

CONSOLIDATED FINANCIAL REPORT
FISCAL 2020 (Japanese GAAP)
(March 1, 2020 to February 28, 2021)



April 12, 2021

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

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Annual General Meeting of Shareholders date (planned): May 27, 2021

Fiscal 2020 Securities Report filing date (planned): May 28, 2021

Dividend payment commencement date (planned): May 28, 2021

Supplemental materials prepared for financial results: Yes

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

(Millions of yen rounded down)

1. Consolidated Performance for FY 2020 (March 1, 2020 to February 28, 2021)

(1) Consolidated Business Results

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2020	39,449	(12.3)	2,767	(30.4)	3,195	(25.9)	1,622	(34.5)
FY 2019	44,970	(4.6)	3,975	(20.2)	4,312	(36.6)	2,475	1.4

(Note) Comprehensive income: FY 2020: ¥2,230 million (90.6%) FY 2019: ¥1,170 million (-79.7%)

	Net Income Per Share	Net Income Per Share (Diluted)	ROE	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	Yen	Yen	%	%	%
FY 2020	75.00	75.00	4.1	6.0	7.0
FY 2019	112.18	112.17	6.0	7.6	8.8

(Reference) Operating income before the amortization of goodwill: FY 2020: ¥3,264 million FY 2019: ¥4,472 million

YONDOSHI HOLDINGS has positioned operating income before the amortization of goodwill as an important management indicator.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share of Common Stock
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2021	53,000	39,543	74.6	1,844.69
As of February 29, 2020	53,737	39,588	73.5	1,822.10

(Reference) Shareholders' equity: As of February 28, 2021: ¥39,513 million As of February 29, 2020: ¥39,514 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at the End of the Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2020	6,633	(2,169)	(2,515)	2,732
FY 2019	2,433	72	(5,468)	785

2. Dividends

	Cash Dividends per Share of Common Stock					Cash Dividends Paid (Annual)	Dividend Payout Ratio (Consolidated)	Cash Dividends to Net Assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2019	—	40.00	—	40.00	80.00	1,747	71.3	4.3
FY 2020	—	40.50	—	40.50	81.00	1,752	108.0	4.4
FY 2021 (planned)	—	41.50	—	41.50	83.00		71.9	

3. Forecast of Consolidated Results for FY 2021 (March 1, 2021 to February 28, 2022)

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

	Operating Revenues		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	19,500	8.5	1,250	19.8	1,500	16.8	950	57.5	43.91
Full Fiscal year	42,000	6.5	3,350	21.0	3,700	15.8	2,500	54.1	115.55

(Reference) Forecast EPS before the amortization of goodwill for the full FY 2021 is ¥138.50.

Notes

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

(2) **Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements**

- 1) Changes of accounting principles in line with revisions to accounting and other standards: No
- 2) Changes of accounting principles other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

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

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

As of February 28, 2021: 24,331,356 shares	As of February 29, 2020: 24,331,356 shares
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2. Number of treasury stock

As of February 28, 2021: 2,911,168 shares	As of February 29, 2020: 2,645,286 shares
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3. Average number of shares for the year

FY2020: 21,635,806 shares	FY2019: 22,071,819 shares
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Notes:

1. The number of recorded treasury stock includes 67,136 of the Company's shares held by the Shares Grant Trust for Officers as of the end of the third quarter of the fiscal year.
2. For additional information on the basic number of shares used to calculate consolidated net income per share, please refer to "Per Share Information" on page 21.

(Reference) Overview of Non-Consolidated Performance**1. Non-Consolidated Performance for FY 2020 (March 1, 2020 to February 28, 2021)****(1) Non-Consolidated Business Results**

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

	Operating Revenues		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2020	2,431	(68.3)	1,960	(72.7)	2,049	(71.5)	1,985	(72.3)
FY 2019	7,673	(49.0)	7,170	(50.6)	7,189	(50.5)	7,166	(50.2)

	Net Income Per Share	Net Income Per Share (Diluted)
	Yen	Yen
FY 2020	91.77	91.77
FY 2019	324.67	324.65

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share of Common Stock
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2021	38,009	26,357	69.3	1,229.10
As of February 29, 2020	37,002	26,686	71.9	1,227.15

(Reference) Shareholders' equity: As of February 28, 2021: ¥26,327 million As of February 29, 2020: ¥26,612 million

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

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

1. The forecasts of operating results and other items concerning the future contained in this document are based on management's assumptions and beliefs that are determined to be reasonable in light of currently available information, YONDOSHI HOLDINGS INC. cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin operating results forecasts as well as cautionary notes on the use of operating results forecasts, please refer to the information from page 6.
2. YONDOSHI HOLDINGS plans to hold a briefing session for institutional investors and analysts on April 12, 2021 (Monday). Plans are also in place to post a copy of the presentation materials used on the day on the Company's website immediately after the briefing session.

