



Consolidated Financial Statements

For the year ended March 31, 2024

Nitori Holdings Co., Ltd.

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Item 5. Financial Information

1. Basis for Preparation of Consolidated Financial Statements

The consolidated financial statements of Nitori Holdings Co., Ltd. (the Company) are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).

2. Change in Fiscal Year-End

In accordance with the resolution to partially amend the Articles of Incorporation at the 50th Annual General Meeting of Shareholders held on May 19, 2022, the Company changed its fiscal year-end from February 20 to March 31.

Accordingly, the accounting period for the previous consolidated fiscal year is 13 months and 11 days from February 21, 2022 to March 31, 2023.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has taken special measures to ensure the appropriateness of consolidated statements. Specifically, the Company collects information on accounting standards by joining the Financial Accounting Standards Foundation in order to establish a system that allows the Company to understand accounting standards properly and adapt to changes in accounting standards appropriately.

The Company also participates in seminars and training programs organized by the Financial Accounting Standards Foundation and other institutions.

1. Consolidated Financial Statement, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

| | (Millions of yen) | |
|--|--|---|
| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 131,928 | 137,943 |
| Notes and accounts receivable - trade | *1 57,408 | *1 79,247 |
| Merchandise and finished goods | 112,401 | 101,206 |
| Work in process | 479 | 520 |
| Raw materials and supplies | 7,496 | 6,802 |
| Other | 20,641 | 22,018 |
| Allowance for doubtful accounts | (1) | (2) |
| Total current assets | 330,353 | 347,736 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | *2 422,887 | *2 490,324 |
| Accumulated depreciation | (219,531) | (234,477) |
| Buildings and structures, net | *2 203,356 | *2 255,847 |
| Machinery, equipment and vehicles | 20,792 | 25,531 |
| Accumulated depreciation | (13,978) | (16,072) |
| Machinery, equipment and vehicles, net | 6,813 | 9,458 |
| Tools, furniture and fixtures | 29,773 | 34,037 |
| Accumulated depreciation | (18,417) | (20,237) |
| Tools, furniture and fixtures, net | 11,356 | 13,799 |
| Land | 377,009 | 403,228 |
| Leased assets | 4,414 | 4,408 |
| Accumulated depreciation | (2,894) | (3,163) |
| Leased assets, net | 1,519 | 1,244 |
| Right of use assets | 15,333 | 18,632 |
| Accumulated depreciation | (4,203) | (6,637) |
| Right of use assets, net | 11,129 | 11,995 |
| Construction in progress | 38,294 | 41,323 |
| Total property, plant and equipment | 649,479 | 736,897 |
| Intangible assets | | |
| Goodwill | 19,619 | 17,060 |
| Software | 5,267 | 4,128 |
| Software in progress | 1,740 | 3,463 |
| Leasehold interests in land | 6,272 | 6,406 |
| Other | 107 | 102 |
| Total intangible assets | 33,005 | 31,162 |
| Investments and other assets | | |
| Investment securities | *3 39,089 | *3 42,439 |
| Long-term loans receivable | 562 | 520 |
| Guarantee deposits | *2 16,893 | *2 16,646 |
| Leasehold deposits | 30,313 | 30,982 |
| Deferred tax assets | 21,765 | 21,513 |
| Other | 12,379 | 10,851 |
| Allowance for doubtful accounts | (72) | (72) |
| Total investments and other assets | 120,932 | 122,882 |
| Total non-current assets | 803,417 | 890,942 |
| Total assets | 1,133,771 | 1,238,679 |

(Millions of yen)

| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | *2 38,459 | *2 48,294 |
| Short-term borrowings | 83,068 | 107,557 |
| Lease obligations | 1,602 | 1,895 |
| Accounts payable - other | 24,058 | 45,933 |
| Income taxes payable | 28,351 | 20,366 |
| Contract liabilities | 23,774 | 29,091 |
| Provision for bonuses | 8,380 | 6,604 |
| Provision for point card certificates | 11 | 11 |
| Provision for shareholder benefit program | 422 | 318 |
| Provision for loss on business liquidation | 220 | – |
| Other | *2 13,419 | *2 16,264 |
| Total current liabilities | 221,769 | 276,336 |
| Non-current liabilities | | |
| Long-term borrowings | 57,330 | 30,000 |
| Lease liabilities | 4,598 | 4,519 |
| Provision for retirement benefits for directors (and other officers) | 228 | 145 |
| Retirement benefit liability | 5,886 | 5,558 |
| Asset retirement obligations | 14,800 | 14,748 |
| Other | *2 11,060 | *2 11,061 |
| Total non-current liabilities | 93,905 | 66,033 |
| Total liabilities | 315,674 | 342,370 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 13,370 | 13,370 |
| Capital surplus | 30,711 | 30,715 |
| Retained earnings | 771,743 | 841,541 |
| Treasury shares | (10,111) | (10,113) |
| Total shareholders' equity | 805,714 | 875,513 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,769 | 4,711 |
| Deferred gains or losses on hedges | (1,829) | – |
| Foreign currency translation adjustment | 12,479 | 15,816 |
| Remeasurements of defined benefit plans | (36) | 262 |
| Total accumulated other comprehensive income | 12,382 | 20,790 |
| Non-controlling interests | – | 4 |
| Total net assets | 818,096 | 896,308 |
| Total liabilities and net assets | 1,133,771 | 1,238,679 |

(ii) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Net sales | *1 948,094 | *1 895,799 |
| Cost of sales | 469,988 | 439,850 |
| Gross profit | 478,106 | 455,949 |
| Selling, general and administrative expenses | *2 338,029 | *2 328,223 |
| Operating profit | 140,076 | 127,725 |
| Non-operating income | | |
| Interest income | 638 | 1,323 |
| Dividend income | 275 | 521 |
| Foreign exchange gains | 853 | 680 |
| Share of profit of entities accounted for using equity method | 929 | 542 |
| Subsidy income | 298 | 180 |
| Vending machine income | 363 | 341 |
| Gain on sales of goods | 303 | 281 |
| Other | 1,097 | 1,477 |
| Total non-operating income | 4,760 | 5,349 |
| Non-operating expenses | | |
| Interest expenses | 401 | 521 |
| Other | 349 | 176 |
| Total non-operating expenses | 751 | 697 |
| Ordinary profit | 144,085 | 132,377 |
| Extraordinary income | | |
| Gain on sale of non-current assets | *3 17 | *3 1,784 |
| Total extraordinary income | 17 | 1,784 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | *4 139 | *4 25 |
| Impairment losses | *5 4,769 | *5 10,230 |
| Loss on change in equity | 61 | 0 |
| Provision for loss on business liquidation | 218 | – |
| Total extraordinary losses | 5,189 | 10,257 |
| Profit before income taxes | 138,913 | 123,904 |
| Income taxes - current | 47,503 | 39,293 |
| Income taxes - deferred | (3,720) | (1,912) |
| Total income taxes | 43,783 | 37,381 |
| Profit | 95,129 | 86,523 |
| Profit attributable to owners of parent | 95,129 | 86,523 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Profit | 95,129 | 86,523 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 542 | 2,941 |
| Deferred gains or losses on hedges | (1,829) | 1,829 |
| Foreign currency translation adjustment | 5,888 | 3,337 |
| Remeasurements of defined benefit plans, net of tax | 151 | 298 |
| Total other comprehensive income | * 4,751 | * 8,407 |
| Comprehensive income | 99,881 | 94,931 |
| Comprehensive income attributable to | | |
| Owners of parent | 99,881 | 94,931 |

(iii) Consolidated Statements of Changes in Net Assets

Previous fiscal year (from February 21, 2022 to March 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 13,370 | 26,814 | 692,768 | (7,771) | 725,181 |
| Changes during period | | | | | |
| Dividends of surplus | | | (16,154) | | (16,154) |
| Profit attributable to owners of parent | | | 95,129 | | 95,129 |
| Purchase of treasury shares | | | | (4,949) | (4,949) |
| Disposal of treasury shares | | 3,897 | | 2,608 | 6,505 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | 3,897 | 78,975 | (2,340) | 80,532 |
| Balance at end of period | 13,370 | 30,711 | 771,743 | (10,111) | 805,714 |

| | Accumulated other comprehensive income | | | | | Total net assets |
|--|---|------------------------------------|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of period | 1,227 | – | 6,591 | (187) | 7,631 | 732,813 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (16,154) |
| Profit attributable to owners of parent | | | | | | 95,129 |
| Purchase of treasury shares | | | | | | (4,949) |
| Disposal of treasury shares | | | | | | 6,505 |
| Net changes in items other than shareholders' equity | 542 | (1,829) | 5,888 | 151 | 4,751 | 4,751 |
| Total changes during period | 542 | (1,829) | 5,888 | 151 | 4,751 | 85,283 |
| Balance at end of period | 1,769 | (1,829) | 12,479 | (36) | 12,382 | 818,096 |

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 13,370 | 30,711 | 771,743 | (10,111) | 805,714 |
| Changes during period | | | | | |
| Dividends of surplus | | | (16,725) | | (16,725) |
| Profit attributable to owners of parent | | | 86,523 | | 86,523 |
| Purchase of treasury shares | | | | (2) | (2) |
| Disposal of treasury shares | | 3 | | 0 | 4 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | 3 | 69,797 | (1) | 69,799 |
| Balance at end of period | 13,370 | 30,715 | 841,541 | (10,113) | 875,513 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 1,769 | (1,829) | 12,479 | (36) | 12,382 | – | 818,096 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | | | (16,725) |
| Profit attributable to owners of parent | | | | | | | 86,523 |
| Purchase of treasury shares | | | | | | | (2) |
| Disposal of treasury shares | | | | | | | 4 |
| Net changes in items other than shareholders' equity | 2,941 | 1,829 | 3,337 | 298 | 8,407 | 4 | 8,411 |
| Total changes during period | 2,941 | 1,829 | 3,337 | 298 | 8,407 | 4 | 78,211 |
| Balance at end of period | 4,711 | – | 15,816 | 262 | 20,790 | 4 | 896,308 |

