

CONSOLIDATED FINANCIAL REPORT

FISCAL 2022 (Japanese GAAP)

(March 1, 2022 to February 28, 2023)



April 14, 2023

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

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Annual General Meeting of Shareholders date (planned): May 25, 2023

Fiscal 2022 Securities Report filing date (planned): May 26, 2023

Dividend payment commencement date (planned): May 26, 2023

Supplemental materials prepared for financial results: Yes

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

(Millions of yen rounded down)

1. Consolidated Performance for FY 2022 (March 1, 2022 to February 28, 2023)

(1) Consolidated Business Results

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2022	39,508	3.6	1,979	10.7	2,342	2.1	1,149	(22.9)
FY 2021	38,123	(3.4)	1,788	(35.4)	2,293	(28.2)	1,490	(8.1)

(Note) Comprehensive income: FY 2022: ¥(2,928) million (−%) FY 2021: ¥5,112 million (129.2%)

	Net Income Per Share	Net Income Per Share (Diluted)	ROE	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	Yen	Yen	%	%	%
FY 2022	53.61	—	2.8	4.4	5.0
FY 2021	69.56	—	3.6	4.2	4.7

(Reference) Operating income before the amortization of goodwill: FY 2022: ¥2,476 million FY 2021: ¥2,284 million

YONDOSHI HOLDINGS has positioned operating income before the amortization of goodwill as 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 subject fiscal year. Figures for the fiscal year ended 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 of Common Stock
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2023	50,211	38,214	76.0	1,780.71
As of February 28, 2022	56,884	42,917	75.4	2,001.22

(Reference) Shareholders' equity: As of February 28, 2023: ¥38,183 million As of February 28, 2022: ¥42,893 million

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

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at the End of the Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2022	3,103	(2,371)	(1,834)	1,799
FY 2021	1,871	106	(1,816)	2,900

2. Dividends

	Cash Dividends per Share of Common Stock					Cash Dividends Paid (Annual)	Dividend Payout Ratio (Consolidated)	Cash Dividends to Net Assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2021	—	41.50	—	41.50	83.00	1,784	119.3	4.3
FY 2022	—	41.50	—	41.50	83.00	1,787	154.8	4.4
FY 2023(planned)	—	41.50	—	41.50	83.00		136.9	

3. Forecast of Consolidated Results for FY 2023 (March 1, 2023 to February 29, 2024)

(% figures for the full fiscal year represent year-on-year increase or decrease, % figures for the interim period are the increase / (decrease) for the corresponding period of the previous fiscal year)

	Operating Revenues		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
Interim	19,000	2.6	800	24.0	1,000	21.6	550	7.1	25.65
Full Fiscal year	40,000	1.2	2,100	6.1	2,500	6.7	1,300	13.1	60.63

(Reference) Forecast EPS before the amortization of goodwill for the full FY 2023 is ¥83.79.

Notes

(1) Changes in important subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): No

(2) 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

(3) Number of shares issued and outstanding (common shares)

1. Number of shares issued and outstanding as of the end of the period (including treasury stock)

As of February 28, 2023: 24,331,356 shares As of February 28, 2022: 24,331,356 shares

2. Number of treasury stock

As of February 28, 2023: 2,888,198 shares As of February 28, 2022: 2,897,922 shares

3. Average number of shares for the year

FY2022: 21,441,448 shares FY2021: 21,429,623 shares

Notes:

1. The number of recorded treasury stock includes 97,170 of the Company's shares held by the Shares Grant Trust for Officers as of the end of the subject consolidated fiscal year.

2. For additional information on the basic number of shares used to calculate consolidated net income per share, please refer to "Per Share Information" on page 22.

(Reference) Overview of Non-Consolidated Performance**1. Non-Consolidated Performance for FY 2022 (March 1, 2022 to February 28, 2023)****(1) Non-Consolidated Business Results**

(% figures represent year-on-year increase or decrease)

	Operating Revenues		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2022	1,519	(36.1)	1,069	(45.4)	1,139	(43.2)	1,047	(45.6)
FY 2021	2,376	(2.3)	1,958	(0.1)	2,005	(2.1)	1,924	(3.1)

	Net Income Per Share	Net Income Per Share (Diluted)
	Yen	Yen
FY 2022	48.86	—
FY 2021	89.80	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share of Common Stock
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2023	38,368	25,708	66.9	1,197.50
As of February 28, 2022	38,000	26,511	69.7	1,235.77

(Reference) Shareholders' equity: As of February 28, 2023: ¥25,678 million As of February 28, 2022: ¥26,486 million

* 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 the information from page 6.
2. The Company plans to hold a financial results briefing on April 14, 2023 (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. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year Ended February 28, 2023

In fiscal 2022, the fiscal year ended February 28, 2023, the Japanese economy showed signs of a modest recovery as economic activity returned to normal with the easing of restrictions implemented in response to the COVID-19 pandemic. Meanwhile, sharp fluctuations in foreign currency exchange rates and the surge in resource and energy prices had a significant impact on corporate activity.