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1. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year Ended February 28, 2021

In fiscal 2020, the fiscal year ended February 28, 2021, conditions in the Japanese economy were extremely severe, with a slump in business performance and a drop in personal consumption amid the restrictions placed on economic activity due to the COVID-19 emergency.

In the retail industry, the outlook remained clouded as a result of the impact from the government's call for people to remain at home, along with business suspensions and shortened operating hours at stores. In addition, the worsening employment and income situation raised concerns of a further cooling off in consumer sentiment.

Under these circumstances, during fiscal 2020, the final year of the fifth medium-term management plan, the YONDOSHI HOLDINGS Group continued 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 practiced CSR-based management to establish a highly trusted corporate group, and worked to enhance enterprise value by strengthening internal controls, providing shareholder returns, and making medium to long-term investments linked to earnings growth.

As a result, for the subject fiscal year under review, net sales amounted to ¥39,449 million (down 12.3% YoY), with operating income of ¥2,767 million (down 30.4% YoY), ordinary income of ¥3,195 million (down 25.9% YoY), and profit attributable to owners of parent of ¥1,622 million (down 34.5% YoY). Operating income before the amortization of goodwill, which has been designated an important management indicator, amounted to ¥3,264 million (down 27.0% YoY).

Operating results by business segment were as follows.

Jewelry Business

In the F.D.C. Products Group, which is largely responsible for the YONDOSHI HOLDINGS Group's Jewelry Business, store sales were down compared with the previous fiscal year. In addition to the large-scale suspension of store operations and shortening of operating hours from late March to the end of May, this year-on-year decline was mainly due to the impact of the third wave of COVID-19 infections from mid-November. On a positive note, sales through e-commerce channels increased 22.5% substantially outperforming the level recorded for the previous fiscal year.

Accounting for each of the aforementioned, revenue and earnings declined year on year in the Jewelry Business segment. In specific terms, net sales amounted to ¥20,641 million (down 23.5% YoY), with operating income coming in at ¥2,139 million (down 35.6% YoY). Despite this downturn, the operating margin at 10.4% held steady at double-digits.

Apparel Business

Retailer age Co., Ltd., which operates the everyday fashion brand PALETTE, recorded positive sales trends for items related to everyday life, fulfilling its role as part of the social infrastructure supporting the lives of local customers. This in turn led to record-high results for both net sales and operating income.

The AS'TY Group made efforts to maintain the supply chain by increasing the number of local staff at overseas production sites. Operating income also surpassed plans on the back of efforts to reduce overhead expenses.

As a result, net sales in the Apparel Business segment amounted to ¥18,807 million (up 4.6% YoY), with operating income of ¥896 million (up 18.3% YoY).

(2) Overview of Financial Condition as of February 28, 2021

(Current Assets)

Current assets as of the end of the fiscal year under review stood at ¥15,616 million, down ¥1,359 million compared with the end of the previous fiscal year. Major movements included a decrease in accounts receivable-other of ¥2,366 million.

(Noncurrent Assets)

Noncurrent assets came to ¥37,383 million as of February 28, 2021, an increase of ¥622 million compared with the previous fiscal year-end. While the balance of goodwill declined ¥496 million, this increase was mainly due to an increase in investment securities of ¥1,981 million.

(Current Liabilities)

Current liabilities stood at ¥6,802 million as of the end of the fiscal year under review, down ¥1,049 million

compared with the end of the previous fiscal year. this decrease was mainly due to the drop in notes and accounts payable-trade of ¥753 million.

(Noncurrent Liabilities)

Noncurrent liabilities were ¥6,654 million as of February 28, 2021, an increase of ¥357 million compared with the balance as of February 29, 2020. This increase was essentially due to the upswing in deferred tax liabilities of ¥329 million.

