Financial Results Briefing for FY02/27 (FY2026) Q1

– Q&A Summary –

Date: July 10,2026, Friday 10:00-11:00

Presenter: Michinobu Yasumoto, President & CEO

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

Q1. Inventory optimization was cited as one of the factors behind the decline in gross margin. Could you provide an update on the inventory situation?

A1. Inventory optimization has progressed largely as planned, and there are no significant issues with inventory composition. The Company is carefully optimizing inventory levels through selective markdowns on slow-moving sizes and colors. In addition to inventory optimization, another factor behind the decline in gross margin was the earlier-than-usual introduction of summer apparel, which generally carry lower gross margins than winter and spring apparel.

Q2. What is the Company's pricing strategy for Fall/Winter apparel considering the situation in the Middle East?

A2. The Company has factored in a certain level of cost inflation related to geopolitical tensions in the Middle East and other factors. Rather than implementing a blanket price increase, pricing decisions will be made individually based on each brand, sales channel, and product characteristics.

Q3. What is the progress and effect of the Product Lifecycle Management (PLM) initiative?

A3. Progress has been steady in consolidating procurement and establishing a production system aligned with sales planning. Improvements in production efficiency and raw material sourcing have begun to mitigate rising costs. In addition, enhanced data sharing between sales and production teams, which previously relied heavily on manual processes, has improved the Company's ability to respond more flexibly to changes in supply and demand.

Q4. What is the background behind the revised profit targets for Onward Kashiyama Co., Ltd. and Yamato Co., Ltd. in the first half of the business plan?

A4. For Onward Kashiyama Co., Ltd., the profit outlook was raised due to stronger-than-expected performance from core brands, particularly *UNFILO*, as well as improvements in store productivity and the SG&A ratio. Meanwhile, Yamato Co., Ltd. revised its profit plan based on current conditions in its B2B business.

Q5. Why did the Company maintain its earnings forecast despite weak sales in June?

A5. Although business conditions in June were challenging due to unfavorable weather, the Company has sufficient inventory of summer apparel and intends to capture demand through various promotional initiatives across its sales channels. The Company also aims to achieve its earnings plan through appropriate cost control measures.

Q6. What are the challenges and countermeasures for WEGO Co., Ltd.'s overseas expansion?

A6. In Taiwan and China, customer demand has been confirmed based on the track record of visits to *WEGO* stores in Japan, the performance of pop-up stores, and trends in e-commerce sales. The key challenge is strengthening the organizational structure, particularly the talent pool responsible for overseas operations. In the near term, the Company will dispatch management personnel from Japan while simultaneously recruiting and developing local talent to build a stronger organizational framework.

Q7. What is the Company's policy regarding SG&A expenses concerning future overseas store openings?

A7. Advertising and promotional expenditures related to *WEGO*'s expansion in Taiwan, as well as the promotion of *Sirotan* and *Chacott Cosmetics*, are regarded as investments that contribute directly to sales growth. Therefore, such spending will be managed flexibly based on its effectiveness. For SG&A expenses, such as rent, which become more efficient as sales increase, the Company plans to allocate the resulting benefits to future growth initiatives.

Q8. Why is *WEGO* gaining support both domestically and internationally?

A8. *WEGO* has developed a brand strategy focused on teenage consumers, leveraging its strengths in marketing and product development to promote Japanese youth culture. This cultural appeal has resonated with younger consumers across Asia, including Taiwan and China, contributing to the strong performance of *WEGO*'s first store in Taiwan. Furthermore, the Company sees significant market potential in Asia, where the proportion of customers aged 20 and above is higher than in Japan.

Q9. What are the growth drivers of the U.S. business, and what are the plans?

A9. In the U.S. *J.PRESS* business, the appointment of management personnel with extensive experience in digital marketing has led to improvements in the e-commerce platform and acquisition of new customers, resulting in sales growth driven primarily by e-commerce. This fall, the Company plans to reopen flagship stores in prime retail locations in New York and Washington, D.C. Thereafter, it intends to expand into major cities across the U.S., leveraging synergies between e-commerce and physical stores to drive further growth.