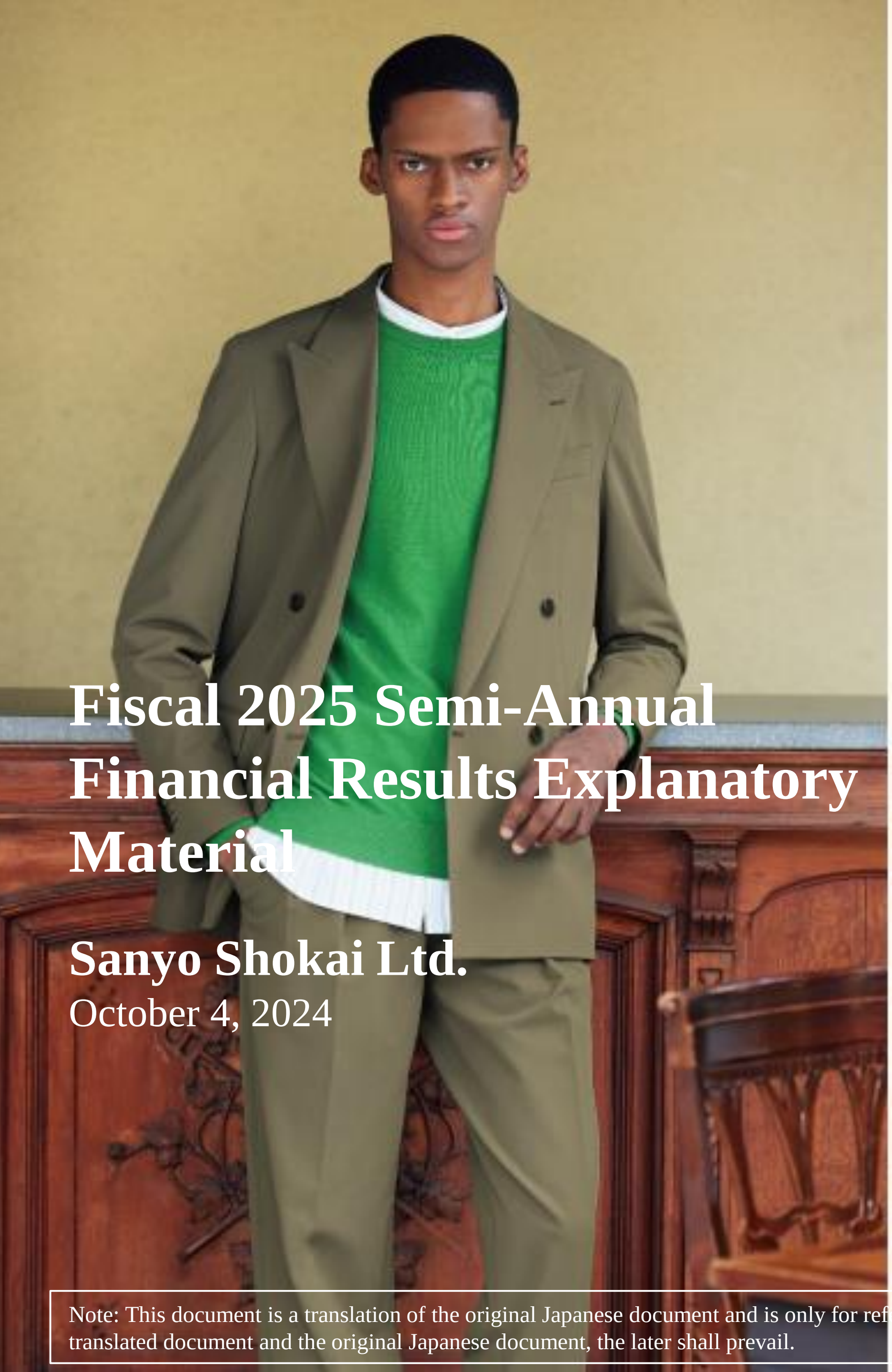

Fiscal 2025 Semi-Annual Financial Results Explanatory Material

Sanyo Shokai Ltd.

October 4, 2024

Note: This document is a translation of the original Japanese document and is only for reference purposes. In the any discrepancy between this translated document and the original Japanese document, the later shall prevail.

Contents

Consolidated PL: Semi-Annual Accounting Period

TIMELESS WORK.
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Net sales were ¥27.90bn, operating income was ¥600m, and profit attributable to owners of parent was ¥460m.

(Billions of yen)	PY Results	FY2025 Forecasts	FY2025 Results	vs. PY Results	vs. Forecasts
Net sales	28.16	28.30	27.90	-0.25	-0.40
Gross profit	17.47	17.70	17.54	+0.08	-0.16
SG&A expenses	16.75	17.20	16.94	+0.19	-0.26
Operating profit	0.72	0.50	0.60	-0.12	+0.10
Ordinary profit	0.79	0.55	0.68	-0.11	+0.13
Profit attributable to owners of parent	0.74	0.45	0.46	-0.29	+0.01

Note: All figures above are rounded to two decimal places.

Consolidated PL: KPIs

Gross profit margin improved by 0.8 pts. YoY and also exceeded the forecast by 0.3pts.
Operating margin exceeded the forecast by 0.4pts.

