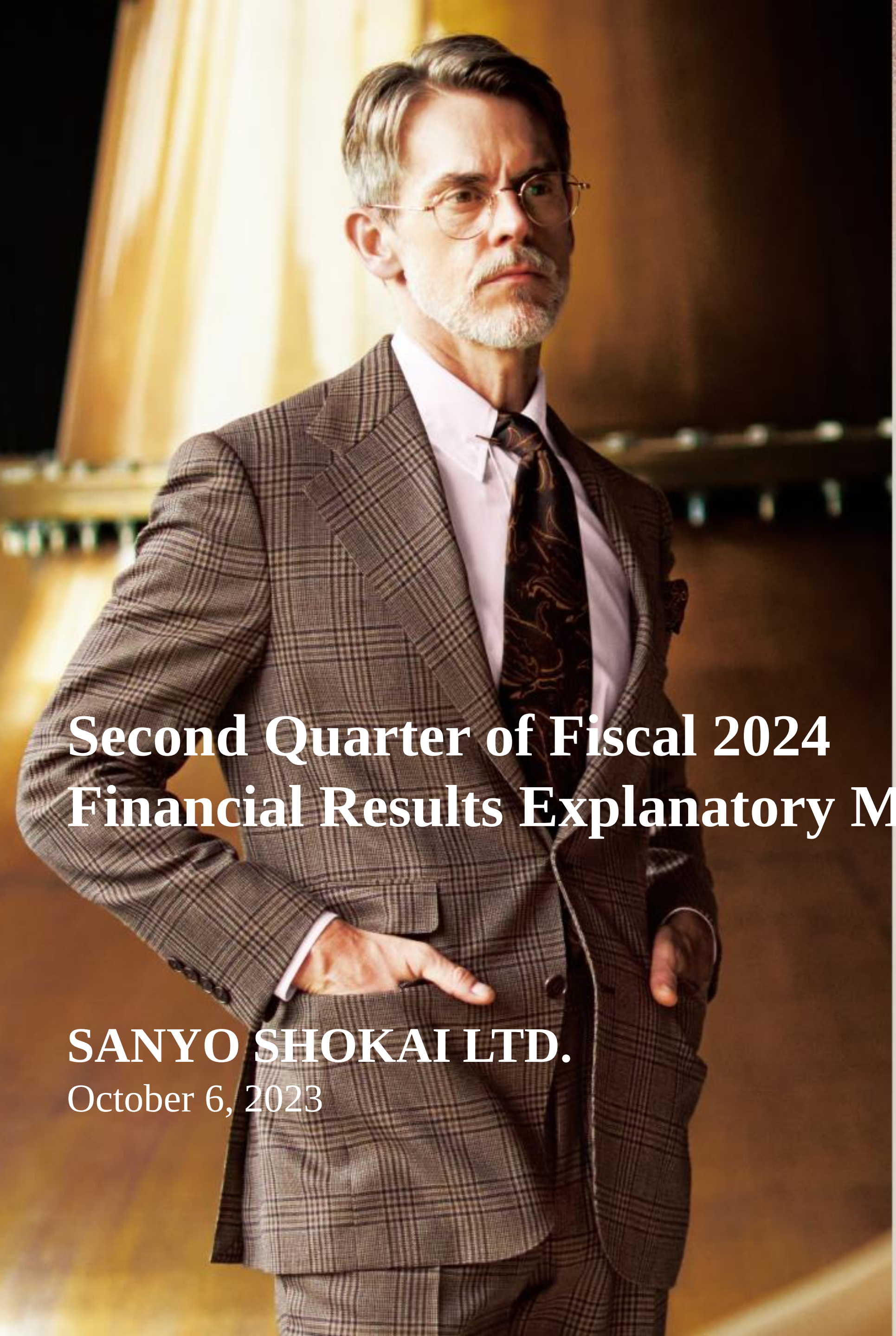

Second Quarter of Fiscal 2024
Financial Results Explanatory Material

SANYO SHOKAI LTD.

