Chapter 5. Financial Information

1. Consolidated Financial Statements and Method of Preparation of Financial Statements

(1) The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) pursuant to Article 312 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976; hereinafter, the “Regulation on Consolidated Financial Statements”).

(2) The non-financial statements of the Company are prepared based on the Regulation on Terminology, Forms and Preparation Methods of Financial Statements, etc. (Ministry of Finance Ordinance No. 59 of 1963; hereinafter, the “Regulation on Financial Statements, etc.”).

In addition, the Company is a special company submitting financial statements and prepares its financial statements pursuant to Article 127 of the Regulation on Financial Statements, etc.

2. Audit Certificate

The Company has undergone an audit by Deloitte Touche Tohmatsu LLC for its consolidated and non-consolidated financial statements for the fiscal year (from April 1, 2025 to March 31, 2026), based on the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc. and Development of a System That Enables Proper Preparation of Consolidated Financial Statements, etc. in Accordance with IFRS Accounting Standards

The Company undertakes special efforts to ensure the appropriateness of its consolidated financial statements, etc. and has developed a system that enables the proper preparation of consolidated financial statements, etc. in accordance with IFRS Accounting Standards. The details are as follows.

(1) In order to establish a system capable of appropriately understanding accounting standards and accurately responding to changes in accounting standards, the Company assigns employees with sufficient knowledge of IFRS Accounting Standards, obtains information on accounting standards by joining the Financial Accounting Standards Foundation, and participates in training sessions hosted by audit firms and other organizations.

(2) With respect to the application of IFRS Accounting Standards, the Company obtains press releases and standards issued by the International Accounting Standards Board as needed and keeps abreast of the latest standards. In addition, to prepare appropriate consolidated financial statements in accordance with IFRS Accounting Standards, the Company has established Group accounting policies and accounting guidelines that comply with IFRS Accounting Standards and performs accounting treatment based on them.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

① [Consolidated Statement of Financial Position]

(Millions of yen)

	Notes	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Assets			
Current assets			
Cash and cash equivalents	6	136,001	145,010
Trade and other receivables	7	80,515	80,667
Other financial assets	8 ,34,35	25,515	38,644
Inventories	9	112,750	122,167
Income taxes receivable		19	0
Other current assets	10	9,888	11,408
Total current assets		364,690	397,898
Non-current assets			
Property, plant and equipment	11,13,16	905,121	909,005
Intangible assets	12	9,324	9,983
Investment property	14	96,051	95,342
Investments accounted for using equity method	15	24,772	27,263
Other financial assets	8 ,34,35	79,151	81,256
Deferred tax assets	17	48,870	48,143
Retirement benefit asset	21	15	—
Other non-current assets	10	1,423	2,390
Total non-current assets		1,164,730	1,173,386
Total assets		1,529,421	1,571,284

(Millions of yen)

	Notes	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18	75,459	69,837
Borrowings	19	173,138	150,000
Other financial liabilities	20,34,35	36,218	34,102
Income taxes payable		19,954	18,993
Contract liabilities	26	30,506	29,416
Provisions	22	720	1,006
Other current liabilities	23	17,666	20,140
Total current liabilities		353,664	323,497
Non-current liabilities			
Borrowings	19	20,000	10,000
Other financial liabilities	20,34,35	220,476	220,692
Deferred tax liabilities	17	86	110
Retirement benefit liability	21	6,421	6,190
Provisions	22	22,172	21,274
Other non-current liabilities	23	862	947
Total non-current liabilities		270,019	259,216
Total liabilities		623,684	582,713
Equity			
Share capital	24	13,370	13,370
Capital surplus	24	30,715	30,715
Treasury shares	24	△10,118	△10,120
Retained earnings	24	861,634	933,889
Other components of equity		10,127	20,703
Total equity attributable to owners of parent		905,729	988,559
Non-controlling interests		6	11
Total equity		905,736	988,570
Total liabilities and equity		1,529,421	1,571,284

② [Consolidated Statement of Profit or Loss]

(Millions of yen)

	Notes	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Revenue	5,13, 26	928,828	912,248
Cost of sales	27	454,904	426,834
Gross profit		473,923	485,413
Selling, general and administrative expenses	27	348,576	363,747
Other income	28	4,051	4,906
Other expenses	16,28	14,998	5,304
Share of profit of investments accounted for using equity method	15	3,265	4,258
Operating profit		117,665	125,526
Finance income	29	3,019	5,975
Finance costs	29	3,236	4,144
Profit before tax		117,448	127,357
Income tax expense	17	34,899	38,083
Profit		82,548	89,274
Profit attributable to:			
Owners of parent		82,546	89,270
Non-controlling interests		2	4
Profit		82,548	89,274
Earnings per share			
Basic earnings per share (yen)	31	146.08	157.98
Diluted earnings per share (yen)	31	146.08	157.98

③ [Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Notes	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Profit		82,548	89,274
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	30	2,252	3,244
Remeasurements of defined benefit plans	30	229	275
Total items that will not be reclassified to profit or loss		2,482	3,520
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	30	△2,098	6,128
Cash flow hedges	30	△999	4,994
Total items that may be reclassified to profit or loss		△3,097	11,123
Total other comprehensive income		△614	14,644
Comprehensive income		81,933	103,918
Comprehensive income attributable to:			
Owners of parent		81,930	103,913
Non-controlling interests		2	4
Comprehensive income		81,933	103,918

Note: The items in the above statement are presented net of tax.

Income taxes relating to each component of other comprehensive income are disclosed in Note "30. Other Comprehensive Income."

④ [Consolidated Statement of Changes in Equity]

(Millions of yen)

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations
		Equity attributable to owners of parent						
						Other components of equity		
Balance as of April 1, 2024		13,370	30,715	△10,113	795,584	―	4,778	6,364
Profit		―	―	―	82,546	―	―	―
Other comprehensive income	30	―	―	―	―	229	2,252	△2,098
Comprehensive income		―	―	―	82,546	229	2,252	△2,098
Purchase of treasury shares	24	―	―	△5	―	―	―	―
Disposal of treasury shares	24	―	0	0	―	―	―	―
Dividends	25	―	―	―	△16,725	―	―	―
Transfer from other components of equity to retained earnings		―	―	―	229	△229	―	―
Transfer to hedged non-financial assets		―	―	―	―	―	―	―
Total transactions with owners		―	0	△5	△16,495	△229	―	―
Balance as of March 31, 2025		13,370	30,715	△10,118	861,634	―	7,031	4,266
Profit		―	―	―	89,270	―	―	―
Other comprehensive income	30	―	―	―	―	275	3,244	6,128
Comprehensive income		―	―	―	89,270	275	3,244	6,128
Purchase of treasury shares	24	―	―	△2	―	―	―	―
Disposal of treasury shares	24	―	―	0	―	―	―	―
Dividends	25	―	―	―	△17,290	―	―	―
Transfer from other components of equity to retained earnings		―	―	―	275	△275	―	―
Transfer to hedged non-financial assets		―	―	―	―	―	―	―
Total transactions with owners		―	―	△1	△17,015	△275	―	―
Balance as of March 31, 2026		13,370	30,715	△10,120	933,889	―	10,276	10,394

(Millions of yen)

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total equity
		Other components of equity				
		Cash flow hedges	Total	Total		
Balance as of April 1, 2024		—	11,143	840,700	4	840,704
Profit		—	—	82,546	2	82,548
Other comprehensive income	30	△999	△615	△615	0	△614
Comprehensive income		△999	△615	81,930	2	81,933
Purchase of treasury shares	24	—	—	△5	—	△5
Disposal of treasury shares	24	—	—	0	—	0
Dividends	25	—	—	△16,725	—	△16,725
Transfer from other components of equity to retained earnings		—	△229	—	—	—
Transfer to hedged non-financial assets		△170	△170	△170	—	△170
Total transactions with owners		△170	△400	△16,901	—	△16,901
Balance as of March 31, 2025		△1,169	10,127	905,729	6	905,736
Profit		—	—	89,270	4	89,274
Other comprehensive income	30	4,994	14,643	14,643	0	14,644
Comprehensive income		4,994	14,643	103,913	4	103,918
Purchase of treasury shares	24	—	—	△2	—	△2
Disposal of treasury shares	24	—	—	0	—	0
Dividends	25	—	—	△17,290	—	△17,290
Transfer from other components of equity to retained earnings		—	△275	—	—	—
Transfer to hedged non-financial assets		△3,791	△3,791	△3,791	—	△3,791
Total transactions with owners		△3,791	△4,067	△21,084	—	△21,084
Balance as of March 31, 2026		33	20,703	988,559	11	988,570

⑤ [Consolidated Statement of Cash Flows]

(Millions of yen)

	Notes	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Cash flows from operating activities			
Profit before tax		117,448	127,357
Depreciation and amortization		66,143	69,509
Impairment losses (reversals shown as △)	16	13,994	2,648
Interest and dividend income		△2,104	△3,087
Interest paid		3,234	4,142
Share of profit or loss of investments accounted for using equity method (profit shown as △)		△3,265	△4,258
Loss or gain on sale of non-current assets (gain shown as △)		△95	△72
Decrease (increase) in trade and other receivables (increase shown as △)		10,205	5,616
Decrease (increase) in inventories (increase shown as △)		△7,095	△8,405
Increase (decrease) in trade and other payables (decrease shown as △)		△4,423	△8,027
Increase (decrease) in contract liabilities (decrease shown as △)		1,269	△1,205
Other		△13,016	4,974
Subtotal		182,293	189,190
Dividends received		2,024	2,380
Interest received		1,471	2,496
Interest paid		△3,119	△4,292
Income taxes paid		△38,619	△41,344
Income taxes refund		334	481
Cash flows from operating activities		144,384	148,911
Cash flows from investing activities			
Payments into time deposits		△58,264	△97,643
Proceeds from withdrawal of time deposits		55,512	86,237
Purchase of property, plant and equipment and investment property		△121,432	△41,412
Proceeds from sale of property, plant and equipment and investment property		324	244
Purchase of intangible assets		△3,876	△3,000
Purchase of securities		△42	△25
Proceeds from sale of securities		—	10
Payments of lease and security deposits		△2,276	△1,690
Proceeds from collection of lease and security deposits		2,773	3,903
Proceeds from deposits and guarantee deposits received		899	637
Repayments of deposits and guarantee deposits received		△599	△541
Payments for long-term prepaid expenses		△106	△986
Proceeds from collection of loans receivable		114	100
Other		△883	△937
Cash flows from investing activities		△127,856	△55,103

(Millions of yen)

	Notes	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings (within three months) (decrease shown as △)	32	80,000	△20,000
Proceeds from short-term borrowings (over three months)		2,902	3,152
Repayments of short-term borrowings (over three months)		△236	△6,304
Repayments of long-term borrowings	32	△27,330	△10,000
Repayments of lease liabilities	32	△37,319	△36,066
Purchase of treasury shares		△5	△2
Dividends paid	25	△16,715	△17,280
Cash flows from financing activities		1,295	△86,502
Effect of exchange rate changes on cash and cash equivalents		199	1,702
Net increase (decrease) in cash and cash equivalents (decrease shown as △)		18,022	9,008
Cash and cash equivalents at beginning of period	6	117,978	136,001
Cash and cash equivalents at end of period	6	136,001	145,010

Notes on Consolidated Financial Statements

1. Reporting Entity

Nitori Holdings Co., Ltd. (hereinafter "the Company") is a company located in Japan. The address of its registered head office and principal places of business is disclosed on the Company's website (https://www.nitorihd.co.jp/).

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively "the Group") are composed of the Group and its interests in associates as of March 31, 2026, the fiscal year-end.

The Group's main businesses are divided into the NITORI Business and the SHIMACHU Business. Details of each business are described in Note "5. Segment Information."

2. Basis of Preparation

(1) Statement of compliance with IFRS Accounting Standards

As the Group meets the requirements of a Specified Company Complying with Designated International Accounting Standards under Article 1-2, Item 1 of the Regulation on Consolidated Financial Statements, the Group's consolidated financial statements are prepared in accordance with IFRS Accounting Standards pursuant to Article 312 of the said Regulation.

These consolidated financial statements were approved by Akio Nitori, Chairman and Chief Executive Officer, on June 23, 2026.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for certain assets, liabilities and financial instruments measured at fair value, as described in Note "3. Significant Accounting Policies."

(3) Functional and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, with amounts rounded down to the nearest million yen.

(4) New standards and interpretations issued but not yet adopted

Among the new standards and interpretations issued or amended by the approval date of the consolidated financial statements, the main ones that the Group has not early adopted in the current fiscal year are as follows. The impact on the Group from the application of new IFRS Accounting Standards and interpretations is under review and cannot be estimated at this time. The impact of the application of IFRS 19 on the Company's consolidated financial statements is judged not to be material.

IFRS Accounting Standards and Interpretations		Mandatory effective date (Annual periods beginning on or after)	The Group Application period	Outline of new standards and amendments
IFRS 9 IFRS 7	Financial Instruments Financial Instruments: Disclosures	January 1, 2026	Fiscal year ending March 31, 2027	Standards on classification and measurement of financial instruments Amendments to IFRS 9 and IFRS 7 ・Clarification of classification of financial assets that include environmental, social and corporate governance (ESG) features and similar features ・Derecognition of financial liabilities settled through electronic payment systems ・Disclosures regarding investments in equity instruments designated as measured at fair value through other comprehensive income
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	New standard replacing IAS 1 "Presentation of Financial Statements," the existing accounting standard on presentation and disclosure in financial statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027	Fiscal year ending March 31, 2028	・Permits eligible subsidiaries to apply reduced IFRS Accounting Standards disclosure requirements Audit Certification
IAS 21	The Effects of Changes in Foreign Exchange Rates	January 1, 2027	Fiscal year ending March 31, 2028	・Clarifies the method of translating financial information into a hyperinflationary currency

(5) Change in presentation

In the previous fiscal year, short-term borrowings with maturities of more than three months, which had been presented in the consolidated statement of cash flows as part of “Net increase (decrease) in short-term borrowings,” have been separately presented from the current fiscal year as “Proceeds from short-term borrowings (more than three months)” and “Repayments of short-term borrowings (more than three months),” based on the actual terms of the borrowings and other relevant factors. This change in presentation was made to more appropriately reflect the substance of financing activities and to present the status of cash flows more clearly. To reflect this change in presentation, the consolidated statement of cash flows for the previous fiscal year has been reclassified. As a result, the amount of ¥82,665 million that was presented as “Net increase (decrease) in short-term borrowings” under cash flows from financing activities in the previous fiscal year has been reclassified and presented as ¥80,000 million in “Net increase (decrease) in short-term borrowings (within three months),” ¥2,902 million in “Proceeds from short-term borrowings (more than three months),” and ¥(236) million in “Repayments of short-term borrowings (more than three months).”

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control is lost.

When the accounting policies adopted by a subsidiary differ from those adopted by the Group, adjustments are made to the subsidiary’s financial statements as necessary. When a subsidiary’s fiscal year-end differs from that of the Company, the subsidiary’s financial figures based on provisional closing as of the consolidated fiscal year-end are used.