In the retail sector, despite indications of a partial recovery in consumption, the outlook remained uncertain owing to the growing number of people cutting back on their spending as a result of successive price hikes.

Under these circumstances, the YONDOSHI HOLDINGS Group, in response to changes in the business environment, leveraged 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 practiced sustainable management to establish a highly trusted corporate group, and worked 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 subject fiscal year under review, net sales amounted to ¥39,508 million (up 3.6% YoY), with operating income of ¥1,979 million (up 10.7% YoY), ordinary income of ¥2,342 million (up 2.1% YoY), and profit attributable to owners of parent of ¥1,149 million (down 22.9% YoY). Operating income before the amortization of goodwill, which the Company considers to be an important management indicator, amounted to ¥2,476 million (up 8.4% YoY).

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, reported firm trends in fashion jewelry on the back of successful measures to expand its female customer base and cultivate new customers. Sales in the e-commerce business also expanded steadily following the renewal of its website. Meanwhile, the F.D.C. Products Group undertook steps to increase efficiency through the integration of stores while also making large-scale investments in urban stores in the bridal jewelry business, which struggled under difficult conditions.

As a result, net sales in the Jewelry Business amounted to ¥18,587 million (up 0.5% YoY) with operating income of ¥1,356 million (up 13.3% YoY).

Apparel Business

Retailer age Co., Ltd., which operates the everyday fashion brand PALETTE, reported a year-on-year increase in existing store sales of 2.1%. This represents a fourth consecutive fiscal year of growth. In addition, efforts to expand the Group's scale in the Apparel Business progressed steadily with the opening of 10 new stores, including four stores in the Kanto region for the first time.

The AS'TY Group recorded an expansion in sales. Despite confronting a harsh operating environment impacted in part by the weak yen and higher materials costs, this was mainly due to successful efforts to take advantage of the foreign production infrastructure to strengthen business with mainstay trading partners.

As a result, net sales in the Apparel Business segment amounted to ¥20,921 million (up 6.6% YoY), with operating income of ¥942 million (up 6.0% YoY).

(2) Overview of Financial Condition as of February 28, 2023

(Current Assets)

Current assets as of the end of the fiscal year under review stood at ¥13,699 million, down ¥1,200 million compared with the end of the previous fiscal year. Major movements included a decrease in cash and deposits of ¥1,096 million.

(Noncurrent Assets)

Noncurrent assets came to ¥36,512 million as of February 28, 2023, a decrease of ¥5,472 million compared with the previous fiscal year-end. This decrease was largely due to downturns in investment securities of ¥4,629 million and goodwill of ¥496 million.

(Current Liabilities)

Current liabilities stood at ¥5,872 million as of the end of the fiscal year under review, up ¥425 million compared with the end of the previous year. This upswing largely reflected the increase in asset retirement obligations of

¥208 million.

(Noncurrent Liabilities)

Noncurrent liabilities amounted to ¥6,124 million as of February 28, 2023, a decrease of ¥2,395 million compared with the balance as of February 28, 2022. This decrease was essentially due to the year-on-year downturn in deferred tax liabilities of ¥2,194 million.

(Net Assets)

Total net assets stood at ¥38,214 million as of the fiscal year-end under review, down ¥4,703 million compared with the end the previous fiscal year. This downturn was mainly due to the decrease in valuation difference on available-for-sale securities of ¥3,966 million.

(3) Overview of Cash Flows for the Fiscal Year Ended February 28, 2023

Cash and cash equivalents as of the end of the fiscal year under review stood at ¥1,799 million, a decrease of ¥1,100 million compared with the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥3,103 million, up ¥1,231 million compared with the previous fiscal year. In the fiscal year under review, the major cash inflows were net income before income taxes of ¥2,000 million and depreciation and amortization, a non-funded item, of ¥770 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities came to ¥2,371 million, a negative turnaround of ¥2,477 million compared with the net cash provided by investing activities in the previous fiscal year. The principal cash outflow was due to the purchase of investment securities of ¥2,007 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities totaled ¥1,834 million, an increase of ¥18 million compared with the previous fiscal year. The main cash outflow was cash dividends paid of ¥1,786 million.

