



Consolidated Financial Statements

For the year ended February 20, 2022

Nitori Holdings Co., Ltd.

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As of February 20, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 16)	¥127,076	¥125,487	\$1,105,394
Short-term investments (Note 16)	3,359	33,089	29,220
Marketable securities (Notes 4 and 16)	—	7,791	—
Trade notes and accounts receivable (Note 16)	39,206	37,806	341,043
Allowance for doubtful accounts (Note 16)	(8)	(5)	(73)
Inventories (Note 5)	85,939	80,737	747,557
Other	22,794	17,843	198,285
Total current assets	278,367	302,750	2,421,428
Property, plant and equipment:			
Land (Note 6)	339,139	271,613	2,950,066
Buildings and structures (Notes 6 and 7)	389,745	373,221	3,390,272
Machinery, equipment and vehicles	18,371	13,811	159,811
Tools, furniture and fixtures	26,613	24,554	231,503
Lease assets (Note 15)	4,420	4,384	38,453
Right-of-use assets (Note 15)	6,741	6,015	58,643
Construction in progress	13,527	9,762	117,674
Total	798,561	703,362	6,946,426
Accumulated depreciation	(238,079)	(220,867)	(2,070,977)
Net property, plant and equipment	560,481	482,494	4,875,448
Intangible assets:			
Goodwill	22,391	19,791	194,775
Software	7,088	9,296	61,664
Software in progress	931	517	8,099
Leasehold interests in land	7,615	7,178	66,240
Other	89	89	780
Total intangible assets	38,116	36,874	331,560
Investments and other assets:			
Investment securities (Notes 4 and 16)	26,585	25,727	231,261
Long-term loans receivable	618	665	5,376
Guarantee deposits (Notes 7 and 16)	18,890	19,858	164,323
Leasehold deposits (Note 16)	28,987	28,945	252,155
Deferred tax assets (Note 12)	17,495	18,639	152,183
Other	14,369	14,999	124,997
Allowance for doubtful accounts	(72)	(72)	(626)
Total investments and other assets	106,875	108,765	929,671
Total assets	¥983,840	¥930,884	\$8,558,110

Consolidated Balance Sheet

Nitori Holdings Co., Ltd. and consolidated subsidiaries
As of February 20, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term bank loans (Notes 7 and 16)	¥35,068	¥48,715	\$305,045
Lease obligations (Notes 7, 15 and 16)	1,663	1,570	14,466
Payables:			
Trade notes and accounts (Notes 7 and 16)	39,765	44,554	345,904
Other (Note 16)	28,594	33,512	248,737
Income taxes payable (Note 16)	20,330	30,351	176,849
Provision for bonuses	4,482	5,120	38,991
Provision for point card certificates	3,113	2,669	27,085
Provision for shareholder benefit program	428	463	3,723
Other (Notes 7 and 9)	29,735	39,388	258,661
Total current liabilities	163,181	206,345	1,419,465
Long-term Liabilities:			
Long-term debt (Notes 7 and 16)	50,398	2,000	438,395
Lease obligations (Notes 7, 15 and 16)	5,605	5,875	48,761
Provision for retirement benefits for directors and other officers	228	228	1,991
Liability for retirement benefits (Note 8)	5,741	5,186	49,941
Asset retirement obligations (Note 9)	15,256	14,910	132,714
Other (Note 7)	10,614	10,945	92,334
Total long-term liabilities	87,845	39,146	764,138
Equity (Note 10):			
Common stock—authorized, 288,000,000 shares; issued, 114,443,496 shares in 2022 and 2021	13,370	13,370	116,308
Capital surplus	26,814	26,255	233,252
Retained earnings	692,768	612,082	6,026,166
Treasury stock—at cost, 1,521,865 shares in 2022 and 1,619,063 shares in 2021	(7,771)	(8,971)	(67,602)
Accumulated Other Comprehensive Income:			
Unrealized gain on available-for-sale securities (Note 4)	1,227	690	10,675
Foreign currency translation adjustments	6,591	(1,122)	57,336
Defined retirement benefit plans	(187)	(208)	(1,631)
Total accumulated other comprehensive income	7,631	(640)	66,381
Non-controlling interests			
	—	43,295	—
Total equity	732,813	685,392	6,374,505
Total liabilities and equity	¥983,840	¥930,884	\$8,558,110

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net Sales	¥811,581	¥716,900	\$7,059,684
Cost of Sales	385,684	305,109	3,354,941
Gross profit	425,897	411,791	3,704,743
Selling, General and Administrative Expenses (Note 13)	287,627	274,104	2,501,976
Operating income	138,270	137,687	1,202,766
Other Income (Expenses):			
Interest income	459	501	3,998
Dividend income	58	38	511
Share of profit of entity accounted for using equity method	1,435	566	12,483
Subsidy income	775	212	6,748
Vending machine income	365	253	3,179
Gain on sales of goods	209	187	1,823
Interest expenses	(387)	(294)	(3,370)
Commission expenses	—	(1,000)	—
Foreign exchange losses	(77)	(6)	(672)
Gain on sales of fixed assets	301	5	2,619
Reversal of provision for business restructuring	499	—	4,343
Gain on reversal of stock acquisition rights (Note 11)	—	12	—
Gain on cancellation of rental contracts	—	397	—
Reversal of provision for loss on cancellation	—	352	—
Loss on sales and retirement of fixed assets	(238)	(63)	(2,078)
Loss on impairment of long-lived assets (Note 14)	(579)	(8,351)	(5,043)
Loss on change in equity	(49)	(81)	(433)
Other—net	737	279	6,415
Other income (expenses)—net	3,509	(6,990)	30,524
Income before income taxes	141,779	130,696	1,233,290
Income Taxes (Note 12):			
Current	43,616	42,431	379,404
Deferred	1,438	(3,848)	12,514
Total income taxes	45,054	38,582	391,918
Net Income	96,724	92,114	841,372
Net Income Attributable to:			
Owners of the parent	¥96,724	¥92,114	\$841,372
		Yen	U.S. Dollars
Per Share of Common Stock (Note 19):			
Basic net income	¥856.71	¥817.01	\$7.45
Diluted net income	—	816.66	—
Cash dividends applicable to the year	140.00	123.00	1.22

See Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net Income	¥96,724	¥92,114	\$841,372
Other Comprehensive Income (Loss):			
Unrealized gain (loss) on available-for-sale securities	536	(60)	4,669
Foreign currency translation adjustments	7,713	(1,283)	67,098
Defined retirement benefit plans	21	173	183
Total other comprehensive income (loss) (Note 17)	8,271	(1,169)	71,951
Comprehensive Income	¥104,995	¥90,944	\$913,323
Comprehensive Income Attributable to:			
Owners of the parent	¥104,995	¥90,944	\$913,323

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2022

	Thousands						Accumulated Other Comprehensive Income					Millions of Yen	
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity	
Balance at February 21, 2020	112,467	¥13,370	¥25,074	¥289	¥532,471	¥(10,875)	¥750	¥161	¥(382)	¥529	¥—	¥560,861	
Net income attributable to owners of the parent					92,114							92,114	
Cash dividends, ¥111 per share					(12,504)							(12,504)	
Purchase of treasury stock	(1)					(21)						(21)	
Disposal of treasury stock	357		1,181			1,924						3,105	
Net change in the year				(289)			(60)	(1,283)	173	(1,169)	43,295	41,836	
Balance at February 20, 2021	112,824	¥13,370	¥26,255	¥—	¥612,082	¥(8,971)	¥690	¥(1,122)	¥(208)	¥(640)	¥43,295	¥685,392	
Net income attributable to owners of the parent					96,724							96,724	
Cash dividends, ¥136 per share					(15,350)							(15,350)	
Purchase of treasury stock	(0)					(9)						(9)	
Disposal of treasury stock	97		558			1,209						1,768	
Change in consolidated subsidiary's accounting period					(687)							(687)	
Net change in the year				—			536	7,713	21	8,271	(43,295)	(35,024)	
Balance at February 20, 2022	112,921	¥13,370	¥26,814	¥—	¥692,768	¥(7,771)	¥1,227	¥6,591	¥(187)	¥7,631	¥—	¥732,813	

	Thousands of U.S. Dollars (Note 1)										
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
Balance at February 20, 2021	\$116,308	\$228,392	\$—	\$5,324,304	\$(78,042)	\$6,006	\$(9,761)	\$(1,814)	\$(5,570)	\$376,617	\$5,962,009
Net income attributable to owners of the parent				841,372							841,372
Cash dividends, \$1.18 per share				(133,532)							(133,532)
Purchase of treasury stock					(80)						(80)
Disposal of treasury stock		4,860			10,520						15,380
Change in consolidated subsidiary's accounting period				(5,977)							(5,977)
Net change in the year				—		4,669	67,098	183	71,951	(376,617)	(304,666)
Balance at February 20, 2022	\$116,308	\$233,252	\$—	\$6,026,166	\$(67,602)	\$10,675	\$67,336	\$(1,631)	\$66,381	\$—	\$6,374,505

