

Fiscal 2026 Financial Results Explanatory Material

SANYO SHOKAI LTD.

14 April 2026



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

1. **FY2026 Earnings Report**
2. **FY2026 Review**
3. **FY2027 Projection**



Consolidated PL: FY2026 Results¹

Net sales were ¥58.45bn, operating profit was ¥1.30bn, and profit attributable to owners of parent was ¥4.11bn.

(Billions of yen)	PY Results	FY2026 Forecasts ²	FY2026 Results	vs. PY Results	vs. Forecasts
Net sales	65.03	58.30	58.45	-2.08	+0.15
Gross profit	37.81	35.60	35.60	-2.21	-0.00
SG&A expenses	35.09	34.40	34.30	-0.80	-0.10
Operating profit	2.72	1.20	1.30	-1.42	+0.10
Ordinary profit	2.83	1.30	1.44	-1.39	+0.14
Profit attributable to owners of parent	4.01	4.10	4.11	+0.11	+0.01

Consolidated PL: KPIs

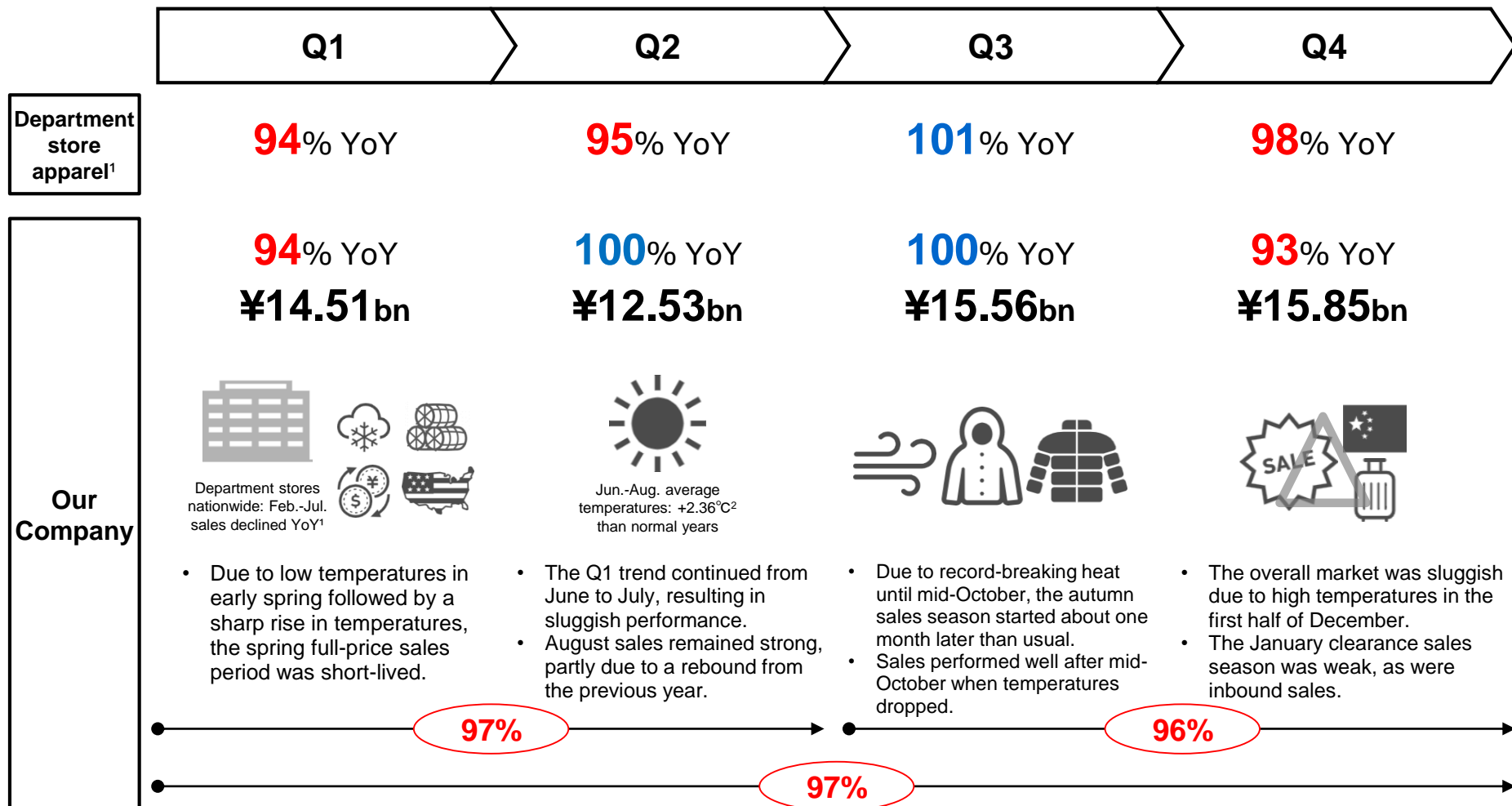
Gross profit margin decreased by 1.6 pts. YoY.

