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[Title]
[Q&A section at end] SANYO SHOKAI achieves planned operating margin and ROE, and announces a new Medium-Term Business Plan to achieve its 10-year long-term goals

[Lead]
The following is a transcription of SANYO SHOKAI LTD.'s financial results presentation for the fiscal year ended February 28, 2025, which was given on April 14, 2025.

[Speaker]
Mr. Shinji Oe, Representative Director, Chief Executive Officer & President, SANYO SHOKAI LTD.

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1. FY2025 Earnings Report

2. FY2025 Review

Oe: I am Oe, CEO and President of SANYO SHOKAI LTD. Thank you very much for attending the financial results presentation for the fiscal year ended February 28, 2025.

Today, I will explain the financial results for FY2025 and the three-year Medium-Term Business Plan that begins with the fiscal year ending February 28, 2026. Here's today's agenda. The first item is the FY2025 Earnings Report, and the second item is the FY2025 Review.

Consolidated PL: FY2025 Results

Consolidated PL: FY2025 Results[1]

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Net sales for FY2025 stood at ¥60.53bn with operating profit and profit attributable to owners of parent of ¥2.72bn and ¥4.01bn, respectively. Achieved all forecasts at the operating profit level and below.

(Billions of yen)	PY Results	FY2025 Forecast[2]	FY2025 Results	vs. PY Results	vs. Forecast
Net sales	61.35	61.00	60.53	-0.83	-0.47
Gross profit	38.17	38.25	37.81	-0.36	-0.44
SG&A expenses	35.12	35.55	35.09	-0.03	-0.46
Operating profit	3.05	2.70	2.72	-0.33	+0.02
Ordinary profit	3.18	2.80	2.83	-0.36	+0.03
Profit attributable to owners of parent	2.79	4.00	4.01	+1.22	+0.01

1: All figures above are rounded to two decimal places. 2. Revised full year forecast announced on December 27, 2024

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First, I will explain the earnings report for FY2025. The slide shows the results for FY2025. I will explain the results for the year under review, and the differences from the previous year and the forecast. The forecast for the year under review is the revised full-year forecast announced on December 27 last year.

Net sales were JPY60.53 billion, down JPY0.83 billion YoY and down JPY0.47 billion from the forecast. Gross profit was JPY37.81 billion, down JPY0.36 billion YoY and down JPY0.44 billion from the forecast. SG&A expenses were JPY35.09 billion, down JPY0.03 billion YoY and down JPY0.46 billion from the forecast.

Operating profit decreased by JPY0.33 billion YoY to JPY2.72 billion. It was up JPY0.02 billion from the forecast. Ordinary profit was JPY2.83 billion, down JPY0.36 billion YoY and up JPY0.03 billion from the forecast. Profit attributable to owners of parent was JPY4.01 billion, up JPY1.22 billion YoY and up JPY0.01 billion from the forecast.

Compared to the previous year, both revenue and profit decreased at all levels up to ordinary profit, and only profit attributable to owners of parent increased. As for the comparison to the forecast, although net sales were lower than expected, operating profit and subsequent profit levels landed slightly higher than expected.

Consolidated PL: KPIs

Consolidated PL: KPIs[1]

Gross profit margin fell short of the forecast by 0.2 pts. but improved by 0.3 pts. YoY. Operating margin achieved the forecast at 4.5% and ROE was in line with forecast.

	PY Results	FY2025 Forecast[2]	FY2025 Results	vs. PY Results	vs. Forecast
Gross profit margin	62.2%	62.7%	62.5%	+0.3 pts.	-0.2 pts.
SG&A expense ratio	57.2%	58.3%	58.0%	+0.7 pts.	-0.3 pts.
Operating margin	5.0%	4.4%	4.5%	-0.5 pts.	+0.1 pts.
Ordinary profit margin	5.2%	4.6%	4.7%	-0.5 pts.	+0.1 pts.
Net profit margin	4.5%	6.6%	6.6%	+2.1 pts.	+0.1 pts.
ROE	7.2%	9.9%	10.0%	+2.8 pts.	+0 pts.

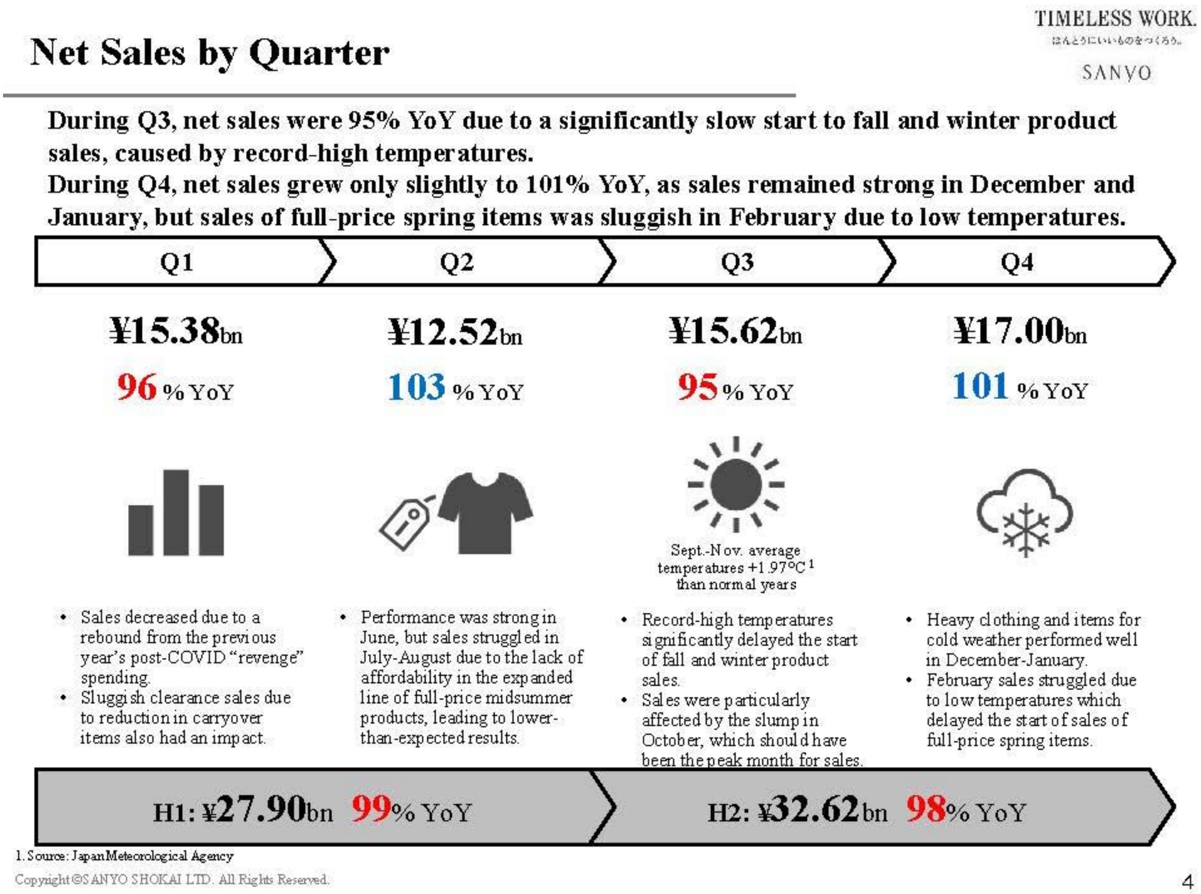
1. All figures above are rounded to two decimal places. 2. Revised full year forecast announced on December 27, 2024

Let me explain the KPIs. The gross profit margin was 62.5%, an improvement of 0.3 percentage points YoY and down 0.2 percentage points from the forecast. The SG&A expense ratio was 58.0%, up 0.7 percentage points YoY and 0.3 percentage points below the forecast.

The operating margin was 4.5%, down 0.5 percentage points YoY and up 0.1 percentage points from the forecast. The ordinary profit margin was down 0.5 percentage points YoY to 4.7% and up 0.1 percentage points from the forecast. The net profit margin was up 2.1 percentage points YoY to 6.6% and up 0.1 percentage points from the forecast.

ROE was 10.0 %, up 2.8 percentage points YoY and in line with the forecast.

Net Sales by Quarter



This is the quarterly breakdown of our business conditions and sales trends. Q1 results were 96% YoY. The reasons for the YoY decline were a rebound from the previous year's surge in sales due to post-COVID "revenge" spending, and a slight drop in clearance sales due to reduction in carryover items.

In Q2, performance was strong in the first half of the quarter, but slowed down a little in the second half. In Q2, we anticipated longer summer weather and expanded our lineup of full-price midsummer products. However, the prices we set were slightly too high, and the products lacked the affordability expected for products during this season, so sales were sluggish. As a result, performance remained at 103% YoY, and we were unable to make up for the decline in Q1. H1 performance landed at 99% YoY.

In Q3, record-breaking high temperatures continued, as you all are aware, and this led to a significant delay in the start of the full-price sales of fall and winter items. In particular, with temperatures continuing to exceed 25 degrees Celsius in October, which should have been the peak month for the sales of full-price fall and winter items, the sales of full-price products saw a significant slump, especially for winter clothing. As a result of this significant decline, Q3 results were 95% YoY.

Sales were steady during December and January in Q4. However, in February, the temperature remained very low for days, and delayed the start of the sales of spring full-price products, which would normally have started in the second half of January. This delay caused a slowdown in sales, with Q4 results coming in at 101% YoY, which was not enough to cover the decline in Q3.

Consequently, H2 sales also declined compared to the previous year, at 98% YoY. As you can see, the irregular weather we experienced at the beginning of each seasonal full-price sales period had a significant impact, and unfortunately, the full year stood at 99% YoY.

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Equity decreased ¥1.96bn YoY and total assets decreased ¥1.74bn YoY due to capital policy.

(Millions of yen)	Feb. 29, 2024	Feb. 28, 2025	YoY Change
Cash and deposits	23,283	23,714	431
Accounts receivable - trade	3,311	3,419	107
Merchandise and finished goods	7,298	9,070	1,771
Property, plant and equipment	8,598	8,679	80
Intangible assets	3,108	2,752	-355
Other assets[1]	13,160	9,383	-3,777
Total assets	**58,758**	**57,017**	**-1,740**
Notes and accounts payable - trade	4,435	5,382	947
Borrowings	6,800	6,930	130
Other liabilities	6,264	5,403	-861
Total liabilities	17,499	17,715	216
Share capital	15,002	15,002	-
Total shareholders' equity	34,097	34,306	208
Accumulated other comprehensive income and other[2]	7,161	4,995	-2,166
Total net assets	41,258	39,301	-1,956
Total liabilities and net assets	**58,758**	**57,017**	**-1,740**
Reference: Equity	41,242	39,283	-1,959

1. Total of current assets (excluding cash and deposits, accounts receivable -trade, and merchandise and finished goods) and investments and other assets
2. Total of accumulated other comprehensive income and non-controlling interests

Cash and deposits: up ¥0.43bn
- Up YoY due to positive operating cash flow and sale of investment securities
- Decreases were primarily due to share buybacks and shareholder dividends

Merchandise and finished goods: up ¥1.77bn
- With inventory levels normalized, built up stock of current and next season's products to prepare for season launch

Other assets: down ¥3.78bn
- Down YoY due to sale of investment securities

Notes and accounts payable – trade: up ¥0.95bn
- Up YoY due to inventory buildup at the end of FY2025

Other liabilities: down ¥0.86bn
- Down YoY due to decrease in deferred tax liabilities

Net assets: down ¥1.96bn
Down YoY primarily due to:
- An increase in shareholders' equity of ¥0.21bn
  - An increase in retained earnings from sale of investment securities and decrease of share buybacks
- A decrease in accumulated other comprehensive income of ¥2.17bn
  - A decrease in valuation difference on available-for-sale securities due to sale of investment securities

This is the consolidated balance sheet. The slide shows the YoY comparison of key items. The reasons for the main items that changed compared to the previous year are shown on the right side of the slide.

Progress and Evaluation of Priority Measures

Progress and Evaluation of Priority Measures

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Priority Measures		Progress and Evaluation
Achieve forecast net sales	×	**Net sales reached 99% of the year-ago level, down ¥0.83bn YoY and ¥0.47bn short of the forecast[1]** • Q1 sales fell to 96% of year-ago level due to a rebound from the previous year's post-COVID "revenge" spending and sluggish clearance sales from reduced carryover items. • Q3 sales fell to 95% of year-ago level due to record-high temperatures that significantly delayed the start of fall and winter product sales. Sales were particularly affected by the slump in October, which should have been the peak month for sales. • Q2 and Q4 sales exceeded FY2024 levels, but full-price products did not perform as expected, so it was insufficient to offset the slump in Q1 and Q3.
Improve gross profit margin	○	**Gross profit margin improved 0.3 pts. YoY to 62.5%, though 0.2 pts. lower than the forecast[1]** • The full-price sales ratio declined 1.6 pts. YoY to 64% for the full year (67% for H1 and 62% for H2) − In H1, the ratio remained largely unchanged YoY (-0.4 pts.) − In H2, the clearance sales ratio increased, and the ratio of full-price sales decreased (-2.7 pts.), due to inventory reduction measures at the fiscal year-end. • The average selling price rose 3% for the full year due to improved production efficiency and reduced clearance discounts. − This increase absorbed a rise in the cost of sales caused by the weakening yen and increased resource prices, and, as a result, the cost of sales ratio improved 0.3 pts. YoY. • Sales of EC/outlet-only products increased.

1. Revised full year forecast announced on December 27, 2024

Next, as a review of FY2025, I will explain the progress of our priority measures and our self-evaluation. First, with regard to achieving forecast net sales, the result was 99% YoY, down JPY0.83 billion from the previous year. We also fell short of our forecast by JPY0.47 billion, so our evaluation for this is "X"(failed).

The reasons for the decline in YoY sales are the rebound from the previous year's post-COVID "revenge" spending, the impact of irregular weather conditions, and external factors such as the reduction in sales floor space due to the closure of some department stores including Seibu Ikebukuro.

In addition to this, we believe there were various internal factors. While climate change is becoming the norm and consumer purchasing patterns have changed with more people buying for immediate use or for practical purposes, we were unable to fully respond to these changes. We believe that we must deeply reflect on the fact that we were unable to demonstrate the necessary responsiveness, the ability to make course corrections, or the flexibility we needed.

Regarding improving gross profit margin, we were able to improve it by 0.3 percentage points YoY to 62.5% despite the difficult business conditions, so we have given it "O"(good).