(Net Assets)

Total net assets as of the end of the fiscal year under review came to ¥39,543 million, down ¥45 million compared with the end of the previous fiscal year. While the Company recorded an increase of ¥721 million in valuation difference on available-for-sale securities, this downturn was largely attributable to the increase in treasury stock of ¥463 million (decrease in net assets) and the drop in retained earnings of ¥130 million.

(3) Overview of Cash Flows for the Fiscal Year Ended February 28, 2021

Cash and cash equivalents as of the end of the fiscal year under review stood at ¥2,732 million, an increase of ¥1,946 million compared with the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥6,633 million, up ¥4,199 million compared with the previous fiscal year. In the fiscal year under review, the major cash inflows were income before income taxes of ¥2,905 million and income taxes refund of ¥2,709 million. The principal cash outflow was income taxes paid of ¥1,334 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities came to ¥2,169 million, a turnaround of ¥2,242 million from the previous fiscal year. The main cash outflows were attributable to the purchase of investment securities of ¥1,009 million and the purchase of property, plant and equipment of ¥656 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities came to ¥2,515 million, down ¥2,952 million compared with the previous fiscal year. This largely reflected outflows for the purchase of treasury stock of ¥624 million and cash dividends paid of ¥1,752 million.

(4) Outlook

As the impact of COVID-19 continues to take its toll, there are concerns that the worsening employment and disposable income environment will trigger a further downturn in consumer sentiment. As a result, operating conditions throughout the retail sector are expected to remain difficult.

Under these circumstances, every effort will be made to maximize the strengths of the Group to provide products and services that exceed customer expectations while targeting continued growth against the backdrop of a rapidly changing operating environment under the guidance of the Sixth Medium-Term Management Plan, which began in fiscal 2021, the fiscal year ending February 28, 2022.

In addition to proactively undertaking investments aimed at enhancing brand value in the mainstay Jewelry Business segment, the YONDOSHI HOLDINGS Group will work to establish a second pillar in the Apparel Business segment by expanding store openings and promoting existing store growth while building a robust business portfolio.

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

As far as business results forecasts for the fiscal year ending February 28, 2022 are concerned, net sales are projected to come in at ¥42,000 million, up 6.5% compared with the fiscal year under review. From a profit perspective, operating income is expected to total ¥3,350 million, a year-on-year increase of 21.0%. Ordinary income is forecast to reach ¥3,700 million, an improvement of 15.8% year on year. Profit attributable to owners of parent is estimated to jump to ¥2,500 million, 54.1% higher than the fiscal year ended February 28, 2021. Designated an important management indicator, operating income before the amortization of goodwill is projected to come in at ¥3,846 million, up 17.8% year on year.

(5) Policy on the Appropriation of Profits, Cash Dividends for Fiscal 2020 and Fiscal 2021

The YONDOSHI HOLDINGS Group places the appropriation of profits to shareholders as a key management priority. As a result, the Group maintains the basic policy of delivering stable and sustainable cash dividends. At the same time, the Group adopts a flexible policy toward the purchase of treasury stock as a part of comprehensive efforts to increase the level of returns to shareholders. Working toward the goal of achieving an annual cash dividend of ¥100 per common share in the future, the YONDOSHI HOLDINGS Group places considerable emphasis on increasing its dividend on a consecutive basis.

Based on this policy, YONDOSHI HOLDINGS plans to pay a fiscal year-end cash dividend of ¥40.50 per common share. Together with the interim cash dividend paid of ¥40.50 per common share, the full fiscal year cash dividend for the fiscal year under review will therefore come in a ¥81 per common share. This will enable the Company to achieve its dividend payout ratio target of 30%. On this basis, the dividend payout ratio is projected to come in at 108.0%. Meanwhile, the Company acquired 300,000 shares of treasury stock in fiscal 2020.

Turning to dividends for the fiscal year ending February 28, 2022, YONDOSHI HOLDINGS plans to pay an interim and fiscal year-end cash dividend of ¥41.50 per common share for a full fiscal year cash dividend of ¥83 per common share, representing an eleventh consecutive fiscal year of cash dividend growth. As far as the Company's retained earnings are concerned, YONDOSHI HOLDINGS will work to secure the internal reserves necessary to reinforce its management structure in response to an increasingly competitive environment, cultivate new business, and pursue business development through a variety of vehicles including M&As. Through these means, the Company will make every effort to improve the Group's profitability while bolstering its management and business platforms.

