

10 May 2023

Dear All

Company Name	SANYO SHOKAI LTD.
Name of Representative	Shinji Oe Representative Director President & Chief Operating Officer (Code: 8011 Tokyo Stock Exchange Prime)
Contact	Yoshihiro Taniuchi General Manager, Investor Relations Corporate Management Headquarters (TEL: 03-6380-5421)

## Updates to Fiscal 2023 Financial Results Explanatory Material

Some of the expressions regarding remuneration for directors stated in the page 28 of the "Fiscal 2023 Financial Results Explanatory Material," which was disclosed on 14 April 2023, has been updated as follows in order to eliminate the misunderstanding. There is no change in other areas.

### Notes

Updates to the page 28 (updated areas are underlined).

#### **(Before the updates)**

Increased the ratio of performance-linked officer compensation 30% in order to encourage business management from the same perspective as shareholders.

Officer compensation with increased performance-linked ratio.

- Ratio of performance-linked officer compensation for Inside Directors is 30%.
- 15% is a Restricted Stock award (RS).

(Pie chart on the right side) Performance-linked 30%

#### **(After the updates)**

Increased the ratio of performance-linked and RS officer compensation 30% in order to encourage business management from the same perspective as shareholders.

Officer compensation with increased performance-linked + RS ratio.

- Performance-linked bonus accounts for 15%<sup>2</sup>.
- Restricted Stock award (RS) consists 15%.

(Note) 2. Range between 0% and 22.5% based on performance, etc.

(Pie chart on the right side) Performance-linked + RS 30%



**FY2023**

**Financial Results Explanatory Material**

**SANYO SHOKAI LTD.**

April 14, 2023



- 1. FY2023 Earnings Report**
- 2. FY2023 Review**
- 3. FY2024 Projection**
- 4. Medium-Term Business Plan Progress**
  - **Three-Year Projections**
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Note: Figures for the period before FY2022 are reference values that have been replaced in essence according to the New Revenue Recognition Standard.



# Consolidated PL: FY2023 Results

Net sales were ¥58.27bn. Operating income was ¥2.23bn, and net income was ¥2.15bn.

(Units: ¥100m)	FY2019 Results <sup>1</sup>	Previous Year	Projection for		vs. FY2019	vs. PY	vs. Projection
			Current Year <sup>2</sup>	Current Year			
Net sales	757.5	496.3	575.0	582.7	-174.8	+86.4	+7.7
Gross profit	448.6	295.3	357.4	361.1	-87.5	+65.8	+3.7
SG&A expenses	478.2	305.9	338.4	338.7	-139.5	+32.8	+0.3
Operating income	-29.6	-10.5	19.0	22.3	+51.9	+32.8	+3.3
Ordinary income	-29.8	-7.3	20.0	24.3	+54.1	+31.6	+4.3
Net income	-27.7	6.6	15.5	21.5	+49.2	+14.9	+6.0

1. Since the results of FY2019 were calculated based on the irregular duration of 14 months, the results between March 2019 and February 2020 are referenced. 2. Revised full-year projection announced on December 27, 2022.  
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# Consolidated PL: KPIs

Gross profit margin was 0.2pt lower than projection but improved 2.5pt YoY.

Operating margin exceeded the projection by 0.5pt.

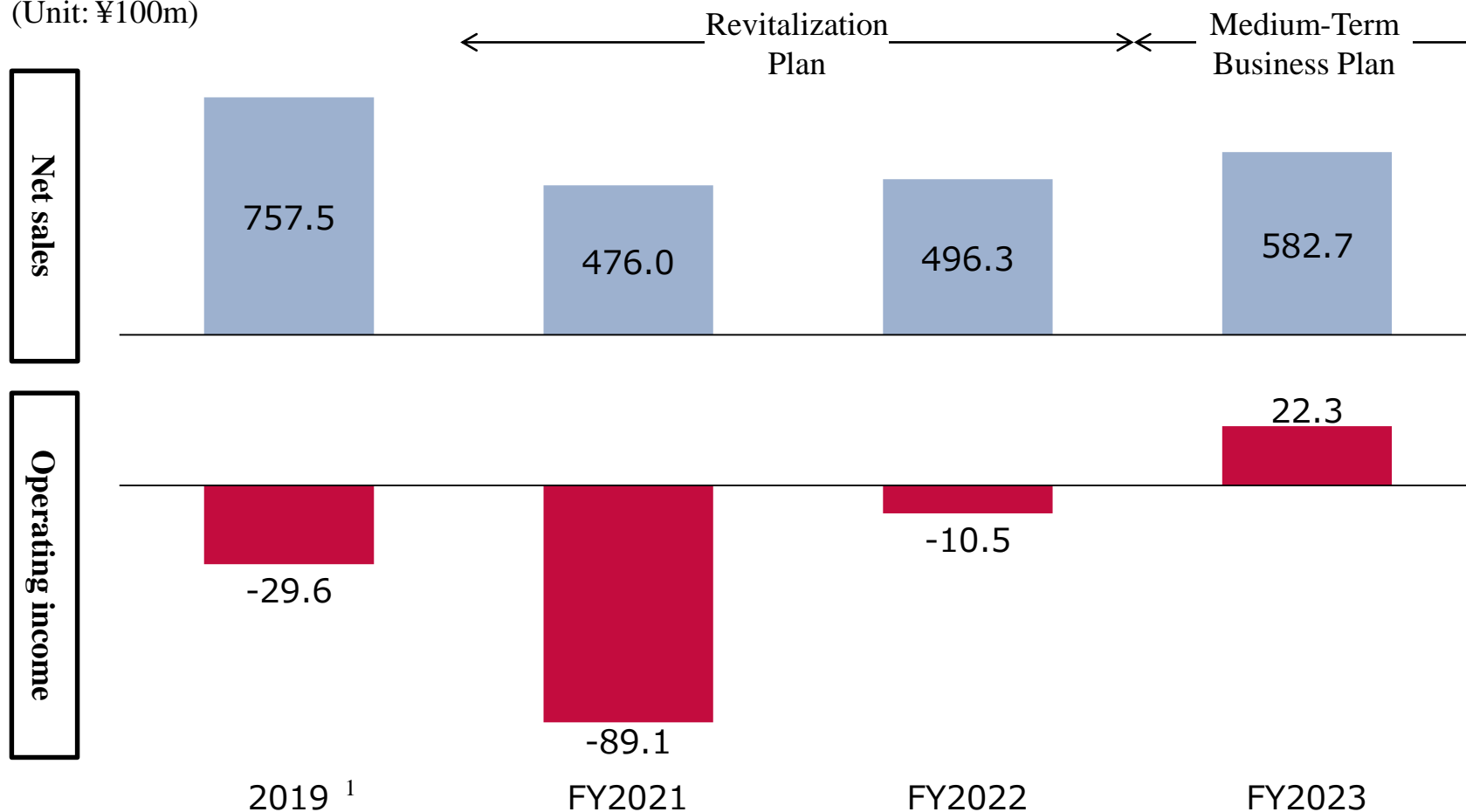
	FY2019 Results <sup>1</sup>	Previous Year	Projection for Current Year <sup>2</sup>	Current Year	vs. FY2019	vs. PY	vs. Projection
Gross profit margin	59.2%	59.5%	62.2%	62.0%	+2.8pt	+2.5pt	-0.2pt
SG&A expense ratio	63.1%	61.6%	58.9%	58.1%	-5.0pt	-3.5pt	-0.8pt
Operating margin	-3.9%	-2.1%	3.3%	3.8%	+7.7pt	+5.9pt	+0.5pt
Ordinary income margin	-3.9%	-1.5%	3.5%	4.2%	+8.1pt	+5.7pt	+0.7pt
Net income margin	-3.7%	1.3%	2.7%	3.7%	+7.4pt	+2.4pt	+1.0pt

