

**FY 2026(ending March 31, 2026)
3rd Quarter**

Financial Results

yutori, Inc.

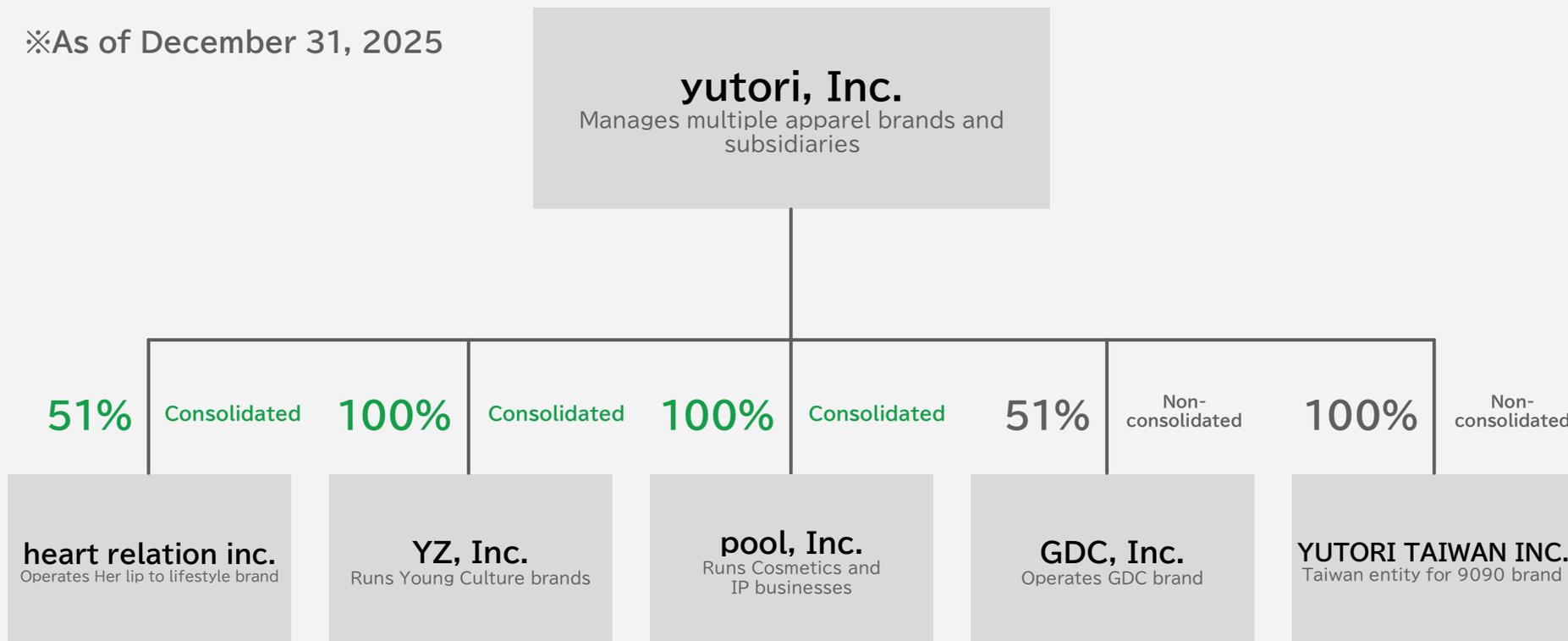
TSE Growth Market (Stock Code:5892)

February 13, 2026

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- 1. FY2026 Q3 Financial Results**
 - 2. Full-Year Earnings Forecast Revision**
 - 3. Equity Financing**
 - 4. Q&A**

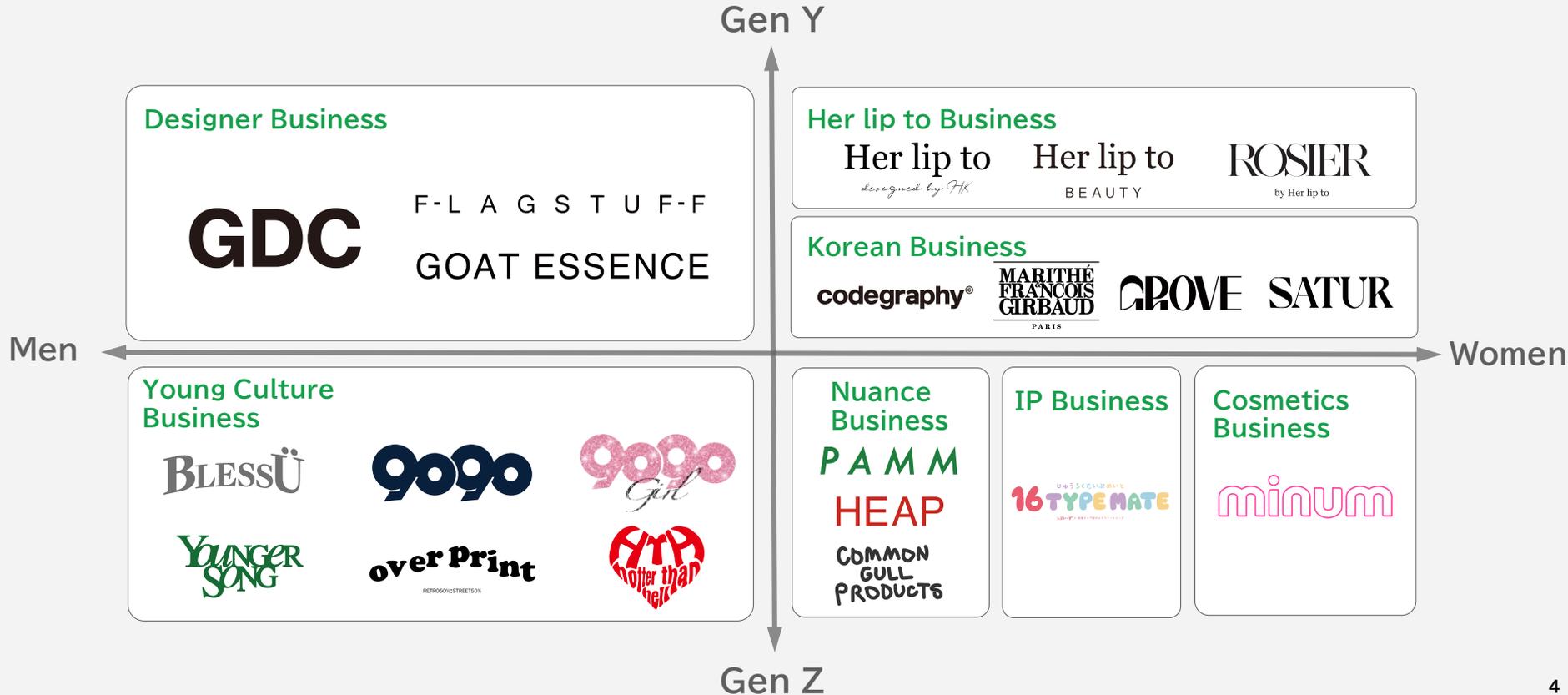
5 subsidiaries added via M&A, new entity setup and company spin-off.
GDC and Taiwan subsidiary are non-consolidated.

※As of December 31, 2025



Business Portfolio

Expanding portfolio to build stable earnings base.
 Entering non-apparel businesses to diversify product lineup and revenue streams.



