

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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Quarterly Securities Report filing date (planned): July 9, 2020
 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

| (Record Date) | Dividends per Share | | | | |
|------------------------|---------------------|-----------|-----------|----------|--------|
| | 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)

| | Net Sales | | Operating Income | | Ordinary Income | | Profit attributable to owners of parent | | Net Income per Share |
|--------------------------------------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| 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' 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.

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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.