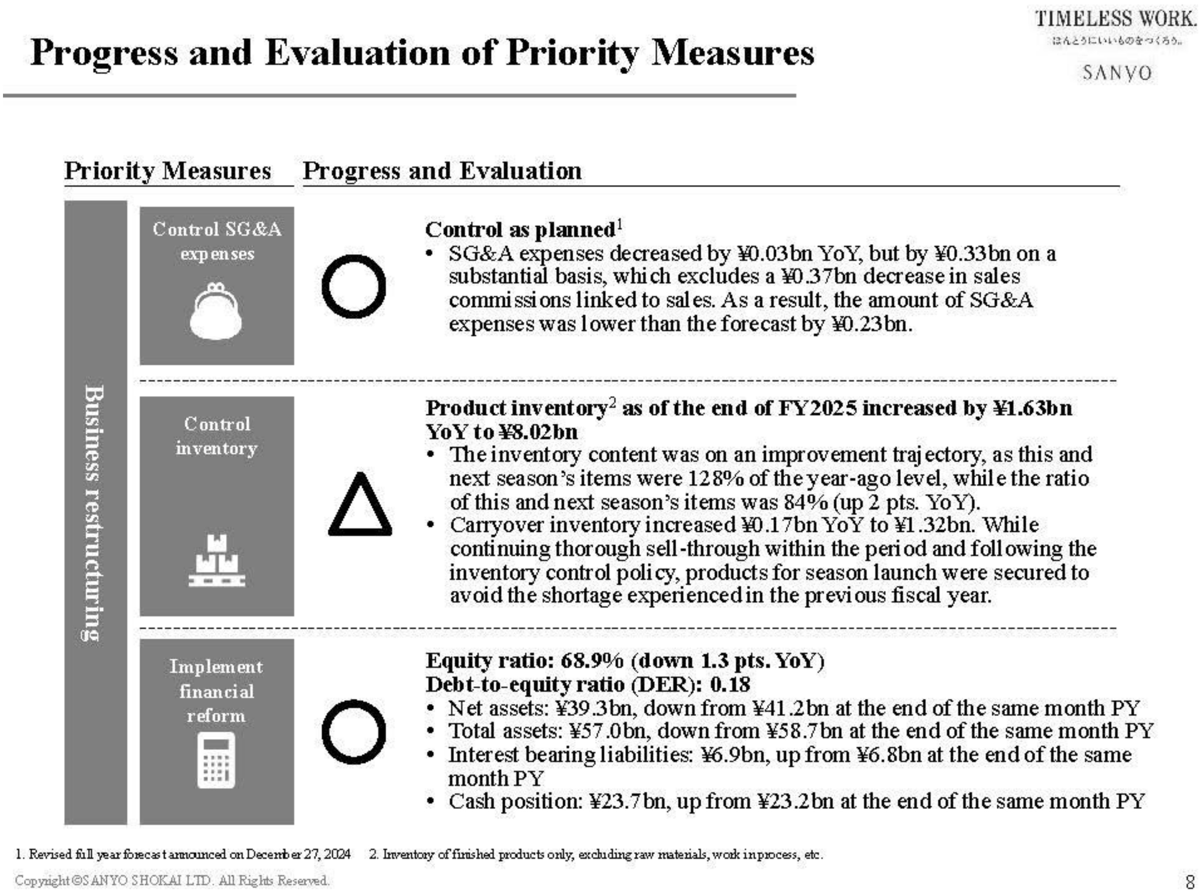
Let me explain the background to this. First, the full-price sales ratio declined 1.6 percentage points YoY to 64% for the full year due to sluggish full-price sales. This decline in the full-price sales ratio played a factor in pushing down the gross profit margin.

So, then, how did we improve the gross profit margin? One reason is that in the previous fiscal year, we were able to raise the average selling price by around 3% compared to the year before that, and as a result, we were able to slightly reduce the cost of sales ratio.

The second reason is that the markdown rate for clearance sales has decreased due to a significant reduction of carryover items. Previously, we had some very old items in inventory, so we offered large discounts, such as 50% off or 80% off, but the markdown rate has decreased significantly due to an improvement in the content of inventories.

The third reason is that the ratio of products sold exclusively through EC or outlet stores has increased. We believe this has also contributed to the improvement in the gross profit margin.

Progress and Evaluation of Priority Measures



Regarding control of SG&A expenses, overall SG&A expenses decreased by JPY0.03 billion YoY. However, on a substantial basis, sales commissions linked to sales decreased by JPY0.37 billion, and SG&A expenses excluding this increased by JPY0.33 billion YoY. As this was JPY0.23 billion less than the forecast, we consider that we were able to control these expenses sufficiently, so we evaluated this as "◯".

Regarding inventory control, the year-end product inventory was JPY8.02 billion, an increase of JPY1.63 billion YoY. However, if you look at the inventory content, the items that increased significantly were those for the current season and the next season. So the inventory situation has normalized.

As a result, the ratio of current season's items and next season's items, or the fresh items inventory ratio, was 84% of the total, up about 2 percentage points YoY. Conversely, we were able to reduce the ratio of carryover items to 16%, a decrease of 2 percentage points YoY. While total inventory increased, the content of inventories is improving, so we have evaluated this as "△".

Regarding the implementation of financial reform, net assets decreased by approximately JPY1.9 billion due to a decrease in accumulated other comprehensive income, while total assets also decreased by approximately JPY1.7 billion. As a result, equity ratio was 68.9%. This is a decrease of around 1.3 percentage points YoY, but we have been able to maintain a high level of around 70%.

In addition, the debt-to-equity ratio (DER) has also been maintained at a low level of 0.18 times. We have therefore given an evaluation of "◯" for continuing to maintain financial soundness.

Reference: Sales Results by Channel

Reference: Sales Results by Channel

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Physical stores[1] struggled, with 98% of the year-ago level. In particular, department stores suffered from a decrease in sales locations due to store closure/renovation, landing at 98%. EC and outlet sales increased, both at 101%.

Revenue (Millions of yen)

	Q1	Q2	H1	Q3	Q4	H2	FY	Sales composition ratio
Department stores	10,298	7,962	18,260	10,452	10,397	20,849	39,109	64.6%
Directly managed stores	892	756	1,648	921	983	1,905	3,553	5.9%
EC & mail/online orders	1,737	1,901	3,638	1,855	2,713	4,568	8,205	13.6%
Outlets	1,713	1,561	3,273	1,770	2,237	4,007	7,280	12.0%
Other	738	344	1,083	625	671	1,295	2,378	3.9%
Total	15,378	12,524	27,902	15,623	17,001	32,624	60,526	100.0%

YoY

	Q1	Q2	H1	Q3	Q4	H2	FY
Department stores	98%	101%	99%	95%	98%	97%	98%
Directly managed stores	97%	97%	97%	97%	95%	96%	97%
EC & mail/online orders	90%	108%	98%	99%	107%	104%	101%
Outlets	100%	105%	102%	93%	108%	101%	101%
Other	83%	114%	91%	80%	132%	101%	96%
Total	96%	103%	99%	95%	101%	98%	99%

1. Total sales of department stores, directly managed stores, and outlets

This is the sales results by channel. The upper right side of the slide shows the composition ratio by sales channel. Department stores accounted for 64.6%, a decrease of 0.5 percentage points YoY. Directly managed stores accounted for 5.9%, a decrease of 0.1 percentage point YoY.

Meanwhile, EC & mail/online orders rose 0.4 percentage points YoY to 13.6%, outlets rose 0.3 percentage points YoY to 12.0%, and other fell 0.1 percentage points YoY to 3.9%.

The table in the lower section of the slide shows YoY comparisons. Department stores were 98% YoY, directly managed stores were 97% YoY, EC & mail/online orders and outlets were 101% YoY each, and other was 96% YoY.

These results reflect the business conditions for the current fiscal year, in which sluggish full-price sales in the early stages of each season were offset by clearance sales in the latter part of the season. In other words, sales declined in department stores and directly managed stores, which are full-price channels, while sales increased in EC & mail/online orders and outlets, which are clearance sales channels.

Reference: Breakdown of SG&A Expenses

Reference: Breakdown of SG&A Expenses

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SG&A expenses decreased by ¥0.03bn YoY, but ¥0.33bn YoY on a substantial basis which reflects a decrease in sales commissions linked to sales. While continuing efforts to control fixed costs, we increased investments in stores, systems, sales promotion, and personnel, which contribute to sales expansion.

(Millions of yen)	FY2024	FY2025	vs. PY
Selling expenses	24,360	23,988	-372
Personnel expenses	4,365	4,473	108
Sales promotion expenses	1,691	1,768	77
Equipment expenses	1,243	1,367	125
Logistics expenses	1,312	1,342	30
Administrative expenses	2,153	2,154	1
Total SG&A expenses	35,123	35,092	-31
Sales commissions	13,818	13,451	-367
SG&A expenses excluding sales	21,305	21,641	336

SG&A expenses increased by ¥0.33bn on a substantial basis, which reflects a ¥0.37bn decrease in sales commissions linked to sales

FA expenses (out of selling expenses): up ¥0.1bn
- Increase in base pay to FAs

Personnel expenses: up ¥0.11bn
- Increase in base pay

Sales promotion expenses: up ¥0.08bn
- Increase in magazine/newspaper placements

Equipment expenses: up ¥0.12bn
- New store openings and in-store environment improvements
- Revamping of EC platform

Selling expenses: FA expenses, sales commissions, rent expenses for real estate, etc.; Equipment expenses: Shop setup costs, depreciation expenses, lease fees, repair costs, utility expenses, etc.; Personnel expenses: Personnel compensation, statutory welfare benefits, etc.; Logistics expenses: Packing & transportation costs, logistics outsourcing fees; Administrative expenses: Business outsourcing fees, travel & transport expenses, communications expenses, miscellaneous expenses, etc.

This is the breakdown of SG&A expenses. On a substantial basis which excludes sales commissions, SG&A expenses increased by JPY 0.33 billion YoY. Among the major items, FA expenses and personnel expenses increased by JPY 0.21 billion. Of the JPY 0.33 billion, JPY 0.21 billion represents the increase in personnel expenses.

Additionally, sales promotion expenses increased by JPY 0.08 billion, and equipment expenses related to new store openings increased by JPY 0.12 billion. Subtracting these amounts from the total of JPY 0.33 billion, the remaining fixed SG&A expenses decreased by JPY 0.07 billion YoY.

This concludes our summary of the financial results for FY2025.

Now, I would like to move on to the new Medium-Term Business Plan, which will start in the fiscal year ending February 28, 2026.

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There are six items on the agenda: first, Mission, Vision, and Values; second, Long-Term Targets and the Positioning of the Medium-Term Business Plan to Achieve Them; third, Approach to Achieving Long-Term Goals; fourth, Quantitative Plan; fifth, Capital Strategy; and sixth, Non-Financial Value.

Mission, Vision, Values

Mission, Vision, and Values

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Mission (= Corporate Philosophy)

We create social value by providing fashion and apparel that enrich the lifestyles of customers everywhere.

Vision

We aim to become an excellent company that can contribute to the realization of a sustainable society with the ability to create high values and solid profitability.

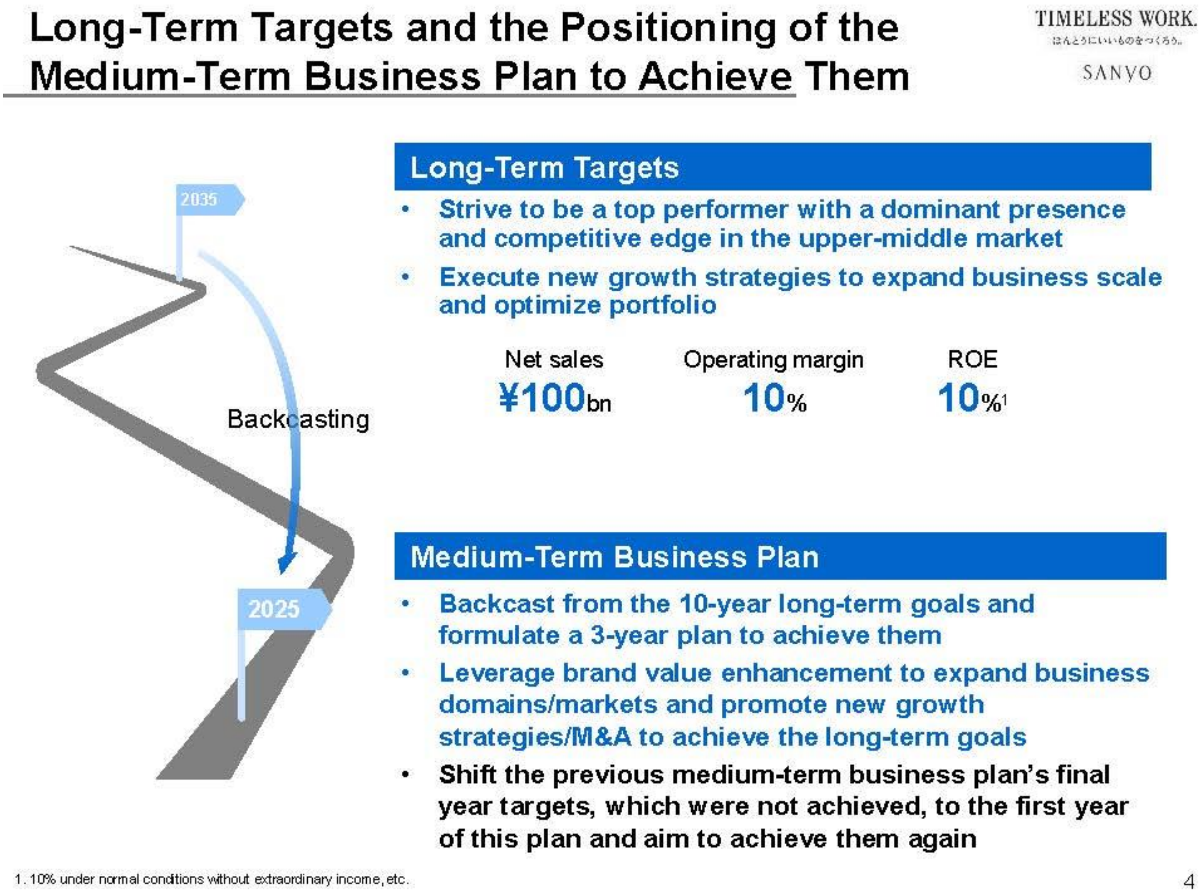
Values

Skills to create high quality, high grade, and high value-added products.
Excellent brand portfolios with the ability to accomplish brand business targets.
Employees with creative skills and high ethical values.
Executives with excellent management skills under efficient management systems.

