

**CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2017
(March 1, 2016 to November 30, 2016)**

January 6, 2017

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): January 13, 2017

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 Nine-Month Period of Fiscal 2016
(March 1, 2016 to November 30, 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	%
FY2016 Nine-Month Period	34,477	(5.0)	3,965	17.5	4,784	24.8	3,103	35.5
FY2015 Nine-Month Period	36,299	1.1	3,376	2.2	3,832	0.3	2,291	(0.3)

Note: Comprehensive income 3Q FY2016: 3,451 million yen (32.8%)
3Q FY2015: 2,598 million yen (-4.5%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2016 Nine-Month Period	120.68	120.56
FY2015 Nine-Month Period	87.03	86.86

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
November 30, 2016	61,173	46,751	76.3	1,830.83
February 29, 2016	60,576	45,237	74.6	1,747.62

(Reference)

Shareholders' equity: November 30, 2016: 46,647 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	—	25.00	—		
Fiscal 2017 (Forecast)				25.00	50.00

Note: Revision to the most recently announced cash dividend forecast: 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
Fiscal year ending February 28, 2017	51,500	(2.6)	6,550	7.1	7,700	12.3	4,950	15.7	192.46

Note: Revision to the most recently announced operating results forecast: 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.)

Note: For more detailed information, please see the section “2. Matters Concerning Summary Information (Notes) (1) Changes in Significant Subsidiaries during the Subject Period” on page 5.
- (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
- (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:
November 30, 2016: 29,331,356 shares Feb. 29, 2016: 29,331,356 shares
 2. Total number of treasury stock as of the period-end:
November 30, 2016: 3,852,614 shares Feb. 29, 2016: 3,485,424 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
FY2016 Nine-Month Period: 25,719,874 shares
FY2015 Nine-Month Period: 26,328,828 shares

The number of recorded treasury stock is inclusive of 145,400 of the Company’s shares held by the YONDOSHI HOLDINGS Group Employees’ Shareholding Association Trust Account as of the end of the quarterly fiscal period.

Regarding the Status of Quarterly Review Procedure Implementation

This financial report for the nine-month period 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 “Explanation of Consolidated Results Forecasts and Other Future Predictions” on page 5.

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1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the third quarter cumulative period of the fiscal year ending February 2017 (March 1, 2015 to November 30, 2016), the economic outlook in Japan remained uncertain as a result of sluggish personal consumption, rapid fluctuation in exchange rates, the Brexit issue, the impact of the U.S. presidential election, and concerns over economic slowdown in China and other emerging markets.

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 28, 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 pursued CSR-based management in an effort to become 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 third quarter cumulative period amounted to ¥34,477 million (down 5.0% YoY), with operating income of ¥3,965 million (up 17.5%), ordinary income of ¥4,784 million (up 24.8%), and profit attributable to owners of parent of ¥3,103 million (up 35.5%).

Of note, for a third quarter cumulative period, operating income and ordinary income reached record highs for a sixth consecutive year, with profit attributable to owners of parent also reaching a record high.

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 the 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. Performance was also driven 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 ¥21,856 million (up 6.6% YoY), with operating income of ¥3,500 million (up 5.3%). Segment sales reached a record high for a fifth consecutive fiscal period, and operating income for a seventh consecutive period.

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. Subsidiary age Co., Ltd. achieved positive returns by opening new locations of its mainstay everyday fashion brand PALETTE, and by strengthening sales promotion activities and its product lineup. Of note, MISUZU Co., Ltd. was removed from the scope of consolidation from the subject fiscal year, following the transfer of stock.

As a result, net sales in the Apparel Business segment amounted to ¥12,620 million (down 20.1% YoY), with operating income of ¥540 million (up 349.5%).

(2) Explanation of Financial Condition

Assets, Liabilities, and Net Assets

Total assets at the end of the subject third quarter cumulative period (November 30, 2016) amounted to ¥61,173 million, an increase of ¥596 million compared with the end of the previous fiscal year (February 29, 2016). This was due mainly to an increase of ¥1,986 million in merchandise and finished goods; against a decrease of ¥1,170 million in cash and deposits.

Total liabilities amounted to ¥14,421 million, a decrease of ¥917 million compared with the end of the previous fiscal year. This was due mainly to a decrease of ¥1,209 million in income taxes payable; against an increase of ¥1,124 million in notes and accounts payable—trade.

Total net assets amounted to ¥46,751 million, an increase of ¥1,514 million compared with 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

As announced in “Notice of Transfer of Subsidiary (Share Transfer)” dated April 11, 2016 and “Notice of Share Transfer Agreement” dated April 28, 2016, 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 third quarter cumulative period of the fiscal year 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 third quarter period of the fiscal year, the book value of the subject treasury shares was ¥401,313 thousand, for 145,400 shares.

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

¥427,880 thousand at the end of the subject first half of the fiscal year

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 Third Quarter of the Fiscal Year Ending February 28, 2017 (As of November 30, 2016)
ASSETS		
Current assets:		
Cash and deposits	2,145,844	975,274
Notes and accounts receivable — trade	3,671,116	4,002,911
Short-term investment securities	3,140,000	900,000
Merchandise and finished goods	7,612,167	9,598,370
Work in process	746,972	649,077
Raw materials and supplies	702,663	773,082
Other current assets	895,776	1,329,066
Allowance for doubtful accounts	(11,940)	(2,334)
Total current assets	18,902,600	18,225,447
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	6,028,177	5,868,258
Land	5,528,465	5,492,215
Other, net	1,102,278	1,034,389
Total property, plant and equipment	12,658,921	12,394,863
Intangible assets:		
Goodwill	5,213,301	4,840,922
Other intangible assets	374,273	258,248
Total intangible assets	5,587,575	5,099,171
Investments and other assets:		
Investment securities	18,490,635	20,912,527
Net defined benefit asset	391,765	420,002
Other	4,659,029	4,229,191
Allowance for doubtful accounts	(114,219)	(108,150)
Total investments and other assets	23,427,211	24,453,570
Total noncurrent assets	41,673,708	42,947,605
Total assets	60,576,308	61,173,053

