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# Medium-Term Business Plan to Fiscal 2025

**SANYO SHOKAI LTD.**

April 14, 2022



- 1. Summary of Medium-Term Business Plan**
- 2. Continued Implementation of Structural Reforms**
- 3. Growth Strategy**
  - **Branding Strategy**
  - **Channel Strategy**
  - **Marketing Strategy**
  - **EC Strategy**
- 4. Capital Strategy**
- 5. ESG Initiatives**
  - **Sustainability**
  - **Corporate Governance**

Note: Figures for the period before the previous fiscal year are reference values that have been replaced in essence according to the New Revenue Recognition Standard, unless otherwise noted.





## 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.**

Goals for  
FY2025

**Net sales ¥62.5bn**

Gross profit margin 63% SG&A expense ratio 56%

**Operating income margin 7%**

**DOE 2%**

Improve KPIs by continuing the structural reform measures implemented in the Revitalization Plan  
(organic growth)

Growth  
Strategy

**Branding Strategy**

- Improve brand prestige
- Optimize portfolios



**Channel Strategy**

- Promote opening of directly managed stores of core brands
- Strengthen company-wide cross-functional management



**Marketing Strategy**

- Promote OMO, transition to customer-centered marketing
- Strengthen digital marketing/CRM



**EC Strategy**

- Establish platform
- Strengthen branding + establish a system of mutual support with physical stores

SANYO *i*Store

Other measures under consideration (expansion of licensing business, development of overseas business, segment expansion, M&A, etc.)

# Three-Year Projections

Three years later, in FY2025, we plan to achieve net sales of ¥62.5bn and operating income of ¥4.38bn (operating margin: 7.0%).

We aim to secure a steady operating income, and improve the operating margin in stages.

Reference:  
FY2019

Results<sup>1</sup>

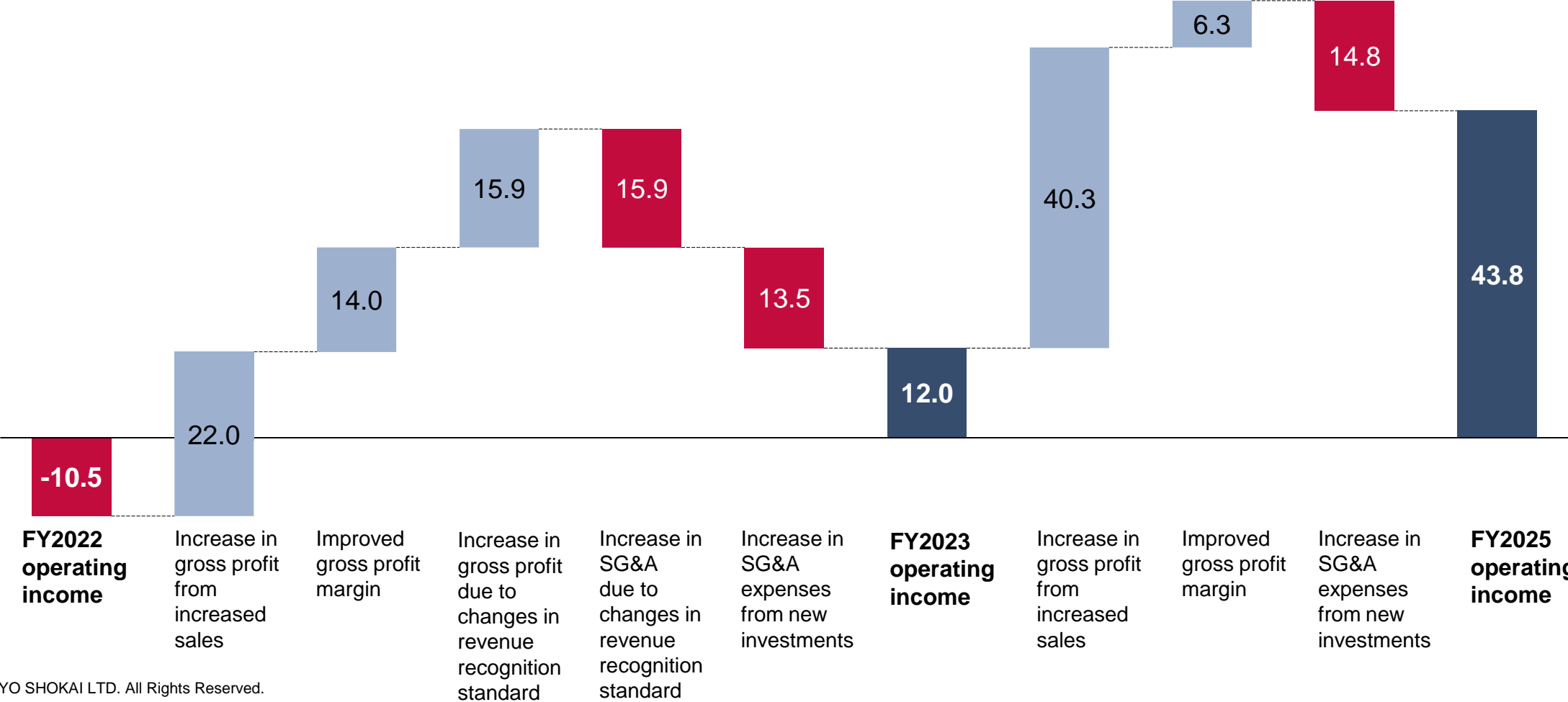
		FY2022	FY2023	FY2024	FY2025			FY2019
		Results	Forecast	Forecast	Forecast	vs. FY2022	vs. FY2023	Results
(Unit: ¥100m) Financial Figures	Net sales	496.3	560.0	590.0	625.0	126%	112%	757.5
	Gross profit	295.3	347.2	368.8	393.8	133%	113%	448.6
	SG&A expenses	305.9	335.2	345.8	350.0	114%	104%	478.2
	Operating income	-10.5	12.0	23.0	43.8	-	365%	-29.6
	Ordinary income	-7.3	11.4	22.0	42.0	-	368%	-29.8
	Net income	6.6	9.0	19.0	35.0	530%	389%	-27.7
Major Financial Indicators	Gross profit margin	59.5%	62.0%	62.5%	63.0%	+3.5pt	+1.0pt	59.2%
	SG&A expense ratio	61.6%	59.9%	58.6%	56.0%	-5.6pt	-3.9pt	63.1%
	Operating margin	-2.1%	2.1%	3.9%	7.0%	+9.1pt	+4.9pt	-3.9%
	Ordinary income margin	-1.5%	2.0%	3.7%	6.7%	+8.2pt	+4.7pt	-3.9%
	Net income margin	1.3%	1.6%	3.2%	5.6%	+4.3pt	+4.0pt	-3.7%

