

Financial Results Briefing for FY02/25 Q2

- Q&A Summary -

Date: October 4, 2024, Friday, 11:00-12:00 (JST)

Presenter: Michinobu Yasumoto, President and CEO

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

Q1. Regarding the overall macro environment, what is your outlook for the industry for this fall/winter season and your company's efforts?

A1. For this fall/winter season, we expect lingering summer heat until mid-October, so we are now focusing on autumnal designs using summer materials. We expect sales of heavy apparel such as outerwear to increase from the second half of October, as the weather is predicted to be cooler than last year.

Q2. What are your views on the future scale of sales and profits for WEGO, which has become a wholly owned subsidiary?

A2. We believe that WEGO has the potential to expand its current sales of 30 billion yen to 50 billion yen in the medium to long term.

To achieve this, we have three strategies. First, we aim to grow sales of physical stores by increasing average single store sales of the current 170 stores from 140 million yen to 200 million yen. Regarding the number of physical stores, we do not intend to significantly expand. Next, we intend to more than double its e-commerce sales, which currently amount to 6 billion yen, mainly through directly managed-e-commerce. Finally, in overseas markets, especially in ASEAN countries, we are considering opening carefully selected physical stores and developing e-commerce.

As for profits, we would like to eventually raise the operating profit margin to 8%.

Q3. Tell us about the overseas business environment, especially in Europe, and about your measures you feel will help turn a profit this fiscal year?

A3. In the European business, the wholesale business is struggling, partly due to bankruptcy of a wholesaler. Going forward, we intend to reduce the weight of the wholesale business while growing the retail business, whether directly-managed physical stores or through e-commerce.

Q4. Regarding the synergies from making WEGO a subsidiary, what specific initiatives and timelines

do you have in mind, and how will they affect the medium-term management plan?

A4. We will leverage strengths of Onward over the next year to enhance and grow our directly-managed e-commerce.

As for physical stores, we are considering expanding sales per store by developing a product strategy based on the current infrastructure. Specifically, we will strengthen and leverage WEGO's product lineup of general merchandise, and shift from unisex apparel products to products that clearly define the characteristics of men's and women's apparel.

Additionally, we plan to provide support for WEGO, which has not been able to adequately purchase products due to cash-flow constraints.

These measures will not immediately affect the target of 300 billion yen in sales for fiscal 2030, set in the medium- to long-term management vision "ONWARD VISION 2030," but depending on progress, including the possibility of other M&As in the future, early achievement or upward revision of the target may be in sight.