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 138,913 | 123,904 |
| Depreciation | 26,186 | 27,111 |
| Impairment losses | 4,769 | 10,230 |
| Amortization of goodwill | 2,772 | 2,559 |
| Increase (decrease) in allowance for doubtful accounts | (7) | 1 |
| Increase (decrease) in provision for bonuses | 3,874 | (1,810) |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | – | (83) |
| Increase (decrease) in retirement benefit liability | 255 | 124 |
| Increase (decrease) in provision for point card certificates | (3,116) | (0) |
| Interest and dividend income | (913) | (1,844) |
| Interest expenses | 401 | 521 |
| Share of loss (profit) of entities accounted for using equity method | (929) | (542) |
| Loss (gain) on sale and retirement of non-current assets | 122 | (1,759) |
| Loss (gain) on change in equity | 61 | 0 |
| Increase (decrease) in provision for loss on business liquidation | 218 | – |
| Decrease (increase) in trade receivables | (39,324) | (24,050) |
| Decrease (increase) in inventories | (33,301) | 12,592 |
| Increase (decrease) in trade payables | (414) | 9,184 |
| Increase (decrease) in accounts payable - other | (4,864) | 11,935 |
| Increase (decrease) in contract liability | 23,799 | 5,246 |
| Increase (decrease) in accrued consumption taxes | 1,463 | 5,077 |
| Other, net | 4,235 | 9,859 |
| Subtotal | 124,202 | 188,257 |
| Interest and dividends received | 1,736 | 3,158 |
| Interest paid | (417) | (524) |
| Income taxes paid | (40,043) | (47,946) |
| Income taxes refund | 5,919 | 647 |
| Net cash provided by (used in) operating activities | 91,398 | 143,593 |

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|--|---|--|
| Cash flows from investing activities | | |
| Payments into time deposits | (5,789) | (20,793) |
| Proceeds from withdrawal of time deposits | 2,502 | 7,193 |
| Purchase of property, plant and equipment | (113,933) | (118,664) |
| Proceeds from sale of property, plant and equipment | 17 | 3,263 |
| Purchase of intangible assets | (2,471) | (3,297) |
| Purchase of short-term and long-term investment securities | (11,989) | – |
| Proceeds from sale of short-term and long-term investment securities | 0 | 2 |
| Payments of guarantee deposits | (546) | (253) |
| Proceeds from refund of guarantee deposits | 2,010 | 1,395 |
| Payments of leasehold deposits | (2,681) | (1,644) |
| Proceeds from refund of leasehold deposits | 308 | 1,018 |
| Guarantee deposits received | 12 | 26 |
| Refund of guarantee deposits received | (247) | (231) |
| Proceeds from deposits received | 957 | 411 |
| Repayments of deposits received | (147) | (118) |
| Purchase of long-term prepaid expenses | (762) | (380) |
| Loan advances | – | (0) |
| Proceeds from collection of loans receivable | 202 | 248 |
| Other, net | 18 | (0) |
| Net cash provided by (used in) investing activities | (132,538) | (131,824) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 40,000 | 40,222 |
| Repayments of long-term borrowings | (35,068) | (43,068) |
| Proceeds from long-term borrowings | 50,000 | – |
| Repayments of lease liabilities | (1,961) | (1,044) |
| Purchase of treasury shares | (2) | (2) |
| Dividends paid | (16,064) | (16,713) |
| Net cash provided by (used in) financing activities | 36,903 | (20,606) |
| Effect of exchange rate change on cash and cash equivalents | 2,276 | 1,035 |
| Net increase (decrease) in cash and cash equivalents | (1,960) | (7,801) |
| Cash and cash equivalents at beginning of period | 127,076 | 125,115 |
| Cash and cash equivalents at end of period | *1 125,115 | *1 117,313 |

Notes to Consolidated Financial Statements

Significant accounting policies for preparation of consolidated financial statements

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 37 (31 in the year ended March 31, 2023)

Names of major consolidated subsidiaries:

Nitori Co., Ltd.
SHIMACHU CO., LTD.
Home Logistics Co., Ltd.
NITORI TAIWAN CO., LTD.
NITORI (CHINA) HOLDINGS CO., LTD.
DECO HOME CHINA CO., LTD.
NITORI (SHANGHAI) HOME FURNISHING CO., LTD.
NITORI (SHANGHAI) HOME FURNISHING SALES CO., LTD.
NITORI (Taicang) Trading & Logistics Co., Ltd.
NITORI FURNITURE VIETNAM EPE
Nitori Public Co., Ltd.
HOME DECO CO., LTD.
and 25 other subsidiaries

Six companies were newly included in the scope of consolidation during the year ended March 31, 2024, due to the establishment of five subsidiaries and the acquisition of all shares of one subsidiary by HOME DECO CO., LTD., a consolidated subsidiary of the Company. In addition, the Company passed a resolution at its Board of Directors meeting held on August 30, 2017 to liquidate P.T. NITORI FURNITURE INDONESIA, which is a consolidated subsidiary of the Company, and said company is currently in the process of liquidation.

(2) Names of major unconsolidated subsidiaries

Not applicable

2. Disclosure about application of equity method

(1) Number of associates accounted for using equity method: 1

KATITAS Co., Ltd.

(2) Other specific information if deemed necessary about the application of equity method

Not applicable

3. Disclosure about fiscal year of consolidated subsidiaries

The reporting dates of the following consolidated subsidiaries are different from the balance sheet date.

IKEN CO., LTD. June 30, 2023
NITORI Furniture Co., Ltd. December 20, 2023
NITORI TAIWAN CO., LTD.
NITORI (CHINA) HOLDINGS CO., LTD.
DECO HOME CHINA CO., LTD.
NITORI (SHANGHAI) HOME FURNISHING CO., LTD.
NITORI (SHANGHAI) HOME FURNISHING SALES CO., LTD.
NITORI (Taicang) Trading & Logistics Co., Ltd.
NITORI FURNITURE VIETNAM EPE
Nitori Public Co., Ltd. and 20 other subsidiaries December 31, 2023

As for the consolidated subsidiaries whose reporting dates are not more than three months different from the balance sheet date, except for IKEN CO., LTD. and NITORI Furniture Co., Ltd., their financial statements as of their respective reporting dates have been used for consolidation. Necessary adjustments have been made for consolidation purposes to reflect any significant transactions that occurred between the reporting dates of respective subsidiaries and the balance sheet date of March 31, 2024.

With respect to NITORI Furniture Co., Ltd., since its reporting date is more than three months different from the balance sheet date, its financial statements based on a provisional settlement of accounts performed as of March 31, 2024 have been used for consolidation.

With respect to IKEN CO., LTD., since its reporting date is more than three months different from the balance sheet date, its financial statements based on a provisional settlement of accounts performed as of December 31, 2023 have been used for consolidation. Necessary adjustments have been made for consolidation purposes to reflect any significant transactions that occurred between the reporting date and the balance sheet date of March 31, 2024.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

(i) Securities

Available-for-sale securities

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

Stated at fair value based on the market price, etc. as of the balance sheet date (with any unrealized gain or loss recognized directly in net assets and the cost of securities sold calculated using the gross average method.)

Shares, etc. that do not have a market value

Stated at cost determined by the gross average method.

Investments in investment limited partnerships, which are deemed as securities pursuant to Article 2, paragraph (2) of the Financial Instruments and Exchange Act of Japan, are stated at the net value of equity based on the most recent financial statements available according to the reporting dates set forth in the respective partnership agreements.

(ii) Inventories

NITORI Business: Stated at cost determined by the moving-average method

SHIMACHU Business: Stated at cost determined by the retail method

A method is adopted in which book value is written down based on any decline in profitability.

(iii) Derivatives

Stated at fair value using the mark-to-market method.

(2) Accounting policy for depreciation/amortization of significant assets

(i) Property, plant and equipment (excluding leased assets and right of use assets)

The Company and its consolidated domestic subsidiaries adopt the declining balance method. However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method. Consolidated overseas subsidiaries apply the straight-line method to their property, plant and equipment.

The principal useful lives are as follows:

| | |
|-----------------------------------|---------------|
| Buildings and structures | 5 to 47 years |
| Machinery, equipment and vehicles | 4 to 12 years |
| Tools, furniture and fixtures | 2 to 10 years |

The Company and its consolidated domestic subsidiaries depreciate buildings on fixed term leaseholds for business by using the straight-line method over the lease term assuming no residual value. These lease terms are principally 20 years.

(ii) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.

(iii) Leased assets

Depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Finance lease transactions that do not transfer ownership to the lessee commencing on or before February 20, 2009 are accounted for in a manner similar to the accounting treatment for ordinary rental transactions.

(iv) Right of use assets

Depreciated by the straight-line method over the lesser of the useful life of the asset or the lease term.

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

The Company and certain consolidated subsidiaries record the allowance for doubtful accounts based on historical experience for general receivables and on an individual assessment of the collectability of the account for doubtful receivables.

(ii) Provision for bonuses

The Company and certain consolidated subsidiaries record the provision for bonuses at the amount expected to be paid to their employees based on actual results during the fiscal year in order to cover the payments to the employees in the following fiscal year.

(iii) Provision for point card certificates

Customers earn loyalty points by presenting their membership card at the time of purchase. Provision for point card certificates is recorded at the amount expected to be used by customers in the future.

(iv) Provision for shareholder benefit program

Provision for shareholder benefit program is recognized for future utilization of granted shareholder benefits and recorded at the amount expected to be used by shareholders in the future based on the historical rate of use of shareholder benefits.

(v) Provision for retirement benefits for directors and other officers

Provision for retirement benefits for directors and other officers is recorded at the amount required to be paid in accordance with internal rules if all directors and corporate auditors were to retire at the balance sheet date. The plans of the Company and its consolidated domestic subsidiaries were abolished in April 2004 and December 2005, respectively, and the recorded amount represents benefits incurred but not yet paid.

