

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST HALF OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2022
(March 1, 2021 to August 31, 2021)

October 8, 2021

YONDOSHI HOLDINGS INC. is listed on the First Section of the Tokyo Stock Exchange under the securities code number 8008.

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Quarterly Securities Report filing date (planned): October 11, 2021

Supplemental materials prepared for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

Dividend payment commencement date (planned): November 12, 2021

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Half of Fiscal 2021
(March 1, 2021 to August 31, 2021)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.)

	Net sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021 First Half	17,769	(1.2)	396	(62.0)	715	(44.3)	280	(53.5)
FY2020 First Half	17,980	(18.0)	1,043	(52.5)	1,283	(45.8)	603	(59.4)

Note: Comprehensive income FY2021 First Half: 740 million yen (-46.2%)
 FY2020 First Half: 1,375 million yen (51.7%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2021 First Half	13.08	—
FY2020 First Half	27.79	—

(Reference) Operating income before the amortization of goodwill:

FY 2021 First Half: ¥645 million FY 2020 First Half: ¥1,291 million

The Company considers operating income before the amortization of goodwill to be an important management indicator.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
August 31, 2021	51,696	39,433	76.2	1,838.82
February 28, 2021	53,000	39,543	74.6	1,844.69

(Reference) Shareholders' equity: August 31, 2021: 39,412 million yen February 28, 2021: 40,112 million yen

2. Dividends

(Record Date)	Dividends per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	40.50	—	40.50	81.00
Fiscal 2021	—	41.50	—	—	—
Fiscal 2021 (Forecast)	—	—	—	41.50	83.00

Note: Revision to the most recently announced cash dividend forecast: No

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(% figures for the full fiscal year represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2022	40,500	2.7	2,800	1.2	3,300	3.3	2,200	35.6	102.68

Note: Revision to the most recently announced operating results forecast: No
(Reference) EPS before the amortization of goodwill in FY 2021 is ¥125.85.

Notes

- (1) Changes in Important Subsidiaries during the Period:
(Changes in specified subsidiaries that caused changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices in the Preparation of the Quarterly Consolidated Financial Statements: Yes
- (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: No
 - 2) Changes of accounting principles other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Number of Shares Issued and Outstanding (Common Stock)
 1. Total number of shares issued and outstanding (including treasury stock) as of the period-end:
August 31, 2021: 24,331,356 shares Feb. 28, 2021: 24,331,356 shares
 2. Total number of treasury stock as of the period-end:
August 31, 2021: 2,897,982 shares Feb. 28, 2021: 2,911,168 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
FY2021 First Half: 21,425,904 shares FY2020 First Half: 21,703,709 shares

Note: The number of recorded treasury stock includes 53,926 of the Company's shares held by the Shares Grant Trust for Officers as of the end of the second quarter of the subject consolidated fiscal year.

The financial statement summary is not subject to auditing by certified public accountants or audit firms.

Explanation concerning the Proper Use of Operating Results Forecasts and Other Relevant Specific Items

1. The forecasts of operating results and other items concerning the future contained in this document are based on management's assumptions and beliefs that are determined to be reasonable in light of currently available information, YONDOSHI HOLDINGS INC. cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin operating results forecasts as well as cautionary notes on the use of operating results forecasts, please refer to "1. Qualitative Information on Business and Financial Results (3) Explanation of Consolidated Results Forecasts and Other Future Predictions" on page 5.
2. The Company plans to hold a financial results briefing on October 8, 2021 (Friday) for institutional investors and analysts. Presentation materials used that day will be posted to the Company's website promptly after the briefing.

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1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the first half period (March 1, 2021 to August 31, 2021) of fiscal 2021 (the fiscal year ending February 28, 2022), conditions throughout the Japanese economy remained severe. With little or no sign of COVID-19 abating, this harsh operating environment was largely due to the strain placed on economic activities by the government's prolonged declarations of a state of emergency and priority measures to prevent the spread of disease as well as the temporary surge in the number of people infected.

