FY2024
Financial Results Explanatory Material

SANYO SHOKAI LTD.

April 12, 2024

Contents

Consolidated PL: FY2024 Results

Net sales for FY2024 stood at ¥61.35bn with operating profit and profit attributable to owners of parent of ¥3.04bn and ¥2.78bn, respectively.

(Billions of yen)	PY Results	FY2024 Forecast [1]	FY2024 Results	vs. PY Results	vs. Forecast
Net sales	58.27	61.50	61.35	+3.08	-0.15
Gross profit	36.11	38.50	38.17	+2.06	-0.33
SG&A expenses	33.87	35.40	35.12	+1.25	-0.28
Operating profit	2.23	3.10	3.04	+0.81	-0.06
Ordinary profit	2.43	3.20	3.18	+0.75	-0.02
Profit attributable to owners of parent	2.15	2.80	2.78	+0.63	-0.02

1. Revised full-year forecast announced on October 6, 2023

Consolidated PL: KPIs

Gross profit margin fell short of the forecast by 0.4 pts. but improved by 0.2 pts. YoY.
Operating margin achieved the forecast of 5.0%, an improvement of 1.2 pts. YoY.
ROE missed the forecast by 1.0 pt. but improved by 1.1 pts. YoY.

	PY Results	FY2024 Forecast [1]	FY2024 Results	vs. PY Results	vs. Forecast
Gross profit margin	62.0%	62.6%	62.2%	+0.2 pts.	-0.4 pts.
SG&A expense ratio	58.1%	57.6%	57.2%	-0.9 pts.	-0.4 pts.
Operating margin	3.8%	5.0%	5.0%	+1.2 pts.	0 pts.
Ordinary profit margin	4.2%	5.2%	5.2%	+1.0 pt.	0 pts.
Net profit margin	3.7%	4.6%	4.5%	+0.8 pts.	-0.1 pts.
ROE	6.1%	8.2%	7.2%	+1.1 pts.	-1.0 pt.

1. Revised full-year forecast announced on October 6, 2023

Achievement of forecasts

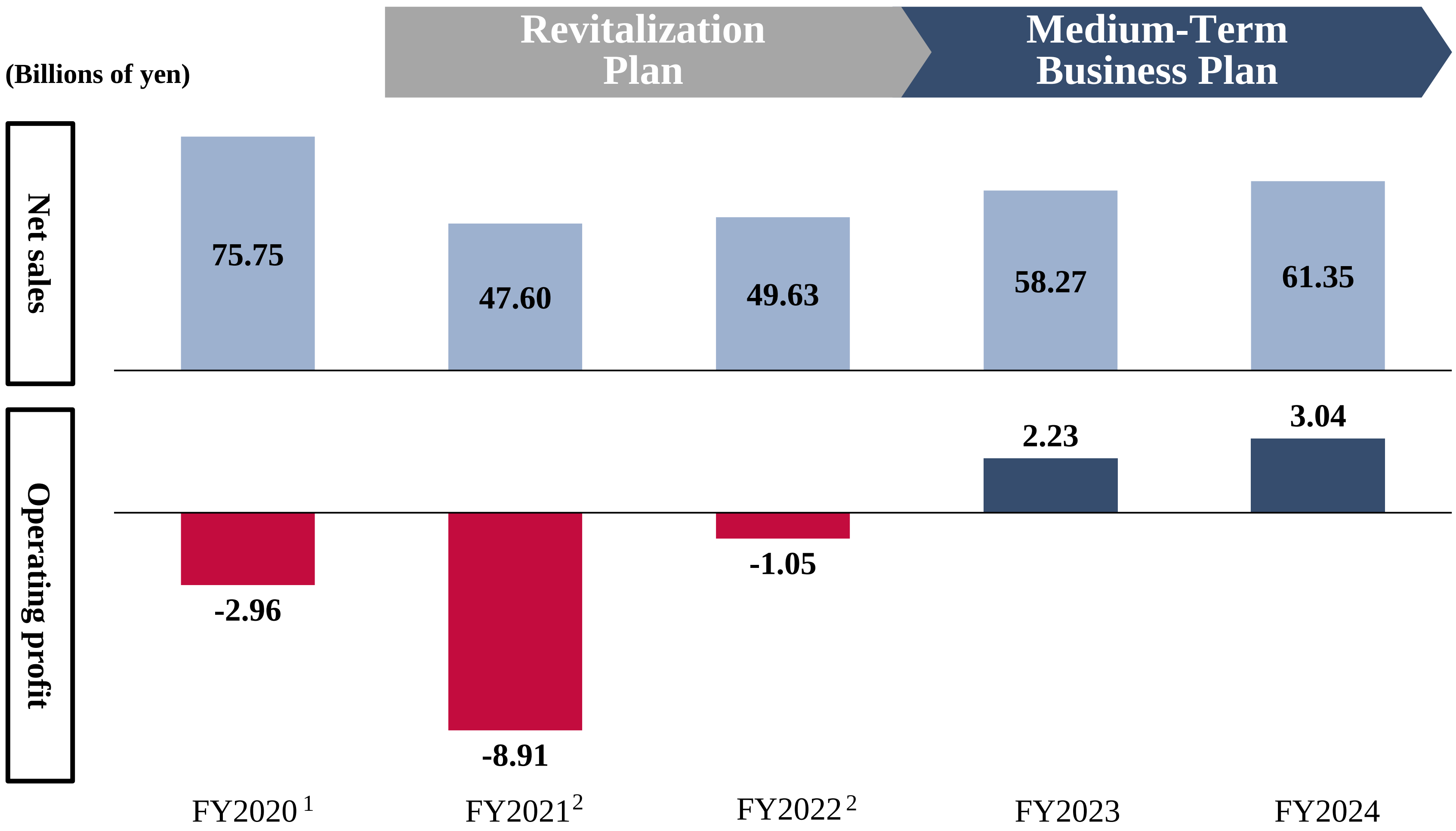
Sales of winter clothes struggled due to the warm winter in H2, resulting in net sales, operating profit, ordinary profit, and profit attributable to owners of parent all falling short of the Oct. 6th forecast, but nevertheless achieving the initial forecast.