The slides show our Mission, Vision, and Values. These remain unchanged from the previous Medium-Term Business Plan and will be carried over to the new Medium-Term Business Plan. The details are as shown on the slide. The Mission is our corporate philosophy, the Vision is the ideal state or form we aim to become, and the Values are the essential requirements we must possess to realize the Vision.

Our Vision is to become an excellent company that can contribute to the realization of a sustainable society with the ability to create high values and solid profitability.

Long-Term Targets and the Positioning of the Medium-Term Business Plan to Achieve Them

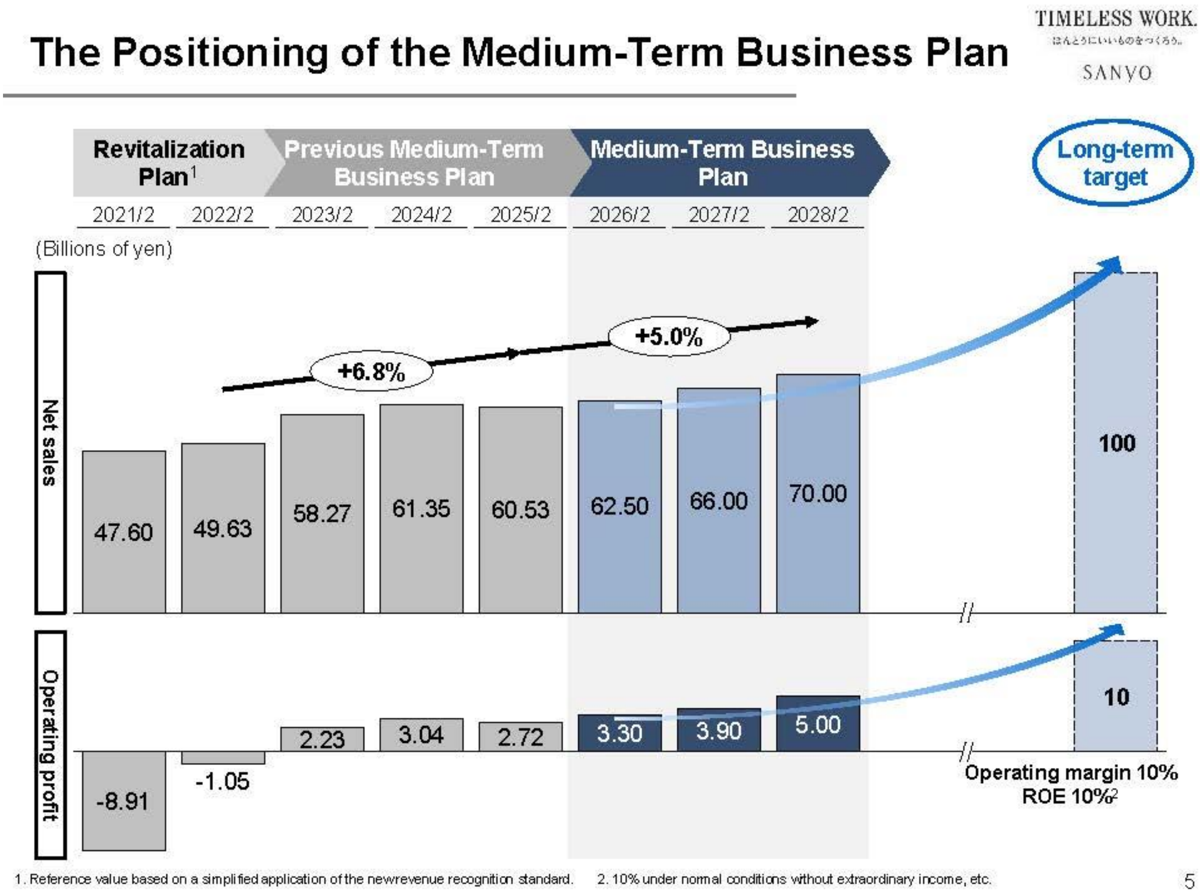


In formulating our new Medium-Term Business Plan, we first set long-term goals for the next 10 years as a prerequisite. As outlined in the slides, our goal is to become the top performer with a dominant presence and competitive edge in the upper-middle market. While we work towards this goal, we will execute new growth strategies to expand business scale and optimize the portfolio.

Quantitative targets include net sales of JPY 100 billion, an operating margin of 10%, and a ROE of 10%. Based on these 10-year long-term goals, we have developed a three-year plan by backcasting from these targets. This constitutes the basic framework of the new Medium-Term Business Plan.

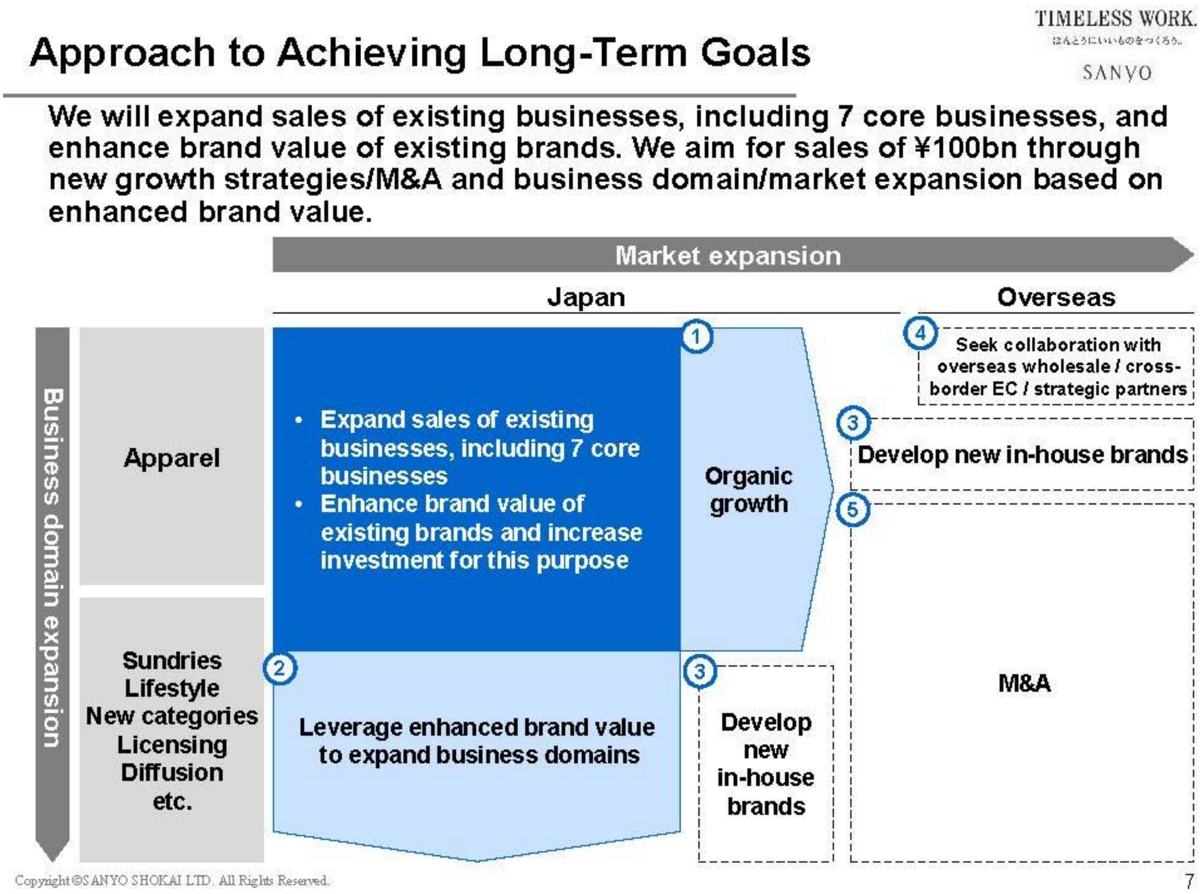
We will shift the previous Medium-Term Business Plan's final year targets, which were not achieved, to the first year of this plan and aim to achieve them again. In the previous medium-term plan, we achieved results significantly exceeding the plan in the first and second years, but failed to meet the plan in the final year, falling short at the last stage. Given this, we have decided to aim for the same targets again in the first year of the new Medium-Term Business Plan, one year behind schedule.

The Positioning of the Medium-Term Business Plan



The slide shows the performance trends over eight years, consisting of the past five years from the fiscal year ended February 2021, the period affected by the COVID-19 pandemic, and the first three years of the new Medium-Term Business Plan. The goal is to achieve the 10-year long-term targets.

Approach to Achieving Long-Term Goals



This slide shows our approach to achieving our long-term goals. We have created a matrix that outlines the strategies and tactics we will employ to achieve our new Medium-Term Business Plan, as well as the measures we will take to achieve the goals.

First, as shown in the center of the slide, our first basic strategy is to expand sales of existing businesses, including our seven core businesses, through organic growth. At the same time, we will focus on enhancing the brand value of existing brands and increasing investment for this purpose. These are our core strategies.

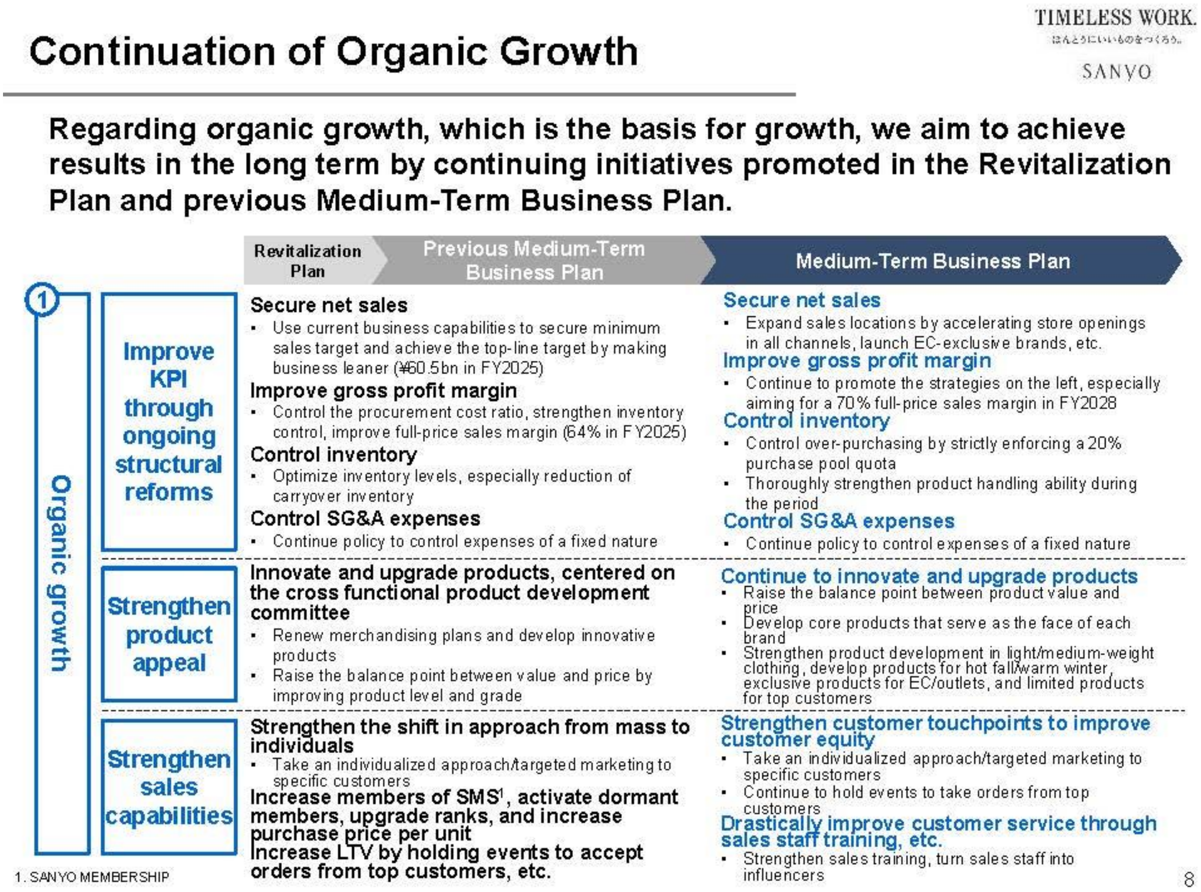
Second, we will aim to expand our business domains by leveraging the core strategies of strengthening the foundations of existing businesses and enhancing the brand value of existing brands. As shown on the left side of the slide, we will diversify our product categories with a focus on sundries, and further strengthen our licensing business and diffusion initiatives.

Third, we will develop new in-house brands in both apparel and non-apparel.

Fourth, we will pursue overseas expansion.

Fifth is M&A. In addition to organic growth and new brand development, we will aim to secure new business rights through acquisitions.

Continuation of Organic Growth



I will explain our plans for continuation of organic growth. The slide shows three measures for achieving organic growth.

The first initiative is “Improve KPI through ongoing structural reforms.” To secure net sales, we will aim to expand sales locations by accelerating store openings in all channels. In addition, we will work to expand *BIANCA*, an EC-exclusive brand launched this fiscal year.

Furthermore, we will improve our gross profit margin by strengthening inventory control and increasing the full-price sales margin. We will also control SG&A expenses by adhering to our policy of curbing SG&A expenses. In other words, we will adhere to our basic policy of generating operating margin by increasing the gross profit margin and reducing the SG&A expense ratio.

Both the second and third initiatives, “Strengthen product appeal” and “Strengthen sales capabilities,” are measures that were launched in the previous Medium-Term Business Plan. We will continue to implement these measures and develop them further. We are not fully satisfied with our achievements in the previous Medium-Term Business Plan, and we will steadily reap the benefits in the new Medium-Term Business Plan.

New Growth Strategies / M&A

New Growth Strategies / M&A

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We will leverage enhanced brand value to expand business domains and markets. We will proactively consider and take on specific projects for overseas expansion and M&A.

