

YU-WA Creation Holdings Inc.

Tokyo Stock Exchange Standard code:7615

8/24/2022

7.9x upside potential based on GCC Management™ analysis

To a company that proposes a lifestyle with kimono

Successes and deadlocks in acquiring customers from the coming-of-age ceremony

The core business company of YU-WA Creation Holdings Inc. (hereinafter "YU-WA"), Kyoto Kimono Yuzen, is a long-established company celebrating its 55th anniversary, and although it incurs SG&A expenses for advertising and promotion, it maintains a high gross profit margin due to the high brand power of Japanese traditional clothing and has been able to maintain a stable business. On the other hand, its business model is based on the unique Japanese culture where people come into contact with kimonos during the coming-of-age ceremony, and with the decline in the number of kimono wearers and the added impact of the non-holding of the coming-of-age ceremonies due to the Corona disaster, the business faces a major challenge in attracting younger customers and is at a crossroads.

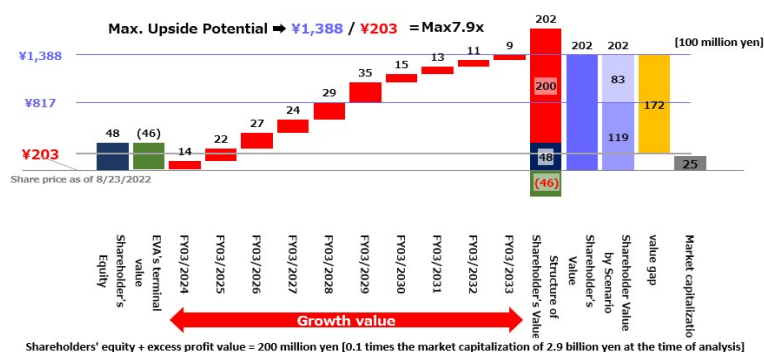
Proposing a lifestyle with kimono in all aspects of life events

This report explains the direction of YU-WA's transformation into a "company that proposes a lifestyle with kimono" based on the two axes of "from traditional to modern" and "from real to digital". It explained the significance of various initiatives that YU-WA has already implemented, such as opening an e-commerce site and starting a nail salon business, using these two axes as keys. Through these initiatives, YU-WA aims to raise customer satisfaction levels, cross-transfer customers between businesses, and increase LTV, thereby improving the means of acquiring customers, which is a current issue.

In addition to YU-WA's own growth, the company advocates aggressive use of alliances, and has launched a reuse business and insurance sales. Future alliances will emphasize the point that "lifestyles with kimono" will cover all life events from childhood to adulthood for consumers, and what resources YU-WA lacks on its own, it will make up for through alliances.

Maximum upside potential of 7.9x due to realization of growth scenario

JPR's proprietary method was used to calculate shareholder value if the growth scenario envisioned by YU-WA is realized. The company's sales will increase by approximately three times in 10 years through its own operations and alliances, ROIC will improve as a result of the scale advantage, although gross profit, SG&A, and invested capital will decrease due to the shift from real to digital operations, and WACC will remain in the low 5% range. The maximum upside potential is estimated to be 7.9x.



Performance Trends	Sales	YoY	Operating income	YoY	Ordinary income	Front-end ratio	net income	YoY	EPS	Stock price	
	JPY 1 mil.	%	JPY 1 mil.	%	JPY 1 mil.	%	JPY 1 mil.	%	JPY	High price (JPY)	Low price (JPY)
Results for FY03/2019	9,240	-12.4%	-923	-	-812	-	-818	-	-68.57	1,658	773
Results for FY03/2020	10,514	13.8%	-377	-	-269	-	-420	-	-35.13	1,712	460
Results for FY03/2021	7,668	-27.1%	63	-	98	-	77	-	6.5	1,185	540
Results for FY03/2022	8,484	10.6%	4	-93.1%	16	-83.0%	-185	-	-15.66	1,325	673
Plan for FY03/2023	9,723	14.6%	156	3800.0%	139	768.8%	102	-	8.6	-	-

Basic report

Written and Edited by
J-Phoenix Research Inc.
Yosuke Kashiwao
www.j-phoenix.com

Corporate Profile

Headquarters	Chuo-ku, Tokyo
President & CEO	Masachika Hattori
Established	1971/8/5
Capital	404 JPY 1mil.
Listed	1999/10/1
URL	https://www.yuwa-holdings.co.jp
Industry	Retail industry

Key Indicators (as of 2022/8/23)

Stock price	203 yen
Highest in 52 weeks	280 yen
Lowest in 52 weeks	196 yen
Outstanding Shares	12,498,200 stocks
Trading Units	100 stocks
Market Capitalization	2,549 JPY 1mil.
Prospective Dividend	6.0 yen
Estimated EPS	8.60 yen
Estimated PER	23.60 times
Actual BPS (Feb 2022)	404.37 yen
Actual PBR	0.50 times

Table of Contents

1. Investment Summary	P3
2. Future story	P7
3. Company overviews	P17
4. ROIC analysis	P19
5. Summary of Business Results for the Fiscal Year Ending March 31, 2022	P22
6. Mid-term Management Plan	P28
7. External market analysis	P30
Appendix 1. About BuySell Technologies	P34
Appendix 2. For those new to JPR reports	P37
Appendix 3. Basis of Calculation	P39

1. Investment Summary

Shareholder value analysis

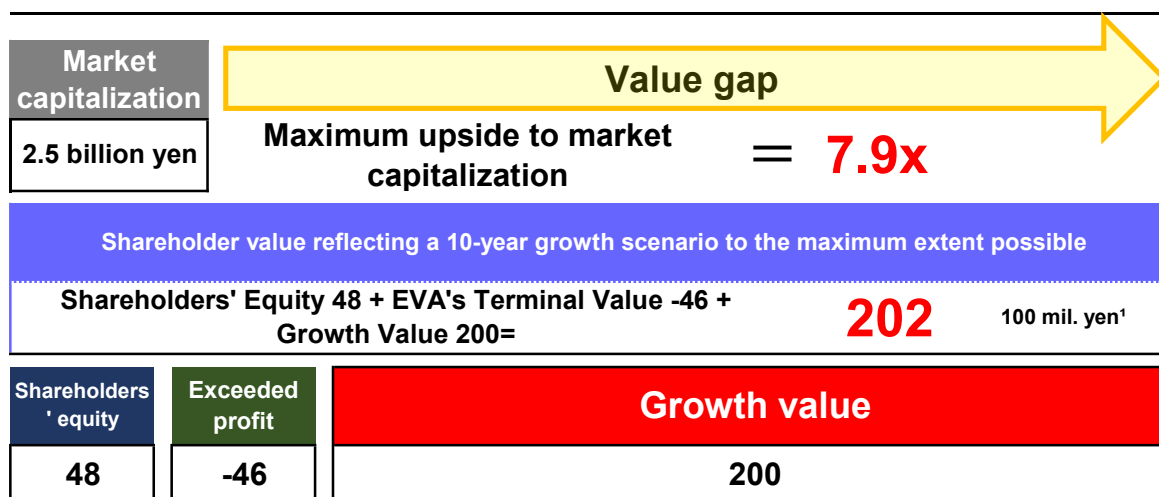
Maximum Upside
7.9x in Market
Capitalization
Estimated

Estimation using the excess profit method

Maximum upside 7.9x depending on realization of growth scenario

We estimated shareholder value using the "Excess Profit Method" (see "Appendix3. Basis of Calculation") based on the GCC Management™ framework. The following chart visualizes the results of the estimation. The prerequisites are explained on the next page and beyond.

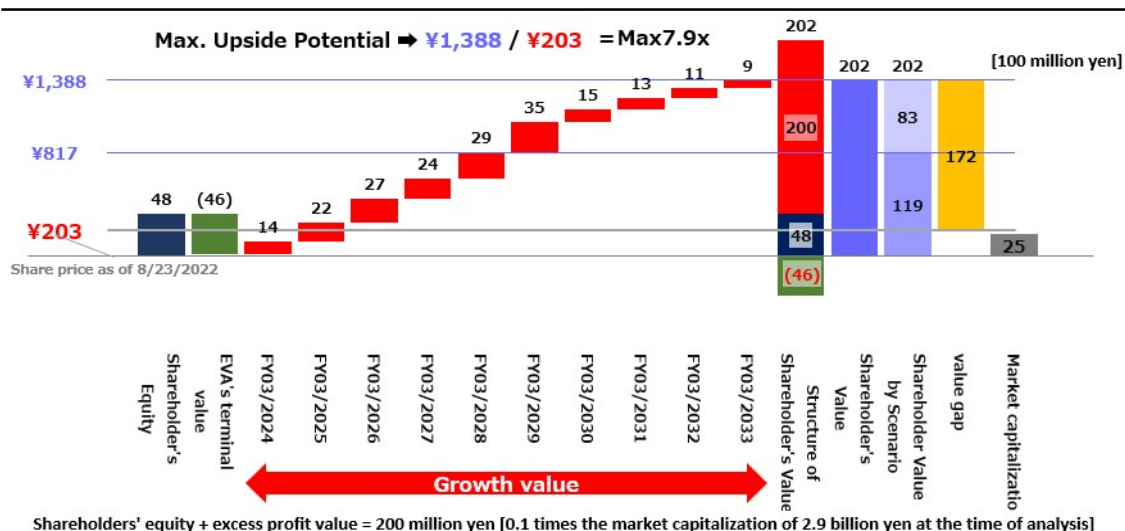
Shareholder Value Analysis



Source: JPR

1: Fractions do not match due to rounding.

Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method



Source: JPR

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method (details)

(¥100mn)	Current Year 2023.03	1 year later 2024.03	2 years later 2025.03	3 years later 2026.03	4 years later 2027.03	5 years later 2028.03	6 years later 2029.03	7 years later 2030.03	8 years later 2031.03	9 years later 2032.03	10 years later 2033.03	Terminal Value
Sales	97	103	109	125	144	166	191	219	246	269	290	
Operating income	1.6	3.0	4.8	7.5	10.1	13.3	17.2	19.8	22.1	24.2	26.1	
Operating margin	1.6%	2.9%	4.4%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%	9.0%	
Sales growth rate	14.6%	5.6%	6.3%	15.0%	15.0%	15.0%	15.0%	15.0%	12.0%	9.6%	7.7%	
NOPAT margin	1.1%	2.0%	3.1%	4.1%	4.8%	5.5%	6.2%	6.2%	6.2%	6.2%	6.2%	
Invested capital turnover ratio	68.3%	68.3%	63.3%	58.3%	53.3%	48.3%	43.3%	43.3%	43.3%	43.3%	43.3%	
WACC	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
ROIC = NOPAT margin × invested capital net sales ratio	1.6%	3.0%	4.8%	7.1%	9.1%	11.5%	14.4%	14.4%	14.4%	14.4%	14.4%	
ROIC / WACC (value created with the original hand of 1 yen)	0.3	0.6	0.9	1.3	1.7	2.2	2.7	2.7	2.7	2.7	2.7	
NOPAT	1.08	2.07	3.33	5.21	6.99	9.18	11.88	13.66	15.30	16.77	18.05	
Invested capital × WACC	3.53	3.72	3.67	3.88	4.08	4.26	4.39	5.04	5.65	6.19	6.67	
EVA	-2.45	-1.65	-0.33	1.32	2.90	4.93	7.49	8.61	9.65	10.57	11.39	
EVA = NOPAT - invested capital × WACC	-2.45	-1.65	-0.33	1.32	2.90	4.93	7.49	8.61	9.65	10.57	11.39	
Value created in each year	-46	15	25	31	30	38	48	21	19	17	15	
Discount Rate	100%	95%	90%	86%	81%	77%	73%	70%	66%	63%	60%	
Present value of EVA	-46	14	22	27	24	29	35	15	13	11	9	
Invested capital (i) Origin	66											
Over profit value (Permanent value of EVA of this term)	-46											
Growth value (Present value of increase in EVA) (i)	200											
Non-business asset value (i)	0											
Corporate value = (i) + (i) + (i) + (i)	220											
Interest-bearing debt, etc.	-18											
Shareholder value	202											

Source: JPR

Quantitative Shareholder Value Analysis

Sales growth for 10 years
2x with Organic + Alliances

ROIC improvement through scale expansion and efficiency improvement

WACC low maintained

Assumptions made by GCC Management™ analysis

Growth: Various policies flourish, and sales grew about 3 times in 10 years

Existing businesses are expected to double in 10 years through growth by adding new values. Insufficient resources are leveraged through alliances to strengthen services for each life event. JPR estimated that these totals would result in total sales of 29 billion yen over 10 years.