2. Basic Stance on Selection of Accounting Standards

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

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	End of the Fiscal Year Ended February 29, 2020 (As of February 29, 2020)	End of the Fiscal Year Ended February 28, 2021 (As of February 28, 2021)
ASSETS		
Current assets:		
Cash and deposits	785	3,232
Notes and accounts receivable — trade	2,975	2,587
Merchandise and finished goods	8,356	7,718
Work in process	469	285
Raw materials and supplies	1,262	1,081
Advance payments-trade	49	90
Accounts receivable-other	2,763	397
Other	315	226
Allowance for doubtful accounts	(2)	(3)
Total current assets	16,976	15,616
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	5,307	4,982
Land	5,492	5,492
Lease assets, net	44	28
Other, net	653	510
Total property, plant and equipment	11,498	11,013
Intangible assets:		
Goodwill	3,227	2,730
Lease assets	119	75
Right of trademark	1	1
Other	93	124
Total intangible assets	3,441	2,932
Investments and other assets:		
Investment securities	16,507	18,489
Guarantee deposits	244	250
Long-term loans receivable	3	2
Deferred tax assets	1,735	1,618
Deferred tax assets for land revaluation	71	—
Real estate for investment, net	440	436
Net defined benefit asset	582	487
Lease deposits	1,811	1,764
Claims provable in bankruptcy, claims provable in rehabilitation and other	23	27
Other	452	417
Allowance for doubtful accounts	(51)	(55)
Total investments and other assets	21,820	12,438
Total noncurrent assets	36,760	37,383
Total assets	53,737	53,000

(Millions of yen)

	End of the Fiscal Year Ended February 29, 2020 (As of February 29, 2020)	End of the Fiscal Year Ended February 28, 2021 (As of February 28, 2021)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	3,902	3,148
Current portion of long-term borrowings	82	—
Lease obligations	70	54
Income taxes payable	434	643
Provision for bonuses	227	269
Provision for directors' bonuses	24	25
Asset retirement obligations	70	—
Other	3,039	2,661
Total current liabilities	7,851	6,802
Noncurrent liabilities:		
Lease obligations	112	58
Long-term guarantee deposited	321	328
Deferred tax liabilities	3,532	3,861
Net defined benefit liability	500	497
Provision for directors' stock benefits	79	123
Asset retirement obligations	1,358	1,428
Other	392	356
Total noncurrent liabilities	6,297	6,654
Total liabilities	14,149	13,457
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	7,223	7,208
Retained earnings	32,108	31,978
Treasury stock	(5,751)	(6,215)
Total shareholders' equity	36,066	35,458
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,594	4,315
Deferred gains or losses on hedges	2	8
Revaluation reserve for land	(161)	(233)
Foreign currency translation adjustments	56	75
Remeasurements of defined benefit plans	(43)	(110)
Total accumulated other comprehensive income	3,447	4,055
Subscription rights to shares		
	74	29
Total net assets	39,588	39,543
Total liabilities and net assets	53,737	53,000

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

	(Millions of yen)	
	Fiscal 2019	Fiscal 2020
	(March 1, 2019 to February 29, 2020)	(March 1, 2020 to February 28, 2021)
Net sales	44,970	39,449
Cost of Sales	19,190	18,155
Gross profit	25,780	21,294
Selling, general and administrative expenses	21,804	18,527
Operating income	3,975	2,767
Non-operating income		
Interest income	44	115
Dividends received	176	175
Rent of real estate for investment	73	73
Foreign exchange gains	6	5
Other	60	85
Total non-operating income	361	455
Non-operating expenses		
Interest expenses	2	2
Depreciation on investments in real estate	4	4
Management cost on real estate for investment	1	8
Commission for purchase of treasury shares	9	3
Provision of allowance for doubtful accounts	—	2
Loss on cancellation of insurance policies	3	4
Other	3	2
Total non-operating expenses	24	27
Ordinary income	4,312	3,195
Extraordinary income		
Gain on sales of investment securities	99	22
Gain on reversal of share acquisition rights	—	52
Subsidies for employment adjustment	—	463
Reversal of loss on liquidation of subsidiaries	—	28
Total extraordinary income	99	567
Extraordinary loss		
Impairment loss	217	232
Loss on closing of stores	40	27
Loss on liquidation of brands	—	405
Loss on liquidation of brands	71	121
Loss on valuation of investment securities	174	63
Loss on liquidation of subsidiaries	48	6
Total extraordinary losses	551	857
Net income before income taxes	3,860	2,905
Income taxes — current	1,216	1,182
Income taxes — deferred	167	100
Total income taxes	1,384	1,282
Net income	2,475	1,622
Profit attributable to owners of parent	2,475	1,622