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Nitori Holdings Co., Ltd. and consolidated subsidiaries
For the year ended February 20, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Operating Activities:			
Income before income taxes	¥141,779	¥130,696	\$1,233,290
Adjustments for:			
Income taxes paid	(61,562)	(34,610)	(535,511)
Income taxes refund	1,899	79	16,522
Depreciation and amortization	23,785	17,831	206,901
Loss on impairment of long-lived assets	579	8,351	5,043
Amortization of goodwill	2,559	—	22,260
Commission expenses	—	1,000	—
Share of loss (profit) of entity accounted for using equity method	(1,435)	(566)	(12,483)
Gain on cancellation of rental contracts	—	(397)	—
Reversal of provision for loss on cancellation	—	(352)	—
Reversal of provision for business restructuring	(499)	—	(4,343)
Loss (gain) on sales and retirement of fixed assets	(62)	58	(540)
Loss (gain) on change in equity	49	81	433
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	2,294	(991)	19,957
Decrease (increase) in inventories	(4,058)	4,867	(35,300)
Increase (decrease) in trade payables	(9,185)	(99)	(79,903)
Increase (decrease) in accrued consumption taxes	(9,029)	6,486	(78,548)
Increase (decrease) in allowance for doubtful accounts	2	—	21
Increase (decrease) in provision for bonuses	(1,032)	701	(8,981)
Increase (decrease) in provision for point card certificates	422	591	3,677
Increase (decrease) in liability for retirement benefits	540	389	4,701
Other—net	(1,481)	16,763	(12,889)
Total adjustments	(56,213)	20,182	(488,982)
Net cash provided by operating activities	85,565	150,879	744,308
Investing Activities:			
Payments into time deposits	(56)	(15,267)	(488)
Proceeds from withdrawal of time deposits	30,185	534	262,575
Purchase of property, plant and equipment	(101,520)	(17,145)	(883,090)
Proceeds from sales of property, plant and equipment	1,918	40	16,691
Purchase of intangible assets	(1,642)	(3,094)	(14,289)
Purchase of short-term and long-term investment securities	(200)	—	(1,741)
Proceeds from sales of short-term and long-term investment securities	1	—	8
Payments of guarantee deposits	(857)	(1,289)	(7,460)
Proceeds from refund of guarantee deposits	1,620	108	14,098
Purchase of shares of subsidiary (Note 18)	(48,942)	—	(425,732)
Purchase of shares of subsidiary resulting in change in scope of consolidation (Note 18)	—	(158,304)	—
Payments of leasehold deposits	(1,082)	(1,417)	(9,416)
Proceeds from refund of leasehold deposits	599	421	5,216
Guarantee deposits received	—	40	—
Refund of guarantee deposits received	(255)	—	(2,224)
Leasehold deposits received	322	66	2,805
Refund of leasehold deposits received	(142)	(29)	(1,236)
Purchase of long-term prepaid expenses	(150)	(354)	(1,310)
Loan advances	—	(339)	—
Collection of loans receivable	220	45	1,920
Net cash used in investing activities	(119,980)	(195,985)	(1,043,674)
Financing Activities:			
Proceeds from short-term bank loans	49,000	46,000	426,235
Repayments of short-term bank loans	(95,715)	(30)	(832,595)
Repayments of long-term debt	(18,534)	(2,000)	(161,221)
Proceeds from long-term debt	100,000	—	869,867
Repayments of lease obligations	(1,651)	(1,588)	(14,368)
Purchase of treasury stock	(9)	(21)	(80)
Dividends paid	(15,360)	(12,497)	(133,614)
Proceeds from exercise of employee stock options	—	1,447	—
Commission paid	—	(1,000)	—
Net cash provided by financing activities	17,729	30,309	154,221
Effect of Exchange Rate Change on Cash and Cash Equivalents	2,936	(507)	25,546
Net Increase (Decrease) in Cash and Cash Equivalents	(13,748)	(15,304)	(119,597)
Cash and Cash Equivalents, Beginning of Year	125,487	140,791	1,091,573
Increase in Cash and Cash Equivalents Resulting from Change in Consolidated Subsidiary's Accounting Period	15,337	—	133,418
Cash and Cash Equivalents, End of Year	¥127,076	¥125,487	\$1,105,394

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nitori Holdings Co., Ltd. and consolidated subsidiaries

For the year ended February 20, 2022

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nitori Holdings Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥114.96 to \$1, the approximate rate of exchange at February 20, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen amounts less than a million yen have been rounded down to the nearest million yen, except for per share data. U.S. dollar amounts less than a thousand dollars have been rounded down to the nearest thousand dollars, except for per share data.

2. Summary of Significant Accounting Policies

1) Scope of consolidation

(1) The consolidated financial statements as of February 20, 2022 include the accounts of the Company and its 28 (27 in 2021) consolidated subsidiaries (collectively, the "Group").

Names of major consolidated subsidiaries:

Nitori Co., Ltd.
Shimachu Co., Ltd.
Home Logistics Co., Ltd.
NITORI Taiwan Co., Ltd.
NITORI (CHINA) HOLDINGS Co., Ltd.
Deco Home China Co., Ltd.
NITORI (SHANGHAI) HOME FURNISHING CO., LTD.
NITORI (SHANGHAI) HOME FURNISHINGS SALES CO., LTD.
NITORI (Taicang) Trading & Logistics Co., Ltd.
NITORI USA, Inc.
NITORI FURNITURE VIETNAM EPE
NITORI Public Co., Ltd.
HOME DECO Co., Ltd.
and 15 other subsidiaries

The Company passed a resolution at its board of directors meeting held on August 30, 2017 to liquidate P.T. NITORI FURNITURE INDONESIA, which is a consolidated subsidiary of the Company, and said company is currently in the process of liquidation.

(2) Names of major unconsolidated subsidiaries

The Company did not have any unconsolidated subsidiaries.

2) Application of equity method

(1) As of February 20, 2022, the Company had one (one in 2021) associate accounted for using the equity method.

Name of associate accounted for using the equity method:
KATITAS Co., Ltd.

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

As the associate's reporting date is different from the balance sheet date, financial statements provisionally prepared based on its latest quarterly financial statements have been used.

3) Financial statements of consolidated subsidiaries

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

NITORI Furniture Co., Ltd. December 20, 2021
NITORI Taiwan Co., Ltd.
NITORI (CHINA) HOLDINGS Co., Ltd.
Deco Home China Co., Ltd.
NITORI (SHANGHAI) HOME FURNISHING CO., LTD.
NITORI (SHANGHAI) HOME FURNISHINGS SALES CO., LTD.
NITORI (Taicang) Trading & Logistics Co., Ltd.
NITORI USA, Inc.
NITORI FURNITURE VIETNAM EPE
NITORI Public Co., Ltd.
and 11 other subsidiaries December 31, 2021
HOME DECO Co., Ltd. January 31, 2022
Shimachu Co., Ltd. February 28, 2022

As for the consolidated subsidiaries whose reporting dates are not more than three months different from the balance sheet date, their financial statements as of their respective reporting dates have been used for consolidation. Necessary adjustments have been made for consolidation purposes to reflect any significant transactions that occurred between the dates of respective subsidiaries and the balance sheet date. As for Shimachu Co., Ltd., which became a consolidated subsidiary of the Company during the year ended February 20, 2021, its financial statements as of November 30, 2020, the deemed acquisition date, were used for consolidation, and necessary adjustments were made for consolidation purposes to reflect any significant transactions that had occurred between the deemed acquisition date and the balance sheet date. In order to more appropriately disclose the consolidated financial statements, its financial statements as of the balance sheet date that were prepared on a basis similar to that for the year-end closing have been used for consolidation. As a result, for the year ended February 20, 2022, its financial statements have been consolidated for 12 months from February 21, 2021 to February 20, 2022, and its income and expenses from December 1, 2020 to February 20, 2021 were recorded as an adjustment to retained earnings, a decrease in retained earnings of ¥687 million (\$5,977 thousand), for consolidation.

4) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, bank deposits payable on demand, and short-term investments with a maturity of three months or less, which are readily convertible into cash and subject to insignificant risk of changes in value.

5) Marketable and investment securities

The Group has available-for-sale securities. Available-for-sale securities with market values are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in "equity," and the cost of securities sold is determined by the gross average method. Available-for-sale securities without market values are stated at cost determined by the gross average method.

As for investments in investment limited partnerships which are deemed as securities pursuant to Article 2, paragraph (2) of the Financial Instruments and Exchange Act of Japan, amounts equivalent to the Group's share are recognized on the basis of the latest financial statements of the partnerships available to the Group depending on the respective reporting dates set forth in the partnership agreements.

6) Inventories

Nitori business.....at cost determined by the moving-average method

Shimachu businessat cost determined by the retail method

Inventories are stated at the lower of cost or market.

7) Property, plant and equipment (except lease assets and right-of-use assets)

Depreciation of property, plant and equipment (except lease assets and right-of-use assets) of the Company and its consolidated domestic subsidiaries is computed by the declining balance method based on the estimated useful lives of the assets, except for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, which are depreciated by the straight-line method. Consolidated overseas subsidiaries apply the straight-line method to their property, plant and equipment. The ranges of estimated useful lives are as follows:

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

For buildings on fixed term leaseholds, the Company and its consolidated domestic subsidiaries compute the depreciation using the straight-line method over the lease term assuming no residual value. These lease terms are principally 20 years.

8) Intangible assets (except lease assets)

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

9) Lease assets

Lease assets under finance lease transactions are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

Finance lease transactions that do not transfer ownership to the lessee, commencing on or before February 20, 2009, are accounted for as operating leases, and related payments are charged to expense as incurred.

10) Right-of-use assets

Right-of-use assets are depreciated by the straight-line method over the lesser of the useful life of the asset or the lease term.

11) Goodwill amortization and period

Goodwill is amortized over 10 years on a straight-line basis.

