

FY2/24 Results Briefing Q&A Session Summary

Q1. The Jewelry Business posted declines in revenue and earnings in FY2/24 amid ongoing structural reforms to consolidate bridal specialty stores. What are your plans for structural reform going forward?

The closure of 26 stores in the last two years was a factor for the decline in sales in the Jewelry Business, but the consolidation of stores has allowed us to improve profitability. The store closure plan is nearly complete, and we expect to be able to increase sales from FY2/26.

The purpose of this structural reform is not to withdraw from the bridal jewelry segment, but rather a strategic move to enhance brand value. The large-scale renovation of the flagship Ginza Main Store was a positive factor supporting the potential development of the street-level store sales channel. Going forward, we plan to strengthen products and services around three types of store formats—department stores, shopping complex stores, and flagship stores.

Q2. The annual dividend for FY2/24 is unchanged at 83 yen per share, while a stated aim of Yondoshi is to reach a dividend of 100 yen in the future. What is your view regarding dividends?

Yondoshi aims to be a stock that is attractive as a long-term holding, and maintains a DOE of 4% or higher. The dividend is unchanged at 83 yen at present, but it has been increased for the past 11 consecutive years, and we continue to aim to achieve a dividend of 100 yen in the future through profit growth.

Q3. How will the insights gained from the “Nameless Jewelry Shop” event conducted in September last year be applied in the measures of the 7th Medium-Term Management Plan, which began this fiscal year (FY2/25)?

The Nameless Jewelry Shop was an event with a different product lineup and presentation than usual. Through this event, we learned that it’s possible to fully convey brand value by providing customers with the “experience value” of handling and trying on products. In the 7th MTMP, we will implement broad-based revamping of merchandise to expand support among female customers. As part of this effort, we will drastically reduce the number of standard products this fiscal year, and introduce a new and fresh product lineup.

Q4. What are your plans for store openings and closings in the Jewelry Business this fiscal year?

We are taking a cautious stance regarding store openings this fiscal year, and have no plans to open new stores. In terms of the store closure plan, there are some stores that will be forced to close due to changes in department store policies, but only one bridal specialty store will close, so we anticipate about four or five closures during the current fiscal year.

In the structural reforms implemented over the last three years, the focus was on store closures. Going forward, we will revamp merchandise to expand support among female customers. When we reach the stage where such measures generate a positive response, we will once again formulate a proactive store opening strategy.

Q5. With the number of marriages on the decline, what do you think about the prospects for bridal jewelry?

According to recently announced preliminary figures from a thinktank, the number of marriages in fiscal 2023 decreased from the previous year, falling below 500,000 couples. While we accept that the number of marriages is unlikely to increase from the next fiscal year amid a declining population, from the standpoint of enhancing the value of the 4°C brand, our policy is to actively work closely with customers at this important stage in their life. To that end, we will focus on enhancing product value, as well as selling and customer service skills. In addition, we will work to develop street-level flagship stores like the Ginza Main Store, where we have seen positive effects from renovation.

Q6. In the 7th Medium-Term Management Plan, you announced that you will change the name of the Jewelry Business segment to the Brand Business. Please tell us what the new business areas in the Brand Business are, to the extent possible.

At this point, we do not have any specific plans for new business areas, but we will consider carrying products that complement our current business, such as watches and accessories, and explore potential M&A deals.

Q7. With the higher cost of living, are you able to pass on costs by increasing the price of jewelry?

We have always strived for reasonable and appropriate pricing, but since the price of gold has risen at a rate of 35% over the past three years, we have passed this on with a 36% increase in the retail price. Going forward, from the aspect of consistency with the strategy of department stores, we will adopt a pricing strategy of increasing added value and raising the retail price. To achieve this, we will revamp merchandise with a focus on fashion.

Q8. How many PALETTE stores do you plan to open in the current fiscal year (FY2/25), and in which regions?

We plan to open 10 stores this fiscal year, six in the Kanto region, and four in the Kansai region.

Q9. In the full-year earnings forecast for FY2/25, operating income is expected to increase by 12.1% overall, with a decrease in the first half followed by substantial gains in the second half. What are the factors behind this projection?

The average profit composition ratio for YONDOSHI HOLDINGS Group is 42% in the first half and 57% in the second, which was the basis for this year's budgeting. In addition, both the Jewelry and Apparel businesses performed strongly in the first half of the previous fiscal year, but struggled in the second half in December, which was also incorporated into the forecast.

Our expectation is that in the Jewelry Business, positive effects from changes to the product lineup from merchandise reforms will manifest in the second half, while in the Apparel Business we are preparing measures to capitalize on a warm winter in December, which should lead to a significant increase in earnings in the second half.

Q10. What sort of measures are you considering for this year's Christmas shopping season, and do you expect a recovery?

We will implement a product makeover and significantly revise the lineup. Our assumption up to now has been that gift demand equaled standard products, but this way of thinking is no longer applicable in an era of women-led purchasing behavior. Specifically, we will halve the number of standard products, and actively develop new units based on such aspects as price, taste, and trends. The design team also been expanded with a new director, and outside personnel are being brought in to assist with the renewal of the planning portfolio and product presentation. At the same time, for brand promotion, we will conduct workshops with major advertising agencies to attract more customers.

Q11. Same-store sales at PALETTE increased 0.1% year on year in FY2/24, and you are forecasting a 3.0% rise in FY2/25. What measures are you planning to achieve this, and what is the outlook for the number of customers, unit price, etc.?

The 0.1% increase in FY2/24 stemmed from the fact that although the total number of customers was down four percent to 96% the level of the previous fiscal year, a boost in spending per customer allowed us to exceed the previous year's revenue total. The target of a 3.0% increase in FY2/25 is based on boosting the number of customers while maintaining the unit price per customer. The biggest challenge will be increasing the number of customers.

To achieve this, we will employ a tripartite strategy of sales promotions, products, and sales floors. For sales promotions, we will increase the number of large flyers, and strengthen our product lineup in such areas as socks and children's clothing. We will strengthen visual presentation by arranging sales floors linked to sales promotions, especially for women's clothing, to increase the frequency of customer visits.

Q12. In the revamp of merchandise in the Jewelry Business, what are the specifics of your pricing strategy?

Considering population decline and greater polarization in the market, in conjunction with the price range expansion strategy currently being pursued by department stores, for the pricing strategy of the 4°C brand, we will also work towards broadening our price range.

Even looking at our own data, EAUDOUCE 4°C, which has an average unit price about 20% higher than that of 4°C jewelry, is performing well, and the number of customers in their 50s increased 9.0% compared to the previous year during the Christmas shopping season, confirming the existence of demand in high price ranges. Against this backdrop, we will continue to proactively develop products with high added value.

Q13. Regarding the development of jewelry flagship stores, how many stores are you planning to open in the medium to long term, and in what regions?

The Ginza Main Store, our flagship jewelry store, has a combined format with fashion jewelry on the first floor and bridal jewelry on the second floor, and differentiates itself by conveying brand value in an easy-to-understand manner through product variations, the presentation of displays, and store decorations. We are also taking proactive steps to gain loyal customers. Going forward, we will consider opening stores in prime areas of other major metropolitan centers, especially Yokohama and Osaka.

Q14. What sort of new brand development will the jewelry business pursue in the future?

In FY2/25, we will concentrate on merchandise reform to enhance the fashionability of the 4°C brand. Going forward, we will expand the variety of brands to meet greater diversity, and while maintaining the unique value of 4°C, develop high value-added fashion items tailored to market needs.

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