Connection: ROIC improvement through scale expansion and efficiency improvement

Shift from a traditional high gross margin, high SG&A model to a low gross margin, low SG&A model by shifting the business model from real stores to a digital-centric model. Assuming the realization of Growth, JPR estimated that ROIC would improve to a maximum of 14.4% through scale expansion and efficiency improvement.

Confidence: WACC remains low

YU-WA's future plans are centered on the utilization of core resources, and the WACC is left unchanged as there are currently no signs of an increase in the WACC, with investment rather declining due to the transition from real to digital.

Summary of Financial Analysis of 10-Year Future Story with GCC Management™ Analysis

Growth	Connection	Confidence
Sales	ROIC	WACC
9.7 billion yen → 29 billion yen	1.6% → 14.4%	5.2% low maintained

Source: Compiled by JPR *Comparison between the plan for FY2023 and JPR's 10-year forecast.

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Future story

Raising customer
satisfaction
Reciprocal
custom transfer
between
businesses,
Increase in LTV

Expansion of Real
Promotion of
Digitalization

ESG Promotion

Growth: Worldviews and Values

Becoming a company that proposes a lifestyle with kimono

YU-WA has been dealing in kimono, a symbol of Japanese culture, but its business has been shrinking in accordance with the decline of the market, and the company is aiming for change. With the keyword "a company that proposes a lifestyle with kimono", the company updates the enjoyment of kimono in a modern way and integrates the real (analog) and digital worlds. By doing so, the company aims to increase customer satisfaction, cross-transfer customers between businesses, and increase LTV.

Connection: Strategy & Business Model

Achieving a lifestyle with kimono through three strategies and business models

The strategies and business models to realize YU-WA's worldview and values are organized and classified into the following three categories.

- (1) Diversify methods of attracting customers in real life
- (2) Expand the fan base to the digital generation
- (3) Propose a lifestyle with kimono

The realization of these strategies and business models will expand and reverse the contraction of the high gross margin, high SG&A cost model based on serving customers in real stores.

In addition, both gross profit and SG&A expenses are expected to decline due to the shift to e-commerce and other digital services, but the number of customers will be increased to improve the operating profit margin. The ratio of invested capital turnover will also decrease, and ROIC will increase accordingly.

Confidence: Improving Trust and Sustainability

ESG Initiatives Enabling Sustainable Growth

The kimono handled by YU-WA has an affinity for environmental and social sustainability, and will be made even more sustainable through reuse and upcycling. In governance, the company is also working to create a structure to realize the worldview it envisions through the establishment of a holding company and the active hiring of outside personnel.

■ Summary of shareholder value analysis of YU-WA (integration of quantitative and qualitative analysis)

Growth	Connection	Confidence
Values and Worldviews	Strategy & Business Method	Sustainability
Creating Japanese Women's Beauty, Dreams and Peace of Mind	Acquisition of customers starting from the coming-of-age ceremony Providing services for the lifetime of the customers	Credibility backed by tradition
Working together with our customers to find the best twenty years of life	Advertising and promotional business model dependent on traditional brand value	Unparalleled Brand Strength in Kimono
↓	↓	↓
Becoming a company that proposes a lifestyle with kimono	Diversifying methods of attracting customers in real life	Promoting the inherent sustainable life cycle of kimono
A modern update to the enjoyment of kimono	Expanding fan base to digital generation	Contributing to the dissemination of traditional Japanese culture and the transmission of technology
Integration of real (analog) and digital	Proposing a lifestyle with kimono	Strengthen corporate governance
Sales Growth	Return on Invested Capital	Business risk
9.7 billion yen→ 29 billion yen Aiming to triple in 10 years	Aiming for top 25% in Japan First, to exceed 10% ROIC in 5 years	Low WACC of 5% to be maintained
Shareholder Value est.	Conditions of feasibility	Investment risk
20.2 billion yen	Advances in Technology Integration	Risk of Transformation Setbacks

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

2. Future story

Worldview & Values

Gaining customers through the experience of wearing furisode at the coming-of-age ceremony



High SG&A expenses
High Gross Profit Business Model

Decrease in new customers
Aging of customers

Interest in Japanese dress is high

To a company that proposes a lifestyle with kimono

Successful models to date

Gaining customer support with the coming-of-age ceremony, and staying close to customers' life events

Kyoto Kimono Yuzen, the core business company of YU-WA, is a well-established company celebrating its 55th anniversary.

"We create beauty, dreams, and peace of mind for Japanese women," and "We work together with our customers to create the best twenty years of life they can imagine." Based on this philosophy, the company provides customers with the opportunity to experience the charm of kimono with their parents and children by wearing furisode (long-sleeved kimono) for the coming-of-age ceremony, and continues to serve customers by attending to their life events afterwards. This has been YU-WA's business model since its establishment.

Stable business with high gross profit margins even with advertising and promotion costs

YU-WA's profit/loss structure has high gross profit and high SG&A expenses. On the other hand, gross profit margins are high due to information asymmetry, as furisode and kimono are perceived by consumers as expensive and prices are not formed based on market principles as is the case with general-purpose products. Therefore, the business model was such that even if some SG&A expenses were incurred, the high gross profit margin would be sufficient to recover SG&A expenses if long-term customers could be acquired.

Current Issues

In the traditional business model, the inflow of young adults is triggered by the coming-of-age ceremony, replacing customers who are aging and leaving the business. As long as the number of incoming customers exceeds the number of outgoing customers, the business will not shrink. However, the trend away from kimono has increased over the years, and in recent years there has been a series of cancellations of coming-of-age ceremonies due to the Corona disaster. This has led to a decline in the inflow of younger people, and the average age of YU-WA's

Market environment

On the other hand, the kimonos handled by YU-WA are symbolic of Japan's unique culture and history, and even though opportunities for Japanese people to wear kimonos are decreasing, their interest in kimonos is high according to various awareness surveys, and kimonos are also generally well received overseas. Therefore, kimono and other Japanese clothing handled by YU-WA can be considered as one of the promising contents that still have potential even though the wearing of kimonos has decreased.

While
emphasizing
traditional values
Rebranding

↓
Aiming to rebuild
the customer base





World view aiming for: Proposing a lifestyle with kimono

To overcome the current challenges, YU-WA aims to transform itself "into a company that proposes a lifestyle with kimono". YU-WA's respective strategies for achieving this goal are organized in the following figure on two key axes. One axis is to update the use of kimonos in a modern way, and to transmit them to the world. The other axis is to diversify ways of communicating the appeal of kimono through fusion of real (analog) and digital media.

The basis of these axes is the same as before, the desire to deliver to consumers the traditional Japanese charm of kimono. In order to keep this appeal alive, the company will adapt to the changing times and further develop and expand the business. By realizing this worldview, the company aims to provide a lifestyle with kimono to a wide range of generations, including young people, and not only in Japan but throughout the world, and to move from a declining customer base to a re-expanding one.

YU-WA's Worldview

Aim to increase customer satisfaction, cross-transfer customers between businesses and increase LTV

		Fusion of real (analog) and digital media	
		Real (Analog)	Digital
To update the use of kimonos in a modern way	Modernistic	Diversify methods of attracting customers in real life <ul style="list-style-type: none"> Expansion of reuse Expand products such as bags, jewelry, etc. Provide local tour-type events 	Propose a lifestyle with Japanese-style clothing <ul style="list-style-type: none"> Development of photo studio and nail salon business Entertainment - character and digital collaboration Provide kimono in digital format such as Metaverse 
	Traditional	Attract customers to real stores through advertising and promotion <ul style="list-style-type: none"> Convert customers into customers by providing furisode (formal kimono for coming-of-age ceremony) Proposals for each customer's life event Focus on brand value of kimono 	Expand fan base to digital generation <ul style="list-style-type: none"> Expansion of easy-to-use e-commerce site and products sold through e-commerce Set a price range that is affordable for younger customers Provide online dressing application 

Source: Created by JPR

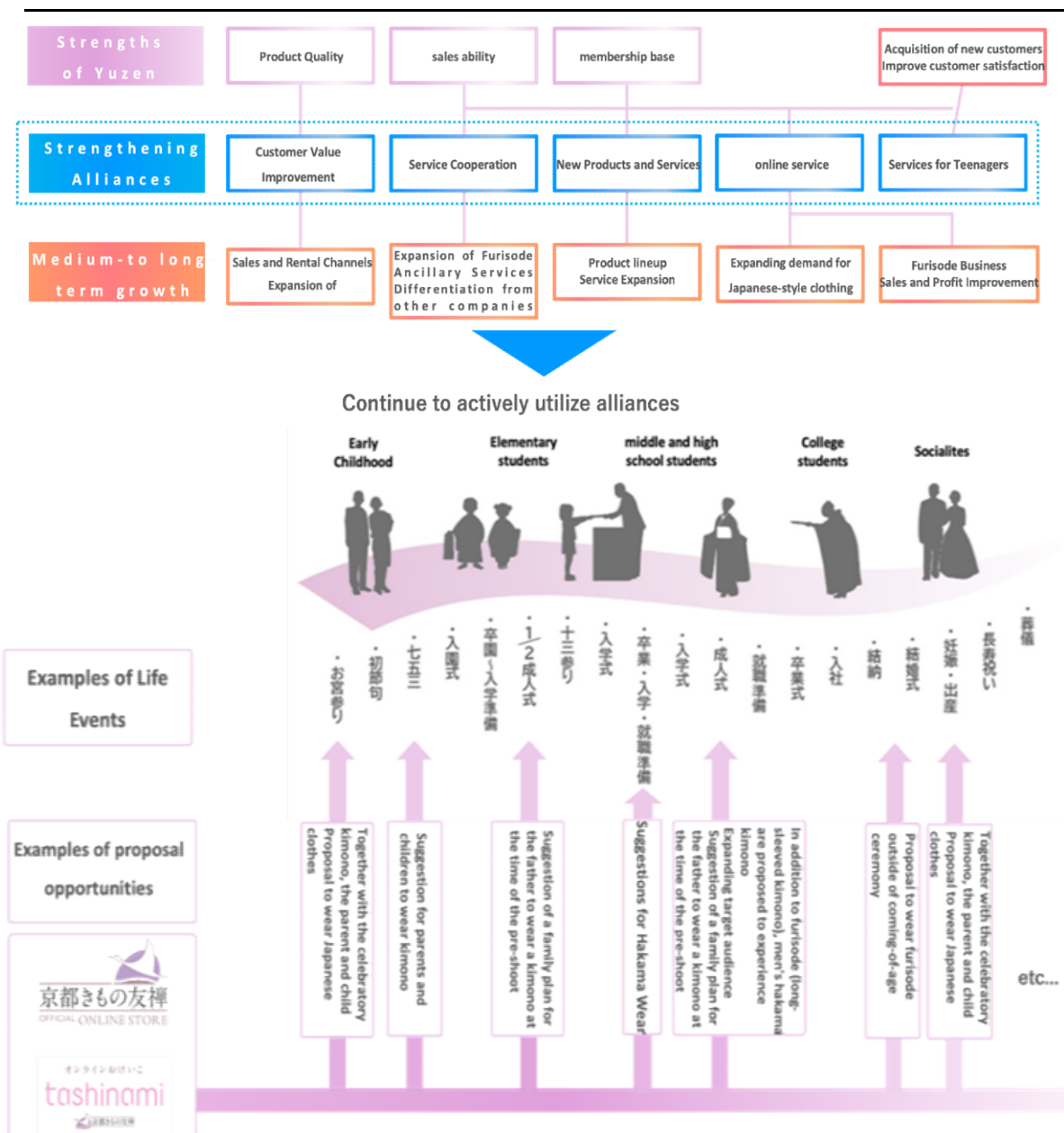
Customers (200,000 for general kimono sales, including approximately 70,000 Tomonokai members)

Alliances and M&A to fill out service lineup

Strengthen services for each life event by leveraging alliances and M&A

In the previous section, we explained YU-WA's vision of the world in terms of traditional/present, real/digital, and YU-WA aims to provide these services at every stage of the customer's life, from childhood to adulthood. To achieve this, YU-WA believes that it still needs to strengthen its service lineup and to utilize alliances and M&A to fill the gaps in its own resources. YU-WA has already established alliances in areas such as reuse and insurance sales, and further expansion is expected in the future.

YU-WA's Worldview



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

Strategies and Business Models

Potential to follow Buysell Technologies with a market capitalization of 65 billion yen

Aiming to increase customer visits through the purchase of reused goods

Dealing with reuse of non-Japanese clothing as well

Three Strategies and Business Models

1. diversify methods of attracting customers in real life

Entering the Reuse Market

While kimono rentals have been around for some time, the recent expansion of reuse is still in its infancy. Buysell Technologies, a publicly traded company that is highly regarded by the stock market, is handling kimono reuse, but the company is having difficulty increasing the number of kimonos on display due to the difficulty of identifying kimonos, and currently handles mostly jewelry.