Direction of specific considerations

② **Expand business domains of existing brands**	• Expand sundries • Expand business domains to new categories such as children's clothes, uniforms, and pet products
③ **Develop new in-house brands**	• **Launched EC-exclusive brand "BIANCA" in March 2025** • Develop brands with FB[1], SC[2], and specialty stores as main sales channels • Strive to develop new businesses in lifestyle and seniors markets
④ **Overseas expansion**	• Overseas wholesale: Strive to expand overseas, including the initiative with J∞QUALITY, etc. • Strengthen cross-border EC • Collaboration with strategic partners: Expand into Asia, Far East, etc.
⑤ **M&A**	• Acquire new trademark rights • Consider EC-exclusive apparel, brands with FB/SC/specialty stores as main sales channels, cosmetics, sundries, children's clothes, creator brands, etc. • Proactively take on other projects that help enhance corporate value

1. Fashion building 2. Shopping center

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As for expanding the business domains of existing brands, we will work to expand categories in both apparel and non-apparel, mainly in sundries, expand the licensing business, and strengthen diffusion initiatives.

Regarding the development of new in-house brands, first, we launched the EC-exclusive brand, *BIANCA*, in March of this year. In addition, we plan to develop new brands for fashion buildings and shopping centers other than department stores, or to be sold mainly at specialty stores.

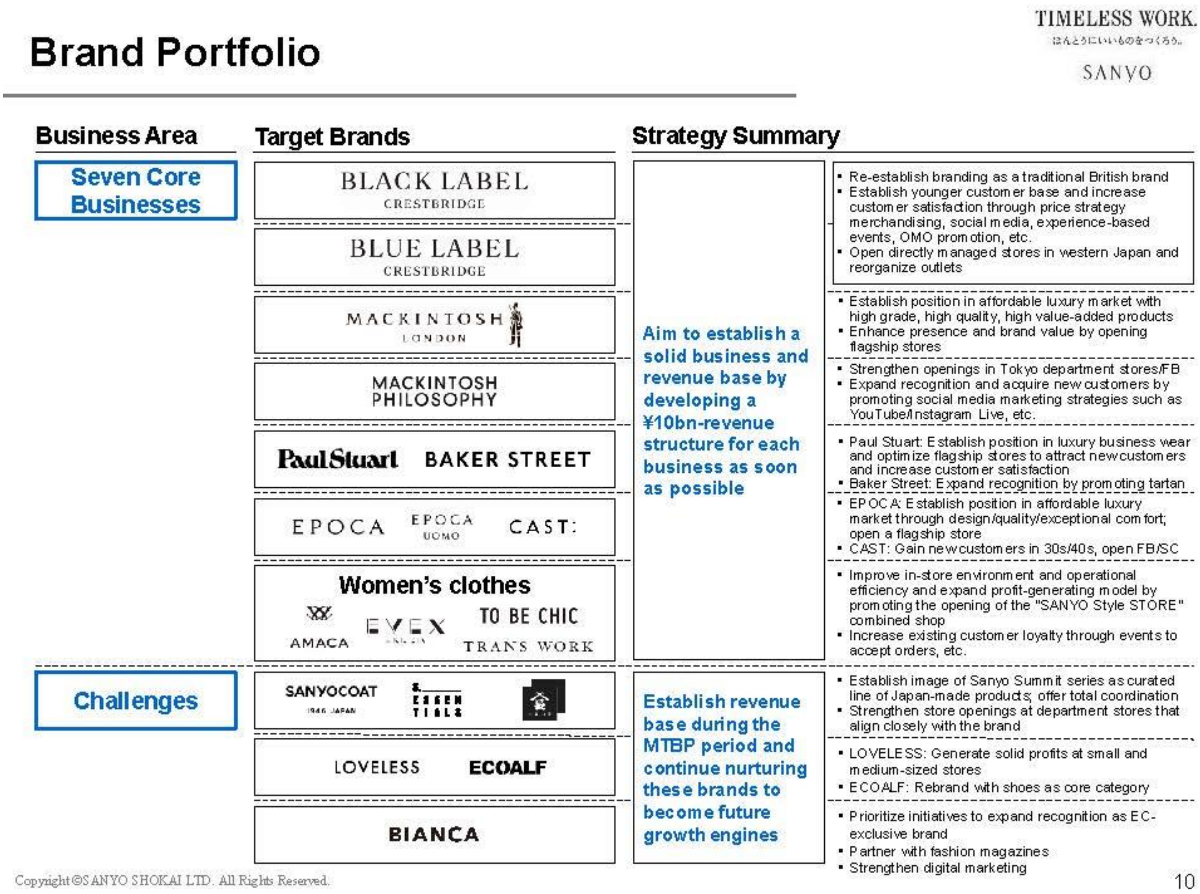
With regard to overseas expansion, we are currently in the exploratory phase. As one initiative, we are collaborating with J∞QUALITY and participating in events such as Pitti Imagine UOMO in Italy to begin expanding sales to overseas importers. Target products include *100-Year Coat* and *Aomori Down*.

We are also considering strengthening cross-border EC and, although we do not have any specific projects at this stage, expanding into Asia by partnering with strong local partners who can handle overseas operations management.

Regarding M&A, we also have no specific projects in the pipeline at the moment. Potential targets could include assets, such as acquiring trademark rights, or stock, which means acquiring a company.

In any case, we aim to actively pursue any projects that contribute to enhancing our corporate value, regardless of their scale or scope.

Brand Portfolio



This slide shows our brand portfolio. For our seven core businesses, we have set a short-term goal of growing each brand to JPY 10 billion in sales.

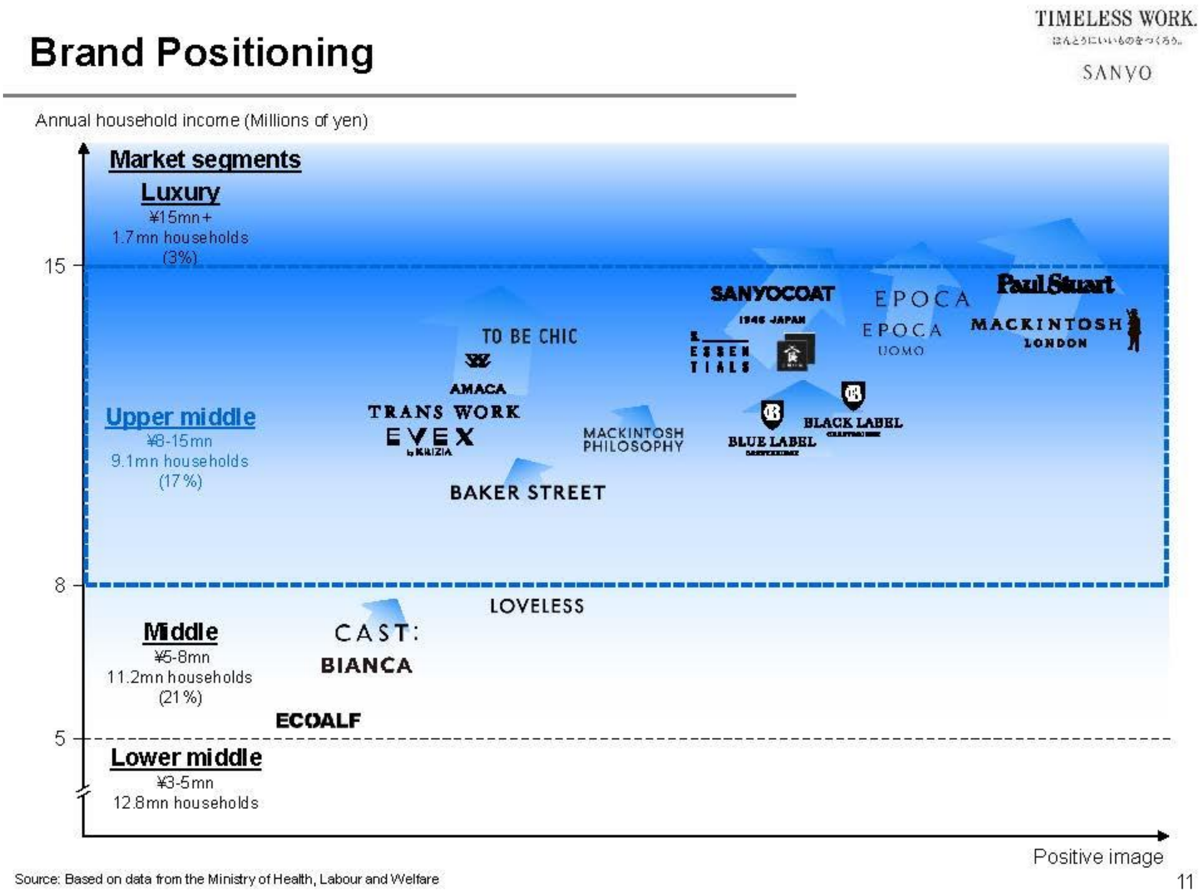
Additionally, we aim to expand our challenge areas. For example, brands bearing the "Sanyo" name, such as *SANYOCOAT*, *S.ESSENTIALS*, and *Sanyo Yamacho*, will be grouped under *Sanyo Summit Series*. Through this branding, we aim to expand their sales to JPY 3 billion in the near future.

Regarding *LOVELESS*, we have begun to establish our unique select shop model by incorporating our own brand into the lineup. Going forward, we aim to expand sales by increasing the number of stores.

Regarding *ECOALF*, we plan to proceed with rebranding with a lineup centered on shoes, which are currently the most active category, rather than apparel.

As for *BIANCA*, we aim to pursue its aggressive expansion.

Brand Positioning



The slide shows our brand positioning. Our main market is the upper middle market, where most of our brands are positioned.

Currently, the most active segment within the apparel market is the luxury market. While the luxury market has driven market expansion in the past, it has recently shown signs of slowing down.

Against this backdrop, a new market segment called “affordable luxury” is emerging, offering products of comparable quality to luxury brands at more affordable prices.

We believe this market has significant growth potential. In this context, we aim to position brands such as *SANYOCOAT*, *EPOCA*, *Paul Stuart*, and *MACKINTOSH LONDON* to enter the affordable luxury market and pursue higher-tier market segments.

Channel Strategy

Channel Strategy

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While we intend to strengthen department stores as the main sales channel, their ratio will decrease due to the growth of other sales channels. We will expand directly managed stores and aim to make EC a full-price site and establish a mutually complementary system with physical stores.

	Strategy Summary	Net sales in 3 years[1]	
Department Stores	**Strengthen store openings as the main sales channel in the upper middle market** • Urban: Attract young, affluent customers who are highly attuned to fashion, etc. • Suburban: Improve the in-store environment and operational efficiency by promoting the opening of the "SANYO Style STORE" combined shop for women's clothing brands, etc.	**¥43bn** (+¥3.9bn) **Proportion: 61.4%** (-3.2pt)	
Directly Managed Stores	**Further enhance brand value by opening flagship stores for core brands** • Create spaces that reflect brand identity, provide customer service befitting a brand flagship store, offer limited-edition products, and hold customer events, etc. **Strengthen store openings for sales channels other than department stores, such as the FB of MACKINTOSH PHILOSOPHY and CAST:, and cultivate new customers**	**¥6bn** (+¥2.4bn) **¥8.6%** (+2.7pt)	
EC	**Break away from the previous sales platform and become a full-price site; Enhance overall brand by promoting OMO based on a system linked with physical stores** • Establish a mutually complementary system with physical stores, given that purchases of high end, high quality, high value-added products with high unit prices cannot be completed solely through EC **Strengthen independent sales capabilities based on EC's unique product strategy** • Launch EC-exclusive brand "BIANCA" and actively introduce EC-exclusive products	**¥10bn** (+¥1.8bn) **14.3%** (+0.7pt)	
Outlets	**Strengthen new store openings** • Continue to clarify the role of full-price sales channels and control store openings and closings in accordance with the brand strategy of each brand • Refresh in-store environments and secure gross profit margin by strengthening outlet-exclusive products	**¥10bn** (+¥2.7bn) **14.3%** (+2.3pt)	

1. Figures in parentheses are compared to FY2025. Others (family & friends sale, wholesale, etc.) account for ¥1bn (1.4% of total).

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This is our channel strategy. First, department stores are our main sales channel in the upper middle market, and we intend to strengthen our store openings in this market as the core market for affordable luxury we are targeting. We aim to increase net sales by approximately JPY 3.9 billion over three years, with a target proportion of 61.4% after three years. The proportion is expected to decline by approximately 3.2 percentage points from the current level.

For directly managed stores, we plan to aggressively expand them, including the opening of flagship stores for our core brands. We expect to increase net sales by JPY 2.4 billion to JPY 6 billion in three years, with the proportion rising 2.7 percentage points to 8.6%.

For EC, we will continue to proceed with the conversion of our site to a full-price site. Furthermore, we will promote OMO based on a system linked with physical stores to enhance the overall brand. As a new policy, we will aim to strengthen independent sales capabilities based on EC's unique product strategy. To this end, we have launched EC-exclusive products and, in March of this year, launched an EC-exclusive brand, *BIANCA*.

We are aiming to increase EC net sales by JPY 1.8 billion to JPY 10 billion over three years, with a 0.7 percentage point increase to 14.3% in the proportion.

We also plan to expand net sales for outlets by strengthening new store openings. In three years, we aim to increase sales by JPY 2.7 billion to JPY 10 billion, with a 2.3 percentage points increase in the proportion to 14.3%.

We will increase department store sales while also expanding sales through other channels to an even greater extent, thereby reducing the percentage of sales accounted for by department stores. This is our basic policy.

Three-Year Projections: Consolidated PL

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Three-Year Projections: Consolidated PL

For FY2026, we shifted the previous medium-term business plan's final year targets, which were not achieved, to the first year of this plan and aim to achieve them again. For FY2028, three years from now, we forecast net sales of ¥70bn and operating profit of ¥5bn.

(Billions of yen)	FY2025	FY2026	FY2027	FY2028	
	Results[1]	Forecast	Forecast	Forecast	vs. FY2025
Net sales	60.53	62.50	66.00	70.00	116%
Gross profit	37.81	39.50	42.00	44.80	119%
SG&A expenses	35.09	36.20	38.10	39.80	113%
Of which, brand growth investment	-	0.30	1.00	1.00	Cumulative +23.0
Operating profit	2.72	3.30	3.90	5.00	184%
Ordinary profit	2.83	3.30	3.80	4.90	173%
Profit attributable to owners of parent[2]	4.01	4.10	4.40	4.72	118%

¥2.3bn in investments planned over 3 years to enhance brand value

1. All figures above are rounded to two decimal places. 2. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings

Here is the quantitative plan. For FY2026, we forecast net sales of JPY 62.5 billion, operating profit of JPY 3.30 billion, and profit attributable to owners of parent of JPY 4.10 billion.

