

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST HALF OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2023
(March 1, 2022 to August 31, 2022)

October 7, 2022

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

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Quarterly Securities Report filing date (planned): October 14, 2022

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 11, 2022

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Half of Fiscal 2022
(March 1, 2022 to August 31, 2022)

(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	%
FY2022 First Half	18,514	4.0	645	50.1	822	14.9	513	83.2
FY2021 First Half	17,806	(1.0)	429	(58.8)	715	(44.3)	280	(53.5)

Note: Comprehensive income FY2022 First Half: (2,913) million yen (—%) FY2021 First Half: 740 million yen (—46.2%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2022 First Half	23.95	—
FY2021 First Half	13.08	—

(Reference) Operating income before the amortization of goodwill:

FY 2022 First Half: ¥893 million FY 2021 First Half: ¥678 million

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

Note: The Company applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the subject fiscal year. Figures for the second quarter of the fiscal year ending February 28, 2023, are after application of this accounting standard.

(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, 2022	52,890	39,120	73.9	1,823.11
February 28, 2022	56,884	42,917	75.4	2,001.22

(Reference) Shareholders' equity: August 31, 2022: 39,093 million yen February 28, 2022: 42,893 million yen

Note: The Company applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the subject fiscal year. Figures for the second quarter of the fiscal year ending February 28, 2023, are after application of this accounting standard.

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 2021	—	41.50	—	41.50	83.00
Fiscal 2022	—	41.50			
Fiscal 2022 (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, 2023 (March 1, 2022 to February 28, 2023)

(% 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, 2023	40,500	6.2	2,700	51.0	3,300	30.8	1,800	20.8	83.96

Note: Revision to the most recently announced operating results forecast: Yes

(Reference) EPS before the amortization of goodwill in FY 2022 is ¥107.11.

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: Yes
 - 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, 2022: 24,331,356 shares Feb. 28, 2022: 24,331,356 shares
 2. Total number of treasury stock as of the period-end:
August 31, 2022: 2,888,238 shares Feb. 28, 2022: 2,897,922 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
FY2022 First Half: 21,439,768 shares FY2021 First Half: 21,425,904 shares

Note: The number of recorded treasury stock includes 97,170 of the Company' 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 financial results briefing on October 7, 2022 (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, 2022 to August 31, 2022) of fiscal 2022 (the fiscal year ending February 28, 2023) despite a temporary upswing in the number of COVID-19 cases, economic activity continued to return to normal. Meanwhile, the ongoing surge in resource and energy prices as well as the sharp depreciation in the value of the yen are impacting activities throughout the corporate sector.

While consumer spending exhibited a pickup owing to the relaxation of restrictions on people's movements, which triggered an increase in opportunities to go out, the outlook remains unclear amid concerns of a cooling off in consumer sentiment as a result of the series of price hikes in the retail industry.

Under such circumstances, during fiscal 2022, the second year of the sixth medium-term management plan, YONDOSHI HOLDINGS Group, in response to the changes in the business environment, will leverage the strengths of the corporate group to the fullest extent in order to provide products and services that exceed customer expectations, with the aim of further growth. In addition, the Company is practicing sustainable 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, net sales for the subject first half period amounted to ¥18,514 million (up 4.0% from the same period of the previous fiscal year), with operating income of ¥645 million (up 50.1%), ordinary income of ¥822 million (up 14.9%) and profit attributable to owners of parent to ¥513 million (up 83.2%). Operating income before the amortization of goodwill, which the Company considers to be an important management indicator, amounted to ¥893 million (down 31.7%).

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group, which operates the jewelry business, recorded strong trends in 50th anniversary limited-edition products as well as fashion jewelry including earrings and bracelets. In addition, e-commerce business sales also expanded steadily on the back of the full renewal of the e-commerce site in March.

As a result, net sales in the Jewelry Business segment amounted to ¥8,306 million (up 4.7% from the same period of the previous fiscal year), with operating income of ¥370 million (up 293.9%).

Apparel Business

Retailer age Co., Ltd., operator of the everyday fashion brand PALETTE, recorded an increase in sales. Operating income trends were also firm. In addition to the opening of two new stores, these results were attributable to existing store growth on the back of efforts to strengthen product proposal capabilities.

