORT: https://corp.world.co.jp/csr/world_sustainabilityreport.pdf (Japanese only)

*2 CIRCRIC: <https://store.world.co.jp/s/brand/circric/> (Japanese only)

*3 Industry-specific guidance on the basic guidelines for calculating greenhouse gas emissions across the supply chain (Fashion Industry): <https://form.run/@jafic--UoRMcDscq6qNlafub8r8> (Japanese only)

*4 World Ecoromo Campaign: <https://store.world.co.jp/eco-romo/> (Japanese only)

(2) Review of financial position for the fiscal year under review

(Assets)

Total assets were 280,059 million yen, an increase of 6,233 million yen from the end of the previous fiscal year.

The main factors behind this increase were an increase of approximately 22,600 million yen in total assets due to the consolidation of RIGHT-ON Co., Ltd. as a subsidiary, despite decreases of approximately 1,000 million yen in cash and cash equivalents, approximately 5,300 million yen in trade and other receivables, approximately 2,100 million yen in right-of-use assets, approximately 2,800 million yen in property, plant and equipment due to the sale of the Kobe head office building, and approximately 3,500 million yen in investments accounted for using equity method due to the recording of a loss on valuation of shares at Lexus Technologies Inc., an equity-method affiliate.

(Liabilities)

Total liabilities were 183,777 million yen, a decrease of 3,611 million yen from the end of the previous fiscal year.

The main factors behind this decrease were decreases of approximately 8,300 million yen in trade and other payables, approximately 8,000 million yen in borrowings, and approximately 4,600 million yen in lease liabilities, despite an increase of approximately 17,500 million yen in total liabilities due to the consolidation of RIGHT-ON Co., Ltd. as a subsidiary.

(Equity)

Total equity was 96,282 million yen, an increase of 9,843 million yen from the end of the previous fiscal year.

The main factors behind this increase were an increase of approximately 8,900 million yen in retained earnings due mainly to the recording of approximately 12,000 million yen in profit attributable to owners of parent, despite dividends paid of approximately 3,100 million yen.

(Inventory)

In the Group, the Brand Business accounts for a majority of revenue. Due to the business characteristics of the apparel brands in the Brand Business, the Company places emphasis on the control of working capital, which is the total of trade receivables and inventories less trade payables, and among them places special emphasis on a reduction in inventories.

Working capital at the end of the fiscal year under review was 40,642 million yen, an increase of approximately 3,600 million yen from the end of the previous fiscal year. The main factor behind the increase in working capital was the inclusion of RIGHT-ON Co., Ltd. in the scope of consolidation. Excluding this impact, working capital showed an increase of approximately 1,300 million yen, mainly due to uncollected trade receivables of approximately 1,900 million yen at MC Fashion Co., Ltd. due to holidays at the fiscal year-end.

(Net D/E ratio)

For the purpose of examining the optimal capital structure between interest-bearing liabilities and shareholders' equity so that the Group can sustainably improve its ability to service debt while achieving profitability and growth of its business, the Group has designated the net D/E ratio as an indicator of financial soundness. At the time of formulating the "PLAN-W" Medium-Term Management Plan, the Group had set a medium- to long-term target of 0.5x for the net D/E ratio.

Net interest-bearing liabilities at the end of the fiscal year under review were 67,757 million yen, a decrease of approximately 2,200 million yen from the end of the previous fiscal year, and total equity attributable to owners of parent increased by approximately 13,400 million yen, partly due to a reclassification from non-controlling interests to equity attributable to owners of parent associated with making NARUMIYA INTERNATIONAL Co., Ltd. a wholly owned subsidiary. As a result, the net D/E ratio at the end of the fiscal year under review was 0.72.

(ROE)

At the time of formulating the "PLAN-W" Medium-Term Management Plan, the Group revised upward its return on equity (ROE) target from 10.0% to 12.0% or higher, as a level exceeding the cost of shareholders' equity (COE), based on the progress of our business performance and other factors to date, and has been striving to achieve this target.

ROE for the fiscal year under review increased 0.2 percentage points to 13.7% from 13.5% in the previous fiscal year.

(ROIC)

In the "PLAN-W" Medium-Term Management Plan, the Group had aimed to achieve a level exceeding 8.5% by the end of the fiscal year under review, the final year of the plan, with a view to creating a value-creating state in which ROE exceeds COE under the optimal capital structure and return on invested capital (ROIC) exceeds weighted average cost of capital (WACC).

Furthermore, having defined our optimal equity structure as having a credit rating of A and the lowest possible WACC, we are working to control WACC and maintain a target value of 5.0% or lower.

ROIC for the fiscal year under review was 8.8%, an increase of 0.3 percentage points from 8.5% in the previous fiscal year.

Each indicator is calculated according to the following definitions.

In calculating ROE and ROIC, net interest-bearing liabilities and total equity attributable to owners of parent are calculated as the average of the end of the previous year and the end of the current year.

- Net D/E ratio
Net interest-bearing liabilities at end of period / Total equity attributable to owners of parent at end of period
- Net interest-bearing liabilities
Borrowings + J GAAP finance lease obligations - Cash and cash equivalents
- ROE
Profit attributable to owners of parent for the past year / Total equity attributable to owners of parent
- ROIC
(Operating profit for the past year - Income tax expense - Profit attributable to non-controlling interests) / (Net interest-bearing liabilities + Total equity attributable to owners of parent)

In the "VISION-W" Medium-Term Management Plan, net interest-bearing liabilities including lease liabilities under IFRS 16 will be used. Accordingly, for the net D/E ratio and ROIC, which use net interest-bearing liabilities, performance will be reviewed based on the new calculation method from the next fiscal year, together with the target levels set under "VISION-W."

(3) Overview of cash flows for the fiscal year under review

Cash flows and their factors for the fiscal year under review were as follows.

(Cash flows from operating activities)

Cash flows from operating activities ended in a net inflow of 30,984 million yen, a decrease of 1,008 million yen in inflow year on year.

This was mainly due to a decrease of approximately 1,200 million yen in profit before tax. In addition, in the fiscal year under review, working capital increased by approximately 3,600 million yen due to the inclusion of RIGHT-ON Co., Ltd. in the scope of consolidation.

(Cash flows from investing activities)

Cash flows from investing activities ended in a net outflow of 4,132 million yen, a decrease of 6,130 million yen in outflow year on year.

This was mainly due to the absence of payments for acquisition of subsidiaries recorded in the previous fiscal year. In addition, in the fiscal year under review, in anticipation of future increases in interest rates, the Company has switched its investment in store openings and renovations from leasing to in-house acquisition and has also sold its head office building.

(Cash flows from financing activities)

Cash flows from financing activities ended in a net outflow of 30,937 million yen, an increase of 10,182 million yen in outflow year on year.

This was mainly due to a significant increase in repayments of borrowings, as well as other factors, including approximately 900 million yen in dividend payments due to higher dividends and an increase of 700 million yen in interest payments due to rising interest rates.

As a result, the balance of cash and cash equivalents at the end of the fiscal year under review was 18,109 million yen, a decrease of 3,638 million yen from the end of the previous fiscal year.