October 6, 2023

Contents

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: Cumulative Q2 2024

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Net sales were ¥28.15bn, operating income was ¥710m, and net income was ¥740m.

(Unit: ¥100m)	FY2019 Results[1]	PY Results	FY2024 Projection[2]	FY2024 Results	vs. FY2019	vs. PY	vs. Projection
Net sales	351.3	254.6	280.0	281.5	-69.8	+26.9	+1.5
Gross profit	210.4	156.3	172.8	174.6	-35.8	+18.3	+1.8
SG&A expenses	231.4	159.5	170.8	167.5	-63.9	+8.0	-3.3
Operating income	-21.0	-3.1	2.0	7.1	+28.1	+10.2	+5.1
Ordinary income	-20.6	-1.4	2.5	7.8	+28.4	+9.2	+5.3
Net income	-18.5	-2.4	2.0	7.4	+25.9	+9.8	+5.4

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 projection announced on June 30, 2023

Consolidated PL: KPIs

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Gross profit margin improved 0.6pt YoY and also exceeded the projection by 0.3pt.
Operating margin exceeded the projection by 1.9pt.

	FY2019 Results[1]	PY Results	FY2024 Projection[2]	FY2024 Results	vs. FY2019	vs. PY	vs. Projection
Gross profit margin	60.0%	61.4%	61.7%	62.0%	+2.0pt	+0.6pt	+0.3pt
SG&A expense ratio	65.9%	62.6%	61.0%	59.5%	-6.4pt	-3.1pt	-1.5pt
Operating margin	-6.0%	-1.2%	0.7%	2.6%	+8.6pt	+3.8pt	+1.9pt
Ordinary income margin	-5.9%	-0.6%	0.8%	2.8%	+8.7pt	+3.4pt	+2.0pt
Net income margin	-5.3%	-1.0%	0.7%	2.6%	+7.9pt	+3.6pt	+1.9pt

1. Reference values (Mar 2019–Feb 2020)　2. Revised projection announced on June 30, 2023

Achievement of 1H Projections

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

(Unit: ¥100m)	Apr 14 Projection[1]	Jun 30 Projection[2]	Results	vs. Apr 14	vs. Jun 30
Net sales	265.0	280.0	281.5	+16.5	+1.5
Gross profit	164.0	172.8	174.6	+10.6	+1.8
SG&A expenses	165.0	170.8	167.5	+2.5	-3.3
Operating income	-1.0	2.0	7.1	+8.1	+5.1
Ordinary income	-0.5	2.5	7.8	+8.3	+5.3
Net income	-1.0	2.0	7.4	+8.4	+5.4

Overview

Net sales exceeded projection owing to a recovery in the flow of people following the downgrade of COVID-19 to "common infectious disease"/resumption of customer traffic at physical stores[3] due to increased inbound demand, and strong full-price sales boosted by occasional demand/products commemorating Sanyo's 80th anniversary.

Continued results of business restructuring implemented under the Revitalization Plan.

- Improved gross margin through strengthened inventory control and improvements in full-price sales margins.
- Continued control of fixed SG&A expenses

1. Projection from the beginning of the fiscal year announced on April 14, 2023 2. Revised projection announced on June 30, 2023
3. Department stores, directly managed stores, and outlets

Consolidated BS: Q2 Consolidated Accounting Period

Total assets increased ¥3.8bn YoY. Net assets also increased by ¥4bn, resulting in an equity ratio of 69.9% (+2.8pt YoY)

(Unit: ¥1m)	8/31/2022	8/31/2023	Change (value)
Cash and deposits	17,499	19,897	2,398
Accounts receivable	2,468	2,622	154
Merchandise and finished goods	7,739	7,970	231
Tangible fixed assets	8,619	8,544	-75
Intangible fixed assets	3,794	3,256	-538
Other assets[1]	10,547	12,241	1,694
Total assets	**50,666**	**54,530**	**3,864**
Accounts payable	4,350	4,357	7
Loans	6,800	6,800	0
Other liabilities	5,350	5,243	-107
Total liabilities	16,500	16,400	-100
Capital	15,002	15,002	-
Total shareholders' equity	30,216	32,081	1,865
Other comprehensive income[2]	3,949	6,048	2,099
Total net assets	34,165	38,129	3,964
Total liabilities and net assets	**50,666**	**54,530**	**3,864**
Reference: Equity	34,018	38,115	4,097

Cash and deposits +¥2.39bn
- Increase in operating cash flow due to operating surplus becoming established since the second half of the previous year, etc.

