

Financial Results Briefing for FY02/27 (FY2026) 1H

– Q&A Summary –

Date: October 9, 2026, Friday 10:00-11:00

Presenter: Michinobu Yasumoto, President & CEO

Shohei Yoshida, Managing Director in charge of Finance, Accounting, Investor Relations

Q1. Onward Kashiya Co., Ltd.'s 1H operating profit exceeded expectations. You cited SG&A expense control as a factor. I assume the rollout of multi-brand ONWARD CROSSET SELECT (OCS) stores also contributed. Could you provide more specific details about this?

A1. One of Onward Kashiya Co., Ltd.'s KPI is increasing sales per store. While the conversion of stores into multi-brand formats has progressed significantly, we intend to continue expanding this initiative. In addition, we are working to increase sales through our Click & Try service. Going forward, we will further expand sales per store through initiatives such as reducing lost sales opportunities by promoting PLM.

Q2. Could you explain the reasons behind the widening losses in Europe and the measures being taken to improve performance?

A2. Since this spring, inbound customers from the Middle East to London have declined due to the worsening situation in the Middle East, creating a particularly challenging environment for the JOSEPH business. Wholesale operations have historically been a key profit driver, but growth has slowed. Going forward, we aim to restore business performance by expanding our directly operated e-commerce business alongside our directly operated stores.

Q3. Could you explain KASHIYAMA's expansion strategy, including future store openings?

A3. We are highly likely to exceed ¥10 billion in sales this fiscal year, and we aim to triple that level within the next three years. Our strategy is not simply to triple the number of stores. We will also pursue growth through higher sales per store and stronger e-commerce operations. We believe demand exists broadly across Japan, from major metropolitan areas to regional cities and suburban markets.

Q4. What do you see as the key challenges facing domestic business?

A4. In 1H, sales of our core brand, *Nijusanku*, declined 0.3% year on year. While the brand has maintained a loyal customer base over its 33-year history, one of our key challenges is attracting the next generation of customers. Going forward, we will strengthen digital marketing initiatives and focus on acquiring new customers through both our online store and physical stores.

Q5. You mentioned expanding sales channels for KASHIYAMA. Is this also helping you reach new customer segments?

A5. We are successfully capturing demand from students, particularly those seeking suits for job hunting. Within the Onward Group, there are few brands that target students as a customer segment, and we expect future synergies with other brands from an LTV perspective. In addition, *KASHIYAMA PREMIUM*, which operates primarily through department stores, has a core customer base in their 50s and 60s and has been successful in attracting new customers with high average spending. As the suit business is our founding business, we would like to further accelerate its growth as part of a return to our roots.

Q6. Given ongoing climate-related challenges, including unusual temperature patterns, how are you addressing climate-change risks?

A6. It is difficult to stock products suited to all weather conditions in stores. However, our distribution centers carry a full assortment, including past-season items. Through Click & Try, customers can also try on items in stores. We believe e-commerce has a particular advantage in responding to increasingly unpredictable weather conditions. We will continue to explore new initiatives utilizing AI.

Q7. Monthly sales were somewhat weak in June and August. Was the decline in gross margin partly due to a lower proportion of full-price sales?

A7. That was one factor, but the larger factor was our effort to reduce inventory levels.

Q8. How do foreign exchange fluctuations affect your outlook for the Spring/Summer 2027 season?

A8. Although foreign exchange trends remain difficult to predict, we will continue to manage our business in a way that enables stable growth in both sales and profits. At this point, we expect the business environment for the Spring/Summer 2027 season to remain broadly in line with that of the Fall/Winter 2026 season.