

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST QUARTER OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2020
(March 1, 2019 to May 31, 2019)

July 10, 2019

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

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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 2019
(March 1, 2019 to May 31, 2019)

(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 FY2019	11,143	(0.6)	1,243	3.9	1,341	(11.4)	805	(22.9)
1Q FY2018	11,216	(1.1)	1,196	(10.8)	1,512	(11.7)	1,043	(12.2)

Note: Comprehensive income 1Q FY2019: 70 million yen (-93.5%) 1Q FY2018: 1,085 million yen (-9.4%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
1Q FY2019	35.35	—
1Q FY2018	40.66	40.63

(Reference) Operating income before the amortization of goodwill:

1Q FY 2019: ¥1,367 million 1QFY 2018: ¥1,321 million

The Company considers operating income before the amortization of goodwill to be an important management indicator.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
May 31, 2019	58,301	41,359	70.8	1,836.66
February 28, 2019	59,934	43,587	72.6	1,883.28

(Reference)

Shareholders' equity: May 31, 2019: 41,268 million yen February 28, 2019: 43,497 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 2018	—	37.50	—	37.50	75.00
Fiscal 2019	—				
Fiscal 2019 (Forecast)		40.00	—	40.00	80.00

Note: Revision to dividend forecast for the first quarter of the fiscal year ending February 28, 2020: No

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending February 28, 2020 (March 1, 2019 to February 28, 2020)

(% 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	22,400	1.4	2,100	5.3	2,250	(12.7)	1,500	(17.5)	65.87
Fiscal year ending February 28, 2020	47,300	0.4	5,100	2.3	5,400	(20.6)	3,400	39.3	149.30

Note: Revisions to consolidated operating forecasts for the first quarter of the fiscal year ending February 28, 2020: No

(Reference) EPS before the amortization of goodwill, taking into account the upper limit for share buy-backs in FY 2019, is ¥174.10.

Notes

- (1) Changes in Important Subsidiaries during the Period:
(Changes in specified subsidiaries that caused changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices in the Preparation of the Quarterly Consolidated Financial Statements: 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: No
 - 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:
May 31, 2019: 29,331,356 shares Feb. 28, 2019: 29,331,356 shares
 2. Total number of treasury stock as of the period-end:
May 31, 2019: 6,861,901 shares Feb. 28, 2019: 6,234,634 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
First quarter fiscal 2019: 22,773,543 shares First quarter fiscal 2018: 25,666,849 shares

Note: The number of recorded treasury stock includes 52,200 of the Company's shares held by the YONDOSHI HOLDINGS Group Employees' Shareholding Association Trust (hereinafter referred to the "the Trust") and 46,823 of the Company' shares held by the Shares Grant Trust for Officers as of the end of the fiscal year.

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

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

1. The forecasts of operating results and other items concerning the future contained in this document are based on management's assumptions and beliefs that are determined to be reasonable in light of currently available information, YONDOSHI HOLDINGS INC. cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin operating results forecasts as well as cautionary notes on the use of operating results forecasts, please refer to "1. Qualitative Information on Business and Financial Results (3) Explanation of Consolidated Results Forecasts and Other Future Predictions" on page 4.
2. The Company had previously presented its financial statements in units of thousands of yen, but from FY 2019 has changed the unit to millions of yen. Of note, to ease comparison, figures from the previous fiscal year have been recombined to millions of yen.

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1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the first quarter period (March 1, 2019 to May 31, 2019) of fiscal 2019 (ending February 2020), the Japanese economy recovered at a moderate pace on improvement in corporate earnings and employment conditions. However, the outlook remained clouded over such concerns as how the direction of trade issues and fluctuations in capital markets will affect the global economy.

In the retail industry, despite signs of an improvement in personal consumption, business conditions remained difficult, with continued budget-consciousness arising from uncertainty about the future.

Under these circumstances, during fiscal 2019, the second year of the fifth medium-term management plan, the YONDOSHI HOLDINGS Group continued to cultivate human resources, bolster product capabilities, and assess market trends, with the aim of becoming a century-old company and brand. Further, 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 ¥11,143 million (down 0.6% from the same period of the previous fiscal year), with operating income of ¥1,243 million (up 3.9%). Because of the lack of equity in earnings of affiliates in the subject fiscal year, ordinary income declined to ¥1,341 million (down 11.4%) and profit attributable to owners of parent to ¥805 million (down 22.9%), but were mostly in line with plan.

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group implemented various successful measures, with an increase in bridal jewelry. Store earning capacity also increased as a result of the ongoing scrap-and-build program.

As a result, net sales in the Jewelry Business segment amounted to ¥6,420 million (down 3.8% from the same period of the previous fiscal year), with operating income of ¥1,031 million (up 1.9%).

Apparel Business

The AS'TY Group achieved positive results from successful efforts to strengthen measures with major clients, utilizing its product proposal capabilities and overseas production framework. Retailer age Co., Ltd. also achieved gains from expanded openings of new locations for its mainstay everyday fashion brand PALETTE, and efforts to strengthen sales promotion measures.