Balances of receivables and payables and internal transactions between Group companies, as well as unrealized gains and losses arising from transactions between Group companies, are eliminated in preparing the consolidated financial statements.

Changes in ownership interests in subsidiaries arising from additional purchases or sales of interests while control is retained are accounted for as equity transactions.

When control over a subsidiary is lost, the assets and liabilities of the subsidiary and the non-controlling interests related to the subsidiary are derecognized, any retained interest after the loss of control is remeasured at fair value at the date control is lost, and any resulting gain or loss is recognized in profit or loss.

(ii) Associates

Associates are entities over which the Group has significant influence over financial and operating policies, but not control or joint control.

When the Group holds 20% or more but 50% or less of the voting rights of another entity, the Group is presumed to have significant influence over that entity.

Investments in associates are accounted for using the equity method from the date on which the Group obtains significant influence until the date on which the Group loses significant influence. The fiscal year-end of associates is the same as that of the Company. When the accounting policies of an associate differ from those of the Group, adjustments are made to the associate’s financial statements as necessary.

Under the equity method, investments are initially measured at cost and subsequently adjusted for post-acquisition changes in the Group’s share of the net assets of the associate. The Group’s share of the associate’s profit or loss is recognized in the Group’s profit or loss, and the Group’s share of the associate’s other comprehensive income is recognized in the Group’s other comprehensive income. Gains on material internal transactions are eliminated according to the Group’s ownership interest in the associate.

Goodwill arising on the acquisition of an interest in an associate is included in the carrying amount of the investment, and impairment testing is performed for the investment accounted for using the equity method as a whole. If there is an indication that the investment may be impaired, impairment testing is performed by comparing the carrying amount of the investment as a whole with its recoverable amount, which is the higher of value in use and fair value less costs of disposal. Reversals of such impairment losses are recognized to the extent that the recoverable amount of the investment subsequently increases.

(iii) Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, while a joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement.

Interests in joint operations are accounted for by recognizing the assets, liabilities, revenue and expenses of each joint operation, and investments in joint ventures are accounted for using the equity method.

In the current fiscal year, no amounts arose from joint operations to which the Group is a party that should be recognized as assets, liabilities, revenue or expenses, and there was no impact on the consolidated financial statements.

(iv) Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities that the Group controls and consolidates include share-based payment trusts established under the share delivery trust system for officers and employees.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured as the aggregate of the fair values at the acquisition date of assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured, in principle, at their fair values at the acquisition date.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net amount of the identifiable assets and liabilities at the acquisition date. If this difference is negative, it is immediately recognized in profit or loss.

Transaction costs incurred in connection with a business combination, such as intermediary fees, legal fees and due diligence costs, are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the business combination occurs, the items for which the accounting is incomplete are reported at provisional amounts. If information is obtained during the period in which facts and circumstances existing at the acquisition date would have affected the measurement of amounts recognized had they been known at the acquisition date (the measurement period), the provisional amounts recognized at the acquisition date are adjusted retrospectively to reflect that information. When new information results in the recognition of additional assets and liabilities, the additional assets and liabilities are recognized. The measurement period is a maximum of one year.

(3) Foreign currency translation

(i) Foreign currency transactions

The financial statements of each Group company are prepared in the functional currency, which is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of each Group company at the exchange rate prevailing on the transaction date or at a rate that approximates it. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the exchange rate prevailing at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate prevailing on the date when the fair value was determined. Exchange differences arising from such translation or settlement are recognized in profit or loss. However, exchange differences arising from equity financial instruments measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated at the closing rate, and income and expenses are translated at exchange rates approximating those at the transaction dates. Exchange differences on translation of foreign operations are recognized in other comprehensive income.

Upon disposal of a foreign operation, the exchange differences on translation of the foreign operation that were recognized in other comprehensive income and accumulated in equity are reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

(4) Financial instruments

(i) Non-derivative financial assets

i. Initial recognition and measurement

The Group initially recognizes financial assets when it becomes a party to the contract and classifies them as either (a) financial assets measured at amortized cost, (b) debt financial assets measured at fair value through other comprehensive income, (c) equity financial assets measured at fair value through other comprehensive income, or (d) financial assets measured at fair value through profit or loss. This classification is determined at initial recognition.

At initial recognition, all financial assets are measured at fair value plus, in the case of a financial asset not classified as measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset. Transaction costs related to financial assets measured at fair value through profit or loss are recognized in profit or loss.

(a) Financial assets measured at amortized cost

Assets that meet both of the following conditions are classified as financial assets measured at amortized cost.

・The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt financial assets measured at fair value through other comprehensive income

Debt financial assets are classified as financial assets measured at fair value through other comprehensive income when both of the following conditions are met:

・The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

・The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity financial assets measured at fair value through other comprehensive income

Equity financial assets such as shares held primarily for the purpose of maintaining or strengthening business relationships with investees and enhancing corporate value are designated at initial recognition as financial assets measured at fair value through other comprehensive income, and this designation is applied consistently.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than those in (a), (b), and (c) above are classified as financial assets measured at fair value through profit or loss.

ii. Subsequent measurement

Financial assets are subsequently measured after initial recognition according to their classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at the gross carrying amount determined using the effective interest method, less any loss allowance.

(b) Debt financial assets measured at fair value through other comprehensive income

After initial recognition, they are measured at fair value. Among subsequent changes, foreign exchange gains and losses, impairment gains or losses, and interest income based on the effective interest method are recognized in profit or loss, while other changes are recognized in other comprehensive income. When derecognized, the cumulative amount of gains or losses recognized through other comprehensive income is reclassified from other components of equity to profit or loss as a reclassification adjustment.

(c) Equity financial assets measured at fair value through other comprehensive income

Subsequent changes in the fair value of equity financial assets such as shares are recognized in other comprehensive income. When such financial assets are disposed of, the cumulative amount of gains or losses recognized through other comprehensive income is transferred from other components of equity to retained earnings.

Dividends from such financial assets are recognized in profit or loss for the period and included in “Finance income.”

(d) Financial assets measured at fair value through profit or loss

Subsequent changes in the fair value of the financial assets are recognized in profit or loss.

iii. Impairment of financial assets

A loss allowance is recognized for expected credit losses on financial assets measured at amortized cost.

The loss allowance is measured at each reporting date based on an assessment of whether the credit risk of the financial asset has increased significantly since initial recognition.

If the credit risk of a financial asset has not increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to 12-month expected credit losses. If the credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime expected credit losses. Whether the credit risk has increased significantly since initial recognition is determined by comparing the risk of default at initial recognition with the risk of default at each quarter-end, taking into account available reasonable and supportable forward-looking information, including information on past due status.

Default is considered to have occurred when events that adversely affect the estimated cash flows of the financial asset occur, such as significant financial difficulty of the issuer or debtor or contractual payments being more than 90 days past due.

When a default has occurred, the Group determines that objective evidence of credit impairment exists and classifies the asset as a credit-impaired financial asset.

For trade and other receivables, the loss allowance is always measured at an amount equal to lifetime expected credit losses.

Expected credit losses on financial instruments are estimated using a method that reflects past credit loss experience and other factors. Amounts related to this measurement are recognized in profit or loss. When a bad debt is legally confirmed, expected credit losses are written off directly against the carrying amount. If an event that reduces an impairment loss occurs after the recognition of the impairment loss, the reduction in the impairment loss is reversed through profit or loss.

iv. Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the contractual rights to receive the cash flows from the financial asset are transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred. If the Group continues to control the transferred financial asset, an asset and related liability are recognized to the extent of the Group's continuing involvement.

(ii) Non-derivative financial liabilities

i. Initial recognition and measurement

The Group classifies financial liabilities as either (a) financial liabilities measured at amortized cost or (b) financial liabilities measured at fair value through profit or loss. This classification is determined at initial recognition.

Financial liabilities measured at amortized cost are initially measured at fair value less directly attributable transaction costs, while financial liabilities measured at fair value through profit or loss are initially measured at fair value.

ii. Subsequent measurement

Financial liabilities are subsequently measured after initial recognition according to their classification as follows:

(a) Financial liabilities measured at amortized cost

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

Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period as part of finance costs.

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

Financial liabilities measured at fair value through profit or loss are measured at fair value, and changes in fair value are recognized in profit or loss for the period.

iii. Derecognition of financial liabilities

The Group derecognizes a financial liability when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires.

(iii) Hedge accounting and derivatives

(a) Eligible hedging instruments and hedged items

The Company enters into derivative transactions, including foreign exchange forward contracts, to manage foreign exchange risk. At the inception of a hedge, the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy, is documented. The Company also assesses on an ongoing basis whether the hedging instrument is expected to be highly effective in offsetting changes in the cash flows of the relevant hedged item during the hedged period. If a hedging relationship no longer meets the hedge effectiveness requirements relating to the hedge ratio but the risk management objective for the designated hedging relationship remains the same, the hedge ratio of the hedging relationship is adjusted so that the qualifying criteria are met again, and hedge accounting is discontinued prospectively only when the hedging relationship no longer meets the qualifying criteria.

Derivatives to which hedge accounting is not applied are classified as financial assets measured at fair value through profit or loss or financial liabilities measured at fair value through profit or loss and are accounted for based on that classification.

(b) Cash flow hedges

For cash flow hedges, the effective portion of gains or losses on the hedging instrument is recognized in other comprehensive income as cash flow hedges, and the cumulative amount is included in other components of equity. Gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

Amounts accumulated in other components of equity are reclassified from other components of equity to profit or loss as reclassification adjustments in the same period in which the hedged item affects profit or loss. However, if a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the amount accumulated in other components of equity is treated as an adjustment to the initial carrying amount of that non-financial asset or non-financial liability.

(5) Cash and cash equivalents

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

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling expenses. Inventories include purchase costs, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition. Inventories and work in process manufactured by the Group include an allocation of production overheads based on normal operating capacity. Cost is determined mainly using the weighted-average method.

(7) Property, plant and equipment

Property, plant and equipment are measured using the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to the acquisition of the asset, costs of dismantling and removing the asset and restoring the land, and borrowing costs that are required to be capitalized.

When significant components of property, plant and equipment have different useful lives, each component is accounted for as a separate item of property, plant and equipment.

Subsequent expenditures are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance costs are recognized as expenses when incurred.

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized. The Group presents gains or losses arising from derecognition of property, plant and equipment in “Other income” or “Other expenses” in the consolidated statement of profit or loss.

Depreciation of each asset other than land and construction in progress is recognized mainly using the straight-line method over the estimated useful life of the asset.

The estimated useful lives by major asset category are as follows:

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

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each consolidated fiscal year, and any changes are applied prospectively as changes in accounting estimates.

(8) Goodwill and intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is presented in the consolidated statement of financial position at cost less accumulated impairment losses.

Goodwill is measured as the excess of the consideration transferred over the net amount of the identifiable assets and liabilities at the acquisition date. If this difference is negative, it is immediately recognized in profit or loss.

Goodwill is not amortized and is tested for impairment annually at the same time each year or whenever there is an indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of profit or loss and are not subsequently reversed.

(ii) Intangible assets

Intangible assets are measured using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses.

Separately acquired intangible assets are initially measured at cost, and intangible assets recognized in a business combination are initially recognized at their fair values at the acquisition date. The cost of intangible assets acquired in a business combination is measured at their fair value at the acquisition date. Internally generated intangible assets are recognized as assets only when the capitalization criteria are met, and all other expenditures are expensed as incurred.

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition are calculated as the difference between net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized. The Group presents gains or losses arising from derecognition of intangible assets in “Other income” or “Other expenses” in the consolidated statement of profit or loss.

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives and are tested for impairment whenever there is an indication of impairment. Amortization begins when the asset is available for use.

The estimated useful life of the major intangible asset is as follows:

・Software	5 years

The useful lives and amortization methods of intangible assets with finite useful lives are reviewed at the end of each consolidated fiscal year, and any changes are applied prospectively as changes in accounting estimates.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized and are tested for impairment annually or whenever there is an indication of impairment.

(9) Leases

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

(i) Leases as lessee

At the commencement date of a lease, the Group recognizes a right-of-use asset and a lease liability. The right-of-use asset is measured at cost at the commencement date. Cost comprises the initial measurement of the lease liability, adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to dismantle and remove the underlying asset and restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated using the straight-line method over the shorter of their useful lives and lease terms and are measured at cost less accumulated depreciation and accumulated impairment losses. The lease term is determined as the non-cancellable period of the lease together with periods covered by an extension option if it is reasonably certain to be exercised and periods covered by a termination option if it is reasonably certain not to be exercised.

Lease liabilities are measured at the commencement date at the present value of lease payments that are not paid at that date. In calculating the present value, the Group uses the interest rate implicit in the lease if it can be readily determined; otherwise, the incremental borrowing rate is used. After the commencement date, the carrying amount of the lease liability is increased or decreased to reflect interest on the lease liability and lease payments made. When lease liabilities are reassessed or lease modifications occur, the lease liabilities are remeasured and the right-of-use assets are adjusted.

The Group applies paragraph 6 of IFRS 16 "Leases" to short-term leases and leases of low-value assets, recognizing lease payments as expenses on a straight-line basis over the lease term. As a practical expedient, the Group elects not to separate non-lease components from lease components and accounts for each lease component and related non-lease components as a single lease component.

(ii) Leases as lessor

Leases are classified as either operating leases or finance leases. Leases that transfer substantially all the risks and rewards incidental to ownership of the underlying asset are classified as finance leases, and leases that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Whether a lease is a finance lease or an operating lease is determined based on the substance of the transaction rather than the form of the contract.

When the Group is a party to a sublease arrangement, the head lease as lessee and the sublease as lessor are accounted for separately. The classification of the sublease is determined by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease accounted for by applying the exemption described above, the sublease is classified as an operating lease.

Lease receivables under finance leases are recognized as receivables at the amount of the net investment in the lease outstanding to maturity when the arrangement is determined to be a lease. Lease payments received are allocated between finance income and the recovery of principal. Lease receivables are measured at amortized cost using the effective interest method, and interest income under the effective interest method is recognized in profit or loss.

Lease payments under operating leases are recognized as revenue on a straight-line basis.

(10) Investment property

Investment property is property held to earn rental income or for capital appreciation or both. Investment property is accounted for using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of investment property, calculated as cost less residual value, is depreciated mainly using the straight-line method over the useful life. The estimated useful lives by major asset category of investment property are as follows:

・Buildings and structures 6 to 39 years

Land is not depreciated.

The residual values, useful lives and depreciation methods of investment property are reviewed at the end of each consolidated fiscal year, and any changes are applied prospectively as changes in accounting estimates.

(11) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories, deferred tax assets and retirement benefit assets, are assessed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists, the recoverable amount is estimated for each individual asset or cash-generating unit. A cash-generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

For goodwill and intangible assets with indefinite useful lives or intangible assets not yet available for use, the recoverable amount is estimated whenever there is an indication of impairment and annually at the same time each year. In testing goodwill for impairment, goodwill is allocated to the cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination.

Recoverable amount is the higher of value in use and fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and risks specific to the asset.

Because corporate assets do not generate independent cash inflows, when there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs.