(4) Accounting policy for retirement benefits

(i) Method of attributing estimated retirement benefits to accounting periods

In calculating projected benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

(ii) Method of accounting for actuarial gains and losses and prior service costs

Actuarial gains and losses are amortized using the straight-line method over a specific period (mainly 10 years), which is within the average remaining years of service of the employees at the time of occurrence, from the fiscal year following the year in which each gain or loss occurs. Prior service costs are amortized using the straight-line method over a specific period (10 years), which is within the average remaining years of service of the employees at the time of occurrence.

(5) Accounting policies for significant revenues and expenses

The Group is primarily engaged in the development, manufacture, and sale of furniture, interior goods, and home improvement products, and its performance obligation is to sell products to its customers. The Group recognizes revenue for these products primarily upon delivery of products because the customer obtains control over the products upon delivery, and the performance obligation is deemed to be satisfied. However, applying the alternative treatment prescribed in Paragraph 98 of the "Implementation Guidance on Revenue Recognition Accounting Standard," the Group recognizes revenue from domestic sale of products at the time of shipment where control over the product is temporarily transferred to the courier company, because the period between shipment and delivery is within a normal period.

The Group offers a point program for its membership customers. Points awarded to customers for product purchase are identified as performance obligations, and the amount of contract liabilities is calculated by allocating the transaction price based on the stand-alone selling price calculated in consideration of the expected future expiration of the points and other factors. Contract liabilities are reversed upon recognition of revenue when the points are used or expired.

The consideration from contracts with customers is usually received within one year from the time the performance obligation is satisfied, and does not include a significant financial component.

- (6) Accounting policy for translating significant foreign currency assets and liabilities into Japanese yen
 Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the balance sheet date, and translation adjustments are accounted for as profit or loss. Assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the spot exchange rate at the balance sheet date, whereas their revenue and expenses are translated into Japanese yen at average exchange rates. Translation adjustments are included in “foreign currency translation adjustment” under net assets.
- (7) Accounting policy for hedging
- (i) Method of hedge accounting
 The deferral hedge accounting is applied based on the accounting standard for foreign currency transactions.
- (ii) Hedging instruments and hedged items
 Hedging instruments: Foreign exchange forward contracts
 Hedged items: Trade payables denominated in foreign currencies
- (iii) Hedging policy
 Forward exchange contracts are used only to hedge foreign currency fluctuation risk related to the relevant trade payables.
- (iv) Methods to assess hedge effectiveness
 The Group assesses the hedge effectiveness every half year based on internal rules covering derivative transactions.
- (8) Accounting policy for goodwill
 Goodwill is amortized over a period of 10 years on a straight-line basis.
- (9) Scope of cash and cash equivalents in consolidated statement of cash flows
 Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, bank deposits payable on demand, and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and subject to insignificant risk of changes in value.

Significant accounting estimates

Valuation of property, plant and equipment, and intangible assets

- (1) Amounts recognized in consolidated financial statements

(Millions of yen)

| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
|---|--|---|
| Property, plant and equipment | 649,479 | 736,897 |
| Intangible assets (excluding goodwill) | 13,386 | 14,101 |
| Goodwill | 19,619 | 17,060 |
| Impairment losses | 4,769 | 10,230 |

The above property, plant and equipment include assets of subsidiaries belonging to the mainland China business, amounting to ¥11,756 million for the year ended March 31, 2023 and ¥12,622 million for the year ended March 31, 2024. Goodwill arose from the acquisition of SHIMACHU CO., LTD. to make it a consolidated subsidiary.

In addition, as described in “Notes to Consolidated Financial Statements, *Consolidated statements of income* *5 Impairment losses,” an impairment loss of ¥3,920 million was recorded for real estate for rent and others in the previous fiscal year, and an impairment loss of ¥9,419 million was recorded for land and buildings, etc. for store use of the SHIMACHU Business in the current fiscal year.

- (2) Information on details of significant accounting estimates of identified items

The Group groups property, plant and equipment, and intangible assets by business type, and identifies an indication of impairment when operating profit from an asset group has been negative for two consecutive fiscal years or when other events indicate that the asset group may be impaired. When the Group identifies an indication of impairment and if the aggregate amount of undiscounted future cash flows from the asset group is less than the carrying amount, the Group reduces the carrying amount to its recoverable amount and recognizes such reduction as an impairment loss. The Group estimates undiscounted future cash flows based on its business plan, taking account of future

uncertainties.

The Group determined that there was an indication of impairment for assets of subsidiaries belonging to the mainland China business as the profitability of their stores in China lowered mainly due to the effects of the sluggish real estate market, and tested the assets for impairment. As a result of testing, it was determined that the value in use exceeded the carrying amount, and therefore, the Group recorded no impairment losses. The business plan for the mainland China business incorporates future growth in number of stores and sales per store as key assumptions. Concerning such estimates, the development and operation of stores in the mainland China business are new relative to the domestic business, and if any of the estimates needs to be revised due to changes in future economic conditions that are uncertain in nature, impairment losses may be recognized in the consolidated financial statements for the years ending on or after March 31, 2025.

As for the asset group including goodwill of SHIMACHU CO., LTD., the Group determined that there was an indication of impairment due to a discrepancy between the business plan at the time of acquisition and the subsequent results, and assessed whether impairment losses should be recognized. As a result of the assessment, the Group recorded no impairment loss because the total amount of undiscounted future cash flows exceeded the carrying amount. If any of the estimates needs to be revised due to deterioration in sales per store as a result of factors including changes in future economic conditions that are uncertain in nature, impairment losses may be recognized in the consolidated financial statements for the year ending on March 31, 2025.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Group has applied the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021; hereinafter the “Fair Value Measurement Guidance”) from the beginning of the year ended March 31, 2024, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The above, however, does not affect the consolidated financial statements.

Accounting standards issued but not yet effective

“Accounting Standard for Current Income Taxes” and other standards

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)

“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)

“Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These stipulate the classification of income taxes when applied to other comprehensive income and the treatment of tax effects related to the sale of shares in subsidiaries, etc. when the group tax sharing system is applied.

(2) Scheduled date of application

The accounting standards and implementation guidance are scheduled to be applied from the beginning of the year ending March 31, 2025.

(3) Impact of applying the accounting standards, etc.

The impact of applying the “Accounting Standard for Current Income Taxes” and other standards on the consolidated financial statements is currently under evaluation.

Changes in presentation

Consolidated statements of cash flows

“Increase (decrease) in accounts payable – other,” which was included in “other, net” under “cash flows from operating activities” for the year ended March 31, 2023, has been separately presented from the year ended March 31, 2024 due to its increased importance in terms of amount. To reflect this change in presentation, the consolidated financial statements for the year ended March 31, 2023 have been reclassified. As a result, ¥(628) million included in “other, net” in “cash flows from operating activities” in the consolidated statement of cash flows for the year ended March 31, 2023 has been reclassified as “increase (decrease) in accounts payable - other” of ¥(4,864) million and “other, net” of ¥4,235 million.

Consolidated balance sheets

*1 The amount of notes and accounts receivable - trade arising from contracts with customers is presented in “Notes to Consolidated Financial Statements, *Revenue recognition* 3. (1) Balance of receivables and contract liabilities arising from contracts with customers, etc.”

*2 Assets pledged as collateral are as follows:

| | (Millions of yen) | |
|--------------------------|--|---|
| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
| Buildings and structures | 3,388 | 3,163 |
| Guarantee deposits | 39 | 38 |
| Total | 3,428 | 3,202 |

Liabilities corresponding to the above assets pledged as collateral are as follows:

| | (Millions of yen) | |
|------------------------------------|--|---|
| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
| Notes and accounts payable - trade | 41 | 40 |
| Other (current liabilities) | 102 | 99 |
| Other (non-current liabilities) | 1,315 | 1,197 |
| 合計 | 1,459 | 1,337 |

*3 Investments in associates are as follows:

| | (Millions of yen) | |
|---|--|---|
| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
| Investment securities (equity securities) | 22,291 | 21,443 |

Consolidated statements of income

*1 Revenue from contracts with customers

Net sales presented are not disaggregated between revenues arising from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in “Notes to Consolidated Financial Statements, *Segment information, etc.* 3. Information about net sales, profit (loss), assets and other items by reportable segment.”

*2 The major components of selling, general and administrative expenses are as follows:

| | (Millions of yen) | |
|----------------------------------|---|--|
| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
| Customer delivery expenses | 37,935 | 31,873 |
| Advertising expenses | 20,328 | 21,381 |
| Salaries, allowances and bonuses | 89,969 | 89,395 |
| Provision for bonuses | 12,169 | 9,939 |
| Retirement benefit expenses | 2,203 | 1,815 |
| Rent expenses | 51,707 | 48,779 |
| Depreciation and amortization | 22,272 | 22,078 |
| Outsourcing expenses | 19,814 | 18,613 |

*3 Breakdown of gain on sale of non-current assets is as follows:

| | (Millions of yen) | |
|--|---|--|
| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
| Buildings and structures | 1 | 380 |
| Machinery, equipment and vehicles | 4 | 45 |
| Tools, furniture and fixtures | 9 | 15 |
| Land | – | 1,343 |
| Property, plant and equipment and others | 0 | – |
| Intangible assets and others | 0 | – |
| 合計 | 17 | 1,784 |

*4 Breakdown of loss on sale and retirement of non-current assets is as follows:

| | (Millions of yen) | |
|--|---|--|
| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
| Loss on retirement | | |
| Buildings and structures | 44 | 13 |
| Machinery, equipment and vehicles | 28 | 0 |
| Tools, furniture and fixtures | 2 | 5 |
| Property, plant and equipment and others | – | 2 |
| Intangible assets and others | 35 | – |
| Loss on sale | | |
| Buildings and structures | 0 | – |
| Machinery, equipment and vehicles | 0 | 4 |
| Land | 28 | – |
| Total | 139 | 25 |

*5 Impairment losses

Previous fiscal year (from February 21, 2022 to March 31, 2023)

| Region | Use | Class | Impairment loss (Millions of yen) |
|----------------|---------------------------------|---|--------------------------------------|
| Japan | Store | Buildings and structures, and others | 225 |
| | Real estate for rent and others | Buildings | 3,920 |
| | Other | Other | 13 |
| Mainland China | Store | Buildings and structures, and others | 285 |
| | | Right of use assets | 253 |
| U.S.A. | Store and headquarters | Right of use assets | 67 |
| | | Buildings and structures, and others | 3 |

The Group groups its assets by business type. Impairment losses were recognized for some of the Group's stores taking into account its decisions to close them or their decreased profitability.

