

# **YONDOSHI HOLDINGS INC.**

First Section, Tokyo Stock Exchange (8008)

Investors' Presentation  
Results for the Fiscal 2019  
(The Fiscal Year Ended February 29, 2020)

April 13, 2020

**4°C** holdings group

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## **I. Overview and Summary of Fiscal 2019, the Fiscal Year Ended February 29, 2020**

## **II. About the New Management Structure**

## **III. Strategic Approach for Fiscal 2020**

## **IV. Medium- to Long-Term Initiatives**

**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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## **II. About the New Management Structure**

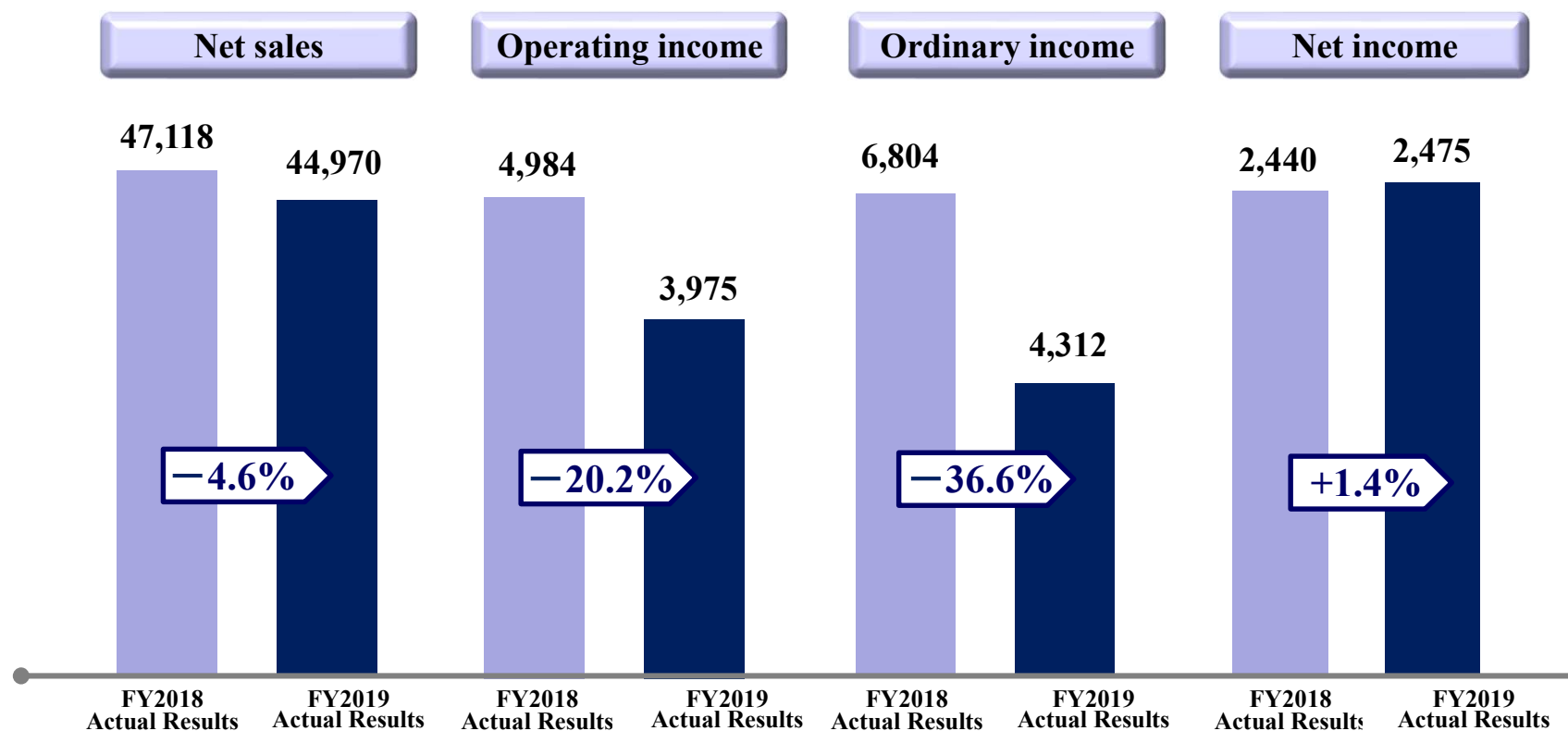
## **III. Strategic Approach for Fiscal 2020**

## **IV. Medium- to Long-Term Initiatives**

# Overview of Consolidated Operating Results for Fiscal 2019 (1)

- ❑ Drop in revenue owing mainly to the consumption tax rate hike and the impact of the Christmas calendar on business activities
  - ❑ Drop in both operating and ordinary income; increase in net income
- Net sales: ¥44,970 million (−4.6% YoY) Operating income: ¥3,975 million (−20.2% YoY)  
 Ordinary income: ¥4,312 million (−36.6% YoY) Net income: ¥2,475million (+1.4% YoY)

(Millions of yen)