In this respect, YU-WA has a staff of kimono professionals and connoisseurs. Therefore, YU-WA proposes reuse to its customers. There are two objectives. The first is to distribute high-quality kimonos that have been lying dormant in households, and to increase the number of points of contact where consumers can encounter the appeal of kimonos. The second is that customers visit YU-WA stores with items they wish to reuse, thereby increasing contact with customers. Customers are also expected to shop on site due to the profit they make from reuse.

Partnership with Eco Ring Co., Ltd.

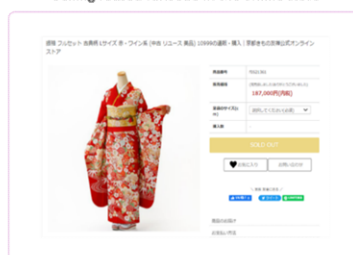
In the reuse business, the company partnered with Eco Ring Co., Ltd. In addition to kimono reuse, the company also purchases other items, with Eco Ring taking charge of jewelry and other items for which YU-WA does not have a discernment. By handling purchases other than kimono, it is expected to increase the frequency of customer visits more.

■ Increase sales channels and customer contacts through reuse

Actively held buyback events in cooperation with EcoRing Co.



Selling reused furisode in the online store



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022



SOMPO HIMAWARI LIFE

getting the opportunity to offer kimono to family members through insurance

Sales of Non-Kimono Merchandise

While the provision of jewelry that goes well with kimono has been in the works for some time, in October 2021 the company entered into an agency agreement with Sompo Himawari Life Insurance Inc. While this is part of the utilization of customer assets and expansion of customer service, it is also an effective use of employee skills, as many of the employees who serve customers at YU-WA have experience in insurance sales. In addition, since information on family structure is necessary to purchase insurance, the company is also considering offering kimono to clients' families.

Using local tours to convey the appeal of kimono

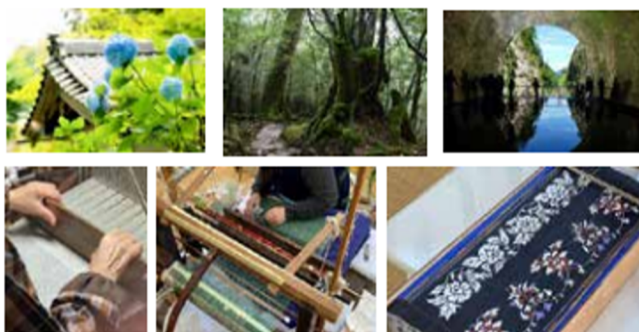
YU-WA also has connections with kimono production areas and organizes local tours of the areas where the production areas and workshops are located. Although the current situation is part of promoting the attractiveness of kimono, it has potential for inbound sales, and local purchases and development can be envisioned, although it has declined due to the Corona disaster.

Organizing Local Tours of the Kimono Industry

Direct sales from
production areas
and inbound
demand also
expected

1 time/Urban area

Area decentralization



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

2. Expanding the fan base to the digital generation

E-commerce site opened in July 2020

YU-WA has been developing its business only through its street stores due to the expensive kimono products it handles, but in July 2020, the company decided to launch an e-commerce site, aiming to expand its customer base. The company is currently selling only furisode (long-sleeved kimono) and is in the trial-and-error stage of setting affordable prices to broaden its customer base, but the Corona influence has already been a driving force behind sales. From this fall, the company plans to expand its product lineup to include all types of kimono, and this is where the company's main area of business will begin.



Implementing various measures in EC sales targeting young people

Measures to increase the number
of customers



Review of pricing
strategy



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

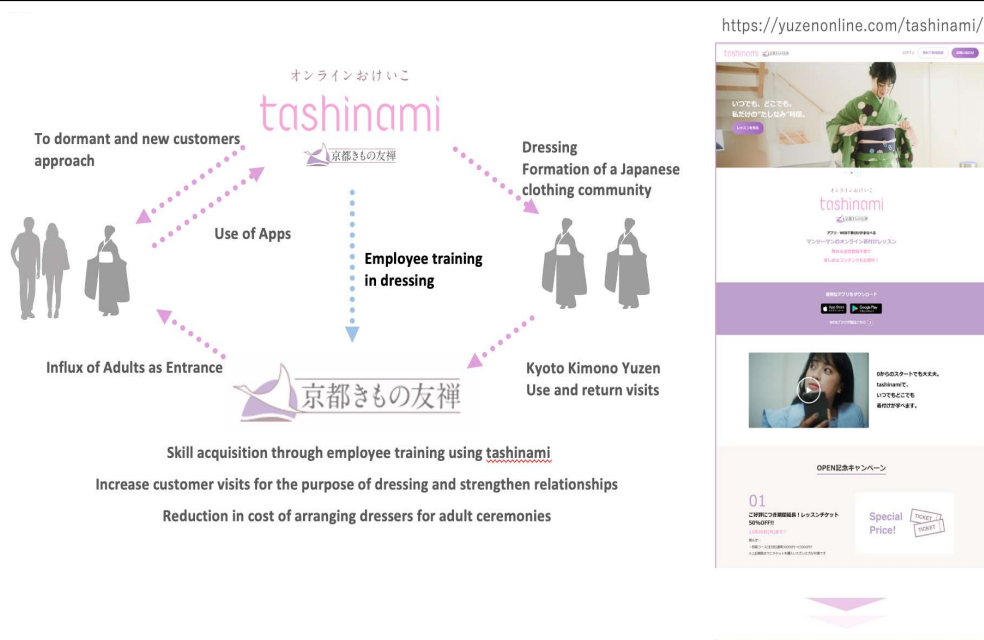
This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Supporting online application in foreign languages can be a breakthrough for overseas e-commerce

Online application solves the problem of dressing, an obstacle to e-commerce sales.

One of the obstacles in e-commerce sales of kimono and furisode (long-sleeved kimono) is the handling of dressing. Therefore, YU-WA developed an online application that allows users to take dressing lessons with the aim of promoting kimono. Originally targeting consumers who are not accustomed to wearing kimonos, the store will create an environment where foreign consumers can easily obtain kimono by providing foreign-language services. An e-commerce site and an online dressing application have been set up to provide a foundation for overseas sale.

Providing dressing lessons through an online application



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

3. Proposing a lifestyle with kimono

Nail salon business started in May 2021

Establish a 36-store network over the next three years

YU-WA opened three nail salons one after another in the Sapporo area starting in 2021. The first franchise store is located on the same floor as the Kyoto Kimono Yuzen Sapporo store, and while targeting customers who are preparing for pre-shoots and coming-of-age ceremonies, the company is also expanding its peripheral businesses based on the common philosophy of women's beauty. The company plans to open four new stores in fiscal year ending March 31, 2023 and has already opened one in Takamatsu, aiming to have a 36-store network in the next three years.

■ The first nail salon, "TN SAPPORO ASTY45"



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

Photo studio started in July 2021

Strengthening Cooperation with Photo Services

As a place of opportunity to enjoy wearing Japanese clothes, the company opened premium photo studios "CRANE" in Shinjuku, Minatomirai, and Umeda targeting the digital generation. Customers can choose from more than 200 carefully selected popular patterns of furisode (long-sleeved kimono), and kimono dressing and hair/make-up services are also provided. Although the main target is the coming-of-age ceremony, the company hopes to expand the event as a place where anyone can casually enjoy wearing kimono.

■ Photo studio "STUDIO CRANE" developed by Kyoto Kimono Yuzen



Source: STUDIO CRANE website

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Integrating with
the real as well as
the digital

In the future, it is
conceivable to
provide Japanese
clothing in the
Metaverse.
Providing
Japanese clothing
in digital form,
such as in the
Metaverse

Promotion and planning in conjunction with entertainment characters and digital

To make the digital generation more familiar with kimono, the company is also working with manga and characters. The company is also working to integrate the digital and real worlds by creating kimonos worn by characters and using them as image characters for an online dressing application.

Providing Japanese clothing in digital form, such as in the Metaverse

The use of digital is also used for virtual kimonos, with Joyfa's (<https://joyfa.io/>) advanced computer graphics technology creating photo-realistic digital kimonos. This made it easier to purchase with NFT sales and pre-provision of images to be worn. Although it is in the idea stage, the idea is to provide kimono to the Metaverse, and it is expected to make great strides in the digital arena.

Collaboration among characters and digital will continue to be promoted

Manga tie-up project

Tie-up between tashinami and Kimono Otome

Became an image model for "tashinami," an online lesson where you can learn how to dress yourself via apps and the web.
Serialized on the web manga site "Jellyfish Bunch".
The characters from "Love, Kimono Otome" are used.
Special free manga available on the tashinami website.

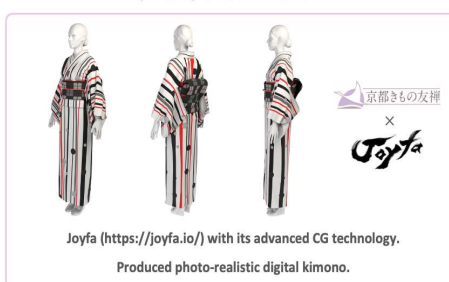
Examples of future developments

(Real) Character x Kimono (Komon)



New channel development

(Virtual) 3DCG Kimono



Ease of purchase through NFT sales and advance provision of wearable images

Continuing to promote the project with an eye toward overseas expansion.

Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

Sustainability

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



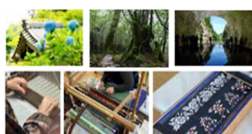
8 DECENT WORK AND ECONOMIC GROWTH



17 PARTNERSHIPS FOR THE GOALS



1 time/Urban area → Area decentralization



ESG Initiatives to Ensure Sustainable Growth

Environment: Promoting the inherent sustainable life cycle of kimonos

Introduction of Mama Furisode and Sisters Furisode Plans

Japanese kimonos can be utilized over the long term by taking care of them. For example, if a mother already owns a furisode (long-sleeved kimono) and is considering using it for her daughter's coming-of-age ceremony, YU-WA's expert staff will propose a variety of services, from alteration to arrangement, to accommodate the feelings of the mother and daughter. In this way, YU-WA promotes the use of kimonos purchased in the past over the long term.

Strengthening of Sikkai (Fixing) Services and start of Reuse Business

YU-WA is also strengthening repairs as a long-term use of kimonos, and since YU-WA is a sales contact for kimonos to consumers, it is putting more effort into follow-up services than before. The company will continue to strengthen the long-term use of Japanese kimonos, including their reuse.

Product development using upcycled kimonos

While the company has been focusing on jewelry and other related businesses as a means to enjoy coordinating kimonos, the company is also developing products through upcycling as a means to utilize the appeal of kimono materials as they are. This will expand the ways for consumers to enjoy kimonos and revitalize the lifecycle of kimonos.

Society: Contributing to the promotion of traditional Japanese culture and passing on skills

Conducting training in production areas

YU-WA is conducting a training program on Amami Oshima Island, the birthplace of Oshima Sleeves, one of the world's three major textile fabrics. Not only employees but also customers invited to participate will deepen their understanding of the manufacturing process of authentic Amami-Oshima Tsumugi and the current state of the production area. The program will help participants understand the natural and cultural attractions of the island, which is registered as a World Natural Heritage site, and contribute to the dissemination and transmission of traditional culture.

Actively organize tours to visit production sites and workshops

The tours of production sites and workshops will increase interest in kimono, and if this leads to sales, it will support the management of small workshops and help preserve traditional techniques. Currently, the scale and frequency of the tours are limited due to the Corona disaster, but in the future, the company aims to expand the tours to overseas customers, including inbound

Promoting Employment of the Elderly

Since kimono is a traditional product, there is an affinity for utilizing elderly people with expertise. Employment of the elderly will be promoted to realize the original sustainable life cycle of kimonos.



Corporate Governance: Strengthening Corporate Governance

Strengthening management structure by becoming a holding company and promoting succession planning

YU-WA shifted to a holding company structure with the aim of further increasing corporate value and business expansion by creating new businesses, fostering the next generation of managers, strengthening governance, and building a swift decision-making structure. YU-WA entered into an absorption-type demerger agreement with Kyoto Kimono Yuzen Demerger Preparatory Inc. (currently Kyoto Kimono Yuzen Inc.), a wholly owned subsidiary of YU-WA, and YU-WA took over its business.

Utilization of competent outside personnel

The current Vice President is Mr. Kasuya, who was invited in 2019. He joined Culture Convenience Club Co. Ltd. and served as a director of the company. He later joined Chikaranomoto Holdings Co., Ltd., where he promoted IPPUDO's overseas expansion and is credited as one of the few successful examples of an investment by the Cool Japan Fund. Although temporarily suspended due to the impact of Corona, the company is now looking to actively hire outside personnel to turn the business around, and several people from IPPUDO have joined YU-WA at Mr. Kasuya's invitation.