12) Allowance for doubtful accounts

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

13) Provision for bonuses

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

14) Provision for point card certificates

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

15) Provision for shareholder benefit program

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

16) Provision for retirement benefits for directors and other officers

Provision for retirement benefits for directors and other officers is recorded at the amount required to be paid in accordance with internal rules if all directors and corporate auditors were to retire at the balance sheet date. The

plans of the Company and its consolidated domestic subsidiaries were abolished in April 2004 and December 2005, respectively, and the recorded amount represents benefits incurred but not yet paid.

17) Accounting method for retirement benefits

Projected benefit obligations are attributed to periods on a benefit formula basis.

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

18) Income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

19) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the balance sheet date, and the resulting exchange gains or losses are credited or charged to income as incurred.

The balance sheet accounts of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rate prevailing at the balance sheet date except for the components of equity excluding non-controlling interests, which are translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" in the equity section. Revenue and expense accounts of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate.

20) Derivatives and hedge accounting

Derivative financial instruments are stated at fair value.

Hedging instruments are recorded at fair value and accounted for using deferral hedge accounting, under which any unrealized gain or loss is deferred as a separate component of equity.

Hedging instruments: Derivative transactions (foreign exchange forward contracts)

Hedged items: Trade accounts payable denominated in foreign currencies

Hedging policy: The derivative transactions are used solely for hedging the risk arising from adverse fluctuations in foreign currency exchange rates.

The Group assesses the hedge effectiveness every half year based on internal rules covering derivative transactions. Derivative transactions are never entered into for the purpose of trading or speculation.

21) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

22) Significant accounting estimates

Valuation of property, plant and equipment, and intangible assets

(1) Amounts recognized in consolidated financial statements

As of and for the year ended February 20	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Property, plant and equipment	¥560,481	\$4,875,448
Intangible assets	38,116	331,560
Loss on impairment of long-lived assets	579	5,043

(2) Information about details of significant accounting estimates of identified items

For property, plant and equipment, and intangible assets, the Group identifies an indication of impairment when operating income of an asset group has been negative for two consecutive years and its earnings show a decline and do not show recovery or when any other event indicates that the asset group may be impaired. When the Group identifies an indication of impairment and if the aggregate amount of undiscounted future cash flows from the asset group is less than the carrying amount, the Group reduces the carrying amount to its recoverable amount and recognizes such reduction as an impairment loss.

The Group estimated undiscounted future cash flows based on its business plan, taking account of future uncertainties. If any estimate is required to be revised due to a change in future uncertain economic conditions, the amount of impairment loss to be recognized in the years ending on or after March 31, 2023 may be affected.

23) Accounting standards issued but not yet effective

(1) Accounting Standard for Fair Value Measurement and related accounting standards and implementation guidance

- “Accounting Standard for Fair Value Measurement” (Accounting Standard Board of Japan (“ASBJ”) Statement No. 30, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, revised on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revised on June 17, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 31, 2020)

(i) Overview

The International Accounting Standards Board and the Financial Accounting Standards Board developed and have provided detailed guidance for fair value measurement with approximately the same content (IFRS 13 “Fair Value Measurement” as for IFRSs and Accounting Standards Codification Topic 820 “Fair Value Measurement” as for U.S. GAAP). In the light of such situation, the ASBJ worked on aligning Japanese GAAP with such international accounting standards mainly on guidance and disclosures about fair value of financial instruments, and then issued the “Accounting Standard for Fair Value Measurement” and other standards and guidance. The ASBJ’s basic policy in developing the Accounting Standard for Fair Value Measurement is, in principle, to incorporate all provisions in IFRS 13 from the standpoint that the unified measurement approach improves the comparability of financial statements between entities in and outside Japan. The ASBJ also considered traditional accounting practices in Japan and defined the treatment specific to particular items to the extent that such treatment may not significantly diminish the comparability of financial statements.

(ii) Scheduled date of adoption

The Company and its consolidated domestic subsidiaries expect to adopt the standards and guidance at the beginning of the year ending March 31, 2023.

(iii) Impact of adopting the standards and implementation guidance

The Company is currently evaluating the impact of adopting the standards and guidance on its consolidated financial statements.

(2) Accounting Standard for Revenue Recognition and implementation guidance thereon

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, revised on March 26, 2021)

(i) Overview

The standard is a comprehensive accounting standard for revenue recognition. Revenue is recognized in accordance with the following five-step approach.

Step 1: Identify a contract with a customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to each performance obligation in the contract.

Step 5: Recognize revenue when or as a performance obligation is satisfied.

(ii) Scheduled date of adoption

The Company and its consolidated domestic subsidiaries expect to adopt the standard and implementation guidance at the beginning of the year ending March 31, 2023.

(iii) Impact of adopting the standard and implementation guidance

The Company is currently evaluating the impact of adopting the standard and implementation guidance on its consolidated financial statements.

24) Change in presentation

The Company and its consolidated domestic subsidiaries started to adopt the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) at the end of the year ended February 20, 2022 and disclose a note on significant accounting estimates in the accompanying consolidated financial statements.

In such note, however, information for the year ended February 20, 2021 is not disclosed in accordance with the transitional provision in the proviso of paragraph 11 of the standard.

3. Business Combinations

1) Completion of accounting for business combination

In the year ended February 20, 2021, the Company provisionally accounted for the business combination with Shimachu Co., Ltd. effected on January 6, 2021 and, in the year ended February 20, 2022, completed the accounting. Due to the completion, significant adjustments to the initial allocation of the acquisition cost were made in the comparative information included in the consolidated financial statements for the year ended February 20, 2022.

As a result, buildings and structures (net amount), land, asset retirement obligations (long-term liabilities), and non-controlling interests as of February 20, 2021 increased by ¥7,859 million, ¥14,601 million, ¥301 million, and ¥3,535 million, respectively, and goodwill and deferred tax assets decreased by ¥11,874 million and ¥6,749 million, respectively.

2) Transaction under common control (acquisition of additional shares of subsidiary)

On April 9, 2021, the Company entered into a share purchase agreement with Shimachu Co., Ltd., a consolidated subsidiary of the Company, concerning the transfer of fractional shares arising from the share consolidation that Shimachu had effected on March 26, 2021 and acquired the fractional shares with the permission of the court pursuant to the provision of Article 234, paragraph (2) of the Companies Act of Japan as applied mutatis mutandis pursuant to Article 235, paragraph (2) of the said act. As a result, Shimachu became a wholly-owned subsidiary of the Company.

(1) Overview of transaction

(i) Name and business description of party in combination

Name of party in combination: Shimachu Co., Ltd.

Business description: Retailing of furniture and home accessories (including curtains, carpets, and home accents) and home center goods (including household essentials, garden equipment and supplies, pet supplies, timber, and hardware)

(ii) Date of business combination

May 14, 2021 (share acquisition date)

(iii) Legal form of business combination

Share acquisition for cash consideration

(iv) Name of company after combination

There was no change.

(2) Summary of applied accounting treatment

The Company accounted for such fractional share acquisition as a transaction with non-controlling interests, which is a type of transactions under common control, pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, revised on January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, revised on January 16, 2019).

The Company treated such fractional share acquisition as an integral part of the share acquisition through the January 6, 2021 tender offer and determined the amount of goodwill arising from the additional share acquisition after the Company had obtained control of Shimachu as if such amount had been recognized when the Company had obtained control of Shimachu.

(3) Acquisition cost of acquiree and its breakdown by type of consideration

Consideration for acquisition:	Cash and cash equivalents	¥49,174 million (\$427,757 thousand)
Acquisition cost		¥49,174 million (\$427,757 thousand)

4. Marketable and investment Securities

1) Investment securities

Investments in an associate were as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investment securities	¥22,531	¥22,001	\$195,998

2) Available-for-sale securities (with market values)

As of February 20, 2022	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying values exceed their acquisition costs:			
Stocks	¥1,898	¥590	¥1,308
Securities whose acquisition costs exceed their carrying values:			
Stocks	1,401	1,680	(278)
Total	¥3,299	¥2,270	¥1,029

As of February 20, 2021	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying values exceed their acquisition costs:			
Stocks	¥1,490	¥180	¥1,309
Securities whose acquisition costs exceed their carrying values:			
Stocks	1,747	2,089	(341)
Other	7,791	8,471	(679)
Total	¥11,029	¥10,741	¥288

As of February 20, 2022	Thousands of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying values exceed their acquisition costs:			
Stocks	\$16,511	\$5,132	\$11,378
Securities whose acquisition costs exceed their carrying values:			
Stocks	12,189	14,615	(2,425)
Total	\$28,701	\$19,748	\$8,953

Notes: 1. Unlisted stocks (¥312 million (\$2,720 thousand) and ¥312 million in the consolidated balance sheet as of February 20, 2022 and 2021, respectively) are not included in the table above because no quoted market price is available and it is extremely difficult to determine the fair value.

2. Investments in investment limited partnerships (¥442 million (\$3,849 thousand) and ¥175 million in the consolidated balance sheet as of February 20, 2022 and 2021, respectively) are not included in the table above because no quoted market price is available and it is extremely difficult to determine the fair value.

3) Sales of available-for-sale securities

For the year ended February 20, 2022	Millions of Yen		
	Proceeds from sales	Gain on sales	Loss on sales
Other	¥7,837	¥-	¥-
Total	¥7,837	¥-	¥-

For the year ended February 20, 2022	Thousands of U.S. Dollars		
	Proceeds from sales	Gain on sales	Loss on sales
Other	\$68,171	\$-	\$-
Total	\$68,171	\$-	\$-

Note: The available-for-sale securities sold above were marketable securities (investment trusts) and held by Shimachu Co., Ltd., which became a consolidated subsidiary of the Company during the year ended February 20, 2021. The difference between the acquisition cost and the proceeds from sales was accounted for as an adjustment to retained earnings.