	PY Results	FY2025 Forecasts	FY2025 Results	vs. PY Results	vs. Forecasts
Gross profit margin	62.0%	62.5%	62.9%	+0.8 pts.	+0.3 pts.
SG&A expense ratio	59.5%	60.8%	60.7%	+1.2 pts.	-0.1 pts.
Operating margin	2.6%	1.8%	2.1%	-0.4 pts.	+0.4 pts.
Ordinary profit margin	2.8%	1.9%	2.4%	-0.4 pts.	+0.5 pts.
Net profit margin	2.6%	1.6%	1.6%	-1.0 pts.	0 pts.

Note: All figures above are rounded to one decimal place.

Monthly Results in 1H (Non-Consolidated)

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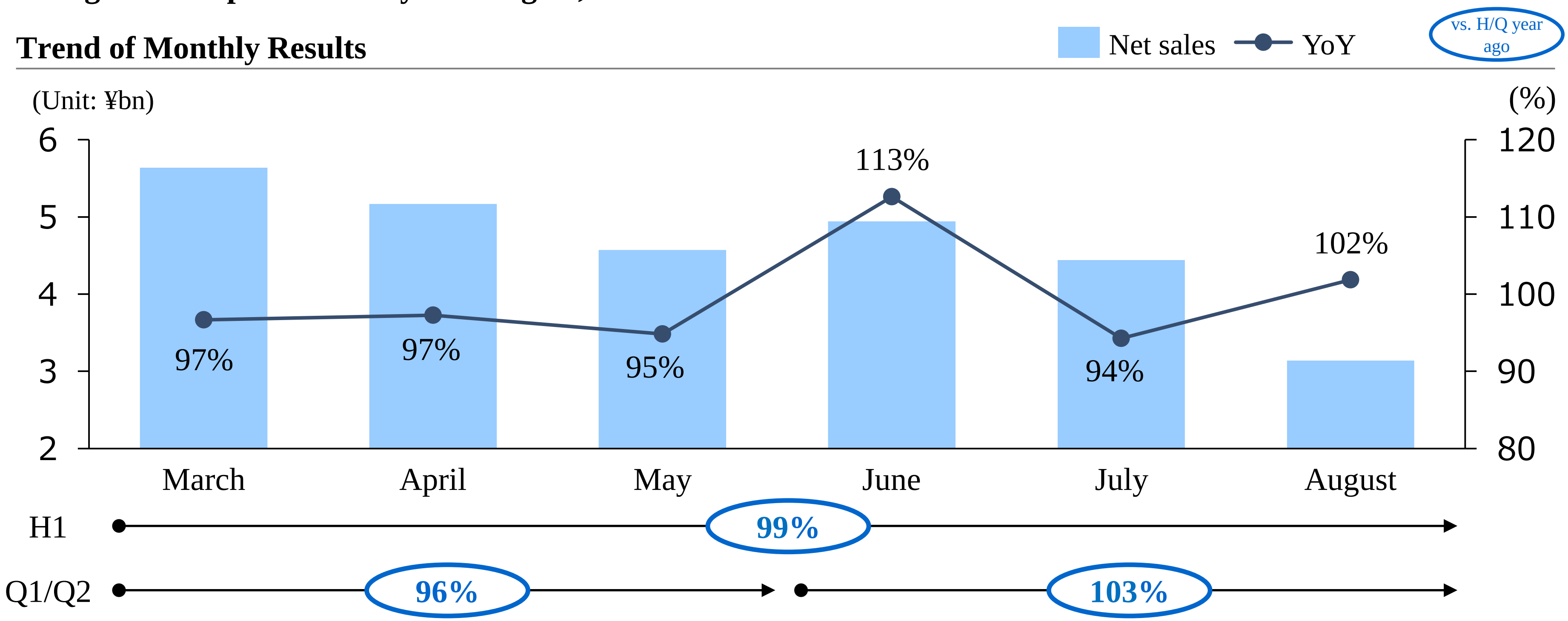
During Q1, net sales was 96% YoY due mainly to an air pocket of demand after the revenge spending in the same period last year and sluggish clearance sales.
During Q2, net sales grew only slightly to 103% of the year-ago level, as sales remained strong in June but did not grow as expected in July and August, the midsummer sales season.

Trend of Monthly Results



- While sales grew markedly a year ago backed by revenge spending after the pandemic was over, sales fell back as the sales season cycle has got back to normal this year.
- While full-price sales remained almost unchanged YoY, clearance sales declined.
  - This sluggish clearance sales is due to a significant reduction in carryover items as a consequence of strong sales through this year.

- In June, sales jumped year on year as full-price sales of items for Spring and Summer went into full swing, the number of weekends increased compared to last year, and the start of clearance sales was moved forward to June.
- In July and August, sales did not grow as expected due in part to problems with price setting and merchandising (MD) accuracy, although we launched items just for midsummer and first full-price items for early autumn during these months in anticipation of a shorter clearance period.

Consolidated BS: Semi-Annual Accounting Period

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Equity increased by ¥2.2bn. Total assets also increased by ¥3.39bn, resulting in an equity ratio of 69.6% (-0.3pt YoY).