Merchandise and finished goods +¥230m
- Increased due to advanced receipt of next season's items. On the other hand, carry-over inventory decreased significantly with a significant improvement in the inventory content.

Intangible fixed assets -¥530m
- Amortization of trademark rights, etc.

Other assets +¥1.69bn
- Increased mainly due to mark-to-market valuation of held investment securities.

Net assets +¥3.96bn
- +¥1.87bn mainly due to an increase in retained earnings.
- +¥2.09bn of other comprehensive income due to increase in unrealized gains on investment securities and others.

1. Total of "current assets (excluding cash and deposits, accounts receivable, 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 of Priority Measures

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

Priority Measures	Progress
Favorable net sales	○ **Exceeded the 1H projection by ¥150m, mainly owing to a recovery in the flow of people following the downgrade of COVID-19 to "common infectious disease"/ resumption of customer traffic at physical stores due to increased inbound demand.** • In addition to a rebound from the previous year impact of the 6th-7th wave of COVID-19, this is also due to a recovery in the flow of people, increased inbound demand, and strong full-price sales boosted by occasional demand/products commemorating Sanyo's 80th anniversary.
Gross profit margin improved	○ **Gross margin was 62.0%, 0.3pt higher than projection (+0.6pt YoY).** • Progressed as planned by enhancing full-price sales through strengthened inventory control, controlling discounted sales, etc. − Full-price margin improved to 68% due to enhanced full-price sales (+2pt YoY). − Average selling price increased by 12%. As a result, this absorbed the cost increases caused by the weakening yen/increased resource prices, with cost of sales ratio remaining at the same level as the previous year.

Progress of Priority Measures

Priority Measures		Progress	
Business restructuring	Controls on SG&A expenses	○	**Controlled as projected.** • Increased ¥800m YoY, but when excluding a ¥580m increase in sales commissions linked to sales, it was an increase of ¥220m YoY in real terms, ¥330m lower than projection[1].
	Inventory reduction	○	**Even though total inventory increased ¥200m YoY, content improved significantly.** • Product inventory at the end of August was ¥7.97bn, an increase of ¥230m YoY. However, inventory content improved significantly. − Next season's items increased ¥1.1bn YoY as a result of launching autumn full-price items in advance in conjunction with the July-August spring/summer clearance, while carry-over inventory decreased ¥600m YoY as a result of continued efforts to thoroughly eliminate carry-over inventory. − Ratio of next season's/this season's items was 76% (+8pt YoY)
	Financial reform	○	**Equity ratio 69.9% (+2.8pt YoY)** **Debt-to-equity ratio (DER) 0.18** • Net assets: ¥38.1bn, up from ¥34.1bn at end of same month PY • Total assets: ¥54.5bn, up from ¥50.6bn at end of same month PY • Interest-bearing liabilities: Flat at ¥6.8bn compared to end of same month PY • Cash position: ¥19.8bn, up from ¥17.4bn at end of same month PY

1. Revised projection announced on June 30, 2023.

Reference: Sales Results by Channel

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Year-on-year growth in all sales channels. Physical stores[1] in particular performed strongly at 112% YoY due to a recovery in the flow of people.
EC grew slightly weaker at 101% YoY, but the full-price sales margin improved.