(4) Outlook

As far as the retail sector is concerned, there are expectations of a recovery in consumption, including inbound demand, following the removal of restrictions on people's movements implemented in response to the COVID-19 pandemic. Despite these expectations, the outlook remains uncertain owing to concerns surrounding a variety of factors including financial instability, geopolitical risks, and increases in consumer prices.

Under these circumstances, every effort will be made to maximize the strengths of the Group to provide products and services that exceed customer expectations while targeting further growth against the backdrop of a changing operating environment.

In addition to further enhancing brand value and reforming the earnings structure and platform in the mainstay Jewelry Business segment, the YONDOSHI HOLDINGS Group will build a robust business portfolio by expanding store openings and promoting existing store growth in the Apparel Business segment.

Moreover, energies will be directed toward practicing sustainable management to establish a highly trusted corporate group, and further enhancing enterprise value by strengthening internal controls, providing shareholder returns, and making medium- to long-term investments linked to earnings growth.

As far as business results forecasts for the fiscal year ending February 28, 2024, are concerned, net sales are projected to come in at ¥40,000 million, up 1.2% compared with the fiscal year under review. From a profit perspective, operating income is expected to total ¥2,100 million, a year-on-year increase of 6.1%. Ordinary income is forecast to reach ¥2,500 million, an improvement of 6.7% year on year. Profit attributable to owners of parent is estimated to jump to ¥1,300 million, 13.1% higher than the fiscal year ended February 28, 2023. Designated an important management indicator, operating income before the amortization of goodwill is projected to come in at ¥2,596 million, up 4.9% year on year.

(5) Policy on the Appropriation of Profits, Cash Dividends for Fiscal 2022 and Fiscal 2023

The YONDOSHI HOLDINGS Group places the appropriation of profits to shareholders as a key management priority. As a result, the Group maintains the basic policy of delivering stable and sustainable cash dividends. At the same time, the Group adopts a flexible policy toward the purchase of treasury stock as a part of

comprehensive efforts to increase the level of returns to shareholders.

The Group has also established a target DOE, a core indicator for measuring shareholder returns, of at least 4%, and aims to achieve an annual dividend of ¥100 per common share in the future.

Based on this policy, YONDOSHI HOLDINGS plans to pay a fiscal year-end cash dividend of ¥41.50 per common share. Together with the interim cash dividend paid of ¥41.50 per common share, the full fiscal year cash dividend for the fiscal year under review will therefore come in at ¥83 per common share. This will enable the Company to achieve its DOE target of 4.4%.

Turning to dividends for the fiscal year ending February 28, 2024, YONDOSHI HOLDINGS plans to pay an interim and fiscal year-end cash dividend of ¥41.50 per common share for a full fiscal year cash dividend of ¥83 per common share.

2. Basic Stance on Selection of Accounting Standards

The YONDOSHI HOLDINGS Group prepares its consolidated financial statements in accordance with Japanese Generally Accepted Accounting Principles. With respect to International Financial Reporting Standards (IFRS), the YONDOSHI HOLDINGS Group will respond adequately with consideration of the situation in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2022 (As of February 28, 2022)	End of the Fiscal Year Ended February 28, 2023 (As of February 28, 2023)
ASSETS		
Current assets:		
Cash and deposits	2,900	1,804
Notes and accounts receivable — trade	2,445	2,876
Merchandise and finished goods	7,713	7,647
Work in process	293	70
Raw materials and supplies	736	685
Advance payments-trade	92	87
Accounts receivable-other	488	267
Other	232	265
Allowance for doubtful accounts	(4)	(5)
Total current assets	14,899	13,699
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	4,630	4,265
Land	5,839	5,839
Lease assets, net	18	34
Other, net	411	399
Total property, plant and equipment	10,899	10,538
Intangible assets:		
Goodwill	2,234	1,737
Lease assets	35	2
Right of trademark	1	0
Other	252	366
Total intangible assets	2,523	2,107
Investments and other assets:		
Investment securities	24,037	19,408
Guarantee deposits	244	245
Long-term loans receivable	1	1
Deferred tax assets	1,673	1,735
Net defined benefit asset	492	349
Lease deposits	1,796	1,810
Claims provable in bankruptcy, claims provable in rehabilitation and other	24	21
Other	342	342
Allowance for doubtful accounts	(51)	(47)
Total investments and other assets	28,562	23,866
Total noncurrent assets	41,985	36,512
Total assets	56,884	50,211