1

FY2026 Q3 Financial Results

Sales and Profit reached Record highs for Q3 Financial Results

Record High

Q3 Net Sales

10,491百万円

YoY 189.5%
(1.9倍)

Record High

Q3 Gross Profit

6,546百万円

YoY 192.4%
(1.9倍)

Record High

Q3 Adj. EBITDA / Operating Profit

1,189/878百万円

YoY 175.4% / 178.6%
(1.8倍) (1.8倍)

Q3 Net Sales vs.
Full-Year Forecast

86.7%

Q3 Gross Profit vs.
Full-Year Forecast

88.0%

Q3 Adj. EBITDA vs.
Full-Year Forecast

89.2%

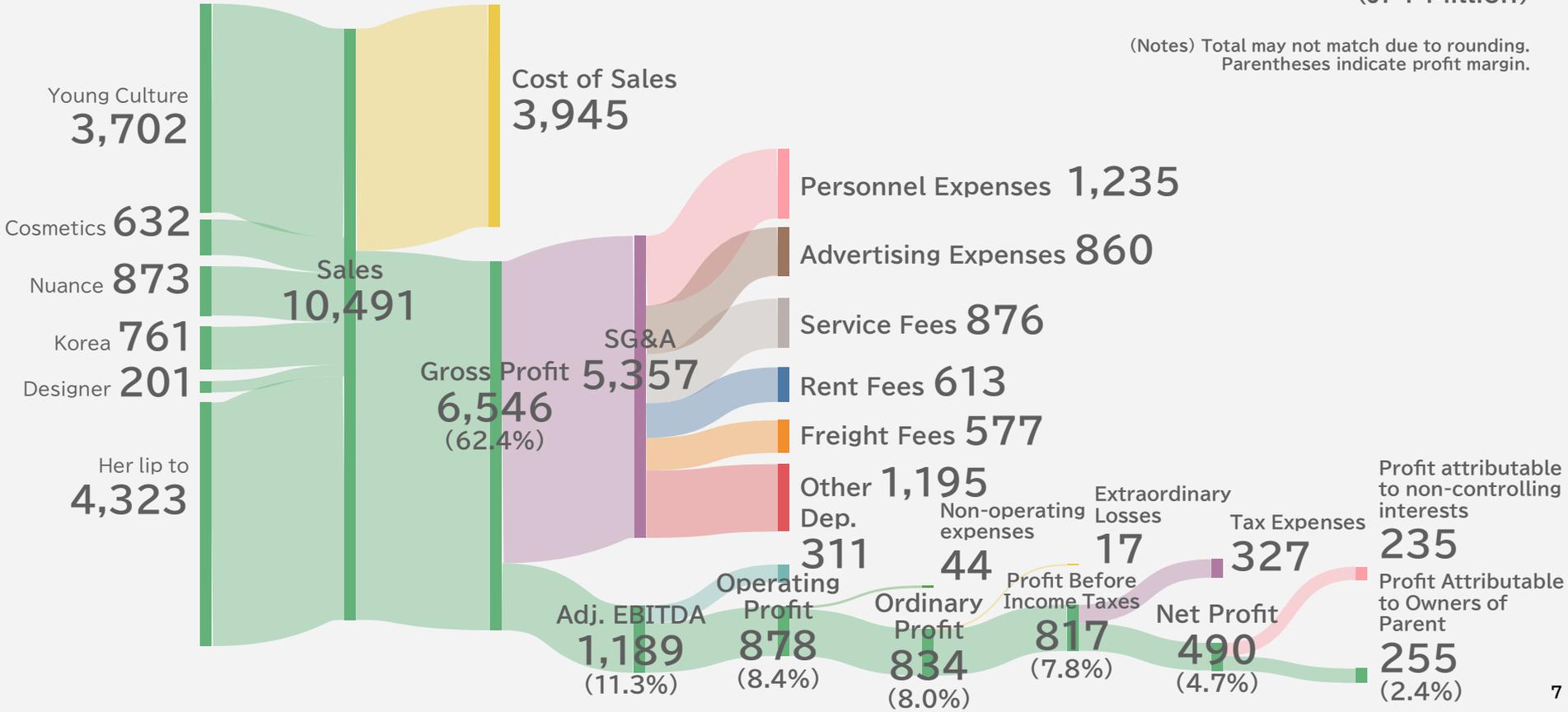
FY2026 Q3 P&L Summary



(JPY Million)

(Notes) Total may not match due to rounding.
Parentheses indicate profit margin.

(Sales by Business Division)



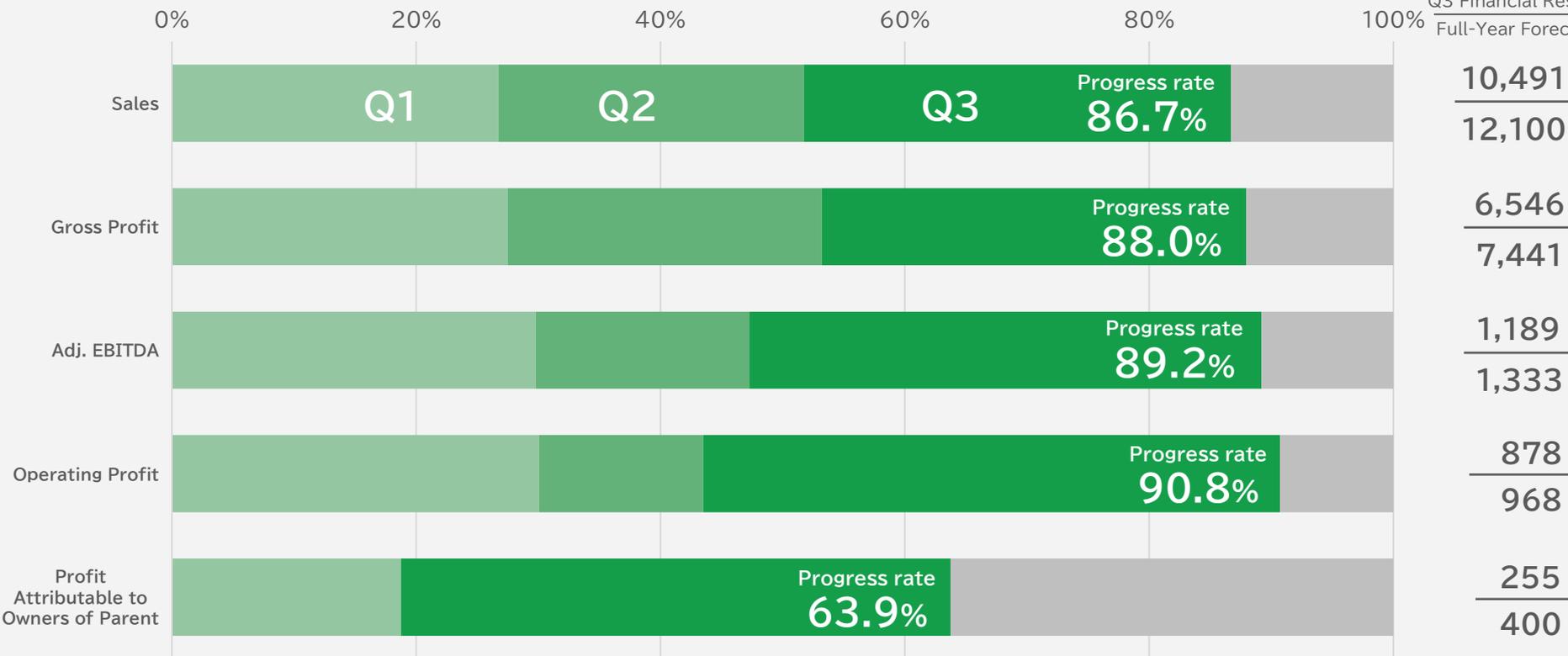
Q3 Financial Result vs. Full-Year Forecast



Strong business performance has resulted in progress exceeding expectations. Profits have also shown significant improvement compared to prior years.

(JPY Million)

Q3 Financial Result
Full-Year Forecast

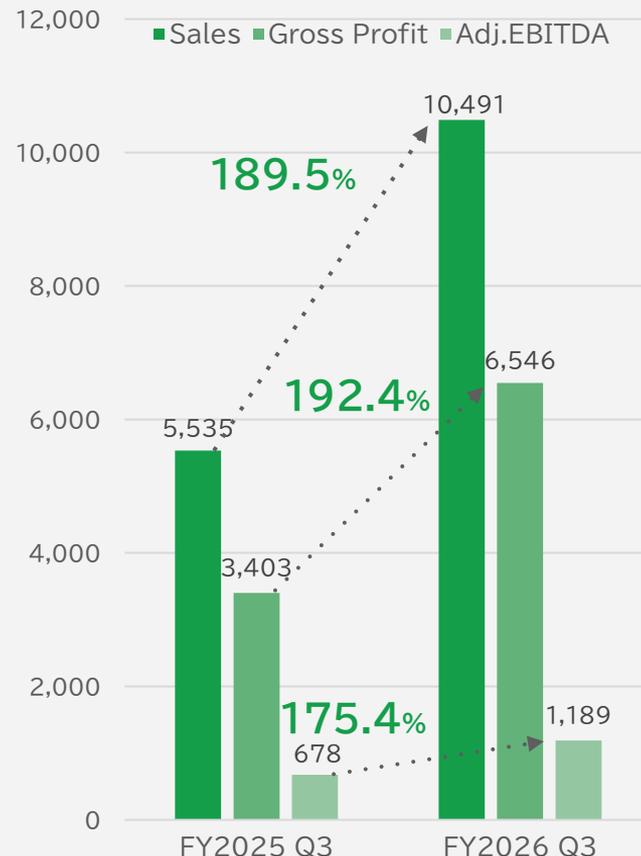


(Note) Adj. EBITDA: Operating Profit plus depreciation, amortization of goodwill, amortization of security deposits, stock-based compensation expenses and accretion expenses.