(Billions of yen)	Apr. 14 Forecast [1]	Jun. 30 Forecast [2]	Oct. 6 Forecast [3]	FY2024 Results	vs. Apr. 14 Forecast	vs. Jun. 30 Forecast	vs. Oct. 6 Forecast
Net sales	59.50	61.00	61.50	61.35	+1.85	+0.35	-0.15
Gross profit	37.20	38.08	38.50	38.17	+0.97	+0.09	-0.33
SG&A expenses	34.80	35.38	35.40	35.12	+0.32	-0.26	-0.28
Operating profit	2.40	2.70	3.10	3.04	+0.64	+0.34	-0.06
Ordinary profit	2.50	2.80	3.20	3.18	+0.68	+0.38	-0.02
Profit attributable to owners of parent	2.20	2.50	2.80	2.78	+0.58	+0.28	-0.02

1. Full-year forecast at the beginning of the fiscal year announced on April 14, 2023
2. Revised full-year forecast announced on June 30, 2023.
3. Revised full-year forecast announced on October 6, 2023.

Reference: Five-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.



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.

Consolidated BS

Total assets increased ¥4.34bn YoY, while equity increased by ¥4.82bn, resulting in the equity ratio up 3.3 pts. YoY to 70.2%.

(Millions of yen)	Feb. 28, 2023	Feb. 29,2024	YoY Change
Cash and deposits	20,896	23,283	2,387
Accounts receivable - trade	3,360	3,311	-49
Merchandise and finished goods	8,024	7,298	-726
Property, plant and equipment	8,559	8,598	39
Intangible assets	3,226	3,108	-118
Other assets[1]	10,348	13,160	2,812
Total assets	**54,413**	**58,758**	**4,345**
Notes and accounts payable - trade	5,265	4,435	-830
Borrowings	6,800	6,800	0
Other liabilities	5,913	6,264	351
Total liabilities	17,978	17,499	-479
Share capital	15,002	15,002	-
Total shareholders' equity	31,955	34,097	2,142
Accumulated other comprehensive income and other[2]	4,480	7,161	2,681
Total net assets	36,435	41,258	4,823
Total liabilities and net assets	**54,413**	**58,758**	**4,345**
Reference: Equity	36,421	41,242	4,821

Cash and deposits: up ¥2.38bn

- Due to an increase in operating cash flow resulting from an established trend of operating profitability

Merchandise and finished goods: down ¥0.72bn

- Due to improved inventory contents resulting from a significant reduction in carryover items.

Other assets: up ¥2.81bn

- Due primarily to an increase in fair value of investment securities

Net assets: up ¥4.82bn

- Shareholders' equity up ¥2.14bn due primarily to an increase in retained earnings
- Accumulated other comprehensive income up ¥2.68bn due 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

Contents

Progress and Evaluation of Priority Measures

Priority Measures		Progress and Evaluation
Achieve forecast net sales	△	**Achieved a ¥3.08bn increase YoY, though ¥0.15bn short of the forecast[1]** • Achieved a ¥3.08bn increase YoY due to the recovery of foot traffic following the normalization of the market after the COVID-19 pandemic subsided and the expansion of inbound demand. • However, sales of fall and winter products suffered due to a warm winter in H2, resulting in net sales falling short of the forecast by ¥0.15bn.
Improve gross profit margin	△	**Gross profit margin improved 0.2 pts. YoY to 62.2%, though 0.4 pts. lower than the forecast[1]** • Gross profit margin increased YoY due to strengthened efforts for full-price sales through inventory control but missed the forecast by 0.4 pts. due to an increase in clearance sales following the slump in fall/winter product sales in H2. − The full-price sales ratio improved 1 pt. to 66% for the full year (68% for H1 and 65% for H2) due to strengthened efforts for full-price sales. • Average selling price increased by 10% for the full year (up 12% for H1 and up 7% for H2). As a result, this absorbed the cost increases caused by the weakening yen and increased resource prices, with the cost of sales ratio remaining at the same level for the previous fiscal year.