1. Reference values (Mar 2019 - Feb 2020) 2. Revised full-year projection announced on December 27, 2022.

# Four-Year Trend

**Operating surplus was achieved through structural business reforms based on the Revitalization Plan.**

(Unit: ¥100m)



1. Reference values (03/2019-02/2020)

# Extraordinary Profit/Loss, etc.

A total of ¥1.15bn was recorded as extraordinary losses, consisting of ¥420m for impairment loss on trademark rights for ECOALF, ¥380m for store impairment loss, and ¥180m for loss on sale of investment securities. Recorded ¥890m as deferred tax assets.

(Units: ¥1m)

<b>Extraordinary profits</b>	<b>67</b>
Proceeds from subsidies	67
<b>Extraordinary losses</b>	<b>1,155</b>
Impairment loss on trademark rights	425
Store impairments	383
Loss on sale of investment securities	184
Loss on liquidation of subsidiaries and associates	117
Other	45
<b>Income tax adjustment</b>	<b>883</b>
Deferred tax assets	895
Deferred tax liabilities	(11)

### Impairment loss on trademark rights

- An amount of ¥300m in real terms, after excluding non-controlling interests.

### Income tax adjustment

- Recorded ¥890m as deferred tax assets.

# Status of Achievement of Projections

Net sales, operating income, ordinary income, and net income all exceeded projections.

(Units: ¥100m)	Apr 14 Forecast <sup>1</sup>	Dec 27 Forecast <sup>2</sup>	Results	vs. Apr 14	vs. Dec 27	Overview
Net sales	560.0	575.0	582.7	+22.7	+7.7	<p>Net sales remained steady at a level exceeding projection as society in Japan has adapted to living with COVID and because there were no restrictions on movement.</p> <p>Results of business restructuring implemented with the revitalization plan observed.</p> <ul style="list-style-type: none"> <li>• Improvement of gross margin through enhanced inventory control and improvements in full-price sales margins.</li> <li>• Continued control of fixed SG&amp;A expenses.</li> </ul>
Gross profit	347.2	357.4	361.1	+13.9	+3.7	
SG&A expenses	335.2	338.4	338.7	+3.5	+0.3	
Operating income	12.0	19.0	22.3	+10.3	+3.3	
Ordinary income	11.4	20.0	24.3	+12.9	+4.3	
Net income	9.0	15.5	21.5	+12.5	+6.0	

1. Full-year projection from the beginning of the fiscal year announced on April 14, 2022. 2. Revised full-year projection announced on December 27, 2022.



# Consolidated BS

**Total assets increased ¥2.78bn YoY. Net assets also increased by ¥2.65bn, resulting in an equity ratio of 66.9% (+1.5pt YoY)**

(Unit: ¥1m)	2/28/2022	2/28/2023	Change (value)
Cash and deposits	18,767	20,896	2,128
Accounts receivable	2,659	3,360	701
Merchandise and finished goods	7,819	8,024	205
Tangible fixed assets	8,662	8,559	(103)
Intangible fixed assets	3,949	3,226	(723)
Other assets	9,773	10,348	575
<b>Total assets</b>	<b>51,629</b>	<b>54,413</b>	<b>2,784</b>
Accounts payable	4,176	5,265	1,088
Loans	6,800	6,800	0
Other liabilities	6,732	5,913	(819)
<b>Total liabilities</b>	<b>17,708</b>	<b>17,978</b>	<b>269</b>
Capital	15,002	15,002	-
<b>Total shareholders' equity</b>	<b>30,435</b>	<b>31,955</b>	<b>1,519</b>
Other comprehensive income	3,485	4,480	995
<b>Total net assets</b>	<b>33,920</b>	<b>36,435</b>	<b>2,515</b>
<b>Total liabilities and net assets</b>	<b>51,629</b>	<b>54,413</b>	<b>2,784</b>
Reference: Equity	33,764	36,421	2,657

## Cash and deposits +¥2.13bn

- Increase in cash reserves due to continued control on purchasing, and reduction in SG&A expenses.

## Merchandise and finished goods +¥200m

- Slight increase due to of advanced delivery of next season's items. Carry-over inventory decreased and inventory content improved significantly.

## Intangible fixed assets -¥720m

- Decreased due to depreciation of trademark rights held and loss on trademark rights for ECOALF.

## Other assets +¥580m

- Increased due to market values of held investment securities.

## Accounts payable +¥1.09bn

- Increase in purchases due to introduction of spring/summer products ahead of schedule.

## Net assets +¥2.51bn

- +¥1.52bn in shareholders' equity due to increase in retained earnings and decrease through acquisition of treasury shares.
- +¥990m of other comprehensive income due to increase in unrealized gains on other investment securities.



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# Progress of Priority Measures

**Priority measures were implemented as planned, or even more than as planned.**

Priority Measures	Progress
<p>Favorable net sales</p>	<p> <b>While there were impacts of the coronavirus, fiscal year projections were met due to subsequent recovery of business conditions.</b></p> <ul style="list-style-type: none"> <li>• Society in Japan has adapted to living with COVID in FY2023 and because there were no restrictions on movement implemented and improvement of inbound sales in the second half, results exceeded projections mainly in real stores.</li> </ul>
<p>Gross profit margin improved</p>	<p> <b>62.0% of initial projection<sup>1</sup> achieved (+2.5pt YoY). However, 62.2% of the revised plan<sup>2</sup> was not achieved.</b></p> <ul style="list-style-type: none"> <li>• Annual gross profit margin was 62.0% (1H: 61.4%, 2H: 62.4%).</li> <li>• Progressed mainly as planned due to enhanced inventory control, enhanced full-price sales, elimination of carry-over inventory, and controlling the discount rate of discounted sales.             <ul style="list-style-type: none"> <li>– Full-price margin improved from 61% in FY2022 to 65% due to enhanced full-price sales.</li> <li>– While gross margin was slightly lower than the revised plan<sup>2</sup>, carry-over inventory decreased ¥1bn thorough enhancement of elimination of carry-over inventory.</li> </ul> </li> </ul>