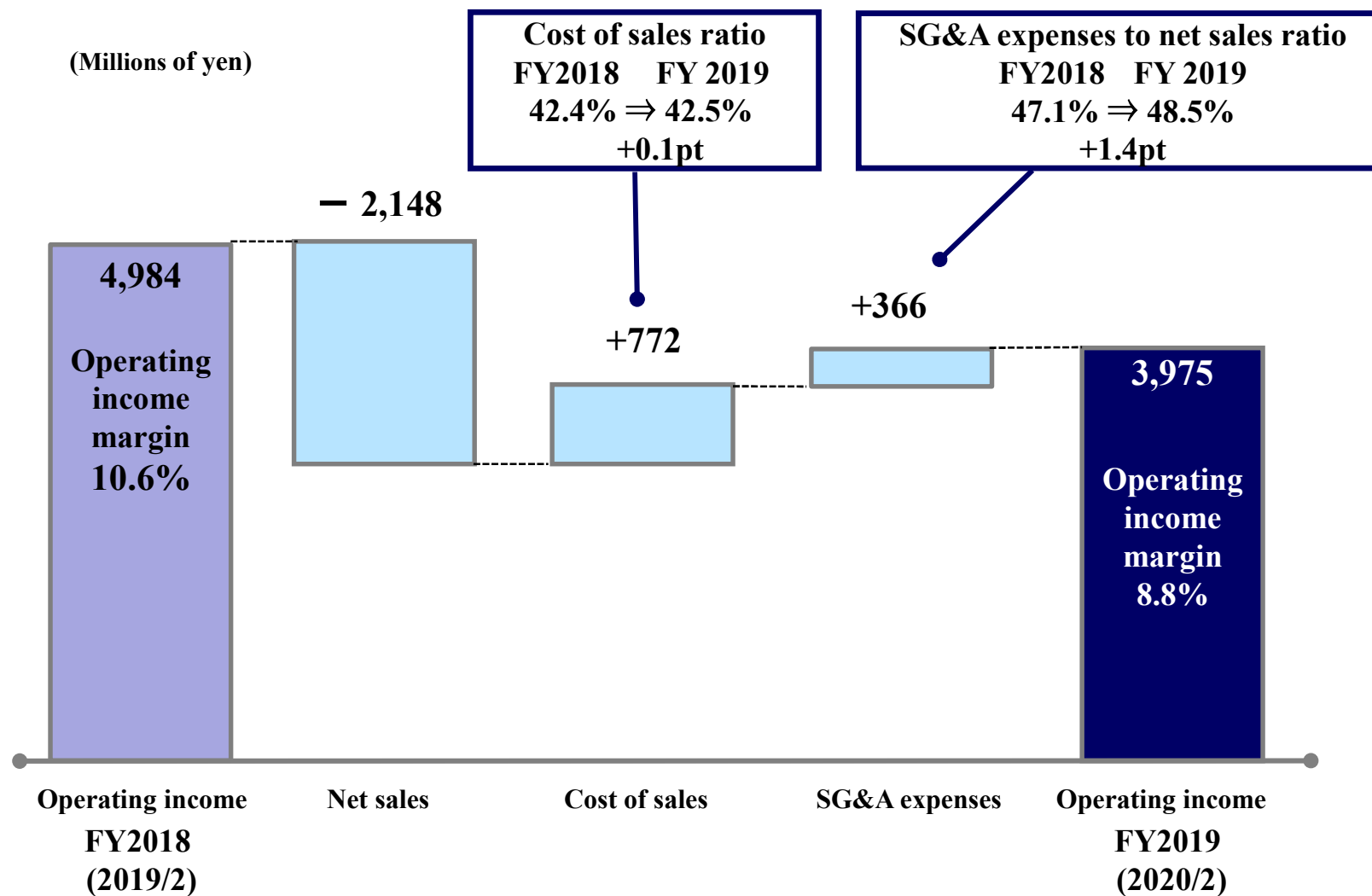
# Overview of Consolidated Operating Results for Fiscal 2019 (2)

(Millions of yen, %)	FY2018 (2019/2)		FY2019 (2020/2)				YoY	vs. Plan
	Actual Results	(%)	Plans (Revised)	(%)	Actual Results	(%)	Increase (Decrease) (%)	Increase (Decrease) (%)
Net sales	47,118	100.0	45,000	100.0	44,970	100.0	-4.6	-0.1
Gross profit	27,155	57.6	25,785	57.3	25,780	57.3	-5.1	-0.4
Gross profit margin	57.6		57.3		57.3		-0.1	±0
Selling, general and administrative expenses	22,171	47.1	21,785	48.6	21,804	48.5	-0.3	-1.7
Amortization of goodwill	496	1.1	496	1.1	496	1.1	±0	±0
Operating income	4,984	10.6	4,000	8.9	3,975	8.8	-20.2	-1.6
Ordinary income	6,804	14.5	4,300	9.6	4,312	9.6	-36.6	+0.2
Net income	2,440	5.2	2,500	5.6	2,475	5.5	+1.4	-1.0

«Reference» Key management indicators (Millions of yen, %)	FY2018 (2019/2)		FY2019 (2020/2)				YoY	vs. Plan
	Actual Results	(%)	Plans (Revised)	(%)	Actual Results	(%)	Increase (Decrease) (%)	Increase (Decrease) (%)
Operating income before the amortization of goodwill	5,480	10.1	4,496	10.0	4,471	9.9	-18.4	-0.5
Net income before the amortization of goodwill	2,936	9.3	2,996	6.7	2,971	6.6	+1.2	-0.8

