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

July 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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Supplemental materials prepared for quarterly financial results: No
Holding of quarterly financial results meeting: No
Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Quarter of Fiscal 2022 (March 1, 2022 to May 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	%
1Q FY2022	9,324	6.7	388	14.8	490	(1.8)	401	55.2
1Q FY2021	8,735	11.3	338	50.0	499	40.2	258	95.3

Note: Comprehensive income 1Q FY2022: (2,369) million yen (—%) 1Q FY2021: 894 million yen (8.8%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2022	18.73	—
1Q FY2021	12.08	—

(Reference) Operating income before the amortization of goodwill:
1Q FY 2022: ¥512 million 1Q FY 2021: ¥462 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 first 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
May 31, 2022	53,355	39,663	74.3	1,848.50
February 28, 2022	56,884	42,917	75.4	2,001.22

(Reference)
Shareholders’ equity: May 31, 2022: 39,637 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 first quarter of the fiscal year ending February 28, 2023, are after application of this accounting standard.

2. Dividends

	Dividends per Share				
(Record Date)	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	—				
Fiscal 2022 (Forecast)		41.50	—	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)

(Percentages represent percentage changes as compared with the corresponding period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Millions of yen	%	Millions of yer	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	19,500	9.5	850	97.7	1,000	39.7	650	131.9	30.32
Fiscal year ending February 28, 2023	41,500	8.9	2,700	51.0	3,000	30.8	1,800	20.8	83.97

Note: Revision to the most recently announced operating results forecast: No
(Reference) EPS before the amortization of goodwill is ¥107.13.

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:
May 31, 2022: 24,331,356 shares Feb. 28, 2022: 24,331,356 shares
2. Total number of treasury stock as of the period-end:
May 31, 2022: 2,888,196 shares Feb. 28, 2022: 2,897,922 shares
3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
First quarter fiscal 2022: 21,436,381 shares First quarter fiscal 2021: 21, 420,267 shares

Note: The number of recorded treasury stock includes 74,170 of the Company' shares held by the Shares Grant Trust for Officers as of the end of the first quarter of the subject consolidated fiscal year.

* These quarterly consolidated financial results are 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
Results forecasts are prepared based on information available at the time of disclosure of this document. Actual results may vary from forecast figures for a variety of reasons. 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 4.

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1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the first quarter period (March 1, 2022, to May 31, 2022) of fiscal 2022 (ending February 2023), although economic activity began to gradually return to normal with the decline in the number of COVID-19 cases, conditions in the Japanese economy remained unpredictable as a result of rising costs for resources and energy due to the international situation, along with a sharp depreciation of the yen.

In the retail industry, occasions for people to go out increased with the lifting of pre-emergency COVID-19 mitigation measures, bringing signs of recovery in consumer spending. However, the fallout from successive price increases raised concerns of a cooling off in consumer sentiment, and the outlook remains unclear.

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 quarter period amounted to ¥9,324 million (up 6.7% from the same period of the previous fiscal year), with operating income of ¥388 million (up 14.8%), ordinary income of ¥490 million (down 1.8%) and profit attributable to owners of parent to ¥401 million (up 55.2%). Operating income before the amortization of goodwill, which the Company considers to be an important management indicator, amounted to ¥512 million (up 10.9%).

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group, which operates the jewelry business, recorded strong sales of fashion jewelry such as 50th anniversary limited-edition items, and an upturn in sales through the e-commerce site that was fully renewed in March. Results were further boosted by the rebound effect from temporary store closures in the previous fiscal year during the COVID-19 crisis, and a significant recovery in customer traffic.

As a result, net sales in the Jewelry Business segment amounted to ¥4,122 million (up 9.0% from the same period of the previous fiscal year), with operating income of ¥193 million (up 88.5%).

Apparel Business

Retailer age Co., Ltd., operator of the everyday fashion brand PALETTE, recorded an increase in sales at existing stores as a result of strengthened product planning capabilities and proactive efforts for sales promotion campaigns, with performance further boosted by openings of new locations.