An impairment loss is recognized in profit or loss when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognized for a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Impairment losses related to goodwill are not reversed. For non-financial assets other than goodwill, impairment losses recognized in prior periods are assessed at each fiscal year-end for indications that the loss has decreased or no longer exists. If the estimates used to determine the recoverable amount have changed, the impairment loss is reversed. An impairment loss is reversed only to the extent that the carrying amount after reversal does not exceed the carrying amount that would have been determined, net of necessary depreciation and amortization, had no impairment loss been recognized.

(12) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are discounted to present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability.

The main provisions of the Group are as follows:

(i) Asset retirement obligations

For estimated restoration costs of stores and other leased assets for which there is an obligation to restore the property at the end of the lease contract, a provision is recognized as an asset retirement obligation and added to the cost of the related asset. Estimated future costs and the discount rate applied are reviewed annually and, if revisions are deemed necessary, they are added to or deducted from the carrying amount of the asset and accounted for as changes in accounting estimates.

(ii) Provision for shareholder benefit program costs

To provide for future costs arising from the use of shareholder benefit vouchers under the shareholder benefit program, the Group recognizes the amount expected to be incurred after the day following the end of the consolidated fiscal year based on the historical utilization rate of shareholder benefit vouchers.

(13) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are recognized as expenses when the employees render the related service, without discounting.

For bonuses and paid leave expenses, the Group recognizes a liability for the estimated amount under the related programs when it has a present legal or constructive obligation to make such payments as a result of past service provided by employees and a reliable estimate can be made.

(ii) Post-employment benefits

The Company and certain consolidated subsidiaries have adopted defined contribution plans and defined benefit plans as retirement benefit plans.

(a) Defined contribution plans

Contributions payable to defined contribution plans are recognized as expenses when employees render the related service.

(b) Defined benefit plans

The net defined benefit liability (asset) is the present value of defined benefit obligations less the fair value of plan assets, including adjustments for the asset ceiling and minimum funding requirements if necessary, and is recognized in the consolidated statement of financial position as a retirement benefit asset or liability. Defined benefit obligations are calculated using the projected unit credit method, and their present value is determined by applying a discount rate to expected future payments. The discount rate is determined by reference to yields on high-quality corporate bonds with maturities approximating the expected period of benefit payments. Contributions to pension plans are calculated through periodic actuarial valuations and are generally paid to funds managed by insurance companies or trust banks.

Service cost and net interest on the net defined benefit liability (asset) are recognized in profit or loss. Actuarial gains and losses, returns on plan assets excluding amounts included in net interest expense, and changes in the effect of the asset ceiling are recognized in other comprehensive income as remeasurements of defined benefit plans in the period in which they arise and are immediately transferred from other components of equity to retained earnings. Past service cost is recognized in profit or loss in the period in which the plan amendment or curtailment occurs.

(14) Share-based payments

(i) Performance-linked share-based payment plan

The Company has adopted a performance-linked share-based payment plan for its directors to raise their awareness of contributing to the sustainable enhancement of corporate value and the common interests of shareholders through medium- to long-term performance improvement, and applies accounting for equity-settled share-based payment transactions. Under the performance-linked share-based payment plan, the consideration for services received is measured at the fair value of the Company's shares at the grant date and recognized as an expense over the vesting period from the grant date, with a corresponding increase in equity. Conditions are reviewed periodically and the estimate of the number of awards expected to vest is revised as necessary.

(ii) Employee share delivery plan

The Group has adopted a share delivery plan as an incentive plan for Group employees and applies accounting for equity-settled share-based payment transactions. Under the share delivery plan, the consideration for services received is measured at the fair value of the Company's shares at the grant date and recognized as an expense over the vesting period from the grant date, with a corresponding increase in equity. Conditions are reviewed periodically and the estimate of the number of awards expected to vest is revised as necessary.

(iii) Share-based payment trust (J-ESOP)

The Group has introduced the Share-based payment trust (J-ESOP) as an incentive plan for Group employees and applies accounting for equity-settled share-based payment transactions.

Under the Share-based payment trust (J-ESOP), services received and the corresponding increase in equity are measured at the fair value of the Company's shares at the grant date and recognized as an expense over the vesting period, with a corresponding increase in equity. Conditions are reviewed periodically and the estimate of the number of awards expected to vest is revised as necessary.

(15) Equity

(i) Share capital and capital surplus

Equity instruments issued by the Company are recorded in share capital and capital surplus at the issue price. Transaction costs directly attributable to the issue, net of tax effects, are deducted from equity.

(ii) Treasury shares

When treasury shares are acquired, they are recognized at cost and presented as a deduction from equity. No gain or loss is recognized on the purchase, sale or cancellation of the Company's treasury shares. Any difference between the carrying amount and the consideration received on sale is recognized in equity.

(16) Revenue

For contracts with customers, excluding interest and dividend income and similar items under IFRS 9 "Financial Instruments," the Group recognizes revenue by applying the following steps at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to customers. If consideration in a contract with a customer includes variable consideration, it is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration included in the transaction price is not material.

Consideration for transactions is mainly received within one year after satisfaction of the performance obligations and does not include a significant financing component.

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when, or as, the performance obligation is satisfied.

The Group mainly develops, manufactures and sells furniture, interior goods and home improvement products, and the sale of goods to customers is identified as a performance obligation. For these goods, the Group recognizes revenue mainly at the time of delivery because it determines that the customer obtains control of the goods and the performance obligation is satisfied at that point. The Group also operates a points program for member customers. Points granted in connection with sales of goods to customers are identified as performance obligations, and contract liabilities are calculated by allocating the transaction price based on the stand-alone selling price of the points, taking into account expected future expirations. Contract liabilities are reversed and revenue is recognized when the points are used or expire.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(18) Income taxes

Income taxes comprise current tax and deferred tax. They are recognized in profit or loss, except for those related to business combinations and items recognized directly in equity or other comprehensive income.

(i) Current tax

Current tax is measured at the amount expected to be paid to, or recovered from, the taxation authorities. The tax rates and tax laws used to calculate the amount are those enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is calculated based on temporary differences between the tax bases of assets and liabilities and their carrying amounts for accounting purposes at the end of the reporting period. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and tax loss carryforwards to the extent that taxable profit will be available against which they can be utilized, and deferred tax liabilities are recognized, in principle, for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

・Temporary differences arising from the initial recognition of goodwill
・Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that affect neither accounting profit nor taxable income at the time of the transaction and do not give rise to equal taxable and deductible temporary differences
・Taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
・Deductible temporary differences associated with investments in subsidiaries and associates where it is not probable that the

temporary differences will reverse in the foreseeable future or it is not probable that taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed each period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed each period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax liabilities and current tax assets and when either of the following conditions is met:

・Income taxes are levied by the same taxation authority on the same taxable entity.

・Income taxes are levied on different taxable entities, but these entities intend to settle current tax assets and current tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

The Group applies the temporary exception in IAS 12 “Income Taxes” amended on May 23, 2023, and does not recognize or disclose deferred tax assets and liabilities related to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

(19) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent by the weighted-average number of ordinary shares outstanding during the period, adjusted for treasury shares. Diluted earnings per share is calculated by adjusting for the effects of all dilutive potential shares.

(20) Segment information

An operating segment is a component of business activities that earns revenue and incurs expenses, including transactions with other operating segments. The operating results of all operating segments are components for which discrete financial information is available and are reviewed regularly by the Company’s Board of Directors to make decisions about the allocation of management resources to each segment and to assess performance.

(21) Assets held for sale and discontinued operations

(i) Assets held for sale

The Group classifies a non-current asset or disposal group as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, the sale must be highly probable, the asset must be available for immediate sale in its present condition, management of the Group must be committed to a plan to sell the asset, and the sale must be expected to be completed within one year.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and property, plant and equipment or intangible assets classified as held for sale are not depreciated or amortized after classification.

(ii) Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale and meets any of the following conditions:

・A separate major line of business or geographical area of operations

・Part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

・A subsidiary acquired exclusively with a view to resale

When an operation is classified as a discontinued operation, the consolidated statement of profit or loss is restated as if the operation had been classified as discontinued from the beginning of the comparative period.

4. Significant Accounting Estimates and Judgments

In preparing the consolidated financial statements in accordance with IFRS Accounting Standards, management makes judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on management's best judgment, which takes into account past experience, available information and various other factors considered reasonable as of the reporting date. However, by their nature, amounts based on these estimates and assumptions may differ from actual results. Estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of revisions to accounting estimates are recognized in the accounting period in which the estimates are revised and in future accounting periods.

Items for which estimates were made that involve a risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next consolidated fiscal year are as follows.

(1) Impairment of Non-financial Assets

In the current consolidated fiscal year, impairment losses of ¥3,972 million were recognized for fixed assets of stores in the NITORI Business, and impairment losses of ¥175 million were recognized for fixed assets of stores in the SHIMACHU Business. In addition, as a result of reviewing the recoverable amounts of certain stores in the NITORI Business, it became necessary to restore the carrying amounts to the recoverable amounts, and a reversal of impairment losses of ¥1,500 million was recognized.

The Group performs impairment testing for property, plant and equipment, including right-of-use assets, and intangible assets whenever there is an indication of impairment for each asset or cash-generating unit. Goodwill, however, is tested for impairment each period and whenever an indication of impairment is identified, and an impairment loss is recognized when the recoverable amount is less than the carrying amount. The recoverable amount is measured at the higher of value in use and fair value less costs of disposal.

For property, plant and equipment, including right-of-use assets, and intangible assets, the Group calculates recoverable amounts mainly by treating each store as a cash-generating unit.

For certain stores of the Group, when there is an indication of reversal of impairment and the recoverable amount exceeds the carrying amount, a reversal of impairment losses is recognized. Such recoverable amount is measured at fair value less costs of disposal.

The estimates of the above recoverable amounts are determined based on management's best estimates and judgments, but they may be affected by changes in uncertain future economic conditions. If revisions become necessary, they may have a material effect on the amounts recognized in the consolidated financial statements from the next consolidated fiscal year onward.

Assets of subsidiaries belonging to the overall Mainland China business were judged to have an indication of impairment due to a decline in the profitability of stores in China caused by the impact of the sluggish real estate market and other factors, and impairment testing was performed. As a result of the assessment, no impairment loss was recognized because value in use exceeded the carrying amount. In the business plan for the Mainland China business, increases in the number of stores and growth in sales per store are incorporated as significant assumptions. With respect to this estimate, store development and operation in the Mainland China business involve more novelty than the domestic business, and if the estimate needs to be revised due to changes in uncertain future economic conditions or other factors, impairment losses may arise in the consolidated financial statements from the next consolidated fiscal year onward.

The Mainland China business includes property, plant and equipment of ¥11,491 million and intangible assets of ¥50 million.

Details and amounts related to impairment of property, plant and equipment, including right-of-use assets, and intangible assets are described in Note "12. Goodwill and Intangible Assets" and Note "16. Impairment of Non-financial Assets."

(2) Determination of Lease Terms

The Group determines lease terms by taking into account the non-cancellable period of the lease together with periods for which it is reasonably certain that the lease will be extended and periods for which it is reasonably certain that the lease will not be terminated. Specifically, lease terms are estimated by considering the existence of options to extend or terminate the lease, the likelihood of exercising such options, the existence of termination penalties and other factors. These may result in material adjustments to the amounts of right-of-use assets and lease liabilities due to changes in uncertain future economic conditions, the business environment at the time of contract renewal and other factors.

Details regarding the determination of lease terms are described in Note “3. Significant Accounting Policies (9) Leases,” and details and amounts related to right-of-use assets and lease liabilities are described in Note “13. Leases.”

(3) Recoverability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. In recognizing deferred tax assets, the timing and amount of future taxable profit are reasonably estimated when assessing the probability that taxable profit will be available, and the amount is determined accordingly.

The timing and amount of taxable profit underlying this estimate may differ from the timing and amount of taxable profit actually generated due to changes in uncertain future economic conditions and other factors, and the assessment of recoverability of deferred tax assets may differ.

Details and amounts related to deferred tax assets are described in Note “17. Income Taxes.”

(4) Measurement of Defined Benefit Obligations

The present value of defined benefit obligations and related service cost and other amounts are calculated based on actuarial assumptions. Actuarial assumptions require estimates and judgments regarding various variables, including discount rates and expected salary increase rates. Actuarial assumptions are determined based on management’s best estimates and judgments, but they may be affected by changes in uncertain future economic conditions and amendments to or promulgation of related laws and regulations. If revisions become necessary, they may have a material effect on the amounts recognized in the consolidated financial statements from the following fiscal year onward.

Details and amounts related to defined benefit obligations are described in Note “21. Employee Benefits.”

5. Segment Information

(1) Overview of Reportable Segments

The Group’s reportable segments are components of the Group for which discrete financial information is available and which are regularly reviewed by the Company’s Board of Directors to make decisions about the allocation of management resources and to assess performance.

The Group is composed of segments based on two core operating companies and has two reportable segments: the “NITORI Business” and the “SHIMACHU Business.”

(Description of Reportable Segments)

Reportable segments	Business description
NITORI Business	Development, manufacturing and sale of furniture and interior goods, and other real estate leasing, advertising services, logistics services, etc.
SHIMACHU Business	Sale of furniture, interior goods, home improvement products, etc.

(2) Information on Reportable Segments

The accounting policies of the reportable operating segments are substantially the same as the accounting policies used in preparing the consolidated financial statements.

Information by reportable segment of the Group is as follows. Profit of reportable segments is presented on an operating profit basis. Intersegment transactions are based on market prices.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segments			Adjustments (Notes 1 and 2)	Consolidated
	NITORI Business	SHIMACHU Business	Total		
Revenue					
Store sales	678,817	109,400	788,217	—	788,217
E-commerce sales	96,823	782	97,606	—	97,606
Other	26,012	238	26,250	—	26,250
Revenue from contracts with customers	801,652	110,421	912,073	—	912,073
Other income (Note 3)	8,031	8,722	16,754	—	16,754
Revenue from external customers	809,684	119,143	928,828	—	928,828
Intersegment revenue	11,202	452	11,654	△11,654	—
Total	820,886	119,596	940,483	△11,654	928,828
Segment profit (loss indicated by △)	118,975	△1,288	117,686	△21	117,665
Finance income					3,019
Finance costs					3,236
Profit before tax					117,448
Segment assets	1,268,711	279,085	1,547,796	△18,375	1,529,421
(Other items)					
Depreciation and amortization	56,915	9,227	66,143	—	66,143
Impairment losses (Note 4)	5,423	8,571	13,994	—	13,994
Investments in associates accounted for using equity method	24,772	—	24,772	—	24,772
Capital expenditures	122,565	1,319	123,885	—	123,885

Notes: 1. Adjustments to intersegment revenue and segment profit are due to elimination of intersegment transactions.
2. Adjustments to segment assets represent eliminations of intersegment transactions.
3. Other income mainly consists of operating lease income, and the breakdown is described in Note "13. Leases (2) Leases as lessor" and Note "14. Investment Property."
4. Details of impairment losses are described in Note "16. Impairment of Non-financial Assets."