For FY2028, three years from now, we forecast net sales of JPY 70.00 billion, operating profit of JPY 5.00 billion, and profit attributable to owners of parent of JPY 4.72 billion. During this three-year period, we plan to invest approximately JPY 2.3 billion in brand growth, and separately budgeted this amount.

Three-Year Projections: KPIs

Three-Year Projections: KPIs

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For FY2028, three years from now, we forecast an operating margin of 7.1% and ROE of 10.7%.

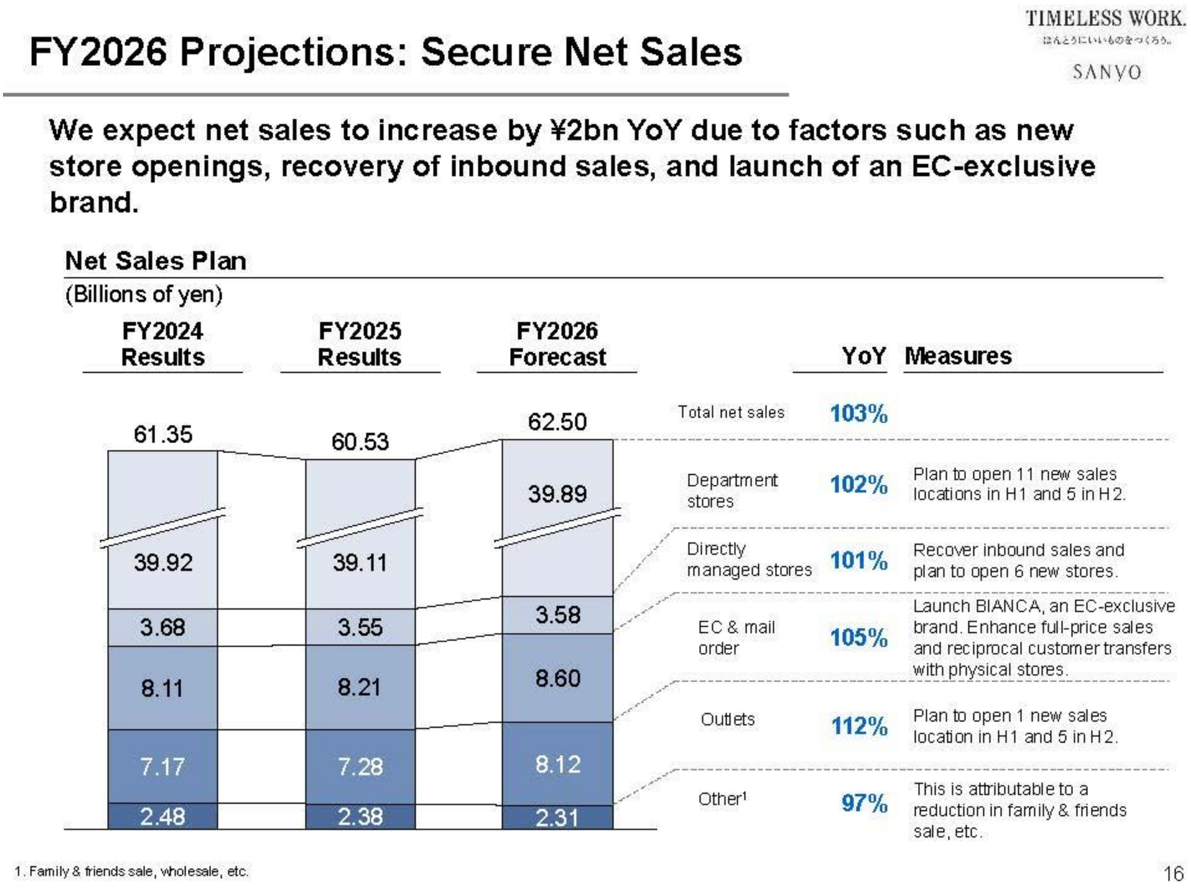
	FY2025	FY2026	FY2027	FY2028	
	Results	Forecast	Forecast	Forecast	vs. FY2025
Gross profit margin	62.5%	63.2%	63.6%	64.0%	+1.5pt
SG&A expense ratio	58.0%	57.9%	57.7%	56.9%	-1.1pt
Operating margin	4.5%	5.3%	5.9%	7.1%	+2.7pt
Ordinary profit margin	4.7%	5.3%	5.8%	7.0%	+2.3pt
Net profit margin[1]	6.6%	6.6%	6.7%	6.7%	+0.1pt
ROE[1]	10.0%	10.2%	10.5%	10.7%	+0.7pt

1. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings.

Here are the KPIs. For the current FY2026, the plan is: gross profit margin of 63.2%, SG&A expense ratio of 57.9%, operating margin of 5.3%, net profit margin of 6.6%, and ROE of 10.2%.

The plan for FY2028 is: gross profit margin of 64.0%, SG&A expense ratio of 56.9%, operating margin of 7.1%, net profit margin of 6.7%, and ROE of 10.7%.

FY2026 Projections: Secure Net Sales



The slide shows the plan for FY2026, the first year of the new Medium-Term Business Plan. It shows how we plan to secure net sales.

The basic policy is to strengthen store openings. The store opening plan by sales channel is shown on the right side of the slide. A total of 28 stores have already been decided: 16 department stores, 6 directly managed stores, and 6 outlets.

In addition to the increase in sales at these new stores, we also expect to see an increase in revenue from the full-year operation of stores opened in the previous year, as well as an increase in sales of the EC-exclusive brand *BIANCA*.

FY2026 Projections: Improve Gross Profit Margin

FY2026 Projections: Improve Gross Profit Margin

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We continue to implement measures such as controlling the procurement cost ratio, strengthening inventory control, and improving the full price sales ratio with an aim to achieve gross profit margin of 63.2% for FY2026.

FY2026

Quantitative Target: Gross profit 63.2% (+0.7 pts. vs. PY)

Qualitative policies	Specific measures
Control the procurement cost ratio	• Optimize supply chain management by strengthening initiatives with major suppliers. • Expand direct trade and direct import. • Diversify material sourcing. • Increase selling prices by strengthening product appeal and raising the balance point between product value and price.
Strengthen inventory control	• Curb excessive purchases by keeping 20% of purchases. Introduce the QR system for bestselling products. – Purchases are projected to be ¥18.4bn for FY2026 but will be flexibly managed depending on the situation. • Product inventory[1] at the end of FY2026 is projected as ¥7.2 bn, compared to ¥8.0bn at the end of FY2025. – Improve the inventory turnover rate by shortening merchandising cycles and developing the QR system.
Improve full price sales ratio	• Full price sales ratio: Aim for over 67% for FY2026, with a stretch target of 70%, compared to the FY2025 result of 64%. – Strengthen the ability to respond to actual demand by enhancing inventory control and shortening merchandising cycles. – Further reduce product numbers and aggregate merchandising. Enhance the response capabilities during the period.

1. Inventory of finished products only, excluding raw materials, work in process, etc.

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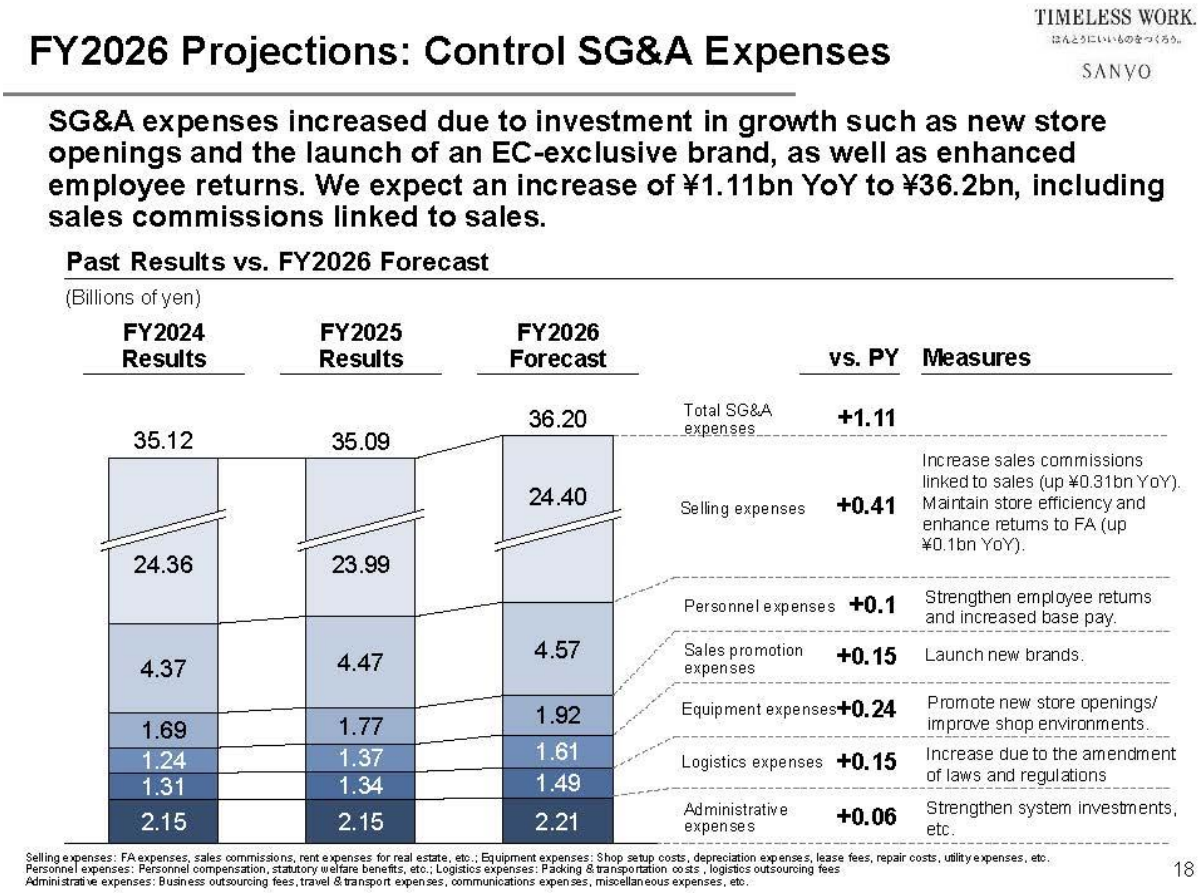
I will explain the measures we are taking to improve our gross profit margin. For the current fiscal year, we are aiming for an improvement of 0.7 percentage points from the previous year, to 63.2%.

As a measure to achieve this, we will first control the procurement cost ratio. Rather than lowering costs, our policy is to raise the average selling price by raising the balance point between product value and price, as in the previous fiscal year, and as a result, control the cost ratio.

For the inventory control, we will continue to strengthen it. We aim to reduce our product inventory from JPY8.0 billion at the end of the previous fiscal year to JPY7.2 billion at the end of this fiscal year.

The full-price sales ratio fell to 64% in the previous fiscal year, but we are planning to improve this by 3 percentage points to 67% in the current fiscal year. Our stretch target is 70%.

FY2026 Projections: Control SG&A Expenses



We are planning an increase of JPY1.11 billion in SG&A expenses from the previous fiscal year. Of this, sales commissions account for JPY0.31 billion, so we are expecting an increase of JPY0.8 billion in real terms.

Of the JPY0.8 billion, JPY0.2 billion is due to an increase in personnel expenses, with increases in FA expenses and internal personnel expenses, totaling JPY0.2 billion. The breakdown of the other increases is as follows: sales promotion expenses of JPY0.15 billion, equipment expenses of JPY0.24 billion due to strengthening store openings, logistics expenses of JPY0.15 billion, and administrative expenses of JPY0.06 billion.

FY2026 Projections: Strengthen Product Appeal and Sales & Marketing Capabilities

Strengthening product appeal and sales capabilities remain key issues for us. We will continue to work on strengthening product appeal, focusing on the keywords innovation and upgrade.

In innovation, we continue efforts to innovate merchandising plans and develop innovative products that create a stir in the market. Through the product development committee, we have been promoting the development of products that use new materials such as photoelectrons, PERTEX SHIELD AIR, and BLACK OF BLACKs, as well as products such as *Aomori Down*. We hope to continue to promote the development of such unique products.

As we have repeatedly mentioned, upgrading means raising the balance point between value and price by improving product level and grade.

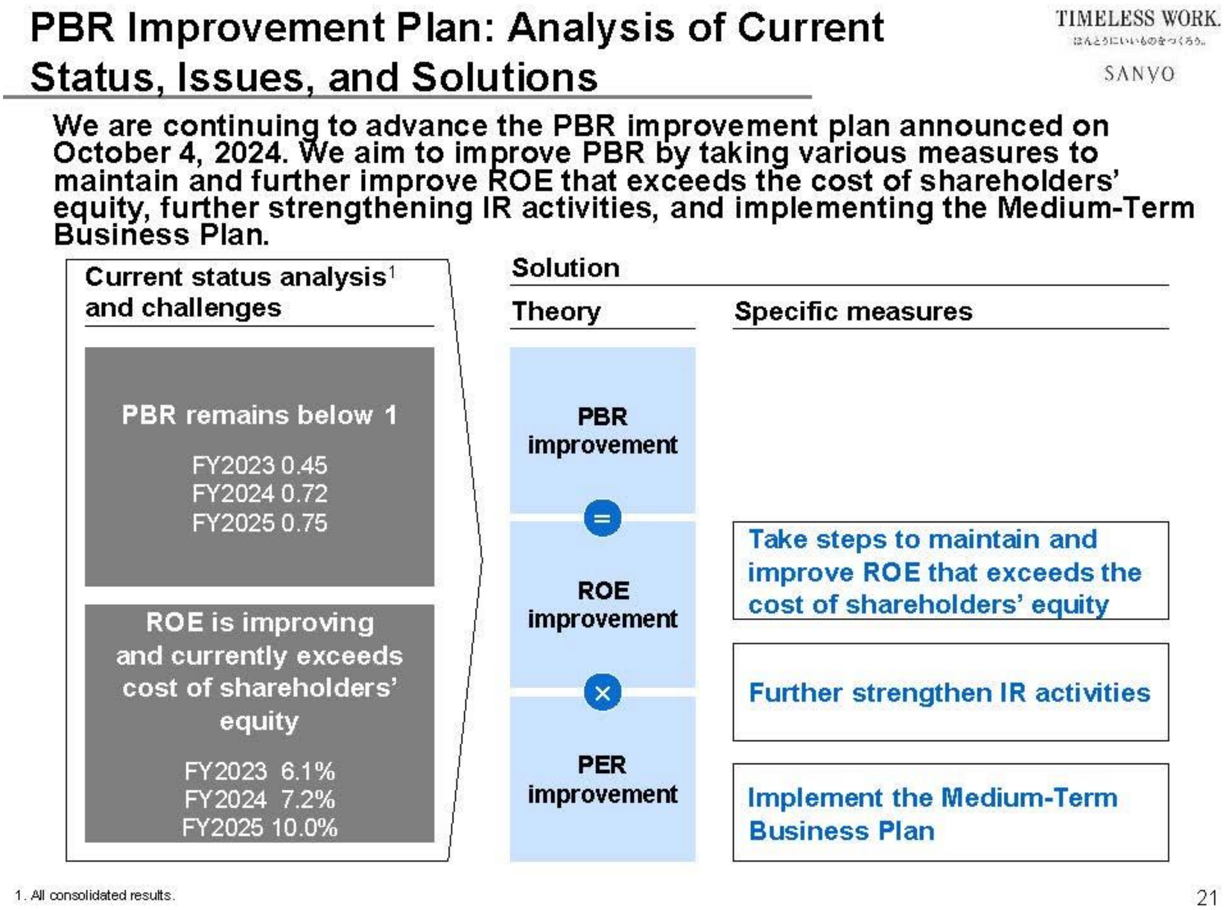
As we have been telling you for some time, we will also be strengthening our sales capabilities by shifting our focus from the mass to the individual. We will make it a priority to expand customer sales by strengthening our access to specific customers.

