

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FIRST HALF OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2018
(March 1, 2017 to August 31, 2017)

October 10, 2017

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

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Quarterly Securities Report filing date (planned): October 13, 2017

Supplemental materials prepared for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

Dividend payment commencement date (planned): November 10, 2017

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Half of Fiscal 2017
(March 1, 2017 to August 31, 2017)

(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	%
FY2017 First Half	22,427	(2.2)	2,408	(10.9)	3,046	(6.9)	2,164	4.0
FY2016 First Half	22,935	(4.6)	2,704	22.7	3,273	37.4	2,081	50.6

Note: Comprehensive income FY2017 First Half: 2,346 million yen (14.3%)

FY2016 First Half: 2,052 million yen (29.1%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2017 First Half	84.86	84.74
FY2016 First Half	80.55	80.47

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
August 31, 2017	63,928	50,875	79.4	1,987.63
February 28, 2017	62,420	49,074	78.4	1,920.55

(Reference)

Shareholders' equity: August 31, 2017: 50,752 million yen

February 28, 2017: 48,959 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 2016	—	25.00	—	25.00	50.00
Fiscal 2017	—	32.50	—	—	—
Fiscal 2018 (Forecast)	—	—	—	32.50	65.00

Note: Revision to the most recently announced cash dividend forecast: No

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending February 28, 2018 (March 1, 2017 to February 28, 2018)

(% 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
Fiscal year ending February 28, 2018	51,000	2.4	6,850	4.9	8,250	5.8	5,550	11.8	217.55

Note: Revision to the most recently announced operating results forecast: No

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:
August 31, 2017: 29,331,356 shares Feb. 28, 2017: 29,331,356 shares
 2. Total number of treasury stock as of the period-end:
August 31, 2017: 3,797,001 shares Feb. 28, 2017: 3,838,799 shares
 3. Average number of shares for the period (Cumulative total for the quarterly consolidated period)
FY2017 First Half: 25,511,393 shares FY2016 First Half: 25,840,666 shares

The number of recorded treasury stock is inclusive of 115,200 of the Company's shares held by the YONDOSHI HOLDINGS Group Employees' Shareholding Association Trust Account as of the end of the quarterly fiscal period.

This financial report for the second quarter of fiscal 2017 is not subject to the review procedures.

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

The forecasts of operating results and other items concerning the future contained in this document are based on management's assumptions and beliefs that are determined to be reasonable in light of currently available information. YONDOSHI HOLDINGS INC. cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin operating results forecasts as well as cautionary notes on the use of operating results forecasts, please refer to "1. Qualitative Information on Business and Financial Results (3) Explanation of Consolidated Results Forecasts and Other Future Predictions" on page 5.

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1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the first half (March 1, 2017 to August 31, 2017) of fiscal 2017, the fiscal year ending February 28, 2018 (March 1, 2017 to February 28, 2018), the Japanese economy recovered at a moderate pace owing to improvement in corporate earnings and employment conditions, while overseas the outlook remained unclear as a result of many matters of concern, including unstable political trends and rising geopolitical risk.

In the retail industry, business conditions remained unstable amid persistent budget-consciousness arising from uncertainty about the future, despite glimmers of improved personal consumption together with inbound demand.

Under these circumstances, during the fiscal year ending February 2018, the final year of the fourth medium-term management plan, the YONDOSHI HOLDINGS Group continued to cultivate human resources, bolster product capabilities, and assess market trends, with the aim of becoming a century-old company and brand. Further, we 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 half period amounted to ¥22,427 million (down 2.2% YoY), with operating income of ¥2,408 million (down 10.9% YoY), ordinary income of ¥3,046 million (down 6.9% YoY), and profit attributable to owners of parent of ¥2,164 million (up 4.0% YoY).

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group posted a revenue decline year on year as bridal jewelry sales fell short of expectations, even as the mainstay 4°C brand jewelry performed essentially as anticipated, buoyed by brisk sales of the Aquanista COLLECTION, a limited edition launched to mark its 45th anniversary. In pursuit of independence as a specialty shop, the 4°C BRIDAL brand is expanding the scope of its promotional measures and moving forward with large-scale product development.