The AS'TY Group reported an upswing in sales. Despite the negative impact in part by the weak yen and higher material costs, this upswing in sales was largely attributable to the recovery in demand and efforts to strengthen activities with mainstay business partners.

As a result, net sales in the Apparel Business segment amounted to ¥10,207 million (up 3.4% from the same period of the previous fiscal year). Operating income declined to ¥490 million (down 10.3%).

(2) Explanation of Financial Condition

Assets, Liabilities and Net Assets

Total assets as of the end of the second quarter (August 31, 2022) of the fiscal year ending February 28, 2023 amounted to ¥52,890 million, a decrease of ¥3,993 million from the end of the previous fiscal year (February 28, 2022). This decrease in total assets is largely due to the decline in investment securities of ¥3,372 million. Total liabilities amounted to ¥13,770 million, a decrease of ¥196 million from the end of the previous fiscal year. Despite the increase in short-term borrowings of ¥1,300 million, this decrease was mainly due to the downturn in deferred tax liabilities of ¥1,818 million. Total net assets as of the subject period under review came to ¥39,120 million, a decrease of ¥3,797 million from the end of the previous fiscal year. This largely reflected to decline in valuation difference on available-for-sale securities of ¥3,469 million.

Cash Flows

Cash and cash equivalents as of the end of the second quarter of the fiscal year under review stood at ¥2,332 million, a decrease of ¥567 million from the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,282 million, up ¥1,268 million from the same period of the previous fiscal year. Major cash inflows included income before income taxes and such non-cash items as depreciation.

(Cash Flows from Investing Activities)

Net cash used in investing activities came to ¥2,234 million, down ¥2,407 million from the same period of the previous fiscal year. The principal cash outflows included the purchase of investment securities as well as property, plant and equipment.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥383 million, up ¥1,282 million from the same period of the previous fiscal year. While YONDOSHI HOLDINGS Group recorded such cash outflows as cash dividends paid, this was more than offset by cash inflows including net increase in short-term borrowings.

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

Taking into consideration the Company's consolidated results for the first half of the fiscal year under review, YONDOSHI HOLDINGS Group revised its net sales forecast for the full fiscal year previously announced on April 14, 2022. Meanwhile, trends in each level of profit are projected to come in in line with plans owing to the increase in profit in the Jewelry Business in the peak Christmas period and successful efforts to reduce overhead expenses.

(Millions of yen, %)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Net Income per Share (Yen)
Previous Forecast (A)	41,500	2,700	3,000	1,800	83.97
Revised Forecast (B)	40,500	2,700	3,000	1,800	83.96
Net Change (B – A)	(1,000)	0	0	0	—
Percentage Change	(2.4)	0	0	0	—
(Reference) Results of the previous fiscal year ended February 2022	38,123	1,788	2,293	1,490	69.56

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2022 (As of February 28, 2022)	End of the Second Quarter of the Fiscal Year Ending February 28, 2023 (As of August 31, 2022)
ASSETS		
Current assets:		
Cash and deposits	2,900	2,334
Notes and accounts receivable — trade	2,445	2,803
Merchandise and finished goods	7,713	7,728
Work in process	293	226
Raw materials and supplies	736	718
Other current assets	813	608
Allowance for doubtful accounts	(4)	(4)
Total current assets	14,899	14,415
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	4,630	4,592
Land	5,839	5,839
Other, net	429	449
Total property, plant and equipment	10,899	10,881
Intangible assets:		
Goodwill	2,234	1,986
Other intangible assets	289	358
Total intangible assets	2,523	2,344
Investments and other assets:		
Investment securities	24,037	20,665
Net defined benefit asset	492	510
Other	4,083	4,124
Allowance for doubtful accounts	(51)	(50)
Total investments and other assets	28,562	25,249
Total noncurrent assets	41,985	38,475
Total assets	56,884	52,890

