UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2026

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-41181

Tokyo Seikatsukan Kabushiki Kaisha
(Exact name of Registrant as specified in its charter)

Tokyo Lifestyle Co., Ltd.
(Translation of Registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

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At the address of the Company set forth above
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depositary shares, each representing 10 ordinary shares	**TKLF**	**The Nasdaq Stock Market LLC**
Ordinary shares*		**The Nasdaq Stock Market LLC**

* Not for trading, but only in connection with the listing of the American depositary shares on The NASDAQ Stock Market LLC. Each American depositary share represents 10 ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 42,327,806 ordinary shares as of March 31, 2026

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Emerging growth company	☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒	International Financial Reporting Standards as issued by the International Accounting Standards Board ☐	Other ☐

* If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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INTRODUCTION

In this annual report on Form 20-F, unless the context otherwise requires, references to:

- "ADRs" are to the American Depositary Receipts that may evidence the ADSs (defined below);
- "ADSs" are to the American Depositary Shares, each of which represents 10 Ordinary Shares (defined below);
- "Japanese yen" or "¥" are to the legal currency of Japan;
- "Ordinary Shares" are to the ordinary shares of TKLF;
- "repeat customer" for a specified period are to any customer who (1) is an active customer during such period and (2) had purchased products from us at least twice during the period from our inception to the end of such period. Orders placed by a repeat customer during a specified period include all orders placed by the customers during such period even if the customer made the first purchase from us in the same period. We determine that a customer has purchased products from us (a) in our directly-operated physical stores or franchise stores if the customer uses our rewards card when making payments or (b) in our online stores if a customer with the same phone number has made purchases in our online stores before;
- "TKLF" are to Tokyo Lifestyle Co., Ltd., formerly known as Yoshitsu Co., Ltd, a stock company incorporated pursuant to the laws of Japan;
- "U.S. dollars," "$," and "dollars" are to the legal currency of the United States; and
- "we," "us," "our," "our Company," or the "Company" are to TKLF and its subsidiaries, as the case may be.

This annual report on Form 20-F includes our audited consolidated financial statements for the fiscal years ended March 31, 2026, 2025, and 2024. In this annual report, we refer to assets, obligations, commitments, and liabilities in our consolidated financial statements in United States dollars. These dollar references are based on the exchange rate of ¥ to United States dollars, determined as of a specific date or for a specific period. Changes in the exchange rate will affect the amount of our obligations and the value of our assets in terms of United States dollars which may result in an increase or decrease in the amount of our obligations and the value of our assets.

This annual report contains translations of certain ¥ amounts into U.S. dollars at specified rates. Unless otherwise stated, the following exchange rates are used in this annual report:

	March 31,		
US$ Exchange Rate	**2026**	**2025**	**2024**
At the end of the year - ¥	¥1=$0.006286	¥1=$0.006655	¥1=$0.006613
Average rate for the year - ¥	¥1=$0.006637	¥1=$0.006567	¥1=$0.006920

Part I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

Item 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

We operate in a highly competitive market and our failure to compete effectively could adversely affect our results of operations.

The beauty and health product, sundry product, luxury product, electronic product, and collectible card and trendy toy markets in Hong Kong, Japan, Thailand, Vietnam, Australia, Canada, the U.K., and the U.S. are fragmented and highly competitive. We primarily compete against other offline and online retailers and wholesalers of these products, but also increasingly face competition from retail pharmacies, discount stores, convenience stores, and supermarkets as we increase our offerings of sundry products, luxury products, electronic products, collectible cards and trendy toys, and other products. See "Item 4. Information on the Company—B. Business Overview—Competition." Our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases, more cost-effective fulfillment capabilities, or greater financial, technical, or marketing resources than we do. Competitors may leverage their brand recognition, experience, and resources to compete with us in a variety of ways, including investing more heavily in research and development and making acquisitions for the expansion of their products. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies, and devote substantially more resources to their store and website development than us. In addition, new and enhanced technologies may increase the competition in the online retail market. Increased competition may reduce our profitability, market share, customer base, and brand recognition. There can be no assurance that we will be able to compete successfully against current or future competitors, and such competitive pressures could have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to timely gauge beauty trends and react to changing consumer preferences in a timely manner, our sales will decrease.

We believe our success depends in substantial part on our ability to:

- recognize and define product and beauty trends;
- anticipate, gauge, and react to changing consumer demand in a timely manner;
- translate market trends into appropriate, saleable product offerings in our stores in advance of our competitors;
- develop and maintain supplier relationships that provide us access to the newest merchandise on reasonable terms; and
- distribute merchandise to our stores in an efficient and effective manner and maintain appropriate in-stock levels.

If we are unable to anticipate and fulfill the merchandise needs of the regions in which our products are sold, our net sales may decrease and we may be forced to increase markdowns of slow-moving merchandise, either of which could have a material adverse effect on our business, financial condition, and results of operations.

We may be subject to product liability claims if our customers are harmed by the products sold through our distribution channels.

We sell products manufactured by third parties, some of which may be defectively designed or manufactured, of inferior quality, or counterfeit. For example, beauty products in general, regardless of their authenticity or quality, may cause allergic reactions or other illness that may be severe for certain customers. Sales and distributions of products in our directly-operated physical stores, online stores, and franchise stores, or to our wholesale customers could expose us to product liability claims relating to personal injury and may require product recalls or other actions. Third parties that suffered such injury may bring claims or legal proceedings against us as the retailer of the products. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations regarding Product Quality and Customer Protection." Although we would have legal recourse against the manufacturers or suppliers of such products under Japanese law, attempting to enforce our rights against the manufacturers or suppliers may be expensive, time-consuming, and ultimately futile. Defective, inferior, or counterfeit products or negative publicity as to personal injury caused by products we sell may adversely affect consumer perceptions of our Company or our products, which could harm our reputation and brand image. In addition, we do not currently maintain any third-party liability insurance or product liability insurance with respect to the products we sell. As a result, any material product liability claim or litigation could have a material adverse effect on our business, financial condition, and results of operations. Even unsuccessful claims could result in the expenditure of funds and management time and effort in defending them and could have a negative impact on our reputation and results of operations.

We rely substantially on short-term borrowings to fund our operations, and the failure to renew these short-term borrowings or the failure to continue to obtain financing on favorable terms, if at all, may adversely affect our ability to operate our business.

Our liquidity relies significantly on short-term borrowings. As of March 31, 2026, we had approximately $50.3 million in short-term borrowings outstanding. As of March 31, 2025, we had approximately $57.9 million in short-term borrowings outstanding. As of March 31, 2024, we had approximately $53.2 million in short-term borrowings outstanding. We expect that we will be able to renew all of the existing bank loans upon their maturity based on our past experience and outstanding credit history. However, we cannot assure you that we will be able to renew these loans in the future as they mature. If we are unable to renew these bank loans in the future, our liquidity position would be adversely affected, and we may be required to seek more expensive sources of short-term or long-term funding to finance our operations.

Further financing may also not be available to us on favorable terms, if at all. If we are unable to obtain short-term financing in an amount sufficient to support our operations, it may be necessary to suspend or curtail our operations, which would have a material adverse effect on our business and financial condition. In that event, current shareholders would likely experience a loss of most or all of their investment.

Our substantial indebtedness could materially and adversely affect our business, financial condition, results of operations, and cash flows.

As of March 31, 2026, we had approximately $50.3 million in short-term borrowings and $13.3 million in long-term borrowings outstanding.

The amount of our debt could have significant consequences on our operations, including:

- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, and other general corporate purposes as a result of our debt service obligations;
- limiting our ability to obtain additional financing;
- limiting our flexibility in planning for, or reacting to, changes in our business, the industry in which we operate, and the general economy;
- increasing the cost of any additional financing; and
- limiting the ability of our subsidiary to pay dividends to us for working capital or return on our investment.

Any of these factors and other consequences that may result from our substantial indebtedness could have a material adverse effect on our business, financial condition, results of operations, and cash flows impacting our ability to meet our payment obligations under our debts. Our ability to meet our payment obligations under our outstanding indebtedness depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, and regulatory factors as well as other factors that are beyond our control.

Our long-term success is highly dependent on our ability to successfully identify and secure appropriate sites and timely develop and expand our operations in existing and new markets.

One of the key means of achieving our growth strategies will be through opening and operating new stores on a profitable basis for the foreseeable future. During the period from April 1, 2025 to the date of this annual report, we opened four new directly-operated physical stores and added 68 new wholesale customers. However, during the same period, we closed one directly-operated physical store. We identify target markets, taking into account numerous factors, such as the locations of our current stores, demographics, traffic patterns, and information gathered from various sources. We may not be able to open our planned new stores within budget or on a timely basis, if at all, given the uncertainty of these factors, which could adversely affect our business, financial condition, and results of operations. As we operate more stores, our rate of expansion relative to the size of our store base will eventually decline.

The number and timing of new stores opened during any given period may be negatively impacted by a number of factors, including:

- our ability to increase brand awareness and product consumption in areas where we open stores;
- the identification and availability of sites for store locations with the appropriate size, traffic patterns, local retail and business attractions, and infrastructure that will drive high levels of customer traffic and sales per unit;
- competition in existing and new markets, including competition for store sites;
- the negotiation of acceptable lease terms;
- our ability to obtain all required governmental permits on a timely basis;
- our ability to control construction and development costs of new stores;
- the maintenance of adequate distribution capacity, information systems, and other operational system capabilities;
- integrating new stores into our existing procurement, manufacturing, distribution, and other support operations;
- the hiring, training, and retention of store management and other qualified personnel;
- assimilating new store employees into our corporate culture;
- the effective management of inventory to meet the needs of our stores and wholesale customers on a timely basis; and
- the availability of sufficient levels of cash flow and financing to support our expansion activities.

Unavailability of attractive store locations, delays in the acquisition or opening of new stores, delays or costs resulting from a decrease in commercial development due to capital constraints, difficulties in staffing and operating new store locations, or lack of customer acceptance of stores in new market areas may negatively impact our new store growth and the costs or the profitability associated with new stores.

Additionally, customer trends, preferences, and demand may vary significantly by region, and our experience in the markets in which our products are currently sold may not be applicable in other regions or countries. As a result, we may not be able to leverage our experience to expand into other parts of Japan and overseas. When we enter new markets, we may face intense competition from companies with greater experience or an established presence in the targeted geographical areas or from other companies with similar expansion targets. In addition, our business model may not be successful in new and untested markets and markets with a different business environment. We may not be able to grow our revenue in the new cities we enter, but we will incur substantial costs in connection with any such expansion. Consequently, we cannot assure you that we will achieve our planned growth or, even if we are able to grow our store base as planned, that any new stores will be profitable, which could have a material adverse effect on our results of operations.

We lease a substantial amount of space and are required to make substantial lease payments under our operating leases. Any failure to make these lease payments when due would likely harm our business, financial condition, and results of operations.

We lease the premises of all our physical store locations. Many of our lease agreements have escalating rent provisions over the initial term and any extensions. As our stores mature and as we expand our store base, our lease expenses, and our cash outlays for rent under our lease agreements will increase. Our substantial operating lease obligations could have significant negative consequences, including:

- requiring that an increased portion of our cash from operations and available cash be applied to pay our lease obligations, thus reducing liquidity available for other purposes;
- increasing our vulnerability to adverse general economic and industry conditions;
- limiting our flexibility to plan for or react to changes in our business or in the industry in which we compete; and
- limiting our ability to obtain additional financing.

If an existing or future store is not profitable, and we decide to close it, we may nonetheless remain obligated to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease.

We depend on our cash flow from operations to pay our lease obligations, finance our growth capital strategy, and fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities, we may not be able to achieve our growth plans, fund our other liquidity and capital needs, or ultimately service our lease obligations, which would materially and adversely affect our business.

Unexpected termination of our leases, failure to renew our leases, or failure to renew our leases at acceptable terms could materially and adversely affect our business.

We lease the premises of all of our directly-operated physical stores. As a result, we may be subject to compulsory acquisition, closure, or demolition of any of the properties on which our stores are situated. Although we may receive liquidated damages or compensation if our leases are terminated unexpectedly, we may be forced to suspend operations of the relevant store and divert management attention, time, and costs to find a new site and relocate our store, which will negatively affect our business and results of operations.

We enter into leases of approximately one to 15 years with an option to renew for our directly-operated physical stores. Rent for our leases is typically a fixed amount and subject to annual or biennially incremental increase as stipulated in the lease agreements. We cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be materially and adversely affected. If we are unable to renew the leases for our store sites, we will have to close or relocate the store, which could subject us to additional costs, expenses, and risks, and loss of existing customers, and could have a material adverse effect on our business and results of operations. In addition, the relocated store may not perform as well as the existing store.

Our earnings and business growth strategy depend in part on the success of our franchisees, and we may be harmed by actions taken by our franchisees, or employees of our franchisees, that are outside of our control.

A significant portion of our revenue is generated by sales to our franchise stores. As of the date of this annual report, we have one franchisee operating one franchise store in the U.S., one franchisee operating two franchise stores in the U.K., one franchisee operating two franchise stores in Hong Kong, one franchisee operating one franchise store in Thailand, one franchisee operating one franchise store in Vietnam, and four franchisees operating four franchise stores in Japan. Franchisees are independent operators, and their employees are not our employees.

We enter into trademark license agreements with overseas franchisees, pursuant to which, we license certain trademarks, such as "東京生活館" and "REIWATAKIYA," and sell our products to the franchisees. We enter into franchise agreements with domestic franchisees, pursuant to which, we grant the franchisees the right to operate the stores under the names "TOKYO LIFESTYLE" and "REIWATAKIYA" and provide management support to the franchisee, including joint procurement and ordering, while the franchisee takes charge of daily operation under our guidance. The quality of franchise store operations, and its effect on our brand, may be diminished by any number of factors beyond our control. Additionally, franchisees may not operate their stores in a manner consistent with our standards and requirements or they or their employees may take other actions that adversely affect the value of our brand. In such event, our business and reputation may suffer, and as a result our revenue could decline.

While we try to ensure that franchisees maintain the quality of our brand and comply with their trademark license agreements, franchisees may take actions that adversely affect the value of our intellectual property or reputation or that are inconsistent with their contractual obligations. Although our trademark license agreements permit us to terminate the agreement under certain circumstances, including violation of the agreement by a franchisee and deterioration of financial conditions of a franchisee, there can be no assurance that such remedy will be available or sufficient to prevent or undo harm to our brand and protect our intellectual property.

Our franchisees may not operate their franchises successfully. Since we currently have only one to four franchisees operating our franchise stores in each country, if one of them were to become insolvent, choose to not renew their trademark license agreement with us, or otherwise were unable or unwilling to pay us amounts due to us pursuant to the terms of their agreements, our business and results of operations would be materially and adversely affected.

The operation of our franchise stores relies on nine franchisees and if one or more of them terminate their trademark license agreements or franchise agreements with us and we are unable to find suitable replacements, our business in the affected markets could be materially and adversely affected.

A significant portion of our revenue is generated by sales to our franchise stores, the operation of which relies on our existing franchisees. As of the date of this annual report, we have one franchisee operating one franchise store in the U.S., one franchisee operating two franchise stores in the U.K., one franchisee operating two franchise stores in Hong Kong, one franchisee operating one franchise store in Thailand, one franchisee operating one franchise store in Vietnam, and four franchisees operating four franchise stores in Japan. Our trademark license agreements and franchise agreements with the franchisees have a term of one to three years and automatically renew for successive one-year terms, unless either party notifies the other of its intention to the contrary in writing no later than two months before the expiration of the current term. Our franchisees may determine to terminate their agreements with us for a number of reasons, including low sales volumes or high costs, or their failure to secure lease renewals. Since we currently have only one to four franchisees operating our franchise stores in each country, if one or more of our franchisees were to terminate their trademark license agreements or franchise agreements with us, or request more favorable terms than the ones we currently have to continue such agreements, particularly if such terminations were to occur across multiple markets, our business and results of operations could be materially and adversely affected.

Any decrease in customer traffic in the shopping malls or street locations in which our stores are located could cause our sales to be less than expected.

Our stores are typically located in shopping malls or street locations near busy commercial districts or popular tourism attractions. Sales at these stores are derived, to a significant degree, from the volume of customer traffic in those locations and surrounding areas. Our stores benefit from the current popularity of shopping malls and street locations near busy commercial districts or popular tourism attractions as shopping destinations and their ability to generate customer traffic in the vicinity of our stores. Our sales volume and customer traffic may be adversely affected by, among other things:

- economic downturns in Japan;
- high fuel prices;
- changes in customer demographics;

- a decrease in popularity of shopping malls or street locations in which a significant number of our stores are located;
- epidemics or pandemics, such as the COVID-19 pandemic, and measures imposed by governments or shopping malls in response to such epidemics, including limiting the number of customers in shopping malls;
- the closing of the "anchor" store of a shopping mall or the stores of other key tenants; or
- a deterioration in the financial condition of shopping mall operators or developers which could, for example, limit their ability to maintain and improve their facilities.

A reduction in customer traffic as a result of these or any other factors could have a material adverse effect on our financial condition and results of operations.

In addition, severe weather conditions and other catastrophic occurrences in areas in which we have stores may have a material adverse effect on our results of operations. Such conditions may result in physical damage to our stores, loss of inventory, decreases in customer traffic, and closure of one or more of our stores. Any of these factors may disrupt our business and have a material adverse effect on our financial condition and results of operations.

The ongoing need for renovations and other capital improvements at our stores could have a material adverse effect on us, including our financial condition, liquidity, and results of operations.

To improve the in-store experience of our customers, our physical stores have an ongoing need for maintenance and renovations and other capital improvements, including replacement, from time to time, of furniture, fixtures, and equipment. These capital improvements may give rise to the following risks:

- possible environmental liabilities;
- construction cost overruns and delays;
- a decline in revenue while stores are out of service due to capital improvement projects;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on favorable terms, or at all;
- uncertainties as to market demand or a loss of market demand after capital improvements have begun; and
- bankruptcy or insolvency of a contracted party during a capital improvement project or other situation that renders them unable to complete their work.

The costs of all these capital improvements or any of the above noted factors could have a material adverse effect on us, including our financial condition, liquidity, and results of operations.

We rely on our relationships with suppliers to purchase high-quality products on reasonable terms. If these relationships were to be impaired, or if certain suppliers were unable to supply sufficient merchandise to keep pace with our growth plans, we may not be able to obtain a sufficient selection or volume of merchandise on reasonable terms, and we may not be able to respond promptly to changing trends in products, either of which could have a material adverse effect on our competitive position, our business, and financial performance.

We have no long-term supply agreements or exclusive arrangements with our suppliers and, therefore, our success depends on maintaining good relationships with our suppliers. Our business depends to a significant extent on the willingness and ability of our suppliers to supply us with a sufficient selection and volume of products to stock our stores. Some of our suppliers that have many other customers may not have the capacity to supply us with sufficient merchandise to keep pace with our growth plans. We have also entered into supply agreements with certain well-known Japanese brands, such as Shiseido, Sato, Kao, and Kosé, which have allowed us to benefit from the growing popularity of such brands. During the fiscal years ended March 31, 2026, 2025, and 2024, our product sales attributable to these brands accounted for approximately 3.2%, 2.6%, and 5.7% of our total product sales, respectively. Any of our suppliers could in the future decide to scale back or end its relationship with us and strengthen its relationship with our competitors, which could negatively impact the revenue we earn from the sale of products from such supplier. If we fail to maintain strong relationships with our existing suppliers or fail to continue acquiring and strengthening relationships with additional suppliers of products, our ability to obtain a sufficient amount and variety of merchandise on reasonable terms may be limited, which could have a negative impact on our competitive position.

During the fiscal year ended March 31, 2026, three suppliers accounted for approximately 20.6%, 18.6% and 10.9% of our total purchases, respectively. During the fiscal year ended March 31, 2025, two suppliers accounted for approximately 28.2% and 18.5% of our total purchases, respectively. During the fiscal year ended March 31, 2024, two suppliers accounted for approximately 22.5% and 21.2% of our total purchases, respectively. The loss of or a reduction in the amount of merchandise made available to us by any one of these key suppliers, or by any of our other suppliers, could have an adverse effect on our business.

The capacity of our distribution and order fulfillment infrastructure may not be adequate to support our recent growth and expected future growth plans, which could prevent the successful implementation of these plans or cause us to incur costs to expand this infrastructure, which could have a material adverse effect on our business, financial condition, and results of operations.

We currently operate two distribution centers, which house the distribution operations for our physical stores together with the order fulfillment operations of our franchise stores. We plan to open a new distribution center in Australia in 2026 to support and replenish inventory at our physical stores in Australia. If we are unable to successfully implement the expansion of our distribution infrastructure or upgrade of our information systems, the efficient flow of our merchandise could be disrupted. In order to support our recent and expected future growth and to maintain the efficient operation of our business, additional distribution centers may need to be added in the future. Our failure to expand our distribution capacity on a timely basis to keep pace with our anticipated growth in stores could have a material adverse effect on our business, financial condition, and results of operations.

Any significant interruption in the operations of our distribution centers could disrupt our ability to deliver merchandise to our stores and customers in a timely manner, which could have a material adverse effect on our business, financial condition, and results of operations.

Our directly-operated physical stores, online stores, and sales to our franchise stores and wholesale customers are supported by two distribution centers. This dependence on two distribution centers, combined with the fact that we are a retailer and wholesaler carrying approximately 69,800 stock keeping units ("SKUs") of beauty products that change on a regular basis in response to beauty trends, makes the success of our operations particularly vulnerable to disruptions in our distribution system. Any significant interruption in the operation of our distribution infrastructure, including events beyond our control, such as disruptions in our information systems, disruptions in operations due to fire or other catastrophic events, labor disagreements, or shipping problems, could drastically reduce our ability to receive and process orders and provide products to our stores and customers. This could result in lost sales and a loss of customer loyalty, which could have a material adverse effect on our business, financial condition, and results of operations.

Increased distribution costs or disruption of product transportation could adversely affect our business and financial results.

Distribution costs have historically fluctuated significantly over time, particularly in connection with oil prices, and increases in such costs could result in reduced profits. In addition, certain factors affecting distribution costs are controlled by third-party carriers. To the extent that the market price for fuel or freight or the number or availability of carriers fluctuates, our distribution costs could be affected. In addition, temporary or long-term disruption of product transportation due to weather-related problems, strikes, lockouts, or other events could impair our ability to supply products affordably and in a timely manner or at all. Any increases in the cost of transportation, and any disruption in transportation, could have a material adverse effect on our business, financial condition, and results of operations.

Any material disruption of our information systems could materially and adversely affect our business operations and negatively impact our financial results.

We are increasingly dependent on a variety of information systems to effectively manage the operations of our growing store base and fulfill customer orders from our online stores. In addition, we have identified the need to expand and upgrade our information systems to support recent and expected future growth. As part of this expansion of our information systems, we have modified our warehouse management system to support our distribution centers. The failure of our information systems to perform as designed, including the failure of our warehouse management system to operate as expected during the holiday season or to support our distribution centers, could have a material adverse effect on our business and results of our operations. Any material disruption of our information systems could disrupt our ability to track, record, and analyze the merchandise that we sell and could negatively impact our operations, shipment of goods, ability to process financial information and credit card transactions, and our ability to receive and process online orders or engage in normal business activities. Moreover, security breaches or leaks of proprietary information, including leaks of customers' private data, could result in liability, decrease customer confidence in our company, and weaken our ability to compete in the marketplace, which could have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to conduct our marketing activities cost-effectively, our results of operations and financial condition may be materially and adversely affected.

We have incurred expenses on a variety of marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products. Our marketing and promotional activities may not be well received by customers and may not result in the increased levels of product sales that we anticipate. We incurred $772,712, $167,275, and $752,425 in promotion and advertising expenses during the fiscal years ended March 31, 2026, 2025, and 2024, respectively. Marketing approaches and tools in the markets for our products in Hong Kong, Japan, Thailand, Vietnam, Australia, Canada, the U.K., and the U.S. are evolving. This further requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences, which may not be as cost-effective as our marketing activities in the past and may lead to significantly higher marketing expenses in the future. We cannot assure you that we can produce, or benefit from, unique and effective marketing campaigns in the future. Failure to refine our existing marketing approaches or to introduce new effective marketing approaches in a cost-effective manner could reduce our market share, cause our net revenue to decline, and negatively impact our profitability.

If we fail to effectively manage our inventory, our results of operations, financial condition, and liquidity could be materially and adversely affected.

Our business requires us to manage a large volume of inventory effectively. We depend on our forecasts of demand for and popularity of various products to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory is ordered and the date of sale. Demand may be affected by seasonality, new product launches, rapid changes in product cycles and pricing, product defects, changes in consumer spending patterns, changes in consumer preferences with respect to our products, and other factors, and our customers may not order products in the quantities that we expect. It may be difficult to accurately forecast demand, and determine appropriate amounts of inventory for our products. In addition, in order to secure more favorable commercial terms, we may need to continue to enter into supply arrangements without unconditional return clauses or with more restrictive return policies.

If we fail to effectively manage our inventory or obtain favorable credit terms with third-party suppliers, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory value, and significant inventory write-downs or write-offs. In addition, if we are required to lower sale prices in order to reduce inventory levels or to pay higher prices to our suppliers in order to secure the right to return products to our suppliers, our profit margins might be negatively affected. Any of the above may materially and adversely affect our results of operations, financial condition, and liquidity.

Sales to the Hong Kong market represented approximately 63.2%, 49.8%, and 51.6% of our revenue for the fiscal years ended March 31, 2026, 2025, and 2024, respectively, and we expect such sales to continue to represent a significant part of our revenue and any negative impact to our ability to sell our products to customers based in Hong Kong could materially and adversely affect our results of operations and financial condition.

To date we have generated a significant portion of our revenue from sales to the Hong Kong market. During the fiscal years ended March 31, 2026, 2025, and 2024, sales to the Hong Kong market accounted for approximately 63.2%, 49.8%, and 51.6% of our revenue, respectively. We expect such sales to continue to comprise a significant part of our revenue going forward. As a result, any unforeseen events or circumstances that negatively impact our ability to sell our products to customers based in Hong Kong would materially and adversely affect our results of operations and financial condition. These negative events and circumstances include, but may not be limited to, the following:

- an economic downturn in Hong Kong;
- political instability that could adversely affect our ability to deliver our products to consumers in a timely fashion;
- changes in laws and regulations, in particular those with little advance notice;
- deterioration of relations or disruption of trade with Japan, such as anti-Japan campaigns and the boycott of Japanese products;
- tariffs and other trade barriers which could make it more expensive for us to deliver our products to consumers; and
- increases in shipping costs for our products or other service issues with our third-party shippers, such as global availability of shipping containers, and related labor and fuel costs.

Our business is geographically concentrated, which subjects us to greater risks from changes in local or regional conditions.

In addition to our operations in Japan and our sales to consumers in Hong Kong, we sell our products to consumers in Thailand, Vietnam, Australia, the U.S., Canada, and the U.K. Due to this geographic concentration, our results of operations and financial conditions are subject to greater risks from changes in general economic and other conditions in these countries, than the operations of more geographically diversified competitors. These risks include:

- changes in economic conditions and unemployment rates;
- changes in laws and regulations;
- a decline in the number of visitors to our stores;
- changes in competitive environment; and
- adverse weather conditions and natural disasters (including weather or road conditions that limit access to our stores).

As a result of the geographic concentration of our business, we face a greater risk of a negative impact on our business, financial condition, results of operations, and prospects in the event that any of the countries to which we sell our products is more severely impacted by any such adverse condition, as compared to other countries.

Nasdaq has proposed a new $5 million minimum market value continued listing requirement that, if approved, could result in immediate suspension and delisting of the ADSs without any cure period or opportunity to regain compliance.

On January 13, 2026, Nasdaq proposed new listing rules requiring companies on the Nasdaq Global and Capital Markets to maintain a minimum market value of listed securities of at least $5 million. Under this proposal, if our market value falls below $5 million for 30 consecutive business days, the ADSs would be immediately suspended from trading and delisted from Nasdaq, with no cure period, no compliance period, and no stay of suspension during any appeal.

This proposed rule represents a fundamental departure from Nasdaq's traditional approach to listing deficiencies. Unlike other continued listing requirements that provide companies with 180 days or more to regain compliance, the proposed market value requirement would result in immediate and irreversible consequences. While we could request a hearing before a Nasdaq Listing Qualifications Hearings Panel (the "Hearings Panel") to appeal a delisting determination, such a request would not prevent the immediate suspension of the ADSs from trading. Furthermore, the Hearings Panel would have extremely limited discretion and could only reverse the delisting decision if it determines that the initial determination was in error, and the Hearings Panel could not consider evidence that we had subsequently regained compliance or grant us additional time to do so.

Nasdaq's proposal reflects its belief that once a company's market value falls below $5 million, the challenges facing that company are generally not temporary and are so severe that the company is unlikely to regain and sustain compliance for the long term. Nasdaq further believes it is difficult to maintain fair and orderly markets for such low-value companies. The SEC must decide on the proposal within 45 days of publication in the Federal Register, unless it extends the review period, creating uncertainty regarding whether and when this rule may become effective. Given that the ADSs have experienced price volatility, there is a risk with our market value falling below $5 million if the proposed rule is adopted. Our market value is calculated as our consolidated closing bid price multiplied by our total listed securities. Factors that could cause our market value to fall below the proposed threshold include continued stock price decline, lack of investor interest, adverse market conditions, negative developments in our business operations, dilutive financing transactions, or broader market volatility affecting microcap companies. If we are simultaneously addressing our existing minimum bid price deficiency when the proposed rule becomes effective, we could face multiple overlapping listing threats that compound the risk of delisting.

This proposal is part of a broader trend of Nasdaq tightening listing standards for small issuers, including recent rules granting Nasdaq discretion to deny initial listings based on susceptibility to manipulative trading and other market value-based requirements. This increasingly stringent regulatory environment creates greater challenges for microcap companies like us to maintain public listings.

If the proposed $5 million market value continued listing requirement is approved and we subsequently fail to maintain the required market value for 30 consecutive business days, the ADSs would be immediately suspended and delisted from Nasdaq with no opportunity to cure the deficiency, which would have severe adverse consequences for our business, our ability to raise capital, and the liquidity and value of our shareholders' investments.

Geopolitical conflicts involving Iran, military actions in the Middle East, and the war in Ukraine may adversely affect global economic conditions and cause significant volatility in the trading price of the ADSs.

The heightened military conflict involving the United States, Israel, and Iran, which escalated significantly in February 2026, has led to profound instability in global financial and energy markets. These events, including the closure of strategic airspaces and critical maritime routes such as the Strait of Hormuz and the Red Sea, have contributed to a dramatic increase in the price of oil and gas and created widespread market uncertainty. The ongoing disruptions caused by these military actions, and the potential for further escalation, could result in protracted and severe damage to the global economy and investment climate.

Furthermore, the continuing war in Ukraine and the resulting sanctions levied by the United States, the European Union, and other nations against Russia continue to impact global financial markets. The extent and duration of these military actions in the Middle East and Eastern Europe, as well as the resulting sanctions and market disruptions, are impossible to predict but are expected to remain substantial.

Such geopolitical instability often leads to broad sell-offs in the equity markets and heightened investor sensitivity to risk. Consequently, these developments may materially and adversely affect the market price of the ADSs, regardless of our actual operating performance. We cannot predict the ultimate progress or outcome of these situations, and any prolonged unrest or intensified military activities could have a material adverse effect on the global economy, which in turn could negatively impact our financial condition and the value of our securities.

A downturn in the economy of the markets in which our products are sold may affect consumer purchases of discretionary items, such as beauty and health products, which could delay our growth strategy and have a material adverse effect on our business, financial condition, profitability, and cash flows.

We appeal to a wide demographic consumer profile and offer a broad selection of Japanese beauty and health products. A downturn in the economy of the markets in which our products are sold could adversely impact consumer purchases of discretionary items, such as beauty and health products. Factors that could affect consumers' willingness to make such discretionary purchases include general business conditions, levels of employment, interest rates and tax rates, the availability of consumer credit, and consumer confidence in future economic conditions. In the event of an economic downturn, consumer spending habits could be adversely affected and we could experience lower than expected net sales, which could force us to delay or slow our growth strategy and have a material adverse effect on our business, financial condition, profitability, and cash flows.

In recent years, the economic indicators in Japan have shown mixed signs, and future growth of the Japanese economy is subject to many factors beyond our control. Certain recent Japanese administrations have introduced policies to combat deflation and promote economic growth. In addition, the Bank of Japan introduced a plan for quantitative and qualitative monetary easing in April 2013 and announced a negative interest rate policy in January 2016. This policy was terminated in March 2024. However, the long-term impact of these policy initiatives on Japan's economy remains uncertain. Furthermore, the Bank of Japan has begun normalizing monetary policy following the termination of its negative interest rate policy, and the impact of future interest rate increases, changes in monetary policy, and fluctuations in the value of the Japanese yen remains uncertain. Although the United Kingdom's withdrawal from the European Union ("Brexit") has largely been implemented, its long-term impact on global economic conditions, international trade, financial markets, and currency exchange rates remains uncertain. In addition, the occurrence of pandemics, such as the COVID-19 pandemic, or other public health emergencies, the occurrence of large-scale natural disasters, such as earthquakes, typhoons, and other severe weather events, including the potential impact of major seismic events in Japan, may adversely affect the Japanese economy and consumer spending. In recent years, inflationary pressures, rising labor costs, supply chain disruptions, geopolitical tensions, and exchange rate volatility have affected global and Japanese economic conditions and may continue to adversely impact consumer spending, operating costs, and demand for our products. Any future increases in consumption taxes or other fiscal measures implemented by the Japanese government could also adversely affect consumer spending and demand for our products. Any future deterioration of the Japanese or global economy may result in a decline in consumption that would have a negative impact on demand for our products and their prices.

If the relevant PRC regulatory agencies were to determine that we are subject to the cybersecurity review or other regulations and policies that have been issued by the Cyberspace Administration of China, our business, financial conditions, and results of operations could be materially and adversely affected.

On April 27, 2020, the Cyberspace Administration of China (the "CAC"), along with 11 other authorities, promulgated the Measures for Cybersecurity Review, effective on June 1, 2020, which are applicable to "critical information infrastructure operators" ("CIIO") who purchase network products and services in China. On July 10, 2021, the CAC released a revised draft for comments of the Cybersecurity Review Measures, which expanded the scope of review to include data processors who engage in data processing activities that affect or may affect the national security of China. On December 28, 2021, the Measures for Cybersecurity Review (2021 version) was promulgated and took effect on February 15, 2022.

On August 20, 2021, the Standing Committee of the National People's Congress of China adopted and promulgated the Personal Information Protection Law of the PRC (the "PIPL"), which became effective on November 1, 2021. The PIPL applies to the activities of processing the personal information of individuals inside China that are carried out outside China "for the purpose of providing products or services to individuals inside China," or those constituting "analysis or evaluation of the behaviors of individuals inside China." The "processing of personal information" includes, but is not limited to, the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information.

The regulations and policies that have been issued by the CAC to date do not apply to us for the following reasons: for online sales in China, we have entrusted the operations of all of our online stores on Tmall Global, JD Worldwide, Pinduoduo, and other online platforms in China to third-party Chinese e-commerce marketplace operators (the "Entrusted Third Parties") pursuant to cooperation agreements between us and the Entrusted Third Parties. Consumer purchase data and personal information generated by these online stores are collected, used, managed, and stored in China by the Entrusted Third Parties, and we only receive necessary information, such as the numbers and types of products ordered from the Entrusted Third Parties in order to complete orders for these online stores. We have no right to obtain any personal information of Chinese consumers from the Entrusted Third Parties. In addition, our PRC legal counsel, Finance & Commerce Law Firm of China, has advised us that our PRC subsidiaries, Shenzhen Qingzhiliangpin Network Technology Co., Ltd. ("Qingzhiliangpin") and Shenzhen Qianxusenhuo Network Technology Co., Ltd., are not CIIOs and do not collect or process personal information of individuals inside China in its business. As a result of the foregoing, (i) we are not subject to the cybersecurity review as required by the Measures for Cybersecurity Review (2021 version) and (ii) we are not subject to the PIPL since we have not engaged in activities of processing personal information of individuals inside China or those constituting analysis or evaluation of the behaviors of individuals inside China.

There remains uncertainty, however, inherent in relying on an opinion of counsel in connection with whether aspects of our business could be subject to Chinese laws and regulations. The PRC regulatory agencies, including the CAC, may not reach the same conclusion as our PRC counsel has and they may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Measures for Cybersecurity Review (2021 version) or the PIPL. If the CAC or other relevant PRC regulatory agencies were to determine that we are subject to the cybersecurity review as required by Measures for Cybersecurity Review (2021 version) or the PIPL, we may be required to suspend part of our operations or experience other disruptions to our operations. Cybersecurity review could also result in negative publicity with respect to our Company and diversion of our managerial and financial resources, which could materially and adversely affect our business, financial conditions, and results of operations.

Our management has a limited history managing rapid expansion. If we cannot effectively and efficiently manage our growth strategy, our results of operations or profitability could be materially and adversely affected.

We have been growing rapidly in recent years, and we intend to continue to expand our business by opening new physical and online stores. Since this rapid expansion is a new strategy for us and our management has a limited history managing such an expansion, we may not be able to adapt quickly to such major business change, compete successfully in new markets, build our brand in new countries or areas, or generate sufficient net income from our new stores. As a result, it is difficult for us to predict our results of operations with respect to our newly opened stores and you should not rely on our historical results of operations as an indication of our future financial performance.

This growth strategy has placed, and will continue to place, substantial demands on our managerial, operational, technological, and other resources. Our growth strategy will also place significant demands on us to maintain the quality of our product and customer services to ensure that our brand does not suffer as a result of any deviations, whether actual or perceived, in the quality of our product and customer services. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures, and controls, including the improvement of our accounting and other internal management systems. We will also need to continue to expand, train, manage, and motivate our workforce and manage our relationships with customers, suppliers, and other service providers. As we selectively increase our product offerings, we will need to work with different groups of new suppliers efficiently and establish and maintain mutually beneficial relationships with our existing and new suppliers. All of these endeavors involve risks and will require substantial management effort and significant additional expenditures. We cannot assure you that we will be able to effectively manage our growth or execute our strategies effectively, and any failure to do so may have a material adverse effect on our results of operations and profitability.

We may be unsuccessful in expanding and operating our business internationally, which could adversely affect our results of operations.

We plan to add an aggregate of 23 new franchise stores in Japan, Southeast Asia, Macau and Europe during the next three years. The entry and operation of our business in these markets could cause us to be subject to unexpected, uncontrollable, and rapidly changing events and circumstances outside Japan. As we grow our international operations, we may need to recruit and hire new product development, sales, marketing, and support personnel in the countries in which we have or will establish new stores or otherwise have a significant presence. Entry into new international markets typically requires the establishment of new marketing and distribution channels. In addition, the opening of a new store typically results in initial recruiting and training expenses and reduced labor efficiencies. Our ability to continue to expand into international markets involves various risks, including the possibility that our expectations regarding the level of returns we will achieve on such expansion will not be achieved in the near future, or ever, and that competing in markets with which we are unfamiliar may be more difficult than anticipated. If we are less successful than we expect in a new market, we may not be able to realize an adequate return on our initial investment and our operating results could suffer.

Our international operations may also fail due to other risks inherent in foreign operations, including:

- varied, unfamiliar, unclear, and changing legal and regulatory restrictions, including different legal and regulatory standards applicable to our products;
- failure to properly comply with Japanese laws and regulations relating to the export of our products;
- compliance with multiple and potentially conflicting regulations in Europe, Asia, Oceania, and North America, including export requirements, tariffs, import duties, and other trade barriers, as well as health and safety requirements;
- difficulties in staffing and managing foreign operations;
- longer collection cycles;
- the economic burden and uncertainty placed on our customers by the imposition and threatened imposition of tariffs by the U.S. and other countries;
- seasonal reductions in business activities, particularly throughout Europe;
- differing intellectual property laws that may not provide sufficient protections for our intellectual property;
- proper compliance with local tax laws, which can be complex and may result in unintended adverse tax consequences;
- localized spread of infection resulting from epidemics or pandemics, including any economic downturns and other adverse impacts;
- difficulties in enforcing agreements through foreign legal systems;
- impact of different real estate trends in different regions;
- fluctuations in currency exchange rates that may affect product demand and may adversely affect the profitability in Japanese yen of products provided by us in foreign markets where payment for our products is made in the local currency, including any fluctuations caused by uncertainties relating to Brexit;
- impact of Brexit on the U.K.'s access to the European Union Single Market, the related regulatory environment, the global economy, and the resulting impact on our business;
- changes in general economic, health, and political conditions in countries where our products are sold;
- potential labor strike, lockouts, work slowdowns, and work stoppages;
- restrictions on downsizing operations in Europe and expenses and delays associated with any such activities; and
- different consumer preferences and requirements in specific international markets.

Our current and any future international expansion plans will require management attention and resources and may be unsuccessful. We may find it impossible or prohibitively expensive to continue expanding internationally or we may be unsuccessful in our attempt to do so, and our results of operations could be adversely impacted.

Recent tariffs and other trade measures imposed by the United States and foreign governments could adversely impact our business, financial condition, and results of operations.

Since 2025, the U.S. government has imposed and modified tariffs and other trade measures affecting imports from various countries and regions, including China, Japan, South Korea, Taiwan and certain other jurisdictions. In response, certain countries have imposed, or may impose, reciprocal tariffs, trade restrictions, or other retaliatory measures. Additional tariff actions, sector-specific measures, or changes in trade policy may be implemented in the future.

These tariffs and trade measures have increased, and may continue to increase, the cost of products imported into the United States and may adversely affect our ability to maintain competitive pricing, preserve profit margins, manage inventory levels, and expand our operations in the U.S. market. We may also be required to modify our sourcing strategies, supplier relationships, logistics arrangements, inventory management practices, or pricing structures, which could increase operational complexity and costs.

In addition, changes in tariff regulations, customs requirements, product classification rules, valuation methodologies, and other trade-related compliance obligations may increase administrative burdens and compliance costs. Increased tariffs or broader trade restrictions may also reduce consumer spending, disrupt supply chains, limit product availability, delay deliveries, and adversely affect demand for our products.

Any further escalation of trade disputes, tariffs, or other protectionist measures could materially and adversely affect our business, financial condition, results of operations, and growth prospects.

If we are unable to provide a high-quality customer experience, our business, reputation, financial condition, and results of operations may be materially and adversely affected.

The success of our business largely depends on our ability to provide a high-quality customer experience, which in turn depends on a variety of factors. These factors include our ability to continue to offer authentic products at competitive prices, source products to respond to customer demand and preferences, maintain the quality of our products, provide clean and attractive physical stores and reliable and user-friendly website interfaces for our customers to visit and purchase products, and provide timely and reliable delivery for products in our online stores and high-quality after-sales service. If our customers are not satisfied with our products or customer service experience, or the prices at which we offer the products, or our internet platform for online stores is severely interrupted or otherwise fail to meet our customers' expectations, our reputation and customer loyalty could be adversely affected.

We rely on contracted third-party delivery service providers to deliver our products sold through our online stores. Interruptions to or failures in the delivery services could prevent the timely or successful delivery of our products. These interruptions or failures may be due to unforeseen events that are beyond our control or the control of our third-party delivery service providers, such as inclement weather, natural disasters, or labor unrest. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept our products and have less confidence in our services. Furthermore, the delivery personnel of contracted third-party delivery service providers act on our behalf and interact with our customers directly. Any failure to provide high-quality delivery services to our customers may negatively impact the shopping experience of our customers, damage our reputation, and cause us to lose customers.

In addition, we hired third-party e-commerce marketplace operators to operate our overseas online stores and depended on online customer service representatives from these third-party e-commerce marketplace operators to provide live assistance to our overseas online customers 24 hours a day, seven days a week. As of August 2022, we used approximately 12 customer service representatives from third-party e-commerce marketplace operators. In August 2022, to reduce our operating expenses and credit risk, we outsourced the entire operations of our overseas online stores to the third-party e-commerce marketplace operators and transited from selling products to individual overseas online customers to selling products to the third-party e-commerce marketplace operators, who therefore became our e-commerce wholesale customers (the "EC Wholesale Customers") and were authorized to continue operating the overseas online stores on our behalf, including using their online customer service representatives to provide live assistance to the overseas online customers.

For more detailed discussion of the overseas online stores and our EC Wholesale Customers, please refer to "Item 4. Information on the Company—B. Business Overview—Our Distribution Channels—Online Stores." If our EC Wholesale Customers and their customer service representatives fail to provide satisfactory service, or if wait times are too long due to the high volume of requests from customers at peak times, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding the customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

As a result, if we or any of our EC Wholesale Customers are unable to continue to provide, or maintain, a high-quality customer service, we may not be able to retain existing customers or attract new customers, which could have a material adverse effect on our business, reputation, financial condition, and results of operations.

Failure to maintain or enhance our brands or image could have a material adverse effect on our business and results of operations.

We believe our "晴の良品," "東京生活館," and other brands are well-recognized among our customers and other Japanese beauty and health product industry players, such as other Japanese beauty and health product retailers in the local markets our products are sold in. Our brands are integral to our sales and marketing efforts. Our continued success in maintaining and enhancing our brands and image depends to a large extent on our ability to satisfy consumer needs by further developing and maintaining the quality of our products, as well as our ability to respond to competitive pressures. If we are unable to satisfy consumer needs or if our public image or reputation were otherwise diminished, our business transactions with our customers may decline, which could in turn adversely affect our results of operations.

Failure to obtain and maintain required licenses and permits or to comply with liquor, pharmaceutical, medical device, and other regulations could lead to the loss of our liquor, pharmaceutical, and other licenses and, thereby, harm our business, financial condition, or results of operations.

The sale of beauty and health products is subject to various government regulations in the markets in which our products are sold, including those relating to the sale of pharmaceuticals, and medical devices. In addition, we also sell liquor in certain of our stores, which is also subject to government regulation. Such regulations are subject to change from time to time. See "Item 4. Information on the Company—B. Business Overview—Regulations." The failure to obtain and maintain licenses, permits, and approvals relating to such regulations could adversely affect our business, financial condition, or results of operations. Licenses may be revoked, suspended, or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licenses, permits, and approvals could adversely affect us or cause a delay or result in our decision to cancel the opening of new stores, either of which could adversely affect our business, financial condition, or results of operations.

Data security breaches and attempts thereof could negatively affect our reputation, credibility, and business.

The third-party e-commerce marketplace operators for our online stores collect and store personal information relating to our customers, including their personally identifiable information, and rely on third parties for the various social media tools and websites we use as part of our marketing strategy. Our directly-operated physical stores in Hong Kong also collect and store personally identifiable information during membership registering for customers. Customers are increasingly concerned over the security of personal information transmitted over the Internet (or through other mechanisms), consumer identity theft, and user privacy. Any perceived, attempted, or actual unauthorized disclosure of personally identifiable information regarding our employees, customers, or website visitors could harm our reputation and credibility, reduce our online sales, impair our ability to attract website visitors, reduce our ability to attract and retain customers, and could result in litigation against us or the imposition of significant fines or penalties. We cannot assure you that any of our third-party service providers with access to such personally identifiable information will maintain policies and practices regarding data privacy and security in compliance with all applicable laws, or that they will not experience data security breaches or attempts thereof which could have a corresponding adverse effect on our business.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, national, provincial or state, and local laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, we may become subject to more extensive requirements to protect the customer information that we process in connection with the purchase of our products, resulting in increased compliance costs.

A breach of security of confidential customer information related to our electronic processing of credit and debit card transactions, or a breach of security of our employee information, could substantially affect our reputation, business, financial condition, and results of operations.

A significant portion of the sales in our stores are by credit or debit cards. Other retailers have experienced security breaches in which credit and debit card information has been stolen. We may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings relating to these types of incidents. We may ultimately be held liable for the unauthorized use of a cardholder's credit card information in an illegal activity and be required by card issuers to pay charge-back fees. In addition, many of the jurisdictions in which we operate, including Japan, Hong Kong, Thailand, Vietnam, Australia, Canada, the U.K. and certain U.S. states, have enacted laws, regulations or regulatory guidance that require or encourage notification to affected individuals and/or regulatory authorities in the event of certain personal data or cybersecurity incidents, including incidents involving payment card information. Any such claim or proceeding could cause us to incur significant expenses, which could have an adverse impact on our business, financial condition, or results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on our Company and could substantially affect our reputation, business, financial condition, or results of operations.

If we are unable to attract, train, assimilate, and retain employees that embody our culture, including store personnel, store managers, and senior managers, we may not be able to grow or successfully operate our business.

Our success depends in part upon our ability to attract, train, assimilate, and retain a sufficient number of employees, including store personnel and store managers, who understand and appreciate our culture, are able to represent our brand effectively and establish credibility with our customers. If we are unable to hire and retain store personnel capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture, understanding of our customers, and knowledge of the products we offer, our ability to open new stores may be impaired, the performance of our existing and new stores could be materially adversely affected, and our brand image may be negatively impacted. Our growth strategy will require us to attract, train, and assimilate even more personnel. Any failure to meet our staffing needs or any material increases in team member turnover rates could have a material adverse effect on our business or results of operations.

We place substantial reliance on the retail and wholesale industry experience and knowledge of our senior management team as well as their relationships with other industry participants. Mr. Mei Kanayama, our representative director, is particularly important to our future success due to his substantial experience and reputation in the retail and wholesale markets. We do not carry, and do not intend to procure, key person insurance on any of our senior management team. The loss of the services of one or more members of our senior management team due to their departure, or otherwise, could hinder our ability to effectively manage our business and implement our growth strategies. Finding suitable replacements for our current senior management could be difficult, and competition for such personnel of similar experience is intense. If we fail to retain our senior management, our business and results of operations could be materially and adversely affected.

Our private label products may not appeal to our customers, and may compete with our brand partners.

In 2025, we started to cooperate with suppliers to develop our own private label products. However, there is no assurance that our private label product offerings will generate customer interest and meet consumer needs or expectations. If we are unable to generate sufficient sales of our private label products, we may fail to cover our development, manufacturing, and marketing costs and expenses with respect to these products, and our business, results of operations, and financial condition may be adversely affected.

