Results Briefing 2Q of the Fiscal Year Ending February 28, 2015
October 6, 2014 16:00-17:00

Q&A

Q1

Can you please provide details of monthly results for September 2014 announced today with information regarding the Group's performance by brand and business type? In particular, could you tell us more about the status of 4ºC BRIDAL recovery?

A1

For the first half of fiscal 2103, net sales of existing stores climbed 4.4% compared with the corresponding period of the previous fiscal year. Despite the impact of a hike in Japan's consumption tax rate, net sales for the first half of the fiscal year under review grew 3.8% year on year.

Looking specifically at year-on-year results in September 2014, net sales of 4ºC brand jewelry sold mainly through department stores increased 3.6% on an existing store basis. This was despite the month in question having one less Saturday, Sunday and national holiday compared with the corresponding month of the previous year. In addition, existing store sales of canal 4ºC brand products sold largely through railway station and fashion building outlets were also robust climbing 8.5% year on year for the month of September 2014.

Turning to 4ºC BRIDAL brand products, we took steps to revise nominal retail prices in October last year. Taking into consideration the rush in demand prior to this price revision in September 2013, net sales on an existing store basis rose 15.6%, a substantial upswing compared with results for September 2012. For the current fiscal year under review, existing store net sales in September 2014 were down 18.5% year on year. Accounting for the estimated impact on net sales of around 8% attributable to the month of September 2014 containing one less Saturday, Sunday and national holiday compared with the corresponding month of the previous year, results were generally in line with usual trends.

Q2

Looking at the data for ordinary income by business type listed on page 15 of the Investors' Presentation of Results for the First Half of Fiscal 2014, the 4ºC BRIDAL brand recorded an increase in revenue and decrease in earnings compared with the corresponding period of the previous fiscal year. Please tell us what were the principal reasons behind the decline in earnings?

A2

For the first half of the fiscal year ending February 28, 2015, the 4℃ BRIDAL brand did indeed record an increase in revenue and decrease in earnings on a store net sales basis compared with the corresponding period of the previous fiscal year. However, forward sales in January and February 2014, prior to the consumption tax rate hike, were recorded as net sales from March 2014 at the time of product delivery for accounting purposes. In reality, results in fact improved compared with the corresponding period of the previous fiscal year.

Q3

In the apparel business, MISUZU Co., Ltd. has continued to slump over the past several quarters. We understand that the company is currently taking steps to close unprofitable stores. Please tell us if you have any initiatives or policies going forward, and if so provide us with details.

A3

Recognizing that MISUZU Co., Ltd. erred in adopting the policy to open new stores in fiscal 2012, steps were taken to terminate efforts to expand the store network from the second half of fiscal 2013 and to focus on measures aimed at improving the appeal of existing stores. In the first half of the fiscal year ending February 28, 2015, MISUZU Co., Ltd. confronted extremely difficult conditions. Due mainly to the impact of the consumption tax rate hike as well as such factors as the inclement weather, existing store sales fell 7.6% compared with the corresponding period of the previous fiscal year. With efforts to both withdraw from unprofitable stores and to reduce headquarters expenses proceeding according to plans, we will again focus on existing store initiatives during the second half of the fiscal year under review. During the third and fourth quarters of fiscal 2014, we are confident in our ability to boost results focusing mainly on exterior-related items including coats and jackets, which are recognized MISUZU Co., Ltd. strengths. On this basis, we are projecting operating income of around ¥100 million. In order to reestablish existing stores, we will aggressively follow up on customer needs while drawing distinct lines between urban-type merchandise and merchandise for regional as well as suburban-type shopping centers during the second half of the fiscal year under review.

Q4

We have heard that the retail industry is struggling to hire staff. How have you fared in recruiting new staff? If the Group is indeed having difficulties in hiring employees, please tell us about the countermeasures that are currently being employed?

A4

In April 2014, F.D.C. Friends Inc. recruited just under 50 new graduate employees. In fiscal 2015, plans are in place to double this number by recruiting around 100 new employees in April 2015. In this sense, our recruiting endeavors are essentially in line with plans. In addition, both our headquarters and Group company efforts to recruit new graduates are currently on track.

On the other hand, there are instances depending on the area where our efforts to complement our workforce with mid-career hires are falling short of expectations. In each case, we are working to fill any gaps through personnel assignments and remain confident that there are no problems at this time.