(Millions of yen)	Aug. 31, 2023	Aug. 31, 2024	YoY Change
Cash and deposits	19,897	22,997	3,100
Accounts receivable - trade	2,622	2,615	-7
Merchandise and finished goods	7,970	8,215	245
Property, plant and equipment	8,544	8,657	113
Intangible assets	3,256	2,899	-357
Other assets[1]	12,241	12,541	300
Total assets	**54,530**	**57,924**	**3,394**
Notes and accounts paylable - trade	4,357	4,593	236
Borrowings	6,800	7,000	200
Other liabilities	5,243	5,991	748
Total liabilities	16,400	17,584	1,184
Share capibal	15,002	15,002	-
Total shareholders' equity	32,081	33,554	1,473
Accumulated other comprehensive income and other[2]	6,048	6,785	737
Total net assets	38,129	40,339	2,210
Total liabilities and net assets	**54,530**	**57,924**	**3,394**
Referebce: Equity	38,115	40,322	2,207

Cash and deposits: up ¥3.1bn
- Up YoY due primarily to an increase in operating cash flow resulting from an established trend of operating profitability

Merchandise and finished goods: up ¥0.24bn
- Up YoY due to advanced receipt of next season's items
- Inventory contents improved resulting from a significant reduction in carryover items

Intangible assets: down ¥0.35bn
- Down YoY due primarily to amortization of trademark rights

Other assets: up ¥0.3bn
- Up YoY due primarily to an increase in the fair value of investment securities

Other liabilities

Up YoY due primarily to:
- An increase in deferred tax liabilities of ¥0.36bn
- Increases in other long-term lease liabilities, etc.

Net assets: up ¥2.21bn

Up YoY due primarily to:
- An increase in shareholders' equity of ¥1.47bn as a result of increases in retained earnings, etc.
- An increase in accumulated other comprehensive income of ¥0.73bn, which is attributable primarily to an increase in valuation difference on available-for-sale securities

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

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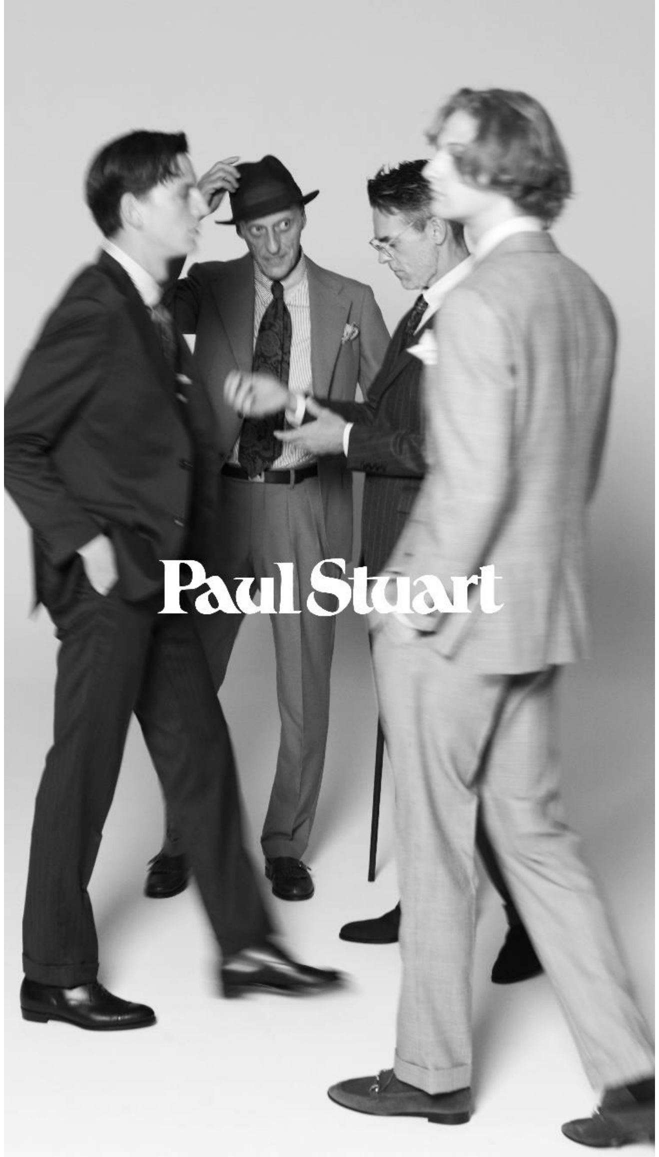

Progress and Evaluation of Priority Measures

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Priority Measures | **Progress and Evaluation**

Achieve forecast net sales

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Net sales reached 99% of the year-ago level, down ¥0.25bn YoY and ¥0.4bn short of the forecast[1]

- For Q1, net sales were affected by a reactionary fall from the revenge spending during the previous year and sluggish clearance sales due to a reduction in carryover items.
- For Q2, sales did not grow as expected due in part to problems with price setting and MD accuracy, although, as a measure to drive sales for the current fiscal year, we launched items just for midsummer and first full-price items for autumn.

Improve gross profit margin

○

Gross profit margin improved 0.8 pts. YoY to 62.9%, also 0.3 pts. higher than the forecast[1]

- The full-price sales ratio remained largely unchanged YoY at 67%, while the cost of sales ratio also remained almost unchanged YoY. Nonetheless, gross profit margin improved due primarily to compressed discount rates for clearance sales as a result of a reduction in carryover inventory.
  - The full-price sales ratio was 66% for the full year in FY2024 (68% for H1 and 65% for H2)
- In H1, the average selling price increased by 3%, having remained on an upward trend since FY2024 which marked a 12% increase in the average selling price from FY2023. This increase absorbed a rise in the cost of sales caused by the weakening yen/increased resource prices, and, as a result, the cost of sales ratio remained almost unchanged YoY.
  - Average selling price for the full year in FY2024 was up 10% YoY (up 12% for H1 and up 7% for H2).