1. Revised full-year forecast announced on October 6, 2023

Progress and Evaluation of Priority Measures

Priority Measures		Progress and Evaluation	
Business restructuring	Control SG&A expenses	○	**Controlled as planned** • SG&A expenses increased ¥1.25bn YoY but ¥0.67bn YoY on a substantial basis, which excluded a ¥0.58bn increase in sales commissions linked to sales, resulting in SG&A expenses lower than the forecast by ¥0.28bn.
	Reduce inventory	○	**Product inventory[2] as of the end of February decreased ¥0.71bn YoY to ¥6.39bn with a significant improvement in inventory content.** • This and next season’s items were at the same level as the previous year. Carryover inventory decreased ¥0.6bn YoY as a result of consistent and thorough efforts for sell-through. − Ratio of next season’s/this season’s items was 82%（up 6 pts. YoY）
	Implement financial reform	○	**Equity ratio: 70.2% (up 3.3 pts. YoY)** **Debt-to-equity ratio (DER): 0.16** • Net assets: ¥41.2bn, up from ¥36.4bn at the end of same month PY • Total assets: ¥58.7bn, up from ¥54.4bn at the end of same month PY • Interest-bearing liabilities: Flat at ¥6.8bn compared to the end of same month PY • Cash position: ¥23.2bn, up from ¥20.8bn at the end of same month PY

1. Revised full-year forecast announced on October 6, 2023
2. Inventory of finished products only, excluding raw materials, work in process, etc.

Reference: Sales Results by Channel

Physical stores[1] performed solidly at 106% YoY, while EC remained at 99% YoY due in part to the suspended operations to prepare for the September 2023 renewal.

Revenue (Millions of yen)

	Q1	Q2	H1	Q3	Q4	H2	Full year	Percentage of total
Department stores	10,517	7,855	18,371	10,951	10,594	21,545	39,916	65%
Directly managed stores	916	779	1,696	948	1,036	1,984	3,680	6%
EC & mail/online orders	1,927	1,766	3,693	1,877	2,536	4,413	8,106	13%
Outlets	1,717	1,484	3,202	1,894	2,079	3,973	7,174	12%
Other	892	303	1,194	777	506	1,284	2,477	4%
Total	15,969	12,187	28,155	16,447	16,751	33,198	61,353	100%

YoY

	Q1	Q2	H1	Q3	Q4	H2	Full year
Department stores	111%	108%	110%	100%	99%	100%	104%
Directly managed stores	125%	127%	126%	103%	102%	102%	112%
EC & mail/online orders	102%	99%	101%	92%	103%	98%	99%
Outlets	115%	116%	116%	111%	112%	112%	113%
Other	116%	151%	123%	85%	180%	108%	115%
Total	111%	110%	111%	100%	103%	101%	105%

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

Reference: Breakdown of SG&A Expenses

SG&A expenses increased ¥1.25bn YoY including a ¥0.58bn YoY increase in sales commissions linked to sales. While continuing the basic policy of curbing costs of a fixed nature, we increased investments in stores, systems, sales promotion, and personnel, which contribute to sales expansion.

SG&A Expenses

(Millions of yen)	FY2023	FY2024	vs. PY
Selling expenses	23,515	24,360	845
Personnel expenses	4,266	4,365	99
Sales promotion expenses	1,596	1,691	95
Equipment expenses	1,146	1,243	97
Logistics expenses	1,351	1,312	-39
Administrative expenses	2,000	2,153	153
Total SG&A expenses	33,874	35,123	1,249
Sales commissions	13,236	13,818	582
SG&A expenses excluding sales commissions	20,638	21,305	667

SG&A expenses increased ¥0.67bn YoY on a substantial basis, excluding an increase in sales commissions linked to sales by ¥0.58bn.

FA expenses (out of selling expenses): up ¥0.27bn
- Increase in a base pay and incentives for FAs

Personnel expenses: up ¥0.10bn
- Increase in a base pay and bonuses

Sales promotion expenses: up ¥0.10bn
- 80th anniversary promotion
- Publication of comprehensive catalog

Equipment expenses: up ¥0.10bn
- New store openings and in-store environment improvements

Administrative expenses: up ¥0.15bn
- Development costs for the revamp of EC platform, etc.
- Increase in taxes and dues

Selling expenses: FA expenses, sales commissions, rent expenses for real estate, etc.; Equipment expenses: Shop 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.

Contents

Basic Policy for FY2025

TIMELESS WORK.
ほんとうにいいものをつくろう。
SANYO

Basic Policy

Achieve the forecast 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		
	MACKINTOSH LONDON		• Strengthen branding by opening flagship stores
	MACKINTOSH PHILOSOPHY		• Expand sales channels to urban FB through "GREY LABEL"
	Paul Stuart / THE SCOTCH HOUSE 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	**Poised to achieve break-even during the current MTBP period and nurture these brands to become a growth engine during 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

Full-Year Forecasts: Consolidated PL

For FY2025, the final year of the Medium-Term Business Plan (MTBP), we forecast net sales of ¥62.5bn, operating profit of ¥3.3bn, and profit attributable to owners of parent of ¥3.1bn. While net sales and gross profit are expected to achieve the MTBP target, SG&A expenses are expected to exceed the MTBP target by ¥1.1bn, and operating profit and the items below it are expected to fall short of the MTBP target.

