

CONSOLIDATED FINANCIAL REPORT
FISCAL 2016 (Japanese GAAP)
(March 1, 2016 to February 28, 2017)



April 10, 2017

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

Representative: Hidenori Suzuki, President and Representative Director
 Inquiries: Masahiko Nishimura, Director and Executive Officer responsible for finance
 Tel: +81-3-5719-3429
 URL: <http://www.yondoshi.co.jp/>

Annual General Meeting of Shareholders date (planned): May 18, 2017

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Dividend payment commencement date (planned): May 19, 2017

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 2016 (March 1, 2016 to February 28, 2017)

(1) 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 2016	49,797	(5.8)	6,529	6.8	7,796	13.7	4,962	16.0
FY 2015	52,883	4.3	6,113	11.8	6,854	10.8	4,277	18.4

(Note) Comprehensive income: FY 2016: ¥5,728 million (72.9%) FY 2015: ¥3,313 million (-26.5%)

	Net Income Per Share	Net Income Per Share (Diluted)	ROE	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
	Yen	Yen	%	%	%
FY 2016	193.38	193.13	10.5	12.7	13.1
FY 2015	163.22	162.92	9.4	11.3	11.6

(Reference) Equity in earnings of affiliated companies accounted for by the equity method:

FY 2016: ¥1,088 million FY 2015: ¥481 million

(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, 2017	62,420	49,074	78.4	1,920.55
As of February 29, 2016	60,576	45,237	74.6	1,747.62

(Reference) Shareholders' equity: As of February 28, 2017: ¥48,959million As of February 29, 2016: ¥45,168million

(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 2016	4,964	(2,347)	(2,305)	5,288
FY 2015	5,319	(545)	(3,739)	4,985

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 2015	—	20.00	—	20.00	40.00	1,070	24.5	2.3
FY 2016	—	25.00	—	25.00	50.00	1,318	25.9	2.6
FY 2017 (planned)	—	32.50	—	32.50	65.00		30.1	

3. Forecast of Consolidated Results for FY 2017 (March 1, 2017 to February 28, 2018)

(% 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	23,000	(0.3)	2,500	(7.5)	3,150	(3.8)	2,150	3.3	83.78
Full Fiscal Year	51,000	2.4	6,850	4.9	8,250	5.8	5,550	11.8	216.27

4. Other

(1) Changes in important subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation): Yes

New: — Excluded: 1 (Company name: MISUZU Co., Ltd.)

(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: Yes
- 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, 2017: 29,331,356 shares As of February 29, 2016: 29,331,356 shares
2. Number of treasury stock
As of February 28, 2017: 3,838,799 shares As of February 29, 2016: 3,485,424 shares
3. Average number of shares for the year
FY2016: 25,662,520 shares FY2015: 26,205,718 shares

Notes:

1. The number of recorded treasury stock is inclusive of 134,200 of the Company's shares held by the YONDOSHI HOLDINGS Group Employees' Shareholding Association Trust Account as of the end 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 22.

(Reference) Non-Consolidated Performance

1. Non-Consolidated Performance for FY 2017 (March 1, 2017 to February 28, 2018)

(1) Non-Consolidated Business Results

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

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2016	2,272	9.5	1,751	13.2	1,587	6.4	1,333	290.0
FY 2015	2,076	4.3	1,546	8.3	1,492	8.1	341	(69.8)

	Net Income per Share	Net Income Per Share (Diluted)
	Yen	Yen
FY 2016	50.51	50.45
FY 2015	12.62	12.60

(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, 2017	36,760	18,560	50.2	703.29
As of February 29, 2016	35,752	19,117	53.3	716.59

(Reference) Shareholders' equity: As of February 28, 2017: ¥18,446 million As of February 29, 2016: ¥19,048 million

* This financial report for the fiscal 2016 is not subject to the review procedures.

* 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 the information from page 6.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

In fiscal 2016, the fiscal year ended February 28, 2017, the economic outlook in Japan remained uncertain as a result of persistent 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. This was due to a variety of factors including ongoing budget-consciousness and changes in consumption trends of foreigners visiting Japan.

Under these circumstances, during the fiscal year ended 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.

In addition to promoting a channel strategy by developing and cultivating brands and operating activities in the Jewelry Business, which the Group has positioned as a growth driver, YONDOSHI HOLDINGS also worked diligently to increase earnings in the Apparel Business.

Taking each of the aforementioned activities into consideration, net sales amounted to ¥49,797 million (down 5.8% compared with the previous fiscal year). From a profit perspective, operating income came to ¥6,529 million (up 6.8% YoY), ordinary income was ¥7,796 million (up 13.7% YoY), and profit attributable to owners of parent was ¥4,962 million (up 16.0% YoY).

