

Annual Securities Report

(Report based on Article 24, Par.1 of the Financial
Instruments and Exchange Act)

For the year ended February 28,2026

and ST HD Co., Ltd.
(E03368)

Note

This document is provided for informational purpose only. If there are any discrepancies between this and the original, the original Japanese document prevails.

1. Consolidated Financial Statements, etc.
(1) Consolidated Financial Statements
1) Consolidated Balance Sheet

(Million yen)

	FY2/25 (As of Feb. 28, 2025)	FY2/26 (As of Feb. 28, 2026)
Assets		
Current assets		
Cash and deposits	21,143	24,912
Notes and accounts receivable-trade	14,527	15,971
Inventories	*1 29,082	*1 30,526
Other	2,471	6,314
Allowance for doubtful accounts	(52)	(80)
Total current assets	67,173	77,644
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,963	8,807
Accumulated depreciation	(5,032)	(4,514)
Buildings and structures, net	4,931	4,292
Store interior equipment	44,178	48,032
Accumulated depreciation	(36,298)	(39,489)
Store interior equipment, net	7,879	8,543
Machinery and equipment	2,380	3,809
Accumulated depreciation	(1,180)	(1,531)
Machinery and equipment, net	1,199	2,277
Land	*2 2,366	*2 1,322
Right-of-use assets	17,422	16,157
Accumulated depreciation	(9,394)	(10,017)
Right-of-use assets, net	8,028	6,140
Construction in progress	1,364	1,159
Other	3,871	3,698
Accumulated depreciation	(2,777)	(2,706)
Other, net	1,093	992
Total property, plant and equipment	26,864	24,727
Intangible assets		
Software	7,777	8,466
Goodwill	2,673	566
Other	4,232	3,547
Total intangible assets	14,683	12,579
Investments and other assets		
Investment securities	691	463
Leasehold and guarantee deposits	*3 14,330	*3 14,134
Deferred tax assets	9,373	10,072
Other	342	396
Allowance for doubtful accounts	(350)	(331)
Total investments and other assets	24,387	24,736
Total non-current assets	65,935	62,043
Total assets	133,108	139,688

(Million yen)

	FY2/25 (As of Feb. 28, 2025)	FY2/26 (As of Feb. 28, 2026)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*3 13,402	*3 13,773
Electronically recorded obligations - operating	8,909	8,690
Lease liabilities	2,464	2,173
Accounts payable-other	13,983	15,052
Income taxes payable	3,136	5,508
Contract liabilities	1,392	1,373
Provision for bonuses	2,498	2,551
Provision for point card certificates	85	155
Other provisions	364	238
Other	840	823
Total current liabilities	47,079	50,340
Non-current liabilities		
Lease liabilities	6,495	4,780
Provisions	467	745
Other	1,866	1,998
Total non-current liabilities	8,828	7,523
Total liabilities	55,908	57,864
Net assets		
Shareholders' equity		
Share capital	2,660	2,660
Capital surplus	6,262	6,262
Retained earnings	71,980	76,800
Treasury shares	(5,627)	(6,098)
Total shareholders' equity	75,275	79,624
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34	65
Deferred gains or losses on hedges	(81)	177
Foreign currency translation adjustment	1,874	1,577
Total accumulated other comprehensive income	1,827	1,819
Non-controlling interests	97	379
Total net assets	77,200	81,823
Total liabilities and net assets	133,108	139,688

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Million yen)

	FY2/25 (Mar. 1, 2024 – Feb. 28, 2025)	FY2/26 (Mar. 1, 2025 – Feb. 28, 2026)
Net sales	*1 293,110	*1 304,351
Cost of sales	132,828	138,242
Gross profit	160,282	166,108
Selling, general and administrative expenses		
Advertising expenses	8,514	9,194
Provision of allowance for doubtful accounts	(13)	(12)
Remuneration for directors (and other officers)	664	725
Salaries and bonuses	42,566	42,664
Provision for bonuses	2,480	2,543
Welfare expenses	7,292	7,596
Rents	40,427	42,843
Lease payments	813	868
Depreciation and amortization	10,785	11,971
Amortization of goodwill	395	443
Other	30,843	30,745
Total selling, general and administrative expenses	144,771	149,583
Operating profit	15,510	16,524
Non-operating income		
Interest income	67	108
Dividend income	3	3
Foreign exchange gains	266	200
Income from contribution to facilities	35	34
Subsidy income	74	72
Revenue from electric power sales	33	27
Other	314	354
Total non-operating income	794	800
Non-operating expenses		
Interest expenses	264	316
Other	76	182
Total non-operating expenses	340	498
Ordinary profit	15,964	16,827
Extraordinary income		
Gain on sales of non-current assets	-	*2 3,446
Gain on sales of investment securities	-	3
Total extraordinary income	-	3,450
Extraordinary losses		
Impairment losses	*3 1,249	*3 3,639
Loss on liquidation of business	-	141
Loss on valuation of investment securities	-	261
Loss on sales of investment securities	59	-
Loss on sales of shares of subsidiaries and associates	-	695
Total extraordinary losses	1,309	4,738

(Million yen)

	FY2/25 (Mar. 1, 2024 – Feb. 28, 2025)	FY2/26 (Mar. 1, 2025 – Feb. 28, 2026)
Net income before income taxes	14,655	15,538
Income taxes - current	5,184	6,924
Income taxes - deferred	(1)	(876)
Total income taxes	5,182	6,048
Net income	9,472	9,489
Loss attributable to non controlling interests	(141)	(8)
Net income attributable to owners of the parent	9,614	9,498

Consolidated Statement of Comprehensive Income

(Million yen)

	FY2/25 (Mar. 1, 2024 – Feb. 28, 2025)	FY2/26 (Mar. 1, 2025 – Feb. 28, 2026)
Net income	9,472	9,489
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	31
Deferred gains or losses on hedges	(315)	258
Foreign currency translation adjustment	642	(297)
Total other comprehensive income	*1 326	*1 (7)
Comprehensive income	9,799	9,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,941	9,495
Comprehensive income attributable to non-controlling interests	(141)	(12)

3) Consolidated Statement of Changes in Equity

FY2/25 (Mar. 1, 2024 – Feb. 28, 2025)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	2,660	7,213	66,286	(7,516)	68,642	34	234	1,231	1,500	1,437	71,581
Changes during period											
Dividends of surplus			(3,920)		(3,920)				-		(3,920)
Net income attributable to owners of the parent			9,614		9,614				-		9,614
Purchase of treasury shares				(1)	(1)				-		(1)
Disposal of treasury shares				0	0				-		0
Increase by share exchanges		1,815		2,303	4,118				-		4,118
Purchase of treasury shares by stock ownership plan trust				(698)	(698)				-		(698)
Disposal of treasury shares by stock ownership plan trust				284	284				-		284
Purchase of shares of consolidated subsidiaries		(2,766)			(2,766)				-		(2,766)
Net changes in items other than shareholders' equity					-	(0)	(315)	642	326	(1,340)	(1,013)
Total changes during period	-	(950)	5,694	1,888	6,632	(0)	(315)	642	326	(1,340)	5,618
Balance at end of period	2,660	6,262	71,980	(5,627)	75,275	34	(81)	1,874	1,827	97	77,200

FY2/26 (Mar. 1, 2025 – Feb. 28, 2026)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	2,660	6,262	71,980	(5,627)	75,275	34	(81)	1,874	1,827	97	77,200
Changes during period											
Dividends of surplus			(4,678)		(4,678)				-		(4,678)
Net income attributable to owners of the parent			9,498		9,498				-		9,498
Purchase of treasury shares				(1)	(1)				-		(1)
Purchase of treasury shares by stock ownership plan trust				(635)	(635)				-		(635)
Disposal of treasury shares by stock ownership plan trust				165	165				-		165
Net changes in items other than shareholders' equity					-	31	258	(297)	(7)	282	274
Total changes during period	-	-	4,819	(471)	4,348	31	258	(297)	(7)	282	4,623
Balance at end of period	2,660	6,262	76,800	(6,098)	79,624	65	177	1,577	1,819	379	81,823

4) Consolidated Statement of Cash Flows

(Million yen)

