

FYE2/27 1H Results Briefing – Q&A Session Summary

Q1. First half performance was strong, but you've cited factors for profit decline in the second half, and the full-year forecast seems conservative. What is your reasoning?

The Brand Business drove performance in the first half, with sales about ¥2 billion higher than the forecast that we revised upward on July 10, and operating income about ¥0.2 billion higher. For the full year, we revised our sales forecast upward by ¥2 billion while leaving the profit forecast unchanged, so for the second half we expect sales to remain flat year-on-year, and operating income to decrease by about 5%. The reason we expect profit decline in the second half is investments for future growth, specifically TV commercials and other advertising investments aimed at establishing the RASIN brand. We are also planning additional investments in personnel, security measures, and IT to enhance productivity. While we have conservatively estimated second-half sales to be on a par with the previous year, there is potential upside depending on business performance in December.

Q2. What is your assessment of the factors behind the strong same-store sales performance at F.D.C. Products?

Same-store sales have steadily grown by double digits since the beginning of the year, with expansion in every segment. The main factors are improvement in growth indicators for 4°C fashion jewelry, recovery in bridal jewelry sales, and an increase in customers at CANAL 4°C. The strategy we have been pursuing since last year of adjusting merchandising to target the main customers of each sales channel has been effective, resulting in higher unit sales prices in department stores, and a significant increase in customer traffic at locations in train stations and fashion buildings.

Q3. What are the factors behind RASIN's significant growth in first half, and the outlook for the second half?

In the first half, in addition to expanding the merchandise lineup through inventory investment, our efforts to strengthen promotion and sales capabilities were effective, with same-store sales increasing 42% year-on-year, average customer spending 21%, and customer numbers 17%. Supported by rising stock prices and the weak yen, inbound sales also increased by around 97%. For the second half, we expect sales to rise 0.5% year-on-year on a net basis, with domestic sales up 9%, and inbound sales down 18%. We are allowing for a decline in inbound tourism from November, when the changes to the duty-free system take effect, as well as advertising spending as future-oriented investment in the brand, but we believe there is significant upside potential if the current trends in consumption continue.

Q4. What is the scale of strategic investments that you consider to be a factor in keeping the full-year profit forecast unchanged?

In addition to approximately ¥300 million in commercials and other advertising investments in the second half to establish the RASIN brand, we plan to allocate about ¥100 million for personnel investments, and approximately ¥50 million for system and IT investments.

Q5. Are first half sales for FYE2/27 a record high for an interim period?

Half year net sales were ¥26.1 billion in FYE2/06 when the company transitioned to a holding company structure. We achieved a record high of ¥32.4 billion in FYE2/26, and this fiscal year reached ¥39.4 billion. This marks the second consecutive interim period of record highs.

Q6. What is the status of the proposal for overseas business expansion for 4°C?

At this point our priority is the sales channel strategy in Japan, with the general scheme for department stores, and train stations and fashion buildings largely decided. Going forward, in the 8th Medium-Term Management Plan, we will work on market development for the “suburban shopping centers” sales channel. We are still considering overseas expansion as a possible future development, and hope to start preparations as soon as possible, including establishing a preparation office as part of the 8th MTMP. As a foothold for overseas expansion, beginning last year we started collaborating with the apparel brand TAAKK for their Paris Collection, aiming to promote the value of 4°C internationally as a Japanese brand.

Q7. What measures are you taking to improve profitability at age, in particular responding to rising labor costs?

We believe that the way to address higher labor costs is 1) improvement in gross profit, 2) expansion of same-store sales, and 3) cost reductions through productivity improvements. We expect labor costs to increase by around ¥50 million in the second half, but we expect to absorb those higher costs with around ¥80 million in improved gross profit margin, including ¥20 million in gross profit from same-store sales growth. From a long term perspective, the key point is product strategy. For fashion products, we will improve stock level days to reduce markdowns, while for functional apparel we will narrow the number of men’s items to reduce opportunity loss, and expand the number of women’s items. In the children’s category we are lowering prices to attract customers, while for embellishments we will expand sales by launching new products.

Q8. What proportion of RASIN’s sales are duty-free, and what will be the impact on results from the changes in the refund system starting in November?

