

## Question & Answer

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**Yamada:** I'd like to ask your questions, including those that might have been difficult to understand because I've just rushed a little. If you have any questions, please show your hands.

**Suzuki:** My name is Suzuki, in the Textile News. Please answer three questions.

The first point is the proprietary e-commerce ratio. What is the current situation and what is expected in the fiscal year ending February 2022?

Secondly, you mentioned that you increased the cost of sales ratio. For example, the consumption tax hike in October will tend to lower the price policy. I would like to ask you whether this price policy is a matter of concern.

I would like to ask for a brief explanation of the factory's CSR audits in the area of sustainability.

**Uetadani:** The second is price policy. I don't think it will have any impact. In particular, we believe that a brand with relatively broad targets and reasonable prices will be affected.

But if you get on it and make cheaper again, we will have bad performance around it, and it will jump only when we've set a price policy, and we'll not have increased sales when it's added together. I don't think we will do it aggressively.

It may have an instantaneous effect, but making proper business does not mean raising prices. It's about pricing something that's worth. The basic policy is not price policy. We are trying to do our best. However, for some brands with relatively large targets, there may be events like discounts in collaboration with the owner. We do not plan to take the lead actively.

**Yamada:** The ratio of e-commerce in-house was 29.3% as of the end of February. In three years' time, we are not clearly distinguished between our company and other companies. Our target is an EC conversion rate of 25.6% in three years, overall.

**Suzuki:** Is the company's EC yet to be decided?

**Yamada:** There is no breakdown of our company and third parties.

**Oishi:** I would like to answer the third question about the factory. What kind of relationships the factory is instructing in the context of CSR.

Currently, our logistics manufacturing subsidiary, TSIPN, is in charge of this area. There are about 1,000 suppliers, including factories. We ask that all companies that make up 80% of the total amount of procurement comply with the letter of consent and other matters. Checks are carried out using confirmation letters, including inspections. Around 80% are doing so. Ultimately, we are making every effort to ensure that this is done company wide.

**Yamada:** If you have any other questions, please.

**Imai:** I am Imai of FISCO. Thank you for your explanation. I'd like to ask you a little. Could you please tell us your thoughts on M & A in the future, such as the conditions for M & A?

**Uetadani:** Basically, the brand character is distinctive, as the new business just described. That means they must be able to do business on a proper basis. In addition, not saying all, but the basics is overseas expansion. It's good if it is originally overseas businesses, with potential for global business. As a result, they'll have an affinity with digital, which is a prerequisite for all future businesses.

For variations and so on, we don't want to buy a high price basically, and we don't want to do an impairment test soon after buying it. We would like to buy basically at fair value. We do not have to snatch at anything, so we expect such an acquisition during the fiscal year under review.

Any other questions?

**Kitagawa:** I am Kitagawa of the Senken Shimbun. Thank you very much. One of the medium-term priorities is the establishment of a multinational corporation. I would like to know if you have specific targets such as market size and numerical targets for each overseas market.

I would also like to ask your plans for China, Asia, Europe, and North America in the medium term.

**Uetadani:** There's something we're accumulating today. In fact, we cannot expect the accumulated figure accurately to that point yet. There's a pile of HUF and Margaret Howell today, but the group as a whole, in the U.S., in Europe, and in China, there's nothing built up yet. In particular, whether sales or profits. I think there are cases in which sales are not consolidated by joint venture. We are still a company with a very small overseas footprint as a whole. It's not yet built up.

What are the details?

**Yamada:** As you say. We hold regular meetings within the company. I would like to announce it in a big format so that it can be announced.

Do you have any other questions?

**Hayashi:** Hayashi of WWD JAPAN. Thank you very much.

In order to strengthen your proper sales, you decided to increase the rate of sales by five percentage points. What specific policies do you intend to implement? I think there are various ways, such as SKU, production volume, QR, expertise in timely production, shortening sales, etc. In which way?

**Uetadani:** Basically all. There is no magic. I don't seem to have any magic with AI. AI is also used. It will be used to analyze what makes the highest consumption rate for each store, rather than the proper sales rate. One such use is for example.

Then, in the first place, we tend to make a lot of products on the premise of a sale in the MD plan. We fear the barriers of comparison with the previous year. We all stop it first. We intend to really shorten the sale during the sales season, or do not have sales in stores, but in EC alone, quickly switching to a proper sale. We are shifting the plan for all brands to that end as much as possible.

After all, it's a customer. We will read fairly well about selling to loyal customers. By attracting customers who buy products at the beginning of the season, we will raise the proper sale rate. As each company has a different way of doing things. Multiple measures rather than one will be implemented to improve the proper sale rate.

Conversely, we have a structure in which we do not evaluate whatever sales were with the lack of an increase in the proper sales rate.

**Yamada:** Would you like it?

So, if you have any other questions, please.

**Yatsu:** I am Yatsu of the monthly BOSS. Thank you very much today. There are two points.

For the transition to a digital company as a part of the medium-term plan, could you more concretely explain the image of the EC native brand and the development of a new service model that utilizes IDs? It may be difficult to cite previous examples, but if you have a more concrete image, please.

The other is direct to consumer. When I heard of the leveraging of brands' character as you mentioned, I think the DtoC is a model that is exactly in line with that. Please tell us your thoughts on this issue, as it is not touched on in this material.

**Uetadani:** I think that we will begin with what is called DtoC in some way. Depending on the definitions of DtoC. Basically, there is no single business that directly gets customers mainly through e-commerce and sells them products with high cost. So, I think it should be built. The digital team is now being reorganized, but there is a discussion between buying somewhere else or using the existing brand team. We are now in the process of thinking.

In this regard, we are evaluating several candidates, rather than the situation that we have just come to any point in a concrete manner. Now we are considering several patterns, such as the possibility of using the Yonezawa Smart Factory. First, we plan to launch a single digital native brand, which has a high cost and high compensate rate, and this is incorporated into the plan as a figure.

The globalization of e-commerce platforms is not only a mutual entry of Korean café 24, as I mentioned earlier, but we are now starting with this. In this way, it serves as a point of contact for bringing overseas brands to Japan, and in contrast, when bringing small Japanese designer brands overseas, it is possible to use the platform for the collaboration items. So, we are going to use BtoB techniques.

The key is the image of a digital platform that uses our platform to lower the hurdles for out-in and in-out issues of brands. The current image is to open it to brands that do not possess, such as other companies or other brands.

The alliance with the Korean company has been announced, and this will be launched sooner or later. We are in negotiations on how to get other Japanese brands overseas with several other companies. I'm not hiding it, but we haven't reached a level where I can talk about it. That is the situation.

**Yamada:** If you have any other questions, please. Could you please?

I would like to conclude our financial results briefing and announcement meeting for the new management plan. Thank you very much today.

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**Document Notes**

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia*

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