	FY2/25 (Mar. 1, 2024 – Feb. 28, 2025)	FY2/26 (Mar. 1, 2025 – Feb. 28, 2026)
Cash flows from operating activities		
Net income before income taxes	14,655	15,538
Depreciation and amortization	11,093	12,949
Impairment losses	1,249	3,639
Amortization of goodwill	395	443
Interest and dividend income	(70)	(111)
Interest expenses	264	316
Increase (decrease) in allowance for doubtful accounts	(13)	(12)
Increase (decrease) in provision for bonuses	26	45
Increase (decrease) in provision for point card certificates	(90)	69
Loss (gain) on sales of non-current assets	-	(3,446)
Loss on liquidation of business	-	141
Loss (profit) on sales of shares of subsidiaries and associates	-	695
Loss (gain) on sales of investment securities	59	(3)
Loss (gain) on valuation of investment securities	-	261
Decrease (increase) in trade receivables	1,403	(1,198)
Decrease (increase) in inventories	(1,426)	(1,184)
Increase (decrease) in trade payables	(466)	588
Increase (decrease) in accounts payable-other	356	379
Increase (decrease) in accrued consumption taxes	(722)	1,612
Other	594	(4,708)
Subtotal	27,311	26,017
Interest and dividends received	51	92
Interest paid	(264)	(316)
Income taxes paid	(5,725)	(5,227)
Cash flows from operating activities	21,373	20,566
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,521)	(9,422)
Proceeds from sales of property, plant and equipment	-	4,716
Purchase of intangible assets	(3,874)	(4,425)
Purchase of investment securities	(1)	(1)
Proceeds from sale of investment securities	-	16
Payments of leasehold and guarantee deposits	(1,348)	(983)
Proceeds from refund of leasehold and guarantee deposits	479	960
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (4,493)	(334)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	*3 119
Other	(210)	(159)
Cash flows from investing activities	(16,971)	(9,515)
Cash flows from financing activities		
Proceeds from long-term borrowings	220	-
Repayments of long-term borrowings	(1,125)	(237)
Dividends paid	(3,917)	(4,688)
Purchase of treasury shares	(699)	(636)
Repayments of lease liabilities	(1,690)	(1,863)
Other	101	-
Cash flows from financing activities	(7,111)	(7,426)
Effect of exchange rate change on cash and cash equivalents	449	115
Net increase (decrease) in cash and cash equivalents	(2,260)	3,738
Cash and cash equivalents at beginning of period	23,341	21,081
Cash and cash equivalents at end of period	*1 21,081	*1 24,820

Notes to Consolidated Financial Statements

(Significant basis for the preparation of consolidated financial statements)

1. The scope of consolidation

Number of consolidated subsidiaries: 20

Name of the principal consolidated subsidiaries

Omitted as this information is stated in I. Overview of the Company 4. Subsidiaries and associates.

KARRIMOR International Ltd. became a consolidated subsidiary during the current consolidated fiscal year following the acquisition of shares on March 31, 2025.

We also added the newly created adastia Co., Ltd. and ADASTRIA (MALAYSIA) SDN. BHD. to the scope of consolidation during the current consolidated fiscal year.

In addition, we excluded Velvet, LLC formerly a consolidated subsidiary of the Company, from the scope of consolidation during the current consolidated fiscal year, as a result of the transfer of all of equity interest in said company.

There are no non-consolidated companies as all subsidiaries are consolidated.

2. Equity method

and ST HD Co., Ltd.(the "Company") has no non-consolidated subsidiaries or affiliates accounted for using the equity method.

3. Accounting period of consolidated subsidiaries, etc.

Of the consolidated subsidiaries, the following companies (and six other overseas subsidiaries) have fiscal year ends ending on December 31: Adastia (Shanghai) Co., Ltd., niko and ... (Shanghai) Co., Ltd., Adastia Asia Co., Ltd., Adastia Taiwan Co., Ltd., Adastia (Thailand) Co., Ltd., and ADASTRIA PHILIPPINES INC. In preparing the consolidated financial statements, the Company uses current financial statements as of the same dates. However, the Company makes necessary adjustments to consolidations for significant transactions that occur between the fiscal year end of the relevant consolidated subsidiary and the consolidated fiscal year end date.

4. Significant accounting policies

(1) Valuation standards and methods for significant assets

1) Securities

- Available-for-sale securities

Securities other than stock, etc., without a quoted market price

Fair value method (The valuation difference is recorded as a component of net assets, and cost of sales is determined by the moving-average method.)

Stock, etc., without a quoted market price

Cost method by the moving-average method

2) Net receivables and payables arising from derivative transactions

Fair value method

3) Inventories

Merchandise

Mainly cost is determined by the weighted average method (amount on balance sheets calculated by writing down the book value based on a decline in profitability)

(2) Depreciation method of significant depreciable assets

1) Tangible fixed assets (excluding right-of-use assets)

Mainly declining-balance method (However, we use the straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016)

Major useful lives

- Buildings and structures: 3-50 years
- In-store equipment: 5 years
- Others (Tools, furniture and fixture): 2-20 years

2) Intangible assets

Straight-line method (Software for internal use is amortized by the straight-line method over the internal useful life of the software (generally 5 years))

3) Right-of-use assets

Straight-line method

(3) Accounting standards for significant reserves and allowances

1) Allowance for doubtful accounts

To allow for possible losses on trade receivables, the Company records the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables.

2) Provision for bonuses

To provide for the payment of bonuses to employees, of the estimated amount to be paid, the Company records the amount to be borne by the Company for the current consolidated fiscal year.

3) Provision for point card certificates

To provide for the future use of points granted to customers other than for the sale of merchandise, the Company records the amount estimated to be used in the future at the end of the current consolidated fiscal year.

(4) Accounting standards for recording significant revenues and expenses

Principal performance obligations and the usual period of revenue recognition

1) Merchandise sales

The Company satisfies performance obligations and recognizes revenue at the time when the merchandise in question is delivered to the customer.

2) In-house points

The Company identifies in-house points granted from sales to customers as performance obligations, allocates the transaction price based on the standalone selling price (calculated by taking into account estimated future point usage), and recognizes revenue when the points are used.

(5) Translation of significant foreign currency-denominated assets and liabilities into Japanese yen

Assets and liabilities of overseas subsidiaries are translated into Japanese yen using the spot exchange rate at the fiscal year end, and incomes and expenses are translated into Japanese yen based on the average exchange rate during the fiscal year under review. The translation difference is included in foreign currency translation adjustments and non-controlling interests under net assets.

(6) Significant hedge accounting methods

1) Hedge accounting method

The Company relies on deferred hedge accounting. The Company uses the allocation method to account for forward exchange contracts that satisfy the allocation method requirements.

2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency-denominated liabilities

3) Hedging policy

The Company enters into forward foreign exchange contracts to hedge the risk of exchange rate fluctuations in foreign currency transactions based on actual demand. The Company does not engage in speculative transactions. The Company identifies hedged items on an individual contract basis.

4) Method of assessing hedge effectiveness

Given that the significant terms regarding hedged items and hedging instruments are the same, market fluctuations or cash flow fluctuations are assumed to be offset completely at the inception of the hedge and continuously thereafter. Therefore, the Company omits the assessment of hedge effectiveness.

(7) Goodwill amortization method and period

The Company estimates individual expected beneficial periods of investment and amortizes goodwill over a reasonable period of 20 years or less on a straight-line basis.

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

Funds (cash and cash equivalents) in the consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value, and are redeemable in three months or less from each acquisition date.

(9) Other important matters in the preparation of consolidated financial statements

Group tax sharing system

The Company and certain consolidated subsidiaries in Japan adopt the group tax sharing system.

(Significant accounting estimates)

1. Merchandise evaluation

(1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year

(Millions of yen)

	As of February 28, 2025	As of February 28, 2026
Merchandise	28,796	30,230
Merchandise related to the Company	22,515	—

(Note) Merchandise is included under inventories on the consolidated balance sheets.

(2) Information concerning contents of significant accounting estimates for identified items

Merchandise is stated mainly at cost determined by the weighted average method (amount on balance sheets calculated by writing down the book value based on a decline in profitability). If the net realizable value at the end of the period is lower than the acquisition cost, the Company uses the net selling price as the carrying value on the balance sheet. For products that have been on the market for a certain period of time, the Company reduces the book value to the estimated required amount based on prior rates.

Consolidated financial statements for the following fiscal year may be affected if it presents necessary to review the net selling price in question due to changes in market trends or the spread of infectious diseases.

