Fiscal 2026 Semi-Annual Financial Results Explanatory Material

Sanyo Shokai Ltd.

October 6, 2025

Note: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Contents

Consolidated PL: Semi-Annual Accounting Period[1]

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Net sales were ¥27.04bn, operating loss was ¥0.21bn, and loss attributable to owners of parent was ¥0.30bn.

(Billions of yen)	PY Results	FY2026 Forecasts[2]	FY2026 Results	vs. PY Results	vs. Forecasts
Net sales	27.90	26.90	27.04	-0.86	+0.14
Gross profit	17.54	16.30	16.37	-1.17	+0.07
SG&A expenses	16.94	16.60	16.59	-0.36	-0.01
Operating profit	0.60	-0.30	-0.21	- 0.81	+0.09
Ordinary profit	0.68	-0.27	-0.15	-0.83	+0.12
Profit attributable to owners of parent	0.46	-0.40	-0.30	-0.76	+0.10

1. All figures above are rounded to two decimal places. 2. Revised Q2 (interim) forecast announced on August 28, 2025

Consolidated PL: KPIs[1]

Gross profit margin decreased by 2.3 pts. YoY and was in line with the forecast.
Operating margin decreased by 2.9 pts YoY, but exceeded the forecast by 0.3 pts.

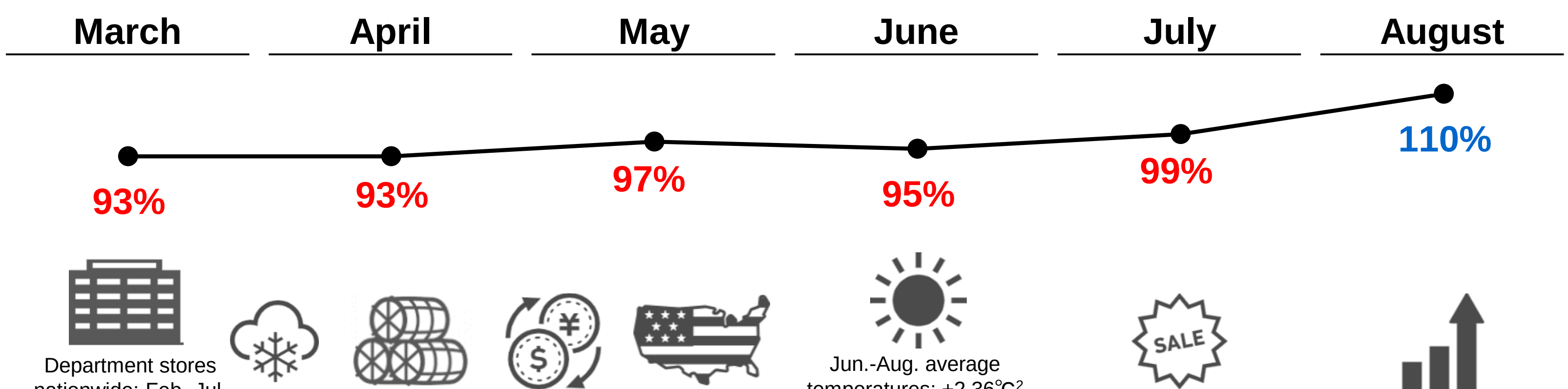
	PY Results	FY2026 Forecasts[2]	FY2026 Results	vs. PY Results	vs. Forecasts
Gross profit margin	62.9%	60.6%	60.6%	-2.3 pts.	0 pts.
SG&A expense ratio	60.7%	61.7%	61.3%	+0.6 pts.	-0.4 pts.
Operating margin	2.1%	-1.1%	-0.8%	-2.9 pts.	+0.3 pts.
Ordinary profit margin	2.4%	-1.0%	-0.6%	-3.0 pts.	+0.5 pts.
Net profit margin	1.6%	-1.5%	-1.1%	-2.7 pts.	+0.4 pts.

1. All figures above are rounded to two decimal places. 2. Revised Q2 (interim) forecast announced on August 28, 2025

Monthly Net Sales Results

For Q1, net sales were 94% YoY as sluggish full-price sales reflected weakness in the mid- to high-end market, poor performance of department stores, and irregular weather conditions. For Q2, net sales were 100% YoY as sluggish full-price sales were offset by discount sales.

Trend of Monthly Results (YoY)



Department stores nationwide: Feb.-Jul. sales declined YoY[1]

Jun.-Aug. average temperatures: +2.36℃[2] than normal years

- The luxury brands that had driven the entire market struggled due mainly to a sharp drop in inbound consumption. The general apparel market also saw weakened consumer sentiment amid increasing uncertainty in domestic and international political and economic conditions and persistent inflation.
  - In particular, the mid- to high-end market, mainly in department stores, remained sluggish.
- In addition to weak performance of department stores, our main sales channel, low temperatures in early spring delayed the full-scale launch of full-price spring and summer products.
- Steady discount sales at outlets and other channels were not able to offset the overall sales weakness.

- The Q1 trend continued from June to July, resulting in sluggish performance.
  - Temperatures sharply rose following low temperatures in early spring, reducing full-price sales of spring and summer items to about 90% YoY.
  - Discount sales at outlets and other stores were steady, but they could not fully offset the overall decline in sales.
- August sales remained strong, partly due to a rebound from the temporary sales decline caused by the previous year's typhoon. The proactive introduction of full-price midsummer products and promotion of final discount sales of spring and summer products contributed to results well above the previous year.

Q1/Q2	94%	100%
H1	97%	

1. Source: Japan Department Stores Association 2. Source: Japan Meteorological Agency

Consolidated BS: Semi-Annual Accounting Period

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Equity decreased by ¥1.78bn YoY and total assets decreased by ¥2.97bn due to capital policy.