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Reportable segments			Adjustments (Notes 1 and 2)	Consolidated
	NITORI Business	SHIMACHU Business	Total		
Revenue					
Store sales	677,774	98,705	776,479	—	776,479
E-commerce sales	90,854	692	91,546	—	91,546
Other	27,070	334	27,404	—	27,404
Revenue from contracts with customers	795,698	99,731	895,430	—	895,430
Other income (Note 3)	7,849	8,968	16,817	—	16,817
Revenue from external customers	803,548	108,699	912,248	—	912,248
Intersegment revenue	12,647	1,573	14,221	△14,221	—
Total	816,196	110,273	926,469	△14,221	912,248
Segment profit	118,381	7,212	125,593	△67	125,526
Finance income					5,975
Finance costs					4,144
Profit before tax					127,357
Segment assets	1,329,216	278,336	1,607,553	△36,269	1,571,284
(Other items)					
Depreciation and amortization	60,754	8,754	69,509	—	69,509
Impairment losses (Note 4)	3,972	175	4,148	—	4,148
Reversal of impairment losses (Note 4)	1,500	—	1,500	—	1,500
Investments in associates accounted for using equity method	27,263	—	27,263	—	27,263
Capital expenditures	43,490	354	43,844	—	43,844

Notes: 1. Adjustments to intersegment revenue and segment profit are due to elimination of intersegment transactions.
2. Adjustments to segment assets represent eliminations of intersegment transactions.
3. Other income mainly consists of operating lease income, and the breakdown is described in Note "13. Leases (2) Leases as lessor" and Note "14. Investment Property."
4. Details of impairment losses and reversal of impairment losses are described in Note "16. Impairment of Non-financial Assets."

(3) Information by Products and Services

Disclosure is omitted because the classification of products and services is the same as the reportable segments.

(4) Information by Geographic Area

(i) Revenue from External Customers

Disclosure is omitted because revenue from external customers in Japan accounts for the majority of the Group's revenue.

(ii) Non-current Assets

Disclosure is omitted because non-current assets located in Japan account for the majority of non-current assets in the consolidated statement of financial position.

(5) Information about Major Customers

Disclosure is omitted because there are no customers whose revenue from external customers accounts for 10% or more of revenue in the consolidated statement of profit or loss.

6. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Cash and deposits	125,907	134,726
Time deposits with maturities of three months or less	10,093	10,283
Total	136,001	145,010

Notes: 1. The balances of “Cash and cash equivalents” in the consolidated statement of financial position as of the previous consolidated fiscal year and the current consolidated fiscal year agree with the balances of “Cash and cash equivalents” in the consolidated statement of cash flows.

2. The Group did not hold any material cash and cash equivalents subject to withdrawal restrictions in the previous consolidated fiscal year or the current consolidated fiscal year.

3. Cash and cash equivalents are classified as financial assets measured at amortized cost.

7. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Notes and accounts receivable - trade	71,006	72,743
Other receivables	8,876	7,287
Lease receivables	632	636
Total	80,515	80,667

Note: Trade and other receivables, excluding lease receivables, are classified as financial assets measured at amortized cost.

8. Other Financial Assets

(1) Breakdown of Other Financial Assets

The breakdown of other financial assets is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Other financial assets (current):		
Financial assets measured at amortized cost		
Time deposits	25,421	38,558
Other	93	86
Total	25,515	38,644
Other financial assets (non-current):		
Financial assets measured at fair value through profit or loss		
Investments in capital	365	335
Other	157	145
Financial assets measured at amortized cost		
Lease and guarantee deposits	44,931	42,838
Other	3,861	3,996
Financial assets measured at fair value through other comprehensive income		
Shares	24,701	29,440
Lease receivables	5,136	4,499
Total	79,151	81,256

(2) Financial Assets Measured at Fair Value through Other Comprehensive Income

Shares and similar instruments are equity financial instruments and are held for the purpose of maintaining and strengthening relationships with business partners and expanding the revenue base; therefore, they are classified as financial assets measured at fair value through other comprehensive income.

(i) Major Holdings and Fair Values

Major equity financial assets measured at fair value through other comprehensive income and their fair values are as follows.

(Millions of yen)

Issue	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
EDION Corporation	19,183	22,087
Sumitomo Realty & Development Co., Ltd.	2,147	3,373
Ain Holdings Inc.	1,007	1,125
Other	2,362	2,855
Total	24,701	29,440

(ii) Dividends Received

The breakdown of dividends received relating to equity financial assets measured at fair value through other comprehensive income is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Financial assets held at the reporting date	555	590
Total	555	590

(iii) Transfer to Retained Earnings

The Group transfers cumulative gains or losses arising from changes in the fair value of equity financial assets measured at fair value through other comprehensive income to retained earnings upon derecognition. There were no cumulative losses in other comprehensive income transferred to retained earnings (after tax) in either the previous consolidated fiscal year or the current consolidated fiscal year.

9. Inventories

The breakdown of inventories is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Merchandise and finished goods	106,235	115,006
Work in process	766	868
Raw materials and supplies	5,748	6,291
Total	112,750	122,167

Note 1. Inventories recognized as expenses amounted to ¥446,050 million and ¥417,519 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

2. Write-downs of inventories recognized as expenses amounted to ¥612 million and ¥773 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

3. There were no inventories expected to be recovered after 12 months or inventories pledged as collateral for liabilities in either the previous consolidated fiscal year or the current consolidated fiscal year.

10. Other Assets

The breakdown of other assets is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Current assets:		
Prepaid expenses	5,592	6,731
Consumption taxes receivable	1,826	1,419
Other	2,469	3,257
Total	9,888	11,408
Non-current assets:		
Long-term prepaid expenses	1,423	2,390
Total	1,423	2,390

11. Property, Plant and Equipment

(1) Changes

Changes in the carrying amounts of property, plant and equipment, acquisition cost, accumulated depreciation and accumulated impairment losses are as follows.

Carrying amounts

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
April 1, 2024 Balance	393,150	350,403	10,953	15,274	44,306	814,087
Acquisitions	71,615	42,245	2,444	3,048	46,604	165,958
Depreciation	△11,358	△46,377	△2,792	△2,327	—	△62,855
Impairment losses	△7,098	△6,341	△6	△504	—	△13,951
Sales or disposals	△189	△802	△91	△120	—	△1,203
Reclassifications	12,752	37,938	8,338	153	△62,831	△3,649
Foreign currency translation differences	△120	88	△58	101	△146	△134
Other	△627	7,699	148	11	△360	6,870
March 31, 2025 Balance	458,123	384,852	18,935	15,637	27,571	905,121
Acquisitions	17,571	23,084	1,768	3,049	27,042	72,516
Depreciation	△11,711	△47,234	△4,714	△2,311	—	△65,971
Impairment losses	△78	△3,128	△6	△495	—	△3,708
Reversal of impairment losses	1,044	455	—	—	—	1,500
Sales or disposals	△377	△1,323	△30	△47	△0	△1,778
Reclassifications	980	18,582	26,020	857	△50,311	△3,871
Foreign currency translation differences	466	2,335	226	56	△71	3,012
Other	△216	2,815	△223	△32	△158	2,184
March 31, 2026 Balance	465,803	380,438	41,977	16,714	4,071	909,005

Note 1. Construction in progress includes expenditures related to property, plant and equipment under construction.

2. Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

3. Impairment losses and reversal of impairment losses are included in “Other expenses” and “Other income,” respectively, in the consolidated statement of profit or loss. For details of impairment losses and reversal of impairment losses, please refer to Note “16. Impairment of Non-financial Assets.”

Acquisition cost

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
April 1, 2024 Balance	428,797	598,675	27,658	33,601	44,306	1,133,038
March 31, 2025 Balance	509,471	667,430	38,100	35,798	27,571	1,278,372
March 31, 2026 Balance	526,267	702,107	65,408	38,385	4,071	1,336,240

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
April 1, 2024 Balance	△35,646	△248,271	△16,704	△18,326	—	△318,950
March 31, 2025 Balance	△51,347	△282,577	△19,165	△20,161	—	△373,251
March 31, 2026 Balance	△60,463	△321,668	△23,431	△21,671	—	△427,234

(2) Property, Plant and Equipment Pledged as Collateral

Property, plant and equipment pledged as collateral for liabilities such as borrowings and the corresponding obligations are as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Assets pledged as collateral		
Property, plant and equipment		
Buildings and structures	3,000	2,732
Other financial assets		
Lease and guarantee deposits	34	31
Total	3,034	2,763
Corresponding obligations		
Trade and other payables	36	195
Other financial liabilities		
Deposits and guarantee deposits received	1,089	970
Total	1,125	1,165

(3) Breakdown of Carrying Amount of Right-of-use Assets

The breakdown of the carrying amount of right-of-use assets included in the carrying amount of property, plant and equipment is as follows.

(Millions of yen)

	Class of underlying assets				
	Land	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balance at April 1, 2024	115,617	107,848	941	263	224,671
Balance at March 31, 2025	119,290	124,686	632	358	244,967
Balance at March 31, 2026	120,045	120,370	573	235	241,226

Note: Additions to right-of-use assets amounted to ¥54,589 million in the previous consolidated fiscal year and ¥33,113 million in the current consolidated fiscal year.

(4) Borrowing Costs

Borrowing costs capitalized as a component of the acquisition cost of qualifying assets amounted to ¥106 million and ¥615 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively. The capitalization rates applied were 0.67% and 0.97% in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

12. Goodwill and Intangible Assets

(1) Changes

Changes in the carrying amounts of goodwill and intangible assets, acquisition cost, accumulated amortization and accumulated impairment losses are as follows.

Carrying amounts

(Millions of yen)

	Goodwill	Intangible assets			Total goodwill and intangible assets
		Software	Other	Total	
Balance at April 1, 2024	—	7,593	100	7,693	7,693
Separate acquisitions	—	3,944	0	3,945	3,945
Amortization	—	△2,078	△2	△2,080	△2,080
Impairment losses	—	△15	△0	△16	△16
Disposals	—	△0	—	△0	△0
Reclassifications	—	△194	—	△194	△194
Foreign currency translation differences, etc.	—	4	△0	4	4
Other	—	△29	3	△26	△26
Balance at March 31, 2025	—	9,224	99	9,324	9,324
Separate acquisitions	—	3,367	—	3,367	3,367
Amortization	—	△2,304	△2	△2,306	△2,306
Impairment losses	—	△25	—	△25	△25
Disposals	—	△2	—	△2	△2
Reclassifications	—	△376	—	△376	△376
Foreign currency translation differences, etc.	—	14	—	14	14
Other	—	△12	0	△11	△11
Balance at March 31, 2026	—	9,885	98	9,983	9,983

Note: Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Acquisition cost

(Millions of yen)

	Goodwill	Intangible assets			Goodwill and Intangible assets Total
		Software	Other	Total	
April 1, 2024	19,619	29,342	134	29,476	49,096
March 31, 2025	19,619	30,245	136	30,381	50,001
March 31, 2026	19,619	29,511	136	29,647	49,267

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets			Goodwill and Intangible assets Total
		Software	Other	Total	
April 1, 2024	△19,619	△21,748	△34	△21,783	△41,403
March 31, 2025	△19,619	△21,020	△36	△21,056	△40,676
March 31, 2026	△19,619	△19,625	△38	△19,663	△39,283

Note: The Group's goodwill arose upon the acquisition of the SHIMACHU Business, and impairment losses were recognized in prior years.

13. Leases

(1) Leases as Lessee

The Group leases mainly real estate (land and buildings) for stores and sales offices. There are no significant purchase options, escalation clauses, or restrictions imposed by lease agreements, such as restrictions on dividends, additional borrowings or additional leases.

(i) Amounts recognized in profit or loss

The breakdown of profit or loss related to leases is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Depreciation of right-of-use assets		
Land	11,358	11,711
Buildings and structures	26,424	26,810
Machinery, equipment and vehicles	439	317
Tools, furniture and fixtures	135	134
Total	38,358	38,973
Interest expense on lease liabilities	2,388	2,848
Short-term lease expenses	2,890	2,217
Expenses for leases of low-value assets	151	102
Expenses relating to variable lease payments not included in the measurement of lease liabilities (Note)	9,315	9,036

Note: Variable lease payments mainly consist of lease payments linked to store performance under store opening agreements.

(ii) Total cash outflows

Total cash outflows related to leases are as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Total cash outflows related to leases	52,065	50,272

(iii) Right-of-use assets and lease liabilities

The breakdown of the carrying amount of right-of-use assets and additions is described in Note "11. Property, Plant and Equipment." The maturity analysis of lease liabilities is described in Note "34. Financial Instruments (2)(ii) Liquidity risk management."

(iv) Extension options and termination options

Some leased properties of the Group include termination options. These mainly relate to real estate lease agreements for stores and sales offices, and many are options that allow early termination if written notice is given to the counterparty a certain period, such as six months, before the contract expiration date. At lease commencement, the Group determines the lease term by assessing the likelihood of exercising termination options after considering economic incentives, such as past experience in exercising termination options and the significance of the underlying assets to the Group. The assessment is reviewed when events or significant changes in facts and circumstances occur that may affect this assessment.

(v) Leases contracted by the lessee but not yet commenced

In the previous consolidated fiscal year and the current consolidated fiscal year, the amounts of future cash outflows to which the Group is potentially exposed from leases already contracted but not yet commenced, and which are not reflected in the measurement of lease liabilities, were ¥8,330 million and ¥13,774 million, respectively.

(2) Leases as Lessor

(i) Income from lease agreements

Income from lease agreements for which the Group is the lessor is as follows. Rental income related to investment property is described in Note “14. Investment Property.”

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Finance leases		
Finance income on the net investment in the lease	54	50
Operating leases		
Lease income	14,948	14,842
Income relating to variable leases	111	199

(ii) Maturity analysis of lease payments receivable, etc.

(a) Operating leases

The Group leases tenant spaces in certain stores as a lessor under operating leases. The maturity analysis of undiscounted lease payments receivable under operating leases is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Within one year	12,747	12,984
One to two years	10,762	11,762
Two to three years	9,904	10,226
Three to four years	8,797	8,045
Four to five years	7,378	6,948
Over five years	36,607	33,920
Total undiscounted lease payments receivable	86,198	83,888

(b) Finance leases

The Group leases tenant spaces in certain stores and vehicles as a lessor under finance leases. The maturity analysis of undiscounted lease payments receivable under finance leases and the reconciliation of total undiscounted lease payments receivable to the net investment in the lease are as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Within one year	682	682
One to two years	682	649
Two to three years	649	492
Three to four years	492	445
Four to five years	445	430
Over five years	3,135	2,705
Total undiscounted lease payments receivable	6,088	5,405
Discounted unguaranteed residual value	—	—
Unearned finance income	△319	△269
Net investment in the lease	5,768	5,136

14. Investment Property

(1) Changes

Changes in the carrying amount of investment property, acquisition cost, accumulated depreciation and accumulated impairment losses, and fair value are as follows.