2. Impairment losses of non-current assets

(1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year

(Millions of yen)

	As of February 28, 2025	As of February 28, 2026
Property, plant and equipment	26,864	24,727
Impairment losses	1,249	3,639

(2) Information concerning contents of significant accounting estimates for identified items

The Group groups assets with each store as the smallest unit that generates cash flow, and determines impairment loss in the asset groups with ongoing negative results, etc., in operating losses.

The book value of the assets subject to impairment is reduced to the recoverable amount (the higher of value in use or net selling price), and the reduced amount is recognized as an impairment loss under extraordinary losses.

The major assumptions used in estimating value in use consist of the business plan and discount rate used as the basis for future cash flow. Value in use was calculated by discounting the future cash flows of each store by the discount rate.

The value in use and net realizable value are reasonably determined based on information available at the time of closing of accounts. However, business may be affected by closures of commercial facilities where Company brand stores are located or reduced customer traffic resulting from market trend fluctuations or the spread of infectious diseases, etc. These effects may impact consolidated financial statements for the next consolidated fiscal year if actual recoverable amounts differ from the estimate.

(Changes in Accounting Policies)

(Application of accounting standards for current income taxes)

We adopted the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; “2022 Revised Accounting Standard,” below) and related standards from the beginning of the current consolidated fiscal year.

Regarding the amendment to the classification of income taxes (i.e., taxation on other comprehensive income), we follow the transitional treatment stipulated in the proviso to paragraph 20-3 of the 2022 Revised Accounting Standard, as well as the proviso to paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, issued on October 28, 2022; “2022 Revised Guidance,” below). These changes in accounting standards have had no impact on the consolidated financial statements of the Company.

We began applying the 2022 Revised Guidance during the current consolidated fiscal year with respect to the amendment concerning the accounting treatment in consolidated financial statements of gains or losses arising from the sale of subsidiary shares among consolidated entities, where such gains or losses are deferred for tax purposes. We applied these changes in accounting policy retrospectively and prepared the consolidated financial statements for the previous consolidated fiscal year on a retrospective basis. These changes in accounting standards have had no impact on the consolidated financial statements of the Company for the previous consolidated fiscal year.

(Accounting standards not yet adopted, etc.)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)

Other revisions to related ASBJ Statements, ASBJ Guidance, Practical Issue Task Force, and Transfer Guidance

(1) Overview

The Accounting Standards Board of Japan (ASBJ) examined the development of a lease accounting standard requiring lessees to recognize both assets and liabilities for all leases, as part of efforts to align Japanese GAAP with international standards. ASBJ based its approach on international standards, and included the IFRS 16 single accounting model as the foundation of its policy. However, rather than incorporating the entire standard, the ASBJ included only key provisions of IFRS 16.

As a result, the ASBJ issued a simplified and user-friendly lease accounting standard designed to minimize the need for adjustments when applying IFRS 16 to non-consolidated financial statements under Japanese GAAP. Under the new lease accounting standard, lessees apply a single accounting model, similar to IFRS 16, through which lessees recognize depreciation and amortization on right-of-use assets and interest expense on lease liabilities for all leases, regardless of whether they are classified as finance leases or operating leases.

(2) Effective date

The Company plans to adopt the standards from the beginning of the fiscal year ending February 28, 2029.

(3) Effect of adoption of the accounting standards, etc.

The Company is assessing impacts on consolidated financial statements from the application of the Accounting Standard for Leases and other guidelines.

(Changes in presentation methods)

(Consolidated balance sheet)

Machinery, equipment and vehicles, which was included in other under property, plant and equipment in the previous consolidated fiscal year, is presented separately in the current consolidated fiscal year due to increased monetary significance. The Company reclassified the consolidated financial statements for the previous consolidated fiscal year to reflect this change in presentation.

As a result, we reclassified 6,251 million yen previously presented as other under property, plant and equipment, accumulated depreciation of -3,958 million yen, and other, net of 2,293 million yen in the consolidated balance sheet for the previous fiscal year. The reclassified amounts consisted of machinery, equipment and vehicles of 2,380 million yen under property, plant and equipment, accumulated depreciation of -1,180 million yen, machinery, equipment and vehicles, net of 1,199 million yen, other of 3,871 million yen, accumulated depreciation of -2,777 million yen, and other, net of 1,093 million yen.

(Additional information)

(Transactions in which company shares are granted to employees, etc., through a trust)

The Company and certain consolidated subsidiaries introduced the Stock Grant ESOP Trust, an incentive plan (the “Plan”). The Plan targets executive officers (excluding executive officers concurrently serving as directors) and management personnel (“Executive Officers, etc.”), aiming to raise awareness of the need to contribute to improved Company performance and increase corporate value over the medium to long term.

1. Overview of the transaction

Under the Plan, the Company designates eligible Executive Officers, etc., who satisfy beneficiary requirements as beneficiaries and establishes a trust by contributing funds for the acquisition of company shares. The Plan will acquire the company shares. Thereafter, in accordance with share delivery regulations, Executive Officers, etc., who meet the designated requirements receive points in accordance with their position, individual evaluation, and performance. The Company then grants company shares in proportion to the number of said points. Executive Officers, etc., bear no burden, as the Company contributes all funds for the trust to acquire company shares.

2. Company shares remaining in the trust

The Company records the book value (excluding incidental expenses) of company shares remaining in the trust as treasury stock under net assets. The book value and number of shares of said treasury stock in the previous consolidated fiscal year amounted to 158 million yen and 51 thousand shares. For the current consolidated fiscal year, the Company recorded 628 million yen and 216 thousand shares.

(Performance-linked stock compensation plan for directors)

The Company and certain consolidated subsidiaries introduced the Executive Compensation BIP (Board Incentive Plan) Trust, a performance-linked stock compensation plan (the “Plan”). The Plan targets directors (excluding directors who are Audit and Supervisory Board Members, outside directors, and non-residents of Japan), aiming to raise awareness of the need to contribute to improved Company performance and increase corporate value over the medium to long term.

1. Overview of the transaction

Under the Plan, the Company designates eligible directors who satisfy beneficiary requirements as beneficiaries and establishes a trust by contributing funds for the acquisition of company shares. The Plan will acquire the company shares. Thereafter, in accordance with the share delivery regulations, directors who meet the designated requirements receive points according to their position and performance level in the fiscal year subject to evaluation. In principle, upon retirement of the director in question, the Company grants or pays the director with company shares, or an amount equivalent to the cash proceeds from the conversion of company shares, as director compensation in accordance with the number of points received.

2. Company shares remaining in the trust

The Company records the book value (excluding incidental expenses) of company shares remaining in the trust as treasury stock under net assets. The book value and number of shares of said treasury stock in the previous consolidated fiscal year amounted to 1,397 million yen and 444 thousand shares. For the current consolidated fiscal year, the Company recorded 1,397 million yen and 444 thousand shares.

Consolidated Balance Sheet

*1. Breakdown of inventories

	(Millions of yen)	
	As of February 28, 2025	As of February 28, 2026
Merchandise	28,796	30,230
Raw materials and supplies	286	295
Total	29,082	30,526

*2. The reduction entry amount deducted from the acquisition price of tangible fixed assets due to national subsidies, etc., is as follows

	(Millions of yen)	
	As of February 28, 2025	As of February 28, 2026
Land	169	169

*3. Pledged assets and secured liabilities

(1) Assets pledged as collateral

	(Millions of yen)	
	As of February 28, 2025	As of February 28, 2026
Leasehold and guarantee deposits	100	100

(2) Obligations to the above

	(Millions of yen)	
	As of February 28, 2025	As of February 28, 2026
Accounts payable – trade	100	100

4. The Company executed overdraft agreements with four correspondent banks to procure operating capital in an efficient manner.

The balances of unexecuted loans related to said overdraft agreement at the end of the fiscal year are as follows:

	(Millions of yen)	
	As of February 28, 2025	As of February 28, 2026
Amount of overdraft limit	50,000	50,000
Used	—	—
Unused portion	50,000	50,000

5. Contingent liabilities

The U.S. Small Business Administration is investigating ZETTON, INC. (U.S.A.), a consolidated subsidiary of the Company, regarding the validity of the \$8.2 million received in May 2021 as part of the establishment of the Restaurant Revitalization Fund (RRF) under the American Rescue Plan Act of 2021, which was enacted in March 2021.