Trends in cash flow indicators

Term	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Ratio of equity attributable to owners of parent to total assets	34.2%	29.7%	33.8%
Ratio of cash flows to interest-bearing liabilities	2.7 years	2.7 years	2.7 years
Interest coverage ratio	44.1 times	35.7 times	19.0 times

Ratio of equity attributable to owners of the parent: $\text{Equity attributable to owners of the parent (year-end)} / \text{Total assets (year-end)}$

Ratio of cash flows to interest-bearing liabilities: $\text{Interest-bearing liabilities} / \text{Cash flows}$

Interest coverage ratio: $\text{Operating cash flow} / \text{Interest payments}$

* All indicators are calculated using financial figures on consolidated basis.

* Operating cash flow represents cash flows from operating activities per the consolidated statement of cash flows. Interest-bearing liabilities are those liabilities recorded on the consolidated statement of financial position that involve interest payments on a loan. Interest paid is interest payments recorded on the consolidated statement of cash flows.

(4) Forecasts

Looking ahead, the outlook for the economy and consumer spending is expected to remain uncertain, amid foreign exchange fluctuations and rising prices stemming from an unstable geopolitical environment. Under these conditions, the Group has formulated and announced the “VISION-W” Medium-Term Management Plan, with the aim of sharing its future targets, plans, and strategic direction. To fully leverage the “World Fashion Ecosystem,” which has continued to evolve, we aim to provide diverse fashion to society as a unique value-creating enterprise unparalleled across the world, in which all businesses work together and continue to create value through four touchpoints consisting of the B2C business, the B2B business, M&A, and IP alliances.

In the fiscal year ending February 28, 2027, the first year of “VISION-W,” we expect changes in our business portfolio, including the full-year contribution of RIGHT-ON Co., Ltd. Taking this into account, we are forecasting 300,000 million yen in revenue, 18,500 million yen in business profit, 17,500 million yen in operating profit, 17,750 million yen in profit before financing and income taxes, and 12,600 million yen in profit attributable to owners of parent, representing increases in both revenue and profit. In the B2C business, while working to address merchandising challenges in apparel brands, we will continue to make growth investments, including business development in the lifestyle and circular businesses. Furthermore, in the B2B business, in addition to accelerating growth in the technology and people operations domains, we will work to expand revenue from B2B external sales in the supply chain domain, driven by synergies with MC Fashion Co., Ltd.

(5) Basic policy on profit distribution and information on dividends for the fiscal year under review and next fiscal year

The basic guideline of our capital strategy is to ensure improvement in a well-balanced and sustainable manner by adopting a three-pronged approach that focuses on profit growth, financial soundness, and shareholder returns. Moreover, as our basic policy on profit distribution, while ensuring sufficient capital to realize optimal equity composition, we are positioning the expanded return of profits to our shareholders as one of our most important management issues. Based on this policy, as a measure to expand the return of profit to our shareholders, we are focusing on realizing continuous dividend increases. To carry out growth investment and shareholder returns in a well-balanced manner, as long as there is room for growth through value creation, profit distribution will be based on our decision that twice-annual dividends of an interim dividend and a year-end dividend is optimal.

In “PLAN-W” Medium-Term Management Plan announced in May 2023, in the three years ending in the fiscal year ended February 28, 2026, while maintaining a target dividend payout ratio of 30%, we aimed to expand shareholder returns through continuous dividend increases funded by continuous profit growth. Meanwhile, as the repayment of the perpetual subordinated loans that we envisioned would take three years in “PLAN-W” was completed one year early at the end of February 2025, we determined that a financial structure is being built that will allow capital allocation to be focused on growth investment and shareholder returns. Accordingly, with a view toward achieving our goal of a 40% dividend payout ratio listed in our next medium-term management plan, we have set policy to gradually increase our dividend payout ratio by 2.5 percentage points annually over the coming four years starting from the fiscal year ended February 28, 2026 (from 30% to 40%).

Based on the above policy, for the current fiscal year, we plan to pay a dividend of 109 yen per share (including an interim dividend of 49 yen).

Meanwhile, under the “VISION-W” Medium-Term Management Plan announced today, while continuing to invest for sustainable growth and strengthen capital to achieve an optimal capital structure, we will further enhance our dividend policy, which is the core of shareholder returns. With the primary objective of achieving dividend increases in line with earnings growth, we have adopted a progressive dividend policy based on a payout ratio of 40% or higher, together with a dividend on equity (DOE) ratio of 5% or higher as a stable base for dividends, applying whichever is higher. For further details, please also refer to the “Notice Regarding Changes in Dividend Policy” announced today. Going forward, we will continue to enhance shareholder value and corporate value through various shareholder return measures tailored to our business conditions.

For the next fiscal year, based on the policy of applying either a 40% payout ratio or a 5% DOE, whichever is higher, we plan to pay an annual dividend of 67 yen per share (interim dividend of 31 yen and year-end dividend of 36 yen), which represents a record high on a split-adjusted basis since our listing.

2. Basic concept regarding selection of accounting standards

The Group has adopted International Financial Reporting Standards (IFRS).

3. Consolidated financial statements and significant notes thereto

(1) Consolidated statement of financial position

(Millions of yen)

	As of February 28, 2025	As of February 28, 2026
Assets		
Current assets		
Cash and cash equivalents	21,748	18,109
Trade and other receivables	39,181	35,151
Inventories	27,756	31,682
Other financial assets	157	57
Other current assets	1,684	1,771
Total current assets	90,525	86,771
Non-current assets		
Property, plant and equipment	35,445	33,412
Right-of-use assets	40,139	46,318
Intangible assets	79,024	82,657
Investments accounted for using equity method	5,170	1,418
Deferred tax assets	5,034	7,952
Other financial assets	17,355	19,801
Other non-current assets	1,134	1,731
Total non-current assets	183,301	193,288
Total assets	273,826	280,059

(Millions of yen)

	As of February 28, 2025	As of February 28, 2026
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	41,489	36,985
Income taxes payable	1,578	1,918
Provisions	–	203
Borrowings	44,400	37,823
Lease liabilities	12,782	14,576
Other financial liabilities	150	195
Other current liabilities	2,945	2,873
Total current liabilities	103,343	94,572
Non-current liabilities		
Borrowings	42,379	43,964
Lease liabilities	32,360	33,588
Retirement benefit liability	2,359	1,911
Provisions	6,573	9,284
Other financial liabilities	150	443
Other non-current liabilities	222	15
Total non-current liabilities	84,044	89,205
Total liabilities	187,387	183,777
Equity		
Equity attributable to owners of parent		
Share capital	511	511
Capital surplus	15,566	20,787
Retained earnings	63,645	72,568
Treasury shares	(39)	(505)
Other components of equity	1,505	1,298
Total equity attributable to owners of parent	81,188	94,659
Non-controlling interests	5,251	1,623
Total equity	86,439	96,282
Total liabilities and equity	273,826	280,059

(2) Consolidated statement of profit or loss

(Millions of yen)