1. Since the results of FY2019 were calculated based on the irregular duration of 14 months, the results from March 2019 to February 2020 are referenced.

# Trend of Operating Income

The effects of each measure necessary to meet the forecasts are shown in the chart.

(Unit: ¥100m)



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# Measures to Improve Gross Profit Margin

Aim for a gross profit margin of 63.0% for FY2025 through reduction in procurement cost margin, improvement to full-price sales margin, and inventory control.

**Quantitative Target: FY2025 gross profit margin of 63.0%**

## Qualitative policy    Specific measures

### Reduced procurement cost margin

**Aim for a production to retail price ratio of 4.50 (FY2022 results: 4.38)**

- Optimize SCM by strengthening initiatives with major suppliers
- Expand production lots by reducing product numbers/aggregating MD
- Secure high profit margins by expanding outlet- and EC-only products

### Improvement to full-price sales margin

**Aim for a full-price sales margin of more than 70% by enhancing full-price sales (FY2022 results: 61%)**

- Reduce product numbers/aggregate MD, and add bestselling products during the period
- Strengthen the appeal of full-price sales at stores and EC, control discount rates, and shorten bargain sales period

### Inventory control

**Control over-purchasing by keeping 20% of purchases**

- Pool 20% of purchases, and respond flexibly in view of sales during the period

**Improve inventory turnover rate by shortening MD cycles and developing a QR system**





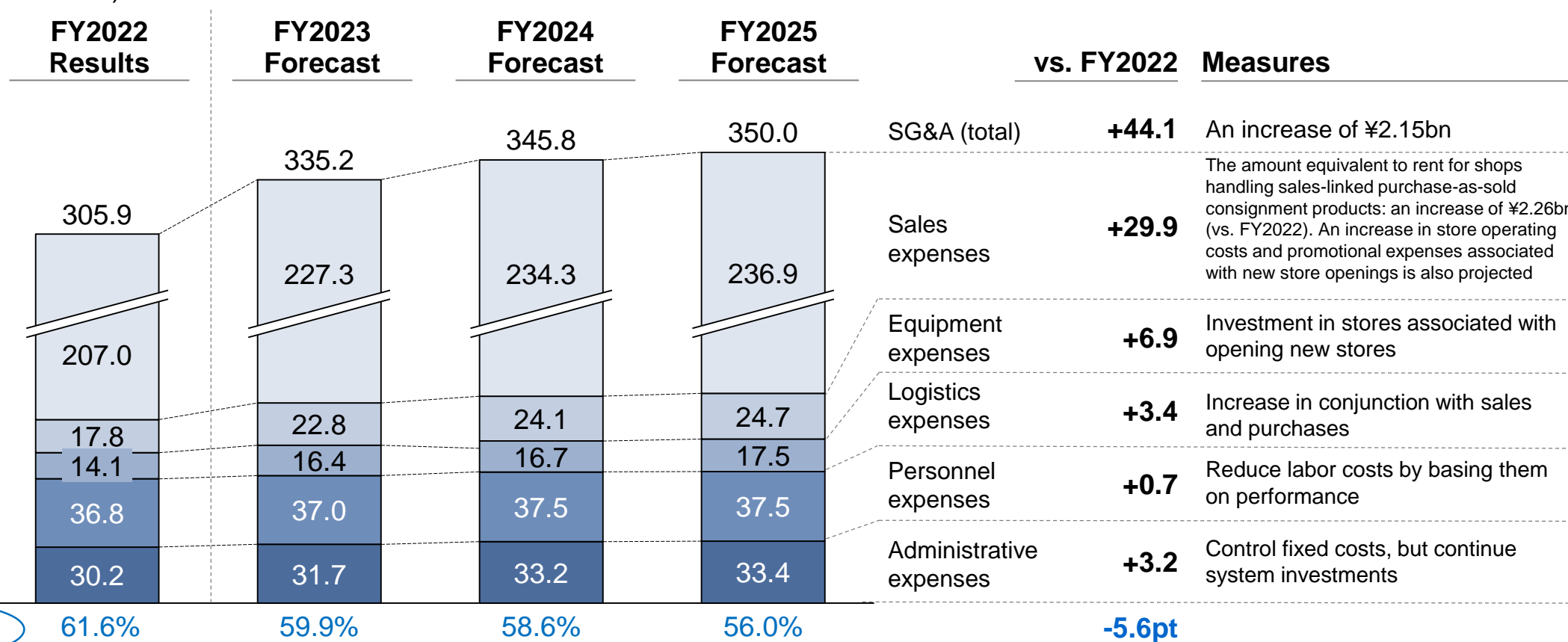
# Controls on SG&A Expenses

SG&A expenses for FY2025 are projected to be ¥35bn, due to plans for new investments in addition to an increase in variable costs from expanding sales.

Continue to control fixed costs that have been reduced under the Revitalization Plan, and reduce SG&A expense ratio by 5.6pt compared to FY2022.

## Three-year Projections of SG&A Expenses

(Unit: ¥100m)



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## Target Market

**Establish a solid presence in the upper-middle market, and strive to become a top performer in the market.**

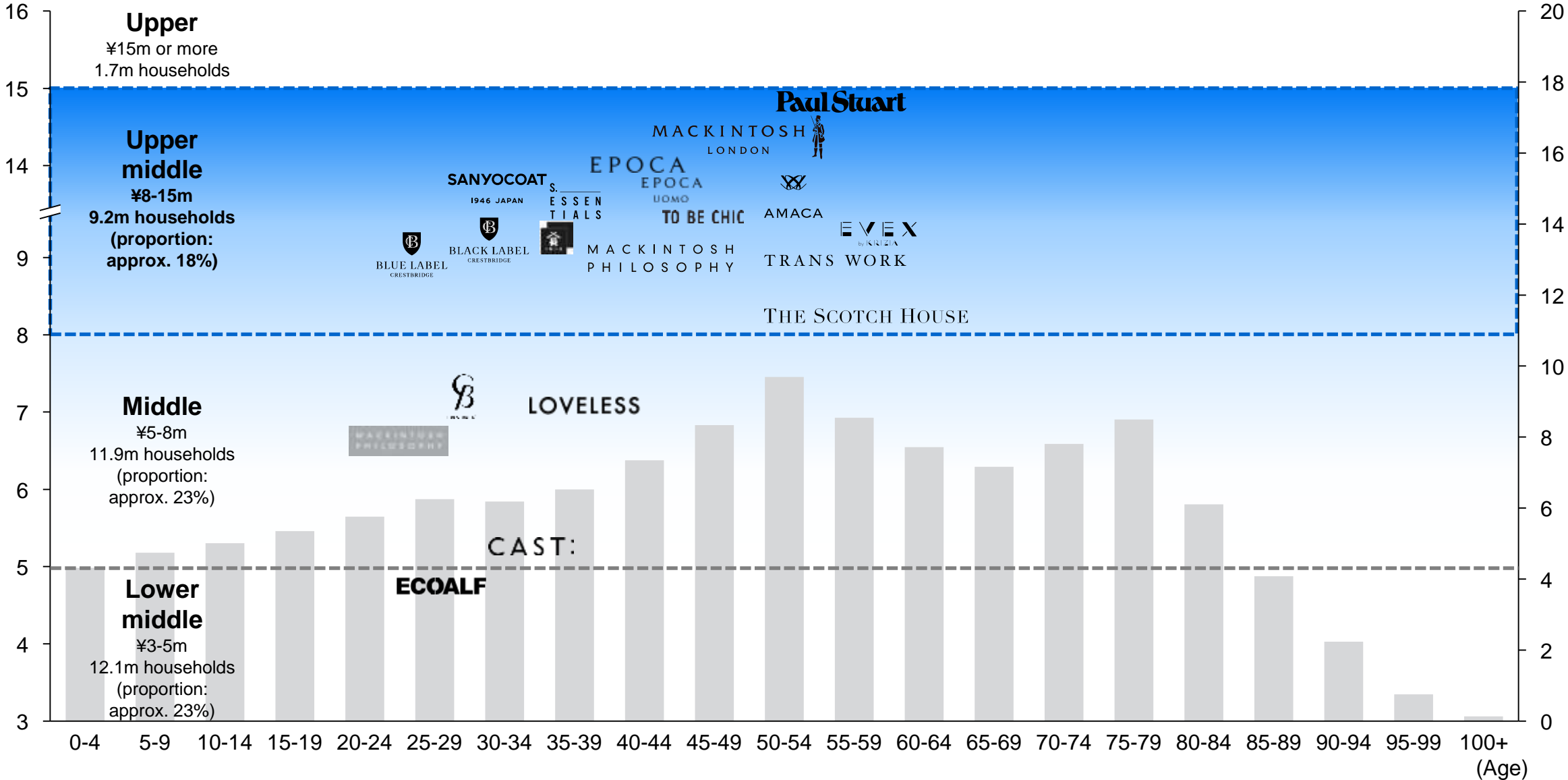
**Based on the status established in the upper-middle market, explore the middle market with a diffusion line approach for certain brands.**