Active appointment of outside directors (half of them are outside directors)

The Board of Directors consists of eight members (as of the date of submission): one Representative Director, four Directors (excluding Directors who are members of the Audit Committee), and three Directors who are members of the Audit Committee (all of whom were appointed by the Audit Committee as Audit Committee members as stipulated in Article 399-3 of the Companies Act). The in-house directors consist of a representative from Nishinippon Wasai Ltd. (currently PREMIER Co., LTD) and three new graduates and mid-career hires. In particular, personnel from the company, including the vice president from Chikaranomoto Holdings, Co., Ltd. who has successfully implemented the Cool Japan strategy at IPPUDO, are beginning to participate in the project, and a strong structure for overseas strategy is now in the process of being arranged. In addition, four outside directors make up half of the board of directors and are supervised by personnel from the investment business, a certified public accountant, and a lawyer.

Transitioned to a company with Audit and Supervisory Committee to strengthen supervisory functions

YU-WA transitioned to a company with Audit and Supervisory Committee to strengthen supervisory functions. The committee consists of two certified public accountants and one lawyer, and is expected to provide oversight through their differing expertise.

Incentive compensation for directors

YU-WA has introduced a restricted stock compensation plan for Directors, excluding Directors who are members of the Audit Committee and Outside Directors, with the aim of providing incentives to sustainably increase corporate value and promote value sharing with shareholders.

3. Company overviews

■ Company overviews

Name	YU-WA Creation Holdings Inc.
Established	1971-08-05
President&CEO	Masachika Hattori
Headquarters	SUMITOMO LIFE INSURANCE COMPANY Nihonbashi-Odenmacho Building, 14-1 Nihombashi-Odenmacho, Chuo-ku, Tokyo
Capital	404 JPY 1mil.
Number of employees	Consolidated 537, Non-Consolidated 33
Fiscal Year End	March
Business Purpose	Sales of high-end kimono, jewelry, etc., with a focus on furisode (long-sleeved kimono)
Listing Date	1999-10-01
Stock Exchange Listing	Tokyo Stock Exchange Standard

[Source]Prepared by JPR based on company data

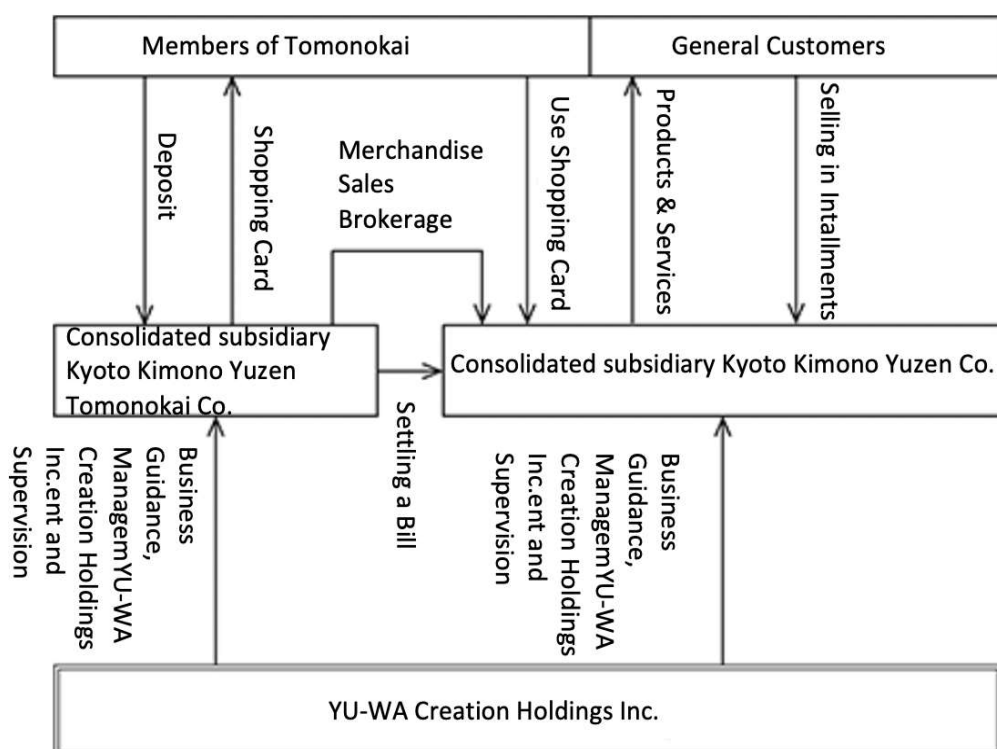
■ Company History

Year	Month	Details
1971	August	Established Marukawa in Inage-ku, Chiba City
1977	February	Established "Marukawa Oshare Kai Inc. - currently Kyoto kimono Yuzen Tomonokai Inc." as a subsidiary of Tomo no Kai organization, licensed as a specified prepaid business dealer under the Installment Sales Act
1979	April	Established Tokyo office (substantial head office function) in Chuo-ku, Tokyo
1981	July	Company name changed to Marukawa Inc.
1987	February	Opened "Tokyo Honkan" in Nihonbashi -bakurocho, Chuo-ku, Tokyo, as the company's sales base
1989	July	Company name changed to the current "Kyoto Kimono Yuzen Inc."
1997	October	"Tomonokai" membership exceeded 30,000
1999	October	Listed on JASDAQ
2000	November	Listed on the Second Section of the Tokyo Stock Exchange
2002	March	Listed on the First Section of the Tokyo Stock Exchange
2004	October	"Tomonokai" membership exceeded 50,000
2004	November	Established KY Credit Service Co., Ltd. as a subsidiary engaged in installment sales brokerage
2010	April	Merged with KY Credit Service Co., Ltd.
2013	February	"Tomonokai" membership exceeded 70,000
2018	October	Sold company owned building "Tokyo Honkan" and relocated
2020	July	Started EC business
2021	May	Started nail salon business
2021	August	Started online school business
2021	October	Shifted to a holding company system and changed the company name to YU-WA Creation Holdings Inc.

[Source]Prepared by JPR based on company data

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Chart of Operations



[Source]Based on company data

Major Consolidated Subsidiaries and Group Companies

Business Line	Company Name	Business Overview	Capital	Shareholding ratio
Sales of kimono, etc.	Kyoto Kimono Yuzen Inc.	Operation of kimono stores and other businesses	JPY 10 million	100%
	Kyoto kimono Yuzen Tomonokai Inc.	Operation of kimono stores	JPY 100 million	100%

[Source]Prepared by JPR based on company data

Major Business Alliances

Year	Month	Target Company	Purpose
2020	October	Startup Technology Inc.	Created a new platform by launching an online school business

[Source]Prepared by JPR based on company data

4. ROIC analysis

Net Sales Operating income

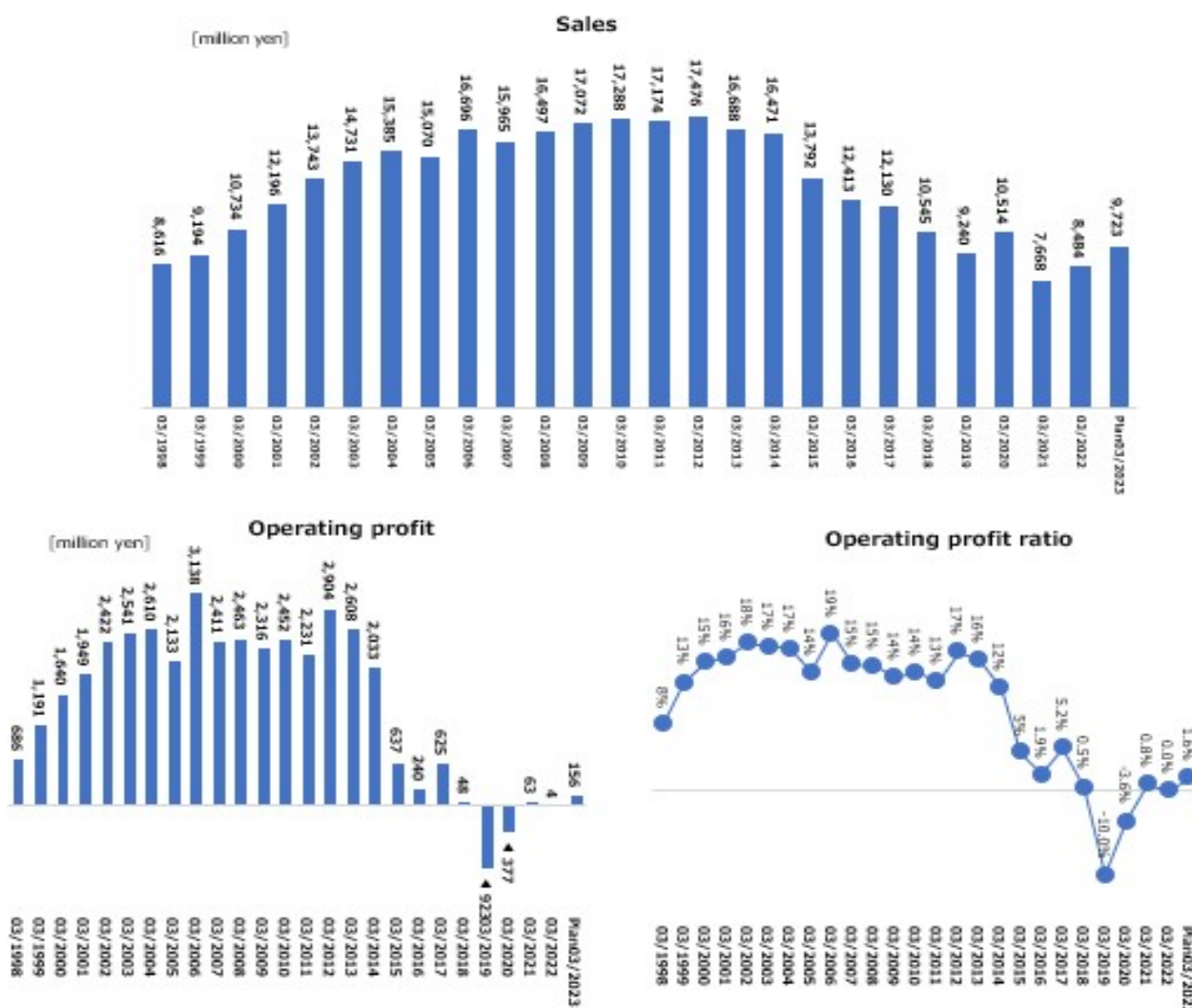
Formerly highly
profitable
and high profit
margins

Net Sales and Operating Income

Net sales and operating income were on a declining trend.

In response to the ever-shrinking market, sales had been growing until 2012, but have been declining since then. Operating profit was high, around 15% despite being a retailer, showing the uniqueness of expensive and branded Japanese clothing, but operating profit declined significantly as sales declined. This trend is the reason why YU-WA has a sense of crisis and is trying to change.