\* 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

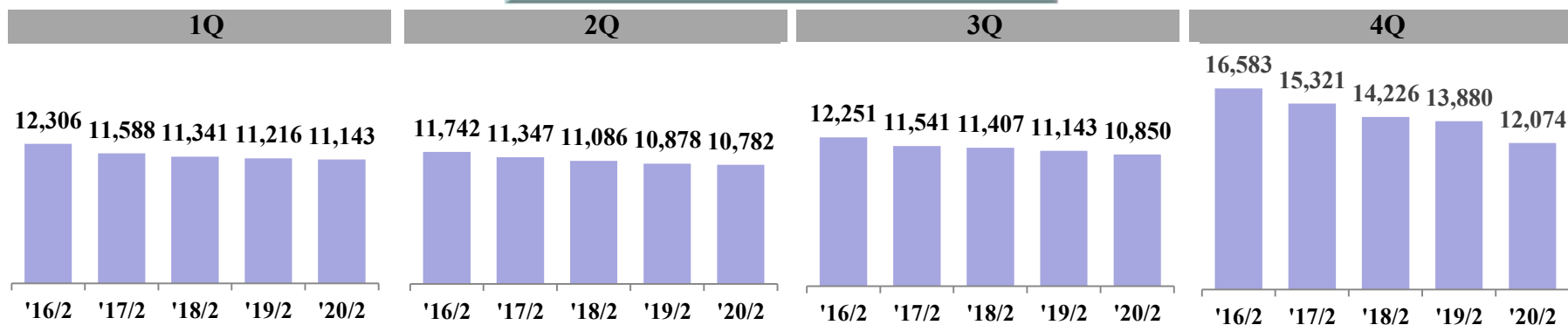
# Operating income



# Trends in Quarterly Business Results

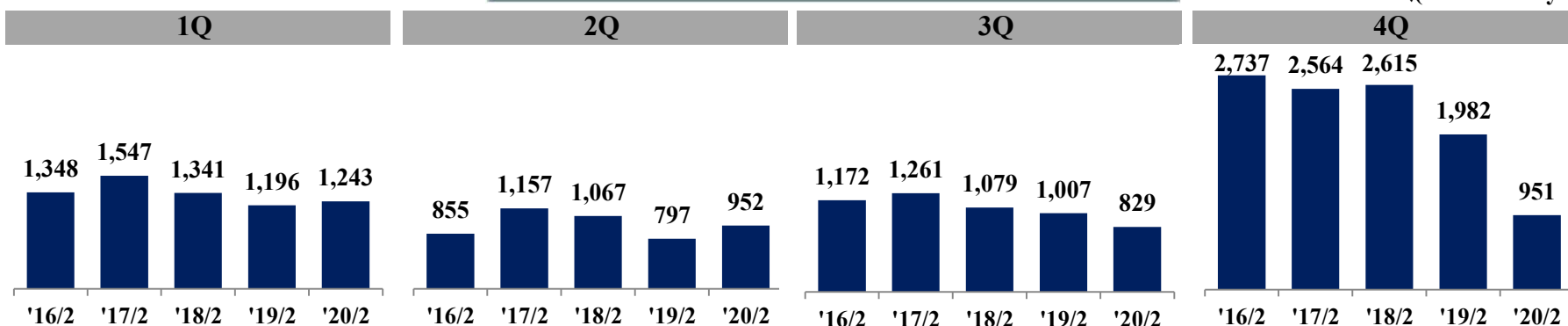
## Trends in Net Sales by Quarter

(Millions of yen)



## Trends in Operating Income by Quarter

(Millions of yen)

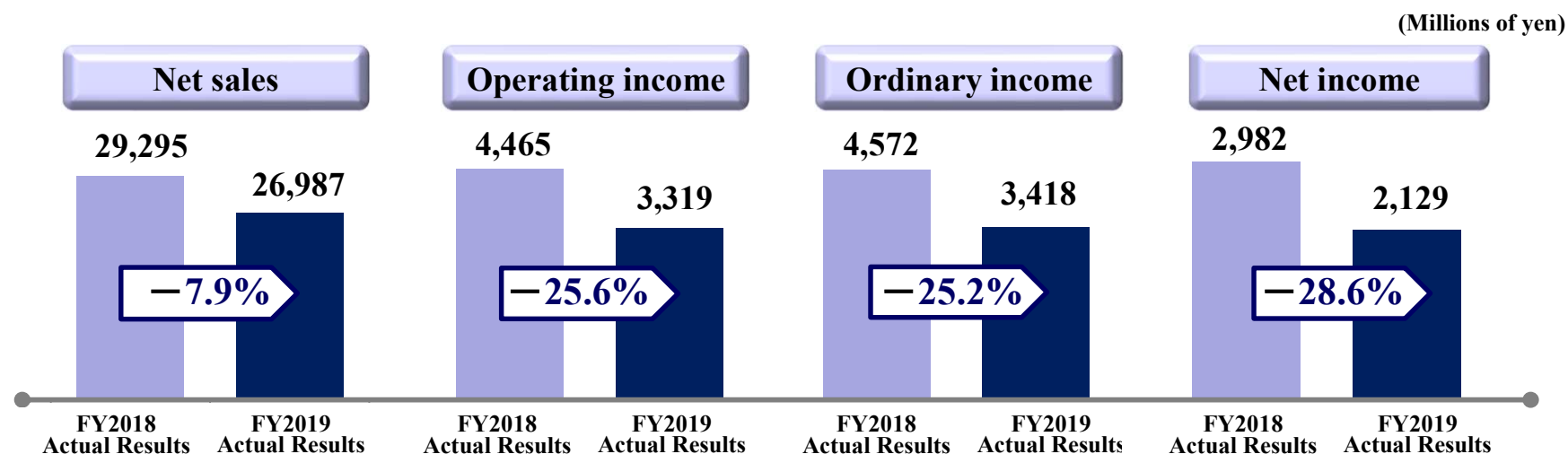


(Millions of yen)	FY2018 (2019/2)	1Q FY2019	2Q FY2019	3Q FY2019	4Q FY2019	FY2019 (2020/2)	Increase / (Decrease)	YoY
Net sales	47,118	11,143	10,782	10,850	12,074	44,850	(2,268)	-4.8
Gross profit	27,155	6,379	6,029	6,253	7,119	25,780	(1,375)	-5.1
Operating income	4,984	1,243	952	829	951	3,975	(1,047)	-21.6

# Overview of Business Results by Segment

## ~The Jewelry Business

- Despite robust trends in the first half, decrease in both revenue and earnings for the full fiscal year due to difficult conditions in the second half
- Results affected by a slump in the peak Christmas period, consumption tax rate hike, and Canal4°C rebranding; impacted also by the incidence of temporary administrative expenses



(Millions of yen, %)	FY2018 (2019/2)		FY2019 (2020/2)				YoY Increase (Decrease) (%)	vs. Plan Increase (Decrease) (%)
	Actual Results	(%)	Plans (Revised)	(%)	Actual Results	(%)		
Net sales	29,295	100.0	27,000	100.0	26,897	100.0	-7.9	-0.4
Operating income	4,465	15.2	3,300	12.2	3,319	12.3	-25.6	+0.6
Ordinary income	4,572	15.6	3,450	12.8	3,418	12.7	-25.2	-0.9
Net income	2,982	10.2	2,200	8.1	2,129	7.9	-28.6	-3.2



### **Factor 1** Change in the operating environment due to the impact of the peak Christmas calendar on business activities

Drop in the euphoria normally associated with the peak Christmas period as a result of December 23 falling on a weekday

<Reference: YoY existing store net sales excluding December>

4°C fashion jewelry sales	100.7%
4°C department store and bridal shop sales	102.1%
4°C BRIDAL specialty store sales	100.6%
4°C brand total	100.9%

### **Factor 2** Drop off in consumer sentiment due to the consumption tax rate hike

Prolonged slump especially in bridal jewelry after the consumption tax rate hike in October

### Factor 3 Impact of Canal4°C rebranding

Substantial decline in bridal jewelry and gift customers after Canal4°C rebranding

- (1) Store logo changed to “Canal Produced by 4°C”
- (2) Product mix in line with demand for own use trends
- (3) Downturn in Canal site searchers



Substantial drop in gift demand by men in their 20s

<YoY existing Canal4°C store sales>

1H	2H	Full fiscal year
100.1%	80.0%	88.5%

### Factor 4 Incidence of temporary administrative expenses

- (1) Investment in systems Approx. ¥100 million
- (2) Increase in asset retirement obligations Approx. ¥260 million

