

YONDOSHI HOLDINGS INC.

First Section, Tokyo Stock Exchange (8008)

Investors' Presentation
Results for the First Half of Fiscal 2019
(The Fiscal Year Ending February 29, 2020)

October 7, 2019

4°C holdings group

The rebranding of Canal began in September

The logo has been upgraded from Canal4°C to Canal produced by 4°C

Expand to specialty stores featuring fashionable jewelry with trendy designs

Canal
Produced by 4°C



- **Net sales nearly on par with last year, operating income up 110.1% year-on-year, profits trending above the plan**
- **The Jewelry Business: Achievements of key measures**
 - **Bridal jewelry: Successful measures to boost existing store sales**
 - **Store profitability growth by reducing unprofitable stores**
 - **Steady rise in sales ratio of captive demand and purchases for own use**
- **The Apparel Business remains strong**
 - **Apparel manufacturing business profit growth via higher profit margins**
 - **Everyday fashion business net sales growth and record-high profits through steady store openings**

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I. Overview and Summary of the First Half of Fiscal 2019, the Fiscal Year Ending February 29, 2020

II. Business Results Forecasts for Fiscal 2019 and Measures for the Second Half

III. Medium-Term Strategic Approach

Saishi Kimura, Chairman and Representative Director • CEO
Akihiro Takiguchi, President and Representative Director • COO
YONDOSHI HOLDINGS INC.

Note: Amounts identified in this report are presented in millions of yen rounded down. Percentage figures are calculated from raw data.

Disclaimer: Operating forecasts and forward-looking statements that are not of historic fact are based on information available to management as of the date of this report. Subject to a variety of risks and uncertainties, these forecasts and forward-looking statements may differ substantially from actual results due to a diversity of factors including changes in the Company's operating environment, market trends and fluctuations in foreign currency exchange rates. As a result, readers are advised not to rely solely on the information provided as the basis for investment decisions.

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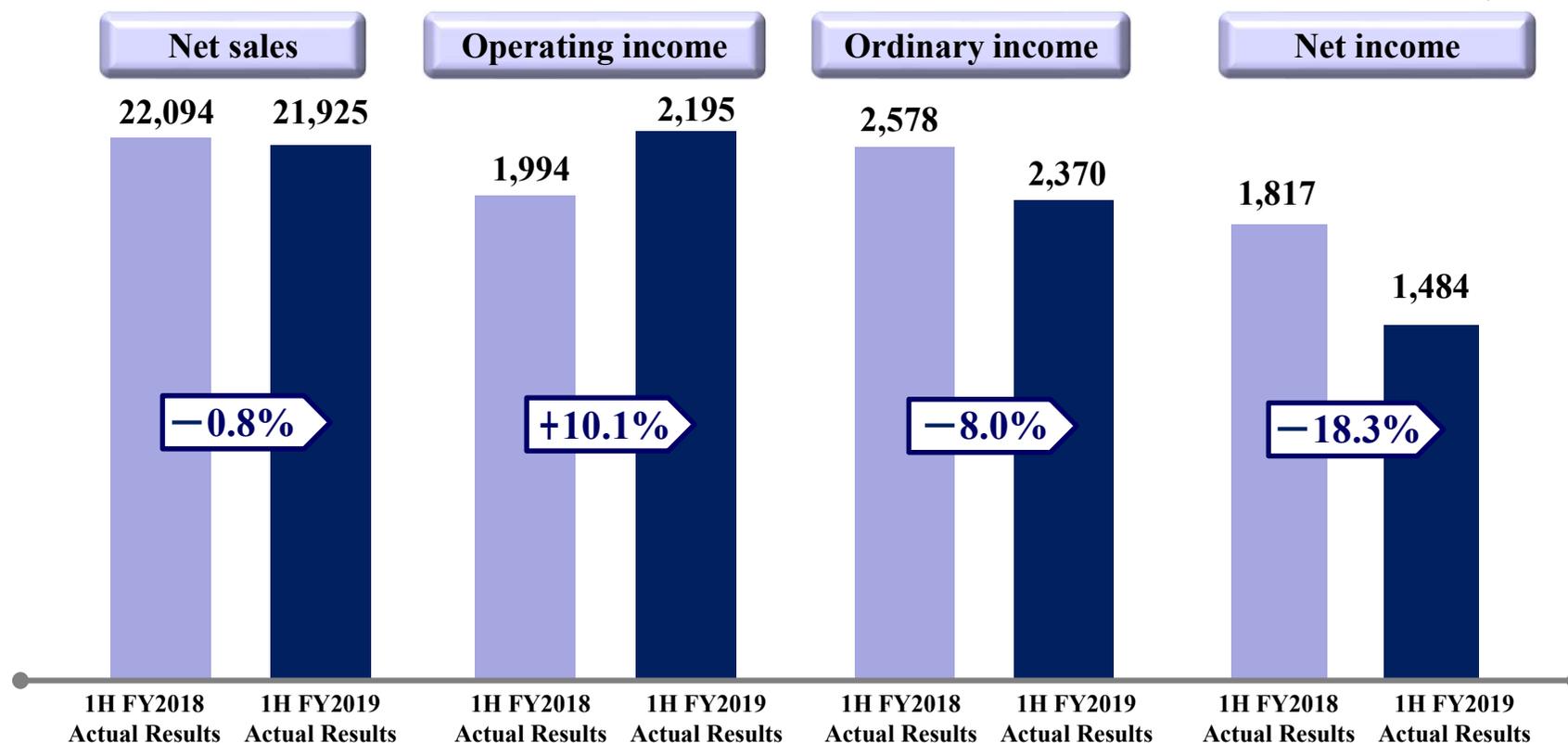
III. Medium-Term Strategic Approach

Overview of Consolidated Operating Results for the First Half of Fiscal 2019 (1)

- Net sales on par with last year but operating income growth in the double digits; underlying rises for both ordinary income and net income despite equity-method investment gains disappearing from the year under review
- Strong operating income and ordinary income trending above the plan

Net sales: ¥21,925 million (−0.8% YoY) Operating income: ¥2,195 million (+10.1% YoY)
Ordinary income: ¥2,370 million (−8.0% YoY) Net income: ¥1,484million (−18.3% YoY)

(Millions of yen)