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2019 (March 1, 2019 to February 29, 2020)	Fiscal 2020 (March 1, 2020 to February 28, 2021)
Income before minority interests	2,475	1,622
Other comprehensive income		
Other valuation difference on available-for-sale securities	(1,251)	721
Deferred gains or losses on hedges	3	6
Foreign currency translation adjustments	(12)	18
Revaluation reserve for land	—	(71)
Remeasurements of defined benefit plans, net of tax	(45)	(67)
Total other comprehensive income	(1,305)	607
Comprehensive income	1,170	2,230
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,170	2,230

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2019 (March 1, 2019 to February 29, 2020)

(Millions of yen unless otherwise stated)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	2,486	18,057	31,380	(13,180)	38,743
Changes of items during the period					
Dividends from surplus			(1,747)		(1,747)
Profit attributable to owners of parent			2,475		2,475
Purchase of treasury shares				(3,597)	(3,597)
Disposal of treasury shares		18		173	191
Cancellation of treasury shares		(10,852)		10,852	—
Net changes in items excluding shareholders' equity during the period					
Total	—	(10,833)	728	7,428	(2,677)
Balance at the end of current period	2,486	7,223	32,108	(5,751)	36,066

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	4,845	(1)	(161)	69	1	4,753	90	43,587
Changes of items during the period								
Dividends from surplus								(1,747)
Profit attributable to owners of parent								2,475
Purchase of treasury shares								(3,597)
Disposal of treasury shares								191
Cancellation of treasury shares								—
Net changes in items excluding shareholders' equity during the period	(1,251)	3	—	(12)	(45)	(1,305)	(16)	(1,322)
Total	(1,251)	3	—	(12)	(45)	(1,305)	(16)	(3,999)
Balance at the end of current period	3,594	2	(161)	56	(43)	3,447	74	39,588

Fiscal 2020 (March 1, 2020 to February 28, 2021)

(Millions of yen unless otherwise stated)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	2,486	7,223	32,108	(5,751)	36,066
Changes of items during the period					
Dividends from surplus			(1,752)		(1,752)
Profit attributable to owners of parent			1,622		1,622
Purchase of treasury shares				(621)	(621)
Cancellation of treasury shares		(14)		157	142
Net changes in items excluding shareholders' equity during the period					
Total	—	(14)	(130)	(463)	(608)
Balance at the end of current period	2,486	7,208	31,978	(6,215)	35,458

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	3,594	2	(161)	56	(43)	3,447	74	39,588
Changes of items during the period								
Dividends from surplus								(1,752)
Profit attributable to owners of parent								1,622
Purchase of treasury shares								(621)
Disposal of treasury shares								142
Net changes in items excluding shareholders' equity during the period	721	6	(71)	18	(67)	607	(44)	563
Total	721	6	(71)	18	(67)	607	(44)	(45)
Balance at the end of current period	4,315	8	(233)	75	(110)	4,055	29	39,543

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2019 (March 1, 2019 to February 29, 2020)	Fiscal 2020 (March 1, 2020 to February 28, 2021)
Cash Flows from Operating Activities:		
Net Income before income taxes	3,860	2,905
Depreciation and amortization	1,243	1,026
Impairment loss	217	232
Amortization of goodwill	496	496
Increase (decrease) in allowance for doubtful accounts	(48)	4
Increase (decrease) in provision for bonuses	13	41
Gain on reversal of share acquisition rights	—	(52)
Allowance for absence from work	—	405
Subsidies for employment adjustment	—	(463)
Increase (decrease) in net defined benefit liability	(68)	(12)
Increase (decrease) in other provision	52	44
Interest and dividends income	(220)	(291)
Interest expenses	2	2
Foreign exchange losses (gains)	4	4
Loss (gain) on sales of investment securities	(99)	(22)
Decrease (increase) in notes and accounts receivable — trade	(72)	384
Loss (gain) on valuation of investment securities	174	63
Decrease (increase) in inventories	37	1,001
Increase (decrease) in notes and accounts payable — trade	319	(752)
Increase (decrease) in accrued consumption taxes	136	338
Increase (decrease) in advances received	(104)	(322)
Increase (decrease) in accounts payable - other	249	(341)
Decrease (increase) in other assets	80	270
Increase (decrease) in other liabilities	(5)	(45)
Subtotal	6,268	4,919
Interest and dividends income received	221	283
Interest expenses paid	(2)	(2)
Subsidies for employment adjustment received	—	463
Allowance for absence from work paid	—	(405)
Income taxes paid	(6,916)	(1,334)
Income taxes refund	2,862	2,709
Net cash provided by (used in) operating activities	2,433	6,633