# Progress of Priority Measures

Priority Measures	Progress
Business restructuring	<p><b>Controls on SG&amp;A expenses</b></p> <p>○</p> <p><b>Controlled as projected.</b></p> <ul style="list-style-type: none"> <li>Increased ¥3.28bn but excluding ¥2.24bn in sales commissions linked to sales, it was an increase of ¥930m in real terms and a decrease in ¥170m in difference with the revised plan<sup>1</sup>.</li> </ul>
	<p><b>Inventory reduction</b></p> <p>○</p> <p><b>Even though total inventory increased ¥200m YoY, content improved significantly.</b></p> <ul style="list-style-type: none"> <li>Product inventory at the end of February was ¥8bn, an increase of ¥200m YoY. Inventory content improved significantly.           <ul style="list-style-type: none"> <li>Next season's items increased ¥1bn YoY due to enhancing of full-price sales during the January and February clearance period, and as a result of launching spring items in advance. This season's items were almost as projected. Ratio of next season's/this season's items was 75% (+15pt YoY).</li> <li>Decrease of ¥1bn as a result of working to thoroughly eliminate carry-over inventory.</li> </ul> </li> </ul>
	<p><b>Financial reform</b></p> <p>○</p> <p><b>66.9% equity ratio (+1.5pt YoY).</b></p> <p><b>Debt-to-equity ratio (DER) 0.19.</b></p> <ul style="list-style-type: none"> <li>Net assets: ¥36.4bn, from ¥33.9bn at end of PY.</li> <li>Total assets: ¥54.4bn, from ¥51.6bn at end of PY.</li> <li>Interest-bearing liabilities: Flat at ¥6.8bn.</li> <li>Cash position: ¥20.8bn, from ¥18.7bn at end of PY.</li> </ul>

1. Revised full-year projection announced on December 27, 2022.

# Reference: Sales Results by Channel

Increased YoY for all sales channels excluding inventory disposal sales channels. Real store sales<sup>1</sup> grew 123% YoY, while EC grew 102% YoY and the full price sales margin and gross profit margin improved.

## Revenue (Unit: ¥1m)

	1Q	2Q	1H	3Q	4Q	2H	FY	Sales composition ratio
Department stores	9,474	7,239	16,713	10,899	10,734	21,632	38,345	66%
Directly managed stores	733	613	1,346	923	1,016	1,939	3,285	6%
EC & mail/online orders	1,887	1,780	3,667	2,036	2,453	4,488	8,155	14%
Outlets	1,493	1,277	2,770	1,705	1,853	3,558	6,328	11%
Other	767	200	968	911	281	1,191	2,159	4%
<b>Total</b>	<b>14,355</b>	<b>11,109</b>	<b>25,464</b>	<b>16,473</b>	<b>16,336</b>	<b>32,809</b>	<b>58,273</b>	<b>100%</b>

## YoY

	1Q	2Q	1H	3Q	4Q	2H	FY
Department stores	138%	116%	127%	115%	119%	117%	121%
Directly managed stores	120%	108%	114%	114%	121%	118%	116%
EC & mail/online orders	104%	109%	106%	107%	94%	100%	102%
Outlets	159%	146%	153%	133%	126%	129%	139%
Other	88%	43%	72%	111%	61%	93%	82%
<b>Total</b>	<b>129%</b>	<b>113%</b>	<b>122%</b>	<b>115%</b>	<b>113%</b>	<b>114%</b>	<b>117%</b>

## vs. 2019

	1Q	2Q	1H	3Q	4Q	2H	FY
Department stores	71%	65%	68%	82%	78%	80%	74%
Directly managed stores	45%	50%	47%	54%	55%	54%	51%
EC & mail/online orders	107%	114%	110%	104%	102%	103%	106%
Outlets	153%	170%	160%	156%	136%	145%	151%
Other	38%	28%	35%	50%	22%	38%	37%
<b>Total</b>	<b>73%</b>	<b>72%</b>	<b>72%</b>	<b>83%</b>	<b>79%</b>	<b>81%</b>	<b>77%</b>

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

# Reference: Breakdown of Consolidated SG&A Expenses

**Increased ¥3.28bn vs. PY. Basic theme of SG&A control continued, excluding increase of sales commissions linked to sales and increase in personnel expenses and promotional expenses.**

SG&A Expenses (Unit: ¥1m)	2021	2022	vs. PY
Sales expenses	20,807	23,515	2,707
Sales promotion expenses	1,174	1,596	422
Personnel expenses	3,677	4,266	589
Equipment expenses	972	997	26
Logistics expenses	1,412	1,351	-61
Administrative expenses	2,551	2,149	-402
<b>SG&amp;A expenses</b>	<b>30,593</b>	<b>33,874</b>	<b>3,281</b>
Sales commissions	10,988	13,236	2,248
<b>SG&amp;A expenses excluding sales commissions</b>	<b>19,605</b>	<b>20,638</b>	<b>1,033</b>

**+¥930m vs. PY in real terms, excluding ¥2.24bn in sales commissions linked to sales and recorded extraordinary losses in PY, as well as non-recurring expenses due to revisions to the pension system.**

**Promotional expenses +¥420m.**

- Publication of comprehensive catalog.
- Strengthened promotion of a diffusion line approach.

**Personnel expenses increased by ¥510m (excluding non-recurring expenses of ¥70m).**

- Increased provision for bonuses of ¥330m due to enhanced personnel returns.
- Increased ¥180m due to decreased gain on investment associated with revisions to the pension system.

Sales expenses: FA expenses, sales commissions, rent expenses for real estate, etc. Figures for 2021 include sales commissions equivalent to department store credit rate. Equipment expenses: Shops setup expenses, depreciation expenses, lease fees, repair costs, etc.

Personnel expenses: Personnel compensation, statutory welfare benefits, etc. Logistics expenses: Packing & transportation costs, logistics outsourcing fees. Administrative expenses: Business outsourcing fees, utility expenses, travel and transportation expenses, communication expenses, miscellaneous expenses.

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Paul Stuart

## Basic Policy

**Continuing from the previous year, promote business strategies in line with the Medium-Term Business Plan.**

**Expect certain achievement of this year's (second year of the Medium-Term Business Plan) sales and income projections based on the results of the previous year.**

**Therefore strengthen our foundation to achieve the targets for the final fiscal year.**



# Full-Year Forecast: Consolidated PL

Net sales of ¥59.5bn, operating income of ¥2.4bn (4.0% operating margin), net income of ¥2.2bn (3.7% net income margin) planned for FY2024, the second year of the Medium-Term Business Plan.

