

## 2Q FY2/22 Results Briefing Q&A Session Summary

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### Q&A Session

Q1: Please tell us specifically why net sales decreased due to the prolonged declaration of a state of emergency.

A1: In the Jewelry Business, which is being greatly impacted by the COVID-19 pandemic, all stores had been forced to close in the first half of the previous fiscal year, but were able to operate normally for about 80% of the entire period. Amid the priority measures that were brought in during the first half of the current fiscal year, such as the declaration of a state of emergency and those designed to prevent the spread of infections, which were in effect for most of the period, stores that were able to open as normal accounted for about 43% of the total number of days. Thus the impact from the COVID-19 pandemic was greater than in the same period of the previous fiscal year.

Q2: There are two specific initiatives in the second half of your fiscal year, the Christmas shopping season and the expanded lineup from new collections. Specifically, would I be right in understanding that you will be increasing the number of new products for the Christmas shopping season?

A2: Our greatest strength lies in gifts. We will therefore greatly increase the number of preferred products that suit the values of women of today and will regard the Christmas shopping season as private demand. We will increase sales not only on the strengths of our mainstay products but also by launching new collections.

Q3: I would like to ask about your thoughts on net sales and operating income in the first and second half of the fiscal year ending February 28, 2022, for both the Jewelry Business and Apparel Business. In the case of the Jewelry Business, gross profit margin is expected to improve significantly in the second half compared with the first half. In the meantime, you are planning to invest steadily in sales promotion, and I would like you to explain the improvement in profits amid the increases in costs. With regard to the Apparel Business, please tell us the background to the improvement in gross profit margin in the second half compared with the first half.

A3: By taking each measure in the Jewelry Business, we expect sales to increase sufficiently even if we invest SG&A expenses. Seeing that it will take time for consumer sentiment to improve even after the COVID-19 pandemic has subsided, in light of the favorable performance in the third quarter of the previous fiscal year and given that the hurdles were high, we are looking conservatively at the third quarter of the current fiscal year.

On the other hand, we believe that it will be possible for us to increase net sales sufficiently in the fourth quarter. Given that the fourth quarter of the previous fiscal year remained in a difficult situation due to the resurgence of COVID-19 infections, we believe that net sales in the fourth quarter of the current fiscal year will be significantly higher than in the same period of the previous fiscal year even on the assumption that they are 80% at existing stores.

There are two businesses in the Apparel Business, the Apparel Manufacturing Business and the Apparel Retail Business. In apparel manufacturing, the plan we will advance is to improve operating income in the second half compared with the first half. In apparel retail, since new stores that opened in the first half will be fully operational in the second half, we plan to be able to stabilize profits. We will continue to maintain favorable performance.

Q4: You say that, at this time, you are building the foundations and sowing the seeds for growth. However, is your basic stance with regard to your shareholders that of rewarding them by continuing to increase dividends even at this time?

A4: Based on stable and continuous dividends, we will continue to maintain our policy of working toward a future annual cash dividend of ¥100 per common share. To further clarify our return policy, we have deemed that the dividend on equity (DOE) ratio will serve as an indicator for shareholder

returns.

Q5: I have the impression that bridal jewelry and other items will recover more in the second half of the fiscal year ending February 28, 2022. That is a conservative impression, but what is your opinion on this?

A5: In the case of bridal jewelry, costs were considerably reduced in the previous fiscal year, but in the current fiscal year we are increasing the advertising budget from the first half. As a result, the number of visitors and unique users of our bridal website has increased more than 1.4 times compared with the same period of the previous fiscal year. In the second half of the current fiscal year, we will further strengthen sales promotion investment that will lead to customers being encouraged to visit our stores.

Q6: Please tell us what you are taking into account as a growth strategy if things change due to the situation with the COVID-19 pandemic.

A6: The pillar underpinning the Group's growth strategy remains the Jewelry Business. However, as the second pillar, we would like to expand the PALETTE everyday fashion brand by means of our strategy that entrenches the Group's dominant position in the Kansai area.

In the Jewelry Business, we will further strengthen our customer- and marketing-oriented strategies. To capture customer needs, we will adopt a marketing strategy that enhances emotional value. Through these measures, we would like to respond to changes in consumer values during and after the COVID-19 pandemic.

Q7: Please tell us the factors behind PALETTE's strong performance and specifically the kinds of categories in which the brand is performing well.

A7: The reason for the good performance is that PALETTE's level of brand recognition in Kansai has risen significantly. The factors that are increasing awareness are the effects of store openings and advertising.

Q8: In the case of PALETTE, how are you addressing EC?

A8: Actually, PALETTE net sales via EC are currently at about the ¥10 million level. The target is ¥100 million. In the months and years to come, we will explore what kind of EC is appropriate for PALETTE.

Q9: I would like to hear your forecast for the operating environment in the second half of the fiscal year ending February 28, 2022.

A9: The forecast for the operating environment in the second half is based on the assumption that COVID-19 infections will stabilize to some extent and that consumption will recover. We will predict the order in which consumption will return for each business condition and in each industry. The concern is that the state of emergency declaration will be reissued, but we do not expect the situation to reach that far going forward.