

Overview of Q&A Session at Analysts Briefing for Q4 FY June 2023

This document provides an overview of the Q&A session at the analysts briefing for the fourth quarter results.

Questions and answers have been edited for clarity.

Q1: It seems that you have shown restraint in your assumptions for FY2024, such as the extent of improvement in gross profit in the domestic business, the growth of existing stores, and the outlook for tax-free sales. Although you do not expect to see as much improvement as in the previous fiscal year, do you believe that there are any risks?

A: It is not the case that there are risks. Our first assumption is that we will achieve the previous fiscal year's profit, and then we will add to it. Costs are continuing to rise but we cannot fully reflect the increases in our selling prices. Nevertheless, in FY2023, the operating profit for the DS business exceeded 50 billion yen for the first time, and the operating profit for the GMS business was 28.1 billion yen, which was an increase compared to several years ago.

Q2: With regard to operating profit in FY2025, I think you can reach the goal for domestic business based on your current performance. However, with regard to overseas business, especially the 7% plan for North America FY2025, will you be able to achieve such growth all at once by that fiscal year through prior investment this fiscal year?

A: We will work on domestic growth first. We believe that it is the company's role to determine the combination to achieve this goal. This is based on the assumption that the combination will change from the one we initially envisioned.

Q3: You said that you are within range of the 120 billion operating profit target for FY2025, but what about the 200 billion operating profit target for FY2030?

A: We still need to do various more work to reach the 200 billion yen mark. Over the past few years, we have come to realize we still have room to do more.

We have increased the number of new store openings in Japan because we found a way to make it profitable. We have also shifted from the view that SG&A expenses must be kept within 20%. We also learned that, for example, making TV commercials for our PBs/OEM is a simple way to create changes in consumer behavior.

It may take time for overseas business, but we are confident in our Japanese products, and we currently believe we can make our goal by 2030.

Q4: What are your thoughts on investment and the returns in Asia and North America?

A: North America will require some trial and error, but if we achieve a turnaround, we will have large sales due to the

large market base. We believe that over a certain amount of time, even if the number of stores increases only gradually, if we can make profits, it will contribute to earnings considerably. In Asia, we will achieve a bit of a balance in each area. What I like to emphasize is that we are willing to approve investment in both North America and Asia as long as the investment can be realized within our overall portfolio.

Q5: Looking at the forecast for the DS business for FY2024, it appears that the business is dependent on tax-free sales. But what about existing store sales?

A: Although tax-free sales have seen large growth in our existing store sales, we plan to exceed the previous year's level of sales for non-tax-free stores as well. The rapid recovery of tax-free sales and the target of 80 billion yen in tax-free sales at urban stores will change the composition of in-store sales. It will also reduce the amount of non-tax-free sales that we previously had, and the opening of new stores will have a cannibalistic effect on existing stores in the future. The forecast is based on the recognition of these factors.

Q6: Are there any qualitative impacts such as changes in motivation due to the revision of the HR system?

A: With our stores located all over Japan, the revised system allows us to offer a variety of work options, creating a situation in which those who wish to relocate nationwide, those who wish to work within a nearby area, and even women after marriage or childbirth can all work according to their own preferences. We believe that employees are more motivated because they have more options and can play an active role in the path of their choice.

Q7: The medium-to-long term management plan calls for operating profit of 6 billion yen for the finance business in FY2025. Is there no change to that?

A: We believe that the finance business will be pushed back to some extent, due to factors such as the delay in the release of the app compared to the original plan.