	FY2023	Medium-Term Plan <sup>1</sup>	FY2024		
	Results		Projection	YoY	
Financial Figures (Unit: ¥100m)	Net sales	582.7	590.0	595.0	102%
	Gross profit	361.1	368.8	372.0	103%
	SG&A expenses	338.7	345.8	348.0	103%
	Operating income	22.3	23.0	24.0	107%
	Ordinary income	24.3	22.0	25.0	103%
	Net income	21.5	19.0	22.0	102%
Major Financial Indicators	Gross profit margin	62.0%	62.5%	62.5%	+0.5pt
	SG&A expense ratio	58.1%	58.6%	58.5%	+0.4pt
	Operating margin	3.8%	3.9%	4.0%	+0.2pt
	Ordinary income margin	4.2%	3.7%	4.2%	0pt
	Net income margin	3.7%	3.2%	3.7%	0pt

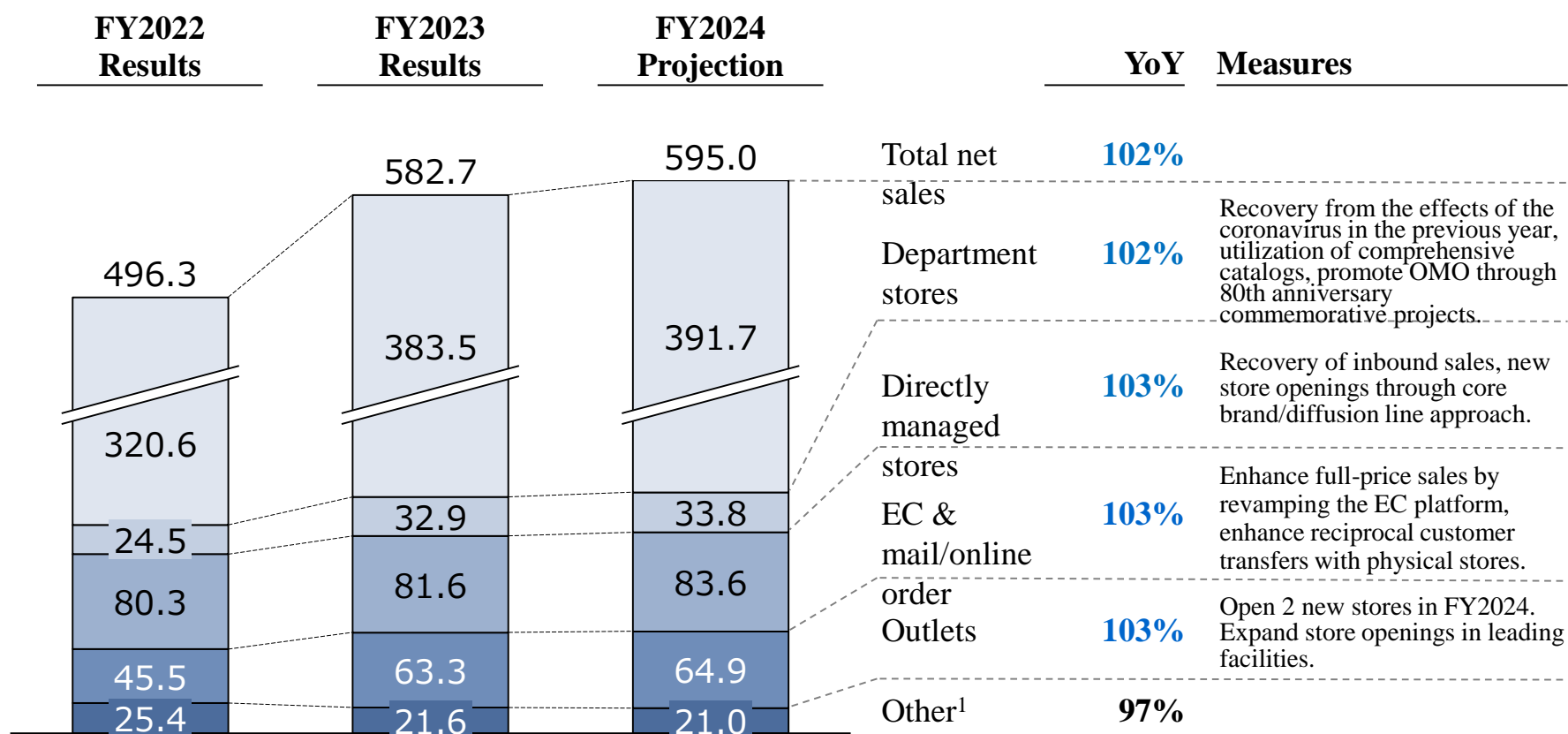
1. Plan at the time of announcement of the Medium-Term Business Plan on April 14, 2022.

# Favorable Net Sales

**Planned increase in sales of 102% or +¥1.2bn vs. PY due to expanded sales in conjunction with market recovery due to the subsiding of the coronavirus, expanded inbound sales associated with easing of immigration restrictions, and enhancement of diffused line approach, etc.**

## Net Sales Projection

(Unit: ¥100m)



1. Subsidiaries, employee sales, wholesale, etc.

# Policy by Channel

**Expand sales and improve profitability for department stores by enhancing store efficiency. For directly managed stores and outlets, strengthen store openings centered on core brands. For EC, enhance full-price sales, acquire new users and expand sales after rebuilding the platform in 2H**

## Department stores

**Expand sales and improve profitability for department stores by enhancing store efficiency.**

**Expand sales by improving the environment through flexible opening/closing of stores and renovations, etc.**

- Thirteen shops in new store openings and 50 renovated shops planned for FY2024.
- Strengthen store openings, including pop-up deployments particularly in urban-type leading department stores.

**Improve profitability by reviewing the staffing system, co-branding, optimizing inventory, etc.**

- SANYO Style STORE, a combined shop encompassing four women's clothing brands.

**Strengthen store openings centered on core brands for directly managed stores and outlets.**

- Strengthen branding through openings, including flagship stores, of stand-alone stores in ideal locations.
- Promote store openings in urban FB/SC through a diffusion line approach.
- For outlets, roll out new stores in facilities where stores have not been opened yet.

**Expand sales/improve by enhancing operations/expanding dedicated products by sales channel of existing stores.**

- Actively introduce directly managed store-only products/inbound made-to-order products/outlet-only products.

**Continue to strengthen sales by enhancing full-price sales/expanding limited editions.**

**Acquire new users/expand sales by revamping the EC platform.**

- Complete overhaul planned in FY2023.
- Integrate brand site and EC site to combine content and commerce.



**Directly managed stores and outlets**  
**Strengthen store opening.**



## EC

**Enhance full-price sales, acquire new users, expand sales.**



# Measures to Improve Gross Profit Margin

Continued promotion of measures such as control of procurement cost margin, enhancing of inventory control, improvement of full-price sales margin. Aim for a gross margin of 62.5% for FY2024.

**FY2024**

**FY2025**

**Quantitative Target: Increase gross profit margin by 62.5% (+0.5pt vs. PY)**

**63.0% gross margin**

## Qualitative policies

## Specific measures

### Control procurement cost margin

- Optimize SCM by strengthening initiatives with major suppliers.
- Expand direct trade, direct import.
- Diversify material sourcing.