The AS’TY Group was negatively impacted in part by the weak yen and higher material costs, but managed to achieve results mostly in line with plan due to expanded sales on the recovery in demand, and measures to reduce costs.

As a result, net sales in the Apparel Business segment amounted to ¥5,201 million (up 5.0% from the same period of the previous fiscal year). Operating income declined to ¥286 million (down 18.1%), for a revenue gain with earnings decline. However, earnings at all levels exceeded the business plan.

(2) Explanation of Financial Condition

Total assets at the end of the subject first quarter period (May 31, 2022) amounted to ¥53,355 million, a decrease of ¥3,528 million from the end of the previous fiscal year (February 28, 2022). This was due mainly to a decrease of ¥4,335 million in investment securities. Total liabilities amounted to ¥13,692 million, a decrease of ¥274 million from the end of the previous fiscal year. Total net assets at the end of the subject period amounted to ¥39,663 million, a decrease of ¥3,254 million from the end of the previous fiscal year. This was due mainly to a decrease of ¥2,791 million in valuation difference on available-for-sale securities.

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

Consolidated results forecasts for fiscal 2022 are unchanged from those announced on April 14, 2022.

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 First Quarter of the Fiscal Year Ending February 28, 2023 (As of May 31, 2022)
ASSETS		
Current assets:		
Cash and deposits	2,900	2,251
Notes and accounts receivable — trade	2,445	3,116
Merchandise and finished goods	7,713	8,431
Work in process	293	174
Raw materials and supplies	736	545
Other current assets	813	1,120
Allowance for doubtful accounts	(4)	(5)
Total current assets	14,899	15,634
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	4,630	4,655
Land	5,839	5,839
Other, net	429	464
Total property, plant and equipment	10,899	10,958
Intangible assets:		
Goodwill	2,234	2,110
Other intangible assets	289	382
Total intangible assets	2,523	2,492
Investments and other assets:		
Investment securities	24,037	19,702
Net defined benefit asset	492	501
Other	4,083	4,116
Allowance for doubtful accounts	(51)	(50)
Total investments and other assets	28,562	24,269
Total noncurrent assets	41,985	37,721
Total assets	56,884	53,355

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2022 (As of February 28, 2022)	End of the First Quarter of the Fiscal Year Ending February 28, 2023 (As of May 31, 2022)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	2,181	2,774
Electronically recorded obligations – operating	738	726
Income taxes payable	353	386
Provision for bonuses	196	252
Provision for directors' bonuses	10	13
Asset retirement obligations	—	12
Other	1,966	2,466
Total current liabilities	5,447	6,631
Noncurrent liabilities:		
Provision for share-based remuneration for directors (and other officers)	146	140
Retirement benefit liability	514	511
Asset retirement obligations	1,400	1,397
Other	6,458	5,009
Total noncurrent liabilities	8,519	7,060
Total liabilities	13,966	13,692
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	7,196	7,197
Retained earnings	31,707	31,202
Treasury stock	(6,175)	(6,155)
Total shareholders' equity	35,215	34,730
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	8,018	5,226
Deferred gains or losses on hedges	8	28
Revaluation reserve for land	(233)	(233)
Foreign currency translation adjustments	1	2
Remeasurements of defined benefit plans	(117)	(117)
Total other accumulated comprehensive income	7,677	4,907
Subscription rights to shares	24	26
Total net assets	42,917	39,663
Total liabilities and net assets	56,884	53,355

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income

First Quarter Cumulative

(Millions of yen)