(Millions of yen)	Aug. 31, 2024	Aug. 31, 2025	YoY Change
Cash and deposits	22,997	19,080	-3,917
Accounts receivable - trade	2,615	2,794	179
Merchandise and finished goods	8,215	8,893	678
Property, plant and equipment	8,657	9,436	779
Intangible assets	2,899	2,603	-296
Other assets[1]	12,541	12,152	-389
Total assets	**57,924**	**54,958**	**-2,966**
Notes and accounts payable - trade	4,593	3,902	-691
Borrowings	7,000	6,895	-105
Other liabilities	5,991	5,598	-393
Total liabilities	17,584	16,395	-1,189
Share capital	15,002	15,002	-
Total shareholders' equity	33,554	32,653	-901
Accumulated other comprehensive income and other[2]	6,785	5,909	-876
Total net assets	40,339	38,562	-1,777
Total liabilities and net assets	**57,924**	**54,958**	**-2,966**
Reference: Equity	40,322	38,543	-1,779

Cash and deposit: down ¥3.92bn
- Down YoY due primarily to shareholder dividends and share buybacks in the previous fiscal year
- Negative operating cash flow in H1

Merchandise and finished goods: up ¥0.68bn
- This season's inventory rose due to increased purchases of midsummer items

Property, plant and equipment: up ¥0.78bn
- Up YoY due to acquisition of real estate adjacent to the Head Office

Liabilities: down ¥1.19bn
Down YoY due primarily to:
- A decrease in notes and accounts payable – trade of ¥0.69bn
- A decrease in other liabilities of ¥0.39bn, due primarily to lower deferred tax liabilities from the sale of investment securities in the previous year

Net assets: down ¥1.79bn
Down YoY due primarily to:
- A decrease in shareholders' equity of ¥0.90bn mainly from share buybacks
- A decrease in accumulated other comprehensive income of ¥0.88bn
  - A decrease in valuation difference on available-for-sale securities due to sale of investment securities in the previous year

1. Total of current assets (excluding cash and deposits, accounts receivable - trade, and merchandise and finished goods) and investments and other assets
2. Total of accumulated other comprehensive income and non-controlling interests

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Contents

Progress and Evaluation of Priority Measures

Priority Measures		Progress and Evaluation
Achieve forecast net sales	×	**Net sales reached 97% of the year-ago level, down ¥0.86bn YoY and ¥1.36bn short of the initial forecast**[1] • For Q1, net sales were 94% YoY as sluggish full-price sales reflected weakness in the mid- to high-end market, poor performance of department stores, and irregular weather conditions. • For Q2, net sales were 100% YoY as sluggish full-price sales were offset by discount sales.
Improve gross profit margin	×	**Gross profit margin declined by 2.3 pts. YoY to 60.6% and 2.8 pts. lower than the initial forecast**[1] • Gross profit margin declined due to sluggish full-price sales and the increase in discount sales caused by excess inventory. - The full-price sales ratio fell 7.5 pts. YoY to 59.7%. - Average selling price declined by ¥1,000 YoY to ¥20,100. - Both production efficiency and the cost of sales ratio remained largely unchanged YoY.

1. Initial full-year forecast announced on April 14, 2025

Progress and Evaluation of Priority Measures

Priority Measures / Progress and Evaluation

Business restructuring

Control SG&A expenses

○

Properly controlled based on sales progress

- SG&A expenses decreased by ¥0.36bn YoY. Sales commissions linked to sales declined by ¥0.44bn, while other expenses increased by ¥0.08bn YoY including one-time costs for the launch of new brands.
  - SG&A expenses excluding sales commissions were reduced by ¥0.48bn from the initial forecast.[1]

Control inventory

△

Product inventory[2] as of the end of August increased by ¥0.53bn YoY to ¥7.75bn.

- Carryover inventory increased by ¥0.17 YoY.
- This season's items rose by ¥0.48bn YoY due to increased purchases of midsummer items.
  - Next season's items decreased and the ratio of this and next season's items was 80% (down 1.0 pt. YoY)

Implement financial reform

○

Equity ratio: 70.1% (up 0.5 pts. YoY)
Debt-to-equity ratio (DER): 0.18

- Net assets: ¥38.6bn, down from ¥40.3bn at the end of the same month PY
- Total assets: ¥55.0bn, down from ¥57.9bn at the end of the same month PY
- Interest bearing liabilities: ¥6.9bn, down from ¥7.0bn at the end of the same month PY
- Cash position: ¥19.1bn, down from ¥23.0bn at the end of the same month PY

1. Initial full-year forecast announced on April 14, 2025
2. Inventory of finished products only, excluding raw materials, work in process, etc.

Reference: Sales Results by Channel

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Physical stores[1] struggled, with 95% of the year-ago level. In particular, department stores suffered from weak full-price sales, landing at 92% YoY. On the other hand, EC and outlets performed well in discount sales, reaching 112% YoY.

Revenue (Millions of yen)

	Mar.	Apr.	May	Mar.-May	Sales composition ratio	Jun.	Jul.	Aug.	Jun.-Aug.	Sales composition ratio	Mar.-Aug.	Sales composition ratio
Department stores	3,461	2,958	2,890	9,308	64%	3,051	2,666	1,765	7,482	60%	16,790	62%
Directly managed stores	280	280	256	815	6%	273	262	193	728	6%	1,544	6%
EC & mail/online orders	680	613	594	1,887	13%	601	856	726	2,183	17%	4,070	15%
Outlets	651	581	603	1,834	13%	556	574	703	1,833	15%	3,667	14%
Other	171	394	98	663	4%	215	26	67	308	2%	971	3%
Total	5,242	4,826	4,440	14,508	100%	4,696	4,383	3,455	12,534	100%	27,042	100%

YoY

	Mar.	Apr.	May	Mar.-May	Jun.	Jul.	Aug.	Jun.-Aug.	Mar.-Aug.
Department stores	91%	89%	90%	90%	90%	91%	107%	94%	92%
Directly managed stores	84%	96%	96%	91%	95%	95%	100%	96%	94%
EC & mail/online orders	103%	112%	112%	109%	108%	118%	117%	115%	112%
Outlets	111%	103%	107%	107%	109%	120%	124%	117%	112%
Other	62%	88%	516%	90%	106%	73%	64%	90%	90%
Total	93%	93%	97%	94%	95%	99%	110%	100%	97%

1. Total sales of department stores, directly managed stores, and outlets

Reference: Breakdown of SG&A Expenses

SG&A expenses decreased by ¥0.36bn YoY, but increased by ¥0.08bn YoY on a substantial basis excluding a decrease in sales commissions linked to sales.
We continued efforts to control fixed costs, except for one-time costs for new brand launches and new store openings.