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2022 (As of February 28, 2022)	End of the Second Quarter of the Fiscal Year Ending February 28, 2023 (As of August 31, 2022)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	2,181	2,281
Electronically recorded obligations – operating	738	717
Short-term borrowings	—	1,300
Income taxes payable	353	516
Provision for bonuses	196	198
Provision for directors' bonuses	10	27
Asset retirement obligations	—	28
Other	1,966	2,019
Total current liabilities	5,447	7,089
Noncurrent liabilities:		
Provision for share-based remuneration for directors (and other officers)	146	155
Retirement benefit liability	514	519
Asset retirement obligations	1,400	1,348
Other	6,458	4,657
Total noncurrent liabilities	8,519	6,680
Total liabilities	13,966	13,770
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	7,196	7,189
Retained earnings	31,707	31,314
Treasury stock	(6,175)	(6,148)
Total shareholders' equity	35,215	34,842
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	8,018	4,548
Deferred gains or losses on hedges	8	50
Revaluation reserve for land	(233)	(233)
Foreign currency translation adjustments	1	3
Remeasurements of defined benefit plans	(117)	(117)
Total other accumulated comprehensive income	7,677	4,250
Subscription rights to shares	24	27
Total net assets	42,917	39,120
Total liabilities and net assets	56,884	52,890

(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, 2022 (March 1, 2021 to August 31, 2021)	First Half of the Fiscal Year Ending February 28, 2023 (March 1, 2022 to August 31, 2022)
Net sales	17,806	18,514
Cost of Sales	8,782	9,353
Gross profit	9,024	9,161
Selling, general and administrative expenses	8,594	8,516
Operating income	429	645
Non-operating income		
Interest income	39	42
Dividends received	90	100
Foreign exchange gains	14	5
Subsidy income	128	0
Other	20	30
Total non-operating income	293	179
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	0	—
Loss on cancellation of insurance policies	2	1
Other	5	0
Total non-operating expenses	8	2
Ordinary income	715	822
Extraordinary income		
Gain on sales of investment securities	—	293
Subsidies for employment adjustment	64	—
Total extraordinary income	64	293
Extraordinary loss		
Impairment loss	183	95
Loss on closing of stores	—	5
Building demolition expenses	—	9
Allowance for absence from work	61	—
Loss on liquidation of subsidiaries	—	7
Total extraordinary losses	244	117
Net income before income taxes	535	997
Total income taxes	255	484
Net income	280	513
Profit attributable to owners of parent	280	513

Consolidated Quarterly Statements of Comprehensive Income
Second Quarter Cumulative

(Millions of yen)

	First Half of the Fiscal Year Ended February 28, 2022 (March 1, 2021 to August 31, 2021)	First Half of the Fiscal Year Ending February 28, 2023 (March 1, 2022 to August 31, 2022)
Income before minority interests	280	513
Other comprehensive income		
Other valuation difference on available-for-sale securities	457	(3,469)
Deferred gains or losses on hedges	(3)	41
Foreign currency translation adjustments	(1)	1
Remeasurements of defined benefit plans, net of tax	7	(0)
Total other comprehensive income	460	(3,426)
Comprehensive income	740	(2,913)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	740	(2,913)

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	First Half of the Fiscal Year Ended February 28, 2022 (March 1, 2021 to August 31, 2021)	First Half of the Fiscal Year Ending February 28, 2023 (March 1, 2022 to August 31, 2022)
Cash flows from operating activities:		
Income before income taxes	535	997
Depreciation	426	390
Impairment loss	183	95
Amortization of goodwill	248	248
Increase (decrease) in allowance for doubtful accounts	(1)	0
Increase (decrease) in provision for bonuses	(55)	2
Increase (decrease) in net defined benefit liability	(2)	(13)
Increase (decrease) in other provision	(1)	25
Interest and dividends income	(129)	(142)
Interest expenses	0	0
Foreign exchange losses (gains)	(5)	0
Loss (gain) on sales of investment securities	—	(293)
Subsidies for employment adjustment	(64)	—
Subsidy income	(128)	(0)
Allowance for absence from work	61	—
Decrease (increase) in notes and accounts receivable — trade	50	(356)
Decrease (increase) in inventories	199	69
Increase (decrease) in notes and accounts payable — trade	(376)	79
Increase (decrease) in accounts payable — other	(21)	(17)
Increase (decrease) in accrued consumption taxes	(479)	77
Increase (decrease) in advances received	(59)	(78)
Decrease (increase) in other assets	10	3
Increase (decrease) in other liabilities	(157)	103
Subtotal	231	1,191
Interest and dividends income received	134	142
Interest expenses paid	(0)	(0)
Subsidies for employment adjustment received	52	—
Subsidies received	124	0
Allowance for absence from work paid	(61)	—
Income taxes paid	(853)	(399)
Income taxes refund	386	347
Net cash provided by (used in) operating activities	14	1,282

