Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 <under IFRS>

April 3, 2024

Company name: World Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 3612
URL: https://corp.world.co.jp/
Representative: Nobuteru Suzuki, Representative Director of the Board President, Representative Managing Executive Officer
Inquiries: Keiichi Nakabayashi, Deputy President and Representative Managing Executive Officer
TEL: +81-3-6887-1300
Scheduled date of ordinary general meeting of shareholders: May 28, 2024
Scheduled date to commence dividend payments: May 29, 2024
Scheduled date to file Securities Report: May 28, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended February 29, 2024 (from April 1, 2023 to February 29, 2024)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 29, 2024	202,342	–	13,569	–	12,004	–	11,186	–
Fiscal year ended March 31, 2023	214,246	25.0	13,539	151.2	11,686	432.2	10,313	631.6

	Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 29, 2024	7,316	–	6,764	–	7,554	–
Fiscal year ended March 31, 2023	6,373	–	5,686	–	6,312	–

(Note) Core operating profit is Revenue less Cost of sales and Selling, general and administrative expenses.

	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of parent	Profit before tax / Total assets	Operating profit / Revenue
	Yen	Yen	%	%	%
Fiscal year ended February 29, 2024	187.37	187.37	8.2	4.6	5.9
Fiscal year ended March 31, 2023	152.73	152.73	7.1	4.1	5.5

Reference: Share of profit (loss) of investments accounted for using equity method
For the fiscal year ended February 29, 2024: (274) million yen
For the fiscal year ended March 31, 2023: 62 million yen

(Notes) 1. During the fiscal year ended February 29, 2024, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the fiscal year ended March 31, 2023, reflect the finalization of the provisional accounting treatment.

2. Basic earnings per share takes into consideration the amount not attributable to common shareholders of parent (amount attributable to owners of other equity instruments).

3. At the 65th Ordinary General Meeting of Shareholders held on June 23, 2023, the proposal of "Amendment to the Articles of Incorporation" was approved. As a result, the Company has changed its fiscal year-end (last day of the fiscal year) from March 31 to the last day of February starting from the current fiscal year. The subject period for consolidated accounting for the current fiscal year, which is the transitional period of the change in the fiscal year-end, is an 11-month period from April 1, 2023 to February 29, 2024. Accordingly, the year-on-year changes are not presented.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of February 29, 2024	239,685	88,418	82,010	34.2	2,409.79
As of March 31, 2023	251,421	89,229	82,420	32.8	2,426.19

(Note) During the fiscal year ended February 29, 2024, the Company finalized the provisional accounting treatment for business combinations. As a result, figures as of March 31, 2023, reflect the finalization of the provisional accounting treatment.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended February 29, 2024	27,459	(1,961)	(25,500)	20,848
Fiscal year ended March 31, 2023	25,389	(4,379)	(21,771)	20,685

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	13.00	–	35.00	48.00
Fiscal year ended February 29, 2024	–	26.00	–	30.00	56.00
Fiscal year ending February 28, 2025 (Forecast)	–	37.00	–	38.00	75.00

	Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Equity attributable to owners of parent per share (Consolidated)
	Millions of yen	%	%
Fiscal year ended March 31, 2023	1,631	31.4	2.0
Fiscal year ended February 29, 2024	1,906	29.9	2.3
Fiscal year ending February 28, 2025 (Forecast)		31.5	

(Note) For the dividends for the second quarter-end of the fiscal year ended March 31, 2023, the Company paid dividends from other capital surplus. For details, please refer to "Breakdown of dividends paid from other capital surplus" below.

Breakdown of fiscal year-end dividends for the fiscal year ended February 29, 2024

Ordinary dividend per share: 25.00 yen

Commemorative dividend per share: 5.00 yen (commemorative dividend for the 5th anniversary of the Company's listing)

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(Percentages indicate year-on-year changes.)

	Revenue		Core operating profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending August 31, 2024	109,300	6.1	7,700	34.2	7,300	25.0	6,850	26.3
Fiscal year ending February 28, 2025	230,000	–	17,000	–	15,500	–	14,550	–

	Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2024	4,534	33.8	4,200	29.3	118.45
Fiscal year ending February 28, 2025	9,459	–	8,500	–	238.28

(Notes) 1. Core operating profit is Revenue less Cost of sales and Selling, general and administrative expenses.

2. Basic earnings per share takes into consideration the amount not attributable to common shareholders of parent (amount attributable to owners of other equity instruments).

3. Due to the change in the fiscal year-end, the consolidated accounting period for the current fiscal year is an 11-month period from April 1, 2023 to February 29, 2024. Accordingly, the year-on-year changes are not presented for the full-year earnings forecasts.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: –

Excluded: –

(2) Changes in accounting policies, changes in accounting estimates

a. Changes in accounting policies required by IFRS: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of February 29, 2024	34,390,965 shares
As of March 31, 2023	34,390,965 shares

b. Number of treasury shares at the end of the period

As of February 29, 2024	358,808 shares
As of March 31, 2023	420,207 shares

c. Average number of shares during the period

For the fiscal year ended February 29, 2024	34,013,096 shares
For the fiscal year ended March 31, 2023	33,935,841 shares

* **Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.**

* **Proper use of earnings forecasts, and other special matters**

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to the section of “(4) Forecasts” of “1. Review of operating results and others” on page 9 of the attached material.

Breakdown of dividends paid from other capital surplus

Of the dividends for the fiscal year ended March 31, 2023, the breakdown of dividends paid from other capital surplus is as follows.

Record date	Second quarter-end
Dividend per share	13.00 yen
Total cash dividends	442 million yen

(Note) Net asset reduction ratio: 0

Attached Material Index

1. Review of operating results and others

(1) Review of operating results for the fiscal year under review

In the fiscal year under review (April 1, 2023 to February 29, 2024), revenue was 202,342 million yen, core operating profit was 13,569 million yen, operating profit was 12,004 million yen, profit before tax was 11,186 million yen and profit attributable to owners of parent was 6,764 million yen.

The fiscal year ended February 29, 2024 is the first year of our "PLAN-W" Medium-Term Management Plan announced on May 8, 2023, and we have successfully completed the first half of the year, which was critical considering that the effects of structural reforms have run their course and efforts are being made to enhance employee compensation, etc. Moreover, also for the second half of the year, in the third quarter under review, we were able to extend the record of consecutive quarters of increased core operating profit to 12 quarters, marking a successful conclusion to the period before we change our fiscal year-end, and not only did we achieve all of the planned profit and loss levels below core operating profit for the full year, but all of the profits levels for the 11-month period of the fiscal year under review exceeded those for the 12-month period of the previous fiscal year.

With regard to revenue, sales at existing stores increased compared with the same period of the previous year for 24 consecutive months through February 2024, as we continued to see demand related to going out for everyday life and the recovery of our ability to attract urban customers with the normalization of economic and social activities further progressing due to Japan downgrading COVID-19 to the Class 5 category of infectious diseases, while store sales continued to grow, led by apparel.

With regard to profit, the gross profit margin was 58.5%, as a result of our efforts to respond to lingering summer heat, mild winters and other changes in temperatures through fine control of the ratio of wholesale price to retail price in both the store and EC channels. In terms of selling, general and administrative expenses, despite an increase in personnel expenses resulting from improved employee compensation and an increase in rent and lease expenses due to higher store sales, our SG&A ratio was 51.8% due to strict cost controls. Core operating profit, the main driver of our operations, was the driving force behind achieving our first-year targets of "PLAN-W" in all profit levels.

Due to the change in the fiscal year-end, the current fiscal year is an 11-month period from April 1, 2023 to February 29, 2024. Therefore, year-on-year comparisons are not shown.

Descriptions of each segment are given below.

1) Brand Business

In the Brand Business, we aim to modify its brand portfolio strategy flexibly to keep a balance between growth potential and profitability from the standpoint of optimizing the overall Brand Business segment.

The middle upper brand, mainly operated at department stores, developed differentiated products with high added value while preserving the essence of our brand. However, we need to respond flexibly to changing lifestyle patterns. Furthermore, to create even stronger bonds with our customers, we are working proactively to build relationships through new opportunities such as the shift to multichannel and promotion of our Online Merges with Offline (OMO) strategy. Additionally, we are steadily progressing our return to domestic manufacturing utilizing our own factory system so that our business is not affected by global increases in prices or forex trends such as yen depreciation.