The Group will continue to defend the legitimacy of this transaction to the administration. While future progressions may impact Group performance it is difficult to estimate the impact at this time.

(Notes to consolidated statements of income)

*1. Revenue from contracts with customers

Revenue from contracts with customers and other revenue are not presented separately under net sales. The amount of revenue from contracts with customers is as stated in Segment information, etc. under Notes to Consolidated Financial Statements (Revenue Recognition) 1. Revenue from contracts with customers.

*2. Gain on sale of non-current assets

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Not applicable

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

The increase mainly resulted from the sale of land and buildings.

*3. Impairment losses

The Group posted impairment losses on the following asset groups.

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(Millions of yen)

Use and location	Type	Amount
Stores (Japan) 10 stores in Tokyo, 4 stores in Osaka, 4 stores in Kanagawa, and 21 stores in 13 other prefectures Total: 39 stores (Overseas) 4 stores	Buildings and structures	92
	Store interior equipment	327
	Other	14
Other	Goodwill	421
	Other	394
	Total	1,249

The Group groups assets with each store as the smallest unit that generates cash flow, and determines impairment loss in the asset groups with ongoing negative results, etc., in operating losses.

The book value of the assets subject to impairment is reduced to the recoverable amount, and the reduced amount is recognized as an impairment loss under extraordinary losses.

The recoverable amount is the value measured based on value in use. Value in use is calculated by discounting future cash flows at a rate between 5.3% to 18.5%. Negative rates are evaluated as zero.

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

(Millions of yen)

Use and location	Type	Amount
Stores (Japan) 21 stores in Tokyo, 11 stores in Kanagawa, 8 stores in Aichi, 6 stores in Osaka, 4 stores in Fukuoka, and 21 stores in 11 other prefectures Total: 71 stores (Overseas) 4 stores	Buildings and structures	350
	Store interior equipment	650
	Other	136
Other	Goodwill	1,972
	Other	529
	Total	3,639

The Group groups assets with each store as the smallest unit that generates cash flow, and determines impairment loss in the asset groups with ongoing negative results, etc., in operating losses.

The book value of the assets subject to impairment is reduced to the recoverable amount, and the reduced amount is recognized as an impairment loss under extraordinary losses.

The book value of the applicable goodwill is also reduced to the recoverable amount, and the reduced amount is recognized as an impairment loss under extraordinary losses given that the business plan reviewed at the time of acquisition no longer supports the originally expected earnings.

The recoverable amount is the value measured based on value in use. Value in use is calculated by discounting future cash flows at a rate between 4.5% to 5.7%. Negative rates are evaluated as zero.

(Notes to consolidated statements of comprehensive income)

*1. Reclassification adjustments, income taxes, and tax effects concerning other comprehensive income

	(Millions of yen)	
	Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)	Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)
Valuation difference on available-for-sale securities		
Amount arising in the current period	0	42
Reclassification adjustment	—	(0)
Before income taxes and tax effect adjustments	0	42
Income taxes and tax effects	(1)	(11)
Valuation difference on available-for-sale securities	(0)	31
Deferred gains or losses on hedges		
Amount arising in the current period	(454)	388
Reclassification adjustment	—	—
Before income taxes and tax effect adjustments	(454)	388
Income taxes and tax effects	139	(129)
Deferred gains or losses on hedges	(315)	258
Foreign currency translation adjustment		
Amount arising in the current period	642	(76)
Reclassification adjustment	—	(220)
Before income taxes and tax effect adjustments	642	(297)
Income taxes and tax effects	—	—
Foreign currency translation adjustment	642	(297)
Total other comprehensive income	326	(7)

(Notes to consolidated statements of changes in net assets)

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

1 Type and total number of shares issued and outstanding, and type and number of treasury shares

(Thousands of shares)

	At the beginning of the current consolidated fiscal year	Increase	Decrease	At the end of the period
Shares outstanding				
Common shares	48,800	—	—	48,800
Total	48,800	—	—	48,800
Treasury shares				
Common shares	3,520	215	1,229	2,506
Total	3,520	215	1,229	2,506

(Notes) 1. The number of common shares of treasury stock at the beginning and end of the current consolidated fiscal year includes 133 thousand and 51 thousand shares, respectively, of company shares held as trust assets of the Stock Grant ESOP Trust.

2. The number of common shares of treasury stock at the beginning and end of the current consolidated fiscal year includes 238 thousand and 444 thousand shares, respectively, of company shares held as trust assets of the Executive Compensation BIP (Board Incentive Plan) Trust.

3. The increase in common shares of treasury stock was mainly due to the acquisition of 215 thousand shares in the Executive Compensation BIP Trust.

4. The decrease in common shares of treasury stock was due to the allotment of 1,137 thousand shares under the share exchange, 38 thousand shares delivered and 44 thousand shares sold in the Stock Grant ESOP Trust, and 4 thousand shares delivered and 4 thousand shares sold in the Executive Compensation BIP Trust.

2 Share acquisition rights, etc.

Not applicable

3 Dividends

(1) Dividends paid

Resolution	Share type	Total dividends	Dividend per share	Record date	Effective date
April 4, 2024 Board of directors	Common shares	2,282million yen	50 yen	February 29, 2024	May 8, 2024
September 30, 2024 Board of directors	Common shares	1,637million yen	35 yen	August 31, 2024	October 22, 2024

(Notes) 1. Total dividends resolved by the board of directors on April 4, 2024, include dividends of 18 million yen for company shares held by the trusts.

2. Total dividends resolved by the board of directors on September 30, 2024, include dividends of 17 million yen for the company shares held by the trusts.

(2) Dividends for which the record date was in the current consolidated fiscal year and the effective date of which is in the following fiscal year

Resolution	Share type	Total dividends	Dividend per share	Dividend source	Record date	Effective date
April 4, 2025 Board of directors	Common shares	2,573million yen	55 yen	Retained earnings	February 28, 2025	May 9, 2025

(Note) Total dividends resolved by the board of directors on April 4, 2025, include dividends of 27 million yen for the company shares held by the trusts.

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

1 Type and total number of shares issued and outstanding, and type and number of treasury shares

(Thousands of shares)

	At the beginning of the current consolidated fiscal year	Increase	Decrease	At the end of the period
Shares outstanding				
Common shares	48,800	—	—	48,800
Total	48,800	—	—	48,800
Treasury shares				
Common shares	2,506	222	57	2,672
Total	2,506	222	57	2,672

- (Notes) 1. The number of common shares of treasury stock at the beginning and end of the current consolidated fiscal year includes 51 thousand and 216 thousand shares, respectively, of company shares held as trust assets of the Stock Grant ESOP Trust.
2. The number of common shares of treasury stock at the beginning and end of the current consolidated fiscal year includes 444 thousand and 444 thousand shares, respectively, of company shares held as trust assets of the Executive Compensation BIP (Board Incentive Plan) Trust.
3. The increase in common shares of treasury stock was mainly due to the acquisition of 222 thousand shares by the Stock Grant ESOP Trust.
4. The decrease in common shares of treasury stock was due to 27 thousand shares delivered and 29 thousand shares sold in the Stock Grant ESOP Trust.

2 Share acquisition rights, etc.

Not applicable

3 Dividends

(1) Dividends paid

Resolution	Share type	Total dividends	Dividend per share	Record date	Effective date
April 4, 2025 Board of directors	Common shares	2,573 million yen	55yen	February 28, 2025	May 9, 2025
September 30, 2025 Board of directors	Common shares	2,105 million yen	45yen	August 31, 2025	October 22, 2025

- (Notes) 1. Total dividends resolved by the board of directors on April 4, 2025, include dividends of 27 million yen for the company shares held by the trusts.
2. Total dividends resolved by the board of directors on September 30, 2025, include dividends of 29 million yen for company shares held by the trusts.

(2) Dividends for which the record date was in the current consolidated fiscal year and the effective date of which is in the following fiscal year

Resolution	Share type	Total dividends	Dividend per share	Dividend source	Record date	Effective date
April 6, 2026 Board of directors	Common shares	2,105 million yen	45 yen	Retained earnings	February 28, 2026	May 11, 2026

- (Note) Total dividends resolved by the board of directors on April 6, 2026, include dividends of 29 million yen for the company shares held by the trusts.