As a result, net sales in the Apparel Business segment amounted to ¥4,723 million (up 4.0% from the same period of the previous fiscal year), with operating income of ¥284 million (up 27.4%).

(2) Explanation of Financial Condition

Total assets at the end of the subject first quarter period (May 31, 2019) amounted to ¥58,301 million, a decrease of ¥1,632 million from the end of the previous fiscal year (February 28, 2019). This was due mainly to a decrease of ¥1,500 million in securities. Total liabilities amounted to ¥16,942 million, an increase of ¥595 million from the end of the previous fiscal year. This was due mainly to an increase of ¥1,400 million in short-term loans payable. Total net assets at the end of the subject period amounted to ¥41,359 million, a decrease of ¥2,228 million from the end of the previous fiscal year. This was due mainly to an increase of ¥1,429 million in treasury stock (decrease in net assets).

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

Earnings forecasts are unchanged from those announced on April 10, 2019.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2019 (As of February 28, 2019)	End of the First Quarter of the Fiscal Year Ending February 28, 2020 (As of May 31, 2019)
ASSETS		
Current assets:		
Cash and deposits	2,246	775
Notes and accounts receivable — trade	2,854	3,430
Short-term investment securities	1,550	—
Merchandise and finished goods	8,508	9,318
Work in process	702	465
Raw materials and supplies	918	840
Other current assets	3,843	4,540
Allowance for doubtful accounts	(3)	(3)
Total current assets	20,572	19,366
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	5,475	5,453
Land	5,492	5,492
Other, net	659	656
Total property, plant and equipment	11,627	11,602
Intangible assets:		
Goodwill	3,723	3,599
Other intangible assets	200	200
Total intangible assets	3,923	3,800
Investments and other assets:		
Investment securities	19,331	18,041
Net defined benefit asset	590	600
Other	3,987	4,988
Allowance for doubtful accounts	(98)	(98)
Total investments and other assets	23,810	23,532
Total noncurrent assets	39,361	38,935
Total assets	59,934	58,301

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2019 (As of February 28, 2019)	End of the First Quarter of the Fiscal Year Ending February 28, 2020 (As of May 31, 2019)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	3,582	4,157
Income taxes payable	3,462	393
Short-term loans payable	—	1,400
Provision for bonuses	214	302
Provision for directors' bonuses	8	12
Asset retirement obligations	20	11
Other	2,724	4,280
Total current liabilities	10,013	10,558
Noncurrent liabilities:		
Long-term loans payable	175	175
Provision for directors' retirement benefits	43	49
Net defined benefit liability	507	493
Asset retirement obligations	1,040	1,044
Other	4,566	4,620
Total noncurrent liabilities	6,332	6,383
Total liabilities	16,346	16,942
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	18,057	18,057
Retained earnings	31,380	31,315
Treasury stock	(13,180)	(14,609)
Total shareholders' equity	38,743	37,249
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	4,845	4,121
Deferred gains or losses on hedges	(1)	(5)
Revaluation reserve for land	(161)	(161)
Foreign currency translation adjustments	69	64
Remeasurements of defined benefit plans	1	1
Total other accumulated comprehensive income	4,753	4,019
Subscription rights to shares	90	90
Total net assets	43,587	41,359
Total liabilities and net assets	59,934	58,301

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

(Millions of yen)

	First Quarter of the Fiscal Year Ended February 28, 2019 (March 1, 2018 to May 31, 2018)	First Quarter of the Fiscal Year Ending February 28, 2020 (March 1, 2019 to May 31, 2019)
Net sales	11,216	11,143
Cost of Sales	4,718	4,764
Gross profit	6,497	6,379
Selling, general and administrative expenses	5,300	5,135
Operating income	1,196	1,243
Non-operating income		
Interest income	9	12
Dividends received	8	50
Equity in earnings of affiliates	237	—
Rent of real estate for investment	18	18
Foreign exchange gains	12	4
Other	31	16
Total non-operating income	318	102
Non-operating expenses		
Interest expenses	0	0
Depreciation of real estate for investment	1	1
Management cost for real estate for investment	0	0
Commission for purchase of treasury shares	—	2
Loss on insurance cancellation	0	—
Other	0	0
Total non-operating expenses	2	4
Ordinary income	1,512	1,341
Extraordinary income		
Gain on sales of investment securities	—	99
Total extraordinary income	—	99
Extraordinary loss		
Loss on valuation of investment securities	—	139
Loss on closing of stores	—	8
Total extraordinary losses	—	147
Net income before income taxes	1,512	1,292
Income taxes — current	459	370
Income taxes — deferred	9	117
Total income taxes	469	487
Net income	1,043	805
Profit attributable to owners of parent	1,043	805

Consolidated Quarterly Statements of Comprehensive Income
First Quarter Cumulative

(Millions of yen)