Based on these result, operating income and net income reached record highs for a fifth consecutive fiscal year while the Group posted record high ordinary income for a sixth consecutive fiscal year.

Operating results by business segment were as follows.

Jewelry Business

Net Sales	¥	33,166 million	(Up 4.0% YoY)
Operating Income	¥	5,980 million	(Up 2.6% YoY)

In the Jewelry Business, largely undertaken by the F.D.C. Products Group, every effort was made to expand the range of items and zones in line with the renovation of existing locations handling the mainstay 4°C jewelry brand. In addition, trends in the canal 4°C brand that witnessed an increase in the number of items handled, the Luria 4°C brand which experienced a vigorous pickup in the number of stores opened, and MAISON JEWELL which is mainly marketed through the suburban shopping center channel, were robust. Complementing these positive trends, the e-commerce business also reported double-digit percentage growth year on year.

As a result, segment sales reached a record high for a fifth consecutive fiscal period, and operating income for an eighth consecutive fiscal period.

Apparel Business

Net Sales	¥	16,630 million	(Down 20.8% YoY)
Operating Income	¥	494 million	(Up 162.1% YoY)

In the Apparel Business, the AS'TY Group was successful in strengthening measures that harness the companies planning capabilities and overseas production framework with major clients. As a result, earnings substantially improved. age Co., Ltd. witnessed strong trends on the back of the opening of new locations of its mainstay everyday fashion brand PALETTE, and the strengthening of 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.

Accounting for these factors, net sales in the Apparel Business segment fell below the level recorded in the previous fiscal year. Operating income, on the other hand, improved substantially year on year.

Outlook

In recent years, operating conditions in the retail sector are expected to become increasingly difficult. This is largely due to the forecast trend toward continued frugality stemming from consumers' perceptions and the need to protect their daily lives.

Against this backdrop, the YONDOSHI HOLDINGS Group will continue to nurture human resources, bolster product capabilities, and assess market trends, with the aim of becoming a century-old company and brand throughout the final year of its fourth medium-term management plan. At the same time, we will continue to practice CSR-based management to establish a highly trusted corporate group, while endeavoring to enhance corporate value by strengthening internal controls, providing shareholder returns, and making medium- to long-term investments linked to earnings growth.

Through the F.D.C. Products Group, which is responsible for the Group's Jewelry Business, we will strengthen our 4°C jewelry brand product development capabilities while pursuing a unique and distinct identity as a 4°C BRIDAL specialty store. Moreover, we will look to open new canal 4°C, Luria 4°C, and other brand stores. At the same time, we will promote a channel strategy by developing and nurturing new businesses.

In the Apparel Business, the AS'TY Group will work to further enhance its product planning and production management capabilities. In addition, age Co., Ltd. will reinforce its dominant position in the Kansai area by opening new stores in the PALETTE everyday fashion brand business while continuing to bolster its sales promotion activities.

Taking each of these endeavors into consideration, the YONDOSHI HOLDINGS Group is committed to becoming a strong corporate group with a unique and distinct identity.

Based on the aforementioned, net sales are projected to reach ¥51,000 million, operating income to total ¥6,850 million, ordinary income to come to ¥8,250 million, and profit attributable to owners of parent to amount to ¥5,550 million on a consolidated basis in the fiscal year ending February 28, 2018.

(2) Analysis of Financial Position

The Status of Assets, Liabilities, and Net Assets

Total assets as of the end of the fiscal year under review stood at ¥62,420 million, an increase of ¥1,844 million compared with the end of the previous fiscal year. While the balance of short-term securities climbed ¥3,757 million, this decrease in assets was largely attributable to a drop in the balance of notes and accounts receivable — trade of ¥534 million.

Total liabilities came to ¥13,346 million. This was ¥1,992 million lower than the balance as of February 29, 2016. The principal movement during the fiscal year under review was the decrease in income taxes payable of ¥403 million.

Total net assets stood at ¥49,074 million as of February 28, 2017, up ¥3,836 million compared with the end of the previous fiscal year. This increase in net assets was largely attributable to an increase in retained earnings of ¥3,768 million.

Cash Flows

Cash and cash equivalents as of the end of the period under review stood at ¥5,288 million, an increase of ¥302 million compared with the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥4,964 million, down ¥355 million compared with the previous fiscal year. In the fiscal year under review, the major cash outflow was equity in (earnings) losses of affiliates of ¥1,088 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥2,347 million, up ¥1,802 million compared with the previous fiscal year. The primary cash outflow was for the purchase of investment securities of ¥2,517 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities came to ¥2,305 million, down ¥1,434 million compared with the previous fiscal year. This largely reflected cash dividends paid of ¥1,194 million.