Trends in Net Sales, Operating Income, and Operating Income Margin



[Source] Prepared by JPR

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Operating profit ratio Analysis

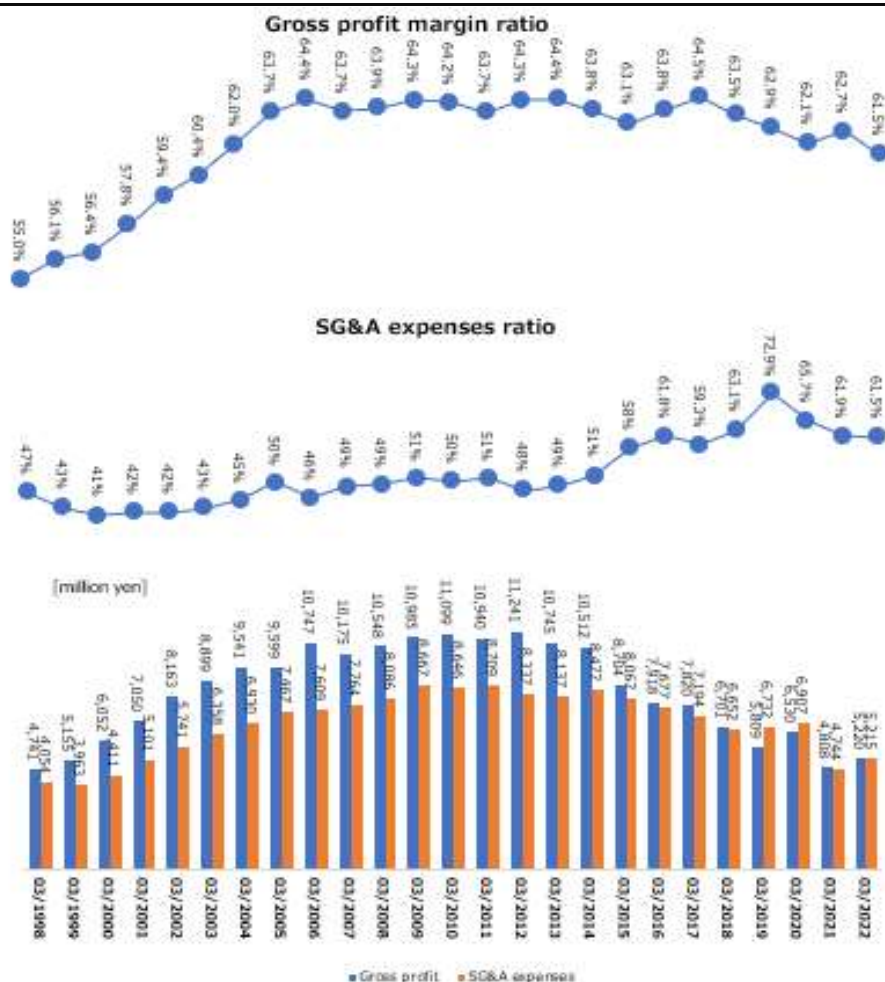
Strategy to lower both gross profit and SG&A expenses

Gross Profit Margin and SG&A Ratio

Reduction of SG&A expenses not keeping pace with decline in gross profit due to sales contraction

The decrease in operating income shown in the previous section is attributed to an increase in the SG&A-to-sales ratio. Gross profit margins have remained high due to the strength of the kimono brand and the asymmetry of information to consumers. On the other hand, the company is shifting its business from real to digital operations in an effort to halt the decline in sales due to market contraction and other factors. This has led to a decrease in gross profit margins by setting prices that are more affordable for consumers, while at the same time reducing SG&A expenses by decreasing advertising and promotion expenses by shifting from real stores to e-commerce. This trend has already been seen in the company's results, but the improvement in the operating profit margin has been limited due to the slow reduction in SG&A expenses.

Trends in Net Sales, Operating Income, and Operating Income Margin



[Source]Prepared by JPR

ROIC

Invested capital
tends to go down
due to
digitalization

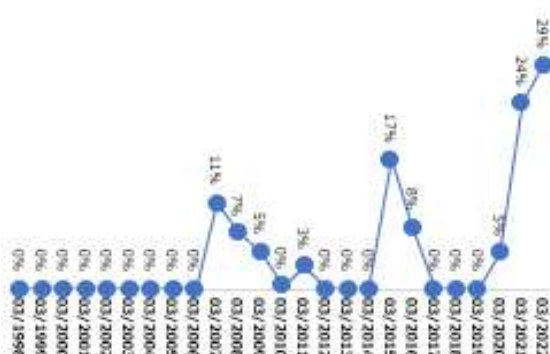
ROIC (Return on Invested Capital) Trends

Reversing trend, but ROIC recovery may be around 15% with strategic investments.

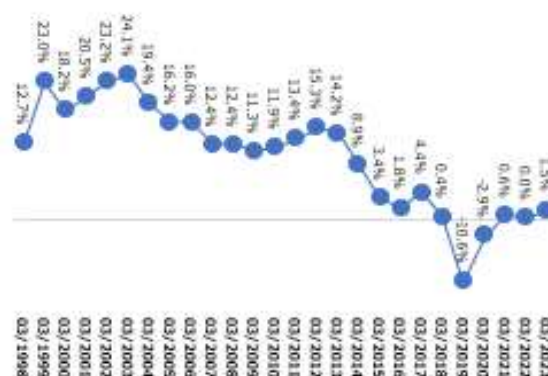
As explained in the previous section, operating income is currently in the process of recovery. On the other hand, while a certain amount of invested capital is needed for growth investments, mainly in digitalization, due to the change in business model, we expect a relative decrease in investments in real stores. However, the company is emphasizing alliance strategies, and M&A may be an option in some cases, in which case invested capital may increase.

Trends in Net Sales, Operating Income, and Operating Income Margin

Book Value DE Ratio

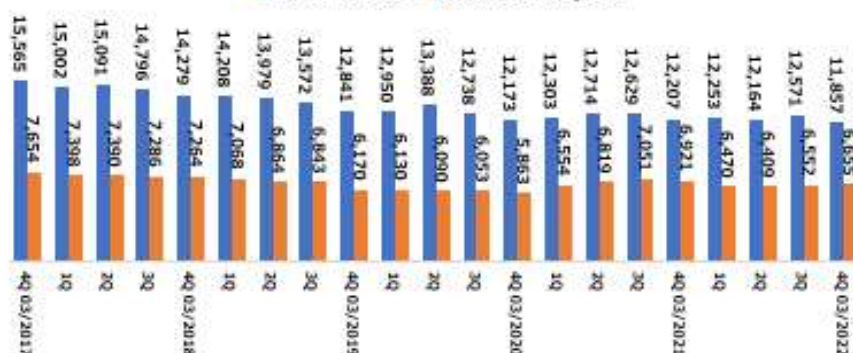


Return on invested capital



(million yen)

■ Total asset ■ Invested capital



[Source]Prepared by JPR

5.Summary of Business Results for the Fiscal Year Ending March 31, 2022

Profit/Loss Summary

**Furisode
Struggles, but
Kimono Steady**

**Significant
increase in e-
commerce
channel sales
contributed**

**Less than
expected impact
of revenue
recognition
standards**

**Decreased due to
the effects of
measures**

Profit/Loss Summary

Orders Received

Sales of furisode were down 8.5% YoY due to difficulties in attracting customers for furisode during the busy summer and winter seasons. General kimono sales were strong, up 22.6% YoY. On a consolidated basis, sales were up 16.2% YoY.

Sales

Sales (shipments) of the kimono store operation business increased 8.3% to 8,230 million yen, taking into account the impact of the application of the Accounting Standard for Revenue Recognition, etc. In other businesses, sales increased 326.3% YoY due to growing needs in the e-commerce business. As a result of the above, on a consolidated basis, sales increased 263.5% YoY to 254 million yen.

Gross Profit Margin

When revenue recognition accounting is applied to YU-WA's business, the gross profit margin will increase as sales of digested purchase transactions will be shown as net sales. Before applying revenue recognition accounting, the kimono business was -0.3 pt YoY; the impact of revenue recognition accounting was less than originally planned, resulting in a -1.2 pt YoY decline on a consolidated basis.

Advertising and SG&A Expenses

The company is in the process of changing to a structure that will secure sales while lowering the ratio of advertising expenses. In light of the prolonged declaration of the state of emergency, the company is reducing offline push sales promotion measures, resulting in -126 million yen (-10.8%) YoY.

Personnel Expenses

The average number of employees during the period was -16 YOY and +1 YOY compared to the plan.

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Operating Income

Increase in sales and decrease in SG&A expenses, but extraordinary loss and upfront investment

Although sales in the kimono store operation business increased, operating income in the kimono store operation business declined -4.6% to 598 million yen, due in part to an extraordinary loss of 376 million yen for expenses incurred during the temporary closing period (personnel expenses, store rent, event cancellation expenses, etc.). Other businesses posted an operating loss of 75 million yen due to upfront investments in new businesses, capital expenditures, and new store opening costs, resulting in a consolidated operating income of 4 million yen, down -93.1%.

Extraordinary Loss

In the kimono store operation business, there was an 81 million yen impairment loss due to declining store profitability, an 88 million yen impairment loss on top of asset retirement obligations, and a 40 million yen loss on valuation of investment securities.

New Businesses

Steady growth in e-commerce

Although e-commerce performed well and secured profits as planned, operating income from new businesses was -87 million YoY due to a delay in the timing of the opening of photo studios.

Profit and Loss Excerpt (Consolidated)

Profit and Loss Excerpt (Consolidated)								
	03/2021 Actual		03/2022 Actual		Year on Year	03/2022 Revised Plan		Relative Change from the Plan
		Sales Ratio		Sales Ratio			Sales Ratio	
Orders Received	7,273		8,399		115.5	8,943		93.9
Net sales (Shipments)	7,668	100.0	8,484	100.0	110.6	8,630	100.0	98.3
Gross Profit	4,807	62.7	5,220	61.5	108.6	5,416	62.8	96.4
SG&A Expenses	4,744	61.9	5,215	61.5	109.9	5,314	61.6	98.1
(In)Advertising and Sales Promotion	1,171	15.3	1,044	12.3	89.2	1,112	12.9	93.9
Personnel Expenses	2,230	29.1	2,551	30.1	114.4	2,603	30.2	98.0
Operating Income	63	0.8	4	0.1	6.9	102	1.2	4.3
Non-Operating Income (Loss)	35	0.5	12	0.1	34.6	14	0.2	85.3
Ordinary Income	98	1.3	16	0.2	17.0	117	1.4	14.4
Extraordinary Income/Loss	53	0.7	△211	△2.5	-	-	-	-
Net Income	77	1.0	△185	△2.2	-	68	0.8	-
Earnings Per Share (EPS)	6.50 yen		△15.66 yen		-	5.75 yen		-

Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

Order Summary

Struggled due to semi-emergency coronavirus measures

Order Summary

Orders Received

While Q3 saw a recovery in the number of store visitors due to the implementation of sales promotion measures, Q4 faced difficult conditions in terms of customer traffic due to the extended period of time during which priority measures to prevent the spread of the disease were in effect. The number of visitors increased 6.0% YoY. The closing rate was -0.1 pt, and the average unit price was -13.6%. Combined orders received for sales and rentals were down 8.5% YoY.

Changes in Order Composition Ratio



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

Orders for Fuisode

Orders for Fuisode

Number of Visitors and Orders Received

	03/2021	03/2022	Fluctuation
Number of Visitors	12,449 persons	13,201 persons	+6.0%
Number of Orders (closing rate)	7,263 (58.3%)	7,686 (58.2%)	+5.8% (-0.1 pt)
(Incl.) Sales	5,390 (43.3%)	5,749 (43.5%)	+6.7% (+0.3 pt)
(Incl.) Rental	1,873 (15.0%)	1,937 (14.7%)	+3.4% (-0.4 pt)

(Incl.) Orders Received including Sales and Rentals

	03/2021	03/2022	Fluctuation
Number of Orders Received	7,263 persons	7,686 persons	+5.8%
Average Unit Price	322 thousand yen	278 thousand yen	△13.6
Orders Received	2,336 million yen	2,136 million yen	△8.5

Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Slight decrease in both number of members and membership orders

Status of Tomo no kai

The decrease in membership was mainly due to the closure of two stores. The membership rate of Tomo no Kai after the signing of contracts for furisode was 27.2%, up 0.2 pt YoY. Orders for general kimono and jewelry increased, but the utilization rate declined, resulting in a 3.4% YoY decline in member orders.

Status of Tomo no kai

(Unit: persons, million yen)

	03/2021	03/2022	Fluctuation
Number of Members	69,743	68,179	△ 1,564
Orders Received by Members	1,266	1,224	△ 43
Usage Of Total Orders for General Draperies, etc. Percentage of Total Orders for General Draperies, etc.	27.9 %	22.0%	△ 5.9 pt
Average Purchase Ratio	2.5 times	2.9 times	+0.4 pt
Total Reserve Balance	3,252	3,129	△ 123
(Incl.) Reserve Completed Unused	2,676	2,594	△ 83
Percentage of unused	82.3 %	82.9%	+0.6 pt

(Note) Long-term unused deposits that cannot be contacted are reclassified to revenue, but are included in the reserve balance in the table above.

Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

Overview by Segment

Continued upfront investment in new businesses

Overview by Segment

Profit and Loss

In FY03/2022, 376 million of operating costs incurred during the temporary closure period were transferred from operating expenses to extraordinary losses; in the other businesses (photography, e-commerce, nail care, and online school) in FY03/2022, upfront investments such as new store openings are being made.