(Millions of yen)

	First Half of the Fiscal Year Ended February 28, 2022 (March 1, 2021 to August 31, 2021)	First Half of the Fiscal Year Ending February 28, 2023 (March 1, 2022 to August 31, 2022)
Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	500	—
Purchase of property, plant and equipment	(274)	(380)
Proceeds from sales of property, plant and equipment	0	—
Purchase of intangible assets	(2)	(119)
Purchase of investment securities	(2,029)	(2,003)
Proceeds from sales of investment securities	0	364
Proceeds from redemption of investment securities	2,000	—
Collection of long-term loans receivable	0	0
Purchase of long-term prepaid expenses	(10)	(11)
Other payments	(61)	(122)
Other proceeds	51	39
Net cash provided by (used in) investing activities	173	(2,234)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	—	1,300
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(870)	(892)
Other, net	(29)	(23)
Net cash provided by (used in) financing activities	(899)	383
Effect of exchange rate changes on cash and cash equivalents	4	1
Net increase (decrease) in cash and cash equivalents	(707)	(567)
Cash and cash equivalents at beginning of period	2,732	2,900
Cash and cash equivalents at end of period	2,025	2,332

(4) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Company applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the subject fiscal year. Under this accounting standard, revenue is recognized when control over promised goods or services is transferred to customers, in an amount that the Company expects to receive in exchange for those goods or services. Of note, the Company also applies alternative treatment as stipulated in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition," under which revenue from sales in Japan of merchandise or products is recognized at the time of shipment, when the period between shipment and the time at which control over the subject merchandise or products is transferred to customers is a normal period.

The main changes resulting from the application Accounting Standard for Revenue Recognition are as follows.

(1) Revenue recognition pertaining to fee payment transactions

Previously, articles supplied for a fee were derecognized as inventories. However, for fee payment transactions determined to be subject to a repurchase agreement, articles supplied for a fee that remain with the party that received them continue to be recognized as inventories.

(2) Revenue recognition pertaining to agent transactions

Previously, for certain transactions, the gross amount of consideration received from customers was recognized as revenue. However, for transactions in which the role of the Group in providing goods and services to customers corresponds to that of an agent, the net amount of the sum received from customers, excluding the amount paid to the supplier, is recognized as revenue.

(3) Revenue recognition pertaining to consideration paid to customers

Previously, logistics center fees and other types of consideration paid to customers were treated as selling, general and administrative expenses, but this has been changed to a method of reduction from the transaction price. Also, of the expenses treated as selling, general and administrative expenses, the transport cost for articles necessary to fulfill performance obligations has been changed to a method of recording as cost of sales.

(4) Sales with right of return

Sales with right of return have been changed to a method of recognizing the anticipated revenue from the returned article, less the corresponding amount of cost of sales, as revenue and cost of sales. The equivalent value of the article anticipated for return is presented in the "Other" item of current assets as repayment liability, while assets recognized as the rights to recover articles from customers at the time of settlement of the repayment liability, are presented in the "Other" item of current assets as returned goods assets.

In adopting the Accounting Standard for Revenue Recognition, the Company followed the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy to periods before the beginning of the first quarter of the subject fiscal year was added to or deducted from retained earnings at the beginning of the first quarter of the subject fiscal year, and the new accounting policy was applied with effect from the opening balance of retained earnings.