	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Revenue	225,658	284,014
Cost of sales	92,370	144,340
Gross profit	133,288	139,674
Selling, general and administrative expenses	116,275	123,267
Other income	5,903	5,039
Other expenses	5,885	2,627
Share of profit (loss) of investments accounted for using equity method	(301)	(2,790)
Operating profit	16,730	16,028
Finance income	99	90
Finance costs	1,389	1,915
Profit before tax	15,440	14,203
Income tax expense	3,257	2,270
Profit	12,183	11,933
Profit attributable to		
Owners of parent	11,039	12,013
Non-controlling interests	1,143	(80)
Profit	12,183	11,933
Earnings (loss) per share		
Basic earnings per share (yen)	158.61	171.36
Diluted earnings per share (yen)	158.61	171.36

(3) Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Profit	12,183	11,933
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2	(487)
Remeasurements of defined benefit plans	(29)	(128)
Total	(28)	(615)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(11)	503
Effective portion of cash flow hedges	–	(38)
Total	(11)	465
Other comprehensive income, net of tax	(39)	(150)
Comprehensive income	12,144	11,783
Comprehensive income attributable to		
Owners of parent	11,010	11,852
Non-controlling interests	1,134	(69)
Comprehensive income	12,144	11,783

(4) Consolidated statement of changes in equity

Fiscal year ended February 28, 2025

	(Millions of yen)					
	Share capital	Capital surplus	Other equity instruments	Retained earnings	Treasury shares	Other components of equity Financial assets measured at fair value through other comprehensive income
Balance at beginning of period	511	15,112	9,704	55,192	(44)	4
Comprehensive income						
Profit	–	–	–	11,039	–	–
Other comprehensive income	–	–	–	–	–	(3)
Total	–	–	–	11,039	–	(3)
Transactions with owners						
Dividends	–	–	–	(2,282)	–	–
Share-based payment transactions	–	94	–	–	5	–
Changes in ownership interest in subsidiaries	–	656	–	–	–	–
Obtaining of control of subsidiaries	–	–	–	–	–	–
Loss of control of subsidiaries	–	–	–	–	–	–
Distribution to owners of other equity instruments	–	–	–	(305)	–	–
Redemption of other equity instrument	–	(296)	(9,704)	–	–	–
Total	–	454	(9,704)	(2,586)	5	–
Balance at end of period	511	15,566	–	63,645	(39)	0
Other components of equity						
	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of period	585	947	1,535	82,010	6,407	88,418
Comprehensive income						
Profit	–	–	–	11,039	1,143	12,183
Other comprehensive income	(39)	13	(30)	(30)	(9)	(39)
Total	(39)	13	(30)	11,010	1,134	12,144
Transactions with owners						
Dividends	–	–	–	(2,282)	(162)	(2,443)
Share-based payment transactions	–	–	–	99	–	99
Changes in ownership interest in subsidiaries	–	–	–	656	(1,780)	(1,125)
Obtaining of control of subsidiaries	–	–	–	–	371	371
Loss of control of subsidiaries	–	–	–	–	(720)	(720)
Distribution to owners of other equity instruments	–	–	–	(305)	–	(305)
Redemption of other equity instrument	–	–	–	(10,000)	–	(10,000)
Total	–	–	–	(11,832)	(2,291)	(14,123)
Balance at end of period	546	959	1,505	81,188	5,251	86,439

Fiscal year ended February 28, 2026

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges
Balance at beginning of period	511	15,566	63,645	(39)	0	–
Comprehensive income						
Profit	–	–	12,013	–	–	–
Other comprehensive income	–	–	–	–	(487)	(38)
Total	–	–	12,013	–	(487)	(38)
Transactions with owners						
Issuance of new shares	–	6,818	–	–	–	–
Dividends	–	–	(3,136)	–	–	–
Purchase of treasury shares	–	–	–	(470)	–	–
Share-based payment transactions	–	135	–	4	–	–
Changes in ownership interest in subsidiaries	–	(1,731)	–	–	–	–
Obtaining of control of subsidiaries	–	–	–	–	–	–
Other	–	–	46	–	–	–
Total	–	5,221	(3,090)	(466)	–	–
Balance at end of period	511	20,787	72,568	(505)	(486)	(38)

	Other components of equity					
	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of period	546	959	1,505	81,188	5,251	86,439
Comprehensive income						
Profit	–	–	–	12,013	(80)	11,933
Other comprehensive income	(109)	473	(161)	(161)	11	(150)
Total	(109)	473	(161)	11,852	(69)	11,783
Transactions with owners						
Issuance of new shares	–	–	–	6,818	–	6,818
Dividends	–	–	–	(3,136)	(209)	(3,345)
Purchase of treasury shares	–	–	–	(470)	–	(470)
Share-based payment transactions	–	–	–	139	7	146
Changes in ownership interest in subsidiaries	–	–	–	(1,731)	(4,621)	(6,352)
Obtaining of control of subsidiaries	–	–	–	–	1,264	1,264
Other	(47)	–	(47)	(1)	(0)	(1)
Total	(47)	–	(47)	1,619	(3,559)	(1,940)
Balance at end of period	390	1,432	1,298	94,659	1,623	96,282

(5) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Cash flows from operating activities		
Profit before tax	15,440	14,203
Depreciation and amortization	18,103	18,944
Finance costs	1,371	1,910
Gain on sale of fixed assets	(106)	(8)
Loss on sale and retirement of fixed assets	453	1,996
Gain on negative goodwill	(4,839)	(145)
Impairment losses	1,920	166
Share of loss (profit) of investments accounted for using equity method	301	2,790
Loss (gain) on valuation of derivatives	–	(1,414)
Loss (gain) on step acquisition	–	(1,842)
Loss on valuation of shares of subsidiaries and associates	150	–
Decrease (increase) in trade and other receivables	1,056	5,776
Decrease (increase) in inventories	414	1,592
Payments for acquisition of asset for rent	(574)	–
Increase (decrease) in trade and other payables	(386)	(9,069)
Increase (decrease) in consumption taxes payable	168	(39)
Other	1,063	(1,386)
Subtotal	34,534	33,477
Income taxes refund (paid)	(2,542)	(2,493)
Net cash provided by (used in) operating activities	31,992	30,984
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,495)	(4,455)
Proceeds from sale of property, plant and equipment	365	1,709
Purchase of investment securities	–	(351)
Proceeds from sale of investment securities	–	0
Payments for acquisition of subsidiaries	(5,262)	–
Proceeds from acquisition of subsidiaries	–	874
Proceeds from sale of subsidiaries	116	–
Purchase of investments in associates	(1,244)	–
Purchase of intangible assets	(1,693)	(2,464)
Payments of leasehold deposits and guarantee deposits	(1,025)	(870)
Proceeds from refund of leasehold deposits and guarantee deposits	749	1,200
Interest and dividends received	65	54
Payments for asset retirement obligations	(292)	(340)
Other	455	513
Net cash provided by (used in) investing activities	(10,262)	(4,132)

(Millions of yen)

	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,730	(10,290)
Proceeds from long-term borrowings	11,930	9,230
Repayments of long-term borrowings	(6,285)	(8,680)
Interest paid	(895)	(1,603)
Financial fees paid	(19)	(183)
Purchase of treasury shares	–	(4)
Purchase of treasury shares of subsidiaries	(43)	–
Repayments of lease liabilities	(13,638)	(14,581)
Dividends paid	(2,280)	(3,135)
Dividends paid to non-controlling interests	(162)	(209)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,000)	(1,482)
Capital contribution from non-controlling interests	211	–
Payment of distribution to owners of other equity instruments	(305)	–
Redemption of other equity instruments	(10,000)	–
Net cash provided by (used in) financing activities	(20,755)	(30,937)
Effect of exchange rate changes on cash and cash equivalents	(75)	447
Net increase (decrease) in cash and cash equivalents	900	(3,638)
Cash and cash equivalents at beginning of period	20,848	21,748
Cash and cash equivalents at end of period	21,748	18,109

(6) Notes to consolidated financial statements

1. Notes on premise of going concern

No items to report.