(Notes to consolidated statements of cash flows)

*1. Cash and cash equivalents as of the fiscal year end reconciled to the accounts reported in the consolidated balance sheets

(Millions of yen)

	Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)	Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)
Cash and deposits	21,143	24,912
Separate deposits	(10)	(11)
Separate deposits in trust (*)	(51)	(81)
Cash and cash equivalents	21,081	24,820

(Note) The above items belong to the Stock Grant ESOP Trust and Executive Compensation BIP Trust.

*2. Breakdown of major assets and liabilities of a company that became a consolidated subsidiary through purchase of shares

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Breakdown of assets and liabilities at the start of consolidation following the new consolidation of TODAY'S SPECIAL Co., Ltd.(currently, Adastria Co., Ltd.), and the relationship between the share acquisition price of TODAY'S SPECIAL Co., Ltd. and payments for acquisition of shares (net) of TODAY'S SPECIAL Co., Ltd. are as follows:

	(Millions of yen)
Current assets	533
Non-current assets	1,592
Goodwill	2,381
Current liabilities	(7)
Non-current liabilities	—
Share acquisition price	4,500
Cash and cash equivalents	(6)
Net: Expenditures for acquisition	4,493

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

Information omitted due to immateriality.

*3. Breakdown of major assets and liabilities of companies excluded from consolidated subsidiaries due to the transfer of equity interests

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Not applicable

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

The following presents the breakdown of assets and liabilities at the time of sale when Velvet, LLC, ceased to be a consolidated subsidiary due to the transfer of equity interests, as well as the transfer price of the equity interests and net proceeds from the sale.

	(Millions of yen)
Current assets	1,414
Non-current assets	1,172
Current liabilities	(1,031)
Non-current liabilities	(455)
Foreign currency translation adjustment, etc.	(220)
Loss on sales of shares of subsidiaries and affiliates	(695)
Transfer price of equity interests	183
Cash and cash equivalents	(64)
Net: Proceeds from sale	119

(Lease transactions)

Operating lease transactions

Remaining lease payments for operating lease transactions that are noncancelable

(Millions of yen)

	As of February 28, 2025	As of February 28, 2026
Current portion	3,916	5,031
More than one year	11,259	17,406
Total	15,176	22,437

(Financial instruments)

1. Matters related to the status of financial instruments

(1) Policies on financial instruments

The Group invests surplus funds in highly secure financial assets, procuring necessary funds (mainly through borrowings from financial institutions) for equipment and working capital according to capital investment plans. In derivative transactions, the Group enters into forward foreign exchange contracts to hedge the risk of exchange rate fluctuations in foreign currency transactions based on actual demand. In principle, the Group does not engage in speculative transactions.

(2) Nature and risk of financial instruments

Notes and accounts receivable – trade, under trade receivables, is exposed to counterparty credit risk.

Investment securities mainly consist of counterparty equity securities and are exposed to fluctuations in market prices.

Leasehold and guarantee deposits mainly consist of guarantee deposits, etc., associated with store openings and are exposed to credit risk of the counterparty to which they are pledged.

Trade payables, including notes and accounts payable - trade and electronically recorded obligations - operating, are due within one year.

Short-term borrowings are mainly for procuring funds necessary for working capital and capital investment.

For lease obligations, the Group mainly adopts Leases (IFRS 16 and ASC 842) for certain overseas affiliates.

Derivative transactions mainly consist of forward foreign exchange contract transactions used to hedge foreign currency risk of fluctuating exchange rates of foreign currency-denominated transactions. See 4. Significant accounting policies (6)

Significant hedge accounting methods for information on hedging instruments, hedged items, hedging policy, and methods of assessing hedge effectiveness.

(3) Risk management system related to financial instruments

1) Management of credit risks (risk of counterparty failure to perform contracted obligations, etc.)

The Group manages due dates and balances by store and counterparty while periodically monitoring credit information. In this way, the Group works to assess and mitigate the credit risk of counterparties related to notes and accounts receivable-trade as early as possible.

The Group works to assess recovery concerns regarding leasehold and guarantee deposits by monitoring the credit standing of the lessee at the time of entering the lease contract. The Group also strives to monitor regularly the credit standing of the lessee after the lessee has moved in.

The Group recognizes that there is almost no credit risk associated with derivative transactions, as the counterparties to such transactions are limited to financial institutions with high credit ratings.

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

The Group uses forward exchange contracts to hedge against the risk of foreign currency exchange rate fluctuations for foreign currency-denominated transactions involving merchandise importation.

The Group monitors investment securities based on the regular identification of fair values and financial conditions of the issuer in accordance with the Securities Investment Management Regulations.

The Group conducts derivative transactions in line with the derivative management rules and regulations, while the division responsible for accounting operations is responsible for reconciliation of the balances and related procedures. Departments report to the division responsible for accounting operations on the status of such transactions on a monthly basis and to the Executive Committee on an annual basis.

3) Management of liquidity risks related to fund raising (risks of inability to make payments on the due date)

To manage liquidity risk, the division responsible for finance operations of the Group prepare cash management plans based on annual budgets and update results and budgets on a monthly basis. At the same time, the division maintains liquidity on hand with cash and deposits.

(4) Supplementary explanation about fair value of financial instruments, etc.

As variable factors are incorporated in determining the fair value of financial instruments, such value may change by adopting different preconditions, etc.

(5) Credit risk concentration

As of the current consolidated balance sheet date, a particular counterparty accounts for 33.3% of trade receivables.

2. Matters regarding fair values of financial instruments, etc.

Carrying amounts in the consolidated balance sheets, fair values, and their differences are as follows.

(As of February 28, 2025)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities	40	40	—
(2) Leasehold and guarantee deposits (*2)	10,303	9,659	(644)
Total assets	10,344	9,700	(644)
Lease liabilities (including current portion)	8,960	9,519	558
Total liabilities	8,960	9,519	558
Derivative transactions (*3)	(117)	(117)	—
Total derivative transactions	(117)	(117)	—

(*1) The Company omits cash and items whose fair value approximates book value due to short maturities.

(*2) The difference between the amount of lease and guarantee deposits in the consolidated balance sheets and the carrying amount in the disclosure of fair value of financial instruments above is the sum of the unamortized balance of lease and guarantee deposits recognized as unrecoverable (estimated cost of restoring the leased building to its original condition) as of the end of the current consolidated fiscal year and allowance for doubtful accounts set aside for security deposits and guarantees.

(*3) Figure represents the net amount of net receivables and payables arising from derivative transactions.

(As of February 28, 2026)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities	67	67	—
(2) Leasehold and guarantee deposits (*2)	10,159	9,214	(945)
Total assets	10,226	9,281	(945)
Lease liabilities (including current portion)	6,953	6,885	(68)
Total liabilities	6,953	6,885	(68)
Derivative transactions (*3)	271	271	—
Total derivative transactions	271	271	—

(*1) The Company omits cash and items whose fair value approximates book value due to short maturities.

(*2) The difference between the amount of lease and guarantee deposits in the consolidated balance sheets and the carrying amount in the disclosure of fair value of financial instruments above is the sum of the unamortized balance of lease and guarantee deposits recognized as unrecoverable (estimated cost of restoring the leased building to its original condition) as of the end of the current consolidated fiscal year and allowance for doubtful accounts set aside for security deposits and guarantees.

(*3) Figure represents the net amount of net receivables and payables arising from derivative transactions.

(Note 1) Shares, etc., without a quoted market price are not included in (1) Investment securities. Carrying amounts of said financial instruments are as follows:

(Millions of yen)

Classification	As of February 28, 2025	As of February 28, 2026
Unlisted equity securities	650	396

(Note 2) Scheduled redemption amounts of monetary claims and securities with maturity dates after the consolidated closing date

(As of February 28, 2025)

(Millions of yen)

	Due in 1 year or less	Due in 1-5 years	Due in 5-10 years	Due after 10 years
Cash and deposits	21,143	—	—	—
Notes and accounts receivable-trade	14,527	—	—	—
Leasehold and guarantee deposits	1,826	3,395	2,155	2,926
Total	37,497	3,395	2,155	2,926

(As of February 28, 2026)

(Millions of yen)

	Due in 1 year or less	Due in 1-5 years	Due in 5-10 years	Due after 10 years
Cash and deposits	24,912	—	—	—
Notes and accounts receivable-trade	15,971	—	—	—
Leasehold and guarantee deposits	915	3,995	2,632	2,615
Total	41,800	3,995	2,632	2,615

(Note 3) Scheduled repayment amounts of bonds, long-term debt, lease obligations, and other interest-bearing liabilities after the consolidated closing date

(As of February 28, 2025)

(Millions of yen)

	Due in 1 year or less	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years
Lease liabilities	2,464	2,036	1,693	1,121	438
Total	2,464	2,036	1,693	1,121	438

(As of February 28, 2026)

(Millions of yen)

	Due in 1 year or less	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years
Lease liabilities	2,173	1,768	1,141	523	317
Total	2,173	1,768	1,141	523	317

3. Fair value information by classification within the fair value hierarchy

The Company categorizes the fair value of financial instruments into the following three categories according to the observability and significance of inputs related to the measurement of fair value.