For the middle lower brands, mainly operated at shopping centers, with the distinction between regular-price sales months and discount sales months disappearing, we have not been limited by the traditional, large seasonal restrictions between the spring/summer season and the autumn/winter season. As such, we have worked to shorten further the product lifecycle from purchasing until the end of the sales period and to focus on regular-priced sales. Against the backdrop of the rise of channel-less commerce and other factors, from the first quarter, we are also pursuing economies of scale by consolidating our middle lower brands, which are mainly sold through shopping centers, into a single company.

In the lifestyle brand, under the concept of “Make nowadays’ life more wonderful, more fun!,” we continue to strive to expand customer support by offering goods for everyday life and fashion accessories that meet their lifestyle needs. In addition, depending on the condition of the brand, we are pursuing different missions, such as a subsidiary that aims for growth by aggressively opening new stores, a subsidiary that works on drastic reform of the revenue structure, and another subsidiary that is solidifying its revenue base. Although national brands have always been strong in this area, against the backdrop of expanding business scale, we are taking on the challenge of developing original products of our own design.

Meanwhile, in the investment group, the Group’s themes are pursuing synergies by introducing platforms and improving and establishing revenue structures. In brands under development and reform, the Group promotes structural reforms and subsequent growth strategies. In M&A related to the Brand Business, we developed the KOBE LEATHER CLOTH CO., LTD, which can cover most of the shoe-related value chain in-house, and HIROFU Co., Ltd., which has gained cross-generational popularity for its high-quality leather accessories. At the end of the previous fiscal year, we expanded the portfolio in the high price segment by making STRASBURGO Co., Ltd. which manages luxury select shops, a wholly owned subsidiary.

Amid these conditions, in the fiscal year under review, a revenue recovery and growth in store sales channels became clear as foot traffic returned to stores, while the profit improvement for the middle lower apparel brands was particularly noteworthy.

As a result, the operating results of the Brand Business were as follows: revenue was 175,425 million yen (of which external revenue was 172,743 million yen), and core operating profit (segment profit) was 9,718 million yen.

2) Digital Business

Digital Business consists of B2B solutions and B2C “Neo Economy.” B2B is aiming to recover the aggressive investments made to date while B2C aims to accelerate growth through a strategy of selection and concentration.

In the B2B solutions business, in the area of the commissioned e-commerce business service, we are contracted to develop and operate WORLD ONLINE STORE (WOS), a directly managed fashion site centered on sales of World brand products, and official e-commerce sites of other companies. In the operation of its own website, against the backdrop of improvements to app functionality and strengthening of OMO activities, the Company is promoting seamless service improvements with its directly managed stores in unison with its Brand Business. In solution services, the Company is not only working to curb logistics costs for its own group in response to the logistics industry’s “2024 problem” and updating its core system, but also strengthening sales activities to expand sales by providing inventory control system installation and operation services to other companies.

In the B2C Neo Economy, we are pursuing a growth strategy through selection and concentration of businesses that have been experimenting with various themes, focusing on the keyword “circular.” Laxus Technologies Co., Ltd. has offered subscription-model rental services specializing in brand bags, and is working to expand business services through trial sales of bags with a focus on the utilization ratio of owned-asset bags, etc. In addition to pursuing growth as part of our OMO strategy combining purchasing and sales through the mutual use of stores and EC channels by TIN PAN ALLEY CO., LTD., operating “RAGTAG,” a store marketing used products from selected brands, we began trialing “usebowl” as a casual business format, and are also promoting business collaboration with the off-price store “& Bridge.”

In the fiscal year under review, the specialization in the circular business in the B2C Neo Economy is already paying off, and “RAGTAG” also benefited from the tailwind of inbound demand due to the easing of restrictions on entry into Japan from overseas.

As a result, the operating results of the Digital Business were as follows: revenue was 29,648 million yen (of which external revenue was 11,779 million yen), and core operating profit (segment profit) was 1,761 million yen.

3) Platform Business

The Platform Business engages in operations to make the Group’s platforms, where its know-how and mechanisms were accumulated over the years, available to external companies. It tries to expand new business fields that surpass the existing industrial boundaries.

WORLD PLATFORM SERVICE CO., LTD., an intermediate holding company, possesses both the business management functions and the marketing functions for external companies (clients) that build a revenue model for the Platform Business. Combining the full range of know-how and mechanisms of each platform, we propose and provide one-stop services that best suit a client’s needs.

WORLD PRODUCTION PARTNERS CO., LTD., which functions as the production platform, builds a scheme for direct trade as a trading firm and supervises and supports the improvement of productivity at the Group’s manufacturing subsidiaries. It also aims to strengthen commissioned services for the development and manufacture of other apparel companies’ products (OEM and ODM business), at the factories of specialist trading firms such as Idiom and La Mode that deal mainly with external sales.

WORLD STORE PARTNERS CO., LTD., which functions as the sales platform, operates the NEXT DOOR outlet which, along with events such as family sales for which the opening of stores for other brands has continued to increase year after year, is indispensable to the final liquidation of product inventory, and has steadily expanded its external sales services, including sales agency operations for various types of businesses.

Aside from these production and sales platforms focused on apparel, ASPLUND CO., LTD., and other subsidiaries handle the lifestyle field from space creation to the production and sales of fixtures (construction), to wholesales and handing contracts of furniture and goods for everyday life. These businesses are contributing to the expansion of the service lines and client base of the Platform Business.

In the fiscal year under review, progress was made mainly on external sales orders reflecting the booking of gross profit from changes in transaction conditions corresponding to depreciation in the yen, as well as profitability on individual projects.

As a result, the operating results of the Platform Business were as follows: revenue was 67,326 million yen (of which external revenue was 17,670 million yen), and core operating profit (segment profit) was 528 million yen.

4) Common

The Common segment, which is not a business segment, has a basic revenue structure whereby incomes such as dividends received from subsidiaries and business advisory fee income from subsidiaries are recorded, and that is used to cover expenses of the Company (Holdings), such as costs for the staff. The dividend income received by the holding company has been deducted in advance from the relevant segment profit.

The Common segment is composed of corporate staff with the Group Management Headquarters and Group Personnel Headquarters Division, the Creative Management Center, which oversees the improvement of Group product freshness and software development, and the IR Group Communication Office, which promotes communication within and outside of the Group.

World, the holding company, makes it a rule to collect business advisory fee and other income from subsidiaries, with the amount surpassing the actual expenses of the holding company’s personnel, to fulfill its duty of conducting intensive investments in key target areas. It continually endeavors to improve its own productivity mainly by consolidating functions.

Although business advisory fee income calculated on a percentage basis from increased profit at Group companies is added to the Common segment, the Company was affected by a decrease in rental income owing to the consolidation of offices and higher personnel costs associated with improvements in employee compensation.

As a result, the operating results of the Common segment were as follows: revenue was 6,920 million yen (of which external revenue was 150 million yen), and core operating profit (segment profit) was 1,632 million yen.

< Initiatives for Sustainability >

In order to continue to create and provide value as a “Value-Creating Enterprise” on a long-term, sustainable basis, the Group believes that the contribution to “the realization of a sustainable society” is essential and has positioned initiatives associated with environmental burden and social activities as one of its most important issues in corporate management. In the fashion industry, in which the visualization of dispersed structures is not progressing, we are moving forward with the visualization of environmental burdens, and through the “World Fashion Ecosystem,” we are aiming to balance diversity and sustainability in the fashion industry and proactively working to eliminate industry-wide structural issues.

We embodied the strategic guidelines for a sustainable society unique to the World Group by elevating the establishment of the “World Fashion Ecosystem,” which we have been aiming to achieve, to the next level to create new growth opportunities and the value that can gain the empathy of people in society. In addition to expressing our consent to the TCFD recommendations in June 2022, we announced the Group’s own “WORLD SUSTAINABILITY PLAN” aimed at realizing a decarbonized society, and promoting various measures to achieve the target. Moreover, in parallel with these measures, we have also taken steps to formulate and implement plans for reducing greenhouse gas emissions across the entire supply chain as a participant in the Ministry of the Environment’s Model Project for Supporting Achievement of the Decarbonization.