2. Reporting entity

The Company is a corporation domiciled in Japan.

The Group is comprised of World Co., Ltd. (stand-alone) along with 48 subsidiaries and two associates and joint ventures accounted for using the equity method of accounting.

The Group classifies its business into the following three segments: “Brand Business,” “Digital Business” and “Platform Business.” The Brand Business sells apparel and fashion accessories for women, men and children domestically and internationally. The Digital Business provides digital solutions including e-commerce mall business specializing in fashion and information and distribution system contracting services for other companies, and also develops and provides new digital-centered services. The Platform Business provides support for space creation design and other activities through the production, procurement and sale of apparel, fashion accessories and other lines as well as production and sale of furniture and fixtures.

3. Material accounting policies

Material accounting policies adopted in preparing the consolidated financial statements are as follows:

(1) Basis of consolidation

1) Subsidiaries

It is determined that the Group has control over a subsidiary if it meets all of the following three conditions, and the subsidiary is included in the scope of consolidation from the date on which control is obtained to the date that control ceases.

- The Group has control over the investee.
- The Group has rights or exposures to variable returns from its involvement with the investee.
- The Group has the ability to affect returns through its control over the investee.

When accounting policies applied by subsidiaries are different from those applied by the Group, adjustments are recorded upon consolidation, as necessary.

The balances of intercompany receivables and payables, unrealized gains and losses arising from intragroup transactions have been eliminated in preparing the consolidated financial statements.

The Group attributes comprehensive income from its subsidiaries to the owners of the parent entity and to the non-controlling interests even if the non-controlling interests have a deficit balance.

2) Associates

The equity method is applied to associates from the date the Group starts having significant influence over financial and operating policies of the associates up to the date it loses said significant influence.

3) Joint venture

A joint venture is a company in which multiple parties including the Group share contractually agreed control over economic activities and where consent is required from all parties for strategic financial and business decisions associated with said economic activities.

The equity method is applied to joint ventures held by the Group.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Purchase consideration is measured as the total of fair values of assets transferred, liabilities to the former owners of the acquiree, and equity instruments issued by the Company in exchange for control of the acquiree at the acquisition date. If the purchase consideration exceeds the fair value of identifiable assets and liabilities, the excess is recorded as goodwill in the consolidated statement of financial position. Conversely, if purchase consideration is less than the fair value of identifiable assets and liabilities, the difference is recorded immediately as a gain in the consolidated statement of profit or loss. Acquisition costs incurred are accounted for as an expense as incurred.

(3) Foreign currency translation

Each company has its own functional currency and transactions involving the company are measured in the relevant functional currency.

Foreign currency denominated transactions are translated at the spot exchange rate at the date of the transaction, and foreign currency denominated monetary assets and liabilities are translated into the functional currency at the spot exchange rate at the end of the fiscal year. The exchange differences arising on the translations and settlements are recognized in profit or loss.

Assets and liabilities of foreign operations are translated into yen at the spot rate at the end of the fiscal year, and income and expenses are translated into yen at an exchange rate that approximates the spot exchange rate as of the date of the transaction unless there are significant fluctuations in exchange rates. Exchange differences are recognized in other comprehensive income. For the disposal of an interest in foreign operations or a partial disposal of the interest involving the loss of control or significant influence, the exchange differences are reclassified to profit or loss as part of the gain or loss on disposal.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and that are subject to an insignificant risk of changes in value.

(5) Financial instruments

1) Financial assets

(a) Initial recognition and measurement

The Group classifies financial assets into those measured at fair value through profit or loss or through other comprehensive income and those measured at amortized cost. This classification is made at the time of initial recognition.

The Group recognizes a financial instrument on the trade date when the Group becomes a party to the contract of the financial asset.

All financial assets are measured at fair value plus transaction cost, except for those classified as financial assets measured at fair value through profit or loss.

Financial assets are classified as those measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Except for equity financial assets held for trading that have to be measured at fair value through profit or loss, the Group designates each equity financial asset as at fair value through profit or loss or through other comprehensive income and continues the designation for each equity financial asset.

(b) Subsequent measurement

After the initial recognition, financial assets are measured according to their types as follows.

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

Amortization by the effective interest method and profit or loss when any financial liability is derecognized is recognized as profit or loss as part of finance income in the fiscal year under review.

(ii) Financial assets measured at fair value

A change in fair value for financial assets measured at fair value is recognized as profit or loss.

Of equity instruments, however, for those designated as financial assets measured at fair value through other comprehensive income, a change in fair value is recognized in other comprehensive income. Moreover, when any financial asset is derecognized, the cumulative amount of other comprehensive income will be reclassified as direct retained earnings. Dividends from those financial assets are recognized in profit or loss as part of finance income in the fiscal year under review.

(c) Derecognition of financial assets

The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire, or when the Group transfers contractual rights to receive cash flows from the financial assets and shift most of all risks and economic values of owning the financial assets elsewhere. When the Group continues to control the transferred financial assets, it recognizes liabilities related to the assets to the extent of the continuous control.

(d) Impairment of financial assets

For financial asset measured at amortized cost, the Group recognizes allowance for doubtful accounts against the expected credit loss associated with those financial assets.

The Group assesses whether the credit risk associated with each financial asset has increased significantly since the initial recognition at each term-end date, and when the credit risk has not increased significantly, the Group recognizes the amount equal to the 12-month expected credit loss in allowance for doubtful accounts. When the credit risk has increased significantly since the initial recognition, the Group recognizes the amount equal to the lifetime expected credit loss as allowance for doubtful accounts.

The amount of expected credit loss related to trade receivables is based on a simplified approach. The receivables, etc. are classified based on the credit risk characteristics of the other party. The amount is calculated by multiplying the actual rate of past credit losses calculated based on the category by the provision rate that takes into account forecasts of future economic conditions, etc.

2) Financial liabilities

(a) Initial recognition and measurement

The Group classifies its financial liabilities as those measured at fair value through profit or loss or those measured at amortized cost. This classification is made at the time of initial recognition.

The Group initially recognizes debt securities it issued on the effective date of the securities. Every other financial liability is recognized on the trade date when the Group becomes a party to the contract of the financial instrument.

All financial liabilities are initially recognized at fair value. However, financial liabilities measured at amortized cost are measured at amounts after deducting transaction costs directly attributable to those liabilities.