SG&A Expenses

(Millions of yen)	FY2025 H1	FY2026 H1	vs. PY
Selling expenses	11,436	11,010	-426
Personnel expenses	2,274	2,284	10
Sales promotion expenses	804	797	-7
Equipment expenses	666	788	122
Logistics expenses	776	795	19
Administrative expenses	989	914	-75
Total SG&A expenses	16,944	16,587	-357
Sales commissions	6,251	5,813	-438
SG&A expenses excluding sales	10,693	10,774	81

Selling expenses: down ¥0.43bn
- Sales commissions linked to sales decreased by ¥0.44bn while other expenses were kept unchanged YoY.
- While the increase in base pay to FAs continued, FA expenses remained unchanged at the previous year's level through personnel allocation reviews and improvements in store efficiency.

Equipment expenses: up ¥0.12bn
- New brand launches, new store openings for existing brands, and store environment improvements, etc.

Logistics expenses slightly increased, while sales promotion expenses and administrative expenses were kept below the previous year's levels.
- The unit cost of logistics expenses increased due to the amendment of laws and regulations.
- Sales promotion expenses remained at the same level as the previous year overall, despite one-time costs related to the new brand launch.

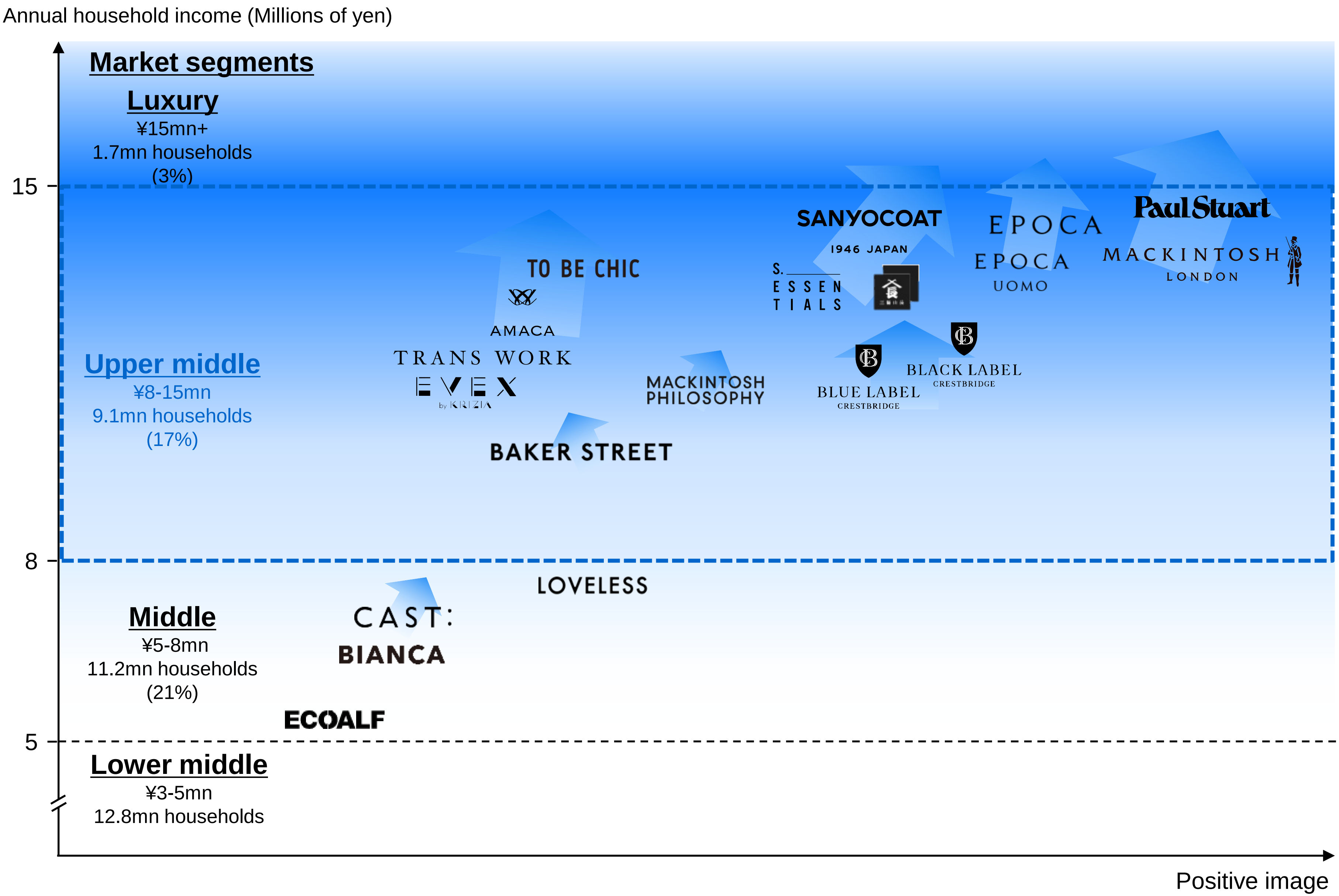
Selling expenses: FA expenses, sales commissions, rent expenses for real estate, etc.; Equipment expenses: Shop setup costs, depreciation expenses, lease fees, repair costs, utility expenses, etc.;
Personnel expenses: Personnel compensation, statutory welfare benefits, etc.; Logistics expenses: Packing & transportation costs, logistics outsourcing fees;
Administrative expenses: Business outsourcing fees, travel & transport expenses, communications expenses, miscellaneous expenses, etc.