Segment Profit/Loss (vs. Previous Year)

03/2022 Actual

(Millions of yen, %)

	Japanese Clothing Stores Operation Business	Other Businesses	Total	Erase or Whole Company	Connection
Net Sales	8,230	254	8,484	-	8,484
Operating Expenses	7,631	329	7,961	518	8,480
Segment income	598	△75	522	△518	4

03/2021 Actual

	Japanese Clothing Stores Operation Business	Other Businesses	Total	Erase or Whole Company	Connection
Net Sales	7,598	69	7,668	-	7,668
Operating Expenses	6,971	58	7,029	575	7,604
Segment Income	627	11	638	△575	63

Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

BS,CF

Financials

BS,CF

Balance Sheet

Balance Sheet (Consolidated)

	03/2021	03/2022	Fluctuation	(Millions of yen)
Current Assets (of which cash and deposits)	9,407 (4,280)	9,146 (3,969)	△261 (-312)	
Property, Plant and Equipment	148	233	+85	
Intangible Fixed Assets	80	74	△ 6	
Investments and Other Assets	2,571	2,403	△168	
Fixed Assets	2,800	2,710	△90	
Total Assets	12,207	11,857	△350	
Liabilities	6,877	7,069	+192	
Capital Stock	5,330	4,788	△ 543	
Accumulated Other Comprehensive Income	-	-	-	
Noncontrolling Interest	-	-	-	
Net Assets	5,330	4,788	△ 543	
Total Liabilities and Net Assets	12,207	11,857	△350	

Assets

- Cash and Cash Equivalents △312M
- Inventories + 63M
- Accounts Receivable △ 21M
- Building + 61M
- Guarantee Deposit △150M
- Investment Securities △ 40M

Liabilities

- Accounts Payable - Other △93M
- Advances Received △139M
- Allowance for Sales Promotion △103M
- Short-term Loans Payable + 100M
- Asset Retirement Obligations + 144M
- Contract Liabilities + 280M

Net Assets

Retained Earnings (554M)
(Incl. adjustment to retained earnings at the beginning of the period due to the application of revenue recognition accounting: -295M)

Equity Ratio 40.4
(43.7% as of March 31, 2021)

Cash Flows

Cash Flows (Consolidated)

	03/2021 Actual	03/2022 Actual Results	fluctuation	(Millions of yen)
Cash flows from operating activities	△651	△334	+316	
Cash flows from investing activities	433	△0	△434	
Financial Cash Flows	923	17	△906	
Net increase (decrease) in cash and cash equivalents	706	△318	△1,024	
Cash and cash equivalents at beginning of year	3,574	4,280	+706	
Cash and cash equivalents at end of year	4,280	3,962	△318	

Operating CF

- Current Net Loss before Adjustment for Taxes 195M
- Increase/Decrease in Allowance for Sales Promotion △103M
- Expenses
- Increase/Decrease in Deposits Received △127M
- Impairment Loss + 169M

Investment CF

- Acquisition of Property, Plant and Equipment △116M
- Collection of guarantee deposits + 150M

Financial CF

- Increase/Decrease in Short-term Loans Payable + 100M
- Dividends Paid △73M

Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

6. Mid-term Management Plan

**FY03/2022
~FY03/2025**

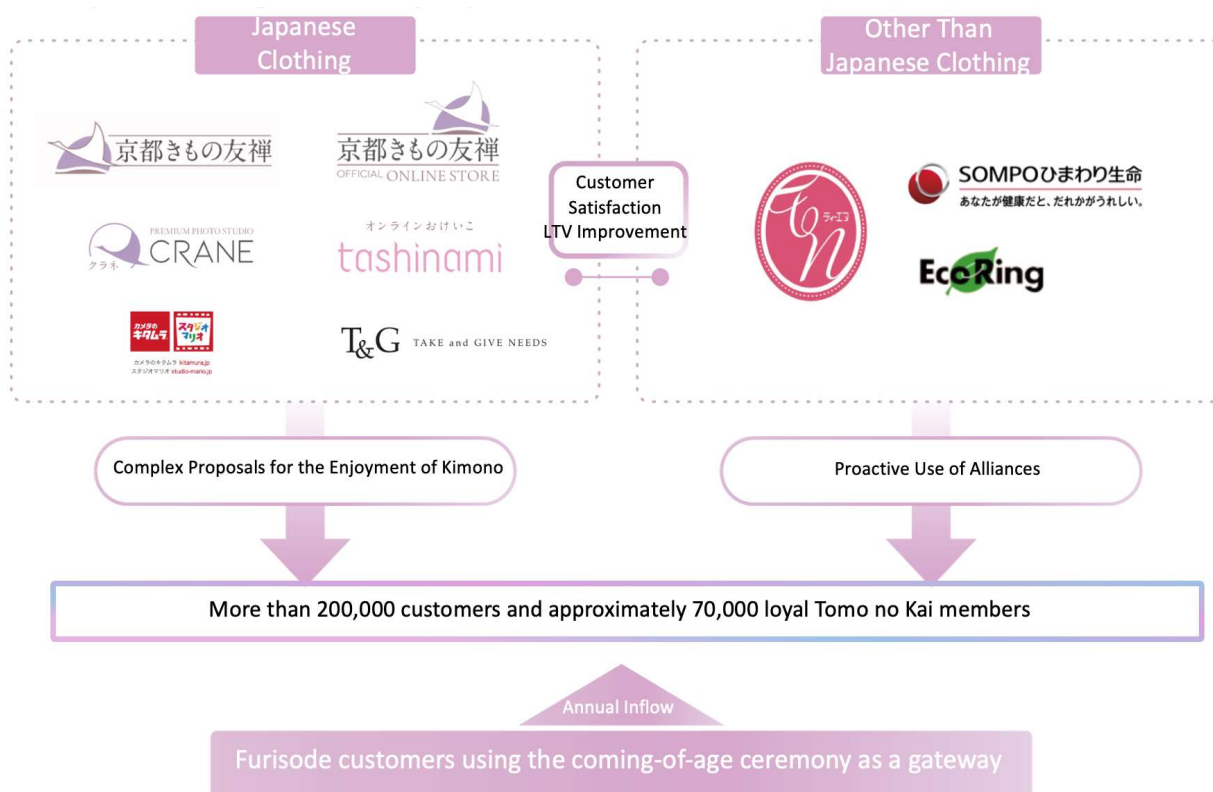
**Dividend payout
ratio target 30%**

Mid-term Management Plan

**Develop new businesses and services in line with
management philosophy**

The company's medium-term management plan through FY03/2025 emphasizes stable and continuous dividend payments (targeting a payout ratio of 30%). Sales are planned to grow at an average annual rate of 13%, with an improvement in the operating profit margin to 4.6% compared to 0.1% in FY03/2022.

Image of the Medium-Term Management Plan



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

Medium-term Plan (Consolidated)

Medium-term Plan (Consolidated)

	03/2022 Actual		03/2023 Plan		03/2024 Plan		03/2025 Plan	
		Sales Ratio		Sales Ratio		Sales Ratio		Sales Ratio
Net Sales (Shipments)	8,484	100.0	9,723	100.0	10,271	100.0	10,913	100.0
Operating Income	4	0.1	156	1.6	300	2.9	500	4.6
Ordinary Income	16	0.2	139	1.4	284	2.8	482	4.4
Net Income	△185	△2.2	102	1.0	224	2.2	391	3.6
Earnings Per Share (EPS)	△15.66 yen		8.60 yen		18.88 yen		33.05 yen	
Dividend Per Share	6 yen		6 yen		9 yen		11 yen	
Dividend Payout Ratio	-		69.7% (%)		47.7% (%)		33.3% (in %)	

Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

7.External market analysis

Market environment

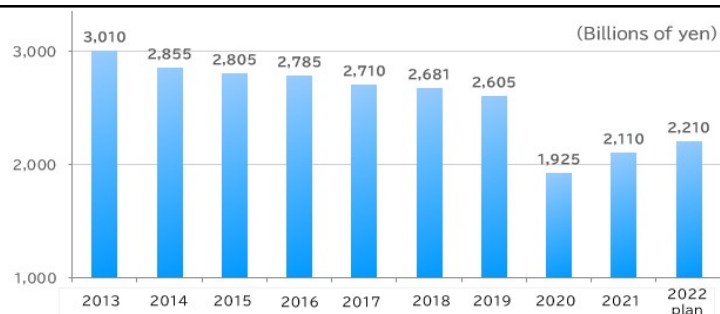
The market continues to shrink.

Market analysis

The decline of the Kimono market and efforts to reverse it

The kimono market peaked at 1.8 trillion yen in the 1950s and has since peaked at less than 300 billion yen in the 2000s, but the decline has accelerated as the corona virus epidemic has reduced the number of coming-of-age ceremonies and other events and made it difficult to promote the market at exhibitions and other events. In response to this crisis, efforts have begun in the public and private sectors to revive this unique Japanese culture and to protect it.

Profit and Loss Excerpt (Consolidated)



Source: YU-WA's Supplementary Financial Data for the Fiscal Year Ended March 31, 2022

PEST

PEST analysis

P : Politics and Law

Ministry of Economy, Trade and Industry: Council for the Promotion of Japanese Clothing

The committee has met 10 times since 2015 as of 2021 with related organizations and experts as committee members, with the aim of promoting the kimono industry. In addition to promotion measures including subsidies, the committee is also discussing how the industry can address issues related to business practices unique to the kimono industry, such as long-term bills and the absence of fixed prices.

Traditional Crafts Designated by the Minister of Economy, Trade and Industry

Crafts made with traditional skills and techniques that have been in use for more than 100 years and continue to be used today. Products that are made with the techniques, skills, and raw materials designated by the Minister of Economy, Trade and Industry, and that have passed the inspection of their place of origin, are affixed with a "traditional certificate" using the design of the traditional mark.

Public-Private Initiative

Traditional Marks (Densan M)



This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

E:Economy

The textile industry is strong in materials, but imports of clothing are at a high level

Overview of the domestic textile industry

According to the "Current Status of the Textile Industry and Efforts by the Ministry of Economy, Trade and Industry" published by the Ministry of Economy, Trade and Industry in January 2020, the number of domestic textile establishments and the value of manufactured product shipments have both declined by about 1/4 from 1991, while the value of shipments has remained flat. Import penetration in the domestic apparel market continues to increase, rising to 97.7% in 2018. In the midst of years of intense international competition, material manufacturers and others that have survived have strong manufacturing capabilities, and fabric exports are competitive at a globally high level, but exports of

E-commerce expansion in the apparel industry

According to "Current Status of the Textile Industry and Efforts by the Ministry of Economy, Trade and Industry," the EC market for clothing and accessories was 1.77 trillion yen in 2018 (up 7.7% from the previous year), with an EC conversion rate of about 13%.

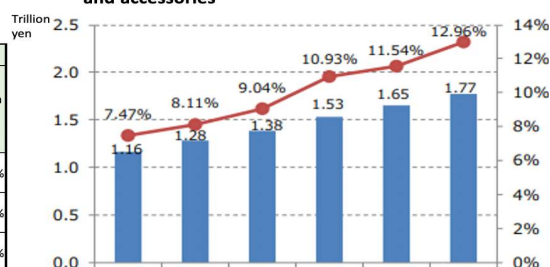
Profit and Loss Excerpt (Consolidated)

Size of the B to C-EC market size in the goods sales sector

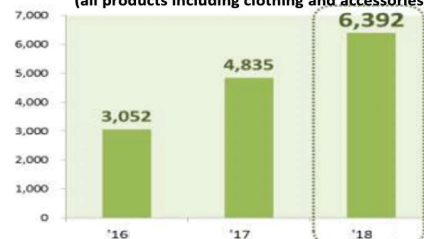
Classification		2017		2018	
		Market size (100 million yen)	EC conversion rate (%)	Market size (100 million yen)	EC conversion rate (%)
①	Food, beverage and liquor	155,789	2.41%	16,919 (8.60%)	2.64%
②	Household appliances, AV equipment, PCs and peripherals, etc.	15,332	30.18%	16,467 (7.40%)	32.28%
③	Books, video and music software	11,136	26.38%	12,070 (8.39%)	30.80%
④	Cosmetics and pharmaceuticals	5,670	5.27%	6,136 (8.21%)	5.80%
⑤	Household goods, furniture and interior	14,817	20.40%	16,083 (8.55%)	22.51%
⑥	Clothing, accessories, etc.	16,454	11.54%	17,728 (7.74%)	12.96%
⑦	Automobiles, motorcycles, parts, etc.	2,192	3.02%	2,348 (7.16%)	2.76%
⑧	Office supplies, stationery	2,048	37.38%	2,203 (7.57%)	40.79%
⑨	Other	2,779	0.80%	3,038 (9.31%)	0.85%
total		86.01%	5.79%	92,992 (8.12%)	6.22%

Source: Ministry of Economy, Trade and Industry, Market Survey on Electronic Commerce

EC market size and EC conversion rate for clothing and accessories



Market size of flea market apps (all products including clothing and accessories)



Source: "Current Status of the Textile Industry and Efforts of the Ministry of Economy, Trade and Industry", Consumer Products Division, Ministry of Economy, Trade and Industry, January 17, 2020.

Japanese dress is closely related to the event

Spreread of digital

5 Force

No barriers to entry, but trust building is necessary

Japanese clothing itself needs to be the alternative.