For real estate for rent and others, following the decision to demolish and remove some of the buildings, the carrying amount was reduced to the recoverable amount, and such reduction was recorded as impairment losses under extraordinary losses. The calculation was made with the net selling price as zero due to the decision to demolish the buildings.

Current fiscal year (from April 1, 2023 to March 31, 2024)

(1) NITORI Business

| Region | Use | Class | Impairment loss (Millions of yen) |
|----------------|------------------------|---|--------------------------------------|
| Japan | Store | Buildings and structures, and others | 412 |
| | Other | Software and others | 7 |
| Mainland China | Store | Buildings and structures, and others | 391 |
| U.S.A. | Store and headquarters | Right of use assets | 0 |

(2) SHIMACHU Business

| Region | Use | Class | Impairment loss (Millions of yen) |
|--------|-------|-----------------------------------|--------------------------------------|
| Japan | Store | Land and buildings, and others | 9,419 |

The Group groups its assets by business type. Impairment losses were recognized for some of the Group's stores taking into account its decisions to close them or their decreased profitability. The recoverable amount is measured at the higher of the value in use or the net selling price. Net selling price is calculated by deducting the estimated cost of disposal from the fair value of the asset group. The value in use is calculated by discounting the estimated future cash flows to the present value. Regarding the discount rate used in such calculation, certain consolidated subsidiaries obtained advice from corporate valuation experts, as necessary, on the logic of the calculation.

Consolidated statements of comprehensive income

* Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Valuation difference on available-for-sale securities | | |
| Amounts arising during period | 779 | 4,241 |
| Reclassification adjustments | — | (0) |
| Amount before income tax effect | 779 | 4,240 |
| Income tax effect | (237) | (1,298) |
| Valuation difference on available-for-sale securities | 542 | 2,941 |
| Deferred gains or losses on hedges | | |
| Amounts arising during period | (2,637) | 2,637 |
| Amount before income tax effect | (2,637) | 2,637 |
| Income tax effect | 807 | (807) |
| Deferred gains or losses on hedges | (1,829) | 1,829 |
| Foreign currency translation adjustment | | |
| Amounts arising during period | 5,888 | 3,337 |
| Defined retirement benefit plans | | |
| Amounts arising during period | 128 | 520 |
| Reclassification adjustments | 37 | (89) |
| Amount before income tax effect | 166 | 430 |
| Income tax effect | (15) | (132) |
| Defined retirement benefit plans | 151 | 298 |
| Total other comprehensive income (loss) | 4,751 | 8,407 |

Consolidated statements of changes in net assets

Previous fiscal year (from February 21, 2022 to March 31, 2023)

1. Class and total number of issued shares and treasury shares

(Shares)

| | At beginning of period | Increase | Decrease | At end of period |
|-------------------------------------|------------------------|----------|----------|------------------|
| Issued shares | | | | |
| Common stock | 114,443,496 | – | – | 114,443,496 |
| Total | 114,443,496 | – | – | 114,443,496 |
| Treasury shares | | | | |
| Common stock (Notes 1, 2, and 3) | 1,521,865 | 300,164 | 390,268 | 1,431,761 |
| Total | 1,521,865 | 300,164 | 390,268 | 1,431,761 |

- Notes:
- The increase of 300,164 treasury shares of common stock consists of an increase of 164 shares due to the purchase of shares less than one unit and an increase of 300,000 shares due to an additional contribution to the “Stock Benefit Trust (J-ESOP)” as resolved at the Board of Directors meeting on January 11, 2023.
 - The decrease of 390,268 treasury shares of common stock consists of a decrease of 90,268 shares due to the exercise of “Stock Benefit Trust (J-ESOP)” as resolved at the Board of Directors meeting on December 20, 2011, and a decrease of 300,000 shares due to an additional contribution to the “Stock Benefit Trust (J-ESOP)” as resolved at the Board of Directors meeting on January 11, 2023.
 - The number of treasury shares at the end of the period includes 387,454 shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”

2. Stock acquisition rights

Not applicable.

3. Dividends

(1) Dividends paid

| Resolution | Class of stock | Total amount of dividends (Millions of yen) | Amount of dividends per share (Yen) | Record date | Effective date |
|---|----------------|--|--|-------------------|------------------|
| Board of Directors meeting held on March 31, 2022 (Note 1) | Common stock | 7,916 | 70 | February 20, 2022 | April 28, 2022 |
| Board of Directors meeting held on September 30, 2022 (Note 2) | Common stock | 8,256 | 73 | August 20, 2022 | October 18, 2022 |

- Notes:
- The total amount of dividends with a record date of February 20, 2022 includes dividends of ¥12 million on the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”
 - The total amount of dividends with a record date of August 20, 2022 includes dividends of ¥6 million on the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”

(2) Dividends with a record date in the previous fiscal year but an effective date in the following fiscal year

| Resolution | Class of stock | Total amount of dividends (Millions of yen) | Source of dividends | Amount of dividends per share (Yen) | Record date | Effective date |
|--|----------------|--|---------------------|--|----------------|----------------|
| Board of Directors meeting held on May 9, 2023 | Common stock | 8,278 | Retained earnings | 73 | March 31, 2023 | June 5, 2023 |

- Note: The total amount of dividends includes dividends of ¥28 million on the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”

Current fiscal year (from April 1, 2023 to March 31, 2024)

1. Class and total number of issued shares and treasury shares

(Shares)

| | At beginning of period | Increase | Decrease | At end of period |
|-------------------------------------|------------------------|----------|----------|------------------|
| Issued shares | | | | |
| Common stock | 114,443,496 | – | – | 114,443,496 |
| Total | 114,443,496 | – | – | 114,443,496 |
| Treasury shares | | | | |
| Common stock (Notes 1, 2, and 3) | 1,431,761 | 137 | 260 | 1,431,638 |
| Total | 1,431,761 | 137 | 260 | 1,431,638 |

- Notes:
1. The increase of 137 treasury shares of common stock is due to the purchase of shares less than one unit.
 2. The decrease of 260 treasury shares of common stock is due the disposal of treasury shares in accordance with the performance-based stock compensation system for Directors of the Company as resolved at the Board of Directors meeting on May 10, 2023.
 3. The number of treasury shares at the end of the period includes 387,454 shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”

2. Stock acquisition rights

Not applicable.

3. Dividends

(1) Dividends paid

| Resolution | Class of stock | Total amount of dividends (Millions of yen) | Amount of dividends per share (Yen) | Record date | Effective date |
|--|----------------|--|--|--------------------|------------------|
| Board of Directors meeting held on May 9, 2023 (Note 1) | Common stock | 8,278 | 73 | March 31, 2023 | June 5, 2023 |
| Board of Directors meeting held on November 10, 2023 (Note 2) | Common stock | 8,504 | 75 | September 30, 2023 | December 5, 2023 |

- Notes:
1. The total amount of dividends includes dividends of ¥28 million on the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”
 2. The total amount of dividends includes dividends of ¥29 million on the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

| Resolution | Class of stock | Total amount of dividends (Millions of yen) | Source of dividends | Amount of dividends per share (Yen) | Record date | Effective date |
|---|----------------|--|---------------------|--|----------------|----------------|
| Board of Directors meeting held on May 14, 2024 | Common stock | 8,164 | Retained earnings | 72 | March 31, 2024 | June 4, 2024 |

- Note: The total amount of dividends includes dividends of ¥27 million on the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which was set up upon the introduction of the “Stock Benefit Trust (J-ESOP).”

Consolidated statements of cash flows

*1 Reconciliation of ending balance of cash and cash equivalents with account balances on the consolidated balance sheets

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Cash and deposits | 131,928 | 137,943 |
| Time deposits with maturity over 3 months | (6,812) | (20,630) |
| Cash and cash equivalents | 125,115 | 117,313 |

Leases

As lessee

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

(i) The components of leased assets

Mainly store buildings.

(ii) Depreciation method of leased assets

The details are as stated in *Significant accounting policies for preparation of consolidated financial statements* “4. Disclosure of accounting policies (2) Accounting policy for depreciation/amortization of significant assets.”

Finance lease transactions that do not transfer ownership to the lessee commencing on or before February 20, 2009 are accounted for in a manner similar to the accounting treatment for ordinary rental transactions. The information on these lease transactions is omitted because it is insignificant.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

(Millions of yen)

| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
|-------------------|--|---|
| Due within 1 year | 7,074 | 6,658 |
| Due after 1 year | 71,642 | 64,019 |
| Total | 78,716 | 70,677 |

As lessor

Operating lease transactions

Future minimum lease payments to be received under non-cancelable operating leases

(Millions of yen)

| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
|-------------------|--|---|
| Due within 1 year | 1,508 | 1,391 |
| Due after 1 year | 5,752 | 3,812 |
| Total | 7,260 | 5,204 |

Financial instruments

1. Status of financial instruments

(1) Policies on financial instruments

The Group raises necessary funds based on capital investment plans and cash flow plans, mainly through borrowings from financial institutions. The Group utilizes derivative financial instruments only to manage risks described below and does not enter into such transactions for speculative trading purposes.

(2) Types of financial instruments, related risks, and risk management

Trade receivables, such as notes and accounts receivable - trade are exposed to customer credit risk, but the collection period is short, and the historical bad debt ratio is low. The Group manages the credit risk by monitoring due dates and outstanding balances for each customer and makes efforts to promptly collect receivables from customers with poor credit standing.