YoY Comparisons of Financial Results for Q3

Achieved record high sales and profits for Q3

(JPY Million)	FY2025 Q3	FY2026 Q3	Changes
Net Sales	5,535	10,491	189.5%
Gross Profit	3,403	6,546	192.4%
Gross Profit Margin	61.5%	62.4%	+0.9pt.
Adj. EBITDA	678	1,189	175.4%
Adj. EBITDA Margin	12.2%	11.3%	▲0.9pt.
Operating Profit	492	878	178.6%
Operating Profit Margin	8.9%	8.4%	▲0.4pt
Profit Attributable to Owners of Parent	208	255	122.5%
Net Profit Margin	3.8%	2.4%	▲1.4pt

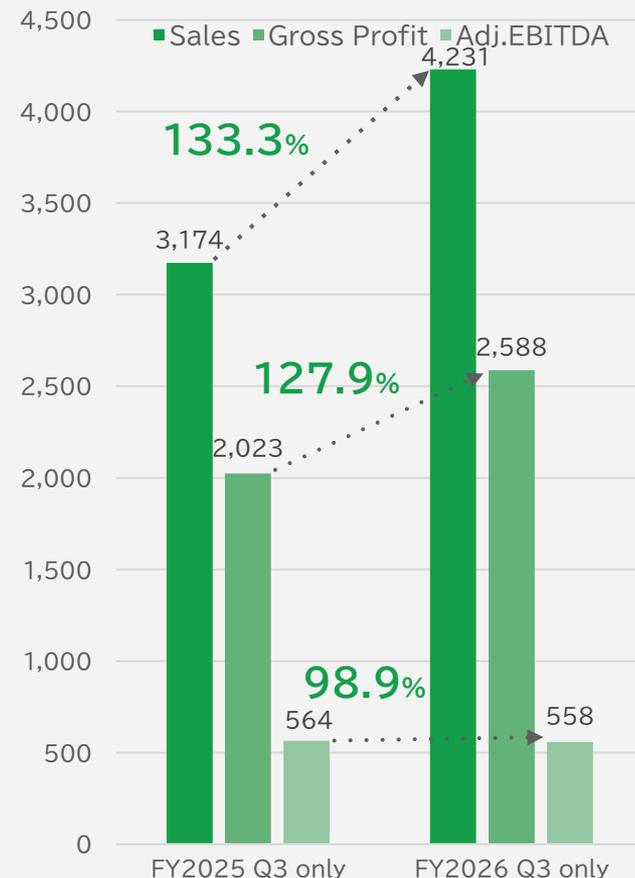


(Note) Adj. EBITDA: Operating Profit plus depreciation, amortization of goodwill, amortization of security deposits, stock-based compensation expenses and accretion expenses.

YoY Comparisons of Financial Results for Q3 only

Even for the Q3 alone, both sales and profits reached record highs

(JPY Million)	FY2025 Q3 only	FY2026 Q3 only	Changes
Net Sales	3,174	4,231	133.3%
Gross Profit	2,023	2,588	127.9%
Gross Profit Margin	63.8%	61.2%	▲2.6pt
Adj. EBITDA	564	558	98.9%
Adj. EBITDA Margin	17.8%	13.2%	▲4.6pt
Operating Profit	456	457	100.0%
Operating Profit Margin	14.4%	10.8%	▲3.6pt
Profit Attributable to Owners of Parent	225	180	80.0%
Net Profit Margin	7.1%	4.3%	▲2.8pt



(Note) Adj. EBITDA: Operating Profit plus depreciation, amortization of goodwill, amortization of security deposits, stock-based compensation expenses and accretion expenses. 10

9090girl continue to perform strongly, with upside expected from collaborations with popular IP. PAMM has delivered a series of hit products with Social Media Marketing.



(YZ/Young Culture Business)

★ Topics



▲ OG Logo Glitter Zip Hoodie



▲ 9090girl TOKYO opened on 2026/1/2

- ✓ 9090girl marked its first anniversary since launch, yet continues to perform strongly
- ✓ Cumulative sales reached 2.2x YoY versus the same period last year, significantly enhancing the overall brand value.
- ✓ The first 9090girl its flagship store opened in Harajuku on January 2, 2026, delivering a strong start.

★ Collaborations with popular Characters

- ✓ Collaboration items with Sanrio's iconic character Hello Kitty launched in January 2026 and recorded an explosive hit.
- ✓ In addition, a collaboration with Chiikawa is planned, and we expect further expansion of brand popularity.



P A M M (yutori/Nuance Business)

★ Topics

- ✓ Sales continued to trend strongly across both Physical stores and online. In December 2025, the brand achieved its highest-ever monthly sales, posting over 150% YoY growth.
- ✓ The second collaboration with SUBU was executed; the addition of products featuring new materials became a major hit and contributed significantly to sales growth.



▲ track jackets



▲ SUBU x PAMM sandal



▲ SUBU x PAMM sandal



▲ PAMM House

★ Social Media Promotion

- ✓ Promotions on Social Media platforms such as X and Instagram were highly effective, generating consecutive hit items including track jackets and hanten jackets.
- ✓ A Vlog campaign featuring overseas influencers visiting PAMM House (the Omotesando flagship store) successfully drove inbound traffic, with over 60% of sales at PAMM House coming from inbound customers.

The Korea business was driven by MARITHE and SATUR across the segment, with particularly strong performance in Physical store sales. In the cosmetics business, minum accelerated sales growth by launching new products, aiming for further expansion of the segment.



(yutori/Korea Business)

★ Topics

- ✓ Sales of outerwear items such as down jackets, as well as core logo items, remained strong. In addition to the flagship store in Harajuku, the LUMINE Shinjuku store also performed well.
- ✓ One year has passed since we began handling the brand. By leveraging Social Media and opening new Physical stores to attract new customer segments, monthly sales hit consecutive record highs from Oct.-Dec. 2025, leading the overall Korea business segment.



▲W BASIC CROP DOWN JACKET ▲W CLASSIC LOGO CROP SWEATSHIRT

SATUR (yutori/Korea Business)

★ Topics

- ✓ Opened the Harajuku store in Oct 2025; a strong start contributed meaningfully to sales. We expect the brand to grow into another key driver of the Korea business segment alongside MARITHE.
- ✓ In addition to Instagram, we will leverage X and TikTok starting Jan 2026 to further strengthen our Social Media Marketing.



▲SATUR Harajuku

minum (pool/Cosmetics Business)

★ Topics

- ✓ New Fall/Winter products were launched in Nov 2025. In Dec 2025, shipments of hanger display fixtures coincided with repeat purchases of the new releases, resulting in the highest quarterly sales on record.
- ✓ While sales are expected to decline in Q4 vs. Q3 due to a pullback following new product launch months, sell-through remains strong and the sales baseline has stepped up; performance has been particularly strong at Don Quijote.



▲AIラブポーショングロス

▲ぷにゅグリップライナー

- ✓ 3 products (lip and eyeliners) received an "A" rating in LDK the Beauty.
- ✓ In the 18 months since launch, a total of 9 products have won awards, earning recognition for high quality despite accessible pricing.
- ✓ We will continue to introduce new products and collaborations to further broaden our customer base.

★ Social Media Promotion

- ✓ Strengthened communications on X, which is a strong fit for the brand, creating buzz through a variety of creative formats.
- ✓ Generated significant UGC and successfully expanded brand awareness through a positive Social Media flywheel (click the icon to visit our X page).

※UGC: User Generated Contents



heart relation recorded 123% YoY growth in cumulative sales for 3Q. While apparel business-accounting for over 70% of total sales-remained solid, Beauty business and Lingerie business also posted significant growth.