In the retail industry, the outlook remains unclear, with business conditions overall affected by the government's call for people to remain at home, as well as business suspensions and shortened operating hours at stores. In addition, consumer spending has slowed as a result of the continued cooling off in consumer sentiment amid the worsening employment and income situation.

Under these circumstances, YONDOSHI HOLDINGS Group is working to provide products and services that exceed customer expectations by leveraging the strengths of the corporate group to the fullest extent during fiscal 2021, the initial year of the sixth medium-term management plan. In addition, the Company is practicing CSR-based management to establish a highly trusted corporate group, and is working to enhance enterprise value by strengthening internal controls, providing shareholder returns, and making medium to long-term investments linked to earnings growth.

As a result, for the first half of the fiscal year under review, net sales amounted to ¥17,769 million (down 1.2% from the same period of the previous fiscal year), operating income ¥396 million (down 62.0%), ordinary income ¥715 million (down 44.3%) and profit attributable to owners of parent ¥280 million (down 53.5%). Operating income before the amortization of goodwill, which the Company considers to be an important management indicator, amounted to ¥645 million (down 50.1%).

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group, which is largely responsible for the YONDOSHI HOLDINGS Group's Jewelry Business, proactively undertook investments aimed at enhancing brand value despite the harsh operating environment in response to the prolonged declarations of a state of emergency amid the substantial effects of the spread of COVID-19. In addition, operating income decreased significantly due to a reactionary increase in personnel expenses, a portion of which was recorded as an extraordinary loss in the corresponding period of the previous fiscal year.

As a result, net sales in the Jewelry Business amounted to ¥7,894 million (down 7.5% from the same period of the previous fiscal year), and operating income ¥60 million (down 91.2%).

Apparel Business

Retailer age Co., Ltd., operator of the everyday fashion brand PALETTE, achieved record-high net sales and operating income. In addition to the opening of six new stores, which exceeded initial plans, these record-high results were also attributable to robust trends at existing stores.

The AS'TY Group continued to work on ensuring stable operations at its overseas production bases and the strengthening of its product planning capabilities.

As a result, net sales in the Apparel Business segment amounted to ¥9,875 million (up 4.5% from the same period of the previous fiscal year). From a profit perspective, operating income came in at ¥547 million (down 3.6%).

(2) Explanation of Financial Condition

Assets, Liabilities and Net Assets

Total assets as of the end of the second quarter (August 31, 2021) of the fiscal year ending February 28, 2022 amounted to ¥51,696 million, a decrease of ¥1,303 million from the end of the previous fiscal year (February 28, 2021). Despite an increase in investment securities of ¥724 million, this downturn in total assets largely reflected decreases in goodwill of ¥248 million as well as cash and deposits of ¥1,207 million from the end of the previous fiscal year. Total liabilities amounted to ¥12,262 million, a decrease of ¥1,194 million from the end of the previous fiscal year. This was due mainly to a decline of ¥376 million in notes and accounts payable — trade and decrease of ¥252 million in income taxes payable. Total net assets as of the end of the subject period amounted to ¥39,433 million, a decrease of ¥109 million from the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents as of the end of the second quarter of the fiscal year under review stood at ¥2,025 million, a decrease of ¥707 million compared with the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥14 million, down ¥2,798 million compared with the corresponding period of the previous fiscal year. While YONDOSHI HOLDINGS Group recorded such cash inflows as income before income taxes and income taxes refund, this was more than offset by cash outflows including income taxes paid.

(Cash Flows from Investing Activities)

Net cash provided by investing activities totaled ¥173 million. This was a turnaround of ¥1,988 million from the net cash used in investing activities for the corresponding period of the previous fiscal year. The principal cash inflow was proceeds from redemption of investment securities while the major cash outflow was purchase of investment securities.

(Cash Flows from Financing Activities)

Net cash used in financing activities came to ¥899 million, up ¥672 million compared with the corresponding period of the previous fiscal year. The major cash outflow was cash dividends paid.