(Millions of yen)

	Fiscal 2019 (March 1, 2019 to February 29, 2020)	Fiscal 2020 (March 1, 2020 to February 28, 2021)
Cash Flows from Investing Activities:		
Payments into time deposits	—	(500)
Purchase of property, plant and equipment	(714)	(656)
Purchase of intangible assets	(71)	(64)
Purchase of investment securities	(9)	(1,009)
Proceeds from sales of investment securities	145	88
Proceeds from redemption of investment securities	700	—
Payments of long-term loans receivable	(0)	(0)
Collection of long-term loans receivable	2	1
Purchase of long-term prepaid expenses	(49)	(18)
Other payments	(189)	(164)
Other proceeds	260	154
Net cash provided by (used in) investing activities	72	(2,169)
Cash Flows from Financing Activities:		
Repayment of long-term loans payable	(92)	(82)
Purchase of treasury stock	(3,606)	(624)
Proceeds from sales of treasury stock	68	14
Cash dividends paid	(1,747)	(1,752)
Other payments	(89)	(69)
Net cash provided by (used in) financing activities	(5,468)	(2,515)
Effect of exchange rate change on cash and cash equivalents	(2)	(1)
Net increase (decrease) in cash and cash equivalents	(2,963)	1,946
Cash and cash equivalents at beginning of period	3,749	785
Cash and cash equivalents at end of period	785	2,732

(5) Notes to Consolidated Financial Statements
(Notes Regarding Going-Concern Assumption)

Not applicable.

(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. During the subject consolidated fiscal year, however, the Trust completed the sale of shares in the Company held by The Nomura Trust and Banking Co., Ltd. With the expiration of the trust period on July 2, 2020, this transaction came to a conclusion.

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). The book value and number of shares of such treasury stock is not applicable due to the completion of sale of all remaining shares in the Trust during the subject consolidated fiscal year.

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

Not applicable due to the completion of repayment during the subject consolidated fiscal year.

(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 ¥144 million, for 67,136 shares at the end of the subject consolidated fiscal year.

(Accounting Estimates)

Amid heightened awareness of preventing the spread of COVID-19, the Company expects the current inclination among people to refrain from going out in public to also continue into the future, and that this will affect demand to a certain degree.

During the subject fiscal year, the Company had assumed that demand would gradually recover over the course of the subject consolidated fiscal year. However, considering the current situation for the COVID-19

crisis, the Company is changing its assumption to “conditions will gradually improve, but the effects of the current situation will persist for a certain period, even after the subject fiscal year,” and has made accounting estimates for impairment of fixed assets.

Of note, because the timing of a return to a normal state from the COVID-19 crisis remains unclear, factors such as the future spread of the infection, and conditions surrounding a return to a normal situation, could have a considerable impact on consolidated results.

(Segment Information)

1. Overview of Reporting Segments

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

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

(1) Jewelry Business

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

(2) Apparel Business

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

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

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

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

Fiscal 2019, the Fiscal Year Ended February 29, 2020 (March 1, 2019 to February 29, 2020)

(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	26,987	17,983	44,970	—	44,970
Intrasegment net sales and transfers	0	553	553	(553)	—
Total	26,987	18,536	45,542	(553)	44,970
Segment income	3,319	758	4,077	(102)	3,975
Segment assets	26,282	25,550	51,832	1,904	53,737
Other items					
Depreciation	890	330	1,220	22	1,243
Increase in property, plant and equipment and intangible assets	645	202	848	32	880

Notes:

- (1) The adjustment amount of minus ¥102 million for segment income mainly includes amortization of goodwill totaling minus ¥496 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥537 million and eliminations of inter-segment transactions of ¥931 million.
 - (2) The adjustment amount of ¥1,904 million for segment assets is mainly comprised of an inter-segment offset amount totaling minus ¥10,830 million, corporate assets of ¥9,507 million and the balance of unamortized goodwill of ¥3,227 million that are not allocated to each reporting segment. Meanwhile, corporate assets are primarily made up of surplus operating funds (cash and deposits) that are not attributable to individual reporting segments.
 - (3) The adjustment amount of ¥22 million for depreciation and amortization relates to corporate assets that are not attributable to individual reporting segments.
 - (4) The adjustment amount of tangible and intangible asset increase of ¥32 million relates to corporate assets that are not attributable to individual reporting segments.
- Segment income matches operating income recorded on the consolidated statements of income.

Fiscal 2020, the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

(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	20,641	18,807	39,449	—	39,449
Intrasegment net sales and transfers	0	221	221	(221)	—
Total	20,642	19,029	39,671	(221)	39,449
Segment income	2,139	896	3,036	(268)	2,767
Segment assets	24,867	27,041	51,909	1,091	53,000
Other items					
Depreciation	659	340	999	26	1,026
Increase in property, plant and equipment and intangible assets	365	344	709	12	722

Notes:

- (1) The adjustment amount of minus ¥268 million for segment income mainly includes amortization of goodwill totaling minus ¥496 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥502 million and eliminations of inter-segment transactions of ¥730 million.
 - (2) The adjustment amount of ¥1,091 million for segment assets is mainly comprised of an inter-segment offset amount totaling minus ¥12,159 million, corporate assets of ¥10,519 million and the balance of unamortized goodwill of ¥2,730 million that are not allocated to each reporting segment. Meanwhile, corporate assets are primarily made up of surplus operating funds (cash and deposits) that are not attributable to individual reporting segments.
 - (3) The adjustment amount of ¥26 million for depreciation and amortization relates to corporate assets that are not attributable to individual reporting segments.
 - (4) The adjustment amount of tangible and intangible asset increase of ¥12 million relates to corporate assets that are not

- attributable to individual reporting segments.
2. Segment income matches operating income recorded on the consolidated statements of income.

(Related Information)

Fiscal 2019, the Fiscal Year Ended February 29, 2020 (March 1, 2019 to February 29, 2020)

1. Product and Service Information

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

2. Geographical Segment Information

i. Net sales

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

ii. Property, plant and equipment

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

3. Information by Major Customer

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

Fiscal 2020, the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

1. Product and Service Information

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

2. Geographical Segment Information

i. Net sales

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

ii. Property, plant and equipment

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

3. Information by Major Customer

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

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

Fiscal 2019, the Fiscal Year Ended February 29, 2020 (March 1, 2019 to February 29, 2020)

(Millions of yen)

	Reporting Segments			Adjustment amount	Total
	Jewelry Business	Apparel Business	Total		
Impairment loss	191	25	217	—	217

Fiscal 2020, the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

(Millions of yen)

	Reporting Segments			Adjustment amount	Total
	Jewelry Business	Apparel Business	Total		
Impairment loss	221	11	232	—	232

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

Fiscal 2019, the Fiscal Year Ended February 29, 2020 (March 1, 2019 to February 29, 2020)

There were no amounts of goodwill amortized or balance of unamortized goodwill allocated to reporting segments. The amounts of goodwill amortized and balance of unamortized goodwill not allocated to reporting segments were ¥496 million and ¥3,227 million, respectively. The amounts of goodwill amortized and balance of unamortized goodwill related to goodwill that arose at the time of stock exchange.

Fiscal 2020, the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

There were no amounts of goodwill amortized or balance of unamortized goodwill allocated to reporting segments. The amounts of goodwill amortized and balance of unamortized goodwill not allocated to reporting segments were ¥496 million and ¥2,730 million, respectively. The amounts of goodwill amortized and balance of unamortized goodwill related to goodwill that arose at the time of stock exchange.

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

Fiscal 2019, the Fiscal Year Ended February 29, 2020 (March 1, 2019 to February 29, 2020)

Not applicable.

Fiscal 2020, the Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

Not applicable.