More specifically, we will increase the number of SANYO MEMBERSHIP loyalty program members by acquiring new members. This means further increasing the number of members, which is currently around 1.6 million. Of these members, around 400,000 are active users. We will continue to increase them.

Furthermore, we will implement measures to promote the upgrading of member ranks, raising the ranks of our members. Currently, we have member ranks of Diamond, Platinum, Gold, Silver, and Standard. We will raise the ranks of our customers by implementing these measures. In particular, we have approximately 90,000 Silver members, and we want to convert them into loyal customers.

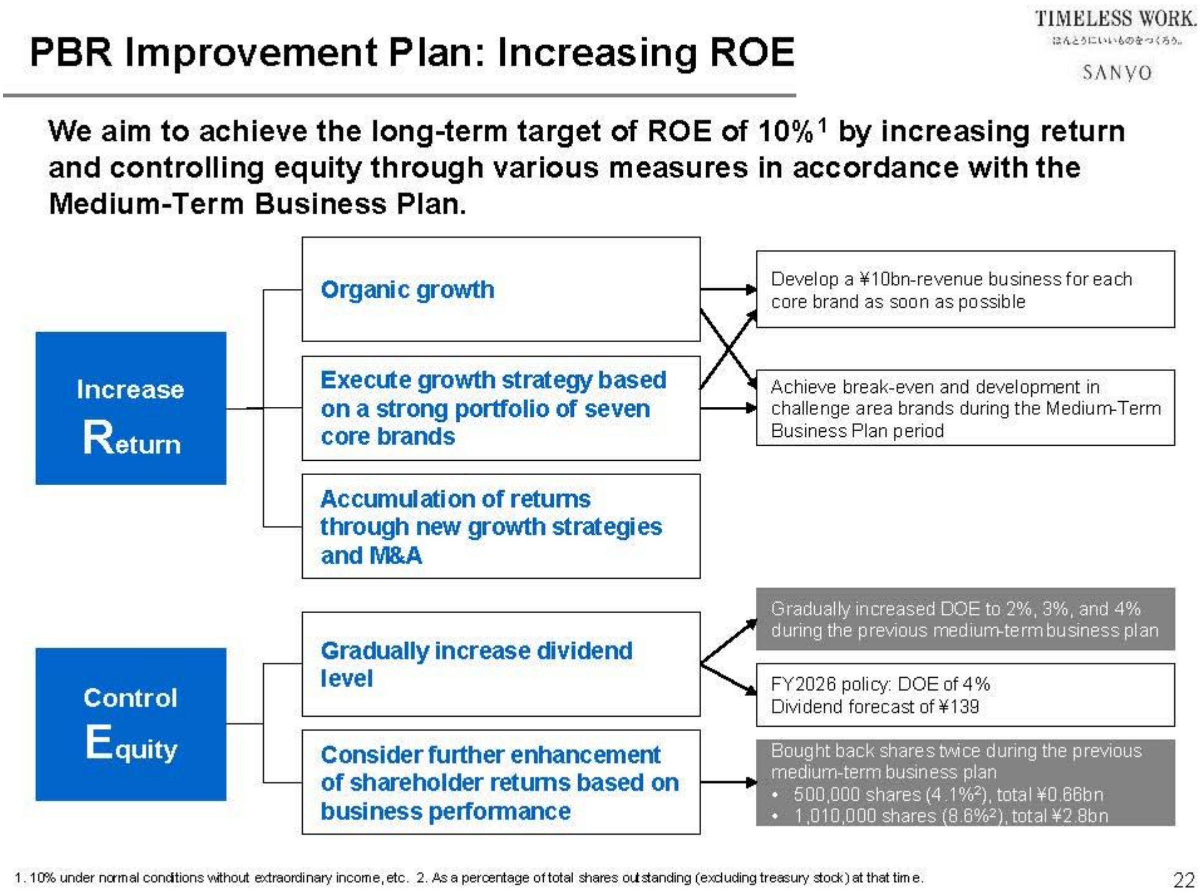
At the same time, we also want to strengthen measures to increase the average amount spent by each customer.

PBR Improvement Plan: PBR Improvement Plan: Analysis of Current Status, Issues, and Solutions



The capital strategy is described on pages 20 onwards. With regard to the capital strategy, we announced the "Progress of PBR Improvement Plan" on October 4, 2024, and we will basically continue to promote that plan as it is. The core measure is to improve ROE, thereby raising PER and ultimately leading to an improvement in PBR.

PBR Improvement Plan: Increasing ROE



This section describes the measures to improve ROE. First, we will maximize return as a measure for the numerator of ROE. This means maximizing return by improving revenue in line with our business plan.

In addition, we will strengthen our equity controls as a measure to improve the denominator. This means that we will actively utilize equity for investment for growth, employee returns, and shareholder returns, and control equity at an appropriate level.

PBR Improvement Plan: Other PBR Improvement Measures

PBR Improvement Plan: Other PBR Improvement Measures

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In addition to business growth, we will further strengthen IR/SR activities to promote PBR improvement.

Further strengthen IR/SR activities

Develop a foundation for IR/SR activities

Established a dedicated IR/SR department
- Established the Investor Relations Department (currently Investor Relations & Public Relations Strategy Department) as a dedicated department in March 2022

Major updates to corporate site including IR site in March 2024
- Expanded disclosure to shareholders/investors
- Strengthened English disclosure

Strengthen the dissemination of sustainability information
- Significant improvement through the above corporate site updates


Current updated corporate site

Promote dialogue with the market

Proactive IR/SR activities

Close the investor expectation gap by strengthening internal feedback on IR/SR activities


Disclosure of progress on dialogue with shareholders

As other measures to improve PBR, we will further strengthen IR/SR activities.

Net Cash Allocation

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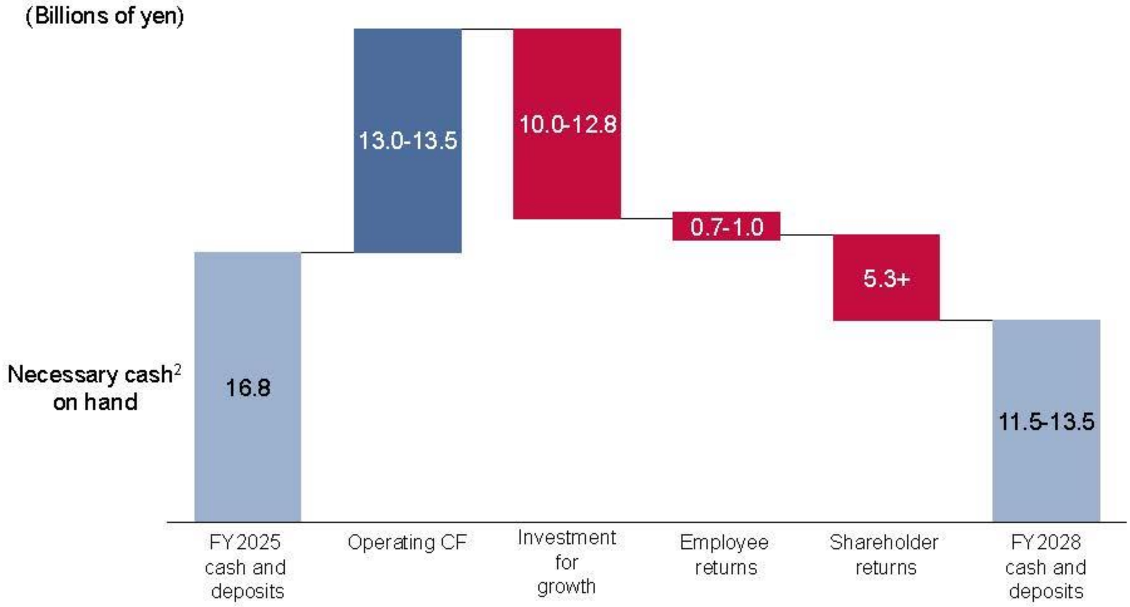
Net Cash Allocation

Based on the Medium-Term Business Plan and PBR Improvement Plan, we will make investments for growth and enhance employee/shareholder returns to improve capital efficiency and optimize net cash[1] levels.



1. Net cash, excluding long-term and short-term borrowings, etc. 2. Appropriately set considering the business/investment environment and need for liquidity on hand.

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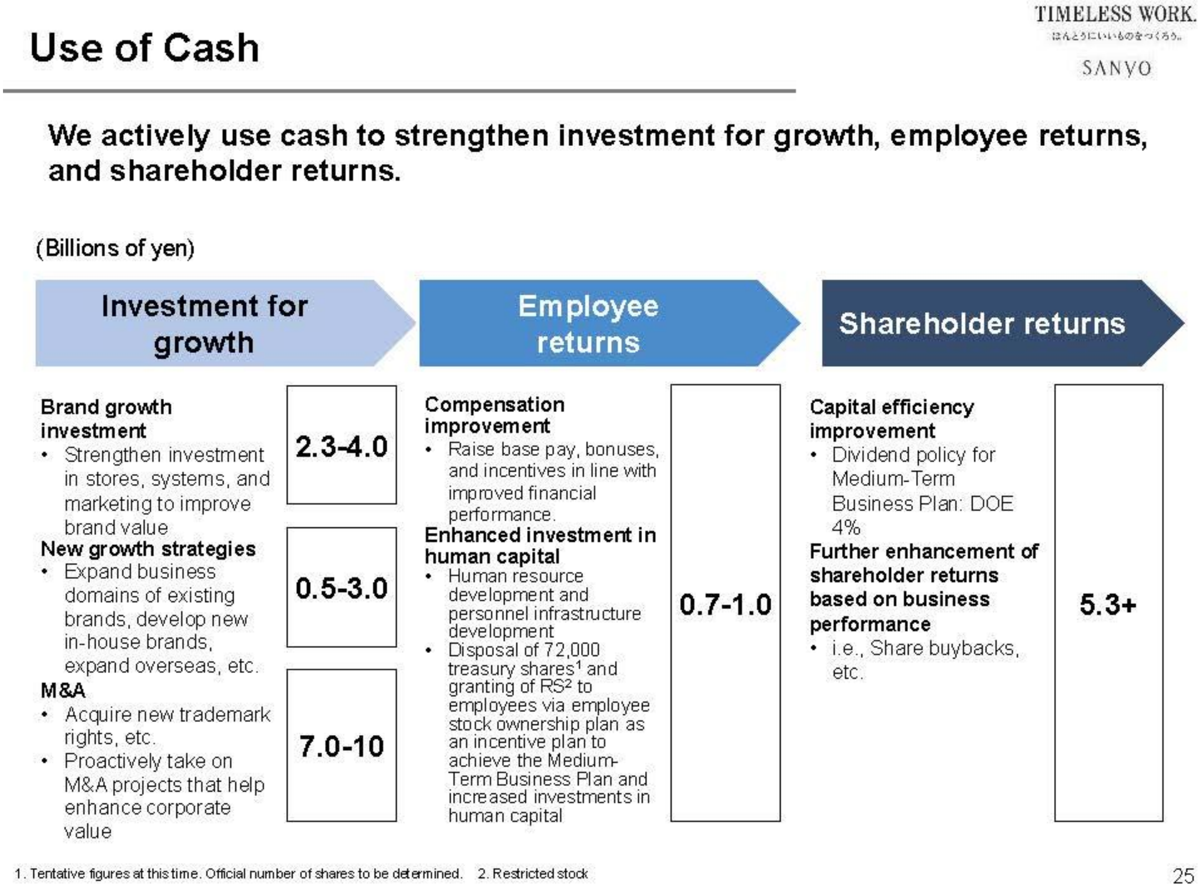
This shows the allocation of net cash for three years. This waterfall chart shows how the cash will be used over the three-year period.

As I explained in the balance sheet section, we have been accumulating cash year after year as a result of our consistent profitability. Our cash position at the end of the previous fiscal year was JPY23.7 billion. After deducting JPY6.9 billion of debt, our net cash position was JPY16.8 billion.

As for how we will utilize this, first, we will generate JPY13.0 billion to 13.5 billion in operating cash flow over three years, adding to net cash. We will use JPY10.0 billion to JPY12.8 billion for investment for growth, JPY 0.7 billion to JPY1.0 billion for employee returns, and JPY5.3 billion plus some extra for shareholder returns. With this, we expect to reduce net cash to around JPY11.5 billion to JPY13.5 billion in three years.

Use of Cash



This shows the breakdown of investment for growth, employee returns, and shareholder returns. This is not a determined policy, but rather a guideline.