Operating margin was in line with the forecast but decreased by 2.3 pts YoY.

	<u>PY Results</u>	<u>FY2026 Forecasts</u> ¹	<u>FY2026 Results</u>	<u>vs. PY Results</u>	<u>vs. Forecasts</u>
Gross profit margin	62.5%	61.1%	60.9%	-1.6pt	-0.2pt
SG&A expense ratio	58.0%	59.0%	58.7%	+0.7pt	-0.3pt
Operating margin	4.5%	2.1%	2.2%	-2.3pt	+0.2pt
Ordinary profit margin	4.7%	2.2%	2.5%	-2.2pt	+0.2pt
Net profit margin	6.6%	7.0%	7.0%	+0.4pt	0pt
ROE	10.0%	10.2%	10.3%	+0.3pt	+0.1pt

Net Sales by Quarter

In addition to the impact of unusual weather patterns, the department store apparel market remained weak at 97% year on year, reflecting uncertainty over domestic and overseas political and economic conditions, weaker consumer sentiment due to inflation, and sluggish inbound sales. We were also significantly affected by these factors.



Reference: Sales Results by Channel

Physical stores¹ struggled, with 95% of the year-ago level. In particular, department stores suffered from a decrease in sales locations due to store closure/renovation, landing at 92%. EC and outlet sales increased, both at 108%.

Revenue (Millions of yen)

								Sales composition
	Q1	Q2	H1	Q3	Q4	H2	FY	ratio
Department stores	9,308	7,482	16,790	9,821	9,506	19,327	36,117	61.8%
Directly managed stores	815	728	1,544	943	984	1,928	3,471	5.9%
EC & mail/online orders	1,887	2,183	4,070	2,092	2,732	4,825	8,895	15.2%
Outlets	1,834	1,833	3,667	1,968	2,212	4,180	7,847	13.4%
Other	663	308	971	732	414	1,147	2,118	3.6%
Total	14,508	12,534	27,042	15,557	15,849	31,406	58,448	100.0%

YoY

	Q1	Q2	H1	Q3	Q4	H2	FY
Department stores	90%	94%	92%	94%	91%	93%	92%
Directly managed stores	91%	96%	94%	102%	100%	101%	98%
EC & mail/online orders	109%	115%	112%	113%	101%	106%	108%
Outlets	107%	117%	112%	111%	99%	104%	108%
Other	90%	90%	90%	117%	62%	89%	89%
Total	94%	100%	97%	100%	93%	96%	97%

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

Reference: Breakdown of SG&A Expenses

SG&A expenses decreased by ¥0.80bn YoY, but increased ¥0.10bn YoY on a substantial basis which reflects a decrease in sales commissions linked to sales.

We continue efforts to control fixed costs.