Her lip to (heart relation)

designed by HK

♥ Topics



▲ HER LIP TO HOLIDAY



▲ Her lip to Lounge

- ✓ As temperatures declined, outerwear sales remained strong. In addition, many new holiday-season items became hits.
- ✓ By channel, offline sales including pop-ups expanded significantly, driven by Physical stores such as LUMINE Shinjuku (opened in Sep 2025) and the flagship store in Omotesando.
- ✓ Events such as “Her lip to Lounge” also attracted many visitors and were a great success.

♥ Overseas expansion

- ✓ Overseas cumulative sales for Q3 reached 166% YoY.
- ✓ Sales continued to grow rapidly, including the highest-ever monthly sales in December.
- ✓ Mainland China performed particularly well; in addition to EC sales, a pop-up held in Shanghai contributed significantly. Sales to Taiwan and Hong Kong also expanded steadily.

Her lip to (heart relation)

BEAUTY

♥ Topics



▲ RICH ESSENCE HAIR MILK - NUDE PEARL -



▲ LIP TO LOVE SERUM

- ✓ Cumulative Q3 sales for the Beauty business exceeded 150% YoY.
- ✓ Launched Hair Milk in Oct 2025, receiving an excellent customer response.
- ✓ A highly anticipated serum lip product is scheduled for launch in Feb 2026; tickets for the launch event held in January sold out, with strong turnout.

ROSIER (heart relation)

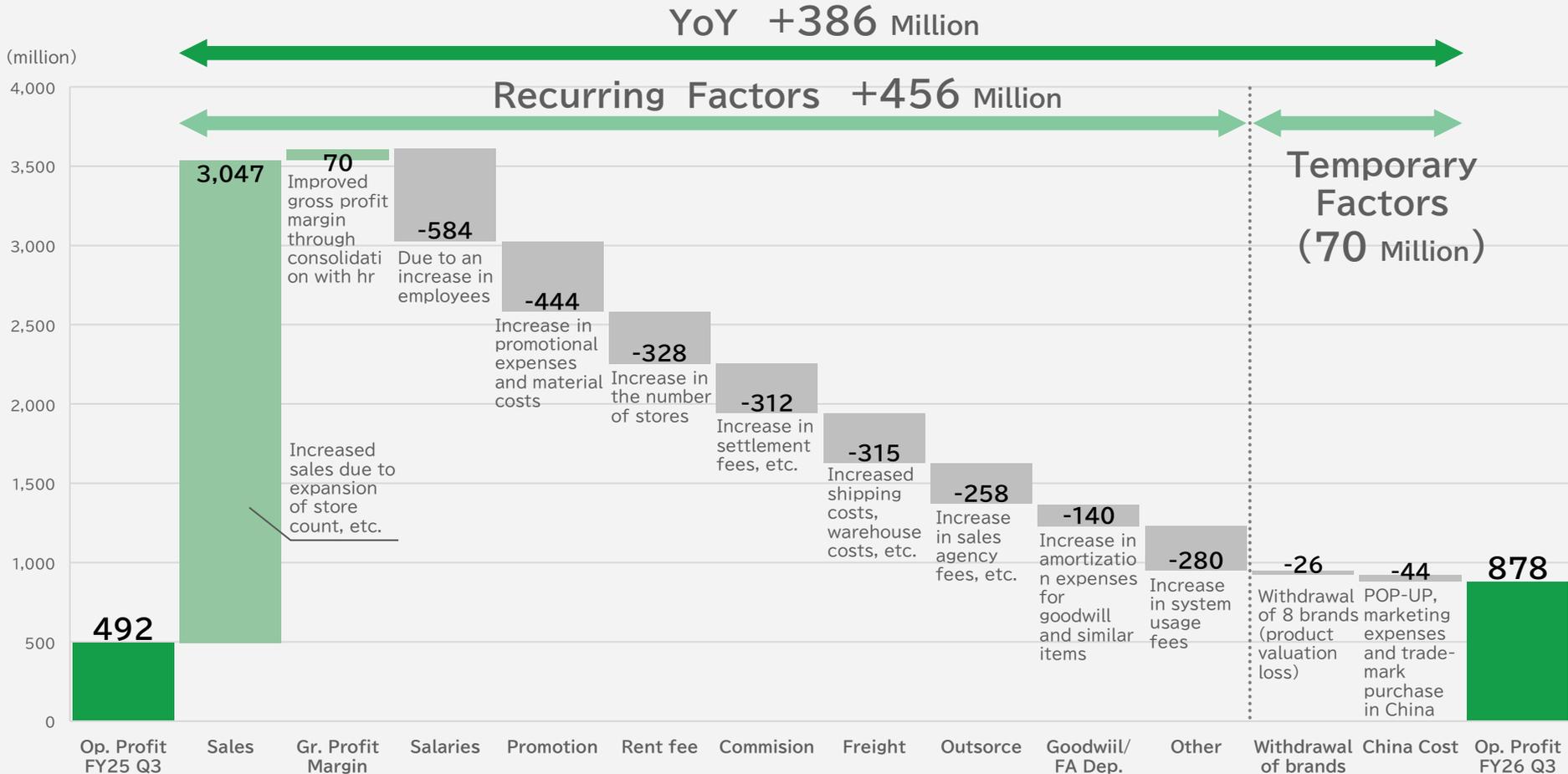
by Her lip to

♥ Topics

- ✓ Cumulative Q3 sales for the ROSIER Business exceeded 150% YoY.
- ✓ A joint permanent store for ROSIER and BEAUTY opened in Nov 2025 at Yurakucho Marui.



Analysis of Operating Profit (FY2025 Q3 vs. FY2026 Q3)



(Note) Items that occur only in the previous or current term are classified as temporary factors, while items that occur regularly every term are classified as ongoing factors.

Summary of Consolidated Balance Sheet

With business expansion, assets such as inventories and liabilities such as borrowings increased. As a result of the equity financing, we expect the equity ratio at fiscal year-end to improve significantly.

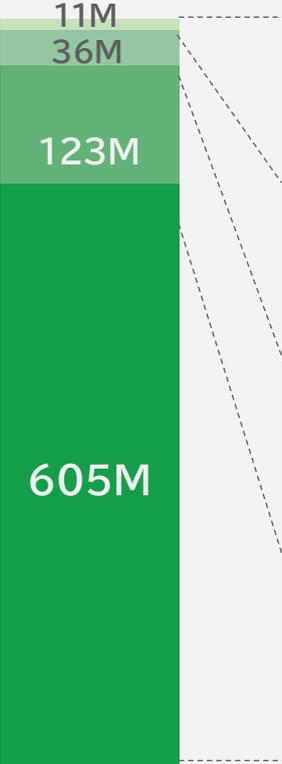
(JPY Million)	FY2025 End of Full-Year	FY2026 End of Q1	FY2026 End of Q2	Remarks
Current Assets	3,873	5,686	6,360	Increase in inventories and accounts receivable
(Cash and deposits)	983	1,523	1,404	Increased due to borrowings
Non-Current Assets	2,692	2,984	3,049	Increase in leasehold improvements from new store openings
(Goodwill)	900	817	775	Decrease due to goodwill amortization
Total Assets	6,565	8,671	9,410	-
Current Liabilities	2,507	4,088	4,668	Increase in short-term borrowings and accounts payable
Non-Current Liabilities	1,962	2,254	2,138	Decrease in long-term borrowings
Net Assets	2,095	2,328	2,604	Increase in retained earnings driven by Net Income accumulation
Equity Ratio	14.7%	12.0%	13.0%	Equity: FY2025 year-end: JPY 970M; FY2026 Q1-end: JPY 1,042M; FY2026 Q3-end: JPY 1,222M

Breakdown of Goodwill

The goodwill includes 4 items arising from M&A transactions. The goodwill-to-net-assets ratio is 0.29x, and the adj. goodwill-to-net-assets ratio (including intangible assets) is 0.54x, maintaining a sound financial position.

Total Assets 9,410M	Total Liabilities 6,806M
Goodwill 775M	Net Assets 2,604M
Intangible Assets 640M	

Even with full impairment, company would not fall into negative equity.