The main sustainability activities undertaken in the fiscal year under review are as follows.

■ Environment

- In order to lower our greenhouse gas emissions, we have drafted a plan for the use of sustainable materials on a seasonal basis and are managing the actual results. Starting from the 2023 autumn/winter season, we launched products under the sustainable materials brand “CIRCRIC.”
- We greatly expanded the scale of the Ecoromo Campaign, which up until now had been focused on department stores. Customers can now drop off their unwanted clothing and other items at shopping centers so they can be reused by other people.

■ Social

- We continued to donate the proceeds from the Ecoromo Campaign for the benefit of children’s futures. So far, we have donated 109 million yen. In addition, proceeds from the Ecoromo Campaign and the Group employees’ participation in the Ecoromo Campaign are donated as relief money for the 2024 Noto Peninsula Earthquake.
- We held workshops at the Group’s stores nationwide and at facilities operated by local governments to give people the opportunity to make use of the leftover fabric and thread from our factories. So far in the fiscal year under review, a cumulative total of 7,674 people have attended these workshops.
- We hosted the World Children’s Visitors Day to allow the children of World Group employees to visit the workplace of their parents. To date, we have held this event 34 times, with 730 families and 997 children participating.

■ Governance

- Our sustainability initiatives are driven by officers and departments appointed by the Sustainability Committee, a body that reports directly to the Representative Director of the Board, President, Representative Managing Executive Officer.
- The Board of Directors—comprising a majority of independent outside directors—monitors and supervises the progress of these initiatives by receiving reports on a regular basis from the President and the Sustainability Committee member.

■ Human capital management

- We are promoting “various people-centered measures such as human resource development, work-life balance, diversity, and improved compensation” in conjunction with each of the ESG measures.
- We have defined the themes we will promote as “improvement of knowledge availability (evolution of knowledge sharing),” “workforce optimization (improvement of productivity),” “improvement of diversity” and “engagement (improvement of organizational strength),” and we set KPIs for these themes. The entire Group aims to increase corporate value by implementing PDCA cycles to achieve the numerical targets.
- As specific measures to promote diversity and inclusion, we implemented “unconscious bias training” and “roundtable discussions on promoting the active participation of women.”

(2) Review of financial position for the fiscal year under review

(Assets)
Total assets were 239,685 million yen, a decrease of 11,737 million yen from the end of the previous fiscal year.
The main factors behind this decrease were a decrease of approximately 3,100 million yen in right-of-use assets due to amortization over the contract period of store real estate, a decrease of approximately 4,900 million yen in trade and other receivables, and a decrease of approximately 1,900 million yen in investments accounted for using equity method through a series of accounting procedures associated with the sale of shares of STRASBURGO Co., Ltd. by W&D Investment Design Limited Partnership, a jointly controlled business of the Company in the previous fiscal year.

(Liabilities)
Total liabilities were 151,267 million yen, a decrease of 10,925 million yen from the end of the previous fiscal year.
The main factors behind this decrease were a decrease of approximately 3,100 million yen in lease liabilities with the payment of lease fees for store real estate, a decrease of approximately 4,300 million yen in borrowings associated with repayments, and a decrease of approximately 2,200 million yen in trade and other payables. Although borrowings increased by 5,000 million yen due to the conversion of approximately 5,000 million yen from a perpetual subordinated loan to ordinary long-term borrowings in September 2023, borrowings decreased by approximately 4,300 million yen compared to the balance of borrowings in the previous fiscal year due to loan repayments during the fiscal year under review.

(Equity)
Total equity was 88,418 million yen, a decrease of 812 million yen from the end of the previous fiscal year.
The main factors behind this decrease were a decrease of approximately 2,200 million yen in combined retained earnings and non-controlling interests associated with dividend payments at the Company and NARUMIYA INTERNATIONAL Co., Ltd., a decrease of approximately 800 million yen of non-controlling interests due to the acquisition of additional shares of NARUMIYA INTERNATIONAL Co., Ltd., a decrease of approximately 4,900 million yen of other investments in equity instruments due to the partial redemption of a perpetual subordinated loan, and a decrease of approximately 300 million yen of retained earnings due to the interest payment on the perpetual subordinated loan, despite an increase in retained earnings and non-controlling interests with the recording of approximately 7,300 million yen in profit.

(Inventory)
In the Group, the Brand Business accounts for a majority of revenue. Due to the business characteristics of the apparel brands in the Brand Business, the Company places emphasis on the control of working capital, which is the total of trade receivables and inventories less trade payables, and among them places special emphasis on a reduction in inventories.

Working capital at the end of the current fiscal year was 21,891 million yen, a decrease of approximately 2,800 million yen from the end of the previous fiscal year. Due to the change in the fiscal year-end, working capital is compared with the amount at the end of March, which was the end of the previous fiscal year. The decrease in working capital was due to a decrease in trade receivables. However, seasonal factors usually cause a large increase in trade receivables in March compared to February, and working capital tends to increase in proportion to this. Working capital at the end of February of the previous fiscal year was 19,722 million yen, and compared to that amount, working capital at the end of the current fiscal year increased by approximately 2,200 million yen.

(Net D/E ratio)
For the purpose of examining the optimal capital structure between interest-bearing liabilities and shareholders' equity so that the Group can sustainably improve its ability to service debt while achieving profitability and growth of its business, the Group has newly designated the net D/E ratio as an indicator of financial soundness, replacing the previously used D/E ratio. We will aim to achieve a net D/E ratio of 0.5x over the medium to long term.
Net interest-bearing liabilities for the current fiscal year were 58,118 million yen, a decrease of approximately 4,900 million yen from the end of the previous fiscal year, and total equity attributable to owners of parent decreased by approximately 400 million yen. As a result, the net D/E ratio at the end of the current fiscal year improved 0.06 percentage points from 0.76 at the end of the previous fiscal year to 0.71. Considering the conversion to borrowings of 5,000 million yen from a perpetual subordinated loan in its equity account during this period, the Company believes that this result can be considered as evidence of the steady improvement in its sound financial position.

(ROE)
In our "PLAN-W" Medium-Term Management Plan announced on May 8, 2023, we explained that we would aim to achieve an ROE that exceeds the cost of shareholders' equity (COE) of more than 10% within three years. Currently, we are striving to approach 12% in the fiscal year ending February 28, 2026, the final year of "PLAN-W," based on the progress of our business performance and other factors to date.
The 12-month ROE, which reflects the current fiscal year's results, improved 2.5 percentage points to 9.6% from 7.1% in the previous fiscal year. Even though total equity attributable to owners of parent was limited by the increase in shareholder dividends and the partial redemption of the perpetual subordinated loan, the increase in ROE was driven by the sharp growth in profit attributable to owners of parent, so in our view, solid progress is being made towards achieving the ROE target of at least 10%.

(ROIC)
The Group recognizes the importance of creating a value-creating state in "PLAN-W" so that it can pursue a full-fledged growth strategy in the next medium-term management plan. Specifically, in "PLAN-W," we aim to achieve a state where ROE exceeds COE under the optimal capital structure and return on invested capital (ROIC) exceeds weighted average cost of capital (WACC).
Therefore, we have set ROIC as a new management indicator in place of ROA (based on core operating profit), and we will strive to reach the target of 8.5% in the final year of our "PLAN-W" Medium-Term Management Plan. We are also preparing to set ROIC by business segment, and will promote improvement activities in which management and the frontline work together to create a state in which ROIC constantly exceeds WACC. ROIC on a 12-month basis, which reflects the current fiscal year's results, was 6.2%, an improvement of 1.4 percentage points from 4.8% in the previous fiscal year.

* Each indicator is calculated according to the following definitions.
・ Net D/E ratio = Net interest-bearing liabilities at end of period / Total equity attributable to owners of parent at end of period
・ Net interest-bearing liabilities = Borrowings + J GAAP finance lease obligations - Cash and cash equivalents
・ ROE = Profit attributable to owners of parent for the past year / Total equity attributable to owners of parent
Total equity attributable to owners of parent is calculated as the average of the beginning and end of the period.
・ ROIC = Operating profit for the past year - Income tax expense - Profit attributable to non-controlling interests / Net interest-bearing liabilities + Total equity attributable to owners of parent

Net interest-bearing liabilities and total equity attributable to owners of parent are calculated as the average of the beginning and end of the period.