As a result, net sales in the Jewelry Business segment amounted to ¥13,957 million (down 4.0% YoY), with operating income of ¥2,193 million (down 9.8% YoY).

Apparel Business

The AS'TY Group was successful in its efforts to strengthen measures with major clients utilizing its planning capabilities and production framework. Retailer age Co., Ltd. achieved positive returns from expanded openings of new locations for its mainstay everyday fashion brand PALETTE, and measures to strengthen sales promotions.

As a result, net sales in the Apparel Business segment amounted to ¥8,469 million (up 0.9% YoY). Operating income stood at ¥277 million (down 8.7% YoY). Despite increased sales and a decline in income, operating income exceeded expectations.

(2) Explanation of Financial Condition

Assets, Liabilities, and Net Assets

Total assets at the end of the second quarter (August 31, 2017) of the fiscal year ending February 28, 2018 stood at ¥63,928 million, an increase of ¥157 million compared with the end of the previous fiscal year (February 28, 2017). This was due mainly to an increase of ¥688 million in investment securities, and an increase of ¥842 million in merchandise and finished goods. Total liabilities amounted to ¥13,053 million, a decrease of ¥293 million compared with the end of the previous fiscal year. This was due mainly to a decrease of ¥383 million in income taxes payable. Total net assets as of the end of the period under review came to ¥50,875 million, an increase of ¥180 million compared with the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents as of the end of the period under review stood at ¥5,504 million, an increase of ¥216 million compared with the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,621 million compared with ¥738 million for the corresponding period of the previous fiscal year. The major cash inflow came from income before income taxes of ¥3,027 million. This was partially offset by the principal cash outflow arising from income taxes paid of ¥813 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥659 million compared with ¥1,404 million for the corresponding period of the previous fiscal year. The primary cash outflow was for the purchase of investment securities of ¥579 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities came to ¥743 million, down from ¥1,519 million for the corresponding period of the previous fiscal year. This largely reflected payment of dividends of ¥659 million.

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

Predictions Earnings forecasts are unchanged from those announced on April 10, 2017.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

	(Thousands of yen)	
	End of the Fiscal Year Ended February 28, 2017 (As of February 28, 2017)	End of the Second Quarter of the Fiscal Year Ending February 28, 2018 (As of August 31, 2017)
ASSETS		
Current assets:		
Cash and deposits	2,088,219	2,004,307
Notes and accounts receivable — trade	3,137,084	3,605,725
Short-term investment securities	3,200,000	3,500,000
Merchandise and finished goods	7,453,776	8,296,481
Work in process	844,796	406,295
Raw materials and supplies	703,247	599,959
Other current assets	1,139,152	905,234
Allowance for doubtful accounts	(2,357)	(2,817)
Total current assets	18,563,921	19,315,186
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	5,682,408	6,125,889
Land	5,492,215	5,492,215
Other, net	951,801	917,353
Total property, plant and equipment	12,126,426	12,535,458
Intangible assets:		
Goodwill	4,716,796	4,468,543
Other intangible assets	213,275	160,029
Total intangible assets	4,930,072	4,628,573
Investments and other assets:		
Investment securities	22,248,070	22,936,279
Net defined benefit asset	520,200	540,540
Other	4,140,338	4,080,217
Allowance for doubtful accounts	(108,150)	(108,094)
Total investments and other assets	26,800,458	27,448,942
Total noncurrent assets	43,856,957	44,612,974
Total assets	62,420,878	63,928,161

	(Thousands of yen)	
	End of the Fiscal Year Ended February 28, 2017 (As of February 28, 2017)	End of the Second Quarter of the Fiscal Year Ending February 28, 2018 (As of August 31, 2017)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	3,955,932	4,122,340
Income taxes payable	1,141,834	758,224
Provision for bonuses	351,451	292,074
Provision for directors' bonuses	65,050	31,835
Asset retirement obligations	1,000	14,083
Other	3,176,938	3,186,574
Total current liabilities	8,692,207	8,405,131
Noncurrent liabilities:		
Long-term loans payable	378,940	324,660
Provision for directors' retirement benefits	378,418	394,943
Net defined benefit liability	573,336	575,421
Asset retirement obligations	993,306	999,609
Other	2,330,212	2,353,269
Total noncurrent liabilities	4,564,214	4,647,904
Total liabilities	13,346,422	13,053,036
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486,520	2,846,520
Capital surplus	18,145,727	18,151,477
Retained earnings	33,727,198	35,232,989
Treasury stock	(6,510,635)	(6,410,850)
Total shareholders' equity	47,848,810	49,460,136
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	1,336,181	1,495,575
Deferred gains or losses on hedges	16,959	1,651
Revaluation reserve for land	(161,985)	(161,985)
Foreign currency translation adjustments	72,940	67,302
Remeasurements of defined benefit plans	(153,265)	(109,760)
Total other accumulated comprehensive income	1,110,829	1,292,783
Subscription rights to shares	114,815	122,205
Total net assets	49,074,456	50,875,124
Total liabilities and net assets	62,420,878	63,928,161