(Reference) Trends in the YONDOSHI HOLDINGS Group's cash flow indicators are provided in the following table.

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Shareholders' equity ratio (%)	75.3	74.9	74.6	78.4
Shareholders' equity ratio based on market capitalization (%)	74.3	88.5	105.9	104.1
Cash flow to interest-bearing debt ratio (Year)	0.2	0.2	0.2	0.2
Interest coverage ratio (Times)	1,851.9	2,525.0	6,636.5	20,716.8

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market capitalization: Market capitalization / Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Interest payments

- Each indicator is calculated based on figures from consolidated financial statements.
- Market capitalization is calculated based on the number of shares issued and outstanding at the end of the period after deducting treasury stock.
- Interest-bearing debt includes all interest-bearing debt recorded under liabilities in the consolidated balance sheets.
- Cash flow from operating activities is taken from net cash provided by (used in) operating activities in the consolidated statements of cash flows. Interest payments are taken from cash paid for interest in the consolidated statements of cash flows.

(3) Policy on the Appropriation of Profits, Cash Dividends for Fiscal 2016 and Fiscal 2017

The YONDOSHI HOLDINGS Group places the appropriation of profits to shareholders as a key management priority. As a result, the Group strives to deliver 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. Under the fourth medium-term management plan, the YONDOSHI HOLDINGS Group has a policy to lift the dividend payout ratio on a progressive basis to 30% over the medium term.

Based on the aforementioned policy, YONDOSHI HOLDINGS plans to pay a fiscal year-end cash dividend of ¥25 per common share. Together with the interim cash dividend paid of ¥25 per common share, the full fiscal year cash dividend for fiscal 2016 will therefore come in at ¥50 per common share. Looking at dividends for fiscal 2017, the Company plans to pay an interim and fiscal year-end cash dividend of ¥32.5 per common share for a full fiscal year cash dividend of ¥65 per common share.

In addition to the appropriation of profits through cash dividends, YONDOSHI HOLDINGS has established a shareholder special benefit plan. Shareholders of record as of the end of the period can choose from three benefit options including shareholder gift certificates, Group products and a donation to the Japan Water Forum, which is introduced as a CSR-oriented benefit.

Furthermore, in an effort to better prepare the Group for the road ahead and to pursue business development, YONDOSHI HOLDINGS will continue to enhance profitability and reinforce the Group's management and business platforms while fulfilling the expectations of shareholders going forward. At the same time, the Group will take into consideration the internal working capital required to reinforce its management structure in response to an increasingly competitive environment, cultivate new markets, develop new brands and pursue business development through a variety of vehicles including M&A.

2. Management Policies

(1) Basic Management Policies

The YONDOSHI HOLDINGS Group engages in business development activities based on four core management philosophies.

We are committed to:

1. becoming a company that inspires trust and confidence among its customers
2. fostering and fulfilling the dreams of our employees
3. contributing to the prosperity and well-being of society, and
4. realizing the expectations of shareholders.

With the 4°C brand at the heart of its business activities, the YONDOSHI HOLDINGS Group is committed to becoming a company that is defined by its ability to create new trends in global fashion. We are committed to putting our heart and soul into anticipating customers' needs and forever enhancing customers' lifestyles.

With a deep respect for people and a fearless stance toward innovative change, the YONDOSHI HOLDINGS Group places the utmost importance on a corporate culture that continues to push the limits.

The efforts are grounded in the aspiration to bring a smile to the faces of all customer while inspiring their hearts and minds.

(2) Target Operating Indicators

Under its fourth medium-term management plan, which began in the fiscal year ended February 29, 2016, YONDOSHI HOLDINGS plans to follow a path of "Challenge and Evolution." In specific terms, the Company has identified its numerical vision for consolidated net sales, ordinary income, and ROE. Moving forward, we will advance business strategies and implement a variety of measures aimed at improving profitability, increasing the efficiency of our investments, and effectively utilizing all available funds.

(3) Medium- to Long-Term Operating Strategies

Details of the Company's medium- to long-term operating strategies are outlined in "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results (Outlook)" on page 6.

(4) Pending Issues

The YONDOSHI HOLDINGS Group will work diligently to overcome the following issues in an effort to strengthen its ability to address changes in the market and establish robust competitive advantage.

- i. The F.D.C. Products group
The F.D.C. Products group will continue to pursue steady growth while further increasing its operating income. To this end, the group will implement a variety of measures aimed at developing its business, focusing mainly on enhancing the value of the 4°C jewelry brand, and expanding new markets.
- ii. The AS'TY group
The AS'TY group will endeavor to secure stable operating income by expanding its apparel manufacturing business and rebuilding its wholesale business.
- iii. age Co., Ltd.
age will expand operating income by opening PALETTE stores that will reinforce its dominant position in the Kansai area and increasing its profile and visibility in the market.

