

Financial Results Briefing for FY2023 Q3
- Q&A Summary -

Date:	January 13, 2023, Friday, 1:00 -1:45 pm (JST)
Presenter:	Osamu Sato, Director in charge of Finance, Accounting, Investor Relations

Q1. What do you plan to focus on in your future growth strategy?

A1. Since the announcement of ONWARD VISION 2030 in April 2021, the environment has changed a little, and the recovery of the Apparel Business has been picking up speed mainly in physical stores due to the acceleration of the OMO¹ strategy. In terms of sales in the Apparel Business, we will continue to promote the OMO strategy going forward. On the brand front, we intend to expand the brands that meet the needs of customers through D2C². EC³ has been going strong, and we will continue to expand in this area. The Lifestyle Business is also performing steadily, and we intend to continue increasing the growth rate in the next fiscal year and beyond.

Q2. What is behind the rapid increase in the number of items reserved through the “Click & Try” service⁴ in the third quarter under the OMO strategy? Also, if there are any issues going forward in pursuing the OMO strategy, please let us know.

A2. The two points to note are that the convenience of the “Click & Try” service was improved last year due to changes in the system and other factors, and that customer recognition increased. Currently, we are introducing this service to department stores and shopping centers, and we aim to further expand the number of stores with this service going forward.

Q3. Please tell us about the situation of your overseas operations and the issues facing Europe, the U.S. (excluding Guam), and Asia.

A3. We recognize that the situation of our overseas operations is tough. As part of the global business reforms pursued since FY2019, we have implemented major reforms overseas, such as the withdrawal from the Italian business. However, due in part to the impact of the pandemic, some reforms are still ongoing overseas. For example, in our JOSEPH business in Europe, we implemented structural reforms under the leadership of a local female CEO, such as closing

unprofitable stores and withdrawing from North America. As a result, JOSEPH returned to the black in the third quarter of the current fiscal year, and it expects to record profitability for the full year in the next fiscal year. In Asia, the impact of the severe operating conditions at the Dalian Plant in China was significant. Our challenge going forward is to bring the Dalian Plant back to full operation. In the U.S., we are engaged in the made-to-order suits business (“KASHIYAMA” brand) with J. PRESS and are focusing on expanding sales and reducing fixed costs.

Q4. What message did Michinobu Yasumoto, President and CEO, deliver to the employees at the beginning of the year?

A4. Michinobu Yasumoto, President and CEO, delivered a message to the employees with the keyword “*susumu* (go forward)”. “*Susumu*” contains several ideas. One is to provide our customers with products worth more than their prices. He also emphasized and encouraged to move forward with our work style reform project “Work Style Design” and to advance “environmental management” through the Onward Green Campaign and other activities.

Q5. What was the background of the increase in the ratio of full-price sales? If you could categorize the underlying factors into two, one being the favorable weather and the other being the company’s efforts in terms of products, please describe what the situation is like.

Q6. Please confirm whether the reason for the improvement in gross profit was mainly due to the underlying factor that the number of products on sale decreased as a result of the conservative production plan, or whether there was a structural change that increased the accuracy of quantity control (whether there was an in-house effort to reduce price discounts).

A 5/6. There was the aspect that special demand for consumption was generated in this fiscal year after consumers refrained from purchasing the past few years due to the pandemic. On the other hand, the Company is taking the approach of carefully selling products without discounting prices on its sales floors more thoroughly than it ever has. We feel this approach contributed significantly. In the past few years, we worked to centralize inventory management and have developed a system in which we do not hold excess inventory. These efforts by the Company contributed significantly to the rise in the ratio of full-price sales and a higher gross profit margin. We also carefully plan production while assessing demand.

¹ OMO stands for "Online Merges with Offline". This is a sales method that combines e-commerce sites (online) and physical stores (offline) to improve customer convenience.

² D2C stands for "Direct to Consumer" and refers to a business model in which a manufacturer sells directly to customers through its own e-commerce site, etc., without going through an intermediary or selling in stores.

³ EC stands for "Electronic Commerce". It refers to a form of transaction where contracts and payments are made by electronic means such as the Internet, and may be referred to as "Internet shopping" or "online shopping".

⁴ This is an order placement service that allows customers to order products from the Onward Group's official fashion online shopping site "ONWARD CROSSET", regardless of the brand, have them delivered to a physical store, try them on, and purchase those products.