Revenue (Unit: ¥1m)

	Mar	Apr	May	Mar ~ May	Sales composition ratio	Jun	Jul	Aug	Jun ~ Aug	Sales composition ratio	Mar ~ Aug	Sales composition ratio
Department stores	3,954	3,325	3,237	10,517	66%	2,949	3,221	1,684	7,855	64%	18,371	65%
Directly managed stores	333	310	273	916	6%	290	288	201	779	6%	1,696	6%
EC & mail/online orders	724	618	585	1,927	12%	499	695	572	1,766	14%	3,693	13%
Outlets	551	586	579	1,717	11%	456	479	549	1,484	12%	3,202	11%
Other	269	474	149	892	6%	195	29	79	303	2%	1,194	4%
Total	5,832	5,313	4,824	15,969	100%	4,389	4,713	3,085	12,187	100%	28,155	100%

YoY

	Mar	Apr	May	Mar ~ May	Jun	Jul	Aug	Jun ~ Aug	Mar ~ Aug
Department stores	117%	110%	106%	111%	109%	108%	108%	108%	110%
Directly managed stores	120%	132%	123%	125%	126%	121%	139%	127%	126%
EC & mail/online orders	106%	104%	96%	102%	97%	99%	102%	99%	101%
Outlets	125%	120%	102%	115%	122%	110%	117%	116%	116%
Other	138%	104%	129%	116%	305%	91%	75%	151%	123%
Total	117%	111%	105%	111%	113%	107%	109%	110%	111%

vs. 2019

	Mar	Apr	May	Mar ~ May	Jun	Jul	Aug	Jun ~ Aug	Mar ~ Aug
Department stores	78%	78%	81%	79%	69%	77%	62%	71%	75%
Directly managed stores	55%	58%	58%	57%	62%	63%	65%	63%	59%
EC & mail/online orders	112%	104%	114%	110%	100%	113%	127%	113%	111%
Outlets	167%	180%	179%	175%	202%	195%	196%	198%	185%
Other	40%	51%	36%	44%	129%	14%	22%	42%	44%
Total	79%	80%	84%	81%	78%	83%	75%	79%	80%

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

Reference: Breakdown of SG&A Expenses

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Increased ¥800m YoY. Sales commissions linked to sales increased by ¥580m YoY. Continued basic theme of controlling fixed costs, except for increases due to investments in sales promotions/systems/employees.

SG&A Expenses (Unit: ¥1m)	2022	2023	vs. PY
Sales expenses	10,806	11,492	687
Sales promotion expenses	696	761	65
Personnel expenses	2,133	2,205	72
Equipment expenses	505	483	-23
Logistics expenses	780	750	-30
Administrative expenses	1,031	1,060	29
Total SG&A expenses	15,950	16,750	800
Sales commissions	5,807	6,384	578
SG&A expenses excluding sales commissions	10,143	10,366	222

SG&A expenses increased ¥220m YoY in real terms, after excluding sales commissions linked to sales of +¥580m.

(Of sales expenses) FA expenses +¥80m
- Base-pay increase accounted for FA; increased amount in incentives

Personnel expenses +¥70m
- Base-pay increase implemented; cumulative increase in provision for bonuses

Sales promotion expenses +¥70m
- 80th anniversary promotion
- Publication of comprehensive catalog

Administrative expenses +¥30m
- Development costs for the revamp of EC platform, etc.
- Increase in taxes and public dues

Sales expenses: FA expenses, sales commissions, rent expenses for real estate, etc.
Equipment expenses: Shops setup costs, 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 (system-related), utility expenses, travel & transport expenses, communication expenses, miscellaneous expenses, etc.

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Basic Policy for FY2024

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 Projections: Consolidated PL

The full-year projections for FY2024 have been revised upward as follows: Sales ¥61.5bn, operating income ¥3.1bn (operating margin 5.0%), and net income ¥2.8bn (net income margin 4.6%).