Moreover, as we sell both branded products sourced from our suppliers and our private label products through our distribution channels, we are likely to face competition from our suppliers. Branded products may have an advantage over our private label products primarily due to name recognition, even though private label products are typically more competitively priced compared to branded products. In addition, selling private label products may harm our relationship with our suppliers. If we lose our suppliers or if our relationships with our suppliers deteriorate, our business may be adversely affected. See "—We rely on our relationships with suppliers to purchase high-quality beauty and health products on reasonable terms. If these relationships were to be impaired, or if certain suppliers were unable to supply sufficient merchandise to keep pace with our growth plans, we may not be able to obtain a sufficient selection or volume of merchandise on reasonable terms, and we may not be able to respond promptly to changing trends in beauty products or health products, either of which could have a material adverse effect on our competitive position, our business, and financial performance."

Fluctuation of the value of the Japanese yen against certain foreign currencies may have a material adverse effect on the results of our operations.

Some of our foreign operations' functional currencies are not the Japanese yen, and the financial statements of such foreign operations prepared initially using their functional currencies are translated into Japanese yen. Since the currency in which sales are recorded may not be the same as the currency in which expenses are incurred, foreign exchange rate fluctuations may materially affect our results of operations. During the fiscal years ended March 31, 2026, 2025, and 2024, 75.0%, 70.4%, and 70.7% respectively, of our revenue was derived from markets outside of Japan. We expect that an increasing portion of our revenue and expenses in the future will be denominated in currencies other than the Japanese yen. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by changes in the exchange rates of foreign currencies in which we conduct our business. In recent years, the value of the Japanese yen against our functional currencies or the U.S. dollar has fluctuated widely, and may continue to fluctuate and is affected by, among other things, changes in governmental policies and domestic and international economic and political developments. For example, in 2025 and 2026, the Japanese yen depreciated approximately 5.1% and appreciated approximately 1.1%, respectively, against the U.S. dollar. It is difficult to predict how market forces or government policies may impact such exchange rates between the Japanese yen and the U.S. dollar or our functional currencies in the future. Moreover, we do not take actions to manage our foreign currency exposure, such as entering into hedging transactions. We cannot predict the effects of exchange rate fluctuations upon our future operating results because of the number of currencies involved, the amount of our revenue that will be generated in other countries, the variability of currency exposures, and the potential volatility of currency exchange rates.

Future acquisitions may have a material adverse effect on our ability to manage our business and our results of operations and financial condition.

We may acquire businesses, technologies, services, or products which are complementary to our core product retail and wholesale business. Future acquisitions may expose us to potential risks, including risks associated with the integration of new operations, services, and personnel, unforeseen or hidden liabilities, the diversion of resources and management attention from our existing business and technology, our potential inability to generate sufficient revenue to offset new costs, the costs and expenses incurred in connection with such acquisitions, or the potential loss of or harm to relationships with suppliers, employees, and customers resulting from our integration of new businesses.

Any of the potential risks listed above could have a material adverse effect on our ability to manage our business or our results of operations and financial condition. In addition, we may need to fund any such acquisitions through the incurrence of additional debt or the sale of additional debt or equity securities, which would result in increased debt service obligations, including additional operating and financing covenants, or liens on our assets, that would restrict our operations, or dilution to our shareholders.

Risks Relating to Our Ordinary Shares and the Trading Market

The sale or availability for sale of substantial amounts of the ADSs could adversely affect their market price.

Sales of substantial amounts of the ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of the ADSs and could materially impair our ability to raise capital through equity offerings in the future. As of the date of this annual report, 42,327,806 of our Ordinary Shares are issued and outstanding. Among these shares, 21,536,266 are in the form of ADSs. All of the ADSs are freely tradable without restriction or additional registration under the Securities Act. The remaining Ordinary Shares outstanding are available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of the ADSs.

If securities or industry analysts do not publish research or reports about our business, or if they publish a negative report regarding the ADSs, the price of the ADSs and trading volume could decline.

Any trading market for the ADSs may depend in part on the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade us, the price of the ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price of the ADSs and the trading volume to decline.

The market price of the ADSs may be volatile or may decline regardless of our operating performance.

From the closing of our initial public offering on January 13, 2022 to July 9, 2026, the closing price of the ADSs has ranged from $1.85 to $327.50 per ADS, on an adjusted basis to reflect the ADS Ratio Change (as defined below). The trading price of the ADSs is likely to continue to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in Japan that have listed their securities in the United States.

In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our Company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- the trading volume of the ADSs on the Nasdaq Capital Market (“Nasdaq”);
- sales of the ADSs or Ordinary Shares by us, members of our senior management and directors or our shareholders or the anticipation that such sales may occur in the future;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

If we fail to implement and maintain an effective system of internal controls or fail to remediate the material weaknesses in our internal control over financial reporting that have been identified, we may fail to meet our reporting obligations or be unable to accurately report our results of operations or prevent fraud, and investor confidence and the market price of the ADSs may be materially and adversely affected.

We used to be a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in preparing our consolidated financial statements as of and for the fiscal year ended March 31, 2026, we have identified material weaknesses in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board (United States) and other control deficiencies. The material weaknesses identified were (i) a lack of internal accounting staff and resources with appropriate knowledge of U.S. GAAP and SEC reporting and compliance requirements and (ii) a lack of proper controls designed and implemented in IT environment and IT general control activities related to logical access management and Service Organization Management. Following the identification of the material weaknesses and control deficiencies, we plan to take remedial measures including: (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework; (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; and (iii) improving our IT environment and daily management. However, the implementation of these measures may not fully address the material weaknesses in our internal control over financial reporting. Our failure to correct the material weaknesses or our failure to discover and address any other material weaknesses or control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations, and prospects, as well as the trading price of the ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

In addition, once we cease to be an "emerging growth company," as such term is defined in the Jumpstart Our Business Startups Act of 2012, or the "JOBS Act," in April 2027, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated, or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational, and financial resources and systems for the foreseeable future. We may be unable to complete our evaluation testing and any required remediation in a timely manner.

The requirements of being a public company may strain our resources and divert management's attention.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations. Despite recent reforms made possible by the JOBS Act, compliance with these rules and regulations will nonetheless increase our legal, accounting, and financial compliance costs and investor relations and public relations costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company." The Exchange Act requires, among other things, that we file annual reports and reports of foreign private issuer with respect to our business and operating results as well as proxy statements.

As a result of disclosure of information in the Form 20-F and in filings required of a public company, our business and financial condition are more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business, brand and reputation, and results of operations.

Being a public company and these new rules and regulations make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and senior management.

As a foreign private issuer, we have followed home country practice which could adversely affect our public shareholders.

Nasdaq corporate governance rules allow a foreign private issuer to follow corporate governance practice in its home country with respect to appointments to its board of directors and committees, instead of certain Nasdaq corporate governance standards, including the requirements that:

- a majority of its board of directors consist of independent directors;
- its director nominations be made, or recommended to the full board of directors, by its independent directors or by a nominations committee that is comprised entirely of independent directors and that it adopts a written charter or board resolution addressing the nominations process; and
- it has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

We have followed home country practice as permitted by Nasdaq. See "—Because we are a foreign private issuer and have taken advantage of exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer." Accordingly, you would not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions.

Our articles of incorporation, as amended (the "Articles of Incorporation") and the Companies Act of Japan (the "Companies Act") govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors' and executive officers' fiduciary duties, and obligations and shareholders' rights under Japanese law may be different from, or less clearly defined than, those that would apply to a company incorporated in any other jurisdiction. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the law of other countries. For example, under the Companies Act, only holders of 3% or more of our total voting rights or our outstanding shares are entitled to examine our accounting books and records. Furthermore, there is a degree of uncertainty as to what duties the directors of a Japanese stock company may have in response to an unsolicited takeover bid, and such uncertainty may be more pronounced than that in other jurisdictions.

As holders of ADSs, you may have fewer rights than holders of our Ordinary Shares and must act through the depositary to exercise those rights.

The rights of shareholders under Japanese law to take actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records, and exercising appraisal rights, are available only to shareholders of record. ADS holders are not shareholders of record. The depositary, through its custodian agents, is the record holder of our Ordinary Shares underlying the ADSs. ADS holders will not be able to bring a derivative action, examine our accounting books and records, or exercise appraisal rights through the depositary.

Holders of ADSs may exercise their voting rights only in accordance with the provisions of the deposit agreement. If we instruct the depositary to ask for your voting instructions, upon receipt of voting instructions from the ADS holders in the manner set forth in the deposit agreement, the depositary will make efforts to vote the Ordinary Shares underlying the ADSs in accordance with the instructions of the ADS holders. The depositary and its agents may not be able to send voting instructions to ADS holders or carry out their voting instructions in a timely manner. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast, or for the effect of any such vote. As a result, holders of ADSs may not be able to exercise their right to vote.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our Ordinary Shares provides that, to the fullest extent permitted by applicable law, owners and holders of ADSs irrevocably waive the right to a jury trial for any claim that they may have against us or the depositary arising from or relating to our Ordinary Shares, the ADSs, or the deposit agreement, including any claim under the U.S. federal securities laws.

However, ADS holders will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, ADS holders cannot waive our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. If we or the depositary opposed a demand for jury trial relying on jury trial waiver mentioned above, it is up to the court to determine whether such waiver was enforceable considering the facts and circumstances of that case in accordance with the applicable state and federal law.

If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court or by the United States Supreme Court. Nonetheless, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, or by a federal or state court in the City of New York. In determining whether to enforce a jury trial waiver provision, New York courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim, none of which we believe are applicable in the case of the deposit agreement or the ADSs. If you or any other owners or holders of ADSs bring a claim against us or the depositary relating to the matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other owner or holder may not have the right to a jury trial regarding such claims, which may limit and discourage lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may have different outcomes compared to that of a jury trial, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if the jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any owner or holder of ADSs or by us or the depositary of compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

Holders of ADSs may not receive distributions on our Ordinary Shares or any value for them if it is illegal or impractical to make them available to such holders.

Subject to the terms of the deposit agreement, the depositary has agreed to pay holders of ADSs the cash dividends or other distributions it or the custodian for the ADSs receives on the Ordinary Shares or other deposited securities after deducting its fees and expenses and any taxes or other government charges. Holders of ADSs will receive these distributions in proportion to the number of our Ordinary Shares that such ADSs represent. However, the depositary is not responsible for making such payments or distributions if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act, but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depositary. We have no obligation to take any other action to permit distributions on our Ordinary Shares to holders of ADSs. This means that holders of ADSs may not receive the distributions we make on our Ordinary Shares if it is illegal or impractical to make them available to such holders. These restrictions may materially reduce the value of the ADSs.

Holders of ADSs may be subject to limitations on transfer of their ADSs.

ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer, or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We may amend the deposit agreement without consent from holders of ADSs and, if such holders disagree with our amendments, their choices will be limited to selling the ADSs or cancelling and withdrawing the underlying our Ordinary Shares.

We may agree with the depositary to amend the deposit agreement without consent from holders of ADSs. If an amendment increases fees to be charged to ADS holders or prejudices a substantial existing right of ADS holders, it will not become effective until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, ADS holders are considered, by continuing to hold their ADSs, to have agreed to the amendment and to be bound by the amended deposit agreement. If holders of ADSs do not agree with an amendment to the deposit agreement, their choices will be limited to selling the ADSs or cancelling and withdrawing the underlying our Ordinary Shares. No assurance can be given that a sale of ADSs could be made at a price satisfactory to the holder in such circumstances.

We are incorporated in Japan, and it may be more difficult to enforce judgments obtained in courts outside Japan.

We are incorporated in Japan as a stock company with limited liability. All of our directors are non-U.S. residents, and a substantial portion of our assets and the personal assets of our directors and senior management are located outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon us or to enforce against us, our directors or senior management, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

Dividend payments and the amount you may realize upon a sale of our Ordinary Shares or the ADSs that you hold will be affected by fluctuations in the exchange rate between the U.S. dollar and the Japanese yen.

Cash dividends, if any, in respect of our Ordinary Shares represented by the ADSs will be paid to the depositary in Japanese yen and then converted by the depositary or its agents into U.S. dollars, subject to certain conditions and the terms of the deposit agreement. Accordingly, fluctuations in the exchange rate between the Japanese yen and the U.S. dollar will affect, among other things, the amounts a holder of ADSs will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that a holder of ADSs would receive upon sale in Japan of our Ordinary Shares obtained upon cancellation and surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our Ordinary Shares.

If we cease to qualify as a foreign private issuer, we would be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers, and we would incur significant additional legal, accounting, and other expenses that we would not incur as a foreign private issuer.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing, among other things, the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from the short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Nevertheless, our directors and officers are required to file Section 16(a) reports (Forms 3, 4, and 5) with the SEC to report beneficial ownership interests in us. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States domestic issuers, and we are not required to disclose in our periodic reports all of the information that United States domestic issuers are required to disclose. We may cease to qualify as a foreign private issuer in the future, in which case we would incur significant additional expenses that could have a material adverse effect on our results of operations.

Because we are a foreign private issuer and have taken advantage of exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer.

Nasdaq listing rules require listed companies to have, among other things, a majority of its board members be independent. As a foreign private issuer, however, we are permitted to, and we have followed home country practice in lieu of the above requirements. The corporate governance practice in our home country, Japan, does not require a majority of our board to consist of independent directors. Thus, although a director must act in the best interests of the company, it is possible that fewer board members will be exercising independent judgment and the level of board oversight on the management of our company may decrease as a result. In addition, Nasdaq listing rules also require U.S. domestic issuers to have an audit committee, a compensation committee, and a nominating/corporate governance committee composed entirely of independent directors, and an audit committee with a minimum of three members. We, as a foreign private issuer, are not subject to these requirements. Consistent with corporate governance practices in Japan, we have corporate auditors instead of an audit committee and we do not have a standalone compensation committee or nomination and corporate governance committee of our board. Moreover, Nasdaq listing rules require a listed company to obtain shareholder approval for certain dilutive events listed in Listing Rule 5635. However, consistent with corporate governance practices in Japan, we are not required to obtain shareholder approval for such dilutive events, unless they constitute a favorable issue of shares or stock acquisition rights or an acquisition of the entire business requiring a special resolution of shareholders' meeting. See "Item 16G. Corporate Governance." As a result of these exemptions, investors would have less protection than they would have if we were a domestic issuer. Nasdaq listing rules may require shareholder approval for certain corporate matters, such as requiring that shareholders be given the opportunity to vote on all equity compensation plans and material revisions to those plans, certain ordinary share issuances. We intend to comply with the requirements of Nasdaq listing rules in determining whether shareholder approval is required on such matters.

If we cannot continue to satisfy the continued listing requirements and other rules of Nasdaq, the ADSs may be delisted, which could negatively impact the price of the ADSs and your ability to sell them.

In order to maintain our listing on Nasdaq, we are required to comply with certain rules of Nasdaq, including those regarding minimum stockholders' equity, minimum share price, minimum market value of publicly held shares, and various additional requirements. On December 20, 2023, we received a letter from the Listing Qualifications Department of Nasdaq notifying us that we are not in compliance with the minimum bid price requirement as set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on Nasdaq. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were given a period of 180 calendar days, or until June 17, 2024, to regain compliance with Nasdaq Listing Rule 5550(a)(2). On June 18, 2024, we were given an additional period of 180 calendar days, or until December 16, 2024, to regain compliance. To regain compliance, the ADSs must have a closing bid price of at least US$1.00 for a minimum of 10 consecutive business days. On December 2, 2024, we received a letter from the Listing Qualifications Department of Nasdaq notifying us that we had regained compliance with the minimum bid price requirement under Listing Rule 5550(a)(2). However, in the event we are unable to satisfy Nasdaq criteria for maintaining our listing, we may face delisting.

If Nasdaq subsequently delists the ADSs from trading, we could face significant consequences, including:

- a limited availability for market quotations for the ADSs;
- reduced liquidity with respect to the ADSs;
- a determination that the ADS is a "penny stock," which will require brokers trading in the ADSs to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for the ADSs;
- limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

We are an "emerging growth company" within the meaning of the Securities Act, and we have taken advantage of certain exemptions from disclosure requirements available to emerging growth companies, which will make it more difficult to compare our performance with other public companies.

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This will make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Because we are an "emerging growth company," we may not be subject to requirements that other public companies are subject to, which could affect investor confidence in us and the ADSs.

For as long as we remain an "emerging growth company," as defined in the JOBS Act, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of shareholder approval of any golden parachute payments not previously approved. Because of these lessened regulatory requirements, our shareholders would be left without information or rights available to shareholders of other public companies. If some investors find the ADSs less attractive as a result, there may be a less active trading market for the ADSs and the ADS price may be more volatile.

If we are classified as a passive foreign investment company, United States taxpayers who own the ADSs or our Ordinary Shares may have adverse United States federal income tax consequences.

A non-U.S. corporation such as ourselves will be classified as a passive foreign investment company, which is known as a PFIC, for any taxable year if, for such year, either:

- At least 75% of our gross income for the year is passive income; or
- The average percentage of our assets (determined at the end of each quarter) during the taxable year which produce passive income or which are held for the production of passive income is at least 50%.

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. taxpayer who holds the ADSs or our Ordinary Shares, the U.S. taxpayer may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements.

Based on our operations and the composition of our assets, it is possible that, for our 2027 taxable year or for any subsequent year, more than 50% of our assets may be assets which produce passive income, in which case we would be deemed a PFIC, which could have adverse U.S. federal income tax consequences for U.S. taxpayers who are shareholders. We will make this determination following the end of any particular tax year.

The classification of certain of our income as active or passive, and certain of our assets as producing active or passive income, and hence whether we are or will become a PFIC, depends on the interpretation of certain United States Treasury Regulations as well as certain IRS guidance relating to the classification of assets as producing active or passive income. Such regulations and guidance are potentially subject to different interpretations. If due to different interpretations of such regulations and guidance the percentage of our passive income or the percentage of our assets treated as producing passive income increases, we may be a PFIC in one or more taxable years.

For a more detailed discussion of the application of the PFIC rules to us and the consequences to U.S. taxpayers if we were or are determined to be a PFIC, see "Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—PFIC."

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS ABOUT THE PFIC RULES, THE POTENTIAL APPLICABILITY OF THESE RULES TO THE COMPANY CURRENTLY AND IN THE FUTURE, AND THEIR FILING OBLIGATIONS IF THE COMPANY IS A PFIC.

Item 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Corporate History and Structure

We began our operations through TKLF, a stock company incorporated on December 28, 2006 pursuant to the laws of Japan.

On January 13, 2022, we closed our initial public offering ("IPO") of 6,250,000 ADSs at a public offering price of $4.00 per ADS, which included 250,000 ADSs issued pursuant to the partial exercise of the underwriters' over-allotment option. Each ADS represents one Ordinary Share of the Company. The closing for the sale of the over-allotment shares took place on February 21, 2022. Gross proceeds of our IPO, including the proceeds from the sale of the over-allotment shares, totaled $25.0 million, before deducting underwriting discounts and other related expenses. Net proceeds of our IPO, including over-allotment shares, were approximately $21.4 million. In connection with the IPO, the ADSs began trading on Nasdaq under the symbol "TKLF" on January 18, 2022.

On July 20, 2022, we entered into a definitive agreement (the "Agreement") with All Seas Global Limited (the "Seller"). Mr. Mei Kanayama, the representative director of our Company, holds 100% of the equity interests in the Seller, and hence, the Seller and us are related parties under common control. Tokyo Lifestyle Limited is a company principally engaged in the import and retail of Japanese beauty and cosmetic products in Hong Kong and engaged in the live e-commerce business through its wholly-owned subsidiary, Qingzhiliangpin. Pursuant to the Agreement, we agreed to acquire 100% of the equity interests in Tokyo Lifestyle Limited in consideration of the sum of ¥392,000,000 in cash (approximately US$2,842,173), subject to certain terms. The transaction contemplated by the Agreement was approved by our board of directors at a meeting on June 27, 2022, and closed on July 27, 2022. This acquisition is a critical initiative of our business strategy to boost our business expansion in the Southeast Asia market and advance the digital transformation of live streaming e-commerce in our retail business.

On October 26, 2022, Tokyo Lifestyle Limited acquired 60% of the equity interests in REIWATAKIYA (MYS) SDN. BHD. ("Reiwatakiya") and the remaining 40% of the equity interests on January 4, 2023. Reiwatakiya is a private limited company incorporated in Malaysia on June 14, 2022. Reiwatakiya was officially deregistered in Malaysia on December 1, 2025.

On September 6, 2023, Tokyo Lifestyle Limited incorporated a wholly-owned subsidiary, RAKKISTAR HOLDING INC., in the Province of Ontario, Canada, which principally engages in the import and retail of Japanese beauty and cosmetic products in Canada. On October 17, 2023, Tokyo Lifestyle Limited incorporated a wholly-owned subsidiary, Tokyo Lifestyle Holding Inc. ("TLS Holding"), in the State of Delaware, which is currently not engaging in any active business operations. TLS Holding incorporated four wholly-owned subsidiaries, REIWATAKIYA LV LLC, a limited liability company on August 3, 2023, in the State of Nevada, which principally engages in the import and retail of Japanese beauty and cosmetic products in Nevada; REIWATAKIYA BOS LLC, a limited liability company on October 26, 2023, in the Commonwealth of Massachusetts, which principally engages in the import and retail of Japanese beauty and cosmetic products in Massachusetts; REIWATAKIYA NYC LLC, a limited liability company on November 8, 2023, in the State of New York, which principally engages in the import and retail of Japanese beauty and cosmetic products in New York; and REIWATAKIYA LV II LLC, a limited liability company on May 13, 2024, in the State of Nevada, which principally engages in the import and retail of Japanese beauty and cosmetic products in Nevada.

On October 17, 2024, Tokyo Lifestyle Limited entered into a cooperation agreement with a third-party company to invest ¥3.0 million (approximately $20,086) in CROSSING CARDS CO., LTD ("Crossing Cards"), with a core business of retail and wholesale of collectible cards. Crossing Cards was incorporated in Japan pursuant to the laws of Japan on June 18, 2024. Tokyo Lifestyle Limited owns 27.27% of Crossing Cards.

On November 15, 2024, we effected a change of the ratio of the ADSs to our Ordinary Shares from one ADS representing one Ordinary Share to one ADS representing 10 Ordinary Shares (the "ADS Ratio Change"). The ADS Ratio Change resulted in a reverse split on the ADSs on the basis of one new ADS for every 10 old ADSs held. As a result of the ADS Ratio Change, the ADSs and per ADS as reflected in the consolidated financial statements have been retroactively restated as if the transaction occurred at the beginning of the periods presented. Our Ordinary Shares were not affected by the ADS Ratio Change.

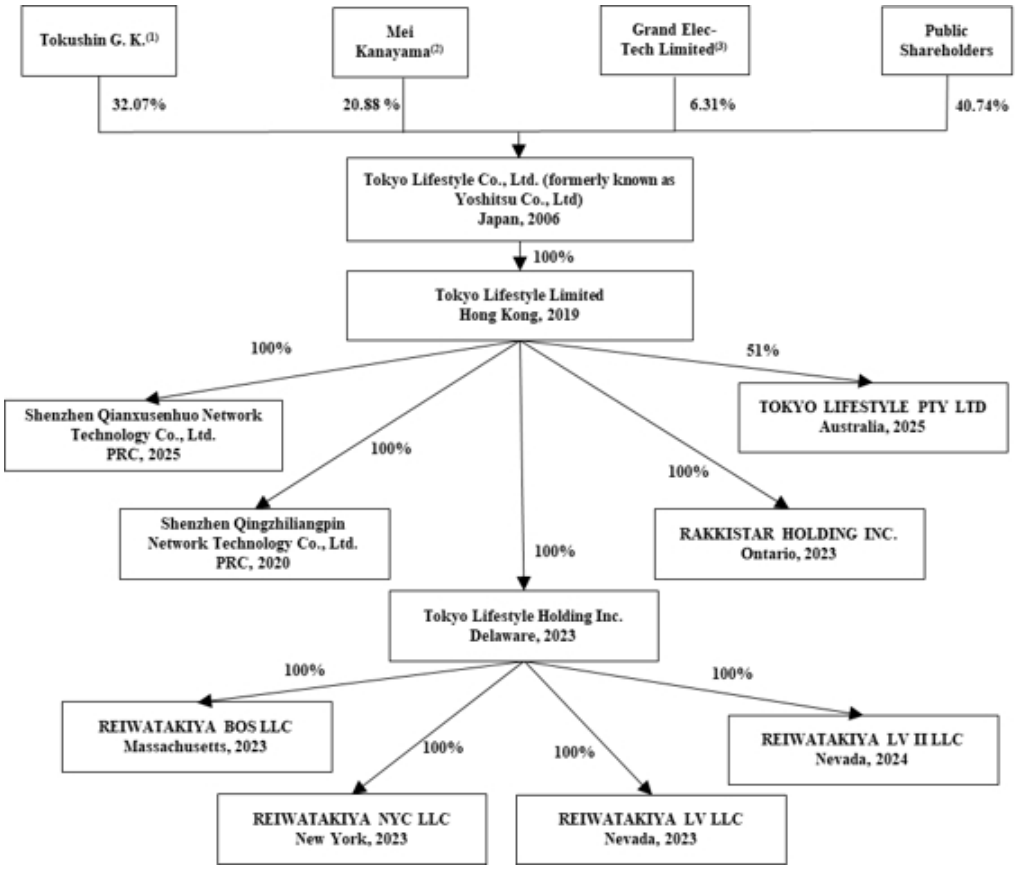
On October 31, 2024, the Company's name was changed from Yoshitsu Co., Ltd to Tokyo Lifestyle Co., Ltd.

On May 15, 2025, Tokyo Lifestyle Limited and two other third parties incorporated TOKYO LIFESTYLE PTY LTD, a proprietary limited company in Sydney, Australia, which primarily engages in the import and retail of Japanese beauty and cosmetic products in Australia. Tokyo Lifestyle Limited owns 51% of TOKYO LIFESTYLE PTY LTD and the two other third parties together own the remaining 49% of TOKYO LIFESTYLE PTY LTD.

On June 3, 2025, Tokyo Lifestyle Limited incorporated Shenzhen Qianxusenhuo Network Technology Co., Ltd., a company incorporated in the PRC, which principally engages in e-commerce technical, marketing and consulting services.

On July 27, 2025, Tokyo Lifestyle Limited acquired 100% of the equity interests in TOKYO LIFESTYLE COMPANY LIMITED, a company incorporated pursuant to the laws of Vietnam on August 28, 2024 for a consideration of $30,000. Subsequently, Tokyo Lifestyle Limited transferred 100% of the equity interests in TOKYO LIFESTYLE COMPANY LIMITED to a third party on March 20, 2026 for a consideration of $30,000.

The following chart illustrates our corporate structure as of the date of this annual report.



Notes: All percentages reflect the equity interests held by each of our shareholders, excluding the shares issuable under the outstanding warrants.

(1) Represents 13,575,104 Ordinary Shares held by Tokushin G. K., which is owned by Mr. Kanayama and his family, as of the date of this annual report.

(2) Represents (i) 7,216,436 Ordinary Shares held by Mei Kanayama and (ii) 1,622,160 Ordinary Shares in the form of ADSs held by Mei Kanayama, as of the date of this annual report.

(3) Represents 2,672,460 Ordinary Shares in the form of ADSs held by Grand Elec-Tech Limited, according to a Schedule 13G initially filed by Grand Elec-Tech Limited on February 10, 2022 with the SEC.

For details of our principal shareholders' ownership, please refer to the beneficial ownership table in "Principal Shareholders."

Corporate Information

Our headquarters are located at Harumi Building, 2-5-9 Kotobashi, Sumida-Ku, Tokyo, 130-0022, Japan, and our phone number is +81356250668. Our English website address is www.ystbek.co.jp/en/. The information contained in, or accessible from, our website or any other website does not constitute a part of this annual report. Our agent for service of process in the United States is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168.

The SEC maintains a website at www.sec.gov that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

For information regarding our principal capital expenditures, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures."

B. Business Overview

Overview

Headquartered in Tokyo, we are a retailer and wholesaler of Japanese beauty and health products, as well as sundry products and other products. We currently offer approximately 69,300 SKUs of beauty products, including cosmetics, skin care, fragrance, and body care, among others, 28,600 SKUs of health products, including over-the-counter ("OTC") drugs, nutritional supplements, and medical supplies and devices, 70,100 SKUs of sundry products, including home goods, 2,100 SKUs of electronic products, including entertainment gaming products such as Nintendo Switch, Xbox Series, and electronic components, 3,500 SKUs of luxury products, including branded watches, perfume, handbags, clothes and jewelry, 6,800 SKUs of collectible cards and trendy toys, and 17,700 SKUs of other products, including food and alcoholic beverages.

We currently sell our products through directly-operated physical stores, through online stores, and to franchise stores and wholesale customers. Leveraging our deep understanding of consumer needs and preferences, we have rapidly expanded our operations. Specifically, during the fiscal year ended March 31, 2024, we opened two new directly-operated physical stores in the U.S., one new directly-operated physical store in Canada, and one new directly-operated physical store in Hong Kong; added four franchise stores, and added 75 new wholesale customers; during the fiscal year ended March 31, 2025, we opened three new directly-operated physical stores in the U.S., one new directly-operated physical store in Hong Kong; added three franchise stores, and added 54 new wholesale customers; and during the fiscal year ended March 31, 2026, we opened one new directly-operated physical store in Hong Kong, one new directly-operated physical store in Australia, added two franchise stores, and added 68 new wholesale customers. We believe our distribution channels are a trusted destination for consumers to discover and purchase branded Japanese beauty and health products, sundry products, and other products.

Since our inception, we have built a large base of customers, which has been essential for our rapid growth. During the fiscal years ended March 31, 2026, 2025, and 2024, our physical stores served approximately 772,312, 662,717, and 473,369 customers, respectively, and orders placed by our repeat customers accounted for approximately 52%, 39%, and 42% of total orders in our physical stores, respectively. During the same fiscal years, our online stores served approximately 183,367, 173,549, and 307,785 customers, respectively, and orders placed by our repeat customers accounted for approximately 65%, 53%, and 52% of total orders in our online stores, respectively. During the same fiscal years, our franchise stores served approximately 653,213, 422,871, and 402,734 customers, and orders placed by our repeat customers accounted for approximately 65%, 45%, and 60% of total orders in our franchise stores, respectively.

Since our inception, we have established long-term relationships with over 270 suppliers, consisting primarily of cosmetics and pharmaceutical companies and distributors, branded watch companies, including many well-known Japanese brands, such as Shiseido, Sato, Kao, Kosé, and Richard Mille.

Since our inception, we have achieved growth and profitability. Our revenue increased from $169,724,346 during the fiscal year ended March 31, 2023 to $195,681,315 during the fiscal year ended March 31, 2024, representing an increase of 15.3%. Our revenue increased from $195,681,315 during the fiscal year ended March 31, 2024 to $210,119,238 during the fiscal year ended March 31, 2025, representing an increase of 7.4%. Our revenue increased from $210,119,238 during the fiscal year ended March 31, 2025 to $373,223,819 during the fiscal year ended March 31, 2026, representing an increase of 77.6%. During the fiscal year ended March 31, 2024, our net income increased to $7,478,936, representing an increase of 192.9%. During the fiscal year ended March 31, 2025, our net income decreased to $6,638,488, representing a decrease of 11.2%. During the fiscal year ended March 31, 2026, our net income decreased to $651,296, representing a decrease of 90.2%.

Since our inception, we have financed our operations primarily through bank loans. As of the date of this annual report, we have approximately $49.6 million in short-term borrowings outstanding, with maturity dates ranging from September 2026 to March 2027, and approximately $15.3 million in long-term borrowings outstanding, with maturity dates ranging from April 2027 to February 2033. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We rely substantially on short-term borrowings to fund our operations, and the failure to renew these short-term borrowings or the failure to continue to obtain financing on favorable terms, if at all, may adversely affect our ability to operate our business" and "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our substantial indebtedness could materially and adversely affect our business, financial condition, results of operations, and cash flows."

Sales to the Hong Kong market represent a significant part of our revenue. During the fiscal years ended March 31, 2026, 2025, and 2024, sales to the Hong Kong market accounted for approximately 63.2%, 49.8%, and 51.6% of our revenue, respectively. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Sales to the Hong Kong market represented approximately 63.2%, 49.8%, and 51.6% of our revenue for the fiscal years ended March 31, 2026, 2025, and 2024, respectively, and we expect such sales to continue to represent a significant part of our revenue and any negative impact to our ability to sell our products to customers based in Hong Kong could materially and adversely affect our results of operations and financial condition." As we plan to expand into new markets by opening new stores, including adding additional directly-operated physical stores in the U.S., Canada, Australia, Thailand, and Taiwan, and add new franchise stores in Japan, Southeast Asia, Macau and Europe during the next three years, we expect the percentage of sales to the Hong Kong market to decrease in the future. See "—Our Growth Strategies—Expanding into New Markets by Opening New Stores."

Our Competitive Strengths

We believe that the following competitive strengths have contributed to our success and differentiated us from our competitors:

Diverse and High-Quality Product Offerings

We have developed a diverse merchandise portfolio, including approximately 69,300 SKUs of beauty products, 28,600 SKUs of health products, 70,100 SKUs of sundry products, 2,100 SKUs of electronic products, 3,500 SKUs of luxury products, 6,800 SKUs of collectible cards and trendy toys, and 17,700 SKUs of other products. In particular, we have rigorously analyzed a large quantity of beauty and health products available for sale in Japan and developed an insightful knowledge and understanding of our customers' needs and preferences by analyzing historical sales data, seasonality impact, customer feedback, and beauty and fashion trends. We believe our strong product selection and recommendation expertise deliver value, quality, and convenience for our customers and enhance our brand image. In addition, we have also entered into supply agreements with many well-known Japanese brands, including Shiseido, Sato, Kao, and Kosé.

A Multi-Channel Distribution Network

We have built a multi-channel distribution network that consists of (i) directly-operated physical stores, (ii) online stores, and (iii) franchise stores and wholesale customers. Our directly-operated physical stores, online stores, and franchise stores and wholesale customers contributed 5.3%, 1.8%, and 92.9% of our total revenue for the fiscal year ended March 31, 2026, respectively, contributed 8.1%, 3.6%, and 88.3% of our total revenue for the fiscal year ended March 31, 2025, respectively, and 7.6%, 5.5%, and 86.9% of our total revenue for the fiscal year ended March 31, 2024, respectively.

We operate our three physical stores in Japan, six physical stores in Hong Kong, five physical stores in the U.S., two physical stores in Australia, and two physical stores in Canada directly, staffed by our employees rather than franchisees, which we believe is critical in building a strong brand name and offering a consistent customer experience across our store network. We have developed uniform standards among various aspects of physical store operations and are able to provide a consistently high-quality level of services in all of our physical stores. Direct operation also enables us to select store locations that meet the consumer traffic requirements, target new neighborhoods, and leverage our existing distribution centers. In addition, the directly-operated physical stores allow us to address local demand for specific products more accurately, to control our corporate overhead expenses, and to provide uniform and high-quality training for our employees.

We extend the reach of our distribution network by operating online stores in Japan and Korea and selling to franchise stores in the U.S., Hong Kong, Japan, Thailand, Vietnam, and the U.K. and wholesale customers in Japan and overseas. Such geographic diversification helps us explore additional revenue generating opportunities and maintain the stability of our revenue, especially during times when customer volume in our physical stores decreases, such as during the COVID-19 pandemic.

Proven Ability to Expand Rapidly While Maintaining Profitability

We have expanded our distribution channels at a rapid pace in recent years, while maintaining our gross margin. In particular, the number of our directly-operated physical stores increased from seven as of March 31, 2019 to 18 as of the date of this annual report, the number of our franchise stores remained unchanged from 11 as of March 31, 2019 to 11 as of the date of this annual report, and the number of our wholesale customers increased from 28 as of March 31, 2019 to 270 as of the date of this annual report. Our overall gross margin decreased slightly by 0.5 percentage points from 11.9% for the fiscal year ended March 31, 2024 to 11.4% for the fiscal year ended March 31, 2025. Our overall gross margin decreased by 3.9 percentage points from 11.4% for the fiscal year ended March 31, 2025 to 7.5% for the fiscal year ended March 31, 2026. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results." Our rapid expansion is supported by our two distribution centers. We believe our distribution centers enable us to provide effective support to our physical stores and online stores, cope with distinct regional factors, such as local regulatory requirements and demographics, and reduce the incremental cost of opening additional distribution centers in cities close to our existing distribution centers. These attributes have allowed us to effectively shorten the amount of time required for us to open new stores and for new stores to become profitable.

An Experienced Management Team

Our management team is comprised of highly-skilled and dedicated professionals who have worked with us for many years or otherwise have wide ranging experience in retail, services, management, business development, and marketing. Our representative director, Mr. Mei Kanayama, has 14 years of experience in retail and wholesale of Japanese beauty and health products.

We have cultivated an experienced and skilled work force, emphasizing collaboration, individual accountability, flexibility, and willingness to deliver high-quality customer service. Our senior management team is able to leverage the capabilities of this broader work force to facilitate our ongoing and long-term relationships that are key to our retail and wholesale businesses. Our combined team offers substantial industry experience and in-depth knowledge of the beauty and health products markets in Japan, Hong Kong, and other regions.

Our Strategy

We intend to develop our business and strengthen brand loyalty by implementing the following strategies:

Expanding into New Markets by Opening New Stores

We plan to explore new markets while enhancing our current presence in Japan, Hong Kong, Vietnam, Australia, the U.S., the U.K., and Canada by analyzing features of customer trends in different regions, continuously focusing on improving customer in-store experience, further expanding our distribution network, and exploring new partnership opportunities. In particular, during the next three years, we intend to open 20 additional directly-operated physical stores in the U.S., Canada, Hong Kong, Australia, Thailand, and Taiwan, and expect the expenses related to opening these stores to be approximately $5.5 million to $5.8 million; we also intend to add an aggregate of 23 new franchise stores in Japan, Southeast Asia, Macau and Europe. We expect the expenses related to adding these franchise stores to be borne by franchisees in each geographic area. We also plan to establish a new distribution center in Australia. See "—Enhancing Our Technology Platform and Infrastructure" below.

We face financial and logistical challenges associated with our plans for accelerated and geographically expansive growth. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our long-term success is highly dependent on our ability to successfully identify and secure appropriate sites and timely develop and expand our operations in existing and new markets," "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—The capacity of our distribution and order fulfillment infrastructure may not be adequate to support our recent growth and expected future growth plans, which could prevent the successful implementation of these plans or cause us to incur costs to expand this infrastructure, which could have a material adverse effect on our business, financial condition, and results of operations," and "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our management has a limited history managing rapid expansion. If we cannot effectively and efficiently manage our growth strategy, our results of operations or profitability could be materially and adversely affected."

Expansion into different countries subject us to risks associated with entry and operations in those countries. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may be unsuccessful in expanding and operating our business internationally, which could adversely affect our results of operations."

Developing Our Own Private Label Products

We have been extending our product offerings by collaborating with beauty and other product suppliers to develop our own private label products. The private label products we currently sell include reusable shopping bags, facial masks, toning lotion, milk lotion, purified water, sneakers, thermosteel flasks, and face masks. We have been exploring the possibility of adding facial essences, T-shirts, and other footwear, among others. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our private label products may not appeal to our customers and may compete with our brand partners."

Improving Customer Experience and Enhance Customer Loyalty

We are dedicated to improving customer experience and enhancing customer loyalty. In our physical stores, we strive to provide high-quality customer service and showcase our high product quality and professional knowledge in beauty and health products, which we believe will foster trust and loyalty among our new and existing customers. In addition, we intend to increase our fulfillment speed, improve the packaging of our products, and offer more customized services, including enhanced product recommendations, to our online store customers. We also intend to continue using social media platforms to engage with our customers and to receive real-time feedback on our product and services. We plan to refine our online store shopping experience by further integrating our online stores with social media platforms, such as Facebook and Instagram, and adopting new marketing methods, including livestreaming e-commerce, which is broadcasting of live video in real time via the internet to promote and sell goods, and influencer marketing, which is a form of social media marketing involving endorsements and product placement from influencers. See "—Marketing" for the timing and estimated cost for such plan.

Enhancing Our Technology Platform and Infrastructure

We intend to continue to invest in IT and equipment to enhance operational efficiency and reliability, improve customer experience, and reduce costs. Our initiatives include wider use of warehouse management systems and increased use of packaging automation in our distribution centers. We also upgraded and improved the integration of our existing operation and financial systems. In addition, we opened a distribution center in Hong Kong in 2022 to support and replenish inventory at our physical stores and wholesale customers in Hong Kong. The cost for opening the distribution center was approximately $0.3 million. We also plan to establish a new distribution center in Australia. The cost for opening the new distribution center is expected to be approximately $1 million.

Product Offerings

Product Categories

We offer high-quality and affordable beauty products. We currently have approximately 69,300 SKUs of beauty products available through our distribution channels. The following table illustrates the categories of beauty products we sell:

Product Category	Product Description
Cosmetics	Foundation, powder, concealer, makeup remover, eye liner, eye shadow, brow powder, brow pencil, mascara, lip gloss, lipstick, and nail polish
Skin care	Facial cleanser, whitening products, sun block, moisturizer, facial mask, eye mask, eye gel, and exfoliating
Cosmetic applicators	Brush, puff, curler, hair iron, and shaver
Fragrance	Perfume and cologne for women and men
Body care	Shampoo, conditioner, and body wash
For men	Facial wash, firming lotion, astringent, and moisturizer
For baby and children	Lip balm, lotion, shampoo, soap, and essence oil

We supplement our beauty products with health products and we currently have approximately 28,600 SKUs of health products available through our distribution channels. The following table illustrates the categories of health products we sell:

Product Category	Product Description
OTC drugs	OTC drugs for the treatment of common ailments, such as colds, headaches, stomach pain, cough, and eye strain, among others
Nutritional supplements	Vitamins, minerals, fiber supplements, nutritional yeast, dietary products, and other nutritional supplements
Medical supplies and devices	A variety of general-purpose medical supplies and devices, such as bandages, masks, thermometers, disinfectant sprays, eye masks, contact lens, and contact lens cleaners and solutions

We also currently have approximately 70,100 SKUs of sundry products available through our distribution channels. The following table illustrates the categories of sundry products we sell:

Product Category	Product Description
Home goods	Bedding and bath products, home décor, dining and tabletop items, storage containers, car supplies, cleaning agents, and laundry supplies
Miscellaneous	Spa supplies, clothing, formula milk, and diapers

We also currently have approximately 3,500 SKUs of luxury products available through our distribution channels. The following table illustrates the categories of luxury products we sell:

Product Category	Product Description
Branded watches	Branded watches such as Richard Mille and PATEK PHILIPPE
Miscellaneous	Perfume, handbags, clothes, and jewelry

We also currently have approximately 2,100 SKUs of electronic products available through our distribution channels. The following table illustrates the categories of electronic products we sell:

Product Category	Product Description
Entertainment gaming products	Nintendo Switch and Xbox Series
Electronic components	Smart AC adapters and batteries

We also currently have approximately 6,800 SKUs of collectible cards and trendy toys products available through our distribution channels. The following table illustrates the categories of collectible cards and trendy toys products we sell:

Product Category	Product Description
Collectible cards	Pokémon
Trendy toys	BE@RBRICK and other trendy products

We also currently have approximately 17,700 SKUs of other products available through our distribution channels. The following table illustrates the categories of other products we sell:

Product Category	Product Description
Food	Soft drinks, packaged snacks, tea and coffee, fruit juice, and mineral water
Alcoholic beverages	Whisky, beer, and sake
Miscellaneous	Cigarettes and pet food

The following tables illustrate our revenue for the fiscal years ended March 31, 2026, 2025, and 2024 by product categories:

	Fiscal Year Ended March 31, 2026		Fiscal Year Ended March 31, 2025		Fiscal Year Ended March 31, 2024	
Product Category	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Beauty products	$ 128,797,535	34.5%	$ 81,374,101	38.7%	$ 50,114,893	25.6%
Health products	1,328,405	0.4%	6,869,364	3.3%	4,931,671	2.5%
Sundry products	7,675,788	2.1%	20,275,598	9.7%	6,083,770	3.1%
Luxury products	149,416,839	40.0%	35,357,960	16.8%	90,189,723	46.1
Electronic products	42,887,751	11.5%	47,969,875	22.8%	34,901,681	17.9
Collectible cards and trendy toys	19,003,183	5.1%	11,408,517	5.4		
Other products	24,114,318	6.4%	6,863,823	3.3%	9,459,577	4.8%
Total	$ 373,223,819	100.0%	$ 210,119,238	100.0%	$ 195,681,315	100.0%

Pricing and Payment of Products

We offer competitive pricing to attract and retain customers. Prices are set either by our suppliers or by us with reference to major online and offline competitors, taking into account our overall pricing strategy for different categories. We constantly monitor the prices of products offered by our competitors. We also occasionally offer significant discounts on certain products for a limited time in flash sales or other promotional activities. We typically evaluate the profitability of our products every three months and make continuous efforts to maintain and improve an efficient cost structure and create incentives for our suppliers to provide us with competitive prices.

We provide customers with flexible payment options, including in-person settlement in physical stores with cash, credit cards and debit cards, and Japanese transportation IC cards, bank transfers, online payments with credit cards and debit cards, and payment through third-party mobile payment platforms, such as PayPay, WeChat Payment, and Alipay.

Our Distribution Channels

Our distribution channels consist of (i) our directly-operated physical stores in Japan, Hong Kong, U.S., Australia, and Canada, (ii) online stores through our websites and various e-commerce marketplaces in Japan and Korea, (iii) franchise stores in the U.S., Vietnam, Thailand, Hong Kong, Japan, and the U.K., and wholesale customers in Japan and other countries including the U.S. and Canada. We sell our products in similar manners to our franchise stores and wholesale customers, and we also license certain trademarks, such as “東京生活館,” “Tokyo Lifestyle” and “REIWATAKIYA,” to be used by these franchise stores.

The following tables illustrate our revenue for the fiscal years ended March 31, 2026, 2025, and 2024 by geographic areas and distribution channels.

	Fiscal Year Ended March 31, 2026		Fiscal Year Ended March 31, 2025		Fiscal Year Ended March 31, 2024	
Geographic Area	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Japan domestic market	$ 93,334,102	25.0%	$ 62,190,446	29.6%	$ 57,381,922	29.3%
Hong Kong market	235,960,125	63.2%	104,685,311	49.8%	100,982,052	51.6%
The United States market	32,126,830	8.6%	19,515,109	9.3%	17,193,899	8.8%
Other overseas markets	11,802,762	3.2%	23,728,372	11.3%	20,123,442	10.3%
Total	$ 373,223,819	100.0%	$ 210,119,238	100.0%	$ 195,681,315	100.0%

	Fiscal Year Ended March 31, 2026		Fiscal Year Ended March 31, 2025		Fiscal Year Ended March 31, 2024	
Distribution Channel	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Directly-operated physical stores	$ 19,787,252	5.3%	$ 17,105,488	8.1%	$ 14,951,952	7.6%
Online stores	6,688,079	1.8%	7,493,259	3.6%	10,705,449	5.5%
Franchise stores and wholesale customers	346,748,488	92.9%	185,520,491	88.3%	170,023,914	86.9%
Total	$ 373,223,819	100.0%	$ 210,119,238	100.0%	$ 195,681,315	100.0%

Physical Stores

We currently directly operate three physical stores in three cities in Japan, six physical stores in Hong Kong, five physical stores in the U.S., two physical stores in Canada, and two physical stores in Australia, under the names “Tokyo Lifestyle,” “東京生活館,” and “REIWATAKIYA.” We choose to directly operate these physical stores because it allows us to exercise greater control over product quality, front-end sales, customer service quality, and overall shopping environment. This model also makes it easier to initiate transparent communication between our central management team and employees at our stores and to more efficiently manage our entire business operation.

The following table summarizes the information on our directly-operated physical stores as of the date of this annual report:

	Store Name	City	Size (Square Feet)	Opened
1	Quiz Gate Urawa Store	Saitama	4,702	August 31, 2018
2	Koshigaya Ryutsu Danchi Store	Koshigaya	1,732	October 1, 2021
3	Yokohama Chinatown Store	Yokohama	2,085	November 11, 2015
4	Lohas Park Store	Hong Kong	815	September 30, 2021
5	Citylink Plaza Store	Hong Kong	688	October 20, 2022
6	Facesss Store	Hong Kong	809	January 19, 2023
7	The Wai Store	Hong Kong	2,081	July 22, 2023
8	Toronto 1 Store	Ontario	636	December 1, 2023
9	REIWATAKIYA BOS 2 Store	Massachusetts	2,000	December 9, 2023
10	REIWATAKIYA LV 1 Store	Las Vegas	2,113	September 1, 2023
11	REIWATAKIYA NYC1 Store	New York	3,000	April 24, 2024
12	REIWATAKIYA BOS 1 Store	Massachusetts	2,185	April 24, 2024
13	REIWATAKIYA LV 2 Store	Las Vegas	2,328	October 11, 2024
14	The Hopewell Store	Hong Kong	2,083	January 16, 2025
15	Kowloon Kai Tak Shop	Hong Kong	644	August 27, 2025
16	Toronto2 Store	Ontario	1,537	June 5, 2025
17	TOKYO LIFESTYLE Sydney 1 Store	Sydney	1,722	December 10, 2025
18	TOKYO LIFESTYLE Sydney 2 Store	Sydney	2,120	July 10, 2026

We employ a rigorous analytical process to identify new store locations, whereby we usually look for retail space on the first floor of street locations near busy commercial districts or popular tourist attractions, and evaluate locations based on market characteristics, demographic characteristics, including income and education levels, the presence of key anchor stores and co-tenants, population density, convenience for parking and other means of transportation, and the overall surrounding environment, among other factors. Before entering into a lease agreement, our management team conducts comprehensive research on rents paid near the selected location and identifies factors that may influence the rent amount. We also actively monitor and manage the performance of our stores and seek to incorporate information learned through the monitoring process into our future site selection decisions.

Each physical store is typically staffed with a general manager, who usually oversees multiple stores, two full-time employees, and eight independent contractors. The general manager oversees all store activities, including inventory management, merchandising, cash management, scheduling, hiring, and customer services. The full-time employees assist the general manager with store activities and the independent contractors are responsible for daily activities of the store, such as greeting customers, answering questions, offering assistance, suggesting items, lending opinions, providing product information, and cleaning. General managers and full-time employees receive bonuses depending on their position and performance. Each general manager reports to our director of store management, who in turn reports to our corporate officer who reports to our representative director, Mr. Mei Kanayama.

Our physical stores are typically open for eight to 14 hours a day, seven days a week. Some of our stores have extended hours during the New Year season.

