

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING
FEBRUARY 29, 2020
(March 1, 2019 to November 30, 2019)

January 7, 2020

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

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 Holding of quarterly financial results meeting: No
 Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Consolidated Operating Results for the Nine-Month Period of Fiscal 2019
(March 1, 2019 to November 30, 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	%
FY2019 Nine-Month Period	32,776	(1.4)	3,025	0.8	3,289	(13.6)	2,009	146.7
FY2018 Nine-Month Period	33,237	(1.8)	3,001	(13.9)	3,805	(14.4)	814	(75.6)

Note: Comprehensive income FY2019 Nine-Month Period: 1,958 million yen (179.5%)
 FY2018 Nine-Month Period: 700 million yen (-82.6%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2019 Nine-Month Period	90.49	90.49
FY2018 Nine-Month Period	31.71	31.70

(Reference) Operating income before the amortization of goodwill:

FY 2019 Nine-Month Period: ¥3,397 million FY 2018 Nine-Month Period: ¥3,374 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
November 30, 2019	58,687	40,327	68.6	1,857.81
February 28, 2019	60,284	43,587	72.2	1,883.28

(Reference) Shareholders' equity: November 30, 2019: 40,251 million yen February 28, 2019: 43,497 million yen

Note: YONDOSHI HOLDINGS has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" Statement No. 28 issued by the Accounting Standards Board of Japan (ASBJ) on February 16, 2018 effective from the start of the first quarter of the fiscal year under review. Data relating to the Company's financial position as of the previous fiscal year is presented after retroactively adjusting figures in accordance with the above.

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	—	40.00	—	—	—
Fiscal 2019 (Forecast)	—	—	—	40.00	80.00

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

Contents

- 1. Qualitative Information on Business and Financial Results 4
 - (1) Explanation of Business Results 4
 - (2) Explanation of Financial Condition 4
 - (3) Explanation of Consolidated Results Forecasts and Other Future Predictions 4
- 2. Consolidated Quarterly Financial Statements 5
 - (1) Consolidated Quarterly Balance Sheets 5
 - (2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income 7
 - Consolidated Quarterly Statements of Income Third Quarter Cumulative 7
 - Consolidated Quarterly Statements of Comprehensive Income Third Quarter Cumulative 8
 - (3) Notes to Consolidated Quarterly Financial Statements 9
 - (Notes Regarding Going Concern Assumptions) 9
 - (Note in the Event of a Significant Change in the Amount of Shareholders' Equity) 9
 - (Additional Information) 9
 - (Segment Information) 10

1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the third quarter cumulative period (March 1, 2019 to November 30, 2019) of fiscal 2019, the fiscal year ending February 29, 2020, the Japanese economy recovered at a moderate pace on improvement in corporate earnings and employment conditions. However, the outlook remained clouded due to such concerns as how the direction of trade issues will affect the global economy.

In the retail industry, business conditions remained difficult as a result of a falloff in consumption following the increase in the consumption tax and the impact from typhoons and other natural disasters, as well the 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, the Company implemented 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 third quarter cumulative period amounted to ¥32,776 million (down 1.4% from the same period of the previous fiscal year), with operating income of ¥3,025 million (up 0.8%). Ordinary income declined to ¥3,289 million (down 13.6%) because equity in earnings of affiliates was not recorded from the subject fiscal year, but tax expenses also decreased, resulting in a gain in profit attributable to owners of parent to ¥2,009 million (up 146.7%).

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group recorded declines in both net sales and operating income from the same period of the previous fiscal year, due in part to the impact from the consumption tax hike.

As a result, net sales in the Jewelry Business segment amounted to ¥18,846 million (down 3.8% from the same period of the previous fiscal year), with operating income of ¥2,410 million (down 6.9%).

Apparel Business

The AS'TY Group substantially improved its earning capacity by strengthening measures with major clients, and enhancing its production management capabilities. Retailer age Co., Ltd. posted gains from expanded openings of new locations for its everyday fashion brand PALETTE, and successful efforts to improve the gross margin by scaling back inventory of seasonal goods.