### Strengthen inventory control

- Control over-purchasing by keeping 20% of purchases, handle bestselling products with QR system.
  - ¥17.8bn projected for purchases in FY2024, but will be flexibly managed depending on the situation.
- Product inventory at end of FY2024 is projected as ¥7.5bn compared to ¥8bn at the end of FY 2023.
  - Improve inventory turnover rates by shortening MD cycles and developing a QR system.

### Improvement to full-price sales margin

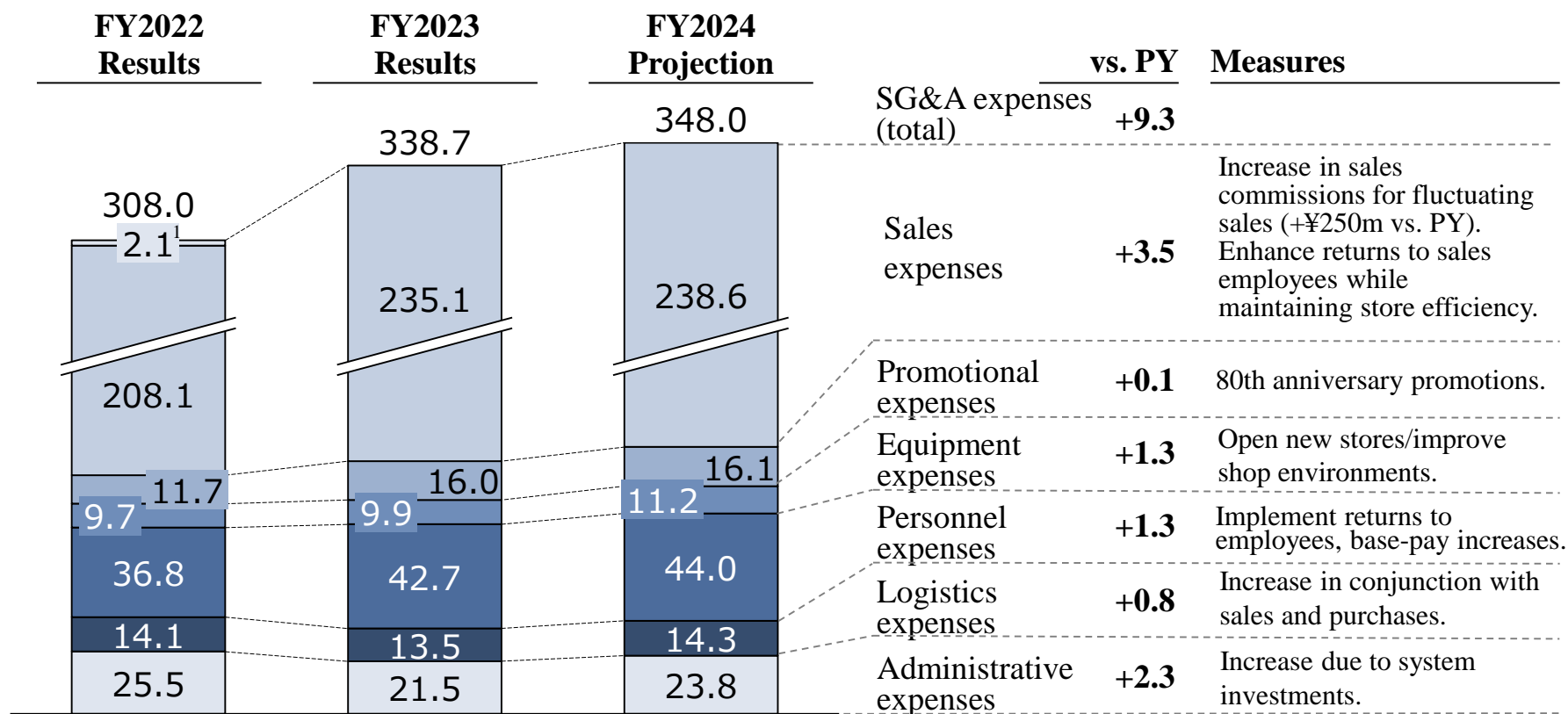
- Full-price sales margin: Plan for over 67% for FY2024 compared to 65% for FY2023 results.
  - Strengthen ability to respond to actual demand by enhancing inventory control and shortening MD cycle.
  - Reduce product numbers/aggregate MD, and enhance ability to respond during the period.
- Sell-through rate: Aim for over 79% for FY2024 compared to 72% for FY2023 results.
  - Thorough consumption of products for each season within the period and promote further reduction of carryover inventory.

# Controls on SG&A Expenses

**Maintain the policy of controlling fixed costs while promoting investment in stores/systems/employees. Variable costs increase as sales expand.**

## Past Results vs. FY2024 Forecast

(Unit: ¥100m)



1. Recorded extraordinary losses.

Sales expenses: FA expenses, sales commissions, rent for real estate, etc.; Equipment expenses: Shops setup costs, depreciation expenses, lease fees, repair costs, etc.; Personnel expenses: Compensation, statutory welfare benefits, etc.

Logistics expenses: Packing & transportation costs, logistics outsourcing fees; Administrative expenses: Business outsourcing fees, utility expenses, travel and transportation expenses, communication expenses, miscellaneous expenses.

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# Three-Year Projections

Results exceeded projections in the first year. Achieve the revised plan for this year and aim to achieve the targets for the final fiscal year.

	FY2023		FY2024		FY2025	vs. FY2023 Results	
	Initial Projection <sup>1</sup>	Results	Medium-Term Plan <sup>1</sup>	Projection	Medium-Term Plan <sup>1</sup>		
<b>Financial Figures</b> (Unit: ¥100m)	Net sales	560.0	582.7	590.0	595.0	625.0	107%
	Gross profit	347.2	361.1	368.8	372.0	393.8	109%
	SG&A expenses	335.2	338.7	345.8	348.0	350.0	103%
	Operating income	12.0	22.3	23.0	24.0	43.8	196%
	Ordinary income	11.4	24.3	22.0	25.0	42.0	173%
	Net income	9.0	21.5	19.0	22.0	35.0	163%
<b>Major Financial Indicators</b>	Gross profit margin	62.0%	62.0%	62.5%	62.5%	63.0%	+1.0pt
	SG&A expense ratio	59.9%	58.1%	58.6%	58.5%	56.0%	-2.1pt
	Operating margin	2.1%	3.8%	3.9%	4.0%	7.0%	+3.2pt
	Ordinary income margin	2.0%	4.2%	3.7%	4.2%	6.7%	+2.5pt
	Net income margin	1.6%	3.7%	3.2%	3.7%	5.6%	+1.9pt

1. Plan at the time of announcement of the Medium-Term Business Plan on April 14, 2022.

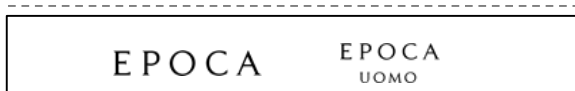
# Brand Strategy: Brand Portfolio Optimization

## Business Area

## Target Brands

## Strategy Summary

### Seven Core Brands



**Achieve operating surplus for all brands in FY 2023. Create a stable brand portfolio with profitability.**

**Aim to establish a robust business and profit base by creating as quickly as possible a ¥10bn net sales system for all brands.**

- Further improve brand value by strengthening branding.
- Active investment toward further business expansion.

