

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST QUARTER OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2021
(March 1, 2020 to May 31, 2020)

July 8, 2020

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

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Supplemental materials prepared for quarterly financial results: No

Holding of quarterly financial results meeting: No

Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Quarter of Fiscal 2020
(March 1, 2020 to May 31, 2020)

(1) Consolidated Operating Results (Cumulative)

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

	Net sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q FY2020	7,850	(29.6)	225	(81.8)	356	(73.4)	132	(83.5)
1Q FY2019	11,143	(0.6)	1,243	3.9	1,341	(11.4)	805	(22.9)

Note: Comprehensive income 1Q FY2020: 821 million yen (1,060.1%) 1Q FY2019: 70 million yen (-93.5%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2020	6.11	—
1Q FY2019	35.35	—

(Reference) Operating income before the amortization of goodwill:

1Q FY 2020: ¥349 million 1Q FY 2019: ¥1,367 million

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

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
May 31, 2020	57,224	39,572	69.0	1,820.32
February 29, 2020	53,737	39,588	73.5	1,822.10

(Reference)

Shareholders' equity: May 31, 2020: 39,497 million yen February 29, 2020: 39,514 million yen

2. Dividends

	Dividends per Share				
(Record Date)	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	40.00	—	40.00	80.00
Fiscal 2020	—				
Fiscal 2020 (Forecast)		40.50	—	40.50	81.00

Note: Revision to dividend forecast for the first quarter of the fiscal year ending February 28, 2021: Yes

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending February 28, 2021 (March 1, 2020 to February 28, 2021)

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

(% figures for the full fiscal year represent year-on-year increase or decrease)						
	Net Sales		Operating Income	Ordinary Income	Profit attributable to owners of parent	Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
Interim period	17,500	(20.2)	900 (59.0)	1,100 (53.6)	400 (73.1)	18.44
Fiscal year ending February 28, 2021	39,000	(13.3)	2,900 (27.1)	3,300 (23.5)	2,000 (19.2)	92.19

Note: Revisions to consolidated operating forecasts for the first quarter of the fiscal year ending February 28, 2021:

Yes

(Reference) EPS before the amortization of goodwill is ¥115.08.

Notes

- (1) Changes in Important Subsidiaries during the Period:
(Changes in specified subsidiaries that caused changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices in the Preparation of the Quarterly Consolidated Financial Statements: Yes
- (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: No
 - 2) Changes of accounting principles other than 1) above: Yes
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Number of Shares Issued and Outstanding (Common Stock)
 1. Total number of shares issued and outstanding (including treasury stock) as of the period-end:
May 31, 2020: 24,331,356 shares Feb. 29, 2020: 24,331,356 shares
 2. Total number of treasury stock as of the period-end:
May 31, 2020: 2,633,409 shares Feb. 29, 2020: 2,645,286 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
First quarter fiscal 2020: 21,693,542 shares First quarter fiscal 2019: 22,773,543 shares

Note: The number of recorded treasury stock includes 18,000 of the Company's shares held by the YONDOSHI HOLDINGS Group Employees' Shareholding Association Trust (hereinafter referred to the "the Trust") and 41,456 of the Company's shares held by the Shares Grant Trust for Officers as of the end of the fiscal year.

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

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

1. The forecasts of operating results and other items concerning the future contained in this document are based on management's assumptions and beliefs that are determined to be reasonable in light of currently available information, YONDOSHI HOLDINGS INC. cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin operating results forecasts as well as cautionary notes on the use of operating results forecasts, please refer to "1. Qualitative Information on Business and Financial Results (3) Explanation of Consolidated Results Forecasts and Other Future Predictions" on page 4.