- Due to the change in the fiscal year-end, ROE and ROIC for the current fiscal year were calculated by adding the planned amounts for March 2024 of the Medium-Term Management Plan to the results of the fiscal year ended February 29, 2024.

(3) Overview of cash flows for the fiscal year under review

Cash flows and their factors for the fiscal year under review were as follows: In the fiscal year under review, cash flows for the 11-month period were aggregated due to a change in the fiscal year-end.

(Cash flows from operating activities)
Cash flows from operating activities ended in a net inflow of 27,459 million yen, an increase of 2,070 million yen in inflow year on year.
The main factors behind this increase were a solid increase in profit before tax of approximately 900 million yen and a large contribution from working capital reduction represented by a decrease in inventories of approximately 2,000 million yen. In addition, a gain on step acquisitions of approximately 1,000 million yen recorded in the previous fiscal year was a positive cash flow factor, although there was a decrease of approximately 1,200 million yen in expenditures due to a decrease in final consumption tax payments.

(Cash flows from investing activities)
Cash flows from investing activities ended in a net outflow of 1,961 million yen, a decrease of 2,418 million yen in outflow year on year.
The main factor behind this outflow was the acquisition of shares of STRASBURGO Co., Ltd. from W&D Investment Design Limited Partnership in the previous fiscal year.

(Cash flows from financing activities)
Cash flows from financing activities ended in a net outflow of 25,500 million yen, an increase of 3,729 million yen in outflow year on year.
The main factors behind this outflow were a decrease in short-term borrowings of approximately 7,000 million yen and a partial redemption of 5,000 million yen out of 15,000 million yen in perpetual subordinated loans in September 2023, while funds on hand increased due to decreases in external borrowings (approximately 1,400 million yen) and repayments (approximately 6,700 million yen).

As a result, the balance of cash and cash equivalents at the end of the current fiscal year was 20,848 million yen, an increase of 163 million yen from the end of the previous fiscal year.

Trends in cash flow indicators

Term	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Ratio of equity attributable to owners of parent to total assets	31.2%	32.8%	34.2%
Ratio of cash flows to interest-bearing liabilities	4.8 years	3.1 years	2.7 years
Interest coverage ratio	24.6 times	31.8 times	44.1 times

Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent (year-end) / total assets (year-end)
Ratio of cash flows to interest-bearing liabilities: interest-bearing liabilities / cash flows
Interest coverage ratio: Operating cash flow / Interest payments

* All indicators are calculated using financial figures on consolidated basis.

* Operating cash flow represents cash flows from operating activities per the Consolidated Statement of Cash Flows. Interest-bearing liabilities are those liabilities recorded on the Consolidated Statement of Financial Position that involve interest payments on a loan. Interest paid is interest payments recorded on the Consolidated Statement of Cash Flows.

(4) Forecasts

The outlook for business remains uncertain due to a number of factors including: rising costs associated primarily with high oil prices; exchange rate fluctuations caused mainly by differentials in interest rates; and increased geopolitical risk.

For the period ending February 28, 2025, the Company is placing strong emphasis on the fundamentals of doing business from the customer’s perspective. In the Brand Business, the Company is looking to pursue further growth by boosting both in-store and EC channel sales, primarily through strengthening of OMO activities. In the Digital Business, particularly with respect to B2C Neo Economy, the Company is looking to achieve accelerated growth relative to the previous period by devoting considerable resources to the Circular Business. In the Platform Business, the Company is working to generate more revenue from B2B external sales.

For the fiscal year ending February 28, 2025, the second year of the “PLAN-W” Medium-Term Management Plan, we forecast revenue of 230,000 million yen, core operating profit of 17,000 million yen, operating profit of 15,500 million yen, profit before tax of 14,550 million yen, and profit attributable to owners of parent of 8,500 million yen. We expect to exceed the highest core operating profit on record (16,320 million yen for the fiscal year ended March 31, 2019) since the adoption of International Financial Reporting Standards (IFRS) in the fiscal year ended March 31, 2014.

The earnings forecasts presented in this document represent the judgment of management of the Company based on information currently available and include risk and uncertainty. Consequently, please do not make investment decisions entirely reliant on these earnings forecasts alone.

2. Basic concept regarding selection of accounting standards

The Group has adopted International Financial Reporting Standards (IFRS).

3. Consolidated financial statements and significant notes thereto

(1) Consolidated statement of financial position

(Millions of yen)

	As of March 31, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and cash equivalents	20,685	20,848
Trade and other receivables	22,800	17,937
Inventories	26,097	26,175
Other financial assets	170	239
Other current assets	1,263	1,163
Total current assets	71,015	66,362
Non-current assets		
Property, plant and equipment	38,087	37,324
Right-of-use assets	36,294	33,162
Intangible assets	84,367	84,049
Investments accounted for using equity method	3,055	1,165
Deferred tax assets	6,175	5,257
Other financial assets	11,604	11,479
Other non-current assets	823	886
Total non-current assets	180,406	173,323
Total assets	251,421	239,685

(Millions of yen)

	As of March 31, 2023	As of February 29, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	32,819	30,619
Income taxes payable	1,558	1,377
Borrowings	42,549	36,675
Lease liabilities	12,532	11,466
Other financial liabilities	120	35
Other current liabilities	3,207	2,520
Total current liabilities	92,785	82,693
Non-current liabilities		
Borrowings	36,012	37,577
Lease liabilities	24,951	22,877
Retirement benefit liability	1,717	1,604
Provisions	6,369	6,240
Other financial liabilities	120	150
Other non-current liabilities	240	127
Total non-current liabilities	69,407	68,574
Total liabilities	162,192	151,267
Equity		
Equity attributable to owners of parent		
Share capital	511	511
Capital surplus	15,247	15,112
Other investments in equity instruments	14,556	9,704
Retained earnings	50,858	55,192
Treasury shares	(51)	(44)
Other components of equity	1,297	1,535
Total equity attributable to owners of parent	82,420	82,010
Non-controlling interests	6,810	6,407
Total equity	89,229	88,418
Total liabilities and equity	251,421	239,685

(2) Consolidated statement of profit and loss

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Revenue	214,246	202,342
Cost of sales	90,310	83,972
Gross profit	123,935	118,369
Selling, general and administrative expenses	110,396	104,800
Other income	2,261	973
Other expenses	4,177	2,264
Share of profit (loss) of investments accounted for using equity method	62	(274)
Operating profit	11,686	12,004
Finance income	32	24
Finance costs	1,405	841
Profit before tax	10,313	11,186
Income tax expense	3,940	3,870
Profit	6,373	7,316
Profit attributable to		
Owners of parent	5,686	6,764
Non-controlling interests	688	553
Profit	6,373	7,316
Earnings per share		
Basic earnings per share	152.73	187.37
Diluted earnings per share	152.73	187.37

(3) Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Profit	6,373	7,316
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(93)	(7)
Remeasurements of defined benefit plans	60	47
Total	(33)	40
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(28)	198
Total	(28)	198
Other comprehensive income, net of tax	(61)	238
Comprehensive income	6,312	7,554
Comprehensive income attributable to		
Owners of parent	5,621	7,001
Non-controlling interests	692	553
Comprehensive income	6,312	7,554

(4) Consolidated statement of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Share capital	Capital surplus	Other equity instruments	Retained earnings	Treasury shares	Other components of equity: Financial assets measured at fair value through other comprehensive income
Balance at beginning of period	511	25,154	14,556	37,077	(68)	98
Comprehensive income						
Profit	–	–	–	5,686	–	–
Other comprehensive income	–	–	–	–	–	(90)
Total	–	–	–	5,686	–	(90)
Transactions with owners						
Dividends	–	(1,355)	–	–	–	–
Transfer to retained earnings	–	(8,596)	–	8,596	–	–
Purchase of treasury shares	–	–	–	–	(0)	–
Disposal of treasury shares	–	2	–	–	7	–
Share-based payment transactions	–	86	–	–	10	–
Changes in ownership interest in subsidiaries	–	(44)	–	–	–	–
Increase in equity due to capital increase of consolidated subsidiary	–	–	–	–	–	–
Distribution to owners of other equity instruments	–	–	–	(501)	–	–
Other	–	–	–	2	–	–
Total	–	(9,906)	–	8,096	17	–
Balance at end of period	511	15,247	14,556	50,858	(51)	9

