Financial Results Briefing for FY02/25 Q1

- Q&A Summary -

Date:	July 5, 2024, Friday, 10:00-10:30 (JST)
Presenter:	Shohei Yoshida, Director in charge of Finance, Accounting, Investor Relations

Q1. Regarding the deterioration in gross profit margin due to optimization of merchandise inventory levels, have you prioritized optimization for brands other than the brands with favorable sales shown on page 15 of the financial results presentation material? Also, do you expect the gross profit margin in the second quarter to not deteriorate as much as in the first quarter, or will it improve?

A1. Overall, we have made progress in optimizing the level of merchandise inventories, including brands with favorable sales. We were also optimizing inventory levels in key brands with strong sales, including some standard items.

We believe that inventory optimization will continue to some extent in the second quarter. Rather than seeing a year-on-year decline in gross profit margin in the second quarter, we plan to maintain or slightly improve the gross profit margin.

Q2. You mentioned that the European business was struggling. Could you provide an update on the impact this had in the first quarter? If you expect the European business to continue to struggle in the second quarter and beyond, will you be able to achieve profitability of the European business for the full year even after taking these factors into account?

A2. The European business was affected by the suspension and downsizing of external EC wholesalers, which had an impact of a few hundred million yen. Although the wholesale business will continue to be affected in the second quarter and beyond, we intend to recover by focusing more on the directly managed e-commerce and retail businesses to expand sales.

Q3. How do you compare the progress of inventory optimization and profits in the first quarter with the company's plan?

A3. We can say that operating profit in the first quarter was generally in line with our plan to achieve our first-half forecast of 5.5 billion yen. However, the decrease in gross profit margin due to optimization of merchandise inventory levels was slightly larger than planned. On the other hand, the SG&A ratio declined more than planned due to a higher headcount and store efficiencies than expected at "ONWARD CROSSET / SELECT" stores. Consequently, operating profit in the first quarter was generally in line with the initial forecast provided at the beginning of the period.