3. 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.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Thousands of yen)

	End of the Fiscal Year Ended February 29, 2016 (As of February 29, 2016)	End of the Fiscal Year Ended February 28, 2017 (As of February 28, 2017)
ASSETS		
Current assets:		
Cash and deposits	2,145,844	2,088,219
Notes and accounts receivable — trade	3,671,116	3,137,084
Short-term investment securities	3,140,000	3,200,000
Merchandise and finished goods	7,612,167	7,453,776
Work in process	746,972	844,796
Raw materials and supplies	702,663	703,247
Deferred tax assets	520,738	576,831
Advance payments-trade	2,677	5,280
Accounts receivable-other	130,500	301,829
Other	241,858	255,212
Allowance for doubtful accounts	(11,940)	(2,357)
Total current assets	18,902,600	18,563,921
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	6,028,177	5,682,408
Land	5,528,465	5,492,215
Lease assets, net	258,728	135,888
Other, net	843,549	815,913
Total property, plant and equipment	12,658,921	12,126,426
Intangible assets:		
Goodwill	5,213,301	4,716,796
Lease assets	288,720	150,972
Right of trademark	1,143	883
Other	84,409	61,419
Total intangible assets	5,587,575	4,930,072
Investments and other assets:		
Investment securities	18,490,635	22,248,070
Guarantee deposits	334,717	267,444
Long-term loans receivable	18,118	19,099
Deferred tax assets	674,181	753,485
Deferred tax assets for land revaluation	75,412	71,490
Real estate for investment, net	458,477	453,866
Net defined benefit asset	391,765	520,200
Lease deposits	2,414,191	1,895,332
Claims provable in bankruptcy, claims provable in rehabilitation and other	85,924	79,906
Other	598,005	599,713
Allowance for doubtful accounts	(114,219)	(108,150)
Total investments and other assets	23,427,211	26,800,458
Total noncurrent assets	41,673,708	43,856,957
Total assets	60,576,308	62,420,878

(Thousands of yen)

	End of the Fiscal Year Ended February 29, 2016 (As of February 29, 2016)	End of the Fiscal Year Ended February 28, 2017 (As of February 28, 2017)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	4,289,341	3,955,935
Lease obligations	280,597	199,671
Income taxes payable	1,545,501	1,141,834
Provision for bonuses	528,148	351,451
Provision for directors' bonuses	56,600	65,050
Asset retirement obligations	13,391	1,000
Other	3,616,441	2,977,267
Total current liabilities	10,330,022	8,692,207
Noncurrent liabilities:		
Long-term loans payable	478,810	378,940
Lease obligations	345,705	175,981
Long-term guarantee deposited	324,428	317,622
Deferred tax liabilities	1,565,624	1,687,876
Net defined benefit liability	669,081	573,336
Provision for directors' retirement benefits	433,131	378,418
Asset retirement obligations	1,040,972	993,306
Other	150,709	148,733
Total noncurrent liabilities	5,008,462	4,654,214
Total liabilities	15,338,485	13,346,422
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486,520	2,486,520
Capital surplus	18,146,513	18,145,727
Retained earnings	29,958,714	33,727,198
Treasury stock	(5,768,298)	(6,510,635)
Total shareholders' equity	44,823,450	47,848,810
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	810,524	1,336,181
Deferred gains or losses on hedges	(34,981)	16,959
Revaluation reserve for land	(158,063)	(161,985)
Foreign currency translation adjustments	81,167	72,940
Remeasurements of defined benefit plans	(353,371)	(153,265)
Total accumulated other comprehensive income	345,275	1,110,829
Subscription rights to shares		
	69,097	114,815
Total net assets	45,237,823	49,074,456
Total liabilities and net assets	60,576,308	62,420,878

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

(Thousands of yen)