Online Stores

We sell our products through six domestic online stores on our websites and on various e-commerce marketplaces, including Rakuten, Yahoo! Japan, Amazon Japan, and Wowma! in Japan.

The domestic online stores are directly operated by our employees and independent contractors. For the overseas online stores, from April 2022 to August 2022, we hired third-party e-commerce marketplace operators to operate the overseas online stores and improve our online interaction with overseas customers and the efficiency of our overseas customers' online ordering process, and paid these third-party e-commerce marketplace operators transaction commissions ranging from 1.8% to 3% based on our sales amount. In August 2022, to reduce our operating expenses and credit risk, we outsourced the entire operations of our overseas online stores to third-party e-commerce marketplace operators and transited from selling products to individual overseas online customers to selling products to the third-party e-commerce marketplace operators, who therefore became our EC Wholesale Customers and were authorized to continue operating the overseas online stores on our behalf. We have since then ceased paying the transaction commissions, and entered into customary master sales and purchase agreements with the EC Wholesale Customers. For a more detailed discussion of the customary master sales and purchase agreements with our wholesale customers, please refer to "—Franchise Stores and Wholesale Customers—Relationships with Wholesale Customers." We classify the income generated from the sales to the EC Wholesale Customers as our wholesale customers income, and transfer the payments of individual online customers we received from overseas e-commerce marketplaces to the EC Wholesale Customers.

Integrating convenience, aesthetics, and functionality, our online stores aim to actively drive consumer spending by strategically featuring a carefully selected catalog of popular items. We focus on creating a high-quality online shopping experience for our customers whereby they are aided by detailed product descriptions, thoughtful peer reviews, and multiple angel picture illustrations in making purchase decisions. Our online store interface is fully integrated with our warehouse management system, enabling us to track order and delivery status on a real-time basis.

Our online store design offers several user-friendly features that enhance customer experience and convenience, including:

- *Browsing*. Home page of our online stores arranges our product offerings into segments, such as best-selling products, cosmetics, skin care, cosmetic applicators, and body care. We provide customers with detailed product information, including product specifications, user guides, photographs, peer reviews, and ratings.

- *Sales Functionalities*. We create an enjoyable shopping experience for our customers by allowing them to view the popularity of each product and the number of products left in stock. Our customers can conveniently share their shopping experiences with us on various social media and networking websites through links prominently set out on our webpages.

- *Product Reviews.* To help customers make informed purchasing decisions, we devote a large part of our online stores to display recent purchase records for each product to highlight the item's popularity and encourage previous purchasers to share their feedback. We have established a large and active online review community. As of the date of this annual report, there were an aggregate of approximately 22,000 product reviews or short customer comments on our online stores. We only allow customers who have made purchases to post reviews on the relevant products, and we incentivize customers by offering them rewards, such as rebates and free samples, for posting reviews. We believe these product reviews and functions provide valuable information to our potential and existing customers, create positive customer experience, and as a result, promote repeat visits and purchases.

- *Personalized Services*. We offer personalized services to our customers via account management systems of third-party e-commerce marketplace operators by allowing customers to customize their payment and delivery preferences. Customers can link their accounts on our online stores with other popular social networks and payment platforms in Japan and Korea. To facilitate the ease of the checkout process for our repeat customers, the database of third-party e-commerce marketplace operators keeps track of these customers' preferred delivery address, shipping method, and payment option based on information they previously provided. We allow users to subscribe to future curated sales notices via emails, text messages, and mobile push notifications. We believe all these features improve the shopping experience of our customers and deepen their loyalty.

We deliver orders placed on our online stores or by our EC Wholesale Customers to all areas in Japan and Korea from our distribution centers or third-party warehouses through reputable third-party delivery companies with nationwide coverage, such as Nippon Express, FedEx, and UPS, and regional delivery companies. We leverage our large-scale operations and reputation to obtain favorable contractual terms from third-party delivery companies. To reduce the risk of reliance on any single delivery company and optimize the delivery process, we typically contract with two or more regional delivery companies in each major city. We regularly monitor and review the delivery companies' performance and their compliance with our contractual terms. Our logistics agreements with third-party delivery companies typically have a term of one year and are automatically renewed for successive one-year terms, unless earlier terminated.

Franchise Stores and Wholesale Customers

As of the date of this annual report, we have one franchise store in the U.S., two franchise stores in the U.K., two franchise stores in Hong Kong, one franchise store in Thailand, one franchise store in Vietnam, and four franchise stores in Japan. The following table summarizes the information on our franchise stores:

City	Number of Franchise Stores	Total Size (Square Feet)	Opened
Seattle	1	1,200	December 2017
London	2	2,044	May 2021 and October 2023
Tokyo	4	10,151	July 2023, August 2023, and October 2023
Hong Kong	2	1,516	September 2024
Bangkok	1	1,474	February 2025
Ho Chi Minh	1	2,476	October 2025

In addition, as of the date of this annual report, we have approximately 270 wholesale customers in Japan and other countries, including Hong Kong, the U.S., Australia, Vietnam, Thailand, and Canada.

Franchise Profile and Trademark License Agreements

As of the date of this annual report, we have one franchisee operating one U.S. franchise store, one franchisee operating two U.K. franchise stores, one franchisee operating two Hong Kong franchise stores, one franchisee operating one Vietnam franchise store, one franchisee operating one Thailand franchise store, and four franchisees operating four Japan franchise stores. Our franchise formula enables franchisees to benefit from our brand recognition with a relatively low initial capital investment.

We enter into trademark license agreements with overseas franchisees, under which the overseas franchisee is granted a revocable license and non-exclusive right to use certain of our trademarks, such as "東京生活館," "Tokyo Lifestyle" and "REIWATAKIYA," solely for the purposes of selling, promoting sales of, and performing post-sale and other support relating to the products we sell to the overseas franchisee. In exchange, the overseas franchisee is required to pay a monthly royalty fee of ¥60,000 (approximately $568) per franchise store and to purchase at least 75% of the products sold in their stores (except heavy products, such as purified water) from us. Regarding the remaining 25% of the products sold in their stores, we do not limit the kinds of products that our overseas franchisees may purchase from third parties or the sources of such products. The trademark license agreements have a term of one year and automatically renew for successive one-year terms, unless either party sends a written non-renewal notice no later than two months prior to the expiration of the then current term. We also have the right, subject to applicable laws in Japan, to terminate a trademark license agreement for a variety of reasons, including a franchisee's violation or threatened violation of the agreement, discontinuation of business, or a material change in the shareholding structure of the franchisee, among others.

We do not require our overseas franchisees to pay an initial fee to purchase the franchise, and we do not charge them additional fees for new franchise locations, other than increased royalty fees, which are billed monthly on a per franchise store basis. Our overseas franchise stores are not subject to mandatory requirements contracts and we do not earn commission on sales of products sold by the overseas franchise store. Instead, we enter into customary master sales and purchase agreements, similar to those with our wholesale customers as discussed below, with each of the overseas franchise stores operated by the overseas franchisees. We do not provide financing to our overseas franchisees.

We enter into franchise agreements with domestic franchisees, under which the domestic franchisee is granted a non-exclusive right to use our trademarks, logos, and related symbols, service marks, design signs, and other business-related indications and operate the domestic franchise store at the location specified in the agreement. The domestic franchisee also receives management support from us, including joint procurement and ordering of products. In particular, the domestic franchisee is required to procure products from us, or from the vendors designated by us with our prior approval. In exchange, the domestic franchisee is required to pay a franchisee fee of ¥3,000,000 (approximately $21,582), and a monthly royalty fee equals to 5% of the monthly sales proceeds plus the monthly cost of rent, security cameras, POS register system, and office management services. The franchise agreements have a term of three years and automatically renew for successive one-year terms, unless either party sends a written non-renewal notice no later than two months prior to the expiration of the then current term. We also have the right, subject to the terms of the franchise agreements and applicable laws in Japan, to terminate the franchise agreement for a variety of reasons, including a franchisee's violation or threatened violation of the agreement, discontinuation of business, or a material change in the shareholding structure of the franchisee, among others.

Relationships with Wholesale Customers

We enter into customary master sales and purchase agreements with our wholesale customers with respect to the products we sell to them providing for the terms of our relationship, such as delivery and purchase of goods, terms and conditions of payment, acceptance inspection, complaint handling, and disputes with third parties, among other things. These agreements typically have a term of one year and automatically renew for successive one-year terms, unless either party sends a written non-renewal notice no later than two months prior to the expiration of such agreement. During the term of the master sales and purchase agreement, we send purchase orders to the wholesale customer for each sale and purchase to specify the terms of each order, such as product names, unit prices, quantities, and delivery dates, among other things.

Key Opinion Leaders Advertising Related Services

From June 2021 to December 2023, our wholly-owned subsidiary, Qingzhiliangpin, has provided online advertising solutions endorsing products or services in China for merchants ("Merchant Customers") through a platform partner (the "Platform Partner"), and a key opinion leader ("KOL") employee, who is a prominent social media influencer. Qingzhiliangpin enters into a platform service agreement (the "Platform Service Agreement") with the Platform Partner to obtain an account (the "Account") and access to the advertisement order platform operated by the Platform Partner (the "Platform"). The Platform Service Agreement has no specified end date and will continue to be valid unless and until the Platform Partner terminates the Platform Service Agreement by giving Qingzhiliangpin a written notice 15 days in advance. Through the Platform, Qingzhiliangpin receives advertisement orders from Merchant Customers with details of their advertising needs and requirements. Qingzhiliangpin determines with the Merchant Customers customary commission fees on an order-by-order basis prior to accepting the orders. After the orders are accepted, the KOL employee produces and posts online short video advertisements on Chinese short video platforms, such as TikTok and Kuaishou, according to the requirements of the Merchant Customers. After reviewing the work products and confirming acceptance with the Platform Partner, the Merchant Customers issue the commission fees to the Platform Partner, who settles the Account with Qingzhiliangpin every month and issues the commission fees to the bank account designated by Qingzhiliangpin after deducting certain service fees at a ratio that is determined in the Platform Service Agreement and is subject to updates through notices by the Platform Partner.

Since December 2023, Qingzhiliangpin no longer retains the KOL as its employee. Instead, Qingzhiliangpin began to provide various supporting services to the KOL, including content planning and copywriting, video shooting and editing, financial coordination, and general administrative support and receives service fees.

As of the date of this annual report, the revenue generated from the KOL advertising related services was $2,997,912, $1,906,264, and $2,039,346, representing 0.8%, 0.9%, and 1.0% of our total revenue during the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

Customers and Customer Service

Since our directly-operated physical stores in Japan are mostly located in commercial districts and tourist areas which foreigners who live in Japan and tourists often visit, the majority of the customers of our physical stores in Japan are foreigners who live in Japan and tourists who visit Japan and are between the ages of 30 to 50 years old. Our directly-operated physical stores in Hong Kong are mostly located in commercial districts and tourist areas and the majority of the customers of our physical stores in Hong Kong are residents and tourists and are between the ages of 30 to 50 years old. Our directly-operated physical stores in Australia, Canada and the U.S. are mostly located in commercial districts and tourist areas and the majority of the customers of our physical stores in Australia, Canada and the U.S. are residents and tourists and are between the ages of 20 to 50 years old. The majority of the customers of our online stores are between the ages of 18 to 45 years old. We periodically conduct qualitative customer surveys, helping us build a stronger understanding of our market position and our customers' purchasing habits. For details about our wholesale customers, see "—Our Distribution Channels —Franchise Stores and Wholesale Customers—Relationships with Wholesale Customers."

We believe our emphasis on customer service enhances our brand image and customer loyalty. As of March 31, 2026, our directly-operated physical stores had approximately 68 full-time employees and independent contractors, who also serve as customer service representatives and are required to complete mandatory training conducted by experienced managers on product knowledge, complaint handling, and communication skills before they are allowed to begin working at our stores. As of August 2022, the third-party e-commerce marketplace operators of our overseas online stores used approximately 12 customer service representatives. After outsourcing our overseas online stores operations in August 2022, the third-party e-commerce marketplace operators, who became our EC Wholesale Customers, continued to use customer service representatives for our overseas online stores. For details about outsourcing operations of our overseas online stores, see "—Our Distribution Channels—Online Stores." Customers can access these online representatives 24 hours a day, seven days a week. The third-party e-commerce marketplace operators train these customer service representatives to answer customer inquiries and proactively educate potential customers about our products and promptly resolve customer complaints.

We generally offer a seven-day product return policy, as long as the products are undamaged, in their original condition, and can be resold. Products sold in our physical stores may be returned in store with receipt. For products sold in our online stores, customers must submit a return application request online, and the customer service representatives then review and process the return request or contact the customer by e-mail or by phone if there are questions relating to the request before it can be processed. Upon receipt of the returned product, the customer's payment account will be credited with the purchase price. We believe our hassle-free return policies help build customer trust and increase customer loyalty.

Marketing

Our marketing and promotion strategy is to build brand recognition, attract new customers, increase customer traffic to our physical and online stores, build strong customer loyalty, maximize repeat customer visits, and develop incremental revenue opportunities.

Our marketing department designs the marketing efforts for our directly-operated physical stores, third-party e-commerce marketplace operators design promotions for our online stores, and our franchise stores design regional promotions based on local demographics and market conditions. Our store managers and staff are also encouraged to propose their own advertising and promotion plans, including holiday promotions, posters, and billboards. In addition, we offer special discounts and gift promotions for selected merchandise periodically in conjunction with our suppliers' marketing programs.

Many of our promotion programs are designed to encourage cosmetics and pharmaceutical companies to invest resources to market their brands within our stores. For instance, some cosmetics and pharmaceutical companies provide point-of-purchase displays, which are marketing materials to be placed on top of or alongside the promoted merchandise in our physical stores to promote their products, and free product samples during promotional events. We believe that these promotions improve our customers' shopping experience because cosmetics and pharmaceutical companies provide purchasing incentives and information to help customers make informed purchase decisions. We work to maintain strong inventory positions for merchandise featured in our promotions, as we believe this increases the effectiveness of our spending on promotion activities.

As part of our marketing campaign, customers in our directly-operated physical stores in Japan, Hong Kong, Australia, the U.S., and Canada can enroll in our rewards program, which is primarily a spend-based loyalty program, and get a rewards card. In Japan, members of our rewards program earn one membership point for each ¥100 spent in our directly-operated physical stores and subsequently each membership point can be used as ¥1 at our directly-operated physical stores when making payments; in Hong Kong, members of our rewards program earn one membership point for each HKD spent in our directly-operated physical stores and subsequently each 250 membership points can be used as HKD1 at our directly-operated physical stores when making payments; in Australia, members of our rewards program earn one membership point for each AUD spent in our directly-operated physical stores and subsequently each 30 membership points can be used as AUD1 at our directly-operated physical stores when making payments; membership point can be used to redeem products at the Company's directly-operated physical stores in the United States and Canada; the membership points are valid for one year starting from the last use of the rewards card in directly-operated physical stores in Japan and Hong Kong, respectively. Membership points are reviewed and reset annually on June 30 at directly-operated physical stores in Australia. Only points earned within the most recent six months will be retained, and points earned more than six months prior to June 30 will automatically expire. There is no expiration date for membership points earned at directly-operated physical stores in the United States and Canada. Certain discount pricing is only available to members of our rewards program. After a customer enrolls in our rewards program, we communicate via the customer's preferred method: e-mail, traditional mail, or text messages. As of March 31, 2026, 2025, and 2024 approximately 753,334, 604,790, and 523,628 customers had enrolled in our rewards program, respectively. We intend to further extend this program to enhance customer acquisition and retention.

Our physical stores periodically hand out flyers and leaflets and use direct mail advertising to promote our brand and the products carried in our stores. Our online stores on third-party websites participate in shopping events on those websites, such as Rakuten Super Sale and Singles' Day and Double 12 on Tmall Global. In addition, we enhance publicity of our products and the effectiveness of our other marketing strategies by advertising on outdoor billboards in busy commercial districts, popular tourist attractions, and airports, newspapers, magazines, and social media platforms, such as Instagram, Twitter, TikTok, and WeChat.

We have developed a mobile shopping app named "TOKYOLIFESTYLE" (the "App") on the App Store and Google Play. The App was launched in December 2024. Featuring wide product availability, customized product recommendations, and convenient shopping experiences, the App is designed to become one of the leading global retail e-commerce platforms, by offering users a distinctive Japanese shopping experience. We plan to expand our business overseas by providing both online live sales promotions and physical store shopping experiences. In August and September 2025, Tokyo Lifestyle Limited entered a cooperation agreement along and a supplementary agreement, respectively (collectively, the "App Cooperation Agreements") with HK Artemis Limited ("HK Artemis"), a Hong Kong-based private company, to jointly drive the online sales through the App in Hong Kong. Pursuant to the App Cooperation Agreements, Tokyo Lifestyle Limited agrees to transfer ownership of the App to HK Artemis under a payment arrangement made in installments by HK Artemis within three years. In addition, Tokyo Lifestyle Limited has granted HK Artemis a non-exclusive, three-year license to use the "TokyoLifestyle" trademark and related brand identifiers in connection with the App and its associated online business activities. This license is subject to HK Artemis meeting specified minimum sales targets and investment commitments.

Suppliers

We have an extensive network of suppliers, consisting primarily of cosmetics and pharmaceutical companies and distributors. During the fiscal year ended March 31, 2026, we directly sourced from 129 cosmetics companies and distributors and 20 pharmaceutical companies and distributors. During the fiscal year ended March 31, 2025, we directly sourced from 124 cosmetics companies and distributors and 14 pharmaceutical companies and distributors. During the fiscal year ended March 31, 2024, we directly sourced from 113 cosmetics companies and distributors and 11 pharmaceutical companies and distributors. For the fiscal year ended March 31, 2026, three suppliers accounted for approximately 20.6%, 18.6% and 10.9% of our purchases in terms of monetary value, respectively. For the fiscal year ended March 31, 2025, two suppliers accounted for approximately 28.2% and 18.5% of our purchases in terms of monetary value, respectively. For the fiscal year ended March 31, 2024, two suppliers accounted for approximately 22.5% and 21.2% of our purchases in terms of monetary value, respectively.

See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We rely on our relationships with suppliers to purchase high-quality beauty and health products on reasonable terms. If these relationships were to be impaired, or if certain suppliers were unable to supply sufficient merchandise to keep pace with our growth plans, we may not be able to obtain a sufficient selection or volume of merchandise on reasonable terms, and we may not be able to respond promptly to changing trends in beauty products or health products, either of which could have a material adverse effect on our competitive position, our business, and financial performance."

Supplier and Product Selection

When choosing suppliers, we take into consideration, among other things, whether their products complement our overall product offering, the quality and prices of their products, market reputation, production and/or distribution capacity, the market potential of their products, and the availability of supplier rebates. Before we engage with any new supplier, we also examine their qualifications and licenses to verify that they operate their businesses in compliance with applicable laws, rules, and regulations.

Our merchandising team members possess insightful knowledge and understanding of existing and potential customers' needs and preferences. Before selecting each product, we consider and analyze historical sales data, beauty and fashion trends, seasonality, and customer feedback to project how many items of a particular product we should offer in our physical stores and online stores.

Our Relationship with Cosmetics and Pharmaceutical Companies and Key Suppliers

We work closely with our top suppliers, especially cosmetics and pharmaceutical companies, to strengthen our relationships with them. We constantly communicate with our suppliers to keep them informed of any changes to the inventory levels of their products in order for them to timely respond to our sales demands. Before hosting a major sales event, we provide advance notice to our suppliers so that they can prepare ample stock to meet potential surge in demand and increased purchases.

For the same product, the price from a cosmetics or pharmaceutical company is generally 5% to 8% lower than that from a distributor. Cosmetics and pharmaceutical companies in Japan typically do not limit the number of distributors that may directly source from them or impose requirements, such as those for volume or geographic areas, on these distributors. As a result, we aim to directly source from major cosmetics and pharmaceutical companies so as to get lower prices. We also seek to cooperate with other distributors who directly source from cosmetics and pharmaceutical companies that do not have an established relationship with us. We believe our cooperation with these distributors allows us to expand our product offerings and procure products manufactured by cosmetics and pharmaceutical companies without an established relationship with us.

We generally enter into supply agreements with suppliers which lay out the general terms of our relationship, such as order of goods, delivery and acceptance, processing of returns, terms and conditions of payments, and handling of confidential information, among other things. These supply agreements typically have a term of one year and automatically renew for successive one-year terms unless either party sends written notice of non-renewal no later than two or three months prior to the expiration of the then-current term of such agreement.

Distribution

Our directly-operated physical stores, online stores, and sales to our franchise stores and wholesale customers are supported by our two distribution centers. The following table summarizes the information on our distribution centers as of the date of this annual report:

City	Total Size (Square Feet)	Opened
Tokyo	26,900	September 2021
Hong Kong	2,790	October 2022

Our suppliers deliver merchandise either directly to our physical stores or to our distribution centers, depending on demand from each distribution center or physical store, before we deliver them to our physical stores, customers of our online stores, and wholesale customers using our own vehicles and third-party logistics companies. At each distribution center, we maintain a small fleet of trucks to deliver to our physical stores and we typically replenish merchandise for each of our physical stores once every five days. For details about distribution for our online stores, see "—Our Distribution Channels—Online Stores."

Our franchise stores have access to substantially the same types of merchandise as offered in our directly-operated physical stores in Japan, and each franchise store places its orders to us based on factors it determines, such as demand of consumers, popularity of merchandise, and seasonal trends. We typically wait until we have a sufficient amount of such orders to fill a shipping container before shipping merchandise from our distribution centers to our franchise stores through third-party logistics companies. In the event that a franchise store has an urgent need to replenish certain merchandise, we can also ship merchandise from our distribution centers to the franchise store through express delivery services provided by third-party logistics companies.

Warehouse Management System and Inventory Control

The operations of our Tokyo and Hong Kong distribution centers, including inventory management and deliveries, are integrated and coordinated using the warehouse management systems of Logizard ZERO, a cloud-based warehouse management system service providers in Japan, and of Eastop ERP, a cloud-based warehouse management system service providers in Hong Kong. The systems enable us to closely monitor each step of the fulfillment process of our online stores from the time a purchase order is confirmed and the product stocked in our distribution centers, up to when the product is packaged and picked up for delivery by third-party logistics companies for delivery to a customer. At each distribution center, inventory is bar-coded and tracked through our warehouse management system, allowing real-time monitoring of inventory level and item tracking in our distribution center. When preparing items for shipping, we repackage different types of products ordered by the same customer to our standardized boxes for optimized storage and sourcing in our distribution centers.

We manage our inventory carefully in order to minimize inventory holding costs, ensure timely delivery of merchandise, and maintain the variety of merchandise available in our stores. We hire a third-party inventory services provider to perform quarterly inventory counts in our directly-operated physical stores and distribution centers, and randomly pick 10 products to double-check the count results. We require our store and distribution center managers to follow up on any inventory discrepancies discovered during each inventory count and report the results to the management.

Cash Control

Approximately 30% of the sales in our physical stores in Japan are made in cash, and we have adopted strict cash control procedures in all of our stores in Japan. In particular, the details of each sales event are recorded in our integrated information management system, and the cash generated at our stores in Japan is collected and deposited every two to three days in designated bank accounts, which are controlled by our headquarters. After the cash is deposited, our financial department also carries out a reconciliation of sales data collected on our information management system with cash receipts as confirmed by the banks. The cash needs of each physical store are dispatched centrally two to three times a month based on budgeted amounts. Approximately 15% to 25% of the sales in our physical stores in Hong Kong are made in cash. We check and make an inventory of the cash generated at our stores in Hong Kong daily before we seal and date the cash. The cash generated at our Hong Kong stores is collected and deposited every two weeks in designated bank accounts controlled by our Hong Kong subsidiary. Approximately 20% to 25% of the sales in our physical stores in the U.S. and Canada are made in cash. We check and make an inventory of the cash generated at our stores in the U.S. and Canada daily before we seal and date the cash. The cash generated at the U.S. and Canada stores is collected and deposited every week in designated bank accounts controlled by the local subsidiaries.

Quality Control

We place strong emphasis on quality control for both merchandise sourcing and in-store services. Our quality control starts with procurement. In particular, we have screened cosmetics and pharmaceutical companies in Japan and selected a core set of companies as our suppliers after reviewing product selection and quality, manufacturing, packaging, transportation, storage capabilities, and cost competitiveness.

We conduct random quality inspections of each batch of products we procure. We replace our suppliers if they consistently fail to pass our quality inspections. Since there is a significant manufacturing capability surplus within the Japanese beauty and health products industry, it is possible for us to change suppliers without a material interruption to our business. We regularly dispatch quality inspectors to our stores to monitor the service quality of our staff. We consider the feedback received during these inspections when determining the bonus portion of our store employee's salaries.

Competition

The beauty and health product, sundry product, luxury product, electronic product, and collectible card and trendy toy markets in Hong Kong, Japan, Thailand, Vietnam, Australia, Canada, the U.K., and the U.S. are fragmented and highly competitive. We primarily compete against other offline and online retailers and wholesalers of these products, but also increasingly face competition from retail pharmacies, discount stores, convenience stores, and supermarkets as we increase our offering of sundry products luxury products, electronic products, collectible cards and trendy toys, and other products. We believe we are well-positioned to effectively compete on the basis of price, quality of products, in-store presence, customer service, and e-commerce initiatives. However, some of our current or future competitors may have longer operating histories, greater brand recognition, or greater financial, technical, or marketing resources than we do. For a discussion of risks relating to competition, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We operate in a highly-competitive market and our failure to compete effectively could adversely affect our results of operations."

Employees

We had 160, 130, and 140 full-time employees as of March 31, 2026, 2025, and 2024, respectively. The following table sets forth the number of our full-time employees categorized by areas of operations as of March 31, 2026:

Function:	**Number**
Management	45
Store	65
Sales	50
Total	160

We enter into employment agreements with our full-time employees. The employment agreements have an indefinite term and may be terminated by the employee with a 30-day advance notice. Dismissal of the employee by us is required to meet the following requirements: (i) the dismissal is objectively reasonable and socially acceptable; (ii) the dismissal is based on the grounds set forth in the labor regulations; (iii) the dismissal does not fall under any of the prohibited grounds stipulated by law; and (iv) a 30-day advance notice is given, or a dismissal allowance is paid in lieu of such notice. In addition, we enter into confidentiality and non-compete agreements with our key employees before they leave our Company.

In addition to our full-time employees, we had 120, 115, and 99 independent contractors as of March 31, 2026, 2025, and 2024 respectively. These independent contractors are primarily responsible for customer services and assisting our full-time employees.

We believe that we maintain a good working relationship with our employees and independent contractors, and we have not experienced material labor disputes in the past. None of our employees are represented by labor unions.

Facilities

We own our headquarters location in Tokyo and we lease an aggregate of approximately 18,670 square feet of physical store, franchise stores, office, and residence space in Tokyo. We also own premises in Koshigaya on which we are operating a distribution center of approximately 26,900 square feet, lease an aggregate of approximately 8,519 square feet of physical and franchise store space in Koshigaya, Saitama, Yokohama, and three parking lots in Koshigaya, Saitama, and Tokyo, lease an aggregate of approximately 11,338 square feet of physical store and warehouse space in Hong Kong, lease an aggregate of approximately 2,173 square feet of the physical store in Canada, lease an aggregate of approximately 2,322 square feet of the physical stores in Australia, and lease an aggregate of approximately 11,626 square feet of physical stores in the U.S. A summary of our leased properties as of the date of this annual report is shown below:

Location	**Space (in square feet, excluding parking lots)**	**Use**	**Lease Term (years)**
Tokyo	3,934	Four franchise stores, offices, residence, and one parking lot	1 to 15
Saitama	34,633	Physical store and parking lot	5
Yokohama	2,085	Physical store	10
Hong Kong	11,338	Six physical stores, one franchise store, and one warehouse	1 to 3
Ontario	2,173	Two physical stores	5
Massachusetts	4,185	Two physical stores	5
Las Vegas	4,441	Two physical stores	3
New York	3,000	Physical store	5
Vietnam	2,476	Franchise store	5
Australia	4,442	Two physical stores and one warehouse	5

We lease these premises from independent third parties, except as discussed below, under operating lease agreements, which are typically renewable every one to three years.

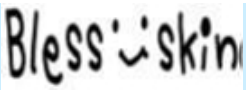
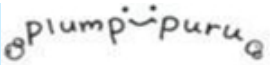
We believe that our existing facilities are sufficient for our near-term needs.

Intellectual Property

We regard our trademarks, service marks, domain names, trade secrets, and similar intellectual property as critical to our success. We rely on a combination of copyright and trademark law, and confidentiality agreements with employees to protect our intellectual property rights. We also regularly monitor any infringement or misappropriation of our intellectual property rights.

As of March 31, 2026, we owned 18 trademarks in Japan:

No.	Trademark	Type of Mark	List of Goods and Services	Registration Number	Registration Date	Expiration Date
1	東京生活館	Word	Class 3, 5, and 44	5855378	June 3, 2016	June 3, 2036
2		Logo	Class 3, 5, and 44	5855379	June 3, 2016	June 3, 2036
3	東京生活館	Word	Class 35	5865658	July 8, 2016	July 8, 2036
4		Logo	Class 35	5868655	July 22, 2016	July 22, 2036
5		Logo	Class 3, 10, 21, and 35	5880029	September 9, 2016	September 9, 2026
6		Logo	Class 3, 10, 21, and 35	5880030	September 9, 2016	September 9, 2026
7		Logo	Class 3, 10, 21, and 35	5880058	September 9, 2016	September 9, 2026

No.	Trademark	Type of Mark	List of Goods and Services	Registration Number	Registration Date	Expiration Date
8		Logo	Class 35 and 44	6044473	May 18, 2018	May 18, 2028
9		Logo	Class 3 and 35	6068378	August 3, 2018	August 3, 2028
10		Logo	Class 3 and 35	6099304	November 16, 2018	November 16, 2028
11	TOKYO PLUS	Word	Class 35	6183713	September 27, 2019	September 27, 2029
12	JLENSES	Word	Class 35	6183714	September 27, 2019	September 27, 2029
13	令和多喜屋	Word	Class 3, 5, 35, and 44	6325574	December 7, 2020	December 7, 2030
14	Tokyo beauty house	Word	Class 3, 5, 35, and 44	6247380	April 22, 2020	April 22, 2030
15	Tokyo life house	Word	Class 3, 5, 35, and 44	6247381	April 22, 2020	April 22, 2030
16		Word	Class 3, 5, 35, and 44	6264856	July 1, 2020	July 1, 2030
17		Word	Class 3, 5, 35, and 44	6270405	July 16, 2020	July 16, 2030
18	賢者の乳酸菌	Word	Class 5	6699400	May 18, 2023	May 18, 2033

In addition, as of March 31, 2026, we had registered one domain name relating to our business, namely 賢者乳酸菌 in Japan.

As of March 31, 2026, we also had 12 pending trademark registration; we also owned the following 28 trademarks in other countries and regions:

No.	Trademark	Country/Region	Type of Mark	List of Goods and Services	Registration Number	Registration Date	Expiration Date
1	REIWATAKIYA	China	Word	Class 35	41941705	July 28, 2020	July 27, 2030
2	TOKYO LIFESTYLE TOKYO LIFESTYLE	Hong Kong	Logo	Class 35	304969081	Jun 21, 2019	June 20, 2029
3	REIWATAKIYA	Hong Kong	Word	Class 35	305097844	October 30, 2019	October 29, 2029
4	圣奈	Hong Kong	Word	Class 3	302845495	December 20, 2013	December 19, 2033
5	東京生活館	Hong Kong	Word	Class 3, 5, 35, and 44	304300073	April 24, 2018	October 11, 2027
6	YST	Hong Kong	Logo	Class 35 and 44	304300064	March 19, 2018	October 11, 2027
7	YST	Hong Kong	Logo	Class 35	304483044	April 4, 2018	April 3, 2028
8	JLENSES	Hong Kong	Logo	Class 35	304715703	October 29, 2018	October 28, 2028
9	TOKYO	Hong Kong	Logo	Class 35	304719060	October 31, 2018	October 30, 2028
10	REIWATAKIYA	Macao	Word	Class 35	N/161717	April 27, 2020	April 27, 2027
11	東京生活館	Macao	Word	Class 5	N/135119	September 10, 2018	September 10, 2032
12	東京生活館	Macao	Word	Class 44	N/135121	September 10, 2018	September 10, 2032
13	東京生活館	U.S.	Word	Class 35	87713467	March 12, 2019	March 11, 2029
14	YST	U.S.	Logo	Class 35	87713490	September 10, 2019	September 9, 2029

15	REIWATAKIYA	U.S.	Word	Class 35	88675151	December 29, 2020	December 28, 2030
16		Canada	Logo	Class 35 and 44	TMA1070977	January 18, 2020	January 18, 2030
17	東京生活館	Canada	Word	Class 35 and 44	TMA1087885	January 28, 2020	January 28, 2030
18	REIWATAKIYA	Australia	Word	Class 35	2047385	June 10, 2020	October 30, 2029
19	REIWATAKIYA	United Kingdom	Word	Class 35	UK00003441105	January 24, 2020	November 1, 2029
20		Singapore	Logo	Class 35	40202408573R	November 7, 2024	April 22, 2034
21		Singapore	Logo	Class 35	40202408572Y	November 7, 2024	April 22, 2034
22		Singapore	Logo	Class 35	40202408575U	November 7, 2024	April 22, 2034
23	REIWATAKIYA	Singapore	Logo	Class 35	40202408574Q	November 7, 2024	April 22, 2034
24		Thailand	Logo	Class 35	251111850	April 10, 2024	May 7, 2034
25	REIWATAKIYA	Thailand	Logo	Class 35	251111827	April 10, 2024	May 7, 2034
26		Malaysia	Logo	Class 35	TM2024011495	November 13, 2024	April 23, 2034
27	REIWATAKIYA	Malaysia	Logo	Class 35	TM2024011497	November 13, 2024	April 23, 2034
28	REIWATAKIYA	Canada	Logo	Class 35	TMA1317522	May 30, 2025	May 30, 2035

Insurance

We maintain directors and officers liability insurance for our directors and senior management and group comprehensive life insurance for our directors, senior management, and full-time employees. We do not maintain other property insurance, business interruption insurance, or general third-party liability insurance. We believe the insurance coverage we maintain is in line with the industry. For risk factors relating to our insurance policies, please see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—We may be subject to product liability claims if our customers are harmed by the products sold through our distribution channels."

Seasonality

We experience seasonality in our business, mainly reflecting the impact of online promotional events held by e-commerce companies. For instances, Rakuten holds special promotional events in March, June, and September each year, which tend to increase revenue in the respective quarter relative to other quarters.

Legal Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, violation of third-party licenses or other rights, breach of contract, and labor and employment claims. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash flow, or results of operations.

Regulations

We are subject to a number of Japanese laws and regulations that affect retailers, wholesalers, or online sellers of beauty and health products in Japan. These may involve product quality and customer protection, maintenance of websites and e-commerce, labor laws, shipping of goods, environment, food and beverage product sales, advertising, lease agreements, protection of personal information, securing of safety of pharmaceuticals and medical devices, liquor tax, secondhand dealers, and consumption tax. Because we also sell our products to individual and wholesale customers in other countries, including the U.S., the U.K., and Canada, certain jurisdictions may claim that we are required to comply with their laws, including even jurisdictions where we have no local entity, employees, or infrastructure.

Regulations regarding Product Quality and Customer Protection

We are subject to laws and regulations, as well as pending legislative and regulatory proposals, regarding product quality and customer protection, which could affect us in jurisdictions in which we sell our products.

In Japan, the Product Liability Act (Act No.85 of July 1, 1994, as amended) and Consumer Contract Act (Act No. 61 of May 12, 2000, as amended) mainly regulate the product quality and customer protection. The Product Liability Act sets forth the liabilities of a manufacturer, processor, or importer for damages caused by defects in a product. A seller who was not involved in the manufacturing, processing, or import of a product could still be liable under this act if its name, trade name, or trademark, etc. was indicated on the product as the manufacturer, processor, or importer, such indications on the product might mislead others into believing that the seller was the manufacturer, processor, or importer, or such indications on the product might be recognized by others as those of the substantial manufacturer, processor, or importer. Liability under this act can be imposed even if the manufacturer, processor, or importer (and the said seller) was not negligent. The Consumer Contract Act invalidates certain provisions in contracts with consumers, such as exemption of compensation for damages to consumers and restrictions of termination by consumers due to the seller's breach of contract. We comply with these regulations.

In the U.S., we are subject to regulation by the Consumer Product Safety Commission (the "CPSC") under the Consumer Product Safety Act, as amended by the Consumer Product Safety Improvement Act of 2008. These statutes and the related regulations ban from the market consumer products that fail to comply with applicable product safety laws, regulations, and standards. The CPSC has the authority to require the recall, repair, replacement, or refund of any such banned products or products that otherwise create a substantial risk of injury and may seek penalties for regulatory noncompliance under certain circumstances.

In Hong Kong, we are subject to the Sale of Goods Ordinance (Cap. 26), the Consumer Goods Safety Ordinance (Cap. 456), and the Import and Export Ordinance (Cap. 60). These statutes regulate the import and sale of consumer goods in Hong Kong, including the quality, safety, and suitability of products sold under a contract of sale. We comply with these regulations.

Regulations regarding Maintenance of Websites and E-commerce

The Act on Special Provisions to the Civil Code Concerning Electronic Consumer Contracts and Electronic Acceptance Notice (Act No. 95 of June 29, 2001, as amended) and the Act on Specified Commercial Transactions (Act No. 57 of June 4, 1976, as amended) regulate sales of goods through e-commerce within Japan. For example, under these acts, we as a seller must explicitly show prices of products, timing and method of payment, timing of delivery, conditions for return of goods, our name and contact information, and name of representative person, among others. We comply with these regulations.

Labor Laws

There are various labor-related laws in Japan, including the Labor Standards Act (Act No. 49 of April 7, 1947, as amended), the Industrial Safety and Health Act (Act No. 57 of June 8, 1972, as amended), and the Labor Contracts Act (Act No. 128 of December 5, 2007). The Labor Standards Act regulates, among others, minimum standards for working conditions such as working hours, leave period, and leave days. The Industrial Safety and Health Act requires, among others, the implementation of measures to secure employee safety and protect the health of workers in the workplace. The Labor Contracts Act regulates, among others, the change of terms of employment contracts and working rules, and dismissal and disciplinary action. We comply with these regulations.

In Hong Kong, we are subject to labor-related laws such as the Employment Ordinance (Cap. 57), the Employees' Compensation Ordinance (Cap. 282), the Mandatory Provident Schemes Ordinance (Cap. 485), and the Occupational Safety and Health Ordinance (Cap. 509). These statutes regulate the terms of employment in Hong Kong and set certain workplace health and safety requirements. These statutes also make it compulsory for an employer to purchase insurance coverage for its employees, as well as to participate in and make contributions to its employees' pension schemes. We comply with these regulations.

Regulations regarding Shipping of Goods

Under the Civil Code (Act No. 89 of April 27, 1896, as amended), our shipping of goods is generally subject to the terms and conditions as agreed with our customers. In addition, as disclosed above, we must specify timing of delivery of goods in accordance with the Act on Specified Commercial Transactions regarding our sales through e-commerce. We comply with these regulations.

Environmental Regulations

There are various environmental-related laws in Japan, including the Air Pollution Control Act (Act No. 97 of June 10, 1968, as amended), Water Pollution Prevention Act (Act No. 138 of December 25, 1970, as amended), Soil Contamination Countermeasures Act (Act No. 53 of May 29, 2002, as amended), and Noise Regulation Act (Act No. 98 of June 10, 1968, as amended). Our business and operation do not include any type of business which are specifically subject to these environmental regulations.

Regulations regarding the Food and Beverage Product Sales

The sale business of food and beverage is subject to the Food Sanitation Act (Act No. 233 of December 24, 1947, as amended). We do not sell or deal with any food or beverage which are subject to the Food Sanitation Act.

Regulations on Advertising

The Premiums and Representations Act (Act No. 134 of May 15, 1962) stipulates the restricted methods and means of various advertisements, representations, and sales promotions, in a broad sense. When we advertise our products, we must provide appropriate information under this act, so as not to mislead our customers. We comply with these regulations.

In Hong Kong, the Trade Description Ordinance (Cap. 362) prohibits the use of false trade descriptions, information, marks, and statements in respect of goods sold during the course of trade. We comply with these regulations.

Regulations on Lease Agreements

Our lease agreements are generally subject to the Civil Code (Act No. 89 of April 27, 1896, as amended) and Act on Land and Building Leases (Act No. 90 of October 4, 1991, as amended). The terms and conditions of our lease agreements are consistent with these laws and are valid and enforceable as provided for in these agreements.

Regulations regarding Protection of Personal Information

We are subject to laws and regulations regarding protection of personal information that we may obtain in the course of retailing or other businesses in Japan and Hong Kong.

In Japan, the Act on the Protection of Personal Information (Act No. 57 of May 30, 2003, as amended) and its related guidelines impose various requirements on businesses, including us, that use databases containing personal information. Under this act, we are required to lawfully use personal information we have obtained within the purposes of use we have specified and take appropriate measures to maintain security of such information. We are also restricted from providing personal information to third parties without obtaining prior consent of the corresponding individual, except for (i) cases based on laws and regulations, (ii) cases in which there is a need to protect a human life, body or fortune, and when it is difficult to obtain a principal's consent, (iii) cases in which there is a special need to enhance public hygiene or promote fostering healthy children, and when it is difficult to obtain a principal's consent, or (iv) cases in which there is a need to cooperate in regard to a central government organization or a local government, or a person entrusted by them performing affairs prescribed by laws and regulations, and when there is a possibility that obtaining a principal's consent would interfere with the performance of the said affairs. Certain types of personal information, such as race, creed, social status, medical history, criminal record, and fact of having suffered damage by a crime, are classified as "special care-required personal information." We must not obtain such special care-required personal information without the prior consent of the principals, except for any of (i) through (iv) above, or (v) cases in which the special care-required personal information has been disclosed by the principals, a central government organization, or a local government, among others, or (vi) other cases specified by cabinet order as being equivalent to (i) through (v) above. We comply with these regulations.

In Hong Kong, the Personal Data (Privacy) Ordinance (Cap. 486) requires data users who control the collection, retention, or use of personal data to comply with certain data protection principles in respect of the collection, retention, use, and security of such data. The statute also gives data subjects certain rights, such as the right to be informed of whether any data user holds their personal data, the right to be supplied with such data, and the right to request correction of any data they consider to be inaccurate. We comply with these regulations.

Regulations for Securing Safety of Pharmaceuticals and Medical Devices

We are subject to laws and regulations for securing safety of pharmaceuticals and medical devices in Japan and Hong Kong.

In Japan, the Act on Securing Quality, Efficacy, and Safety of Products Including Pharmaceuticals and Medical Devices (Act No. 145 of August 10, 1960, as amended) (the "APMD") has been enacted to secure the quality, efficacy, and safety of pharmaceuticals and medical devices, to provide the control required for preventing the occurrence or spread of hazards to public health and hygiene caused by the use of such pharmaceuticals and medical devices, to take measures against designated substances, and to improve public health and hygiene by taking necessary measures for the promotion of research and development of pharmaceuticals and medical devices which are especially important for medical practice.

As provided in Article 2 of the APMD, the term "pharmaceuticals" as used in the APMD refers to:

(i) items listed in the Japanese pharmacopoeia;

(ii) items (other than quasi-drugs and regenerative medicine products) intended for use in the diagnosis, treatment, or prevention of disease in humans or animals, excluding medical appliances or instruments, etc.; and

(iii) items (other than quasi-drugs, cosmetics, and regenerative medicine products) intended to affect the structure and functions of a human or animal body and which are not medical appliances or instruments, etc.

Article 24 of the APMD stipulates that no person other than one who has obtained license for establishing a pharmacy or selling pharmaceuticals shall be engaged in the business of selling, providing, or storing or exhibiting pharmaceuticals for the purpose of the sale or provision thereof. The license for selling pharmaceuticals shall be renewed every six years or otherwise expires. We have duly obtained and maintained such licenses for each of our directly-operated physical stores which sell pharmaceuticals in Japan.

In Hong Kong, the Pharmacy and Poisons Ordinance (Cap. 138) requires the retail sale of pharmaceuticals to be conducted by authorized sellers of poisons at licensed premises under the supervision of registered pharmacists. We have duly obtained and maintained the relevant authorizations and licenses for each of our directly-operated physical stores which sell pharmaceuticals in Hong Kong. We are also subject to the Food and Drugs (Composition and Labelling) Regulations (Cap. 132W) and Undesirable Medical Advertisements Ordinance (Cap. 231), which regulate the composition, advertising, and labelling of pre-packaged food and drugs sold by us. We comply with these regulations.

Regulations regarding Dealers of Secondhand Articles

The Secondhand Articles Dealer Act (Act No. 108 of May 28, 1949, as amended) regulates the dealing of secondhand articles in Japan, aiming to prevent theft and other crimes and to immediately recover damage caused by theft, etc. The act regulates secondhand article business, as defined in Article 2.2, such as purchase, sale, or exchange of secondhand articles, excluding any businesses which only conduct selling of secondhand articles or repurchasing of goods from the buyer.

According to Article 3 of this act, secondhand article dealers are required to obtain permission from the relevant authority of each region where place(s) of business is/are located. The permission remains in effect until it is revoked by or surrendered to the relevant authority. This permission must be obtained for each store, but permissions for two or more stores can be applied by one application. We do not deal with secondhand articles and it is not necessary for us to obtain and maintain this permission; but we have nevertheless obtained and maintained such permission.

Regulations for Liquor Retailing

Our shops sell liquor in Japan and Hong Kong, and we are subject to laws and regulations for liquor retailing.

In Japan, the Liquor Tax Act (Act No.6 of February 28, 1953, as amended) imposes tax on liquor and stipulates tax thresholds and tax rates according to types of liquor, etc. In order to operate business of selling liquor, the operator shall, pursuant to Article 9 of this act, obtain license for selling liquor. The license remains in effect until it is revoked by the relevant governmental authority. We have duly obtained and maintain such licenses for each of our directly-operated physical stores which sell liquor in Japan. We are prohibited from selling liquor to minors (under 20 years old) under Minor Drinking Prohibition Act (Act No. 20 of March 30, 1922, as amended), and must check the ID of customers if they appear to be under 20 years old.

In Hong Kong, we do not require a license for the retail sale of liquor for off-premises consumption. However, the Dutiable Commodities (Liquor) Regulations (Cap. 109B) prohibits the supply or sale of beverages containing more than 1.2% ethyl alcohol by volume to a minor in the course of business, and requires premises supplying or selling such liquor to display appropriate signage at a prominent location. We comply with these regulations.

Regulations for Operating Tax-free Shops

We are subject to laws and regulations regarding the operation of tax-free shops in Japan.

The Consumption Tax Act (Act No.108 of December 30, 1988, as amended) provides for a multi-step, broad-based tax imposed on most transactions in goods and services in Japan. Consumption tax is assessed at each stage of the manufacturing, importing, wholesale, and retail process. The current consumption tax rate is generally 10%, with an 8% rate applying to a limited number of exceptions.

Under the Consumption Tax Act, each shop may sell goods to non-residents who intend to export such goods, if such shop obtains a permission from the relevant tax authority. Each of our directly-operated physical stores in Japan has duly obtained and maintained such permission.

C. Organizational Structure

See "—A. History and Development of the Company."

D. Property, Plants and Equipment

See "—B. Business Overview—Facilities."

Item 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report. This report contains forward-looking statements. In evaluating our business, you should carefully consider the information provided under the caption "Item 3. Key Information—D. Risk Factors" in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

Key Financial Performance Indicators

We consider a variety of financial and operating measures in assessing the performance of our business. The key financial performance measures we use are revenue, gross profit and gross margin, operating expenses, and operating income.

Revenue

Our net revenue is derived primarily from retail and wholesale of Japanese beauty and health products, luxury and electronic products, collectible cards and trendy toys, as well as sundry and other products. Luxury products include primarily branded watches, perfume, handbags, clothes and jewelry, etc. Collectible cards and trendy toys include primarily Pokémon cards, BE@RBRICK, and other trendy products. Electronic products include primarily entertainment gaming products, such as Nintendo Switch and Xbox Series. Sundry products include primarily home goods, such as bedding and bath products, home décor, dining and tabletop items, storage containers, car supplies, cleaning agents, and laundry supplies. It also includes spa supplies, clothing, formula milk, and diapers. Other products and services include primarily food, such as soft drinks, packaged snacks, tea and coffee, fruit juice, mineral water, and alcoholic beverages, cigarettes, and pet food. It also includes revenue from advertising services through KOLs as well as supporting services to online celebrities. We have experienced growth since our inception, which we believe is a result of our focus on maintaining the quality of our products and customer services. Growth of our revenue is primarily driven by expanding our distribution network, both in Japan and overseas, as well as extending our product offerings. Revenue is impacted by competition, current economic conditions, pricing, inflation, product mix and availability, promotional and competitive activities, and the spending habits of our customers. Our product offerings across diverse product categories support growth in revenue by attracting new customers and encouraging repeat visits from our existing customers to our physical and online stores.

Gross Profit and Gross Margin

Gross profit is the difference between revenue and cost of revenue. Our cost of revenue consists primarily of the costs of merchandise products. Supplies and prices of our merchandise products can be affected by a variety of factors, including seasonal fluctuations, demand, politics, and economic conditions. We may not be able to increase prices to cover increased costs due to an increase in the prices of merchandise products from our suppliers, which would have an adverse effect on our operating results and profitability. In order to negotiate more favorable prices on merchandise products, we work closely with our top suppliers, especially cosmetics and pharmaceutical companies, to strengthen our relationships with them. For the same product, the price from a cosmetics or pharmaceutical company is generally 5% to 8% lower than that from a distributor. Cosmetics and pharmaceutical companies in Japan typically do not limit the number of distributors that may directly source from them or impose requirements, such as those for volume or geographic areas, on these distributors. As a result, we aim to directly source products from major cosmetics and pharmaceutical companies so as to get lower prices. We also seek to cooperate with other distributors who directly source products from cosmetics and pharmaceutical companies, as well as luxury and electronic providers who do not have an established relationship with us. We believe our cooperation with these distributors allows us to expand our product offerings and procure products manufactured by cosmetics and pharmaceutical companies without an established relationship with us.