# Brand Positioning

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SANYO

Annual household income  
(¥1m)

Population projection by age in  
2025 (million people)










# Brand Portfolio Optimization

Business Area	Target Brands	Strategy Summary
Growth Drivers	Paul Stuart	<ul style="list-style-type: none"> <li>• Pursue a unique strategy by acquiring domestic trademark rights</li> <li>• Expand product categories and maximize licensing revenue</li> <li>• Renovate/reinforce shops at major department stores</li> <li>• Rebuild directly managed stores by strengthening EPOCA branding</li> <li>• Develop high quality, high grade, and high value-added products</li> <li>• Strengthen branding and presence by opening flagship stores</li> <li>• <b>Enter the middle market through a diffusion line approach</b> <ul style="list-style-type: none"> <li>– MACKINTOSH PHILOSOPHY “GREY LABEL”</li> <li>– CB CRESTBRIDGE</li> </ul> </li> <li>• Expand sales channels to urban FB/SC</li> </ul>
	EPOCA / EPOCA UOMO	
	MACKINTOSH LONDON	
	MACKINTOSH PHILOSOPHY	
	BLUE LABEL/BLACK LABEL CRESTBRIDGE	
Steady Income	EVEX by KRIZIA /AMACA / TO BE CHIC / TRANS WORK / THE SCOTCH HOUSE	<ul style="list-style-type: none"> <li>• <b>Maximize the value of brands that already gained a certain recognition</b></li> <li>• Promote further efficiency and establish a stable profit structure</li> <li>• Invest as necessary</li> <li>• Expand and replicate profit-generating model in department stores</li> <li>• Improve environment of main stores, improve efficiency by integrating shops, manage inventory efficiently through showrooming</li> <li>• Attract customers, boost phone orders, and expand EC sales through online magazines</li> <li>• Concentrate investments/resources on them as a corporate brand</li> <li>• Sanyo's excellent manufacturing + establishing D2C business</li> </ul>
	SANYOCOAT / SANYO YAMACHO	
Challenges	S.ESSENTIALS	<ul style="list-style-type: none"> <li>• <b>Businesses that represent a challenge, with future potential growth in mind</b></li> <li>• Perform rebranding, operate with minimum staffing, optimize MD, improve store profitability</li> <li>• Establish brand status as Sanyo's signature brand</li> <li>• Develop top-tier products with meticulously selected and crafted materials/specifications/sewing</li> <li>• Continue efforts to embody sustainability and to build an ecosystem</li> <li>• Make the business profitable by improving merchandising suited for the Japanese market</li> <li>• Reduced the number of stores by the previous fiscal year</li> <li>• Continue low-cost operations and make the business profitable through merchandising innovation</li> </ul>
	ECOALF	
	CAST: / LOVELESS	

# Channel Strategy: Policy

Emphasize efficient management of department stores (main sales channel), and reinforce directly managed stores/outlets/EC (growth sales channels) through reciprocal customer transfer, etc.  
Plan to strengthen branding by opening directly managed stores; for outlets, open stores in leading facilities and roll out new stores for brands that have not yet been sold in outlets.