Contents

Brand Portfolio

Business Area	Target Brands	Strategy Summary	
Seven Core Businesses	BLACK LABEL CRESTBRIDGE	**Aim to establish a solid business and revenue base by developing a ¥10bn-revenue structure for each business as soon as possible**	• Re-establish branding as a traditional British brand • Establish younger customer base and increase customer satisfaction through price strategy merchandising, social media, experience-based events, OMO promotion, etc. • Open directly managed stores in western Japan and reorganize outlets
	BLUE LABEL CRESTBRIDGE		
	MACKINTOSH LONDON		• Establish position in affordable luxury market with high grade, high quality, high value-added products • Enhance presence and brand value by opening flagship stores
	MACKINTOSH PHILOSOPHY		• Strengthen openings in Tokyo department stores/FB • Expand recognition and acquire new customers by promoting social media marketing strategies such as YouTube/Instagram Live, etc.
	Paul Stuart / BAKER STREET		• Paul Stuart: Establish position in luxury business wear and optimize flagship stores to attract new customers and increase customer satisfaction • Baker Street: Expand recognition by promoting tartan
	EPOCA / EPOCA UOMO / CAST:		• EPOCA: Establish position in affordable luxury market through design/quality/exceptional comfort; open a flagship store • CAST: Gain new customers in 30s/40s, open FB/SC
	Women's clothes AMACA / EVEX by KRIZIA / TO BE CHIC / TRANS WORK		• Improve in-store environment and operational efficiency and expand profit-generating model by promoting the opening of the "SANYO Style STORE" combined shop • Increase existing customer loyalty through events to accept orders, etc.
Challenges	SANYOCOAT 1946 JAPAN / S. ESSENTIALS / 三陽山長	**Establish revenue base during the MTBP period and continue nurturing these brands to become future growth engines**	• Establish image of Sanyo Summit series as curated line of Japan-made products; offer total coordination • Strengthen store openings at department stores that align closely with the brand
	LOVELESS / ECOALF		• LOVELESS: Generate solid profits at small and medium-sized stores • ECOALF: Rebrand with shoes as core category
	BIANCA		• Prioritize initiatives to expand recognition as EC-exclusive brand • Partner with fashion magazines • Strengthen digital marketing

Brand Positioning



Source: Based on data from the Ministry of Health, Labour and Welfare

FY2026 Projections: Consolidated PL[1]

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For H2, we forecast net sales of ¥32.86bn, operating profit of ¥2.51bn, and profit attributable to owners of parent of ¥4.40bn.
We aim to achieve the revised full-year forecast announced on August 28, 2025.

(Billons of yen)	H1		H2		Full-year	
	Results	YoY	Forecast	YoY	Forecast[2]	YoY
Net sales	27.04	97%	32.86	101%	59.90	99%
Gross profit	16.37	93%	20.69	102%	37.06	98%
SG&A expenses	16.59	98%	18.17	100%	34.76	99%
Operating profit	-0.21	-	2.51	119%	2.30	85%
Ordinary profit	-0.15	-	2.51	117%	2.36	84%
Profit attributable to owners of parent[3]	-0.30	-	4.40	124%	4.10	102%

1. All figures above are rounded to two decimal places. 2. Revised full-year forecast announced on August 28, 2025
3. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings.

FY2026 Projections: KPIs[1]

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For H2, we forecast improvements in all KPIs.
We aim to achieve the revised full-year forecast announced on August 28, 2025.

	H1		H2		Full-year	
	Results	YoY	Forecast	YoY	Forecast[2]	YoY
Gross profit margin	60.6%	-2.3 pts.	63.0%	+0.8 pts.	61.9%	-0.6 pts.
SG&A expense ratio	61.3%	+0.6 pts.	55.3%	-0.3 pts.	58.0%	+0.1 pts.
Operating margin	-0.8%	-2.9 pts.	7.6%	+1.2 pts.	3.8%	-0.6 pts.
Ordinary profit margin	-0.6%	-3.0 pts.	7.6%	+1.1 pts.	3.9%	-0.7 pts.
Net profit margin[3]	-1.1%	-2.7 pts.	13.4%	+2.5 pts.	6.8%	+0.2 pts.
ROE[3]					10.2%	+0.2 pts.

1. All figures above are rounded to two decimal places. 2. Revised full-year forecast announced on August 28, 2025
3. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings.

Three-Year Projections: Consolidated PL[1]

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For FY2026, we aim to achieve the revised full-year forecast announced on August 28, 2025.
For FY2027 and FY2028, we will maintain the previously prepared forecast.

(Billions of yen)	FY2025	FY2026		FY2027	FY2028
	Results	Forecast[2]	YoY Change	Forecast	Forecast
Net sales	60.53	59.90	99%	66.00	70.00
Gross profit	37.81	37.06	98%	42.00	44.80
SG&A expenses	35.09	34.76	99%	38.10	39.80
Of which, brand growth investment	-	0.30	-	1.00	1.00
Operating profit	2.72	2.30	85%	3.90	5.00
Ordinary profit	2.83	2.36	84%	3.80	4.90
Profit attributable to owners of parent[3]	4.01	4.10	102%	4.40	4.72

¥2.3bn in investments planned over 3 years to enhance brand value

1. All figures above are rounded to two decimal places. 2. Revised full-year forecast announced on August 28, 2025
3. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings.

Three-Year Projections: KPIs[1]

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For FY2026, we aim to achieve the revised full-year forecast announced on August 28, 2025.
For FY2027 and FY2028, we will maintain the previously prepared forecast.