Gross margin is gross profit divided by revenue. Gross margin is a measure used by management to indicate whether we are selling our products at an appropriate gross profit. Our gross margin is impacted by the prices of our products, product mix, availability, and discounts offered, as some products generally provide higher gross margins, and by our merchandise costs, which may vary. We offer competitive pricing to attract and retain customers. Prices are set either by our suppliers or by us with reference to major online and offline competitors, taking into account our overall pricing strategy for different categories. We typically evaluate the profitability of our products every three months.

Operating Expenses

Our operating expenses consist of selling and marketing expenses and general and administrative expenses, which primarily include payroll and employee benefit expenses and bonus expenses, shipping expenses, promotion and advertising expenses, and other facility-related costs, such as store rent, utilities, and depreciation.

Operating expenses generally increase as we grow our store base and invest in corporate infrastructure. We have made investments in talent acquisition and infrastructure over the past six years which have resulted in higher operating expenses. Our operating expenses increased in the fiscal year ended March 31, 2026 as compared to last year, as discussed in detail below, and are expected to continue increasing in the future as we invest in opening new stores in Japan, Hong Kong, and other overseas countries, expand our distribution and logistics capacity, drive greater brand awareness, attract new customers, and increase our market penetration. To support our growth, we will continue to increase headcount, particularly in the sales and logistics related positions. This increase in headcount will drive higher payroll and employee-related expenses. Overall, we expect our operating expenses to continue to increase in absolute dollars as we incur increased costs related to the growth of our business and our operation as a public company.

Operating Income

Operating income is the difference between gross profit and operating expenses. Operating income excludes other income (expense), and income tax expenses. We use operating income as an indicator of the productivity of our business and our ability to manage expenses.

A. Operating Results

Comparison of Results of Operations for the Fiscal Years Ended March 31, 2026 and 2025

The following table summarizes the results of our operations during the fiscal years ended March 31, 2026 and 2025, respectively, and provides information regarding the dollar and percentage increase or (decrease) during such fiscal years.

	For the Fiscal Years Ended March 31,		Variance	
	2026	2025	Amount	%
REVENUE	**$ 373,223,819**	**$ 210,119,238**	**$ 163,104,581**	**77.6%**
COSTS AND OPERATING EXPENSES				
Merchandise costs	345,118,553	186,201,939	158,916,614	85.3%
Selling, general and administrative expenses	24,883,467	19,198,116	5,685,351	29.6%
Total costs and operating expenses	370,002,020	205,400,055	164,601,965	80.1%
INCOME FROM OPERATIONS	**3,221,799**	**4,719,183**	**(1,497,384)**	**(31.7)%**
OTHER INCOME (EXPENSES)				
Interest expense, net	(1,986,483)	(1,723,819)	(262,664)	15.2%
Additional and delinquent tax due to consumption tax correction	(2,181,256)	3,905,908	(6,087,164)	(155.8)%
Cash surrender value loss	(71,448)	-	(71,448)	(100.0)%
Gain from disposal of a subsidiary	51,639	-	51,639	100.0%
Other income, net	2,916,749	364,294	2,552,455	700.7%
Gain (loss) from foreign currency exchange	364,116	(440,055)	804,171	(182.7)%
Change in fair value of warrants liabilities	1,438,866	(2,050,211)	3,489,077	(170.2)%
Loss from equity method investments	-	(20,049)	20,049	(100.0)%
Total other income, net	532,183	36,068	496,115	1,375.5%
INCOME BEFORE INCOME TAX PROVISION (BENEFIT)	**3,753,982**	**4,755,251**	**(1,001,269)**	**(21.1)%**
PROVISION (BENEFIT) FOR INCOME TAXES	3,102,686	(1,883,237)	4,985,923	(264.8)%
NET INCOME	**$ 651,296**	**$ 6,638,488**	**$ (5,987,192)**	**(90.2)%**

Revenue

We generated revenue primarily from: (i) directly-operated physical stores in Japan, Hong Kong, the United States, Canada, and Australia, (ii) online stores through our websites and various e-commerce marketplaces in Japan, as well as services income from advertising business through KOLs as well as supporting services to online celebrities, and (iii) franchise stores in Japan, Hong Kong, the U.S., Vietnam, Thailand, and the U.K., and wholesale customers in Japan and other countries, including Hong Kong, the U.S., and Canada.

Our total revenue increased by $163,104,581, or 77.6%, from $210,119,238 for the fiscal year ended March 31, 2025 to $373,223,819 for the fiscal year ended March 31, 2026. The increase in our revenue consists of increased revenue from directly-operated physical stores and franchise stores and wholesale customers, which was partially offset by the decreased revenue from online stores and services. Revenue generated from companies located in Japan accounted for 52.9% and 70.5% of our total revenue for the fiscal years ended March 31, 2026 and 2025, respectively. Revenue generated from companies located in Hong Kong and others accounted for 47.1% and 29.5% of our total revenue for the fiscal years ended March 31, 2026 and 2025, respectively.

The following table sets forth the breakdown of our revenue for the fiscal years ended March 31, 2026 and 2025, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2026	%	2025	%	Amount	%
Directly-operated physical stores	$ 19,787,253	5.3%	$ 17,105,489	8.1%	$ 2,681,764	15.7%
Online stores and services	6,688,079	1.8%	7,493,259	3.6%	(805,180)	(10.7)%
Franchise stores and wholesale customers	346,748,487	92.9%	185,520,490	88.3%	161,227,997	86.9%
Total Revenue	**$ 373,223,819**	**100.0%**	**$ 210,119,238**	**100.0%**	**$ 163,104,581**	**77.6%**

Revenue from directly-operated physical stores increased by $2,681,764, or 15.7%, from $17,105,489 for the fiscal year ended March 31, 2025 to $19,787,253 for the fiscal year ended March 31, 2026. The increase was mainly due to increased revenue generated from our existing directly-operated physical stores in Hong Kong as a result of their full-year operations, as well as the opening of two new physical stores in Hong Kong during the fiscal year ended March 31, 2026. In addition, we offered promotion activities and price discounts, which attracted more customers to make purchases at our physical stores, and revenue from our existing physical stores in Hong Kong also increased in the fiscal year ended March 31, 2026, compared to the prior year. The above-mentioned increase was partially offset by a decrease in revenue from directly-operated physical stores in Japan, resulting from the closure of one physical store and the transformation of another physical store during the fiscal year ended March 31, 2026. We proactively optimized our store structure and converted this underperforming physical store in Japan into a franchise store, in order to improve our cash flow and working capital. Following the change, the store began purchasing products from us like other franchise stores, and accordingly, the related revenue was recorded under franchise stores and wholesale customers.

Revenue from online stores and services decreased by $805,180, or 10.7%, from $7,493,259 for the fiscal year ended March 31, 2025 to $6,688,079 for the fiscal year ended March 31, 2026. The decrease was mainly due to a reduction in the number of online stores, as we closed certain underperforming online stores to improve our profitability. The decrease was partially offset by an increase in revenue from services, which resulted from new customers that we developed.

Revenue from franchise stores and wholesale customers increased by $161,227,997, or 86.9%, from $185,520,490 for the fiscal year ended March 31, 2025 to $346,748,487 for the fiscal year ended March 31, 2026. The increase was mainly due to the newly launched pre-owned watch business during the fiscal year ended March 31, 2026, which drove substantial growth in revenue from sales of luxury products. During the fiscal year ended March 31, 2026, we successfully entered the pre-owned luxury watch segment as a strategic expansion that more than doubled revenue from franchise stores and wholesale customers and meaningfully expanded our market share. This deliberate strategy strengthens our wholesale platform and supplier relationships. In addition, there was increased revenue from the new wholesale customers as we continued to expand our customer base by entering into business relationships with new wholesale customers during the fiscal year ended March 31, 2026.

The following table sets forth the breakdown of our revenue denominated in Japanese Yen for the fiscal years ended March 31, 2026 and 2025, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2026	%	2025	%	Amount	%
Directly-operated physical stores	¥ 2,965,480,202	5.3%	¥ 2,597,617,412	8.1%	¥ 367,862,790	14.2%
Online stores and services	999,276,395	1.8%	1,139,600,122	3.6%	(140,323,727)	(12.3)%
Franchise stores and wholesale customers	52,170,085,882	92.9%	28,215,579,970	88.3%	23,954,505,912	84.9%
Total Revenue	**¥56,134,842,479**	**100.0%**	**¥31,952,797,504**	**100.0%**	**¥24,182,044,975**	**75.7%**

Our total revenue denominated in Japanese Yen increased by ¥24,182,044,975, or 75.7%, from ¥31,952,797,504 for the fiscal year ended March 31, 2025 to ¥56,134,842,479 for the fiscal year ended March 31, 2026. The increase was mainly due to increased revenue from franchise stores and wholesale customers by ¥23,954,505,912, or 84.9%, from ¥28,215,579,970 for the fiscal year ended March 31, 2025 to ¥52,170,085,882 for the fiscal year ended March 31, 2026, as well as increased revenue from directly-operated physical stores by ¥367,862,790, or 14.2%, from ¥2,597,617,412 for the fiscal year ended March 31, 2025 to ¥2,965,480,202 for the fiscal year ended March 31, 2026. The increase was partially offset by the decreased revenue from online stores and services by ¥140,323,727, or 12.3%, from ¥1,139,600,122 for the fiscal year ended March 31, 2025 to ¥999,276,395 for the fiscal year ended March 31, 2026.

Cost of Revenue

The following table sets forth the breakdown of our cost of revenue for the fiscal years ended March 31, 2026 and 2025, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2026	%	2025	%	Amount	%
Directly-operated physical stores	$ 15,124,704	4.4%	$ 13,314,279	7.2%	$ 1,810,425	13.6%
Online stores and services	4,381,980	1.3%	5,668,519	3.0%	(1,286,539)	(22.7)%
Franchise stores and wholesale customers	325,611,869	94.3%	167,219,141	89.8%	158,392,728	94.7%
Total Cost of Revenue	**$ 345,118,553**	**100.0%**	**$ 186,201,939**	**100.0%**	**$ 158,916,614**	**85.3%**

Cost of revenue from directly-operated physical stores increased by $1,810,425, or 13.6%, from $13,314,279 for the fiscal year ended March 31, 2025 to $15,124,704 for the fiscal year ended March 31, 2026. The percentage increase in cost of revenue was largely in line with the percentage increase in revenue.

Cost of revenue from online stores and services decreased by $1,286,539, or 22.7%, from $5,668,519 for the fiscal year ended March 31, 2025 to $4,381,980 for the fiscal year ended March 31, 2026. The percentage decrease in cost of revenue was more than the percentage decrease in revenue, as discussed in greater detail below.

Cost of revenue from franchise stores and wholesale customers increased by $158,392,728, or 94.7%, from $167,219,141 for the fiscal year ended March 31, 2025 to $325,611,869 for the fiscal year ended March 31, 2026. The percentage increase in cost of revenue was more than the percentage increase in revenue, as discussed in greater detail below.

Gross Profit and Gross Margin

Our gross profit increased by $4,187,967, or 17.5%, from $23,917,299 for the fiscal year ended March 31, 2025 to $28,105,266 for the fiscal year ended March 31, 2026. The increase was mainly attributable to the overall increase in revenue. Our gross margin decreased by 3.9 percentage points from 11.4% for the fiscal year ended March 31, 2025 to 7.5% for the fiscal year ended March 31, 2026.

The decrease in overall gross margin was primarily attributable to shifts in our revenue mix, as revenue from franchise stores and wholesale customers, which carry relatively lower gross margins, accounted for a significantly larger proportion of total revenue during the fiscal year ended March 31, 2026. While this business model typically delivers lower gross margins, it is also characterized by lower operating expenses and reduced capital intensity, which aligns with our asset-light development strategy. During the fiscal year ended March 31, 2026, we continued to expand our wholesale customer base, distribution network and luxury product portfolio, driving rapid growth in our franchise stores and wholesale customer business and placing downward pressure on our overall gross margin. Management believes this deliberate strategic adjustment to our business mix will enhance operational efficiency, capital efficiency and the Company's long-term growth profile.

The following table sets forth the breakdown of our gross profit for the fiscal years ended March 31, 2026 and 2025, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2026	Margin %	2025	Margin %	Amount	%
Directly-operated physical stores	$ 4,662,549	23.6%	$ 3,791,210	22.2%	$ 871,339	23.0%
Online stores and services	2,306,099	34.5%	1,824,740	24.4%	481,359	26.4%
Franchise stores and wholesale customers	21,136,618	6.1%	18,301,349	9.9%	2,835,269	15.5%
Total Gross Margin and Margin %	**$ 28,105,266**	**7.5%**	**$ 23,917,299**	**11.4%**	**$ 4,187,967**	**17.5%**

The gross profit of directly-operated physical stores increased by $871,339, or 23.0%, from $3,791,210 for the fiscal year ended March 31, 2025 to $4,662,549 for the fiscal year ended March 31, 2026, which was mainly due to the increase in revenue. The gross margin from directly-operated physical stores remained relatively stable, with a slight increase of 1.4 percentage points from 22.2% for the fiscal year ended March 31, 2025 to 23.6% for the fiscal year ended March 31, 2026.

The gross profit of online stores and services increased by $481,359, or 26.4%, from $1,824,740 for the fiscal year ended March 31, 2025 to $2,306,099 for the fiscal year ended March 31, 2026. The gross margin from online stores and services increased by 10.1 percentage points, from 24.4% for the fiscal year ended March 31, 2025, to 34.5% for the fiscal year ended March 31, 2026. The increase was mainly due to the increased revenue from advertising services through KOLs as well as supporting services to online celebrities, which have relatively higher gross margins during the fiscal year ended March 31, 2026.

The gross profit of franchise stores and from wholesale customers increased by $2,835,269, or 15.5%, from $18,301,349 for the fiscal year ended March 31, 2025 to $21,136,618 for the fiscal year ended March 31, 2026, mainly due to the increased revenue from franchise stores and wholesale customers. The gross margin from franchise stores and wholesale customers decreased by 3.8 percentage points from 9.9% for the fiscal year ended March 31, 2025 to 6.1% for the fiscal year ended March 31, 2026. The decrease in gross margin was mainly due to the increased sales of luxury products which have relatively lower gross margins during the fiscal year ended March 31, 2026.

Operating Expenses

Our operating expenses consist of selling and marketing expenses and general and administrative expenses, which primarily include payroll, employee benefit expenses and bonus expenses, shipping expenses, promotion and advertising expenses, and other facility-related costs, such as store rent, utilities, and depreciation. Our operating expenses as a percentage of total revenue improved to 6.7% for the fiscal year ended March 31, 2026 from 9.1% for the fiscal year ended March 31, 2025. This 2.4 percentage points decline reflects early operating leverage across our business, as our revenue scaled faster than our operating cost base.

	For the Fiscal Years Ended March 31,					
	2026		2025		Variance	
	Amount	%	Amount	%	Amount	%
Other expenses	$ 8,352,143	33.6%	$ 5,704,627	29.7%	$ 2,647,516	46.4%
Provision for (net recovery of) credit losses	915,388	3.6%	(220,368)	(1.2)%	1,135,756	(515.4)%
Payroll, employee benefit expenses and bonus expenses	7,406,662	29.8%	6,546,165	34.1%	860,497	13.1%
Professional service fees	3,864,217	15.5%	3,237,457	16.9%	626,760	19.4%
Promotion and advertising expenses	772,712	3.1%	167,275	0.9%	605,437	361.9%
Lease expenses	2,779,487	11.2%	2,453,729	12.8%	325,758	13.3%
Transaction commission	792,858	3.2%	1,309,231	6.8%	(516,373)	(39.4)%
Total operating expenses	$ 24,883,467	100.0%	$ 19,198,116	100.0%	$ 5,685,351	29.6%

Operating expenses increased by $5,685,351, or 29.6%, from $19,198,116 for the fiscal year ended March 31, 2025 to $24,883,467 for the fiscal year ended March 31, 2026. The increase in operating expenses was primarily attributable to the following factors:

(1) an increase in other expenses by $2,647,516, or 46.4%, from $5,704,627 for the fiscal year ended March 31, 2025 to $8,352,143 for the fiscal year ended March 31, 2026. The increase was mainly due to higher shipping expenses and other costs resulting from the growth in the scale of the Company's operations;

(2) an increase in provision for credit losses by $1,135,756, or 515.4%, from a net recovery of credit losses of $220,368 for the fiscal year ended March 31, 2025, to a provision for credit losses of $915,388 for the fiscal year ended March 31, 2026. The increase in the provision for credit losses was mainly due to the significant increase in revenue and accounts receivable from franchise stores and wholesale customers, which resulted in a larger provision for credit losses during the fiscal year ended March 31, 2026;

(3) an increase in payroll, employee benefit expenses, and bonus expenses by $860,497, or 13.1%, from $6,546,165 for the fiscal year ended March 31, 2025 to $7,406,662 for the fiscal year ended March 31, 2026. The increase was mainly due to the increased headcount caused by the expansion of the Company's business operations;

(4) an increase in professional service fees by $626,760, or 19.4%, from $3,237,457 for the fiscal year ended March 31, 2025 to $3,864,217 for the fiscal year ended March 31, 2026. The increase was mainly due to higher service fees incurred to accelerate the collection of accounts receivable, partially offset by a decrease in professional fees paid for a series of financial investigation services that were required by banks in connection with the Company's borrowings;

(5) an increase in promotion and advertising expenses by $605,437, or 361.9%, from $167,275 for the fiscal year ended March 31, 2025 to $772,712 for the fiscal year ended March 31, 2026. The increase was mainly due to the Company's intensified advertising and promotional efforts during the fiscal year ended March 31, 2026 to drive sales revenue growth;

(6) an increase in lease expenses by $325,758, or 13.3%, from $2,453,729 for the fiscal year ended March 31, 2025 to $2,779,487 for the fiscal year ended March 31, 2026. The increase was mainly due to the opening of new physical stores in Hong Kong and Australia in the fiscal year ended March 31, 2026; and

(7) a decrease in transaction commission paid to third-party e-commerce marketplace operators by $516,373, or 39.4%, from $1,309,231 for the fiscal year ended March 31, 2025 to $792,858 for the fiscal year ended March 31, 2026. We paid third-party e-commerce marketplace operators transaction commission ranging from 1.8% to 3.0% based on our sales amount. The decrease in transaction commission was in line with the decrease in the Company's online sales.

Interest Expenses, net

Our interest expenses, net included interest expenses calculated at interest rate per loan agreements and loan service costs, which were directly incremental to the loan agreements and amortized over the loan periods. Our interest expenses, net increased by $262,664, or 15.2%, from $1,723,819 for the fiscal year ended March 31, 2025 to $1,986,483 for the fiscal year ended March 31, 2026. The increase was mainly due to an increase in interest expenses of $555,980, which was mainly due to the increased weighted average interest rate for the fiscal year ended March 31, 2026, which was partially offset by the decrease in amortized loan service costs in relation to our syndicated loans by $296,041.

Additional and Delinquent Tax Due to Consumption Tax Correction

Since January 2022, the Tokyo Regional Taxation Bureau had conducted a tax examination into our consumption tax filing for the period from July 2018 to December 2021. As a result of the examination, we were required to return consumption tax refund for export transactions that were determined not to meet the tax exemption requirements due to incomplete submission of relevant export documents. As the failure in submission of relevant export documents was caused by our suppliers and customers, we entered into agreements with relevant suppliers and customers to claim compensation for damages from the additional consumption tax payment.

On July 31, 2023, we received a reassessment notice from the Tokyo Regional Taxation Bureau, for additional consumption tax liability on a period-by-period basis. Based on this reassessment, we recognized the additional tax for understatement and delinquent tax of $628,876 during the fiscal year ended March 31, 2024.

However, we contested this reassessment and filed a request for review with the National Tax Tribunal on February 22, 2024, challenging the legality of the reassessment decision and the imposition of additional tax penalties. On February 13, 2025, we received a ruling from the National Tax Tribunal, dated February 12, 2025, which upheld our request and annulled the disposition. Accordingly, we recorded a recovery of $3,905,908 during the fiscal year ended March 31, 2025, representing the reversal of upward consumption tax adjustments and the corresponding understatement surcharges and delinquent taxes imposed under the now-annulled reassessment.

As the annulment also invalidated the downward consumption tax adjustments granted by the tax bureau for certain other filing periods, we were required to reinstate those tax liabilities to the amounts set forth in our original amended tax return. Therefore, during the fiscal year ended March 31, 2026, we recognized $2,181,256 in additional consumption tax and related understatement surcharges.

Other Income, net

Our other income, net primarily includes tax refund, disposal gain or loss from property and equipment, government subsidy, and other immaterial income and expense items. Other income, net increased by $2,552,455, or 700.7%, from $364,294 for the fiscal year ended March 31, 2025 to $2,916,749 for the fiscal year ended March 31, 2026. The increase was mainly due to the increased gain from disposal of property and equipment as compared to the same period last year.

Gain (loss) from Foreign Currency Exchange

Gain from foreign currency exchange was $364,116 for the fiscal year ended March 31, 2026 as compared to a loss from foreign currency exchange of $440,055 for the fiscal year ended March 31, 2025. The gain from foreign currency exchange was mainly due to the fluctuations of foreign exchange rates on our accounts receivable that denominated in foreign currencies such as U.S. dollar during the fiscal year ended March 31, 2026. It was also due to the gain from foreign currency exchange by our Hong Kong subsidiaries, which was mainly due to the significant fluctuations of foreign exchange rate on its payables that were denominated in Japanese Yen during the fiscal year ended March 31, 2026.

Change in Fair Value of Warrants Liabilities

In connection with our IPO, we agreed to issue warrants to the representative of the underwriters for the IPO on January 13, 2022. On January 26, 2024, we entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell 597,015 of its ADSs, at a purchase price of $6.70 per ADS. In the concurrent private placement, the Company also issued to the same investors 597,015 ADS purchase warrants The number of ADSs and the purchase price per ADS have been adjusted to reflect the ADS Ratio Change. The number of ADS purchase warrants was reset to 1,460,328 ADS purchase warrants upon the ADS Ratio Change effected on November 15, 2024. These warrants were classified as liability at fair value, and are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our consolidated statements of operations and comprehensive income (loss). Change in fair value of the warrants liabilities amounted to $1,438,866 and $(2,050,211) during the fiscal years ended March 31, 2026 and 2025, respectively.

Provision (Benefit) for Income Taxes

Our provision for income taxes was $3,102,686 for the fiscal year ended March 31, 2026, compared to an income tax benefit of $1,883,237 for the fiscal year ended March 31, 2025. The provision for income taxes increased by $4,985,923, or 264.8%. The increase was mainly due to (i) higher current income tax expenses resulting from increased taxable income during the fiscal year ended March 31, 2026; (ii) the refund of tax recognized in the prior fiscal year following the ruling from the National Tax Tribunal, dated February 12, 2025, which increased the income tax benefit for the fiscal year ended March 31, 2025; and (iii) increased deferred income tax expenses arising from additional deferred tax liabilities resulting from the increase in the change in fair value of warrants liabilities during the fiscal year ended March 31, 2026.

Net Income

As a result of the foregoing, we reported a net income of $651,296 and $6,638,488 for the fiscal years ended March 31, 2026 and 2025, respectively.

Comparison of Results of Operations for the Fiscal Years Ended March 31, 2025 and 2024

The following table summarizes the results of our operations during the fiscal years ended March 31, 2025 and 2024, respectively, and provides information regarding the dollar and percentage increase or (decrease) during such fiscal years.

	For the Fiscal Years Ended March 31,		Variance	
	2025	2024	Amount	%
REVENUE	**$ 210,119,238**	**$ 195,681,315**	**$ 14,437,923**	**7.4%**
COSTS AND OPERATING EXPENSES				
Merchandise costs	186,201,939	172,306,308	13,895,631	8.1%
Selling, general and administrative expenses	19,198,116	17,597,125	1,600,991	9.1%
Total costs and operating expenses	205,400,055	189,903,433	15,496,622	8.2%
INCOME FROM OPERATIONS	**4,719,183**	**5,777,882**	**(1,058,699)**	**(18.3)%**
OTHER INCOME (EXPENSES)				
Interest expense, net	(1,723,819)	(1,611,141)	(112,678)	7.0%
Additional and delinquent tax due to consumption tax correction	3,905,908	(628,876)	4,534,784	(721.1)%
Gain from disposal of equity method investment	-	190,571	(190,571)	(100.0)%
Gain from disposal of a subsidiary	-	341,139	(341,139)	(100.0)%
Other income, net	364,294	760,435	(396,141)	(52.1)%
Gain (loss) from foreign currency exchange	(440,055)	3,065,971	(3,506,026)	(114.4)%
Change in fair value of warrants liabilities	(2,050,211)	109,173	(2,159,384)	(1,977.9)%
Loss from equity method investments	(20,049)	(69,444)	49,395	(71.1)%
Total other income, net	36,068	2,157,828	(2,121,760)	(98.3)%
INCOME BEFORE INCOME TAX PROVISION (BENEFIT)	**4,755,251**	**7,935,710**	**(3,180,459)**	**(40.1)%**
PROVISION (BENEFIT) FOR INCOME TAXES	(1,883,237)	456,774	(2,340,011)	(512.3)%
NET INCOME	**$ 6,638,488**	**$ 7,478,936**	**$ (840,448)**	**(11.2)%**

Revenue

We generated revenue primarily from: (i) directly-operated physical stores in Japan, Hong Kong, the United States, and Canada, (ii) online stores through our websites and various e-commerce marketplaces in Japan, as well as services income from advertising business through KOLs as well as supporting services to online celebrities, and (iii) franchise stores in Japan, Hong Kong, the U.S., Canada, Thailand, and the U.K., and wholesale customers in Japan and other countries, including Hong Kong, the U.S., and Canada.

Our total revenue increased by $14,437,923, or 7.4%, from $195,681,315 for the fiscal year ended March 31, 2024 to $210,119,238 for the fiscal year ended March 31, 2025. The increase in our revenue consists of increased revenue from directly-operated physical stores and franchise stores and wholesale customers, which was partially offset by the decreased revenue from online stores and services. Revenue generated from companies located in Japan accounted for 70.5% and 77.8% of our total revenue for the fiscal years ended March 31, 2025 and 2024, respectively. Revenue generated from companies located in Hong Kong and others accounted for 29.5% and 22.2% of our total revenue for the fiscal years ended March 31, 2025 and 2024, respectively.

The following table sets forth the breakdown of our revenue for the fiscal years ended March 31, 2025 and 2024, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2025	%	2024	%	Amount	%
Directly-operated physical stores	$ 17,105,489	8.1%	$ 14,951,952	7.6%	$ 2,153,537	14.4%
Online stores and services	7,493,259	3.6%	10,705,449	5.5%	(3,212,190)	(30.0)%
Franchise stores and wholesale customers	185,520,490	88.3%	170,023,914	86.9%	15,496,576	9.1%
Total Revenue	**$ 210,119,238**	**100.0%**	**$ 195,681,315**	**100.0%**	**$ 14,437,923**	**7.4%**

Revenue from directly-operated physical stores increased by $2,153,537, or 14.4%, from $14,951,952 for the fiscal year ended March 31, 2024 to $17,105,489 for the fiscal year ended March 31, 2025. The increase was mainly due to increased revenue generated from the United States and Canada resulting from full year operations of our existing directly-operated physical stores in these countries, as well as three newly-opened physical stores in the United States. Meanwhile, revenue generated from Hong Kong also increased since we opened one physical store during the fiscal year ended March 31, 2025. In addition, we offered promotion activities and price discounts to our customers, which attracted more customers to make purchases at our physical stores, and revenue from our existing physical stores in Hong Kong also increased in the fiscal year ended March 31, 2025 as compared to last year. The above-mentioned increase was partially offset by decreased revenue from directly-operated physical stores in Japan. During the fiscal year ended March 31, 2024, the Company started to offer luxury products, which contributed a significant portion of directly-operated physical stores sales in Japan. However, the sales of luxury products were unstable and decreased during the fiscal year ended March 31, 2025, as compared to last year.

Revenue from online stores and services decreased by $3,212,190, or 30.0%, from $10,705,449 for the fiscal year ended March 31, 2024 to $7,493,259 for the fiscal year ended March 31, 2025. The decrease was mainly due to a decreased number of online stores as the Company closed some underperformed online stores to improve the Company's profitability.

Revenue from franchise stores and wholesale customers increased by $15,496,576, or 9.1%, from $170,023,914 for the fiscal year ended March 31, 2024 to $185,520,490 for the fiscal year ended March 31, 2025. The increase was mainly due to the Company's continuous effort in extending its products offering as the Company's total SKUs increased from approximately 151,700 SKUs during the fiscal year ended March 31, 2024, to approximately 201,300 SKUs during the fiscal year ended March 31, 2025. In addition, there was increased revenue from the new wholesale customers because the Company continued to develop the Company's customer base by entering into business relationships with new wholesale customers during the fiscal year ended March 31, 2025.

The following table sets forth the breakdown of our revenue denominated in Japanese Yen for the fiscal years ended March 31, 2025 and 2024, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2025	%	2024	%	Amount	%
Directly-operated physical stores	¥ 2,597,617,412	8.1%	¥ 2,141,995,463	7.6%	¥ 455,621,949	21.3%
Online stores and services	1,139,600,122	3.6%	1,541,494,978	5.5%	(401,894,856)	(26.1)%
Franchise stores and wholesale customers	28,215,579,970	88.3%	24,524,596,422	86.9%	3,690,983,548	15.1%
Total Revenue	**¥31,952,797,504**	**100.0%**	**¥28,208,086,863**	**100.0%**	**¥3,744,710,641**	**13.3%**

Our total revenue denominated in Japanese Yen increased by ¥3,744,710,641, or 13.3%, from ¥28,208,086,863 for the fiscal year ended March 31, 2024 to ¥31,952,797,504 for the fiscal year ended March 31, 2025. The increase was mainly due to increased revenue from franchise stores and wholesale customers by ¥3,690,983,548, or 15.1%, from ¥24,524,596,422 for the fiscal year ended March 31, 2024 to ¥28,215,579,970 for the fiscal year ended March 31, 2025, as well as increased revenue from directly-operated physical stores by ¥455,621,949, or 21.3%, from ¥2,141,995,463 for the fiscal year ended March 31, 2024 to ¥2,597,617,412 for the fiscal year ended March 31, 2025. The increase was partially offset by the decreased revenue from online stores and services by ¥401,894,856, or 26.1%, from ¥1,541,494,978 for the fiscal year ended March 31, 2024 to ¥1,139,600,122 for the fiscal year ended March 31, 2025.

Cost of Revenue

The following table sets forth the breakdown of our cost of revenue for the fiscal years ended March 31, 2025 and 2024, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2025	%	2024	%	Amount	%
Directly-operated physical stores	$ 13,314,279	7.2%	$ 11,916,702	6.9%	$ 1,397,577	11.7%
Online stores and services	5,668,519	3.0%	7,920,348	4.6%	(2,251,829)	(28.4)%
Franchise stores and wholesale customers	167,219,141	89.8%	152,469,258	88.5%	14,749,883	9.7%
Total Cost of Revenue	**$ 186,201,939**	**100.0%**	**$ 172,306,308**	**100.0%**	**$ 13,895,631**	**8.1%**

Cost of revenue from directly-operated physical stores increased by $1,397,577, or 11.7%, from $11,916,702 for the fiscal year ended March 31, 2024 to $13,314,279 for the fiscal year ended March 31, 2025. Cost of revenue from online stores and services decreased by $2,251,829, or 28.4%, from $7,920,348 for the fiscal year ended March 31, 2024 to $5,668,519 for the fiscal year ended March 31, 2025. Cost of revenue from franchise stores and wholesale customers increased by $14,749,883, or 9.7%, from $152,469,258 for the fiscal year ended March 31, 2024 to $167,219,141 for the fiscal year ended March 31, 2025. The percentage change in cost of revenue was largely in line with the percentage change in revenue.

Gross Profit and Gross Margin

The following table sets forth the breakdown of our gross profit for the fiscal years ended March 31, 2025 and 2024, respectively:

	For the Fiscal Years Ended March 31,				Variance	
	2025	Margin %	2024	Margin %	Amount	%
Directly-operated physical stores	$ 3,791,210	22.2%	$ 3,035,250	20.3%	$ 755,960	24.9%
Online stores and services	1,824,740	24.4%	2,785,101	26.0%	(960,361)	(34.5)%
Franchise stores and wholesale customers	18,301,349	9.9%	17,554,656	10.3%	746,693	4.3%
Total Gross Margin and Margin %	**$ 23,917,299**	**11.4%**	**$ 23,375,007**	**11.9%**	**$ 542,292**	**2.3%**

The gross profit of directly-operated physical stores increased by $755,960, or 24.9%, from $3,035,250 for the fiscal year ended March 31, 2024 to $3,791,210 for the fiscal year ended March 31, 2025, which was mainly due to the increase in revenue. The gross margin from directly-operated physical stores increased by 1.9 percentage points from 20.3% for the fiscal year ended March 31, 2024 to 22.2% for the fiscal year ended March 31, 2025. Our physical stores in the United States and Canada contributed higher gross margin, which have boosted our overall gross margin during the fiscal year ended March 31, 2025 as compared to last year. The increase was partially offset by the decreased gross margin from physical stores in Hong Kong, as we offered promotion activities and price discounts to attract more customer in the fiscal year ended March 31, 2025 as mentioned above.

The gross profit of online stores and services decreased by $960,361, or 34.5%, from $2,785,101 for the fiscal year ended March 31, 2024 to $1,824,740 for the fiscal year ended March 31, 2025, which was in line with the decrease in revenue from online stores and services. The gross margin from online stores and services decreased slightly by 1.6 percentage points from 26.0% for the fiscal year ended March 31, 2024 to 24.4% for the fiscal year ended March 31, 2025.

The gross profit of franchise stores and from wholesale customers increased by $746,693, or 4.3%, from $17,554,656 for the fiscal year ended March 31, 2024 to $18,301,349 for the fiscal year ended March 31, 2025, mainly due to the increased revenue from franchise stores and wholesale customers. The gross margin from franchise stores and wholesale customers remained relatively stable with a slight decrease of 0.4 percentage points from 10.3% for the fiscal year ended March 31, 2024 to 9.9% for the fiscal year ended March 31, 2025.

Operating Expenses

Our operating expenses consist of selling and marketing expenses and general and administrative expenses, which primarily include payroll, employee benefit expenses and bonus expenses, shipping expenses, promotion and advertising expenses, and other facility-related costs, such as store rent, utilities, and depreciation. Our operating expenses accounted for 9.1% and 9.0% of our revenue for the fiscal years ended March 31, 2025 and 2024, respectively.

	For the Fiscal Years Ended March 31,					
	2025		2024		Variance	
	Amount	%	Amount	%	Amount	%
Net recovery of credit losses	$ (220,368)	(1.2)%	$ (2,043,939)	(11.6)%	$ 1,823,571	(89.2)%
Payroll, employee benefit expenses and bonus expenses	6,546,165	34.1%	5,682,429	32.3%	863,736	15.2%
Lease expenses	2,453,729	12.8%	1,978,211	11.2%	475,518	24.0%
Transaction commission	1,309,231	6.8%	1,921,577	10.9%	(612,346)	(31.9)%
Promotion and advertising expenses	167,275	0.9%	752,425	4.3%	(585,150)	(77.8)%
Professional service fees	3,237,457	16.9%	3,548,374	20.2%	(310,917)	(8.8)%
Other expenses	5,704,627	29.7%	5,758,048	32.7%	(53,421)	(0.9)%
Total operating expenses	$ 19,198,116	100.0%	$ 17,597,125	100.0%	$ 1,600,991	9.1%

Operating expenses increased by $1,600,991, or 9.1%, from $17,597,125 for the fiscal year ended March 31, 2024 to $19,198,116 for the fiscal year ended March 31, 2025. The increase in operating expenses was primarily attributable to the following factors:

(1) a decrease in net recovery of credit losses by $1,823,571, or 89.2%, from $(2,043,939) for the fiscal year ended March 31, 2024 to $(220,368) for the fiscal year ended March 31, 2025. The decrease in net recovery of credit losses was mainly due to the collection of long-term receivables and accounts receivable, causing a large net recovery of credit losses during the fiscal year ended March 31, 2024;

(2) an increase in payroll, employee benefit expenses, and bonus expenses by $863,736, or 15.2%, from $5,682,429 for the fiscal year ended March 31, 2024 to $6,546,165 for the fiscal year ended March 31, 2025. The increase was mainly due to increased payroll, employee benefit expenses, and bonus expenses of $1.3 million in Hong Kong, the United States, and Canada, which was due to the increased headcount caused by the expansion of the Company's business operation in these regions. The increase was partially offset by the decreased payroll, employee benefit expenses, and bonus expenses of $0.4 million in Japan, which were attributable to the decreased headcount resulting from the implementation of cost control as well as the transformation of the Company's directly-operated physical stores in Japan;

(3) an increase in lease expenses by $475,518, or 24.0%, from $1,978,211 for the fiscal year ended March 31, 2024 to $2,453,729 for the fiscal year ended March 31, 2025. The increase was mainly due to the full year operations of our existing directly-operated physical stores in the United States and Canada, as well as the opening of new physical stores in the United States and Hong Kong in the fiscal year ended March 31, 2025;

(4) a decrease in transaction commission paid to third-party e-commerce marketplace operators by $612,346, or 31.9%, from $1,921,577 for the fiscal year ended March 31, 2024 to $1,309,231 for the fiscal year ended March 31, 2025. We paid third-party e-commerce marketplace operators transaction commission ranging from 1.8% to 3.0% based on our sales amount. The decrease in transaction commission was in line with the decrease in the Company's online sales;

(5) a decrease in promotion and advertising expenses by $585,150, or 77.8%, from $752,425 for the fiscal year ended March 31, 2024 to $167,275 for the fiscal year ended March 31, 2025. The decrease was mainly due to the Company's effort in cost control as well as decreased promotion and advertising expenses for the Company's physical stores as the Company has transferred some of the Company's physical stores into franchise stores; and

(6) a decrease in professional service fees by $310,917, or 8.8%, from $3,548,374 for the fiscal year ended March 31, 2024 to $3,237,457 for the fiscal year ended March 31, 2025. The decrease was mainly due to the decreased professional fees paid to our lawyers for services incurred for the consumption tax examination and issuance of shares.

Interest Expenses, net

Our interest expenses, net included interest expenses calculated at interest rate per loan agreements and loan service costs, which were directly incremental to the loan agreements and amortized over the loan periods. Our interest expenses, net increased by $112,678, or 7.0%, from $1,611,141 for the fiscal year ended March 31, 2024 to $1,723,819 for the fiscal year ended March 31, 2025. The increase was mainly due to an increase in interest expenses of $441,203, which was mainly due to the increased weighted average interest rate for the fiscal year ended March 31, 2025, which was partially offset by the decrease in amortized loan service costs in relation to our syndicated loans by $328,525.

Additional and Delinquent Tax Due to Consumption Tax Correction

Since January 2022, the Tokyo Regional Taxation Bureau had conducted a tax examination into the Company's consumption tax filing for the period from July 2018 to December 2021. As a result of the examination, we were required to return consumption tax refund for export transactions that were determined not to meet the tax exemption requirements due to incomplete submission of relevant export documents. As the failure in submission of relevant export documents was caused by our suppliers and customers, we entered into agreements with relevant suppliers and customers to claim compensation for damages from the additional consumption tax payment. Due to this consumption tax correction, we were required to pay the additional tax for understatement and delinquent tax of $628,876 based on the final assessment by the Tokyo Regional Taxation Bureau, which we recorded during the fiscal year ended March 31, 2024. However, we filed a request for review with the National Tax Tribunal on February 22, 2024, challenging the legality of the reassessment decision and the imposition of additional tax penalties issued by the Tokyo Regional Taxation Bureau. On February 13, 2025, the Company received a ruling from the National Tax Tribunal, dated February 12, 2025, which upheld our request and annulled the disposition. Hence, we recorded a recovery of additional tax for understatement and delinquent tax of $3,905,908 after the ruling during the fiscal year ended March 31, 2025.

Gain from Disposal of Equity Method Investment

On December 25, 2020, we and an individual investor established Palpito Co., Ltd. ("Palpito"), a stock company incorporated in Japan pursuant to the laws of Japan. We owned 40% of the equity interests of Palpito and the registered capital was fully injected on December 31, 2020. On June 30, 2023, we entered into a share transfer agreement with DinnerBank Co., Ltd. ("DinnerBank"), formerly known as Seihinkokusai Co., Ltd., a related party of the company to sell our 40% equity interests in Palpito to DinnerBank for a cash consideration of ¥40,000,000 ($300,760). The cash consideration was fully received, and the transactions were completed on July 1, 2023, and we recorded a gain from disposal of equity method investment of $190,571 for the fiscal year ended March 31, 2024.

Gain from Disposal of a Subsidiary

On June 30, 2023, we entered into a share transfer agreement with DinnerBank, a related party of the Company to sell our 100% equity interest in Kaika International to DinnerBank, for a cash consideration of ¥5,000,000 ($37,595). The cash consideration was fully received and the transactions were completed on July 1, 2023, and we recorded a gain from disposal of Kaika International of $341,139 for the fiscal year ended March 31, 2024.

Other Income, net

Our other income, net primarily includes tax refund, disposal gain or loss from property and equipment, government subsidy, and other immaterial income and expense items. Other income, net decreased by $396,141, or 52.1%, from $760,435 for the fiscal year ended March 31, 2024 to $364,294 for the fiscal year ended March 31, 2025. The decrease was mainly due to the decreased gain from disposal of property and equipment as compared to the same period of last year.

Gain (loss) from Foreign Currency Exchange

Loss from foreign currency exchange was $440,055 for the fiscal year ended March 31, 2025 as compared to a gain from foreign currency exchange of $3,065,971 for the fiscal year ended March 31, 2024. The loss from foreign currency exchange was mainly due to the fluctuations of foreign exchange rates on our accounts receivable that denominated in foreign currencies such as U.S. dollar during the fiscal year ended March 31, 2025. It was also due to the loss from foreign currency exchange by our Hong Kong subsidiaries, which was mainly due to the significant fluctuations of foreign exchange rate on its payables that were denominated in Japanese Yen during the fiscal year ended March 31, 2025.

Change in Fair Value of Warrants Liabilities

In connection with our IPO, we agreed to issue warrants to the representative of the underwriters for the IPO on January 13, 2022. On January 26, 2024, we entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell 597,015 of its ADSs, at a purchase price of $6.70 per ADS. In the concurrent private placement, the Company also issued to the same investors 597,015 ADS purchase warrants The number of ADSs and the purchase price per ADS have been adjusted to reflect the ADS Ratio Change. The number of ADS purchase warrants was reset to 1,460,328 ADS purchase warrants upon the ADS Ratio Change effected on November 15, 2024. These warrants were classified as liability at fair value, and are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our consolidated statements of operations and comprehensive income (loss). Change in fair value of the warrants liabilities amounted to $(2,050,211) and $109,173 during the fiscal years ended March 31, 2025 and 2024, respectively.

Loss from Equity Method Investment

As mentioned above, we owned 40% of the equity interests in Palpito before we sold it to DinnerBank on June 30, 2023, and our loss from this equity method investment was $69,444 for the fiscal year ended March 31, 2024. On October 17, 2024, we invested ¥3.0 million (approximately $20,086) in Crossing Cards, with a core business of retail and wholesale of collectible cards. We own 27.27% of Crossing Cards and the registered capital was fully injected in October 2024. Our loss from this equity method investment was $20,049 for the fiscal year ended March 31, 2025.

Provision (Benefit) for Income Taxes

Our benefit for income taxes was $1,883,237 for the fiscal year ended March 31, 2025 as compared to provision for income taxes of $456,774 for the fiscal year ended March 31, 2024. Our provision for income taxes decreased by $2,340,011, or 512.3%. The decrease in provision for income taxes was mainly due to the decreased current income tax expenses resulting from decreased taxable income for the fiscal year ended March 31, 2025 and the refund of tax after the ruling from the National Tax Tribunal, dated February 12, 2025 as mentioned above.

Net Income

As a result of the foregoing, we reported a net income of $6,638,488 and $7,478,936 for the fiscal years ended March 31, 2025 and 2024, respectively.

B. Liquidity and Capital Resources

As reflected in the consolidated financial statements, we had a net income of $0.7 million and cash used in operating activities of $10.3 million for the fiscal year ended March 31, 2026. Our working capital increased by $15.3 million from $35.8 million as of March 31, 2025 to $51.1 million as of March 31, 2026.

As of March 31, 2026, we had $2,115,342 in cash as compared to $4,819,639 as of March 31, 2025. As of March 31, 2026, we also had approximately $186.8 million of accounts receivable balance due from third parties. Approximately 22.3% of the March 31, 2026 balance has subsequently been collected, and the majority of the remaining balance is expected to be collected by December 31, 2026. The collection of such receivables made cash available for use in our operations as working capital, if necessary.

As of March 31, 2026, our merchandise inventories balance amounted to approximately $14.4 million, which we believe can be sold quickly based on the analysis of the current trends in demand for our products. As of March 31, 2026, we also had approximately $50.3 million in short-term borrowings and $13.3 million in long-term borrowings outstanding. We successfully extended the syndicated loans and one short-term loan with maturity date until March 31, 2027, and another long-term loan with maturity date until April 30, 2027. We expect that we will be able to renew all of the existing bank loans upon their maturity based on our past experience and outstanding credit history.

Short-term borrowings consisted of the following:

	Maturity	Interest Rate	March 31, 2026	March 31, 2025
Syndicated Loans (1)	March 2027	TIBOR^(3M)+0.70% - TIBOR (1M)+1.20%	$ 42,318,277	$ 52,241,749
Resona Bank (2)	March 2027	3.40% - 4.05%	1,120,872	1,331,000
Best Life Technology (3)	August 2026	5.6%	2,749,430	2,750,743
Loans from HSBC (4)	April 2026 - June 2026	HIBOR#+2%	4,130,739	1,579,715
Total short-term borrowings			$ 50,319,318	$ 57,903,207

The terms of the various loan agreements related to short-term borrowings contain certain restrictive covenants which, among other things, require the Company to maintain specified ratios of debt to tangible net assets and debt service coverage, and positive net income. The terms also prohibit the Company from entering into transactions that may have a significant adverse impact on the Company's ability to fulfil its loan obligations, including but not limited to, reorganization of the Company or its subsidiaries, transferring part or all of the Company's business or assets to third parties, or receiving part or all of business or assets from other third-party companies. The Company was in compliance with such covenants as of the March 31, 2026 and 2025.

^ TIBOR is an acronym for the Tokyo Interbank Offered Rate, which is the daily reference rate derived from the interest rate that banks charge to lend funds to other banks in the Japanese interbank market.

HIBOR is an acronym for the Hong Kong Interbank Offered Rate, which is the daily reference rate derived from the interest rate that banks charge to lend funds to other banks in the Hong Kong interbank market.

(1) On September 27, 2022, the Company entered into a one-year syndicated loan agreement, which was effective from September 30, 2022, with a consortium of banks, with an aggregate credit line of ¥8.15 billion (approximately $61.3 million), and the interest rate was adjusted to TIBOR (3M)+0.70%. As of March 31, 2023, the Company borrowed an aggregated of ¥8.15 billion (approximately $61.3 million) under the agreement, and the net outstanding balance of this loan was approximately ¥8.1 billion (approximately $60.6 million), net off the unamortized loan service cost of ¥85.6 million ($643,438). On September 22, 2023, the Company extended the loan on a three-month basis for an additional six months with a maturity date on March 29, 2024, and the interest rate was adjusted to TIBOR (1M)+1.20%. Subsequently, the Company made multiple loan extensions with the banks and extended the loans with a maturity date of March 31, 2027. The interest rate remained at TIBOR (1M)+1.20%. As of March 31, 2026, the total outstanding balance of this loan was approximately ¥6.73 billion (approximately $42.3 million). The syndicated loan is guaranteed by Mr. Kanayama, the representative director, director, and controlling shareholder of the Company.

(2) The loan is guaranteed by Mr. Kanayama. The Company made multiple loan extensions with the bank and extended the loan with a new maturity date of March 31, 2027.

(3) The Company made a loan extension with the borrower and extended the loan with a new maturity date of August 4, 2026.

(4) On September 25, 2024 and April 14, 2025, the Company entered into two bank facilities with credit lines of HK$10.0 million (approximately $1.3 million) and HK$18.0 million (approximately $2.3 million), respectively. Subsequently, on January 19, 2026, the credit line of the facility dated September 25, 2024 was increased to HK$15.0 million (approximately $1.9 million). The aggregate credit line amounted to HK$33.0 million (approximately $4.2 million) as of March 31, 2026. The interest rate was HIBOR+2%, and each maximum financing period for each drawing shall not exceed 90 days. As of March 31, 2026, the Company borrowed an aggregate of HK$32.4 million (approximately $4.1 million) under the facilities. As of the date of this report, the Company has repaid approximately $4.1 million and borrowed additional $3.4 million under the facilities. The bank facilities are guaranteed by Mr. Kanayama and the legal representative of TLS.

Long-term borrowings consisted of the following:

	Maturity	Interest Rate	March 31, 2026	March 31, 2025
Japan Finance Corporation (1)	April 2027	3.20%	$ 1,057,431	$ 1,255,660
BOT Lease Co., Ltd. (2)	March 2028	TIBOR (3M) + 6.0%	1,257,200	1,331,000
MUFG Bank (3)	August 2026	TIBOR (3M) + 0.8%	-	4,192,650
The Hong Kong and Shanghai Banking Corporation Limited (4)	July 2026 - February 2033	2.75% - 6.15%	1,209,921	345,303
DFL-Shutoken Leasing (Hong Kong) Company Limited	June 2024 - October 2025	2.990%	-	83,690
Kyrin Starway Limited (5)	No Maturity Date	4.68%	7,231,748	-
Xinrongji Catering Service (HK) Co., Ltd.	February 2031	1.20%	2,551,020	-
Total long-term borrowings			$ 13,307,320	$ 7,208,303
Current portion of long-term borrowings			$ 1,790,579	$ 706,531
Non-current portion of long-term borrowings			$ 11,516,741	$ 6,501,772

(1) The Company made multiple loan extensions with the bank with a new maturity date of April 30, 2026. On April 14, 2026, the Company further extended the loan with a revised maturity date of April 30, 2027.

(2) The loan bears an interest rate of TIBOR (3M)+6.0% (in the case EBITDA exceeds ¥0) or TIBOR (3M)+0.7% (in the case EBITDA is ¥0 or less).

(3) In connection with the Company's bank borrowings from MUFG Bank, the Company pledged a piece of land of 16,165 square feet with a carrying value of ¥340.1 million (approximately $2.3 million) as of March 31, 2025 as collateral to safeguard the loan. The loan was fully repaid during the fiscal year ended March 31, 2026.