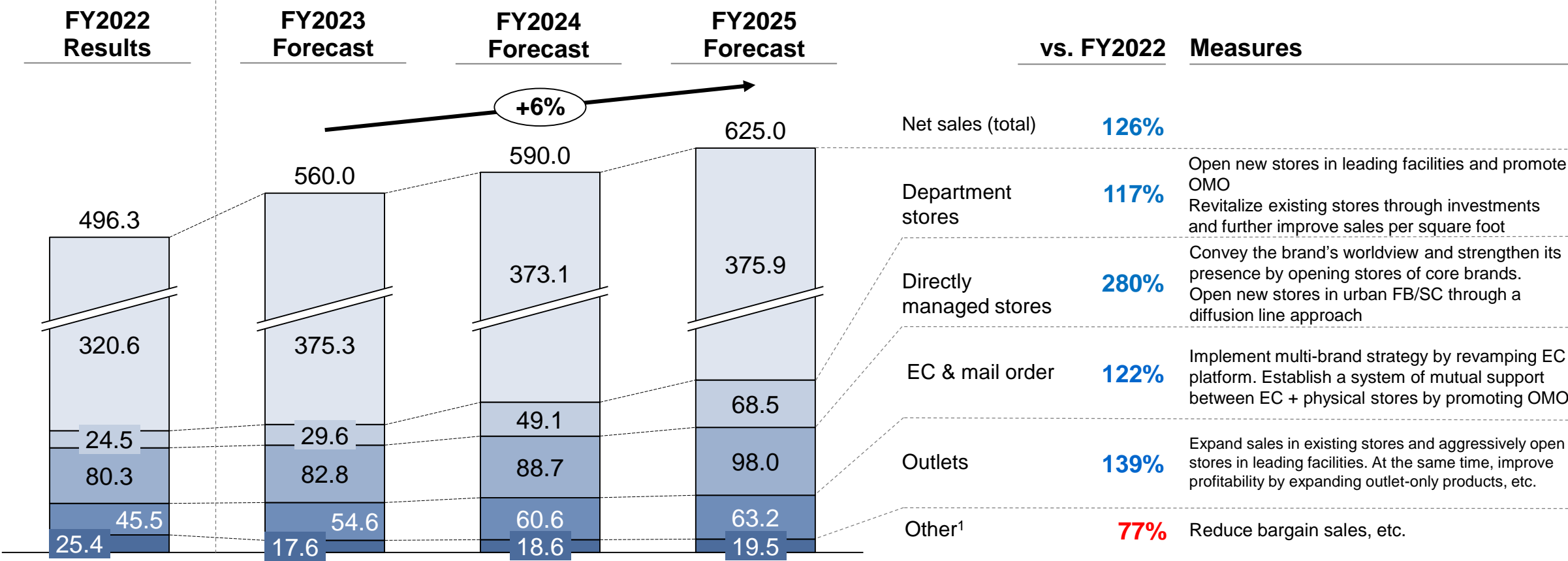
Department Stores	<p>Continue to pursue efficiency by reviewing the staffing system, co-branding, etc.</p> <ul style="list-style-type: none"><li>Revitalize main brands by investing in existing stores</li><li>Consider promoting OMO by converting suburban stores into showrooms and utilizing catalogs</li></ul> <p>Focus on shop efficiency, and seek to open new leading stores that still have room for store rollout</p>	
Directly Managed Stores	<p>Strengthen branding by opening directly managed stores of core brands</p> <ul style="list-style-type: none"><li>Strengthen presence and branding through store interiors that convey the brand's worldview, limited editions, customer events, etc.</li></ul> <p>Strengthen store openings in urban FB/SC through a diffusion line approach</p> <p>Support for store developments and operations across different brands offered by a dedicated support team (nation-wide store development division/Headquarters sales division)</p>	<div></div>
Outlets	<p>Seek further store openings in leading facilities, leveraging the expansion of sales at existing stores due to product line enhancement</p> <ul style="list-style-type: none"><li>Opened 4 stores in FY2022, and plan to open 2 new stores in FY2023</li></ul> <p>Promote new store openings for brands that have not yet been sold in outlets</p>	
EC	<p>Propose realistic styling ideas by enhancing content, improving product images, utilizing images of staff wearing the products, etc.</p> <ul style="list-style-type: none"><li>Strengthen branding + establish a system of mutual support with physical stores</li></ul> <p>Enhance full-price sales further by expanding EC-only products</p>	

# Channel Strategy: Net Sales by Channel

Plan for ¥62.5bn in FY2025 (CAGR +6%). Compared to FY2022, directly managed stores should achieve 280% through opening of stores of core brands and diffusion lines, while outlets should achieve 139% through continued aggressive store openings.

## Three-Year Projections of Net Sales

(Unit: ¥100m)



1. Employee sales, wholesale, etc.

## Strengthen CRM, customer touchpoints, and EC, and shift to customer-centered marketing.

### Strengthen CRM

#### Establish customer base and promote data utilization

- At the restructuring in FY2022, we established the CDP base by setting up the CRM Promotion Division and the CX Promotion Division respectively under the control of Marketing & Communications Dept. and the Web Business Dept. within the Marketing & Digital Strategy HQ

#### Promote utilization of VOC (voice of the customer) and strengthen ties with brand fans

- Improve product development and services by utilizing NPS/customer surveys
- Send out information tailored to the individual needs of customers

### Strengthen customer touchpoints

#### Develop a comprehensive catalog for EC, physical stores, and phone orders

- Publish SANYO Style MAGAZINE

#### Strengthen two-way communication by utilizing social media and apps

- Introduced store LINE official account in FY2022
- Improve UI/UX of brand apps, offer services across EC and physical stores

#### Strengthen inbound support utilizing cross-border EC and live commerce

### Strengthen EC

#### Implement multi-brand strategy by revamping EC platform

Establish a system of mutual support between EC + physical stores by promoting OMO. This improves services across EC and physical stores, and provides CX (customer experience) that transcends the online/offline barriers