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2022 (As of February 28, 2022)	End of the Fiscal Year Ended February 28, 2023 (As of February 28, 2023)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	2,181	2,089
Electronically recorded obligations – operating	738	692
Lease obligations	46	15
Income taxes payable	353	531
Provision for bonuses	196	240
Provision for directors' bonuses	10	33
Asset retirement obligations	—	208
Other	1,920	2,061
Total current liabilities	5,447	5,872
Noncurrent liabilities:		
Lease obligations	12	24
Long-term guarantee deposited	312	453
Deferred tax liabilities	5,791	3,596
Net defined benefit liability	514	501
Provision for directors' stock benefits	146	184
Asset retirement obligations	1,400	1,130
Other	341	234
Total noncurrent liabilities	8,519	6,124
Total liabilities	13,966	11,996
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	7,196	7,189
Retained earnings	31,707	31,056
Treasury stock	(6,175)	(6,148)
Total shareholders' equity	35,215	34,584
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	8,018	4,052
Deferred gains or losses on hedges	8	0
Revaluation reserve for land	(233)	(233)
Foreign currency translation adjustments	1	2
Remeasurements of defined benefit plans	(117)	(222)
Total accumulated other comprehensive income	7,677	3,599
Subscription rights to shares	24	30
Total net assets	42,917	38,214
Total liabilities and net assets	56,884	50,211

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

	(Millions of yen)	
	Fiscal 2021	Fiscal 2022
	(March 1, 2021 to February 28, 2022)	(March 1, 2022 to February 28, 2023)
Net sales	38,123	39,508
Cost of Sales	18,450	19,781
Gross profit	19,672	19,727
Selling, general and administrative expenses	17,884	17,748
Operating income	1,788	1,979
Non-operating income		
Interest income	79	102
Dividends received	188	207
Foreign exchange gains	32	13
Reversal of allowance for doubtful accounts	0	—
Subsidy income	162	1
Other	65	40
Total non-operating income	529	366
Non-operating expenses		
Interest expenses	0	1
Loss on disposal of inventories	3	—
Loss on cancellation of insurance policies	2	1
Depreciation of inactive non-current assets	10	—
Other	5	1
Total non-operating expenses	23	3
Ordinary income	2,293	2,342
Extraordinary income		
Gain on sales of investment securities	106	293
Gain on sales of non-current assets	13	—
Subsidies for employment adjustment	64	—
Reversal of foreign currency translation adjustment	60	—
Total extraordinary income	245	293
Extraordinary loss		
Impairment loss	243	542
Loss on closing of stores	—	26
Building demolition expenses	—	9
Allowance for absence from work	61	—
Loss on liquidation of business	—	23
Loss on liquidation of subsidiaries	—	33
Total extraordinary losses	304	634
Net income before income taxes	2,234	2,000
Income taxes — current	825	946
Income taxes — deferred	(82)	(95)
Total income taxes	743	851
Net income	1,490	1,149
Profit attributable to owners of parent	1,490	1,149

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2021 (March 1, 2021 to February 28, 2022)	Fiscal 2022 (March 1, 2022 to February 28, 2023)
Income before minority interests	1,490	1,149
Other comprehensive income		
Other valuation difference on available-for-sale securities	3,702	(3,966)
Deferred gains or losses on hedges	(0)	(7)
Foreign currency translation adjustments	(73)	1
Remeasurements of defined benefit plans, net of tax	(6)	(105)
Total other comprehensive income	3,622	(4,078)
Comprehensive income	5,112	(2,928)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,112	(2,928)

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2021 (March 1, 2021 to February 28, 2022)

(Millions of yen unless otherwise stated)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	2,486	7,208	31,978	(6,215)	35,458
Cumulative effects of changes in accounting policies			—		—
Restated balance	2,486	7,208	31,978	(6,215)	35,458
Changes of items during the period					
Dividends from surplus			(1,761)		(1,761)
Profit attributable to owners of parent			1,490		1,490
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(11)		40	28
Net changes in items excluding shareholders' equity during the period					
Total	—	(11)	(271)	(40)	(242)
Balance at the end of current period	2,486	7,196	31,707	(6,175)	35,215