(3) Explanation of Consolidated Results Forecasts and Other Future Predictions

Regarding consolidated results forecasts for fiscal 2021 (ending February 28, 2022), although conditions surrounding COVID-19 are not expected to worsen beyond the current situation, and consumption trends are projected to gradually recover, the Company's forecasts assume that the impact of the pandemic will continue during the subject period.

Of note, because the timing of a return to normal activity following COVID-19 remains uncertain, the future status of the pandemic and extent to which it will dissipate could have a significant impact on consolidated earnings.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2021 (As of February 28, 2021)	End of the Second Quarter of the Fiscal Year Ending February 28, 2022 (As of August 31, 2021)
ASSETS		
Current assets:		
Cash and deposits	3,232	2,025
Notes and accounts receivable — trade	2,587	2,539
Merchandise and finished goods	7,718	7,620
Work in process	285	245
Raw materials and supplies	1,081	1,020
Other current assets	713	708
Allowance for doubtful accounts	(3)	(4)
Total current assets	15,616	14,155
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	4,982	4,769
Land	5,492	5,492
Other, net	538	457
Total property, plant and equipment	11,013	10,719
Intangible assets:		
Goodwill	2,730	2,482
Other intangible assets	201	165
Total intangible assets	2,932	2,648
Investments and other assets:		
Investment securities	18,489	19,214
Net defined benefit asset	487	505
Other	4,516	4,507
Allowance for doubtful accounts	(55)	(52)
Total investments and other assets	23,438	24,173
Total noncurrent assets	37,383	37,540
Total assets	53,000	51,696

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2021 (As of February 28, 2021)	End of the Second Quarter of the Fiscal Year Ending February 28, 2022 (As of August 31, 2021)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	3,148	2,772
Income taxes payable	643	390
Provision for bonuses	269	213
Provision for directors' bonuses	25	26
Asset retirement obligations	—	8
Other	2,715	2,005
Total current liabilities	6,802	5,417
Noncurrent liabilities:		
Provision for share-based remuneration for directors (and other officers)	123	121
Retirement benefit liability	497	500
Asset retirement obligations	1,428	1,429
Other	4,605	4,793
Total noncurrent liabilities	6,654	6,845
Total liabilities	13,457	12,262
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	7,208	7,208
Retained earnings	31,978	31,388
Treasury stock	(6,215)	(6,187)
Total shareholders' equity	35,458	34,896
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	4,315	4,772
Deferred gains or losses on hedges	8	5
Revaluation reserve for land	(233)	(233)
Foreign currency translation adjustments	75	74
Remeasurements of defined benefit plans	(110)	(103)
Total other accumulated comprehensive income	4,055	4,515
Subscription rights to shares	29	21
Total net assets	39,543	39,433
Total liabilities and net assets	53,000	51,696

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Second Quarter Cumulative

(Millions of yen)

	First Half of the Fiscal Year Ended February 28, 2021 (March 1, 2020 to August 31, 2020)	First Half of the Fiscal Year Ending February 28, 2022 (March 1, 2021 to August 31, 2021)
Net sales	17,980	17,769
Cost of Sales	8,505	8,547
Gross profit	9,474	9,222
Selling, general and administrative expenses	8,431	8,825
Operating income	1,043	396
Non-operating income		
Interest income	86	39
Dividends received	92	90
Rent of real estate for investment	36	36
Foreign exchange gains	—	14
Subsidy income	3	128
Other	39	20
Total non-operating income	258	330
Non-operating expenses		
Interest expenses	1	0
Depreciation of real estate for investment	2	2
Management cost for real estate for investment	0	0
Foreign exchange losses	6	—
Provision of allowance for doubtful accounts	2	0
Loss on cancellation of insurance policies	4	2
Other	0	5
Total non-operating expenses	17	11
Ordinary income	1,283	715
Extraordinary income		
Gain on sales of investment securities	22	—
Gain on reversal of share acquisition rights	52	—
Subsidies for employment adjustment	394	64
Reversal of loss on liquidation of subsidiaries	27	—
Total extraordinary income	497	64
Extraordinary loss		
Impairment loss	106	183
Loss on closing of stores	27	—
Allowance for absence from work	405	61
Loss on liquidation of subsidiaries	6	—
Loss on liquidation of brands	121	—
Loss on valuation of investment securities	63	—
Total extraordinary losses	730	244
Net income before income taxes	1,050	535
Total income taxes	447	255
Net income	603	280
Profit attributable to owners of parent	603	280