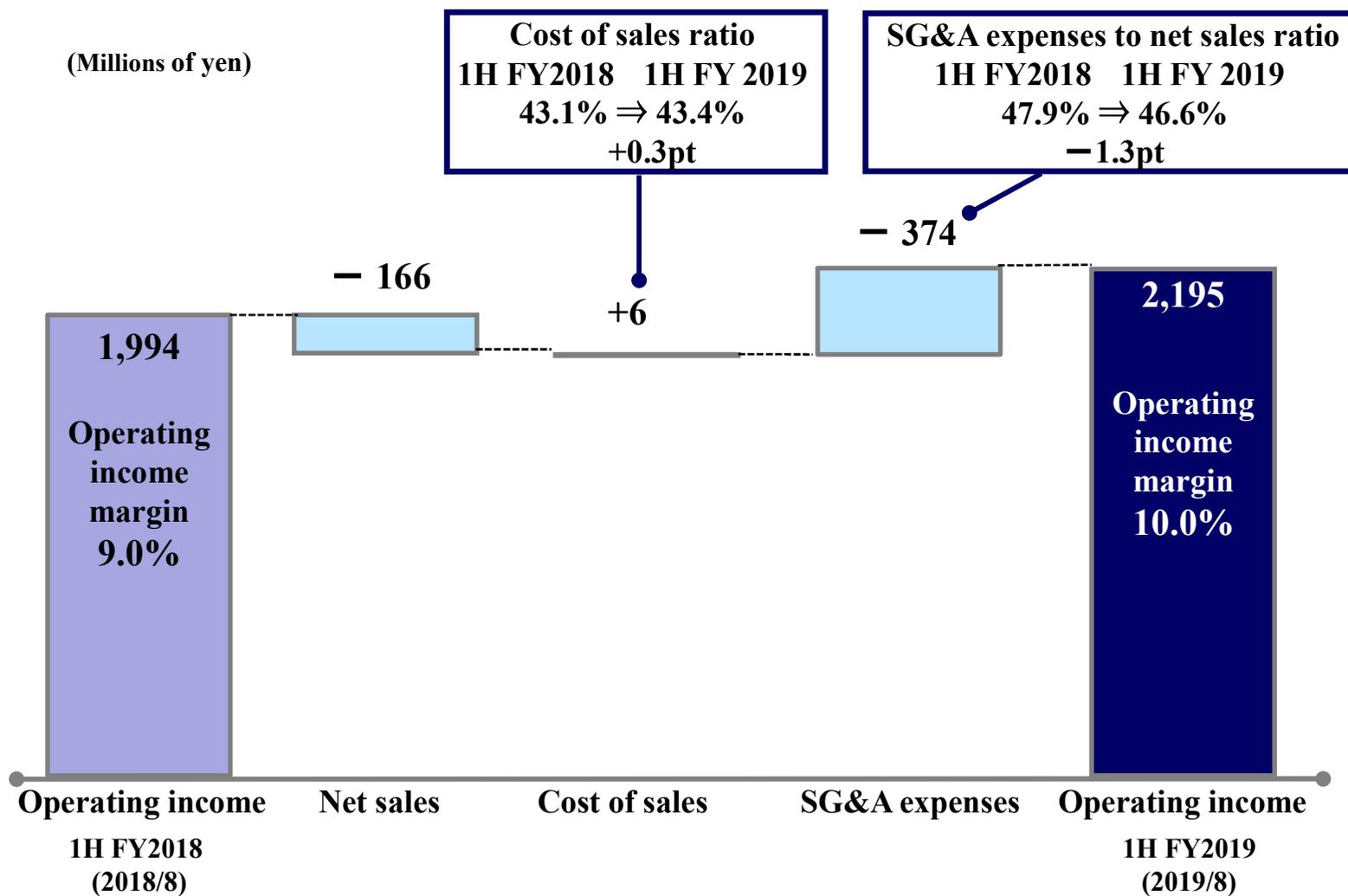
Overview of Consolidated Operating Results for the First Half of Fiscal 2019 (2)

(Millions of yen, %)	1H FY2018 (2018/8)		1H FY2019 (2019/8)				YoY	vs. Plan
	Results	(%)	Plans	(%)	Results	(%)	Increase (Decrease) (%)	Increase (Decrease) (%)
Net sales	22,094	100.0	22,400	100.0	21,925	100.0	-0.8	-2.1
Gross profit	12,582	56.9	12,660	56.5	12,408	56.6	-1.4	-2.0
Gross profit margin	56.9		56.5		56.6		-0.3	+0.1
Selling, general and administrative expenses	10,587	47.9	10,560	47.1	10,213	46.6	-3.3	-3.5
Amortization of goodwill	248	1.1	248	1.1	248	1.1	248	±0
Operating income	1,994	9.0	2,100	9.4	2,195	10.0	+10.1	+4.5
Ordinary income	2,578	11.7	2,250	10.0	2,370	10.8	-8.0	+5.4
Net income	1,817	8.2	1,500	6.7	1,484	6.8	-18.3	-1.0

«Reference»	1H FY2018 (2018/8)		1H FY2019 (2019/8)				YoY	vs. Plan
Key management indicators	Results	(%)	Plans	(%)	Results	(%)	Increase (Decrease) (%)	Increase (Decrease) (%)
(Millions of yen, %)								
Operating income before the amortization of goodwill	2,243	10.1	2,348	10.5	2,443	11.1	+8.9	+4.1
Net income before the amortization of goodwill	2,065	9.3	1,748	7.8	1,732	7.9	-16.1	-0.9

* Operating income before the amortization of goodwill = operating income + goodwill amortization; net income before the amortization of goodwill = profit attributable to owners of parent + goodwill amortization

