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Consolidated Financial Results for the Six Months Ended August 31, 2024 [Japanese GAAP]

October 15, 2024

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Listing: Tokyo
Securities code: 3548
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Scheduled date to file semi-annual securities report: October 15, 2024
Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended August 31, 2024 (March 1, 2024 to August 31, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2024	27,713	(2.6)	106	(88.3)	(284)	-	(390)	-
August 31, 2023	28,440	5.4	909	22.6	1,040	275.2	596	-

(Note) Comprehensive income: Six months ended August 31, 2024: ¥ 546 million [180.7%]
Six months ended August 31, 2023: ¥ 194 million [(79.1)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2024	(10.84)	-
August 31, 2023	16.55	-

(Note)Diluted earnings per share is not presented since there is no dislutive share.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
August 31, 2024	38,215	21,348	47.3
February 29, 2024	37,261	22,202	51.8

(Reference) Equity: As of August 31, 2024: ¥ 18,087 million
As of February 29, 2024: ¥ 19,302 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	-	0.00	-	38.00	38.00
Fiscal year ending February 28, 2025	-	0.00			
Fiscal year ending February 28, 2025 (Forecast)			-	38.00	38.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025(March 1, 2024 to February 28, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	63,288	5.0	2,350	20.3	2,061	2.0	1,204	27.4	33.42

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

August 31, 2024: 36,676,300 shares
February 29, 2024: 36,676,300 shares

2) Number of treasury shares at the end of the period:

August 31, 2024: 710,400 shares
February 29, 2024: 650,400 shares

3) Average number of shares outstanding during the period:

Six months ended August 31, 2024: 35,985,634 shares
Six months ended August 31, 2023: 36,023,986 shares

(Note)Regarding the number of treasury shares to be deducted in calculating the number of treasury shares at the end of the period and the average number of shares during the period, the company's shares owned by the trust assets of the Board Benefit Trust (BBT) are included in the deductible treasury shares in the calculation.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

Descriptions regarding forward-looking statements, etc. contained in these materials are based on information currently available to the Company and certain assumptions judged reasonable. The Company makes no warranty as to the feasibility of its projections. Future results may differ materially from projections due to various factors.

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Note:
If there is any inconsistency or conflict between English and Japanese versions of this information, the Japanese version shall prevail.

1. Management discussion and analysis

(1) Summary of the business

During the first six months of the consolidated fiscal year, the Japanese economy trended toward a gradual recovery owing to an improved income environment buoyed by higher wages and an increase in inbound consumption, among other factors, but the business environment remains uncertain as the prices of raw materials and energy continued to soar, and the improvement in consumer confidence has stalled.

Regarding the group's domestic business, the average spend per customer was strong, but store sales, primarily for SC brands, struggled due to a decline in the number of customers. On the other hand, sales of brands for department stores increased 2.8% year-on-year. EC sales increased 2.1% year-on-year due to growth in third party EC. In addition, the soaring purchase cost ratio, sluggish growth in sales at bargain sales, and widening valuation losses on merchandise had an impact on domestic gross profit. As a result of the above, domestic sales and domestic gross profit for the first six months of the fiscal year under review were lower than the same period of the previous fiscal year. Going forward, the group will accelerate the scrapping of brands and stores where growth is difficult to anticipate, and will shift management resources into new businesses and other growth areas.

Selling, general and administrative (SG&A) expenses were 100.9% year-on-year, and the SG&A-to-sales ratio rose 1.9 percentage points from the same period of the previous year. As a result of the above, operating profit experienced a year-on-year decline.

As for the China joint venture with strategic business partner Belle International Holdings Limited ("Belle"), the group continued its strategy to maintain the number of stores, mainly in Beijing and Shanghai, and to continue scrapping unprofitable stores in regional areas, although the impact of cooling personal consumption in China and an increase in valuation losses on merchandise caused both sales and profit to decline. As a result, the group have recorded a share of loss of associates of 365 million yen from the China joint venture in non-operating expenses.

As for the U.S. business, the group have been focusing on a business model primarily centered around e-commerce and wholesale distribution to high-end department stores and select shops, with a focus on selling Japanese-made high-end denim products. With the stabilization of product supply, orders showed a recovery trend, wholesale sales were strong, and in addition, e-commerce grew, resulting in a year-on-year increase in sales.

As of August 31, 2024, the group have 357 stores in Japan (269 directly operated, 88 through franchise) and 6 overseas stores (1 directly operated, 5 through franchise) – for a total of 363 stores. In addition, the number of stores in the Chinese retail business operated through Joint Venture with Belle was 210 stores.

As a result of the above, the first six months of the consolidated fiscal year saw a consolidated net sales of 27,713 million yen (2.6% decrease from the same period last year), operating profit of 106 million yen (88.3% decrease from the same period last year), ordinary loss of 284 million yen (ordinary profit of 1,040 million yen for the same period last year), and loss attributable to owners of parent was 390 million yen (profit attributable to owners of parent of 596 million yen for the same period last year).

(2) Financial review

During the six months' period ended August 31, 2024, total assets increased by 954 million yen from the end of the previous consolidated fiscal year to 38,215 million yen. This was mainly due to the decrease in cash and deposits by 1,806 million yen, the increase in accounts receivable - trade by 2,094 million yen, and the increase in intangible assets by 519 million yen.

Liabilities increased by 1,808 million yen from the end of the previous consolidated fiscal year to 16,866 million yen. This was mainly due to the increase in notes and accounts payable - trade by 751 million yen and the increase in accounts payable - other by 1,191 million yen.