	FY2025	FY2026		FY2027	FY2028
	Results	Forecast[2]	vs. PY	Forecast	Forecast
Gross profit margin	62.5%	61.9%	-0.6 pts.	63.6%	64.0%
SG&A expense ratio	58.0%	58.0%	+0.1 pts.	57.7%	56.9%
Operating margin	4.5%	3.8%	-0.6 pts.	5.9%	7.1%
Ordinary profit margin	4.7%	3.9%	-0.7 pts.	5.8%	7.0%
Net profit margin[3]	6.6%	6.8%	+0.2 pts.	6.7%	6.7%
ROE[3]	10.0%	10.2%	+0.2 pts.	10.5%	10.7%

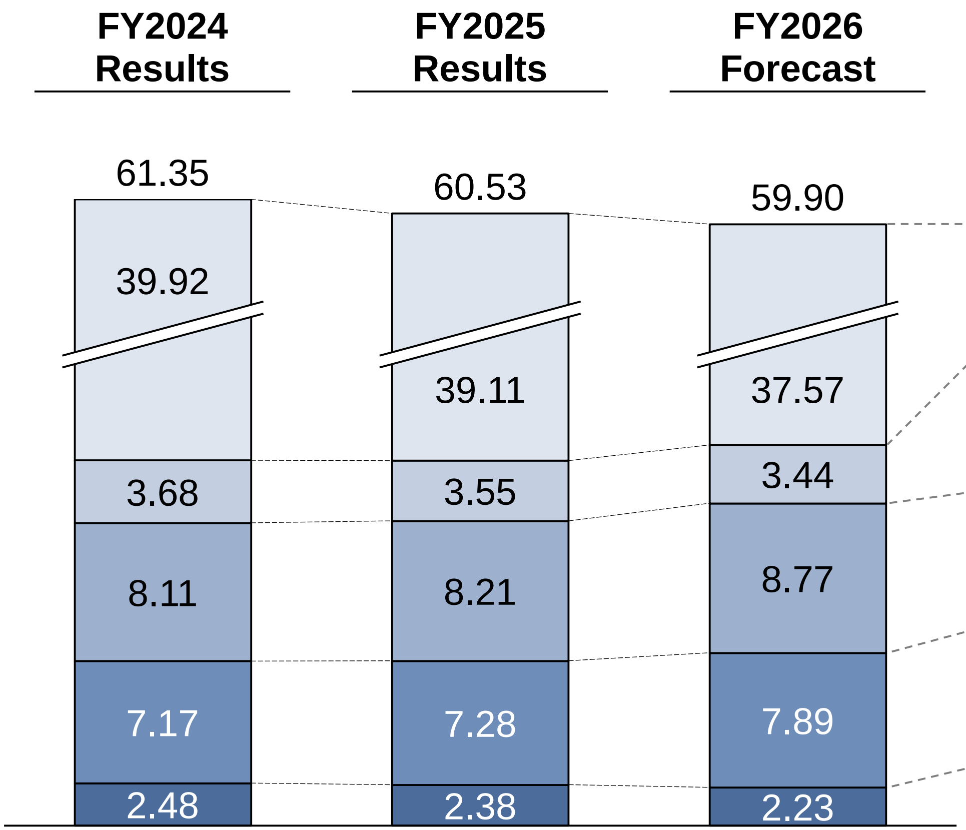
1. All figures above are rounded to two decimal places. 2. Revised full-year forecast announced on August 28, 2025
3. Includes planned sales of investment securities based on the policy of reducing strategic shareholdings.

FY2026 Projections: Secure Net Sales

We expect full-year net sales to achieve 99% of the previous year's level and to decrease by ¥0.6bn YoY to ¥59.9bn by accelerating new store openings in H2 to offset the struggles in H1.

Net Sales Plan

(Billions of yen)



	YoY	Measures
Total net sales	99%	
Department stores	96%	Opened 12 new shops in H1. Plan to open seven new shops in H2
Directly managed stores	97%	Opened three new shops in H1. Plan to open five new shops in H2.
EC & mail order	107%	Launched BIANCA, an EC-exclusive brand. Enhance full-price sales and reciprocal customer transfers with physical stores.
Outlets	108%	Opened one new shop in H1. Plan to open five new shops in H2.
Other[1]	94%	

1. Family & friends sale, wholesale, etc.

FY2026 Projections: Improve Gross Profit Margin

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We continue to implement measures such as controlling the procurement cost ratio, strengthening inventory control, and improving the full-price sales ratio with an aim to achieve gross profit margin of 61.9% for FY2026.

FY2026

Quantitative Target: Gross profit 61.9% (-0.6 pts. vs. PY)

Qualitative policies	Specific measures
Control the procurement cost ratio	• Optimize supply chain management by strengthening initiatives with major suppliers. • Expand direct trade and direct import. • Diversify material sourcing. • Increase selling prices by strengthening product appeal and raising the balance point between product value and price.
Strengthen inventory control	• Curb excessive purchases by keeping 20% of purchases. Introduce the QR system for bestselling products. – Purchases are projected to be ¥17.8bn for FY2026 but will be flexibly managed depending on the situation. • Product inventory[1] at the end of FY2026 is projected as ¥8.0bn (unchanged YoY) by adhering to the policy of thoroughly reducing carryover inventory in H2 although it increased by ¥0.53bn in H1. – Improve the inventory turnover rate by shortening merchandising cycles and developing the QR system.
Improve full price sales ratio	• Full-price sales ratio: Plan to achieve 65.8% (up 3.7 pts. YoY) in H2 by strengthening full-price sales in the autumn and winter sales season compared to the H1 result of 59.7% (down 7.5 pts. YoY), aiming for the full-year forecast of 63.1% (down 1.3 pts. YoY). – Strengthen the ability to respond to actual demand by enhancing inventory control and shortening merchandising cycles. – Further reduce product numbers and aggregate merchandising. Enhance the response capabilities during the period.

