

Financial Results Briefing for FY02/23 Q2

- Q&A Summary -

Date: October 7, 2022, Friday, 1:00-2:00pm (JST)

Presenter: Michinobu Yasumoto, president & CEO

Q1. How do you view current consumer demand and expectations in the fashion field? And, in connection with that, what is Onward Group's direction on value propositions and pricing strategies for this autumn and winter, and next spring and summer? As raw materials prices continue to soar, I imagine product value propositions will grow in importance.

A1. In addition to soaring energy and raw materials prices, forex fluctuations have pushed up manufacturing costs. Some product prices will increase due to higher manufacturing costs, while others will not. In the case of Onward Kashiyama, I believe we'll manage to keep the overall increase below 10% or at several percent on average.

When raising prices, we don't simply increase the price of a product, we also make efforts to enhance its value. Looking at the current situation, we don't believe that raising prices will negatively impact customer demand or undercut their expectations.

Store traffic is currently growing significantly, due in part to a recovery in commuting and increasing travel demand. We have a very positive view of market conditions related to Onward Group's business domains. I believe this trend will continue through this autumn/winter and next spring/summer.

Q2. Could you elaborate in more detail on how you'll pursue the "Smile Project" objective of balancing brand-centered and store-centered management?

A2. In addition to conventional brand-centered profit-and-loss management and business management, we intend to develop a system in which each store becomes an individual management unit in order to increase the granularity of each store's management and balance their books. Although we'll continue with brand-centered management, there is a growing trend for our brick-and-click stores, which we call "OMO stores", to propose, from the customer's perspective, outfits put together from across various Onward Group brands.

As such trends accelerate, we hope to build a system that supports employees in taking a creative and inventive approach to their work each day, while both management staff and store sales staff share information about business conditions at individual stores.

Q3. “Onward Vision 2030”, the medium- to long-term management vision you announced last year, included a sales target for the Apparel Business of 150 billion yen for the next fiscal year. Considering the expansion of the OMO strategy and D2C brands, among other factors, I think that target could be revised upward to make it more ambitious. What are your thoughts?

A3. There have been significant changes to pandemic-related trends and other factors since the announcement of “Onward Vision 2030”, so we think it needs to be constantly revised. While net sales are of course a priority, we’re placing added emphasis on returning operating profit to its former level. Our first priority is to bring it back up to the 7 billion yen level in the next fiscal year.

Although we expect some changes in the respective operating profit weightings of the Apparel Business and the Lifestyle Business, demand for new Apparel Business services such as Click & Try and product customization has exceeded our initial forecasts. As we continue to grow the Apparel Business with its new business models while keeping an eye on future trends, I believe that revisions to Onward Vision 2030 to increase emphasize on the Apparel Business may be possible.

Q4. Can you explain just how difficult it actually is to balance brand-centered and store-centered management?

A4. Since we’ve only just launched operations and management of mixed brand stores, the positioning of each store from the perspective of brand management isn’t yet firmly established. When determining factors such as the amount of products that need to be manufactured for each brand, a key point will be just how smoothly we adjust the framework linking store-side demand levels with the brand product departments on the supply side and increase the precision of this process.