Securities and investment securities with market values are exposed to market risk, and those without market values are exposed to impairment risk due to the relevant companies' operating results. The Group periodically monitors the fair values of such financial instruments.

Guarantee deposits and leasehold deposits, which are mostly related to leases on stores, are exposed to the credit risk of lessors. The Group manages the credit risk by monitoring due dates and outstanding balances for each lessor and makes efforts to identify and mitigate concerns about collecting deposits from lessors in financial difficulties at an early stage.

Most of notes and accounts payable – trade, which are trade payables, are due within three months.

Short-term borrowings, long-term borrowing and lease obligations are mainly intended to raise required funding for capital investments as well as loans and investments.

Derivative transactions are foreign exchange forward contracts entered into by the Group to hedge foreign currency risk related to payables denominated in foreign currencies. The Group believes that the risk of counterparty default or credit risk under derivative transactions is fairly low because counterparties of derivative transactions are limited to financial institutions with high credit ratings. The finance department executes and manages derivative transactions upon approval by person(s) with authority in accordance with internal rules stipulating the authority for each transaction.

(3) Supplementary explanation on fair value of financial instruments

The fair values of financial instruments are based on their quoted market prices. When no quoted market price is available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

2. Fair value of financial instruments

The consolidated balance sheet amount (carrying amount on the consolidated balance sheet) and fair value of financial instruments and their differences are as follows:

Previous fiscal year (as of March 31 2023)

The consolidated balance sheet amount and fair value of financial instruments and their differences as of March 31, 2023 are as follows. Shares, etc. that do not have a market price are not included in the table below (see Note). Notes are omitted for cash. Notes are also omitted for deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, accounts payable - other, and income taxes payable as they are settled in a short period of time and their fair value approximates their carrying amount.

(Millions of yen)

| | Consolidated balance sheet amount | Fair value | Difference |
|--|-----------------------------------|------------|------------|
| (1) Investment securities | | | |
| Available-for-sale securities | 16,036 | 16,036 | – |
| Shares of associates | 22,291 | 68,891 | 46,599 |
| (2) Guarantee deposits | 16,893 | 16,677 | (216) |
| (3) Leasehold deposits | 30,313 | 29,089 | (1,224) |
| Total assets | 85,535 | 130,695 | 45,159 |
| (1) Long-term borrowings (including current portion of long-term borrowings) | 100,398 | 100,476 | 78 |
| (2) Lease obligations (including current portion of lease obligations) | 6,201 | 6,201 | – |
| Total liabilities | 106,599 | 106,678 | 78 |

(*) Shares of associates are those of listed associates accounted for by the equity method, and the difference is due to the change in market value of such shares.

(Note) Shares, etc. that do not have a market price are not included in “(1) Investment securities, Available-for-sale securities.” The consolidated balance sheet amounts of such financial instruments are as follows:

(Millions of yen)

| Classification | Previous fiscal year (As of March 31, 2023) |
|--|--|
| Unlisted shares | 330 |
| Investments in investment limited partnerships | 430 |

Investments in investment limited partnerships are not subject to fair value disclosure in accordance with Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021).

Current fiscal year (as of March 31 2024)

The consolidated balance sheet amount and fair value of financial instruments and their differences as of March 31, 2024 are as follows. Shares, etc. that do not have a market price are not included in the table below (see Note). Notes are omitted for cash. Notes are also omitted for deposits, notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, accounts payable - other, and income taxes payable as they are settled in a short period of time and their fair value approximates their carrying amount.

(Millions of yen)

| | Consolidated balance sheet amount | Fair value | Difference |
|--|-----------------------------------|------------|------------|
| (1) Investment securities | | | |
| Available-for-sale securities | 20,237 | 20,237 | – |
| Shares of associates | 21,443 | 53,398 | 31,954 |
| (2) Guarantee deposits | 16,646 | 16,022 | (624) |
| (3) Leasehold deposits | 30,982 | 29,232 | (1,749) |
| Total assets | 89,310 | 118,890 | 29,579 |
| (1) Long-term borrowings (including current portion of long-term borrowings) | 57,330 | 57,201 | (128) |
| (2) Lease obligations (including current portion of lease obligations) | 6,414 | 6,414 | – |
| Total liabilities | 63,744 | 63,615 | (128) |

(*) Shares of associates are those of listed associates accounted for by the equity method, and the difference is due to the change in market value of such shares.

(Note) Shares, etc. that do not have a market price are not included in “(1) Investment securities, Available-for-sale securities.” The consolidated balance sheet amounts of such financial instruments are as follows:

(Millions of yen)

| Classification | Current fiscal year (As of March 31, 2024) |
|--|---|
| Unlisted shares | 330 |
| Investments in investment limited partnerships | 427 |

Investments in investment limited partnerships are not subject to fair value disclosure in accordance with Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021).

3. Redemption schedule of monetary receivables after the balance sheet date

Previous fiscal year (as of March 31, 2023)

(Millions of yen)

| | Due within 1 year | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
|---------------------------------------|-------------------|----------------------------------|------------------------------------|--------------------|
| Cash and deposits | 131,928 | – | – | – |
| Notes and accounts receivable - trade | 57,408 | – | – | – |
| Total | 189,337 | – | – | – |

Guarantee deposits and leasehold deposits are not included in the redemption schedule because the redemption schedule is difficult to determine.

Current fiscal year (as of March 31, 2024)

| (Millions of yen) | | | | |
|---------------------------------------|-------------------|----------------------------------|------------------------------------|--------------------|
| | Due within 1 year | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| Cash and deposits | 137,943 | – | – | – |
| Notes and accounts receivable - trade | 79,247 | – | – | – |
| Total | 217,191 | – | – | – |

Guarantee deposits and leasehold deposits are not included in the redemption schedule because the redemption schedule is difficult to determine.

4. Repayment schedule of short-term borrowings, long-term borrowings and lease obligations after the balance sheets date

Previous fiscal year (as of March 31, 2023)

| (Millions of yen) | | | | | | |
|-----------------------|-------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | Due within 1 year | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
| Short-term borrowings | 40,000 | – | – | – | – | – |
| Long-term borrowings | 43,068 | 27,330 | 10,000 | 10,000 | 10,000 | – |
| Lease obligations | 1,602 | 1,550 | 1,068 | 917 | 577 | 484 |
| Total | 84,670 | 28,880 | 11,068 | 10,917 | 10,577 | 484 |

Current fiscal year (as of March 31, 2024)

| (Millions of yen) | | | | | | |
|-----------------------|-------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | Due within 1 year | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
| Short-term borrowings | 80,227 | – | – | – | – | – |
| Long-term borrowings | 27,330 | 10,000 | 10,000 | 10,000 | – | – |
| Lease obligations | 1,895 | 1,380 | 1,176 | 754 | 444 | 763 |
| Total | 109,452 | 11,380 | 11,176 | 10,754 | 444 | 763 |

5. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

Previous fiscal year (as of March 31, 2023)

| | Fair value (Millions of yen) | | | |
|-------------------------------|------------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Available-for-sale securities | 16,036 | – | – | 16,036 |
| Total assets | 16,036 | – | – | 16,036 |

Current fiscal year (as of March 31, 2024)

| | Fair value (Millions of yen) | | | |
|-------------------------------|------------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Available-for-sale securities | 20,237 | – | – | 20,237 |
| Total assets | 20,237 | – | – | 20,237 |

(2) Financial instruments other than those measured at fair value

Previous fiscal year (as of March 31, 2023)

| | Fair value (Millions of yen) | | | |
|--|------------------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Shares of associates | 68,891 | – | – | 68,891 |
| Guarantee deposits | – | 16,677 | – | 16,677 |
| Leasehold deposits | – | 29,089 | – | 29,089 |
| Total assets | 68,891 | 45,766 | – | 114,658 |
| Long-term borrowings (including current portion of long-term borrowings) | – | 100,476 | – | 100,476 |
| Lease obligations (including current portion of lease obligations) | – | 6,201 | – | 6,201 |
| Total liabilities | – | 106,678 | – | 106,678 |

Current fiscal year (as of March 31, 2024)

| | Fair value (Millions of yen) | | | |
|--|------------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Shares of associates | 53,398 | – | – | 53,398 |
| Guarantee deposits | – | 16,022 | – | 16,022 |
| Leasehold deposits | – | 29,232 | – | 29,232 |
| Total assets | 53,398 | 45,254 | – | 98,653 |
| Long-term borrowings (including current portion of long-term borrowings) | – | 57,201 | – | 57,201 |
| Lease obligations (including current portion of lease obligations) | – | 6,414 | – | 6,414 |
| Total liabilities | – | 63,615 | – | 63,615 |

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

Listed shares are measured using prices on the stock exchange. Since listed shares are traded in active markets, their fair value is classified as Level 1.

Guarantee deposits

The fair value of guarantee deposits is based on the present value of the future cash flows, which are adjusted for credit risk by maturity and discounted at a rate determined by reference to an appropriate index, such as a government bond yield. The fair value is classified as Level 2.

Leasehold deposits

The fair value of leasehold deposits is based on the present value of the future cash flows, which are adjusted for credit risk by certain period of time and discounted at a rate determined by reference to an appropriate index, such as a government bond yield. The fair value is classified as Level 2.

Long-term borrowings

The fair value of long-term borrowings is based on the present value of the total of principal and interest discounted by the interest rate that would be applied to similar new borrowings. The fair value is classified as Level 2.

Lease obligations

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate that would be applied to similar new leases. The fair value is classified as Level 2.

Securities

1. Available-for-sale securities

Previous fiscal year (as of March 31, 2023)

(Millions of yen)

| | Type | Consolidated balance sheet amount | Acquisition cost | Difference |
|---|-------------------|-----------------------------------|------------------|------------|
| Securities whose consolidated balance sheet amount exceeds the acquisition cost | Equity securities | 14,889 | 12,559 | 2,330 |
| Securities whose consolidated balance sheet amount does not exceed the acquisition cost | Equity securities | 1,147 | 1,680 | (533) |
| Total | | 16,036 | 14,239 | 1,797 |

- Notes
1. “Available-for-sale securities” in the above table do not include unlisted shares (consolidated balance sheet amount of ¥330 million) because they do not have market prices.
 2. “Available-for-sale securities” in the above table do not include investments in investment limited partnerships (consolidated balance sheet amount of ¥430 million) because they do not have market prices.