(4) Guaranteed by Mr. Kanayama. One of the loans was repaid in full upon maturity.

(5) On June 27, 2025, the Company entered into a revolving loan facility agreement with the borrower, pursuant to which the Company obtained a revolving loan facility in the amount of approximately $12.8 million (HK$100.0 million) for a period of five years since the date of the agreement, at the interest rate of 4.68%. As of March 31, 2026, the Company borrowed an aggregate of HK$56.7 million (approximately $7.2 million) under the facilities. As of the date of this report, the Company has borrowed additional HK$18.1 million (approximately $2.3 million) under the facility.

As of March 31, 2026, our working capital balance was approximately $51.1 million. In assessing our liquidity, our management monitors and analyzes our cash on hand, our ability to generate sufficient revenue sources in the future, and our operating and capital expenditure commitments. We believe our cash on hand, our operating cash flows and the available bank facilities will be sufficient to meet our working capital needs over the next 12 months. However, if we were to experience an adverse operating environment or incur unanticipated capital expenditures, or if we decide to accelerate our growth, then additional financing may be required. Our capital expenditures, including development costs related to the opening additional physical stores and facilities, maintenance and remodel expenditures, and other capital needs such as other infrastructure to support ongoing operational initiatives have been and will continue to be significant. We cannot guarantee, however, that additional financing, if required, would be available at all or on favorable terms. Such financing may include the use of additional debts or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders.

We have implemented various measures to control our operating costs. Currently, in order to improve our cash flow and working capital, we have transformed another one of our underperformed directly-operated physical stores into a franchise store during the fiscal year ended March 31, 2026, so that we could improve our profitability by saving on our operating expenditure. As part of our long-term strategy, we will continue investing in IT and equipment to enhance operational efficiency and reduce costs, and we plan to continue exploring new markets while enhancing our current presence in Japan, Hong Kong, the U.S., the U.K., and Canada by analyzing features of customer trends in different regions, continuously focusing on improving customer in-store experience, further expanding our distribution network, and exploring new partnership opportunities. During the fiscal year ended March 31, 2026, we opened another two directly-operated physical stores in Hong Kong. In the next three years, we intend to open 20 additional directly-operated physical stores in the U.S., Canada, Hong Kong, Australia, Thailand, and Taiwan, and expect the expenses related to opening these stores to be approximately $5.5 million to $5.8 million; we also intend to add an aggregate of 23 new franchise stores in Japan, Southeast Asia, Macau and Europe. We plan to extend our product offerings by cooperating with beauty product and other product suppliers to develop our own private label products. We believe this will help us attract additional customers, enhance the shopping experience of our existing customer base, encourage repeat purchases, and increase customer engagement and loyalty. Even though we still expect to invest a significant amount of resources on our current expansion plans in the next few years, we are confident that we would be able to generate sufficient net income and cash flow from the operating activities of our planned new stores in the long run to support our future operations.

The following table sets forth summaries of our cash flows for the periods indicated:

	For the Fiscal Years ended March 31,		
	2026	**2025**	**2024**
Net cash provided by (used in) operating activities	$ (10,298,059)	$ (598,739)	$ 1,911,955
Net cash provided by (used in) investing activities	6,096,783	(964,193)	2,713,914
Net cash provided by (used in) financing activities	4,242,735	3,967,618	(1,781,306)
Effect of exchange rate change on cash	(2,745,756)	(60,585)	(2,135,466)
Net increase (decrease) in cash	(2,704,297)	2,344,101	709,097
Cash at beginning of year	4,819,639	2,475,538	1,766,441
Cash at end of year	$ 2,115,342	$ 4,819,639	$ 2,475,538

Operating Activities

Net cash used in operating activities was $10,298,059 for the fiscal year ended March 31, 2026, mainly derived from net income of $651,296 for the year, and net changes in our operating assets and liabilities, which mainly included increased accounts receivable of $87.3 million, increased merchandise inventories of $10.7 million, decreased accounts payable to related parties of $2.7 million and decreased operating lease liabilities of $2.5 million, which was partially offset by the increased accounts payable of $86.3 million, increased deferred revenue of $1.3 million and increased other payables and other current liabilities of $1.2 million.

Net cash used in operating activities was $598,739 for the fiscal year ended March 31, 2025, mainly derived from a net income of $6,638,488 for the year, and net changes in our operating assets and liabilities, which mainly included increased prepaid expenses and other current assets of $10.8 million, and decreased taxes payable of $8.9 million, which was partially offset by the increased deferred revenue of $8.0 million, increased accounts payable of $2.9 million and a decrease in compensation receivable for consumption tax of $0.7 million as we have received payments from the debtors according to the collection plan. We entered into a sales agreement with a wholesale customers and received advance payment of $6.9 million during the fiscal year ended March 31, 2025. In order to fulfill the sales agreement, we made advance payments to our suppliers to secure the products. Therefore, our prepaid expenses and other current assets and deferred revenue increased significantly during the fiscal year ended March 31, 2025.

Net cash provided by operating activities was $1,911,955 for the fiscal year ended March 31, 2024, mainly derived from a net income of $7,478,936 for the year, and net changes in our operating assets and liabilities, which mainly included a decrease in compensation receivable for consumption tax of $11,284,665 as we have received payments from the debtors according to the collection plan, and an increase in accounts payable of $13,816,414 as we negotiated longer payment terms with our suppliers. Our merchandise inventories decreased by $2,355,034 due to our strengthening inventory management to minimize inventory backlog and improve inventory turnover rate. Meanwhile, accounts receivable due from third parties increased by $24,747,655 as a result of our increased sales, and taxes payable decreased by $6,977,961 as we have made payments to tax authority for the additional consumption tax as a result of the consumption tax examination as mentioned above during the fiscal year ended March 31, 2024.

Investing Activities

Net cash provided by investing activities amounted to $6,096,783 for the fiscal year ended March 31, 2026, mainly due to proceeds from disposal of property and equipment in the aggregate amount of $6,988,761, partially offset by an investment in a life insurance policy of $601,771 and purchases of property and equipment of $313,995.

Net cash used in investing activities amounted to $964,193 for the fiscal year ended March 31, 2025, mainly due to purchases of property and equipment in the aggregate amount of $992,068, partially offset by proceeds from disposal of property and equipment of $39,367.

Net cash provided by investing activities amounted to $2,713,914 for the fiscal year ended March 31, 2024, mainly due to proceeds from disposal of property and equipment of $3,104,387 and proceeds from disposal of equity method investment of $276,800, partially offset by purchases of property and equipment in the aggregate amount of $929,308 and disposal of a subsidiary of $171,788.

Financing Activities

Net cash provided by financing activities was $4,242,735 for the fiscal year ended March 31, 2026, which primarily consisted of proceeds from short-term borrowings of $19,427,417, proceeds from long-term borrowings of $13,992,820, proceeds from related parties borrowings of $3,359,437, and capital contribution from non-controlling shareholders of $159,884, partially offset by repayments of short-term borrowings of $24,228,319, repayments of long-term borrowings of $7,771,119, payment of dividend distribution of $530,957, and repayment of obligations under finance leases of $166,428.

Net cash provided by financing activities was $3,967,618 for the fiscal year ended March 31, 2025, which primarily consisted of proceeds from short-term borrowings of $5,781,612, partially offset by repayments of short-term borrowings of $1,446,786, repayments of long-term borrowings of $204,024 and repayment of obligations under finance leases of $177,320.

Net cash used in financing activities was $1,781,306 for the fiscal year ended March 31, 2024, which primarily consisted of repayments of long-term borrowings of $4,186,712 and repayments of short-term borrowings of $2,076,000, partially offset by proceeds from issuance of ordinary shares, net of issuance costs of $3,747,282 and proceeds from short-term borrowings of $1,384,000.

Contractual Obligations

As of March 31, 2026, our contractual obligations were as follows:

Contractual obligations	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
Short-term borrowings (1)	$ 50,319,318	$ 50,319,318	$ -	$ -	$ -	$ -	$ -
Long-term borrowings (2)	13,773,527	2,033,281	1,632,941	79,072	79,065	9,856,693	92,475
Operating lease payments (3)	9,022,509	2,806,363	2,307,637	1,765,231	1,129,179	517,863	496,236
Finance lease payments (4)	170,522	89,908	35,534	16,191	15,625	13,264	-
Total	$ 73,285,876	$ 55,248,870	$ 3,976,112	$ 1,860,494	$ 1,223,869	$ 10,387,820	$ 588,711

(1) Represents the outstanding principal balance of short-term loans from banks and financial institutions.

(2) Represents the outstanding principal balance and interest payable of long-term loans from banks and financial institutions.

(3) We lease retail store facilities, distribution centers and warehouses which are classified as operating leases in accordance with Topic 842. As of March 31, 2026, our future lease payments totaled $9,022,509.

(4) We lease software, equipment, and furniture, which are classified as finance leases in accordance with Topic 842. As of March 31, 2026, our future lease payments totaled $170,522.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2026 and 2025.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed below and elsewhere in this annual report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments, or events for the period from April 1, 2025 to March 31, 2026 that are reasonably likely to have a material adverse effect on our net revenue, income, profitability, liquidity, or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

Factors and Trends Affecting Our Results of Operations

We believe the following key factors may affect our financial condition and results of operations:

Changes in Consumer Preferences and Discretionary Spending

Our success depends in substantial part on our ability to recognize and define product and beauty trends; anticipate, gauge, and react to changing consumer demand in a timely manner; translate market trends into appropriate, saleable product offerings in our stores in advance of our competitors; develop and maintain supplier relationships that provide us access to the newest merchandise on reasonable terms; and distribute merchandise to our stores in an efficient and effective manner and maintain appropriate in-stock levels. If we are unable to anticipate and fulfill the merchandise needs of the regions in which our products are sold, it could result in decreased demand for our products or require us to change our pricing, marketing, or promotional strategies, which could materially and adversely affect our consolidated financial results, and we may be forced to increase markdowns of slow-moving merchandise, either of which could have a material adverse effect on our business, financial condition, and results of operations. In addition, our success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. We appeal to a wide demographic consumer profile and offer a broad selection of Japanese beauty and health products. A downturn in the economy could adversely impact consumer purchases of discretionary items such as beauty and health products. Factors that could affect consumers' willingness to make such discretionary purchases include general business conditions, levels of employment, interest rates and tax rates, the availability of consumer credit, and consumer confidence in future economic conditions. In the event of an economic downturn, consumer spending habits could be adversely affected and we could experience lower than expected net sales, which could force us to delay or slow our growth strategy and have a material adverse effect on our business, financial condition, profitability, and cash flows.

Our Ability to Increase Awareness of Our Brand and Develop Customer Loyalty

We believe our "晴の良品," "東京生活館," and other brands are well-recognized among our customers and other Japanese beauty and health product industry players such as other Japanese beauty and health product retailers in the local markets our products are sold in. Our brands are integral to our sales and marketing efforts. We believe that maintaining and enhancing our brand name recognition in a cost-effective manner is critical to satisfying consumer needs by further developing and maintaining the quality of our products, as well as our ability to respond to competitive pressures. We have incurred expenses on a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products. Our marketing and promotional activities may not be well received by customers and may not result in the levels of product sales that we anticipate. Therefore, brand promotion activities may not necessarily yield increased revenue, and even if they do, any increased revenue may not offset the expenses we will incur in marketing activities. If we are unable to satisfy consumer needs or if our public image or reputation were otherwise diminished, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract new customers or retain our existing customers, in which case our business transactions with our customers may decline, and our operating results and financial condition, would be materially adversely affected.

Our Ability to Maintain Good Relationship with Existing Suppliers and Develop New Suppliers

We have no long-term supply agreements or exclusive arrangements with our suppliers and, therefore, our success depends on maintaining good relationships with our suppliers. Our business depends to a significant extent on the willingness and ability of our suppliers to supply us with a sufficient selection and volume of products to stock our stores. Some of our suppliers that have many other customers may not have the capacity to supply us with sufficient merchandise to keep pace with our growth plans. We have also entered into supply agreements with certain well-known Japanese brands, such as Shiseido, Sato, Kao, and Kosé, which have allowed us to benefit from the growing popularity of such brands. Any of these brands could in the future decide to scale back or end its partnership with us and strengthen its relationship with our competitors, which could negatively impact the revenue we earn from the sale of such products. As we selectively increase our product offerings, we will need to work with different groups of new suppliers efficiently and establish and maintain mutually beneficial relationships with our existing and new suppliers. If we fail to maintain strong relationships with our existing suppliers, or fail to continue acquiring and strengthening relationships with additional suppliers of beauty and health products, our ability to obtain a sufficient amount and variety of merchandise on reasonable terms may be limited, which could have a negative impact on our competitive position.

Our Ability to Compete Successfully

The beauty and health products markets in Japan, Hong Kong, Canada, Australia, Vietnam, Thailand, the U.K., and the U.S. are fragmented and highly-competitive. We primarily compete against other offline and online retailers and wholesalers of beauty and health products, but also increasingly face competition from retail pharmacies, discount stores, convenience stores, and supermarkets as we increase our offering of sundry products and other products. Our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases, more cost-effective fulfillment capabilities, or greater financial, technical, or marketing resources than we do. Competitors may leverage their brand recognition, experience, and resources to compete with us in a variety of ways, including investing more heavily in research and development and making acquisitions for the expansion of their products. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies, and devote substantially more resources to their store and website development than us. In addition, new and enhanced technologies may increase the competition in the online retail market. Increased competition may reduce our profitability, market share, customer base, and brand recognition. There can be no assurance that we will be able to compete successfully against current or future competitors, and such competitive pressures may have a material adverse effect on our business, financial condition, and results of operations.

A Downturn in Economy

In recent years, the economic indicators in Japan have shown mixed signs, and future growth of the Japanese economy is subject to many factors beyond our control. Certain recent Japanese administrations have introduced policies to combat deflation and promote economic growth. In addition, the Bank of Japan introduced a plan for quantitative and qualitative monetary easing in April 2013 and announced a negative interest rate policy in January 2016. This policy was terminated in March 2024. However, the long-term impact of these policy initiatives on Japan's economy remains uncertain. Furthermore, the Bank of Japan has begun normalizing monetary policy following the termination of its negative interest rate policy, and the impact of future interest rate increases, changes in monetary policy, and fluctuations in the value of the Japanese yen remains uncertain. Although the Brexit has largely been implemented, its long-term impact on global economic conditions, international trade, financial markets, and currency exchange rates remains uncertain. In addition, the occurrence of pandemics, such as the COVID-19 pandemic, or other public health emergencies, the occurrence of large-scale natural disasters, such as earthquakes, typhoons, and other severe weather events, including the potential impact of major seismic events in Japan, may adversely affect the Japanese economy and consumer spending. In recent years, inflationary pressures, rising labor costs, supply chain disruptions, geopolitical tensions, and exchange rate volatility have affected global and Japanese economic conditions and may continue to adversely impact consumer spending, operating costs, and demand for our products. Any future increases in consumption taxes or other fiscal measures implemented by the Japanese government could also adversely affect consumer spending and demand for our products. Any future deterioration of the Japanese or global economy may result in a decline in consumption that would have a negative impact on demand for our products and their prices.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities; (ii) the disclosure of our contingent assets and liabilities at the end of each reporting period; and (iii) the reported amounts of revenue and expenses during each reporting period. We continually evaluate these judgments, estimates and assumptions based on our own historical experience, knowledge and assessment of current business and other conditions and our expectations regarding the future based on available information, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reading our consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies and the sensitivity of reported results to changes in conditions and assumptions. Our critical accounting policies and practices include the following: (i) revenue recognition; (ii) income taxes; and (iii) credit losses. See "Note 2—Summary of Significant Accounting Policies" to our consolidated financial statements for the disclosure of these accounting policies. We believe the following accounting estimates involve the most significant judgments used in the preparation of our financial statements.

Impairment of long-lived assets

We evaluate our long-lived assets, including property and equipment, operating lease right-of-use assets and long-term prepaid expenses and non-current assets for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, we evaluate the recoverability of long-lived assets by comparing the carrying amount of the assets to the future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. The adjusted carrying amount of the assets become new cost basis and are depreciated over the assets' remaining useful lives. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Given no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recovered through the related future net cash flows, we recognized an impairment loss of $nil, $143,621 and $nil on long-lived assets for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

Credit Losses

On April 1, 2023, we adopted Accounting Standards Update ("ASU") 2016-13 "Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology. The adoption of ASU 2016-13 did not have a material impact on the Company's financial statements.

Our account receivables, compensation receivable for consumption tax and other receivable included in current and non-current prepaid expenses and other assets, are within the scope of ASC Topic 326. We make estimates of expected credit and collectability trends for the allowance for credit losses based upon assessment of various factors, including historical experience, the age of the accounts receivable, compensation receivable for consumption tax and other receivable, credit-worthiness of the customers and other debtors, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers and other debtors. We also provide specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. As of March 31, 2026 and 2025, allowance for credit losses for accounts receivable amounted to $1,886,935 and $1,040,434, respectively, allowance for credit losses for other receivables amounted to $14,131 and $14,974, respectively, and allowance for credit losses for compensation receivable for consumption tax amounted to $87,954 and $93,103, respectively.

Merchandise inventories

Merchandise inventories are stated at the lower of cost or net realizable value, on a weighted average basis. Costs include mainly the cost of merchandise inventories. Net realizable value is the estimated selling price in the normal course of business less any costs to sell products. Write-down is recorded when future estimated net realizable value is less than cost, which is recorded in merchandise costs in the consolidated statements of operations and comprehensive income (loss). The Company periodically evaluates merchandise inventories for their net realizable value adjustments, and reduces the carrying value of those merchandise inventories that are obsolete or in excess of the forecasted usage to their estimated net realizable value based on various factors including aging and expiration dates, as applicable, taking into consideration historical and expected future product sales. As of March 31, 2026 and 2025, merchandise inventories write-down was $38,569 and $132,904, respectively.

Income taxes

We are required to make estimates and apply our judgements in determining the provision for income tax expenses for financial reporting purpose based on tax laws in various jurisdictions in which we operate. In calculating the effective income tax rate, we make estimates and judgements, including the calculation of tax credits and the timing differences of recognition of income and expenses between financial reporting and tax reporting. These estimates and judgements may result in adjustments of pre-tax income amount filed with local tax authorities in accordance with relevant local tax rules and regulations in various tax jurisdictions. Although we believe that our estimates and judgments are reasonable, actual results may be materially different from the estimated amounts. Changes in these estimates and judgements may result in material increase or decrease in our provision for income tax expenses.

Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry forwards. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. When we determine and quantify the valuation allowances, we consider such factors as projected future taxable income, the availability of tax planning strategies, the historical taxable income/losses in prior years, and future reversals of existing taxable temporary differences. The assumptions used in determining projected future taxable income require significant judgment. Actual operating results in future years could differ from our current assumptions, judgments and estimates. Changes in these estimates and assumptions may materially affect the tax position measurement and financial statement recognition. If, in the future, we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would decrease our earnings in the period in which such a determination is made. As of March 31, 2026 and 2025, we recorded deferred tax assets of $1,174,900 and $1,135,057, net of valuation allowance of $369,047 and $15,354, respectively.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our board of directors and our executive officers as of the date of this annual report.

Name	Age	Position(s)
Mei Kanayama	46	Representative Director and Director (Principal Executive Officer)
Youichiro Haga	60	Director and Corporate Officer (Principal Accounting and Financial Officer)
Keiichi Kimura*	60	Corporate Auditor
Akira Kotajima*	41	Corporate Auditor
Yoshie Nakamura*	47	Corporate Auditor
Yoji Takenaka	62	Independent Director
Tetsuya Sato	55	Independent Director

* Corporate Auditors are not members of our board of directors.

Mr. Mei Kanayama has served as our representative director since June 2009 and a director since January 2008, and the representative director and director of Kaika International since October 2019. Mr. Kanayama served as the president of Hakumei Co., Ltd., a telecommunications company, between May 2008 and March 2012, and as a sales manager at Yonechiku Co., Ltd., a wholesaler and retailer of frozen marine products, dried foods, and livestock products, between July 2000 and September 2007.

Mr. Youichiro Haga has served as a director since June 2021 and a corporate officer since September 2020. Prior to joining TKLF, Mr. Haga worked at MUFG Bank, Ltd. from April 1991 to August 2020, in various roles, including deputy branch manager, senior investigator, and investigator, among others. Mr. Haga received his law degree from Hitotsubashi University in 1991.

Mr. Keiichi Kimura has served as our corporate auditor since June 2020. He has served as a residential land and building trader of Tengo Renkan Co., Ltd since March 2019. Mr. Kimura served as a residential land and building trader of at Takuetsu Kokusai Co., Ltd. between February 2014 and February 2019 and as director of Lakelands Golf Club between December 2006 and August 2013. Mr. Kimura received his bachelor's degree in Economics from Osaka Gakuin University in 1989 and his bachelor's degree in Business Marketing from University of Southern Queensland in 1992.

Mr. Akira Kotajima has served as our corporate auditor since June 2026. Mr. Kotajima joined DinnerBank in December 2013 and was appointed as its Representative Director in March 2016. He served as Representative Director of DinnerBank from March 2016 until July 2024, when he resigned from the position and left the company. He received his certificate of completion in Japanese Language, Culture and Humanities from International Air Resort College, Niigata, Japan in March 2007.

Ms. Yoshie Nakamura has served as our corporate auditor since June 2026. Ms. Nakamura joined Shinichi Shoji Co., Ltd. in March 2017 and remained with the company until her retirement in November 2022. She joined Kosei Co., Ltd. in July 2023, where she currently serves. She received her bachelor's degree in Early Childhood Education from Jilin Early Childhood Teachers College in July 2001.

Mr. Yoji Takenaka has served as our independent director since June 2021. Mr. Takenaka has been a lawyer at Takenaka Law Office, which he founded, since April 2005. Mr. Takenaka worked as a lawyer at Yamamoto Takayuki Law Office from April 1993 to March 2005. Mr. Takenaka received his bachelor's degree in Politics from Waseda University in 1986.

Mr. Tetsuya Sato has served as our independent director since June 2021. Mr. Sato has served as the CFO of RSK Co., Ltd since July 2019, and served as president of WDM Co., Ltd between June 2017 and June 2019. Mr. Sato was in charge of business related to Nippon Telegraph and Telephone at Terrada Logicom Co., Ltd in Mitsubishi Corporation between January 2005 and May 2016. Mr. Sato also worked part-time at various Japanese companies, including MGB Co., Ltd where he has served as a corporate officer since April 2020, Japan Enmei Co., Ltd where he served as CFO between June 2018 and June 2019, as vice president and M&A division director between April 2018 and May 2018, and as M&A division director between September 2006 and May 2016, DDZ Co., Ltd where he served as president between July 2017 and March 2018, and Soken Beverage Co., Ltd where he served as auditor between June 2016 and May 2017. Mr. Sato received his Doctor of Business Administration degree from Josai International University in 2020.

Family Relationships

None of our directors or executive officers has a family relationship as defined in Item 401 of Regulation S-K.

Controlled Company

Mr. Mei Kanayama, our representative director, beneficially owns approximately 59.27% of the aggregate voting power of our outstanding Ordinary Shares. As a result, we are a "controlled company" within the meaning of the Nasdaq listing rules. As a controlled company, we are permitted to elect to rely on certain exemptions from the obligations to comply with certain corporate governance requirements, including the requirements that:

- a majority of our board of directors consist of independent directors;
- our director nominees be selected or recommended solely by independent directors; and
- we have a nominating and corporate governance committee and a compensation committee that are composed entirely of independent directors with a written charter addressing the purposes and responsibilities of the committees.

As a foreign private issuer, however, Nasdaq corporate governance rules allow us to follow corporate governance practice in our home country, Japan, with respect to appointments to our board of directors and committees. We follow home country practice as permitted by Nasdaq rather than rely on the "controlled company" exception to the corporate governance rules. See "Item 3. Key Information—D. Risk Factors— Risks Relating to Our Ordinary Shares and the Trading Market—Because we are a foreign private issuer and intend to take advantage of exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer." Accordingly, you would not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

B. Compensation

In accordance with the Companies Act, compensation for our directors and corporate auditors, including bonuses, retirement allowances, and incentive stock options, must be approved at our general meeting of shareholders, unless otherwise specified in our Articles of Incorporation in the future. The shareholders' approval may specify the upper limit of the aggregate amount of compensation or calculation methods, but if compensation includes benefits in kind, the shareholders' approval must include the description of such benefits. Compensation for a director is fixed by our board of directors, and compensation for a corporate auditor is fixed by consultation among corporate auditors in accordance with our internal regulations and practice and, in the case of retirement allowances, generally reflects the position of the director or corporate auditor at the time of retirement, length of service as a director or corporate auditor and contribution to our performance.

For the fiscal year ended March 31, 2026, we paid an aggregate of approximately $365,974 as compensation to our directors and senior management. We have not set aside or accrued any amount to provide pension, retirement, or other similar benefits to our directors and senior management.

C. Board Practices

Our board of directors has the ultimate responsibility for the administration of our affairs. Under the Companies Act and our Articles of Incorporation, we are required to have not more than 10 directors. Directors are elected at general meetings of shareholders. The normal term of office of any director expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after such director's election to office. Our directors may, however, serve any number of consecutive terms.

The board of directors appoints from among its members one or more representative directors, who have the authority individually to represent us in the conduct of our affairs. The board of directors may appoint from among its members a president, or one or more senior managing directors, and managing directors.

Board of Directors

Our board of directors consists of four directors. Our board of directors has determined that our directors, Yoji Takenaka, and Tetsuya Sato satisfy the "independence" requirements of the Nasdaq corporate governance rules and the rules and regulations of the SEC.

Board of Corporate Auditors

We currently have three corporate auditors. As required under our amended Articles of Incorporation and the Companies Act, we have structured our corporate governance system as a company with a board of corporate auditors. Under the Companies Act and our Articles of Incorporation, we are required to have no fewer than three and no more than 10 corporate auditors, and at least half of corporate auditors must be outside corporate auditors as defined in Article 2, Item 16 of the Companies Act. Corporate auditors are elected at general meetings of shareholders. The normal term of office of any corporate auditor expires at the close of the annual general meeting of shareholders held with respect to the last fiscal year ended within four years after such corporate auditor's election to office. Our corporate auditors may, however, serve any number of consecutive terms. Corporate auditors may be removed by a special resolution of a general meeting of shareholders.

Our corporate auditors are not required to be certified public accountants. Our corporate auditors may not at the same time be directors, employees, or accounting advisors (kaikei sanyo) of us or our subsidiary.

The function of a corporate auditor is similar to that of independent directors, including those who are members of the audit committee, of a U.S. company. Each corporate auditor has a statutory duty to audit the administration by the directors of our affairs, to examine the financial statements and business reports to be submitted by a representative director at the general meetings of shareholders and to prepare an audit report. They are obligated to participate in meetings of the board of directors and, if necessary, to express their opinion at such meetings, but are not entitled to vote. Our corporate auditors must inspect the proposals, documents, and any other materials to be submitted by our board of directors to the shareholders at the shareholders' meeting. If a corporate auditor finds a violation of statutory regulations or our Articles of Incorporation, or another significant improper matter, such corporate auditor must report those findings to the shareholders at the shareholders' meeting.

Furthermore, if a corporate auditor believes that a director has engaged in, or is likely to engage in, misconduct or acts that are significantly improper, or that there has been a violation of statutory regulations or our Articles of Incorporation, the corporate auditor: (i) must report that fact to our board of directors; (ii) can demand that a director convene a meeting of our board of directors; and (iii) if no such meeting is convened in response to the demand, can convene the meeting under the corporate auditor's own authority. If a director engages in, or is likely to engage in, an activity outside the scope of the objectives of our Company or otherwise in violation of laws or regulations or our Articles of Incorporation, and such act is likely to cause significant damage to our Company, then a corporate auditor can demand that the director cease such activity.

Our board of corporate auditors has a statutory duty to prepare an audit report based on the audit reports issued by the individual corporate auditors and submit such audit reports to a relevant director and, in the case of audit reports related to financial statements, the independent auditors of our Company each year. A corporate auditor may note an opinion in an audit report issued by our board of corporate auditors, if the opinion expressed in such corporate auditor's individual audit report is different from the opinion expressed in the audit report issued by our board of corporate auditors. Our board of corporate auditors is empowered to establish the audit principles, the method of examination by our corporate auditors of our affairs and financial position, and any other matters relating to the performance of our corporate auditors' duties.

Additionally, our corporate auditors must represent our Company in: (i) any litigation between our Company and a director; (ii) dealing with shareholders' demands seeking a director's liability to our Company; and (iii) dealing with notices of litigation and settlement in a derivative suit seeking a director's liability to our Company. A corporate auditor can file court actions relating to our Company within the authority of our corporate auditors, such as an action to nullify the incorporation of our Company, the issuance of shares, or a merger, or to cancel a resolution at a shareholders' meeting.

Our Articles of Incorporation provide that notice of a meeting of the board of corporate auditors shall be given to each corporate auditor at least three days prior to the date of the meeting, provided that such period may be shortened in cases of urgent necessity. A meeting of the board of corporate auditors may be held without following the convocation procedures if all corporate auditors consent thereto. Matters concerning the board of corporate auditors are governed not only by laws and regulations and our Articles of Incorporation, but also by the Rules of the Board of Corporate Auditors established by the board of corporate auditors.

Limitation of Liability of Directors and Corporate Auditors

Under the Companies Act and our Articles of Incorporation we may exempt, by resolution of the board of directors, our directors and corporate auditors from liabilities to us arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, our Articles of Incorporation provide that we may enter into agreements with our directors (excluding executive directors) and corporate auditors to limit their respective liabilities to us arising in connection with a failure to execute their duties in good faith and without gross negligence to the higher of either a predetermined amount which shall be no less than ¥1 million or an amount stipulated in laws and regulations. We maintain directors and officers liability insurance for our directors and senior management.

D. Employees

See "Item 4. Information on the Company—B. Business Overview—Employees."

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our Ordinary Shares as of the date of this annual report for:

- each of our directors and senior management;
- all directors and senior management as a group; and
- each person known to us to own beneficially more than 5% of our Ordinary Shares.

Beneficial ownership includes voting or investment power with respect to the Ordinary Shares. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Ordinary Shares shown as beneficially owned by them. Percentage of beneficial ownership of each listed person is based on 42,327,806 Ordinary Shares outstanding as of the date of this annual report, excluding the shares issuable under the outstanding warrants.

Information with respect to beneficial ownership has been furnished by each director, senior management, or beneficial owner of 5% or more of our Ordinary Shares. Beneficial ownership is determined in accordance with the rules of the SEC and generally requires that such person have voting or investment power with respect to securities. In computing the number of Ordinary Shares beneficially owned by a person listed below and the percentage ownership of such person, Ordinary Shares underlying options, warrants, or convertible securities held by each such person that are exercisable or convertible within 60 days of the date of this annual report are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned	
	Number	Percent
Directors and Senior Management[1] :		
Mei Kanayama[2]	25,086,160	59.27%
Youichiro Haga	—	—
Keiichi Kimura	—	—
Akira Kotajima	—	—
Yoshie Nakamura	—	—
Yoji Takenaka	—	—
Tetsuya Sato	—	—
All directors and senior management as a group (seven individuals):	25,086,160	59.27%
5% Shareholders:		
Tokushin G.K.[3]	13,575,104	32.07%
Grand Elec-Tech Limited[4]	2,672,460	6.31%

(1) Unless otherwise indicated, the business address of each of the individuals is Harumi Building, 2-5-9 Kotobashi, Sumida-ku, Tokyo, 130-0022, Japan.

(2) Represents (i) 7,216,436 Ordinary Shares held personally, (ii) 1,622,160 Ordinary Shares in the form of ADSs held personally, (iii) 13,575,104 Ordinary Shares held through Tokushin G. K., a limited liability company formed under the laws of Japan owned by Mr. Kanayama and his family, for which Mr. Kanayama is the managing member, and accordingly, Mr. Kanayama has voting and dispositive control, and (iv) 2,672,460 Ordinary Shares in the form of ADSs held by Grand Elec-Tech Limited. Grand Elec-Tech Limited has delegated to Mr. Kanayama all authority to exercise the voting rights of the Ordinary Shares it beneficially owns.

(3) Represents 13,575,104 Ordinary Shares held by Tokushin G. K. The registered address of Tokushin G. K. is #4810, 2-3-30 Harumi, Chuo-ku, Tokyo, Japan.

(4) Represents 2,672,460 Ordinary Shares in the form of ADSs held by Grand Elec-Tech Limited, a British Virgin Islands company, which is 100% owned by Zhiyong Chen. The registered address of Grand Elec-Tech Limited is Wickhams Cay 1I, Road Town, Tortola, British Virgin Islands according to the Schedule 13G filed by Grand Elec-Tech Limited on February 10, 2022 with the SEC.

To our knowledge, the Company is not directly or indirectly owned or controlled by another corporation(s), by any foreign government, or by any other natural or legal person(s) severally or jointly.

As of the date of this annual report, approximately 50.88% of our issued and outstanding Ordinary Shares are held in the United States by one record holder (The Bank of New York Mellon).

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Material Transactions with Related Parties

During the period from the beginning of our preceding three fiscal years up to the date of this annual report, we have engaged in the following transactions with our directors, senior management, or holders of more than 5% of our outstanding share capital and their affiliates, which we refer to as our related parties:

Name of Related Party	Relationship to Us
Mr. Mei Kanayama	Our representative director, director and controlling shareholder
DinnerBank	An entity of which Mr. Kanayama's wife is a director and the representative director
Takuetsu Kokusai Co., Ltd.	The entity's representative director is Mr. Kanayama's wife.
Shintai Co., Ltd.	The entity's representative director is Mr. Kanayama's wife before April 30, 2023.
Palpito	An equity investment entity of the Company, which was sold to DinnerBank on June 30, 2023.
Tokushin G.K.	A shareholder of the Company
Crossing Cards	An equity investment entity of the Company

Accounts Receivable, net - Related Parties

a. Accounts receivable, net - related parties

Accounts receivable, net - related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
DinnerBank	$ 4,866	$ 105
Takuetsu Kokusai Co., Ltd.	-	12
Subtotal	4,866	117
Less: allowance for credit losses	-	-
Total accounts receivable, net –related parties	$ 4,866	$ 117

b. Due from related parties

Due from related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
DinnerBank (1)	$ 1,216,228	$ 476
Takuetsu Kokusai Co., Ltd.	725	732
Total due from related parties	$ 1,216,953	$ 1,208

(1) The amount due from DinnerBank mainly consists of the following: 1) uncollected sales proceeds of ¥128,582,020 ($808,267) arising from the disposal of the warehouse property under the sales-and-leaseback arrangement (see Note 8 of our consolidated financial statements). This outstanding receivable has been fully collected as of the date of this report; 2) a rental security deposit of ¥55.0 million ($345,730) for the leaseback property under the above-mentioned transaction (see Note 8 of our consolidated financial statements); and 3) a rental security deposit of ¥9.9 million ($62,231) under another office lease agreement with DinnerBank.

c. Accounts payable - related parties

Related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
DinnerBank	$ -	$ 2,678,588
Crossing Cards	154	-
Total accounts payable – related parties	$ 154	$ 2,678,588

These accounts payable to related parties were related to products we purchased from these related parties. See "—Purchase from Related Parties" for more information.

d. Due to related parties

Due to related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
Mr. Mei Kanayama	$ 418,627	$ 13,930
Tokushin G.K.	6,443	3,328
DinnerBank	1,086	10,420
Total due to related parties	$ 426,156	$ 27,678

e. Due to related parties – non-current

Due to related parties – non-current consisted of the following:

Name	March 31, 2026	March 31, 2025
Tokushin G.K. (1)	$ 1,885,800	$ -
Mr. Mei Kanayama (2)	956,633	-
Total due to related parties	$ 2,842,433	$ -

(1) Amount due to this related party is loan borrowed from Tokushin G.K. for working capital during the Company's normal course of business for five years with maturity date on January 31, 2031. The loan bears a fixed interest rate of 2.0% per annum.

(2) Amount due to this related party is loan borrowed from Mr. Mei Kanayama for working capital during the Company's normal course of business for five years with maturity date on January 31, 2031. The loan bears a fixed interest rate of 4.35% per annum.

f. Sales to related parties

	For the Fiscal Years Ended March 31,		
Name	2026	2025	2024
DinnerBank (1)	$ 2,879	$ 7,840,934	$ 5,992,219
Palpito (2)	-	-	14,774
Takuetsu Kokusai Co., Ltd.	1,816	-	-
Total revenue from related parties	$ 4,695	$ 7,840,934	$ 6,006,993

(1) DinnerBank is engaged in restaurant and dining businesses. We sell sundry products, such as masks, handwash, and detergent, to these companies and all transactions were on the same terms as those to our other customers.

(2) Palpito is a retailer of art toys and focuses on selling artworks made by Japanese artists. We sell artworks products and toys to Palpito and all transactions were on the same terms as those to our other customers.

g. Purchase from related parties

Name	For the Fiscal Years Ended March 31, 2026	2025	2024
Crossing Cards [1]	$ 399,422	$ 574,048	$ -
DinnerBank [2]	363,680	9,920,906	445,980
Takuetsu Kokusai Co., Ltd.	279	-	-
Total purchase from related parties	$ 763,381	$ 10,494,954	$ 445,980

(1) Crossing Cards is engaged in retail and wholesale of collective cards. We purchase collectible cards products from Crossing Cards and all transactions were on the same terms as those with our other suppliers.

(2) DinnerBank is engaged in restaurant and dining businesses. In Japan, a company may only purchase a limited number of liquor products from manufacturers due to their hunger marketing strategy. Therefore, we purchase certain liquor products from DinnerBank when it has excess stock and all transactions were on the same terms as those with our other suppliers.

h. Sales of a subsidiary and an equity investment to a related party

On June 30, 2023, the Company entered into share transfer agreements with DinnerBank to sell its 100% equity interest in Kaika International and 40% equity interests in Palpito to DinnerBank, for cash consideration of ¥5,000,000 ($37,595) and ¥40,000,000 ($300,760), respectively. The cash consideration was fully received and the transactions were completed on July 1, 2023. The Company recorded a gain from disposal of Kaika International of ¥49,297,548 ($341,139) and a gain from disposal of equity method investment of ¥27,539,183 ($190,571) for the fiscal year ended March 31, 2024, respectively.

i. Leases from a related party

The Company entered into two rental agreements with DinnerBank for its warehousing space, directly-operated physical stores and office space.

Lessee	Rent Period	Monthly Rent YEN	Monthly Rent USD
Tokyo Lifestyle Co., Ltd.	February 16, 2026 - June 30, 2026	¥ 900,000	$ 5,973
Tokyo Lifestyle Co., Ltd.	March 18, 2026 - March 31, 2031	5,500,000	36,504

As of March 31, 2026, the operating lease right-of-use assets and corresponding operating lease liabilities of leases from a related party were $1,885,503 and $1,902,790, respectively.

During the fiscal year ended March 31, 2026, the Company incurred operating lease expenses in leases from a related party of $26,813.

j. Other Related Party Transactions

Mr. Kanayama provided guarantees in connection with certain loans the Company borrowed See “Note 10—Borrowings” of our consolidated financial statements.

C. Interests of Experts and Counsel

Not applicable.

Item 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report. See "Item 18. Financial Statements."

Legal Proceedings

See "Item 4. Information on the Company—B. Business Overview—Legal Proceedings."

Dividend Policy

Since our inception, we declared and paid an interim cash dividend of JPY 1.890 per share for the fiscal year ending March 31, 2026, which was paid on December 19, 2025 to shareholders of record as of September 30, 2025, and declared a year-end cash dividend of JPY 1.890 per share for the fiscal year ending March 31, 2026 to shareholders of record as of March 31, 2026, which year-end cash dividend is expected to be paid starting from September 14, 2026 to September 30, 2026. Any future decision to pay dividends will be subject to a number of factors, including our financial condition, results of operations, the level of our retained earnings, capital demands, general business conditions, and other factors our board of directors may deem relevant. We cannot give any assurance that any dividends may be declared and paid in the future.

If declared, holders of our outstanding shares on a dividend record date will be entitled to the full dividend declared without regard to the date of issuance of the shares or any subsequent transfer of the shares. Payment of declared annual dividends in respect of a particular year, if any, will be made in the following year after approval by our shareholders at the annual general meeting of shareholders, subject to certain provisions of our Articles of Incorporation and the Companies Act. See "—Distribution of Surplus" and "—Restriction on Distribution of Surplus" below.

Subject to the terms of the deposit agreement for the ADSs, investors in the ADSs will be entitled to receive dividends on our Ordinary Shares represented by ADSs to the same extent as the holders of our Ordinary Shares, less the fees and expenses payable under the deposit agreement in respect of, and any Japanese tax applicable to, such dividends. See "Item 10. Additional Information—E. Taxation—Japanese Taxation" and "Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares." The depositary will generally convert the Japanese yen it receives into U.S. dollars and distribute the U.S. dollar amounts to holders of ADSs. Cash dividends on our Ordinary Shares, if any, will be paid in Japanese yen.

Distribution of Surplus

Under the Companies Act, the distribution of dividends takes the form of distribution of surplus, and a distribution of surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. The Companies Act generally requires a stock company to make distributions of surplus authorized by a resolution of a general meeting of shareholders. Distributions of surplus are, however, permitted pursuant to a resolution of the board of directors if:

(a) the company's articles of incorporation so provide;

(b) the normal term of office of directors expires on or before the day of the conclusion of the annual shareholders meeting for the last business year ending within one year from the time of their election (our Articles of Incorporation do not have provisions to this effect);

(c) the company has accounting auditor(s) and board of corporate auditors, audit and supervisory committee, or nominating committee, etc.; and

(d) the company's non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present its assets and profit or loss, as required by the ordinances of the Ministry of Justice.

In an exception to the above rule, even if the requirements described in (a) through (d) are not met, the company may be permitted to make distributions of surplus in cash to its shareholders by resolution of the board of directors once per fiscal year if its Articles of Incorporation so provide. Our Articles of Incorporation do not have provisions to that effect.

A resolution of a general meeting of shareholders authorizing a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders, grant a right to the shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders. Our Articles of Incorporation provide that we are relieved of our obligation to pay any distributions in cash that go unclaimed for three years after the date they first become payable.

Restriction on Distribution of Surplus

Under the Companies Act, we may distribute surplus up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as of the effective date of such distribution, if our net assets are not less than ¥3,000,000:

(a) the amount of surplus, as described below;

(b) in the event that extraordinary financial statements as of, or for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net income for such period described in the statement of income constituting the extraordinary financial statements, and (ii) the amount of consideration that we received for the treasury shares that we disposed of during such period;

(c) the book value of our treasury shares;

(d) in the event that we disposed of treasury shares after the end of the previous fiscal year, the amount of consideration that we received for such treasury shares;

(e) in the event described in (b) in this paragraph, the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net loss for such period described in the statement of income constituting the extraordinary financial statements; and

(f) certain other amounts set forth in the ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of share capital, additional paid-in capital and legal earnings reserve, each such amount as it appears on the balance sheet as of the end of the previous fiscal year) all or a certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purposes of this section, the amount of "surplus" is the excess of the aggregate of (I) through (IV) below, less the aggregate of (V) through (VII) below:

(I) the aggregate of other capital surplus and other retained earnings at the end of the previous fiscal year;

(II) in the event that we disposed of treasury shares after the end of the previous fiscal year, the difference between the book value of such treasury shares and the consideration that we received for such treasury shares;

(III) in the event that we reduced our share capital after the end of the previous fiscal year, the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital and/or legal earnings reserve (if any);

(IV) in the event that we reduced additional paid-in capital and/or legal earnings reserve after the end of the previous fiscal year, the amount of such reduction less the portion thereof that has been transferred to share capital (if any);

(V) in the event that we cancelled treasury shares after the end of the previous fiscal year, the book value of such treasury shares;

(VI) in the event that we distributed surplus after the end of the previous fiscal year, the aggregate of the following amounts:

(1) the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders but for their exercise of the right to receive dividends in cash instead of dividends in kind;

(2) the aggregate amount of cash distributed to shareholders who exercised the right to receive dividends in cash instead of dividends in kind; and

(3) the aggregate amount of cash paid to shareholders holding fewer shares than the shares that were required in order to receive dividends in kind;

(VII) the aggregate amounts of (1) through (4) below, less (5) and (6) below:

(1) in the event that the amount of surplus was reduced and transferred to additional paid-in capital, legal earnings reserve and/or share capital after the end of the previous fiscal year, the amount so transferred;

(2) in the event that we distributed surplus after the end of the previous fiscal year, the amount set aside in additional paid-in capital and/or legal earnings reserve;

(3) in the event that we disposed of treasury shares in the process of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company, or (z) a share exchange (*kabushiki kokan*) in which we acquired all shares of a company after the end of the previous fiscal year, the difference between the book value of such treasury shares and the consideration that we received for such treasury shares;

(4) in the event that the amount of surplus was reduced in the process of a corporate split in which we transferred all or a part of our rights and obligations after the end of the previous fiscal year, the amount so reduced;

(5) in the event of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company, or (z) a share exchange in which we acquired all shares of a company after the end of the previous fiscal year, the aggregate amount of (i) the amount of the other capital surplus after such merger, corporate split or share exchange, less the amount of other capital surplus before such merger, corporate split or share exchange, and (ii) the amount of the other retained earnings after such merger, corporate split or share exchange, less the amount of other retained earnings before such merger, corporate split or share exchange; and

(6) in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the previous fiscal year, the amount of other capital surplus increased by such payment.

In Japan, the "ex-dividend" date and the record date for any distribution of surplus come before the date a company determines the amount of distribution of surplus to be paid.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. THE OFFER AND LISTING

A. Offer and Listing Details.

The ADSs have been listed on Nasdaq since January 18, 2022 under the symbol "TKLF."

B. Plan of Distribution

Not applicable.

C. Markets

The ADSs have been listed on Nasdaq since January 18, 2022 under the symbol "TKLF."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our fourth amended and restated articles of incorporation as currently in effect is included as Exhibit 1.1 to this annual report.

We incorporate by reference into this annual report the description of certain key provisions of our fourth amended and restated articles of incorporation as currently in effect in Exhibit 2.3 to this annual report and the description of differences in corporate laws contained in our registration statement on Form F-1 (File No. 333-259129), as amended, initially filed with the SEC on August 27, 2021.

Some other key provisions of our fourth amended and restated articles of incorporation as currently in effect are set forth below:

Purposes

Our purpose, as provided in Article 2, includes international business consulting, foreign exchange-related services, import or export and sale of consumer goods and daily necessities, drugstore operations, logistics, real estate leasing, telecommunications, and software development, online and mail-order retail, restaurant consulting, and related businesses.

Shareholder Meetings

Ordinary general meetings of shareholders are held within three months after the end of each fiscal year. Extraordinary meetings may be held as needed. The record date for voting rights is March 31 of each year.

Shareholders may vote by proxy, provided the proxy is another shareholder. Resolutions at a general meeting shall be adopted by majority vote. Special resolutions require two-thirds approval at a meeting where at least one-third of voting rights are represented.

Directors and Board of Directors

The Company may have up to 10 directors. Directors are elected at a general meeting of shareholders by majority vote with a quorum of one-third. Terms last until the ordinary meeting for the last fiscal year ending within two years.

Representative Directors and Executive Directors are elected by the board. Board meetings may be convened and chaired by the President Director or an alternate designated by the board. Board resolutions may be deemed adopted under Article 370 of the Companies Act.

Remuneration for directors shall be approved at a general meeting of shareholders. Limited liability agreements and exemptions from liability are permitted to the extent allowed by law.

Corporate Auditors

See "Item 6. Directors, Senior Management and Employees—C. Board Practices— Board of Corporate Auditors."

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report.

D. Exchange Controls

Foreign Exchange Regulations

The Foreign Exchange and Foreign Trade Act of Japan (Gaikoku Kawase oyobi Gaikoku Boueki Hou) (the "FEFTA") and related cabinet orders and ministerial ordinances, which we refer to collectively as the Foreign Exchange Regulations, govern certain aspects relating to the acquisition and holding of shares by "exchange non-residents" and by "foreign investors" (as these terms are defined below). It also applies in some cases to the acquisition and holding of the ADSs representing our Ordinary Shares acquired and held by non-residents of Japan and by foreign investors. In general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents to purchase or sell Ordinary Shares or ADSs outside Japan using currencies other than Japanese yen.

Exchange residents are defined in the Foreign Exchange Regulations as:

(i) individuals who reside within Japan; or

(ii) corporations whose principal offices are located within Japan.

Exchange non-residents are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan; or

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are defined in the Foreign Exchange Regulations as:

(i) individuals who are exchange non-residents;

(ii) corporations or other entities organized under the laws of foreign countries or whose principal offices are located outside Japan;

(iii) corporations of which 50% or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above;

(iv) investment partnerships and limited liability partnerships for investment, etc. (including foreign partnerships) in which the ratio of capital contribution from exchange non-residents is 50% or more of the total amount of capital contribution by all partners, or in which a majority of the managing partners are exchange non-residents; or

(v) corporations or other entities having a majority of either (A) directors or other persons equivalent thereto or (B) directors or other persons equivalent thereto having the power of representation who are non-resident individuals.

Acquisition of Shares

Acquisition by a foreign investor of shares of a Japanese corporation from a non-foreign investor requires pre or post facto reporting by the foreign investor through an exchange resident to the Minister of Finance of Japan through the Bank of Japan. No such reporting requirement is imposed, however, if:

(i) shares are acquired due to the occurrence of an event of inheritance, bequest, gratis allotment of shares, or acquisition of shares with a call provision; or

(ii) both the investment ratio and the voting right ratio (total of closely related parties) of all shares held after the share acquisition are less than 10% (provided that the nationality of the foreign investor is that of the listed country or Japan, and the business purpose of the issuing company under its articles of incorporation falls under the category of post facto reporting industry); or

(iii) the acquisition falls under any other case prescribed in Article 55-5 of the FEFTA, Article 3.1 of the Cabinet Order on Inward Direct Investment, etc., and Articles 3.2 and 3.3 of the Order on Inward Direct Investment, etc.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, shares held by exchange non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

E. Taxation

Japanese Taxation

The following is a general summary of the principal Japanese tax consequences (limited to national tax) to owners of our Ordinary Shares, in the form of Ordinary Shares or ADSs, who are non-resident individuals of Japan or who are non-Japanese corporations without a permanent establishment in Japan, collectively referred to in this section as non-resident holders. The statements below regarding Japanese tax laws are based on the laws and treaties in force and as interpreted by the Japanese tax authorities as of the date of this annual report, and are subject to changes in applicable Japanese laws, tax treaties, conventions, or agreements, or in the interpretation of them, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership, and disposition of our Ordinary Shares, including, specifically, the tax consequences under Japanese law, under the laws of the jurisdiction of which they are resident and under any tax treaty, convention, or agreement between Japan and their country of residence, by consulting their own tax advisors.