	Other components of equity: Remeasure-ments of defined benefit plans	Other components of equity: Exchange differences on translation of foreign operations	Other components of equity: Total	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of period	479	784	1,362	78,592	5,710	84,303
Comprehensive income						
Profit	–	–	–	5,686	688	6,373
Other comprehensive income	61	(35)	(65)	(65)	4	(61)
Total	61	(35)	(65)	5,621	692	6,312
Transactions with owners						
Dividends	–	–	–	(1,355)	(152)	(1,507)
Transfer to retained earnings	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(0)	–	(0)
Disposal of treasury shares	–	–	–	9	–	9
Share-based payment transactions	–	–	–	96	–	96
Changes in ownership interest in subsidiaries	–	–	–	(44)	44	–
Increase in equity due to capital increase of consolidated subsidiary	–	–	–	–	516	516
Distribution to owners of other equity instruments	–	–	–	(501)	–	(501)
Other	–	–	–	2	0	2
Total	–	–	–	(1,793)	408	(1,386)
Balance at end of period	540	749	1,297	82,420	6,810	89,229

Fiscal year ended February 29, 2024

(Millions of yen)

	Share capital	Capital surplus	Other equity instruments	Retained earnings	Treasury shares	Other components of equity: Financial assets measured at fair value through other comprehensive income
Balance at beginning of period	511	15,247	14,556	50,858	(51)	9
Comprehensive income						
Profit	–	–	–	6,764	–	–
Other comprehensive income	–	–	–	–	–	(5)
Total	–	–	–	6,764	–	(5)
Transactions with owners						
Dividends	–	–	–	(2,074)	–	–
Purchase of treasury shares	–	–	–	–	(0)	–
Share-based payment transactions	–	84	–	–	7	–
Changes in ownership interest in subsidiaries	–	(72)	–	–	–	–
Loss of control of subsidiaries	–	–	–	(22)	–	–
Distribution to owners of other equity instruments	–	–	–	(334)	–	–
Redemption of other equity instrument	–	(148)	(4,852)	–	–	–
Total	–	(136)	(4,852)	(2,430)	7	–
Balance at end of period	511	15,112	9,704	55,192	(44)	4

	Other components of equity			Total equity attributable to owners of parent	Non-controlling interests	Total
	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	540	749	1,297	82,420	6,810	89,229
Comprehensive income						
Profit	–	–	–	6,764	553	7,316
Other comprehensive income	45	198	238	238	0	238
Total	45	198	238	7,001	553	7,554
Transactions with owners						
Dividends	–	–	–	(2,074)	(152)	(2,226)
Purchase of treasury shares	–	–	–	(0)	–	(0)
Share-based payment transactions	–	–	–	91	–	91
Changes in ownership interest in subsidiaries	–	–	–	(72)	(804)	(875)
Loss of control of subsidiaries	–	–	–	(22)	–	(22)
Distribution to owners of other equity instruments	–	–	–	(334)	–	(334)
Redemption of other equity instrument	–	–	–	(5,000)	–	(5,000)
Total	–	–	–	(7,410)	(956)	(8,366)
Balance at end of period	585	947	1,535	82,010	6,407	88,418

(5) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before tax	10,313	11,186
Depreciation and amortization	17,355	15,680
Finance costs	1,405	841
Gain on sale of fixed assets	(480)	(22)
Loss on sale and retirement of fixed assets	669	597
Impairment losses	2,022	756
Loss (gain) on step acquisition	(962)	–
Decrease (increase) in trade and other receivables	(692)	4,653
Decrease (increase) in inventories	(2,084)	(64)
Payments for acquisition of asset for rent	(753)	(731)
Increase (decrease) in trade and other payables	2,671	(2,103)
Increase (decrease) in consumption taxes payable	(1,749)	(587)
Other	417	(60)
Subtotal	28,133	30,146
Income taxes refund (paid)	(2,744)	(2,687)
Net cash provided by (used in) operating activities	25,389	27,459
Cash flows from investing activities		
Purchase of property, plant and equipment	(609)	(979)
Proceeds from sale of property, plant and equipment	825	87
Proceeds from sale of investment securities	0	0
Payments for acquisition of subsidiaries	(2,804)	–
Payments for sale of subsidiaries	–	(6)
Purchase of investments in associates	(278)	(131)
Purchase of intangible assets	(2,019)	(2,653)
Payments of leasehold deposits and guarantee deposits	(528)	(756)
Proceeds from refund of leasehold deposits and guarantee deposits	1,668	1,173
Interest and dividends received	222	806
Payments for asset retirement obligations	(865)	(392)
Other	9	889
Net cash provided by (used in) investing activities	(4,379)	(1,961)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,090	(5,920)
Proceeds from long-term borrowings	3,300	4,667
Repayments of long-term borrowings	(9,905)	(3,200)
Interest paid	(798)	(623)
Financial fees paid	(15)	(9)
Proceeds from sale of treasury shares	9	–
Purchase of treasury shares	–	(281)
Repayments of lease liabilities	(13,957)	(11,984)
Dividends paid	(1,357)	(2,070)
Dividends paid to non-controlling interests	(152)	(152)
Payments for acquisition of interests in subsidiaries from non-controlling interests	–	(595)
Capital contribution from non-controlling interests	516	–
Payment of distribution to owners of other equity instruments	(501)	(334)
Redemption of other equity instruments	–	(5,000)
Net cash provided by (used in) financing activities	(21,771)	(25,500)
Effect of exchange rate changes on cash and cash equivalents	43	166
Net increase (decrease) in cash and cash equivalents	(719)	163
Cash and cash equivalents at beginning of period	21,403	20,685
Cash and cash equivalents at end of period	20,685	20,848

(6) Notes to consolidated financial statements

1. Notes on premise of going concern

No items to report.

2. Reporting entity

The Company is a corporation domiciled in Japan.

The Group is comprised of World Co., Ltd. (stand-alone) along with 48 subsidiaries and five associates accounted for using the equity method of accounting.

The Group classifies its business into the following three segments: “Brand Business,” “Digital Business” and “Platform Business.” The Brand Business sells apparel and fashion accessories for women, men and children domestically and internationally. The Digital Business provides digital solutions including e-commerce mall business specializing in fashion and information and distribution system contracting services for other companies, and also develops and provides new digital-centered services. The Platform Business provides support for space creation design and other activities through the production, procurement and sale of apparel, fashion accessories and other lines as well as production and sale of furniture and fixtures.

3. Material accounting policies

Material accounting policies adopted in preparing the consolidated financial statements are as follows:

(1) Basis of consolidation

1) Subsidiaries

It is determined that the Group has control over a subsidiary if it meets all of the following three conditions, and the subsidiary is included in the scope of consolidation from the date on which control is obtained to the date that control ceases.

- The Group has control over the investee.
- The Group has rights or exposures to variable returns from its involvement with the investee.
- The Group has the ability to affect returns through its control over the investee.

When accounting policies applied by subsidiaries are different from those applied by the Group, adjustments are recorded upon consolidation, as necessary.

The balances of intercompany receivables and payables, unrealized gains and losses arising from intragroup transactions have been eliminated in preparing the consolidated financial statements.

The Group attributes comprehensive income from its subsidiaries to the owners of the parent entity and to the non-controlling interests even if the non-controlling interests have a deficit balance.

2) Associates

The equity method is applied to associates from the date the Group starts having significant influence over financial and operating policies of the associates up to the date it loses said significant influence.

3) Joint venture

A joint venture is a company in which multiple parties including the Group share contractually agreed control over economic activities and where consent is required from all parties for strategic financial and business decisions associated with said economic activities.