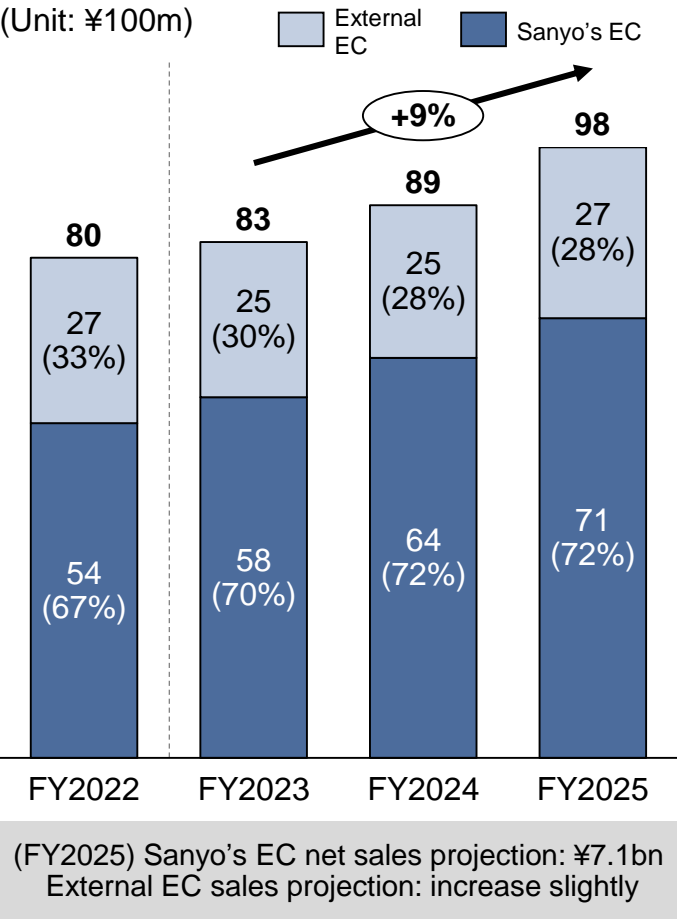
- See next page for details





Aim for EC net sales of ¥9.8bn in FY2025, driven in particular by the growth of Sanyo's EC through revamping of EC platform and promotion of OMO.

## EC Net Sales Projection



## Specific measures

Sanyo's EC	Revamp EC platform	<b>Implement multi-brand strategy by revamping EC platform</b> <ul style="list-style-type: none"><li>Integrate brand site and EC site to combine content and commerce<ul style="list-style-type: none"><li>Started development in 1H of 2022; scheduled for release in 2H of 2023</li></ul></li><li>Strengthen branding while improving CX<ul style="list-style-type: none"><li>Promote shopping among different brands, while ensuring the branding of each brand</li></ul></li></ul>
	Promote OMO	<b>Enhance full-price sales</b> <ul style="list-style-type: none"><li>Propose realistic styling ideas by enhancing content, improving product images, utilizing images of staff wearing the products, etc.</li><li>Expand EC-only products</li></ul> <b>Establish a system of mutual support between EC + physical stores by promoting OMO. This improves services across EC and physical stores, and provides CX that transcends the online/offline barriers</b> <ul style="list-style-type: none"><li>Promote reciprocal customer transfer between EC and physical stores by publishing the comprehensive catalog, SANYO Style MAGAZINE</li><li>Improve UI/UX of brand apps</li><li>Integrate online experience into the stores' key strengths, in conjunction with promotions<ul style="list-style-type: none"><li>Run trials jointly with the two external partners of CB CRESTBRIDGE</li></ul></li></ul>
External EC		<b>Strengthen initiatives for each mall to increase awareness and maintain sales/secure gross profit</b> <ul style="list-style-type: none"><li>Expand user touchpoints by improving exposure at each mall</li><li>Utilize the OMO function of some malls to enhance customer transfers and migration to Sanyo's EC and physical stores</li><li>FY2023 will see a slight decrease in net sales, due to the normalization of discount sales aimed at clearing inventory of FY2022</li></ul>

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## Establish a solid financial base

### **Aim for shareholders' equity of over ¥40bn**

- Accumulate capital by expanding the ability to create profitability: ¥4-5bn in 3 years
- Securitization of assets: ¥4-5bn

**Aim for ROE of 8.5%**

## Invest actively for future growth

**Actively pursue investments for future growth with the establishment of a solid financial base**

## Improve shareholder returns

**Resume payout of dividends in FY2023, with a projected dividend of ¥40**

**Aim for DOE 2% for dividend payments from FY2024**

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The system of promoting sustainability has been enhanced by strengthening the Sustainability Committee and establishing department in charge of sustainability.  
Enhance the disclosure of content relating to sustainability on Sanyo’s website.

Strengthen the Sustainability Committee

- The name was changed from “CSR Promotion Committee” during the previous fiscal year, and the roles, composition, and content were significantly revised
- Current system
  - Under the direct control of the Management Meeting; regularly reports to the Management Meeting and the Board of Directors for discussion
    - The Sustainability Committee is positioned as part of the executive team, and issues are discussed as executive matters  
(In FY2022, 6 reports have been put forward/submitted to the Management Meeting, and 4 reports have been submitted to the Board of Directors/announced at board briefing sessions since July)
  - The chairperson is the Managing Officer & General Manager of Corporate Management HQ
  - Outside Directors attend as advisors, and Corporate Auditors are always present as observers, strengthening the governance of the Committee

Establish the sustainability promotion system

- “Sustainability Promotion Office” newly installed: Following the restructuring in March 2022, the Sustainability Promotion Office was established under the control of Corporate Management HQ
  - Assumes the role of secretariat for the Sustainability Committee mentioned above
  - Draws up company-wide sustainability strategies, and drives/supports individual sustainability initiatives