As a result, net sales in the Apparel Business segment amounted to ¥13,929 million (up 2.1% from the same period of the previous fiscal year), with operating income of ¥766 million (up 37.4%).

(2) Explanation of Financial Condition

Total assets at the end of the subject third quarter cumulative period (November 30, 2019) amounted to ¥58,687 million, a decrease of ¥1,596 million from the end of the previous fiscal year (February 28, 2019). This was due mainly to a decrease of ¥1,539 million in cash and deposits. Total liabilities amounted to ¥18,360 million, an increase of ¥1,663 million. This was due mainly to an increase of ¥2,600 million in short-term borrowings. Total net assets amounted to ¥40,327 million, a decrease of ¥3,260 million. This was due mainly to a decrease of ¥10,838 million in capital surplus resulting from the cancellation of treasury shares, against a decrease of ¥7,381 million in treasury shares (net asset increase) from the cancellation and purchase of treasury shares.

(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 Third Quarter of the Fiscal Year Ending February 29, 2020 (As of November 30, 2019)
ASSETS		
Current assets:		
Cash and deposits	2,249	709
Notes and accounts receivable — trade	2,854	4,021
Short-term investment securities	1,500	—
Merchandise and finished goods	8,508	9,658
Work in process	702	676
Raw materials and supplies	918	1,275
Other current assets	3,166	3,155
Allowance for doubtful accounts	(3)	(4)
Total current assets	19,895	19,493
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	5,475	5,298
Land	5,492	5,492
Other, net	659	716
Total property, plant and equipment	11,627	11,507
Intangible assets:		
Goodwill	3,723	3,351
Other intangible assets	200	215
Total intangible assets	3,923	3,567
Investments and other assets:		
Investment securities	19,331	18,658
Net defined benefit asset	590	620
Other	5,015	4,884
Allowance for doubtful accounts	(98)	(44)
Total investments and other assets	24,838	24,118
Total noncurrent assets	40,389	39,194
Total assets	60,284	58,687

(Millions of yen)

	End of the Fiscal Year Ended February 28, 2019 (As of February 28, 2019)	End of the Third Quarter of the Fiscal Year Ending February 29, 2020 (As of November 30, 2019)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	3,582	4,893
Short-term loans payable	—	2,600
Current portion of long-term loans payable	—	123
Income taxes payable	3,462	138
Provision for bonuses	214	376
Provision for directors' bonuses	8	14
Asset retirement obligations	20	32
Other	2,724	3,543
Total current liabilities	10,013	11,722
Noncurrent liabilities:		
Long-term loans payable	175	—
Provision for directors' retirement benefits	43	68
Net defined benefit liability	507	490
Asset retirement obligations	1,040	1,070
Other	4,917	5,008
Total noncurrent liabilities	6,683	6,637
Total liabilities	16,696	18,360
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	18,057	7,218
Retained earnings	31,380	31,641
Treasury stock	(13,180)	(5,798)
Total shareholders' equity	38,743	35,549
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	4,845	4,787
Deferred gains or losses on hedges	(1)	6
Revaluation reserve for land	(161)	(161)
Foreign currency translation adjustments	69	71
Remeasurements of defined benefit plans	1	(0)
Total other accumulated comprehensive income	4,753	4,702
Subscription rights to shares	90	75
Total net assets	43,587	40,327
Total liabilities and net assets	60,284	58,687

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

(Millions of yen)