	(Billions of yen)	FY2023		FY2024		FY2025		
		MTBP Target [1]	Results	MTBP Target [1]	Results	MTBP Target [1]	Forecast	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%
	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

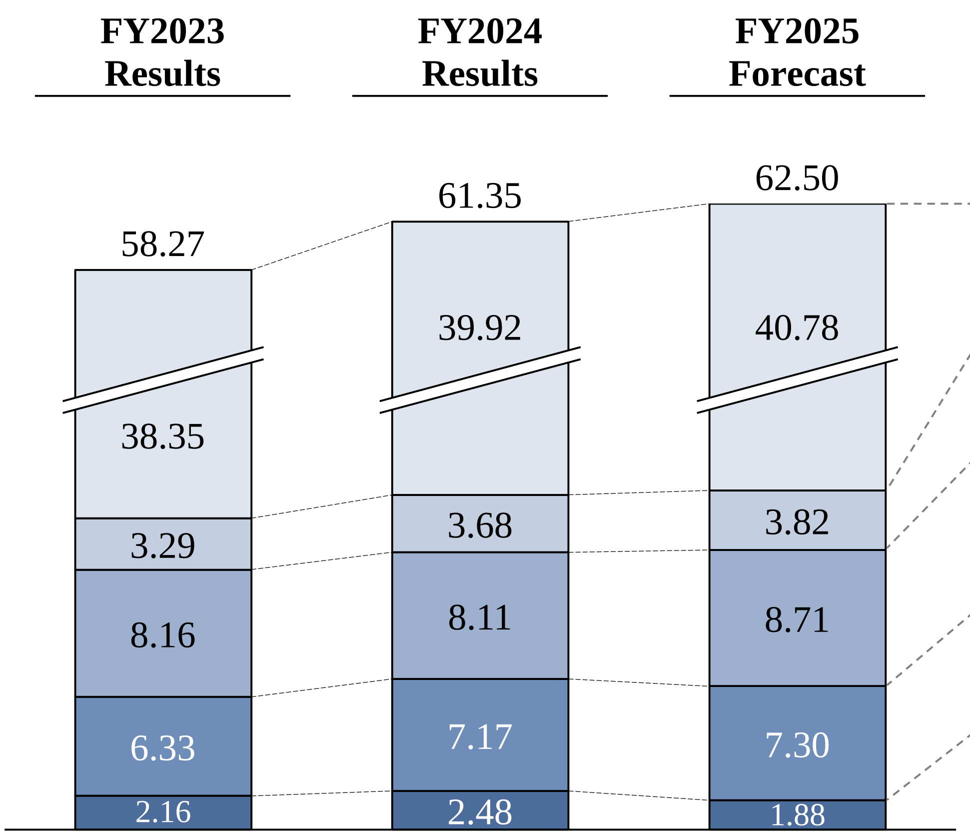
1. Target figures of the Medium-Term Business Plan (MTBP) announced on April 14, 2022.

Achieve Forecast Net Sales

We plan to increase net sales for FY2025 by ¥1.15bn YoY through aggressively opening new stores, expanding inbound sales following the easing of immigration restrictions, and reaping benefits of the renewal effect of the SANYO ONLINE STORE, which was revamped in the previous fiscal year.

Net Sales Forecast

(Billions of yen)



	YoY Change	Measures
Total net sales	102%	
Department stores	102%	Plan to open nine new shops and refurbish approx. 30 shops in FY2025.
Directly managed stores	104%	Recover inbound sales and promote new store openings centered on core brands.
EC & mail/online order	108%	Reap benefits of renewal effect of the revamped platform; and continue to enhance full-price sales and reciprocal customer transfers with physical stores.
Outlets	102%	Plan to open five new shops in FY2025
Other[1]	76%	Decrease employee sales to reflect inventory reduction, etc.

1. Employee bargain sales, wholesale, etc.

Policy by Channel

The department stores channel expands sales and improves profitability by enhancing store efficiency. The directly managed stores and outlets channel strengthens store openings of core brands. The EC channel reaps benefits of the site renewal effect and expands sales through enhancing full-price sales.

Department stores

Expand sales and improve profitability by enhancing store efficiency

Expand sales by improving the environment through opening stores and renovations, etc.

- Plan to open nine new stores and renovate approx. 30 shop floors in FY2025
- 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.

Directly managed stores and outlets

Strengthen store openings

Strengthen opening of directly managed stores/outlet stores of core brands

- 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.

EC

Reap benefits of the renewal effect and promote OMO

Strengthen acquisition of new users through renewal, improve circulation/UX

Continue OMO promotion/enhance full-price sales

- Service enhancement/app integration/functional improvements/ product information enhancement/cross-brand shopping promotion, etc.

Strengthen access to specific customers, etc. through promoting customer strategies

Measures to Improve Gross Profit Margin

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)