The equity method is applied to joint ventures held by the Group.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Purchase consideration is measured as the fair values of assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquire at the acquisition date. If the purchase consideration exceeds the fair value of identifiable assets and liabilities, the excess is recorded as goodwill in the consolidated statement of financial position. Conversely, if purchase consideration is less than the fair value of identifiable assets and liabilities, the difference is recorded immediately as a gain in the consolidated statement of profit or loss. Acquisition costs incurred are accounted for as an expense as incurred.

(3) Foreign currency translation

Each company has its own functional currency and transactions involving the company are measured in the relevant functional currency.

Foreign currency denominated transactions are translated at the spot exchange rate at the date of the transaction, and foreign currency denominated monetary assets and liabilities are translated into the functional currency at the spot exchange rate at the end of the fiscal year. The exchange differences arising on the translations and settlements are recognized in profit or loss.

Assets and liabilities of foreign operations are translated into yen at the spot rate at the end of the fiscal year, and income and expenses are translated into yen at an exchange rate that approximates the spot exchange rate as of the date of the transaction. Exchange differences are recognized in other comprehensive income. For the disposal of an interest in foreign operations or a partial disposal of the interest involving the loss of control or significant influence, the exchange differences are reclassified to profit or loss as part of the gain or loss on disposal.

(4) Cash and cash equivalents

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

(5) Financial instruments

1) Financial assets

(a) Initial recognition and measurement

The Group classifies financial assets into those measured at fair value through profit or loss or through other comprehensive income and those measured at amortized cost. This classification is made at the time of initial recognition.

The Group recognizes a financial instrument on the trade date when the Group becomes a party to the contract of the financial asset.

All financial assets are measured at fair value plus transaction cost, except for those classified as financial assets measured at fair value through profit or loss.

Financial assets are classified as those measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Except for equity financial assets held for trading that have to be measured at fair value through profit or loss, the Group designates each equity financial asset as at fair value through profit or loss or through other comprehensive income and continues the designation for each equity financial asset.

(b) Subsequent measurement

After the initial recognition, financial assets are measured according to their types as follows.

(i) Financial assets measured at amortized cost

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

(ii) Financial assets measured at fair value

A change in fair value for financial assets measured at fair value is recognized as profit or loss.
Of equity instruments, however, for those designated as financial assets measured at fair value through other comprehensive income, a change in fair value is recognized in other comprehensive income. Dividends from those financial assets are recognized in profit or loss as part of finance income in the fiscal year under review.

(c) Derecognition of financial assets

The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire, or when the Group transfers most of all risks and economic values of the financial assets elsewhere. When the Group continues to control the transferred financial assets, it recognizes liabilities related to the assets to the extent of the continuous control.

The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire, or when the Group transfers contractual rights to receive cash flows from the financial assets and shift most of all risks and economic values of owning the financial assets elsewhere.

(d) Impairment of financial assets

For financial asset measured at amortized cost, the Group recognizes allowance for doubtful accounts against the expected credit loss associated with those financial assets.

The Group assesses whether the credit risk associated with each financial asset has increased significantly since the initial recognition at each reporting date, and when the credit risk has not increased significantly, the Group recognizes the 12-month expected credit loss in allowance for doubtful accounts. When the credit risk has increased significantly since the initial recognition, the Group recognizes the amount equal to the lifetime expected credit loss as allowance for doubtful accounts.

The amount of expected credit loss related to trade receivables is based on a simplified approach. The receivables, etc. are classified based on the credit risk characteristics of the other party. The amount is calculated by multiplying the actual rate of past credit losses calculated based on the category by the provision rate that takes into account forecasts of future economic conditions, etc.

2) Financial liabilities

(a) Initial recognition and measurement

The Group classifies its financial liabilities as those measured at fair value through profit or loss or those measured at amortized cost. This classification is made at the time of initial recognition.

The Group initially recognizes debt securities it issued on the effective date of the securities. Every other financial liability is recognized on the trade date when the Group becomes a party to the contract of the financial instrument.

All financial liabilities are initially recognized at fair value. However, financial liabilities measured at amortized cost are measured at amounts after deducting transaction costs directly attributable to those liabilities.

(b) Subsequent measurement

After the initial recognition, financial liabilities are measured according to their types as follows.

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

Financial liabilities measured at fair value through profit or loss include those held for trading and those designated at the time of initial recognition as financial liabilities to be measured at fair value through profit or loss. These liabilities are measured at fair value after the initial recognition and changes in their values are recognized as profit or loss in the fiscal year under review.

(ii) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after the initial recognition.
Amortization by the effective interest method and profit or loss when any financial liability is derecognized is recognized as profit or loss as part of finance costs in the fiscal year under review.

(c) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, i.e. when contractual obligation is discharged, cancelled or expired.

3) Presentation of financial assets and liabilities

The Group presents financial assets and liabilities in net amounts after offsetting their balances on the consolidated statement of financial position only when the Group holds the legal right to offset them and intends to make settlements at net amounts or intends to realize the assets and settle the liabilities at the same time.

4) Derivatives and hedge accounting

The Group initially recognizes all derivative transactions when the derivative contract is concluded, and measures them at fair value at the time of initial recognition. Measurements after the initial recognition are also made at fair value, and fluctuations in fair value are recognized as profit or loss.

When the Group starts hedge trading, it prepares documents for risk management and about strategies regarding the relationship between hedging instruments and hedged targets and the exercise of various hedge transactions in order to assess whether the hedge relations satisfy the requirements for hedge accounting. The Group also continues to assess and prepare documents about whether derivatives it used for hedge trading satisfy all requirements for hedge effectiveness as the derivatives offset changes in the fair values of hedged targets or cash flows. The Group conducts the continuous assessment of hedge effectiveness on each term-end date or when there is a significant change in the situation that impacts on the requirements for hedge effectiveness, whichever is earlier.

(6) Inventories

Inventories are measured at the lower of cost, calculated using cost method (mainly weighted average method), or net realizable value.

(7) Property, plant and equipment

Property, plant and equipment is carried at its cost less any accumulated depreciation using the cost model. Cost includes any direct or incidental costs associated with the acquisition of the assets as well as any applicable restoration costs.

Each asset, excluding land, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives of major asset classes are as follows:

• Buildings and structures	10 to 50 years
• Tools, furniture and fixtures	2 to 20 years
• Asset for rent	8 years

The depreciation methodology, residual values, and useful lives are reviewed at the end of each fiscal year and are revised as necessary.

(8) Intangible assets

1) Goodwill

The Group recognizes goodwill as the fair value of consideration for the transfer in excess of, net identifiable assets acquired and liabilities assumed as of the acquisition date.

2) Other intangible assets

Other intangible assets acquired by the Group are initially recognized at cost, and intangible assets with finite useful lives are presented at cost less accumulated amortization.

Intangible assets with finite useful lives are amortized using the straight-line method over the estimated amortization period from the date when the assets become available for use. The estimated useful lives of other intangible assets are as follows:

• Software	5 to 7 years
• Use of Bodygram technology free of charge under agency agreements	20 years
• Customer-related assets	5 years

The amortization methodology, residual values and useful lives are reviewed at the end of each fiscal year and are revised as necessary.

Intangible assets with indefinite useful lives are as follows:

- Trademark rights

The Group considers that trademark rights have indefinite useful lives because they can be used continuously and legally as long as it continues its business and because the management plans to provide services for the foreseeable future.

Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives and those not available for use are not amortized. Any of those assets or their cash-generating units is tested for impairment annually, or each time when there is an indication that they may be impaired.

(9) Leases

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

If a contract is, or contains, a lease, on the first date of a lease, the Group recognizes right-of-use assets as the discounted present value of the total lease fees, adjusted with the direct cost at acquisition and others, and lease liabilities as the discounted present value of the total lease fees. As the discount rate, the Group usually uses an additional borrowing interest rate of the Group. Right-of-use assets are depreciated over the right-of-use asset's useful life or lease term, whichever comes earlier.

Lease fees are treated as a reduction in lease liabilities after deducting the equivalent to the interest rate for the lease liabilities. Finance costs are presented on the consolidated statement of profit or loss separately from depreciation in connection with right-of-use assets. The Group recognizes leases expiring within 12 months and those whose underlying assets are in small amounts as costs on the consolidated statement of profit or loss on a regular basis during the lease period.