The Group did not sell any available-for-sale securities during the year ended February 20, 2021.

4) Impairment of available-for-sale securities

The Group did not recognize any impairment loss for available-for-sale securities for the years ended February 20, 2022 and 2021.

If the fair values of securities as of the fiscal year-end decline more than 50% compared with the acquisition cost, those securities are written down to the fair value, and the resulting losses are charged to the statement of income for the period. If the fair values of securities as of the fiscal year-end decline from 30% to 50% compared with the acquisition cost, those securities are written down to the amount determined taking into consideration the materiality of such amount, recoverability, and other factors, and the resulting losses are charged to the statement of income for the period.

5. Inventories

Inventories as of February 20, 2022 and 2021 consisted of the following:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Merchandise and finished goods	¥78,917	¥76,133	\$686,476
Work in process	428	200	3,730
Raw materials and supplies	6,593	4,403	57,350
Total	¥85,939	¥80,737	\$747,557

6. Investment Property

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

The carrying value in the consolidated balance sheet, net change during the year, and fair value of those properties were as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Rental properties:			
Carrying value			
Balance at beginning of year	¥38,550	¥37,579	\$335,335
Increase (decrease)	16,202	971	140,936
Balance at end of year	54,752	38,550	476,271
Fair value at end of year	¥55,335	¥40,914	\$481,346
Real estate including spaces used as rental properties:			
Carrying value			
Balance at beginning of year	¥67,121	¥42,040	\$583,870
Increase (decrease)	(7,566)	25,081	(65,817)
Balance at end of year	59,555	67,121	518,053
Fair value at end of year	¥70,311	¥76,453	\$611,616

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation.

2. The increase in rental properties during the year ended February 20, 2022 was mainly due to the acquisition of a property in Takatsu-ku, Kawasaki, Kanagawa Prefecture of ¥9,558 million (\$83,143 thousand) and the commencement of lease of a property in Takaido, Suginami-ku, Tokyo of ¥7,055 million (\$61,374 thousand). The increase in rental properties during the year ended February 20, 2021 was primarily an increase of ¥8,571 million due to Shimachu Co., Ltd. becoming a consolidated subsidiary of the Company, and the decrease was primarily due to the reclassification of ¥2,764 million from idle properties to properties for business purposes for building a store in Hanaten, Osaka Prefecture.

3. The decrease in real estate including spaces used as rental properties during the year ended February 20, 2022 was primarily due to a decrease in the carrying amount attributable to depreciation of ¥2,976 million (\$25,892 thousand). The increase in real estate including spaces used as rental properties during the year ended February 20, 2021 was primarily an increase of ¥22,028 million due to Shimachu becoming a consolidated subsidiary of the Company, and the decrease was primarily due to a decrease in the carrying amount attributable to depreciation of ¥915 million.

4. The fair value at the fiscal year-end is measured at the value based on certain appraisal values and other indicators reflecting the market value.

5. During the year ended February 20, 2022, the Company completed the accounting for the business combination that had been effected in the year ended February 20, 2021. The amounts as of and for the year ended February 20, 2021 were based on the adjusted acquisition cost allocation due to the completion of the accounting.

Lease revenue and rental expenses on rental properties and real estate including spaces used as rental properties were as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Rental properties:			
Lease revenue	¥2,087	¥1,059	\$18,162
Rental expenses	1,368	690	11,906
Difference	719	369	6,256
Real estate including spaces used as rental properties:			
Lease revenue	¥9,691	¥6,118	\$84,301
Rental expenses	4,558	3,087	39,652
Difference	5,132	3,031	44,649

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

7. Short-term Bank Loans and Long-term Debt

Item	Balance at February 20, 2021	Balance at February 20, 2022		Average interest rate (%)	Repayment term
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars		
Short-term bank loans	¥46,715	¥-	\$-	-	-
Current portion of long-term debt	2,000	35,068	305,045	0.4	-
Current portion of lease obligations	1,570	1,663	14,466	-	-
Long-term debt (excluding current portion)	2,000	50,398	438,395	0.2	2023 – 2024
Lease obligations (excluding current portion)	5,875	5,605	48,761	-	2023 – 2033
Total	¥58,160	¥92,734	\$806,668	-	-

Notes: 1. The average interest rate represents a weighted-average interest rate applicable to the loans balance at the fiscal year-end.

2. The average interest rate applicable to lease obligations is not disclosed since related interest charges are included in the amount of lease obligations in the consolidated balance sheet.

3. The repayment schedule of long-term debt due within five years as of February 20, 2022 was as follows:

Long-term debt (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Due after 1 year through 2 years	¥33,068	\$287,647
Due after 2 years through 3 years	17,330	150,748
Due after 3 years through 4 years	-	-
Due after 4 years through 5 years	-	-

4. Maturities of lease obligations, excluding the current portion, due within 5 years as of February 20, 2022 were as follows:

Lease obligations (excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Due after 1 year through 2 years	¥1,503	\$13,077
Due after 2 years through 3 years	1,219	10,609
Due after 3 years through 4 years	984	8,561
Due after 4 years through 5 years	844	7,347

Assets pledged as collateral and collateralized liabilities were as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Pledged assets:			
Buildings and structures	¥3,667	¥3,890	\$31,900
Guarantee deposits	27	42	237
Total	¥3,694	¥3,932	\$32,137
Corresponding liabilities:			
Trade notes and accounts payable	¥33	¥42	\$287
Other (current liabilities)	110	114	962
Other (long-term liabilities)	1,484	1,598	12,913
Total	¥1,628	¥1,754	\$14,163

8. Retirement and Pension Plans

1) Summary of employees' retirement benefit plans

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans, lump-sum payment plans, and a defined contribution pension plan. The Company and certain consolidated subsidiaries may provide to employees upon retirement extra retirement payments, which are not included in the projected benefit obligations, based on actuarial calculation and are determined by reference to their current rate of pay, length of service, and conditions under which the termination occurs.

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

2) Defined benefit plans

(1) The reconciliation from the beginning balance to the ending balance of projected benefit obligations was as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥12,428	¥7,645	\$108,109
Service cost	1,546	1,105	13,454
Interest cost	40	23	348
Actuarial loss (gain)	123	(132)	1,074
Benefits paid	(763)	(443)	(6,637)
Increase due to business combination	–	4,230	–
Balance at end of year	¥13,375	¥12,428	\$116,349

Note: The table above includes amounts under plans in which the simplified method has been applied.

(2) The reconciliation from the beginning balance to the ending balance of plan assets at fair value was as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥7,641	¥6,301	\$66,468
Expected return on plan assets	152	126	1,326
Actuarial gain (loss)	(104)	54	(906)
Employer contributions	496	420	4,323
Benefits paid	(231)	(185)	(2,009)
Increase due to business combination	–	925	–
Plan assets at fair value at end of year	¥7,955	¥7,641	\$69,202

(3) The reconciliation between projected benefit obligations and plan assets at the fiscal year-end and the amounts recognized in the consolidated balance sheet was as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Projected benefit obligations (funded plans)	¥9,264	¥8,658	\$80,586
Plan assets at fair value	(7,955)	(7,641)	(69,202)
	1,308	1,017	11,384
Projected benefit obligations (unfunded plans)	4,111	3,769	35,762
Net of asset and liability accounts recognized in the consolidated balance sheet	5,420	4,787	47,146
Liability for retirement benefits	5,741	5,186	49,941
Asset for retirement benefits	(321)	(399)	(2,794)
Net of asset and liability accounts recognized in the consolidated balance sheet	¥5,420	¥4,787	\$47,146

Note: The table above includes amounts under plans in which the simplified method has been applied.

(4) The components of retirement benefit expenses were as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥1,546	¥1,105	\$13,454
Interest cost	40	23	348
Expected return on plan assets	(152)	(126)	(1,326)
Amortization and expenses:			
Actuarial loss	93	98	809
Prior service cost	(3)	(35)	(32)
Retirement benefit expenses on defined benefit plans	¥1,523	¥1,065	\$13,253

Note: The table above includes amounts under plans in which the simplified method has been applied.

(5) The components of defined retirement benefit plans recognized in other comprehensive income (loss) before income tax effect were as follows:

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Prior service cost	¥(3)	¥(35)	\$(32)
Actuarial loss	85	285	741
Total	¥81	¥249	\$709

(6) The components of defined retirement benefit plans recognized in accumulated other comprehensive income (loss) before income tax effect were as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥-	¥3	\$-
Unrecognized actuarial loss	(219)	(304)	(1,906)
Total	¥(219)	¥(300)	\$(1,906)

(7) The plan assets, by major category, as a percentage of total plan assets were as follows:

As of February 20	(% of total plan assets)	
	2022	2021
Life insurance company general accounts	31 %	29 %
Bonds	19	19
Stocks	44	45
Other	6	7
Total	100 %	100 %

Note: Total plan assets as of February 20, 2022 and 2021 include a retirement benefit trust established for a lump-sum payment plan of 29% and 31%, respectively.

(8) The expected long-term rate of return on plan assets was determined based on the current and expected future allocation of plan assets and the current and expected future long-term rate of return on various assets of which plan assets are composed.