Fair Value Level 1 : Fair value calculated using (unadjusted) the quoted price for identical assets or liabilities in active markets

Fair Value Level 2 : Fair value calculated using inputs other than those in Level 1 that are observable either directly or indirectly

Fair Value Level 3 : Fair value calculated using significant unobservable inputs

If multiple inputs with significant impact on the measurement of fair value are used, the fair value is categorized under the lowest level in terms of priority in the fair value measurement among the levels of said inputs.

(1) Financial assets and liabilities measured at fair value in the consolidated balance sheets

(As of February 28, 2025)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	30	—	—	30
Other	—	10	—	10
Total assets	30	10	—	40
Derivative transactions				
Currency related	—	(117)	—	(117)
Total liabilities	—	(117)	—	(117)

(As of February 28, 2026)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	67	—	—	67
Other	—	—	—	—
Total assets	67	—	—	67
Derivative transactions				
Currency related	—	271	—	271
Total liabilities	—	271	—	271

(2) Financial assets and liabilities not measured at fair value in the consolidated balance sheets

(As of February 28, 2025)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Leasehold and guarantee deposits	—	9,659	—	9,659
Total assets	—	9,659	—	9,659
Lease obligations (including current portion)	—	9,519	—	9,519
Total liabilities	—	9,519	—	9,519

(As of February 28, 2026)

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Leasehold and guarantee deposits	—	9,214	—	9,214
Total assets	—	9,214	—	9,214
Lease obligations (including current portion)	—	6,885	—	6,885
Total liabilities	—	6,885	—	6,885

(Notes) 1. The Company omits cash and items whose fair value approximates book value due to short maturities.

2. Explanations of valuation techniques and inputs used in fair value measurement

Investment securities

Listed equity securities are valued at quoted prices. As listed equity securities are traded in an active market, the fair value is categorized as Level 1. On the other hand, the fair value of bonds and investment trusts is calculated based on the price quoted by the exchange or by the correspondent financial institution. Therefore, the fair value is classified as Level 2.

Derivative transactions

The fair value of forward exchange contracts is based on prices quoted by correspondent financial institutions. Therefore, the fair value is classified as Level 2.

Leasehold and guarantee deposits

Leasehold and guarantee deposits are classified by certain periods of time, with the fair value calculated based on the present value of recoverable future cash flows, discounted by the yield of government bonds. Therefore, the fair value is classified as Level 2.

Lease obligations (including current portion)

The fair value of lease obligations is calculated based on the present value of the total principal and interest, discounted at an interest rate applicable to a similar new lease transaction. Therefore, the fair value is classified as Level 2.

(Securities)

1. Other securities

(As of February 28, 2025)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amounts exceed their acquisition cost	(1) Equity securities	30	25	5
	(2) Bonds	—	—	—
	(3) Other	10	10	0
	Subtotal	40	35	5
Securities whose carrying amounts do not exceed their acquisition costs	(1) Equity securities	—	—	—
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		40	35	5

(Notes) 1. For impairment, the Company considers a significant decline to be a decline of 30% or more of the market value compared to acquisition cost. The Company assumes values are likely to be unrecoverable and recognizes impairment loss if the fair value of individual stock declines by 50% or if the fair value of individual stock declines by between 30% to 50% at the end of the previous or current consolidated fiscal year.

2. Other securities in the above table do not include unlisted stocks (650 million yen on the consolidated balance sheet) as they do not have fair prices.

(As of February 28, 2026)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amounts exceed their acquisition cost	(1) Equity securities	67	26	40
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	67	26	40
Securities whose carrying amounts do not exceed their acquisition costs	(1) Equity securities	—	—	—
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		67	26	40

(Notes) 1. For impairment, the Company considers a significant decline to be a decline of 30% or more of the market value compared to acquisition cost. The Company assumes values are likely to be unrecoverable and recognizes impairment loss if the fair value of individual stock declines by 50% or if the fair value of individual stock declines by between 30% to 50% at the end of the previous or current consolidated fiscal year.

2. Other securities in the above table do not include unlisted stocks (396 million yen on the consolidated balance sheet) as they do not have fair prices.

2. Other securities sold during the consolidated fiscal year

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Not applicable

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

Information omitted due to immateriality.

3. Impairment of securities

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Not applicable

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

In the current consolidated fiscal year, the Company recognized an impairment loss of 261 million yen (unlisted equity securities in other securities) for investment securities.

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not applied

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Not applicable

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

Not applicable

2. Derivative transactions for which hedge accounting is applied

Currency related

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(Millions of yen)

Hedge accounting method	Type of derivative transaction, etc.	Major hedged items	Contract amounts	Contract amounts Over 1 year	Fair value
Allocation method of forward exchange contracts, etc.	Forward exchange contracts	Accounts payable - trade			
	Short commitment				
	US dollar		17,783	—	(111)
	Chinese Yuan	400	—	(5)	
Total			18,184	—	(117)

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

(Millions of yen)

Hedge accounting method	Type of derivative transaction, etc.	Major hedged items	Contract amounts	Contract amounts Over 1 year	Fair value
Allocation method of forward exchange contracts, etc.	Forward exchange contracts	Accounts payable - trade			
	Short commitment				
	US dollar		21,874	—	270
	Chinese Yuan	99	—	1	
Total			21,973	—	271

(Retirement benefits)

1. Summary of retirement benefit plans adopted

The Company and certain consolidated subsidiaries adopted a prepaid retirement benefit plan and a Defined Contribution Plan.

2. Retirement benefit expenses

(Millions of yen)

	Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)	Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)
Prepaid retirement benefits	300	312
Required contributions to Defined Contribution Plans	89	104
Retirement benefit expenses	389	417

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	As of February 28, 2025	As of February 28, 2026
Deferred tax assets		
Loss on valuation of merchandise	1,208	1,236
Enterprise tax payable	260	399
Allowance for doubtful accounts	129	129
Provision for bonuses	752	806
Provision for point card certificates	470	494
Tax loss carryforwards (Note 2)	3,395	2,171
Depreciation and amortization	4,265	4,356
Asset retirement expenses	1,659	1,884
Other	3,246	2,773
Subtotal of deferred tax assets	15,388	14,250
Less valuation allowance for tax loss carryforwards (Note 2)	(3,144)	(2,019)
Less valuation allowance for total deductible temporary differences, etc.	(1,881)	(1,188)
Subtotal of valuation allowance (Note 1)	(5,026)	(3,207)
Total deferred tax assets	10,362	11,043
Deferred tax liabilities		
Retained earnings	(520)	(664)
Intangible assets identified from business combination	(466)	(200)
Other	(63)	(160)
Total deferred tax liabilities	(1,050)	(1,024)
Net deferred tax assets	9,311	10,018

(Notes) 1. Valuation allowance decreased by 1,818 million yen. The decrease mainly resulted from a reduction in tax loss carryforwards and other items following the sale of consolidated subsidiaries.

2. Tax loss carryforwards and deferred tax asset by expiration date

(As of February 28, 2025)

(Millions of yen)

	Due in 1 year or less	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due after 5 years	Total
Tax loss carryforwards (a)	92	73	364	339	112	2,413	3,395
Valuation allowance	(92)	(73)	(364)	(339)	(112)	(2,162)	(3,144)
Deferred tax assets	—	—	—	—	—	251	251

(a) Amounts of tax loss carryforwards are calculated using the statutory tax rate.

(As of February 28, 2026)

(Millions of yen)

	Due in 1 year or less	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due after 5 years	Total
Tax loss carryforwards (a)	75	373	370	144	721	485	2,171
Valuation allowance	(75)	(373)	(370)	(117)	(631)	(451)	(2,019)
Deferred tax assets	—	—	—	27	90	34	151

(a) Amounts of tax loss carryforwards are calculated using the statutory tax rate.