(Per Share Information)

(Yen)

Fiscal 2019 (March 1, 2019 to February 29, 2020)			Fiscal 2020 (March 1, 2020 to February 28, 2021)		
1.	Net assets per share	1,822.10	1.	Net assets per share	1,844.69
2.	Earnings per share	112.18	2.	Earnings per share	75.00
3.	Net income per share (diluted)	112.17	3.	Net income per share (diluted)	75.00

Notes: 1. The basis for calculating earnings per share and net income per diluted share is presented as follows:

(Millions of yen unless otherwise stated)

	Fiscal 2019 (March 1, 2019 to February 29, 2020)	Fiscal 2020 (March 1, 2020 to February 28, 2021)
Total earnings per share		
Profit attributable to owners of parent	2,475	1,622
Amounts not applicable to ordinary shareholders	—	—
Profit attributable to owners of parent applicable to common stock	2,475	1,622
Average number of common shares (Shares)	22,071,819	21,635,806
Net income per share adjusted for diluted shares		
Adjustment to profit attributable to owners of parent per share	—	—
Increased number of common shares (Shares)	1,312	—
(Subscription rights to shares)	(1,312)	(—)
Description of the diluted shares not included in the calculation of net income per share adjusted for diluted shares due to their non-dilutive effect from the previous fiscal year	New share subscription rights issued on July 6, 2015 8th issuance of new share subscription rights Common stock: 80,700 shares	New share subscription rights issued on July 6, 2015 8th issuance of new share subscription rights Common stock: 80,700 shares
	New share subscription rights issued on November 22, 2018 11th issuance of new share subscription rights Common stock: 34,500 shares	New share subscription rights issued on June 8, 2016 9th issuance of new share subscription rights Common stock: 6,500 shares
	New share subscription rights issued on November 22, 2018 12th issuance of new share subscription rights Common stock: 28,200 shares	New share subscription rights issued on June 8, 2016 10th issuance of new share subscription rights Common stock: 19,300 shares
		New share subscription rights issued on November 22, 2018 11th issuance of new share subscription rights Common stock: 34,500 shares
		New share subscription rights issued on November 22, 2018 12th issuance of new share subscription rights Common stock: 28,200 shares
		New share subscription rights issued on July 8, 2020 13th issuance of new share subscription rights Common stock: 21,000 shares
		New share subscription rights issued on July 8, 2020 14th issuance of new share subscription rights Common stock: 31,500 shares

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

(Millions of yen unless otherwise stated)

	Fiscal 2019 (March 1, 2019 to February 29, 2020)	Fiscal 2020 (March 1, 2020 to February 28, 2021)
Total net asset recorded on consolidated balance sheets	39,588	39,543
Deduction amount of total net asset recorded on consolidated balance sheets	74	29
Subscription rights to shares	(74)	(29)
Net assets applicable to common stock	39,514	39,513
Number of common stock utilized for the calculation of net assets per share (Shares)	21,686,070	21,420,188

3. Company stock remaining in the YONDOSHI HOLDINGS Group Employees' Shareholding Association Trust (hereinafter referred to as "the Trust") and the Shares Grant Trust for Officers recorded as Treasury Stock in the Company's Shareholders' Equity is included in the number of treasury stock to be deducted when computing the average number of shares for the period for earnings per share calculation purposes as well as the number of treasury stock to be deducted from the total number of shares issued and outstanding as of the end of the period for net assets per share calculation purposes.

The number of treasury stock to be deducted when computing the average number of shares for the period for earnings per share calculation purposes was 89,427 shares for fiscal 2019 and 62,992 shares for fiscal 2020. The number of treasury stock to be deducted from the total number of shares issued and outstanding as of the end of the period for net assets per share calculation purposes was 71,353 shares for fiscal 2019 and 67,136 shares for fiscal 2020.

(Important Subsequent Events)

Not applicable

4. Other

(1) Changes in Management (Planned effective date: May 27, 2021)

i. Change in Representative

- Candidate for new appointment as representative director
President and Representative Director, COO Hidetoshi Masuda
(Current Position: Managing Executive Officer, Head of President's Office)
- Officer scheduled to retire
President and Representative Director, COO Tohru Hirota

ii. Other Changes

- Candidate for new appointment as a Director and Audit/Supervisory Committee Member
Masahiro Dakeshita (Current Position: Executive Officer, Head of Audit Office)
- Scheduled retirement of a Director and Audit/Supervisory Committee Member
Masahiko Iwamori

Please refer to the press release "Notice of Planned Changes in Representative Director and Personnel" issued on April 12, 2021 for details.