(9) Assumptions used for the actuarial calculation were as follows:

As of February 20	2022	2021
Discount rate	Primarily 0.5 %	Primarily 0.4 %
Expected long-term rate of return on plan assets	2.0	2.0
Expected rate of salary increase	Primarily 4.5	Primarily 4.5

3) Defined contribution plan

Contributions required to be made to the defined contribution plan for the years ended February 20, 2022 and 2021 were ¥553 million (\$4,814 thousand) and ¥451 million, respectively.

9. Asset Retirement Obligations

1) Asset retirement obligations recognized in consolidated balance sheet

(1) Overview of asset retirement obligations recognized in consolidated balance sheet

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

(2) Method of measuring asset retirement obligations recognized in consolidated balance sheet

The Group mainly used the real estate lease term and the fixed-term land lease term as the expected period of use and discount rates of 0.0% to 1.7% to measure the amount of the asset retirement obligations.

(3) Changes in total asset retirement obligations recognized in consolidated balance sheet

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥14,926	¥5,696	\$129,839
Increase due to purchase of property, plant and equipment	842	309	7,332
Adjustments for passage of time	79	46	688
Increase due to business combination	–	7,690	–
Decrease due to performance of asset retirement obligations	(558)	(141)	(4,857)
Other increase (decrease)	39	1,325	346
Balance at end of year	¥15,329	¥14,926	\$133,349

Note: During the year ended February 20, 2022, the Company completed the accounting for the business combination that had been effected in the year ended February 20, 2021. The amounts as of and for the year ended February 20, 2021 were based on the adjusted acquisition cost allocation due to the completion of the accounting.

2) Asset retirement obligations not recognized in consolidated balance sheet

Under real estate leases other than real estate leases and fixed-term land leases for business purposes, the Group may be under obligations to restore some premises used as stores when vacating them but has not recognized related asset retirement obligations since it is difficult to reasonably estimate the amount on the grounds that the period of use for the lease assets is not definite, the possibility of incurring expenses is not obvious, and the Group does not plan to vacate the premises.

10. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized in **1)** through **3)**.

1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective May 13, 2016. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

2) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

4) Class and total number of issued shares and treasury shares

For the year ended February 20,
2022

Class of stock	Number of Shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Issued stock:				
Common stock	114,443	–	–	114,443
Treasury stock:				
Common stock (Notes 1, 2, and 3)	1,619	0	97	1,521

Notes: 1. The increase of 0 thousand shares in treasury represents an increase due to the purchase of shares less than one unit.
2. The decrease of 97 thousand shares in treasury consists of a decrease of 63 thousand shares due to the exercise of "Stock Benefit Trust (J-ESOP)" and the disposal of 34 thousand shares in treasury in accordance with the performance-based stock compensation plan for the Company's directors and the stock issuance plan for the employees of the Company and its subsidiary.
3. The number of treasury shares at the fiscal year-end includes 177 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

For the year ended February 20,
2021

Class of stock	Number of Shares (Thousands)			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Issued stock:				
Common stock	114,443	–	–	114,443
Treasury stock:				
Common stock (Notes 1, 2, and 3)	1,975	1	357	1,619

Notes: 1. The increase of 1 thousand shares in treasury represents an increase due to the purchase of shares less than one unit.
2. The decrease of 357 thousand shares in treasury consists of a decrease of 78 thousand shares due to the exercise of "Stock Benefit Trust (J-ESOP)" and a decrease of 278 thousand shares due to the exercise of stock options.
3. The number of treasury shares at the fiscal year-end includes 240 thousand shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

5) Stock acquisition rights

This section is not applicable for the year ended February 20, 2022. The balance of stock acquisition rights as stock options of the Company as of February 20, 2021 was nil.

6) Dividends

(1) Dividends paid to shareholders

For the year ended February 20, 2022

Resolution at	Class of stock	Total amount of dividends (Millions of Yen)	Total amount of dividends (Thousands of U.S. Dollars)	Amount of dividends per share (Yen)	Amount of dividends per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Board of directors meeting held on April 8, 2021 (Note 1)	Common stock	¥7,462	\$64,912	¥66	\$0.57	February 20, 2021	April 22, 2021
Board of directors meeting held on September 30, 2021 (Note 2)	Common stock	7,916	68,867	70	0.61	August 20, 2021	October 19, 2021

Notes: 1. The total amount of dividends includes dividends of ¥15 million (\$138 thousand) on the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

2. The total amount of dividends includes dividends of ¥12 million (\$108 thousand) on the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

For the year ended February 20, 2021

Resolution at	Class of stock	Total amount of dividends (Millions of Yen)	Amount of dividends per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors meeting held on April 6, 2020 (Note 1)	Common stock	¥6,090	¥54	February 20, 2020	April 23, 2020
Board of directors meeting held on October 2, 2020 (Note 2)	Common stock	6,444	57	August 20, 2020	October 20, 2020

Notes: 1. The total amount of dividends includes dividends of ¥17 million on the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

2. The total amount of dividends includes dividends of ¥13 million on the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date in the following fiscal year

For the year ended February 20, 2022

Resolution at	Class of stock	Paid from	Total amount of dividends (Millions of Yen)	Total amount of dividends (Thousands of U.S. Dollars)	Amount of dividends per share (Yen)	Amount of dividends per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Board of directors meeting held on March 31, 2022	Common stock	Retained earnings	¥7,916	\$68,867	¥70	\$0.61	February 20, 2022	April 28, 2022

Note: The total amount of dividends includes dividends of ¥12 million (\$108 thousand) on the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

For the year ended February 20, 2021

Resolution at	Class of stock	Paid from	Total amount of dividends (Millions of Yen)	Amount of dividends per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors meeting held on April 8, 2021	Common stock	Retained earnings	¥7,462	¥66	February 20, 2021	April 22, 2021

Note: The total amount of dividends includes dividends of ¥15 million on the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E), which is the trustee under the "Stock Benefit Trust (J-ESOP)."

11. Stock Options

This section is not applicable for the year ended February 20, 2022. For the year ended February 20, 2021, the Group recognized gains due to forfeited stock options of ¥12 million, which are presented in other income as "gain on reversal of stock acquisition rights."

12. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for the years ended February 20, 2022 and 2021.

1) Significant components of deferred tax assets and liabilities

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Accrued enterprise tax and business office taxes	¥1,597	¥1,995	\$13,894
Accrued real estate acquisition tax	189	39	1,645
Provision for bonuses	1,196	1,662	10,410
Provision for point card certificates	936	807	8,143
Unrealized gain on sales of inventories	317	302	2,766
Tax loss carryforwards (Note 2)	5,442	5,148	47,343
Liability for retirement benefits	2,366	2,289	20,583
Depreciation and amortization	9,563	9,231	83,186
Provision for retirement benefits for directors and other officers	70	70	609
Allowance for doubtful accounts	2	2	24
Loss on impairment of long-lived assets and penalty for the scrapping and building of outlets	2,704	3,052	23,529
Asset retirement obligations	4,747	4,604	41,299
Unrealized loss on consolidated subsidiary	–	4,802	–
Other	5,832	6,278	50,736
Subtotal	34,967	40,287	304,174
Valuation allowance for tax loss carryforwards (Note 2)	(5,442)	(4,428)	(47,343)
Valuation allowance for deductible temporary differences	(1,015)	(1,453)	(8,830)
Total valuation allowance	(6,457)	(5,881)	(56,173)
Total deferred tax assets	28,510	34,405	248,000
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(285)	(307)	(2,487)
Construction assistance fund receivables	(1,089)	(1,041)	(9,474)
Asset retirement cost related to asset retirement obligations	(2,288)	(2,361)	(19,907)
Unrealized gain on consolidated subsidiary	(5,909)	(10,711)	(51,401)
Retained earnings of subsidiaries	(1,269)	(1,112)	(11,043)
Other	(172)	(231)	(1,501)
Total deferred tax liabilities	(11,015)	(15,765)	(95,816)
Net deferred tax assets	¥17,495	¥18,639	\$152,183

Notes: 1. During the year ended February 20, 2022, the Company completed the accounting for the business combination that had been effected in the year ended February 20, 2021. The amounts as of February 20, 2021 were based on the adjusted acquisition cost allocation due to the completion of the accounting.

2. The amounts of tax loss carryforwards and related deferred tax assets disaggregated by period of expiration:

							Millions of Yen
As of February 20, 2022	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carryforwards *	¥417	¥498	¥296	¥413	¥152	¥3,664	¥5,442
Valuation allowance	(417)	(498)	(296)	(413)	(152)	(3,664)	(5,442)
Deferred tax assets	-	-	-	-	-	-	-

							Millions of Yen
As of February 20, 2021	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carryforwards *	¥27	¥366	¥438	¥261	¥397	¥3,656	¥5,148
Valuation allowance	(27)	(366)	(438)	(261)	(397)	(3,656)	(5,148)
Deferred tax assets	-	-	-	-	-	-	-

							Thousands of U.S. Dollars
As of February 20, 2022	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Tax loss carryforwards *	\$3,628	\$4,334	\$2,576	\$3,593	\$1,329	\$31,879	\$47,343
Valuation allowance	(3,628)	(4,334)	(2,576)	(3,593)	(1,329)	(31,879)	(47,343)
Deferred tax assets	-	-	-	-	-	-	-

*Tax loss carryforwards represent the amounts computed by multiplying the normal effective statutory tax rate.

2) Reconciliation between the normal effective statutory tax rate and the actual effective tax rate

The details for the years ended February 20, 2022 and 2021 are omitted as differences between the normal effective statutory tax rate and the actual effective tax rate are 5% or less of the normal effective statutory tax rate.

13. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
For the years ended February 20			
Customer delivery expenses	¥25,068	¥29,278	\$218,066
Advertising expenses	16,551	17,182	143,976
Salaries, allowances and bonuses	82,706	71,184	719,438
Provision for bonuses	8,220	8,555	71,505
Retirement benefit expenses	2,077	1,518	18,067
Rent expenses	46,470	38,444	404,229
Depreciation and amortization	20,407	16,024	177,518
Outsourcing expenses	18,122	21,249	157,643

14. Long-Lived Assets

Information about loss on impairment of long-lived assets for the year ended February 20, 2022 is not disclosed because the amount was immaterial.

For the year ended February 20, 2021

Location	Use	Class	Millions of Yen
Japan	Store	Buildings and structures, and other	¥524
	Mission critical system	Software and other	6,760
	Logistics system	Software and other	107
People's Republic of China	Store	Buildings and structures, and other	499
		Right-of-use assets	454
The United States of America	Store	Buildings and structures, and other	6

The Group's assets are grouped according to the type of business. Loss on impairment of long-lived assets was recognized for some stores, taking into account decisions on their closure or their decreased profitability. Furthermore, loss on impairment of long-lived assets was recognized for a new global system that had been designed and developed as a new mission critical system because of changes in the project policy. When the recoverable amount was measured at the value in use, the Group assumed that the value in use was zero.

15. Leases

As Lessee:

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

Future minimum lease payments under non-cancelable operating leases were as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within 1 year	¥7,413	¥9,279	\$64,489
Due after 1 year	71,295	75,457	620,177
Total	¥78,709	¥84,736	\$684,666

As Lessor:

Future minimum lease payments to be received under non-cancelable operating leases were as follows:

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within 1 year	¥1,062	¥1,134	\$9,245
Due after 1 year	4,948	6,229	43,041
Total	¥6,010	¥7,364	\$52,287

16. Financial Instruments and Related Disclosures

1) Overview

(1) Policy for financial instruments

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

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

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

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

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

Most trade notes and accounts payable, other payables, and income taxes payable are due within three months.

Short-term bank loans, long-term debt and lease obligations are mainly intended to raise required funding for capital investments and loans and investments.

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

(3) Supplementary explanation on estimated fair value of financial instruments

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

2) Estimated fair value of financial instruments

The carrying values of financial instruments on the consolidated balance sheet as of February 20, 2022 and 2021 and estimated fair values are shown below. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (please refer to Note 2 below).

As of February 20, 2022	Millions of Yen		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥127,076	¥127,076	¥-
(2) Short-term investments	3,359	3,359	-
(3) Trade notes and accounts receivable	39,206	39,206	-
Allowance for doubtful accounts (*)	(8)	(8)	-
	39,197	39,197	-
(4) Investment securities:			
Available-for-sale securities	3,299	3,299	-
Shares of associate	22,531	88,017	65,485
(5) Guarantee deposits	18,798	18,658	(139)
(6) Leasehold deposits	27,278	26,517	(760)
Liabilities:			
(1) Trade notes and accounts payable	¥39,765	¥39,765	¥-
(2) Other payables	28,594	28,594	-
(3) Income taxes payable	20,330	20,330	-
(4) Long-term debt, including current portion of long-term debt	85,466	85,490	24
(5) Lease obligations, including current portion of lease obligations	7,268	7,268	-

As of February 20, 2021	Millions of Yen		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥125,487	¥125,487	¥-
(2) Short-term investments	33,089	33,089	-
(3) Trade notes and accounts receivable	37,806	37,806	-
Allowance for doubtful accounts (*)	(5)	(5)	-
	37,801	37,801	-
(4) Marketable and investment securities:			
Available-for-sale securities	11,029	11,029	-
Shares of associate	22,001	82,140	60,139
(5) Guarantee deposits	19,763	20,193	430
(6) Leasehold deposits	27,022	26,502	(519)
Liabilities:			
(1) Short-term bank loans	¥46,715	¥46,715	¥-
(2) Trade notes and accounts payable	44,554	44,554	-
(3) Other payables	33,512	33,512	-
(4) Income taxes payable	30,351	30,351	-
(5) Long-term debt, including current portion of long-term debt	4,000	4,006	6
(6) Lease obligations, including current portion of lease obligations	7,445	7,445	-

As of February 20, 2022	Thousands of U.S. Dollars		
	Carrying value	Estimated fair value	Difference
Assets:			
(1) Cash and cash equivalents	\$1,105,394	\$1,105,394	\$-
(2) Short-term investments	29,220	29,220	-
(3) Trade notes and accounts receivable	341,043	341,043	-
Allowance for doubtful accounts (*)	(73)	(73)	-
	340,970	340,970	-
(4) Investment securities:			
Available-for-sale securities	28,701	28,701	-
Shares of associate	195,998	765,635	569,636
(5) Guarantee deposits	163,520	162,303	(1,216)
(6) Leasehold deposits	237,283	230,668	(6,614)
Liabilities:			
(1) Trade notes and accounts payable	\$345,904	\$345,904	\$-
(2) Other payables	248,737	248,737	-
(3) Income taxes payable	176,849	176,849	-
(4) Long-term debt, including current portion of long-term debt	743,441	743,652	210
(5) Lease obligations, including current portion of lease obligations	63,227	63,227	-

(*) Deducted allowance for doubtful accounts related to trade notes and accounts receivable.

Notes: 1. Methods to determine the estimated fair values of financial instruments

Assets:

(1) Cash and cash equivalents, (2) Short-term investments, and (3) Trade notes and accounts receivable

Since these items are settled in a short period of time, their carrying values approximate fair value.

(4) Investment securities

The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, please refer to Note 4. Marketable and Investment Securities.

(5) Guarantee deposits

The fair value of guarantee deposits is based on the present value of the estimated future cash flows adjusted for credit risk by maturity by applying the discount rate determined by reference to an appropriate index, such as a government bond yield.

(6) Leasehold deposits

The fair value of leasehold deposits is based on the present value of the estimated future cash flows adjusted for credit risk by certain period of time by applying the discount rate determined by reference to an appropriate index, such as a government bond yield.

Liabilities:

(1) Trade notes and accounts payable, (2) Other payables, and (3) Income taxes payable

Since these items are settled in a short period of time, their carrying values approximate fair value.

(4) Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate applicable to similar new debt.

(5) Lease obligations

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate applicable to similar new leases.

2. Financial instruments for which it is difficult to determine the fair value

As of February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unlisted stocks (*1)	¥312	¥312	\$2,720
Investments in investment limited partnerships (*2)	442	175	3,849
Guarantee deposits (*3)	92	95	803
Leasehold deposits (*3)	1,709	1,923	14,872

(*1) Unlisted stocks are excluded from "Assets, (4) Investment securities" because no quoted market price is available and it is extremely difficult to determine the fair value.

(*2) Investments in investment limited partnerships are excluded from "Assets, (4) Investment securities" because they are not marketable and the future cash flows cannot be estimated and it is extremely difficult to determine the fair value.

(*3) Guarantee deposits and leasehold deposits on extendable lease contracts are excluded from "Assets, (5) Guarantee deposits" and "Assets, (6) Leasehold deposits" because the future cash flows cannot be estimated and it is extremely difficult to determine the fair value.

3. Redemption schedule for financial assets with maturities

As of February 20, 2022	Millions of Yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	¥127,076	¥-	¥-
Short-term investments	3,359	-	-
Trade notes and accounts receivable	39,206	-	-
Total	¥169,641	¥-	¥-

As of February 20, 2021	Millions of Yen		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	¥125,487	¥-	¥-
Short-term investments	33,089	-	-
Trade notes and accounts receivable	37,806	-	-
Total	¥196,383	¥-	¥-

As of February 20, 2022	Thousands of U.S. Dollars		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	\$1,105,394	\$-	\$-
Short-term investments	29,220	-	-
Trade notes and accounts receivable	341,043	-	-
Total	\$1,475,658	\$-	\$-

Guarantee deposits and leasehold deposits are not disclosed because it is difficult to determine the redemption schedule for all the years presented.

4. Repayment schedule for long-term debt and lease obligations

Millions of Yen						
As of February 20, 2022	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term debt	¥35,068	¥33,068	¥17,330	-	-	-
Lease obligations	1,663	1,503	1,219	984	844	1,053
Total	¥36,731	¥34,571	¥18,549	¥984	¥844	¥1,053

Millions of Yen						
As of February 20, 2021	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term bank loans	¥46,715	¥-	¥-	¥-	¥-	¥-
Long-term debt	2,000	2,000	-	-	-	-
Lease obligations	1,570	1,246	1,123	950	830	1,725
Total	¥50,285	¥3,246	¥1,123	¥950	¥830	¥1,725

Thousands of U.S. Dollars						
As of February 20, 2022	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Long-term debt	\$305,045	\$287,647	\$150,748	\$-	\$-	\$-
Lease obligations	14,466	13,077	10,609	8,561	7,347	9,164
Total	\$319,511	\$300,725	\$161,358	\$8,561	\$7,347	\$9,164

17. Other Comprehensive Income (Loss)

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities			
Amounts arising during period	¥821	¥(89)	\$7,144
Reclassification adjustments	(54)	—	(470)
Amount before income tax effect	767	(89)	6,673
Income tax effect	(230)	29	(2,003)
Subtotal	536	(60)	4,669
Foreign currency translation adjustments			
Amounts arising during period	7,713	(1,283)	67,098
Subtotal	7,713	(1,283)	67,098
Defined retirement benefit plans			
Amounts arising during period	(7)	186	(67)
Reclassification adjustments	89	63	776
Amount before income tax effect	81	249	709
Income tax effect	(60)	(76)	(525)
Subtotal	21	173	183
Total other comprehensive income (loss)	¥8,271	¥(1,169)	\$71,951

18. Supplementary Cash Flow Information

Purchase of shares of subsidiary in the consolidated statement of cash flows for the year ended February 20, 2022 was a payment of other payables associated with the acquisition of shares of Shimachu Co., Ltd., which had become a consolidated subsidiary of the Company during the year ended February 20, 2021.