		FY2023	FY2024			
		Results	Medium-Term Projection[1]	Jun 30 Projection[2]	Projection	YoY
Financial Figures (Unit: ¥100m)	Net sales	582.7	590.0	610.0	615.0	106%
	Gross profit	361.1	368.8	380.8	385.0	107%
	SG&A expenses	338.7	345.8	353.8	354.0	105%
	Operating income	22.3	23.0	27.0	31.0	139%
	Ordinary income	24.3	22.0	28.0	32.0	132%
	Net income	21.5	19.0	25.0	28.0	130%
Major Financial Indicators	Gross profit margin	62.0%	62.5%	62.4%	62.6%	+0.6pt
	SG&A expense ratio	58.1%	58.6%	58.0%	57.6%	-0.5pt
	Operating margin	3.8%	3.9%	4.4%	5.0%	+1.2pt
	Ordinary income margin	4.2%	3.7%	4.6%	5.2%	+1.0pt
	Net income margin	3.7%	3.2%	4.1%	4.6%	+0.9pt

1. Projection at the time of announcement of the Medium-term Business Plan on April 14, 2022 2. Revised projection announced on June 30, 2023

Three-Year Projections

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Ensure achievement of this year's (second year of the Medium-Term Business Plan) projections, and aim to certainly achieve the targets for the final fiscal year.

		FY2023		FY2024		FY2025	
		Medium-Term Projection[1]	Results	Medium-Term Projection[1]	Projection	Medium-Term Projection[1]	vs. FY2023 Results
Financial Figures (Unit: ¥100m)	Net sales	560.0	582.7	590.0	615.0	625.0	107%
	Gross profit	347.2	361.1	368.8	385.0	393.8	109%
	SG&A expenses	335.2	338.7	345.8	354.0	350.0	103%
	Operating income	12.0	22.3	23.0	31.0	43.8	196%
	Ordinary income	11.4	24.3	22.0	32.0	42.0	173%
	Net income	9.0	21.5	19.0	28.0	35.0	163%
Major Financial Indicators	Gross profit margin	62.0%	62.0%	62.5%	62.6%	63.0%	+1.0pt