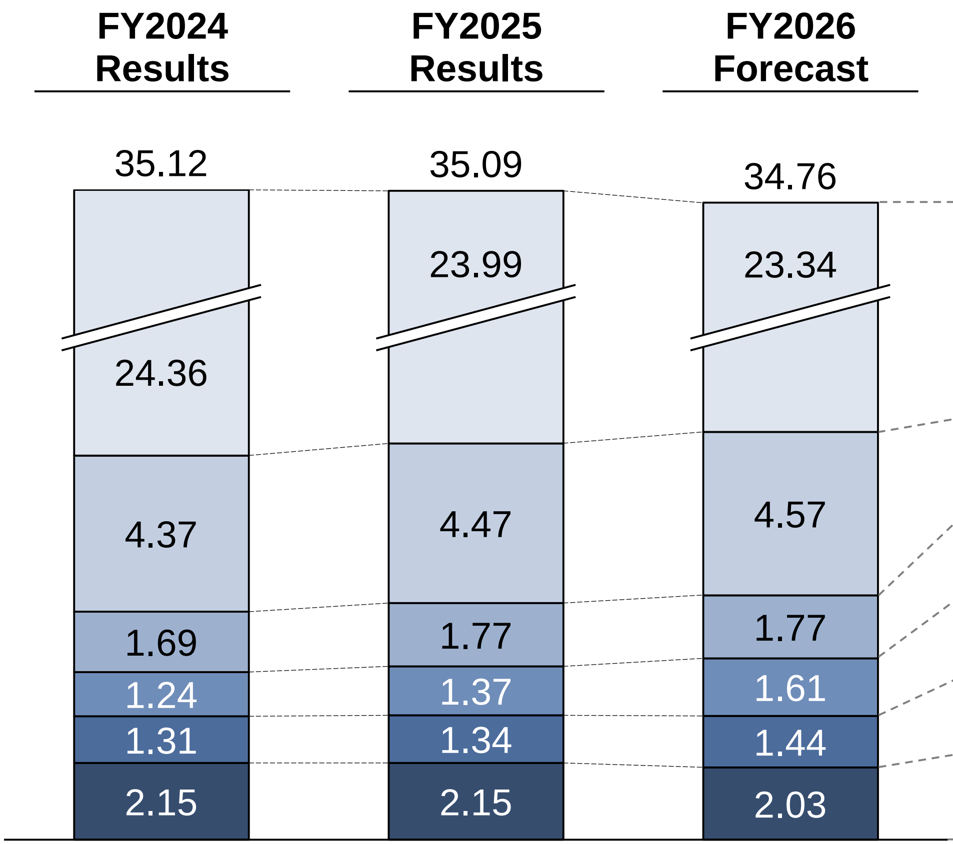
1. Inventory of finished products only, excluding raw materials, work in process, etc.

FY2026 Projections: Control SG&A Expenses

While securing funds for growth investments in new brands/new store openings, as well as employee benefits, we will implement selection and concentration strategies and improve operational efficiency at the store and company levels. As a result, we expect a decrease of ¥0.33bn YoY to ¥34.8bn.

Past Results vs. FY2026 Forecast

(Billions of yen)



	vs. PY	Measures
Total SG&A expenses	**-0.33**	Up ¥0.17bn on a substantial basis excluding sales commissions linked to sales
Selling expenses	**-0.65**	A decrease in sales commissions linked to sales (down ¥0.50bn YoY). A decrease in store operating expenses by reviewing personnel allocation and improving store efficiency (down ¥0.15bn YoY).
Personnel expenses	**+0.1**	Strengthen employee returns and increased base pay
Sales promotion expenses	**0**	Focus on new brands and core brands
Equipment expenses	**+0.24**	Promote new store openings/ improve shop environments.
Logistics expenses	**+0.10**	Increase due to the amendment of laws and regulations
Administrative expenses	**-0.12**	Controlled by operational efficiency

Selling expenses: FA expenses, sales commissions, rent expenses for real estate, etc.; Equipment expenses: Shop setup costs, depreciation expenses, lease fees, repair costs, utility expenses, etc.
Personnel expenses: Personnel compensation, statutory welfare benefits, etc.; Logistics expenses: Packing & transportation costs, logistics outsourcing fees
Administrative expenses: Business outsourcing fees, travel & transport expenses, communications expenses, miscellaneous expenses, etc.

FY2026 Projections: Strengthen Product Appeal and Sales & Marketing Capabilities

To strengthen product appeal, we are continuously innovating and upgrading products. To strengthen marketing capabilities, we are working to enhance customer equity by improving customer touchpoints.

Strengthen product appeal

Innovate and upgrade products

Innovate: Continue efforts to innovate merchandising plans and develop innovative products that create a stir in the market.

- Execute through cross-functional product development committee
- Continue to actively promote the development of unique products using photoelectrons, “PERTEX® SHIELD AIR,” and “BLACK OF BLACKs,” while building on the success of Aomori Down.

Upgrade: Raise the balance point between value and price by improving product level and grade.

Strengthen sales capabilities

Strengthen customer touchpoints to improve customer equity

- Strengthen individualized approach to SANYO MEMBERSHIP (SMS) loyal customers
- Expand events to take orders from top customers

Increase accuracy and energy in customer communications

- Promote F2 conversion[1] and take measures to increase customer purchase frequency
- Find ways of bringing back dormant customers

Gain new customers

- Raise awareness of SMS loyalty program
- Turn sales staff into influencers

Drastically improve sales service

- Enhance training for sales staff and conduct a role-playing

1. When a first-time buyer becomes a repeat customer.

Contents

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PBR Improvement Plan: Analysis of Current Status, Issues, and Solutions

We are continuing to advance the PBR improvement plan announced on October 4, 2024. We aim to improve PBR by taking various measures to maintain and further improve ROE that exceeds the cost of shareholders' equity, further strengthening IR activities, and implementing the Medium-Term Business Plan.

Current status analysis[1] and challenges

PBR remains below 1

FY2023 0.45
FY2024 0.72
FY2025 0.75

ROE is improving and currently exceeds cost of shareholders' equity

FY2023 6.1%
FY2024 7.2%
FY2025 10.0%

Solution

Theory	Specific measures
PBR improvement	
=	
ROE improvement	Take steps to maintain and improve ROE that exceeds the cost of shareholders' equity
×	Further strengthen IR activities
PER improvement	Implement the Medium-Term Business Plan

1. All consolidated results.

PBR Improvement Plan: Increasing ROE

We aim to achieve the long-term target of ROE of 10%[1] by increasing return and controlling equity in accordance with the Medium-Term Business Plan.