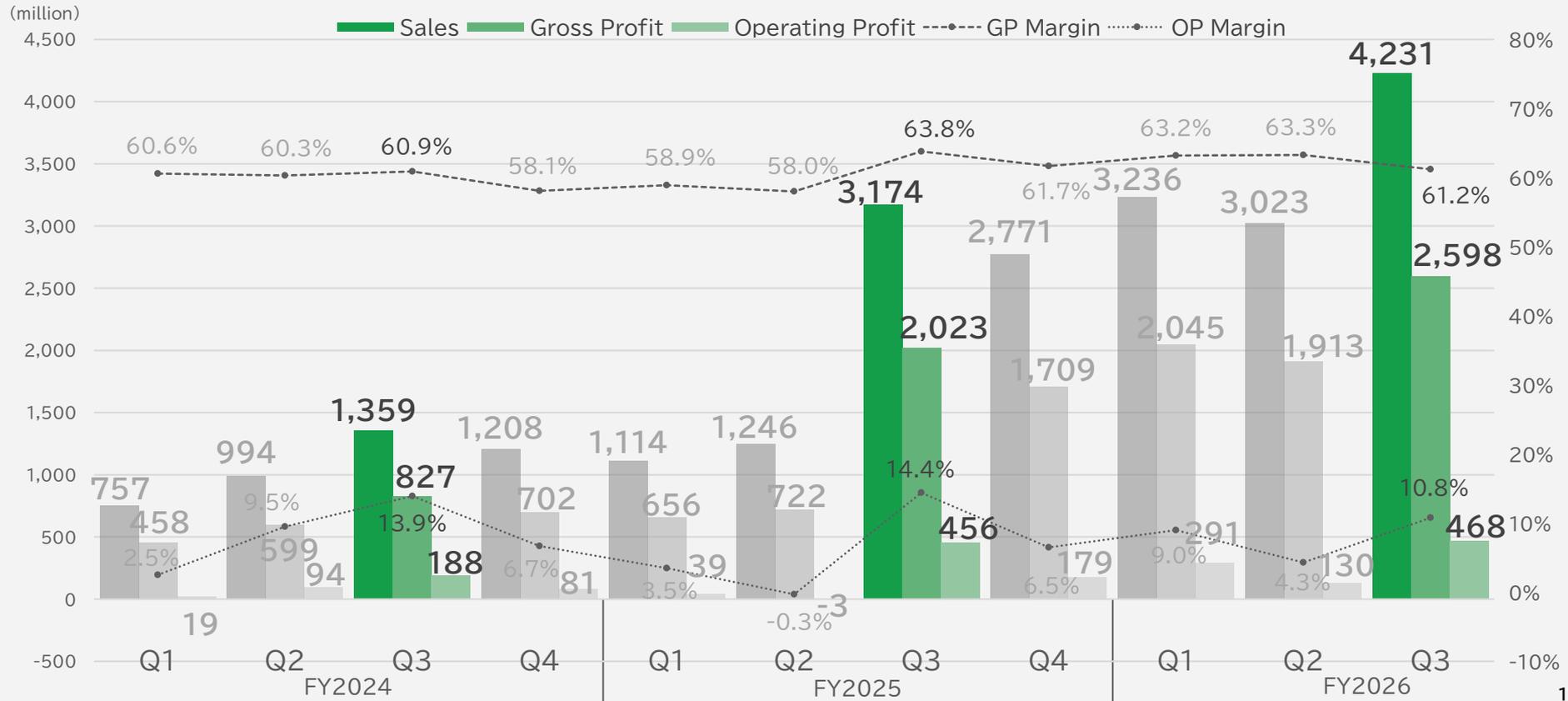
- Ewokaku, Inc.: JPY 11M**
 - Initial recognition: JPY 16M, amortized over 3 years starting Jan.2025
 - Arising from the acquisition of Ewokaku, Inc., operator of the apparel brand “over print”, making it a wholly owned subsidiary.
- minum Buisness: JPY 36M**
 - Initial recognition: JPY 48M, amortized over 4 years starting Dec. 2024
 - Arising from the acquisition of the cosmetics brand “minum” from business partner i.D Co., Ltd.
- A.Z.R, Inc.: JPY 123M**
 - Initial recognition: JPY 352M, amortized over 5 years starting Oct. 2022
 - Arising from the acquisition of AZR, Inc., operator of multiple influencer brands.
- heart relation inc.: JPY 605M**
 - Initial recognition: JPY 703M, amortized over 9 years starting Oct. 2024
 - Arising from the acquisition of heart relation, Inc. operator of the lifestyle brand “Her lip to”.
 - In addition to goodwill, intangible assets (trademark rights) of JPY 732M were recognized through purchase price allocation (PPA), to be amortized over 10 years starting Oct. 2024.

Consolidated BS (as of December 2025)

Goodwill: 775M (as of December 2025)

Quarterly Sales, Gross Profit, and Operating Profit

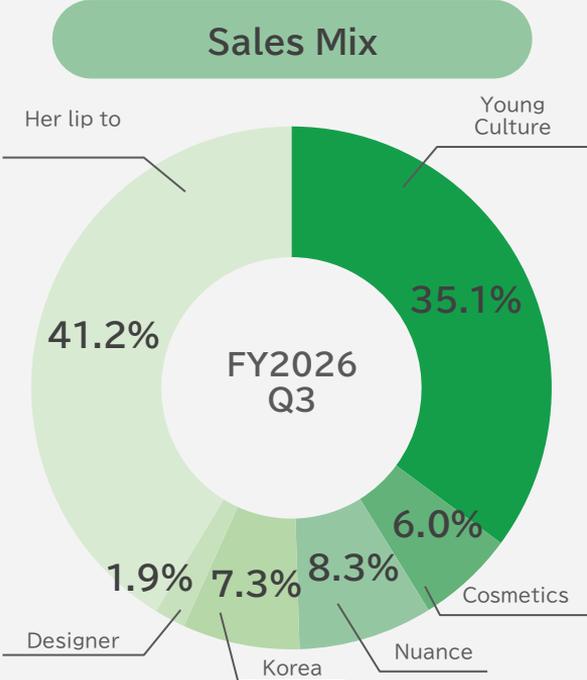
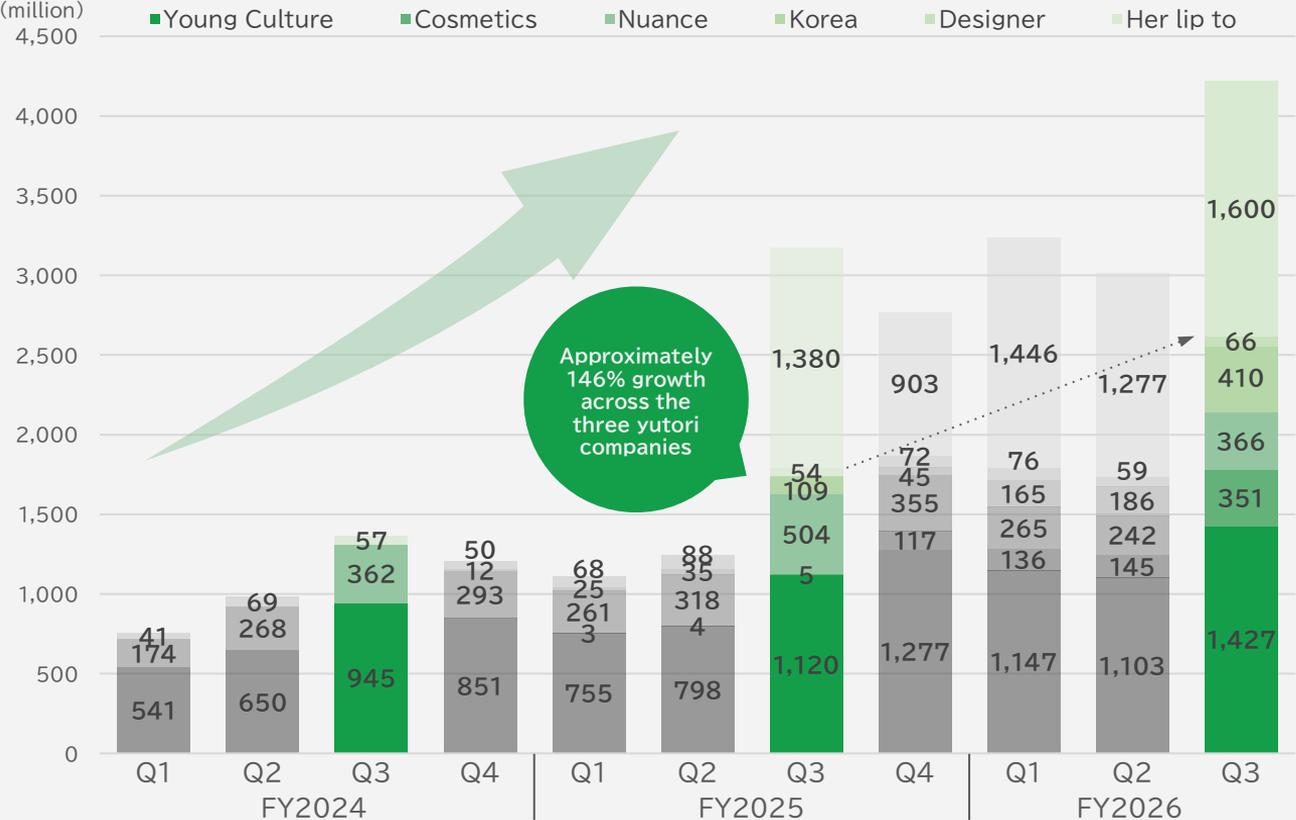
We achieved higher revenue and profit year on year, recording the highest quarterly sales and profit in our history.