Contents

1. Qualitative Information on Business and Financial Results	4
(1) Explanation of Business Results	4
(2) Explanation of Financial Condition	4
(3) Explanation of Consolidated Results Forecasts and Other Future Predictions	4
2. Consolidated Quarterly Financial Statements	5
(1) Consolidated Quarterly Balance Sheets	5
(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income	7
Consolidated Quarterly Statements of Income First Quarter Cumulative	7
Consolidated Quarterly Statements of Comprehensive Income First Quarter Cumulative	8
(3) Notes to Consolidated Quarterly Financial Statements	
(Notes Regarding Going Concern Assumptions)	9
(Notes Regarding Substantial Changes in Shareholders' Equity)	9
(Application of Special Accounting Treatment in the Preparation of the Consolidated Financial Statements)	9
(Changes in Accounting Policy)	9
(Additional Information)	9
(Segment Information)	11

1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the first quarter period (March 1, 2020 to May 31, 2020) of fiscal 2020 (ending February 2021), conditions in the Japanese economy were extremely severe, with an acute slump in business amid the suspension of economic activity due to the COVID-19 emergency.

In the retail industry, business conditions were difficult overall as a result of the government's call for people to remain at home, as well as business suspensions and shortened operating hours at stores.

Under these circumstances, during fiscal 2020, the final year of the fifth medium-term management plan, the YONDOSHI HOLDINGS Group continues to cultivate human resources, bolster product capabilities, and assess market trends, with the aim of becoming a century-old company and brand. Further, the Company has implemented CSR-based management to establish a highly trusted corporate group, and is working to enhance enterprise value by strengthening internal controls, providing shareholder returns, and making medium to long-term investments linked to earnings growth.

As a result, net sales for the subject first quarter period amounted to ¥7,850 million (down 29.6% from the same period of the previous fiscal year), with operating income of ¥225 million (down 81.8%), ordinary income of ¥362 million (down 72.9%) and profit attributable to owners of parent to ¥139 million (down 82.7%). Operating income before the amortization of goodwill, which the Company considers to be an important management indicator, amounted to ¥349 million (down 74.4%).

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group implemented measures to help prevent the spread of COVID-19, including suspending business operations and shortening operating hours at stores in stages from March. Of note, all stores were closed from the period of April 25 to May 6.

As a result, net sales in the Jewelry Business segment amounted to ¥3,414 million (down 46.8% from the same period of the previous fiscal year), with operating income of ¥152 million (down 85.2%).

Apparel Business

The AS'TY Group experienced a decline in additional orders due to the difficult conditions in the retail industry, but earnings were favorable as a result of successful cost reduction measures. Retailer age Co., Ltd. focused on business operations for the mainstay everyday fashion brand PALETTE to fulfill its role as part of the social infrastructure supporting the lives of local customers.

As a result, net sales in the Apparel Business segment amounted to ¥4,436 million (down 6.1% from the same period of the previous fiscal year), with operating income of ¥193 million (down 31.9%).

(2) Explanation of Financial Condition

Total assets at the end of the subject first quarter period (May 31, 2020) amounted to ¥57,224 million, an increase of ¥3,487 million from the end of the previous fiscal year (February 29, 2020). This was due mainly to increases of ¥1,004 million in cash and deposits; and ¥2,058 million in investment securities. Total liabilities amounted to ¥17,652 million, an increase of ¥353 million from the end of the previous fiscal year. This was due mainly to an increase of ¥4,200 million in short-term borrowings. Total net assets at the end of the subject period amounted to ¥39,572 million, a decrease of ¥1,500 million from the end of the previous fiscal year.

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

Regarding consolidated results forecasts for fiscal 2020 (ending February 28, 2021), although the COVID-19 situation is not worsening, and restrictions on domestic and international travel are gradually being relaxed, the Company's forecasts assume that the impact of the pandemic will continue during the subject period.

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

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	End of the Fiscal Year Ended February 29, 2020 (As of February 29, 2020)	End of the First Quarter of the Fiscal Year Ending February 28, 2021 (As of May 31, 2020)
ASSETS		
Current assets:		
Cash and deposits	785	1,790
Notes and accounts receivable — trade	2,975	2,474
Merchandise and finished goods	8,356	9,155
Work in process	469	1,120
Raw materials and supplies	1,262	562
Other current assets	3,128	3,466
Allowance for doubtful accounts	(2)	(3)
Total current assets	16,976	18,567
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	5,307	5,255
Land	5,492	5,492
Other, net	698	683
Total property, plant and equipment	11,498	11,431
Intangible assets:		
Goodwill	3,227	3,103
Other intangible assets	214	240
Total intangible assets	3,441	3,343
Investments and other assets:		
Investment securities	16,507	18,566
Net defined benefit asset	582	591
Other	4,782	4,780
Allowance for doubtful accounts	(51)	(56)
Total investments and other assets	21,820	23,881
Total noncurrent assets	36,760	38,657
Total assets	53,737	57,224