# Overview of Business Results by Segment

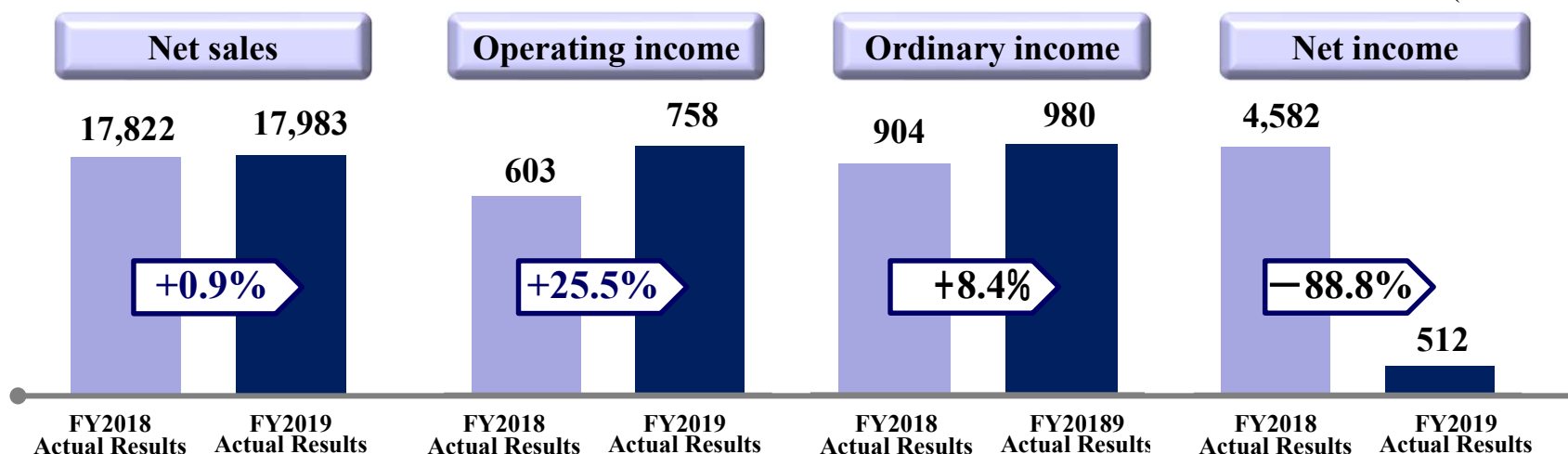
4°C

holdings group

## ~The Apparel Business

- Operating income result in excess of the plan; drop in net income attributable to the absence of the gain on sales of investment securities posted in the previous fiscal year
- Apparel Manufacturing Business profits up significantly owing to successful measures to improve the gross profit margin and reduce overhead expenses
- Everyday Fashion Brand Business sales and profits rise due to robust trends in existing store sales, which were in line with previous year's levels, more store openings, and improvements in the profit margin

(Millions of yen)



(Millions of yen, %)	FY2018 (2019/2)		FY2019 (2020/2)				YoY Increase (Decrease) (%)	vs. Plan Increase (Decrease) (%)
	Actual Results	(%)	Plans (Revised)	(%)	Actual Results	(%)		
Net sales	17,822	100.0	18,000	100.0	17,983	100.0	+0.9	-0.1
Operating income	603	3.4	700	3.9	758	4.2	+25.5	+8.3
Ordinary income	904	5.3	1,000	5.6	980	5.4	+8.4	-2.0
Net income	4,582	25.7	550	3.1	512	2.8	-88.8	-6.9

# Overview of Financial Position and Cash Flows (Consolidated)

- ❑ Total assets, liabilities, and net assets stood at ¥53.7 billion, ¥14.1 billion, and ¥39.5 billion, respectively
- ❑ Cash flows from financing activities: Repurchase of the Company's own share of around ¥3.6 billion and cash dividends paid of roughly ¥1.7 billion
- ❑ Free cash flows declined ¥4.5 billion due to the absence of proceeds from sales of shares of subsidiaries and associates recorded in the previous fiscal year

## Financial Position

As of February 29, 2020

<b>Total assets</b> <b>¥53.7 billion</b>	<b>¥ 14.1 billion</b>	<b>Total liabilities</b>
	<b>¥39.5 billion</b>	<b>Total net assets</b>

## Cash Flows

(Millions of yen)	FY2018 (2019/2)	FY2019 (2020/2)	Increase (Decrease)
Operating cash flows	1,664	2,433	+769
Investing cash flows	5,407	72	(5,335)
Financing cash flows	(9,344)	(5,468)	+3,876
Free cash flows	7,071	2,505	(4,566)

# Overview of Capital Investment as well as Depreciation and Amortization (Consolidated)

Capital investment: ¥0.88 billion Depreciation and amortization: ¥1.42 billion

(Millions of yen, %)	FY2018 (2019/2)	FY2019 (2020/2)	YoY
	Actual Results	Actual Results	

<b>Capital investment</b>	<b>895</b>	<b>880</b>	<b>-15</b>
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(Millions of yen, %)	FY2018 (2019/2)	FY2019 (2020/2)	YoY
	Actual Results	Actual Results	

<b>Depreciation and amortization</b>	<b>1,123</b>	<b>1,243</b>	<b>+120</b>
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# Status of Store Openings

- ❑ **Jewelry Business: Working to reduce unprofitable stores centered on the Luria4°C brand**
- ❑ **Net increase of two stores in the Apparel Business**

		Jewelry Business						Apparel Business	Total
		Japan					Overseas	PALETTE	
		Roadside boutique	Department store	Bridal Shop	Fashion Building	Total			
<b>FY2018 (2019/2)</b>	Fiscal year-end	5	76	42	86	209	4	71	284
<b>FY2019 Actual Results (2020/2)</b>	Stores opened	0	6	2	5	13	0	3	16
	Stores closed	3	14	4	18	39	1	1	41
	Fiscal year-end	2	68	40	73	183	3	73	259

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

		<b>4°C</b>	<b>4°C BRIDAL</b>	<b>canal 4°C</b>	<b>EAU DOUCE 4°C</b>	<b>MAISON JEWELL</b>	<b>Jewelry Total</b>	<b>Luria4°C</b>	<b>Total</b>
<b>FY2018 (2019/2)</b>	<b>Fiscal year-end</b>	<b>91</b>	<b>42</b>	<b>46</b>	<b>23</b>	<b>7</b>	<b>209</b>	<b>50</b>	<b>259</b>
<b>FY2019 Actual Results (2020/2)</b>	<b>Stores opened</b>	<b>7</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>14</b>	<b>3</b>	<b>17</b>
	<b>Stores closed</b>	<b>15</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>25</b>	<b>27</b>	<b>52</b>
	<b>Fiscal year-end</b>	<b>83</b>	<b>40</b>	<b>49</b>	<b>21</b>	<b>5</b>	<b>198</b>	<b>26</b>	<b>224</b>