Quarterly Sales Trends by Business Segment



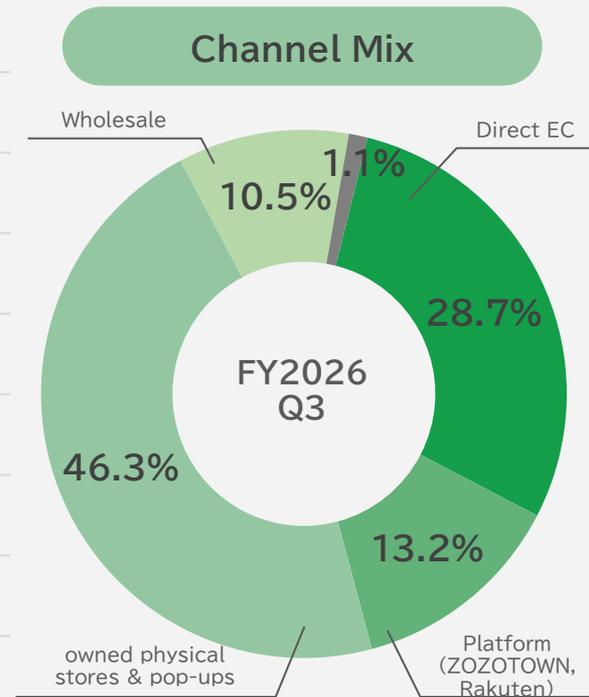
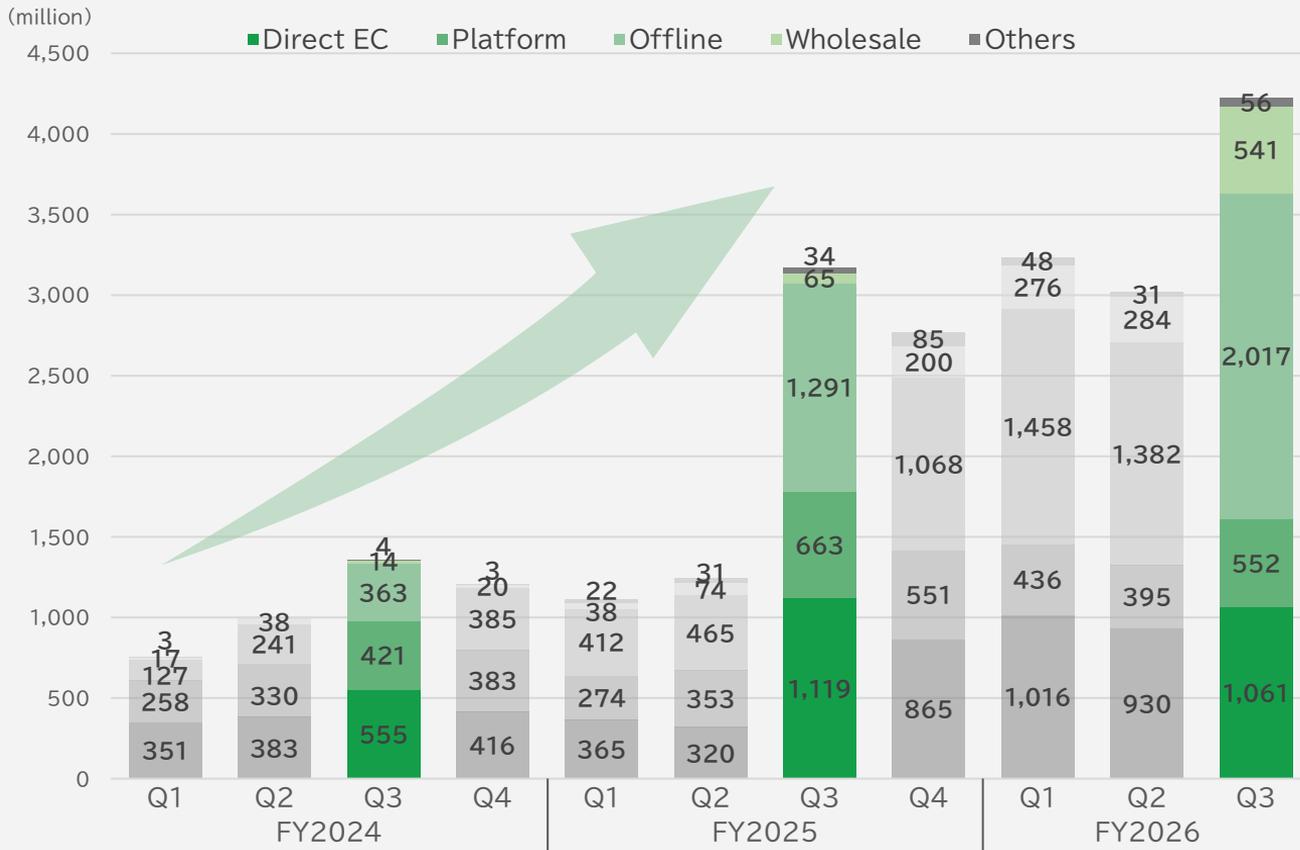
While the Young Culture and Her lip to continue to drive overall performance, cosmetics and Korea businesses also performed strongly. yutori 3 companies (yutori, YZ, pool) achieved approximately 146% YoY growth, realizing high organic growth.



