

FYE2/25 Results Briefing – Q&A Session Summary

Q1. RASIN's results for FYE2/25 and the impact on consolidated results

RASIN achieved significant revenue and earnings gains in FYE2/25, posting net sales of around ¥23,900 million with operating profit of ¥1,700 million.

We incorporated RASIN's fourth quarter (three-month period) results into consolidated results, which provided a boost to net sales of approximately ¥6,400 million, and operating income of around ¥450 million. After deducting amortization of goodwill and M&A-related expenses incurred as a result of the consolidation, the contribution to operating income was approximately ¥250 million.

Q2. Key management indicators for 4°C merchandising reforms (growth rate of sales to female customers, unit price, and growth rate in 10 major cities) in FYE2/25, and the reasons that F.D.C. Products struggled

Sales to female customers were up 6.8% year on year, with a particularly notable rise in self-gifting, up 15% from a year earlier. The unit price increased 4%, and the growth rate in 10 major cities was 1.6%.

For merchandising reforms aimed at increasing support from women, we expanded the range of styles and prices, and conducted the "The Tidal" promotion to encourage self-gifting, something we had not done during previous Christmas sales seasons. However, overall performance was lackluster. The main reason was a decline in sales to male customers, bridal jewelry and Christmas gifts, the result of insufficient reach to customers and events that had previously provided support for 4°C. Even though women made up the majority, considering the ratio of male customers (32%) and couples (29%), we recognize that our balance of proposals for different needs was skewed, and we will make use of this information to improve our offerings for FYE2/26.

Q3. Sense of response to efforts to improve performance in the jewelry business

In the 53-year history of the 4°C brand, we view the current era as a true period of change. Consumer behavior and values have been altered significantly. Feelings toward fashion jewelry have shifted from placing value on outward appearance to internal and emotional value, and we are seeing a change in consumer behavior away from preferring and buying the same things as others, toward an era of diversity.

There is a gap between our business and the needs of the market, and in response to this sense of crisis, we are rebranding for the future, and implementing business structure reforms to substantially shift our main customer focus from men buying gifts for women, to female repeat customers.

The strengths that we have cultivated over the course of our history, specifically the highly profitable SPA business, and a commitment to manufacturing and quality, are certainly present today. Utilizing these assets, we will work to further promote merchandising reforms, enhance our digital strategy approach, and improve our customer service appeal, in order to accelerate growth in the number of repeat female customers.

Establishing a highly profitable structure will likely take some time, so to improve near term performance, we will carefully engage with current customers, such as men and bridal customers,

while developing our future customer base, and steadily improve profitability.

Q4. RASIN's growth prospects, anticipated risks and countermeasures

RASIN has a very strong correlation between sales and inventory, so we aim to grow business at existing stores and increase sales by expanding the inventory. An additional characteristic of the business is that purchases are made in cash, requiring funds up front. We plan to take advantage of the solid financial position of the corporate group to expand inventories by 1.5 billion yen.

For new store openings, we opened a Shinjuku store in January 2025, and depending on the situation, we will consider plans for locations in urban areas such as Tokyo, Osaka, and Nagoya.

In terms of risks, we believe that these are very similar to an urban department store. Specifically, we consider the risks to include a weakening of consumer sentiment among wealthy customers due to a decline in stock or real estate prices, the impact of demand from inbound customers (tourists) due to exchange rate fluctuations, and a decline in the reuse price of luxury watches. For the response to such risks, RASIN's inventory turnover rate is relatively high at about 60 days. When the stock market fell by 4,400 yen in August 2024, the company reduced prices to sell its inventory, purchasing items at newly reduced prices, and replenished its inventory in two to three months. We plan to take advantage of this high inventory turnover rate, and respond to declines in reuse prices by replacing inventory.

Q5. Factors contributing to the decline in operating income and ordinary income in FYE2/25, and the factors behind the increase in net income. Timing and amounts of the highest net sales, operating income, ordinary income, and net income since the transition to a holding company structure.

Operating income and ordinary income were down approximately ¥350 million year on year in FYE2/25, due mainly to sluggish sales to men and bridal jewelry customers at F.D.C. Products. The apparel business also saw a slight decline in profit.

Net income and extraordinary income increased due to gains on the sale of investment securities, while extraordinary losses decreased due to impairment losses and other expenses. Excluding extraordinary gains and losses, net income was up about ¥350 million from the previous fiscal year, and about ¥240 million after tax.

The company's best results since the adoption of a holding company structure were net sales of approximately ¥52.8 billion in FYE2/16, operating income of approximately ¥6.5 billion in FYE2/17, ordinary income of approximately ¥7.7 billion in FYE2/17, and net income of approximately ¥5.2 billion in FYE2/18.

Q6. Factors behind the decline in earnings in the Apparel Business

The decline in profit in the Apparel Business was at our subsidiary age. The company is expanding its network and opening new stores, and it generally takes three to five years for a store to become profitable after opening. Further, in FYE2/25, earnings in October alone were down by about 50 million yen due to the impact of climate change and our inability to respond to the long summer, while three profitable stores were closed due to developer circumstances, resulting in a negative impact of about 70 million yen.

END