Consolidated Quarterly Statements of Comprehensive Income
Second Quarter Cumulative

(Millions of yen)

	First Half of the Fiscal Year Ended February 28, 2021 (March 1, 2020 to August 31, 2020)	First Half of the Fiscal Year Ending February 28, 2022 (March 1, 2021 to August 31, 2021)
Income before minority interests	603	280
Other comprehensive income		
Other valuation difference on available-for-sale securities	755	457
Deferred gains or losses on hedges	(8)	(3)
Foreign currency translation adjustments	21	(1)
Remeasurements of defined benefit plans, net of tax	3	7
Total other comprehensive income	772	460
Comprehensive income	1,375	740
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,375	740

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended February 28, 2021 (March 1, 2020 to August 31, 2020)	First Half of the Fiscal Year Ending February 28, 2022 (March 1, 2021 to August 31, 2021)
Cash flows from operating activities:		
Income before income taxes	1,050	535
Depreciation	483	426
Impairment loss	106	183
Amortization of goodwill	248	248
Increase (decrease) in allowance for doubtful accounts	5	(1)
Increase (decrease) in provision for bonuses	(21)	(55)
Gain on reversal of share acquisition rights	(52)	—
Subsidies for employment adjustment	(394)	(64)
Subsidy income	(3)	(128)
Allowance for absence from work	405	61
Increase (decrease) in net defined benefit liability	(18)	(2)
Increase (decrease) in other provision	14	(1)
Interest and dividends income	(179)	(129)
Interest expenses	1	0
Foreign exchange losses (gains)	8	(5)
Loss (gain) on valuation of investment securities	63	—
Decrease (increase) in notes and accounts receivable — trade	(24)	50
Decrease (increase) in inventories	501	199
Increase (decrease) in notes and accounts payable — trade	(1,300)	(376)
Loss (gain) on sales of investment securities	(22)	—
Increase (decrease) in accounts payable—other	239	(479)
Increase (decrease) in advances received	(160)	(59)
Increase (decrease) in accounts payable — other	(318)	(21)
Decrease (increase) in other assets	75	10
Increase (decrease) in other liabilities	(126)	(157)
Subtotal	581	231
Interest and dividends income received	173	134
Interest expenses paid	(1)	(0)
Subsidies for employment adjustment received	394	52
Subsidies received	3	124
Allowance for absence from work paid	(405)	(61)
Income taxes paid	(642)	(853)
Income taxes refund	2,709	386
Net cash provided by (used in) operating activities	2,813	14

(Millions of yen)

	First Half of the Fiscal Year Ended February 28, 2021 (March 1, 2020 to August 31, 2020)	First Half of the Fiscal Year Ending February 28, 2022 (March 1, 2021 to August 31, 2021)
Cash flows from investing activities:		
Payments into time deposits	(500)	—
Proceeds from withdrawal of time deposits	—	500
Purchase of property, plant and equipment	(367)	(247)
Proceeds from sales of property, plant and equipment	—	0
Purchase of intangible assets	(54)	(2)
Purchase of investment securities	(1,006)	(2,029)
Proceeds from sales of investment securities	88	0
Proceeds from redemption of investment securities	—	2,000
Payments of long-term loans receivable	(0)	—
Collection of long-term loans receivable	0	0
Purchase of long-term prepaid expenses	(13)	(10)
Other payments	(95)	(61)
Other proceeds	133	51
Net cash provided by (used in) investing activities	(1,815)	173
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	800	—
Repayment of long-term loans payable	(82)	—
Purchase of treasury stock	(50)	(0)
Proceeds from sales of treasury stock	14	—
Cash dividends paid	(870)	(870)
Other, net	(38)	(29)
Net cash provided by (used in) financing activities	(227)	(899)
Effect of exchange rate changes on cash and cash equivalents	(1)	4
Net increase (decrease) in cash and cash equivalents	769	(707)
Cash and cash equivalents at beginning of period	785	2,732
Cash and cash equivalents at end of period	1,555	2,025

