

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST QUARTER OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2017
(March 1, 2016 to May 31, 2016)



July 4, 2016

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 15, 2016
 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 2016
(March 1, 2016 to May 31, 2016)

(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 FY2016	11,588	(5.8)	1,547	14.8	1,860	10.5	1,217	0.4
1Q FY2015	12,306	(2.9)	1,348	(13.6)	1,683	(9.0)	1,212	2.9

Note: Comprehensive income 1Q FY2016: 1,424 million yen (-12.3%) 1Q FY2015: 1,624 million yen (34.8%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2016	47.10	47.03
1Q FY2015	45.56	45.47

(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, 2016	60,155	46,164	76.6	1,782.34
February 29, 2016	60,576	45,237	74.6	1,747.62

(Reference)

Shareholders' equity: May 31, 2016: 46,083 million yen
 February 29, 2016: 45,168 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 2015	—	20.00	—	20.00	40.00
Fiscal 2016	—	—	—	—	—
Fiscal 2017 (Forecast)	—	25.00	—	25.00	50.00

Note: Revision to dividend forecast for the first quarter of the fiscal year ending February 28, 2017: No

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending February 28, 2017 (March 1, 2016 to February 28, 2017)

(% 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	23,300	(3.1)	2,450	11.2	3,000	26.0	2,000	44.7	77.36
Fiscal year ending February 28, 2017	51,500	(2.6)	6,550	7.1	7,700	12.3	4,950	15.7	191.48

Note: Revisions to consolidated operating forecasts for the first quarter of the fiscal year ending February 28, 2017: No

Notes

- (1) Changes in Important Subsidiaries during the Period:
(Changes in specified subsidiaries that caused changes in the scope of consolidation): Yes
New: — Excluded: 1 (Company name: MISUZU Co., Ltd.)
- (2) Application of Special Accounting Practices in the Preparation of the Quarterly Consolidated Financial Statements: No
- (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: Yes
 - 2) Changes of accounting principles other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No

Note: For more detailed information, please see the section “2. Matters Concerning Summary Information (Notes) (3) Changes in accounting policies, changes in accounting estimates, and restatements” on page 5.

- (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, 2016: 29,331,356 shares Feb. 29, 2016: 29,331,356 shares
 2. Total number of treasury stock as of the period-end:
May 31, 2016: 3,475,790 shares Feb. 29, 2016: 3,485,424 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
First quarter fiscal 2016: 28,851,767 shares First quarter fiscal 2015: 26,605,585 shares

Regarding the Status of Quarterly Review Procedure Implementation

This financial report for the first quarter of fiscal 2016 is not subject to the quarterly review procedures stipulated in the Financial Instruments and Exchange Act of Japan. As of the date of disclosure of this report, the review procedures for the quarterly financial statements under the Financial Instruments and Exchange Act had not been completed.

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

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 of the fiscal year ending February 2017 (March 1, 2016 to May 31, 2016), the economic outlook became increasingly unclear, with rapid appreciation of the yen, concerns over economic slowdown in China and other overseas economies, and prolonged sluggishness in consumer spending.

In the retail industry, business conditions remained harsh, with consumption declining amid persistent budget-consciousness and a slowdown in inbound demand.

Under these circumstances, during the fiscal year ending February 2017, the second year of the fourth 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, we 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, net sales for the subject first quarter period amounted to ¥11,588 million (down 5.8% YoY), with operating income of ¥1,547 million (up 14.8% YoY), ordinary income of ¥1,860 million (up 10.5% YoY), and profit attributable to owners of parent of ¥1,217 million (up 0.4% YoY).

Of note, ordinary income and profit attributable to owners of parent reached record highs for a first quarter period.

Operating results by business segment were as follows.

Jewelry Business

At the F.D.C. Products Group, sales at mainstay 4°C brand jewelry stores rose steadily, mainly as a result of expansion in the range of items and zones following renovation of existing locations. We continued with measures for proactive opening of new store locations, centered on canal 4°C and Luria 4°C stores, and opened integrated and adjacent shops to utilize brand mix synergies. Results were further boosted by the ecommerce business, which continues to record double-digit growth year on year.

As a result, net sales in the Jewelry Business segment amounted to ¥7,305 million (up 7.0% YoY), with operating income of ¥1,382 million (up 7.8% YoY). Segment sales and operating income both reached record highs.

Apparel Business

The AS'TY Group posted positive results on successful efforts to strengthen measures with major clients utilizing its planning capabilities and production framework. age Co., Ltd. achieved positive returns from openings of new locations for its mainstay everyday fashion brand PALETTE, and measures to improve earnings by strengthening the product lineup. MISUZU Co., Ltd. was removed from the scope of consolidation from the subject first quarter period, following a stock transfer on April 28, 2016.