	(Millions of yen)	
	End of the Fiscal Year Ended February 29, 2020 (As of February 29, 2020)	End of the First Quarter of the Fiscal Year Ending February 28, 2021 (As of May 31, 2020)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	3,902	3,529
Short-term borrowings	—	4,200
Current portion of long-term borrowings	82	82
Income taxes payable	434	478
Provision for bonuses	227	289
Provision for directors' bonuses	24	13
Asset retirement obligations	70	67
Other	3,109	3,348
Total current liabilities	7,851	11,010
Noncurrent liabilities:		
Provision for share-based remuneration for directors (and other officers)	79	87
Retirement benefit liability	500	491
Asset retirement obligations	1,358	1,366
Other	4,358	4,696
Total noncurrent liabilities	6,297	6,642
Total liabilities	14,149	17,652
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	7,223	7,233
Retained earnings	32,108	31,370
Treasury stock	(5,751)	(5,719)
Total shareholders' equity	36,066	35,360
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	3,594	4,314
Deferred gains or losses on hedges	2	3
Revaluation reserve for land	(161)	(161)
Foreign currency translation adjustments	56	22
Remeasurements of defined benefit plans	(43)	(42)
Total other accumulated comprehensive income	3,447	4,136
Subscription rights to shares	74	75
Total net assets	39,588	39,572
Total liabilities and net assets	53,737	57,224

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

(Millions of yen)

	First Quarter of the Fiscal Year Ended February 29, 2020 (March 1, 2019 to May 31, 2019)	First Quarter of the Fiscal Year Ending February 28, 2021 (March 1, 2020 to May 31, 2020)
Net sales	11,143	7,850
Cost of Sales	4,764	3,735
Gross profit	6,379	4,114
Selling, general and administrative expenses	5,135	3,889
Operating income	1,243	225
Non-operating income		
Interest income	12	72
Dividends received	50	47
Rent of real estate for investment	18	18
Foreign exchange gains	4	—
Other	16	5
Total non-operating income	102	144
Non-operating expenses		
Interest expenses	0	1
Depreciation of real estate for investment	1	1
Management cost for real estate for investment	0	0
Commission for purchase of treasury shares	2	—
Foreign exchange losses	—	6
Loss on insurance cancellation	—	3
Other	0	0
Total non-operating expenses	4	13
Ordinary income	1,341	356
Extraordinary income		
Gain on sales of investment securities	99	13
Subsidies for employment adjustment	—	154
Total extraordinary income	99	168
Extraordinary loss		
Impairment loss	—	23
Loss on valuation of investment securities	139	0
Loss on closing of stores	8	14
Allowance for absence from work	—	201
Total extraordinary losses	147	239
Net income before income taxes	1,292	285
Total income taxes	487	152
Net income	805	132
Profit attributable to owners of parent	805	132

Consolidated Quarterly Statements of Comprehensive Income
First Quarter Cumulative

	(Millions of yen)	
	First Quarter of the Fiscal Year Ended February 29, 2020 (March 1, 2019 to May 31, 2019)	First Quarter of the Fiscal Year Ending February 28, 2021 (March 1, 2020 to May 31, 2020)
Income before minority interests	805	132
Other comprehensive income		
Other valuation difference on available-for-sale securities	(724)	720
Deferred gains or losses on hedges	(4)	1
Foreign currency translation adjustments	(5)	(34)
Remeasurements of defined benefit plans, net of tax	(0)	1
Total other comprehensive income	(734)	688
Comprehensive income	70	821
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	70	821

(3) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable

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

(Calculation of Tax Expense)

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

(Changes in Accounting Policy)

(Change in Calculation Method for Tax Expense)

Up to now, the Company and its consolidated subsidiaries have calculated tax expense using principal methods. However, following the organizational changes to strengthen management functions and enhance operational efficiency, in order to further enhance the efficiency of account settlement for the Company and its consolidated subsidiaries, from the subject fiscal year the Company is switching to a method of rationally estimating the effective tax rate after the application of tax effect accounting for profit before income taxes, and multiplying this estimated effective tax rate by profit before income taxes.