(b) Subsequent measurement

After the initial recognition, financial liabilities are measured according to their types as follows.

(i) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include those held for trading and those designated at the time of initial recognition as financial liabilities to be measured at fair value through profit or loss. These liabilities are measured at fair value after the initial recognition and changes in their values are recognized as profit or loss in the fiscal year under review.

(ii) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after the initial recognition.

Amortization by the effective interest method and profit or loss when any financial liability is derecognized is recognized as profit or loss as part of finance costs in the fiscal year under review.

(c) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, i.e. when contractual obligation is discharged, cancelled or expired.

3) Presentation of financial assets and liabilities

The Group presents financial assets and liabilities in net amounts after offsetting their balances on the consolidated statement of financial position only when the Group holds the legal right to offset them and intends to make settlements at net amounts or intends to realize the assets and settle the liabilities at the same time.

4) Derivatives and hedge accounting

The Group initially recognizes all derivative transactions when the derivative contract is concluded, and measures them at fair value at the time of initial recognition. Measurements after the initial recognition are also made at fair value, and fluctuations in fair value are recognized as profit or loss.

When applying hedge accounting, the Group prepares documents for risk management and about strategies regarding the relationship between hedging instruments and hedged targets and the exercise of various hedge transactions at the start of the transaction in order to assess whether the hedge relations satisfy the requirements for hedge accounting. The Group also continues to assess and prepare documents about whether derivatives it used for hedge

trading satisfy all requirements for hedge effectiveness as the derivatives offset changes in the fair values of hedged targets or cash flows. The Group conducts the continuous assessment of hedge effectiveness on each term-end date or when there is a significant change in the situation that impacts on the requirements for hedge effectiveness, whichever is earlier.

(6) Inventories

Inventories are measured at the lower of cost, calculated using cost method (mainly weighted average method), or net realizable value.

(7) Property, plant and equipment

Property, plant and equipment is carried at its cost less any accumulated depreciation using the cost model. Cost includes any direct or incidental costs associated with the acquisition of the assets as well as any applicable restoration costs.

Each asset, excluding land, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives of major asset classes are as follows:

- Buildings and structures 10 to 50 years
- Tools, furniture and fixtures 2 to 20 years

The depreciation methodology, residual values, and useful lives are reviewed at the end of each fiscal year and are revised as necessary.

(8) Intangible assets

1) Goodwill

The Group recognizes goodwill as the fair value of consideration for the transfer in excess of net identifiable assets acquired and liabilities assumed as of the acquisition date, less the Group's proportionate interest in the net recognized amount of identifiable assets acquired and liabilities assumed as of the acquisition date and non-controlling interests, measured by multiplying the fair value of the acquired company's identifiable net assets by the non-controlling shareholders' equity ratio.

2) Other intangible assets

For other intangible assets acquired by the Group, they are initially recognized using the acquisition cost where they are acquired individually, and where acquired through business combination, they are initially recognized using the fair value as of the acquisition date. For intangible assets whose useful lives can be established, the value is displayed by deducting the amount of accumulated amortization from the acquisition cost.

Intangible assets with finite useful lives are amortized using the straight-line method over the estimated amortization period from the date when the assets become available for use. The estimated useful lives of other intangible assets are as follows:

- Software 5 to 7 years
- Customer-related assets 5 years

The amortization methodology, residual values and useful lives are reviewed at the end of each fiscal year and are revised as necessary.

Intangible assets with indefinite useful lives are as follows:

- Trademark rights

The Group considers that trademark rights have indefinite useful lives because they can be used continuously and legally as long as it continues its business and because the management plans to provide services for the foreseeable future.

Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives and those not available for use are not amortized. Any of those assets or, their cash-generating units or groups of cash-generating units is tested for impairment annually, or each time when there is an indication that they may be impaired.

(9) Leases

At the conclusion of a contract, the Group assesses whether it is, or contains, a lease contract. The Group assesses, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract is, or contains, a lease, on the first date of a lease, the Group recognizes right-of-use assets as the discounted present value of the total lease fees, adjusted with the direct cost at acquisition and others, and lease liabilities as the discounted present value of the total lease fees. As the discount rate, the Group usually uses an additional borrowing interest rate of the Group. Right-of-use assets are depreciated over the right-of-use asset's useful life or lease term, whichever comes earlier.

Lease fees are treated as a reduction in lease liabilities after deducting the equivalent to the interest rate for the lease liabilities. Finance costs are presented on the consolidated statement of profit or loss separately from depreciation in connection with right-of-use assets. The Group recognizes leases expiring within 12 months and those whose underlying assets are in small amounts as costs on the consolidated statement of profit or loss on a regular basis during the lease period.

(10) Impairment of assets

1) Property, plant and equipment and intangible assets (excluding goodwill and intangible assets with indefinite useful lives)

The Group determines whether there are any indicators for impairment for property, plant and equipment and intangible assets (excluding goodwill and intangible assets with indefinite useful lives) at the end of each fiscal year.

If there is an indicator that assets may be impaired, the recoverable amount is estimated for each asset or cash-generating unit to which the asset belongs. In cases where there are indications of a reversal of impairment losses, and the recoverable value on an individual-asset or cash-generating-unit basis exceeds the carrying amount, reversals of impairment losses are recognized up to the lower of the recoverable amount or the carrying amount after depreciation or amortization that would have been the case if no impairment losses had been recognized in prior fiscal years.

The recoverable amount is the higher of value-in-use and fair value less costs of disposal. The value-in-use is calculated by discounting cash flows, which are estimated using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

When the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount.

2) Goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and are recorded at cost less accumulated impairment losses. For the purpose of the impairment test, goodwill is allocated to individual cash-generating units or groups of cash-generating units that are expected to obtain benefits from the business combination. For

goodwill, the recoverable value is estimated for each cash-generating unit or group of cash-generating units, and for intangible assets whose useful lives cannot be determined, the recoverable value is estimated for the asset or for the cash-generating unit or group of cash-generating units to which the asset belongs.

(11) Assets held for sale

Assets or disposal groups that are expected to be recovered through sales rather than through continuing use are classified as assets held for sale if it is highly probable that the assets or disposal groups will be sold and is available for immediate sale in its present condition. Assets held for sale are measured at the lower of its carrying amount or fair value less any applicable costs to sell.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.

(Asset retirement obligations)

The Group recognizes asset retirement obligations primarily for obligations to restore the store sites when the rental period expires.

(13) Retirement benefits

The Company has a lump-sum retirement benefit plan, a defined contribution pension plan and a retirement allowance prepayment plan. The relevant pension assets are recorded for some but not all companies within business combinations.

1) Lump-sum retirement benefit plan

A lump-sum retirement benefit plan is a plan managed by the Company under which the Company makes monthly contributions. Lump sum benefits will not be less than the contributions of the Company.

The amount of liability that is recognized associated with lump sum retirement benefits in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the fiscal year.

The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms approximating to the terms of the related pension obligation, and that are denominated in the currency in which the benefits will be paid.

