

## **Q&A**

### **Q1**

Can you provide us with details of recent conditions and the Group's performance in its bridal jewelry business including the 4° BRIDAL brand?

### **A1**

Sales at existing 4° BRIDAL stores for the first half of fiscal 2015, the fiscal year ending February 29, 2016, climbed 2.7% compared with the corresponding period of the previous fiscal year. On a year-on-year basis, sales of wedding rings increased 4.8% while sales of engagement rings fell 0.7%. After the consecutive five-day weekend and public holiday period and from the middle of September as well as the first Saturday immediately following the extended holiday period, sales stalled declining 1.3% compared with the corresponding period of the previous fiscal year. On a positive note, trends became steady from early October. Taking each of the aforementioned into consideration, sales are forecast to recover in the 2H.

### **Q2**

Sales of fashion jewelry and in particular the Eternal Silver lineup of products are robust. Can you provide us with your thoughts on market trends and the competitive environment generally?

### **A2**

In addition to the very strong performance of 4°C jewelry, we are seeing robust contributions from the 4°C Pregence brand, which was developed to address the increasingly polarized nature of customer needs, and Eternal Silver. As a result, overall trends in fashion jewelry are positive.

From a market perspective, we believe that disparities are beginning to emerge between brands. Customers' preferences are becoming increasingly polarized. As a result, brands that successfully address this trend continue to thrive while those that do not struggle.

### **Q3**

Can you elaborate on trends in engagement rings?

**A3**

While volumes are increasing, we are witnessing a period of slight price adjustment.

**Q4**

Current plans for the next period call for the opening of 18 new stores. Is your policy also to expand store sales space?

**A4**

Trends at large-scale composite stores are robust. During the fiscal year under review, steps were taken to roll out one new large-scale composite store and to renovate two existing stores. From an overall composite store perspective, sales at renovated stores climbed nearly 25% compared with the corresponding period of the previous fiscal year. With a large number of inquiries regarding the shift to composite stores, expectations are that sales will increase further next year.

**Q5**

What is the average floor space of large-scale composite stores? How many large-scale composite stores do you plan to open over the long term?

**A5**

The average floor space of large-scale composite stores is between 35 and 50 115 m<sup>2</sup>~165 m<sup>2</sup>. Looking ahead, we are looking to roll out from three to five large-scale composite stores.

**Q6**

Can you provide details of sales and profits for bags, purses, and small leather goods? What are your plans for the future? What direction do you intend to take?

**A6**

Sales of 4°C Watch products came to ¥185.7 million, up 205.7% compared with the previous period. We believe that sales will reach around ¥400 million for the full year. Our goal for the foreseeable future is to boost sales of

4°C Watch products to above the ¥1 billion level. Looking at bag sales in the 1H for all stores, 4°C BAG and Luria 4°C products combined for a total of approximately ¥700 million. This represented an increase of 54.8% year on year. We plan to maintain this trend and are projecting sales for the full year to total around ¥1.7 billion, an increase of more than 50% compared with the previous fiscal year. Our sales target for the next fiscal year is ¥2.0 billion.