1. Revised full-year forecast announced on April 12, 2024

Progress and Evaluation of Priority Measures

Priority Measures / Progress and Evaluation

Business restructuring

Control SG&A expenses

○

Controlled as planned[1]

- SG&A expenses increased by ¥0.19bn YoY, but by ¥0.33bn on a substantial basis, which excludes a ¥0.13bn decrease in sales commissions linked to sales. As a result, the amount of SG&A expenses was lower than the forecast by ¥0.26bn.

Control inventory

○

Product inventory[2] as of the end of August increased by ¥0.24bn YoY to ¥7.21bn, while the inventory content was on an improvement trajectory.

- This and next season's items were 109% of the year-ago level. Carryover inventory decreased by ¥0.23bn YoY as a result of consistent and thorough efforts for sell-through.
  - The ratio of this and next season's items was 81% (up 4 pts. YoY)

Implement financial reform

○

Equity ratio: 69.6% (down 0.3 pts. YoY)
Debt-to-equity ratio (DER): 0.17

- Net assets: ¥40.3bn, up from ¥38.1bn at the end of the same month PY
- Total assets: ¥57.9bn, up from ¥54.5bn at the end of the same month PY
- Interest-bearing liabilities: ¥7.0bn, up from ¥6.8bn at the end of the same month PY
- Cash position: ¥22.9bn, up from ¥19.8bn at the end of the same month PY

1. Forecast announced on April 12, 2024
2. Inventory of finished products only, excluding raw materials, work in process, etc.

Reference: Sales Results by Channel

The performance of physical stores[1] remained almost unchanged YoY.
In EC, clearance sales were stagnant due to a reduction in carryover items. Although sales recovered in Q2, net sales for EC in 1H were 98% of the year-ago level.

Revenue (Millions of yen)

	Mar.	Apr.	May	Mar.-May	Sales composition ratio	Jun.	Jul.	Aug.	Jun.-Aug.	Sales composition ratio	Mar.-Aug.	Sales composition ratio
Department stores	3,783	3,317	3,198	10,298	67%	3,382	2,923	1,652	7,958	64%	18,256	65%
Directly managed stores	334	292	266	892	6%	287	277	192	756	6%	1,648	6%
EC & mail/online orders	660	548	528	1,736	11%	557	725	619	1,900	15%	3,637	13%
Outlets	586	565	561	1,713	11%	512	480	569	1,560	12%	3,273	12%
Other	273	446	20	739	5%	205	37	107	350	3%	1,089	4%
Total	5,637	5,168	4,573	15,378	100%	4,943	4,442	3,139	12,524	100%	27,902	100%

YoY

	Mar.	Apr.	May	Mar.-May	Jun.	Jul.	Aug.	Jun.-Aug.	Mar.-Aug.
Department stores	96%	100%	99%	98%	115%	91%	98%	101%	99%
Directly managed stores	100%	94%	97%	97%	99%	96%	95%	97%	97%
EC & mail/online orders	91%	89%	90%	90%	112%	104%	108%	108%	98%
Outlets	106%	96%	97%	100%	112%	100%	104%	105%	102%
Other	101%	94%	13%	83%	105%	130%	136%	115%	91%
Total	97%	97%	95%	96%	113%	94%	102%	103%	99%

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

Reference: Breakdown of SG&A Expenses

SG&A expenses increased by ¥0.19bn 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.

SG&A Expenses

(Millions of yen)	FY2024 H1	FY2025 H1	vs. PY
Selling expenses	11,492	11,436	-57
Personnel expenses	2,205	2,274	69
Sales promotion expenses	761	804	43
Equipment expenses	561	666	105
Logistics expenses	750	776	26
Administrative expenses	981	989	8
Total SG&A expenses	16,750	16,944	194
Sales commissions	6,384	6,251	-133
SG&A expenses excluding sales	10,366	10,693	327

SG&A expenses increased by ¥0.33bn on a substantial basis, which reflects a ¥0.13bn decrease in sales commissions linked to sales

FA expenses (out of selling expenses): up ¥0.10bn
- Increase in a base pay to FAs

Personnel expenses: up ¥ 0.07bn
- Increase in a base pay

Sales promotion expenses: up ¥0.04bn
- Increase in magazine/newspaper placements

Equipment expenses: up ¥0.11bn
- 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.

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Basic Policy for FY2025

Basic Policy

Achieve the forecasts for FY2025 to successfully accomplish the Medium-Term Business Plan.

To make a further leap forward during the period of the next Medium-Term Business Plan, radically strengthen *product appeal* and *sales & marketing capabilities* as priority issues.