As a result, net sales in the Apparel Business segment amounted to ¥4,283 million (down 21.8% YoY), with operating income of ¥178 million (up 123.0% YoY).

(2) Explanation of Financial Condition

Total assets at the end of the subject first quarter period (May 31, 2016) amounted to ¥60,155 million, a decrease of ¥420 million from the end of the previous fiscal year (February 28, 2016). This was due mainly to a decrease of ¥1,429 million in cash and deposits; against an increase of ¥909 million in short-term investment securities. Total liabilities amounted to ¥13,991 million, a decrease of ¥1,347 million from the end of the previous fiscal year. This was due mainly to a decrease of ¥1,108 million in income taxes payable. Total net assets at the end of the subject period amounted to ¥46,164 million, an increase of ¥926 million from the end of the previous fiscal year.

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

Earnings forecasts are unchanged from those announced on April 11, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Subject Period

MISUZU Co., Ltd., which was a consolidated subsidiary at the end of the previous fiscal year, was removed from the scope of consolidation from the first quarter period of the subject fiscal year, following the sale of all shares held by the Company on April 28, 2016.

(2) Application of Special Accounting Practices in the Preparation of the Quarterly Consolidated Financial Statements

Not applicable

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements

Changes in accounting policies

(Application of Accounting Standard for Business Combinations, etc.)

The Company has applied “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), from the subject first quarter period, changing its presentation of net income, and changing the presentation of “minority interests” to “non-controlling interests.” The consolidated financial statements for the previous fiscal year have been recombined to reflect these changes in presentation.

(Change in Depreciation Method for Property, Plant, and Equipment)

The Company and its consolidated subsidiaries, in accordance with revisions to corporate tax law, for buildings and accompanying facilities and structures acquired from April 1, 2016, from the subject first quarter period have changed the depreciation method from the declining balance method to the straight line method.

The effect of these changes on the Company’s consolidated profit and loss in the subject first quarter period is negligible.

(4) 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 first quarter period, the book value of the subject treasury shares was ¥456,514 thousand, for 165,600 shares.

iii. Book value of debt recorded through application of the gross method ¥478,810 thousand at the end of the subject first quarter period

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

	(Thousands of yen)	
	End of the Fiscal Year Ended February 29, 2016 (As of February 29, 2016)	End of the First Quarter of the Fiscal Year Ending February 28, 2017 (As of May 31, 2016)
ASSETS		
Current assets:		
Cash and deposits	2,145,844	716,828
Notes and accounts receivable — trade	3,671,116	3,804,894
Short-term investment securities	3,140,000	2,600,000
Merchandise and finished goods	7,612,167	8,309,852
Work in process	746,972	692,545
Raw materials and supplies	702,663	727,784
Other current assets	895,776	1,655,979
Allowance for doubtful accounts	(11,940)	(1,756)
Total current assets	18,902,600	18,506,129
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	6,028,177	5,905,355
Land	5,528,465	5,492,215
Other, net	1,102,278	1,072,057
Total property, plant and equipment	12,658,921	12,469,628
Intangible assets:		
Goodwill	5,213,301	5,089,174
Other intangible assets	374,273	310,048
Total intangible assets	5,587,575	5,399,223
Investments and other assets:		
Investment securities	18,490,635	19,400,583
Net defined benefit asset	391,765	401,271
Other	4,659,029	4,090,726
Allowance for doubtful accounts	(114,219)	(112,218)
Total investments and other assets	23,427,211	23,780,362
Total noncurrent assets	41,673,708	41,649,214
Total assets	60,576,308	60,155,343

	(Thousands of yen)	
	End of the Fiscal Year Ended February 29, 2016 (As of February 29, 2016)	End of the First Quarter of the Fiscal Year Ending February 28, 2017 (As of May 31, 2016)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	4,289,341	5,062,554
Income taxes payable	1,545,501	437,107
Provision for bonuses	528,148	358,255
Provision for directors' bonuses	56,600	15,703
Asset retirement obligations	13,391	11,821
Other	3,897,039	3,491,874
Total current liabilities	10,330,022	9,377,317
Noncurrent liabilities:		
Long-term loans payable	478,810	478,810
Provision for directors' retirement benefits	433,131	335,077
Net defined benefit liability	669,081	520,582
Asset retirement obligations	1,040,972	945,644
Other	2,386,467	2,333,706
Total noncurrent liabilities	5,008,462	4,613,820
Total liabilities	15,338,485	13,991,137
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486,520	2,486,520
Capital surplus	18,146,513	18,146,512
Retained earnings	29,958,714	30,641,312
Treasury stock	(5,768,298)	(5,742,627)
Total shareholders' equity	44,823,450	45,531,718
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	810,524	1,010,906
Deferred gains or losses on hedges	(34,981)	(9,088)
Revaluation reserve for land	(158,063)	(168,478)
Foreign currency translation adjustments	81,167	62,358
Remeasurements of defined benefit plans	(353,371)	(344,008)
Total other accumulated comprehensive income	345,275	551,688
Subscription rights to shares	69,097	80,799
Total net assets	45,237,823	46,164,206
Total liabilities and net assets	60,576,308	60,155,343