	Fiscal 2015 (March 1, 2015 to February 29, 2016)	Fiscal 2016 (March 1, 2016 to February 28, 2017)
Net sales	52,883,639	49,797,466
Cost of Sales	22,051,666	20,449,099
Gross profit	30,831,973	29,348,366
Selling, general and administrative expenses	24,717,982	22,818,564
Operating income	6,113,990	6,529,802
Non-operating income		
Interest income	15,823	15,564
Dividends received	87,600	90,914
Equity in earnings of affiliates	481,960	1,088,146
Rent of real estate for investment	95,353	73,140
Foreign exchange gains	4,015	—
Other	69,787	41,324
Total non-operating income	781,540	1,309,089
Non-operating expenses		
Interest expenses	801	239
Depreciation on investments in real estate	5,950	4,697
Management cost on real estate for investment	2,046	2,046
Commission for purchase of treasury stock	25,600	833
Foreign exchange losses	—	16,114
Other	6,145	18,035
Total non-operating expenses	40,543	41,967
Ordinary income	6,854,987	7,796,924
Extraordinary income		
Gain on sales of investment securities	64,675	—
Gain on sales of noncurrent assets	67,167	—
Settlement received	—	23,400
Total extraordinary income	131,842	23,400
Extraordinary loss		
Impairment loss	227,936	261,928
Loss on sales of shares of subsidiaries and associates	—	493,781
Loss on closing of stores	6,359	22,469
Demolition costs	24,372	—
Loss on abandonment of inventories	—	13,658
Loss on liquidation of brands	—	84,541
Total extraordinary losses	258,668	876,379
Net income before income taxes	6,728,161	6,943,945
Income taxes — current	2,557,311	2,264,107
Income taxes — deferred	(106,332)	(282,725)
Total income taxes	2,450,978	1,981,382
Net income	4,277,182	4,962,562
Profit attributable to owners of parent	4,277,182	4,962,562

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal 2015 (March 1, 2015 to February 29, 2016)	Fiscal 2016 (March 1, 2016 to February 28, 2017)
Income before minority interests	4,277,182	4,962,562
Other comprehensive income		
Other valuation difference on available-for-sale securities	(586,514)	435,793
Deferred gains or losses on hedges	(48,186)	50,485
Revaluation reserve for land	75,412	(3,922)
Foreign currency translation adjustments	(3,887)	(8,226)
Remeasurements of defined benefit plans, net of tax	(199,300)	106,602
Share of other comprehensive income of associates accounted for using equity method	(201,446)	184,821
Total other comprehensive income	(963,922)	765,553
Comprehensive income	3,313,260	5,728,116
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,313,260	5,728,116

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2015 (March 1, 2015 to February 29, 2016)

(Thousands of yen unless otherwise stated)

	Shareholders' equity						
	Common stock	Capital surplus	Retained earnings	Treasury stock			Total shareholders' equity
				Treasury stock	Treasury stock (held by Employee Stock Ownership Trust)	Total treasury stock	
Balance at the end of previous period	2,486,520	18,230,806	26,633,216	(3,185,492)	(99,350)	(3,284,842)	44,065,700
Cumulative effects of changes in accounting policies			24,928				24,928
Restated balance	2,486,520	18,230,806	26,658,145	(3,185,492)	(99,350)	(3,284,842)	44,090,629
Changes of items during the period							
Dividends from surplus			(976,612)				(976,612)
Profit attributable to owners of parent			4,277,182				4,277,182
Purchase of treasury stock				(2,602,207)	(549,252)	(3,151,460)	(3,151,460)
Disposal of treasury stock		5,710		76,979		76,979	82,689
Net changes in commission for purchase of treasury stock from affiliates accounted for by equity method		(90,003)					(90,003)
Change in equity in affiliates accounted for by equity method-treasury stock				421,017		421,017	421,017
Sales of treasury stock from Employee Stock Ownership Trust					170,008	170,008	170,008
Net changes in items excluding shareholders' equity during the period							
Total	—	(84,293)	3,300,569	(2,104,210)	(379,244)	(2,483,455)	732,820
Balance at the end of current period	2,486,520	18,146,513	29,958,714	(5,289,702)	(478,595)	(5,768,298)	44,823,450

(Thousands of yen unless otherwise stated)

	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	1,481,757	13,339	(233,476)	85,054	(37,476)	1,309,198	43,311	45,418,210
Cumulative effects of changes in accounting policies								24,928
Restated balance	1,481,757	13,339	(233,476)	85,054	(37,476)	1,309,198	43,311	45,443,139
Changes of items during the period								
Dividends from surplus								(976,612)
Profit attributable to owners of parent								4,277,182
Purchase of treasury stock								(3,151,460)
Disposal of treasury stock								82,689
Net changes in commission for purchase of treasury stock from affiliates accounted for by equity method								(90,003)
Change in equity in affiliates accounted for by equity method-treasury stock								421,017
Sales of treasury stock from Employee Stock Ownership Trust								170,008
Net changes in items excluding shareholders' equity during the period	(671,232)	(48,320)	75,412	(3,887)	(315,894)	(963,922)	25,786	(938,136)
Total	(671,232)	(48,320)	75,412	(3,887)	(315,894)	(963,922)	25,786	(205,315)
Balance at the end of current period	810,524	(34,981)	(158,063)	81,167	(353,371)	345,275	69,097	45,237,823