(10) Impairment of assets

1) Property, plant and equipment and intangible assets (excluding goodwill and intangible assets with indefinite useful lives)

The Group determines whether there are any indicators for impairment for property, plant and equipment and intangible assets (excluding goodwill and intangible assets with indefinite useful lives) at the end of each fiscal year.

If there is an indicator that assets may be impaired, the recoverable amount is estimated for each asset or cash-generating unit to which the asset belongs.

The recoverable amount is the higher of value-in-use and fair value less costs of disposal. The value-in-use is calculated by discounting cash flows, which are estimated using a pretax discount rate that reflects the time value of money and the risks specific to the asset.

When the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount.

2) Goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and are recorded at cost less accumulated impairment losses. For the purpose of the impairment test, goodwill is allocated to individual cash-generating units that are expected to obtain benefits from the business combination. For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated for each asset or cash-generating unit to which the asset belongs.

(11) Assets held for sale

Assets or disposal groups that are expected to be recovered through sales rather than through continuing use are classified as assets held for sale if it is highly probable that the assets or disposal groups will be sold and is available for immediate sale in its present condition. Assets held for sale are measured at the lower of its carrying amount or fair value less any applicable costs to sell.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.

(Asset retirement obligations)

The Group recognizes asset retirement obligations primarily for obligations to restore the store sites when the rental period expires.

(13) Retirement benefits

The Company has a lump-sum retirement benefit plan, a defined contribution pension plan and a retirement allowance prepayment plan. The relevant pension assets are recorded for some but not all companies within business combinations.

1) Lump-sum retirement benefit plan

A lump sum defined benefit plan is a plan managed by the Company under which the Company makes monthly contributions. Lump sum benefits will not be less than the contributions of the Company.

The amount of liability that is recognized associated with lump sum retirement benefits in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the fiscal year.

The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms approximating to the terms of the related pension obligation, and that are denominated in the currency in which the benefits will be paid.

Defined benefit cost consists of service cost and interest cost on defined benefit liability. Service cost and interest cost are recognized in profit or loss, and the amount of net interest is calculated by multiplying defined benefit liability at the beginning of the period by a discount rate used in the measurement of defined benefit plans obligation at the beginning of the period. Actuarial gains and losses resulting from changes in the assumptions for actuarial calculation are recognized as other comprehensive income.

2) Defined contribution pension plan

A defined contribution pension plan is a plan under which the Group pays a fixed amount of contributions into a separate entity (a fund). Even if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods, the Group has no legal or constructive obligation to pay further contributions.

Contributions to the defined contribution pension plan are recognized as an expense for the period when the employees provide the relevant services.

3) Retirement allowance prepayment plan

A retirement allowance prepayment plan is a plan under which retirement allowance are added to salaries during employment.

Contributions to the retirement allowance prepayment plan are recognized as an expense for the period when the employees provide the relevant services.

4) Contract-type corporate pension plan

Under the contract-type corporate pension plan, agreements have been entered into with trust banks, insurance companies, etc., to manage incoming contributions and reserves to operate the plan. Trust banks, etc., which are the parties to the agreements, perform actuarial calculation of pension and provide service for annuity and lump-sum benefit payments, as well as administering and managing the plan assets.

Contributions to the contract-type corporate pension plan are recognized as an expense for the period when the employees provide the relevant services.

(14) Other employee benefits

Salaries and other allowances are recorded as an expense when compensation for services are provided.

For bonuses and paid leave cost, when the Group has a present legal and constructive obligation to pay as a result of past services provided by employees and the amount of obligation can be reliably estimated, the Group recognizes the estimated amount as a liability.

(15) Termination benefits

The Group will provide termination benefits when the Group terminates the employment of an employee before the normal retirement date, or if an employee voluntarily resigns in exchange for the benefit. The Group recognizes termination benefits as an expense (a) when the Group becomes unable to withdraw an offer for such benefits or (b) when the Group recognizes restructuring expenses including the payment of termination benefits, whichever comes earlier. When the Company solicits voluntary retirement, the termination benefits will be measured based on the number of employees expected to accept the Group’s offer.

(16) Government subsidies

Government subsidies are recognized at fair value when the Group meets the incidental conditions for receiving the subsidies and obtains reasonable assurance that the subsidies will be given.

Government subsidies related to revenue are recognized as profit or loss on a regular basis during the period to recognize the related costs intended to be covered by subsidies as expenses.

Government subsidies related to assets are recognized as deferred income, and are recognized as profit or loss on a regular basis over the useful lives of related assets.

(17) Share-based payment

The Company has adopted a stock option plan and a restricted share remuneration plan which are equity-settled share-based payment plans.

Stock options are estimated at fair value at the grant date. After considering the number of stock options that are expected to be eventually vested, they are recognized as an expense over the vesting periods in the consolidated statement of profit or loss with the same amount recognized as an increase in equity in the consolidated statement of financial position. The fair value of the options granted is measured using the binomial model, taking various conditions of the options into account. The conditions are periodically reviewed and the estimated number of stock options vested is revised, as necessary.

With respect to restricted share remuneration, fair value is measured at the grant date and recognized as an expense over the vesting periods from the grant date with the same amount recognized as an increase in equity. The fair value of restricted share remuneration is measured in reference to the fair value of the Company's stocks granted.

(18) Revenue

The Group recognizes revenue according to the following five steps, excluding interest, dividends and other income under IFRS 9 "Financial Instruments."

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

1) Performance obligations satisfied at a point in time

The Group is mainly engaged in the sales of products including women's apparel, men's apparel and sundry goods, and the sales channels include directly managed retail stores and e-commerce. For sales of such products, revenue is recognized when a product is delivered as the Group determines that a customer obtains control of the product at the time of delivery and that is when performance obligation is satisfied.

Revenue is recognized at the amount of consideration to which the entity expects to be entitled in exchange for transfer of goods to customers, and is measured at the amount net of discounts, rebates, consumption taxes, or other taxes. For the sale of goods under the customer loyalty program in which certain points are granted to customers at the time of sale, the Company allocates the transaction price based on the independent selling price of the exchanged benefits calculated in consideration of the estimated utilization rate of points that reflect the expired portion due to future cancellation etc. When a customer spends points and obtains control of goods or services, it is considered that the Company has fulfilled the performance obligations. Therefore, at that time the Company recognizes profit or loss.

2) Performance obligations satisfied over time

When one of the following conditions is met, control of goods or services is transferred over time. As the performance is satisfied over time, the Group recognizes revenue over time accordingly.

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For services including digital solutions, the Group is obliged to provide the services over time as the Group determines that the performance obligation is satisfied over time, revenue is recognized according to the provision of such services.

3) Agent transactions

When the Group acts as a principal in a transaction, the total consideration amount received from customers is presented as revenue. When the Group acts as an agent for the third party in a transaction, the amount of commissions, which is the total consideration amount received from customers less the amount collected by the Group on behalf of the third party, is presented as revenue.

The following indicators are considered in deciding whether the Group acts as a principal or an agent in a transaction.

- Whether the Group is primarily responsible for fulfilling a promise to provide specified goods or services.
- Whether the Group has inventory risk before specified goods or services are transferred to customers or after transfer of control to the customer.
- Whether the Group has the right to establish the price for the specified goods or services.

As for net sales of e-commerce of the Digital Business, e-commerce sales have the characteristics of sales by an agent. The Group only receives a commission based on the rate specified in the contract (or equivalent) relative to EC sales. The Group does not have the right to establish prices and merely offers the e-commerce sales platform. Accordingly, the Group does not control the goods or services before they are transferred to the customer. Therefore, it is indicated in net amount since the Group is positioned as an agent.

(19) Finance income and finance costs

Finance income and finance costs consist of interest and dividend income, gain on investments in silent partnerships, interest expenses, financial fees and gains or losses arising from hedging instruments. Interest income, interest expenses and financial fees are recognized as incurred, and dividends and gain on investments in silent partnerships are recognized on the date when the rights of the Company and its consolidated subsidiaries to these payments are established.