Defined benefit cost consists of service cost and interest cost on defined benefit liability. Service cost and interest cost are recognized in profit or loss, and the amount of net interest is calculated by multiplying defined benefit liability at the beginning of the period by a discount rate used in the measurement of defined benefit plans obligation at the beginning of the period. Actuarial gains and losses resulting from changes in the assumptions for actuarial calculation are recognized as other comprehensive income.

2) Defined contribution pension plan

A defined contribution pension plan is a plan under which the Group pays a fixed amount of contributions into a separate entity (a fund). Even if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods, the Group has no legal or constructive obligation to pay further contributions.

Contributions to the defined contribution pension plan are recognized as an expense for the period when the employees provide the relevant services.

3) Retirement allowance prepayment plan

A retirement allowance prepayment plan is a plan under which retirement allowance are added to salaries during employment.

Contributions to the retirement allowance prepayment plan are recognized as an expense for the period when the employees provide the relevant services.

4) Contract-type corporate pension plan

Under the contract-type corporate pension plan, agreements have been entered into with trust banks, insurance companies, etc., to manage incoming contributions and reserves to operate the plan. Trust banks, etc., which are the parties to the agreements, perform actuarial calculation of pension and provide service for annuity and lump-sum benefit payments, as well as administering and managing the plan assets.

Contributions to the contract-type corporate pension plan are recognized as an expense for the period when the employees provide the relevant services.

(14) Other employee benefits

Salaries and other allowances are recorded as an expense when compensation for services are provided.

For bonuses and paid leave cost, when the Group has a present legal and constructive obligation to pay as a result of past services provided by employees and the amount of obligation can be reliably estimated, the Group recognizes the estimated amount as a liability.

(15) Termination benefits

The Group will provide termination benefits when the Group terminates the employment of an employee before the normal retirement date, or if an employee voluntarily resigns in exchange for the benefit. The Group recognizes termination benefits as an expense (a) when the Group becomes unable to withdraw an offer for such benefits or (b) when the Group recognizes restructuring expenses including the payment of termination benefits, whichever comes earlier. When the Company solicits voluntary retirement, the termination benefits will be measured based on the number of employees expected to accept the Group's offer.

(16) Government subsidies

Government subsidies are recognized at fair value when the Group meets the incidental conditions for receiving the subsidies and obtains reasonable assurance that the subsidies will be given.

Government subsidies related to revenue are recognized as profit or loss on a regular basis during the period to recognize the related costs intended to be covered by subsidies as expenses.

Government subsidies related to assets are recognized as deferred income, and are recognized as profit or loss on a regular basis over the useful lives of related assets.

(17) Share-based payment

The Company has adopted a stock option plan and a restricted share remuneration plan which are equity-settled share-based payment plans.

Stock options are estimated at fair value at the grant date. After considering the number of stock options that are expected to be eventually vested, they are recognized as an expense over the vesting periods in the consolidated statement of profit or loss with the same amount recognized as an increase in equity in the consolidated statement of financial position. The fair value of the options granted is measured using the binomial model, taking various conditions of the options into account. The conditions are periodically reviewed and the estimated number of stock options vested is revised, as necessary.

With respect to restricted share remuneration, fair value is measured at the grant date and recognized as an expense over the vesting periods from the grant date with the same amount recognized as an increase in equity. The fair value of restricted share remuneration is measured in reference to the fair value of the Company's stocks granted.

(18) Revenue

The Group recognizes revenue according to the following five steps, excluding interest, dividends and other income under IFRS 9 "Financial Instruments."

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

1) Performance obligations satisfied at a point in time

The Group is mainly engaged in the sales of products including women's apparel, men's apparel and sundry goods, and the sales channels include directly managed retail stores and e-commerce. For sales of such products, revenue is recognized mainly when a product is delivered as the Group determines that a customer obtains control of the product at the time of delivery and that is when performance obligation is satisfied.

Revenue is recognized at the amount of consideration to which the entity expects to be entitled in exchange for transfer of goods to customers, and is measured at the amount net of discounts, rebates, consumption taxes, or other taxes. For the sale of goods under the customer loyalty program in which certain points are granted to customers at the time of sale, the Company allocates the transaction price based on the independent selling price of the exchanged benefits calculated in consideration of the estimated utilization rate of points that reflect the expired portion due to future cancellation etc. When a customer spends points and obtains control of goods or services, it is considered that the Company has fulfilled the performance obligations. Therefore, at that time the Company recognizes profit or loss.

2) Performance obligations satisfied over time

When one of the following conditions is met, control of goods or services is transferred over time. As the performance is satisfied over time, the Group recognizes revenue over time accordingly.

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For services including digital solutions, the Group is obliged to provide the services over time as the Group determines that the performance obligation is satisfied over time, revenue is recognized according to the provision of such services.

3) Agent transactions

When the Group acts as a principal in a transaction, the total consideration amount received from customers is presented as revenue. When the Group acts as an agent for the third party in a transaction, the amount of commissions, which is the total consideration amount received from customers less the amount collected by the Group on behalf of the third party, is presented as revenue.

The following indicators are considered in deciding whether the Group acts as a principal or an agent in a transaction.

- Whether the Group is primarily responsible for fulfilling a promise to provide specified goods or services.
- Whether the Group has inventory risk before specified goods or services are transferred to customers or after transfer of control to the customer.
- Whether the Group has the right to establish the price for the specified goods or services.

As for net sales of e-commerce of the Digital Business, e-commerce sales have the characteristics of sales by an agent. The Group only receives a commission based on the rate specified in the contract (or equivalent) relative to EC sales. The Group does not have the right to establish prices and merely offers the e-commerce sales platform. Accordingly, the Group does not control the goods or services before they are transferred to the customer. Therefore, it is indicated in net amount since the Group is positioned as an agent.

(19) Finance income and finance costs

Finance income and finance costs consist of interest and dividend income, interest expenses, financial fees and gains or losses arising from hedging instruments. Interest income, interest expenses and financial fees are recognized as incurred, and dividends are recognized on the date when the rights of the Company and its consolidated subsidiaries to these payments are established.

(20) Income taxes

Income taxes recorded in profit or loss consist of current income taxes and deferred income taxes. However, for transactions and other events recognized directly in other comprehensive income or equity, any income taxes related thereto are also recognized directly in other comprehensive income or equity.

Income taxes are computed based on the enacted or substantively enacted tax laws at the end of the fiscal year in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred tax assets and deferred tax liabilities are recognized using the asset and liability method on temporary differences arising from the underlying tax asset and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax assets and deferred tax liabilities are determined using the effective statutory tax rates that have been enacted or substantively enacted by the end of the fiscal year and are expected to be applicable in the fiscal year when the related deferred tax assets are recovered or when the related deferred tax liabilities are settled.

Deferred tax assets are recognized for the carryforward of unused tax losses and deductible temporary differences only to the extent that it is probable that they can be utilized against future taxable income. In principle, deferred tax liabilities are recognized for all taxable temporary differences. In addition, for future temporary differences related to investments in subsidiaries, associates and joint ventures, as a general rule, the Company recognizes deferred tax liabilities. However, when the Company has control over the timing at which to eliminate temporary differences and it is likely that the differences will not be eliminated in the foreseeable future, and furthermore with temporary differences resulting from initially recognized goodwill, it does not recognize deferred tax liabilities.