(Millions of yen)	<u>FY2025</u>	<u>FY2026</u>	<u>vs. PY</u>
Selling expenses	23,988	23,011	-977
Personnel expenses	4,473	4,494	20
Sales promotion expenses	1,768	1,751	-17
Equipment expenses	1,367	1,568	201
Logistics expenses	1,342	1,366	25
Administrative expenses	2,154	2,107	-47
Total SG&A expenses	35,092	34,297	-795
Sales commissions	13,451	12,554	-897
SG&A expenses excluding sales	21,641	21,743	102

SG&A expenses increased by ¥0.10bn on a substantial basis, which reflects a ¥0.90bn decrease in sales commissions linked to sales

Selling expenses: down ¥0.98bn (of which, sales commissions: down ¥0.90bn, others: down ¥0.08bn)

- FA expenses was down ¥0.12bn due to FA headcount being optimised along with store reductions.

Personnel expenses: up ¥0.02bn

Equipment expenses: up ¥0.20bn

- Renovations in line with the brand switch from THE SCOTCH HOUSE to BAKER STREET
- New store openings and floor renovations for existing brands

Logistics expenses: up ¥0.03bn

- An increase in transport costs, including higher freight rates due to legal amendments

Consolidated BS

Capital efficiency improved through the sale of strategic shareholdings and share buybacks. Along with higher stock prices of strategic shareholdings, valuation differences in available-for-sale securities increased, resulting in a YoY rise of ¥1.6bn in equity and ¥2.9bn in total assets.

(Millions of yen)	28 Feb 2025	28 Feb 2026	YoY Change
Cash and deposits	23,714	23,992	278
Accounts receivable - trade	3,419	3,180	-239
Merchandise and finished goods	9,070	9,291	220
Property, plant and equipment	8,679	9,251	572
Intangible assets	2,752	2,718	-34
Other assets ¹	9,383	11,448	2,065
Total assets	57,017	59,880	2,862
Notes and accounts payable - trade	5,382	4,701	-680
Borrowings	6,930	7,325	395
Other liabilities	5,403	6,930	1,527
Total liabilities	17,715	18,956	1,240
Share capital	15,002	15,002	-
Total shareholders' equity	34,306	34,720	414
Accumulated other comprehensive income and other ²	4,995	6,203	1,208
Total net assets	39,301	40,923	1,621
Total liabilities and net assets	57,017	59,880	2,862
Reference: Equity	39,283	40,903	1,620

Cash and deposit: up ¥0.28bn

- Up YoY due to positive operating cash flow and sale of investment securities
- Decreases were primarily due to share buybacks and shareholder dividends

Merchandise and finished goods: up ¥0.22bn

- An increase in season's inventory due to sluggish sales; a decrease in carryover inventory through thorough inventory control

Property, plant and equipment: up ¥0.57bn

- Up YoY due to acquisition of real estate adjacent to the Head Office

Other assets: up ¥2.07bn

- An increase due to higher stock prices of shares held

Net assets: up ¥1.62bn

Up YoY primarily due to:

- An increase in shareholders' equity of ¥0.41bn
 - An increase in retained earnings from sale of investment securities and decrease of share repurchase
- A decrease in accumulated other comprehensive income of ¥1.21bn
 - An increase in valuation difference on available-for-sale securities

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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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 ¥2.08bn YoY.

- In addition to the impact of irregular weather conditions, the department store apparel market remained weak at 97% YoY due to uncertainty in domestic and international political and economic conditions, a decline in consumer sentiment caused by inflation, and weak inbound sales.
- We, with over 60% of its sales coming from department stores, were significantly affected.

Improve gross
profit margin






Gross profit margin declined 1.6 pts. YoY to 60.9%, which was 0.2 pts. lower than the forecast¹.

- Discount sales were expanded to compensate for sluggish full-price sales, resulting in a decrease in the full-price sales ratio and gross profit margin.
 - The full-price sales ratio dropped 4.9 pts. YoY to 59.5% for the full year.
(59.7% for H1 and 59.3% for H2)
 - Average selling price decreased by ¥800 YoY to ¥23,000.
(¥20,100 for H1 and ¥26,300 for H2)
- Meanwhile, the procurement cost ratio for full-price items improved by 0.3 pts. YoY.