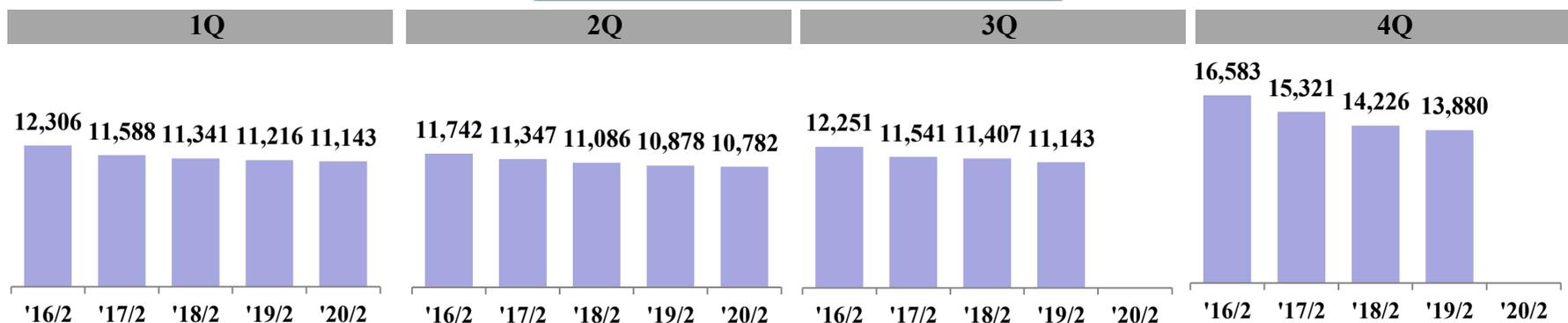
Operating Income



Trends in Quarterly Business Results

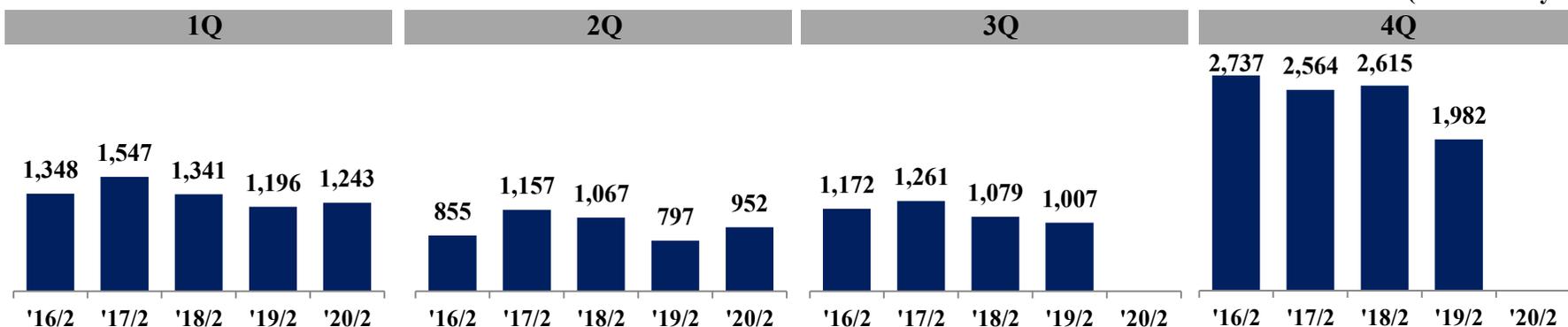
Trends in Net Sales by Quarter

(Millions of yen)



Trends in Operating Income by Quarter

(Millions of yen)



(Millions of yen)	1Q FY2018	2Q FY2018	1H FY2018 (2018/8)	1Q FY2019	2Q FY2019	1H FY2019 (2019/8)	Increase / (Decrease)	YoY
Net sales	11,216	10,878	22,094	11,143	10,782	21,925	(169)	-0.8
Gross profit	6,497	6,085	12,582	6,379	6,029	12,408	(174)	-2.0
Operating income	1,196	797	1,994	1,243	952	2,195	+201	+10.1

Overview of Business Results by Segment

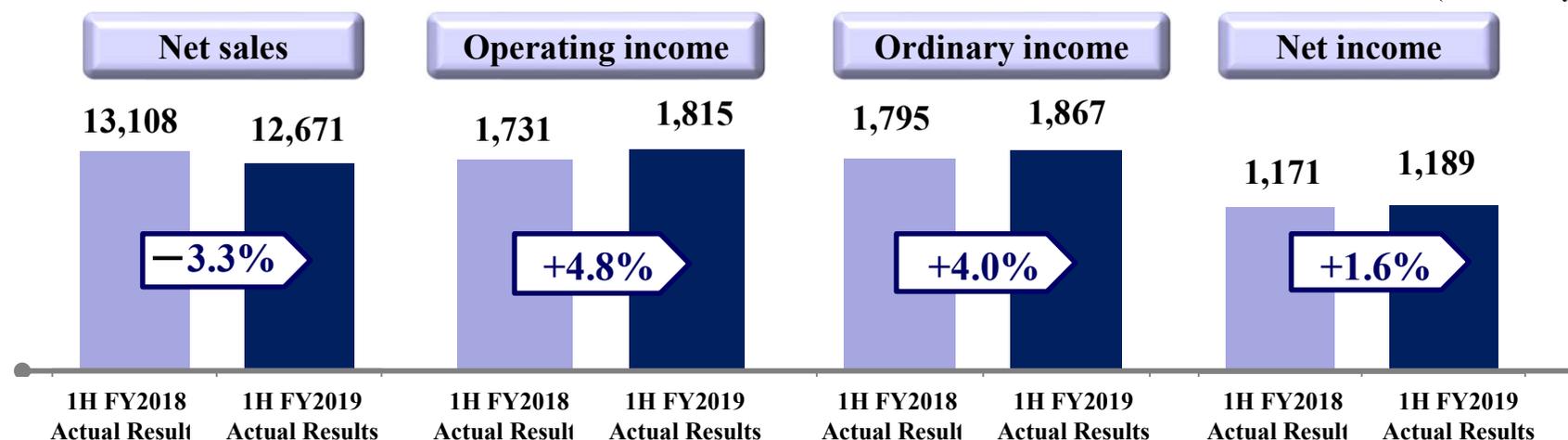
~The Jewelry Business

4°C

holdings group

- ❑ Sales down, profits up, existing store sales recovering
- ❑ Bridal jewelry remains strong thanks to the success of various measures to attract more customers
- ❑ Store profitability up owing to progress in reducing unprofitable stores

(Millions of yen)