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	4,315	8	(233)	75	(110)	4,055	29	39,543
Cumulative effects of changes in accounting policies								—
Restated balance	4,315	8	(233)	75	(110)	4,055	29	39,543
Changes of items during the period								
Dividends from surplus								(1,761)
Profit attributable to owners of parent								1,490
Purchase of treasury shares								(0)
Disposal of treasury shares								28
Net changes in items excluding shareholders' equity during the period	3,702	(0)	—	(73)	(6)	3,622	(4)	3,617
Total	3,702	(0)	—	(73)	(6)	3,622	(4)	3,374
Balance at the end of current period	8,018	8	(233)	1	(117)	7,677	24	42,917

Fiscal 2022 (March 1, 2022 to February 28, 2023)

(Millions of yen unless otherwise stated)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	2,486	7,196	31,707	(6,175)	35,215
Cumulative effects of changes in accounting policies			(13)		(13)
Restated balance					
Changes of items during the period					
Dividends from surplus			(1,786)		(1,786)
Profit attributable to owners of parent			1,149		1,149
Purchase of treasury shares				(42)	(42)
Disposal of treasury shares		(7)		68	61
Net changes in items excluding shareholders' equity during the period					
Total	—	(7)	(637)	26	(617)
Balance at the end of current period	2,486	7,189	31,056	(6,148)	35,584

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	8,018	8	(233)	1	(117)	7,677	24	42,917
Cumulative effects of changes in accounting policies								(13)
Restated balance								
Changes of items during the period								
Dividends from surplus								(1,786)
Profit attributable to owners of parent								1,149
Purchase of treasury shares								(42)
Disposal of treasury shares								61
Net changes in items excluding shareholders' equity during the period	(3,966)	(7)	—	1	(105)	(4,078)	5	(4,072)
Total	(3,966)	(7)	—	1	(105)	(4,078)	5	(4,690)
Balance at the end of current period	4,052	0	(233)	2	(222)	3,599	30	38,214

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2021 (March 1, 2021 to February 28, 2022)	Fiscal 2022 (March 1, 2022 to February 28, 2023)
Cash Flows from Operating Activities:		
Net Income before income taxes	2,234	2,000
Depreciation and amortization	831	770
Impairment loss	243	542
Amortization of goodwill	496	496
Increase (decrease) in allowance for doubtful accounts	(4)	(2)
Increase (decrease) in provision for bonuses	(72)	43
Allowance for absence from work	61	—
Loss on liquidation of business	—	23
Subsidies for employment adjustment	(64)	—
Subsidy income	(162)	(1)
Increase (decrease) in net defined benefit liability	2	(32)
Increase (decrease) in other provision	8	60
Interest and dividends income	(268)	(310)
Interest expenses	0	1
Foreign exchange losses (gains)	(15)	0
Loss (gain) on sales of property, plant and equipment	(13)	—
Loss (gain) on sales of investment securities	(106)	(293)
Loss on disposal of inventories	3	—
Reversal of foreign currency translation adjustment	(60)	—
Decrease (increase) in notes and accounts receivable — trade	145	(427)
Decrease (increase) in inventories	339	340
Increase (decrease) in notes and accounts payable — trade	(228)	(137)
Increase (decrease) in accrued consumption taxes	(508)	100
Increase (decrease) in advances received	(81)	(101)
Increase (decrease) in accounts payable - other	2	70
Decrease (increase) in other assets	54	(74)
Increase (decrease) in other liabilities	(190)	157
Subtotal	2,647	3,226
Interest and dividends income received	275	310
Interest expenses paid	(0)	(1)
Subsidies for employment adjustment received	64	—
Proceeds from subsidy income	162	1
Allowance for absence from work paid	(61)	—
Income taxes paid	(1,602)	(782)
Income taxes refund	386	347
Net cash provided by (used in) operating activities	1,871	3,103

(Millions of yen)