Quarterly Sales Trends by Sales Channel

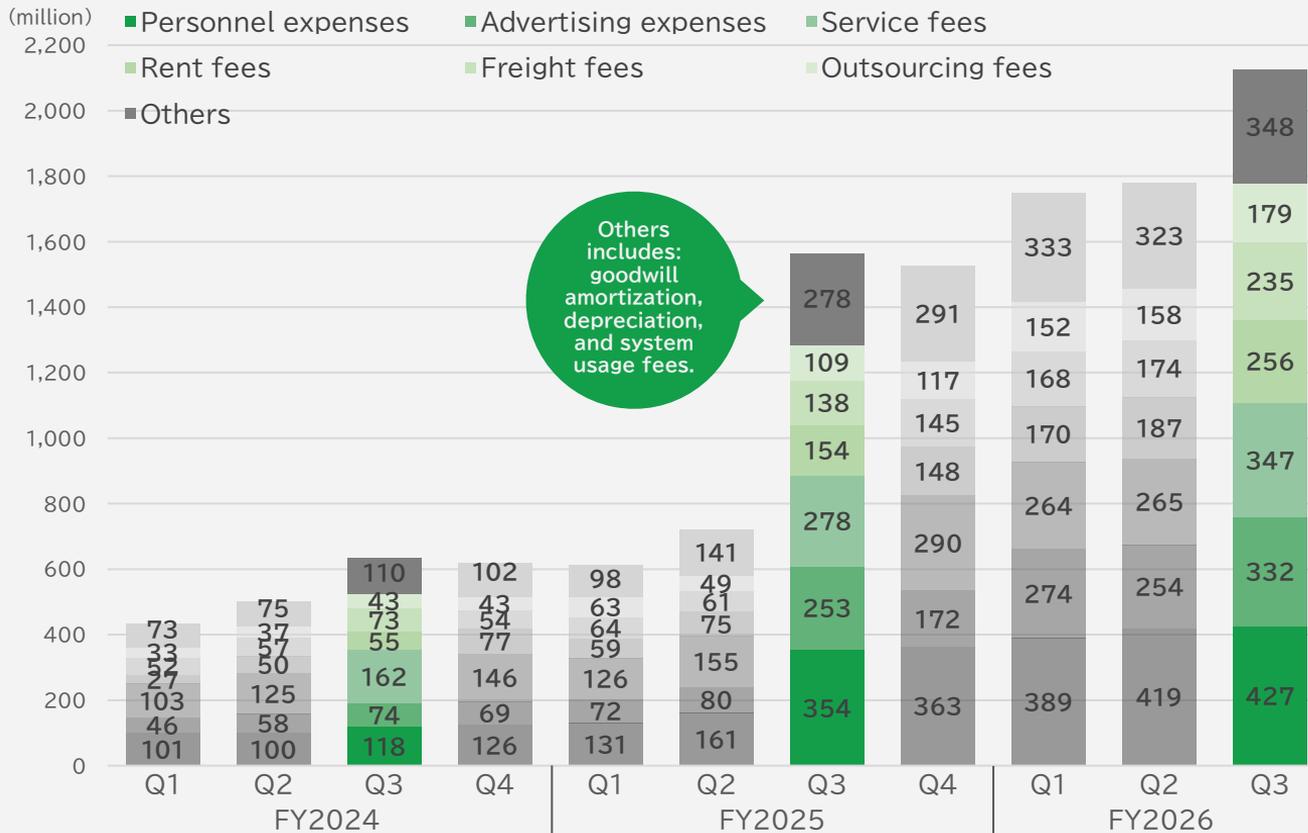
New physical retail store openings increased offline sales mix.

Online channels (Direct EC + platforms): 41.9%, Offline channels: 46.3%



Quarterly SG&A Expense Trend

Expenses largely linked to sales (payment fees, rent, packing and shipping costs, etc.) remain high, with no significant changes in the cost structure. The proportion of payment fees has relatively decreased due to lower sales on ZOZOTOWN.



Expense-to-Sales Ratios as of End-Q3

Personnel expenses

11.8%
(+3.7 pt.)

Advertising expenses

8.2%
(+0.9 pt.)

Service fees

8.4%
(▲1.8 pt.)

Rent fees

5.9%
(+0.6 pt.)

Freight fees

5.5%
(+0.7 pt.)

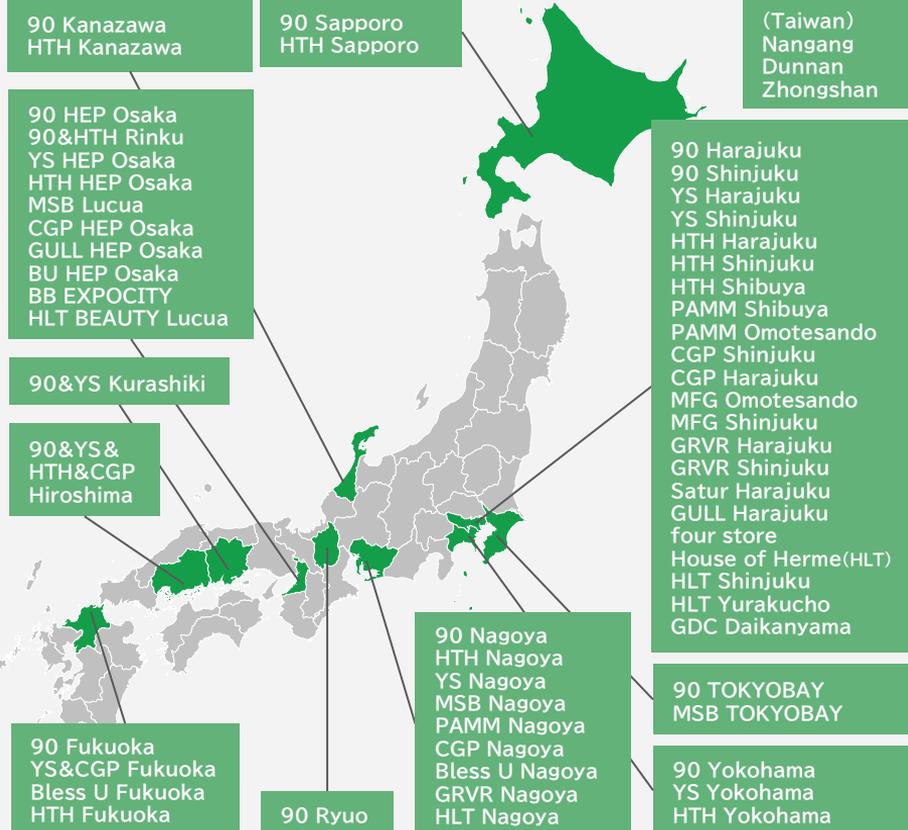
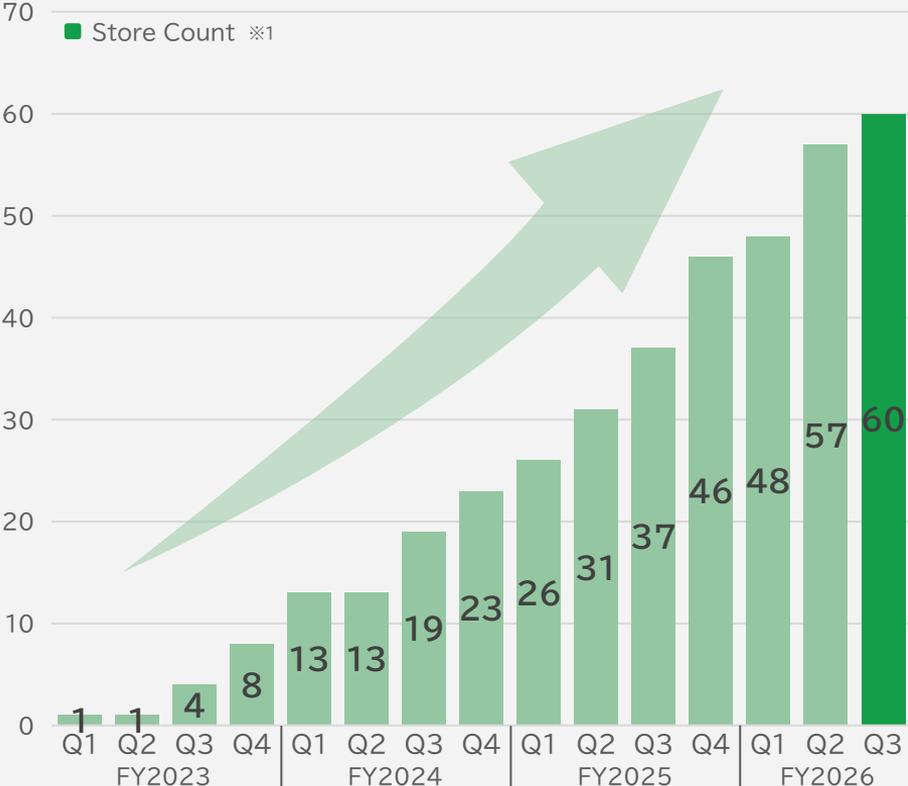
Outsourcing fees

4.7%
(+0.7 pt.)

※Figures in parentheses indicate the comparison vs. Q3 FY2025 (fiscal year ending March 2025).