As a result, net sales in the first half period of the subject fiscal year decreased by ¥79 million, while cost of sales increased by ¥84 million, but the impact on operating income, ordinary income, and profit before income taxes was negligible. The balance of retained earnings at the beginning of the subject fiscal year decreased by ¥13 million. Of note, in accordance with transitional treatment as

stipulated in Paragraph 28-15 of “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information analyzing the revenue resulting from contracts with customers related to the first half period of the previous fiscal year, is not presented.

(Adoption of Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter of the subject fiscal year, the Company adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Accounting Standard for Fair Value Measurement”), etc. Under the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company decided to adopt the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. for the future. There is no impact on the quarterly consolidated financial statements.

(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)

(Changes in Presentation Methods)

As a result of a revision in management practices implemented in conjunction with application of the Accounting Standard for Revenue Recognition, to more accurately reflect the actual state of the Group, for real estate lease revenue, which had previously been recorded in “Net sales” and “Non-operating income,” and rental expenses on real estate, which had previously been recorded in “Selling, general and administrative expenses” and “Non-operating expenses,” from the beginning of the first quarter of the subject fiscal year, the presentation of real estate lease revenue has been changed to recording in “Net sales,” and rental expenses on real estate to “Cost of sales.” Also, in the consolidated balance sheets, the presentation of noncurrent assets related to the real estate leasing business, which had been recorded in “Real estate for investment, net” in “Investments and other assets,” has been changed to recording in “Buildings and structures, net” and “Land.”

Consolidated financial statements from the previous fiscal year have been recombined to reflect this change in presentation method.

As a result, in the Consolidated Quarterly Statements of Income for the previous first half period, ¥36 million presented in “Rent of real estate for investment” in “Non-operating income” has been recombined in “Net sales,” while ¥231 million presented in “Selling, general and administrative expenses,” ¥2 million presented in “Depreciation on investments in real estate” in “Non-operating expenses,” and ¥0 million presented in “Management cost on real estate for investment” in “Non-operating expenses,” have been recombined in “Cost of sales.”

At the same time, in the Consolidated Balance Sheets for the previous fiscal year, ¥431 million presented in “Real estate for investment, net” in “Investments and other assets,” and ¥84 million in “Buildings and structures, net” in “Property, plant, and equipment,” have been recombined as ¥347 million in “Land.”

(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 ¥168 million, for 83,926 shares at the end of the previous consolidated fiscal year, and ¥191 million, for 97,170 shares at the end of the second quarter of the subject consolidated fiscal year.

(Segment Information)**I The first half of the fiscal year ended 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	7,931	9,875	17,806	—	17,806
Intrasegment net sales and transfers	0	74	74	(74)	—
Total	7,931	9,949	17,881	(74)	17,806
Segment income	94	547	641	(211)	429

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.

II The first half of the fiscal year ending February 28, 2023 (March 1, 2022 to August 31, 2022)**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					
Revenue from contracts with customers	8,270	9,788	18,058	—	18,058
Other revenue	36	419	455	—	455
Net sales to outside customers	8,306	10,207	18,514	—	18,514
Intersegment net sales and transfers	0	61	61	(61)	—
Total	8,306	10,269	18,575	(61)	18,514
Segment income	370	490	861	(215)	645

Notes:

1. The adjustment amount of minus ¥215 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 ¥265 million and elimination of inter-segment transactions of ¥297 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.
3. "Other revenue" is real estate lease revenue.

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.

3. Note regarding changes in reporting segments

As stated in (Additional Information) (Changes in Presentation Methods), for real estate lease revenue, which had previously been recorded in “Net sales” and “Non-operating income,” and rental expenses on real estate, which had previously been recorded in “Selling, general and administrative expenses” and “Non-operating expenses,” from the beginning of the first quarter of the subject fiscal year, the presentation of real estate lease revenue has been changed to recording in “Net sales,” and rental expenses on real estate to “Cost of sales.” Segment information for the previous second half period presents recombined figures. As a result of this change, compared to the figures prior to recombination, net sales in the Jewelry Business increased by ¥36 million, and segment operating income increased by ¥33 million.

(Matters Related to Revenue Recognition)

Information analyzing the revenue resulting from contracts with customers is presented in “Notes (Segment information)”.

(Important Subsequent Events)

Not applicable