Fiscal 2016 (March 1, 2016 to February 28, 2017)

(Thousands of yen unless otherwise stated)

	Shareholders' equity						
	Common stock	Capital surplus	Retained earnings	Treasury stock			Total shareholders' equity
				Treasury stock	Treasury stock (held by Employee Stock Ownership Trust)	Total treasury stock	
Balance at the end of previous period	2,486,520	18,146,513	29,958,714	(5,289,702)	(478,595)	(5,768,298)	44,823,450
Changes of items during the period							
Dividends from surplus			(1,194,078)				(1,194,078)
Profit attributable to owners of parent			4,962,562				4,962,562
Purchase of treasury stock				(865,887)		(865,887)	(865,887)
Disposal of treasury stock		(785)		15,354		15,354	14,569
Sales of treasury stock from Employee Stock Ownership Trust					108,194	108,194	108,194
Net changes in items excluding shareholders' equity during the period							
Total	—	(785)	3,768,483	(850,532)	108,194	(742,337)	3,025,360
Balance at the end of current period	2,486,520	18,145,727	33,727,198	(6,140,235)	(370,400)	(6,510,635)	47,848,810

(Thousands of yen unless otherwise stated)

	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	810,524	(34,981)	(158,063)	81,167	(353,371)	345,275	69,097	45,237,823
Changes of items during the period								
Dividends from surplus								(1,194,078)
Profit attributable to owners of parent								4,962,562
Purchase of treasury stock								(865,887)
Disposal of treasury stock								14,569
Sales of treasury stock from Employee Stock Ownership Trust								108,194
Net changes in items excluding shareholders' equity during the period	525,656	51,940	(3,922)	(8,226)	200,105	765,553	45,718	811,271
Total	525,656	51,940	(3,922)	(8,226)	200,105	765,553	45,718	3,836,632
Balance at the end of current period	1,336,181	16,959	(161,985)	72,940	(153,265)	1,110,829	114,815	49,074,456

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2015 (March 1, 2015 to February 29, 2016)	Fiscal 2016 (March 1, 2016 to February 28, 2017)
Cash Flows from Operating Activities:		
Net Income before income taxes	6,728,161	6,943,945
Depreciation and amortization	1,191,512	1,176,146
Impairment loss	227,936	261,928
Amortization of goodwill	496,504	496,504
Increase (decrease) in allowance for doubtful accounts	1,845	(15,439)
Increase (decrease) in provision for bonuses	172,463	(157,977)
Increase (decrease) in net defined benefit liability	115,449	71,966
Increase (decrease) in other provision	62,489	10,753
Interest and dividends income	(103,424)	(106,478)
Settlement received	—	(23,400)
Interest expenses	801	239
Equity in (earnings) losses of affiliates	(481,960)	(1,088,146)
Foreign exchange losses (gains)	(2,245)	4,662
Loss (gain) on sales of noncurrent assets	(67,166)	—
Loss (gain) on sales of investment securities	(64,675)	—
Loss (gain) on sales of shares of subsidiaries and associates	—	493,781
Decrease (increase) in notes and accounts receivable — trade	(217,696)	313,902
Decrease (increase) in inventories	(88,298)	(365,560)
Increase (decrease) in notes and accounts payable — trade	119,541	(185,981)
Increase (decrease) in accrued consumption taxes	(65,483)	(159,233)
Increase (decrease) in advances received	38,995	(163,608)
Increase (decrease) in accounts payable - other	(549,568)	(615)
Decrease (increase) in other assets	(4,060)	(213,935)
Increase (decrease) in other liabilities	86,849	135,415
Subtotal	7,597,973	7,407,366
Interest and dividends income received	225,308	226,138
Interest expenses paid	(801)	(239)
Settlement package received	—	23,400
Income taxes paid	(2,502,657)	(2,692,397)
Net cash provided by (used in) operating activities	5,319,822	4,964,266

(Thousands of yen)