Increase Return

- **Organic growth**
- **Execute growth strategy based on a strong portfolio of seven core brands**
- **Accumulation of returns through new growth strategies and M&A**

Develop a ¥10bn-revenue business for each core brand as soon as possible

Achieve break-even and development in challenge area brands during the Medium-Term Business Plan period

Control Equity

- **Gradually increase dividend level**
    - Gradually increased DOE from 2% to 4% during the previous medium-term business plan
    - FY2026 policy: DOE of 4%
      Annual dividend[2] of ¥139 (Interim dividend introduced from this fiscal year)
- **Consider further enhancement of shareholder returns based on business performance**
    - Bought back shares twice during the previous medium-term business plan
        - 1,510,000 shares in total, total ¥3.46bn
    - **Intend to consider buying back shares as needed from this fiscal year onward**

1. 10% under normal conditions without extraordinary income, etc. 2. Forecast

PBR Improvement Plan: Other PBR Improvement Measures

TIMELESS WORK.
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In addition to business growth, we will further strengthen IR/SR activities to promote PBR improvement.

Further strengthen IR/SR activities

Develop a foundation for IR/SR activities

Established a dedicated IR/SR department

- Established the Investor Relations Department (currently Investor Relations & Public Relations Strategy Department) as a dedicated department in March 2022

Major updates to corporate site including IR site in March 2024

- Expanded disclosure to shareholders/investors
- Strengthened English disclosure

Current updated corporate site

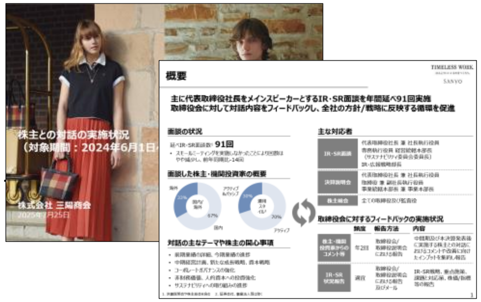
Strengthen the dissemination of sustainability information

- Significant improvement through the above corporate site updates

Promote dialogue with the market

Proactive IR/SR activities

Close the investor expectation gap by strengthening internal feedback on IR/SR activities



Disclosure of progress on dialogue with shareholders

Net Cash Allocation

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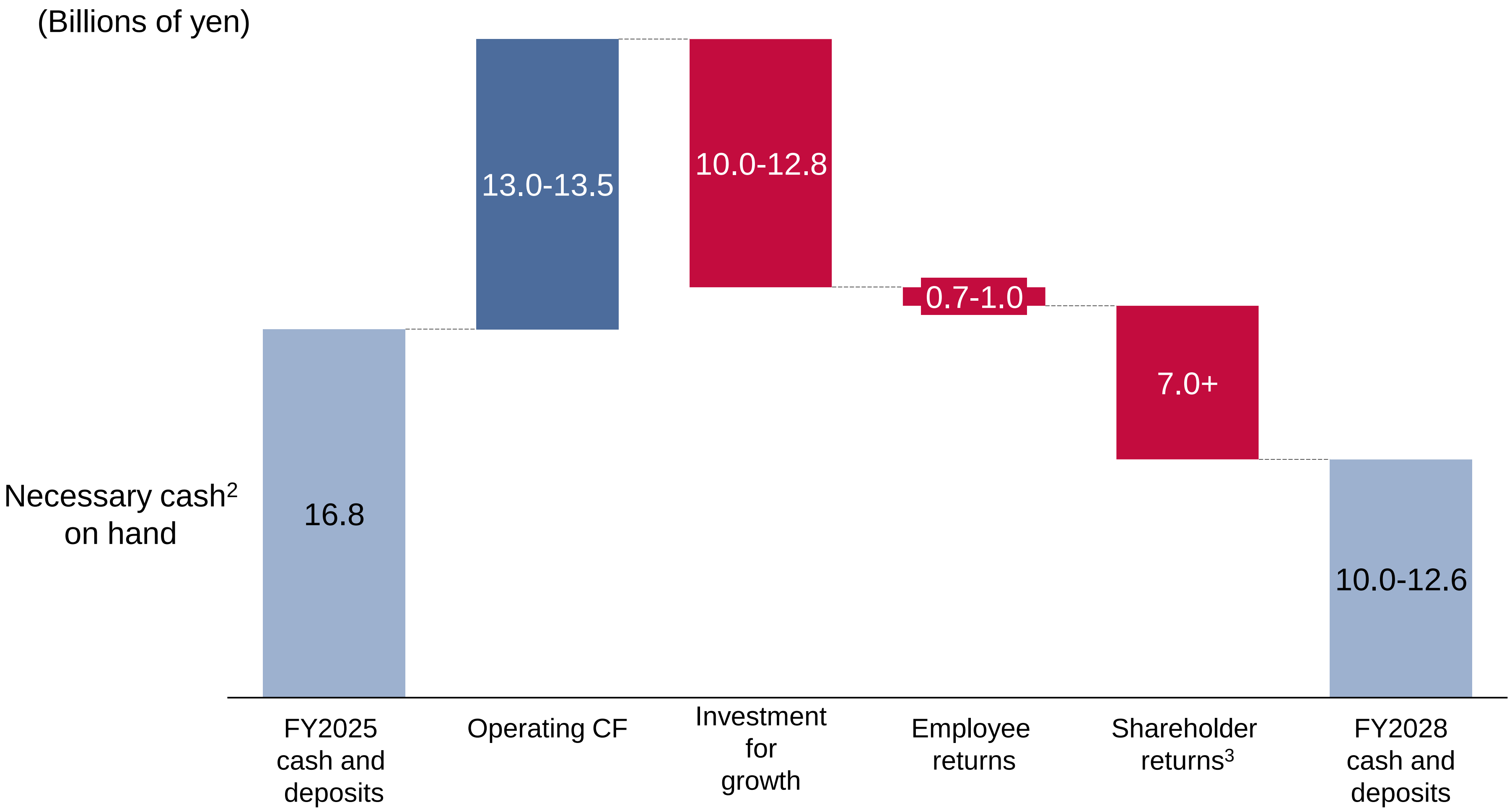
Based on the Medium-Term Business Plan and PBR Improvement Plan, we will make investments for growth and enhance employee/shareholder returns to improve capital efficiency and optimize net cash[1] levels.