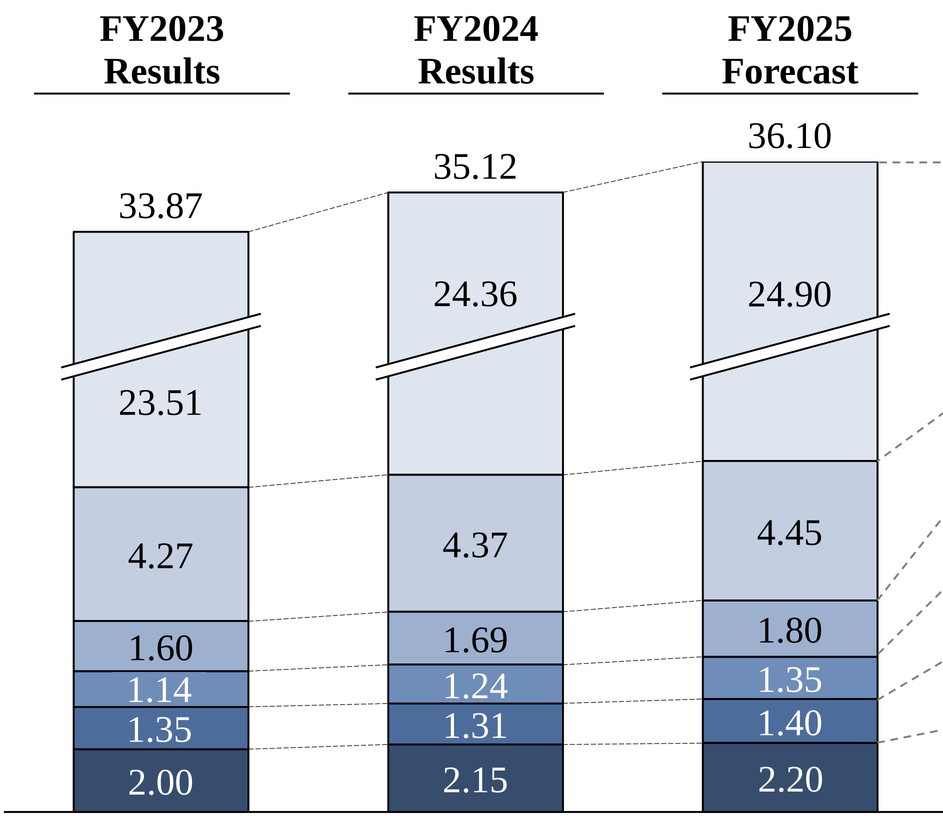
Qualitative policies	Specific measures
Control the procurement cost ratio	• Optimize supply chain management by strengthening initiatives with major suppliers. • Expand direct trade and direct import. • Diversify material sourcing. • Increase selling prices by strengthening product appeal and raising 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 at the end of FY2025 is projected as ¥6.20bn, 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.

Control 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. Up ¥0.98bn from the PY, up ¥1.10bn from the MTBP target.

Past Results vs. FY2025 Forecast

(Billions of yen)



	vs. PY	Measures
Total SG&A expenses	**+0.98**	
Selling expenses	**+0.54**	Increase sales commissions linked to sales (up ¥0.41bn 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	**+0.09**	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.

Major Variances in SG&A Expenses from the MTBP[1] Target

SG&A expenses increased ¥1.1bn compared to the MTBP target mainly due to increases in sales commissions linked to sales and personnel expenses. On the other hand, logistics expenses decreased YoY and other expenses of a fixed nature remained under control.

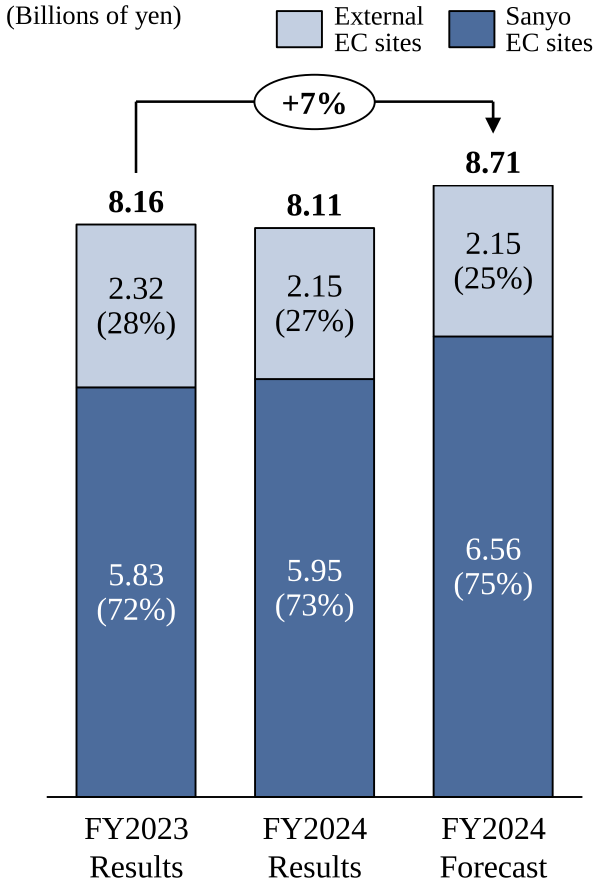
Items	Main factors	Variance from MTBP target (Billions of yen)
Sales commissions	**Strengthened store openings in mainstay department stores after reviewing the channel strategy because sales at those stores recovered more than expected and operational efficiency improved.** • Expect ¥40.8bn in sales at department stores for FY2025, up ¥3.2bn from the MTBP target. **Strengthened sales and improved the efficiency of existing stores.**	+0.98
Personnel expenses	**Increased bonuses and incentives from FY2023 and raised base pay from FY2024, resulting in higher expenses compared to the MTBP target.** **Will increase expenses for internal training and other initiatives in FY2025 as part of investment in human resources.**	+0.70
Logistics expenses	**Lowered expenses through measures such as thorough enhancement of inventory control, inventory reduction, and improvement of the full-price sales ratio, even after taking into account the impact of the FY2024 legal reforms.** • Will also strengthen efforts including reduction of environmental impact, shared delivery, and standardization of packaging materials.	-0.35
Others	**Other expenses of a fixed nature remained under control.** • Will strengthen investments in stores, systems, and sales promotion within the scope of the MTBP target.	-0.23
		+1.10

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

E-Commerce Strategies

We renewed the EC platform as SANYO ONLINE STORE in September 2023, expanding functions and services. Aiming to establish a mutually complementary structure between EC and physical stores through initiatives including further promotion of Online-Marge-Offline (OMO).