	Fiscal 2015 (March 1, 2015 to February 29, 2016)	Fiscal 2016 (March 1, 2016 to February 28, 2017)
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(1,063,206)	(926,305)
Proceeds from sales of property, plant and equipment	3,831	12,543
Purchase of intangible assets	(12,810)	(6,754)
Proceeds from redemption of securities	150,000	300,000
Purchase of investment securities	(17,724)	(2,517,217)
Proceeds from sales of investment securities	296,370	0
Proceeds from redemption of investment securities	—	500,000
Proceeds from sales of real estate for investment	352,250	—
Payments of long-term loans receivable	(6,177)	(5,960)
Collection of long-term loans receivable	10,327	4,979
Purchase of long-term prepaid expenses	(209,566)	(117,120)
Change of scope of consolidation — proceeds from sales of shares of subsidiaries	—	402,580
Other payments	(313,088)	(248,898)
Other proceeds	264,403	254,343
Net cash provided by (used in) investing activities	(545,390)	(2,347,809)
Cash Flows from Financing Activities:		
Proceeds from long-term loans payable	549,800	—
Repayment of long-term loans payable	(119,300)	(99,870)
Purchase of treasury stock	(3,151,460)	(865,887)
Proceeds from sales of treasury stock	69,243	119,555
Cash dividends paid	(976,612)	(1,194,078)
Other payments	(111,079)	(265,073)
Net cash provided by (used in) financing activities	(3,739,409)	(2,305,353)
Effect of exchange rate change on cash and cash equivalents	(2,111)	(8,728)
Net increase (decrease) in cash and cash equivalents	1,032,910	302,375
Cash and cash equivalents at beginning of period	3,952,933	4,985,844
Cash and cash equivalents at end of period	4,985,844	5,288,219

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

Not applicable.

(Changes in Accounting Policies)

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

The Companies adopted “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013 (hereinafter, “Statement No. 21”)), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013 (hereinafter, “Statement No. 22”)) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013 (hereinafter, “Statement No. 7”)) (together, the “Business Combination Accounting Standards”), from the fiscal year ended February 28, 2017. As a result, the Company changed its accounting policy to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. Moreover, the Company also changed its presentation of net income, and 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.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No. 21, article 44-5 (4) of Statement No. 22 and article 57-4 (4) of Statement No. 7 with application from the beginning of the fiscal year ended February 28, 2017 prospectively.

There was no effect on the consolidated financial statements.

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

In accordance with the revision to the Corporation Tax Act, with effect from the subject fiscal year, in its consolidated accounts the Company and its consolidated subsidiaries have applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) Solution No. 32, June 17, 2016). Accordingly, the Company and its consolidated subsidiaries have changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 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 fiscal year is negligible.

(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.

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 2015, the Fiscal Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

(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	31,880,339	21,003,300	52,883,639	—	52,883,639
Intrasegment net sales and transfers	45,854	982,822	1,028,676	(1,028,676)	—
Total	31,926,194	21,986,122	53,912,316	(1,028,676)	52,883,639
Segment income	5,831,333	188,655	6,019,989	94,001	6,113,990
Segment assets	30,987,456	23,769,027	54,756,483	5,819,825	60,576,308
Other items					
Depreciation	726,157	446,166	1,172,323	26,626	1,198,949
Increase in property, plant and equipment and intangible assets	1,000,689	450,180	1,450,870	82,600	1,533,470

Notes:

- (1) The adjustment amount of ¥94,001 thousand for segment income mainly includes amortization of goodwill totaling minus ¥496,504 thousand and general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥577,157 thousand.
 - (2) The adjustment amount of ¥5,819,825 thousand for segment assets is mainly comprised of corporate assets of ¥5,460,739 thousand and the balance of unamortized goodwill of ¥5,213,301 thousand. Meanwhile, corporate assets are primarily made up of surplus operating funds (cash and deposits).
 - (3) The adjustment amount of ¥26,626 thousand for depreciation and amortization relates to corporate assets that are not attributable to individual reporting segments.
 - (4) The adjustment amount of ¥82,600 thousand for the increased amount of property, plant and equipment and intangible assets 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 2016, the Fiscal Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(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	33,166,923	16,630,542	49,797,466	—	49,797,466
Intrasegment net sales and transfers	26,920	988,597	1,015,517	(1,015,517)	—
Total	33,193,844	17,619,140	50,812,984	(1,015,517)	49,797,466
Segment income	5,980,208	494,438	6,474,647	55,155	6,529,802
Segment assets	32,336,203	22,936,863	55,273,066	7,147,812	62,420,878
Other items					
Depreciation	797,879	369,613	1,167,492	17,805	1,185,298
Increase in property, plant and equipment and intangible assets	749,823	202,481	952,304	—	952,304

Notes:

- (1) The adjustment amount of ¥55,155 thousand for segment income mainly includes amortization of goodwill totaling minus ¥496,504 thousand and general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥551,659 thousand.
 - (2) The adjustment amount of ¥7,147,812 thousand for segment assets is mainly comprised of corporate assets of ¥5,619,065 thousand and the balance of unamortized goodwill of ¥4,716,796 thousand. Meanwhile, corporate assets are primarily made up of surplus operating funds (cash and deposits).
 - (3) The adjustment amount of ¥17,805 thousand for depreciation and amortization relates to corporate assets that are not attributable to individual reporting segments.
- Segment income matches operating income recorded on the consolidated statements of income.