- Expand sales channels to urban FB/SC through “CB CRESTBRIDGE.”
- Expand inbound sales.

- Strengthen branding by opening a flagship store.

- Expand sales channels to urban FB through “GREY LABEL.”

- Expand product categories and maximize licensing revenue.

- Expand and enhance directly managed stores, including flagship stores.

- Improve the environment and efficiency of main stores, opening of stores in combined form.

- Establish a department store profit-generating model.

- Establish the Sanyo Summit Series through high-quality product development.

- Continue low-cost operations and make the business profitable through MD innovation.

### Challenges

**Secure revenue-expenditure balance during this Medium-Term Plan, development policy that will become a growth engine for next Medium-Term Plan.**

- MD optimization, improve store profitability.

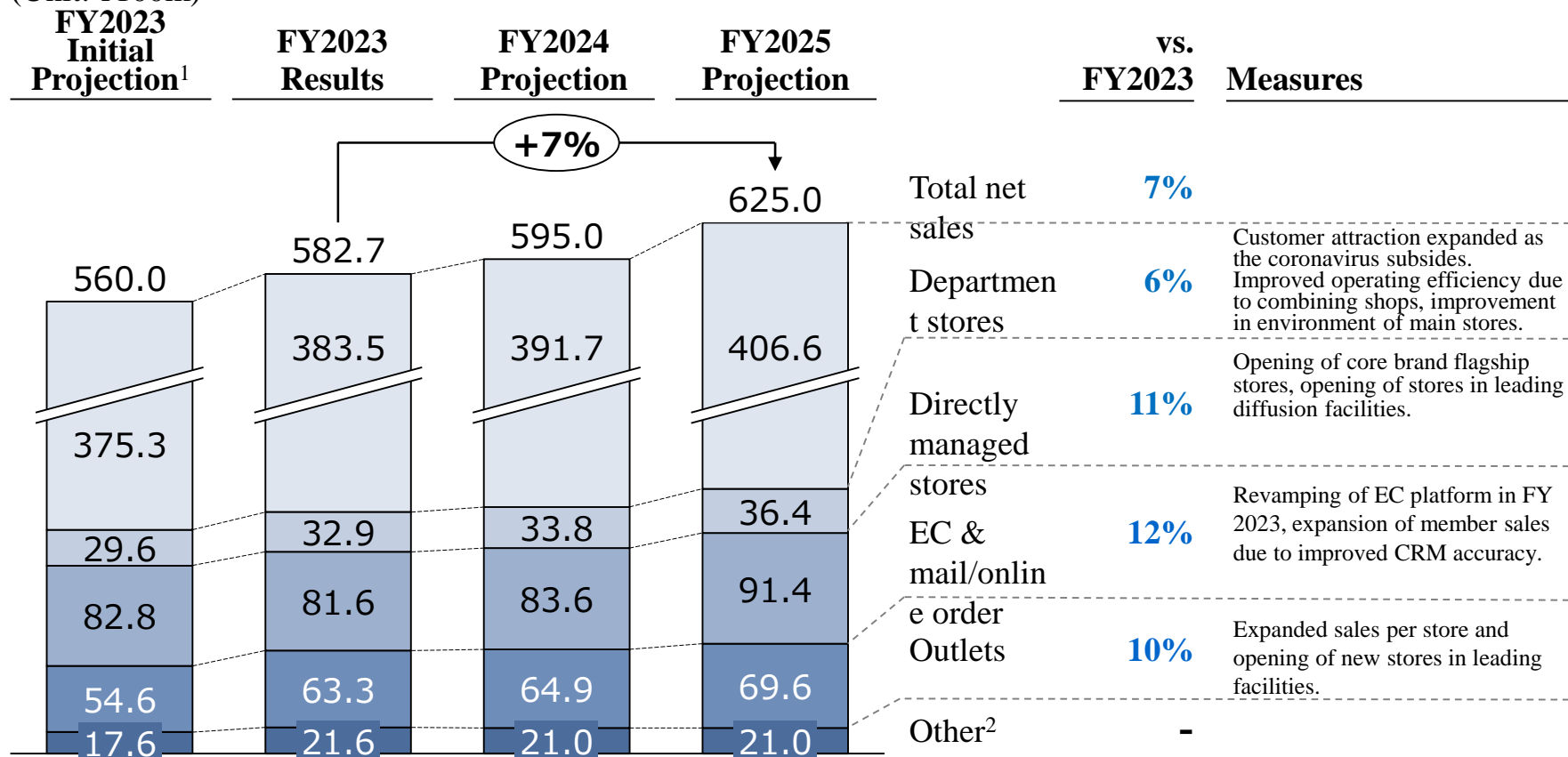


# Channel Strategy

**Real stores (department stores/directly managed stores/outlets) - increased sales projected due to recovery in attracting customers and expanded inbound sales due to the subsiding of the coronavirus. EC - also aiming to expand sales by revamping its platform.**

## Channel Strategy: Progress of the Three-Year Projections

(Unit: ¥100m)



1. Plan at the time of announcement of the Medium-Term Business Plan on April 14, 2022 2. Subsidiaries, employee sales, wholesales, etc.

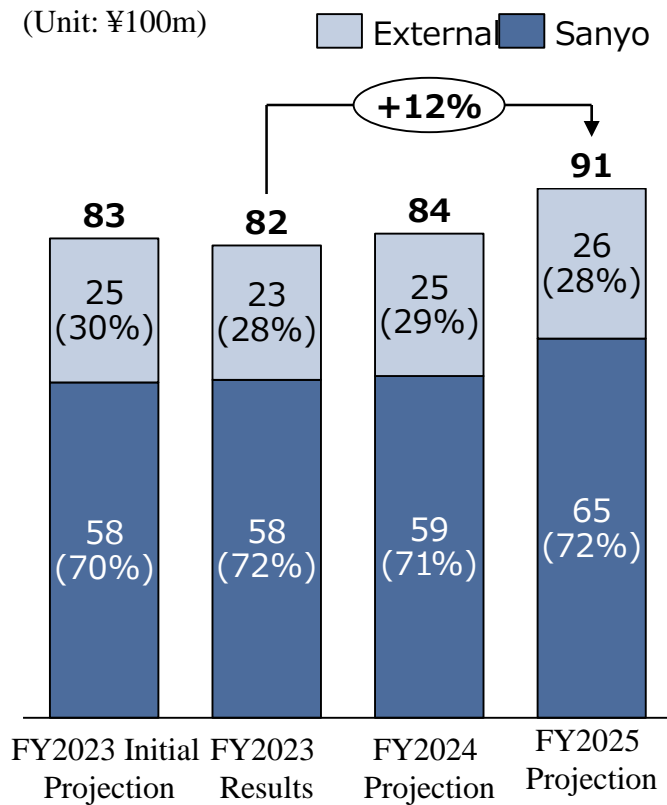
# EC Strategy

**Expanded functions/services by revamping of the EC platform in September 2023.**  
**Establish a system of mutual support between EC + physical stores through OMO**  
**promotion, aim for net sales of ¥9.1bn in FY2025.**