Progress and Evaluation of Priority Measures

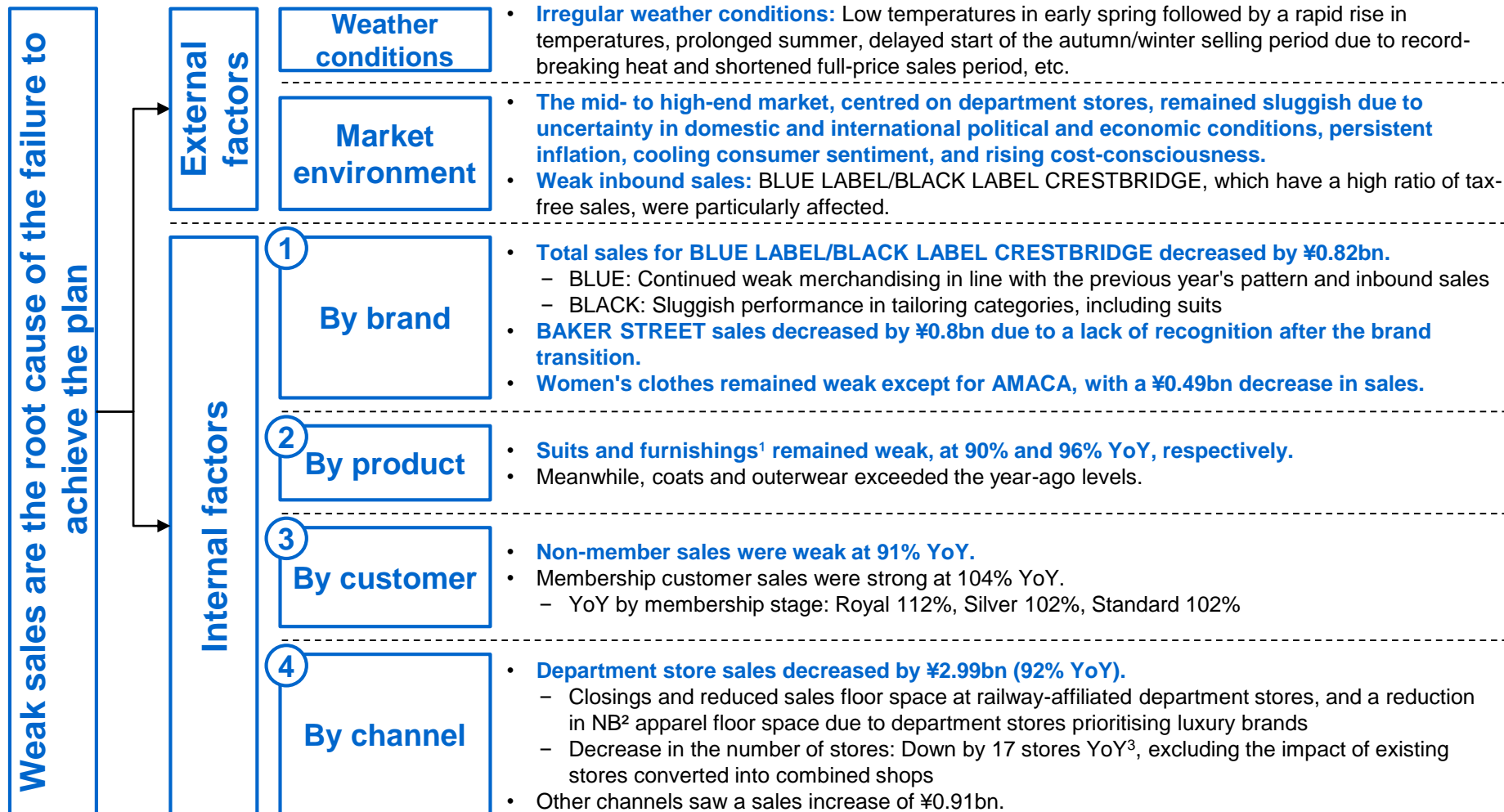
Priority Measures Progress and Evaluation