Of note, the impact of this change is negligible, and so has not been applied retroactively.

(Additional Information)

(Transactions to Provide Company Stock to Employees through a Trust)

The Company has introduced an employee stock ownership plan trust ("ESOP trust") as an incentive to employees to increase medium- to long-term corporate value, conducting transactions to provide Company stock to employees' shareholding association through a trust.

i. Transaction summary

The Company established a trust with the beneficiaries as employees who participate in the YONDOSHI HOLDINGS Employees' Shareholding Association ("the Shareholding Association") and satisfy certain requirements. The trust acquires Company stock in an amount expected to be procured by the Shareholding Association over a five-year period, and sells the shares to the Shareholding Association on a fixed date each month. When the trust is concluded, if the trust has earned a profit from a rise in the share price, the funds are distributed to the employee beneficiaries in proportion to their contribution. If a loss is incurred due to a decline in the share price, and debt pertaining to the trust property remains, in accordance with the guarantee article in the loan agreement the Company will discharge the entire debt to the bank, with no additional burden placed on employees.

ii. Matters concerning the Company's stock held in the trust

Company stock remaining in the trust is recorded as treasury shares under net assets at book value to the trust (excluding ancillary expenses). At the end of the subject fiscal year, the book value of the subject treasury shares was ¥71 million, for 26,000 shares at the end of the previous consolidated fiscal year, and ¥49 million, for 18,000 shares at the end of the first quarter of the subject consolidated fiscal year.

iii. Book value of debt recorded through application of the gross method

At the end of the previous consolidated fiscal year: ¥82 million

At the end of the first quarter of the subject consolidated fiscal year: ¥82 million

(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 ¥114 million, for 45,353 shares at the end of the previous consolidated fiscal year, and ¥104 million, for 41,456 shares at the end of the first quarter of the subject consolidated fiscal year.

(Accounting Estimates)

In light of the heightened awareness of the need to prevent the spread of COVID-19, even as of the date of this document, the Company expects the current trend of refraining from going out in public to continue, and recognizes that this will have a certain degree of impact on demand. Based on the assumption that the situation will gradually improve over the course of the subject fiscal year, the Company has estimated impairment for its fixed assets.

Of note, these assumptions have a high degree of uncertainty, and should a return to normal lifestyles be delayed and the impact prolonged, there is a possibility of future losses.

(Segment Information)**I The first quarter of the fiscal year ended February 29, 2020 (March 1, 2019 to May 31, 2019)****1. Information Regarding Sales and Income or Loss by Reporting Segment**

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	6,420	4,723	11,143	—	11,143
Intrasegment net sales and transfers	—	171	171	(171)	—
Total	6,420	4,894	11,314	(171)	11,143
Segment income	1,031	284	1,316	(73)	1,243

Notes:

1. The adjustment amount of minus ¥73 million for segment income mainly includes amortization of goodwill totaling minus ¥124 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥147 million and elimination of inter-segment transactions of ¥198 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

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

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

II The first quarter of the fiscal year ending February 28, 2021 (March 1, 2020 to May 31, 2020)**1. Information Regarding Sales and Income or Loss by Reporting Segment**

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	3,414	4,436	7,850	—	7,850
Intrasegment net sales and transfers	—	47	47	(47)	—
Total	3,414	4,484	7,898	(47)	7,850
Segment income	152	193	346	(120)	225

Notes:

1. The adjustment amount of minus ¥120 million for segment income mainly includes amortization of goodwill totaling minus ¥124 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥123 million and elimination of inter-segment transactions of ¥127 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

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

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