Current fiscal year (as of March 31, 2024)

(Millions of yen)

| | Type | Consolidated balance sheet amount | Acquisition cost | Difference |
|---|-------------------|-----------------------------------|------------------|------------|
| Securities whose consolidated balance sheet amount exceeds the acquisition cost | Equity securities | 20,237 | 14,237 | 6,000 |
| Securities whose consolidated balance sheet amount does not exceed the acquisition cost | Equity securities | — | — | — |
| Total | | 20,237 | 14,237 | 6,000 |

- Notes:
1. “Available-for-sale securities” in the above table do not include unlisted shares (consolidated balance sheet amount of ¥330 million) because they do not have market prices.
 2. “Available-for-sale securities” in the above table do not include investments in investment limited partnerships (consolidated balance sheet amount of ¥427 million) because they do not have market prices.

2. Available-for-sale securities sold

Previous fiscal year (from February 21, 2022 to March 31, 2023)

This information is omitted due to its immateriality.

Current fiscal year (from April 1, 2023 to March 31, 2024)

This information is omitted due to its immateriality.

3. Securities for which impairment losses were recognized

No impairment loss was recognized in the year ended March 31, 2023.

No impairment loss was recognized in the year ended March 31, 2024.

In the treatment for impairment loss, impairment loss is recognized in principle when the fair market value at the fiscal year-end decreased by 50% or more compared with the acquisition cost, and impairment loss is recognized to the extent of the amount considered necessary in light of materiality of the amount, recoverability and other factors when the fair market value at the fiscal year-end decreased by approximately 30% to 50%.

Retirement benefits

1. Overview of retirement benefit plans

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans, lump-sum payment plans, and a defined contribution pension plan as retirement benefit plans. The Company and certain consolidated subsidiaries may provide to employees upon retirement extra retirement payments, which are not included in the projected benefit obligations based on actuarial calculation pursuant to the retirement benefit accounting.

The Company established a retirement benefit trust for the lump-sum payment plan in August 2019.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of projected benefit obligations

| | (Millions of yen) | |
|--|---|--|
| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
| Projected benefit obligations at beginning of period | 13,375 | 13,566 |
| Service cost | 1,667 | 1,361 |
| Interest cost | 51 | 86 |
| Actuarial gains and losses incurred | (381) | (180) |
| Retirement benefits paid | (988) | (918) |
| Other | (158) | (0) |
| Projected benefit obligations at end of period | 13,566 | 13,914 |

Note: The table above includes amounts under plans to which the simplified method is applied.

(2) Reconciliation of beginning and ending balances of plan assets

| | (Millions of yen) | |
|-------------------------------------|---|--|
| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
| Plan assets at beginning of period | 7,955 | 8,064 |
| Expected return on plan assets | 172 | 161 |
| Actuarial gains and losses incurred | (252) | 340 |
| Contributions from employer | 526 | 437 |
| Retirement benefits paid | (337) | (281) |
| Plan assets at end of period | 8,064 | 8,722 |

(3) Reconciliation of ending balances of projected benefit obligations and plan assets, net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

| | (Millions of yen) | |
|--|--|---|
| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
| Funded projected benefit obligations | 9,535 | 9,711 |
| Plan assets | (8,064) | (8,722) |
| | 1,470 | 989 |
| Unfunded projected benefit obligations | 4,031 | 4,202 |
| Net amount of liability and asset recorded in consolidated balance sheet | 5,501 | 5,192 |
| Retirement benefit liability | 5,886 | 5,558 |
| Net defined benefit asset | (384) | (366) |
| Net amount of liability and asset recorded in consolidated balance sheet | 5,501 | 5,192 |

Note: The table above includes amounts under plans to which the simplified method is applied.

(4) Components of retirement benefit expenses

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Service cost | 1,667 | 1,361 |
| Interest cost | 51 | 86 |
| Expected return on plan assets | (172) | (161) |
| Amortization of actuarial gains and losses | 37 | (89) |
| Retirement benefit expenses for defined benefit plans | 1,584 | 1,196 |

Note: The table above includes amounts under plans to which the simplified method is applied.

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

Components of items (before tax effect) recorded in remeasurements of defined benefit plans, net of tax are as follows:

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|----------------------------|---|--|
| Actuarial gains and losses | 166 | 430 |
| Total | 166 | 430 |

(6) Remeasurements of defined benefit plans

Components of items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

(Millions of yen)

| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
|---|--|---|
| Unrecognized actuarial gains and losses | (52) | 378 |
| Total | (52) | 378 |

(7) Plan assets

(i) Major components of plan assets

Plan assets by major category as a percentage of total plan assets are as follows:

| | Previous fiscal year (As of March 31, 2023) | Current fiscal year (As of March 31, 2024) |
|-----------------|--|---|
| General account | 32% | 31% |
| Bonds | 20 | 21 |
| Stocks | 43 | 43 |
| Other | 5 | 5 |
| Total | 100 | 100 |

Note: Total plan assets as of March 31, 2023 and March 31, 2024 include a retirement benefit trust established for a lump-sum payment plan of 26% and 25%, respectively.

(ii) Determination procedure of expected long-term rate of return on plan assets

In determining the long-term expected rate of return on plan assets, the Company considers the current and projected asset allocations as well as the current and future expected long-term rates of return on various assets that constitute the plan assets.

(8) Actuarial assumptions

Major actuarial assumptions (presented in weighted average)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Discount rate | Primarily 0.8% | Primarily 1.1% |
| Expected long-term rate of return on plan assets | 2.0 | 2.0 |
| Expected rate of salary increase | Primarily 4.0 | Primarily 4.1 |

3. Defined contribution plan

The amounts of required contributions to the defined contribution plan for the years ended March 31, 2023 and March 31, 2024 was ¥618 million and ¥619 million, respectively.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

| | Previous fiscal year (As of March 31, 2023) | (Millions of yen) Current fiscal year (As of March 31, 2024) |
|---|--|--|
| Deferred tax assets: | | |
| Accrued enterprise tax and business office taxes | 1,977 | 1,753 |
| Accrued real estate acquisition tax | 266 | 585 |
| Provision for bonuses | 2,237 | 1,710 |
| Provision for point card certificates | 42 | 49 |
| Contract liabilities | 635 | 592 |
| Unrealized gain on sale of inventories | 352 | 378 |
| Deferred gains or losses on hedges | 807 | – |
| Tax loss carryforwards (Note) | 6,813 | 7,612 |
| Retirement benefit liability | 2,517 | 2,195 |
| Depreciation and amortization | 11,384 | 12,995 |
| Provision for retirement benefits for directors and other officers | 70 | 44 |
| Allowance for doubtful accounts | 2 | 1,475 |
| Impairment losses and penalty for the scrapping and building of outlets | 3,119 | 4,315 |
| Asset retirement obligations | 4,909 | 4,891 |
| Other | 12,206 | 12,265 |
| Subtotal of deferred tax assets | 47,344 | 50,865 |
| Valuation allowance for tax loss carryforwards (Note) | (6,813) | (7,436) |
| Valuation allowance for deductible temporary differences | (8,001) | (10,063) |
| Subtotal of valuation allowance | (14,815) | (17,499) |
| Total deferred tax assets | 32,529 | 33,365 |
| Deferred tax liabilities: | | |
| Valuation difference on available-for-sale securities | (495) | (1,689) |
| Construction assistance fund receivables | (1,130) | (1,164) |
| Asset retirement cost related to asset retirement obligations | (2,109) | (1,836) |
| Valuation difference on consolidated subsidiaries | (5,909) | (5,909) |
| Retained earnings of subsidiaries | (901) | (1,110) |
| Other | (217) | (141) |
| Total deferred tax liabilities | (10,764) | (11,852) |
| Net deferred tax assets | 21,765 | 21,513 |

(Note) Amounts of tax loss carryforwards and related deferred tax assets by carryforward period

Previous fiscal year (as of March 31, 2023)

| | (Millions of yen) | | | | | | |
|-------------------------|-------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------|---------|
| | Within 1 year | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 4 years | Over 4 years to 5 years | Over 5 years | Total |
| Tax loss carryforwards* | 522 | 311 | 421 | 159 | 392 | 5,005 | 6,813 |
| Valuation allowance | (522) | (311) | (421) | (159) | (392) | (5,005) | (6,813) |
| Deferred tax assets | – | – | – | – | – | – | – |

*Tax loss carryforwards were calculated by applying the effective statutory tax rate.

Current fiscal year (as of March 31, 2024)

(Millions of yen)

| | Within 1 year | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 4 years | Over 4 years to 5 years | Over 5 years | Total |
|-------------------------|---------------|------------------------|-------------------------|-------------------------|-------------------------|--------------|---------|
| Tax loss carryforwards* | 314 | 508 | 168 | 413 | 498 | 5,710 | 7,612 |
| Valuation allowance | (314) | (508) | (168) | (413) | (498) | (5,533) | (7,436) |
| Deferred tax assets | – | – | – | – | – | 176 | 176 |

*Tax loss carryforwards were calculated by applying the effective statutory tax rate.

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

Previous fiscal year (as of March 31, 2023)

The details are omitted as the difference between the normal effective statutory tax rate and the actual effective tax rate is 5% or less of the normal effective statutory tax rate.

Current fiscal year (as of March 31, 2024)

The details are omitted as the difference between the normal effective statutory tax rate and the actual effective tax rate is 5% or less of the normal effective statutory tax rate.

Asset retirement obligations

1. Asset retirement obligations recorded on the consolidated balance sheet

(1) Overview of the asset retirement obligations

The asset retirement obligations mainly represent restoration obligations under real estate leases and fixed-term land leases for stores and other uses.