	Fiscal 2021 (March 1, 2021 to February 28, 2022)	Fiscal 2022 (March 1, 2022 to February 28, 2023)
Cash Flows from Investing Activities:		
Proceeds from withdrawal of time deposits	500	—
Purchase of property, plant and equipment	(436)	(842)
Proceeds from sales of property, plant and equipment	27	2
Purchase of intangible assets	(162)	(176)
Purchase of investment securities	(2,532)	(2,007)
Proceeds from sales of investment securities	249	864
Proceeds from redemption of investment securities	2,500	—
Collection of long-term loans receivable	0	0
Purchase of long-term prepaid expenses	(20)	(18)
Other payments	(121)	(311)
Other proceeds	101	118
Net cash provided by (used in) investing activities	106	(2,371)
Cash Flows from Financing Activities:		
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	0	—
Cash dividends paid	(1,761)	(1,786)
Other payments	(54)	(47)
Net cash provided by (used in) financing activities	(1,816)	(1,834)
Effect of exchange rate change on cash and cash equivalents	5	1
Net increase (decrease) in cash and cash equivalents	167	(1,100)
Cash and cash equivalents at beginning of period	2,732	2,900
Cash and cash equivalents at end of period	2,900	1,799

(5) Notes to Consolidated Financial Statements

(Notes Regarding Going-Concern Assumption)

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 subject consolidated 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 subject consolidated fiscal year was added to or deducted from retained earnings at the beginning of the subject consolidated 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 subject consolidated fiscal year under review decreased by ¥224 million, cost of sales increased by ¥109 million, and selling, general and administrative expenses decreased by ¥332 million. However, 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.

(Adoption of Accounting Standard for Fair Value Measurement)

Effective from the beginning of the subject consolidated 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.

In addition, in the “Notes (Notes Regarding Financial Instruments),” the Group has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level.

(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 subject consolidated 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 consolidated fiscal year, ¥73million presented in “Rent of real estate for investment” in “Non-operating income” has been recombined in “Net sales,” while ¥460 million presented in “Selling, general and administrative expenses,” ¥4 million presented in “Depreciation on investments in real estate” in “Non-operating expenses,” and ¥1 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 consolidated 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 ¥191 million, for 97,170 shares at the end of the subject consolidated fiscal year.

(Segment Information)

1. Overview of Reporting Segments

The Group's reporting segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

Based on the major products handled, the YONDOSHI HOLDINGS Group has identified the Jewelry Business and the Apparel Business as its two reporting segments.

(1) Jewelry Business

F.D.C. Products Inc. and its subsidiary companies engage in the comprehensive development of brand businesses. This includes the design, manufacture and sale of various products focusing mainly on jewelry. The F.D.C. Products Group's principal brands include 4°C, Canal4°C, and EAUDOUCE4°C.

(2) Apparel Business

AS'TY Inc. and its subsidiary companies engage in apparel business development activities. Responsible for the manufacturing and apparel functions that draw on its design and marketing capabilities, the AS'TY Group maintains an overseas production network in such countries as China, Bangladesh and Vietnam while marketing products mainly through major apparel outlets, specialty stores and general merchandise stores. age Co., Ltd. is active in the retail business focusing mainly on women's clothes, fashion accessories and practical clothing. The company's is largely undertaken in Western Japan.

2. Calculation Methods for Net Sales, Profit and Loss, Assets, Liabilities and Other Items by Reporting Segment

The accounting treatment methods for reporting segments are generally the same as those adopted for preparing consolidated financial statements. Profits for reporting segments are operating income amounts. Intra-segment sales and transfers are based on current market prices.

3. Information Regarding Net Sales, Profit and Loss, Assets, Liabilities and Other Items by Reporting Segment

Fiscal 2021 the Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(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	18,497	19,626	38,123	—	38,123
Intra-segment net sales and transfers	0	180	180	(180)	—
Total	18,497	19,806	38,304	(180)	38,123
Segment income	1,197	889	2,086	(298)	1,788
Segment assets	23,983	32,532	56,515	368	56,884
Other items					
Depreciation	464	339	804	26	831
Increase in property, plant and equipment and intangible assets	123	335	459	13	473

Notes:

- (1) The adjustment amount of minus ¥298 million for segment income mainly includes amortization of goodwill totaling minus ¥496 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥447 million and eliminations of inter-segment transactions of ¥645 million.
(2) The adjustment amount of ¥368 million for segment assets is mainly comprised of an inter-segment offset amount totaling minus ¥12,424 million, corporate assets of ¥10,558 million and the balance of unamortized goodwill of ¥2,234 million that are not allocated to each reporting segment. Meanwhile, corporate assets are primarily made up of surplus operating funds (cash and deposits) that are not attributable to individual reporting segments.
(3) The adjustment amount of ¥26 million for depreciation and amortization relates to corporate assets that are not attributable to individual reporting segments.
(4) The adjustment amount of tangible and intangible asset increase of ¥13 million relates to corporate assets that are not attributable to individual reporting segments.
- Segment income matches operating income recorded on the consolidated statements of income.