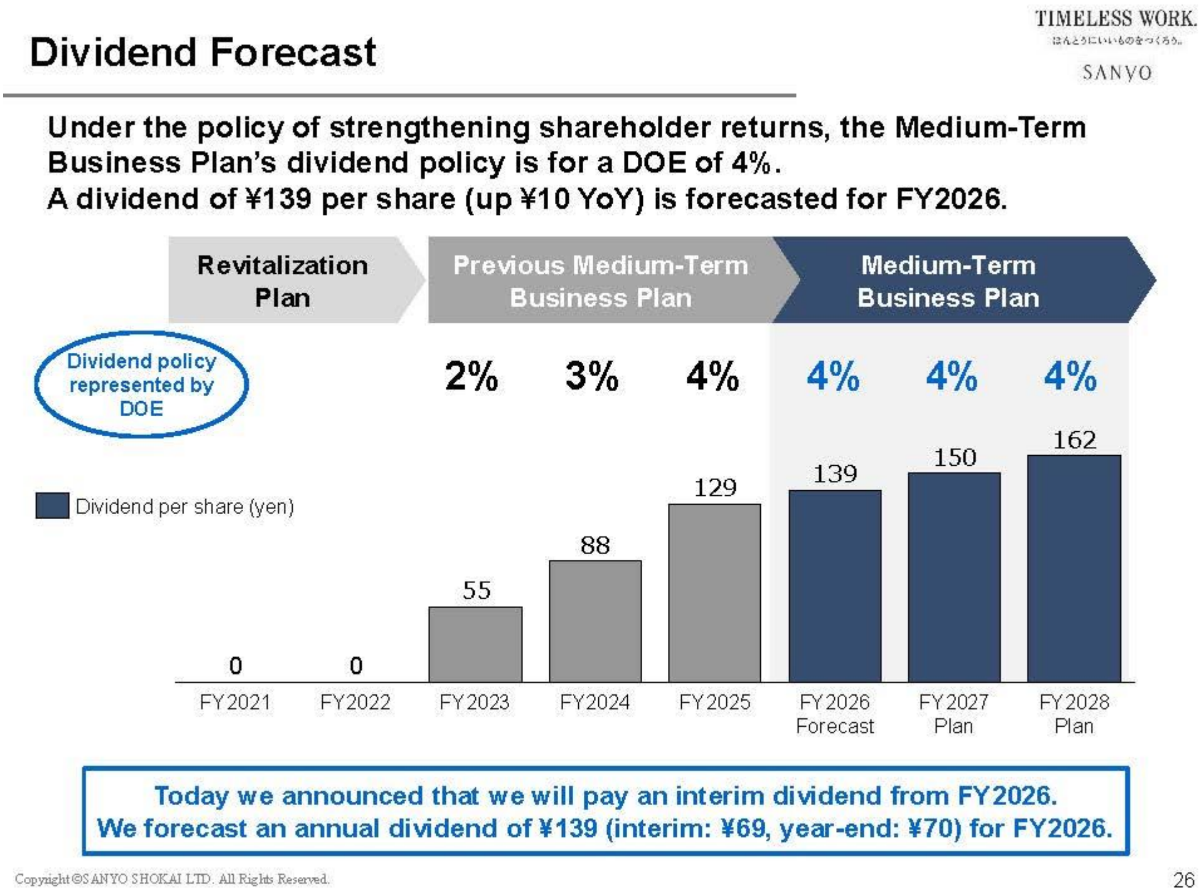
First, as investment for growth, brand growth investments are JPY2.3 billion to JPY4.0 billion. New growth strategies are JPY0.5 billion to JPY3.0 billion. M&A is JPY7.0 billion to JPY10 billion. These are not determined policies or plans, but rather rough guidelines.

We are thinking of investing around JPY0.7 billion to JPY1.0 billion in employee returns. We would like to improve compensation and also enhance investment in human capital, namely, investing in human resource development and personnel infrastructure development. We have disclosed today that we will enhance investment in human capital by disposing of around 72,000 treasury shares and providing restricted stock to employees through an employee stock ownership plan. We have also decided on such a policy.

In shareholder returns, we will maintain our policy of a 4% DOE to strengthen dividends. By maintaining this policy, we hope to create a situation where shareholder equity will continue to grow as long as we remain profitable. Therefore, dividends will necessarily increase each period.

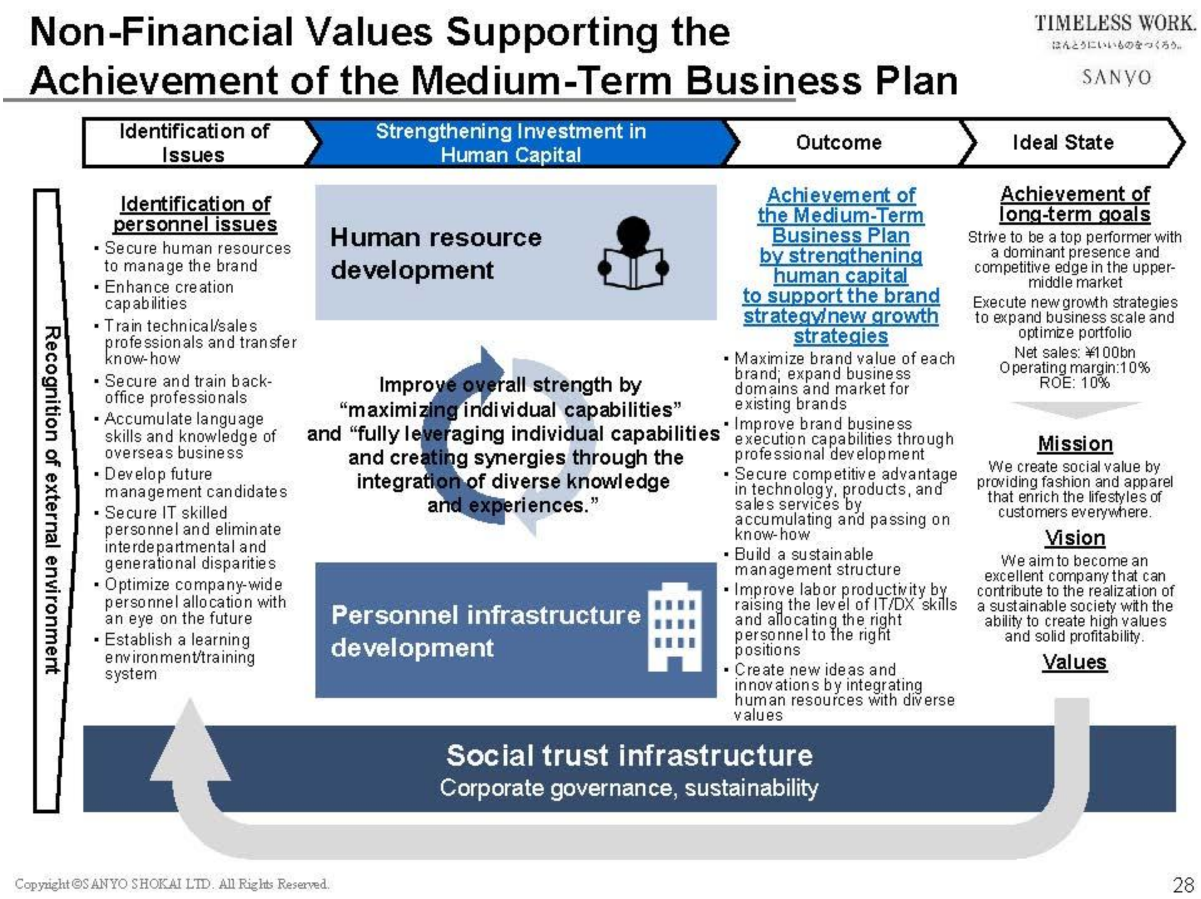
In addition to dividends, we also want to flexibly implement share buybacks and other measures as a way of returning even more to our shareholders in line with our business performance, as we did in the previous fiscal year.

Dividend Forecast



Next is our dividend plan. By maintaining our dividend policy of 4% DOE, we plan to increase our dividend to around JPY162 in three years, along with an increase in shareholders' equity. The dividend payout ratio is 36.7% with the JPY129 dividend this time. We think this is probably a dividend level that shareholders will be satisfied with.

Non-Financial Values Supporting the Achievement of the Medium-Term Business Plan



This section provides details on non-financial values. This is a measure for strengthening investment in human capital. The leftmost slide describes our current personnel issues.

What we will do is to strengthen investment in human capital. As shown in the middle, our objective is to improve overall strength by "maximizing individual capabilities" and "fully leveraging individual capabilities and creating synergies through the integration of diverse knowledge and experiences." The means to maximize individual abilities is human resource development. The means to improve overall strength is personnel infrastructure development.

The outcome is listed on the right side of the page.

Strengthening Investment in Human Capital

Strengthening Investment in Human Capital

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In human resource development, various initiatives are employed to draw out individual capabilities and maximize their potential. In personnel infrastructure development, individuals' capabilities are fully leveraged and integration of diverse knowledge and experiences is promoted.

Human resource development

Develop brand business professionals
- We place new graduates in general positions in their 20's and 30's to gain experience in a wide range of jobs / brands.
- FY2027 target: 100% of employees turning 30 who joined as new graduate career-track hires will have experience in at least two job types[1] in two or more brands

Develop back-office professionals
- Support acquisition of qualifications necessary for work, reassign young career-track employees, and provide job rotation
- FY2027 target: At least 5 back-office assignments for new graduate career-track hires under 35

Secure human resources for new business development
- Hire and train personnel who are familiar with our business and can develop new business areas and markets in Japan and overseas

Personnel infrastructure development

Optimize the HR portfolio through constant review and necessary revision of the HR system

Improve employee engagement
- We aim to be a strong organization that employees are proud to work for, want to contribute to and develop themselves.
- FY2027 target: Engagement score 55.0 (+3.1 pts. vs. FY2024)

Diversity & inclusion
- We foster an environment in which employees with diverse experiences and values respect one another and work together regardless of time or location.
- FY2026 targets: Ratio of women in managerial positions: 20%; Gender wage gap: 72%[2]

Optimization of personnel composition and personnel allocation
- FY2027 target: 20 hires[3] in their 20's and 30's

Announced today that we will dispose of treasury stock and grant RS[4] to employees through an employee stock ownership plan as part of enhanced investment in human capital

1. Three job types for those 40 and over.
2. The assumption is that there is no gender wage gap for the same job/position. The gap here is due to the low ratio of women in managerial positions.
3. Total of new graduate and mid-career hires.
4. Restricted stock

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Here we provide some details about strengthening investment in human capital. In order to maximize individual capabilities, we will continue to invest in human resource development. As noted on the slide, we intend to invest in developing brand business professionals and back-office professionals and securing human resources for new business development.

Furthermore, we will first develop our personnel infrastructure in order to maximize individual potential and create synergy through the integration of diverse knowledge and experience. We will optimize our HR portfolio through constant review and necessary revision of the HR system and aim to improve employee engagement. We will also promote diversity and inclusion, and the optimization of personnel composition and personnel allocation.

Social Trust Infrastructure: Corporate Governance

Social Trust Infrastructure: Corporate Governance

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We are carrying on the basic policy of the previous medium-term business plan. The Board of Directors is composed of 71% Outside Directors and chaired by an Outside Director to ensure independence and objectivity. The ratio of performance-linked and RS[1] officer compensation is 15–37.5% to promote shared interests between shareholders and management.

Composition of the independent and objective Board of Directors and Voluntary Nomination and Compensation Committee[2]

- Optimizes the knowledge and advice of Outside Directors.
  - Ratio of Outside Directors: 71%
  - Chairperson of the Board of Directors is an Outside Director
  - Promote diversity through the appointment of female officers or other initiatives
- Establish a voluntary Nomination and Compensation Committee as an advisory committee to the Board of Directors. The chairperson is an Outside Director.

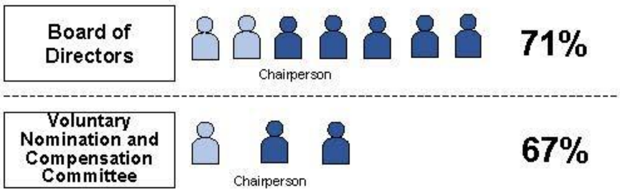
Officer compensation with increased performance linked + RS ratio

- Promote shared interests between shareholders and management
- Performance linked bonus accounts for 0 to 22.5%[3]
- RS: 15%

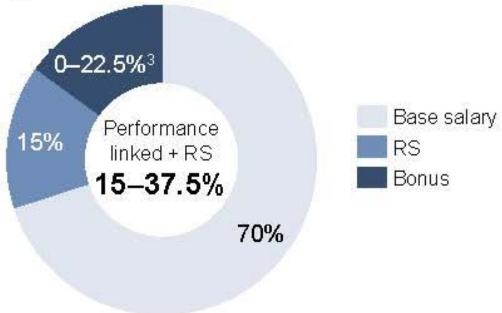
Policy of reducing strategic shareholdings

- Strategic shareholdings will be gradually reduced over the three-year period of the Medium-Term Business Plan.
  - Partial sale completed in FY2025

Board Composition[2]



Compensation for Inside Directors



1. Restricted stock award 2. Scheduled composition after the conclusion of the 82nd Annual General Meeting of Shareholders to be held in May 2025.
3. Varies within the range between 0% and 22.5% based on performance and other factors. (15% when 100% achieved)

We are carrying on the basic policy of the previous Medium-Term Business Plan. As you can see here, the Board of Directors will be composed to ensure independence and objectivity.

In addition, the composition of the voluntary Nomination and Compensation Committee will also follow the same policy as the previous fiscal year. We will also maintain the officer compensation system for directors with increased performance-linked and RS ratios.

One of the new items added is a policy of reducing strategic shareholdings. In the previous fiscal year, we also liquidated a portion of such shares. Under the new Medium-Term Business Plan, we will continue to liquidate strategic shareholdings and gradually reduce them.

Social Trust Infrastructure: Sustainability

Social Trust Infrastructure: Sustainability

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We will carry on the basic policies of the previous medium-term business plan and further strengthen them. We are promoting individual activities based on material issues and gaining recognition from society.

Promoted activities by the Sustainability Committee under the direct supervision of the Management Committee
- Established the committee on the executive side for rapid implementation of the PDCA cycle.
- The chairperson is the Senior Executive Managing Officer, General Manager of Corporate Management HQ.
- In FY2025, seven reports were put forward and submitted to the Management Committee, and five reports were submitted to the Board of Directors and announced at board briefing sessions

Promote the reuse business
- Promoting the 3R (Reduce, Reuse, and Recycle) activity, "SANYO RE: PROJECT," as part of the "Initiative for Circular Economy," one of the material issues.
- Started collecting clothing for reuse in FY2024.
- Aim to collect 100,000 items per year by FY2026.

Evaluation by society
- Received a B-score (third out of eight levels) for the the 2024 CDP Questionnaire on Climate Change
- Acquired star 3.5 in SDGs Management Edition of the Nikkei Sustainable Comprehensive Survey in FY2024

In FY2025, obtained certification for SBT (Science Based Targets) from the SBTi[2] for FY2030 greenhouse gas (GHG) reduction target
- Certified for reduction target consistent with the Paris Agreement

Enhance disclosure further on the corporate website
- Sustainability: https://www.sanyo-shokai.co.jp/en/sustainability/

CDP Disclosure 2024

NIKKEI SDGs

SCIENCE BASED TARGETS

1. Reduce, Reuse, and Recycle 2. Science Based Targets initiative; An international initiative requiring companies to promote science-based GHG reductions.