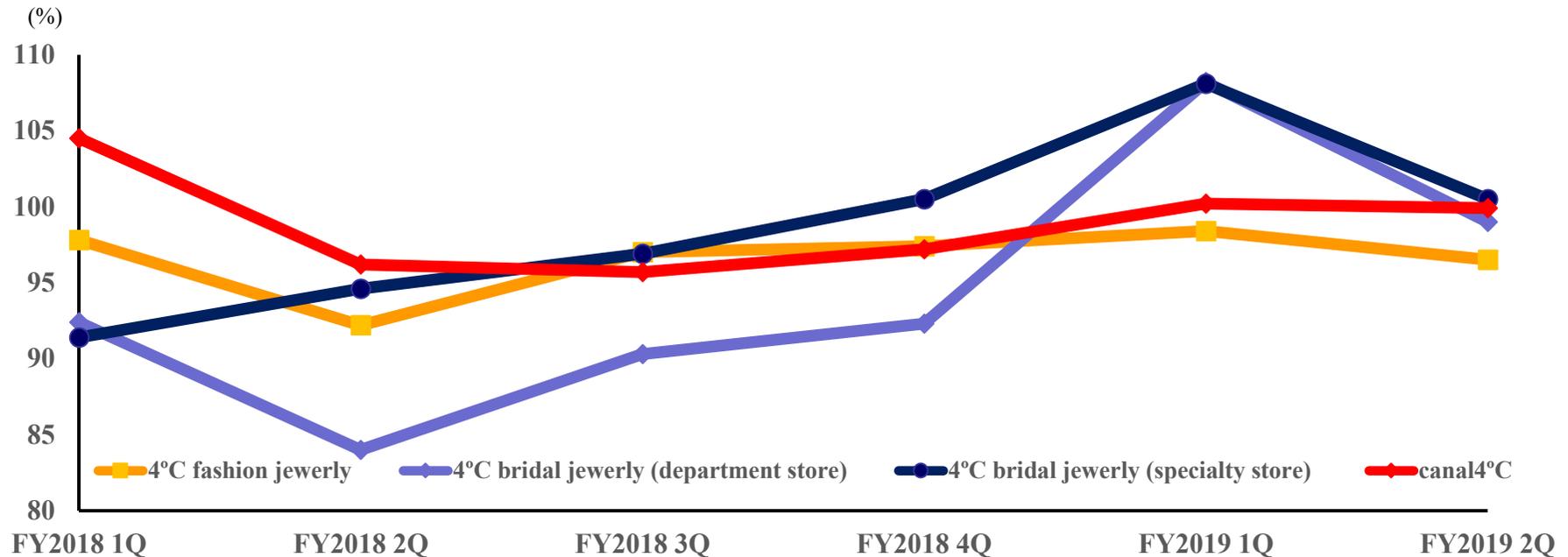


(Millions of yen, %)	1H FY2018 (2018/8)		1H FY2019 (2019/8)				YoY Increase (Decrease) (%)	vs. Plan Increase (Decrease) (%)
	Actual Results	(%)	Plans (Revised)	(%)	Actual Results	(%)		
Net sales	13,108	100.0	12,842	100.0	12,671	100.0	-3.3	-1.3
Operating income	1,731	13.2	1,850	14.4	1,815	14.3	+4.8	-1.9
Ordinary income	1,795	13.7	1,900	14.8	1,867	14.7	+4.0	-1.7
Net income	1,171	8.9	1,300	10.1	1,189	9.4	+1.6	-8.5

Jewelry Business: Quarterly Trends in Mainstay Brand Existing Store Sales



Strong sales including department store channel sales of 4°C bridal jewelry, which had been an issue



Existing stores YoY	1H FY2018 (2018/8)				1H FY2019 (2019/8)		
	1Q	2Q	3Q	4Q	1Q	2Q	1H
4°C fashion jewelry	97.8	92.2	97.0	97.4	98.4	99.9	99.1
4°C bridal jewelry (department store)	92.4	84.0	90.3	92.3	108.1	100.5	<u>104.1</u>
4°C bridal jewelry (specialty store)	91.4	94.6	96.9	100.5	108.2	99.0	<u>103.4</u>
canal4°C	104.5	96.2	95.7	97.2	100.2	99.9	<u>100.1</u>

Overview of Business Results by Segment

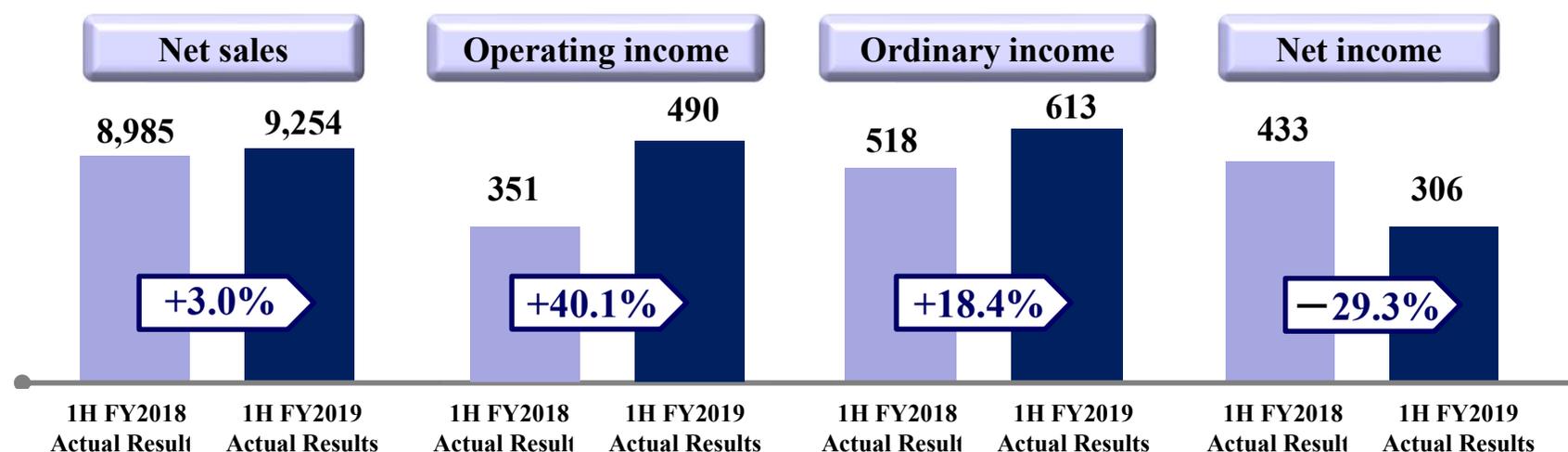
~The Apparel Business

4°C

holdings group

- Increases in revenue, operating income and ordinary income all in excess of plans
- Apparel manufacturing business profits up significantly owing to successful measures to improve gross profit margin and reduce overhead
- Everyday fashion business sales rise and profits reach record high due to more store openings and profit margin improvement

(Millions of yen)



(Millions of yen, %)	1H FY2018 (2018/8)		1H FY2019 (2019/8)				YoY Increase (Decrease) (%)	vs. Plan Increase (Decrease) (%)
	Actual Results	(%)	Plans (Revised)	(%)	Actual Results	(%)		
Net sales	8,985	100.0	9,562	100.0	9,254	100.0	+3.0	-3.2
Operating income	351	3.9	438	4.6	490	5.3	+40.1	+12.0
Ordinary income	518	5.8	533	5.6	613	6.6	+18.4	+15.0
Net income	433	4.8	331	3.5	306	3.3	-29.3	-7.6

Overview of Financial Position and Cash Flows (Consolidated)

- Total assets, liabilities, and net assets stood at ¥55.2 billion, ¥14.5 billion, and ¥40.6 billion, respectively
- Cash flows from financing activities: Repurchase of the Company's own shares of around ¥3.1 billion and paid cash dividends of around ¥900 million to increase shareholder returns