Net assets decreased by 854 million yen from the end of the previous consolidated fiscal year to 21,348 million yen. This was mainly due to decreases in retained earnings by 398 million yen and capital surplus by 977 million yen for the payment of dividends, the decrease in retained earnings by 390 million yen from loss attributable to owners of parent, the increase in foreign currency translation adjustment by 597 million yen, and the increase in non-controlling interests by 360 million yen.

2. Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	12,181	10,374
Accounts receivable - trade	9,613	11,707
Merchandise	5,489	5,610
Supplies	67	67
Other	301	304
Allowance for doubtful accounts	(2)	(2)
Total current assets	27,651	28,062
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,215	1,276
Land	350	350
Construction in progress	94	8
Other, net	264	392
Total property, plant and equipment	1,923	2,028
Intangible assets		
Software	803	771
Other	1,798	2,349
Total intangible assets	2,601	3,121
Investments and other assets		
Investment securities	539	357
Leasehold and guarantee deposits	3,139	3,157
Deferred tax assets	1,341	1,421
Other	64	67
Total investments and other assets	5,084	5,003
Total non-current assets	9,609	10,152
Total assets	37,261	38,215

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,272	3,024
Short-term borrowings	2,000	2,000
Accounts payable - other	1,092	2,284
Accrued expenses	477	647
Income taxes payable	595	183
Guarantee deposited	5	15
Provision for bonuses	298	319
Asset retirement obligations	20	46
Other	255	352
Total current liabilities	7,017	8,872
Non-current liabilities		
Long-term borrowings	6,000	6,000
Long-term accounts payable - other	7	7
Deferred tax liabilities	81	90
Guarantee deposits received	476	455
Provision for share awards for directors (and other officers)	242	240
Retirement benefit liability	17	9
Asset retirement obligations	1,138	1,131
Other	76	59
Total non-current liabilities	8,040	7,994
Total liabilities	15,058	16,866
Net assets		
Shareholders' equity		
Share capital	8,258	8,258
Capital surplus	8,059	7,081
Retained earnings	2,605	1,817
Treasury shares	(678)	(724)
Total shareholders' equity	18,244	16,432
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,058	1,655
Total accumulated other comprehensive income	1,058	1,655
Non-controlling interests	2,900	3,260
Total net assets	22,202	21,348
Total liabilities and net assets	37,261	38,215

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statement of Income

(Millions of yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Net sales	28,440	27,713
Cost of sales	11,919	11,722
Gross profit	16,521	15,991
Selling, general and administrative expenses	15,611	15,885
Operating profit	909	106
Non-operating income		
Interest income	4	12
Foreign exchange gains	114	-
Subsidy income	33	-
Share of profit of entities accounted for using equity method	11	-
Other	18	12
Total non-operating income	182	25
Non-operating expenses		
Interest expenses	14	21
Commission expenses	3	3
Foreign exchange losses	-	5
Loss on retirement of non-current assets	3	3
Share of loss of entities accounted for using equity method	-	365
Other	29	17
Total non-operating expenses	51	415
Ordinary profit (loss)	1,040	(284)
Extraordinary losses		
Impairment losses	25	92
Total extraordinary losses	25	92
Profit (loss) before income taxes	1,014	(376)
Income taxes - current	316	59
Income taxes - deferred	(24)	(76)
Total income taxes	292	(17)
Profit (loss)	722	(359)
Profit attributable to non-controlling interests	126	31
Profit (loss) attributable to owners of parent	596	(390)

Semi-annual Cosolidated Statemant of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Profit (loss)	722	(359)
Other comprehensive income		
Foreign currency translation adjustment	296	804
Share of other comprehensive income of entities accounted for using equity method	(823)	101
Total other comprehensive income	(527)	905
Comprehensive income	194	546
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(29)	207
Comprehensive income attributable to non-controlling interests	224	339

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	1,014	(376)
Depreciation	423	475
Impairment losses	25	92
Increase (decrease) in provision for bonuses	10	20
Interest income	(4)	(12)
Interest expenses and commission fee	17	24
Foreign exchange losses (gains)	21	22
Share of loss (profit) of entities accounted for using equity method	(11)	365
Loss on retirement of property, plant and equipment	3	3
Decrease (increase) in trade receivables	(1,845)	(1,281)
Decrease (increase) in inventories	(83)	(98)
Increase (decrease) in trade payables	64	601
Increase (decrease) in accounts payable - other	434	1,174
Increase (decrease) in retirement benefit liability	1	(7)
Other, net	50	155
Subtotal	123	1,158
Interest received	4	12
Interest paid	(17)	(21)
Income taxes paid	(141)	(451)
Net cash provided by (used in) operating activities	(31)	698
Cash flows from investing activities		
Purchase of property, plant and equipment	(649)	(466)
Purchase of intangible assets	(655)	(743)
Payments of leasehold and guarantee deposits	(50)	(58)
Proceeds from refund of leasehold and guarantee deposits	139	46
Other, net	(54)	(32)
Net cash provided by (used in) investing activities	(1,271)	(1,254)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,000	2,000
Repayments of short-term borrowings	(2,000)	(2,000)
Proceeds from long-term borrowings	2,000	-
Repayments of long-term borrowings	(2,000)	-
Dividends paid	(1,376)	(1,376)
Repayments of lease liabilities	(3)	(29)
Net cash provided by (used in) financing activities	(1,379)	(1,405)
Effect of exchange rate change on cash and cash equivalents	180	155
Net increase (decrease) in cash and cash equivalents	(2,501)	(1,806)
Cash and cash equivalents at beginning of period	14,744	12,181
Cash and cash equivalents at end of period	12,243	10,374

(4) Notes to the semi-annual consolidated financial statements

(Note on going concern)

Not applicable.

(Significant change in shareholders' equity)

Not applicable.

(Subsequent events)

Not applicable.