Q&A

Q1
Forecasts for the fiscal year ending February 28, 2015 indicate that net sales at the existing stores of the F.D.C. Products group will increase 2.8% year on year. Can you provide us with projections for the first and second halves of the fiscal year?

A1
Net sales of existing F.D.C. Products group stores are projected to climb 2.4% and 3.1% for the first and second halves, respectively, of the fiscal year ending February 28, 2015. This translates to a full fiscal year increase of 2.8%. Adopting a prudent approach, we estimate that sales at existing 4ºC stores under the group’s department store model will improve 2.0% in the first half and 1.3% in the second half for a full fiscal year improvement of 1.6%. Turning to specialty stores as well as existing 4ºCBRIDAL roadside stores, sales are projected to grow 2.5% and 6.0% in the first and second halves, respectively for a total increase of 4.4% for the fiscal year ending February 28, 2015. Finally, focusing mainly on existing canal4ºC fashion building stores, sales are anticipated to climb 3.3% in the first half and 2.9% in the second half for a full fiscal year improvement of 3.1%.

Q2
Again in the fiscal year ending February 28, 2015, you are projecting a further improvement in the F.D.C. Products group operating income margin of 0.4 of a percentage point. What is the structure of this anticipated increase in terms of the group’s gross profit margin and its ratio of selling, general and administrative (SG&A) expenses to net sales?

A2
The F.D.C. Products group’s operating income margin is indeed anticipated to improve 0.4 of a percentage point year on year to 17.2%. In specific terms, the gross profit margin is forecast to improve 0.4 of a percentage point while the SG&A expenses to net sales ratio is forecast to improve 0.1 of a percentage point.

Q3
Can you please elaborate on trends at existing F.D.C. Products group stores during the fiscal year ending February 28, 2015? Assuming that there was no effect from the change in nominal retail prices last year, how many months adjustment can be attributed to the increase in the consumption tax rate?

A3
Looking first at trends in existing stores for the fiscal year ending February 28, 2015, net sales are projected to fall 1.7% year on year. In the second quarter, we are anticipating an increase of 6.3% for a first half improvement of 2.4%. In the third and fourth quarters, we are expecting improvements of 7.3% and 0.4%, respectively. This translates to an estimated upswing of 3.1% for the second half and 2.8% for the full fiscal year. While we are currently expecting sales for the first quarter to decline year on year, results in March have been strong with no sign of a drop off in April. On this basis,

it would appear that sales for the first quarter will in fact exceed those of the corresponding period of the fiscal year ended February 28, 2014.

Turning to the impact of an increase in the consumption tax rate, we are predicting existing stores to surpass the previous year from May under the current plan. Prices were increased in April 2013 with sales also dropping off in April and May for the completed period. In comparison, we do not expect the impact of consumption tax on the period that has just commenced to be of any substance. Estimates indicate that we will clear results for the previous fiscal year from May.

Q4

How far do you think you can continue to open stores over the long term for each jewelry brand?

A4

We are seeing robust trends in the current expansion of 4ºCBRIDAL and canal4ºC stores. At this pace, we believe we can extend each network by close to 80 stores. Current plans call for an increase of 50 deux et deux stores. While we are currently taking steps to establish a solid platform for MAISON JEWELL stores, should our efforts go according to plan we see ample room for expansion. This reflects the large number of opportunities at suburban-type shopping centers.

Q5

Please provide us with your thoughts on the profitability of each jewelry brand going forward. Ordinary income margins for the 4ºCBRIDAL and canal4ºC brands are presented on page 23 of the presentation materials. 4ºCBRIDAL stores have already established a presence in prime locations. As a result, operating income margins may not increase all that much in the future. On a personal note, I believe that we should see canal4ºC margins improve a little more. Can you provide us with your thoughts?

A5

The 4ºCBRIDAL ordinary income margin for the fiscal year ending February 28, 2015 is scheduled to come in at 21.4%. While average sales per store currently stand at ¥150 million, this figure is expected to settle in at around the ¥100 million-mark in the future. At the same time, rent is projected to decline and we intend to hold down headquarters as well as advertising and promotion expenses. As a result, we plan to maintain the ordinary income margin at 20%. While keeping to this figure of around 20%, we will work to secure profits by increasing our market share. As far as canal4ºC is concerned, the ordinary income margin is forecast to come in 13.9%. Average sales per store is currently around ¥100 million. We will maintain this level for the foreseeable future and work to thin out headquarters as well as advertising expenses by opening more stores. Through these mans, we plan to lift the ordinary income margin to around 15% going forward. The difference in margins between these two brands reflects the level of sales per store.

Q6

The cost of sales declined in the fiscal year ended February 28, 2014. Can you please tell us in what areas you were able to bring about this decline?

A6
The cost of sales for the fiscal year ended February 28, 2014 was ¥21,260 million and ¥21,270 million for the fiscal year ended February 28, 2013. This is an overall difference of ¥10 million. This result reflects the sale of FLAGS Co., Ltd., our café and restaurant business, at the end of February 2013. In specific terms, this lowered net sales and the cost of sales by ¥900 million and ¥300 million, respectively.

Q7
MISUZU Co., Ltd. has identified the target of reestablishing the Rew de Rew brand during the fiscal year ending February 28, 2015. Can you provide us with more details on what measures will be adopted?

A7
MISUZU Co., Ltd. incurred a loss in the fiscal year ended February 28, 2014. Plans are in place during the fiscal year ending February 28, 2015 to close and withdraw from 13 unprofitable stores. At the same time, considerable emphasis will be placed on reducing headquarters expenses. The withdrawal from 13 stores and efforts to cutback headquarters expenses is projected to deliver improvements of ¥53 million and ¥86 million, respectively. In core brands including Rew de Rew, we will clarify the direction of merchandising and bolster our exterior and outer strengths. Despite efforts to reinforce single items last year, we struggled with respect to our summer apparel endeavors. As a result, we will reinforce our outer strengths. In particular, customer surveys have revealed strong support for one piece items. In addition to strengthening our outer wear lineup focusing mainly on one piece items, we will adopt a product strategy that helps to enhance the merchandising of future item plans.