Enhance content disclosure on Sanyo’s “Sustainability” webpage

- Sustainability webpage: [www.sanyo-shokai.co.jp/company/sustainability/](http://www.sanyo-shokai.co.jp/company/sustainability/)
- Completely overhauled on March 2022
- Disclosures based on the TCFD framework

GHG Emission Reduction Targets

	Medium-Term Target	Long-Term Target
Scope 1 and 2	Reduce 50% by FY2030, against FY2019 <sup>1</sup> (reduce by 630t vs. 2020)	Scope 1 and 2 to be net zero by 2050
Scope 3	Reduce 30% by FY2030, against FY2019 <sup>1</sup> (reduce by 34,700t)	






























- Gradually switch to environmentally friendly materials in raw material procurement
- Promote initiatives throughout the supply chain and seek collaboration with other companies



1. FY2019 GHG emissions: total 2,202t for Scope 1 and 2; 115,680t for Scope 3

We promote a number of individual activities across the three categories of “Environment,” “Social,” and “Investing in the Future”

Check our website for activity details: [www.sanyo-shokai.co.jp/company/sustainability/](http://www.sanyo-shokai.co.jp/company/sustainability/)

Categories	SDGs	Main Activities	
<div>Environment</div>	     	<ul style="list-style-type: none"><li>• <b>Waste reduction by reducing inventory and controlling purchases:</b> We promote reduction of surplus inventory by purchasing in the right quantity and improving inventory clearance rate.</li><li>• <b>Promoting ECOALF business:</b> We make products exclusively using main/auxiliary materials with low negative environmental impact. We promote businesses that emphasize sustainable production and operation.</li><li>• <b>Manufacture of products using environmentally friendly materials:</b> We promote manufacturing that uses environmentally friendly materials such as recycled polyester and organic cotton.</li><li>• <b>“EARTH TO WEAR RECYCLE” clothing collection campaign:</b> We collect used clothing at stores and recycle them through the Japan Environment Planning (JEPLAN) “BRING” project.</li><li>• <b>“Green Down” project:</b> An initiative that collects used down and feather products, and commercializes new products made from recycled feathers as “Green Down.” We take part in the Green Down Project.</li><li>• <b>Reducing plastic use:</b> We promote the use of environmentally friendly materials such as certified paper/recycled paper/non-wood paper, contributing to reduction of CO2 emissions.</li><li>• <b>Green logistics:</b> We lessen the environmental impact in logistics through consolidation of physical distribution bases, reusing/recycling of packaging materials, use of recyclable hangers, etc.</li><li>• <b>Reducing GHG emissions:</b> We reduce the environmental impact by complying with the Revised Energy Conservation Act and controlling GHG emissions.</li></ul>	
<div>Social</div>	              	<ul style="list-style-type: none"><li>• <b>CSR procurement:</b> We established the SANYO Code of Conduct. We conduct audits in collaboration with external organizations. We shared initiatives to address labor condition, child labor, respect for human rights, safety and health, global environmental conservation, etc. throughout the supply chain.</li><li>• <b>Declaration of partnership building:</b> We aim for sustainable coexistence and co-prosperity with partners throughout the supply chain.</li><li>• <b>Promoting diversity &amp; inclusion:</b> We support reform of work styles, promote women’s career advancement, and undertake initiatives with Co-FUKU.</li><li>• <b>Quality control (QC):</b> This is the foundation of Sanyo’s manufacturing. We manufacture products based on our own “Quality Control Standards” and “Factory Management and Operation Standards.”</li><li>• <b>Promoting extended use of clothing:</b> We offer customer support, repair services, and the “100-year Coat Ownership Plan” to support long-term wear.</li><li>• <b>SAKURA PROJECT:</b> We contribute to society, by supporting post-earthquake reconstruction through participation in the Paul Stuart’s “SAKURA PROJECT.”</li><li>• <b>Animal welfare:</b> We forbid the use of real fur to show respect for animal rights.</li></ul>	
<div>Investing in the Future</div>	      	<ul style="list-style-type: none"><li>• <b>Educational activities regarding clothing:</b> We offer clothing education classes at elementary schools, etc. We produce and distribute videos for clothing education classes. We sponsor the Shinjuku “Midori no Komichi” Environmental Diary Contest and established the SANYO Fukufuku Award.</li><li>• <b>ECOALF “UPCYCLING THE OCEANS” activities:</b> We collect, separate, recycle, and upcycle marine debris under the ECOALF brand.</li></ul>	

**Strengthened the independence, objectivity, and accountability of the Board of Directors with Outside Directors constituting 66.7% of the members, including the chairperson.**

**Increase the ratio of performance-linked officer compensation, in order to encourage a business management that thinks from the same perspective as shareholders.**

**Our basic concept on corporate governance**

- Established Company Credo, Corporate Philosophy, CSR Basic Policy, Corporate Code of Conduct, etc. as the behavioral rules for all employees
- Achieve the returning of profits to shareholders as well as social responsibilities through enhancing business results and corporate value based on the above