Carrying amounts

(Millions of yen)

	Investment property
Balance at April 1, 2024	96,189
Acquisitions	988
Depreciation	△1,206
Other	81
Balance at March 31, 2025	96,051
Acquisitions	604
Depreciation	△1,231
Impairment losses	△407
Transfer from (to) property, plant and equipment	369
Other	△44
Balance at March 31, 2026	95,342

Acquisition cost

(Millions of yen)

	Investment property
Balance at April 1, 2024	105,284
Balance at March 31, 2025	106,354
Balance at March 31, 2026	107,630

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Investment property
Balance at April 1, 2024	△9,095
Balance at March 31, 2025	△10,302
Balance at March 31, 2026	△12,288

Fair value

(Millions of yen)

	Fair value
Balance at April 1, 2024	110,949
Balance at March 31, 2025	114,170
Balance at March 31, 2026	112,670

(2) Measurement of Fair Value

The fair value of significant investment property is based on real estate appraisals and other valuations performed by external real estate appraisers. Such valuations are based on market evidence reflecting market prices of similar assets in accordance with the valuation standards of the country in which the property is located. The fair value hierarchy of investment property is Level 3. The fair value hierarchy is described in Note "35. Fair Value of Financial Instruments."

(3) Profit or Loss Related to Investment Property

The amounts of rental income and rental expenses from investment property are as follows.

Rental income is lease income from operating leases as lessor under IFRS 16 "Leases."

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Rental income	5,109	4,962
Rental expenses	△2,356	△2,331
Rental profit or loss	2,752	2,631

Note: Rental income is recorded in "Other income" in the consolidated statement of profit or loss. Rental expenses are expenses corresponding to rental income, including depreciation, repair costs, insurance premiums and taxes and dues, and are recorded in "Cost of sales," "Selling, general and administrative expenses" and "Other expenses" in the consolidated statement of profit or loss. There were no amounts recognized in profit or loss arising from investment property that did not generate rental income.

15. Investments Accounted for Using the Equity Method

(1) Carrying Amount of Investments in Individually Immaterial Associates

The carrying amount of investments in individually immaterial associates is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Total carrying amount	24,772	27,263

(2) Share of Profit, Other Comprehensive Income and Comprehensive Income of Individually Immaterial Associates

The Group's share of profit, other comprehensive income and comprehensive income of individually immaterial associates is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Share of profit	3,265	4,258
Share of comprehensive income	3,265	4,258

16. Impairment of Non-financial Assets

(1) Recognition of Impairment Losses

The Group recognized impairment losses on store assets and other assets because the initially expected earnings were no longer expected. The breakdown by type of asset for which impairment losses were recognized is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Land	7,098	78
Buildings and structures	6,341	3,128
Machinery, equipment and vehicles	6	6
Tools, furniture and fixtures	504	495
Total property, plant and equipment	13,951	3,708
Software	15	25
Other	0	—
Total intangible assets	16	25
Investment property	—	407
Other non-current assets (long-term prepaid expenses, etc.)	25	7
Total impairment losses	13,994	4,148

The Group recognized impairment losses of ¥13,994 million in the previous consolidated fiscal year and ¥4,148 million in the current consolidated fiscal year, which are included in “Other expenses” in the consolidated statement of profit or loss.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Impairment losses of ¥13,994 million were recognized due to declines in the profitability of store assets and other factors, and the carrying amounts of the assets were reduced to their recoverable amounts.

Assets are grouped by the smallest cash-generating units that generate largely independent cash inflows by type of business, and the recoverable amount is the higher of value in use and fair value less costs of disposal.

Value in use is calculated by discounting cash flows mainly at 6.8% to 13.4% (pre-tax), based on forecasts and growth rates approved by management. Forecasts are generally limited to five years, and growth rates exceeding the long-term average market growth rate are not used. The discount rate is calculated mainly based on the weighted-average cost of capital (pre-tax). Fair value is calculated based on appraisals and other valuations performed by external independent real estate appraisers in accordance with the valuation standards of the country in which the real estate is located, and is classified as Level 3 of the fair value hierarchy.

The main cash-generating units for which impairment losses were recognized are as follows.

Business segment	Region	Cash-generating unit	Type
NITORI Business	Japan	NITORI stores, Deco Home and stores of the Corporate & Remodeling Division	Buildings and structures, right-of-use assets, etc.
		E-commerce Business Division	Buildings and structures, software, right-of-use assets, etc.
		NITORI Mall rental properties	Buildings
	Mainland China	NITORI stores	Buildings and structures, right-of-use assets, etc.
	Malaysia	NITORI stores	Buildings and structures, right-of-use assets, etc.

SHIMACHU Business	Japan	SHIMACHU stores	Buildings and structures, right-of-use assets, etc.

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

Impairment losses of ¥4,148 million were recognized due to declines in the profitability of store assets and other factors, and the carrying amounts of the assets were reduced to their recoverable amounts.

Assets are grouped by the smallest cash-generating units that generate largely independent cash inflows by type of business, and the recoverable amount is the higher of value in use and fair value less costs of disposal.

Value in use is calculated by discounting cash flows mainly at 8.4% to 12.5% (pre-tax), based on forecasts and growth rates approved by management. Forecasts are generally limited to five years, and growth rates exceeding the long-term average market growth rate are not used. The discount rate is calculated mainly based on the weighted-average cost of capital (pre-tax). Fair value is calculated based on appraisals and other valuations performed by external independent real estate appraisers in accordance with the valuation standards of the country in which the real estate is located, and is classified as Level 3 of the fair value hierarchy.

The main cash-generating units for which impairment losses were recognized are as follows.

Business segment	Region	Cash-generating unit	Type
NITORI Business	Japan	NITORI stores, Deco Home and N Plus stores	Land, buildings and structures, right-of-use assets, etc.
		NITORI Mall rental properties	Land
	Mainland China, Thailand, etc.	NITORI stores	Buildings and structures, right-of-use assets, etc.
SHIMACHU Business	Japan	SHIMACHU stores	Buildings and structures, right-of-use assets, etc.

(2) Reversal of Impairment Losses

For store assets and other assets, the Group recognized reversals of impairment losses for stores whose profitability improved. The breakdown by type of asset for which reversals of impairment losses were recognized in the consolidated statement of profit or loss is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Land	—	1,044
Buildings and structures	—	455
Total reversal of impairment losses	—	1,500

The Group recognized a reversal of impairment losses of ¥1,500 million in the current consolidated fiscal year, which is included in “Other income” in the consolidated statement of profit or loss.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable.

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

As a result of reviewing recoverable amounts in the current consolidated fiscal year, it became necessary to restore the carrying amounts to the recoverable amounts, and impairment losses were reversed. The recoverable amounts were measured at fair value less costs of disposal, and the main cash-generating units for which reversals of impairment losses were recognized are as follows.

Business segment	Region	Cash-generating unit	Type
NITORI Business	Japan	NITORI stores	Buildings, land, etc.

Fair value less costs of disposal is calculated based on appraisals and other valuations performed by external independent real estate appraisers, and the fair value hierarchy is Level 3.

17. Income Taxes

(1) Breakdown and Changes in Deferred Tax Assets and Deferred Tax Liabilities by Major Cause

The breakdown and changes in deferred tax assets and deferred tax liabilities by major cause are as follows.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	2024 April 1	Recognized through profit or loss	Recognized in other comprehensive income	Other	2025 March 31
Deferred tax assets					
Inventories	973	427	—	△0	1,401
Property, plant and equipment and intangible assets	38,421	4,371	—	△1	42,792
Contract liabilities	592	△33	—	—	559
Accrued bonuses	1,710	△267	—	—	1,442
Accrued paid leave	1,201	△70	—	—	1,131
Assessed levies	1,688	319	—	—	2,007
Lease liabilities	67,932	7,170	—	33	75,137
Retirement benefit liability	2,615	144	△85	0	2,673
Asset retirement obligations	4,892	2,635	—	△0	7,527
Tax loss carryforwards	176	△167	—	△0	8
Other	7,863	△728	516	△96	7,553
Subtotal	128,067	13,801	430	△64	142,235
Deferred tax liabilities					
Property, plant and equipment and intangible assets	78,846	8,602	—	36	87,485
Other financial assets	3,113	25	1,113	—	4,251
Retained earnings of subsidiaries	1,159	152	—	—	1,311
Other	78	326	4	△7	402
Subtotal	83,198	9,107	1,117	28	93,451
Net amount	44,869	4,694	△686	△93	48,783

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	2025 April 1	Recognized through profit or loss	Recognized in other comprehensive income	Other	2026 March 31
Deferred tax assets					
Inventories	1,401	△259	—	0	1,141
Property, plant and equipment and intangible assets	42,792	△1,135	—	2	41,659
Contract liabilities	559	△444	—	—	115
Accrued bonuses	1,442	906	—	—	2,349
Accrued paid leave	1,131	38	—	—	1,169
Levies	2,007	214	—	—	2,221
Lease liabilities	75,137	△382	—	△65	74,688
Retirement benefit liability	2,673	141	△126	0	2,689
Asset retirement obligations	7,527	499	—	0	8,027
Tax loss carryforwards	8	—	—	92	100
Other	7,553	1,142	△516	9	8,189
Subtotal	142,235	721	△642	38	142,352
Deferred tax liabilities					
Property, plant and equipment and intangible assets	87,485	△1,302	—	△80	86,102
Other financial assets	4,251	75	1,488	—	5,815
Retained earnings of subsidiaries	1,311	614	—	—	1,925
Other	402	49	10	12	475
Subtotal	93,451	△563	1,499	△67	94,319
Net amount	48,783	1,285	△2,142	106	48,033

(2) Unrecognized Deferred Tax Assets

Tax loss carryforwards, tax credit carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows. The amounts are presented on a tax amount basis.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Tax loss carryforwards for tax purposes	9,587	10,939
Tax credit carryforwards	—	74
Deductible temporary differences	1,184	1,123
Total	10,772	12,137

The expiration schedule of tax loss carryforwards for which deferred tax assets have not been recognized is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Within 1 year	509	194
Over 1 year to 2 years	173	479
Over 2 years to 3 years	426	650
Over 3 years to 4 years	556	1,224
Over 4 years	7,921	8,390
Total	9,587	10,939

The expiration schedule of tax credit carryforwards for which deferred tax assets have not been recognized is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Within 1 year	—	—
Over 1 year to 2 years	—	—
Over 2 years to 3 years	—	74
Over 3 years to 4 years	—	—
Over 4 years	—	—
Total	—	74

(3) Unrecognized Deferred Tax Liabilities

Temporary differences related to investments in subsidiaries and other entities for which deferred tax liabilities have not been recognized are as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Taxable temporary differences related to investments in subsidiaries and other entities	20,645	27,220

Deferred tax liabilities have not been recognized for taxable temporary differences related to investments in subsidiaries and other entities, except for those related to undistributed earnings that are planned to be distributed as dividends at the end of the reporting period. This is because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(4) Income Tax Expense

The breakdown of income tax expense is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Current tax expense	39,594	39,368
Deferred tax expense		
Changes in tax rates	△977	△210
Origination and reversal of temporary differences	△3,703	△1,074
Recognition of previously unrecognized tax losses	△8	—
Recognition of previously unrecognized deductible temporary differences	△4	—
Total deferred tax expense	△4,694	△1,285
Total income tax expense	34,899	38,083

(5) Income Taxes Recognized in Other Comprehensive Income

Income taxes recognized in other comprehensive income are described in Note “30. Other Comprehensive Income.”

(6) Reconciliation between Statutory Effective Tax Rate and Average Effective Tax Rate

The factors causing differences between the statutory effective tax rate and the average effective tax rate are as follows. The effective tax rate represents the ratio of income tax burden to profit before tax for the year for the entire Group. The Group is mainly subject to corporation tax, inhabitant tax and enterprise tax, and the statutory effective tax rate calculated based on these taxes was 30.6% in both the previous and current consolidated fiscal years. However, overseas subsidiaries are subject to income taxes and similar taxes in their respective jurisdictions.

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Statutory effective tax rate	30.6 %	30.6 %
Items permanently non-deductible for tax purposes	0.2 %	0.1 %
Tax credits	— %	△0.5 %
Changes in unrecognized deferred tax assets	2.1 %	1.3 %
Share of profit or loss of investments accounted for using equity method	△0.9 %	△1.0 %
Differences in applicable tax rates of subsidiaries	△1.5 %	△1.2 %
Changes in tax rates	△0.8 %	△0.4 %
Other	— %	1.0 %
Average effective tax rate	29.7 %	29.9 %

(7) Global Minimum Taxation

Based on the latest tax returns, country-by-country reports and financial statements of each constituent entity subject to the system, the Company assessed the potential impact of application of the global minimum taxation system. As a result, although top-up taxation will be imposed on the Company located in Japan until the tax burden in low-tax jurisdictions where certain subsidiaries are located reaches the benchmark tax rate of 15%, the Company does not anticipate material exposure.

18. Trade and Other Payables

The breakdown of trade and other payables is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Accounts payable - trade	36,013	33,103
Accounts payable - other	35,184	35,998
Accrued expenses	4,260	736
Total	75,459	69,837

Note: Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Borrowings

The breakdown of borrowings is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)	Average interest rate (%)(Note)	Maturity
Current liabilities:				
Short-term borrowings	163,138	140,000	1.066	—
Current portion of long-term borrowings	10,000	10,000	0.351	—
Total	173,138	150,000		—
Non-current liabilities:				
Long-term borrowings	20,000	10,000	0.351	2027–2028
Total	20,000	10,000		—

Notes: 1. The average interest rate represents the weighted-average interest rate on the outstanding balance of borrowings at the end of the fiscal year.

2. Borrowings are classified as financial liabilities measured at amortized cost.

20. Other Financial Liabilities

The breakdown of other financial liabilities is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Other financial liabilities (current):		
Derivative liabilities to which hedge accounting is applied	1,738	—
Financial liabilities measured at amortized cost		
Deposits and guarantee deposits received	169	177
Other	1,122	1,001
Lease liabilities (Note)	33,188	32,923
Total	36,218	34,102
Other financial liabilities (non-current):		
Financial liabilities measured at amortized cost		
Deposits and guarantee deposits received	9,755	9,613
Lease liabilities (Note)	210,721	211,078
Total	220,476	220,692

Note: For lease liabilities, please refer to Note “13. Leases.”

21. Employee Benefits

The Company and certain consolidated subsidiaries have adopted defined benefit corporate pension plans, lump-sum retirement benefit plans and defined contribution pension plans as retirement benefit plans, and certain consolidated subsidiaries have established retirement payment trusts.

(1) Defined Benefit Plans

(i) Characteristics of defined benefit plans and related risks

(a) Overview of defined benefit plans

The Group's principal defined benefit plans consist of (i) retirement lump-sum payment plans and (ii) defined benefit corporate pension plans.

(i) Retirement lump-sum payment plans

These are unfunded plans under which lump-sum payments are made only through internal reserves without external funding for defined benefit obligations. Retirement lump-sum payments are paid in amounts based on basic salary, length of service and other factors in accordance with retirement benefit regulations such as work rules.

(ii) Defined benefit corporate pension plans

These are funded defined benefit pension plans established under the Defined Benefit Corporate Pension Act, which came into effect in April 2002.