E-Commerce sales



Effects of platform renewal and specific measures to be taken

Effects of platform renewal in Sep. 2023

New members to SANYO MEMBERSHIP grew 117% YoY.
Orders increased 110% YoY due to improved navigability and UX.

- Sales via content such as “STAFF SNAP” (outfit photos of store staff) increased.
- Launched special products for the renewal.
- Both the number of sessions and average order unit price increased.
- Sales via official apps increased due to app updates and strengthened collaboration.

Measures to be taken

Sanyo EC sites

Promote OMO
- Expand “TRY & PICK,” in-store try-on service
- Expand STAFF SNAP functionality
- Integrate brand apps into the official app

Enhance full-price sales
- Enhance product information on the site, such as product photos
- Promote cross-brand shopping through special promotion events or other means
- Expand EC-exclusive products

Reap benefits of site renewal effect

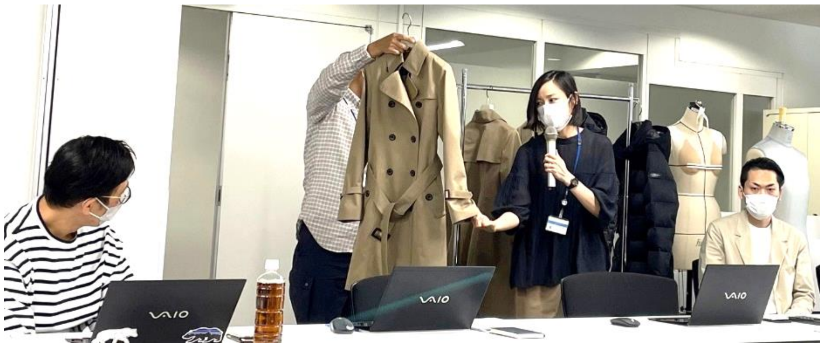
External EC sites

Aim to strategically curb sales as we are strengthening full-price sales.
- Maintain a YoY growth by strengthening appeal in malls through the expansion of exclusive content.

Strengthen Product Appeal and Sales & Marketing Capabilities

We make efforts across the company to strengthen product appeal and sales & marketing capabilities as priority issues.

Strengthen product competitiveness



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.
  - Strengthen light and medium-weight clothing, develop core products, and develop seasonal products for the August-September midsummer and off-season periods.
- Strengthen the ability to promptly respond during the period and enhance capabilities of course correction.

Strengthen sales capabilities

SANYO MEMBERSHIP

Strengthen the shift in approach from mass to individuals

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

Increase members of SANYO MEMBERSHIP and upgrade top customers' ranks

- Upgrade about 400,000 active members out of about 1.6 million members.
  - Strengthen promotions and review membership programs.
- Activate dormant members.

Create a list of top 10,000 customers covering each store nationwide

- Stimulate purchases of top customers by strengthening access to them.