As for sustainability, we will continue to follow the basic policies of the previous Medium-Term Business Plan and further strengthen them. As you know, we have identified four material issues, and we have set and disclosed KPI targets for each of them and are steadily implementing and managing progress.

One of the key issues is the reuse business that was started in the previous Medium-Term Business Plan. This is part of our efforts to address one of our material issues of “Initiative for Circular Economy”, and we want to further strengthen this.

We also want to improve how we are evaluated by society. In 2024, we received a B-score for the 2024 CDP Questionnaire on Climate Change. In the SDGs Management Edition of the Nikkei Sustainable Comprehensive Survey, we received a 3.5-star rating.

In March of this year, we obtained SBT certification for greenhouse gas (GHG) reduction. We are actively disclosing and openly sharing our sustainability policies and progress. We hope to further raise our level of recognition through this.

This concludes my explanation of the new Medium-Term Business Plan. Thank you very much for your time.

Q&A: Areas in which we fell behind in the previous Medium-Term Business Plan and how to improve them

Participant: I would like to ask you about the new Medium Term Business Plan. Specifically, what areas lagged behind in the previous Medium-Term Business Plan, why did these delays occur, and what are the reasons you expect improvement from this fiscal year onward?

Oe: We have also included these in our Medium-Term Business Plan, but as I explained, the first two years of the plan saw progress that greatly exceeded our initial targets. However, we did see a slight setback in the final year. In addition to external factors such as weather conditions and the reduction in sales floor space due to the closure of some department stores, we believe there were also a number of internal factors.

First of all, we took measures related to product appeal to deal with the changes in consumer purchasing patterns as a result of climate change, but I don't think they were sufficient. For example, we tried to respond to the longer summer and the longer-lasting summer heat by securing a new lineup, but we were unable to respond sufficiently to a slight price mismatch for one thing. Additionally, markets and market conditions are subject to frequent and drastic changes due to various irregular factors. Therefore, markets do not always behave as expected.

Therefore, if we approach the situation with a rigid stance based on a hypothesis, we will inevitably encounter mismatches. So, how do we respond to this? We will need response capabilities during the period. For example, I think that we were still not good enough at things like revising the MD plan and shuffling products during the period. This means that we need to be more agile and flexible in our responses. To sum up, there were still things to learn from. Therefore, in the new Medium-Term Business Plan, we would like to make improvements and reforms in each area, making use of the lessons we have learned.

Then, how to achieve organic growth is as stated. First, we will increase the number of sales floors as a physical measure. This will have an immediate effect, and I think it will definitely lead to results.

In addition, we will thoroughly increase customer sales. We have approximately 8,000 loyal customers, classified as Diamond, Platinum, and Gold. We have secured sales of approximately JPY7.0 billion from these customers. Each customer spends just over JPY800,000 per year. If we can increase the number of these loyal customers by 1,000, we can generate sales of over JPY0.8 billion. Therefore, we will increase the number of loyal customers, and also raise the so-called utilization rate, and we will definitely see the figures increase.

I know this is repeating what I said earlier, but we have tried to include as much detail as possible in this new Medium-Term Business Plan about the measures we will be taking. So, I would like you to take a look at it.

Q&A: Development of the middle market

Participant: You launched a new EC-exclusive brand *BIANCA* in March, which is positioned for the middle market. Will you be strengthening your efforts to develop customers in this middle market going forward?

Oe: Our basic policy is to aim for a higher position within the upper-middle market. This is our core strategy. However, we also want to gradually extend our reach into the very large middle market, so we are also considering pursuing this in parallel.

Looking at our product lineup, the proportion of heavy clothing and items is overwhelmingly high. The proportion of products for special occasions is excessively high. In contrast, the low proportion of products for light/medium-weight clothing and items, including casual, daily-use, and lifestyle clothing, is a weakness for our company.

While aiming for higher domains, we would like to target the middle market as well. Therefore, we consider the EC-exclusive brand *BIANCA* to be one of the tools to achieve this goal.

Q&A: Growth rate increase from FY2027 to FY2028

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Three-Year Projections: Consolidated PL

For FY2026, we shifted the previous medium-term business plan's final year targets, which were not achieved, to the first year of this plan and aim to achieve them again. For FY2028, three years from now, we forecast net sales of ¥70bn and operating profit of ¥5bn.

(Billions of yen)	FY2025	FY2026	FY2027	FY2028	
	Results[1]	Forecast	Forecast	Forecast	vs. FY2025
Net sales	60.53	62.50	66.00	70.00	116%
Gross profit	37.81	39.50	42.00	44.80	119%
SG&A expenses	35.09	36.20	38.10	39.80	113%
Of which, brand growth investment	-	0.30	1.00	1.00	Cumulative +23.0
Operating profit	2.72	3.30	3.90	5.00	184%
Ordinary profit	2.83	3.30	3.80	4.90	173%
Profit attributable to owners of parent[2]	4.01	4.10	4.40	4.72	118%

¥2.3bn in investments planned over 3 years to enhance brand value

1. All figures above are rounded to two decimal places. 2. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings

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Participant: I would like to ask one question related to the three-year plan on page 14. I believe that you have explained the net sales, operating profit, and ordinary profit for each of these periods. You expect a significant jump in operating profit and ordinary profit from FY2027 to FY2028. These figures are higher than those for the other periods. I take it that this is a rather large hurdle, but could you please comment on what measures will be necessary to achieve this, and what kind of preparations you will make for this?

Oe: The top line of JPY70 billion in three years is not an easy hurdle to overcome. However, by steadily implementing the measures I have just mentioned, we believe that it is a challenging but achievable goal at the same time.

Expanding the sales floor and increasing the number of stores will be the most significant measures. We will also expand sales per store by further strengthening our product and customer strategies.

Three-Year Projections: KPIs

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For FY2028, three years from now, we forecast an operating margin of 7.1% and ROE of 10.7%.

	FY2025	FY2026	FY2027	FY2028	
	Results	Forecast	Forecast	Forecast	vs. FY2025
Gross profit margin	62.5%	63.2%	63.6%	64.0%	+1.5pt
SG&A expense ratio	58.0%	57.9%	57.7%	56.9%	-1.1pt
Operating margin	4.5%	5.3%	5.9%	7.1%	+2.7pt
Ordinary profit margin	4.7%	5.3%	5.8%	7.0%	+2.3pt
Net profit margin[1]	6.6%	6.6%	6.7%	6.7%	+0.1pt
ROE[1]	10.0%	10.2%	10.5%	10.7%	+0.7pt

1. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings.

As for the gross profit margin, we plan to raise it to 64% in FY2028, three years from now, as I explained earlier. For the current fiscal year, we are aiming for 63.2%. As it was 62.5% in the previous fiscal year, we plan to raise it by 1.5 percentage points to 64%. In order to increase the gross profit margin by 1.5 percentage points, it is not possible to do so just by saying so. Therefore, it is important to thoroughly implement measures to increase the gross profit margin.

FY2026 Projections: Improve Gross Profit Margin

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We continue to implement measures such as controlling the procurement cost ratio, strengthening inventory control, and improving the full price sales ratio with an aim to achieve gross profit margin of 63.2% for FY2026.

FY2026

Quantitative Target: Gross profit 63.2% (+0.7 pts. vs. PY)

Qualitative policies	Specific measures
Control the procurement cost ratio	• Optimize supply chain management by strengthening initiatives with major suppliers. • Expand direct trade and direct import. • Diversify material sourcing. • Increase selling prices by strengthening product appeal and raising the balance point between product value and price.
Strengthen inventory control	• Curb excessive purchases by keeping 20% of purchases. Introduce the QR system for bestselling products. – Purchases are projected to be ¥18.4bn for FY2026 but will be flexibly managed depending on the situation. • Product inventory[1] at the end of FY2026 is projected as ¥7.2 bn, compared to ¥8.0bn at the end of FY2025. – Improve the inventory turnover rate by shortening merchandising cycles and developing the QR system.
Improve full price sales ratio	• Full price sales ratio: Aim for over 67% for FY2026, with a stretch target of 70%, compared to the FY2025 result of 64%. – Strengthen the ability to respond to actual demand by enhancing inventory control and shortening merchandising cycles. – Further reduce product numbers and aggregate merchandising. Enhance the response capabilities during the period.

1. Inventory of finished products only, excluding raw materials, work in process, etc.

There are several factors driving gross profit margin momentum. First is the procurement cost ratio. Then comes the full-price sales ratio. Another is the markdown rate for clearance sales. In addition, there is the ratio of e-commerce and outlet-exclusive products, which inevitably increases the gross profit margin, because these products are specifically planned and developed for predetermined sales channels. Therefore, we will ensure the implementation of measures that will provide momentum for improving the gross profit margin. We believe that it is possible to raise it by steadily implementing each of the measures that should be the components of the gross profit margin, rather than just doing it with quick solutions.

During the three years of the previous Medium-Term Business Plan, we improved the gross profit margin to 62.5% from less than 60% at the beginning. We believe that we can achieve 64% if we continue doing what we have been doing.

The SG&A expense ratio can be reduced by not spending extra expenses, thereby reducing the SG&A expense ratio by the increase in the top line. We will squeeze out the operating margin by raising the gross profit margin and lowering the SG&A expense ratio. We intend to maintain this policy consistently.

Q&A: Net sales of JPY10 billion in the seven core businesses

Participant: Regarding the JPY10 billion-revenue structure for the seven core businesses, is this more about aiming for JPY10 billion net sales in each business during the term of the new Medium-Term Business Plan, rather than building it up quickly?

Oe: In principle, we would like to achieve net sales of JPY10 billion for all seven core businesses during the current plan period. However, if each of the seven businesses were to achieve JPY10 billion in net sales, that alone would bring net sales to JPY70 billion. You may say, “If that is the case, it is strange that the net sales plan for three years from now is JPY70 billion.” However, this Medium-Term Business Plan is not a so-called manifesto; we have formulated it as a consistent action plan. This means that we assume full responsibility for implementation once we have announced it as a commitment. Therefore, we are aiming for net sales of JPY10 billion in all seven core businesses, which is quite challenging as an execution plan. In this regard, we are taking a bit of a risk.

We consider the breakdown of net sales of JPY70 billion to be approximately JPY65 billion for the seven core businesses and JPY5.0 billion for the other brands, as a rough estimate.

Q&A: Opening of flagship stores

Participant: I have a question about opening flagship stores. I know there are location and timing considerations, but which brands are you planning to open flagship stores for?

Oe: We are basically aiming to open flagship stores for our core business brands. *MACKINTOSH LONDON* has net sales of nearly JPY10 billion but does not have a flagship store. Paul Stuart has already opened a flagship store, and *BLUE LABEL CRESTBRIDGE* and *BLACK LABEL CRESTBRIDGE* also have flagship stores in Harajuku. Although *MACKINTOSH LONDON* is nearly JPY10 billion in size and is one of our highest-grade brands, it has no flagship store. We believe that this is a high priority for us because we do not have a so-called platform to reflect brand identity.

Q&A: Development of overseas business partners

Participant: I would like to ask about overseas expansion. I believe you showcased SANYOCOAT at the Pitti Imagine UOMO in Italy this January, as you mentioned earlier. Were you able to develop overseas business partners then?

Oe: At Pitti Imagine UOMO, we exhibited *100-Year Coat* and *Aomori Down*, marketed under the SANYOCOAT brand. As a result, we received inquiries from about five companies for the *100-Year Coat*, and we are currently negotiating with them. We only had an intention to unveil it, but since we received inquiries, we have a very good feeling about the product. Next year, we would like to further strengthen our lineup and exhibit on the assumption that we will win orders.

Q&A: Overseas strategic partners

Participant: Do you intend to work with overseas strategic partners to expand into, for example, China or Korea?

Oe: In our case, the number of brands we can expand overseas with local partners is limited due to sales rights. We also believe that it is unrealistic for us to manage them overseas by ourselves, even for the brands we can expand overseas. We do not have the resources or capabilities to do so at the moment.

Overseas expansion may be possible, provided that we have a strong and reliable partner to whom we can entrust operations. This would probably be in Asia. Whether it is China, Korea, or Taiwan, we are not limiting ourselves to any specific country at this time. If we can find such a partner, we would like to work with them.

Q&A: Continuation of in-house factories in Aomori and Fukushima

Participant: Related to the previous question, I believe that J∞QUALITY is expanding sales of ”Made in Japan,” but how will your company continue in-house factories in Aomori and Fukushima going forward? Also, the Aomori Factory develops a factory brand, and I would like to ask about the relationship between that and Sanyo itself.

Oe: Regarding sourcing, I think it is not feasible to use our own factories as a base for commercial production. In the past, our company had a high ratio of in-house factory production with several in-house factories. But, in the end, it was impossible to operate them as profit centers. We believe that the company is impeding its procurement flexibility, if it guarantees to place enough orders to keep its own factories operating year-round. For this reason, the Aomori and Fukushima Factories were converted into cost centers five years ago and are used as R&D centers rather than on a commercial production basis. In other words, their costs are treated as part of the company’s overall operating expenses, and they have been operated as cost centers with limited missions, such as R&D, product development, production of prototype samples, and, in part, production of small lots of high-difficulty products.

The most important point of what makes our company unique is our commitment to our products, quality as a manufacturer, and our products. As a tool for passing on this DNA of our company to the future, it is essential that we continue to operate our own factory. Despite the option of closing it down, we decided to proceed with the business transformation for this reason. Therefore, we intend to continue utilizing the Aomori and Fukushima Factories based on this positioning. The product development committee produces samples of all products, including *Aomori Down* and PERTEX coats, at the Aomori Factory, where they are developed in collaboration with the development team.

As such, we believe that they are already functioning as R&D centers and are sufficiently fulfilling their roles as cost centers. Rather than expanding, we intend to enhance their capabilities and further strengthen their functions as R&D centers.

Aomori Down is 100 percent made in Japan because it is made from domestic down. This would not be possible without our own factories.

Participant: Was the “Made in Japan” aspect a major factor in gaining recognition at Pitti Imagine UOMO?

Oe: Absolutely. “Made in Japan” is an essential factor. I think its value is recognized and appreciated overseas even more than we realize.