With the consent of employees, the Company has established defined benefit corporate pension plan rules that specify eligibility, benefit details and methods, contribution obligations and other aspects of the pension plan, and has obtained approval from the Minister of Health, Labour and Welfare for those rules. The Company operates the plan by entering into contracts with trust banks, insurance companies and other institutions for the payment of contributions and the management of plan assets. The contracted trust banks and other institutions manage and invest plan assets, and also perform actuarial calculations and payment administration for pensions and lump-sum benefits.

The Company is required to make contributions to the corporate pension fund and has an obligation to make contributions determined by the corporate pension fund in the future. Contributions are reviewed periodically within the scope permitted by laws and regulations.

(b) Risks to which the entity is exposed through the plans

Through its defined benefit plans, the Group is exposed to actuarial risks such as general investment risk, interest rate risk, inflation risk and foreign exchange risk. In addition, if investment returns commensurate with retirement benefit obligations under the plan design cannot be obtained, additional contributions may be required.

(ii) Balances of defined benefit obligations and plan assets

The relationship between defined benefit obligations and plan assets and the net amount of defined benefit liabilities and assets recognized in the consolidated statement of financial position is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Present value of funded defined benefit obligations	9,212	8,983
Fair value of plan assets	△8,964	△9,736
Effect of the asset ceiling	1,911	2,880
Subtotal	2,159	2,128
Present value of unfunded defined benefit obligations	4,246	4,062
Net defined benefit liability and asset	6,406	6,190
Amounts in the consolidated statement of financial position		
Defined benefit liability	6,421	6,190
Defined benefit asset	15	—
Net defined benefit liability and asset recognized in the consolidated statement of financial position	6,406	6,190

(iii) Reconciliation of the present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Present value of defined benefit obligations at beginning of period	13,632	13,458
Current service cost	1,349	1,392
Interest expense	184	281
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	△79	39
Actuarial gains and losses arising from changes in financial assumptions	△934	△1,112
Actuarial gains and losses arising from experience adjustments	44	61
Benefits paid	△782	△1,040
Foreign currency translation differences	44	△35
Present value of defined benefit obligations at end of period	13,458	13,046

The weighted-average duration of defined benefit obligations was 9.72 years in the previous consolidated fiscal year and 8.76 years in the current consolidated fiscal year.

(iv) Reconciliation of the fair value of plan assets

Changes in the fair value of plan assets are as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Fair value of plan assets at beginning of period	8,722	8,964
Interest income	127	201
Remeasurements	△262	317
Contributions from employer	578	512
Benefits paid	△201	△259
Fair value of plan assets at end of period	8,964	9,736

The Group expects to contribute ¥499 million in the next consolidated fiscal year, the fiscal year ending March 31, 2027.

(v) Breakdown of plan assets by category

The breakdown of plan assets by major category is as follows.

As an asset-liability matching strategy, the Group's investment policy for plan assets is to secure, over the long term and in a stable manner, sufficient assets to meet future benefit obligations by constructing a well-diversified portfolio that balances multiple investment targets with different risk-return characteristics within an acceptable range of risk, in order to reliably pay benefits for defined benefit obligations in the future. To achieve investment objectives, plan assets are broadly diversified among domestic and foreign equities, bonds and general accounts of life insurance companies to reduce risk. Asset allocation is determined by comprehensively considering medium- to long-term risk and return outlooks, correlations among asset classes and other factors, while taking account of asset-liability consistency, and setting allocations to be maintained over the medium to long term. Asset allocation is reviewed as necessary when there are significant changes in the environment or other circumstances.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)			Current consolidated fiscal year (March 31, 2026)		
	Assets with active market prices	Assets without active market prices	Total	Assets with active market prices	Assets without active market prices	Total
Cash and cash equivalents	394	—	394	364	—	364
Equity financial instruments						
Domestic shares	15	—	15	9	—	9
Foreign shares	44	—	44	66	—	66
Pooled investment trusts (Note 1)	—	3,590	3,590	—	3,812	3,812
Debt financial instruments						
Domestic bonds	10	—	10	3	—	3
Foreign bonds	27	—	27	22	—	22
Pooled investment trusts (Note 2)	—	1,912	1,912	—	2,316	2,316
Other assets						
General accounts of life insurance companies (Note 3)	—	2,885	2,885	—	3,054	3,054
Pooled investment trusts	—	83	83	—	87	87
Total	492	8,472	8,964	466	9,269	9,736

Notes: 1. Pooled investment trusts for equity financial instruments consist mainly of domestic and overseas listed shares.

2. Pooled investment trusts for debt financial instruments consist mainly of domestic and overseas government bonds, public

bonds and corporate bonds.

3. General accounts of life insurance companies guarantee a certain assumed interest rate and principal.

(vi) Effect of the asset ceiling

Changes in the effect of the asset ceiling are as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Effect of the asset ceiling at beginning of period	1,498	1,911
Interest income	21	43
Remeasurements		
Effect of limiting the net defined benefit asset to the asset ceiling	391	925
Effect of the asset ceiling at end of period	1,911	2,880

(vii) Principal actuarial assumptions

The principal assumptions used in the actuarial calculations are as follows.

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Discount rate	2.15 %	3.11 %

(viii) Sensitivity analysis

The effect on the present value of defined benefit obligations if the discount rate used in actuarial calculations changes by 0.5% is as follows.

(Millions of yen)

		Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Discount rate	Increased by 0.5%	△544	△509
	Decreased by 0.5%	584	547

The above analysis is calculated on the assumption that actuarial assumptions other than the discount rate remain constant; however, in practice, changes in other actuarial assumptions may have an effect.

(2) Defined Contribution Plans

Amounts recognized as expenses for defined contribution plans were ¥7,327 million in the previous consolidated fiscal year and ¥8,363 million in the current consolidated fiscal year.

(3) Employee Benefit Expenses

Total employee benefit expenses were ¥131,794 million in the previous consolidated fiscal year and ¥150,903 million in the current consolidated fiscal year, and are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

22. Provisions

The breakdown and changes in provisions are as follows.

(Millions of yen)

	Asset retirement obligations	Shareholder benefit program costs Provision	Other	Total
Previous consolidated fiscal year (April 1, 2024)	14,976	318	11	15,306
Increase during period	599	400	—	999
Unwinding of discount due to over passage of time	111	—	—	111
Decrease during period (used for intended purpose)	△1,010	△263	△0	△1,274
Decrease during period (reversal)	—	—	—	—
Adjustment due to changes in estimates	7,761	—	—	7,761
Other changes	△12	—	—	△12
Previous consolidated fiscal year (March 31, 2025)	22,426	455	11	22,892
Increase during period	726	495	—	1,222
Unwinding of discount due to over passage of time	163	—	—	163
Decrease during period (used for intended purpose)	△693	△455	△11	△1,160
Decrease during period (reversal)	△47	—	—	△47
Adjustment due to changes in estimates	△842	—	—	△842
Other changes	51	—	—	51
Current consolidated fiscal year (March 31, 2026)	21,785	495	—	22,280

(i) Asset retirement obligations

Asset retirement obligations mainly relate to restoration obligations under real estate lease agreements for stores and offices operated by the Group. The expected period of use for these asset retirement obligations is estimated to be one to 48 years from acquisition. When the effect of the time value of money is material, obligations are measured at the present value of expenditures expected to be required to settle the obligations. In calculating present value, a pre-tax risk-free discount rate corresponding to the period in which future cash flows are expected to occur is used, and uncertainty regarding the occurrence of events subject to provisions is reflected in the estimates of future cash flows.

(ii) Provision for shareholder benefit program costs

The provision for shareholder benefit program costs is recognized to provide for future costs arising from the use of shareholder benefit vouchers under the shareholder benefit program, based on the historical utilization rate of shareholder benefit vouchers, in the amount expected to be incurred after the day following the consolidated fiscal year-end. The timing of expenditures is expected mainly to be within one year.

The breakdown of provisions in the consolidated statement of financial position is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Current liabilities	720	1,006
Non-current liabilities	22,172	21,274
Total	22,892	22,280

23. Other Liabilities

The breakdown of other liabilities is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Current liabilities		
Accrued enterprise tax	1,279	1,285
Accrued bonuses	5,831	8,693
Accrued paid leave	3,731	3,749
Consumption taxes payable	5,891	5,506
Other	932	906
Total	17,666	20,140
Non-current liabilities:		
Long-term advances received	656	753
Other	206	193
Total	862	947

24. Capital and Other Components of Equity

(1) Authorized Shares and Issued Shares

Changes in the number of authorized shares and issued shares are as follows.

(Shares)

	Number of authorized shares	Number of issued shares
Balance at April 1, 2024	288,000,000	114,443,496
Balance at March 31, 2025	288,000,000	114,443,496
Balance at March 31, 2026	1,440,000,000	572,217,480

Note 1. All shares issued by the Company are no-par-value ordinary shares with no restrictions on rights, and all issued shares have been fully paid.

2. The Company conducted a share split at a ratio of five shares for each ordinary share effective October 1, 2025, and the number of authorized shares and issued shares increased by 1,152,000,000 shares and 457,773,984 shares, respectively.

(2) Capital Surplus

The Companies Act of Japan (the “Companies Act”) provides that at least one-half of the amount paid in or contributed in exchange for the issuance of shares shall be incorporated into share capital, and the remainder shall be incorporated into legal capital surplus included in capital surplus. The Companies Act also provides that legal capital surplus may be incorporated into share capital by resolution of the shareholders’ meeting.

Changes in capital surplus are as follows.

(Millions of yen)

	Legal capital surplus	Other	Total
Balance at April 1, 2024	30,711	3	30,715
Disposal of treasury shares	—	0	0
Balance at March 31, 2025	30,711	3	30,715
Disposal of treasury shares	—	—	—
Balance at March 31, 2026	30,711	3	30,715

(3) Treasury Shares

Changes in the number and balance of treasury shares are as follows.

(Shares, millions of yen)

	Number of shares	Amount
Balance at April 1, 2024	1,431,638	△10,113
Changes during period (Note 1)	276	△5
Balance at March 31, 2025	1,431,914	△10,118
Changes during period (Note 2)	5,728,328	△1
Balance at March 31, 2026	7,160,242	△10,120

Note 1. The increase of 312 ordinary treasury shares in the previous consolidated fiscal year was due to the purchase of shares of less than one unit.
The decrease of 36 ordinary treasury shares in the previous consolidated fiscal year was due to the exercise of the Board Benefit Trust (J-ESOP).
2. The increase in the number of ordinary treasury shares in the current consolidated fiscal year consisted of an increase of 957 shares due to purchases of shares of less than one unit, an increase of 5,727,656 shares due to the share split, and a decrease of 285 shares due to the exercise of the Board Benefit Trust (J-ESOP).
3. The Company conducted a share split at a ratio of five shares for each ordinary share effective October 1, 2025.
4. The number of ordinary treasury shares at the end of the current consolidated fiscal year includes 1,936,805 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), which was established upon introduction of the Board Benefit Trust (J-ESOP).

(4) Retained Earnings

The Companies Act provides that one-tenth of the amount to be distributed as dividends of surplus shall be set aside as legal capital surplus or legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings reaches one-fourth of share capital. Legal retained earnings set aside may be used to compensate deficits. Legal retained earnings may also be reversed by resolution of the shareholders' meeting.

25. Dividends

(1) Dividends Paid

Dividends paid in each fiscal year are as follows.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
May 14, 2024 Board of Directors (Note 1)	Ordinary shares	8,164	72.0	March 31, 2024	June 4, 2024
November 6, 2024 Board of Directors (Note 2)	Ordinary shares	8,618	76.0	September 30, 2024	December 3, 2024

Note 1. Total dividends include dividends of ¥27 million on shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), which was established upon introduction of the Board Benefit Trust (J-ESOP).

2. Total dividends include dividends of ¥29 million on shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), which was established upon introduction of the Board Benefit Trust (J-ESOP).

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
May 13, 2025 Board of Directors (Note 1)	Ordinary shares	8,618	76.0	March 31, 2025	June 10, 2025
November 13, 2025 Board of Directors (Note 2)	Ordinary shares	8,731	77.0	September 30, 2025	December 2, 2025

Note 1. Total dividends include dividends of ¥29 million on shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), which was established upon introduction of the Board Benefit Trust (J-ESOP).

2. Total dividends include dividends of ¥29 million on shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), which was established upon introduction of the Board Benefit Trust (J-ESOP).

(2) Dividends Whose Effective Date Falls in the Following Consolidated Fiscal Year

Among dividends whose record date belongs to the current consolidated fiscal year, dividends whose effective date falls in the following consolidated fiscal year are as follows.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
May 13, 2025 Board of Directors	Ordinary shares	8,618	76.0	March 31, 2025	June 10, 2025

Note: Total dividends include dividends of ¥29 million on shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), which was established upon introduction of the Board Benefit Trust (J-ESOP).

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
May 14, 2026 Board of Directors	Ordinary shares	8,731	15.4	March 31, 2026	June 9, 2026

Note 1. Total dividends include dividends of ¥29 million on shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E), which was established upon introduction of the Board Benefit Trust (J-ESOP).

2. The Company conducted a share split at a ratio of five shares for each ordinary share, with September 30, 2025 as the record date and October 1, 2025 as the effective date. For dividends per share whose record date is on or after October 1, 2025, the actual amount of dividends after the share split is presented.

26. Revenue

(1) Breakdown of Revenue

Information on revenue disaggregated by major customer or type of service is as follows.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segments		
	NITORI Business	SHIMACHU Business	Consolidated
Revenue			
Store sales	678,817	109,400	788,217
E-commerce sales	96,823	782	97,606
Other	26,012	238	26,250
Revenue recognized from contracts with customers	801,652	110,421	912,073
Revenue recognized from other sources	8,031	8,722	16,754
Total revenue from external customers	809,684	119,143	928,828

Note: Revenue recognized from other sources mainly consists of operating lease income, and the breakdown is described in Note “13. Leases (2) Leases as lessor” and Note “14. Investment Property.”

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Reportable segments		
	NITORI Business	SHIMACHU Business	Consolidated
Revenue			
Store sales	677,774	98,705	776,479
E-commerce sales	90,854	692	91,546
Other	27,070	334	27,404
Revenue recognized from contracts with customers	795,698	99,731	895,430
Revenue recognized from other sources	7,849	8,968	16,817
Total revenue from external customers	803,548	108,699	912,248

Note: Revenue recognized from other sources mainly consists of operating lease income, and the breakdown is described in Note “13. Leases (2) Leases as lessor” and Note “14. Investment Property.”

Revenue recognized from contracts with customers consists mostly of revenue from goods or services transferred to customers at a point in time. Revenue recognized over time is not presented separately in “disaggregation of revenue from contracts with customers” because the amount is not material.

(2) Contract Balances

The breakdown of contract balances is as follows.

(Millions of yen)

	Beginning of previous consolidated fiscal year (April 1, 2024)	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Receivables arising from contracts with customers			
Notes and accounts receivable - trade	78,788	71,006	72,743
Contract liabilities	29,223	30,506	29,416

Contract liabilities consist of amounts calculated by identifying points granted to customers in connection with sales of merchandise as performance obligations and allocating the transaction price based on stand-alone selling prices calculated by considering expected future forfeitures and other factors, as well as advances received. Contract liabilities are reversed as revenue is recognized through satisfaction of performance obligations. Of the revenue recognized in the previous consolidated fiscal year and the current consolidated fiscal year, amounts related to contract liabilities at the beginning of the period were ¥29,223 million and ¥30,506 million, respectively.