\* 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, Return Policy, Cash Dividends

- **Dedicated to proactively repurchasing the Company's own shares and sustained dividend hikes**
  - **Fiscal year under review: Acquired 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)**
  - **Plan to pay an annual cash dividend of ¥80 per share, up ¥5 per share, for the fiscal year ended February 29, 2020**  
**(ninth consecutive fiscal year of dividend increase)**

	<b>FY2017 (2018/2)</b>	<b>FY2018 (2019/2)</b>	<b>FY2019 (2020/2)</b>
<b>Annual dividends per share (Yen)</b>	<b>65</b>	<b>75</b>	<b>80</b>
<b>Payout ratio (%)</b>	<b>31.4</b>	<b>78.1</b>	<b>71.3</b>



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## Current Structure

**YONDOSHI HOLDINGS INC. and F.D.C. Products Inc. managed under an integrated operating structure with the CEO and COO of both companies held on a concurrent basis**

**Work to enhance the corporate value of the Group by expanding growth of the mainstay Jewelry Business**



## New Structure

**Appoint highly specialized top management to each of YONDOSHI HOLDINGS INC. and F.D.C. Products Inc.**

**Upgrade Group strategies while at the same time once again placing the mainstay Jewelry Business on a growth trajectory**

## YONDOSHI HOLDINGS INC.

**Determine the optimal allocation of asset inventories and management resources held by the Group; work to further enhance the Group's corporate value by making appropriate investment decisions**

### **President and Representative Director, COO Tohru Hirota**

<b>Current Position</b>	<b>Director &amp; Senior Managing Executive Officer, The Hiroshima Bank</b>
<b>Reasons for Appointment</b>	<b>Mr. Hirota has a wealth of experience in the operations and management of financial institutions as well as an abundance of knowledge in the finance, accounting, and banking fields. In addition to his lengthy management experience as a director at The Hiroshima Bank, Ltd., Mr. Hirota has a wealth of general management experience and a proven track record of success.</b>

## F.D.C. Products Inc.

**Concentrate on the Jewelry Business, a specialized field and core activity of the Group**

**Work to further enhance the value of the 4°C brand while at the same time once again placing the Jewelry Business on a growth trajectory**

**President and Representative Director, COO  
Akihiro Takiguchi**

**Retire as a director of YONDOSHI HOLDINGS INC. to take up the position of President and Representative Director and concentrate on the business of F.D.C. Products Inc., a core company of the Group**

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## Macro-economy

- **Amid restrictions on the movement of people and goods worldwide, economic activity is both stagnating and shrinking**

## Retail Sector

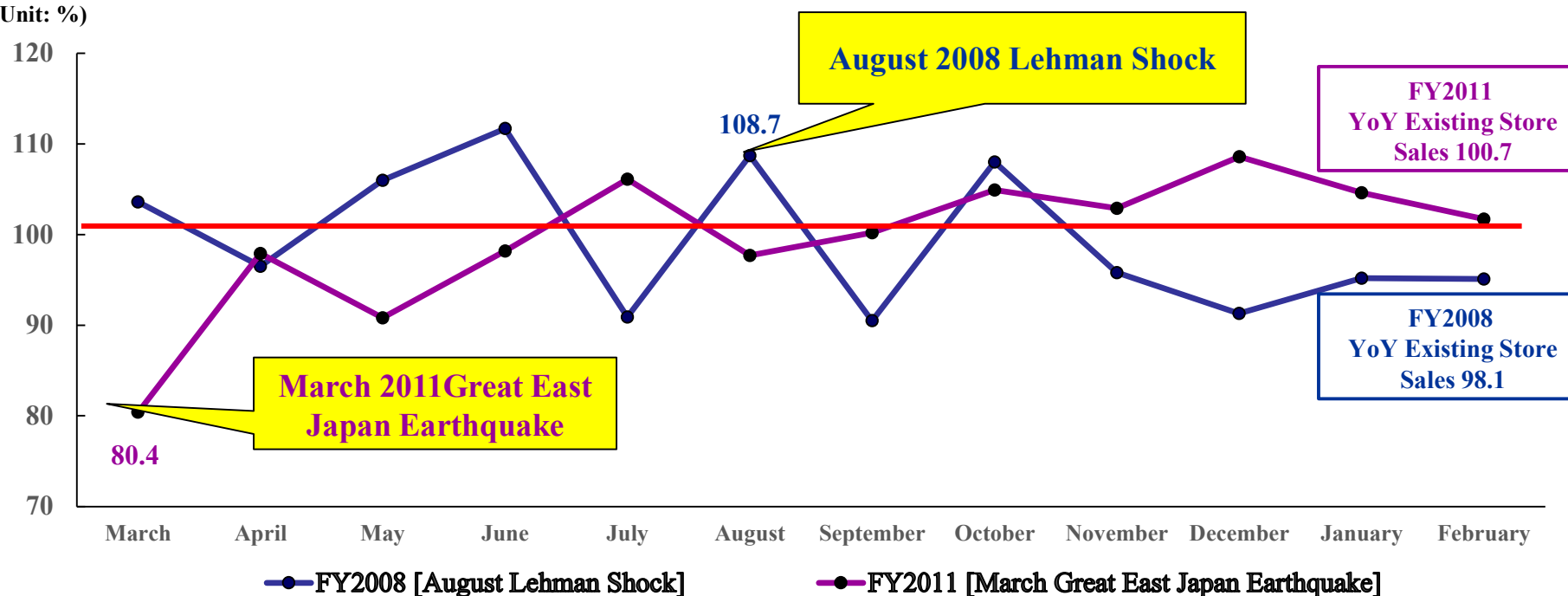
- **Deterioration in consumer sentiment, business suspension and/or the shortening of business hours, and a substantial decrease in inbound demand**
- **Concerns of a prolonged negative impact on sales**