In addition, the Company and selected domestic subsidiaries have applied the Group aggregate system.

(21) Earnings per share

Earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the

period (adjusted for treasury shares). Diluted earnings per share is calculated by adjusting the effects of all dilutive potential shares.

(22) Dividends

Dividend payments to shareholders of the Company are recognized as a liability during the period in which shareholders of the Company approves the payments.

4. Segment information

(1) Overview of reportable segments

Operating segments are reported in a manner consistent with internal reporting presented to the chief operating decision maker. The chief operating decision maker is responsible for allocation of resources to the segments and assessment of its performance. The Group positions the Board of Directors, which makes strategic decisions, as the chief operating decision maker.

The Group has four reportable segments, namely, “Brand Business,” “Digital Business,” “Platform Business” and “Common” segment.

(2) Segment income and operating results

Income and operating results of the Group’s reportable segments are as follows:

The terms and conditions for inter-segment sales transactions are determined each fiscal year.

The accounting policy for our reportable segments is the same as the Group accounting policy listed in “3. Material accounting policies.”

Provisional accounting treatment, which had been applied for business combinations in the fiscal year ended February 28, 2025, was finalized during the fiscal year under review. Accordingly, the figures for the fiscal year ended February 28, 2025 have been revised to reflect adjustments to the allocation of acquisition costs.

Fiscal year ended February 28, 2025

(Millions of yen)

	Reportable segments					Adjustments (Note 2)	Total
	Brand Business	Digital Business	Platform Business	Common (Note 1)	Total		
Revenue							
External revenue	190,637	14,454	20,422	145	225,658	–	225,658
Inter-company revenue	8,256	18,082	54,030	9,902	90,270	(90,270)	–
Total	198,893	32,536	74,452	10,047	315,928	(90,270)	225,658
Segment profit (Note 3)	11,057	2,619	1,829	1,485	16,991	22	17,013
Impairment losses	(973)	(169)	(19)	(759)	(1,920)	–	(1,920)
Other income and expenses, net (Note 4)	(800)	164	4,872	(1,869)	2,367	(730)	1,637
Operating profit (loss)	9,285	2,614	6,682	(1,143)	17,438	(708)	16,730
Finance income	–	–	–	–	–	–	99
Finance costs	–	–	–	–	–	–	(1,389)
Profit before tax	–	–	–	–	–	–	15,440
Other							
Depreciation and amortization	11,354	4,468	586	1,695	18,103	–	18,103

- (Note 1) The Common segment's duties include the corporate-related operations, in which incomes including business management and advisory fee income from subsidiaries are to cover expenses at the holding company, such as costs for the staff.
- (Note 2) The adjustment amount of segment profit mainly includes the eliminations of inter-company transactions and the costs not allocated to each reportable segment.
- (Note 3) Segment profit is revenue less cost of sales and selling, general and administrative expenses.
- (Note 4) Other income and expenses, net includes loss on investments of 301 million yen, calculated using equity method. This is broken down into a loss of 343 million yen from the Brand Business and a profit of 42 million yen from the Digital Business.

Fiscal year ended February 28, 2026

(Millions of yen)

	Reportable segments					Adjustments (Note 2)	Total
	Brand Business	Digital Business	Platform Business	Common (Note 1)	Total		
Revenue							
External revenue	193,927	11,858	77,991	238	284,014	–	284,014
Inter-company revenue	6,164	19,481	52,431	7,356	85,432	(85,432)	–
Total	200,091	31,339	130,422	7,594	369,446	(85,432)	284,014
Segment profit (Note 3)	8,854	2,277	4,171	1,119	16,420	(14)	16,407
Impairment losses	(166)	–	–	–	(166)	–	(166)
Other income and expenses, net (Note 4)	236	(2,843)	452	1,943	(213)	0	(213)
Operating profit (loss)	8,923	(566)	4,623	3,061	16,041	(14)	16,028
Finance income	–	–	–	–	–	–	90
Finance costs	–	–	–	–	–	–	(1,915)
Profit before tax	–	–	–	–	–	–	14,203
Other							
Depreciation and amortization	12,135	4,115	1,146	1,549	18,944	–	18,944

(Note 1) The Common segment's duties include the corporate-related operations, in which incomes including business management and advisory fee income from subsidiaries are to cover expenses at the holding company, such as costs for the staff.

(Note 2) The adjustment amount of segment profit mainly includes the eliminations of inter-company transactions and the costs not allocated to each reportable segment.

(Note 3) Segment profit is revenue less cost of sales and selling, general and administrative expenses.

(Note 4) Other income and expenses, net includes loss on investments of 2,790 million yen, calculated using equity method. This is broken down into a loss of 74 million yen from the Brand Business and a loss of 2,715 million yen from the Digital Business.

(3) Information about products and services

Description is omitted since revenue from external customers in a single product/service category accounted for a major part of revenue on the consolidated statement of profit or loss.

(4) Information about items by region

Revenue from external customers

Description is omitted since revenue from external customers in Japan accounted for a major part of revenue on the consolidated statement of profit or loss.

Non-current assets

Description is omitted since the amount of non-current assets in Japan accounted for a major part of non-current assets on the consolidated statement of financial position.

(5) Information about major customers

Description is omitted since no revenue from an external customer accounted for 10% or more of revenue on the consolidated statement of profit or loss.

5. Selling, general and administrative expenses

	(Millions of yen)	
	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Employee benefit expenses	39,551	44,397
Sales promotion expenses	6,527	6,207
Packing and transportation expenses	8,783	7,994
Leasing fees	5,377	6,293
Percentage rent	16,435	15,818
Depreciation and amortization	17,761	18,877
Other	21,842	23,681
Total	116,275	123,267

6. Other income

	(Millions of yen)	
	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Compensation income	96	12
Foreign exchange gain	124	472
Gain on sale of fixed assets	106	8
Gain on sale of shares of subsidiaries and associates	36	-
Gain on bargain purchase (Note)	4,839	145
Gain on valuation of derivatives	-	1,414
Gain on step acquisition	-	1,842
Other	701	1,146
Total	5,903	5,039

(Note) The Company determined at its Board of Directors meeting held on November 28, 2024, to acquire all issued shares of MC Fashion Co., Ltd. (former company name: Mitsubishi Corporation Fashion Co., Ltd.) as of February 28, 2025, and make it a subsidiary of the Company. As a result of this determination, the Company recorded gain on bargain purchase as other income in the fiscal year ended February 28, 2025.

In addition, provisional accounting treatment, which had been applied for business combinations in the fiscal year ended February 28, 2025, was finalized during the fiscal year under review. Accordingly, the figures for the fiscal year ended February 28, 2025 have been revised to reflect adjustments to the allocation of acquisition costs.

7. Other expenses

	(Millions of yen)	
	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Loss on merchandises discarded	0	0
Loss on sale and disposal of property, plant and equipment	453	1,996
Impairment losses (Note)	1,920	166
Other	3,512	465
Total	5,885	2,627

(Note) A breakdown of impairment losses is shown below.