Brand Portfolio

Business Area	Target Brands	Strategy Summary	
Seven Core Brands	BLACK LABEL CRESTBRIDGE	**Following the previous two fiscal years, all brands continued to achieve operating profitability in FY2024, creating a solid brand portfolio with profitability.** **We aim to establish a solid business and revenue base by developing a ¥10bn-revenue business for each brand as soon as possible.** • Further improve brand equity by strengthening branding • Proactively invest toward further business expansion • Promote customer strategies	• Expand sales channels to urban FB/SC through "CB CRESTBRIDGE" • Expand inbound sales
	BLUE LABEL CRESTBRIDGE		• Expand sales channels to urban FB/SC through "CB CRESTBRIDGE" • Expand inbound sales
	MACKINTOSH LONDON		• Strengthen branding by opening flagship stores
	MACKINTOSH PHILOSOPHY		• Expand sales channels to urban FB through "GREY LABEL"
	Paul Stuart / THE SCOTCH HOUSE[1] Established 1839		• Expand product categories and maximize licensing revenue
	EPOCA / EPOCA UOMO		• Expand and strengthen flagship and other directly managed stores
	婦人服: AMACA / EVEX by KRIZIA / TO BE CHIC / TRANS WORK		• Improve the environment and efficiency of main stores and open stores in a combined form • Establish a profit-generating model at department stores
Challenges	SANYOCOAT 1946 JAPAN / S. ESSENTIALS / 三陽山長	**Poised to achieve break-even during the current MTBP period and develop these brands into a growth engine for the next MTBP period.** • Enhance merchandising capability and improve store profitability	• Establish the Sanyo Summit series through high-quality product development
	ECOALF / CAST: / LOVELESS		• Continue low-cost operations and make business profitable through enhancing merchandising capability

BAKER STREET plans to hold a ceremony to unveil the brand for business partners on October 23 and 24.

1. THE SCOTCH HOUSE will be changed to BAKER STREET in January 2025.

Full-Year Forecasts: Consolidated PL

We have kept the forecasts for FY2025 announced on April 12, 2024 unchanged; we forecast net sales of ¥62.5bn, operating profit of ¥3.3bn, and profit attributable to owners of parent of ¥3.1bn for the full fiscal year.

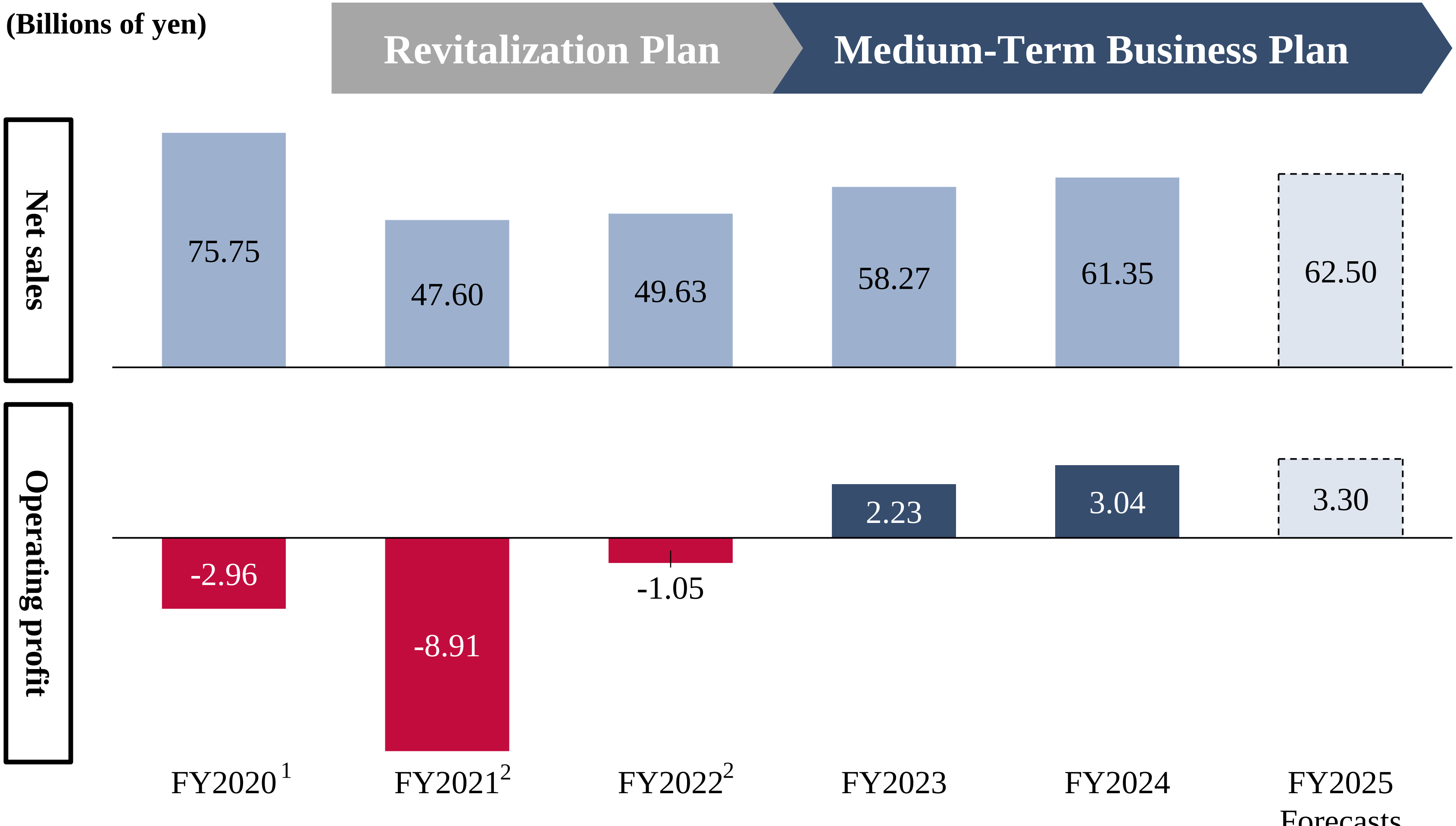
	(Billions of yen)	FY2023		FY2024		FY2025		
		MTBP Target[1]	Results	MTBP Target[1]	Results	MTBP Target[1]	Forecasts	YoY Change
Financial Figures	Net sales	56.00	58.27	59.00	61.35	62.50	62.50	102%
	Gross profit	34.72	36.11	36.88	38.17	39.38	39.40	103%
	SG&A expenses	33.52	33.87	34.58	35.12	35.00	36.10	103% [1]
	Operating profit	1.20	2.23	2.30	3.04	4.38	3.30	108%
	Ordinary profit	1.14	2.43	2.20	3.18	4.20	3.40	107%
	Profit attributable to owners of parent	0.90	2.15	1.90	2.78	3.50	3.10	111%
Major Financial Indicators	Gross profit margin	62.0%	62.0%	62.5%	62.2%	63.0%	63.0%	+0.8pt
	SG&A expense ratio	59.9%	58.1%	58.6%	57.2%	56.0%	57.8%	+0.6pt
	Operating margin	2.1%	3.8%	3.9%	5.0%	7.0%	5.3%	+0.3pt
	Ordinary profit margin	2.0%	4.2%	3.7%	5.2%	6.7%	5.4%	+0.2pt
	Net profit margin	1.6%	3.7%	3.2%	4.5%	5.6%	5.0%	+0.5pt
	ROE		6.1%		7.2%		7.5%	+0.3pt