	First Quarter of the Fiscal Year Ended February 28, 2019 (March 1, 2018 to May 31, 2018)	First Quarter of the Fiscal Year Ending February 28, 2020 (March 1, 2019 to May 31, 2019)
Income before minority interests	1,043	805
Other comprehensive income		
Other valuation difference on available-for-sale securities	54	(724)
Deferred gains or losses on hedges	17	(4)
Foreign currency translation adjustments	(19)	(5)
Remeasurements of defined benefit plans, net of tax	13	(0)
Share of other comprehensive income of entities accounted for using equity method	(15)	—
Total other comprehensive income	51	(734)
Comprehensive income	1,095	70
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,095	70

(3) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable

(Notes Regarding Substantial Changes in Shareholders' Equity)

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 ¥170 million, for 61,800 shares at the end of the previous consolidated fiscal year, and ¥144 million, for 52,200 shares at the end of the first quarter of the subject consolidated fiscal year.

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

At the end of the previous consolidated fiscal year: ¥175 million

At the end of the first quarter of the subject consolidated fiscal year: ¥175 million

(Stock Compensation Plan for Directors)

Under its 68th annual shareholders meeting held on May 17, 2018, the Company introduced a stock compensation plan (hereinafter, the "Plan"), with eligible persons the Company's directors (excluding directors who are audit and supervisory committee members) and directors who are audit and supervisory committee members (excluding outside directors), as well as directors and corporate auditors (excluding outside corporate auditors) of the Company's major group companies from November 28, 2018.

i. Summary of the transaction

The Plan is a stock compensation plan to grant the Company's shares to eligible directors of eligible companies in accordance with rules for granting trust-based stock compensation to corporate officers as determined by the eligible companies. The Company will contribute funds to the trust, and the trust will use these funds to acquire the Company's shares, and grant them to eligible directors. In principle, directors and other officers will receive the Company's shares at the time of retirement.

ii. The Company's own shares held in the Trust

The Company's own shares held in the Trust are recorded as treasury stock under net assets at their book value in the Trust (excluding the amount of ancillary expenses). The book value and number of shares of such treasury stock was ¥126 million, for 50,000 shares at the end of the previous consolidated fiscal year, and ¥118 million, for 46,823 shares at the end of the first quarter of the subject consolidated fiscal year.

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

From the subject fiscal year, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Deferred tax assets are shown in “Investments and other assets,” and deferred tax liabilities in “Non-current liabilities.”

(Repurchase of the Company’s Own Shares)

YONDOSHI HOLDINGS resolved to repurchase the Company’s own shares pursuant to Article 156 of the Corporations Law of Japan as applied under Article 165-3 of the said Corporations Law, following a meeting of its Board of Directors held on April 10, 2019.

1. Reasons for repurchasing the Company’s own shares

This resolution was made to ensure that the Company maintained a flexible capital policy that is capable of appropriately addressing changes in its operating environment and to facilitate the adequate return of profits to shareholders.

2. Repurchase details

(1) Class of shares to be repurchased: YONDOSHI HOLDINGS’ common shares

(2) Total number of shares to be repurchased: Up to a maximum of 1,350,000 shares

(3) Aggregate cost of share repurchase: Up to a maximum of ¥3,500,000,000

(4) Repurchase method: 1. Repurchase through the ToSTNeT-3 off-hours trading system
2. Market purchase based on a trust agreement relating to repurchase of the Company’s own shares

(5) Repurchase period: April 11, 2019 to September 30, 2019

(6) Other: In accordance with a decision by the Board of Directors, the Company acquired 510 thousand shares of the Company’s ordinary stock between April 11, 2019, and May 31, 2019, with an acquisition value of ¥1,184 million.

(Segment Information)

I The first quarter of the fiscal year ended February 28, 2019 (March 1, 2018 to May 31, 2018)

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

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	6,672	4,543	11,216	—	11,216
Intrasegment net sales and transfers	0	229	229	(229)	—
Total	6,672	4,773	11,446	(229)	11,216
Segment income	1,012	223	1,236	(39)	1,196

Notes:

1. The adjustment amount of minus ¥39 million for segment income mainly includes amortization of goodwill totaling minus ¥124 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥127 million and elimination of inter-segment transactions of ¥212 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Related Items by Reporting Segment

There was no major impairment loss recorded during the period under review.

II The first quarter of the fiscal year ending February 28, 2020 (March 1, 2019 to May 31, 2019)

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

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	6,420	4,723	11,143	—	11,143
Intrasegment net sales and transfers	—	171	171	(171)	—
Total	6,420	4,894	11,314	(171)	11,143
Segment income	1,031	284	1,316	(73)	1,243

Notes:

1. The adjustment amount of minus ¥73 million for segment income mainly includes amortization of goodwill totaling minus ¥124 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥147 million and elimination of inter-segment transactions of ¥198 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Related Items by Reporting Segment

There was no major impairment loss recorded during the period under review.