2. Major items that cause significant differences between statutory tax rates and the effective tax rates after tax effect accounting, etc.

	As of February 28, 2025	As of February 28, 2026
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses and other items not permanently deductible for income tax purposes	0.8%	0.9%
Per capita inhabitant tax, etc.	2.6%	1.9%
Bonuses for directors	0.2%	0.2%
Valuation allowance	8.2%	4.7%
Special deduction for corporate tax	(5.0)%	(0.6)%
Other	(2.0)%	1.2%
Effective tax rate after tax effect accounting, etc.	35.4%	38.9%

3. Accounting for corporate and local income taxes or tax effect accounting related to these taxes

The Company and certain domestic consolidated subsidiaries apply the Group Tax Sharing System, accounting for and making disclosures related to income tax, local corporate income tax, and tax effect accounting in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Issues Task Force No. 42 issued August 12, 2021.)

4. Revisions to deferred tax assets and deferred tax liabilities due to changes in tax rates

The National Diet enacted Act Partially Amending the Income Tax Act (Act No. 13 of 2025) on March 31, 2025. This legislation introduces the Defense Special Corporate Tax, which applies to consolidated fiscal years beginning on or after April 1, 2026.

As a result, the Company will change the statutory tax rate used to calculate deferred tax assets and liabilities for temporary differences expected to reverse in or after the consolidated fiscal year beginning on March 1, 2027, from 30.6% to 31.5%. This change increased deferred tax assets (net of deferred tax liabilities) by 425 million yen, while income taxes-deferred and valuation difference on available-for-sale securities decreased by 425 million yen and 0 million yen, respectively, for the current consolidated fiscal year.

(Business combinations, etc.)

(Business divestments)

Change (Equity Interest Transfer) in Specified Subsidiary (Sub-Subsidiary)

At a meeting held July 24, 2025, the Company Board of Directors approved a resolution to transfer all equity held in Velvet, LLC (California, USA), a subsidiary of a Company specified subsidiary (sub-subsidiary), Adastria USA, Inc., to PIVOT GROWS LLC (Delaware, USA), and said equity was transferred on July 25, 2025.

1. Outline of business divestment

(1) Name of company after divestment

PIVOT GROWS LLC

(2) Business lines of divested company

Velvet, LLC apparel business

(3) Major reason for business divestment

The Company resolved to withdraw from business in the U.S. and liquidate Adastria USA, Inc., selecting a transferee for the equity held in Velvet, LLC.

All equity in Velvet, LLC owned by Adastria USA, Inc. was transferred to PIVOT GROWS LLC, a company engaged in global brand strategy, marketing, and license management.

(4) Date of business divestment

July 25, 2025

(5) Other matters concerning the outline of the transaction, including legal form

Transfer of equity interest for which the consideration to be received is cash or other property only

2. Outline of accounting procedures implemented

(1) Amount of gain or loss on transfer

Loss on sales of shares of subsidiaries and affiliates 695 million yen

(2) Appropriate carrying value of assets and liabilities related to the transferred business and main components

(Millions of yen)

Current assets	1,414
Non-current assets	1,172
<u>Total assets</u>	<u>2,587</u>
Current liabilities	1,031
Non-current liabilities	455
<u>Total liabilities</u>	<u>1,487</u>

(3) Accounting treatment

The Company recorded the difference between the consolidated carrying value of Velvet, LLC and the transfer price as a loss on sales of shares in subsidiaries and affiliates under extraordinary losses.

3. Reportable segments that included the divested business

Apparel and Sundry Goods-related Business

4. Estimated profit/loss of the divested business recorded in the consolidated statements of income for the current consolidated fiscal year

(Millions of yen)

Net sales	3,885
Operating loss	200

(Transactions under common control, etc.)

(Transition to a Holding Company Structure Through Corporate Split)

Effective September 1, 2025, we implemented a company split (absorption-type split) with Adastria Co., Ltd., ("New Adastria") our wholly owned subsidiary, as the succeeding company. All rights and obligations related to businesses other than group management and operations were transferred to New Adastria, and the and ST HD Group transitioned to a holding company structure.

1. Overview of the transaction

(1) Name of the combined company and business lines subject to transfer

Name of combined company

Splitting company

Name: Adastria Co., Ltd. (the Company)

(The Company was renamed and ST HD Co., Ltd. as of September 1, 2025.)

Succeeding company

Name: Adastria Co., Ltd. (New Adastria)

Subject business lines

All businesses other than those related to group management and operations of the and ST HD Group

(2) Date of business combination

September 1, 2025

(3) Legal form of business combination

An absorption-type split in which the Company was the splitting company, and the rights and obligations related to the relevant business were transferred to the succeeding company in exchange for shares issued by the succeeding company

(4) Name of company after combination

As of September 1, 2025, the Company was renamed to and ST HD Co., Ltd., while the name Adastria Co., Ltd. was adopted by New Adastria.

(5) Other matters related to the overview of the transaction

This transition to a holding company structure will coordinate group operating companies around the *and ST* platform, while providing greater clarity to missions and roles. This approach lends itself to a multi-company management model that allows group companies to formulate and execute growth strategies independently. At the same time, the Adastria Group aims to expand categories and services while accelerating overseas expansion, pursuing M&A of companies having special characteristics not currently present within the group.

2. Outline of accounting procedures implemented

The Company accounts for the transaction as a transaction under common control, etc., in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2024).

(Asset retirement obligations)

The Company and certain consolidated subsidiaries estimate the reasonable amount of leasehold and guarantee deposits related to real estate lease contracts, etc., for which recovery is not expected. In such cases, the Company and certain consolidated subsidiaries recognize the asset retirement obligation amount as an expense incurred in the current consolidated fiscal year. No liability is recognized.

The amount allocated for the current consolidated fiscal year is calculated based on the expected tenancy period.

The Company omits asset retirement obligations recorded by certain consolidated subsidiaries as said obligations are not material in terms of volume.

(Revenue recognition)

1. Detailed information on revenue from contracts with customers

Region	Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)		Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)	
	Net sales (millions of yen)	Composition (%)	Net sales (millions of yen)	Composition (%)
Adastria Co., Ltd.	226,754	77.4	233,562	76.8
BUZZWIT Co., Ltd.	12,277	4.2	12,562	4.1
ELEMENT RULE Co., Ltd.	12,641	4.3	13,781	4.5
Other consolidated subsidiaries	2,981	0.9	5,896	1.9
Domestic Group company total	254,654	86.8	265,803	87.3
Overseas Group company total	23,920	8.2	23,858	7.9
Apparel and Sundry Goods-related Business total	278,574	95.0	289,661	95.2
Other (Food and Beverage) total	14,535	5.0	14,690	4.8
Revenue from contracts with customers	293,110	100.0	304,351	100.0

- (Notes) 1. Net sales represent sales to external customers and do not include internal sales between consolidated subsidiaries.
2. and ST HD Co., Ltd. results include Adastria Co., Ltd. net sales prior to the absorption-type split conducted on September 1, 2025.

2. Useful information in understanding revenue from contracts with customers

Information useful in understanding revenue is as presented in (Significant basis for the preparation of consolidated financial statements), 4. Significant accounting policies, (4) Accounting standards for recording significant revenues and expenses.

3. Useful information in understanding the revenue amounts in the current and subsequent consolidated fiscal years

(1) Outstanding contract liabilities arising from contracts with customers

	(Millions of yen)	
	Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)	Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)
Receivables arising from contracts with customers (balance at beginning of period)		
Notes receivable - trade	3	11
Accounts receivable - trade	15,812	14,516
	15,815	14,527
Receivables arising from contracts with customers (balance at end of period)		
Notes receivable - trade	11	59
Accounts receivable - trade	14,516	15,912
	14,527	15,971
Contract liabilities (balance at beginning of period)	1,910	1,392
Contract liabilities (balance at end of period)	1,392	1,373

Contract liabilities refer to in-house points granted from sales to customers.

(2) Transaction price allocated to remaining performance obligations

The Group applied a practical expedient and omitted disclosure of information on remaining performance obligations, as there are no material contracts with an individual expected term exceeding one year.

In addition, no material amounts of consideration arising from contracts with customers are excluded from the transaction price.