(Related Information)

Fiscal 2015, the Fiscal Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

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 operating revenues to outside customers based in Japan of all business segments represented over 90% of the Company's total operating revenues 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 2016, the Fiscal Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

3. Product and Service Information

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

4. Geographical Segment Information

iii. Net sales

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

iv. 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 2015, the Fiscal Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

(Thousands of yen)

	Reporting Segments			Adjustment amount	Total
	Jewelry Business	Apparel Business	Total		
Impairment loss	107,273	120,663	227,936	—	227,936

Fiscal 2016, the Fiscal Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(Thousands of yen)

	Reporting Segments			Adjustment amount	Total
	Jewelry Business	Apparel Business	Total		
Impairment loss	119,705	142,223	261,928	—	261,928

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

Fiscal 2015, the Fiscal Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

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 ¥496,504 thousand and ¥5,213,302 thousand, respectively. The amounts of goodwill amortized and balance of unamortized goodwill related to goodwill that arose at the time of stock exchange.

Fiscal 2016, the Fiscal Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

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 ¥496,504 thousand and ¥4,716,796 thousand, 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 2015, the Fiscal Year Ended February 29, 2016 (March 1, 2015 to February 29, 2016)

Not applicable.

Fiscal 2016, the Fiscal Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

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.

i. Transaction summary

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

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

Company stock remaining in the trust is recorded as treasury shares under net assets at book value to the trust (excluding ancillary expenses). At the end of the subject fiscal year, the book value of the subject treasury shares was ¥370,400 thousand, for 134,200 shares.

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

¥378,940 thousand at the end of the subject fiscal year

(Per Share Information)

(Yen)

Fiscal 2015 (March 1, 2015 to February 29, 2016)			Fiscal 2016 (March 1, 2016 to February 28, 2017)		
1.	Net assets per share	1,747.62	1.	Net assets per share	1,920.55
2.	Earnings per share	163.22	2.	Earnings per share	193.38
3.	Net income per share (diluted)	162.92	3.	Net income per share (diluted)	193.13

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

(Thousands of yen unless otherwise stated)

	Fiscal 2015 (March 1, 2015 to February 29, 2016)	Fiscal 2016 (March 1, 2016 to February 28, 2017)
Total earnings per share		
Profit attributable to owners of parent	4,277,182	4,962,562
Amounts not applicable to ordinary shareholders	—	—
Profit attributable to owners of parent applicable to common stock	4,277,182	4,962,562
Average number of common shares (Shares)	26,205,718	25,662,520
Net income per share adjusted for diluted shares		
Adjustment to profit attributable to owners of parent per share	—	—
Increased number of common shares (Shares)	47,932	32,655
(Subscription rights to shares)	(47,932)	(32,655)
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: 102,000 shares	New share subscription rights issued on July 6, 2015 8th issuance of new share subscription rights Common stock: 102,000 shares New share subscription rights issued on June 8, 2016 9th issuance of new share subscription rights Common stock: 27,000 shares New share subscription rights issued on June 8, 2016 10th issuance of new share subscription rights Common stock: 24,700 shares

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

(Thousands of yen unless otherwise stated)

	Fiscal 2015 (March 1, 2015 to February 29, 2016)	Fiscal 2016 (March 1, 2016 to February 28, 2017)
Total net asset recorded on consolidated balance sheets	45,237,823	49,074,456
Deduction amount of total net asset recorded on consolidated balance sheets	69,097	114,815
Subscription rights to shares	(69,097)	(114,815)
Net assets applicable to common stock	45,168,726	48,959,640
Number of common stock utilized for the calculation of net assets per share (Shares)	25,845,932	25,492,557

3. The Company's shares held by the trust-type employee ownership plan are recognized as treasury stock in consolidated financial statements. As a result, the number of common shares as of the end of the period used to calculate the aforementioned net assets per share amount as well as the average number of shares for the period used to calculate the aforementioned earnings per share amount are after deducting the Company's shares held by the trust-type employee ownership plan.

(Important Subsequent Events)

Not applicable.

5. Other

(1) Changes in Management

- i. Changes in representative director
Not applicable.

- ii. Other management assignments (scheduled date of appointment: May 18, 2017)

- Retiring director (excluded Audit/Supervisory Committee Members)
Nobuyuki Hosoda

Note: Mr. Hosoda is concurrently serving as Director and Adviser of AS'TY INC. He will retire as Director and Adviser of the company at the expiration of his term of office on May 8, 2017.

- Retiring director (Audit/Supervisory Committee Member)
Tomoaki Fujimori

Note: Mr. Fujimori is an outside director.

- iii. Candidate director (alternate Audit/Supervisory Committee Member)
Kiyoshi Shin (currently an attorney-at-law)