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

	(Thousands of yen)	
	First Half of the Fiscal Year Ended February 28, 2017 (March 1, 2016 to August 31, 2016)	First Half of the Fiscal Year Ending February 28, 2018 (March 1, 2017 to August 31, 2017)
Net sales	22,935,702	22,427,504
Cost of Sales	9,613,164	9,443,888
Gross profit	13,322,537	12,983,615
Selling, general and administrative expenses	10,618,419	10,575,082
Operating income	2,704,118	2,408,533
Non-operating income		
Interest income	9,008	10,646
Dividends received	50,492	50,451
Equity in earnings of affiliates	483,960	517,540
Rent of real estate for investment	36,570	36,570
Foreign exchange gains	—	7,468
Other	22,436	19,873
Total non-operating income	602,467	642,550
Non-operating expenses		
Interest expenses	123	25
Depreciation of real estate for investment	2,348	2,342
Foreign exchange losses	22,544	—
Management cost for real estate for investment	1,023	1,023
Commission for purchase of treasury shares	833	—
Other	6,376	982
Total non-operating expenses	33,429	4,374
Ordinary income	3,273,336	3,046,710
Extraordinary loss		
Impairment loss	38,686	17,629
Loss on sales of shares of subsidiaries and associates	493,781	—
Loss on closing of stores	—	1,143
Loss on valuation of investment securities	73,467	—
Total extraordinary losses	605,935	18,772
Net income before income taxes	2,667,400	3,027,937
Income taxes — current	898,944	687,690
Income taxes — deferred	(312,871)	175,393
Total income taxes	586,072	863,084
Net income	2,081,327	2,164,853
Profit attributable to owners of parent	2,081,327	2,164,853

Consolidated Quarterly Statements of Comprehensive Income
Second Quarter Cumulative

	(Thousands of yen)	
	First Half of the Fiscal Year Ended February 28, 2017 (March 1, 2016 to August 31, 2016)	First Half of the Fiscal Year Ending February 28, 2018 (March 1, 2017 to August 31, 2017)
Income before minority interests	2,081,327	2,164,853
Other comprehensive income		
Other valuation difference on available-for-sale securities	(46,378)	69,652
Deferred gains or losses on hedges	14,539	(15,307)
Foreign currency translation adjustments	(44,182)	(5,638)
Revaluation reserve for land	32,009	24,031
Remeasurements of defined benefit plans, net of tax	(10,415)	—
Share of other comprehensive income of entities accounted for using equity method	25,464	109,215
Total other comprehensive income	(28,963)	181,954
Comprehensive income	2,052,364	2,346,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,052,364	2,346,807
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Quarterly Statements of Cash Flows

(Thousands of yen)

