**Financial Results Briefing for FY02/22 Q3**

**- Q&A Summary -**

Date: January 14, 2022, Friday, 10:00-10:30 am (JST)

Presenter: Osamu Sato, Director in charge of Finance, Accounting, Investor Relations

**Q: Could you please provide us with an overview of sales trends from the third quarter onward, as well as a breakdown by brand and sales channel? Could you also please tell us what issues you're expecting to face in light of the current environment?**

A: Starting with sales trends; sales were down slightly year on year in September at like-for-like stores, but they've been up year on year from October onward following the lifting of the state of emergency. We closed unprofitable stores as part of our global business reforms, but sales have also been up year on year from October onward even on an all-store basis. This trend continued through December and we also recorded strong sales at the new year's first sale.

By brand, sales of existing brands like "J. Press", and D2C brands like "UNFILO" and "uncrave", have been strong. Looking at trends by sales channel, e-commerce sales remain solid. Our click-and-brick stores, or "OMO stores", which combine the benefits of e-commerce and physical stores, have been well received by customers and are achieving steady sales growth. We have increased the number of OMO stores to 15. Looking ahead, we plan to further advance our expansion strategies for both e-commerce and our OMO stores.

**Q: Could you also please tell us about the impact of cost increases such as rising raw material prices?**

A: With regard to raw material price increases, we plan to respond by streamlining our supply chain through structural reforms.

**Q: In the third quarter, how much progress did Onward Kashiyama make in terms of sales versus your internal targets?**

A: We don't disclose our internal targets, but physical store sales in the third quarter didn't reach the ambitious targets we had set for them. E-commerce sales are steadily progressing in line with our internal targets.

**Q: I believe the sharp improvement in the profitability of your overseas operations, resulting from your global business reforms, has had a big impact on performance. At this stage, what is your view on whether you can achieve your target of returning to operating profitability for the full year?**

A: Although our overseas operations recorded a substantial loss in the fourth quarter of the previous fiscal year, we expect to erase the ¥3 billion loss recorded in that fourth quarter, as a result of our withdrawal from operations in Italy in the first quarter of the current fiscal year. I understand that profitability is improving more or less in line with targets at our operations in Europe. The only overseas business unlikely to reach its full-year targets is the resort business in Guam, because tourists are unable to visit the island due to the COVID-19 pandemic.

**Q: Now that your global business reforms are more or less completed, can you tell us your plans for pursuing profit growth from the next fiscal year onward?**

A: To expand profits, we're planning to make changes to our selling methods at physical stores, and further increase the number of OMO stores. As part of our e-commerce system revamp we introduced a "click & try" service, which allows customers to select products to try on and then purchase the ones they like. I believe that services like this will help to further boost the performance of our OMO stores. For existing businesses, we aim to expand profits through optimal inventory management and centralizing inventory to reduce sales opportunity loss. Our policy for D2C businesses is to identify customer needs accurately through purchase data and respond in a timely and appropriate manner through price setting and other such actions.