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

- Utilized the knowledge and advice of Outside Directors/Corporate Auditors to establish the independence, objectivity, and accountability of the Board of Directors
  - Ratio of Outside Directors: 66.7%
  - Chairperson of the Board of Directors is an Outside Director
  - Promote diversity through appointment of female officers, etc.
- Established a voluntary Nomination and Compensation Committee as an advisory committee to the Board of Directors. The chairperson is an Outside Director

**Change of compensation structure of officers: increase the ratio of performance-linked compensation**

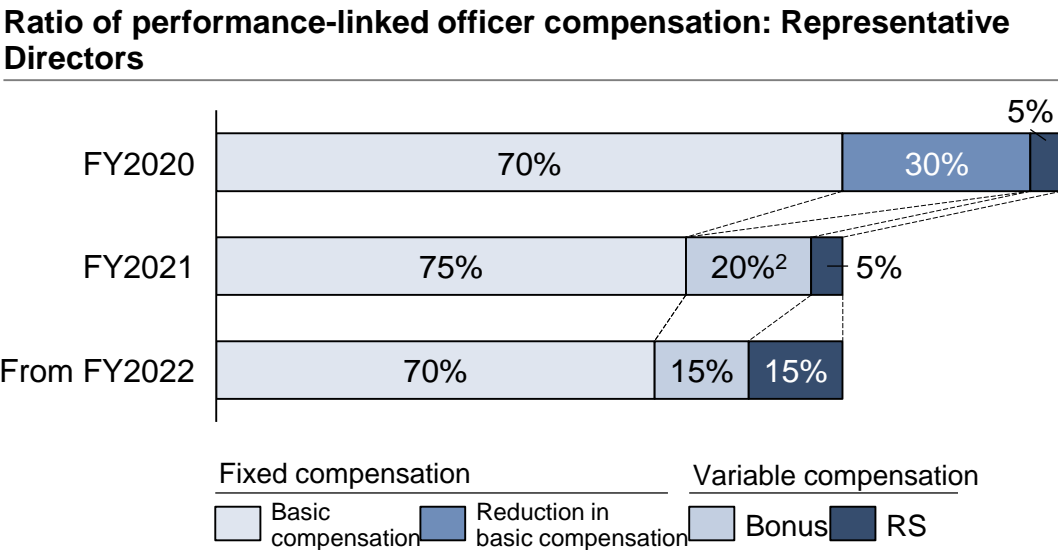
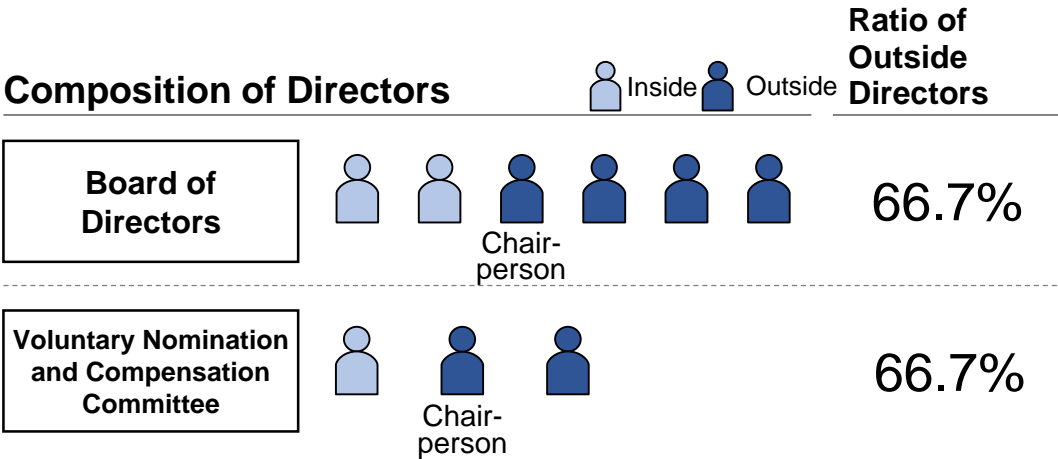
- The ratio of performance-linked officer compensation for Representative Directors is raised from 25% to 30%.
- The ratio of Restricted Stock (RS) compensation is raised from 5% to 15%

**Personnel system reforms**

- Revised the personnel system in March 2021, with “a shift to a wage system commensurate with roles and responsibilities,” “correction of wage curves based on labor market trends/internal balance,” and “simple and easy-to-understand operations with heightened fairness and transparency” as basic policies, in order to offer an incentive for generating results
- Following the restructuring in March 2022, the “Diversity Promotion Division” was established under the control of Human Resources Dept. of the Personnel & Administration HQ
  - Create new value and come up with new ideas by utilizing diverse human resources and making the most of individual characteristics and abilities, and foster a sense of unity in the company and the organization
  - Build a system for sound and sustainable corporate growth through the above

**Implementation of employee engagement program**

- Held dialogues with mid-career and young employees nationwide in “Dialogues with the President” in the previous two fiscal years.
  - Implemented as part of employee engagement under business restructuring
- Plan to implement a new employee engagement program from this year onwards



1. The composition of the Board of Directors and the Nomination and Compensation Committee is described based on the Company's proposal (expected). 2. No bonus was paid for FY2021.

# TIMELESS WORK.

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