	SG&A expense ratio	59.9%	58.1%	58.6%	57.6%	56.0%	-2.1pt
	Operating margin	2.1%	3.8%	3.9%	5.0%	7.0%	+3.2pt
	Ordinary income margin	2.0%	4.2%	3.7%	5.2%	6.7%	+2.5pt
	Net income margin	1.6%	3.7%	3.2%	4.6%	5.6%	+1.9pt
	ROE		6.1%		8.2%	8.5%	+2.4pt

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

Brand Portfolio

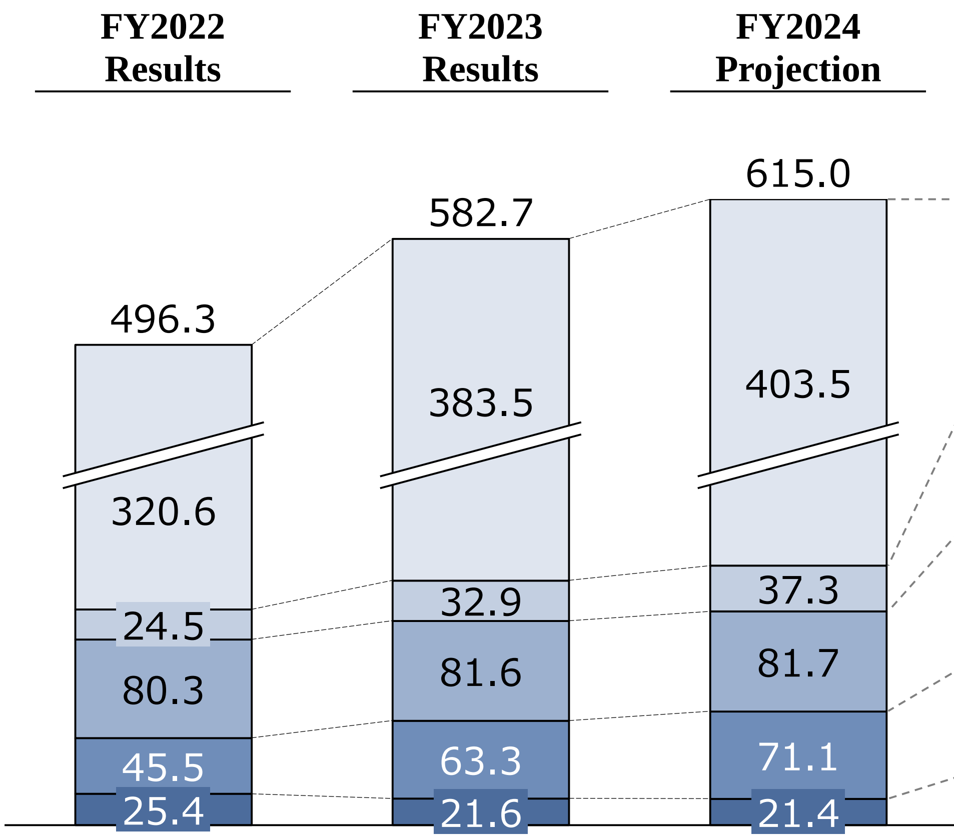
Business Area	Target Brands	Strategy Summary	
Seven Core Brands	BLACK LABEL CRESTBRIDGE	**Achieve operating surplus for all brands in FY2023. Create a stable brand portfolio with profitability.** **Maintain the above trend in 1H of FY2024 and turn to operating surplus for all brands.** **Aim to establish 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
	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, maximize licensing revenue
	EPOCA / EPOCA UOMO		• Expand and enhance directly managed stores, including flagship stores
	Women's Wear AMACA / EVEX by KRIZIA / TO BE CHIC / TRANS WORK		• Improve the environment and efficiency of main stores, opening stores in combined form • Establish a department store profit-generating model
Challenges	SANYOCOAT 1946 JAPAN / S. ESSENTIALS	**Secure revenue-expenditure balance during this Medium-Term Business Plan; development policy to become a growth engine for the next Medium-Term Business Plan.** • MD optimization, improve store profitability	• Establish the Sanyo Summit Series through high-quality product development
	ECOALF / CAST: / LOVELESS		• Continue low-cost operations, make business profitable through MD innovation