1. Net cash, excluding long-term and short-term borrowings, etc. 2. Appropriately set considering the business/investment environment and need for liquidity on hand.
3. Includes the policy to consider share buybacks from this fiscal year onward

Use of Cash

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We actively use cash to strengthen investment for growth, employee returns, and shareholder returns.

(Billions of yen)

Investment for growth		Employee returns		Shareholder returns	
Brand growth investment • Strengthen investment in stores, systems, and marketing to improve brand value	**2.3-4.0**	**Compensation improvement** • Raise base pay, bonuses, and incentives in line with improved financial performance. **Enhanced investment in human capital** • Human resource development and personnel infrastructure development • Disposal of 72,000 treasury shares[1] and granting of RS[2] to employees via employee stock ownership plan as an incentive plan to achieve the Medium-Term Business Plan and increased investments in human capital	**0.7-1.0**	**Capital efficiency improvement** • Dividend policy for Medium-Term Business Plan: DOE 4% **Further enhancement of shareholder returns based on business performance** • **Intend to consider buying back shares as needed from this fiscal year onward**	**7.0+**
New growth strategies • Expand business domains of existing brands, develop new in-house brands, expand overseas, etc.	**0.5-3.0**				
M&A • Acquire new trademark rights, etc. • Proactively take on M&A projects that help enhance corporate value	**7.0-10**				

1. Tentative figures at this time. Official number of shares to be determined. 2. Restricted stock

Dividend Forecast

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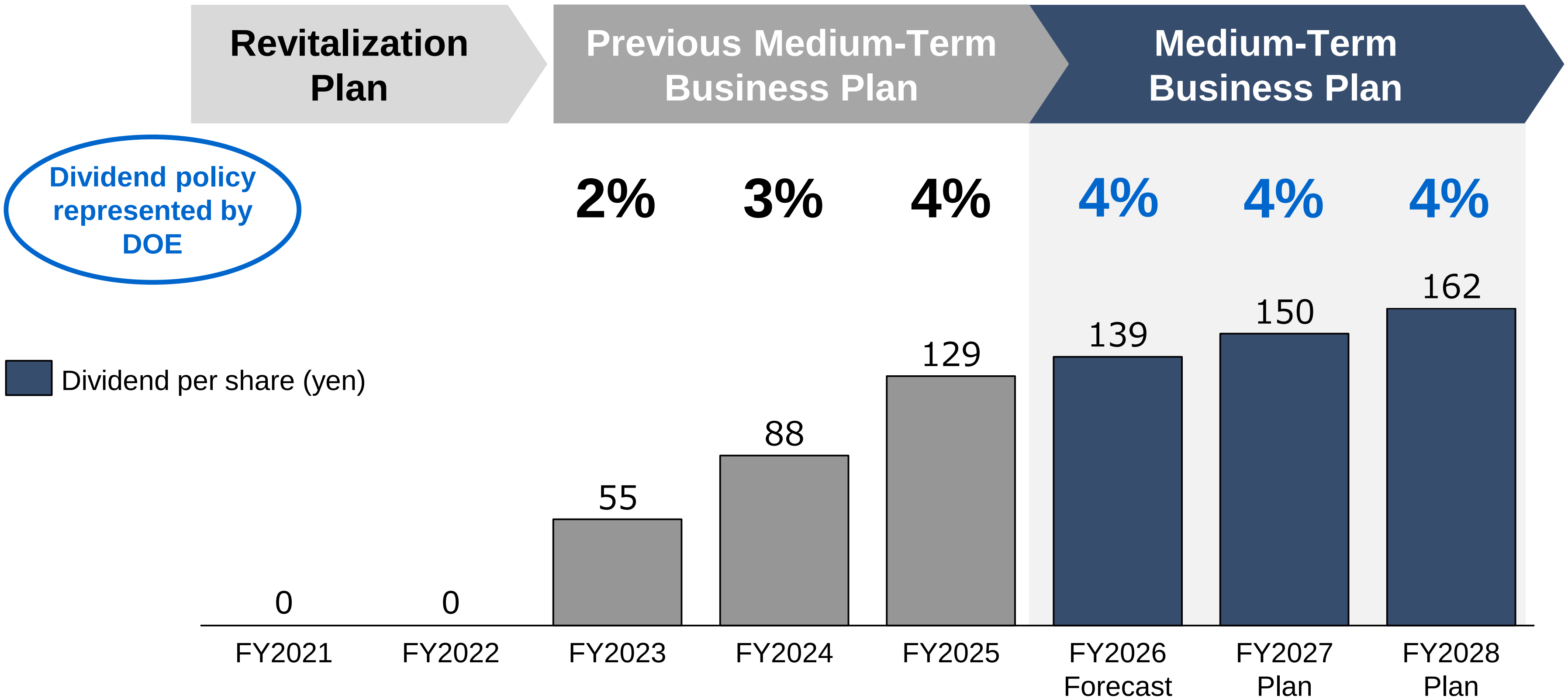
Under the policy of strengthening shareholder returns, the Medium-Term Business Plan's dividend policy is for a DOE of 4%.
A dividend of ¥139 per share (up ¥10 YoY) is forecasted for FY2026.



We will pay an interim dividend from FY2026.
We forecast an annual dividend of ¥139 (interim: ¥69 (approved), year-end: ¥70) for FY2026.

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