1. Target figures of the Medium-Term Business Plan (MTBP) announced on April 14, 2022.

Reference: Six-Year Trend in Net Sales and Operating Profit

Operating performance has returned to profitability since the first year of the Medium-Term Business Plan through the business restructuring based on the Revitalization Plan.
This year's progress is also almost in line with the forecasts.

(Billions of yen)



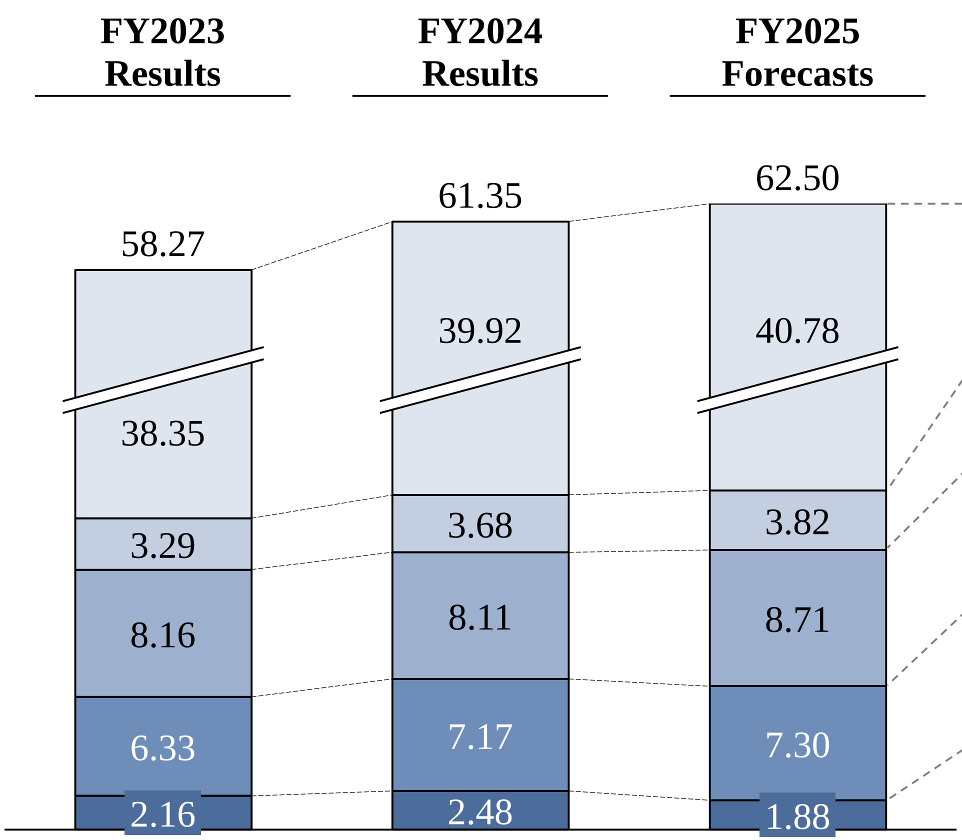
1. Reference values for FY2020 (from March 1, 2019–February 29, 2020) based on a simplified application of the new revenue recognition standard.
2. Reference value based on a simplified application of the new revenue recognition standard.

Achieving Forecast Net Sales

We plan to increase net sales for FY2025 by ¥1.15bn YoY through a range of efforts, such as opening new stores, enhancing access to specified customers, expanding inbound sales, and reaping benefits of the refurbishment effect of the SANYO ONLINE STORE.

Net Sales Forecast

(Billions of yen)



	YoY	Measures
Total net sales	102%	
Department stores	102%	Opened three new shops in H1. Plan open 11 new shops and refurbish 32 shops in H2.
Directly managed stores	104%	Recover inbound sales and open new stores.
EC & mail/online order	108%	Reap benefits of the refurbishment effect of the platform, and continue to enhance full-price sales and reciprocal customer transfers with physical stores.
Outlets	102%	Opened two new stores in H1. Plan to open four new stores in H2.
Other[1]	76%	This is attributable to a reduction in family & friends sale, etc., reflecting reduced inventory.