During the year ended February 20, 2021, the Company acquired shares in Shimachu, and Shimachu became a consolidated subsidiary of the Company. The following is a breakdown of assets and liabilities of Shimachu at the time when the Company started to consolidate Shimachu and a reconciliation of the acquisition cost of the shares with an expenditure for the acquisition on a net basis. The following amounts were adjusted due to the completion of the accounting for the business combination.

	Millions of Yen
Current assets	¥46,231
Non-current assets	193,556
Goodwill	19,791
Current liabilities	(35,630)
Long-term liabilities	(15,598)
Non-controlling interests	(43,295)
Acquisition cost of shares	¥165,054
Cash and cash equivalents	(6,749)
Expenditure for acquisition	¥158,304

19. Net Income per Share

As of and for the years ended February 20	Yen		U.S. Dollars
	2022	2021	2022
Basic net income per share	¥856.71	¥817.01	\$7.45
Diluted net income per share	—	816.66	—

Notes: 1. Diluted net income per share for the year ended February 20, 2022 is not disclosed because no dilutive shares of common stock were issued or outstanding.

2. The following are used to calculate the (1) basic net income per share and (2) diluted net income per share:

(1) Basic net income per share

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Net income attributable to owners of the parent	¥96,724	¥92,114	\$841,372
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent related to common stock	96,724	92,114	841,372
Average number of shares (Thousand shares)	112,901	112,745	

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

(2) Diluted net income per share

For the years ended February 20	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Adjustment attributable to owners of the parent	¥—	¥—	\$—
Increase in the number of common shares corresponding to stock acquisition rights (Thousand shares)	—	48	

20. Subsequent Events

1) Change in accounting period

"Partial Amendments to the Articles of Incorporation" were approved at the 50th Annual General Meeting of Shareholders held on May 19, 2022, and the Company changed its accounting period (fiscal year-end) and amended some parts of its articles of incorporation.

(1) Reason for change in accounting period

The fiscal year of the Company was from February 21 every year until February 20 the following year. In order to efficiently execute operations for the management of the Group's businesses and taking into account the monthly comparability with other companies in the same industry, the Company changed its fiscal year-end to March 31 (the fiscal year is from April 1 every year until March 31 the following year).

(2) Details of change in accounting period (fiscal year-end)

Before change: February 20 every year

After change: March 31 every year

The 51st fiscal year, which is a transition period for the new fiscal year-end, will be from February 21, 2022 to March 31, 2023, for a period of 13 months and 11 days.

2) Execution of capital and business alliance agreement

On April 27, 2022, the board of directors of the Company passed a resolution to acquire shares in EDION Corporation ("EDION") and form a capital and business alliance with EDION (the "Capital and Business Alliance").

(1) Purpose and reason for the Capital and Business Alliance

The Group comprises the Company, its 28 consolidated subsidiaries and one associate accounted for using the equity method and has two segments of the Nitori business and the Shimachu business. The Nitori business

engages in the sale, manufacture and import of furniture and interior merchandise and the leasing of real estate and offers advertising, logistics and other services. The Shimachu business engages in the sale of furniture, home accessories and home center goods and offers the related services.

The Group's employees share the aim of "enriching homes around the world" as the source of conduct and have a principle guiding their business activities to make their endeavors to achieve the Group's mid-long term vision "3,000 stores and ¥3 trillion in sales by 2032 / over 2 hundred million purchasing customers" by mobilizing the capacities of the Group. In addition, the Group's basic policy is to offer products with stable quality at affordable prices to a greater number of customers around the world and to suggest the fun of creating a coordinated living space by establishing a global chain store system.

EDION was founded as a holding company of DEODEO Corporation and EIDEN Co., Ltd. in 2002 and became a company operating "Ishimaru" in Kanto region, "EIDEN" in Chubu, "Midori" in Kinki, and "DEODEO" in Chugoku, Shikoku and Kyushu in October 2011 due to the consolidation of subsidiaries into EDION.

Due to the unification of shop names (change in the names of shops directly managed by home appliance shops "Ishimaru," "EIDEN," "Midori" and "DEODEO" into "EDION") in October 2012, EDION became a group of companies: EDION operating "EDION" that primarily engages in the sale of home appliances, 3Q Co., Ltd. operating "Hyakuman Volt" that primarily engages in the sale of home appliances in Hokuriku and Hokkaido regions, EDION HOUSE SYSTEM Corporation mainly engaging in the photovoltaic system business and other subsidiaries.

Under such circumstances, the Company and EDION decided to form the "Capital and Business Alliance" for the purposes of contributing to more comfortable lives of customers than ever before by utilizing mutual resources and of increasing the corporate value of both companies to meet the expectations of all sorts of stakeholders.

(2) Details of business alliance

The Company and EDION will mainly discuss and deliberate the following matters for the purpose of expanding the businesses of both groups utilizing mutual resources and know-how.

- (i) Cooperation for developing attractive stores
- (ii) Carrying of the other's products each other and expansion of product lines
- (iii) Generation of synergy in the E-commerce business
- (iv) Mutual use of the other's logistics network and installation service and after-sale service network
- (v) Generation of synergy in the renovation business and corporate business

(3) Details of capital alliance

On April 27, 2022, the Company decided to acquire shares in EDION (the "Share Acquisition") from LIXIL Corporation, a shareholder of EDION, through an off-market negotiation.

- (i) Number of shares of common stock of EDION acquired through the Share Acquisition: 8,961,000 shares (ownership interest in outstanding shares of common stock as of September 30, 2021: 8.60%)
- (ii) Aggregate amount of the Share Acquisition: ¥10,269 million (\$89,329 thousand)
- (iii) Execution of the Share Acquisition: May 13, 2022

The Company expects to acquire 1,463,900 shares of common stock in EDION (ownership interest in outstanding shares of common stock as of September 30, 2021: 1.40%) after the Share Acquisition through an off-market negotiation or at market. If the acquisition of such additional shares is completed, the Company will be a major shareholder of EDION.

(4) Schedule

- (i) Resolution by the board of directors: April 27, 2022
- (ii) Execution of the capital and business alliance agreement: April 27, 2022
- (iii) Execution of share purchase agreement concerning the Share Acquisition: April 27, 2022
- (iv) Execution of the Share Acquisition (share delivery date): May 13, 2022

(5) Future prospects

The impact of the Capital and Business Alliance on the Group's operating results is insignificant. If any matter arises that requires disclosure, the Company will swiftly disclose it.

21. Segment Information

1) Overview of reportable segments

(1) Determination of reportable segments

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

The Group consists of the two segments on the basis of its core operating companies and identified the following two businesses as its reportable segments: the “Nitori business” and the “Shimachu business.”

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

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

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

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

The accounting policies of the reportable segments are basically consistent with the description in “2. Summary of Significant Accounting Policies.” The reportable segments’ profit corresponds to the Group’s operating income. Intersegment sales and transfers are recorded based on the prices used in transactions with third parties.

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

As of and for the year ended February 20, 2022	Reportable segments		Total	Reconciliations (Notes 1 and 3)	Consolidated (Note 2)
	Nitori business	Shimachu business			
Net sales:					
Net sales to external customers	¥674,528	¥137,052	¥811,581	¥-	¥811,581
Intersegment sales or transfers	4,723	-	4,723	(4,723)	-
Total	¥679,252	¥137,052	¥816,305	¥(4,723)	¥811,581
Segment profit	¥135,274	¥3,032	¥138,306	¥(36)	¥138,270
Segment assets	¥724,192	¥260,465	¥984,658	¥(817)	¥983,840
Other items:					
Depreciation and amortization	¥18,447	¥5,337	¥23,785	¥-	¥23,785
Amortization of goodwill	-	2,559	2,559	-	2,559
Investments in entity accounted for using equity method	22,531	-	22,531	-	22,531
Increase in property, plant and equipment and intangible assets	100,522	931	101,454	-	101,454

As of and for the year ended February 20, 2021	Millions of Yen			
	Reportable segments		Total	Consolidated
	Nitori business	Shimachu business		
Net sales:				
Net sales to external customers	¥716,900	¥-	¥716,900	¥716,900
Total	¥716,900	¥-	¥716,900	¥716,900
Segment profit	¥137,687	¥-	¥137,687	¥137,687
Segment assets	¥671,305	¥259,579	¥930,884	¥930,884
Other items:				
Depreciation and amortization	¥17,831	¥-	¥17,831	¥17,831
Investments in entity accounted for using equity method	22,001	-	22,001	22,001
Increase in property, plant and equipment and intangible assets	22,323	-	22,323	22,323

As of and for the year ended February 20, 2022	Thousands of U.S. Dollars				
	Reportable segments		Total	Reconciliations (Notes 1 and 3)	Consolidated (Note 2)
	Nitori business	Shimachu business			
Net sales:					
Net sales to external customers	\$5,867,505	\$1,192,179	\$7,059,684	\$-	\$7,059,684
Intersegment sales or transfers	41,092	-	41,092	(41,092)	-
Total	\$5,908,597	\$1,192,179	\$7,100,776	\$(41,092)	\$7,059,684
Segment profit	\$1,176,710	\$26,377	\$1,203,087	\$(320)	\$1,202,766
Segment assets	\$6,299,520	\$2,265,704	\$8,565,225	\$(7,115)	\$8,558,110
Other items:					
Depreciation and amortization	\$160,469	\$46,432	\$206,901	\$-	\$206,901
Amortization of goodwill	-	22,260	22,260	-	22,260
Investments in entity accounted for using equity method	195,998	-	195,998	-	195,998
Increase in property, plant and equipment and intangible assets	874,416	8,100	882,517	-	882,517

Notes: 1. The reconciliations of segment profit of ¥(36) million (\$ (320) thousand) were intersegment eliminations.