Fiscal 2022 the Fiscal Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(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	18,514	20,084	38,598	—	38,598
Other revenue (Note 3)	73	837	910	—	910
Net sales to outside customers	18,587	20,921	38,508	—	38,598
Intrasegment net sales and transfers	0	150	150	(150)	—
Total	18,587	21,072	39,659	(150)	39,508
Segment income	1,356	942	2,298	(319)	1,979
Segment assets	23,617	27,833	51,451	1,239	50,211
Other items					
Depreciation	396	352	748	21	770
Increase in property, plant and equipment and intangible assets	559	394	954	14	968

Notes:

- (1) The adjustment amount of minus ¥319 million for segment income mainly includes amortization of goodwill totaling minus ¥496 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥482 million and eliminations of inter-segment transactions of ¥659 million.
- (2) The adjustment amount of minus ¥1,239 million for segment assets is mainly comprised of an inter-segment offset amount totaling minus ¥13,867 million, corporate assets of ¥10,890 million and the balance of unamortized goodwill of ¥1,737 million that are not allocated to each reporting segment. Meanwhile, corporate assets are primarily made up of surplus operating funds (cash and deposits) that are not attributable to individual reporting segments.
- (3) The adjustment amount of ¥21 million for depreciation and amortization relates to corporate assets that are not attributable to individual reporting segments.
- (4) The adjustment amount of tangible and intangible asset increase of ¥14 million relates to corporate assets that are not attributable to individual reporting segments.
- Segment income matches operating income recorded on the consolidated statements of income.
- “Other revenue” is real estate lease revenue.
- 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 consolidated fiscal year presents recombined figures. As a result of this change, compared to the figures prior to recombination, net sales in the Jewelry Business increased by ¥73 million, and segment operating income increased by ¥66 million.

(Related Information)

Fiscal 2021, the Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

1. Product and Service Information

As the same information is disclosed in the Segment Information, product and service information has been omitted.

2. Geographical Segment Information

i. Net sales

As the total of net sales to outside customers based in Japan of all business segments represented over 90% of the Company’s total net sales in the consolidated statements of income, geographical information has been omitted.

ii. Property, plant and equipment

As the total of property, plant and equipment based in Japan of all business segments represented over 90% of the Company's property, plant and equipment in the consolidated balance sheets, geographical information has been omitted.

3. Information by Major Customer

This information has been omitted because there are no specific customers to whom sales exceed 10% or more of the total operating revenues posted in the consolidated statement of income.

Fiscal 2022, the Fiscal Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

1. Product and Service Information

As the same information is disclosed in the Segment Information, product and service information has been omitted.

2. Geographical Segment Information

1. Net sales

As the total of net sales to outside customers based in Japan of all business segments represented over 90% of the Company's total net sales in the consolidated statements of income, geographical information has been omitted.

2. Property, plant and equipment

As the total of property, plant and equipment based in Japan of all business segments represented over 90% of the Company's property, plant and equipment in the consolidated balance sheets, geographical information has been omitted.

3. Information by Major Customer

This information has been omitted because there are no specific customers to whom sales exceed 10% or more of the total operating revenues posted in the consolidated statement of income.

(Information Concerning the Impairment loss of Noncurrent Assets by Reporting Segment)

Fiscal 2021, the Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(Millions of yen)

	Reporting Segments			Adjustment amount	Total
	Jewelry Business	Apparel Business	Total		
Impairment loss	167	75	243	—	243

Fiscal 2022, the Fiscal Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(Millions of yen)

	Reporting Segments			Adjustment amount	Total
	Jewelry Business	Apparel Business	Total		
Impairment loss	392	149	542	—	542

(Information Concerning the Amount of Goodwill Amortized and the Balance of Unamortized Goodwill by Reporting Segment)

Fiscal 2021, the Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

There were no amounts of goodwill amortized or balance of unamortized goodwill allocated to reporting segments. The amounts of goodwill amortized and balance of unamortized goodwill not allocated to reporting segments were ¥496 million and ¥2,234 million, respectively. The amounts of goodwill amortized and balance

of unamortized goodwill related to goodwill that arose at the time of stock exchange.