Business restructuring	<p>Control SG&A expenses</p> 	○	<p>Controlled in line with the revised full-year forecast announced on 6 October 2025.</p> <ul style="list-style-type: none"> SG&A expenses decreased by ¥0.80bn YoY. On a like-for-like basis excluding a ¥0.90bn decrease in sales commissions linked to sales, the YoY change was up ¥0.10bn, although ¥0.06bn lower than the forecast.
	<p>Control inventory</p> 	△	<p>Product inventory¹ as of the end of FY2026 increased by ¥0.16bn YoY to ¥8.18bn.</p> <ul style="list-style-type: none"> Fresh inventory increased by ¥0.23bn YoY due to sluggish sales. <ul style="list-style-type: none"> Spring and summer products, increased due to sluggish sales. Autumn and winter products remained lower than the year-ago level. Carryover inventory decreased by ¥0.07bn through efforts to promote sell-through.
	<p>Implement financial reform</p> 	○	<p>Equity ratio: 68.3% (down 0.6 pts. YoY) Debt-to-equity ratio (DER): 0.18</p> <ul style="list-style-type: none"> Net assets: ¥40.9bn, up from ¥39.3bn at the end of the same month PY Total assets: ¥59.9bn, up from ¥57.0bn at the end of the same month PY Interest-bearing liabilities: ¥7.3bn, up from ¥6.9bn at the end of the same month PY Cash position: ¥24.0bn, up from ¥23.7bn at the end of the same month PY

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

Analysis of Factors Behind Weak Net Sales

We have analysed the factors behind weak net sales that resulted in a shortfall against the FY2026 plan.

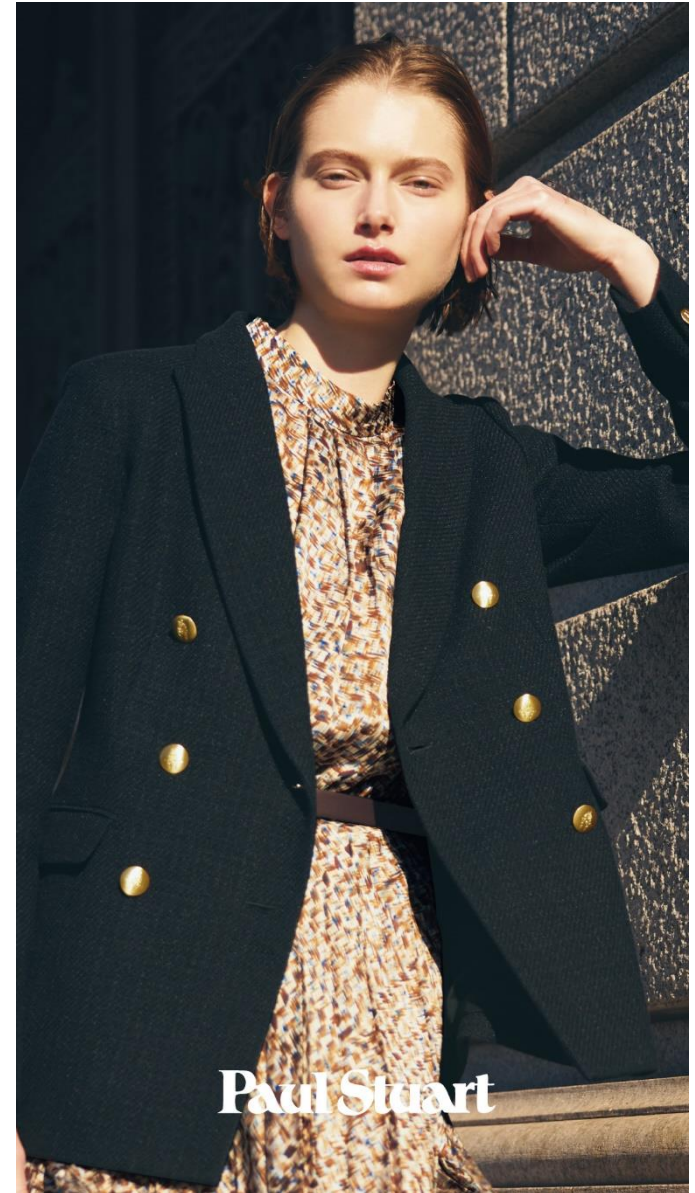


1. Knitwear, jersey tops, shirts/blouses, dress shirts, etc.

2. National Brand

3. As of the end of February 2026

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FY2027 Projections: Consolidated PL

We forecast net sales of ¥60.0bn, core operating profit of ¥2.3bn, and profit attributable to owners of parent of ¥4.02bn.