Financial Position

As of August 31, 2019

Total assets ¥55.2 billion	¥ 14.5 billion	Total liabilities Total net assets
	¥40.6 billion	

Cash Flows

(Millions of yen)	1H FY2018 (2018/8)	1H FY2019 (2019/8)	Increase (Decrease)
Operating cash flows	1,230	405	(825)
Investing cash flows	(1,020)	23	+1,043
Financing cash flows	(967)	(3,640)	(2,673)
Free cash flows	+210	+428	+218

Status and Plan of Store Openings and Closures

- ❑ **Jewelry Business: Will work to increase store profitability by reducing unprofitable stores centered on Luria4°C (*bags, small leather items)**
- ❑ **Apparel Business: Expansion in PALETTE store openings is steadily progressing**

		Jewelry Business						Apparel Business	Total
		Japan					Overseas	PALETTE	
			Department store	Bridal Shop	Fashion Building	Total			
FY2018 (2019/2)	Fiscal year-end	5	76	42	86	209	4	71	284
FY2019 1H Actual Results (201898)	Stores opened	0	1	2	1	4	0	3	7
	Stores closed	2	6	3	4	15	1	1	17
	2H-end	3	71	41	83	198	3	73	274
FY2019 2H Plan (2020/2)	Stores opened	0	5	0	3	8	0	2	10
	Stores closed	0	7	0	10	17	0	0	17
	Fiscal year-end	3	69	41	76	189	3	75	267

Status of the Number of Domestic Brand Stores in the Jewelry Business

		4°C	4°C BRIDAL	canal4°C	EAU DOUCE 4°C	MAISON JEWELL	Jewelry Total	Luria 4°C	Total
FY2018 (2019/2)	Fiscal year-end	91	42	46	23	7	209	50	259
FY2019 1H Actual Results (2019/8)	Stores opened	2	2	0	1	0	5	0	5
	Stores closed	6	3	1	3	1	14	9	23
	2H-end	87	41	45	21	6	200	41	241
FY2019 2H Plan (2020/2)	Stores opened	6	0	2	0	0	8	0	8
	Stores closed	7	0	0	0	0	7	14	21
	Fiscal year-end	86	41	47	21	6	201	27	228

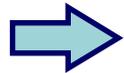
*Composite stores that handle multiple brands are recorded as a single store by each individual brand.

* Refers to the internal relocation of five stores within 4°C store openings/closings

Shareholder Returns (1) The Company's Own Share Acquisition Status & Retirement

Acquisition of the Company's own shares

- Around 3.25 million shares in the fiscal year ended February 28, 2019
- Around 1.48 million shares in the fiscal year ending February 28, 2020



**Total acquisition of around 4.73 million
for fiscal 2018 and 2019**

◆ Press release issued on October 7, 2019

Decision to retire 5 million shares of treasury stock

*17.05% of the total number of shares issued and outstanding (excluding treasury stock)

★ Retirement date: October 15, 2019

Shareholder Returns (2) Return Policy, Cash Dividends

- ❑ **Dedicated to proactively repurchasing the Company's own shares and sustained dividend hikes**
 - **Fiscal year ending under review: Currently acquired around 1.48 million (around ¥3.6 billion) of the Company's own shares**
 - **Decided to retire 5 million shares of treasury stock (including previous repurchases)**
 - **YoY increase of ¥2.5 per share to ¥40.0 per share in the interim dividend for the fiscal year ending February 29, 2020**
 - **Plan to pay a cash dividend of ¥80 per share, up ¥5 per share, for the fiscal year ending February 29, 2020 (ninth consecutive fiscal year of dividend increase)**

	FY2017 (2018/2)	FY2018 (2019/2)	FY2019 (2020/2) Forecast
Annual dividends per share (Yen)	65.0	75.0	80.0
Payout ratio (%)	31.4	78.1	52.8
Total return ratio (%)	31.4	374.1	162.9

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Consolidated Business Results Forecasts for Fiscal 2019

(Millions of yen, %)	FY2018 (2019/2)		FY2019 (2020/2)		YoY
	Results	(%)	Full-year forecasts	(%)	Increase (Decrease) (%)
Net sales	47,118	100.0	47,300	100.0	+0.4
Gross profit	27,155	57.6	27,265	57.6	+0.4
Gross profit margin	57.6		57.6		±0
Selling, general and administrative expenses	22,171	47.1	22,165	46.9	±0
Amortization of goodwill	496	1.1	496	1.0	±0
Operating income	4,984	10.6	5,100	10.8	+2.3
Ordinary income	6,804	14.5	5,400	11.4	-20.6
Net income	2,440	5.2	3,400	7.2	+39.3
« Reference »					
Operating income before the amortization of goodwill	5,480	11.6	5,596	11.8	+2.1
Net income before the amortization of goodwill	2,937	6.2	3,896	8.2	+32.7

* Operating income before the amortization of goodwill = operating income + goodwill amortization; net income before the amortization of goodwill = profit attributable to owners of parent + goodwill amortization

Fiscal Year Ending February 29, 2020: Projected Key Management Indicators

Based on profit before the amortization of goodwill

	FY2018 (2019/2)	FY2019 (2020/2) Forecasts
Operating income (Millions of yen)	5,480	5,596
ROE (%)	6.2	9.1
EPS (Yen)	115.6	174.1

* Operating income before the amortization of goodwill = operating income + goodwill amortization

* Net income before the amortization of goodwill = profit attributable to owners of parent + goodwill amortization

Consolidated Business Results Forecasts by Segment

4°C

for Fiscal 2019 (Figures are after accounting for intrasegment net sales and transfers) holdings group

- ❑ Revenue projected to decrease but earnings to increase in the Jewelry Business owing to strong bridal jewelry sales and efforts to boost profitability by reducing unprofitable stores
- ❑ Revenue and profits projected to rise in the Apparel Business by boosting apparel manufacturing business profit margins and increasing PALETTE store openings

(Millions of yen, %)		FY2018 (2019/2)	FY2019 (2020/2)			
		Results	1H Results	2H Forecasts	Full-year Forecasts (Revised)	YoY
The Jewelry Business	Net sales	29,295	12,671	15,829	28,500	-2.7
	Operating income	4,465	1,815	2,785	4,600	+3.0
	Ordinary income	4,572	1,867	2,833	4,700	+2.8
	Net income	2,981	1,189	2,011	3,200	+7.3
The Apparel Business	Net sales	17,822	9,254	9,546	18,800	+5.5
	Operating income	603	490	250	740	+22.7
	Ordinary income	904	613	312	925	+2.3
	Net income	4,582	306	254	560	-87.8