	(Millions of yen)	
Description	Previous fiscal year	Current fiscal year
Goodwill (OpenFashion Inc.)	125	-
Goodwill (T&L Co., Ltd.)	69	-
Non-current assets	1,726	166
Total	1,920	166

8. Earnings per share

	Fiscal year ended February 28, 2025	Fiscal year ended February 28, 2026
Profit attributable to common shareholders of the parent		
Profit attributable to owners of parent (Millions of yen) (Note 1)	11,039	12,013
Amount not attributable to common shareholders of the parent (Millions of yen) (Note 2)	(235)	–
Profit used for calculating earnings per share (Millions of yen)	10,804	12,013
Weighted average number of ordinary shares outstanding (Thousands of shares)	68,118	70,102
Effects of dilutive potential shares (Thousands of shares)	–	–
After adjustment of dilution effects (Thousands of shares)	68,118	70,102
Earnings per share		
Basic earnings per share (Yen) (Note 3)	158.61	171.36
Diluted earnings per share (Yen) (Note 3)	158.61	171.36
(Note 1)	Provisional accounting treatment, which had been applied for business combinations in the fiscal year ended February 28, 2025, was finalized during the fiscal year under review. Accordingly, the figures for the fiscal year ended February 28, 2025 have been revised to reflect adjustments to the allocation of acquisition costs.	
(Note 2)	The amount not attributable to ordinary shareholders of the parent represents what is attributable to owners of other equity instruments.	
(Note 3)	The Company implemented a share split at a ratio of two shares for each share of ordinary shares effective March 1, 2026. Basic earnings per share and diluted earnings per share have been calculated assuming that the stock split had been carried out at the beginning of the previous fiscal year.	

9. Events after the reporting period

Share exchange agreement with RIGHT-ON Co., Ltd.

The Company resolved at a meeting of its Board of Directors held on November 14, 2025 to conduct a share exchange (the “Share Exchange”) in which the Company became the wholly owning parent company and RIGHT-ON Co., Ltd. (“RIGHT-ON”), a consolidated subsidiary of the Company, became the wholly owned subsidiary, and on the same day, entered into a share exchange agreement with RIGHT-ON (the “Share Exchange Agreement”).

The Share Exchange was implemented with an effective date of March 1, 2026. With respect to the Company, the Share Exchange was conducted without obtaining approval at a general meeting of shareholders through a simplified share exchange procedure pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act. With respect to RIGHT-ON, the Share Exchange Agreement was approved by a resolution at an extraordinary general meeting of shareholders held on February 4, 2026.

(1) Overview of the Share Exchange

1) Name and business description of the wholly owned subsidiary

Name of the wholly owned subsidiary	RIGHT-ON Co., Ltd.
Business description	Retail sales of casual wear

2) Purpose of the Share Exchange

The Company determined that the Share Exchange would contribute to improving management efficiency and competitiveness through the promotion of measures for growth at

RIGHT-ON that could not be sufficiently achieved under the existing capital structure at the time, as well as through further rationalization by integrating corporate functions and optimizing personnel allocation.

3) Effective date of the Share Exchange

March 1, 2026

4) Legal form of the Share Exchange

The Share Exchange is a share exchange in which the Company became the wholly owning parent company and RIGHT-ON became the wholly owned subsidiary. The Share Exchange was implemented with an effective date of March 1, 2026. With respect to the Company, the Share Exchange was conducted without obtaining approval at a general meeting of shareholders through a simplified share exchange procedure pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act. With respect to RIGHT-ON, the Share Exchange Agreement was approved by a resolution at an extraordinary general meeting of shareholders held on February 4, 2026.

5) Name of entity after the business combination

No change.

6) Equity ratio

Equity ratio before the Share Exchange	51.93% (as of February 28, 2026)
Equity ratio after the Share Exchange	100.00%

(2) Consideration to be delivered

1) Consideration delivered to non-controlling shareholders

Shares to be delivered: Ordinary shares of the Company, 5,651 million yen

2) Details of the allotment in the Share Exchange

	The Company (Wholly owning parent company)	RIGHT-ON (Wholly owned subsidiary)
Allotment ratio for the Share Exchange	1	0.20
Number of shares to be delivered in the Share Exchange	Ordinary shares of the Company: 3,422,563 shares	

(Note 1) In order to ensure fairness and appropriateness in the calculation of the share exchange ratio for the Share Exchange, we requested a third-party institution independent of both the Company and RIGHT-ON to calculate the share exchange ratio.

(Note 2) The shares delivered by the Company were newly issued by the Company.

(3) Overview of accounting procedures

The Share Exchange is a transaction with non-controlling interests of RIGHT-ON, and does not affect the controlling interest. There is no increase in share capital.

Partial business succession from Hankyu Style Labels Co., Ltd.

The Company resolved at a meeting of the Board of Directors held on November 28, 2025 to have the cosmetics select shop “Color Field” Business and the furniture and interior goods “Double Day” Business operated by Hankyu Style Labels Co., Ltd., a subsidiary of Hankyu Corporation within the Hankyu Hanshin Holdings, Inc. group, transferred to a newly established company to be incorporated by Hankyu Corporation through a company split (absorption-type split), and thereafter to acquire all shares of the Succeeding Company and make it a wholly owned subsidiary, as outlined below.

(1) Overview of the business combination

1) Name and business description of the counterparty

Name: Hankyu Style Labels Co., Ltd.

Business description: Sale of cosmetics and fashion accessories, sale of furniture, home goods and household goods

2) Acquisition date

March 1, 2026

3) Legal form of the business combination

Hankyu Style Labels Co., Ltd. was the splitting company in an absorption-type company split, under which the relevant businesses were transferred to World Style Labels Co., Ltd., a company newly established by Hankyu Corporation, and thereafter the Company acquired the shares of World Style Labels Co., Ltd. for cash consideration.

4) Primary reasons for the business combination

This business combination is intended to strengthen the Company’s business foundation and accelerate growth by incorporating strong brand value and customer base established in the Kansai region. In addition to improving profitability through leveraging the Company’s operating base, the Company aims to enhance corporate value through collaboration with the Hankyu Hanshin Group.

(2) Acquisition cost and breakdown by type of consideration

	(Millions of yen)
	Amount
Consideration (cash and cash equivalents, etc.)	175
Acquisition cost	175

(3) Amount, cause, amortization method and amortization period of goodwill arising from the business combination

Have not yet been determined at this time.

(4) Amounts and major components of assets acquired and liabilities assumed at the acquisition date

Have not yet been determined at this time.

Change in reportable segments

The Group has decided to change its reportable segments from the fiscal year ending February 28, 2027.

The Group's reportable segments previously consisted of three segments: "Brand Business," "Digital Business," and "Platform Business." However, considering such expectations as the completion of a business structure not dependent only on the apparel brand business, the Group has decided to fundamentally reconsider business management in the next Medium-Term Management Plan that will start in the next fiscal year, and to change reportable segments in order to ensure the optimal governance structure and resource allocation according to each business characteristic. From the fiscal year ending February 28, 2027, the reportable segments will be "B2C Business" and "B2B Business."