(Billions of yen)	<u>PY Results</u>	<u>FY2027 Forecasts</u>	<u>vs. PY Results</u>	<u>vs. Forecasts</u>
Net sales	58.45	60.00	+1.55	103%
Gross profit	35.60	37.20	+1.60	105%
SG&A expenses	34.30	35.10	+0.80	102%
Core operating profit ¹	-	2.30	-	-
Operating profit	1.30	2.10	+0.80	162%
Ordinary profit	1.44	2.00	+0.56	139%
Profit attributable to owners of parent ²	4.11	4.02	-0.09	98%

1. Operating profit excluding the impact of the partial sale of head office land and the rebuilding of the head office building

2. The plan includes the sale of investment securities based on the policy of reducing strategic shareholdings, as well as the planned partial sale of head office land and rebuilding of the head office building.

FY2027 Projections: KPIs

We forecast a core operating margin of 3.8% and ROE of 10.0%.

	<u>PY Results</u>	<u>FY2027 Forecasts</u>	<u>vs. PY Results</u>
Gross profit margin	60.9%	62.0%	+1.1pt
SG&A expense ratio	58.7%	58.5%	-0.2pt
Operating margin	-	3.8%	-
Core operating margin ¹	2.2%	3.5%	+1.3pt
Ordinary profit margin	2.5%	3.3%	+0.9pt
Net profit margin ²	7.0%	6.7%	-0.3pt
ROE ²	10.3%	10.0%	-0.3pt

1. Operating margin excluding the impact of the partial sale of head office land and the rebuilding of the head office building

2. The plan includes the sale of investment securities based on the policy of reducing strategic shareholdings, as well as the planned partial sale of head office land and rebuilding of the head office building.

Measures for Recovery of Net Sales

We will implement measures to address the internal factors behind the sluggish performance in the previous fiscal year described on page 11.