	(Thousands of yen)	
	End of the Fiscal Year Ended February 29, 2016 (As of February 29, 2016)	End of the Third Quarter of the Fiscal Year Ending February 28, 2017 (As of November 30, 2016)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	4,289,341	5,414,078
Income taxes payable	1,545,501	335,924
Provision for bonuses	528,148	483,072
Provision for directors' bonuses	56,600	47,109
Asset retirement obligations	13,391	5,665
Other	3,897,039	3,563,989
Total current liabilities	10,330,022	9,849,839
Noncurrent liabilities:		
Long-term loans payable	478,810	427,880
Provision for directors' retirement benefits	433,131	368,567
Net defined benefit liability	669,081	542,032
Asset retirement obligations	1,040,972	971,440
Other	2,386,467	2,261,331
Total noncurrent liabilities	5,008,462	4,471,252
Total liabilities	15,338,485	14,421,091
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486,520	2,486,520
Capital surplus	18,146,513	18,146,140
Retained earnings	29,958,714	31,868,543
Treasury stock	(5,768,298)	(6,546,754)
Total shareholders' equity	44,823,450	45,954,449
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	810,524	1,082,711
Deferred gains or losses on hedges	(34,981)	36,777
Revaluation reserve for land	(158,063)	(168,478)
Foreign currency translation adjustments	81,167	35,517
Remeasurements of defined benefit plans	(353,371)	(293,676)
Total other accumulated comprehensive income	345,275	692,851
Subscription rights to shares	69,097	104,660
Total net assets	45,237,823	46,751,961
Total liabilities and net assets	60,576,308	61,173,053

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

(Thousands of yen)

	Nine-Month Period of the Fiscal Year Ended February 29, 2016 (March 1, 2015 to November 30, 2015)	Nine-Month Period of the Fiscal Year Ending February 28, 2017 (March 1, 2016 to November 30, 2016)
Net sales	36,299,850	34,477,000
Cost of Sales	15,475,626	14,242,401
Gross profit	20,824,224	20,234,599
Selling, general and administrative expenses	17,448,212	16,269,321
Operating income	3,376,011	3,965,277
Non-operating income		
Interest income	12,055	13,509
Dividends received	55,576	57,739
Equity in earnings of affiliates	278,677	704,238
Rent of real estate for investment	70,365	54,855
Foreign exchange gains	12,441	—
Other	68,183	25,138
Total non-operating income	497,300	855,480
Non-operating expenses		
Interest expenses	157	182
Depreciation of real estate for investment	4,426	3,523
Management cost for real estate for investment	1,534	1,534
Commission for purchase of treasury shares	25,194	833
Foreign exchange losses	—	22,520
Other	9,424	8,120
Total non-operating expenses	40,738	36,715
Ordinary income	3,832,573	4,784,042
Extraordinary income		
Settlement received	—	23,400
Total extraordinary income	—	23,400
Extraordinary loss		
Impairment loss	151,465	45,824
Loss on sales of shares of subsidiaries and associates	—	493,781
Loss on closing of stores	6,359	17,000
Building demolition costs	24,372	—
Loss on valuation of investment securities	—	13,658
Total extraordinary losses	182,197	570,264
Net income before income taxes	3,650,376	4,237,178
Income taxes — current	1,289,597	1,392,252
Income taxes — deferred	69,329	(258,982)
Total income taxes	1,358,926	1,133,270
Net income	2,291,449	3,103,907
Profit attributable to owners of parent	2,291,449	3,103,907

Consolidated Quarterly Statements of Comprehensive Income
Third Quarter Cumulative

(Thousands of yen)

	Nine-Month Period of the Fiscal Year Ended February 29, 2016 (March 1, 2015 to November 30, 2015)	Nine-Month Period of the Fiscal Year Ending February 28, 2017 (March 1, 2016 to November 30, 2016)
Income before minority interests	2,291,449	3,103,907
Other comprehensive income		
Other valuation difference on available-for-sale securities	176,074	214,488
Deferred gains or losses on hedges	(6,082)	70,303
Foreign currency translation adjustments	75,412	(10,415)
Revaluation reserve for land	311	(45,649)
Remeasurements of defined benefit plans, net of tax	13,979	48,013
Share of other comprehensive income of entities accounted for using equity method	47,277	70,833
Total other comprehensive income	306,973	347,575
Comprehensive income	2,598,423	3,451,483
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,598,423	3,451,483
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 nine-month period of the fiscal year ended February 29, 2016
(March 1, 2015 to November 30, 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	20,505,360	15,794,490	36,299,850	—	36,299,850
Intrasegment net sales and transfers	35,710	661,073	696,784	(696,784)	—
Total	20,541,070	16,455,563	36,996,634	(696,784)	36,299,850
Segment income or loss	3,325,272	120,274	3,445,546	(69,534)	3,376,011

Notes:

1. The adjustment amount of minus ¥69,534 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 or loss 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 nine-month period of the fiscal year ending February 28, 2017
(March 1, 2016 to November 30, 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	21,856,236	12,620,763	34,477,000	—	34,477,000
Intrasegment net sales and transfers	21,400	690,777	712,177	(712,177)	—
Total	21,877,636	13,311,541	35,189,177	(712,177)	34,477,000
Segment income	3,500,634	540,577	4,041,211	(75,933)	3,965,277

Notes:

1. The adjustment amount of minus ¥75,933 thousand for segment income 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.