## Jewelry Business

- ❑ In Lehman Shock and Great East Japan Earthquake, there was minimal impact on the strength of commodity prices, the customer base, and gift demand, which are less susceptible to economic trends.
- ❑ The new coronavirus pandemic has affected business fundamentals through the suspension of business and shortening of business hours.
- ❑ No impact in product procurement

[Existing Store Trends at the Time of Past Events]

(Unit: %)



## Apparel Business

### [Apparel Manufacturing Business]

- ❑ **Apparel ODM: No major issue with respect to the status of operations at overseas manufacturing bases at this stage**
- ❑ **While the status of current orders from major partner companies is firm, possibility that this will change in the event of a prolonged downturn in consumption**

### [Everyday Fashion Brand Business]

- ❑ **Limited impact at this stage on the Everyday Fashion Brand Business due to the inherent features of customers, which largely comprise housewives residing in neighborhood areas and, and products which make up a high proportion of the overall product mix**
- ❑ **Possibility that the procurement of products will be affected from summer items in the event of a prolonged slump in global production and logistics**



## Countermeasures

- ❑ **Implement preventive measures prioritizing the health and safety of customers and employees.**
- ❑ **Discontinue and reduce the scale of events that involve people gathering together such as store manager meetings and company briefings**
- ❑ **Recognize the urgency of this situation and raise awareness of the need to reduce expenses.**
- ❑ **Focus on business continuity by examining supply chain risks and implementing telework and alternating shift work.**

### **Consolidated earnings forecast for the fiscal year ending February 28, 2021**

- **Due to many uncertain factors, including when the new coronavirus pandemic will ease and the difficulty projecting a recovery in consumer sentiment, it is difficult to determine a logical forecast at this stage for the consolidated earnings for the fiscal year ending February 28, 2021.**
- **A prompt announcement will be made as soon as it becomes possible to prepare a forecast.**

### Strengthen the Company's management and business platforms by restructuring the business

#### Jewelry Business

(1) Withdraw from the China market

(2) Terminate the MAISON JEWELL brand

(3) Terminate the Luria4°C brand

#### Apparel Business

(4) Liquidate ASTY VIETNAM INC



Improve the ability to carry out growth strategies in the next fiscal year by building a robust business structure through a process of selection and focus



**MAISON JEWELL**



**Luria4°C**



**F&A AQUA Shanghai, inc.**



**AS'TY VIETNAM INC**

### Jewelry Business

- ① Enhance the value of the 4°C brand by further entrenching 3 Line Merchandising
- ② Increase the competitive edge of bridal jewelry by strengthening products and services
- ③ Review the Canal4°C rebranding policy
- ④ Bolster engagement with customers by utilizing the CRM system

### Apparel Business

- ① Enhance material and product marketing capabilities in the Apparel Manufacturing Business
- ② Reinforce overseas production management in the Apparel Manufacturing Business
- ③ Further entrench the Group's dominant position in the Kansai area by opening PALETTE stores in the Everyday Fashion Business
- ④ Reduce the cost of sales ratio of PALETTE products by further expanding localization of the processing function

## Enhance the Value of the 4°C Brand by Further Entrenching 3 Line Merchandising

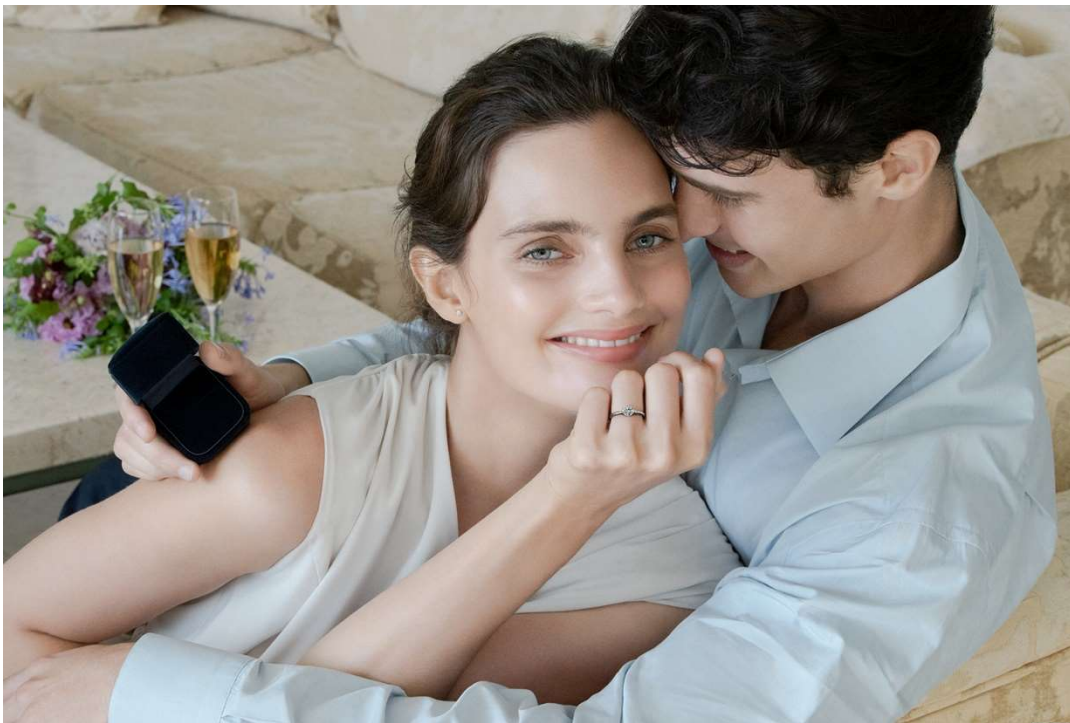
- ❑ Increase the support of women through the “Noble of Water” collection, which is based on the concept of “water”
- ❑ Deepen product development that is in tune with customers’ characteristics across each price line
- ❑ Upgrade and expand products that target anniversary demand



4°C Noble of Water collection

## Increase the Competitive Edge of Bridal Jewelry by Strengthening Products and Services

- ❑ Work toward brands that help stimulate perpetual customer support by expanding and augmenting lifetime warranties
- ❑ Strengthen traceability diamond proposals



4°C BRIDAL

# Review the Canal4°C Rebranding Policy

- ❑ Bring about a recovery in Canal4°C brand results by recapturing existing customers
- ❑ Engage in marketing and develop products that are in tune with station and fashion building channel customers