1. Family & friends sale, wholesale, etc.

Measures to 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 63.0% for FY2025.

FY2025

Quantitative Target: Gross profit margin of 63.0% (+ 0.8 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 balancing 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 ¥18.6bn for FY2025 but will be flexibly managed depending on the situation. • Product inventory[1] at the end of FY2025 is projected as ¥6.60bn, compared to ¥6.39bn at the end of FY2024. − 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 68% for FY2025, compared to the FY2024 result of 66%. − 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. • Sell-through rate: Aim for 80% for FY2025, compared to 77% for FY2024. − Ensure to achieve thorough sell-through of products for each season within the period and promote further reduction of carryover inventory.

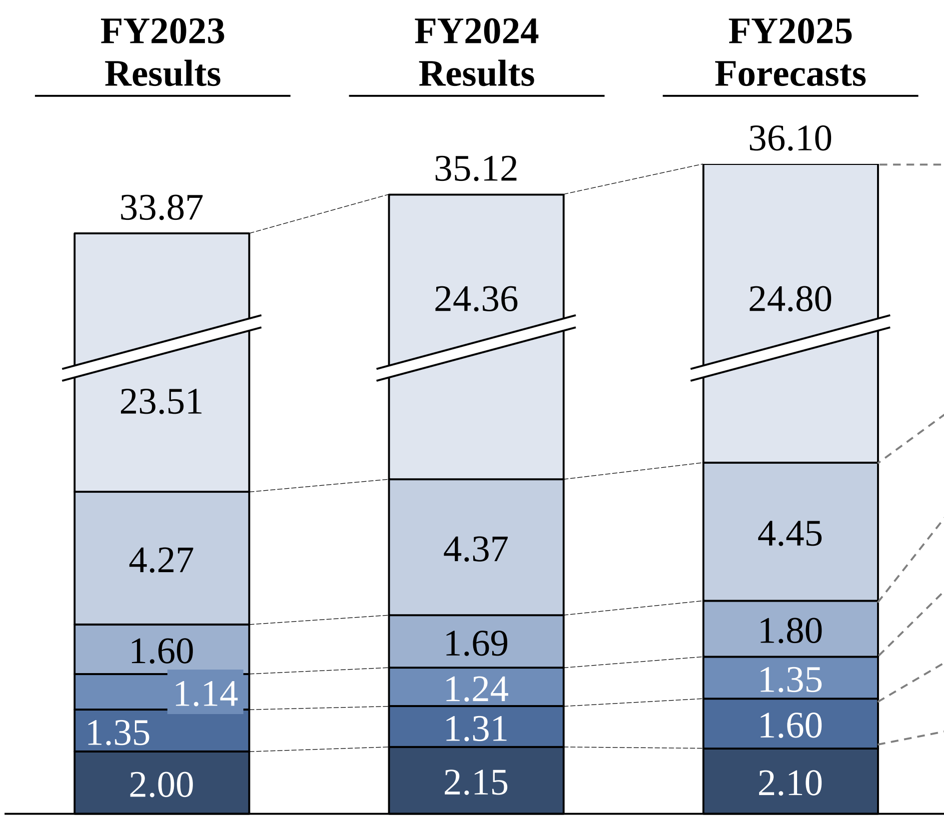
1. Inventory of finished products only, excluding raw materials, work in process, etc.

Controlling SG&A Expenses

SG&A expenses are on an increasing trend due to strengthened investment in stores, systems, and sales promotion to accelerate growth strategies, as well as a drastic enhancement of employee returns. Specifically, the amount is up ¥0.98bn from the PY, and up ¥1.10bn from the MTBP target.

Past Results vs. FY2025 Forecasts

(Billions of yen)



	vs. PY	Measures
Total SG&A expenses	**+0.98**	
Selling expenses	**+0.44**	Increase sales commissions linked to sales (up ¥0.31bn YoY). Maintain store efficiency and enhance returns to FA (up ¥0.13bn YoY).
Personnel expenses	**+0.08**	Strengthen employee returns and increased base pay.
Sales promotion expenses	**+0.11**	Enhance magazine/newspaper placements.
Equipment expenses	**+0.11**	Promote new store openings /improve shop environments.
Logistics expenses	**+0.29**	Increase due to the amendment of laws and regulations.
Administrative expenses	**-0.05**	Strengthen system investments.

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.

Status of Progress in Strengthening Product Appeal and Sales & Marketing Capabilities

We strengthen the competitiveness of our products through the product development centered on the cross-functional product development committee.
To strengthen sales capabilities, we focus on individualized approach to customers, vitalizing SMS[1], and improving LTV of customers.

Strengthen product appeal

BLACK OF BLACKS

Innovate and upgrade products, centered on the cross-functional product development committee

- Renew merchandising plans and break away from the old approaches.
  – Develop innovative products that create a stir in the market by further strengthening innovation.
- Raise the balance point between value and price by improving product level and grade.
- Create merchandising strategies to address climate change and global warming.
  – SS: Strengthen the development of seasonal products just for the midsummer and off-season periods using functional materials
  – AW: Make cross-sectional efforts across the company to plan and develop products in anticipation of a warm winter using "BLACK OF BLAKs," materials unique to the company

Strengthen sales capabilities

Strengthen the shift in approach from mass to individuals

- Enhance targeted marketing based on an individualized approach to specific customers.