Jewelry Business

- Ongoing measures to raise 4°C brand value and expand captive demand and purchases for own use
- Improve brand image by enhancing messaging power
- Spur on early gift demand ahead of the Christmas season
- Boost bridal jewelry competitiveness
- Expand captive demand and purchases for own use through Canal rebranding
- Strengthen consumer engagement by introducing customer management systems

Apparel Business

- Enhance ODM functions in the apparel manufacturing business
- Further entrench the Group's dominant position in the Kansai area by opening PALETTE stores in the everyday fashion business

Ongoing Measures to Enhance 4°C Brand Value and Expand Captive Demand and Purchases for Own Use

4°C

holdings group

- ❑ Strengthening the competitiveness of products; upgrading the brand image through promotions
- ❑ 4°C fashion jewelry net sales accounted for by female customers up 6.5% and net sales accounted for by female captive demand up 7.5% owing to enhancing seasonal goods and earrings (*Existing store basis for the first half of fiscal 2019)



Improve Brand Image through Enhanced Messaging Power (1)

4°C
holdings group

- ❑ Generate interest through in-house publication JEWELRY TIMES
- ❑ Feature jewelry-related topics such as materials and maintenance methods

In-house publication JEWELRY TIMES



4°Cのシンプルで上品な一粒ダイヤネックレス。ヘアスタイルで抜け感を。



この夏はシックな浴衣にカラーストーンジュエリーを合わせてみて



ふたつの輪を重ねたデザイン「ダブルループ」に込めた想いとは。

(A portion of articles)



JEWELRY TIMES

Improve Brand Image through Enhanced Messaging Power (2)

4°C
holdings group

- ❑ Provide information to wide-ranging consumer segments beyond that go beyond fans through aggressive use of SNS
- ❑ Convey the attractive qualities of jewelry to large groups of people



Others



Twitter



Instagram



LINE
公式アカウント



Official App

Toward the Christmas Season (1)

- ❑ Spur on Christmas gift demand early in response to fewer holidays in December
- ❑ Capture demand for treating one's self through unique products and services



Toward the Christmas Season (2)

- ❑ Enhance the creativity of Christmas promotions
- ❑ Implement a multi-pronged approach that includes TV commercials, online and magazine advertising



Raising Bridal Jewelry Competitiveness (1)

- ❑ Improving the ability to attract customers by increasing points of customer contact (enhancing customer service) and strengthening the ability to transmit information through WEB media
- ❑ Create a unique worldview by enhancing services and providing original products



4°C Aqua Crown series



4°C calendar rings

Raising Bridal Jewelry Competitiveness (2)

- ❑ Expand items sold at bridal specialty stores
- ❑ Propose products geared toward non-wedding demand such as anniversaries and children's birthdays



Various products that meet anniversary needs

Expand Captive Demand and Purchases for Own Use through Canal rebranding (1)

4°C
holdings group

- ❑ Change logo from canal4°C to Canal produced by 4°C (*excluding certain stores)
- ❑ Establish original position for Canal

Before
canal 4°C



After
Canal
Produced by 4°C



Expand Captive Demand and Purchases for Own Use through Canal rebranding (2)

- ❑ Expand products designed in Japan and overseas to fashion jewelry specialty stores
- ❑ Propose items with a broad range of designs to trend-sensitive women



Expand Captive Demand and Purchases for Own Use through Canal rebranding (3)

4°C
holdings group

- Expand store renovations, open two stores in the fiscal year under review
(Yokohama Landmark Plaza store on September 4, Fukuoka Parco store on September 6)



Expand Captive Demand and Purchases for Own Use through Canal rebranding (4)

- ❑ Promote the appeal of experiencing value via open displays and lateral customer contact
- ❑ Target further expansion in growth channels: shopping center and train station buildings



Enhance engagement with consumers by introducing customer management systems

- ❑ Work to bring customer management system online from mid October and boost repeat purchase rates
- ❑ Deepen connections with customers through system-based communication

1. Product purchases



F. D. C. PRODUCTS
4°C Members Club

2. Membership registration



3. Message distribution



4. Customer traffic uptake



Strengthen apparel manufacturing business and ODM functions

4°C
holdings group

- ❑ Enhance major client-related initiatives based on turning product design capabilities and overseas production into strengths
- ❑ Increase profitability by reducing the cost of sales ratio and overhead



AS'TY Showroom

Everyday Fashion Brand PALETTE Business

Further entrenching dominant position in the Kansai area by opening PALETTE stores

4°C

holdings group

- ❑ Focus on increasing store openings and invigorating existing stores to reach net sales of ¥10 billion
- ❑ Increase awareness and customer traffic through aggressive marketing campaigns
- ❑ Reducing the cost of sales ratio through direct container delivery and product development initiatives



PALETTE Bessho store



PALETTE Yabu store

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① ROE 10%* or higher

② EPS ¥200* or higher

③ Consecutive increase in dividends paid; target an annual dividend of ¥100 per share