(20) Income taxes

Income taxes recorded in profit or loss consist of current income taxes and deferred income taxes. However, for transactions and other events recognized directly in other comprehensive income or equity, any income taxes related thereto are also recognized directly in other comprehensive income or equity.

Income taxes are computed based on the enacted or substantively enacted tax laws at the end of the fiscal year in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred tax assets and deferred tax liabilities are recognized using the asset and liability method on temporary differences arising from the underlying tax asset and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax assets and deferred tax liabilities are determined using the effective statutory tax rates that have been enacted or substantively enacted by the end of the fiscal year and are expected to be applicable in the fiscal year when the related deferred tax assets are recovered or when the related deferred tax liabilities are settled.

Deferred tax assets are recognized for the carryforward of unused tax losses and deductible temporary differences only to the extent that it is probable that they can be utilized against future taxable income. In addition, for future temporary differences related to investments in subsidiaries, associates and joint ventures, as a general rule, the Company recognizes deferred tax liabilities. However, when the Company has control over the timing at which to eliminate temporary differences and it is likely that the differences will not be eliminated in the foreseeable future, it does not recognize deferred tax liabilities.

The Company and selected domestic subsidiaries have applied the Group aggregate system.

(21) Earnings per share

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

(22) Dividends

Dividend payments to shareholders of the Company are recognized as a liability during the period in which shareholders of the Company approves the payments.

4. Segment information

(1) Overview of reportable segments

Operating segments are reported in a manner consistent with internal reporting presented to the chief operating decision maker. The chief operating decision maker is responsible for allocation of resources to the segments and assessment of its performance. The Group appoints the Board of Directors, which makes strategic decisions, as the chief operating decision maker.
The Group has four reportable segments, namely, “Brand Business,” “Digital Business,” “Platform Business” and “Common” segment.
With the structural reorganization on April 1, 2023, the Neo Economy Unit (belonging to WORLD) was moved from the Digital Business to the Common segment. As such, segment information for the fiscal year ended March 31, 2023 was created and disclosed based on the reporting segment classifications following the organizational restructuring.

(2) Segment income and operating results

Income and operating results of the Group’s reportable segments are as follows:
The terms and conditions for inter-segment sales transactions are determined each fiscal year.

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments					Adjustments (Note 2)	Total
	Brand Business	Digital Business	Platform Business	Common (Note 1)	Total		
Revenue							
External revenue	181,379	11,751	20,914	202	214,246	–	214,246
Inter-company revenue	3,326	18,155	56,116	7,542	85,139	(85,139)	–
Total	184,705	29,906	77,030	7,744	299,385	(85,139)	214,246
Segment profit (Note 3)	10,019	1,344	117	2,021	13,501	38	13,539
Impairment losses	(1,043)	(973)	(5)	–	(2,022)	–	(2,022)
Other income and expenses, net (Note 4)	(382)	(233)	(258)	1,056	182	(14)	169
Operating profit (loss)	8,593	138	(147)	3,077	11,662	24	11,686
Finance income	–	–	–	–	–	–	32
Finance costs	–	–	–	–	–	–	(1,405)
Profit before tax	–	–	–	–	–	–	10,313
Other							
Depreciation and amortization	11,549	3,281	779	1,746	17,355	–	17,355

(Notes)
1. The Common segment’s duties include the corporate-related operations, in which incomes including business management and advisory fee income from subsidiaries are to cover expenses at the holding company, such as costs for the staff.
2. The adjustment amount of segment profit mainly includes the eliminations of inter-company transactions and the costs not allocated to each reportable segment.
3. Segment profit is revenue less cost of sales and selling, general and administrative expenses.
4. Other income and expenses (net) includes profit on investments of 62 million yen, calculated using equity method. This is broken down into 61 million yen from the Brand Business and 1 million yen from the Digital Business.

Fiscal year ended February 29, 2024

(Millions of yen)

	Reportable segments					Adjustments (Note 2)	Total
	Brand Business	Digital Business	Platform Business	Common (Note 1)	Total		
Revenue							
External revenue	172,743	11,779	17,670	150	202,342	–	202,342
Inter-company revenue	2,682	17,869	49,656	6,770	76,978	(76,978)	–
Total	175,425	29,648	67,326	6,920	279,320	(76,978)	202,342
Segment profit (Note 3)	9,718	1,761	528	1,632	13,640	(70)	13,569
Impairment losses	(317)	(26)	(414)	–	(756)	–	(756)
Other income and expenses, net (Note 4)	(540)	(619)	503	(153)	(810)	(0)	(810)
Operating profit (loss)	8,861	1,116	617	1,480	12,074	(70)	12,004
Finance income	–	–	–	–	–	–	24
Finance costs	–	–	–	–	–	–	(841)
Profit before tax	–	–	–	–	–	–	11,186
Other							
Depreciation and amortization	10,192	3,489	557	1,441	15,680	–	15,680

(Notes)
1. The Common segment's duties include the corporate-related operations, in which incomes including business management and advisory fee income from subsidiaries are to cover expenses at the holding company, such as costs for the staff.
2. The adjustment amount of segment profit mainly includes the eliminations of inter-company transactions and the costs not allocated to each reportable segment.
3. Segment profit is revenue less cost of sales and selling, general and administrative expenses.
4. Other income and expenses (net) includes loss on investments of 274 million yen, calculated using equity method. This is broken down into loss of 218 million yen from the Brand Business and loss of 56 million yen from the Digital Business.

(3) Information about products and services

Description is omitted since revenue from external customers in a single product/service category accounted for a major part of revenue on the consolidated statement of profit or loss.

(4) Information about items by region

Revenue from external customers
Description is omitted since revenue from external customers in Japan accounted for a major part of revenue on the consolidated statement of profit or loss.

Non-current assets
Description is omitted since the amount of non-current assets in Japan accounted for a major part of non-current assets on the consolidated statement of financial position.

(5) Information about major customers

Description is omitted since no revenue from an external customer accounted for 10% or more of revenue on the consolidated statement of profit or loss.

5. Selling, general and administrative expenses

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Employee benefit expenses *	37,138	35,729
Sales promotion expenses	6,187	5,907
Packing and transportation expenses	9,940	8,742
Leasing fees	5,044	5,084
Percentage rent	16,065	15,094
Depreciation and amortization	17,050	15,343
Other	18,972	18,902
Total	110,396	104,800

* In the previous fiscal year, we had furlough implemented as COVID-19 infections spread, with leave allowance recorded in employee benefit expenses. The application amount for subsidies for employment adjustment to be received from the government in relation to such leave allowance is deducted from employee benefit expenses.

6. Other income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Compensation income	48	72
Foreign exchange gain	181	535
Gain on sale of fixed assets	480	22
Subsidy income	43	–
Gain on step acquisitions	962	–
Other	547	344
Total	2,261	973

7. Other expenses

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Loss on merchandises discarded	449	0
Loss on sale and disposal of property, plant and equipment	669	597
Impairment losses*	2,022	756
Other	1,036	911
Total	4,177	2,264

* A breakdown of impairment losses is shown below.

(Millions of yen)

Description	Previous fiscal year	Current fiscal year
Goodwill (Original Inc., U.S.A.)	973	–
Goodwill (Fashion Cloth)	800	–
Goodwill (WORLD AMBER CO., LTD.)	–	402
Non-current assets	249	353
Total	2,022	756

8. Earnings per share

	Fiscal year ended March 31, 2023	Fiscal year ended February 29, 2024
Profit attributable to common shareholders of the parent		
Profit attributable to owners of parent (Millions of yen)	5,686	6,764
Amount not attributable to common shareholders of the parent (Millions of yen) *	(502)	(391)
Profit used for calculating earnings per share (Millions of yen)	5,183	6,374
Weighted average number of ordinary shares outstanding (thousands of shares)	33,936	34,013
Effects of dilutive potential shares (thousands of shares)	–	–
After adjustment of dilution effects (thousands of shares)	33,936	34,013
Earnings per share		
Basic earnings per share (Yen)	152.73	187.37
Diluted earnings per share (Yen)	152.73	187.37

* The amount not attributable to ordinary shareholders of the parent represents what is attributable to owners of other equity instruments.

9. Events after the reporting period

No items to report.