Increase the members of SMS[2], and upgrade or activate them

- Increase the members of SANYO MEMBERSHIP (SMS), upgrade about 390,000 active members, and activate dormant members.
- Revised the stage-based service for the SMS members on October 1.

Drive customers to buy products using a list of top customers prepared based on the data from each of our stores throughout Japan

- Held events to accept orders at our directly managed stores/special sites in August 23 and 24 with the aim of improving LTV of our loyal customers, which ended in great success.
  – Plan to expand the geography of the venues of such events also outside Tokyo

1. SANYO MEMBERSHIP 2. As of September 2024, SANYO MEMBERSHIP has approximately 1.69 million members.

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Capital Strategy

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In accordance with the basic policy of the Medium-Term Business Plan and the PBR Improvement Plan, we have strengthened investment for growth, employee returns, and shareholder returns.

Investment for growth

Proactively promote investment for future business growth

- Strengthen investment in stores, systems, sales promotion, and human resources.
- Consider new rights acquisition and M&A.

Employee returns

Increase employee motivation and engagement through improved compensation

- Raise base pay, bonuses, and incentives in line with improved financial performance.

Shareholder returns

Improve capital efficiency

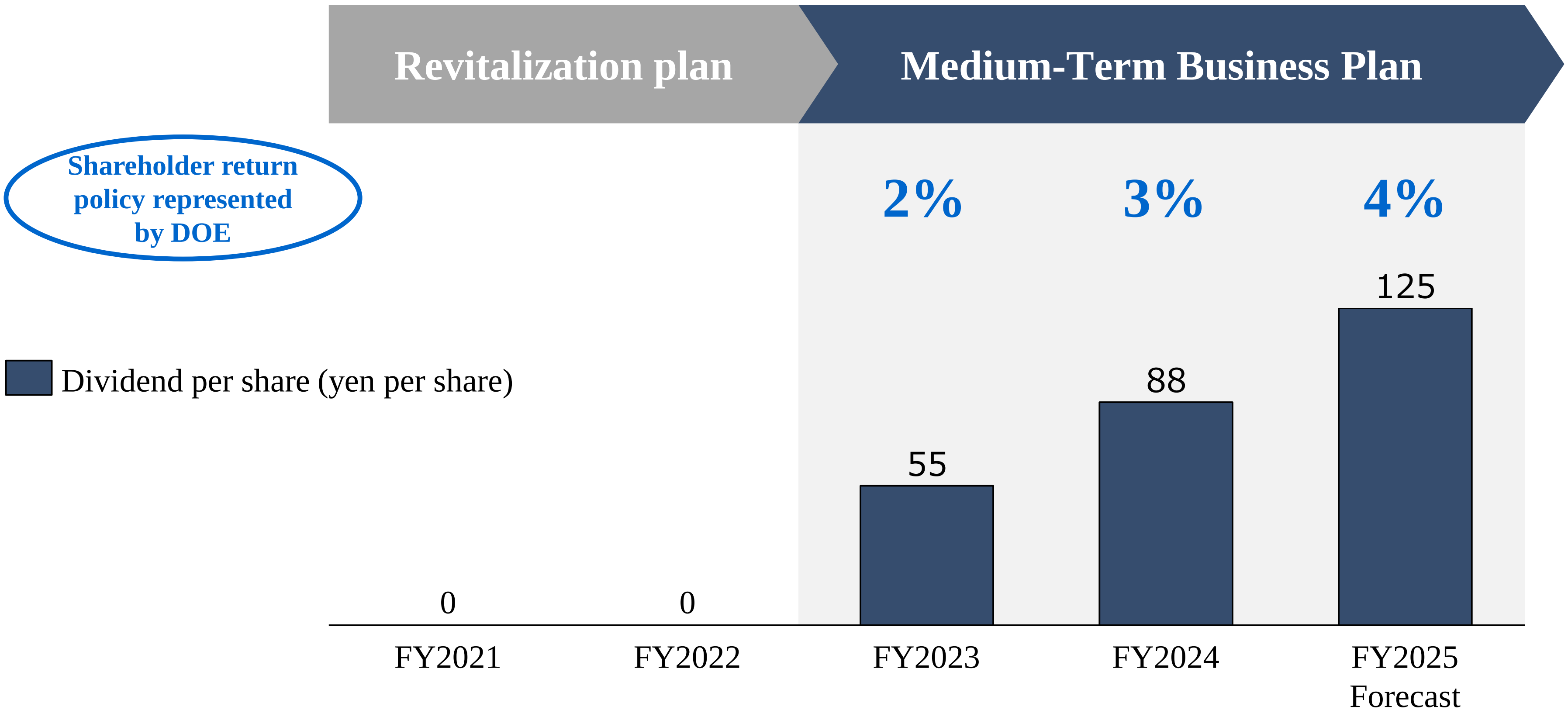
- Dividend policy for FY2025: DOE 4%
- Strengthen shareholder returns in line with the progress in operating performance.

Accumulate capital through expansion of profitability
ROE target of 7.5% for FY2025

- **Aiming to achieve 10% ROE as a medium-term goal at the earliest possible stage**

Dividend Forecasts

Under the policy of strengthening shareholder returns, a DEO of 4% is forecasted for FY2025.



Today, we announced a plan to buy back 1.01 million shares (8.6%[1]), totaling up to ¥3.0bn, in a bid to enhance shareholder returns and improve capital efficiency.

1. Ratio to total issued shares (excluding treasury shares)

TIMELESS WORK.

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