2. Segment profit was reconciled to operating income in the consolidated statement of income.

3. The reconciliations of segment assets of ¥(817) million (\$ (7,115) thousand) were intersegment eliminations.

4. Segment information for the year ended February 20, 2021 was based on the adjusted acquisition cost allocation due to the completion of the accounting for the business combination that had been effected in the year ended February 20, 2021. In the year ended February 20, 2021, the Company only consolidated the balance sheet of Shimachu Co., Ltd. that constitutes the Shimachu business.

4) Related information

(1) Information about products and services

Information about products and services was as follows:

	Millions of Yen		
For the year ended February 20, 2022	Nitori business	Shimachu business	Total
Net sales to external customers	¥674,528	¥137,052	¥811,581

	Millions of Yen		
For the year ended February 20, 2021	Nitori business	Shimachu business	Total
Net sales to external customers	¥716,900	¥-	¥716,900

	Thousands of U.S. Dollars		
For the year ended February 20, 2022	Nitori business	Shimachu business	Total
Net sales to external customers	\$5,867,505	\$1,192,179	\$7,059,684

(2) Information about geographic areas

a) Net sales

Information about net sales is not disclosed because net sales to external customers in Japan constituted more than 90% of net sales on the consolidated statement of income.

b) Property, plant and equipment, net

Information about property, plant and equipment is not disclosed because property, plant and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheet.

(3) Information about major customers

Information about major customers is not disclosed since no single customer accounts for 10% or more of net sales on the consolidated statement of income.

5) Information about loss on impairment of long-lived assets by reportable segment

	Millions of Yen		
For the year ended February 20, 2022	Nitori business	Shimachu business	Total
Loss on impairment of long-lived assets	¥294	¥284	¥579

	Millions of Yen		
For the year ended February 20, 2021	Nitori business	Shimachu business	Total
Loss on impairment of long-lived assets	¥8,351	¥-	¥8,351

	Thousands of U.S. Dollars		
For the year ended February 20, 2022	Nitori business	Shimachu business	Total
Loss on impairment of long-lived assets	\$2,565	\$2,478	\$5,043

6) Information about amortization and unamortized balance of goodwill by reportable segment

Millions of Yen			
As of and for the year ended February 20, 2022	Nitori business	Shimachu business	Total
Amortization	¥-	¥2,559	¥2,559
Balance at end of year	¥-	¥22,391	¥22,391

Millions of Yen			
As of and for the year ended February 20, 2021	Nitori business	Shimachu business	Total
Amortization	¥-	¥-	¥-
Balance at end of year	¥-	¥19,791	¥19,791

Thousands of U.S. Dollars			
As of and for the year ended February 20, 2022	Nitori business	Shimachu business	Total
Amortization	\$-	\$22,260	\$22,260
Balance at end of year	\$-	\$194,775	\$194,775

- Note: 1. Goodwill of the Shimachu business increased by ¥5,799 million (\$50,444 thousand) since during the year ended February 20, 2022, the Company acquired additional shares of Shimachu Co., Ltd., a consolidated subsidiary of the Company, and Shimachu became a wholly-owned subsidiary of the Company. Goodwill amortization of ¥639 million (\$5,565 thousand) during the period from December 1, 2020 to February 20, 2021 associated with said business was accounted for as an adjustment to retained earnings.
2. During the year ended February 20, 2021, the Company provisionally accounted for the business combination with Shimachu, and during the year ended February 20, 2022, the Company completed the accounting. As a result, goodwill as of February 20, 2021 decreased by ¥11,874 million, from ¥31,665 million to ¥19,791 million.

7) Information about gain on bargain purchase by reportable segment

Not applicable.

22. Related-Party Disclosures

1) Related-party transactions between the Company and related parties

Officers, major shareholders (individual shareholders only), etc., of the Company

For the year ended February 20, 2022											Transaction amount		Year-end balance	
Category	Name	Address	Capital or contribution	Occupation	% of voting rights		Business relationship	Details of transaction	Millions of Yen	Thousands of U.S. Dollars	Account	Millions of Yen	Thousands of U.S. Dollars	
					Held (held by others)									
Officer of subsidiary	Shigehito Matsukura	-	-	Representative director of subsidiary	(held by others)	Direct 0.04	-	Loaning of money (Note 2)	¥-	\$-	Short-term loans receivable	¥109	949	
Close relative of officer	Mitsuko Nitori	-	-	Mother of representative director, Akio Nitori	(held by others)	Direct 0.01	Building lease	Building lease (Note 3)	16	140	Leasehold deposits	28	248	

Notes: 1. The transaction amount does not include consumption taxes.

2. The interest rate for the loaning of money was determined based on the market interest rate.

3. The terms and rent on the building lease transaction were determined based on similar transactions in a nearby area.

For the year ended February 20, 2021											Transaction amount		Year-end balance	
Category	Name	Address	Capital or contribution	Occupation	% of voting rights		Business relationship	Details of transaction	Millions of Yen	Account	Millions of Yen		Millions of Yen	
					Held (held by others)									
Officer of subsidiary	Shigehito Matsukura	-	-	Representative director of subsidiary	(held by others)	Direct 0.04	-	Loaning of money (Note 2)		109	Short-term loans receivable		109	
Close relative of officer	Mitsuko Nitori	-	-	Mother of representative director, Akio Nitori	(held by others)	Direct 0.01	Building lease	Building lease (Note 3)		16	Leasehold deposits		28	

Notes: 1. The transaction amount does not include consumption taxes.

2. The interest rate for the loaning of money was determined based on the market interest rate.

3. The terms and rent on the building lease transaction were determined based on similar transactions in a nearby area.

2) Related-party transactions between the consolidated subsidiaries and related parties

Not applicable.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nitori Holdings Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Nitori Holdings Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of February 20, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of February 20, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Reasonableness of the valuation of property, plant and equipment and the identification of intangible assets in the allocation of acquisition costs for SHIMACHU CO., LTD.		
	Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
1	<p>The acquisition of 77.04% of shares in SHIMACHU CO., LTD. on January 6, 2021, was accounted for at provisional amounts in the consolidated financial statements for the year ended February 20, 2021, recognizing 31,665 million JPY of goodwill.</p> <p>As stated in Note 3, Business Combination, to the consolidated financial statements, the Group acquired additional shares in SHIMACHU CO., LTD. during the current year and revised the allocation of acquisition costs to finalize the provisional accounting stated above. As a result, building and structures (net) increased by 7,859 million JPY, land increased by 14,601 million JPY, asset retirement obligations (non-current liabilities) increased by 301 million JPY, and non-controlling interests increased by 3,535 million JPY, whereas goodwill and deferred tax assets decreased by 11,874 million JPY and 6,749 million JPY, respectively.</p> <p>The identifiable assets acquired and liabilities assumed from the acquired company must be recognized through the allocation of acquisition costs within one year of the date of the business combination and based on the fair value at the time of the combination. In particular, the valuation of property, plant and equipment and the identification of intangible assets require a specialized knowledge in valuation and are significantly affected by management judgments in selecting the valuation methodology and assumptions and preparing a business plan since there is not an active market.</p> <p>We identified the reasonableness of the valuation of property, plant and equipment and the identification of intangible assets accompanying the allocation of acquisition costs for SHIMACHU CO., LTD. as a key audit matter because such matter was of most significance in our audit of the consolidated financial statements of the current year.</p>	<p>Our audit procedures related to evaluation of the reasonableness of the valuation of property, plant and equipment and the identification of intangible assets accompanying the allocation of acquisition costs for SHIMACHU CO., LTD. included the following, among others:</p> <p>(1) Evaluation of controls</p> <p>We evaluated the design and operating effectiveness of controls over the valuation of assets and liabilities, including the selection of experts, the submission of the business plan and other materials to the experts, and management's evaluation of the results of the work completed by the third-party experts used.</p> <p>(2) Evaluation of the reasonableness of the valuation of property, plant and equipment and the identification of intangible assets</p> <p>To evaluate the reasonableness of the valuation of property, plant and equipment and the identification of intangible assets, we performed the following to determine whether sufficient and appropriate audit evidence had been obtained:</p> <ul style="list-style-type: none"> • We evaluated the competence, capability and objectivity of the fair value experts used by management by obtaining an understanding of the work performed by the experts. • We tested the accuracy and completeness of the underlying data including the fixed asset register. • For the business plan that served as the basis of the estimate of the fair value of intangible assets, we evaluated the reasonableness of assumptions used for the future periods, the mathematical accuracy and its consistency with data used in determining the acquisition costs of the shares. • For the valuation of property, plant and equipment and the estimate of the fair value of the identifiable intangible assets, we involved our fair value specialists to assist us in evaluating the appropriateness of the valuation methodology, assumptions and model selected by management.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

May 19, 2022