Before

**Canal**  
Produced by 4°C



Canal Produced by 4°C Landmark Plaza Store

After

**Canal 4°C**



Canal4°C LUMINE EST Shinjuku Store

## Bolster Engagement with Customers by Utilizing the CRM System

- ❑ Look to capture 300,000 new members annually (FY2019: Roughly 100,000 registered members over four months)
- ❑ “Sakura Collection” introduced to members; open rate of 84.6%
- ❑ Increase the repeat rate and LTV by strengthening engagement with customers



4°C Sakura collection





# Enhance Material and Product Marketing Capabilities and Reinforce Overseas Production Management

- ❑ Establish competitive advantage by increasing functional and sustainable material marketing capabilities
- ❑ Work to further augment overseas production bases through various measures including the expansion of manufacturing in Bangladesh and cultivation of production bases in Ho Chi Minh



Marketing of “sustainable material”



Subcontracting factory in Bangladesh

**Further Entrench the Group's Dominant Position in the Kansai Area by Opening PALETTE Stores and Reduce the Cost of Sales Ratio**

- ❑ **Work toward the ¥10 billion sales milestone by opening 8 new stores**
- ❑ **Strengthen efforts to promote new PALETTE members at new stores; continue to undertake effective promotional measures**
- ❑ **Work to reduce the cost of sales ratio through direct procurement resulting in increased supply chain efficiency**



PALETTE Branch Hakata Papillion Garden Store

# Plans for Store Openings and Closures

- ❑ **Jewelry Business: Carry out the withdrawal from unprofitable brands and overseas businesses**
- ❑ **Apparel Business: Plan to open 8 PALETTE stores**

		Jewelry Business						Apparel Business	Total
		Japan					Overseas	PALETTE	
		Roadside boutique	Department store	Bridal Shop	Fashion Building	Total			
<b>FY2019 Actual Results (2020/2)</b>	Fiscal year-end	2	68	40	73	183	3	73	259
<b>FY2020 Forecast (2021/2)</b>	Stores opened	0	1	0	3	4	0	8	12
	Stores closed	0	1	0	9	10	3	1	14
	Fiscal year-end	2	68	40	67	177	0	80	257

# Plans for the Number of Domestic Brand Stores in the Jewelry Business

		4°C	4°C BRIDAL	canal 4°C	EAU DOUCE 4°C	MAISON JEWELL	Jewelry Total	Luria 4°C	Total
<b>FY2019 Actual Results (2020/2)</b>	<b>Fiscal year-end</b>	<b>83</b>	<b>40</b>	<b>49</b>	<b>21</b>	<b>5</b>	<b>198</b>	<b>26</b>	<b>224</b>
<b>FY2020 Forecast (2021/2)</b>	<b>Stores opened</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>
	<b>Stores closed</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>11</b>	<b>26</b>	<b>37</b>
	<b>Fiscal year-end</b>	<b>83</b>	<b>40</b>	<b>48</b>	<b>21</b>	<b>0</b>	<b>192</b>	<b>0</b>	<b>192</b>

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

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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**

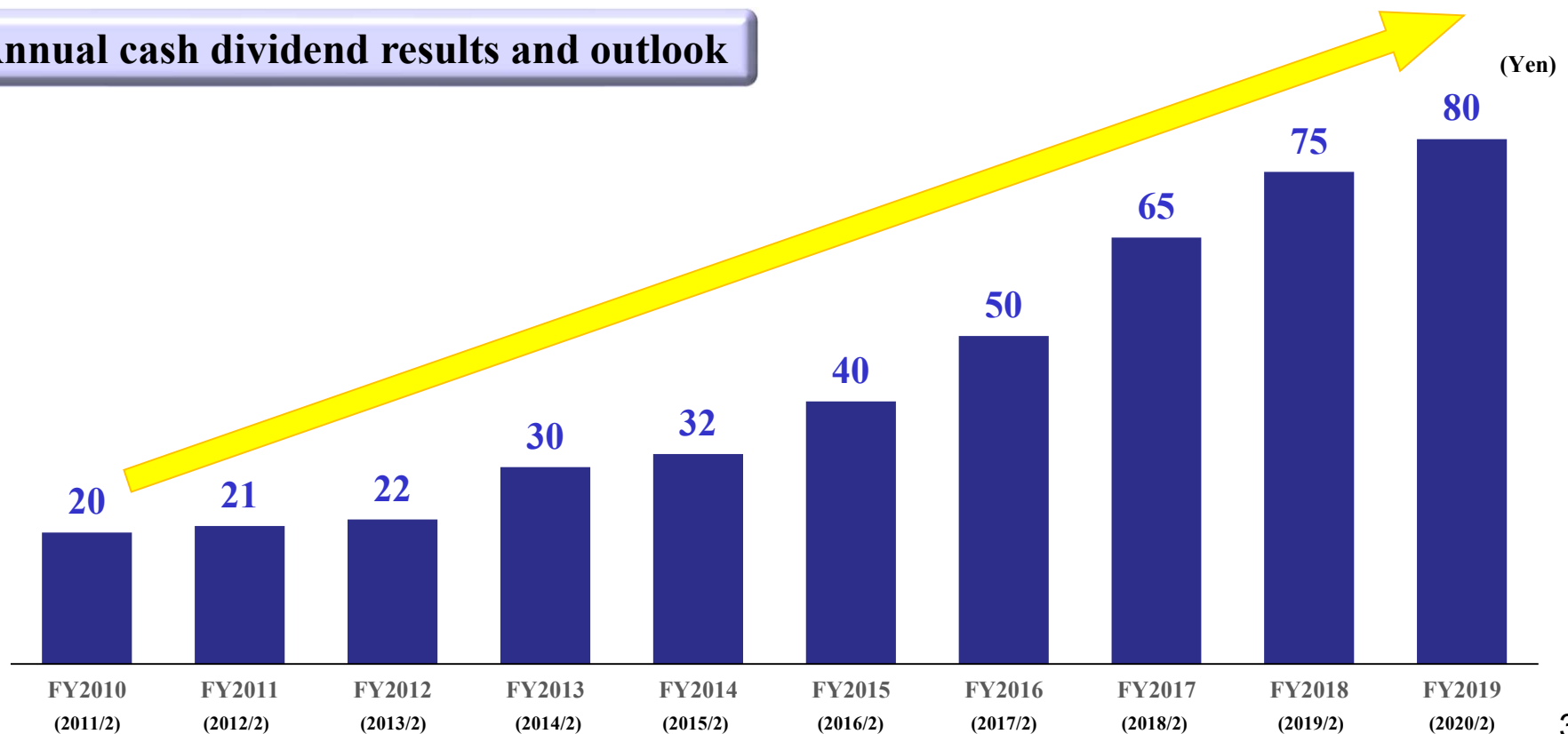
\* Calculated using net income before amortization of goodwill

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

# Cash Dividend Policy

- ❑ YONDOSHI HOLDINGS aims to raise the level of returns to shareholders through stable and continuous dividends and flexible share buybacks.
- ❑ YONDOSHI HOLDINGS will maintain its firm commitment to continued dividend increases and plans to achieve a ninth consecutive increase in the annual dividend.
- ❑ Due to the uncertainty of the impact of the new coronavirus pandemic, dividends for the fiscal 2020, ending February 28, 2021 are currently undecided, but despite this, YONDOSHI HOLDINGS plans to continue its dividend policy.