	First Quarter of the Fiscal Year Ended February 28, 2022 (March 1, 2021 to May 31, 2021)	First Quarter of the Fiscal Year Ending February 28, 2023 (March 1, 2022 to May 31, 2022)
Net sales	8,735	9,324
Cost of Sales	4,160	4,647
Gross profit	4,575	4,676
Selling, general and administrative expenses	4,237	4,288
Operating income	338	388
Non-operating income		
Interest income	20	19
Dividends received	47	59
Foreign exchange gains	11	2
Subsidy income	80	—
Other	8	22
Total non-operating income	166	104
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	0	—
Loss on insurance cancellation	2	1
Other	2	0
Total non-operating expenses	5	2
Ordinary income	499	490
Extraordinary income		
Gain on sales of investment securities	—	293
Subsidies for employment adjustment	12	—
Total extraordinary income	12	293
Extraordinary loss		
Impairment loss	10	3
Building demolition expenses	—	9
Allowance for absence from work	10	—
Total extraordinary losses	21	12
Net income before income taxes	491	771
Total income taxes	232	369
Net income	258	401
Profit attributable to owners of parent	258	401

Consolidated Quarterly Statements of Comprehensive Income
First Quarter Cumulative

(Millions of yen)

	First Quarter of the Fiscal Year Ended February 28, 2022 (March 1, 2021 to May 31, 2021)	First Quarter of the Fiscal Year Ending February 28, 2023 (March 1, 2022 to May 31, 2022)
Income before minority interests	258	401
Other comprehensive income		
Other valuation difference on available-for-sale securities	631	(2,791)
Deferred gains or losses on hedges	3	20
Foreign currency translation adjustments	(4)	0
Remeasurements of defined benefit plans, net of tax	3	(0)
Total other comprehensive income	635	(2,770)
Comprehensive income	894	(2,369)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	894	(2,369)

(3) 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 quarter of the subject fiscal year decreased by ¥32 million, while cost of sales increased by ¥67 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 quarter 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 first quarter period, and multiplying this estimated effective tax rate by profit before income taxes.

(Additional Information)

(Changes in Presentation Methods)

1. Because "Electronically recorded obligations – operating," which was previously presented in "Notes and accounts receivable – trade" in "Current Liabilities," has increased in importance, it is presented as an independent item from the first quarter period of the subject fiscal year. Consolidated financial statements from the previous fiscal year have been recombined to reflect this change in presentation method.

As a result, in the Consolidated Balance Sheets for the previous fiscal year, ¥738 million presented in "Notes and accounts receivable – trade" in "Current Liabilities" has been recombined as "Electronically recorded obligations – operating."

2. 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 Statements of Income for the previous first quarter period, ¥18 million presented in "Rent of real estate for investment" in "Non-operating income" has been recombined in "Net sales," while ¥115 million presented in "Selling, general and administrative expenses," ¥1 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 ¥149 million, for 74,170 shares at the end of the first quarter of the subject consolidated fiscal year.

(Segment Information)

Ⅰ The first quarter of the fiscal year ended February 28, 2022 (March 1, 2021 to May 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	3,782	4,953	8,735	—	8,735
Intrasegment net sales and transfers	—	39	39	(39)	—
Total	3,782	4,992	8,775	(39)	8,735
Segment income	102	349	452	(114)	338

Notes:
1. The adjustment amount of minus ¥114 million for segment income mainly includes amortization of goodwill totaling minus ¥124 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥125 million and elimination of inter-segment transactions of ¥135 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 quarter of the fiscal year ending February 28, 2023 (March 1, 2022 to May 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	4,104	4,995	9,100	—	9,100
Other revenue	18	205	224	—	224
Net sales to outside customers	4,122	5,201	9,324	—	9,324
Intrasegment net sales and transfers	—	26	26	(26)	—
Total	4,122	5,228	9,351	(26)	9,324
Segment income	193	286	479	(91)	388

Notes:
1. The adjustment amount of minus ¥91 million for segment income mainly includes amortization of goodwill totaling minus ¥124 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥114 million and elimination of inter-segment transactions of ¥147 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 in accordance with the Accounting Standard for Lease Transactions.

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 first quarter 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 ¥18 million, and segment operating income increased by ¥16 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