(Segment Information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Group are those business units for which separate financial statements can be obtained and for which the Board of Directors considers the allocation of management resources and evaluates operating performance on a regular basis.

The primary business of the Group includes the planning and sales of apparel and related products. Accordingly, the Group designates the Apparel and Sundry Goods-related Business as a reportable segment.

2. Calculation methods for net sales, income/loss, assets, and other items by reportable segment

Accounting methods for reported business segments are generally the same as those used to prepare the consolidated financial statements.

Profit by reportable segment is based on ordinary income. Intersegment revenues and transfers are based on prevailing market prices.

3. Net sales, income/loss, assets, and other items and information on details of revenue by reportable segment

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(Millions of yen)

	Reportable segment	Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated financial statements (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
Sales to external customers	278,574	14,535	293,110	—	293,110
Intersegment sales and transfers	0	70	71	(71)	—
Total	278,575	14,606	293,181	(71)	293,110
Segment profit (loss)	16,682	(717)	15,964	—	15,964
Segment assets	129,477	9,521	138,998	(5,890)	133,108
Other items					
Depreciation and amortization	10,184	908	11,093	—	11,093
Amortization of goodwill	250	144	395	—	395
Impairment losses	1,244	5	1,249	—	1,249
Increase in tangible fixed assets and intangible assets	15,058	1,770	16,828	—	16,828

(Notes) 1. Other refers to business segments not included under reportable segments. Here, this segment indicates the food and beverage business.

2. The adjustments are as follows.

(1) Adjustments to segment profit (loss) includes the adjustment, etc., of unrealized income related to intersegment transactions.

(2) Adjustments to segment assets is the elimination of intersegment transactions.

3. Segment profit (loss) is consistent with ordinary income on the consolidated statements of income.

4. Segment profit (loss) includes corporate expenses allocated to each reportable segment.

5. Depreciation and amortization and increase in tangible fixed assets and intangible assets include long-term prepaid expenses and amortization.

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

(Millions of yen)

	Reportable segment	Other (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated financial statements (Note 3)
	Apparel and Sundry Goods-related Business				
Net sales					
Sales to external customers	289,661	14,690	304,351	—	304,351
Intersegment sales and transfers	108	69	178	(178)	—
Total	289,770	14,759	304,529	(178)	304,351
Segment profit (loss)	17,301	(474)	16,827	—	16,827
Segment assets	137,031	8,405	145,436	(5,748)	139,688
Other items					
Depreciation and amortization	12,003	946	12,949	—	12,949
Amortization of goodwill	299	143	443	—	443
Impairment losses	3,261	378	3,639	—	3,639
Increase in tangible fixed assets and intangible assets	14,732	553	15,286	—	15,286

(Notes) 1. Other refers to business segments not included under reportable segments. Here, this segment indicates the food and beverage business.

2. The adjustments are as follows.

(1) Adjustments to segment profit (loss) includes the adjustment, etc., of unrealized income related to intersegment transactions.

(2) Adjustments to segment assets is the elimination of intersegment transactions.

3. Segment profit (loss) is consistent with ordinary income on the consolidated statements of income.

4. Segment profit (loss) includes corporate expenses allocated to each reportable segment.

5. Depreciation and amortization and increase in tangible fixed assets and intangible assets include long-term prepaid expenses and amortization.

[Related information]

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

1. Information by product and service

Omitted as sales to external customers under the single product or service category exceed 90% of net sales on the consolidated statements of income.

2. Information by region

(1) Net sales

Omitted as sales to external customers in Japan account for more than 90% of the net sales on the consolidated statements of income.

(2) Tangible fixed assets

(Millions of yen)

Japan	China	Hong Kong	Taiwan	Thailand	The Philippines	U.S.	Total
16,042	2,574	1,832	816	453	219	4,924	26,864

3. Information by major customer

Omitted as there are no sales to external customers that account for 10% or more of net sales on the consolidated statements of income.

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

1. Information by product and service

Omitted as sales to external customers under the single product or service category exceed 90% of net sales on the consolidated statements of income.

2. Information by region

(1) Net sales

Omitted as sales to external customers in Japan account for more than 90% of the net sales on the consolidated statements of income.

(2) Tangible fixed assets

(Millions of yen)

Japan	China	Hong Kong	Taiwan	Thailand	The Philippines	U.S.	Total
15,585	1,785	1,824	1,684	422	142	3,282	24,727

3. Information by major customer

Omitted as there are no sales to external customers that account for 10% or more of net sales on the consolidated statements of income.

[Impairment loss on tangible fixed assets by reportable segment]

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Omitted as this information is stated under segment information.

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

Omitted as this information is stated under segment information.

[Amortization of goodwill and unamortized balance by reportable segment]

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(Millions of yen)

	Reportable segment	Other (Note 1)	Total
	Apparel and Sundry Goods-related Business		
Balance at end of period	2,243	430	2,673

(Notes) 1. Other refers to business segments not included under reportable segments. Here, this segment indicates the food and beverage business.

2. Omitted information on amortization of goodwill, as this information is stated under segment information.

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

(Millions of yen)

	Reportable segment	Other (Note 1)	Total
	Apparel and Sundry Goods-related Business		
Balance at end of period	279	286	566

(Notes) 1. Other refers to business segments not included under reportable segments. Here, this segment indicates the food and beverage business.

2. Omitted information on amortization of goodwill, as this information is stated under segment information.

[Gain on negative goodwill by reportable segment]

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Not applicable

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

Not applicable

[Related party information]

Transaction with related parties

Transactions of the Company with related parties

Officers and major shareholders (limited to individuals) of the Company, etc.

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)

Not applicable

Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)

Not applicable

Per share information

Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)		Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)	
Net assets per share	1,665.51 yen	Net assets per share	1,765.62 yen
Net income per share	208.93 yen	Net income per share	205.86 yen

(Notes) 1. The Company omitted diluted net income per share as there are no latent shares.

2. Company shares remaining in the trust are recorded as treasury stock in shareholders' equity and are included in treasury stock as a deduction from the average number of shares outstanding during the period for the calculation of net income per share. Company shares are also included in treasury stock as a deduction from the number of shares outstanding at the end of the period for the calculation of net assets per share.

In the calculation of net income per share, the average number of such treasury stock deducted during the period was 438 thousand shares in the previous consolidated fiscal year and 647 thousand shares in the current consolidated fiscal year. In the calculation of net assets per share, the number of such treasury stock deducted at the end of the period was 495 thousand shares in the previous consolidated fiscal year and 660 thousand shares in the current consolidated fiscal year.

3. The basis for calculating net income per share is as follows.

Item	Year ended February 28, 2025 (March 1, 2024 to February 28, 2025)	Year ended February 28, 2026 (March 1, 2025 to February 28, 2026)
Net income attributable to owners of the parent (millions of yen)	9,614	9,498
Amount not attributable to common stockholders (millions of yen)	—	—
Net income attributable to owners of the parent for common stock (millions of yen)	9,614	9,498
Average number of common stock outstanding during term (thousands of shares)	46,018	46,141

Subsequent Events

Not applicable

5) [Consolidated supplementary schedules]

[Schedule of bonds payable]

Not applicable

[Schedule of borrowings, etc.]

Classification	Balance at the beginning of current period (Millions of yen)	Balance at the end of current period (Millions of yen)	Average interest rate (%)	Maturity
Current portion of lease obligations	2,464	2,173	4.85	—
Lease obligations (excluding current portion)	6,495	4,780	4.10	March 2027 to July 2037
Total	8,960	6,953	—	—

(Notes) 1. The average interest rate is the weighted average interest rate applicable to the balance at the end of the current period.

2. Certain lease obligations are recorded on the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease payments. Such lease obligations are not included in the calculation of the average interest rate.

3. Aggregate annual maturities of lease obligations (excluding current portion) for the five years following the closing date

(Millions of yen)

Classification	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years
Lease liabilities	1,768	1,141	523	317

[Schedule of asset retirement obligations]

Not applicable

(2) [Other]

Semiannual information, etc., for the current consolidated fiscal year

	Interim Consolidated Period	Current consolidated fiscal year
Net sales (millions of yen)	149,345	304,351
Net income before income taxes (millions of yen)	7,648	15,538
Net income attributable to owners of the parent (millions of yen)	5,987	9,498
Net income per share (yen)	129.73	205.86