	First Half of the Fiscal Year Ended February 28, 2017 (March 1, 2016 to August 31, 2016)	First Half of the Fiscal Year Ending February 28, 2018 (March 1, 2017 to August 31, 2017)
Cash flows from operating activities:		
Income before income taxes	2,667,400	3,027,937
Depreciation	539,932	548,930
Impairment loss	38,686	17,629
Amortization of goodwill	248,252	248,252
Increase (decrease) in allowance for doubtful accounts	(15,240)	404
Increase (decrease) in provision for bonuses	(227,728)	(59,377)
Increase (decrease) in net defined benefit liability	48,586	29,577
Increase (decrease) in other provision	(66,462)	(16,690)
Interest and dividends income	(59,501)	(61,098)
Interest expenses	123	25
Equity in (earnings) losses of affiliates	(483,960)	(517,540)
Foreign exchange losses (gains)	(26,444)	5,081
Loss (gain) on sales of shares of subsidiaries and associates	493,781	—
Loss (gain) on valuation of investment securities	73,467	—
Decrease (increase) in notes and accounts receivable — trade	(99,603)	(467,697)
Decrease (increase) in inventories	(1,178,045)	(302,580)
Increase (decrease) in notes and accounts payable — trade	628,091	167,387
Increase (decrease) in accounts payable-other	(276,712)	(126,131)
Increase (decrease) in advances received	(139,522)	(127,525)
Increase (decrease) in accounts payable - other	16,403	14,506
Decrease (increase) in other assets	(108,911)	(109,881)
Increase (decrease) in other liabilities	75,713	42,703
Subtotal	2,148,305	2,313,914
Interest and dividends income received	119,331	120,928
Interest expenses paid	(123)	(25)
Income taxes paid	(1,528,803)	(813,683)
Net cash provided by (used in) operating activities	738,708	1,621,133

	(Thousands of yen)	
	First Half of the Fiscal Year Ended February 28, 2017 (March 1, 2016 to August 31, 2016)	First Half of the Fiscal Year Ending February 28, 2018 (March 1, 2017 to August 31, 2017)
Cash flows from investing activities:		
Purchase of noncurrent assets	(592,106)	(579,450)
Proceeds from sales of noncurrent assets	81,134	1,451
Purchase of intangible assets	(2,474)	(6,282)
Proceeds from redemption of securities	300,000	—
Purchase of investment securities	(2,009,746)	(9,556)
Proceeds from redemption of investment securities	500,000	—
Payments of long-term loans receivable	(5,200)	(700)
Collection of long-term loans receivable	31,989	2,052
Purchase of long-term prepaid expenses	(57,212)	(17,929)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	402,580	—
Other payments	(88,586)	(78,331)
Other proceeds	35,253	29,584
Net cash provided by (used in) investing activities	(1,404,367)	(659,161)
Cash flows from financing activities:		
Repayment of long-term loans payable	(50,930)	(54,280)
Purchase of treasury stock	(866,205)	(170)
Proceeds from sales of treasury stock	62,778	96,362
Cash dividends paid	(535,101)	(659,062)
Other, net	(130,404)	(126,720)
Net cash provided by (used in) financing activities	(1,519,863)	(743,871)
Effect of exchange rate changes on cash and cash equivalents	(17,713)	(2,012)
Net increase (decrease) in cash and cash equivalents	(2,203,235)	216,088
Cash and cash equivalents at beginning of period	4,985,844	5,288,219
Cash and cash equivalents at end of period	2,782,608	5,504,307

(4) Notes to Consolidated Quarterly Financial Statements
(Notes Regarding Going Concern Assumptions)
Not applicable

(Notes Regarding Substantial Changes in Shareholders' Equity)
Not applicable

(Additional Information)

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)
The Company has applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016), from the first quarter period of the subject fiscal year.

(Segment Information)

I The first half of the fiscal year ended February 28, 2017 (March 1, 2016 to August 31, 2016)

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

(Thousands of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	14,541,726	8,393,975	22,935,702	—	22,935,702
Intrasegment net sales and transfers	15,673	460,853	476,526	(476,526)	—
Total	14,557,400	8,854,828	23,412,229	(476,526)	22,935,702
Segment income or loss	2,432,416	304,406	2,736,823	(32,705)	2,704,118

Notes:

1. The adjustment amount of minus ¥32,705 thousand for segment income or loss mainly includes corporate expenses that are not allocated to individual reporting segments. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income or loss 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 half of the fiscal year ending February 28, 2018 (March 1, 2017 to August 31, 2017)

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

(Thousands of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	13,957,627	8,469,877	22,427,504	—	22,427,504
Intrasegment net sales and transfers	437	461,058	461,496	(461,496)	—
Total	13,958,065	8,930,935	22,889,001	(461,496)	22,427,504
Segment income	2,193,387	277,995	2,471,382	(62,849)	2,408,533

Notes:

1. The adjustment amount of minus ¥62,849 thousand for segment income mainly includes corporate expenses that are not allocated to individual reporting segments. 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.