Duty-free sales accounted for about 30% of RASIN’s sales in the first half. We anticipate a drop in inbound sales of around 27% due to the change in the refund system from November, impacting monthly sales by around ¥200 million. We have incorporated this reduction into our second half forecasts.

Q9. What do you feel are the factors behind the lower growth rate for e-commerce at F.D.C. Products compared to same-store sales?

In the first half period, sales at physical stores increased 17% year-on-year, while the growth rate for e-commerce was 5%. We are not pessimistic about this difference. In OMO (Online-Merge-Offline) marketing strategy, e-commerce serves not only as a place to make a purchase, but to showcase the 4°C and CANAL 4°C brands, and encourage people to visit stores. Traffic to our e-commerce site rose more than 30% year-on-year, which we believe is playing a role in directing customers to stores. For future expansion, we are pursuing measures such as customer service using AI chat, and suggesting landing pages tailored to the purpose of a purchase. We are also pursuing merchandising plans and sales promotions for e-commerce adjusted to the main customer segment, aiming to drive further growth.

Q10. What has been the impact on sales growth at RASIN from inventory expansion, and what is your assessment of the current status and challenges for brand strength and recognition?

RASIN has been expanding its inventory by leveraging the corporate group's financial and procurement capabilities. From FYE2/26 through the first half of the current fiscal year, the product lineup expanded by about ¥3 billion, including new store openings. There has long been a strong correlation between inventory levels and sales, and we believe there is room to increase sales by further expanding the product lineup. In addition, many stores are relatively new, and there is significant growth potential in existing stores through greater brand recognition. Although brand recognition for RASIN is low, we are proud of the fact that it is a store (brand) that customers choose once they know about it, and we aim to raise awareness of GINZA RASIN through commercial ads and other promotional investments. We consider the purpose of investments for brand establishment to be growth over the longer term rather than short-term gain, and by establishing the idea of RASIN as the premier choice for previously owned luxury watches, gain a competitive advantage that will lead to sustainable growth.

Q11. What measures is F.D.C. Products pursuing for this year's Christmas shopping season?

Sales to male customers in the first half showed a recovery trend, rising 2.9% year-on-year, and with expanded support from women, we expect this will encourage more men to choose 4°C for gift purchases. Organic searches that include our brand name are up 30% year-on-year, indicating growing interest in the brand. During the Christmas shopping season, we will continue to focus on personal-use demand from women, expanding the range of high-priced items marketed under the theme of "rewarding oneself for hard work." For the CANAL 4°C brand, we are strengthening the lineup of earrings and other ear-related products to promote fashionability. Through last year's Christmas shopping season, gifts from men accounted for more than half of sales. By contrast, female customers make up over 60% of sales in ordinary months, and if personal-use demand from women reaches the same level as gift demand from men this December, that will be a clear indication of business restructuring from "gifts from men" to "personal-use demand among women," allowing us to move to the next stage. We aim for same-store sales growth in December.

Q12. What are the strengths that differentiate RASIN?

RASIN's strength lies in its specialized expertise in luxury wristwatches. Expert staff determine authenticity, and are meticulous about quality management and maintenance. In addition to offering products at fair prices, RASIN provides comprehensive after-sales support, service that gives customers peace of mind and a sense of trust. RASIN also has one of the largest product selections in Japan, with differentiated product offerings by store. Sales staff with extensive product knowledge provide a consultative sales service that considers everything from asset value to future replacement purchases.

Q13. What have been the results of the 7th Medium-Term Management Plan?

By completing M&A ahead of schedule and other measures, compared to FYE2/24, net sales increased by approximately ¥37 billion, operating income by ¥2.2 billion, and net income by ¥1.3 billion, for gains in both revenue and earnings. Establishing four business portfolios allows us to adapt readily to changes in the business environment, and has provided us with multiple growth engines. Going forward, we aim to utilize these four business portfolios to transition to a

sustainable growth phase under the 8th MTMP.

Q14. What is the composition of inbound sales at RASIN by country?

The ratio varies by year, but the current approximate figures are 40% North America, mainly the United States, 20% Europe, 10% China, 20% Asian countries other than China, and 10% South America and other regions.

END