Favorable Net Sales

Plan to increase net sales by +¥3.2bn or 106% vs. PY through sales expansion in line with market recovery as the COVID-19 crisis subsides, inbound sales expansion following the easing of immigration restrictions, enhancement of diffusion line approach, etc.

Net Sales Projection

(Unit: ¥100m)



	YoY	Measures
Total net sales	106%	
Department stores	105%	6 new shops opened in 1H; plan to open 15 new shops and refurbish approx. 60 shops for 2H.
Directly managed stores	113%	Recovery of inbound sales, new store openings through core brand/diffusion line approach.
EC & mail/online orders	100%	Enhance full-price sales through a revamped EC platform launched on Sep 20, enhance reciprocal customer transfers with physical stores.
Outlets	112%	4 new stores opened in 1H; expand store openings in leading facilities.
Other[1]		

1. Employee bargain sales, wholesale, etc.

Measures to Improve Gross Profit Margin

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Continued promotion of measures such as controlling procurement cost margin, strengthening inventory control, and improving full-price sales margin. Aim for a gross margin of 62.6% for FY2024

	FY2024	FY2025
	Quantitative Target: Gross margin 62.6% (+0.6pt vs. PY)	**63.0% gross margin**

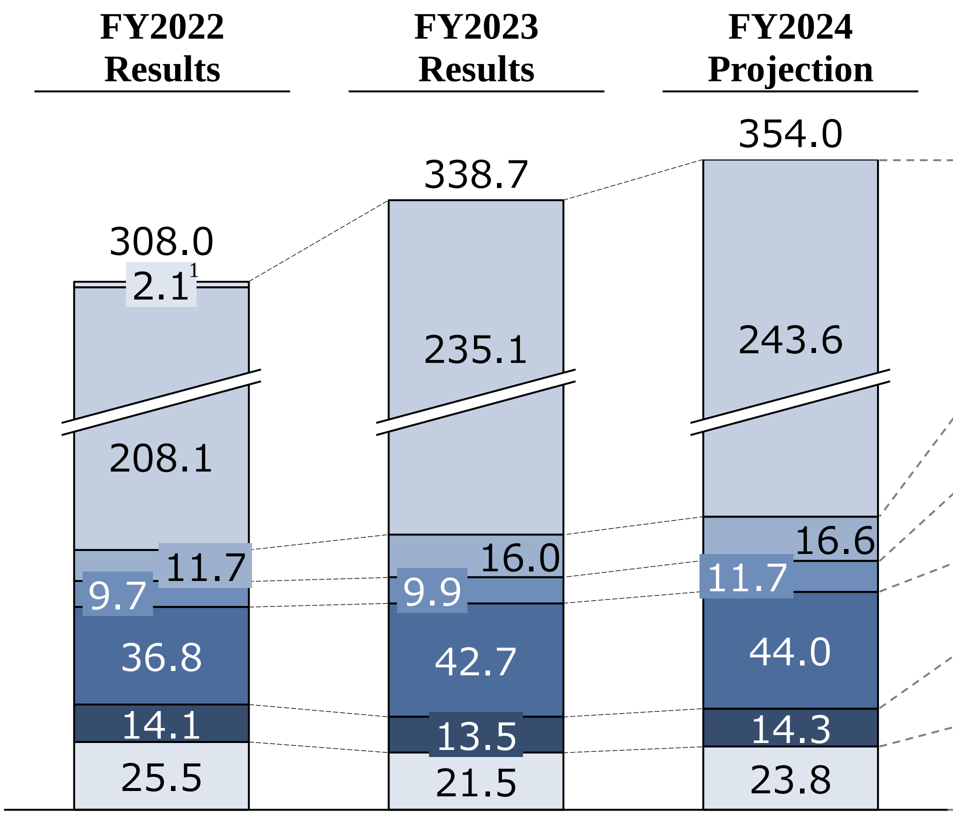
Qualitative policies	Specific measures
Control procurement cost margin	• Optimize SCM by strengthening initiatives with major suppliers. • Expand direct trade and direct import. • Diversify material sourcing. • Increase selling prices by strengthening product competitiveness.
Strengthen inventory control	• Control over-purchasing by keeping 20% of purchases, handle bestselling products with QR system. – Purchases are projected to be ¥17.7bn for FY2024, but will be flexibly managed depending on the situation. • Product inventory at end of FY2024 is projected as ¥7.5bn, vs. ¥8bn at end of FY2023. – Improve inventory turnover rates by shortening MD cycles and developing a QR system.
Improve full-price sales margin	• Full-price sales margin: Over 68% projected for FY2024, vs. 65% (FY2023 results). – Strengthen ability to respond to actual demand by enhancing inventory control and shortening MD cycle. – Further reduce product numbers/aggregate MD, and enhance ability to respond during the period. • Sell-through rate: Aim for 80% in FY2024, vs. 72% (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 investments in stores/systems/employees that will contribute to future sales and profit growth. Variable costs increased with sales growth, compared to initial projection.

Past Results vs. FY2024 Projection

(Unit: ¥100m)



	vs. PY	Measures
Total SG&A expenses	+15.3	
Sales expenses	+8.5	Sales commissions linked to sales increased (+¥700m YoY). Maintained store efficiency and enhanced returns to FA (+¥150m YoY).
Sales promotion expenses	+0.6	80th anniversary promotions, etc.
Equipment expenses	+1.8	New store openings/improved shop environments.
Personnel expenses	+1.3	Implement returns to employees and base-pay increase.
Logistics expenses	+0.8	Increase in conjunction with sales and purchases.
Administrative expenses	+2.3	Increase due to system investments.

