

2Q FY2/19 Results Briefing Q&A Session Summary

Q&A Session

Q1: You explained that this winter you will introduce e-commerce limited edition products targeting Christmas, but are you doing so for all products and brands? Secondly, when is the roll-out period?

A1: Using silver and 10 carat gold, for which customers of the 4°C brand present the highest demand, we plan to begin the roll-out from the end of October. Although roll-out will slide into November in some cases due to stocking issues, we hope to run trials by introducing special e-commerce products to the areas of highest demand among our customers.

Q2: Your introduction of Chatbot increased the purchase rate, but what were the specific results? And which customers used it at which times?

A2: In contrast to the 0.94% purchase rate of customers who access the site normally, the purchase rate of customers who accessed the site through Chatbot showed a nearly three-fold increase to just over 3%. We introduced this system as a means of helping male customers when choosing presents for females, and the system is often used by male customers accessing the site late at night.

Q3: Tell us about the roll-out of fashion jewelry by price range. What changes will occur in item numbers and product numbers as part of this overall initiative targeting a more adult, higher quality lineup? What format do you aim to give this approach in the future?

A3: We feel the price range that we will primarily expand is the ¥30,000 - ¥70,000 2nd Line, but we also hope to further expand the composition of sales accounted for by the ¥70,000 and up 3rd Line from its current 20% (The sales composition of the ¥30,000 and under 1st Line is currently about 50%). So we hope to raise the total sales composition of the 2nd Line and 3rd Line to 60% or more. We feel there is still plenty of room for growth.

Q4: What effect will continuation of the 3line MD (roll-out by price range) have on the gross profit margin? And how do you interpret the lower gross profit margin during the first half?

A4: The lower gross profit margin during the first half is the result of the segment mix. The Apparel Business with its lower gross profit margin grew while the Jewelry Business with its higher gross profit margin saw lower earnings, so in total the decline was about 1%. The Jewelry Business has a nearly flat gross profit margin when seen on its own.

In terms of the effect of the continuation of the 3line MD (roll-out by price range) on the gross profit margin, growth in any specific range will not place pressure on income.

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October 9, 2018 16:00 – 17:00

Q5: What were the results of the bridal-targeted TV commercials that ran in July?

A5: At present, we feel that the results are limited. In light of the characteristics of bridal products, we feel that we must watch the trends for another couple of months.

Q6: You will rejoin the bridal benefit programs organized by department stores, but what do you think the results will be?

A6: We will successively begin rejoining department store bridal benefit programs starting in November. Although it is difficult to judge at present whether this move will result in anything immediately, we will take initiatives to ensure that growth is steady.

Q7: Has the current downward revision in the full fiscal year forecast led you away from the Medium-Term Management Plan? And how do you view the impact of this revision on the growth rate for the following fiscal year and beyond?

A7: By soundly implementing measures, we expect to bring about a recovery in existing stores starting this December, and, at present, we have left the numerical targets in the Medium-Term Management Plan in place. We will closely watch the trends from December on and will consider rolling numerical targets if necessary.