There were no material amounts of revenue recognized in the previous consolidated fiscal year or the current consolidated fiscal year from performance obligations satisfied in prior periods.

(3) Remaining Performance Obligations

The Group does not have significant transactions with individual expected contract periods exceeding one year; therefore, using the practical expedient, information about remaining performance obligations is omitted. There are also no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(4) Assets Recognized from Costs to Obtain or Fulfill Contracts with Customers

In the current consolidated fiscal year, there were no material assets recognized from costs to obtain or fulfill contracts with customers. In addition, when the amortization period of an asset that would otherwise be recognized is one year or less, the Group uses the practical expedient and recognizes incremental costs of obtaining a contract as an expense when incurred.

27. Cost of Sales and Selling, General and Administrative Expenses

The breakdown of cost of sales and selling, general and administrative expenses by nature is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Cost of merchandise purchased	443,576	406,729
Employee benefit expenses (Note 1)	131,794	150,903
Depreciation and amortization (Note 2)	66,143	69,509
Shipping and delivery expenses	35,658	36,150
Advertising expenses	20,958	24,168
Outsourcing expenses	19,039	16,886
Taxes and dues	11,954	11,939
Commission expenses	11,475	11,732
Cost of rental income	4,783	5,241
Other	58,096	57,319
Total	803,481	790,581

Notes: 1. For employee benefit expenses, please refer to Note “21. Employee Benefits.”

2. For depreciation and amortization, please refer to Note “11. Property, Plant and Equipment,” Note “12. Goodwill and Intangible Assets” and Note “14. Investment Property.”

28. Other Income and Expenses

The breakdown of other income is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Gain on sale of non-current assets	103	72
Vending machine income	353	331
Income from sale of valuable materials	384	469
Subsidy income	233	691
Gain on lease liability cancellation (Note 1)	851	328
Income from sale of materials	454	134
Gain on reversal of liabilities	344	40
Reversal of impairment losses (Note 2)	—	1,500
Penalty income	196	26
Other	1,127	1,312
Total	4,051	4,906

Note 1. Gains on termination of lease liabilities arose mainly at subsidiaries of the Company when long-term lease agreements for stores were terminated, as the difference between the balance of lease liabilities for the subject properties and the balance of right-of-use assets plus termination costs.

2. Reversal of impairment losses is described in Note “16. Impairment of Non-financial Assets.”

The breakdown of other expenses is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Impairment losses (Note)	13,994	4,148
Other	1,004	1,156
Total	14,998	5,304

Note: Impairment losses are described in Note “16. Impairment of Non-financial Assets.”

29. Finance Income and Finance Costs

The breakdown of finance income is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Interest income		
Financial assets measured at amortized cost	1,549	2,496
Dividend income		
Financial assets measured at fair value through other comprehensive income (equity financial instruments)	555	590
Foreign exchange gains	912	2,888
Other	1	—
Total	3,019	5,975

The breakdown of finance costs is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Interest expense		
Lease liabilities	2,388	2,848
Financial liabilities measured at amortized cost	845	1,293
Other	1	2
Total	3,236	4,144

30. Other Comprehensive Income

The amounts arising during the period, reclassification adjustments to profit or loss and tax effects for each item of other comprehensive income are as follows.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	3,370	—	3,370	△1,117	2,252
Remeasurements of defined benefit plans	315	—	315	△85	229
Total	3,685	—	3,685	△1,203	2,482
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	△2,098	—	△2,098	—	△2,098
Cash flow hedges	△1,385	△54	△1,440	441	△999
Total	△3,483	△54	△3,538	441	△3,097
Total other comprehensive income	201	△54	147	△761	△614

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	4,728	—	4,728	△1,483	3,244
Remeasurements of defined benefit plans	402	—	402	△126	275
Total	5,131	—	5,131	△1,610	3,520
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	6,128	—	6,128	—	6,128
Cash flow hedges	7,274	0	7,274	△2,279	4,994
Total	13,403	0	13,403	△2,279	11,123
Total other comprehensive income	18,534	0	18,534	△3,890	14,644

31. Earnings per Share

The basis for calculating basic earnings per share and diluted earnings per share is as follows.

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Basis for calculating basic earnings per share		
Profit for the period attributable to owners of the parent (millions of yen)	82,546	89,270
Profit for the period not attributable to ordinary shareholders of the parent (millions of yen)	—	—
Profit for the period used to calculate basic earnings per share (millions of yen)	82,546	89,270
Weighted-average number of ordinary shares during the period (thousands of shares)	565,058	565,057
Basic earnings per share (yen)	146.08	157.98
Basis for calculating diluted earnings per share		
Profit for the period used to calculate basic earnings per share (millions of yen)	82,546	89,270
Adjustment to profit for the period (millions of yen)	—	—
Profit for the period used to calculate diluted earnings per share (millions of yen)	82,546	89,270
Weighted-average number of ordinary shares during the period (thousands of shares)	565,058	565,057
Diluted weighted-average number of ordinary shares during the period (thousands of shares)	565,058	565,057
Diluted earnings per share (yen)	146.08	157.98

Note: The Company conducted a share split at a ratio of five shares for each ordinary share, effective October 1, 2025. Basic earnings per share and diluted earnings per share are calculated assuming that the share split was conducted at the beginning of the previous consolidated fiscal year.

32. Cash Flow Information

(1) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities are as follows.

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	2024 April 1	Changes involving cash flows	Changes not involving cash flows				2025 March 31
			New leases	Early terminations	Changes in fair value	Other (Note 2)	
Short-term borrowings	80,227	82,665	—	—	—	245	163,138
Long-term borrowings (Note 1)	57,330	△27,330	—	—	—	—	30,000
Derivative liabilities	—	—	—	—	1,738	—	1,738
Lease liabilities	227,549	△37,319	46,520	△1,985	—	9,144	243,909
Total	365,107	18,016	46,520	△1,985	1,738	9,389	438,786

Notes: 1. Current portion of long-term borrowings is included in long-term borrowings.
2. Other changes include the effects of changes in estimates of lease liabilities and other items.

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	2025 April 1	Changes involving cash flows	Changes not involving cash flows				2026 March 31
			New leases	Early terminations	Changes in fair value	Other (Note 2)	
Short-term borrowings	163,138	△23,152	—	—	—	13	140,000
Long-term borrowings (Note 1)	30,000	△10,000	—	—	—	—	20,000
Derivative liabilities	1,738	—	—	—	△1,738	—	—
Lease liabilities	243,909	△36,066	32,600	△1,760	—	5,319	244,002
Total	438,786	△69,219	32,600	△1,760	△1,738	5,333	404,002

Notes: 1. Current portion of long-term borrowings is included in long-term borrowings.
2. Other changes include the effects of changes in estimates of lease liabilities and other items.

(2) Significant Non-cash Transactions

Significant non-cash transactions are as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Acquisition of right-of-use assets by lease	54,589	33,113

33. Share-based Payments

The Group has adopted share-based payment plans for the purpose of improving medium- to long-term performance and corporate value by providing incentives to directors, employees and others.

(1) Performance-linked Share-based Payment Plan

The Company has introduced a performance-linked share-based payment plan for directors of the Company, excluding non-executive directors, for the purpose of providing incentives to directors responsible for business execution to achieve sustainable improvement in corporate value and further promoting shared interests with shareholders. For details of the outline and structure of the plan, please refer to "Part 4: Information on the Reporting Company, 1. Information on Shares, etc., (8) Details of share ownership plans for officers and employees." The share-based payment plan is accounted for as equity-settled share-based payments.

No expenses related to the performance-linked share-based payment plan were included in the consolidated statement of profit or loss in either the previous consolidated fiscal year or the current consolidated fiscal year.

(2) Employee Share Delivery Plan

The Company has introduced a share delivery plan for employees of the Company and its subsidiaries, including executive officers and excluding part-time and temporary employees, for the purpose of providing incentives to achieve sustainable improvement in the Company's corporate value and further promoting shared interests with shareholders. For details of the outline and structure of the plan, please refer to "Part 4: Information on the Reporting Company, 1. Information on Shares, etc., (8) Details of share ownership plans for officers and employees." The share delivery plan is accounted for as equity-settled share-based payments.

No expenses related to the employee share delivery plan were included in the consolidated statement of profit or loss in either the previous consolidated fiscal year or the current consolidated fiscal year.

(3) Share-based Payment Trust (J-ESOP)

(i) Details of the plan

The Company has introduced an incentive plan, the Share-based Payment Trust (J-ESOP), under which shares of the Company are delivered to employees for the purpose of fostering a sense of belonging among employees and increasing motivation to improve share price and performance. For details of the outline and structure of the plan, please refer to "Part 4: Information on the Reporting Company, 1. Information on Shares, etc., (8) Details of share ownership plans for officers and employees."

The Share-based Payment Trust (J-ESOP) is accounted for as equity-settled share-based payments.

(ii) Number of points

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Opening balance	36	—
Granted	—	360
Exercised	36	—
Forfeited	—	—
Outstanding balance at end of period	—	360
Exercisable balance at end of period	—	360

Notes: 1. The Company conducted a share split at a ratio of five shares for each ordinary share, effective October 1, 2025.
2. The previous consolidated fiscal year shows the number of shares before the share split.
3. The current consolidated fiscal year shows the number of shares after the share split.

(iii) Fair value of points granted and method of estimating fair value

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Weighted-average fair value (yen)	—	2,517.5

Note: The fair value at the grant date is calculated using the share price of the Company's shares at the grant date, as it was judged to approximate the fair value at the grant date.

(iv) Amount recognized in the consolidated statement of profit or loss

Expenses related to the Board Benefit Trust (J-ESOP) included in the consolidated statement of profit or loss did not arise in the previous consolidated fiscal year. In the current consolidated fiscal year, such expenses amounted to ¥0 million and are recorded in "Selling, general and administrative expenses."

34. Financial Instruments

(1) Capital Management

To enhance corporate value, the Group’s basic policy for capital management is to pursue growth investment opportunities that exceed the cost of capital, improve asset efficiency through improvements in business operations, and build an appropriate capital structure that also takes financial soundness into account. The Group monitors financial indicators to maintain an optimal capital structure, monitoring mainly credit ratings for financial soundness and flexibility and return on equity attributable to owners of the parent (ROE) for capital efficiency, as appropriate.

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
ROE	9.5 %	9.4 %

ROE: Profit for the period attributable to owners of the parent ÷ equity attributable to owners of the parent (average of beginning and ending balances)

The Group is not subject to significant capital regulations, excluding general provisions such as those of the Companies Act.

(2) Financial Risk Management

In the course of its operating activities, the Group is exposed to financial risks including credit risk, liquidity risk and market risk, and manages risks to reduce these financial risks. The Group uses forward exchange contracts as derivatives to reduce foreign exchange fluctuation risk and has a policy of not engaging in speculative transactions.

(i) Credit risk management

Credit risk is the risk that a counterparty to financial assets held by the Group defaults on contractual obligations and causes financial losses to the Group.

Trade receivables, consisting of notes and accounts receivable - trade, are exposed to the credit risk of customers. However, collection periods are short and historical default rates are extremely low. For trade receivables, the Group manages due dates and balances by customer and seeks to reduce risk by promptly collecting receivables when there are concerns about credit condition.

Lease and guarantee deposits mainly arise from store lease agreements and are exposed to the credit risk of deposit counterparties. The Group manages due dates and balances by counterparty and seeks early identification of collection concerns and risk reduction due to deterioration in financial condition or other factors.

The maximum exposure to credit risk at the end of the consolidated fiscal year is the carrying amount of financial assets after impairment, and no significant bad debt losses have been recognized in prior years.

Derivative transactions are forward exchange contracts used for hedging foreign exchange fluctuation risk related to foreign currency-denominated monetary liabilities and forecast transactions. All counterparties to the Group’s transactions are financial institutions with high creditworthiness, and the Group judges that there is almost no credit risk arising from default by counterparties. Transactions are executed and managed by the finance and accounting department with approval from authorized approvers in accordance with internal rules that stipulate transaction authority.

The Group does not have excessive concentration of credit risk with any single counterparty or group to which such counterparty belongs.

The Group omits disclosure of credit risk exposure and changes in loss allowances because credit risk is limited and the effect on impairment of financial assets is insignificant.

(ii) Liquidity risk management

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Group generally funds necessary financing with its own funds and borrowings, but such liabilities are exposed to liquidity risk in which payments may not be made on due dates due to deterioration in financial condition, funding environment or other factors.

The Group manages liquidity risk by preparing and updating cash management plans in a timely manner based on reports from each department, maintaining liquidity on hand so that scheduled payments can be met even in unforeseen circumstances, and systematically securing funds for repayment of borrowings. The Group also manages liquidity risk by continuously monitoring cash flow status and outlook.

(a) Maturity analysis of financial liabilities

The maturity analysis of financial liabilities is as follows.

Previous consolidated fiscal year (March 31, 2025)

(Millions of yen)

	Carrying amount	Contractual amount	Within one year	Over one year Within two years	Over two years Within three years	Over three years Within four years	Over four years Within five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	75,459	75,459	75,459	—	—	—	—	—
Borrowings	193,138	191,345	171,257	61	20,026	—	—	—
Other financial liabilities	11,047	11,451	2,742	859	768	925	855	5,301
Lease liabilities	243,909	267,229	35,771	31,436	25,829	22,301	19,169	132,721
Derivative financial liabilities								
Forward exchange contracts	1,738	1,738	1,738	—	—	—	—	—
Total	525,293	547,224	286,969	32,357	46,623	23,227	20,024	138,022

Note: Net receivables and payables arising from derivative transactions are presented on a net basis.

Current consolidated fiscal year (March 31, 2026)

(Millions of yen)

	Carrying amount	Contractual amount	Within one year	Over one year Within two years	Over two years Within three years	Over three years Within four years	Over four years Within five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	69,837	69,837	69,837	—	—	—	—	—
Borrowings	160,000	161,580	151,554	10,026	—	—	—	—
Other financial liabilities	10,791	11,301	2,566	805	1,312	880	587	5,149
Lease liabilities	244,002	272,683	36,221	31,066	26,598	22,479	18,883	137,433
Total	484,631	515,402	260,180	41,897	27,910	23,360	19,470	142,583

(b) Overdraft agreements

Unused borrowing capacity under overdraft agreements is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Total overdraft limit	180,000	180,000
Borrowings outstanding	160,000	140,000
Unused balance	20,000	40,000

(iii) Market risk management

The Group is exposed to foreign exchange fluctuation risk arising from foreign currency-denominated transactions and other items, interest rate fluctuation risk arising from funding and other activities, and market price fluctuation risk arising from holdings of listed shares and other items.