1. Recorded extraordinary losses

Sales expenses: FA expenses, sales commissions, rent expenses for real estate, etc.
Equipment expenses: Shops setup costs, depreciation expenses, lease fees, repair costs, etc.
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MACKINTOSH PHILOSOPHY

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

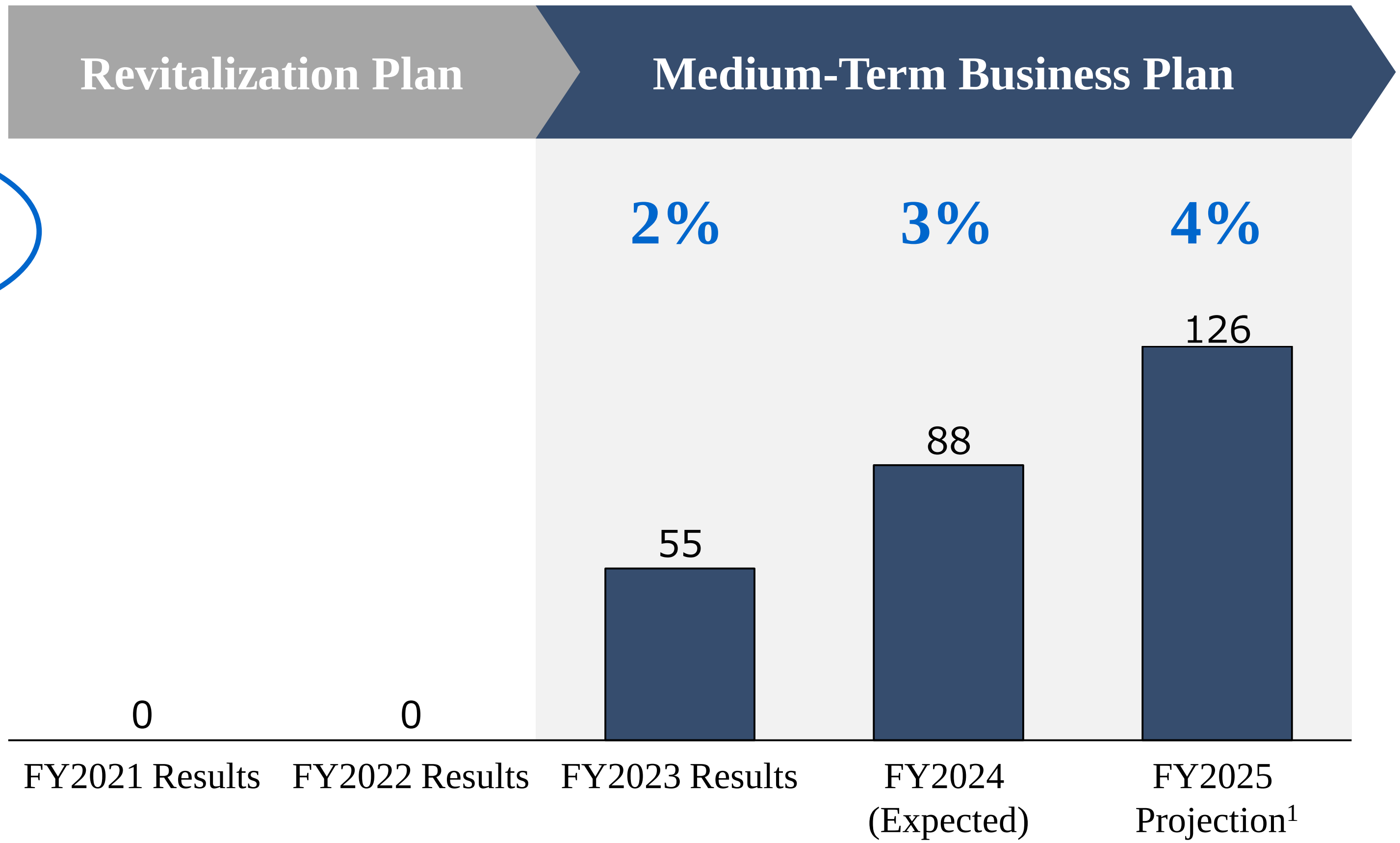
Dividend Projection

As part of the PBR Improvement Plan, our policy is to enhance shareholder returns, projecting dividend payment of a DOE 3% in FY2024 and 4% in FY2025. Therefore, a dividend of ¥88 per share is expected for FY2024.

Shareholder return policy DOE

(Unit: yen/share)

Dividend per share



Further enhancement of shareholder returns according to performance progress is also being considered (e.g., flexible share buybacks)

1. Dividend per share is based on current assumed value.

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