* Calculated using net income before amortization of goodwill

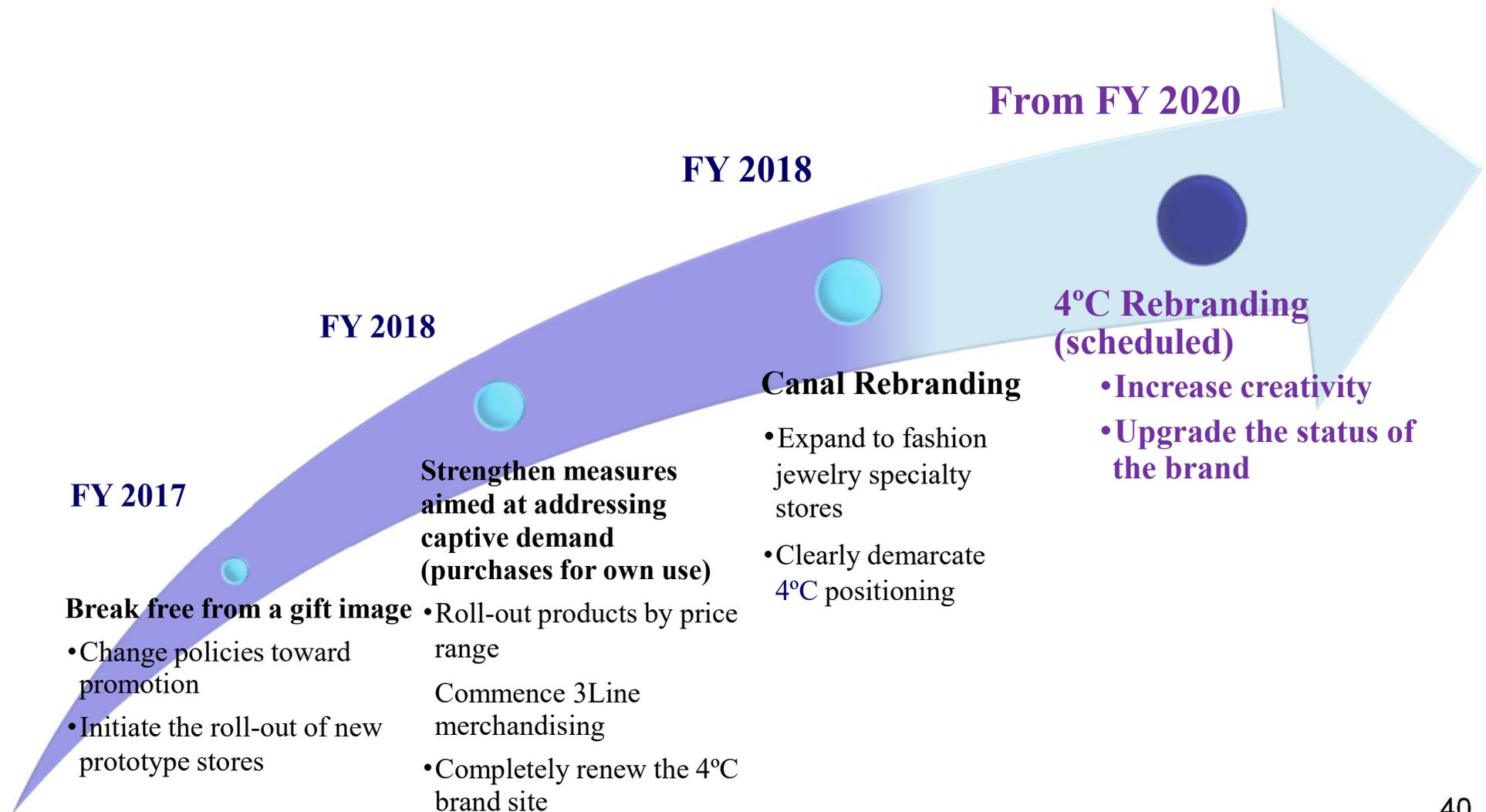
(Net income before amortization of goodwill = profit attributable to owners of parent + goodwill amortization)

Outlook for Profit Growth

**Strengthen the Company's business platform
by rebuilding the Jewelry Business and work to
expand captive demand and purchases for
own use while broadening the depth of profit growth**

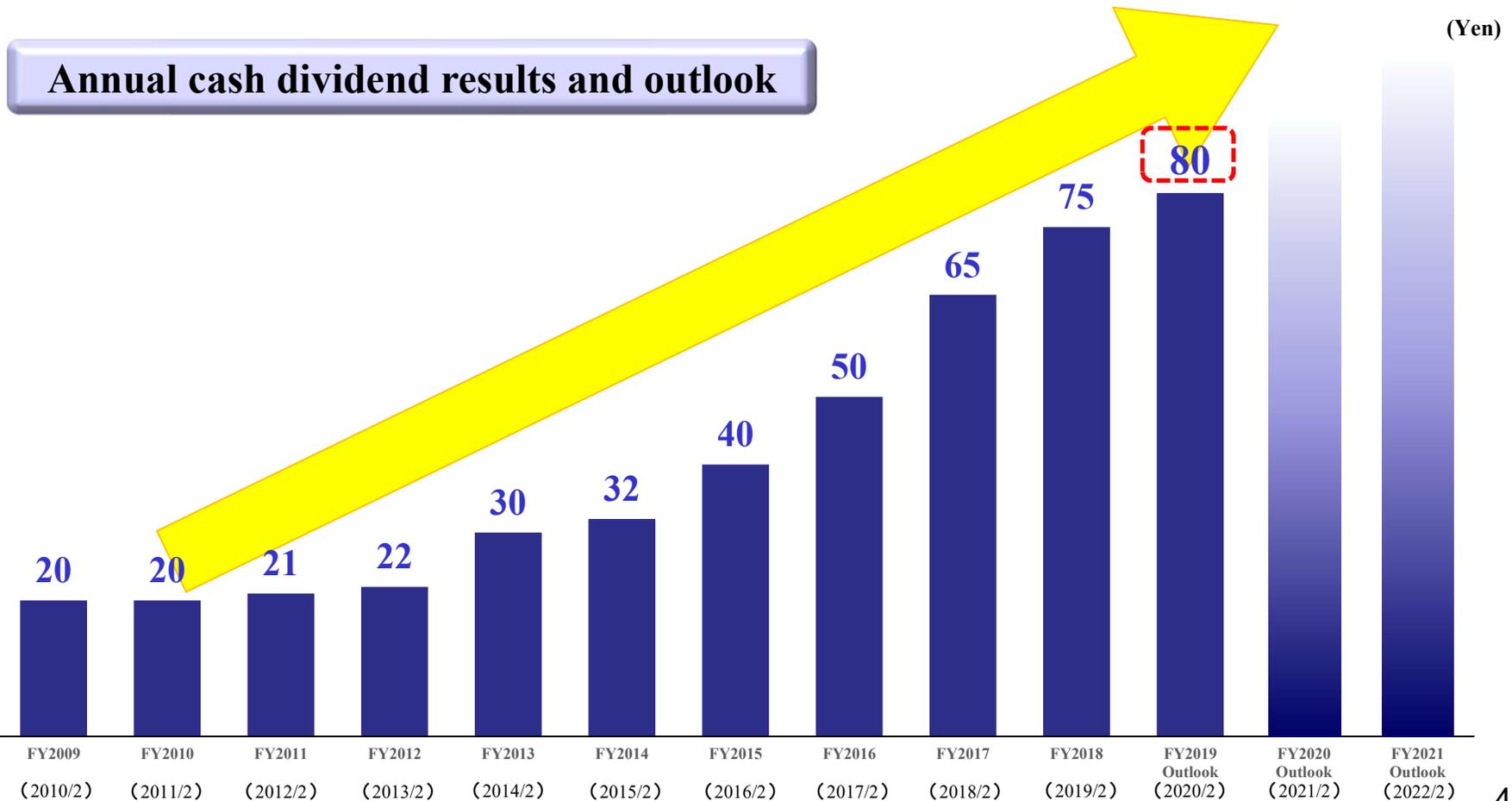


Rebranding initiatives aimed at raising 4°C brand value



Continued Emphasis on Maintaining Consecutive Increases in the Payment of Cash Dividends