(a) Foreign exchange risk

Because the Group develops and imports most of the products it sells as private-brand products, it is exposed to foreign exchange fluctuation risk on trade payables. The Group uses forward exchange contracts to reduce the risk of fluctuations in foreign exchange rates. The Group manages foreign exchange risk by continuously monitoring foreign exchange exposures and exchange rate trends.

(i) Exposure to foreign exchange risk

Exposure to foreign exchange risk (net amount) is as follows. Amounts for which foreign exchange fluctuation risk is hedged by derivative transactions are excluded.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
U.S. dollar	43	14,156

(ii) Foreign exchange sensitivity analysis

For companies whose functional currency is Japanese yen in each reporting period, the effect on profit or loss in the consolidated statement of profit or loss and other comprehensive income (after tax effects) if the Japanese yen appreciates by 1% against the U.S. dollar is as follows. This analysis assumes that all other factors, such as balances and interest rates, remain constant.

Exposure to exchange rate fluctuations for all currencies other than the U.S. dollar is not material.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
U.S. dollar	△0	△141

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group borrows funds with reference to capital investment plans, cash flow schedules and other factors. The borrowings are used mainly to procure funds necessary for capital investment and investments and loans, and bear fixed interest rates. Since the balance of borrowings exposed to interest rate fluctuation risk is insignificant, disclosure of sensitivity analysis for interest rate risk is omitted.

(c) Share price fluctuation risk

The Group holds shares of companies with which it has business relationships for the purpose of smoothly executing business strategies and is exposed to price fluctuation risk of equity financial assets (shares). For these equity financial assets, the Group periodically monitors market prices and issuers' financial condition and continuously reviews holdings. The Group does not hold equity financial assets for short-term trading purposes and does not actively trade these investments.

(i) Share price fluctuation risk sensitivity analysis

For equity financial assets held by the Group in the previous and current consolidated fiscal years, assuming all other variables remain constant, the effect on "other comprehensive income (before tax)" if the share prices of listed shares at the reporting date decline by 10% is as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Effect on other comprehensive income (before tax)	△2,364	△2,853

(3) Hedge Accounting

(i) Overview of hedge accounting

The Group uses forward exchange contracts to hedge foreign exchange fluctuation risk related to foreign currency-denominated trade payables and forecast transactions, and applies hedge accounting by designating them as cash flow hedges. The Group responds to foreign exchange fluctuation risk by flexibly conducting hedging transactions using forward exchange contracts and shares information and monitors such transactions at the Company's Board of Directors.

At the inception of a hedge, the Group formally designates and documents the hedging relationship to which it intends to apply hedge accounting, as well as the risk management objective and strategy for undertaking the hedge. The documentation includes the specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and the method for assessing the effectiveness of changes in the fair value of the hedging instrument in offsetting exposure to changes in cash flows of the hedged item attributable to the hedged risk. The Group judges that an economic relationship exists between the hedging instrument and the hedged item because the terms of the Group's forward exchange contracts are consistent with the terms of highly probable forecast transactions.

Throughout the reporting period for which hedging transactions are designated, the Group assesses effectiveness by monitoring the existence of an economic relationship between the hedged item and the hedging instrument. This is done to confirm that changes in cash flows of the hedged item are in an economic relationship that is offset by changes in cash flows of the hedging instrument, through qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned, or through quantitative assessment of whether the values of the hedged item and the hedging instrument are in a relationship in which value changes offset each other due to the same risk.

At the inception of a hedging relationship, the Group establishes an appropriate hedge ratio based on the quantities of the hedged item and hedging instrument so that the relationship is one-to-one. Because the Group conducts highly effective hedges, no material ineffective portion has arisen.

In hedging transactions conducted by the Group, the entire hedged item is hedged, and there are no transactions that hedge only certain risk components.

(a) Information on items designated as hedging instruments

The effect of hedging instruments on the Group's consolidated statement of financial position is as follows. Derivative liabilities are included in "Other financial liabilities" in the consolidated statement of financial position.

Previous consolidated fiscal year (March 31, 2025)

(Millions of yen)

	Notional amount	Of which over one year	Carrying amount of hedging instruments (fair value)		Average rate
			Assets	Liabilities	
Foreign exchange risk					
Forward exchange contracts	289,379	—	—	1,738	¥147.64/U.S. dollar

Current consolidated fiscal year (March 31, 2026)

Not applicable.

(b) Information on items designated as hedged items

The amount of cash flow hedge reserve related to continuing hedges in the Group is as follows. There is no cash flow hedge reserve related to discontinuation of hedge accounting.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Related to continuing hedges Cash flow hedge reserve		
Foreign exchange risk	△1,685	48

(c) Effects of applying hedge accounting on the consolidated statement of profit or loss and consolidated statement of comprehensive income

The effects of hedging instruments on the consolidated statement of profit or loss and consolidated statement of comprehensive income are as follows. Amounts reclassified from the cash flow hedge reserve to profit or loss are included in "Finance income" in the consolidated statement of profit or loss. Reclassification adjustments from the cash flow hedge reserve to profit or loss arise because the hedged item affected profit or loss.

Previous consolidated fiscal year (March 31, 2025)

(Millions of yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (before tax effect)	Reclassification adjustments transferred from cash flow hedge reserve to profit or loss (before tax effect)
Foreign exchange risk		
Forward exchange contracts	△1,385	△54

Current consolidated fiscal year (March 31, 2026)

(Millions of yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (before tax effect)	Reclassification adjustments transferred from cash flow hedge reserve to profit or loss (before tax effect)
Foreign exchange risk		
Forward exchange contracts	7,274	0

35. Fair Value of Financial Instruments

(1) Fair Value Hierarchy

Financial instruments measured at fair value are classified into Levels 1 to 3 according to the observability and significance of inputs used in measurement. In this classification, each fair value hierarchy is defined as follows.

Level 1: Market prices for identical assets or liabilities in active markets

Level 2: Fair values calculated using directly or indirectly observable prices other than Level 1 prices

Level 3: Fair values calculated using valuation techniques that include unobservable inputs

When multiple inputs are used in fair value measurement, the level of fair value is determined based on the lowest-level input that is significant to the entire fair value measurement.

(2) Financial Instruments Measured at Fair Value

(i) Breakdown of financial instruments measured at fair value

Financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position, classified by fair value hierarchy, are as follows.

Previous consolidated fiscal year (March 31, 2025)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss				
Investments	—	—	365	365
Other	—	157	—	157
Financial assets measured at fair value through other comprehensive income				
Shares	23,644	—	1,056	24,701
Total	23,644	157	1,421	25,223
Financial liabilities				
Other financial liabilities				
Derivative liabilities to which hedge accounting is applied	—	1,738	—	1,738
Total	—	1,738	—	1,738

Current consolidated fiscal year (March 31, 2026)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through profit or loss				
Investments	—	—	335	335
Other	—	145	—	145
Financial assets measured at fair value through other comprehensive income				
Shares	28,534	—	905	29,440
Total	28,534	145	1,241	29,921

Note: Whether significant transfers between levels of financial instruments have occurred is determined at the end of each reporting period. There were no significant transfers of financial instruments between Level 1 and Level 2 in the previous consolidated fiscal year or the current consolidated fiscal year.

(ii) Method of measuring fair value of financial instruments

(a) Investments

Investments mainly consist of investments in investment limited partnerships. The fair value of investments is calculated based on the amount equivalent to the Group's interest in partnership assets and is classified as Level 3 of the fair value hierarchy.

(b) Shares

The fair value of listed shares is calculated using market prices at the reporting date and is classified as Level 1 of the fair value hierarchy. The fair value of unlisted shares for which quoted prices in active markets are not available is calculated using valuation techniques such as the comparable company analysis method and is classified as Level 3 of the fair value hierarchy. Under the comparable company analysis method, comparable listed companies of the target company are selected and fair value is calculated using equity indicators of those comparable companies.

(c) Derivative liabilities to which hedge accounting is applied

These are measured at fair value calculated by transaction financial institutions or fair value calculated based solely on observable input information and are classified as Level 2 of the fair value hierarchy.

(iii) Reconciliation of financial instruments classified as Level 3

For recurring fair value measurements classified as Level 3, the reconciliation from opening balance to closing balance is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Opening balance	1,482	1,421
Gains or losses		
Profit or loss (Note 1)	△62	△29
Other comprehensive income (Note 2)	1	△165
Purchases	—	25
Sales	—	△10
Closing balance	1,421	1,241
Change in unrealized gains or losses for the period recognized in profit or loss for assets held at the end of the reporting period (Note 3)	△62	△29

Notes: 1. Gains and losses included in profit or loss relate to financial assets measured at fair value through profit or loss as of the reporting date. These gains and losses are included in "Finance costs" in the consolidated statement of profit or loss.

2. Gains and losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains and losses are included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

3. Included in "Finance costs" in the consolidated statement of profit or loss.

4. For recurring fair value measurements classified as Level 3, the main quantitative information on significant unobservable inputs is as follows.

Item	Valuation technique	Unobservable inputs	End of previous consolidated fiscal year March 31, 2025	End of current consolidated fiscal year March 31, 2026
Shares	Comparable company analysis method	PBR (times)	0.63	0.61

If PBR increases, the fair value of shares increases. For financial instruments classified as Level 3, no significant increase or decrease in fair value is expected if unobservable inputs are changed to reasonably possible alternative assumptions.

5. For financial instruments classified as Level 3, the responsible department determines the valuation method for the relevant financial instruments and measures fair value in accordance with valuation policies and procedures approved by appropriate authorized personnel. The results of fair value measurements are approved by appropriate responsible persons.

(iv) Fair value of financial instruments measured at amortized cost

(a) Fair value and carrying amount

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows. Financial instruments whose carrying amounts approximate fair values are not included in the table below.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)		Current consolidated fiscal year (March 31, 2026)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Other financial assets				
Lease and guarantee deposits	44,931	42,386	42,838	38,110
Lease receivables	5,768	5,461	5,136	4,845
Total	50,699	47,848	47,974	42,956
Financial liabilities				
Borrowings (Note)	193,138	192,759	160,000	159,708
Other financial liabilities				
Deposits and guarantee deposits received	9,925	9,493	9,790	9,108
Total	203,063	202,252	169,790	168,816

Note: Includes the balance of borrowings due within one year.

(b) Method of calculating fair value of financial instruments

The method of calculating fair value of financial instruments is as follows.

(i) Lease and guarantee deposits, and deposits and guarantee deposits received

The fair values of lease and guarantee deposits and deposits and guarantee deposits received are calculated based on present values obtained by discounting future cash flows for each certain period at interest rates based on appropriate indicators such as government bond yields, and are classified as Level 2 of the fair value hierarchy.

(ii) Lease receivables

The fair value of lease receivables is calculated based on present values obtained by discounting receivable amounts for each receivable classified by certain periods using interest rates that take into account the period to maturity and credit risk, and is classified as Level 2 of the fair value hierarchy.

(iii) Borrowings

The fair value of borrowings is calculated by discounting the total principal and interest at interest rates assumed if similar new borrowings were made, and is classified as Level 2 of the fair value hierarchy.

36. Related Party Transactions

(1) Transactions with Related Parties

Transactions and balances of receivables and payables between the Group and its related parties are as follows. Information on subsidiaries and associates is described in Note “15. Investments Accounted for Using the Equity Method” and Note “37. Significant Subsidiaries.”

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable.

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

Not applicable.

(2) Compensation to Key Management Personnel

Compensation to key management personnel of the Group is as follows.

(Millions of yen)

	Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)
Short-term employee benefits	293	255
Total	293	255

Note: Compensation to key management personnel represents compensation to the Company's directors.

37. Significant Subsidiaries

(1) Status of Subsidiaries

The status of the Group's principal subsidiaries is as follows.

Name	Address	Reportable segment	Percentage of voting rights owned (Note)	
			Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Nitori Holdings Co., Ltd.	Kita-ku, Sapporo-shi, Hokkaido	NITORI Business	100	100
Home Logistics Co., Ltd.	Kita-ku, Sapporo-shi, Hokkaido	NITORI Business	100	100
Shimachu Co., Ltd.	Chuo-ku, Saitama-shi, Saitama	SHIMACHU Business	100	100
NITORITAIWAN CO., LTD.	Taipei, Taiwan	NITORI Business	100	100
NITORI China Holdings Co., Ltd.	Shanghai, China	NITORI Business	100	100
Deco Home China Co., Ltd.	Shanghai, China	NITORI Business	100 (100)	100 (100)
NITORI(SHANGHAI) HOME FURNISHING CO., LTD.	Shanghai, China	NITORI Business	100 (100)	100 (100)
NITORI(SHANGHAI) HOMEFURNISHING SALES CO., LTD.	Shanghai, China	NITORI Business	100 (100)	100 (100)
NITORI Taicang Trading & Logistics Co., Ltd.	Taicang, Jiangsu Province, China	NITORI Business	100	100
NITORIFURNITURE VIETNAM EPE	Hanoi, Vietnam	NITORI Business	100 (100)	100 (100)
Nitori Public Co., Ltd.	Kita-ku, Sapporo-shi, Hokkaido	NITORI Business	100	100
HOME DECO Co., Ltd.	Kazo-shi, Saitama	NITORI Business	100	100

Note: Ownership ratios of voting rights include indirect ownership ratios shown in parentheses.

(2) Subsidiaries with Material Non-controlling Interests

There are no subsidiaries with material non-controlling interests.

38. Commitments

Commitments for expenditures after the reporting date are as follows.

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Acquisition of property, plant and equipment	18,194	7,320
Acquisition of intangible assets	480	—
Total	18,674	7,320

39. Contingencies

Previous consolidated fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable.

Current consolidated fiscal year (From April 1, 2025 to March 31, 2026)

Not applicable.

40. Significant Subsequent Events

Not applicable.

(2) Other

Semi-annual information, etc. for the current consolidated fiscal year

		First quarter consolidated cumulative period	Interim consolidated accounting period	Third quarter consolidated cumulative period	Current consolidated fiscal year
Revenue	(Millions of yen)	231,694	439,111	688,503	912,248
Interim (quarterly) profit (profit for the period) before tax	(Millions of yen)	37,132	60,360	107,324	127,357
Interim (quarterly) profit (profit for the period) attributable to owners of the parent	(Millions of yen)	26,154	41,741	74,346	89,270
Basic interim (quarterly) earnings (earnings for the period) per share	(Yen)	46.29	73.87	131.57	157.98

Note: The Company conducted a share split at a ratio of five shares for each ordinary share effective October 1, 2025. Basic interim (quarterly) earnings (earnings for the period) per share are calculated assuming that the share split was conducted at the beginning of fiscal 2025.

		First quarter consolidated accounting period	Second quarter consolidated accounting period	Third quarter consolidated accounting period	Fourth quarter consolidated accounting period
Basic quarterly earnings per share	(Yen)	46.29	27.58	57.70	26.41

Note: Review of financial statements for the first quarter consolidated cumulative period and the third quarter consolidated cumulative period: Performed

Translation Disclaimer

This English translation has been prepared with the assistance of artificial intelligence based on NITORI Holdings Co., Ltd.'s Annual Securities Report for FY2025, originally prepared in Japanese. This translation is provided solely for reference purposes to assist readers in understanding the content of the original Japanese document.

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