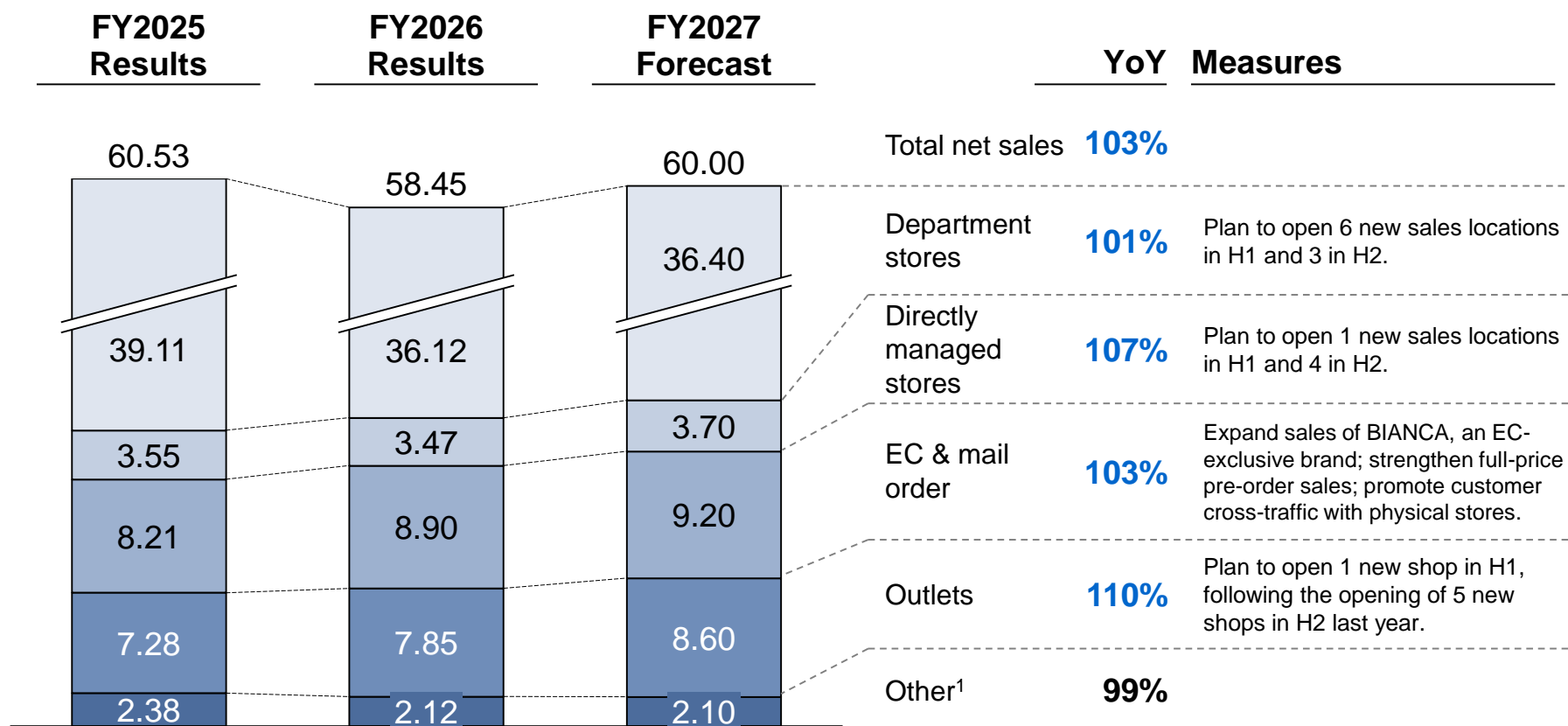
External factors	Weather conditions	<ul style="list-style-type: none"> Shorten merchandising cycles and strengthen sales of light/medium-weight clothing.
	Market environment	<ul style="list-style-type: none"> Review pricing strategy, including the active introduction of entry-level price products.
Internal factors	① By brand	<ul style="list-style-type: none"> BLUE LABEL CRESTBRIDGE: Appoint new director, move away from merchandising based on the previous year's approach. BLACK LABEL CRESTBRIDGE: Rebuild as an authentic British Trad brand, thoroughly strengthen suits as a core category. Common to BLUE/BLACK: As a measure to strengthen high-sales-ratio outlets, improve product flow efficiency and expand exclusive products. BAKER STREET: Review pricing strategy, gain recognition as a high quality yet affordable casual brand for adults, and fundamentally expand non-member sales. Women's clothes: Horizontally expand the AMACA success model, increase the number of SANYO Style STORE locations
	② By product	<ul style="list-style-type: none"> Suits: Strengthen suits at MACKINTOSH LONDON and BLACK LABEL CRESTBRIDGE, where the suit ratio has been declining; expand entry-level price items for this purpose; strengthen in-store visual merchandising for suits. Furnishings: Actively introduce entry-level price products in parallel with product differentiation across all brands; fundamentally revise the retail price strategy.
	③ By customer	<ul style="list-style-type: none"> Non-member measures: Promote conversion to SMS¹ members, expand entry-level price products, strengthen digital measures, improve shop attractiveness through visual merchandising enhancement, and strengthen in-store communication by improving customer service skills. Membership customer measures: Actively utilize SMS membership services for each stage, promote the upward migration of SMS member stages, and promote the F2 conversion² of new SMS members.
	④ By channel	<ul style="list-style-type: none"> Aggressively open stores; improve sales per square foot at existing stores. <ul style="list-style-type: none"> Strengthen the opening of combined shops such as SANYO Style STORE and EPOCA THE SHOP. Promote sales channel development outside of department stores <ul style="list-style-type: none"> Strengthen store openings of SANYO Style STORE+ in retail facilities. Strengthen store openings in channels other than department stores through the launch of new brands such as AUREME.