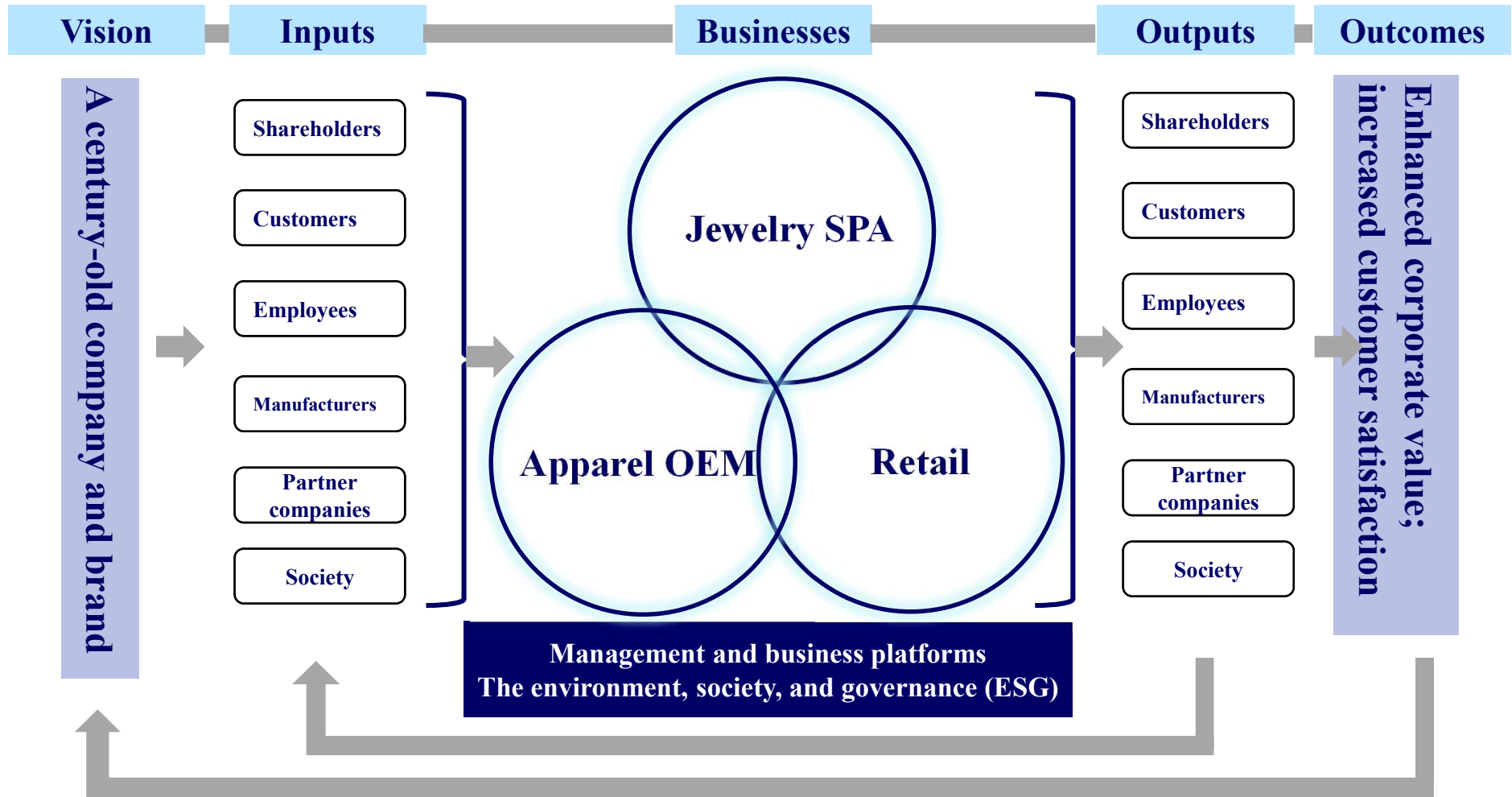
## Annual cash dividend results and outlook



# 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

- ◆ As an RJC certified company, F.D.C. Products is working diligently to help improve the reliability and standard of the jewelry market in each field

✂ 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.

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



- Under the guidance of a **new management structure**, the YONDOSHI HOLDINGS Group will focus on optimizing the allocation of asset inventories and management resources held while at the same time promoting growth of its Jewelry Business driven largely by F.D.C. Products Inc.
- Every effort will be made to strengthen the Group's management and business platforms with a view to enhancing the Group's ability to promote growth strategies in the next fiscal year **through business restructuring**.
- The YONDOSHI HOLDINGS Group will strive to bring about a **recovery in its existing customer base** by reviewing its Canal4°C rebranding policy in order to **further increase the competitive edge** of the 4°C brand in the Jewelry Business.

- Energies will be directed toward steadfastly promoting existing strategies in the Apparel Business and to realize its role as a **stable earnings platform** business while maintaining robust trends.
- Every effort will be made to find a roadmap to expand profit in 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)
- YONDOSHI HOLDINGS plans to pay an annual cash dividend of ¥80 per share, an increase of ¥5.00 per share for the fiscal year under review. The Company will maintain its firm commitment to **continued dividend increases** and plans to achieve a **ninth consecutive increase in the annual dividend**. Working toward the goal of achieving **an annual cash dividend of ¥100 per common share** in the future, the Company plans to continue following the existing dividend policy.
- The Company will further increase business management quality as Japan's leading jeweler in a bid to become a **century-old company and brand**.

We kindly request that you direct all inquiries regarding this document and investor relations in general to the following point of contact:

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