For the purpose of Japanese tax law and the tax treaty between the United States and Japan, a U.S. holder of ADSs will generally be treated as the owner of the Ordinary Shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of Ordinary Shares or ADSs will be subject to Japanese income tax collected by way of withholding on dividends (meaning in this section distributions made from our retained earnings for the Companies Act purposes) we pay with respect to our Ordinary Shares and such tax will be withheld prior to payment of dividends. Share splits generally are not subject to Japanese income or corporation taxes.

In the absence of any applicable tax treaty, convention, or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of the Japanese withholding tax applicable to dividends paid by Japanese corporations on their Ordinary Shares to non-resident holders is generally 20.42% (or 20% for dividends due and payable on or after January 1, 2038) under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as Ordinary Shares or ADSs) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation (to whom the aforementioned withholding tax rate will still apply), the aforementioned withholding tax rate is reduced to (i) 15.315% for dividends due and payable up to and including December 31, 2037 and (ii) 15% for dividends due and payable on or after January 1, 2038. The withholding tax rates described above include the special reconstruction surtax (2.1% multiplied by the original applicable withholding tax rate, i.e., 15% or 20%, as the case may be), which is imposed during the period from and including January 1, 2013 to and including December 31, 2037, to fund the reconstruction from the Great East Japan Earthquake.

If distributions were made from our capital surplus, rather than retained earnings, for the Companies Act purposes, the portion of such distributions in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws would be deemed dividends for Japanese tax purposes, while the rest would be treated as return of capital for Japanese tax purposes. The deemed dividend portion, if any, would generally be subject to the same tax treatment as dividends as described above, and the return of capital portion would generally be treated as proceeds derived from the sale of Ordinary Shares and subject to the same tax treatment as sale of our Ordinary Shares as described below. Distributions made in consideration of repurchase by us of our own shares or in connection with certain reorganization transactions will be treated substantially in the same manner.

Japan has income tax treaties whereby the withholding tax rate (including the special reconstruction surtax) may be reduced, generally to 15%, for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, and Spain, while the income tax treaties with, among others, Australia, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the United Arab Emirates, the United Kingdom, and the United States generally reduce the withholding tax rate to 10% for portfolio investors. In addition, under the income tax treaty between Japan and the United States, dividends paid to pension funds which are qualified U.S. residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless the dividends are derived from the carrying on of a business, directly or indirectly, by the pension funds. Similar treatment is applicable to dividends paid to pension funds under the income tax treaties between Japan and the United Kingdom, the Netherlands, and Switzerland. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the second preceding paragraph with respect to the dividends to be paid by us on our Ordinary Shares or the ADSs.

Non-resident holders of our Ordinary Shares who are entitled under an applicable tax treaty to a reduced rate of, or exemption from, Japanese withholding tax on any dividends on our Ordinary Shares, in general, are required to submit, through the withholding agent to the relevant tax authority prior to the payment of dividends, an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends together with any required forms and documents. A standing proxy for a non-resident holder of our Ordinary Shares or the ADSs may be used in order to submit the application on a non-resident holder's behalf. In this regard, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of reduction of or exemption from Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock, together with any required forms or documents. If the depositary needs investigation to identify whether any non-resident holders of ADSs are entitled to claim treaty benefits of exemption from or reduction of Japanese withholding tax the depositary or its agent submits an application form before payment of dividends so that the withholding cannot be made in connection with such holders for eight months after the record date concerning such payment of dividends. If it is proved that such holders are entitled to claim treaty benefits of exemption from or reduction of Japanese withholding tax within the foregoing eight-month period, the depositary or its agent submits another application form together with certain other documents so that such holder can be subject to exemption from or reduction of Japanese withholding tax. To claim this reduced rate or exemption, such non-resident holder of ADSs will be required to file a proof of taxpayer status, residence, and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depositary. Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure. We do not assume any responsibility to ensure withholding at the reduced treaty rate, or exemption therefrom, for shareholders who would be eligible under an applicable tax treaty but who do not follow the required procedures as stated above.

Gains derived from the sale of our Ordinary Shares or the ADSs outside Japan by a non-resident holder that is a portfolio investor will generally not be subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired from another individual our Ordinary Shares or the ADSs as a legatee, heir, or donee, even if none of the acquiring individual, the decedent, or the donor is a Japanese resident.

United States Federal Income Taxation

WE URGE POTENTIAL PURCHASERS OF THE ADSS OR OUR ORDINARY SHARES TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING, AND DISPOSING OF THE ADSS OR OUR ORDINARY SHARES.

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- persons that elect to mark their securities to market;
- U.S. expatriates or former long-term residents of the U.S.;
- governments or agencies or instrumentalities thereof;
- tax-exempt entities;
- persons liable for alternative minimum tax;

- persons holding our Ordinary Shares or the ADSs as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting power or value (including by reason of owning our Ordinary Shares or the ADSs);
- persons who acquired our Ordinary Shares or the ADSs pursuant to the exercise of any employee share option or otherwise as compensation;
- persons holding our Ordinary Shares or the ADSs through partnerships or other pass-through entities;
- beneficiaries of a Trust holding our Ordinary Shares or the ADSs; or
- persons holding our Ordinary Shares or the ADSs through a trust.

The discussion set forth below is addressed only to U.S. Holders that purchase Ordinary Shares or ADSs. Prospective purchasers are urged to consult their own tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, foreign and other tax consequences to them of the purchase, ownership and disposition of our Ordinary Shares or the ADSs.

Material Tax Consequences Applicable to U.S. Holders of the ADSs or Ordinary Shares

The following sets forth the material U.S. federal income tax consequences related to the ownership and disposition of the ADSs or our Ordinary Shares. This description does not deal with all possible tax consequences relating to ownership and disposition of the ADSs or our Ordinary Shares or U.S. tax laws, other than the U.S. federal income tax laws, such as the tax consequences under non-U.S. tax laws, state, local, and other tax laws.

The following brief description applies only to U.S. Holders (defined below) that hold ADSs or Ordinary Shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the federal income tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date, and the income tax treaty between the United States and Japan (the "Tax Convention"). All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to "U.S. Holders" will apply to you if you are a beneficial owner of ADSs or Ordinary Shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entities treated as a partnership for United States federal income tax purposes) is a beneficial owner of the ADSs or our Ordinary Shares, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partnerships and partners of a partnership holding the ADSs or our Ordinary Shares are urged to consult their tax advisors regarding an investment in the ADSs or our Ordinary Shares.

An individual is considered a resident of the U.S. for federal income tax purposes if he or she meets either the "Green Card Test" or the "Substantial Presence Test" described as follows:

The Green Card Test: You are a lawful permanent resident of the United States, at any time, if you have been given the privilege, according to the immigration laws of the United States, of residing permanently in the United States as an immigrant. You generally have this status if the U.S. Citizenship and Immigration Services issued you an alien registration card, Form I-551, also known as a "green card."

The Substantial Presence Test: If an alien is present in the United States on at least 31 days of the current calendar year, he or she will (absent an applicable exception) be classified as a resident alien if the sum of the following equals 183 days or more (*See* §7701(b)(3)(A) of the Internal Revenue Code and related Treasury Regulations):

1. The actual days in the United States in the current year; plus

2. One-third of his or her days in the United States in the immediately preceding year; plus

3. One-sixth of his or her days in the United States in the second preceding year.

This summary is based, in part, upon the representations made by the depositary to us and assumes that the deposit agreement for the ADSs, and all other related agreements, will be performed in accordance with their terms.

Treatment of the ADSs

U.S. Holders of ADSs generally will be treated for U.S. federal income tax purposes as holding our Ordinary Shares represented by the ADSs. No gain or loss will be recognized on an exchange of our Ordinary Shares for ADSs or an exchange of ADSs for our Ordinary Shares if the depositary has not taken any action inconsistent with the material terms of the deposit agreement for the ADSs or the U.S. Holder's ownership of the underlying Ordinary Shares. A U.S. Holder's tax basis in the Ordinary Shares received in exchange for ADSs will be the same as its tax basis in the ADSs, and the holding period in the shares will include the holding period in the ADSs.

Taxation of Dividends and Other Distributions on the ADSs or Our Ordinary Shares

Subject to the application of the PFIC rules discussed below, a U.S. Holder generally will recognize ordinary dividend income in an amount equal to the amount of any cash and the value of any property we distribute as a distribution with respect to the U.S. Holder's Ordinary Shares (or ADSs), to the extent that the distribution is paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, when the distribution is received (or when received by the depositary in the case of ADSs). We do not intend to maintain calculations of earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that distributions paid with respect to our Ordinary Shares or the ADSs generally will be treated as dividends. Dividends will not be eligible for the dividends received deduction generally allowable to U.S. corporations. Dividends paid on our Ordinary Shares or the ADSs will be treated as "qualified dividends" taxable at preferential rates, if (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules, (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC, and (iii) the U.S. Holder satisfies certain holding period and other requirements. The Tax Convention has been approved for the purposes of the qualified dividend rules and we believe we will be eligible for the benefits of the Tax Convention.

Dividend income will include any amounts withheld in respect of Japanese taxes and will be treated as foreign-source income for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon the U.S. Holder's circumstances, Japanese taxes withheld from dividends on our Ordinary Shares or the ADSs generally will be creditable against the U.S. Holder's U.S. federal income tax liability to the extent such taxes do not exceed any reduced withholding rate available under the Tax Convention. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisors regarding the creditability of foreign taxes in their particular circumstances. In lieu of claiming a foreign tax credit, a U.S. Holder may, at its election, deduct creditable foreign taxes, including Japanese taxes, in computing its taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued by the U.S. Holder in the taxable year.

Dividends paid in a currency other than U.S. dollars will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt (or the date of the depositary's receipt in the case of ADSs), whether or not the payment is converted into U.S. dollars at that time. A U.S. Holder should not recognize any foreign currency gain or loss in respect of the distribution if the foreign currency is converted into U.S. dollars on the date the distribution is received. If the foreign currency is not converted into U.S. dollars on the date of receipt, however, gain or loss may be recognized upon a subsequent sale or other disposition of the foreign currency. The foreign currency gain or loss (if any) generally will be treated as ordinary income or loss to the U.S. Holder and generally will be treated as U.S.-source income or loss, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation.

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Ordinary Shares or ADSs, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain.

Taxation of Dispositions of ADSs or Ordinary Shares

Subject to the PFIC rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the ADSs or Ordinary Shares. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADSs or Ordinary Shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes which will generally limit the availability of foreign tax credits.

PFIC

A non-U.S. corporation is considered a PFIC, as defined in Section 1297(a) of the US Internal Revenue Code, for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the "asset test").

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. In determining the value and composition of our assets for purposes of the PFIC asset test, (1) the cash we raise in the initial public offering will generally be considered to be held for the production of passive income and (2) the value of our assets must be determined based on the market value of the ADSs or our Ordinary Shares from time to time, which could cause the value of our non-passive assets to be less than 50% of the value of all of our assets (including the cash raised in the initial public offering) on any particular quarterly testing date for purposes of the asset test.

Based on our operations and the composition of our assets, we do not expect to be treated as a PFIC under the current PFIC rules. We must make a separate determination each year as to whether we are a PFIC, however, and there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year. Depending on the amount of cash we raise in the initial public offering, together with any other assets held for the production of passive income, it is possible that, for our current taxable year or for any subsequent taxable year, more than 50% of our assets may be assets held for the production of passive income. We will make this determination following the end of any particular tax year. In addition, because the value of our assets for purposes of the asset test will generally be determined based on the market price of the ADSs or our Ordinary Shares and because cash is generally considered to be an asset held for the production of passive income, our PFIC status will depend in large part on the market price of the ADSs or our Ordinary Shares and the amount of cash we raise in the initial public offering. Accordingly, fluctuations in the market price of the ADSs or Ordinary Shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in the initial public offering. We are under no obligation to take steps to reduce the risk of our being classified as a PFIC, and as stated above, the determination of the value of our assets will depend upon material facts (including the market price of the ADSs or our Ordinary Shares from time to time and the amount of cash we raise in the initial public offering) that may not be within our control. If we are a PFIC for any year during which you hold ADSs or Ordinary Shares, we will continue to be treated as a PFIC for all succeeding years during which you hold ADSs or Ordinary Shares. If we cease to be a PFIC and you did not previously make a timely "mark-to-market" election as described below, however, you may avoid some of the adverse effects of the PFIC regime by making a "purging election" (as described below) with respect to the ADSs or Ordinary Shares.

If we are a PFIC for your taxable year(s) during which you hold ADSs or Ordinary Shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or Ordinary Shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or Ordinary Shares cannot be treated as capital, even if you hold the ADSs or Ordinary Shares as capital assets.

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election under Section 1296 of the US Internal Revenue Code for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) ADSs or Ordinary Shares and for which we are determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the ADSs or Ordinary Shares as of the close of such taxable year over your adjusted basis in such ADSs or Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the ADSs or Ordinary Shares over their fair market value as of the close of the taxable year. Such ordinary loss, however, is allowable only to the extent of any net mark-to-market gains on the ADSs or Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the ADSs or Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or Ordinary Shares. Your basis in the ADSs or Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under "—Taxation of Dividends and Other Distributions on the ADSs or our Ordinary Shares" generally would not apply.

The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including Nasdaq. If the ADSs or Ordinary Shares are regularly traded on Nasdaq and if you are a holder of ADSs or Ordinary Shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a "qualified electing fund" election under Section 1295(b) of the US Internal Revenue Code with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder's pro rata share of the corporation's earnings and profits for the taxable year. The qualified electing fund election, however, is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold ADSs or Ordinary Shares in any taxable year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such ADSs or Ordinary Shares, including regarding distributions received on the ADSs or Ordinary Shares and any gain realized on the disposition of the ADSs or Ordinary Shares.

If you do not make a timely "mark-to-market" election (as described above), and if we were a PFIC at any time during the period you hold the ADSs or our Ordinary Shares, then such ADSs or Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if we cease to be a PFIC in a future year, unless you make a "purging election" for the year we cease to be a PFIC. A "purging election" creates a deemed sale of such ADSs or Ordinary Shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the ADSs or Ordinary Shares on the last day of the last year in which we are treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your ADSs or Ordinary Shares for tax purposes.

IRC Section 1014(a) provides for a step-up in basis to the fair market value for the ADSs or our Ordinary Shares when inherited from a decedent that was previously a holder of the ADSs or our Ordinary Shares. However, if we are determined to be a PFIC and a decedent that was a U.S. Holder did not make either a timely qualified electing fund election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) the ADSs or our Ordinary Shares, or a mark-to-market election and ownership of those ADSs or Ordinary Shares are inherited, a special provision in IRC Section 1291(e) provides that the new U.S. Holder's basis should be reduced by an amount equal to the Section 1014 basis minus the decedent's adjusted basis just before death. As such if we are determined to be a PFIC at any time prior to a decedent's passing, the PFIC rules will cause any new U.S. Holder that inherits the ADSs or our Ordinary Shares from a U.S. Holder to not get a step-up in basis under Section 1014 and instead will receive a carryover basis in those ADSs or Ordinary Shares.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in the ADSs or our Ordinary Shares and the elections discussed above.

Information Reporting and Backup Withholding

Dividend payments with respect to the ADSs or our Ordinary Shares and proceeds from the sale, exchange or redemption of the ADSs or our Ordinary Shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding under Section 3406 of the US Internal Revenue Code with at a current flat rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders. Transactions effected through certain brokers or other intermediaries, however, may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

Under the Hiring Incentives to Restore Employment Act of 2010, certain U.S. Holders are required to report information relating to the ADSs or our Ordinary Shares, subject to certain exceptions (including an exception for ADSs or Ordinary Shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold ADSs or Ordinary Shares. Failure to report such information could result in substantial penalties. You should consult your own tax advisor regarding your obligation to file a Form 8938.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have previously filed with the SEC our registration statement on Form F-1 (File No. 333-259129), as amended, our registration statement on Form F-3 (File No. 333-274076), as amended, and our registration statement on Form F-3 (File No. 333-281714).

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. The SEC maintains a website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing, among other things, the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from the short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Nevertheless, our directors and officers are required to file Section 16(a) reports (Forms 3, 4, and 5) with the SEC to report beneficial ownership interests in us.

I. Subsidiary Information

For information about our subsidiary, see “Item 4. Information on the Company—A. History and Development of the Company.”

J. Annual Report to Security Holders

If we are required to provide an annual report to security holders in response to the requirements of Form 6-K, we will submit the annual report to security holders in electronic format in accordance with the EDGAR Filer Manual.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Our business is mainly conducted in Japan, and our books and records are maintained in ¥. The financial statements that we file with the SEC and provide to our shareholders are presented in U.S. dollars. Changes in the exchange rates between the ¥ and U.S. dollar affect the value of our assets and results of operations, when presented in U.S. dollars. For the fiscal years ended March 31, 2026 and 2025, we had unrealized foreign currency translation loss and income of $2,126,042 and $284,522, respectively.

The value of the ¥ against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the Japanese political and economic conditions and perceived changes in the economy of Japan and the United States. Any significant revaluation of the ¥ may materially and adversely affect our cash flows, revenue, and financial condition. Further, the ADSs offered in the U.S. are offered in U.S. dollars, we need to convert the net proceeds we receive into ¥ in order to use the funds for our business. Changes in the conversion rate among the U.S. dollar and the ¥ will affect the amount of proceeds we will have available for our business.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into more hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash. As of March 31, 2026, 2025, and 2024, $1,562,849, $3,329,061, and $1,814,329 of our cash was on deposit at financial institutions in Japan, respectively, which were insured by the Deposit Insurance Corporation of Japan subject to certain limitations. The Company has not experienced any losses in such accounts. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposed to credit risk. The risk is mitigated by our assessment of our customers' creditworthiness and our ongoing monitoring of outstanding balances.

Interest Rate Risk

We have not used derivative financial instruments to hedge interest risk. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed to material risks due to changes in market interest rates. Our future interest income, however, may fall short of expectations due to changes in market interest rates.

Inflation Risk

In recent years, inflation has not had a material impact on our results of operations. According to the Statistics Bureau of Japan, the inflation rate in Japan was approximately 3.2%, 2.74%, and 3.2% in 2025, 2024, and 2023, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in Japan. If inflation rises, it may materially and adversely affect our business.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Bank of New York Mellon, as depositary, registers and delivers ADSs. Each ADS represents 10 Ordinary Shares (or a right to receive 10 Ordinary Shares) deposited with MUFG Bank Ltd., as custodian for the depositary in Japan. Each ADS also represents any other securities, cash, or other property that may be held by the depositary. The deposited shares together with any other securities, cash, or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

The form of deposit agreement for the ADSs and the form of ADRs that represents an ADS have been incorporated by reference as exhibits to this annual report.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:	**For:**
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$0.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
$0.05 (or less) per ADS per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of our Ordinary Shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary, or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers, or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads, or commissions.

The depositary may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depositary. Where the depositary converts currency itself or through any of its affiliates, the depositary acts as principal for its own account and not as agent, advisor, broker, or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depositary is available upon request. Where the custodian converts currency, the custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to ADS holders, and the depositary makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the depositary may receive dividends or other distributions from us in U.S. dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by us and, in such cases, the depositary will not engage in, or be responsible for, any foreign currency transactions and neither it nor we make any representation that the rate obtained or determined by us is the most favorable rate and neither it nor we will be liable for any direct or indirect losses associated with the rate.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Part II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

Registration Statement on Form F-3, as amended (File Number 333-274076)

The following "Use of Proceeds" information relates to the registration statement on Form F-3 (File Number 333-274076), utilizing a shelf registration process, which was declared effective by the SEC on September 8, 2023.

In January 2024, we completed a registered direct offering pursuant to the above effective Form F-3, in which we issued and sold 5,970,152 ADSs, at a purchase price of $0.67 per ADS to certain institutional investors. In a concurrent private placement, we also agreed to sell to the same investors warrants to purchase up to 5,970,152 ADSs at a purchase price of $0.67 per ADS (the "ADS Purchase Warrants"). We engaged Maxim Group LLC as the exclusive placement agent in connection with the offering. We agreed to pay Maxim Group LLC a placement agent fee equal to 7.5% of the gross proceeds raised in the registered direct offering and reimburse it up to $50,000 for the reasonable and accounted fees and expenses of legal counsel. We incurred approximately $288,000 in expenses in connection with this offering. None of the transaction expenses included payments to directors or officers of our Company or their associates, persons owning more than 10% or more of our equity securities, or our affiliates. None of the net proceeds we received from the registered direct offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities, or our affiliates.

The net proceeds raised from the registered direct offering were $3,412,000 after deducting the placement agent fees and offering expenses payable by us. As of the date of this annual report, we have used all $3,412,000 from the net proceeds to expand overseas markets and for daily operations.

As a result of the ADS Ratio Change on November 15, 2024, the number of ADS Purchase Warrants was reset to 1,460,328 and the exercise price was reset to $2.74 per ADS. As of the date of this annual report, a total of 10,760 ADS Purchase Warrants have been exercised by the investors, and we have received net proceeds of $29,473.

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of March 31, 2026.

Based on that evaluation, our management has concluded that, as of March 31, 2026, our disclosure controls and procedures were not effective due to the following material weaknesses: (i) we do not have sufficient in-house personnel in our accounting department with sufficient knowledge of the U.S. GAAP and SEC reporting rules and (ii) we do not have proper controls designed and implemented in IT environment and IT general control activities related to logical access management and Service Organization Management.

Our management is currently in the process of evaluating the steps necessary to remediate the ineffectiveness, such as (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework, (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel, and (iii) improving our IT environment and daily management.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2026. The assessment was based on criteria established in the framework Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was not effective as of March 31, 2026. Our management identified the material weaknesses in our internal control over financial reporting as (i) insufficient in-house personnel in our accounting department with sufficient knowledge of the U.S. GAAP and SEC reporting rules and (ii) a lack of proper controls designed and implemented in IT environment and IT general control activities related to logical access management and Service Organization Management.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC where domestic and foreign registrants that are non-accelerated filers, which we are, and "emerging growth companies," which we also are, are not required to provide the auditor attestation report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Under the Companies Act, we have elected to structure our corporate governance system as a company with corporate auditors and therefore do not have an audit committee. The function of our corporate auditors is similar to that of independent directors, including those who are members of the audit committee of a U.S. public company. Our corporate auditors satisfy the requirements of Rule 10A-3 under the Exchange Act.

Item 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics, which is applicable to all of our directors, senior management, and employees. Our code of business conduct and ethics is publicly available on our website.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered and billed by Wei, Wei & Co., LLP, our independent registered public accounting firm since October 25, 2024, and Marcum Asia CPAs LLP, our independent registered public accounting firm from December 12, 2022 to October 25, 2024, for the periods indicated.

	For the Fiscal Years Ended March 31,		
	2026	**2025**	**2024**
Audit fees[(1)]	$ 294,835	$ 379,634	$ 627,249
Audit-Related fees	-	-	-
Tax fees	-	-	-
All other fees[(2)]	-	-	-
Total	$ 294,835	$ 379,634	$ 627,249

(1) Audit fees include the aggregate fees billed for each of the fiscal years for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements or for the audits of our financial statements and review of the interim financial statements.

(2) All other fees include the aggregate fees billed in each of the fiscal years for products and services provided by our independent registered public accounting firm, other than the services reported under audit fees, audit-related fees, and tax fees.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services, and other services as described above.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Please refer to "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Ordinary Shares and the Trading Market—As a foreign private issuer, we have followed home country practice, which could adversely affect our public shareholders."

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

There has been no change in independent accountants for our Company during the two most recent fiscal years or any subsequent interim period except as previously reported in our Report of Foreign Private Issuer on Form 6-K (File No. 001-41181), filed with the SEC on November 5, 2024. There have been no disagreements of the type required to be disclosed by Item 16F(b).

Item 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" as defined under the federal securities laws of the U.S. and the Nasdaq listing standards. Under the federal securities laws of the U.S., foreign private issuers are subject to different disclosure requirements than U.S.-domiciled public companies. We intend to take all actions necessary for us to maintain our status as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002, the Exchange Act, and other applicable rules adopted by the SEC, and the Nasdaq listing standards. Under the SEC rules and the Nasdaq listing standards, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the SEC and the Nasdaq permit a foreign private issuer to follow its home country practices in lieu of their respective rules and listing standards. In general, our Articles of Incorporation and the Companies Act govern our corporate affairs.

As a foreign private issuer, we follow Japanese law and corporate practices in lieu of the corporate governance provisions set out under Nasdaq Rule 5600. The following rules under Nasdaq Rule 5600 differ from Japanese law requirements:

- Nasdaq Rule 5605(b)(1) requires that at least a majority of a listed company's board of directors be independent directors, and Nasdaq Rule 5605(b)(2) requires that independent directors regularly meet in executive session, where only independent directors are present. Under our current corporate structure, the Companies Act does not require independent directors. Our board of directors, however, is currently comprised of four directors, two of which are considered "independent," as determined in accordance with the applicable Nasdaq rules. We expect our independent directors to regularly meet in executive sessions, where only the independent directors are present;

- Nasdaq Rule 5605(c)(2)(A) requires a listed company to have an audit committee composed entirely of not less than three directors, each of whom must be independent. Under Japanese law, a company may have a corporate auditor, a board of corporate auditors or an audit and supervisory committee. We currently have a board of corporate auditors. See "—Board of Corporate Auditors" for additional information;

- Nasdaq Rule 5605(d) requires, among other things, that a listed company's compensation committee be comprised of at least two members, each of whom is an independent director as defined under such rule. Our board of directors collectively participate in the discussions and determination of compensation for our senior management and directors, and other compensation related matters;

- Nasdaq Rule 5605(e) requires that a listed company's nomination and corporate governance committee be comprised solely of independent directors. Our board of directors does not have a standalone nomination and corporate governance committee. Our board of directors collectively participate in the nomination process of potential directors and corporate auditors and oversee our corporate governance practices; and

- Nasdaq Rule 5620(c) sets out a quorum requirement of 33% applicable to meetings of shareholders. In accordance with Japanese law and generally accepted business practices, our Articles of Incorporation provide that there is no quorum requirement for a general resolution of our shareholders. Under the Companies Act and our Articles of Incorporation, however, a quorum of not less than one-third of the total number of voting rights is required in connection with the election of directors and corporate auditors and certain other matters.

- Nasdaq Listing Rule 5635 requires a listed company to obtain shareholder approval for certain dilutive events, including:

    a. certain acquisitions in connection with the acquisition of the stock or assets of another company;

    b. an issuance that will result in a change of control of the company;

    c. the establishment or amendment of certain equity-based compensation plans and arrangements; and

    d. certain transactions other than a public offering involving issuances of a 20% or greater interest in the company.

  Under the Companies Act and our Articles of Incorporation, however, unless it constitutes a favorable issue of shares or stock acquisition rights or an acquisition of the entire business requiring a special resolution of a shareholders' meeting, or otherwise requires shareholder approval under the Companies Act, we are generally not required to obtain shareholder approval for the dilutive events listed in Listing Rule 5635.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

Item 16J. INSIDER TRADING POLICIES

Our board of directors has adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules, and regulations, and any listing standards applicable to us.

Item 16K. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of safeguarding the security of our computer systems, software, networks, and other technology assets. We have implemented cybersecurity measures and protocols for assessing, identifying, and managing material risks from cybersecurity threats, which are integrated into our overall risk management framework. We aim to ensure a comprehensive and proactive approach to safeguarding our assets and operations.

The Company's board of directors is collectively responsible for oversight of risks from cybersecurity threats. The Company's executive officers oversee the overall processes to safeguard data and comply with relevant regulations and will report material cybersecurity incidents to the board. The Company's executive officers have limited experience in the area of cybersecurity, but where necessary in the view of the Company's executive officers, the Company will consult with external advisers to manage and remediate any cybersecurity incidents. For material cybersecurity incidents, the Company's executive officers will promptly inform, update, and seek the instructions of the board.

In the fiscal year ended March 31, 2026, we did not detect any cybersecurity incidents that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

Governance

Our board of directors has general oversight power over cybersecurity issues and delegates the primary responsibility for day-to-day assessment and management of cybersecurity risks to our information technology personnel. When cybersecurity incidents occur, our information technology personnel will collect the relevant information, prepare solutions to mitigate the incidents, and report the incidents to our board of directors to take appropriate and timely measures in response to the incidents.

Part III

Item 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

Item 18. FINANCIAL STATEMENTS

The consolidated financial statements of TKLF are included at the end of this annual report.

Item 19. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
1.1*	Fourth Amended and Restated Articles of Incorporation of the Registrant (English Translation)
1.2	Regulations of the Board of Directors of the Registrant (English translation) (incorporated by reference to Exhibit 3.3 of our Registration Statement on Form F-1/A (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on October 1, 2021)
2.1	Form of Deposit Agreement among the Registrant, The Bank of New York Mellon, as depositary, and the holders and beneficial owners of ADSs issued thereunder (incorporated by reference to Exhibit 4.3 of our Registration Statement on Form F-1/A (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on October 1, 2021)
2.2	Form of the American depositary receipt (included in Exhibit 2.1)
2.3	Description of the rights of each class of securities registered (incorporated by reference to Exhibit 2.3 of our Annual Report on Form 20-F (File No. 001-41181) filed with the U.S. Securities and Exchange Commission on July 10, 2025)
4.1	Second Amended and Restated Shareholders' Agreement of Trademark License Agreement dated March 26, 2022, by and between TKLF and Valur Holding LLC (incorporated by reference to Exhibit 4.4 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 31, 2023)
4.2	English Translation of Form of Supplier Agreement (incorporated by reference to Exhibit 10.12 of our Registration Statement on Form F-1 (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on August 27, 2021)
4.3	English Translation of Loan Agreement dated July 30, 2021, by and between Tokyo Higashi Shinkin Bank and TKLF (incorporated by reference to Exhibit 10.19 of our Registration Statement on Form F-1 (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on August 27, 2021)
4.4	English Translation of EC Site Operation Business Assignment Agreement dated January 31, 2020, by and between Seihinkokusai and TKLF (incorporated by reference to Exhibit 10.20 of our Registration Statement on Form F-1 (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on August 27, 2021)
4.5	English Translation of Entrusted Service Agreement dated April 23, 2020, by and between Qingzhiliangpin and TKLF (incorporated by reference to Exhibit 10.23 of our Registration Statement on Form F-1 (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on August 27, 2021)
4.6	Trademark License Agreement dated March 26, 2022, by and between TKLF and Tokyo Lifestyle Limited (incorporated by reference to Exhibit 4.11 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 31, 2023)
4.7	Trademark License Agreement dated March 29, 2022, by and between TKLF and Fancy Lifestyle Limited (incorporated by reference to Exhibit 4.13 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 31, 2023)
4.8	English Translation of Summary of Term Loan Agreement dated August 26, 2021, by and between TKLF and MUFG Bank (incorporated by reference to Exhibit 10.28 of our Registration Statement on Form F-1/A (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on October 1, 2021)
4.9	English Translation of Distribution Agreement dated March 24, 2020, by and between TKLF and Golden Synergy Limited, as supplemented (incorporated by reference to Exhibit 10.32 of our Registration Statement on Form F-1/A No. 2 (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on October 27, 2021)
4.10	English Translation of Pinduoduo Cooperation Agreement dated March 11, 2020, by and between TKLF and Shenzhen Yuanji E-commerce Co., Ltd, as supplemented (incorporated by reference to Exhibit 10.33 of our Registration Statement on Form F-1/A No. 2 (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on October 27, 2021)

4.11	English Translation of Summary of Term Loan Agreement Second Modification Agreement dated June 25, 2024 (incorporated by reference to Exhibit 4.20 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 10, 2025)
4.12	English Translation of Summary of Term Loan Agreement Third Modification Agreement dated December 30, 2024 (incorporated by reference to Exhibit 4.21 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 10, 2025)
4.13	English Translation of Summary of Term Loan Agreement Fourth Modification Agreement dated December 30, 2024 (incorporated by reference to Exhibit 4.22 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 10, 2025)
4.14	Loan Agreement between Tokyo Lifestyle Limited and Mr. Mei Kanayama dated February 19, 2026 (incorporated by reference to Exhibit 10.1 of our Form 6-K (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on March 6, 2026)
4.15	Subordinated Loan Agreement between the Company and Tokushin G. K. dated February 24, 2026 (incorporated by reference to Exhibit 10.2 of our Form 6-K (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on March 6, 2026)
8.1*	List of subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 (File No. 333-259129) filed with the U.S. Securities and Exchange Commission on August 27, 2021)
11.2	Insider Trading Policy of the Registrant (incorporated by reference to Exhibit 11.2 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 16, 2024)
12.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1 **	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2 **	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Finance & Commerce Law Firm of China
15.2*	Consent of Marcum Asia CPAs LLP
15.3*	Consent of Wei, Wei & Co., LLP
97.1	Compensation Recovery Policy of the Registrant (incorporated by reference to Exhibit 97.1 of our annual report on Form 20-F (File No. 001-41181), filed with the U.S. Securities and Exchange Commission on July 16, 2024)
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed with this annual report on Form 20-F

** Furnished with this annual report on Form 20-F

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Tokyo Lifestyle Co., Ltd.

By: /s/ Mei Kanayama
Mei Kanayama
Representative Director and Director
(Principal Executive Officer)

Date: July 10, 2026

TOKYO LIFESTYLE CO., LTD.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Tokyo Lifestyle Co., Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tokyo Lifestyle Co., Ltd., and its subsidiaries (the "Company") as of March 31, 2026 and 2025, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2026, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2026 and 2025, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2026, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Wei, Wei & Co., LLP

We have served as the Company's auditor since 2024.

Flushing, New York
July 10, 2026

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Tokyo Lifestyle Co., Ltd.
(formerly known as "Yoshitsu Co., Ltd.")

Opinion on the Financial Statements

We have audited, before the effects of the adjustments to retrospectively apply the November 2024 reverse split of ADSs described in Note 15, the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the year ended March 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the results of the Company's operations, changes in shareholders' equity and cash flows for the year ended March 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the November 2024 reverse split of ADSs described in Note 15 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Wei, Wei & Co., LLP.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

We have served as the Company's auditor from 2020 to 2024. (Such date takes into account the acquisition of certain assets of Friedman LLP by Marcum Asia CPAs LLP effective September 1, 2022)

New York, New York
July 16, 2024

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TOKYO LIFESTYLE CO., LTD.
CONSOLIDATED BALANCE SHEETS

	March 31, 2026	March 31, 2025
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,115,342	$ 4,819,639
Accounts receivable, net	186,830,286	107,305,580
Accounts receivable - related parties, net	4,866	117
Merchandise inventories, net	14,433,760	4,370,803
Due from related parties	1,216,953	1,208
Compensation receivable for consumption tax, current, net	8,707,457	7,178,775
Prepaid expenses and other current assets, net	6,127,587	13,542,183
TOTAL CURRENT ASSETS	**219,436,251**	**137,218,305**
Property and equipment, net	4,492,810	10,763,020
Operating lease right-of-use assets	7,935,439	6,031,284
Life insurance policy, cash surrender value	527,873	-
Compensation receivable for consumption tax, non-current, net	-	2,039,840
Long-term prepaid expenses and other non-current assets, net	1,243,382	1,777,736
TOTAL ASSETS	**$ 233,635,755**	**$ 157,830,185**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 50,319,318	$ 57,903,207
Current portion of long-term borrowings	1,790,579	706,531
Accounts payable	105,635,444	25,057,104
Accounts payable - related parties	154	2,678,588
Due to related parties	426,156	27,678
Deferred revenue	2,336,812	8,027,153
Taxes payable	1,123,404	349,671
Operating lease liabilities, current	2,433,468	2,068,399
Finance lease liabilities, current	86,270	138,180
Warrants liabilities	1,001,178	2,502,718
Other payables and other current liabilities	3,215,841	1,998,713
TOTAL CURRENT LIABILITIES	**168,368,624**	**101,457,942**
Due to related parties, non-current	2,842,433	-
Operating lease liabilities, non-current	5,670,073	4,003,366
Finance lease liabilities, non-current	73,053	119,068
Long-term borrowings	11,516,741	6,501,772
Other non-current liabilities	1,291,866	1,470,135
Deferred tax liabilities, net	2,707,787	1,263,872
TOTAL LIABILITIES	**$ 192,470,577**	**$ 114,816,155**
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Ordinary shares, no par value,100,000,000 shares authorized; 42,327,806 shares and 42,220,206 shares issued and outstanding as of March 31, 2026 and 2025, respectively	81,150	81,150
Capital reserve	26,946,116	26,946,116
Retained earnings	27,877,884	27,695,268
Accumulated other comprehensive loss	(13,839,803)	(11,708,504)
TOTAL SHAREHOLDERS' EQUITY	**41,065,347**	**43,014,030**
Non-controlling interest	99,831	-
TOTAL EQUITY	**41,165,178**	**43,014,030**
TOTAL LIABILITIES AND EQUITY	**$ 233,635,755**	**$ 157,830,185**

The accompanying notes are an integral part of these consolidated financial statements.

TOKYO LIFESTYLE CO., LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Fiscal Years Ended March 31,		
	2026	**2025**	**2024**
REVENUE			
Revenue - third parties	$ 373,219,124	$ 202,278,304	$ 189,674,322
Revenue - related parties	4,695	7,840,934	6,006,993
Total revenue	373,223,819	210,119,238	195,681,315
COSTS AND OPERATING EXPENSES			
Merchandise costs	345,118,553	186,201,939	172,306,308
Selling, general and administrative expenses	24,883,467	19,198,116	17,597,125
Total costs and operating expenses	370,002,020	205,400,055	189,903,433
INCOME FROM OPERATIONS	**3,221,799**	**4,719,183**	**5,777,882**
OTHER INCOME (EXPENSE)			
Interest expense, net	(1,986,483)	(1,723,819)	(1,611,141)
Additional and delinquent tax due to consumption tax correction	(2,181,256)	3,905,908	(628,876)
Gain from disposal of equity method investment	-	-	190,571
Gain from disposal of a subsidiary	51,639	-	341,139
Cash surrender value loss	(71,448)	-	-
Other income, net	2,916,749	364,294	760,435
Gain (loss) from foreign currency exchange	364,116	(440,055)	3,065,971
Change in fair value of warrants liabilities	1,438,866	(2,050,211)	109,173
Loss from equity method investments	-	(20,049)	(69,444)
Total other income, net	532,183	36,068	2,157,828
INCOME BEFORE INCOME TAX PROVISION (BENEFIT)	**3,753,982**	**4,755,251**	**7,935,710**
PROVISION (BENEFIT) FOR INCOME TAXES	3,102,686	(1,883,237)	456,774
NET INCOME	**651,296**	**6,638,488**	**7,478,936**
Less: net loss attributable to non-controlling interest	(65,434)	-	-
NET INCOME ATTRIBUTABLE TO TOKYO LIFESTYLE CO., LTD.	**$ 716,730**	**$ 6,638,488**	**7,478,936**
OTHER COMPREHENSIVE INCOME			
Net income	651,296	6,638,488	7,478,936
Foreign currency translation gain (loss)	(2,131,299)	284,522	(3,923,683)
Total comprehensive income (loss)	**(1,480,003)**	**6,923,010**	**3,555,253**
Less: comprehensive loss attributable to non-controlling interest	(60,053)	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**$ (1,540,056)**	**$ 6,923,010**	**3,555,253**
Earnings per ordinary share			
- basic	$ 0.02	$ 0.16	$ 0.20
- diluted	$ 0.02	$ 0.16	$ 0.20
Weighted average shares			
- basic	**42,327,806**	**42,242,610**	**37,264,162**
- diluted	**42,327,806**	**42,242,610**	**37,264,162**

The accompanying notes are an integral part of these consolidated financial statements.

TOKYO LIFESTYLE CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary Shares		Capital	Retained	Accumulated Other Comprehensive	Total Shareholders'	Non-controlling	Total
	Shares	Amount	Reserve	Earnings	Loss	Equity	Interest	Equity
Balance, March 31, 2023	**36,250,054**	**$ 14,694,327**	**$ 9,078,915**	**$ 13,577,844**	**$ (8,069,343)**	**$ 29,281,743**	**$ -**	**$ 29,281,743**
Issuance of ordinary shares	5,970,152	2,022,512	1,724,770	-	-	3,747,282	-	3,747,282
Issuance of investors' warrants	-	-	(541,494)	-	-	(541,494)	-	(541,494)
Net income for the year	-	-	-	7,478,936	-	7,478,936	-	7,478,936
Foreign currency translation loss	-	-	-	-	(3,923,683)	(3,923,683)	-	(3,923,683)
Balance, March 31, 2024	**42,220,206**	**$ 16,716,839**	**$ 10,262,191**	**$ 21,056,780**	**$ (11,993,026)**	**$ 36,042,784**	**$ -**	**$ 36,042,784**
Issuance of ordinary shares for warrants redemption	107,600	14,741	33,495	-	-	48,236	-	48,236
Transfer of capital to capital reserve	-	(16,650,430)	16,650,430	-	-	-	-	-
Net income for the year	-	-	-	6,638,488	-	6,638,488	-	6,638,488
Foreign currency translation gain	-	-	-	-	284,522	284,522	-	284,522
Balance, March 31, 2025	**42,327,806**	**$ 81,150**	**$ 26,946,116**	**$ 27,695,268**	**$ (11,708,504)**	**$ 43,014,030**	**$ -**	**$ 43,014,030**
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	159,884	159,884
Dividend declared for the year	-	-	-	(534,114)	-	(534,114)	-	(534,114)
Net income (loss) for the year	-	-	-	716,730	-	716,730	(65,434)	651,296
Foreign currency translation gain (loss)	-	-	-	-	(2,131,299)	(2,131,299)	5,381	(2,125,918)
Balance, March 31, 2026	**42,327,806**	**$ 81,150**	**$ 26,946,116**	**$ 27,877,884**	**$ (13,839,803)**	**$ 41,065,347**	**$ 99,831**	**$ 41,165,178**

The accompanying notes are an integral part of these consolidated financial statements.

TOKYO LIFESTYLE CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended March 31,		
	2026	**2025**	**2024**
Cash flows from operating activities:			
Net Income	**$ 651,296**	**$ 6,638,488**	**$ 7,478,936**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,150,519	952,126	1,232,611
Gain from disposal of property and equipment	(2,393,351)	(178,152)	(712,685)
Impairment of property and equipment	-	143,621	-
Gain from unrealized foreign currency translation	(89,191)	(13,986)	(412,728)
Provision for (reversal of) credit losses	915,388	(220,368)	(2,043,939)
Addition (reversal) of merchandise inventories written down	(92,100)	61,935	(68,361)
Amortization of operating lease right-of-use assets	2,639,989	2,049,635	1,711,978
Deferred tax provision (benefit)	1,606,325	(955,082)	(1,778,277)
Change in fair value of warrants liabilities	(1,438,866)	2,050,211	(109,173)
Investment loss from equity method investment	-	20,049	69,444
Gain from disposal of equity method investment	-	-	(190,571)
Loss on cash surrender value	71,448	-	-
Accrued interest expense	62,912	100,416	-
Changes in operating assets and liabilities:			
Accounts receivable	(87,270,000)	(1,073,737)	(24,747,655)
Accounts receivable - related parties	(4,773)	25,698	277,005
Merchandise inventories	(10,667,514)	(13,596)	2,355,034
Compensation receivable for consumption tax	-	696,224	11,284,665
Prepaid expenses and other current assets	(339,634)	(10,772,468)	949,043
Long term prepaid expenses and other non-current assets	465,056	501,659	315,809
Accounts payable	86,279,085	567,502	13,816,414
Accounts payable - related parties	(2,669,723)	2,372,722	299,591
Deferred revenue	1,302,736	8,006,135	35,027
Taxes payable	818,845	(8,943,973)	(6,977,961)
Other payables and other current liabilities	1,212,727	(281,729)	1,078,396
Operating lease liabilities	(2,514,494)	(2,040,884)	(1,711,398)
Other non-current liabilities	5,261	(291,185)	(239,250)
Net used in provided by (used in) operating activities	**(10,298,059)**	**(598,739)**	**1,911,955**
Cash flows from investing activities:			
Purchase of property and equipment	(313,995)	(992,068)	(929,308)
Proceeds from disposal of property and equipment	6,988,761	39,367	3,104,387
Investment in an equity method investment	-	(20,049)	-
Investment in life insurance policy	(601,771)	-	-
Proceeds from disposal of equity method investment	-	-	276,800
Proceeds from disposal of a subsidiary	-	-	34,600
Disposal of a subsidiary, net of cash	-	-	(171,788)
Repayments of loans to related parties	23,788	8,557	399,223
Net cash provided by (used in) investing activities	**6,096,783**	**(964,193)**	**2,713,914**
Cash flows from financing activities:			
Capital contribution from non-controlling shareholders	159,884	-	-
Payment of dividend distribution	(530,957)	-	-
Proceeds from issuance of ordinary shares for warrants redemption	-	29,482	-
Proceeds from issuance of ordinary shares, net of issuance costs	-	-	3,747,282
Proceeds from short-term borrowings	19,427,417	5,781,612	1,384,000
Repayments of short-term borrowings	(24,228,319)	(1,446,786)	(2,076,000)
Proceeds from long-term borrowings	13,992,820	-	-
Repayments of long-term borrowings	(7,771,119)	(204,024)	(4,186,712)
Proceeds from (repayments of) related parties borrowings	3,359,437	(15,346)	(228,966)
Repayment of obligations under finance leases	(166,428)	(177,320)	(420,910)
Net cash provided by (used in) financing activities	**4,242,735**	**3,967,618**	**(1,781,306)**
Effect of exchange rate fluctuation on cash	**(2,745,756)**	**(60,585)**	**(2,135,466)**
Net increase (decrease) in cash	**(2,704,297)**	**2,344,101**	**709,097**
Cash at beginning of year	**4,819,639**	**2,475,538**	**1,766,441**
Cash at end of year	**$ 2,115,342**	**$ 4,819,639**	**$ 2,475,538**
Supplemental cash flow information			
Cash paid for income taxes	**$ 872,707**	**$ 4,207,552**	**$ 880,308**
Cash paid for interest	**$ 1,637,499**	**$ 1,072,273**	**$ 798,353**

Supplemental non-cash operating activities			
Purchase of property and equipment financed under finance leases	$ 77,295	$ -	$ -
Right of use assets obtained in exchange for operating lease liabilities	$ 4,715,753	$ -	$ 3,118,676
Reduction of right-of-use assets and operating lease obligations due to early termination of lease agreement	$ 233,202	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – ORGANIZATION AND BUSINESS DESCRIPTION

Tokyo Lifestyle Co., Ltd. (the "Company"), formerly known as Yoshitsu Co., Ltd, is a stock company incorporated in Japan pursuant to the laws of Japan on December 28, 2006.

Prior to July 1, 2023, the Company owned 100% of the equity interests of Kaika International Co., Ltd ("Kaika International"), formerly known as Tokyo Lifestyle Co., Ltd., a stock company incorporated pursuant to the laws of Japan on October 24, 2019. On June 30, 2023, the Company entered into a share transfer agreement with DinnerBank Co., Ltd. ("DinnerBank"), formerly known as Seihinkokusai Co., Ltd., a related party of the Company, to sell its 100% equity interests in Kaika International to DinnerBank, and the transaction was completed on July 1, 2023.

On July 27, 2022, the Company acquired a 100% equity interest in Tokyo Lifestyle Limited ("TLS"), a company incorporated pursuant to the laws of Hong Kong on May 10, 2019 and principally engaged in the import and retail of Japanese beauty and cosmetic products in Hong Kong and in the live e-commerce business through its wholly-owned subsidiary, Shenzhen Qingzhiliangpin Network Technology Co., Ltd. ("Qingzhiliangpin"), a company incorporated on April 16, 2020 in the People's Republic of China (the "PRC").

On October 26, 2022, TLS acquired 60% of the equity interests in REIWATAKIYA (MYS) SDN. BHD. ("Reiwatakiya") and the remaining 40% equity interests on January 4, 2023. Reiwatakiya is a private limited company incorporated in Malaysia on June 14, 2022. These transactions were accounted for as acquisitions under common control (see details in "Acquisitions Under Common Control"). Reiwatakiya was officially deregistered in Malaysia on December 1, 2025.

On September 6, 2023, TLS incorporated a wholly-owned subsidiary, RAKKISTAR HOLDING INC., in the Province of Ontario, Canada, which principally engages in the import and retail of Japanese beauty and cosmetic products in Canada.

On October 17, 2023, TLS incorporated a wholly-owned subsidiary, Tokyo Lifestyle Holding Inc. ("TLS Holding"), in the State of Delaware, which is currently not engaging in any active business operations. TLS Holding incorporated four wholly-owned subsidiaries, REIWATAKIYA LV LLC, a limited liability company on August 3, 2023, in the State of Nevada, which principally engages in the import and retail of Japanese beauty and cosmetic products in Nevada; REIWATAKIYA BOS LLC, a limited liability company on October 26, 2023, in the Commonwealth of Massachusetts, which principally engages in the import and retail of Japanese beauty and cosmetic products in Massachusetts; REIWATAKIYA NYC LLC, a limited liability company on November 8, 2023, in the State of New York, which principally engages in the import and retail of Japanese beauty and cosmetic products in New York; and REIWATAKIYA LV II LLC, a limited liability company on May 13, 2024, in the State of Nevada, which principally engages in the import and retail of Japanese beauty and cosmetic products in Nevada.

On May 15, 2025, TLS and two third parties incorporated TOKYO LIFESTYLE PTY LTD, a proprietary limited company in Sydney, Australia, which principally engages in the import and retail of Japanese beauty and cosmetic products in Australia. TLS owns 51.0% of TOKYO LIFESTYLE PTY LTD and the registered capital was fully injected.

On June 3, 2025, TLS incorporated Shenzhen Qianxusenhuo Network Technology Co., Ltd., a company incorporated in the PRC, which principally engages in e-commerce technical, marketing and consulting services, as well as import and retail of Japanese beauty and cosmetic products in the PRC.