Capital Strategy

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

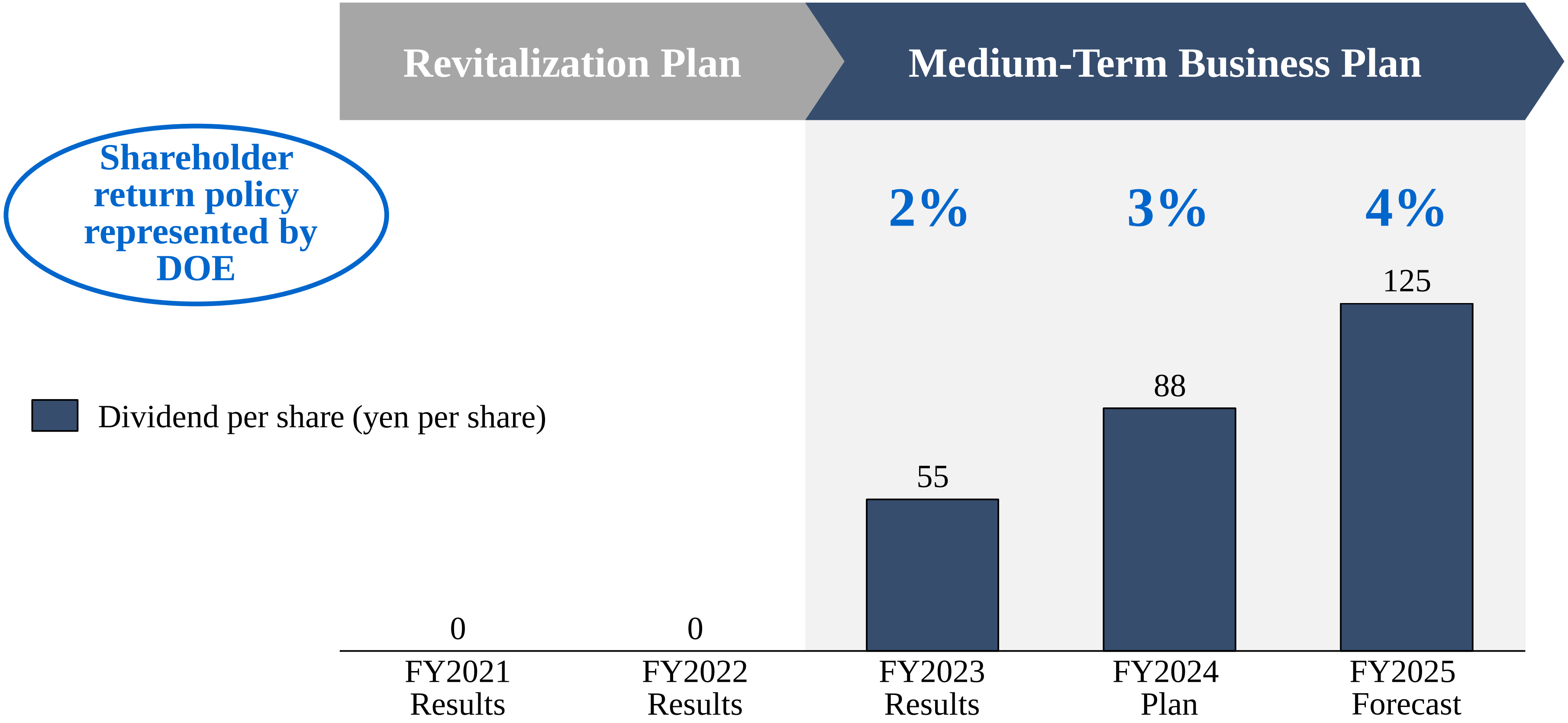
- Dividend policy for FY2025: DOE 4%
- Consider further strengthening of shareholder returns in line with progress in financial performance.

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**

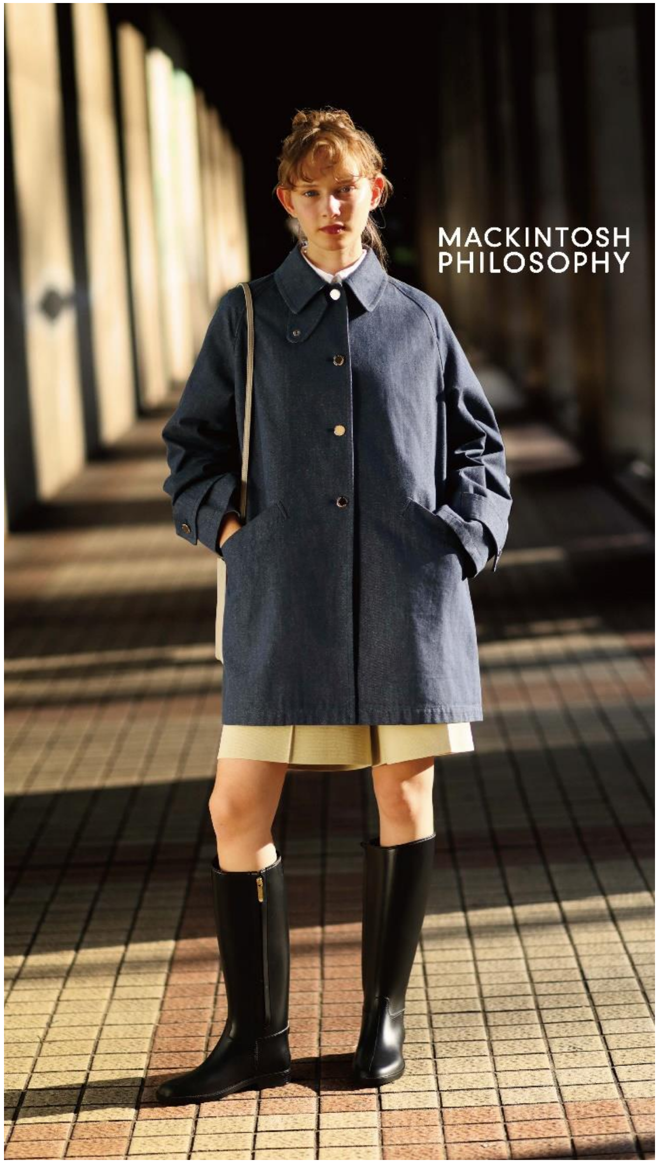
Dividend Forecast

Under the policy of strengthening shareholder returns, a DOE of 3% and an annual dividend of ¥88 per share are planned for FY2024, and a DOE of 4% and an annual dividend of ¥125 per share are forecasted for FY2025.



We are also considering further enhancement of shareholder returns (through, for example, flexible share buybacks) depending on the progress of financial performance.

Contents



Corporate Governance

We have secured the independence and objectivity of the Board of Directors with Outside Directors constituting 71% of Board members, including the chairperson. The ratio of performance-linked and RS[1] officer compensation set to 30% to promote shared interests between shareholders and management.