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

(Thousands of yen)

	First Quarter of the Fiscal Year Ended February 29, 2016 (March 1, 2015 to May 31, 2015)	First Quarter of the Fiscal Year Ending February 28, 2017 (March 1, 2016 to May 31, 2016)
Net sales	12,306,453	11,588,520
Cost of Sales	5,222,598	4,757,212
Gross profit	7,083,855	6,831,308
Selling, general and administrative expenses	5,735,469	5,283,586
Operating income	1,348,385	1,547,721
Non-operating income		
Interest income	4,809	4,667
Dividends received	5,501	5,994
Equity in earnings of affiliates	281,505	284,430
Rent of real estate for investment	25,485	18,285
Foreign exchange gains	5,289	—
Other	18,189	11,869
Total non-operating income	340,780	325,247
Non-operating expenses		
Interest expenses	145	76
Depreciation of real estate for investment	1,470	1,174
Foreign exchange losses	—	9,142
Management cost for real estate for investment	511	511
Other	3,240	1,616
Total non-operating expenses	5,368	12,521
Ordinary income	1,683,798	1,860,447
Extraordinary loss		
Impairment loss	13,219	9,425
Loss on sales of shares of subsidiaries and associates	—	493,781
Total extraordinary losses	13,219	503,206
Net income before income taxes	1,670,579	1,357,240
Income taxes — current	382,608	435,520
Income taxes — deferred	75,707	(295,978)
Total income taxes	458,315	139,541
Net income	1,212,263	1,217,699
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,212,263	1,217,699

Consolidated Quarterly Statements of Comprehensive Income
First Quarter Cumulative

(Thousands of yen)

	First Quarter of the Fiscal Year Ended February 29, 2016 (March 1, 2015 to May 31, 2015)	First Quarter of the Fiscal Year Ending February 28, 2017 (March 1, 2016 to May 31, 2016)
Income before minority interests	1,212,263	1,217,699
Other comprehensive income		
Other valuation difference on available-for-sale securities	375,521	105,221
Deferred gains or losses on hedges	(137)	24,437
Foreign currency translation adjustments	828	(18,809)
Revaluation reserve for land	—	(10,415)
Remeasurements of defined benefit plans, net of tax	936	16,004
Share of other comprehensive income of entities accounted for using equity method	35,060	89,973
Total other comprehensive income	412,209	206,413
Comprehensive income	1,624,473	1,424,112
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,624,473	1,424,112
Comprehensive income attributable to minority interests	—	—

(3) Notes to Consolidated Quarterly Financial Statements
(Notes Regarding Going Concern Assumptions)

Not applicable

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable

(Segment Information)

I The first quarter of the fiscal year ended February 29, 2016 (March 1, 2015 to May 31, 2015)

1. Information Regarding Sales and Income or Loss by Reporting Segment

(Thousands 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	6,827,320	5,479,133	12,306,453	—	12,306,453
Intrasegment net sales and transfers	11,978	222,322	234,300	(234,300)	—
Total	6,839,298	5,701,455	12,540,754	(234,300)	12,306,453
Segment income	1,282,901	79,953	1,362,835	(14,468)	1,348,385

Notes:

1. The adjustment amount of minus ¥14,468 thousand for segment income or loss mainly includes corporate expenses that are not allocated to individual reporting segments. 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, 2017 (March 1, 2016 to May 31, 2016)

1. Information Regarding Sales and Income or Loss by Reporting Segment

(Thousands 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	7,305,131	4,283,389	11,588,520	—	11,588,520
Intrasegment net sales and transfers	6,854	240,745	247,600	(247,600)	—
Total	7,311,985	4,524,135	11,836,121	(247,600)	11,588,520
Segment income	1,382,535	178,282	1,560,817	(13,096)	1,547,721

Notes:

1. The adjustment amount of minus ¥13,096 thousand for segment income or loss mainly includes corporate expenses that are not allocated to individual reporting segments. 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.