(4) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable

(Application of Special Accounting Treatment in the Preparation of the Consolidated Financial Statements)

(Calculation of Tax Expense)

Tax expense has been calculated by rationally estimating the effective tax rate after the application of tax effect accounting for profit before income taxes in the consolidated fiscal year, including the subject second quarter period, and multiplying this estimated effective tax rate by profit before income taxes.

(Additional Information)

(Stock Compensation Plan for Directors)

Under its 68th annual shareholders meeting held on May 17, 2018, the Company introduced a stock compensation plan (hereinafter, the "Plan"), with eligible persons the Company's directors (excluding directors who are audit and supervisory committee members) and directors who are audit and supervisory committee members (excluding outside directors), as well as directors and corporate auditors (excluding outside corporate auditors) of the Company's major group companies from November 28, 2018.

i. Summary of the transaction

The Plan is a stock compensation plan to grant the Company's shares to eligible directors of eligible companies in accordance with rules for granting trust-based stock compensation to corporate officers as determined by the eligible companies. The Company will contribute funds to the trust, and the trust will use these funds to acquire the Company's shares, and grant them to eligible directors. In principle, directors and other officers will receive the Company's shares at the time of retirement.

ii. The Company's own shares held in the Trust

The Company's own shares held in the Trust are recorded as treasury stock under net assets at their book value in the Trust (excluding the amount of ancillary expenses). The book value and number of shares of such treasury stock was ¥144 million, for 67,136 shares at the end of the previous consolidated fiscal year, and ¥115 million, for 53,926 shares at the end of the second quarter of the subject consolidated fiscal year.

(Accounting Estimates)

There are no significant changes in the assumptions regarding the impact from the COVID-19 virus or accounting estimates from those presented in the (Additional Information) – (Accounting Estimates) section of the financial statement for the previous fiscal year.

(Segment Information)**I The first half of the fiscal year ended February 28, 2021 (March 1, 2020 to August 31, 2020)****1. Information Regarding Sales and Income or Loss by Reporting Segment**

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	8,534	9,445	17,980	—	17,980
Intrasegment net sales and transfers	—	111	111	(111)	—
Total	8,534	9,557	18,092	(111)	17,980
Segment income	686	567	1,254	(210)	1,043

Notes:

1. The adjustment amount of minus ¥210 million for segment income mainly includes amortization of goodwill totaling minus ¥248 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥301 million and elimination of inter-segment transactions of ¥339 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Related Items by Reporting Segment

There was no major impairment loss recorded during the period under review.

II The first half of the fiscal year ending February 28, 2022 (March 1, 2021 to August 31, 2021)**1. Information Regarding Sales and Income or Loss by Reporting Segment**

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	7,894	9,875	17,769	—	17,769
Intrasegment net sales and transfers	0	74	74	(74)	—
Total	7,894	9,949	17,844	(74)	17,769
Segment income	60	547	607	(211)	396

Notes:

1. The adjustment amount of minus ¥211 million for segment income mainly includes amortization of goodwill totaling minus ¥248 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥244 million and elimination of inter-segment transactions of ¥282 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Related Items by Reporting Segment

There was no major impairment loss recorded during the period under review.

(Important Subsequent Events)

Not applicable