Needs to be accessible to consumers

S: Society

The shrinkage of the kimono market due to the Corona disaster has shown that kimono is closely correlated with events and occasions, such as shrine visits, Shichi-Go-San, entrance, graduation, and coming-of-age ceremonies, weddings, and other celebrations, ceremonies, and parties. On the other hand, there are people who incorporate kimono into their daily lives, although at present it is still limited to a small number of people with a taste for kimono. The obstacles to the adoption of kimono into daily life include the problem of dressing and the inconsistency of the reuse market, where the expensive price range is almost non-existent.

T: Technology

Recent technology initiatives in the kimono field have been centered on IT, and the emphasis is shifting from traditional customer service in real stores to e-commerce. In addition, there are a number of real and digital lessons being offered in the area of kimono dressing, which is a challenge.

5 Forece analysis

Threat of new entrants

Since this is a retail and distribution business, anyone can enter the market, but it is necessary to build credibility with related parties such as kimono manufacturing workshops and wholesalers who deal in kimono. So far, entry has been seen from related fields such as hairdressing and jewelry.

Threat of Substitution

Potential substitutes for kimono are considered to be other formal wear for life events, rather than everyday clothing. The threat of substitutes is considered relatively small considering the possibility that they will replace the role that Western-style formal wear has played in the past, or that they will be used in a cosplay-like manner.

Negotiation skills of the buyer (customer)

Since they are used for life events, they will be purchased regularly once they are established as part of the culture. However, since kimono is currently in the process of being offered as a new sense of value, there is a strong possibility that a pricing strategy and the establishment of a wide range of means of acquiring kimonos, including rental and reuse, will be required to replace the traditional expensive and hard-to-find products.

Currently in good standing

Many companies are dealing with kimono and related fields

Negotiation skills of seller (supplier)

Both the workshops that manufacture kimono and the wholesalers that contribute to distribution and YU-WA as a retailer work together to match the needs of consumers, and although they have a cooperative relationship with sellers, this relationship is only possible because kimono is expensive and gross profit margins are high. Therefore, the issue is whether product development and pricing strategies that match consumer needs can be implemented in the same good relationship as in the past.

Competition in the industry

Although there are several listed companies that deal in kimono, there is no perfect competitor to YU-WA in the field of kimono, as the ratio of furisode (long-sleeved kimono) to kimono is different in kimono. On the other hand, in terms of kimono as a whole, YU-WA competes in sales and rentals, and each company has its own initiatives in kimono dressing. In addition, each company is engaged in similar activities in related fields such as jewelry and hairdressing, and the shrinking kimono market has also added to the fierce competition.

Overview of comparable companies

Company name	ICHINOKURA Co.,Ltd. (6186)	Yamano Holdings Corporation (7571)	NIHONWASOU HOLDINGS, Inc. (2499)	Wagokoro Co.,Ltd. (9271)
accounting period	44,621	March	December	December
Net sales (Millions of yen)	18,567	13,175	5,058	902
Operating income (Millions of yen)	510	281	445	-487
capitalization (Billions of yen)	25	21	26	10
Overview	Sales consist of 80% for kimono and 20% for weddings. Furisode (long-sleeved kimono) accounts for about 70% of sales. The company sells and rents kimono and related products at 142 stores nationwide and on its e-commerce site, Ichiri Mall. The company also offers dressing classes, pre-show photography for coming-of-age ceremonies at its own studio, and dressing services on the day of the ceremony.	The company's founder is a business holding company that operates beauty salons, and the kimono jewelry business currently accounts for more than 70% of its sales. In the kimono jewelry business, the company is strengthening its soft strategy, holding kimono dressing classes and events. In addition, the company is diversifying through active M&A, and recently entered the reuse business and tutoring school business.	The company's business model is to "teach, communicate, and promote distribution," offering kimono dressing classes and providing opportunities for participants to be sold by kimono dealers. More than 200,000 people have graduated from kimono dressing classes. The company's revenue sources include commission income from sales brokerage, kimono processing process management, and processing contract fees.	Ancestral business of accessory brand manufacturing and sales. The company operates in Kyoto and other sightseeing areas. In addition to its stores, the company offers e-commerce sales and rentals, and operates stores that provide kimono rentals, dressing, luggage storage, and hair-set services so that customers can enjoy wearing kimonos without having to bring them, as well as a home-delivery kimono rental service that allows customers to rent complete kimono sets via the Internet.

Source: Prepared by JPR As of July 21, 2022

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Appendix 1. About BuySell Technologies

Company Overview

Overview of BuySell Technologies Co., Ltd.

Company overview

Name	BuySell Technologies Co., Ltd.
Established	2001/1/16
President&CEO	Kyohei Iwata
Headquarters	PALT Building 8F, 4-28-8 Yotsuya, Shinjuku-ku, Tokyo
Capital	1,777 million JPY
Number of employees	924 persons
Fiscal Year End	December
Business Purpose	Kimono and brand-name goods reuse business
Listing Date	2019/12/18
Stock Exchange Listing	TSE Growth

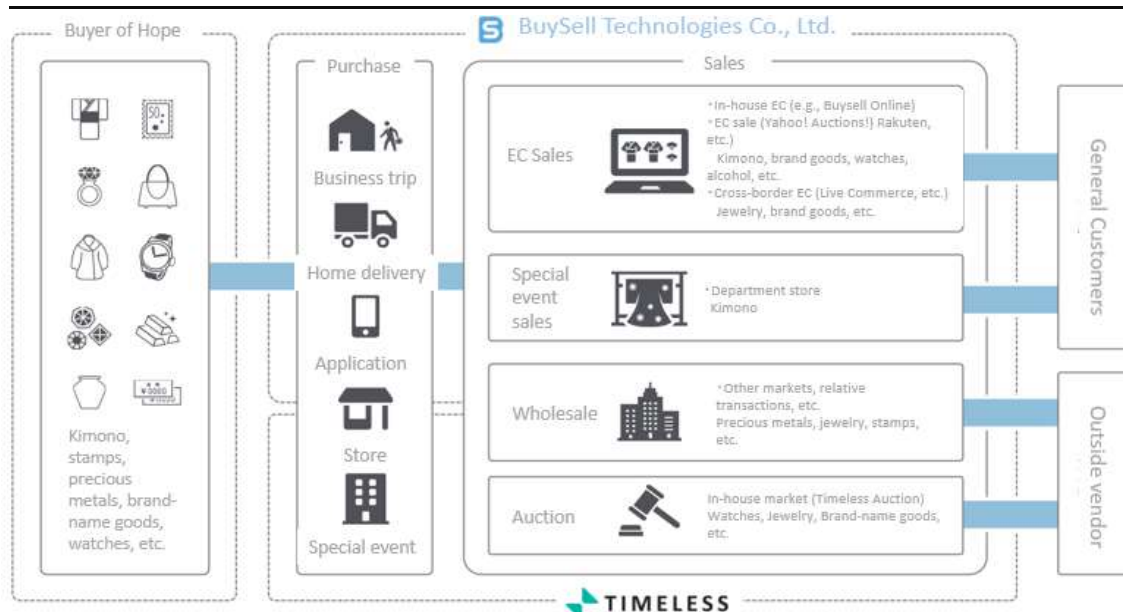
Source: Prepared by JPR based on company data.

Results for the year ending December 31, 2021

Sales (mill. JPY)	YoY (%)	Operation profit	YoY (%)	Operation profit ratio (%)	Ordinary Income (mill. JPY)	YoY (%)	Current period net benefits (mill. JPY)	YoY (%)
24,789	67.9	2,315	139.1	9.3%	2,295	148.8	1,314	132.3

Source: Prepared by JPR based on company data.

Group Business Chart



Source: Company data

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

BuySell's Strengths

Data-driven management based on one-stop operations organized in-house and KPIs for each department

Cross-media marketing to attract more customers optimized for seniors

In marketing, the company is expanding the number of customers optimized for senior citizens each fiscal year while achieving efficient CPA (cost per inquiry) through cross-media marketing that makes full use of the "Internet" and "mass media centered on TV commercials.

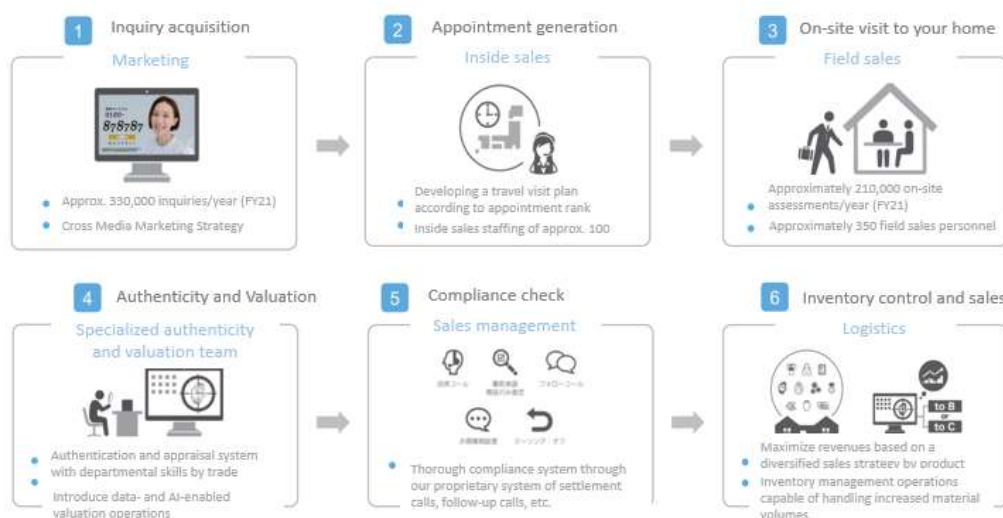
Effective appointment generation through sales organization

Inside sales promotes the generation of effective appointments that are expected to be highly profitable by responding to incoming calls from potential buyers not only as a receptionist but also as a sales organization. The company classifies appointments into five ranks according to the estimated gross profit per business trip based on internal management accounting, and assigns business trip visits according to these ranks.

Sales strategies for diversified sales channels by commercial products

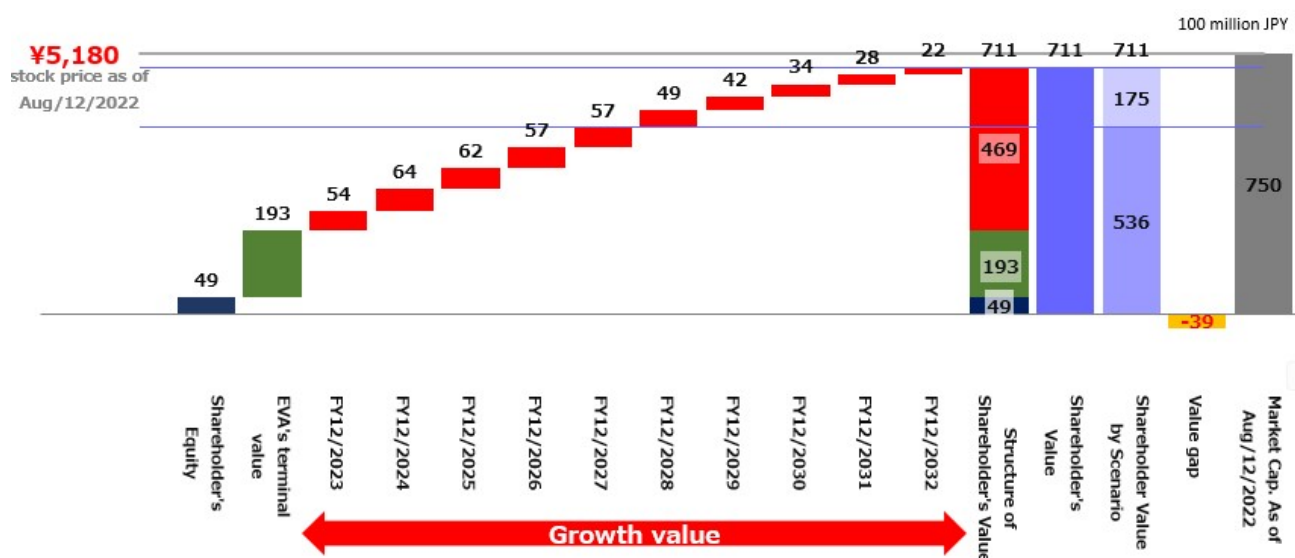
In the logistics business, the company has been able to reduce inventory risks in business-to-business sales and improve profit margins by expanding business-to-consumer sales through an inventory management system by product and by developing optimal sales strategies through the expansion of diversified sales channels, and the business-to-consumer sales ratio has grown to approximately 20%.

Appearance of the business model for on-site purchase, the mainstay of the company's business



Source: Company data

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.