On July 27, 2025, TLS acquired 100% of the equity interests in TOKYO LIFESTYLE COMPANY LIMITED, a company incorporated pursuant to the laws of Vietnam on August 28, 2024 for a consideration of $30,000. Subsequently, TLS transferred 100% of the equity interests in TOKYO LIFESTYLE COMPANY LIMITED to a third party on March 20, 2026 for a consideration of $30,000.

NOTE 1 – ORGANIZATION AND BUSINESS DESCRIPTION (continued)

The Company and its subsidiaries are a retailer and wholesaler of Japanese beauty and health products, as well as luxury and electronic products, sundry products, collectible cards and trendy toys, and other products and services. The Company offers approximately 69,300 stock keeping units ("SKUs") of beauty products, including cosmetics, skin care, fragrance, and body care, among others; 28,600 SKUs of health products, including over-the-counter ("OTC") drugs, nutritional supplements, and medical supplies and devices; 70,100 SKUs of sundry products, including home goods; 2,100 SKUs of electronic products, including entertainment gaming products, such as Nintendo Switch and Xbox Series; 3,500 SKUs of luxury products, including branded watches, perfume, handbags, clothes, and jewelry; 6,800 SKUs of collectible cards and trendy toys; and 17,700 SKUs of other products, including food, alcoholic beverages. The Company also provides advertising services by key opinion leaders ("KOLs") as well as supporting services to online celebrities.

Acquisitions Under Common Control

On July 20, 2022, the Company entered into a definitive agreement (the "Agreement") with All Seas Global Limited to acquire 100% of its equity interests in TLS. Pursuant to the Agreement, the Company agreed to acquire 100% of the equity interests in TLS for a total consideration of Japanese yen 392,673,800 in cash ($2,842,173), subject to certain terms. The transaction contemplated by the Agreement was approved by the Company's board of directors at a special board meeting on June 27, 2022. The equity interests in TLS were transferred to the Company on July 20, 2022, and cash consideration was paid in full and the transaction closed on July 27, 2022. As the Company and TLS previously were controlled by the same ultimate controlling shareholder before this acquisition, this transaction was accounted for as an acquisition of a business under common control, and accordingly, the Company's comparative financial information prior to the acquisition date of July 20, 2022 was retrospectively adjusted to include the financial results of TLS.

On October 26, 2022, the board of directors of TLS approved the acquisition of Reiwatakiya from All Seas Global Limited, who held a 60% interest in Reiwatakiya, and subsequently, approved the acquisition of the remaining 40% interest in Reiwatakiya from a third-party shareholder on January 4, 2023. The 60% and 40% of equity interests in Reiwatakiya were transferred to the TLS on October 26, 2022 and January 4, 2023, respectively, with no consideration. As TLS and Reiwatakiya previously were controlled by the same ultimate controlling shareholder before this acquisition, this transaction was accounted for as an acquisition of a business under common control, accordingly, the Company's comparative financial information prior to the acquisition date of October 26, 2022 was retrospectively adjusted to include the financial results of Reiwatakiya.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the U.S. Securities Exchange Commission (the "SEC"). The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany balances and transactions are eliminated upon consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

In preparing the consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, assessment of expected credit losses for accounts receivable, compensation receivable for consumption tax, current and non-current prepaid expenses and other assets, valuation of inventories, useful lives of property and equipment and the recoverability of long-lived assets, provision necessary for contingent liabilities, inputs used in the calculation of the asset retirement obligation, and implicit interest rate of operating leases and financing leases. Actual results could differ from those estimates.

Cash

Cash includes currency on hand and deposits held by banks that can be added or withdrawn without limitation. The Company maintains bank accounts in Japan, Hong Kong, mainland China, Malaysia, the United States, Canada and Australia. The Company considers all highly liquid investment instruments with an original maturity of three months or less from the date of purchase to be cash equivalents. As of March 31, 2026 and 2025, the Company did not have any cash equivalents.

Receivables and credit losses

The Company follows Accounting Standards Update ("ASU") 2016-13 "Financial Instruments – Credit Losses ("Topic 326"), Measurement of Credit Losses on Financial Instruments," which replaces the incurred loss impairment methodology with an expected loss methodology that is referred to as the current expected credit loss methodology. The expected credit loss impairment model requires the entity to recognize its estimate of expected credit losses for affected financial assets using an allowance for credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Company's account receivables, compensation receivable for consumption tax and other receivable included in current and non-current prepaid expenses and other assets are within the scope of Topic 326. The Company makes estimates of expected credit and collectability trends for the allowance for credit losses based upon assessment of various factors, including historical experience, the age of the receivables, credit-worthiness of the customers and other debtors, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers and other debtors. The Company also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected.

Expected credit losses are included in selling, general, and administrative expenses in the consolidated statements of operations and comprehensive income (loss). After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Account receivables, compensation receivable for consumption tax, and other receivable is recognized and carried at original amount less an allowance for credit losses, as necessary. As of March 31, 2026 and 2025, allowance for credit losses for accounts receivable amounted to $1,886,935 and $1,040,434, respectively, allowance for credit losses for other receivables amounted to $14,131 and $14,974, respectively, and allowance for credit losses for compensation receivable for consumption tax amounted to $87,954 and $93,103, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company accounts for lease in accordance with ASC No.842, Lease ("Topic 842"). The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. The classification evaluation begins at the commencement date and the lease term used in the evaluation includes the non-cancellable period for which the Company has the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option which result in an economic penalty.

The Company leases retail store facilities, distribution centers and warehouses, which are classified as operating leases and leases certain software and equipment and furniture as finance lease in accordance with Topic 842. Under Topic 842, lessees are required to recognize the following for all leases on the commencement date: (i) lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Operating leases are included in operating lease right-of-use assets, operating lease liabilities, current, and operating lease liabilities, non-current, and finance leases are included in property and equipment, finance lease liabilities, current, and finance lease liabilities, non-current in the consolidated balance sheet.

At the commencement date, the Company recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for the same term as the underlying lease. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The operating lease right-of-use asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All operating lease right-of-use assets are reviewed for impairment annually. There was no impairment for operating lease right-of-use lease assets during the fiscal years ended March 31, 2026, 2025, and 2024.

The Company has elected the short-term lease exception, and therefore operating lease right-of-use assets and liabilities do not include leases with a lease term of 12 months or less.

Equity investment

An investment in which the Company has the ability to exercise significant influence, but does not have a controlling interest, is accounted for using the equity method. Significant influence is generally considered to exist when the Company has an ownership interest in the voting stock between 20% and 50%, and other factors, such as representation on the board of directors, voting rights, and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate. An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. The Company did not record impairment losses on its equity method investment during the fiscal years ended March 31, 2026, 2025, and 2024. When the equity investment is sold, any gain or loss resulting from difference between the transaction price and carry value of the equity investment is recognized in the consolidated statements of operations and comprehensive income (loss).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Common control transactions

In business combinations under common control, the assets and liabilities acquired are measured at the historical amounts of the acquirees in the consolidated financial statements of acquirer on the acquisition date. The difference between the carrying amounts of the net assets acquired and the consideration paid is adjusted to the equity account of the acquirer. The operating results for all periods presented are retrospectively restated as if the current structure and operations resulting from the acquisition had been in existence since the beginning of the earliest year presented, with financial data of previously separate entities consolidated. The subsequent adjustment of contingent consideration after the acquisition date is also accounted for as an equity transaction.

Compensation receivable for consumption tax

Compensation receivable for consumption tax pertains to damages the Company claimed from certain suppliers as well as customers. Compensation receivable for consumption tax is recognized and carried at original amount in the agreements less an allowance for credit losses. As of March 31, 2026 and 2025, allowance for credit losses for compensation receivable for consumption tax amounted to $87,954 and $93,103, respectively.

Merchandise inventories

Merchandise inventories are stated at the lower of cost or net realizable value, on a weighted average basis. Costs include mainly the cost of merchandise inventories. Net realizable value is the estimated selling price in the normal course of business less any costs to sell products. Write-down is recorded when future estimated net realizable value is less than cost, which is recorded in merchandise costs in the consolidated statements of operations and comprehensive income (loss). The Company periodically evaluates merchandise inventories for their net realizable value adjustments, and reduces the carrying value of those merchandise inventories that are obsolete or in excess of the forecasted usage to their estimated net realizable value based on various factors including aging and expiration dates, as applicable, taking into consideration historical and expected future product sales. As of March 31, 2026 and 2025, allowance for obsolete and slow-moving inventory was $38,569 and $132,904, respectively.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Except for assets that are not subject to depreciation, such as land and construction in progress, depreciation and amortization of property and equipment are mainly provided using the straight-line method or declining balance method, which allocates an asset's cost over the periods during which the Company benefits from the use of the asset. The expected economic useful lives of the Company's assets are as follows:

	Useful life
Property and buildings	35-50 years
Land	Infinite
Leasehold improvements	Lesser of useful life and lease term
Equipment and furniture	2-18 years
Automobiles	4-6 years
Software	5 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land has infinite useful life and is not subjected to amortization. Management reviews for impairment accordance with the accounting policy stated under impairment of long-lived assets.

Expenditures for maintenance and repair, which do not materially extend the useful lives of the assets, are charged to expenses as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of operations and comprehensive income (loss) in other income or expenses.

Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company's asset retirement obligations are primarily related to leasehold improvement of its retail stores leases, that, at the end of the leases, are required to be returned to the landlords in their original condition. As of March 31, 2026 and 2025, the balance of asset retirement obligations included in other non-current liabilities was $473,712 and $597,965, respectively, and will be subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the leasehold improvements and are depreciated over the shorter of the estimated useful life of the asset or the term of the lease subsequent to the initial measurement. Due to the time over which these obligations could be settled and the judgment used to determine the liability, the ultimate obligation may differ from the estimate. Upon settlement, any difference between actual cost and the estimate is recognized as a gain or loss in that period.

Impairment of long-lived assets

The Company evaluates its long-lived assets, including property and equipment, operating lease right-of-use assets and long-term prepaid expenses and non-current assets for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, the Company evaluates the recoverability of long-lived assets by comparing the carrying amount of the assets to the future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. The adjusted carrying amount of the assets become new cost basis and are depreciated over the assets' remaining useful lives. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Given no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recovered through the related future net cash flows, the Company recognized an impairment loss of $nil, $143,621, and $nil on long-lived assets for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company accounts for revenue in accordance with ASC 606. ASC 606 requires the use of a five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

Under ASC 606, revenue is recognized when control of promised goods is transferred or service is rendered to the Company's customers in an amount of consideration to which an entity expects to be entitled to in exchange for those goods or services, and it is probable that the Company will collect the consideration. Control is the ability to direct the use of, and obtain substantially all of the remaining benefits from, the specified goods and services.

The Company currently generates its revenue through retail and wholesale of Japanese beauty and health products, luxury and electronic products, collectible cards and trendy toys, as well as sundry and other products and services, through a multi-channel distribution network. Currently, the Company sells its products and renders its services through: (i) directly-operated physical stores, (ii) online stores and services, and (iii) franchise stores and wholesale customers. For domestic sales in Japan, Hong Kong, the United States, Canada, and Australia, revenue is recognized at the point of sales or delivery of the related products and control is transferred. For international sales, the Company sells goods under Free on Board shipping point term, and revenue is recognized when products are loaded on the ships and control is deemed as transferred. The Company's service revenue primarily consists advertising services of KOLs for its customers. The Company produces short videos with online celebrities to promote the brands of its customers on social media platforms, such as TikTok and Kuaishou. Since December 2023, the Company has only provided supporting services to the online celebrities. Revenue from these services is recognized at a point in time when the service is rendered by the Company. Revenue amount represents the invoiced value, net of consumption tax. Revenue from KOLs advertising services was immaterial for the fiscal years ended March 31, 2026, 2025, and 2024.

For online stores, the Company generally offers an eight-day product return policy for products sold in the Company's online store in Japan, as long as the products are undamaged, in their original condition, and can be resold. For products sold in the Company's physical stores, the Company offers a seven-day product return policy for products sold in the Company's physical stores in Japan and Hong Kong; a fifteen-day and thirty-day product return policy for products sold in the Company's physical stores in the United States and Canada, as long as the products are undamaged, in their original condition, and can be resold. For products sold in the Company's physical stores in Australia, the store generally does not offer repairs, exchanges or refunds. The Company only offers remedies including refunds, replacements or repairs for products that are faulty, misdescribed or of unacceptable quality. For hygiene and safety purposes, opened, used or unsealed beauty and health products are non-returnable. Historically, customer returns were immaterial. Therefore, the Company did not provide any sales return allowances for the fiscal years ended March 31, 2026, 2025, and 2024.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company enters into franchise agreements with franchisees in Japan under which the franchisee is granted a revocable license and non-exclusive right to use the Company's trademarks and stores. The Company requires an entire non-refundable initial franchise fee of ¥3.0 million (approximately $20,000) to be paid upon execution of a franchise agreement, which typically has an initial term of three years and automatically renew for successive one-year terms, unless either party sends a written non-renewal notice no later than two months prior to the expiration of the then current term. Initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement. In addition, the Company is also entitled to continuing franchise fees (royalties), equal to 5% of the monthly gross sales of the franchise store, and royalties are recognized as revenue based on the monthly royalty earned. Franchise fees from the franchisees were included in revenue from franchise stores and wholesale customers, and were immaterial for the fiscal years ended March 31, 2026, 2025, and 2024.

The Company is the principal for its transactions and recognizes revenue on a gross basis. The Company is the principal when it has control of the merchandise before it is transferred to customers, which generally is established when the Company is primarily responsible for merchandising decisions, maintains the relationship with customers, including assurance of member service and satisfaction, and has pricing discretion.

In directly-operated physical stores, customers can enroll in the Company's rewards program, which is primarily a spending-based rewards program, and get a rewards card. Members of the rewards program usually earn three membership points for each ¥100 spent, and one membership point for each HK$1, US$1, CAD1, and AUD1spent in the Company's directly-operated physical stores in Japan, Hong Kong, the United States, Canada, and Australia, respectively. Subsequently, one membership point can be used as ¥1 at the Company's directly-operated physical stores in Japan when making payment, 250 membership points can be used as HK$1 at the Company's directly-operated physical stores in Hong Kong when making payment, and 30 membership points can be used as AUD1 at the Company's directly-operated physical stores in Australia when making payment; membership point can be used to redeem products at the Company's directly-operated physical stores in the United States and Canada. The membership points are valid for one year and ten years starting from the last use of the rewards card in directly-operated physical stores in Japan and Hong Kong, respectively. There is no expiration date for membership points earned at directly-operated physical stores in the United States and Canada, respectively. Membership points are reviewed and reset annually on June 30 at directly-operated physical stores in Australia. Only points earned within the most recent six months will be retained, and points earned more than six months prior to June 30 will automatically expire. The Company initially accounts for these membership points as a reduction in sales based on the estimated monetary value of the membership points with the corresponding liability classified as deferred revenue in the consolidated balance sheets. When a customer redeems earned membership points at its stores, the Company recognizes revenue and reduces the deferred revenue. Unused membership points are recognized as breakage, which is recorded as revenue in the consolidated statements of operations and comprehensive income (loss). Membership point breakage was immaterial for the fiscal years ended March 31, 2026, 2025, and 2024.

Contract balances and remaining performance obligations

Contract balances typically arise when a difference in timing between the transfer of control to the customer and receipt of consideration occurs. The Company did not have contract assets as of March 31, 2026 and 2025. The Company's contract liabilities, which are reflected in its consolidated balance sheets as deferred revenue of $2,336,812 and $8,027,153 as of March 31, 2026 and 2025, respectively, consist primarily of revenue for amount received in advance from the Company's wholesale customers and unredeemed membership points. These amounts represent the Company's unsatisfied performance obligations as of the balance sheet dates. The amount of revenue recognized in the fiscal years ended March 31, 2026, 2025, and 2024 that was included in the opening deferred revenue was $292,920, $44,907 and $82,017, respectively. As of March 31, 2026, the amount received in advance from wholesale customers and unredeemed membership points was $2,336,812. The Company expects to recognize revenue when products are delivered to the wholesale customers or when customers redeem their membership points, which is expected to occur within one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Disaggregation of revenue

The Company disaggregates its revenue by geographic areas, product categories, and distribution channels, which the Company believes best depicts how the nature, amount, timing, and uncertainty of the revenue and cash flows are affected by economic factors. The Company's disaggregation of revenue for the fiscal years ended March 31, 2026, 2025, and 2024 is as following:

Revenue by geographic areas

The summary of the Company's total revenue by geographic areas for the fiscal years ended March 31, 2026, 2025, and 2024 was as follows:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Hong Kong market	$ 235,960,125	$ 104,685,311	$ 100,982,052
Japan domestic market	93,334,102	62,190,446	57,381,922
The United States market	32,126,830	19,515,109	17,193,899
Other overseas markets	11,802,762	23,728,372	20,123,442
Total revenue	$ 373,223,819	$ 210,119,238	$ 195,681,315

Revenue by product categories

The summary of the Company's total revenue by product categories for the fiscal years ended March 31, 2026, 2025, and 2024 was as follows:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Luxury products	$ 149,416,839	$ 35,357,960	$ 90,189,723
Beauty products	128,797,535	81,374,101	50,114,893
Electronic products	42,887,751	47,969,875	34,901,681
Other products and services [(1)]	24,114,318	6,863,823	9,459,577
Collectible cards and trendy toys	19,003,183	11,408,517	-
Sundry products	7,675,788	20,275,598	6,083,770
Health products	1,328,405	6,869,364	4,931,671
Total revenue	$ 373,223,819	$ 210,119,238	$ 195,681,315

(1) Other products and services include primarily food, such as soft drinks, packaged snacks, tea and coffee, fruit juice, and mineral water, and alcoholic beverages, cigarettes, and pet food. It also includes revenue from advertising services through KOLs as well as supporting services to the online celebrities.

Revenue by distribution channels

The summary of the Company's total revenue by distribution channels for the fiscal years ended March 31, 2026, 2025, and 2024 was as follows:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Franchise stores and wholesale customers	$ 346,748,488	$ 185,520,491	$ 170,023,914
Directly-operated physical stores	19,787,252	17,105,488	14,951,952
Online stores and services	6,688,079	7,493,259	10,705,449
Total revenue	$ 373,223,819	$ 210,119,238	$ 195,681,315

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3 — inputs to the valuation methodology are unobservable.

Unless otherwise disclosed, the fair value of the Company's financial instruments, including cash, accounts receivable, due from related parties, current portion of compensation receivable for consumption tax, prepaid expenses and other current assets, short-term borrowings, current portion of long-term borrowings, accounts payable, due to related parties, deferred revenue, taxes payable, and other payables and other current liabilities, approximate the fair value of the respective assets and liabilities as of March 31, 2026 and 2025 based upon the short-term nature of the assets and liabilities. Cash surrender value of life insurance policies are classified as Level 2. The fair value of the life insurance policies was determined by the underwriting insurance company's valuation models and represents the guaranteed value we would receive upon surrender of these policies as of the reporting date.

Foreign currency translation

The Company maintains its books and records in its local currency, Japanese yen ("YEN" or "¥"), which is a functional currency as being the primary currency of the economic environment in which its operation is conducted. The Company's subsidiaries in Hong Kong, the PRC, Malaysia, the United States, Canada, Australia and Vietnam use their respective currencies Hong Kong Dollar ("HK$"), Chinese Yuan ("RMB"), Malaysia Ringgit ("MYR"), United States Dollars ("USD"), Canadian dollar ("CAD") and Australian dollar ("AUD"). Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the statements of operations and comprehensive income (loss).

The reporting currency of the Company is the United States Dollars ("US$" or "$") and the accompanying consolidated financial statements have been expressed in US$. In accordance with ASC Topic 830-30, "Translation of Financial Statement," assets and liabilities of the Company are translated into US$, using the exchange rate on the balance sheet date. Revenue and expenses are translated at the average rates prevailing during the period. Shareholders' equity is translated at the historical exchange rate at the time of transaction. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the results of operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	March 31, 2026		March 31, 2025		March 31, 2024	
	Year-end spot rate	Average rate	Year-end spot rate	Average rate	Year-end spot rate	Average rate
US$ against YEN	¥1=US$0.00629	¥1=US$0.00664	¥1=US$0.00666	¥1=US$0.00657	¥1=US$0.00661	¥1=US$0.00692
US$ against HK	HK1=US$0.12755	HK$1=US$0.12814	HK$1=US$0.12856	HK$1=US$0.12833	HK$1=US$0.12778	HK$1=US$0.12780
US$ against RMB	RMB1=US$0.14497	RMB1=US$0.14081	RMB1=US$0.13769	RMB1=US$0.13858	RMB1=US$0.13850	RMB1=US$0.13953
US$ against MYR	MYR1=US$0.24708	MYR1=US$0.24022	MYR1=US$0.22540	MYR1=US$0.22226	MYR1=US$0.21175	MYR1=US$0.21548
US$ against CAD	CAD1=US$0.71669	CAD1=US$0.72371	CAD1=US$0.70018	CAD1=US$0.71899	CAD1=US$0.73855	CAD1=US$0.74162
US$ against AUD	AUD1=US$0.68550	AUD1=US$0.66859	-	-	-	-

Income taxes

The Company accounts for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expenses in the period incurred. No significant penalties or interest relating to income taxes were incurred during the fiscal years ended March 31, 2026, 2025, and 2024, and there was no uncertain tax provision as of March 31, 2026 and 2025.

The Company’s operating entities in Japan are subject to the income tax laws of Japan. As of March 31, 2026, the tax years ended March 31, 2024 through March 31, 2026 for the Company’s operating entities in Japan remain open for statutory examination by the Japanese tax authorities.

The Company’s subsidiary in Hong Kong is subject to profit taxes in Hong Kong. As of March 31, 2026, the tax years ended since the year of incorporation through March 31, 2026 for the Company’s subsidiary in Hong Kong remain open for statutory examination by the Hong Kong taxing jurisdictions.

The Company’s subsidiary in mainland China is subject to the income tax laws of the PRC. As of March 31, 2026, the tax years ended since the year of incorporation through December 31, 2025 for the Company’s PRC subsidiary remain open for statutory examination by PRC tax authorities.

The Company’s subsidiaries in the United States are subject to the tax law of the United States. As of March 31, 2026, the tax years ended since the year of incorporation through December 31, 2025 for the Company’s subsidiaries in the United States remain open for statutory examination by United States tax authorities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's subsidiary in Canada is subject to the tax law of Canada. As of March 31, 2026, the tax years ended since the year of incorporation through March 31, 2026 for the Company's subsidiary in Canada remain open for statutory examination by Canadian tax authorities.

The Company's subsidiary in Australia is subject to the tax law of Australia. As of March 31, 2026, the tax years ended since the year of incorporation through June 30, 2025 for the Company's subsidiary in Australia remain open for statutory examination by Australian tax authorities.

Consumption tax

The Company has been subject to the applicable consumption tax rate of 10%, with an 8% rate applicable to a limited number of exceptions based on the new Japanese tax law. For overseas sales, the Company is exempted from paying consumption tax. The Company can deduct all its qualified input consumption tax paid when purchasing from suppliers, against the output consumption tax derived from domestic sales. The Company is eligible for consumption tax refund from the tax authorities for excess input consumption tax.

Sales and leaseback

The Company enters into sale and leaseback transactions, pursuant to which the Company sells the property to a related party and agrees to lease the property back for a certain period of time. To determine whether the transfer of the property should be accounted for as a sale, the Company evaluates whether it has transferred control to the related party in accordance with the revenue recognition guidance set forth in ASC 606. If the transfer of the asset is deemed to be a sale at market terms, the Company recognizes the transaction price for the sale based on the cash proceeds received, derecognizes the carrying amount of the underlying asset and recognizes a gain or loss in the consolidated statements of operations and comprehensive income (loss) in other income or expenses for any difference between the carrying value of the asset and the transaction price. The Company then accounts for the leaseback in accordance with its lease accounting policy.

Earnings per share

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings per Share" ("ASC 260"). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average ordinary shares outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of potential ordinary shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. There were no dilutive shares for the fiscal years ended March 31, 2026, 2025, and 2024.

Shipping and handling cost

All shipping and handling costs are expensed as incurred and included in selling, general, and administrative expenses in the consolidated statements of operations and comprehensive income (loss). Total shipping and handling expenses were $2,859,607, $1,833,788 and $1,793,286 for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

Advertising expenses

Advertising costs are expensed as incurred and included in selling, general, and administrative expenses in the consolidated statements of operations and comprehensive income (loss). Advertising expenses amounted to $516,175, $112,698 and $301,681 for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income and other comprehensive income (loss). The foreign currency translation gain or loss resulting from the translation of the financial statements expressed in YEN, HK$, RMB, MYR, CAD and AUD and to US$ is reported in other comprehensive income (loss) in the consolidated statements of operations and comprehensive income (loss).

Related parties and transactions

The Company identifies related parties, and accounts for and discloses related party transactions in accordance with ASC 850, "Related Party Disclosures," and other relevant ASC standards.

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence. Transactions between related parties commonly occurring in the normal course of business are considered to be related party transactions.

Segment reporting

In November 2023, the FASB issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The Company adopted this ASU commencing April 1, 2024 retrospectively to all periods presented in the consolidated financial statement and the adoption of the ASU does not have a material effect on its consolidated financial statements.

The Company uses the management approach in determining its operating segments. The management approach considers the internal reporting used by the Company's CODM. The Company's CODM has been identified as the Chief Executive Officer ("CEO") who reviews the financial information of separate operating segments when making decisions about allocating resources and assessing performance of the Company. Management has determined that the Company has three operating segments, which are (i) directly-operated physical stores, (ii) online stores and services, and (iii) franchise stores and wholesale customers. The Company's CODM uses consolidated net income as the measures of segment profit or loss (see Note 17).

Risks and uncertainties

Political and economic risk

The directly-operated physical stores of the Company are located in Japan, Hong Kong, the United States, Canada and Australia, and the online stores and franchise stores and wholesale partners of the Company are mainly located in Japan, Hong Kong, mainland China, and the United States. Accordingly, the Company's business, financial condition, and results of operations may be influenced by political, economic, and legal environments in Japan, Hong Kong, mainland China, the United States, Canada and Australia, as well as by the general state of their economy. The Company's results may be adversely affected by changes in the political, regulatory, and social conditions in above-mentioned territories. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations, including its organization and structure disclosed in Note 1, such experience may not be indicative of future results.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit risk

As of March 31, 2026 and 2025, $1,562,849 and $3,329,061 of the Company's cash was on deposit at financial institutions in Japan, respectively, which were insured by the Deposit Insurance Corporation of Japan subject to certain limitations. The Company has not experienced any losses in such accounts.

As of March 31, 2026 and 2025, $270,887 and $1,171,506 of the Company's cash was on deposit at financial institutions in Hong Kong, respectively, which were insured by the Hong Kong Deposit Protection Board for compensation up to a limit of approximately $102,000 (HK$800,000) if the bank with which an individual/a company hold its eligible deposit fails.

As of March 31, 2026 and 2025, $21,408 and $138,365 of the Company's cash was on deposit at financial institutions in mainland China, respectively, which were insured by the China Deposit Protection Board for compensation up to a limit of approximately $72,000 (RMB500,000) if the bank with which an individual/a company hold its eligible deposit fails.

As of March 31, 2026 and 2025, $nil and $710 of the Company's cash was on deposit at financial institutions in Malaysia, respectively, which were subject to certain protections under the requirement of the deposit insurance system up to a limit of approximately $62,000 (MYR 250,000) if the bank with which an individual/a company hold its eligible deposit fails.

As of March 31, 2026 and 2025, $25,389 and $96,843 of the Company's cash was on deposit at financial institutions in the United States which were insured by the Federal Deposit Insurance Corporation for compensation up to a limit of $250,000 if the bank with which an individual/a company hold its eligible deposit fails.

As of March 31, 2026 and 2025, $49,408 and $29,465 of the Company's cash was on deposit at financial institutions in Canada, respectively, which were insured by the Canada Deposit Insurance Corporation for compensation up to a limit of approximately $72,000 (CAD100,000) if the bank with which an individual/a company hold its eligible deposit fails.

As of March 31, 2026 and 2025, $136,430 and $nil of the Company's cash was on deposit at financial institutions in Australia, respectively, which were insured by the Australian Prudential Regulation Authority for compensation up to a limit of approximately $171,000 (AUD 250,000) if the bank with which an individual/a company hold its eligible deposit fails.

Accounts receivable are typically unsecured and derived from revenue earned from customers, compensation receivables are typically unsecured and derived from damages the Company claimed from certain suppliers as well as customers, thereby exposed to credit risks. The risk is mitigated by the Company's assessment of its customers and suppliers' creditworthiness and its ongoing monitoring of outstanding balances.

Concentrations

For the fiscal years ended March 31, 2026, 2025, and 2024, the majority of the Company's assets were located in Japan and Hong Kong.

The Company's revenue was generated by the Company and its subsidiaries, which are located in Japan, Hong Kong, mainland China, the United States, Canada, and Australia. Revenue generated from companies in Japan accounted for 52.9%, 70.5% and 77.8% of the Company's total revenue for the fiscal years ended March 31, 2026, 2025, and 2024, respectively. Revenue generated from companies in Hong Kong and others accounted for 47.1%, 29.5% and 22.2% of the Company's total revenue for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the fiscal year ended March 31, 2026, two customers accounted for 12.3% and 11.6% of the Company's total revenue, respectively. For the fiscal year ended March 31, 2025, one customer accounted for 13.4% of the Company's total revenue. For the fiscal year ended March 31, 2024, one customer accounted for 18.8% of the Company's total revenue.

As of March 31, 2026, five wholesale customers accounted for 17.0%, 15.7%, 14.9%, 13.4%, and 11.8% of the total accounts receivable balance, respectively. As of March 31, 2025, three wholesale customers accounted for 23.7%, 11.3%, and 10.0% of the total accounts receivable balance, respectively.

For the fiscal year ended March 31, 2026, three suppliers accounted for approximately 20.6%, 18.6% and 10.9% of the Company's total purchases, respectively. For the fiscal year ended March 31, 2025, two suppliers accounted for approximately 28.2% and 18.5% of the Company's total purchases, respectively. For the fiscal year ended March 31, 2024, two suppliers accounted for approximately 22.5% and 21.2% of the Company's total purchases, respectively.

Recently issued accounting pronouncements

Recently issued accounting pronouncements adopted

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This ASU requires additional quantitative and qualitative income tax disclosures to enable financial statements users better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU is effective for fiscal years beginning after December 15, 2024, and is to be adopted on a prospective basis with the option to apply retrospectively. Early adoption is permitted. The Company adopted ASU No. 2023-09 from the annual period beginning from April 1, 2025. The adoption of this standard did not have a material impact to its consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, that requires disclosure of the amounts of purchases of inventory, employee compensation, depreciation, and intangible asset amortization included in each relevant expense line item on the income statement. The standard also requires a qualitative description of other amounts included in each relevant expense line item on the income statement that are not separately disclosed. In addition, entities are required to disclose the nature and amount of selling expenses. The new standard is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted. The Company plans to adopt this guidance effectively April 1, 2027 and the Company is evaluating the impact of the adoption of this guidance on its disclosures.

In July 2025, the FASB issued ASU No. 2025-05, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets." This ASU provides a practical expedient for all entities related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under Topic 606. The standard is effective for annual periods beginning after December 15, 2025. Early adoption of ASU 2025-05 is permitted and should be applied prospectively. The Company adopted this guidance effectively April 1, 2026, and the Company is assessing the impact of this guidance; however, it is not expected to have a material impact to the Company's consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. The purpose of this update is to improve the clarity and organization of interim reporting guidance and to enhance the disclosure requirements applicable to interim financial statements. ASU 2025-11 does not change the fundamental principles of interim reporting but clarifies the scope and presentation of required disclosures. A public business entity shall apply for interim reporting periods within annual reporting periods beginning after December 15, 2027. An entity other than a public business entity shall apply for interim reporting periods within annual reporting periods beginning after December 15, 2028. The Company plans to adopt this guidance effectively April 1, 2028 and the Company is currently evaluating the impact of adopting this ASU on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In December 2025, the FASB issued ASU 2025-12, "Codification Improvements", thirty-three issues are addressed in this Update. Generally, the amendments in this Update are not intended to result in significant changes for most entities. However, the Board recognizes that changes to guidance may result in accounting changes for some entities. Therefore, the Board is providing transition guidance for the amendments. The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. If an entity adopts the amendments in this Update in an interim period, it must adopt them as of the beginning of the annual reporting period that includes that interim reporting period. An entity may elect to early adopt the amendments on an issue-by-issue basis. For example, an entity may decide to early adopt certain amendments and adopt the remaining amendments at the effective date. An entity should apply the amendments in this Update (except for the amendments to Topic 260, Earnings Per Share, related to Issue 4) using one of the following transition methods: 1. Prospectively to all transactions recognized on or after the date that the entity first applies the amendments and 2. Retrospectively to the beginning of the earliest comparative period presented. An entity should adjust the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) as of the beginning of the earliest comparative period presented. An entity may elect the transition method on an issue-by-issue basis. For example, it may apply certain amendments prospectively while applying others retrospectively. For the amendments in this Update to Topic 260 (that is, Issue 4), an entity should apply the amendments retrospectively to each prior reporting period presented in the period of adoption. The Company plans to adopt this guidance effectively April 1, 2027 and the Company is currently evaluating the impact of adopting this ASU on its financial statements.

Except for the above-mentioned pronouncement, there are no new recently issued accounting standards that will have material impact on the Company's consolidated financial position, statements of operations, and cash flows.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	March 31, 2026	March 31, 2025
Accounts receivable	$ 188,717,221	$ 108,346,014
Less: allowance for credit losses	(1,886,935)	(1,040,434)
Accounts receivable, net	$ 186,830,286	$ 107,305,580

The Company's accounts receivable primarily include balance due from customers when the Company's products have been sold and delivered to customers, which has not been collected as of the balance sheet dates.

Movement of allowance for credit losses was as follows:

	March 31, 2026	March 31, 2025
Beginning balance	$ 1,040,434	$ 1,244,662
Addition (reduction)	915,388	(209,992)
Foreign currency translation adjustments	(68,887)	5,764
Ending balance	$ 1,886,935	$ 1,040,434

NOTE 4 – MERCHANDISE INVENTORIES, NET

Merchandise inventories, net consisted of the following:

	March 31, 2026	March 31, 2025
Luxury products	$ 10,620,771	$ 364,856
Beauty products	2,289,411	2,358,327
Other products	1,032,295	1,019,066
Health products	491,283	628,554
Merchandise inventories, net	$ 14,433,760	$ 4,370,803

As of March 31, 2026 and 2025, allowance for obsolete and slow-moving inventory was $38,569 and $132,904, respectively.

NOTE 5 – COMPENSATION RECEIVABLE FOR CONSUMPTION TAX, NET

Compensation receivable for consumption tax, net consisted of the following:

	March 31, 2026	March 31, 2025
Compensation receivable for consumption tax	$ 8,795,411	$ 9,311,718
Less: allowance for credit losses	(87,954)	(93,103)
Subtotal	8,707,457	9,218,615
Less: compensation receivable for consumption tax, current, net	(8,707,457)	(7,178,775)
Compensation receivable for consumption tax, non-current, net	$ -	$ 2,039,840

The Tokyo Regional Taxation Bureau had conducted a tax examination into the Company's consumption tax filing for the period from July 2018 to December 2021. As a result of the examination, the Company was required to return consumption tax refund for export transactions that were determined not to meet the tax exemption requirements due to failure in submission of relevant export documents (see Note 13) by certain of the Company's suppliers and customers. In June 2023, the Company entered into agreements with relevant suppliers and customers to claim compensation for damages from the additional consumption tax payment. These suppliers and customers agreed to compensate the Company and the compensation receivable for consumption tax will be paid over two years from the date of the agreements. On July 31, 2023, the Company received a notice of reassessment for an additional consumption tax correction. As a result of the correction, the Company was liable for additional and delinquent tax. Regarding the correction decision made by the Tokyo Regional Taxation Bureau, the Company subsequently submitted a request for reconsideration to the Bureau. On January 26, 2024, Tokyo Regional Taxation Bureau formally informed the Company that the decision was maintained after internal review. On February 22, 2024, the Company filed a request for review with the National Tax Tribunal, challenging the legality of the reassessment decision and the imposition of additional tax penalties issued by the Tokyo Regional Taxation Bureau. In light of the tax review filed by the Company, the Company agreed to temporarily suspend the repayment, and these suppliers and customers will resume the payment after the final assessment is determined by the Tokyo Regional Taxation Bureau. On February 13, 2025, the Company received a ruling from the National Tax Tribunal, dated February 12, 2025, which upheld the Company's request and annulled the disposition. In June 2026, the Company renegotiated with each counterparty to propose a revised repayment schedule for all outstanding receivables, including compensation receivable for consumption tax and receivables arising from terminated warehouse service fees (see Note 6(4)). Pursuant to the repayment schedule, the aggregate first installment of approximately $1,257,200 (¥200.0 million) shall be repaid by the end of July 2026, and the remaining balance will be repaid in five equal monthly installments, with all outstanding amounts to be fully repaid within one year. As of March 31, 2026 and 2025, the net total of compensation receivable for consumption tax was approximately $8.7 million (approximately ¥1.4 billion) and $9.2 million (approximately ¥1.4 billion), respectively. As of the date of this report, the Company has collected $2,992,497 of the outstanding receivables pursuant to the revised repayment schedule.

NOTE 6 – PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets, net consisted of the following:

	March 31, 2026	March 31, 2025
Deposits (1)	$ 1,047,479	$ 1,289,233
Consumption tax receivable (2)	2,386,809	1,356,687
Income tax receivable (3)	-	1,521,706
Other receivables (4)	2,517,466	2,345,069
Advance to suppliers (5)	1,202,925	8,475,048
Prepaid expenses and others	230,421	347,150
Allowance for credit losses	(14,131)	(14,974)
Subtotal	7,370,969	15,319,919
Less: current portion of prepaid expenses and other current assets, net	(6,127,587)	(13,542,183)
Long-term prepaid expenses and other non-current assets, net	$ 1,243,382	$ 1,777,736

(1) Deposits primarily include security deposits paid to landlords for the Company's retail stores and distribution centers as well as security deposits paid to the Company's suppliers and to third-party platform operators for the operations of online stores.

(2) Consumption tax receivable is the consumption tax the Company is eligible to be received from the tax authorities for excess input consumption tax (See note 13(c) - tax payable).

(3) Regarding the tax examination as mentioned in Note 13, the Company filed a request for review with the National Tax Tribunal on February 22, 2024, challenging the legality of the reassessment decision and the imposition of additional tax penalties issued by the Tokyo Regional Taxation Bureau. In the review request, the Company argued that the Tokyo Regional Taxation Bureau's decision was unlawful as it was based on factual errors that contradicted objective evidence and lacked reasonable grounds, making it subject to cancellation. On February 13, 2025, the Company received a ruling from the National Tax Tribunal, dated February 12, 2025, which upheld the Company's request and annulled the disposition. As of March 31, 2025, the income tax receivable balance was $1,521,706, which represented the net amount to be refunded by Tokyo Regional Taxation Bureau. The amount was fully received by the Company during the fiscal year ended March 31, 2026.

(4) Other receivables as of March 31, 2026 and 2025 included approximately $1.4 million and $1.5 million due from a third-party warehouse and logistics service provider (the "Service Provider"). The Company engaged the Service Provider for warehouse and logistics services previously; however, due to the tax examination mentioned in Note 5, the Service Provider failed to provide relevant export documents for consumption tax examination, which caused the additional consumption tax to be paid to the tax authority by the Company. As a result, the Company terminated its warehouse and logistics services, and the unutilized service fees will be repaid by the Service Provider. As of March 31, 2026 and 2025, the Company provided an allowance for credit loss of $14,016 and $14,841 for the receivable from the Service Provider according to the Company's accounting policy based on its best estimates. Pursuant to the above-mentioned repayment schedule in Note 5, these receivables will be fully collected within one year.

(5) Advances to suppliers consist of mainly payments to suppliers for products that have not been received. The Company entered into a sales agreement with a wholesale customer and received advance payment of approximately $7.0 million during the fiscal year ended March 31, 2025. In order to fulfill the sales agreement, the Company made advance payments to its suppliers to secure the products. However, the Company's sales agreements with its wholesale customer and procurement agreements with suppliers were mutually terminated concurrently in January 2026. In February 2026, the Company and the wholesale customer and the suppliers entered into settlement agreements, pursuant to which the suppliers refunded the full amount to the customer directly. As a result, the advance payment received from the customer and advance to suppliers were fully offset, and the balance of related to the above transactions was $nil as of March 31, 2026.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	March 31, 2026	March 31, 2025
Property and buildings	$ 426,600	$ 3,137,725
Leasehold improvements	2,975,916	3,987,572
Land	-	2,263,687
Equipment and furniture	1,781,333	2,418,993
Automobiles	268,286	183,274
Software	2,290,704	2,438,029
Subtotal	7,742,839	14,429,280
Less: accumulated depreciation	(3,250,029)	(3,520,719)
Less: impairment on property and equipment.	-	(145,541)
Property and equipment, net	$ 4,492,810	$ 10,763,020

Depreciation expenses were $1,150,519, $952,126 and $1,232,611 for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

As of March 31, 2025, the Company pledged a piece of land of 16,165 square feet with a carrying value of ¥340.1 million (approximately $2.3 million) as collateral to safeguard the Company's bank borrowings from MUFG Bank (see Note 11).

NOTE 8 – LEASES

The Company leases retail store facilities, distribution centers and warehouses under non-cancellable operating leases, with terms ranging from one to 15 years, as well as finance leases for software, equipment, and furniture with a term of five years. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right-of-use assets and lease liabilities.

Operating lease expenses for lease payment are recognized on a straight-line basis over the lease term. Finance lease cost includes amortization, which is recognized on a straight-line basis over the expected life of the leased assets, and interest expenses, which are recognized following an effective interest rate method. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Operating Leases

The table below presents the operating lease related assets and liabilities recorded on the consolidated balance sheets as of March 31, 2026 and 2025:

	March 31, 2026	March 31, 2025
Operating lease right-of-use lease assets	$ 7,935,439	$ 6,031,284
Operating lease liabilities – current	$ 2,433,468	$ 2,068,399
Operating lease liabilities – non-current	5,670,073	4,003,366
Total operating lease liabilities	$ 8,103,541	$ 6,071,765

NOTE 8 – LEASES (continued)

Other supplemental information for all of operating leases as of March 31, 2026 and 2025 was as follows:

	March 31, 2026	March 31, 2025
Remaining lease term and discount rate:		
Weighted average remaining lease term (years)	3.94	4.00
Weighted average discount rate [1]	5.49%	6.36%
Gains on sales and leaseback transactions [2]	2,512,565	-

(1) The Company used incremental borrowing rates ranging from 2.03% to 6.69% for its lease contracts in Japan; incremental borrowing rates ranging from 2.83% to 4.48% for its lease contracts in Hong Kong; incremental borrowing rates ranging from 2.25% to 5.25% for its lease contracts in Canada; and incremental borrowing rates of 8.50% and 5.34% for its lease contracts in the United States and Australia, respectively.

(2) On March 10, 2026, the Company entered into a Real Estate Sales Agreement ("Sales Agreement") with a related party, DinnerBank Co., Ltd. (the "Buyer"). Pursuant to the agreement, the Company sold its warehouse in Japan including the building and land to the Buyer for a total consideration of ¥1,250.0 million. On March 18, 2026, the Company entered into a Rental Agreement with the Buyer, pursuant to the agreement, the Company leased the same premises for warehousing space and directly-operated physical stores for five years from March 18, 2026 to March 31, 2031, with a monthly rental of ¥5.5 million. The Company determined that these transactions should be accounted as sales and leaseback transaction as the control of the warehouse was transferred to the Buyer, and recognized a gain of $2,512,565 on disposal of the building and land on March 18, 2026.

During the fiscal years ended March 31, 2026, 2025, and 2024, the Company incurred total operating lease expenses of $2,779,487, $2,567,419 and $1,978,211, respectively.

Finance Leases

The components of finance lease expenses were as follows:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Finance leases cost:			
Amortization of right-of-use assets	$ 100,513	$ 120,005	$ 351,626
Interest on lease liabilities	39,575	58,671	80,738
Total finance leases cost	$ 140,088	$ 178,676	$ 432,364

Supplemental cash flow information related to finance leases was as follows:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from finance leases	$ 39,575	$ 58,671	$ 80,738

NOTE 8 – LEASES (continued)

Supplemental balance sheet information related to leases as of March 31, 2026 and 2025 was as follows:

	March 31, 2026	March 31, 2025
Finance leases cost:		
Software	$ 471,890	$ 499,591
Equipment and furniture	891,893	1,024,140
Subtotal	1,363,783	1,523,731
Less: accumulated depreciation	(1,221,746)	(1,343,156)
Property and equipment, net	$ 142,037	$ 180,575

The weighted average remaining lease terms and discount rates for all of finance leases as of March 31, 2026 and 2025 were as follows:

	March 31, 2026	March 31, 2025
Remaining lease term and discount rate:		
Weighted average remaining lease term (years)	2.84	1.96
Weighted average discount rate	6.89%	8.07%

The following is a schedule, by years, of maturities of lease liabilities as of March 31, 2026:

	Operating Leases	Finance Leases
2027	$ 2,806,363	$ 89,908
2028	2,307,637	35,534
2029	1,765,231	16,191
2030	1,129,179	15,625
2031	517,863	13,264
Thereafter	496,236	-
Total lease payments	9,022,509	170,522
Less: imputed interest	(918,968)	(11,199)
Present value of lease liabilities	$ 8,103,541	$ 159,323

NOTE 9 – INVESTMENTS

On October 17, 2024, the Company, through its subsidiary TLS, entered into a cooperation agreement with a third-party company, and both parties agreed to invest ¥3.0 million (approximately $20,086) and ¥7.0 million (approximately $46,585), respectively, in CROSSING CARDS CO., LTD ("Crossing Cards"), with a core business of retail and wholesale of collectible cards. Crossing Cards was incorporated in Japan pursuant to the laws of Japan on June 18, 2024 with an initial registered capital of ¥1.0 million (approximately $6,700), and the registered capital increased to ¥11.0 million (approximately $73,200) after the investments. The Company owns 27.27% of Crossing Cards and the registered capital was fully injected in October 2024. The Company recorded a loss of $nil, $20,049, and $nil for the fiscal years ended March 31, 2026, 2025, and 2024, respectively, from the investments, which is included in "loss from equity method investment" in the consolidated statements of operations and comprehensive income (loss).

Summarized financial information of unconsolidated entity is as follows:

	March 31, 2026	March 31, 2025
Current assets	$ 80,963	$ 87,473
Noncurrent assets	$ 64,680	$ 156,615
Current liabilities	$ 341,290	$ 273,678
Noncurrent liabilities	$ -	$ -

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Net sales	$ 1,344,468	$ 645,107	$ -
Gross profit	142,685	18,116	-
Loss from operations	(289,744)	(188,279)	-
Net loss	(289,600)	(187,758)	-

NOTE 10 – ACQUISITIONS

TLS Acquisition

On July 20, 2022, the Company entered into an agreement with All Seas Global Limited to acquire 100% equity interests in TLS. The 100% of the equity interests in TLS were transferred to the Company on July 20, 2022, and cash consideration was paid in full and the transaction was closed on July 27, 2022. As the TLS and the Company were controlled by the same ultimate controlling shareholder before this acquisition, the transaction was accounted for as an acquisition of a business between entities under common control, and therefore, the related acquired assets and liabilities were transferred at TLS's historical carrying value. The Company recognized $3.6 million of consideration in excess of the book value of net liabilities acquired, with $2.84 million recorded in capital reserve and $0.74 million recorded in retained earnings at the acquisition date.

The carrying amounts of the assets and liabilities of TLS as of the transaction date were as follows:

	July 20, 2022
Assets	$ 7,293,021
Liabilities	8,030,370
Net liabilities	$ (737,349)
Consideration in excess of net liabilities acquired	$ 3,579,522
Total purchase consideration	$ 2,842,173

NOTE 10 – ACQUISITIONS (continued)

Reiwatakiya Acquisition

On October 26, 2022, the board of directors of TLS approved the acquisition of Reiwatakiya from All Seas Global Limited, which held 60% of the equity interests in Reiwatakiya. The 60% of the equity interests in Reiwatakiya were transferred to the TLS on October 26, 2022 with no consideration. As the TLS and Reiwatakiya were controlled by the same ultimate controlling shareholder before this acquisition, the transaction was accounted for as an acquisition of a business between entities under common control, and therefore, the related acquired assets and liabilities were transferred at Reiwatakiya's historical carrying value. On January 4, 2023, TLS acquired the remaining 40% of the equity interests in Reiwatakiya from a third-party shareholder with no consideration and Reiwatakiya became the wholly owned subsidiary of TLS. The Company recognized $2,502 of consideration in excess of the book value of net liabilities acquired, which is reflected in retained earnings at the acquisition date.

The carrying amounts of the assets and liabilities of Reiwatakiya as of the transaction date were as follows:

	October 26, 2022
Assets	$ 32,838
Liabilities	37,008
Net liabilities	$ (4,170)
Non-controlling interests	1,668
Consideration in excess of net liabilities acquired	$ 2,502
Total purchase consideration	$ -

NOTE 11 – BORROWINGS

Short-term borrowings consisted of the following:

	Maturity	Interest Rate	March 31, 2026	March 31, 2025
Syndicated Loans (1)	March 2027	TIBOR^(3M)+0.70% - TIBOR (1M)+1.20%	$ 42,318,277	$ 52,241,749
Resona Bank (2)	March 2027	3.40% - 4.05%	1,120,872	1,331,000
Best Life Technology (3)	August 2026	5.6 %	2,749,430	2,750,743
Loans from HSBC (4)	April 2026 - June 2026	HIBOR[#]+2%	4,130,739	1,579,715
Total short-term borrowings			$ 50,319,318	$ 57,903,207

NOTE 11 – BORROWINGS (continued)

The terms of the various loan agreements related to short-term borrowings contain certain restrictive covenants which, among other things, require the Company to maintain specified ratios of debt to tangible net assets and debt service coverage, and positive net income. The terms also prohibit the Company from entering into transactions that may have a significant adverse impact on the Company's ability to fulfil its loan obligations, including but not limited to, reorganization of the Company or its subsidiaries, transferring part or all of the Company's business or assets to third parties, or receiving part or all of business or assets from other third-party companies. The Company was in compliance with such covenants as of the March 31, 2026 and 2025.