FY2027 Projections: Secure Net Sales

Sales at department stores are projected to be 101% YoY, including the impact of store openings and closings up to the previous year. Sales at other channels are projected to increase by ¥1.6bn YoY, with new store openings as the driver.

Net Sales Plan

(Billions of yen)



FY2027 Projections: Improve Gross Profit Margin

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 62.0% for FY2027.

FY2027

Quantitative Target: Gross profit 62.0% (+1.1 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 ¥18.43bn for FY2027 but will be flexibly managed depending on the situation.
 - Improve the inventory turnover rate by shortening merchandising cycles and developing the QR system.
- Product inventory¹ at the end of FY2027 is projected as ¥7.33bn, compared to ¥8.18bn at the end of FY2026.

Improve full price sales ratio

- Full-price sales ratio: Projected at 64.2% for FY2027, compared to 59.5% for FY2026
 - Enhance responsiveness to demand by strengthening inventory control and shortening merchandising cycles.
 - Further reduce the number of SKUs, consolidate merchandising, and strengthen in-season responsiveness.
 - Strengthen pricing strategy by expanding entry-level price products.

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

FY2027 Projections: Control SG&A Expenses

SG&A expenses will increase by ¥0.81bn YoY, or by ¥0.56bn on a like-for-like basis excluding an increase in sales commissions linked to sales.

We will continue to strengthen employee returns, in addition to new brand launches, store openings/environment improvements, and system investments.

Past Results vs. FY2027 Forecast

(Billions of yen)

FY2025 Results	FY2026 Results	FY2027 Forecast	vs. PY	Measures
35.09	34.30	35.10	+0.81	Total SG&A expenses
23.99	23.01	23.42	+0.41	Selling expenses
4.47	4.49	4.64	+0.15	Personnel expenses
1.77	1.75	1.80	+0.05	Sales promotion expenses
1.37	1.57	1.52	-0.05	Equipment expenses
1.34	1.37	1.51	+0.15	Logistics expenses
2.15	2.11	2.21	+0.10	Administrative expenses

Measures for Selling expenses: An increase in sales commissions linked to sales (up ¥0.25bn YoY); an increase in variable costs, such as rent expenses for real estate associated with higher sales at directly managed stores (up ¥0.15bn YoY)

Measures for Personnel expenses: Strengthening employee returns and increasing base pay, etc.

Measures for Sales promotion expenses: New brand launches

Measures for Equipment expenses: A decrease due to a rebound from the previous year's brand transition

Measures for Logistics expenses: Rising transportation costs

Measures for Administrative expenses: System investments, etc.

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.

Transfer of a portion of the land of the head office building and Rebuilding the head office

Transfer of a portion of the land of the head office building

As announced on 3 April 2026, we have decided to transfer certain non-current assets (a portion of the land of the head office building).

The gain on transfer of the non-current assets is expected to be recorded as extraordinary income in the FY2028 consolidated financial results.

- Name of assets: A portion of the land of the head office building (723.21m²)
 - ① A portion of 14-7 Yotsuya Honshio-cho, Shinjuku-ku, Tokyo
 - ② 14-18 Yotsuya Honshio-cho, Shinjuku-ku, Tokyo
- Gain on transfer: 2.8 billion yen (planned)
- Date of delivery: August 2027 (planned)

Strengthening investment in human capital through the rebuilding of the head office building

We plan to rebuild its head office building on its premises other than the subject of this transfer. With this rebuilding, temporary SG&A expenses are expected to arise. Consequently, we presents "core operating profit," which excludes the impact of these temporary SG&A expenses, separately from operating profit.

- While the gain on transfer of the non-current assets will be recorded as extraordinary income, expenses related to the temporary relocation will be recorded as SG&A expenses, acting as a downward factor for operating profit.
- For the expenses related to the temporary relocation, current estimates will be reflected in the calculation of operating profit.

Rebuilding the head office will be implemented based on our policy of strengthening investment in human, aiming to further improve operational efficiency and productivity through improvement of employees' working environment and promotion of work style reforms. We believe these initiatives will contribute to our sustainable long-term growth.

- We will disclose detail of this matter as soon as determined.

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TIMELESS WORK.

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SANYO