(2) Calculation method of the asset retirement obligations

Asset retirement obligations are calculated using the expected period of use, which is mainly the real estate lease term or the fixed-term land lease term, and a discount rate of 0.0% to 1.8%.

(3) Changes in total asset retirement obligations

(Millions of yen)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Balance at beginning of period | 15,329 | 14,959 |
| Increase due to purchase of property, plant and equipment | 829 | 663 |
| Adjustments for passage of time | 90 | 80 |
| Decrease due to performance of asset retirement obligations | (311) | (295) |
| Decrease due to extinguishment of performance obligations | (945) | (408) |
| Other increase (decrease) | (33) | (78) |
| Balance at end of period | 14,959 | 14,920 |

2. Asset retirement obligations not recorded on the consolidated balance sheet

Under real estate leases other than real estate leases and fixed-term land leases for business purposes, the Group may be under obligations to restore some premises used as stores when vacating them. However, as the period of use of the leased assets and the possibility of incurring expenses are uncertain, and no relocation is scheduled at this time, asset retirement obligations cannot be reasonably estimated. Therefore, asset retirement obligations corresponding to such obligations have not been recorded.

Real estate for lease, etc.

The Company and certain consolidated subsidiaries own commercial facilities and other properties (including land) to earn rental income in major cities throughout Japan. Certain rental properties are not recognized as rental properties but as real estate including spaces used as rental properties since the Company and certain consolidated subsidiaries use some of the floor space of these properties.

Consolidated balance sheet amounts, net change during the period, and fair value of those properties are as follows:

(Millions of yen)

| | | | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|--|---|--------------------------------------|---|--|
| Rental properties | Consolidated balance sheet amount | Balance at beginning of period | 54,752 | 61,098 |
| | | Increase (decrease) during period | 6,346 | 9,340 |
| | | Balance at end of period | 61,098 | 70,438 |
| | Fair value at end of period | | 62,168 | 68,488 |
| Real estate including spaces used as rental properties | Consolidated balance sheet amount | Balance at beginning of period | 59,555 | 73,753 |
| | | Increase (decrease) during period | 14,197 | (13,802) |
| | | Balance at end of period | 73,753 | 59,951 |
| | Fair value at end of period | | 84,120 | 67,607 |

- Notes:
1. Consolidated balance sheet amount represents the acquisition cost less accumulated depreciation.
 2. The increase in rental properties during the year ended March 31, 2023 was mainly due to the acquisition of a property in Naka-ku, Nagoya, Aichi Prefecture of ¥4,287 million. The increase in rental properties during the year ended March 31, 2024 was mainly due to the acquisition of a property in Aoba-ku, Sendai, Miyagi Prefecture of ¥6,225 million and the acquisition of a property in Kikusui, Shiraishi-ku, Sapporo, Hokkaido of ¥4,177 million.
 3. The increase in real estate including spaces used as rental properties during the year ended March 31, 2023 was mainly due to the acquisition of a property in Sengawa, Chofu, Tokyo of ¥17,134 million. The decrease in real estate including spaces used as rental properties during the year ended March 31, 2024 was mainly due to the reclassification of the use of the property in Sengawa, Chofu, Tokyo of ¥(17,134) million to other use.
 4. Fair value at the end of period is measured based on certain appraisal values or other indicators reflecting the market value.

Rental income and rental expenses on rental properties and real estate including spaces used as rental properties are as follows:

(Millions of yen)

| | | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|-----------------|---|--|
| Rental properties: | Rental income | 2,922 | 3,175 |
| | Rental expenses | 1,850 | 1,684 |
| | Difference | 1,071 | 1,491 |
| Real estate including spaces used as rental properties: | Rental income | 11,138 | 10,080 |
| | Rental expenses | 5,458 | 4,982 |
| | Difference | 5,680 | 5,097 |

Note: Since real estate including spaces used as rental properties includes some of the floor space used by the Company and certain consolidated subsidiaries for the purposes of providing services and management, the related rental income is not recognized. Expenses related to the properties (depreciation, insurance, taxes, etc.) are included in rental expenses.

Revenue recognition

1. Information on disaggregated revenue from contracts with customers

Information on disaggregated revenue from contracts with customers is as stated in “Notes to Consolidated Financial Statements, *Segment information, etc.*”

2. Basic information in understanding revenue from contracts with customers

Basic information in understanding revenue is as stated in “Notes to Consolidated Financial Statements, *Significant accounting policies for preparation of consolidated financial statements, 4. Disclosure of accounting policies, (5) Accounting policies for significant revenues and expenses.*”

3. Reconciliation of satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the next fiscal year and thereafter arising from contracts with customers that existed at the end of the current fiscal year

(1) Balance of receivables and contract liabilities arising from contracts with customers, etc.

(Millions of yen)

| | Previous fiscal year | Current fiscal year |
|---|----------------------|---------------------|
| Receivables from contracts with customers (beginning balance) | | |
| Notes receivable | 5 | 9 |
| Accounts receivable | 39,200 | 57,399 |
| Receivables from contracts with customers (ending balance) | | |
| Notes receivable | 9 | 29 |
| Accounts receivable | 57,399 | 79,218 |
| Contract liabilities (beginning balance) | 24,211 | 23,774 |
| Contract liabilities (ending balance) | 23,774 | 29,091 |

Receivables arising from contracts with customers are included in “notes and accounts receivable - trade” on the consolidated balance sheet.

Contract liabilities mainly consist of advances received, and unearned revenue or the amount related to points granted to customers for product purchase, which is identified as a performance obligation. Such unearned revenue is calculated by allocating the transaction price based on the stand-alone selling price calculated in consideration of the expected future expiration of the points and other factors. Contract liabilities are reversed upon recognition of revenue when the performance obligation is satisfied. The revenue recognized in the years ended March 31, 2023 and March 31, 2024 that was included in the balance of contract liabilities as of the beginning of the fiscal year is ¥24,211 million and ¥23,774, respectively.

(2) Transaction price allocated to the remaining performance obligations

Information on transaction price allocated to the remaining performance obligations is omitted since the Group has no significant contracts with an original expected contractual duration that exceeds one year. In addition, consideration arising from contracts with customers does not have any significant amounts that are not included in the transaction price.

Segment information, etc.

Segment information

1. Overview of reportable segments

(1) Determination of reportable segments

Reportable segments of the Group are components for which discrete financial information is available and that the Board of Directors regularly reviews to make decisions about resources to be allocated and assess their operating results.

The Group consists of the two segments on the basis of its core operating companies, with the “NITORI Business” and the “SHIMACHU Business” as reportable segments.

(2) Types of products and services that belong to each reportable segment

The “NITORI Business” primarily engages in the development, manufacture and sale of furniture and interior merchandise.

The “SHIMACHU Business” primarily engages in the sale of furniture, home accessories and home center goods.

2. Basis of measurement of net sales, profit, assets and other items by reportable segment

The accounting policies of the reportable segments are generally consistent with the description in “*Significant accounting policies for preparation of consolidated financial statements.*” The reportable segments’ profit corresponds to the Group’s operating profit. Intersegment sales and transfers are recorded based on the prices used in transactions with third parties.

3. Information about net sales, profit, assets and other items by reportable segment

Previous fiscal year (from February 21, 2022 to March 31, 2023)

(Millions of yen)

| | Reportable segments | | | Reconciliations (Notes 1 and 3) | Consolidated balance sheet amount (Note 2) |
|--|---------------------|----------------------|-----------|------------------------------------|---|
| | NITORI Business | SHIMACHU Business | Total | | |
| Net sales: | | | | | |
| Store sales | 690,886 | 124,054 | 814,941 | – | 814,941 |
| Mail order sales | 92,192 | 991 | 93,183 | – | 93,183 |
| Other | 21,859 | 377 | 22,236 | – | 22,236 |
| Revenue from contracts with customers | 804,938 | 125,423 | 930,362 | – | 930,362 |
| Other revenue (Note 4) | 8,796 | 8,936 | 17,732 | – | 17,732 |
| Net sales to external customers | 813,734 | 134,360 | 948,094 | – | 948,094 |
| Intersegment sales or transfers | 8,047 | 304 | 8,352 | (8,352) | – |
| Total | 821,782 | 134,664 | 956,446 | (8,352) | 948,094 |
| Segment profit | 135,329 | 4,112 | 139,442 | 634 | 140,076 |
| Segment assets | 895,865 | 257,520 | 1,153,385 | (19,614) | 1,133,771 |
| Other items: | | | | | |
| Depreciation and amortization | 21,673 | 4,513 | 26,186 | – | 26,186 |
| Amortization of goodwill | – | 2,772 | 2,772 | – | 2,772 |
| Investments in entity accounted for using equity method | 22,291 | – | 22,291 | – | 22,291 |
| Increase in property, plant and equipment and intangible assets | 113,134 | 4,193 | 117,328 | – | 117,328 |

- Notes:
1. The reconciliations of segment profit of ¥634 million were intersegment eliminations.
 2. Segment profit was reconciled to operating profit in the consolidated statement of income.
 3. The reconciliations of segment assets of ¥(19,614) million were intersegment eliminations.
 4. Other revenue includes real estate rental income under the Accounting Standard for Lease Transactions.