^ TIBOR is an acronym for the Tokyo Interbank Offered Rate, which is the daily reference rate derived from the interest rate that banks charge to lend funds to other banks in the Japanese interbank market.

HIBOR is an acronym for the Hong Kong Interbank Offered Rate, which is the daily reference rate derived from the interest rate that banks charge to lend funds to other banks in the Hong Kong interbank market.

(1) On September 27, 2022, the Company entered into a one-year syndicated loan agreement, which was effective from September 30, 2022, with a consortium of banks, with an aggregate credit line of ¥8.15 billion (approximately $61.3 million), and the interest rate was adjusted to TIBOR (3M)+0.70%. As of March 31, 2023, the Company borrowed an aggregated of ¥8.15 billion (approximately $61.3 million) under the agreement, and the net outstanding balance of this loan was approximately ¥8.1 billion (approximately $60.6 million), net off the unamortized loan service cost of ¥85.6 million ($643,438). On September 22, 2023, the Company extended the loan on a three-month basis for an additional six months with a maturity date on March 29, 2024, and the interest rate was adjusted to TIBOR (1M)+1.20%. Subsequently, the Company made multiple loan extensions with the banks and extended the loans with a maturity date of March 31, 2027. The interest rate remained at TIBOR (1M)+1.20%. As of March 31, 2026, the total outstanding balance of this loan was approximately ¥6.73 billion (approximately $42.3 million). The syndicated loan is guaranteed by Mr. Kanayama, the representative director, director, and controlling shareholder of the Company.

(2) The loan is guaranteed by Mr. Kanayama. The Company made multiple loan extensions with the bank and extended the loan with a new maturity date of March 31, 2027.

(3) The Company made a loan extension with the borrower and extended the loan with a new maturity date of August 4, 2026.

(4) On September 25, 2024 and April 14, 2025, the Company entered into two bank facilities with credit lines of HK$10.0 million (approximately $1.3 million) and HK$18.0 million (approximately $2.3 million), respectively. Subsequently, on January 19, 2026, the credit line of the facility dated September 25, 2024 was increased to HK$15.0 million (approximately $1.9 million). The aggregate credit line amounted to HK$33.0 million (approximately $4.2 million) as of March 31, 2026. The interest rate was HIBOR+2%, and each maximum financing period for each drawing shall not exceed 90 days. As of March 31, 2026, the Company borrowed an aggregate of HK$32.4 million (approximately $4.1 million) under the facilities. As of the date of this report, the Company has repaid approximately $4.1 million and borrowed additional $3.4 million under the facilities. The bank facilities are guaranteed by Mr. Kanayama and the legal representative of TLS.

NOTE 11 – BORROWINGS (continued)

Long-term borrowings consisted of the following:

	Maturity	Interest Rate	March 31, 2026	March 31, 2025
Japan Finance Corporation (1)	April 2027	3.20%	$ 1,057,431	$ 1,255,660
BOT Lease Co., Ltd. (2)	March 2028	TIBOR (3M) + 6.0%	1,257,200	1,331,000
MUFG Bank (3)	August 2026	TIBOR (3M) + 0.8%	-	4,192,650
The Hong Kong and Shanghai Banking Corporation Limited (4)	July 2026 - February 2033	2.75% - 6.15%	1,209,921	345,303
DFL-Shutoken Leasing (Hong Kong) Company Limited	June 2024 - October 2025	2.990%	-	83,690
Kyrin Starway Limited (5)	No Maturity Date	4.68%	7,231,748	-
Xinrongji Catering Service (HK) Co., Ltd.	February 2031	1.20%	2,551,020	-
Total long-term borrowings			$ 13,307,320	$ 7,208,303
Current portion of long-term borrowings			$ 1,790,579	$ 706,531
Non-current portion of long-term borrowings			$ 11,516,741	$ 6,501,772

(1) The Company made multiple loan extensions with the bank with a new maturity date of April 30, 2026. On April 14, 2026, the Company further extended the loan with a revised maturity date of April 30, 2027.

(2) The loan bears an interest rate of TIBOR (3M)+6.0% (in the case EBITDA exceeds ¥0) or TIBOR (3M)+0.7% (in the case EBITDA is ¥0 or less).

(3) In connection with the Company's bank borrowings from MUFG Bank, the Company pledged a piece of land of 16,165 square feet with a carrying value of ¥340.1 million (approximately $2.3 million) as of March 31, 2025 as collateral to safeguard the loan. The loan was fully repaid during the fiscal year ended March 31, 2026.

(4) Guaranteed by Mr. Kanayama. One of the loans was repaid in full upon maturity.

(5) On June 27, 2025, the Company entered into a revolving loan facility agreement with the borrower, pursuant to which the Company obtained a revolving loan facility in the amount of approximately $12.8 million (HK$100.0 million) for a period of five years since the date of the agreement, at the interest rate of 4.68%. As of March 31, 2026, the Company borrowed an aggregate of HK$56.7 million (approximately $7.2 million) under the facilities. As of the date of this report, the Company has borrowed additional HK$18.1 million (approximately $2.3 million) under the facility.

The future maturities of long-term borrowings as of March 31, 2026 were as follows:

12 months ending March 31	
2027	$ 1,790,579
2028	1,512,365
2029	42,681
2030	43,870
2031	9,827,860
Thereafter	89,965
Total long-term borrowings	$ 13,307,320

NOTE 11 – BORROWINGS (continued)

For the above-mentioned short-term and long-term loans, the Company recorded interest expenses of $1,836,135, $1,566,950, and $1,588,395 for the fiscal years ended March 31, 2026, 2025, and 2024, respectively. The annual weighted average interest rates were 2.32%, 1.69%, and 1.19% for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Company's relationships with related parties who had transactions with the Company are summarized as follows:

Name of Related Party	Relationship to the Company
Mr. Mei Kanayama	Representative director, director, and controlling shareholder
DinnerBank Co., Ltd. ("DinnerBank")	An entity of which Mr. Kanayama's wife is a director and the representative director
Palpito	An equity investment entity of the Company, which was sold to DinnerBank on June 30, 2023.
Shintai Co., Ltd.	The entity's representative director is Mr. Kanayama's wife before April 30, 2023.
Tokushin G.K.	A shareholder of the Company.
Crossing Cards	An equity investment entity of the Company
Takuetsu Kokusai Co., Ltd.	The entity's representative director is Mr. Kanayama's wife

a. **Accounts receivable, net – related parties**

Accounts receivable, net – related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
DinnerBank	$ 4,866	$ 105
Takuetsu Kokusai Co., Ltd.	-	12
Subtotal	4,866	117
Less: allowance for credit losses	-	-
Total accounts receivable, net –related parties	$ 4,866	$ 117

b. ***Due from related parties***

Due from related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
DinnerBank (1)	$ 1,216,228	$ 476
Takuetsu Kokusai Co., Ltd.	725	732
Total due from related parties	$ 1,216,953	$ 1,208

(1) The amount due from DinnerBank mainly consists of the following: 1) uncollected sales proceeds of ¥128,582,020 ($808,267) arising from the disposal of the warehouse property under the sales-and-leaseback arrangement (see Note 8). This outstanding receivable has been fully collected as of the date of this report; 2) a rental security deposit of ¥55.0 million ($345,730) for the leaseback property under the above-mentioned transaction (see Note 8); and 3) a rental security deposit of ¥9.9 million ($62,231) under another office lease agreement with DinnerBank.

NOTE 12 – RELATED PARTY TRANSACTIONS (continued)

c. Accounts payable – related parties

Accounts payable – related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
DinnerBank	$ -	$ 2,678,588
Crossing Cards	154	-
Total accounts payable – related parties	$ 154	$ 2,678,588

d. Due to related parties

Due to related parties consisted of the following:

Name	March 31, 2026	March 31, 2025
Mr. Mei Kanayama	$ 418,627	$ 13,930
Tokushin G.K.	6,443	3,328
DinnerBank	1,086	10,420
Total due to related parties	$ 426,156	$ 27,678

e. Due to related parties – non-current

Due to related parties – non-current consisted of the following:

Name	March 31, 2026	March 31, 2025
Tokushin G.K. (1)	$ 1,885,800	$ -
Mr. Mei Kanayama (2)	956,633	-
Total due to related parties	$ 2,842,433	$ -

(1) Amount due to this related party is loan borrowed from Tokushin G.K. for working capital during the Company's normal course of business for five years with maturity date on January 31, 2031. The loan bears a fixed interest rate of 2.0% per annum.

(2) Amount due to this related party is loan borrowed from Mr. Mei Kanayama for working capital during the Company's normal course of business for five years with maturity date on January 31, 2031. The loan bears a fixed interest rate of 4.35% per annum.

f. Sales to related parties

	For the Fiscal Years Ended March 31,		
Name	2026	2025	2024
DinnerBank	$ 2,879	$ 7,840,934	$ 5,992,219
Palpito	-	-	14,774
Takuetsu Kokusai Co., Ltd.	1,816	-	-
Total revenue from related parties	$ 4,695	$ 7,840,934	$ 6,006,993

NOTE 12 – RELATED PARTY TRANSACTIONS (continued)

g. Purchase from related parties

	For the Fiscal Years Ended March 31,		
Name	**2026**	**2025**	**2024**
Crossing Cards	$ 399,422	$ 574,048	$ -
DinnerBank	363,680	9,920,906	445,980
Takuetsu Kokusai Co., Ltd.	279	-	-
Total purchase from related parties	$ 763,381	$ 10,494,954	$ 445,980

h. Sales of a subsidiary and an equity investment to a related party

On June 30, 2023, the Company entered into share transfer agreements with DinnerBank to sell its 100% equity interests in Kaika International and 40% equity interests in Palpito to DinnerBank, for cash consideration of ¥5,000,000 ($37,595) and ¥40,000,000 ($300,760), respectively. The cash consideration was fully received and the transactions were completed on July 1, 2023. The Company recorded a gain from disposal of Kaika International of ¥49,297,548 ($341,139) and a gain from disposal of equity method investment of ¥27,539,183 ($190,571) for the fiscal year ended March 31, 2024, respectively.

i. Leases from a related party

The Company entered into two rental agreements with DinnerBank for its warehousing space, directly-operated physical stores and office space.

Lessee	**Rent Period**	**Monthly Rent YEN**	**Monthly Rent USD**
Tokyo Lifestyle Co., Ltd.	February 16, 2026 - June 30, 2026	¥ 900,000	$ 5,973
Tokyo Lifestyle Co., Ltd.	March 18, 2026 - March 31, 2031	5,500,000	36,504

As of March 31, 2026, the operating lease right-of-use assets and corresponding operating lease liabilities of leases from a related party was $1,885,503 and $1,902,790, respectively.

During the fiscal year ended March 31, 2026, the Company incurred operating lease expenses in leases from a related party of $26,813.

j. Other related party transactions

Mr. Kanayama provided guarantees in connection with certain loans the Company borrowed (see Note 11).

NOTE 13 – TAXES

(a) Corporate Income Taxes

The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled.

Japan

The Company and its subsidiary in Japan are mainly subject to Japanese national and local income taxes, inhabitant tax, and enterprise tax, which, in the aggregate, represent a statutory income tax rate of approximately 34.6%, 34.6% and 30.6% for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

Hong Kong

TLS is incorporated in Hong Kong and is subject to profit taxes in Hong Kong at a rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000.

PRC

The Company's subsidiaries in the PRC are subject to the PRC Enterprise Income Tax. Under the Enterprise Income Tax Law of PRC, domestic enterprises and Foreign Investment Enterprises are subject to a unified 25% enterprise income tax rate. The subsidiaries in the PRC are recognized as small low-profit enterprises. According to the relevant PRC tax policies, once an enterprise meets certain requirements and is identified as a small-scale minimal profit enterprise, the taxable income not more than RMB3 million is subject to a reduced effective rate of 5%.

Malaysia

Reiwatakiya is incorporated in Malaysia, and is governed by the income tax laws of Malaysia. The income tax provision in respect of operations in Malaysia is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations, and practices. Under the Income Tax Act of Malaysia, enterprises incorporated in Malaysia are usually subject to a unified 24% enterprise income tax rate while preferential tax rates, tax holidays, and tax exemptions may be granted on a case-by-case basis. The tax rate for small and medium sized companies (generally companies incorporated in Malaysia with paid-in capital of MYR2,500,000 or less) is 17% for the first MYR600,000 taxable income, with the remaining balance being taxed at the 24% rate.

The United States

The Company's subsidiaries in the United States are subject to the United States federal corporate income tax rate of 21%. The Company is also subject to state jurisdictions that have corporate tax rates ranging from 0% to 8.45%.

Canada

The Company's subsidiary in Canada is subject to the Canadian federal corporate income tax rate of 15% and provincial or territorial rates of 11.5%, which, in the aggregate, represent a statutory income tax rate of 26.5%.

Australia

The Company's subsidiary in Australia is subject to an Australian statutory federal income tax rate at 25.0%.

NOTE 13 – TAXES (continued)

The income (loss) before tax were as follows:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Japan	$ 3,215,968	$ 2,151,691	$ 5,104,640
Hong Kong	940,639	2,492,326	3,011,218
PRC	(5,002)	212,317	(86,706)
Malaysia	40,415	(13,334)	(12,515)
United States	(135,743)	39,255	(19,559)
Canada	(169,192)	(127,004)	(61,368)
Australia	(133,103)	-	-
Income before tax	3,753,982	4,755,251	7,935,710

The components of the income tax provision (benefit) were as follows:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Current tax provision (benefit)			
Japan	$ 920,128	$ (1,372,374)	$ 2,229,231
Hong Kong	558,634	384,822	-
PRC	4,266	9,271	5,820
Malaysia	-	-	-
United States	13,333	38,492	-
Canada	-	11,634	-
Australia	-	-	-
	1,496,361	(928,155)	2,235,051
Deferred tax provision (benefit)			
Japan	$ 1,624,243	$ (845,592)	$ (1,778,320)
Hong Kong	(97,305)	(30,278)	-
PRC	-	-	-
Malaysia	(24)	(22)	43
United States	45,534	(45,534)	-
Canada	33,877	(33,656)	-
Australia	-	-	-
	1,606,325	(955,082)	(1,778,277)
Income tax provisions (benefit)	$ 3,102,686	$ (1,883,237)	$ 456,774

The following table reconciles the Japan statutory rate to the Company's effective tax rates for the fiscal years ended March 31, 2026, 2025, and 2024, respectively:

	For the Fiscal Years Ended March 31,		
	2026	2025	2024
Japanese statutory income tax rate	34.6%	34.6%	30.6%
Non-deductible expenses	26.5%	1.5%	2.0%
Non-taxable income	(0.1)%	(0.2)%	(1.8)%
Tax rate difference in non-Japan subsidiaries and different prefectures in Japan	(11.2)%	(3.4)%	2.6%
Effect of change in tax rate	12.8%	(7.6)%	-
Change in valuation allowance	9.2%	(1.3)%	(5.4)%
Effects of consumption tax examination (1)	6.1%	(63.2)%	(22.2)%
Prior year income tax true-up	4.8%	-	-
Effective tax rate	82.7%	(39.6)%	5.8%

(1) This pertains to the tax effect resulted from the additional corporate income tax of approximately $0.2 million charged during the fiscal year ended March 31, 2026, income tax refund and additional and delinquent tax recovered of approximately $3.0 million during the fiscal year ended March 31, 2025, and additional consumption tax of approximately $0.6 million charged as well as inhabitant tax refund of approximately $2.0 million during the fiscal year ended March 31, 2024, which were based on tax assessments due to the consumption tax examination (See note (c) - tax payable).

NOTE 13 – TAXES (continued)

The Company's deferred tax liabilities, net comprised of the following:

	March 31, 2026	March 31, 2025
Deferred tax assets:		
Allowance for credit losses	$ 560,253	$ 347,123
Accrued member rewards	13,115	12,394
Accrued employee bonus	3,278	5,260
Accrued asset retirement obligation	129,704	81,761
Accrued employee retirement pension	99,503	63,040
Change in fair value of warrant liabilities	-	531,816
Net operating loss carry-forwards	369,047	93,663
Total deferred tax assets	1,174,900	1,135,057
Valuation allowance	(369,047)	(15,354)
Total deferred tax assets, net	805,853	1,119,703
Deferred tax liabilities:		
Change in fair value of warrant liabilities	(471,372)	-
Compensation receivable for consumption tax	(3,042,268)	(2,383,575)
Total deferred tax liabilities	(3,513,640)	(2,383,575)
Deferred tax liabilities, net	$ (2,707,787)	$ (1,263,872)

The Company's movement of the valuation allowance was as follows:

	March 31, 2026	March 31, 2025
Beginning balance	$ 15,354	$ 79,062
Addition (reduction)	353,455	(63,083)
Foreign currency translation adjustments	238	(625)
Ending balance	$ 369,047	$ 15,354

As of March 31, 2026 and 2025, the Company had a net operating loss carried forward of $1,048,672 and $216,831 from the entities in the United States, respectively, which can be offset against future taxable profit indefinitely.

As of March 31, 2026 and 2025, the Company had a net operating loss carried forward of $432,440 and $181,618 from the entity in Canada, respectively, which can be offset against future taxable profit indefinitely.

As of March 31, 2026 and 2025, the Company had a net operating loss carried forward of $136,916 and $nil from the entity in Australia, respectively, which can be offset against future taxable profit indefinitely.

(b) Consumption tax

In Japan, consumption tax collected and remitted to tax authorities is excluded from revenue, cost of sales, and expenses in the consolidated statements of operations and comprehensive income (loss). The Company has been subject to the applicable consumption tax rate of 10%, with an 8% rate applicable to a limited number of exceptions based on the new Japanese tax law. For overseas sales, the Company is exempted from paying consumption tax. The Company can deduct all its qualified input consumption tax paid when purchasing from suppliers, against the output consumption tax derived from domestic sales. The Company is eligible for consumption tax refund from the tax authorities for excess input consumption tax, which is recorded as consumption tax receivable due from tax examination in prepaid expenses and other current assets on the balance sheets (See Note 6).

Since January 2022, the Tokyo Regional Taxation Bureau had conducted a tax examination into the Company's consumption tax filing for the period from July 2018 to December 2021, and the examination was completed in May 2023. As a result of the examination, the Company was required to return consumption tax refund for export transactions that were determined not to meet the tax exemption requirements due to incomplete submission of relevant export documents as well as to pay the additional tax for understatement and delinquent tax computed by the Company's tax consultant. The Company made payments of the consumption tax payable by a monthly installment of and the amount payable was also offset by the consumption tax receivable from the tax authorities for excess input consumption tax. As disclosed in Note 6 (3), the Company filed a request for review with the National Tax Tribunal on February 22, 2024, challenging the legality of the reassessment decision and the imposition of additional tax penalties issued by the Tokyo Regional Taxation Bureau. On February 13, 2025, the Company received a ruling from the National Tax Tribunal, dated February 12, 2025, which upheld the Company's request and annulled the disposition. The Company adjusted its additional consumption tax amount and resulted in a consumption tax receivable of $2,386,809 and $1,356,687 as of March 31, 2026 and 2025, respectively.

NOTE 13 – TAXES (continued)

(c) Taxes payable

Taxes payable consisted of the following:

	March 31, 2026	March 31, 2025
Income tax payable	$ 1,073,409	$ 255,932
Consumption tax payable and others	49,995	93,739
Total taxes payable	$ 1,123,404	$ 349,671

NOTE 14 – WARRANTS LIABILITIES

Representative's warrants liability

On January 13, 2022, in connection with the Company's IPO, the Company agreed to issue warrants to the representative of the underwriters, for a nominal consideration of $0.01 to purchase 300,000 American Depositary Shares ("ADSs") of the Company (equal to 5% of the total number of ADSs sold in the IPO, but not including any over-allotment ADSs sold in the over-allotment option) (the "Representative's Warrants"). The Representative's Warrants have an exercise price of $4.8 per ADS (equal to 120% of the Company's IPO offering price of $4.00 per ADS). Upon the Reverse Split effected on November 15, 2024 (See Note 15), the number of the Representative's Warrants was restated to 30,000 ADSs and the exercise price was restated to $48.0 per ADS. The Representative's Warrants are exercisable beginning from six months after the date of commencement of sales in the Company's IPO and for a period of five years after the date of commencement of sales in the Company's IPO.

Because the strike price of the Representative's Warrants is denominated in United States Dollars, a currency other than the Company's functional currency, Japanese yen, the Representative's Warrants were not considered indexed to the Company's own stock. As such, the Representative's Warrants were classified as a derivative liability under ASC 815-10, and recorded initially and subsequently at fair value with all future changes in the fair value recognized currently in earnings until such time as the warrants are exercised or expired. As of March 31, 2026, these Representative's Warrants were issued and outstanding but none of the warrants had been exercised. For the fiscal years ended March 31, 2026, 2025, and 2024, these Representative's Warrants were antidilutive and accordingly were not included in the diluted EPS calculation based on treasury stock method.

On January 13, 2022, the Company recorded a fair value of $522,116 for the Representative's Warrants liability at issuance resulting in a decrease in additional paid-in capital of $522,116, as the Company determined these warrants issued to the representative of underwriters were part of its incremental cost directly attributable to the Company's IPO. The Company recognized a gain of $nil, $118 and $22,574 from the change in fair value of the Representative's Warrants liability subsequently for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

These warrants do not trade in an active securities market, and as such, the Company estimates their fair value using the Black-Scholes Option Pricing Model (the "Black-Scholes Model") as of March 31, 2026 and 2025 using the following assumptions:

	March 31, 2026	March 31, 2025
Representative's Warrants liability		
Stock price	$ 2.10	$ 3.30
Exercise price	$ 48.00	$ 48.00
Expected term (years)	0.79	1.79
Risk-free interest rate	3.68%	4.59%
Expected volatility	47.86%	51.84%

NOTE 14 – WARRANTS LIABILITY (continued)

Investors' warrants liability

On January 26, 2024, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company sold 5,970,152 of its ADSs, at a purchase price of $0.67 per ADS, or 597,015 ADSs at a purchase price of $6.70 per ADS on an adjusted basis reflecting the Reverse Split (See Note 15). In the concurrent private placement, the Company also issued to the same investors 5,970,152 ADS purchase warrants (the "Investors' Warrants"). The warrants have an exercise price of $0.67 per ADS, are exercisable immediately, and will expire 5.5 years following the date of issuance. Upon the Reverse Split effected on November 15, 2024 (See Note 15), the number of ADS purchase warrants was reset to 1,460,328 ADS purchase warrants and the exercise price was reset to $2.74 per ADS.

Because the strike price of the Investors' Warrants is denominated in United States Dollars, a currency other than the Company's functional currency, Japanese yen, the Investors' Warrants were not considered indexed to the Company's own stock. As such, the Investors' Warrants were classified as a derivative liability under ASC 815-10, and recorded initially and subsequently at fair value with all future changes in the fair value recognized currently in earnings until such time as the warrants are exercised or expired. As of March 31, 2026, a total of 10,760 ADS purchase warrants were exercised by the investors, and net proceeds of $29,482 were received by the Company. For the fiscal years ended March 31, 2026, 2025 and 2024, these Investors' Warrants were antidilutive and accordingly were not included in the diluted EPS calculation based on treasury stock method.

On January 26, 2024, the Company recorded a fair value of $541,494 for the Investors' Warrants liability at issuance. The Company recognized a gain (loss) of $1,438,866, $(2,050,329) and $86,599 from the change in fair value of the Investors' Warrants liability subsequently for the fiscal years ended March 31, 2026, 2025, and 2024, respectively.

These warrants do not trade in an active securities market, and as such, the Company estimates its fair value using the Black-Scholes Model as of March 31, 2026 and 2025 using the following assumptions:

	March 31, 2026	March 31, 2025
Investors' Warrants liability		
Stock price	$ 2.10	$ 3.30
Exercise price	$ 2.70	$ 2.70
Expected term (years)	3.33	4.33
Risk-free interest rate	3.81%	4.21%
Expected volatility	52.63%	51.48%

NOTE 15 – SHAREHOLDERS' EQUITY

Ordinary shares

On January 26, 2024, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell 5,970,152 of its ADSs, at a purchase price of $0.67 per ADS, or 597,015 ADSs at a purchase price of $6.70 per ADS on an adjusted basis reflecting the Reverse Split (See Note 15), for gross proceeds of approximately $4.0 million. The Company received gross proceeds in full from the investors, and all of the ADSs were issued on January 30, 2024.

NOTE 15 – SHAREHOLDERS' EQUITY (continued)

Initial public offering

On January 13, 2022, the Company closed its IPO of 6,250,000 ADSs at a public offering price of $4.00 per ADS, which included 250,000 ADSs issued pursuant to the partial exercise of the underwriters' over-allotment option. Each ADS represents one ordinary share of the Company. Upon the Reverse Split effected on November 15, 2024, each ADS represents ten ordinary shares of the Company, and the IPO's ADSs and per ADS was retroactively restated to 625,000 ADSs at a public offering price of $40.00 per ADS, which included 25,000 ADSs issued pursuant to the partial exercise of the underwriters' over-allotment option. The closing for the sale of the over-allotment shares took place on February 21, 2022. Gross proceeds of the Company's IPO, including the proceeds from the sale of the over-allotment ADSs, totaled $25.0 million, before deducting underwriting discounts and other related expenses. Net proceeds of the Company's IPO, including the over-allotment, were approximately $21.4 million. In connection with the IPO, the Company's ADSs began trading on the Nasdaq Capital Market under the symbol "TKLF" on January 18, 2022.

Reverse Split of ADSs

On October 21, 2024, the Company approved a change of the ratio of its ADSs to its ordinary shares from one ADS representing one ordinary share to one ADS representing 10 ordinary shares. The ratio change resulted in a reverse split on the Company's ADSs on the basis of one new ADS for every 10 old ADSs held. As a result of the reverse split, the Company's ADSs and per ADS as reflected in the consolidated financial statements have been retroactively restated as if the transaction occurred at the beginning of the periods presented. The ordinary shares of the Company were not affected by this change in the ADS to ordinary share ratio. The ADS ratio change became effective on November 15, 2024 (the "Reverse Split").

Capital reduction

On June 27, 2024, the shareholders of the Company approved a capital reduction at the annual general meeting, and the amount of capital reduced by ¥1,856,786,684 ($15,870,723) from ¥1,955,786,684 ($16,716,839) to ¥99,000,000 ($846,116). All of the ¥1,856,786,684 ($15,870,723) of capital reduced was designated as additional paid-in capital reserve. The reduction of capital became effective on July 15, 2024.

On March 14, 2025, the shareholders of the Company approved another capital reduction at the extraordinary general meeting, and the amount of capital reduced further by ¥91,221,358 ($779,707) from ¥101,221,358 ($860,857) to ¥10,000,000 ($81,150). All of the ¥91,221,358 ($779,707) of capital reduced was designated as additional paid-in capital reserve. The reduction of capital became effective on March 21, 2025.

Restricted net assets

The Company is restricted in its ability to transfer a portion of its net assets, equivalent to its share capital to its shareholders in the form of loans, advances, or cash dividends. The payment of dividends by the Company organized in Japan is subject to limitations, procedures, and formalities. Regulations in Japan currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in Japan. As of March 31, 2026 and 2025, the total restricted net assets of the Company amounted to $27,027,266 and $27,027,266, respectively.

NOTE 15 – SHAREHOLDERS' EQUITY (continued)

Cash Dividends

On September 25, 2025, the board of directors of the Company approved an interim dividend of JPY1.890 per share. The cash dividend was expected to be payable on or about December 19, 2025, to all shareholders of record as of September 30, 2025 (Japan Standard Time), with an American depositary receipt record date of September 30, 2025 (Eastern Time). On December 19, 2025, the Company made the aggregate dividend payment of $530,957 (¥79,999,557) to its shareholders out of the retained earnings balance.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company accrues costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. As of March 31, 2026 and 2025, there were no legal claims and litigation against the Company.

NOTE 17 – SEGMENT REPORTING

Segments

The Company is engaged in the operation of retail and wholesale of Japanese beauty and health products, as well as sundry products and other products and services. The Company's operations are conducted in three reported segments: (i) directly-operated physical stores, (ii) online stores and services, and (iii) franchise stores and wholesale customers. The Company defines its segments as those operations whose results the CODM regularly reviews to analyze performance and allocate resources. The Company sells similar individual products and services in each of its segments. It is impractical to segregate and identify revenue for each of these individual products and services.

Directly-operated physical stores segment includes physical stores in Japan, Hong Kong, the United States, Canada and Australia. Online stores and services segment includes sales through the Company's websites and various e-commerce marketplaces in Japan, as well as services from advertising business through KOLs and supporting services to online celebrities. Franchise stores and wholesale customers segments include franchise stores in Japan, Hong Kong, the United States, Canada, Thailand, and the United Kingdom, and wholesale customers in Japan and other countries including Hong Kong, mainland China, the United States, and Canada.

The Company measures the results of its segments using, among other measures, each segment's revenue, merchandise costs, interest expenses, net, income tax benefit, net income, depreciation and amortization, capital expenditures, total assets as well as total liabilities, which includes certain corporate overhead allocations. From time to time, the Company revises the measurement of each segment's revenue and other measures, including any corporate overhead allocations, as determined by the information regularly reviewed by its CODM, who has been identified as CEO. When the measurement of a segment significantly changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

NOTE 17 – SEGMENT REPORTING (continued)

The following table presents the segment information for the fiscal years ended March 31, 2026, 2025, and 2024, respectively:

	For the Fiscal Year ended March 31, 2026			
	Directly-Operated Physical Stores	Online Stores and Services	Franchise Stores and Wholesale Customers	Total
Revenue	$ 19,787,252	$ 6,688,079	$ 346,748,488	$ 373,223,819
Merchandise costs	$ 15,124,703	$ 4,381,980	$ 325,611,870	$ 345,118,553
Interest expenses, net	$ (105,318)	$ (35,597)	$ (1,845,568)	$ (1,986,483)
Income tax provision	$ 164,495	$ 55,599	$ 2,882,592	$ 3,102,686
Net income	$ 34,530	$ 11,671	$ 605,095	$ 651,296
Depreciation and amortization	$ 60,997	$ 20,617	$ 1,068,905	$ 1,150,519
Capital expenditures	$ 310,111	$ 75	$ 3,809	$ 313,995

	For the Fiscal Year ended March 31, 2025			
	Directly-Operated Physical Stores	Online Stores and Services	Franchise Stores and Wholesale Customers	Total
Revenue	$ 17,105,488	$ 7,493,259	$ 185,520,491	$ 210,119,238
Merchandise costs	$ 13,314,278	$ 5,668,519	$ 167,219,142	$ 186,201,939
Interest expenses, net	$ (140,333)	$ (61,475)	$ (1,522,011)	$ (1,723,819)
Income tax benefit	$ (153,311)	$ (67,160)	$ (1,662,766)	$ (1,883,237)
Net income	$ 540,430	$ 236,741	$ 5,861,317	$ 6,638,488
Depreciation and amortization	$ 77,511	$ 33,955	$ 840,660	$ 952,126
Capital expenditures	$ 992,068	$ -	$ -	$ 992,068

	For the Fiscal Year ended March 31, 2024			
	Directly-Operated Physical Stores	Online Stores and Services	Franchise Stores and Wholesale Customers	Total
Revenue	$ 14,951,952	$ 10,705,449	$ 170,023,914	$ 195,681,315
Merchandise costs	$ 11,916,702	$ 7,920,348	$ 152,469,258	$ 172,306,308
Interest expenses, net	$ (123,107)	$ (88,143)	$ (1,399,891)	$ (1,611,141)
Provision for income tax	$ 34,902	$ 24,989	$ 396,883	$ 456,774
Net income	$ 571,463	$ 409,162	$ 6,498,311	$ 7,478,936
Depreciation and amortization	$ 94,184	$ 67,434	$ 1,070,993	$ 1,232,611
Capital expenditures	$ 917,396	$ 9,766	$ 2,146	$ 929,308

NOTE 17 – SEGMENT REPORTING (continued)

	March 31, 2026	March 31, 2025
Total assets:		
Franchise Stores and Wholesale Customers	$ 217,580,900	$ 132,909,152
Directly-Operated Physical Stores	12,089,250	14,618,642
Online Stores and Services	3,965,605	10,302,391
Total assets	$ 233,635,755	$ 157,830,185
Total liabilities:		
Franchise Stores and Wholesale Customers	$ 176,153,828	$ 92,421,807
Directly-Operated Physical Stores	13,032,588	12,247,978
Online Stores and Services	3,284,161	10,146,370
Total liabilities	$ 192,470,577	$ 114,816,155

The following table presents the geographic information where the Company's long-live assets were located:

	March 31, 2026	March 31, 2025
Japan	$ 6,879,404	$ 13,932,880
The United States	3,479,298	4,353,220
Other overseas countries	2,684,961	609,037
Hong Kong	1,155,841	1,716,744
Total long-live assets	$ 14,199,504	$ 20,611,880

Disaggregated Revenue

The Company disaggregates its revenue by geographic areas, product categories, and distribution channels, which the Company believes best depicts how the nature, amount, timing, and uncertainty of the revenue and cash flows are affected by economic factors. See Note 2 for the Company's disaggregation of revenue for the fiscal years ended March 31, 2026, 2025, and 2024.

NOTE 18 – SUBSEQUENT EVENTS

Since October 2025, the Tokyo Regional Taxation Bureau has conducted a new round of tax examination into the Company's consumption tax filing for the period from April 2022 to February 2024. On June 10, 2026, the Company filed multiple consumption tax corrections with Tokyo Regional Taxation Bureau. The Company is waiting for the consumption tax review by the Tokyo Regional Taxation Bureau, and no final assessment decision has been made by the Tokyo Regional Taxation Bureau as of the date of this report.

Under the two bank facilities with HSBC (see Note 11 - short-term borrowings), as of the date of this report, the Company has repaid approximately $4.1 million and borrowed additional $3.4 million under the facilities.

Under the revolving loan facility with Kyrin Starway Limited (see Note 11 - long-term borrowings), as of the date of this report, the Company has borrowed additional approximately $2.3 million (HK$18.1 million) under the facility.

These consolidated financial statements were approved by management and available for issuance on July 10, 2026, and the Company has evaluated subsequent events through this date. The Company did not identify any subsequent events except those disclosed above that would have required adjustment or disclosure in the financial statements.

Exhibit 1.1

Please note that these documents are English translations of the original Japanese versions prepared only for your convenience. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

Articles of Incorporation

Tokyo Lifestyle Co., Ltd.

Chapter 1 General Provisions

(Name of the Company)
Article 1

The name of the Company is Tokyo Seikatsukan Kabushiki Kaisha, and shall be indicated in English as Tokyo Lifestyle Co., Ltd.

(Purpose)
Article 2

The purpose of the Company is to engage in the following businesses:

1 Consulting services related to overseas business, business expansion, acquisition and general trade transactions, investment, import/export, travel, etc.;

2 Trading of currencies and financial products related to foreign exchange transactions, etc., as well as acceptance of entrustment of, and commission for, sales transactions under the Foreign Exchange and Foreign Trade Act;

3 Import/export and sale of alcoholic beverages and cigarettes;

4 Import/export, manufacture and sale of daily necessities, groceries, clothing, household electrical appliances and their parts;

5 Drugstore management and sale and wholesale of medicine;

6 Sale and wholesale of cosmetics and cosmetic adjustments;

7 Sale of sanitary supplies, thermometers, length gauges, scales, pressure gauges, volume meters, medical equipment, health equipment, beauty equipment and nursing equipment;

8 Sale of dietary supplements supplemented with nutrients such as vitamins;

9 Sale of ingredient-adjusted foods such as low-sodium, low-calorie and linoleic acid food;

10 Management of a drugstore franchise chain;

11 Logistics and warehousing;

12 Lease, management, holding and utilization of real estate;

13 General travel business, domestic travel business and travel agency business;

14 Operation and maintenance of online sales system;

15 Second-hand articles dealing;

16 Mail-order business and order reception agency business though networks such as the Internet;

17 Agency of subscription procedures for telecommunications services and broadcasting services;

18 Telecommunications business as provided for in the Telecommunications Business Act;

19 Design, development, manufacture, sale, lease and maintenance of communication equipment and its peripherals;

20 Development, manufacture, sale, lease, and maintenance of software for communication machinery and equipment;

21 Restaurant management and consulting business; and

22 All business incidental to or relating to any of the foregoing items.

(Location of Head Office)
Article 3

The Company has its head office in Sumida-Ku, Tokyo.

(Organs)
Article 4

In addition to the General Meeting of Shareholders and Directors, the Company has the following organs:

1 Board of Directors;

2 Corporate Auditors;

3 Board of Corporate Auditors; and

4 Accounting Auditor.

(Method of Public Notice)
Article 5

The method of public notice of the Company shall be Electronic Public Notice. However, in the event that public notice cannot be given by Electronic Public Notice due to an accident or any other unavoidable causes, public notice shall be given in the Nihon Keizai Shinbun.

Chapter 2 Shares

(Total number of Authorized Shares)
Article 6

The total number of Authorized Shares of the Company shall be 100,000,000 shares.

(Acquisition of Treasury Shares)
Article 7

The Company may acquire its Treasury Shares by a resolution of the Board of Directors pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act.

(Administrator of Shareholder Registry)
Article 8

1. The Company shall have an Administrator of Shareholder Registry.

2. The Administrator of Shareholder Registry and its place of business shall be designated by a resolution of the Board of Directors.

3. The preparation and keeping of the register of Shareholders and the register of Share Options of the Company and other administrative affairs relating thereto shall be outsourced to the Administrator of Shareholder Registry, and the Company shall not handle such affairs.

(Share Handling Regulations)
Article 9

Procedures for exercising rights of Shareholders and other handling of shares of the Company shall be governed by laws and regulations or these Articles of Incorporation, and the Share Handling Regulations established by the Board of Directors.

Chapter 3 General Meeting of Shareholders

(Convocation)
Article 10

An Ordinary General Meeting of Shareholders of the Company shall be convened within three months from the day following the end of each business year. An Extraordinary General Meeting of Shareholders shall be convened whenever necessary.

(Record Date)
Article 11

The record date for the voting rights at the Ordinary General Meeting of Shareholders of the Company shall be March 31 of each year.

(Convener and Chairperson)
Article 12

1. A General Meeting of Shareholders shall be convened and chaired by the President Director.

2. In the event that, however, the President Director is unable to so act, another Director shall convene and chair a General Meeting of Shareholders, in accordance with the order previously determined by the Board of Directors.

(Disclosure via Internet of Reference Documents for General Meeting of Shareholders and Deemed Provision)
Article 13

Upon convocation of a General Meeting of Shareholders, the Company may be deemed to have provided the Shareholders with the information relating to the matters to be described or indicated in the Reference Documents for the General Meeting of Shareholders, business reports, Financial Statements and Consolidated Financial Statements by disclosing them through the Internet in accordance with the applicable Ordinances of the Ministry of Justice.

(Method of Resolution)
Article 14

1. Unless otherwise provided by laws and regulations or these Articles of Incorporation, a resolution of a General Meeting of Shareholders shall be adopted by a majority of the votes of Shareholders present at the meeting who are entitled to exercise voting rights.

2. A special resolution as stipulated in Article 309, Paragraph 2 of the Companies Act shall be adopted by at least two-thirds of the votes of Shareholders present at the meeting where Shareholders holding at least one-third of the voting rights of Shareholders entitled to exercise voting rights are present.

(Exercise of Voting Right by Proxy)
Article 15

1. Shareholders may exercise their votes by proxy who shall be another Shareholder entitled to exercise voting rights of the Company.

2. Each Shareholder or proxy shall submit a document evidencing their power of proxy to the Company at each General Meeting of Shareholders.

Chapter 4 Directors and the Board of Directors

(Number of Directors)
Article 16

The Company shall have 10 or fewer Directors.

(Method of Election of Directors)
Article 17

1. A resolution for the election of Directors shall be adopted at a General Meeting of Shareholders by a majority vote of Shareholders present at the meeting where Shareholders holding at least one-third of the voting rights of the Shareholders entitled to exercise voting rights are present.

2. Resolutions for the election of Directors shall not be based on cumulative voting.

(Term of Office of Directors)
Article 18

1. The term of office of Directors shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within two years after their election.

2. The term of office of Directors who has been elected to fill a vacancy or elected because of an increase in the number of Directors shall expire at the expiration of the remaining term of the retired Directors or of the other incumbent Directors.

(Representative Director and Executive Directors with titles)
Article 19

1. The Board of Directors shall elect the Representative Director(s) by its resolution.

2. The Board of Directors may elect one President Director and a few Senior Managing Directors and Managing Directors by its resolution.

(Convener and Chairperson of the Board of Directors)
Article 20

1. The President Director shall convene and chair a Meeting of the Board of Directors, unless otherwise provided by laws and regulations.

2. In the event that the President Director is unable to so act, another Director shall convene a Meeting of the Board of Directors and act as chairperson in accordance with the order previously determined by resolution of the Board of Directors.

(Notice of Convocation of the Board of Directors)
Article 21

1. The notice of convocation of a Meeting of the Board of Directors shall be dispatched to each Director and each Corporate Auditor at least three days prior to the date of the meeting; provided, however, that such period of notice may be shortened in the case of urgent necessity.

2. With the consent of all Directors and Corporate Auditors, a Meeting of the Board of Directors may be held without procedures for convocation.

(Omission of Resolution of the Board of Directors)
Article 22

A resolution of the Board of Directors shall be deemed to be adopted upon the fulfillment of the requirements of Article 370 of the Companies Act.

(Regulations of the Board of Directors)
Article 23

Matters regarding the Board of Directors shall be handled in accordance with laws and regulations and these Articles of Incorporation as well as Regulations of the Board of Directors established by the Board of Directors.

(Remuneration, etc.)
Article 24

Remuneration, bonuses, and other property benefits received from the Company as compensation for the execution of duties (hereinafter referred to as "remuneration, etc.") of Directors shall be determined by a resolution of a General Meeting of Shareholders.

(Exemption from Liability of Directors)
Article 25

1. The Company may, by a resolution of the Board of Directors, exempt Directors (including former Directors) from their liabilities as provided for in Article 423, Paragraph 1 of the Companies Act to the extent of the amount obtained by subtracting the minimum liability amount prescribed by laws and regulations from the amount for which they are liable, in cases where the requirements prescribed by laws and regulations are satisfied.

2. The Company and each Director (excluding Executive Directors) may enter into an agreement limiting the liability for damages for negligence of their duties pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than 1 million yen or the minimum liability amount prescribed by laws and regulations.

Chapter 5 Corporate Auditors

(Number of Corporate Auditors)
Article 26

The Company shall have no fewer than three (3) and no more than ten (10) Corporate Auditors.

(Method of Election of Corporate Auditors)
Article 27

Resolutions for the election of Corporate Auditors shall be adopted at a General Meeting of Shareholders by a majority of the voting rights of the shareholders present at the meeting who hold one-third or more of the voting rights exercisable by all shareholders.

(Term of Office of Corporate Auditors)
Article 28

1. The term of office of a Corporate Auditor shall expire at the conclusion of the Ordinary General Meeting of Shareholders relating to the final fiscal year ending within four (4) years after the election.

2. The term of office of a Corporate Auditor elected as a substitute for a Corporate Auditor who retired before the expiration of his or her term shall continue until the expiration of the term of office of the retired Corporate Auditor.

(Remuneration, etc.)
Article 29

The remuneration, etc. of Corporate Auditors shall be determined by resolution of the General Meeting of Shareholders.

(Exemption from Liability of Corporate Auditors)
Article 30

1. The Company may, by resolution of the Board of Directors, exempt Corporate Auditors (including former Corporate Auditors) from liability for damages under Article 423, Paragraph 1 of the Companies Act, to the extent permitted by laws and regulations, limited to the amount obtained by deducting the minimum liability amount prescribed by laws and regulations from the total amount of liability for damages.

2. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with a Corporate Auditor limiting liability for damages arising from negligence in the performance of duties; provided, however, that the limit of liability under such agreement shall be the higher of either an amount predetermined to be no less than JPY 1,000,000 or the minimum liability amount prescribed by laws and regulations.

(Convocation of the Board of Corporate Auditors)
Article 31

1. Notice of a meeting of the Board of Corporate Auditors shall be given to each Corporate Auditor at least three (3) days prior to the date of the meeting; provided, however, that this period may be shortened in cases of urgent necessity.

2. A meeting of the Board of Corporate Auditors may be held without following the convocation procedures if all Corporate Auditors consent thereto.

(Rules of the Board of Corporate Auditors)
Article 32

Matters concerning the Board of Corporate Auditors shall be governed not only by laws and regulations and these Articles of Incorporation, but also by the Rules of the Board of Corporate Auditors established by the Board of Corporate Auditors.

Chapter 6 Accounting Auditor

(Election of Accounting Auditor)
Article 33

The Accounting Auditor shall be elected by resolution of the General Meeting of Shareholders.

(Term of Office of Accounting Auditor)
Article 34

1. The term of office of the Accounting Auditor shall expire at the conclusion of the Ordinary General Meeting of Shareholders relating to the final fiscal year ending within one (1) year after the election.

2. Unless otherwise resolved at the Ordinary General Meeting of Shareholders referred to in the preceding paragraph, the Accounting Auditor shall be deemed to have been reappointed at such meeting.

(Remuneration, etc. of Accounting Auditor)
Article 35

The remuneration, etc. of the Accounting Auditor shall be determined by the Representative Director with the consent of the Board of Corporate Auditors.

(Exemption from Liability of Accounting Auditor)
Article 36

1. The Company may, by resolution of the Board of Directors, exempt the Accounting Auditor (including former Accounting Auditors) from liability for damages under Article 423, Paragraph 1 of the Companies Act, to the extent permitted by laws and regulations, limited to the amount obtained by deducting the minimum liability amount prescribed by laws and regulations from the total amount of liability for damages.

2. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with the Accounting Auditor limiting liability for damages arising from negligence in the performance of duties; provided, however, that the limit of liability under such agreement shall be the higher of either an amount predetermined to be no less than JPY 1,000,000 or the minimum liability amount prescribed by laws and regulations.

Chapter 7 Calculation

(Business year)
Article 37

The business year of the Company shall begin on April 1 of each year and end on March 31 of the following year.

(Record Date for Dividend of Surplus)
Article 38

The record date for Year-end Dividends of the Company shall be March 31 of each year.

(Interim Dividend)
Article 39

By a resolution of the Board of Directors, the Company may pay interim dividends with September 30 of each year as the record date.

(Period of Exclusion for Dividend Payments)
Article 40

If the dividends are paid in cash and are not received within three years from the beginning date of payment, the Company shall be relieved of the obligation to pay such dividends.

Exhibit 8.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Organization
Tokyo Lifestyle Limited	Hong Kong
Shenzhen Qingzhiliangpin Network Technology Co., Ltd.	People's Republic of China
Shenzhen Qianxusenhuo Network Technology Co., Ltd.	People's Republic of China
RAKKISTAR HOLDING INC.	Ontario, Canada
TOKYO LIFESTYLE PTY LTD	Australia
Tokyo Lifestyle Holding Inc.	Delaware, USA
REIWATAKIYA BOS LLC	Massachusetts, USA
REIWATAKIYA NYC LLC	New York, USA
REIWATAKIYA LV LLC	Nevada, USA
REIWATAKIYA LV II LLC	Nevada, USA

Exhibit 12.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mei Kanayama, certify that:

1. I have reviewed this annual report on Form 20-F of Tokyo Lifestyle Co., Ltd. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 10, 2026

By: /s/ Mei Kanayama
Name: Mei Kanayama
Title: Representative Director and Director
(Principal Executive Officer)

Exhibit 12.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Youichiro Haga, certify that:

1. I have reviewed this annual report on Form 20-F of Tokyo Lifestyle Co., Ltd. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 10, 2026

By: /s/ Youichiro Haga
Name: Youichiro Haga
Title: Director and Corporate Officer
(Principal Accounting and Financial Officer)

Exhibit 13.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Tokyo Lifestyle Co., Ltd. (the "Company") on Form 20-F for the year ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mei Kanayama, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 10, 2026

By: /s/ Mei Kanayama
Name: Mei Kanayama
Title: Representative Director and Director
(Principal Executive Officer)

Exhibit 13.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Tokyo Lifestyle Co., Ltd. (the "Company") on Form 20-F for the year ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Youichiro Haga, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 10, 2026

By: /s/ Youichiro Haga
Name: Youichiro Haga
Title: Director and Corporate Officer
(Principal Accounting and Financial Officer)

Exhibit 15.1

盛唐律師事務所
FINANCE & COMMERCE LAW FIRM OF CHINA
地址：深圳市福田区福华一路大中华国际交易广场写字楼西区15层
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电话 TEL: 86-755-83296818 传真 FAX: 86-755-83283645

July 10, 2026

Tokyo Lifestyle Co., Ltd.
Harumi Building, 2-5-9 Kotobashi, Sumida-Ku, Tokyo, 130-0022
Japan

RE: Consent of the People's Republic of China Counsel

Dear Sirs/Madams,

We consent to the references to our name under the captions "Item 3. Key Information—D. Risk Factors" in the annual report of Tokyo Lifestyle Co., Ltd. (formerly known as Yoshitsu Co., Ltd) on Form 20-F for the year ended March 31, 2026 (the "Annual Report"), which is filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Finance & Commerce Law Firm of China
Finance & Commerce Law Firm of China

Exhibit 15.2

MARCUMASIA

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statements on Form F-3 [FILE NO. 333-274076 and FILE NO. 333-281714] of our report dated July 16, 2024, relating to the financial statements of Tokyo Lifestyle Co., Ltd. (formerly known as "Yoshitsu Co., Ltd.") and its subsidiaries appearing in this Annual Report on Form 20-F for the year ended March 31, 2026.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

New York, New York
July 10, 2026

Exhibit 15.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Tokyo Lifestyle Co., Ltd. (the "Company") on Form F-3 (File No. 333-274076 and File No. 333-281714) of our report dated July 10, 2026, with respect to our audits of the consolidated financial statements of Tokyo Lifestyle Co., Ltd. as of March 31, 2026 and 2025 and for each of the years in the two-year period ended March 31, 2026 appearing in the Annual Report on Form 20-F of Tokyo Lifestyle Co., Ltd. for the year ended March 31, 2026.

We also consent to the reference to us under the heading "Experts" in such Registration Statements.

/s/ Wei, Wei & Co., LLP

Flushing, New York
July 10, 2026