	Nine-Month Period of the Fiscal Year Ended February 28, 2019 (March 1, 2018 to November 30, 2018)	Nine-Month Period of the Fiscal Year Ending February 29, 2020 (March 1, 2019 to November 30, 2019)
Net sales	33,237	32,776
Cost of Sales	14,194	14,114
Gross profit	19,043	18,661
Selling, general and administrative expenses	16,041	15,636
Operating income	3,001	3,025
Non-operating income		
Interest income	33	35
Dividends received	60	144
Equity in earnings of affiliates	658	—
Rent of real estate for investment	54	54
Foreign exchange gains	16	0
Other	44	51
Total non-operating income	867	286
Non-operating expenses		
Interest expenses	0	1
Depreciation of real estate for investment	3	3
Management cost for real estate for investment	1	1
Commission for purchase of treasury shares	—	9
Loss on valuation of derivatives	54	—
Other	3	6
Total non-operating expenses	63	21
Ordinary income	3,805	3,289
Extraordinary income		
Gain on sales of investment securities	244	99
Total extraordinary income	244	99
Extraordinary loss		
Impairment loss	136	188
Loss on closing of stores	8	40
Loss on valuation of investment securities	—	144
Total extraordinary losses	145	372
Net income before income taxes	3,905	3,016
Income taxes — current	1,286	929
Income taxes — deferred	1,804	77
Total income taxes	3,090	1,007
Net income	814	2,009
Profit attributable to owners of parent	814	2,009

Consolidated Quarterly Statements of Comprehensive Income
Third Quarter Cumulative

(Millions of yen)

	Nine-Month Period of the Fiscal Year Ended February 28, 2019 (March 1, 2018 to November 30, 2018)	Nine-Month Period of the Fiscal Year Ending February 29, 2020 (March 1, 2019 to November 30, 2019)
Income before minority interests	814	2,009
Other comprehensive income		
Other valuation difference on available-for-sale securities	(467)	(57)
Deferred gains or losses on hedges	23	7
Foreign currency translation adjustments	(12)	1
Remeasurements of defined benefit plans, net of tax	29	(1)
Share of other comprehensive income of entities accounted for using equity method	312	—
Total other comprehensive income	(113)	(50)
Comprehensive income	700	1,958
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	700	1,958

(3) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable

(Note in the Event of a Significant Change in the Amount of Shareholders' Equity)

At a meeting of its Board of Directors held on October 7, 2019, the Company decided to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act. As a result of this cancellation, during the subject third quarter cumulative period, capital surplus decreased by ¥10,852 million to ¥7,218 million at the end of the period, and treasury shares decreased by ¥10,852 million to ¥5,798 million.

(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 ¥102 million, for 37,000 shares at the end of the third 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 third quarter of the subject consolidated fiscal year: ¥123 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 ¥114 million, for 45,353 shares at the end of the third 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.”

(Segment Information)

**I The nine-month period of the fiscal year ended February 28, 2019
(March 1, 2018 to November 30, 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	19,599	13,638	33,237	—	33,237
Intrasegment net sales and transfers	0	685	685	(685)	—
Total	19,600	14,323	33,923	(685)	33,237
Segment income	2,587	557	3,145	(143)	3,001

Notes:

1. The adjustment amount of minus ¥143 million for segment income mainly includes amortization of goodwill totaling minus ¥372 million, corporate expenses that are not attributable to individual reporting segments amounting to minus ¥405 million and elimination of inter-segment transactions of ¥634 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

(Major Impairment Loss Relating to Fixed Assets)

An impairment loss relating to fixed assets was posted in the Jewelry Business segment. The posted value of this impairment loss during the third quarter of the fiscal year under review was ¥110 million.

**II The nine-month period of the fiscal year ending February 29, 2020
(March 1, 2019 to November 30, 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	18,846	13,929	32,776	—	32,776
Intrasegment net sales and transfers	0	451	452	(452)	—
Total	18,847	14,381	33,228	(452)	32,776
Segment income	2,410	766	3,176	(151)	3,025

Notes:

1. The adjustment amount of minus ¥151 million for segment income mainly includes amortization of goodwill totaling minus ¥372 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥401 million and elimination of inter-segment transactions of ¥622 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

(Major Impairment Loss Relating to Fixed Assets)

An impairment loss relating to fixed assets was posted in the Jewelry Business segment. The posted value of this impairment loss during the third quarter of the fiscal year under review was ¥162 million.