Fiscal 2022, the Fiscal Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

There were no amounts of goodwill amortized or balance of unamortized goodwill allocated to reporting segments. The amounts of goodwill amortized and balance of unamortized goodwill not allocated to reporting segments were ¥496 million and ¥1,737 million, respectively. The amounts of goodwill amortized and balance of unamortized goodwill related to goodwill that arose at the time of stock exchange.

(Information Concerning the Gain on Negative Goodwill by Reporting Segment)

Fiscal 2021, the Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

Not applicable.

Fiscal 2022, the Fiscal Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

Not applicable.

(Matters Related to Revenue Recognition)

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

(Per Share Information)

(Yen)

	Fiscal 2021 (March 1, 2021 to February 28, 2022)	Fiscal 2022 (March 1, 2022 to February 28, 2023)
Net assets per share	2,001.22	1,780.71
Earnings per share	69.56	53.61

Notes: 1. No statement is made regarding diluted per share net profit for the period because dilutive shares possessing a dilutive effect do not exist.

2. The basis for calculating earnings per share and net income per diluted share is presented as follows:

(Millions of yen unless otherwise stated)

	Fiscal 2021 (March 1, 2021 to February 28, 2022)	Fiscal 2022 (March 1, 2022 to February 28, 2023)
Total earnings per share		
Profit attributable to owners of parent	1,490	1,149
Amounts not applicable to ordinary shareholders	—	—
Profit attributable to owners of parent applicable to common stock	1,490	1,149
Average number of common shares (Shares)	21,429,623	21,441,448

	Fiscal 2021 (March 1, 2021 to February 28, 2022)	Fiscal 2022 (March 1, 2022 to February 28, 2023)
Description of the diluted shares not included in the calculation of net income per share adjusted for diluted shares due to their non-dilutive effect from the previous fiscal year	June 8, 2016 Board resolution The 9th issuance of new share subscription rights Common stock: 6,500 shares	November 22, 2018 Board resolution The 11th issuance of new share subscription rights Common stock:34,500 shares
	June 8, 2016 Board resolution The 10th issuance of new share subscription rights Common stock:19,300 shares	November 22, 2018 Board resolution The 12th issuance of new share subscription rights Common stock:28,200 shares
	November 22, 2018 Board resolution The 11th issuance of new share subscription rights Common stock:34,500 shares	July 8, 2020 Board resolution The 13th issuance of new share subscription rights Common stock:21,000 shares
	November 22, 2018 Board resolution The 12th issuance of new share subscription rights Common stock:28,200 shares	July 8, 2020 Board resolution The 14th issuance of new share subscription rights Common stock:31,500 shares
	July 8, 2020 Board resolution The 13th issuance of new share subscription rights Common stock:21,000 shares	July 7, 2022 Board resolution The 15th issuance of new share subscription rights Common stock:24,000 shares
	July 8, 2020 Board resolution The 14th issuance of new share subscription rights Common stock:31,500 shares	July 7, 2022 Board resolution The 16th issuance of new share subscription rights Common stock:28,900 shares

3. The basis for calculating net assets per share is presented as follows:

(Millions of yen unless otherwise stated)

	Fiscal 2021 (March 1, 2021 to February 28, 2022)	Fiscal 2022 (March 1, 2022 to February 28, 2023)
Total net asset recorded on consolidated balance sheets	42,917	38,214
Deduction amount of total net asset recorded on consolidated balance sheets	24	30
Subscription rights to shares	(24)	(30)
Net assets applicable to common stock	42,893	38,183
Number of common stock utilized for the calculation of net assets per share (Shares)	21,433,434	21,433,158

4. Company stock remaining in the Shares Grant Trust for Officers recorded as Treasury Stock in the Company's Shareholders' Equity is included in the number of treasury stock to be deducted when computing the average number of shares for the period for earnings per share calculation purposes as well as the number of treasury stock to be deducted from the total number of shares issued and outstanding as of the end of the period for net assets per share calculation purposes.

The number of treasury stock to be deducted when computing the average number of shares for the period for earnings per share calculation purposes was 67,642 shares for fiscal 2021 and 89,308 shares for fiscal 2022. The number of treasury stock to be deducted from the total number of shares issued and outstanding as of the end of the period for net assets per share calculation purposes was 83,926 shares for fiscal 2021 and 97,170 shares for fiscal 2022.

(Important Subsequent Events)

Not applicable