## Progress of EC Net Sales

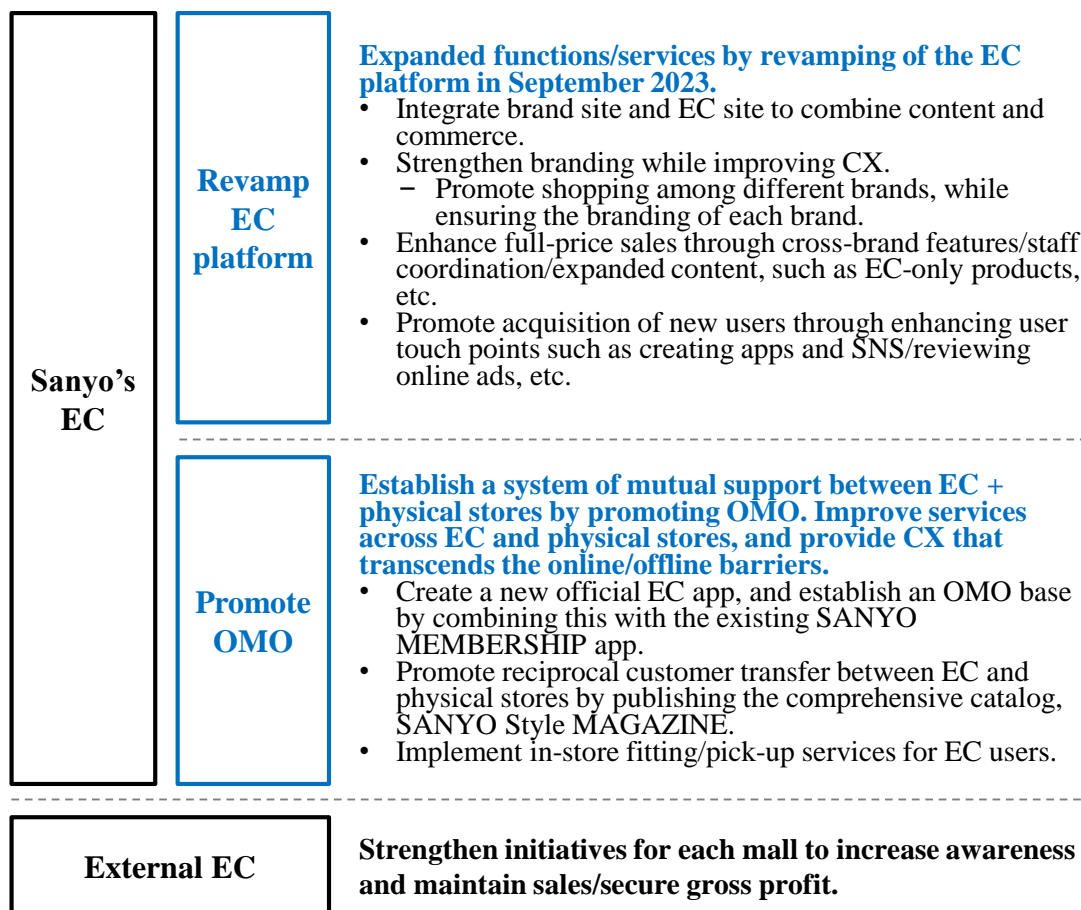
### Projections

(Unit: ¥100m)



(FY2025) Sanyo's EC net sales projection: ¥6.5bn.  
 External EC sales projection: increase slightly.

### Specific measures



# Capital Strategy

**In accordance with the basic policy of the Medium-Term Business Plan, enhance development investment and employee returns toward the future and enhance shareholder returns.**

## Establish a solid financial base

**Aim for equity of over ¥40bn in FY2025.**

- Accumulate capital through expanded profitability.
- Securitization of assets.

**ROE target of 8.5%.**

## Develop investment and employee returns toward the future

**Proactively pursue investments for future growth, based on the maintenance of a solid financial base.**

**Improve treatment as employee returns, improve motivation and engagement.**

## Enhancement of Shareholder Returns

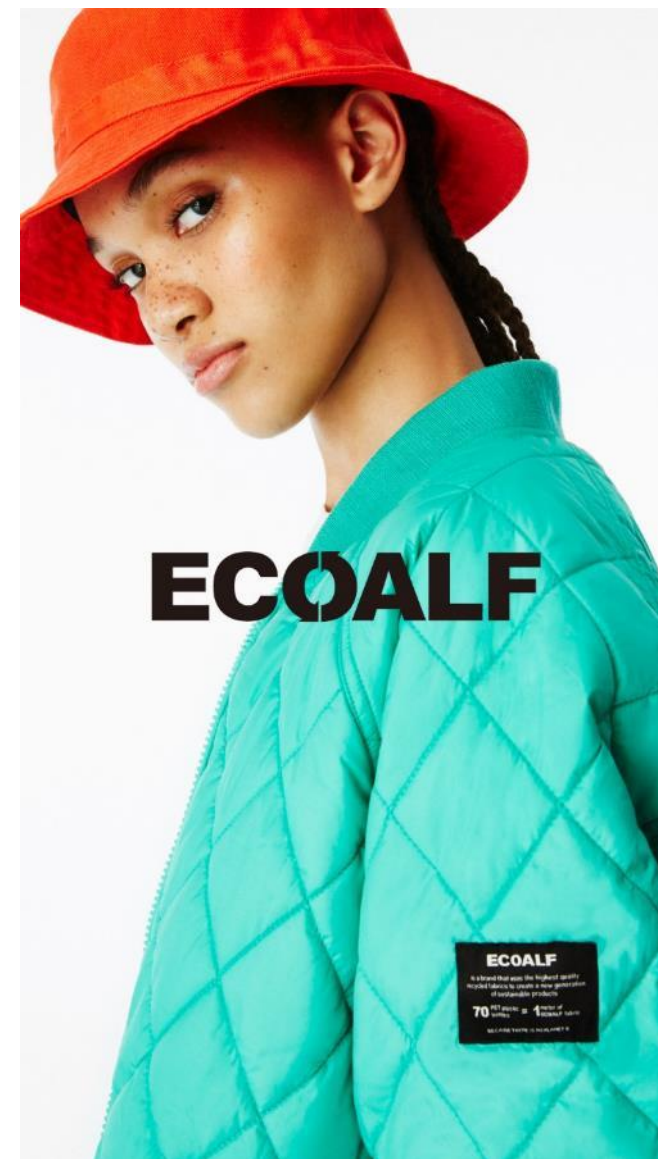
**Resume payout of dividends in FY2023 and pay a DOE 2% dividend ahead of schedule, ¥55 dividend.**

**A dividend of ¥59, DOE 2%, projected for FY2024.**

**Consider further enhancement of shareholder returns depending on future earnings progress.**

1. **FY2023 Earnings Report**
2. **FY2023 Review**
3. **FY2024 Projection**
4. **Medium-Term Business Plan Progress**
  - **Three-Year Projections**
  - **Growth Strategy**
    - **Branding Strategy**
    - **Channel Strategy**
    - **EC Strategy**
  - **Capital Strategy**
  - **ESG Initiatives**

Note: Figures for the period before FY2022 are reference values that have been replaced in essence according to the New Revenue Recognition Standard.