[¥100mn]	Current Year 2022.12	1 year later 2023.12	2 years later 2024.12	3 years later 2025.12	4 years later 2026.12	5 years later 2027.12	6 years later 2028.12	7 years later 2029.12	8 years later 2030.12	9 years later 2031.12	10 years later 2032.12	11 years later 2033.12	12 years later 2034.12	Terminal Value
Sales	325	423	549	681	812	952	1,084	1,204	1,310	1,403	1,482	1,482	1,482	
Operating income	31.0	40.3	52.4	65.0	77.4	90.8	103.4	114.8	125.0	133.8	141.4	141.4	141.4	
Operating margin	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
Sales growth rate	31.1%	30.0%	30.0%	24.0%	19.2%	17.3%	13.8%	11.1%	8.8%	7.1%	5.7%	0.0%	0.0%	
NOPAT margin	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	
Invested capital turnover ratio	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%	
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
ROIC = NOPAT margin ÷ invested capital net sales ratio	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	
ROIC / WACC (value created with the original hand of 1 y	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	¥3.5	
NOPAT	21.43	27.86	36.22	44.92	53.54	62.79	71.47	79.38	86.40	92.51	97.75	97.75	97.75	
Invested capital × WACC	6.17	8.02	10.42	12.92	15.40	18.06	20.56	22.84	24.86	26.62	28.12	28.12	28.12	
EVA	15.27	19.85	25.80	31.99	38.14	44.73	50.91	56.54	61.54	65.90	69.63	69.63	69.63	
EVA = NOPAT - invested capital × WACC	15.27	19.85	25.80	31.99	38.14	44.73	50.91	56.54	61.54	65.90	69.63	69.63	69.63	
Value created in each year	193	58	75	78	78	83	78	71	63	55	47	0	0	
Discount Rate	100%	93%	86%	80%	74%	68%	63%	59%	54%	50%	47%	43%	40%	
Present value of EVA	193	54	64	62	57	57	49	42	34	28	22	17	14	
Invested capital ① Origin	78													
Over profit value (Permanent value of EVA of this business)	193													
Growth value (Present value of increase in EVA) ③	469													
Non-business asset value ④	0													
Corporate value = ① + ② + ③ + ④	739													
Interest-bearing debt, etc.	-29													
Shareholder value	711													

Source: JPR

Appendix 2. For those new to JPR reports

GCC Management™ Analysis

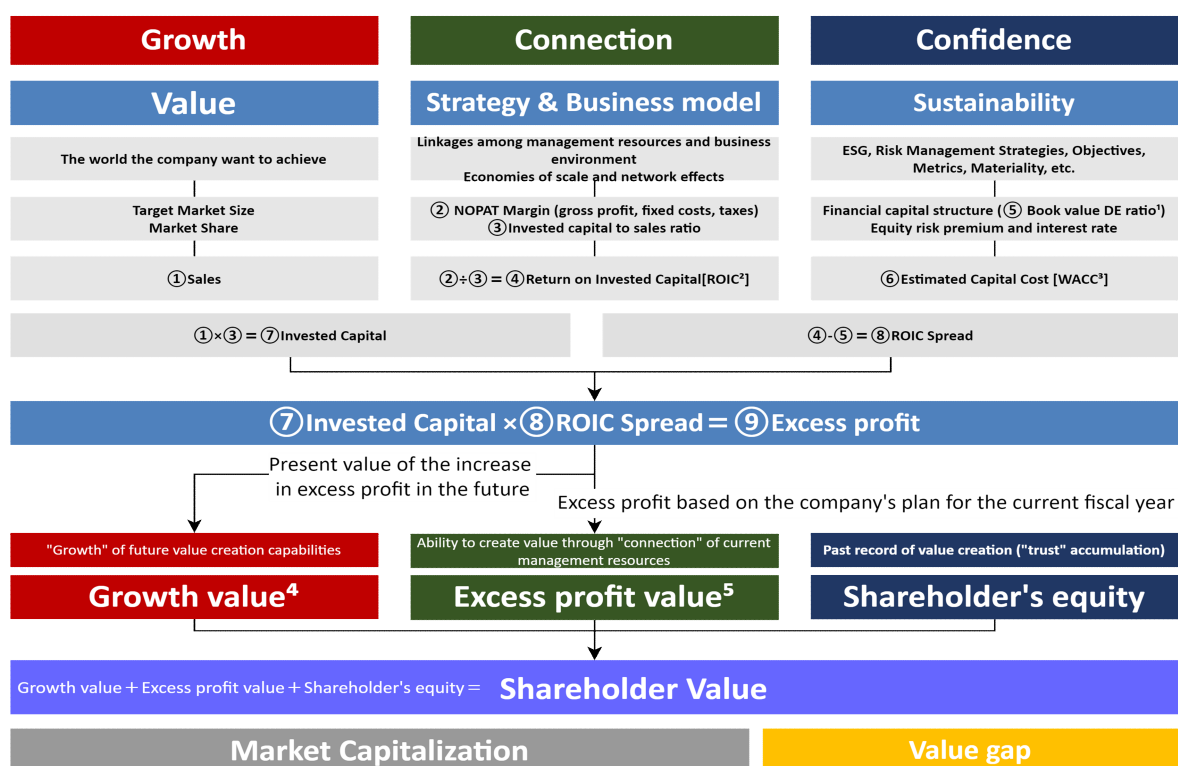
Visualize the value gap between theoretical shareholder value and market capitalization

Analyze by the three elements of Growth, Connection, and Confidence.

A framework for directly linking qualitative stories to shareholder value

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J-Phoenix Research Corporation ("JPR"), emphasizing three elements: Growth (sales growth), Connection (improved human and business connections = higher return on capital), and Confidence (improved trust = lower business risk). The following chart shows the overall picture of the GCC Management™ framework. The following diagram shows the overall picture. The qualitative future story is linked to financial indicators, which are finally integrated to estimate shareholder value. Using the excess profit method (see "Appendix 3. Basis of Calculation" at the end of this report), JPR estimates the final theoretical shareholder value and visualize the value gap by comparing it with the market capitalization.

GCC Management™ Analysis Framework



[Source: JPR] [Notes] 1. Book value DE ratio: Ratio of interest-bearing debt to shareholders' equity.

2. ROIC: Return on Invested Capital, See "Appendix 3." at the end of this document. 3. WACC: Weighted Cost of Capital, see "Appendix 3." at the end of this document. 4. growth value = cumulative present value of the perpetuity value of the excess profit increment through year X. The perpetuity value is calculated as the excess profit increment divided by WACC. The present value of that amount is discounted by the WACC.

Cumulative future value up to year X as assumed by the growth scenario. 5. Excess profit value = the perpetual value of excess profit based on the current year's company plan. The excess profit value is estimated by dividing the excess profit calculated from the current year's company plan and the invested capital at the beginning of the period by the WACC.

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Visualization of value gap through 10-year growth scenario analysis

Comparison of increase in shareholder value by year and market capitalization

The potential increase in shareholder value generated by a 10-year growth scenario based on the future story is visualized for each year and compared to the market capitalization. This allows us to visualize how many years of the future story are reflected in the market capitalization. 10 years of shareholder value is expected to be reflected in the market capitalization as the expectations for the achievability of the 10-year future story increase. The difference between the market capitalization and the estimated shareholder value reflecting up to 10 years of future story is the estimated upside potential. As investors' expectations of the feasibility of the future story are raised by the specific current performance, the likelihood of the realization of that value gap increases.

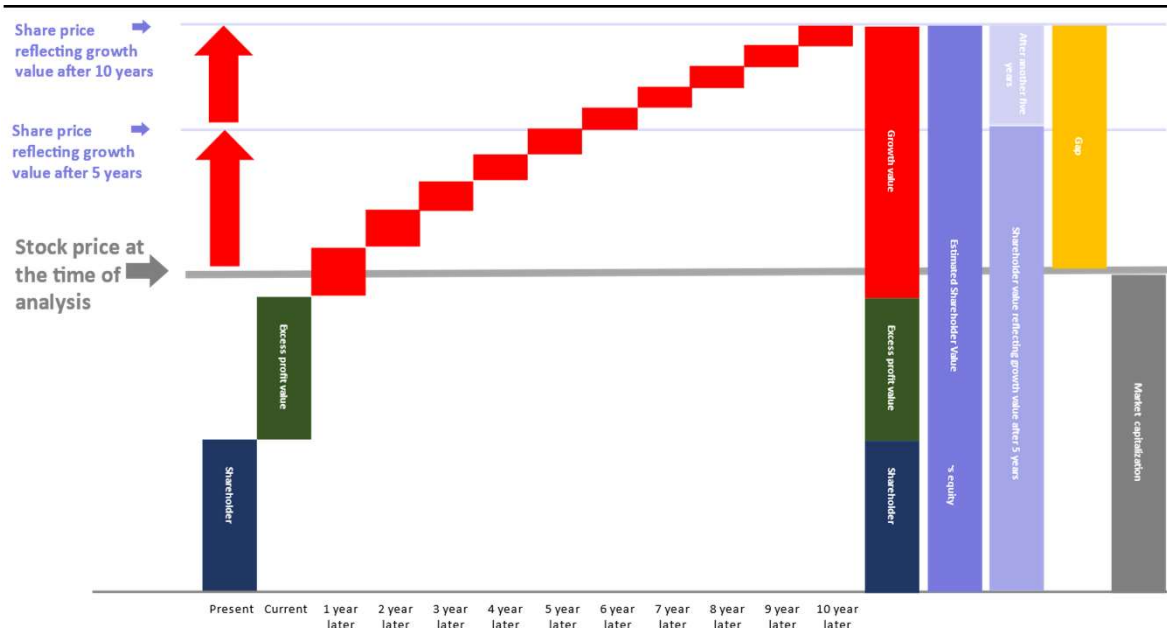
Conservative growth scenarios and scenarios reflecting changes in future stories

This analysis is useful when the firm's strategy undergoes significant change. As shown in the figure below, it is also possible to visualize separately the growth potential under the conservative scenario and the growth potential under the change. Shareholder value without incorporating change represents a conservative amount.

Visualize the value gap between theoretical shareholder value and market capitalization

Visualization of various scenario analysis

Visualizing the Value Gap



[source] JPR

This report is prepared by J-Phoenix Research, Ltd. (JPR) for the purpose of providing information to investors, not for the purpose of solicitation to buy or sell securities. It is based on information and materials that JPR has determined to be reliable, but does not guarantee the accuracy, reliability, completeness, suitability, or timeliness of the content published. JPR is not responsible for any consequences, including direct or indirect damage, due to the use or reliance of this report. Investors are responsible for the investment and other transactions. Please refer to the last page for details of precautions.

Appendix 3. Basis of Calculation

Corporate value
estimated by
use of ROIC and

Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

Breakdown of corporate value using excess return



[source] JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

- ☐ Excess return = NOPAT – Invested capital X WACC
- ☐ Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
- ☐ Invested capital = Total assets – Non-business assets – Current liabilities excluding Interest-bearing debt
- ☐ Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
- ☐ Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D/(E+D)) + Cost of shareholders' equity X (E/(D+E))
- ☐ Cost of shareholders' equity = 0.5% + 5% X β
- ☐ β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company
- ☐ E = Market cap at the time of calculation
- ☐ D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial statements at the time of calculation

Disclaimer

This report is issued by Toward the Infinite World, Inc. and IFIS JAPAN LTD. (hereafter “Issuers”) under the brand name “ANALYST NET” (a registered trademark) and written by external partners and analysts as its main authors.

- In the report issued under the brand name “ANALYST NET,” we aim to provide information and explanations about the target companies using a nontraditional approach. In principle, the Issuers do not seek a review of or authorization for the contents herein. (However, we highlight any errors or incorrect wording to the authors.)
- Issuers may receive compensation directly or indirectly from the target companies in the project proposal and infrastructure offering to issue this report.
- External partners and analysts may receive compensation directly or indirectly from the target companies for additional work apart from writing this report. The external partners and analysts may have already been involved or may be involved in some trading of securities of target companies in the future.
- This report is created for the purpose of providing information that investors can refer to when they are making decisions about investments and not for soliciting trading of securities or other financial products. Investors are responsible for their final decisions on the trading of securities or other financial products.
- Although the authors collected information during interviews with the target companies to create this report, the hypothesis and opinions in this report do not reflect the views of such companies and are from the authors' analyses and evaluations.
- Although this report is based on information that the authors believe to be reliable, we do not guarantee the accuracy, completeness, and/or timeliness of the contents. The opinions and forecasts in this report are conducted at the time of publication and may be changed without notice.
- In any event, Issuers and authors are not liable for any direct, indirect, incidental, or special damages that the investors may incur by relying on the information and analysis contained in this report.
- All contents of this report are the copyright of Issuers unless otherwise stated. No part of such information shall be reproduced, sold, displayed, distributed, published, amended, or used for commercial purposes without the Issuer's consent.