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Reportable segments | | | Reconciliations (Notes 1 and 3) | Consolidated balance sheet amount (Note 2) |
|--|---------------------|----------------------|-----------|------------------------------------|---|
| | NITORI Business | SHIMACHU Business | Total | | |
| Net sales: | | | | | |
| Store sales | 657,446 | 109,514 | 766,960 | – | 766,960 |
| Mail order sales | 88,544 | 778 | 89,323 | – | 89,323 |
| Other | 22,210 | 261 | 22,471 | – | 22,471 |
| Revenue from contracts with customers | 768,201 | 110,554 | 878,756 | – | 878,756 |
| Other revenue (Note 4) | 8,634 | 8,409 | 17,043 | – | 17,043 |
| Net sales to external customers | 776,835 | 118,964 | 895,799 | – | 895,799 |
| Intersegment sales or transfers | 8,568 | 299 | 8,868 | (8,868) | – |
| Total | 785,404 | 119,263 | 904,668 | (8,868) | 895,799 |
| Segment profit | 125,075 | 2,108 | 127,184 | 541 | 127,725 |
| Segment assets | 1,002,045 | 250,763 | 1,252,808 | (14,128) | 1,238,679 |
| Other items: | | | | | |
| Depreciation and amortization | 22,723 | 4,387 | 27,111 | – | 27,111 |
| Amortization of goodwill | – | 2,559 | 2,559 | – | 2,559 |
| Investments in entity accounted for using equity method | 21,443 | – | 21,443 | – | 21,443 |
| Increase in property, plant and equipment and intangible assets | 119,402 | 12,743 | 132,146 | – | 132,146 |

- Notes: 1. The reconciliations of segment profit of ¥541 million were intersegment eliminations.
2. Segment profit was reconciled to operating profit in the consolidated statement of income.
3. The reconciliations of segment assets of ¥(14,128) million were intersegment eliminations.
4. Other revenue includes real estate rental income under the Accounting Standard for Lease Transactions.

Related information

Previous fiscal year (from February 21, 2022 to March 31, 2023)

1. Information for each product and service

(Millions of yen)

| | NITORI Business | SHIMACHU Business | Total |
|---------------------------------|-----------------|-------------------|---------|
| Net sales to external customers | 813,734 | 134,360 | 948,094 |

2. Information for each geographic area

(1) Net sales

This information is omitted because net sales to external customers in Japan constituted more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheet.

3. Information for each of major customers

This information is omitted because no single external customer accounts for 10% or more of net sales on the consolidated statement of income.

Current fiscal year (from April 1, 2023 to March 31, 2024)

1. Information for each product and service

(Millions of yen)

| | NITORI Business | SHIMACHU Business | Total |
|---------------------------------|-----------------|-------------------|---------|
| Net sales to external customers | 776,835 | 118,964 | 895,799 |

2. Information for each geographic area

(1) Net sales

This information is omitted because net sales to external customers in Japan constituted more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheet.

3. Information for each of major customers

This information is omitted because no single external customer accounts for 10% or more of net sales on the consolidated statement of income.

Disclosure of impairment loss on non-current assets for each reportable segment

Previous fiscal year (from February 21, 2022 to March 31, 2023)

(Millions of yen)

| | NITORI Business | SHIMACHU Business | Total |
|-------------------|-----------------|-------------------|-------|
| Impairment losses | 4,716 | 53 | 4,769 |

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

| | NITORI Business | SHIMACHU Business | Total |
|-------------------|-----------------|-------------------|--------|
| Impairment losses | 811 | 9,419 | 10,230 |

Amortization and unamortized balance of goodwill for each reportable segment

Previous fiscal year (from February 21, 2022 to March 31, 2023)

(Millions of yen)

| | NITORI Business | SHIMACHU Business | Total |
|--------------------------|-----------------|-------------------|--------|
| Amortization | – | 2,772 | 2,772 |
| Balance at end of period | – | 19,619 | 19,619 |

Current fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

| | NITORI Business | SHIMACHU Business | Total |
|--------------------------|-----------------|-------------------|--------|
| Amortization | – | 2,559 | 2,559 |
| Balance at end of period | – | 17,060 | 17,060 |

Information about gain on bargain purchase for each reportable segment

Not applicable.

Related parties

Related party transactions

Previous fiscal year (from February 21, 2022 to March 31, 2023)

(1) Transactions between the Company filing consolidated financial statements and related parties

Officers and major shareholders (limited to individuals) of the Company filing consolidated financial statements

| Category | Name of company or individual | Location | Capital or investment (million yen) | Description of business or occupation | Ratio of voting rights holding (held) (%) | Relationship with the related party | Details of transaction | Transaction amount (million yen) | Account | Balance at end of period (million yen) |
|---------------------------|-------------------------------|----------|-------------------------------------|--|---|-------------------------------------|----------------------------|----------------------------------|-----------------------------|--|
| Officer of subsidiary | Shigehito Matsukura | — | — | Representative director of subsidiary | (Held) Direct: 0.04 | — | Loan of funds (Note 1) | — | Short-term loans receivable | 109 |
| Close relative of officer | Mitsuko Nitōri | — | — | Mother of representative director, Akio Nitōri | (Held) Direct: 0.01 | Lease of building | Lease of building (Note 2) | 17 | Leasehold deposits | 28 |

- Notes: 1. The interest rate for the loan of funds was determined based on the market interest rate.
2. The terms and rent on the building lease transaction were determined based on similar transactions in a nearby area.

(2) Transactions between consolidated subsidiaries of the Company filing consolidated financial statements and related parties

Not applicable.

Current fiscal year (from April 1, 2023 to March 31, 2024)

(1) Transactions between the Company filing consolidated financial statements and related parties

Officers and major shareholders (limited to individuals) of the Company filing consolidated financial statements

| Category | Name of company or individual | Location | Capital or investment (million yen) | Description of business or occupation | Ratio of voting rights holding (held) (%) | Relationship with the related party | Details of transaction | Transaction amount (million yen) | Account | Balance at end of period (million yen) |
|---------------------------|-------------------------------|----------|-------------------------------------|--|---|-------------------------------------|---|----------------------------------|---------|--|
| Officer of subsidiary | Shigehito Matsukura | — | — | Representative director of subsidiary | (Held) Direct: 0.04 | — | Collection of loans receivable (Note 1) | 109 | — | — |
| | | | | | | | Receipt of interest (Note 1) | 3 | — | — |
| Close relative of officer | Mitsuko Nitōri | — | — | Mother of representative director, Akio Nitōri | (Held) Direct: 0.01 | Lease and purchase of buildings | Lease of buildings (Note 2) | 2 | — | — |
| | | | | | | | Purchase of buildings (Note 3) | 73 | — | — |
| | | | | | | | Refund of leasehold deposits | 28 | — | — |

- Notes: 1. The interest rate for the loan of funds was determined based on the market interest rate.
2. The terms and rent on the building lease transaction were determined based on similar transactions in a nearby area.
3. The purchase price of the buildings was determined based on the real estate appraisal report.

(2) Transactions between consolidated subsidiaries of the Company filing consolidated financial statements and related parties

Not applicable.

Per share information

| Previous fiscal year (From February 21, 2022 to March 31, 2023) | | Current fiscal year (From April 1, 2023 to March 31, 2024) | |
|---|-----------|--|-----------|
| Net assets per share | ¥7,239.04 | Net assets per share | ¥7,931.07 |
| Basic earnings per share | ¥841.90 | Basic earnings per share | ¥765.62 |

- Notes:
1. Diluted earnings per share is not disclosed because there were no potential shares.
 2. In the calculation of “net assets per share,” the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which are accounted for as treasury shares in the consolidated financial statements, are excluded from the total number of issued shares at the end of the period.
 3. Basis for calculation of basic earnings per share is as follows:

(Millions of yen unless otherwise stated)

| | Previous fiscal year (From February 21, 2022 to March 31, 2023) | Current fiscal year (From April 1, 2023 to March 31, 2024) |
|---|---|--|
| Profit attributable to owners of parent | 95,129 | 86,523 |
| Profit not attributable to common shareholders | — | — |
| Profit attributable to common shareholders of parent | 95,129 | 86,523 |
| Average number of shares outstanding during the period (Thousand shares) | 112,994 | 113,011 |

Note: The Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E), which are accounted for as treasury shares in the consolidated financial statements, are excluded from the average number of shares outstanding during the period.

Significant subsequent events

Not applicable.

(v) Annexed consolidated detailed schedules*Annexed consolidated detailed schedule of corporate bonds*

Not applicable

Annexed consolidated detailed schedule of borrowings

| Category | Balance as of April 1, 2023 (million yen) | Balance as of March 31, 2024 (million yen) | Average interest rate (%) | Repayment due |
|--|---|--|---------------------------|---------------|
| Short-term borrowings | 40,000 | 80,227 | 0.2 | – |
| Current portion of long-term borrowings | 43,068 | 27,330 | 0.2 | – |
| Current portion of lease obligations | 1,602 | 1,895 | – | – |
| Long-term borrowings (excluding current portion) | 57,330 | 30,000 | 0.4 | 2025 to 2028 |
| Lease obligations (excluding current portion) | 4,598 | 4,519 | – | 2025 to 2032 |
| Total | 146,599 | 143,971 | – | – |

- Notes:
1. The average interest rate represents a weighted-average interest rate applicable to the ending balances of borrowings.
 2. The average interest rate applicable to lease obligations is not disclosed because lease obligations are recorded in the consolidated balance sheet at the amount before deducting the interest equivalent component included in the total lease payment.
 3. The repayment schedule of long-term borrowings and lease obligations (excluding current portion) within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

| | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 4 years | Over 4 years to 5 years |
|----------------------|------------------------|-------------------------|-------------------------|-------------------------|
| Long-term borrowings | 10,000 | 10,000 | 10,000 | – |
| Lease obligations | 1,380 | 1,176 | 754 | 444 |

Annexed consolidated schedule of asset retirement obligations

A schedule of asset retirement obligations is omitted since matters to be stated in the schedule are stated as notes prescribed in Article 15-23 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other information

Quarterly results for the year ended March 31, 2024

(Millions of yen unless otherwise stated)

| | First three months | First six months | First nine months | Current fiscal year |
|---|--------------------|------------------|-------------------|---------------------|
| Net sales | 218,504 | 416,814 | 663,746 | 895,799 |
| Profit before income taxes | 33,180 | 56,594 | 100,773 | 123,904 |
| Profit attributable to owners of parent | 22,913 | 38,043 | 68,535 | 86,523 |
| Basic earnings per share (yen) | 202.76 | 336.63 | 606.45 | 765.62 |

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--------------------------------|---------------|----------------|---------------|----------------|
| Basic earnings per share (yen) | 202.76 | 133.87 | 269.82 | 159.17 |