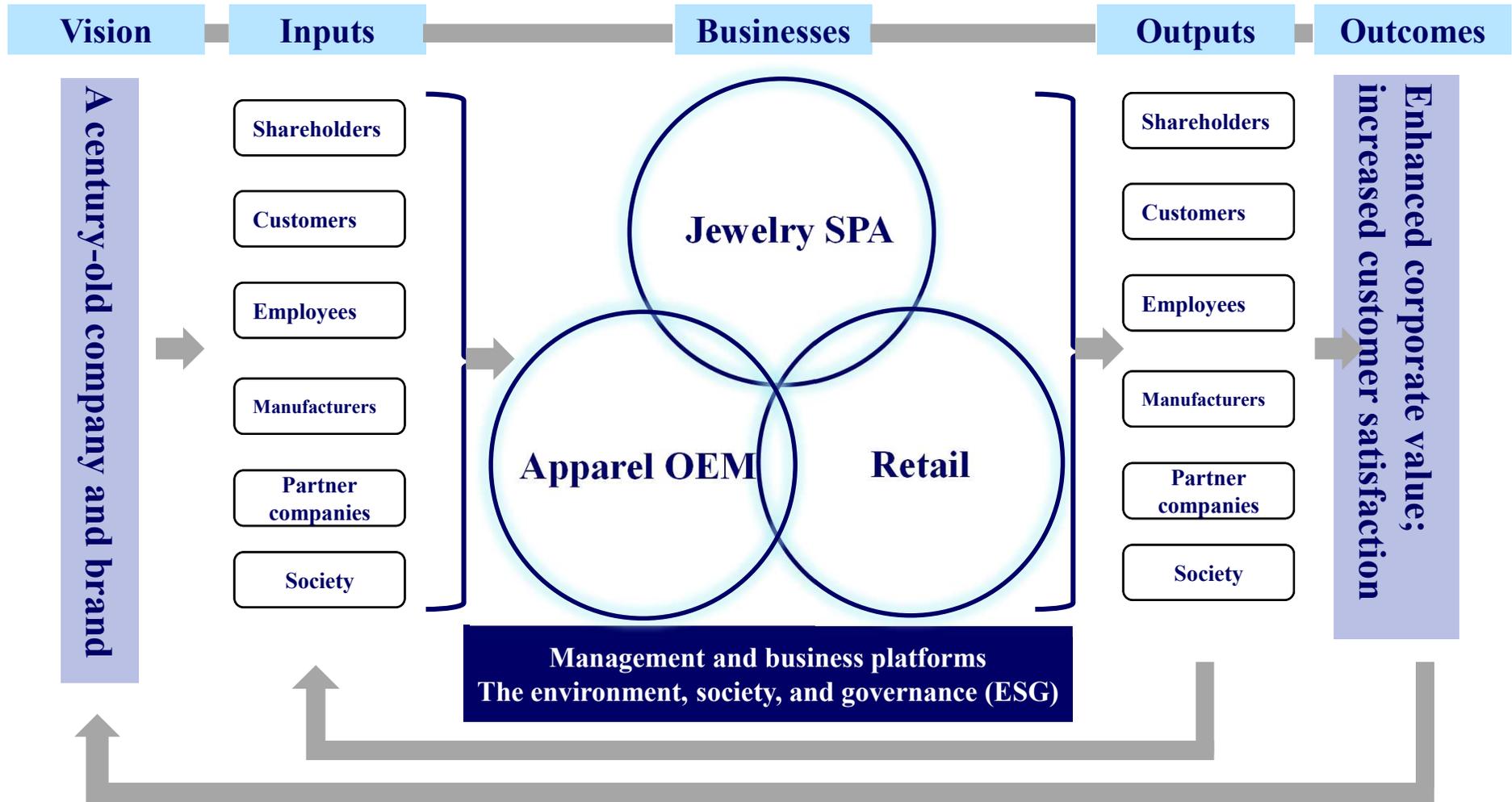
- ❑ Continue to emphasize increases in the payment of cash dividends through profit growth and higher returns to shareholders
- ❑ Plan to pay a cash dividend of ¥80 per share, up ¥5 per share, for the fiscal year ending February 29, 2020 for a ninth consecutive fiscal year of dividend growth
- ❑ Target an annual cash dividend of ¥100 per share in the future



Toward Stable and Continuous Growth

~Creating Sustainable Value

Work toward enhancing value in the three jewelry SPA, apparel ODM, and retail businesses



Activities Aimed at Addressing ESG Issues (1)

- ◆ **F.D.C. Products is striving to contribute to improve reliability and standard in each field of the jewelry market**



※ What is the RJC...

The Responsible Jewellery Council is an international not-for-profit, standards and certification organization. Covering social and environmental responsibility focusing on the jewelry industry, the Council strives to realize responsible business practices for diamonds, gold and platinum across the entire jewelry supply chain and processes from mine to retail.

Activities Aimed at Addressing ESG Issues (2)

- ◆ **Continuously support efforts to solve water-related issues as trustees of the Japan Water Forum**



(Rainwater storage tank in Bangladesh)

Activities Aimed at Addressing ESG Issues (3)

Acquisition of Responsible Jewelry Council Certification



- ❑ Every effort is made to promote responsible business practices while engaging in activities that help realize a sustainable society and business operations
- ❑ Increase product quality and service levels along with improving visibility behind pricing and materials
- ❑ Clarify brand integrity by acquiring globally recognized certifications

Japan Water Forum Initiatives



- ❑ Continuously support activities to solve water-related issues as a Japan Water Forum strategic partner
- ❑ Provide assistance to the Aqua Program charity fair

- **Increases in profits** while operating income and ordinary income are trending **above the plan** in the fiscal year under review
- **Expect increases in full-fiscal sales and profits** in line with the plan for the fiscal year under review
- **In the Jewelry Business, Canal rebranding** began in September; aim for **further growth** by getting operations underway early
- **4°C rebranding** will go into full swing from the next fiscal year; secure permanency by increasing brand value
- **Apparel Business remains strong**; will realize its role as a stable earnings platform by steadily pursuing strategies from the second half

- **Repurchased all of the Company's own shares capped at 1.35 million announced in April 2019; decided to retire on October 15 5 million shares of treasury stock related to around 4.73 million shares acquired since the previous fiscal year**
- **Plans to hike dividends for a ninth consecutive fiscal year; will work to increase the level of returns to shareholders by consistently raising dividends to reach an annual cash dividend of ¥100 per share in the future**
- **Find a roadmap to expand the Jewelry Business in order to achieve the medium-term ROE target of 10% or higher and EPS of ¥200 or higher (*on a net income before the amortization of goodwill basis)**
- **Will further increase business management quality and contribute to raising the level of every aspect of the industry as Japan's leading jeweler**

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