# Sustainability

## Identify materiality and further enhance disclosure content through enhancement of sustainability promotion system. Certified with a B evaluation in the CDP survey.

### Enhance the sustainability promotion system.

- The promotion base is the Sustainability Committee under the direct control of the Management Committee.
  - The Chairperson is the Executive Managing Officer, General Manager of Corporate Management HQ.
  - In FY2023, 8 reports have been put forward/submitted to the Management Committee, and 6 reports have been submitted to the Board of Directors/announced at board briefing sessions, and all were discussed.
- In March 2022, the Sustainability Promotion Office was newly established under the control of Corporate Management HQ.

### Identification of Materiality.

- Four materialities were identified that should be addressed as social issues faced by the fashion industry, while taking stakeholder expectations into consideration.
  - “Contribution to a sustainable global environment”
  - “Efforts toward a circular economy”
  - “Further promotion of CSR procurement”
  - “Creating a rewarding workplace that respects diversity”

### Further enhance disclosure content on Sanyo’s “Sustainability” webpage.

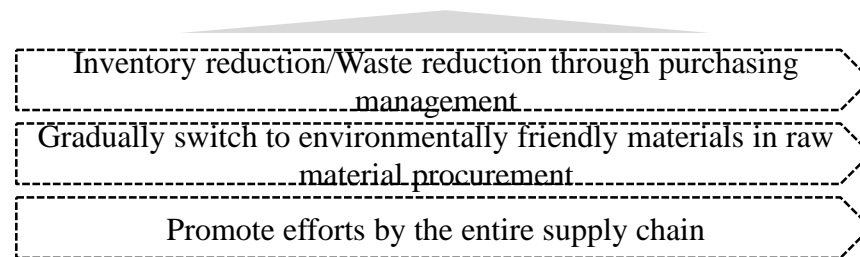
- Significant update in March 2023:  
<https://www.sanyo-shokai.co.jp/company/sustainability/>

### Certified with a B evaluation in the CDP survey.

- Certified with a B evaluation, third from the top on an 8-level scale, in a 2022 survey on responses to climate change conducted by CDP, an international NGO.

## GHG Emission Reduction Targets

	Medium-Term Target	Long-Term Target
Scope 1 and 2	Reduce 50% by FY2030, from FY2019 (reduce by 1,100t)	Scope 1 and 2 to be <b>net zero by 2050</b>
Scope 3	Reduce 30% by FY2030, from FY2019 (reduce by 34,700t)	



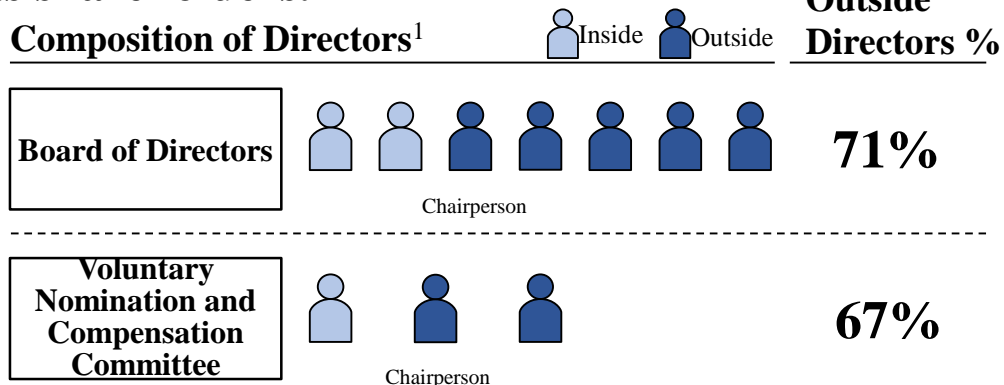
# Corporate Governance

**Secured the independence and objectivity of the Board of Directors with Outside Directors constituting 71% of members, including the chairperson. Increased the ratio of performance-linked and RS officer compensation 30% in order to encourage business management from the same perspective as shareholders.**

## Composition of the Board of Directors and a voluntary Nomination and Compensation Committee<sup>1</sup>.

- A composition that utilizes the knowledge and advice of Outside Directors and enhances the independence, objectivity, and accountability of the Board of Directors.
  - Ratio of Outside Directors: 71%
  - Chairperson of the Board of Directors is an Outside Director.
  - Promote diversity through appointment of female officers, etc.
- Establish a voluntary Nomination and Compensation Committee as an advisory committee to the Board of Directors. The chairperson is an Outside Director.

## Composition of Directors<sup>1</sup>



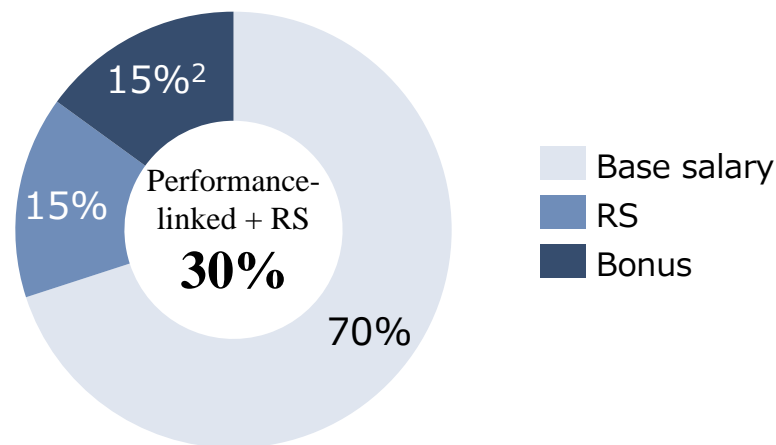
## Officer compensation with increased performance-linked + RS ratio.

- Performance-linked bonus accounts for 15%<sup>2</sup>.
- Restricted Stock award (RS) consists 15%.

## Implementation of employee engagement program.

- Held dialogues with mid-career and young employees nationwide in “Dialogues with the President” starting in FY2021, under business restructuring phase.
- Engagement surveys implemented by third party organizations and improvement activities based on the results of the surveys implemented starting in FY2023.

## Compensation for Inside Directors



1. Planned to be created after the 80th Annual General Meeting of Shareholders planned to be held in May 2023.

2. Range between 0% and 22.5% based on performance, etc.



## 80TH ANNIVERSARY SANYO

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