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

- Utilizes the knowledge and advice of Outside Directors and enhances the independence and objectivity
  - 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

- Performance-linked bonus accounts for 0 to 22.5%[3]
- RS: 15%

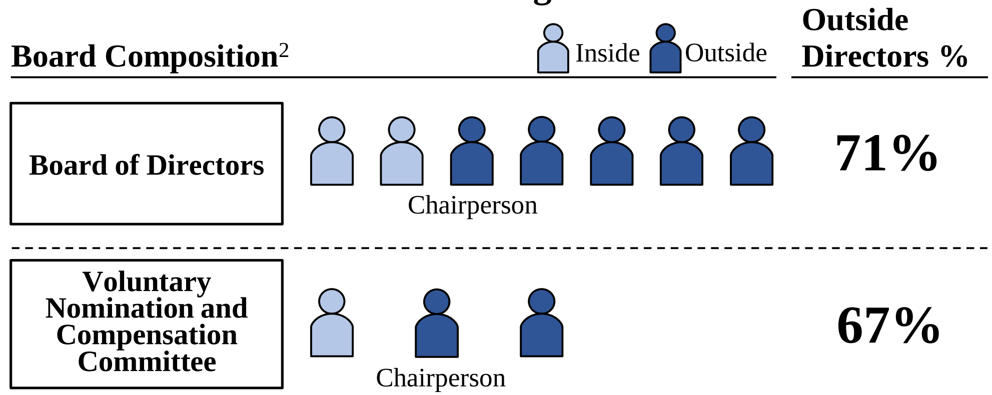
Expansion of disclosure through the launch of our new corporate website

- Made major updates in March 2024 to enhance disclosures, especially for shareholders/investors to promote further enhancement of IR/SR.
- www.sanyo-shokai.co.jp/en/

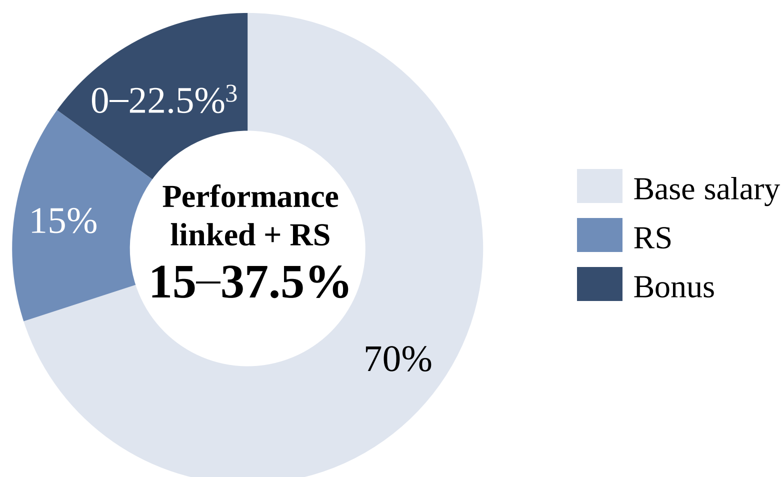
Implementation of employee engagement programs

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

Board Composition[2]



Compensation for Inside Directors



1. Restricted Stock award
2. Scheduled composition after the conclusion of the 81st Annual General Meeting of Shareholders to be held in May 2024.
3. Varies within the range between 0% and 22.5% based on performance and other factors. (15% when 100% achieved)

Sustainability

We have promoted activities based on the material issues identified in the previous fiscal year, with a new initiative of clothing collection for reuse starting in March 2024. For a climate change initiative, we achieved a B-Score in CDP’s Climate Change Assessment.

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 FY2024, ten reports were put forward and submitted to the Management Committee, and seven reports were submitted to the Board of Directors and announced at board briefing sessions, and all were vigorously discussed.

Started a new initiative of clothing collection for reuse

- Promoted the 3R (Reduce, Reuse, and Recycle) activity, “SANYO RE: PROJECT,” as part of the “Initiative for Circular Economy,” one of the material issues.
  - Start collecting clothing for reuse in March 2024 and plan to start selling by summer in 2024. Aim to realize a sustainable reuse business.

Achieved B-Score in CDP’s Climate Change Assessment

- Received a B-score, fourth out of 8-levels for climate change assessment in 2023 by CDP, an international NGO. Received a C-score, fifth out of 8 levels for water security.
  - Rated B in the Supplier Engagement Rating assessment.

Enhance disclosure further on the new corporate website

- Fully updated in March 2024.
- www.sanyo-shokai.co.jp/en/sustainability/

Initiatives for human capital

Human capital policy	Maximize individual capabilities through the development of professional human resources and the establishment of a human resources infrastructure. Improve organizational capabilities through the fusion of individuals with diverse knowledge and experience.
Approach to HR development and agenda for HR	By defining the human resources required for our sustainable growth as “apparel business professionals,” “back-office professionals,” and “IT/DX personnel,” we recruit and train personnel who can alertly react to social changes and are responsible for business growth and development. Pass on such know-how.
Approach to HR-related infrastructure development	We improve employee engagement and strengthen organizational capabilities by assigning the right people to the right jobs, developing rewarding work systems, fostering a corporate culture, and providing opportunities for spontaneous learning.

SANYO RE:PROJECT

CDP DISCLOSER 2023

TIMELESS WORK.

ほんとうにいいものをつくろう。

SANYO