Store Count Trend

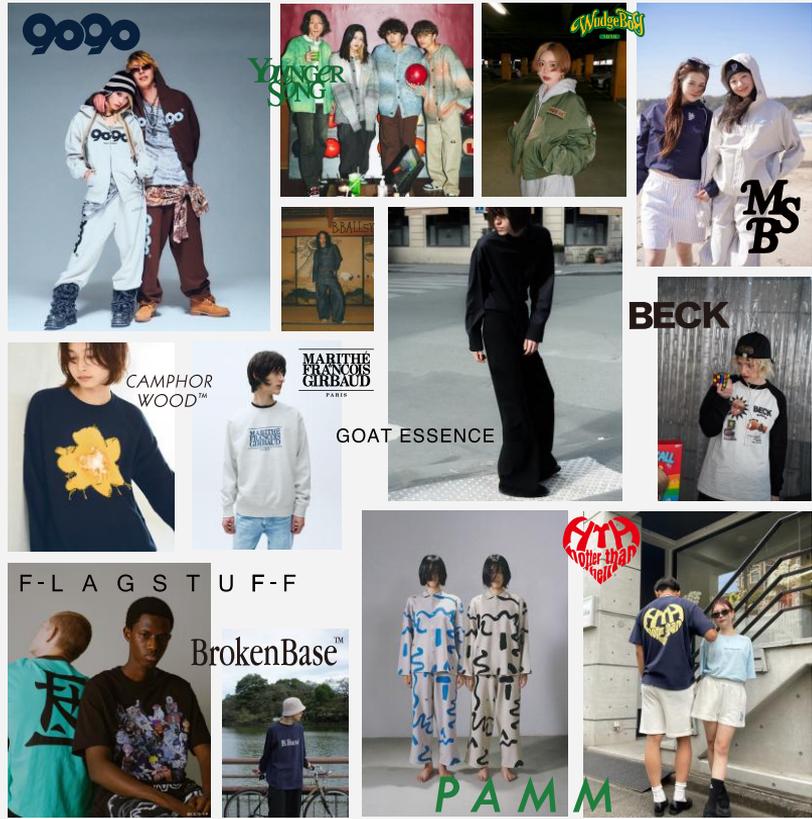
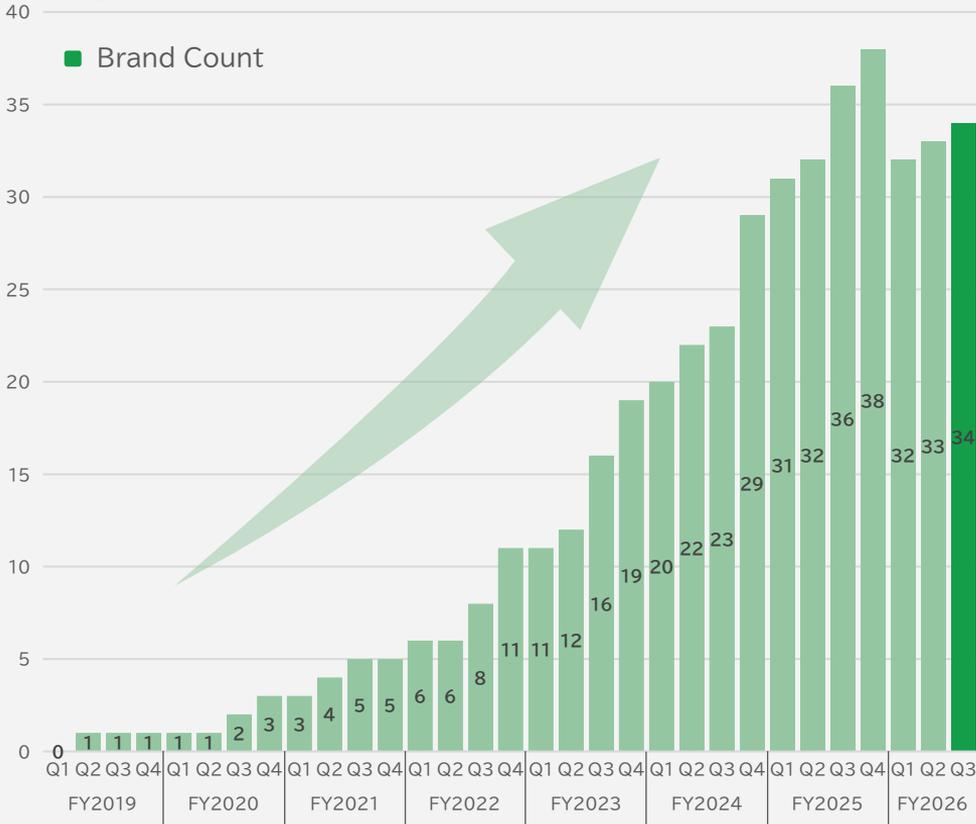
In 3Q, we recorded a net increase of three stores, driven by new store openings including the first-ever stores for SATUR and Her lip to BEAUTY/ROSIER. The Group now operates a total of 60 stores, including 40 stores across Tokyo, Nagoya, and Osaka.



※1 The store count represents the total number of permanent stores operated by the Group that have been open for more than one month as of the end of each quarter, including subsidiaries outside the consolidation scope.

Brand Count Trend

In 1Q of the current fiscal year, we withdrew from eight brands and conducted a review of our brand portfolio. We launched “2002,” a new brand themed around Y2K / Heisei-era fashion, bringing the Group’s total number of brands to 34.

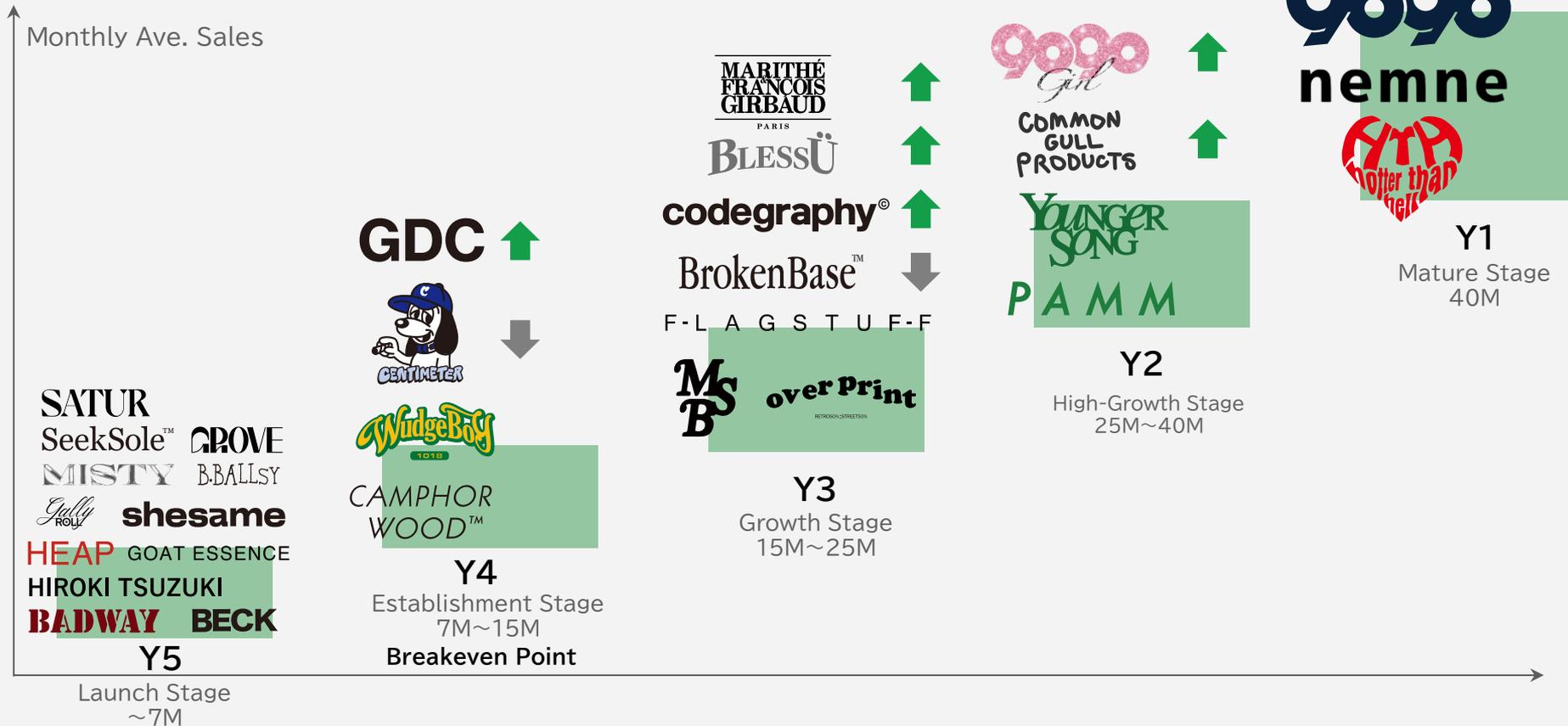


Y-League(as of September 30, 2025)

Y-League: our proprietary brand performance ranking system

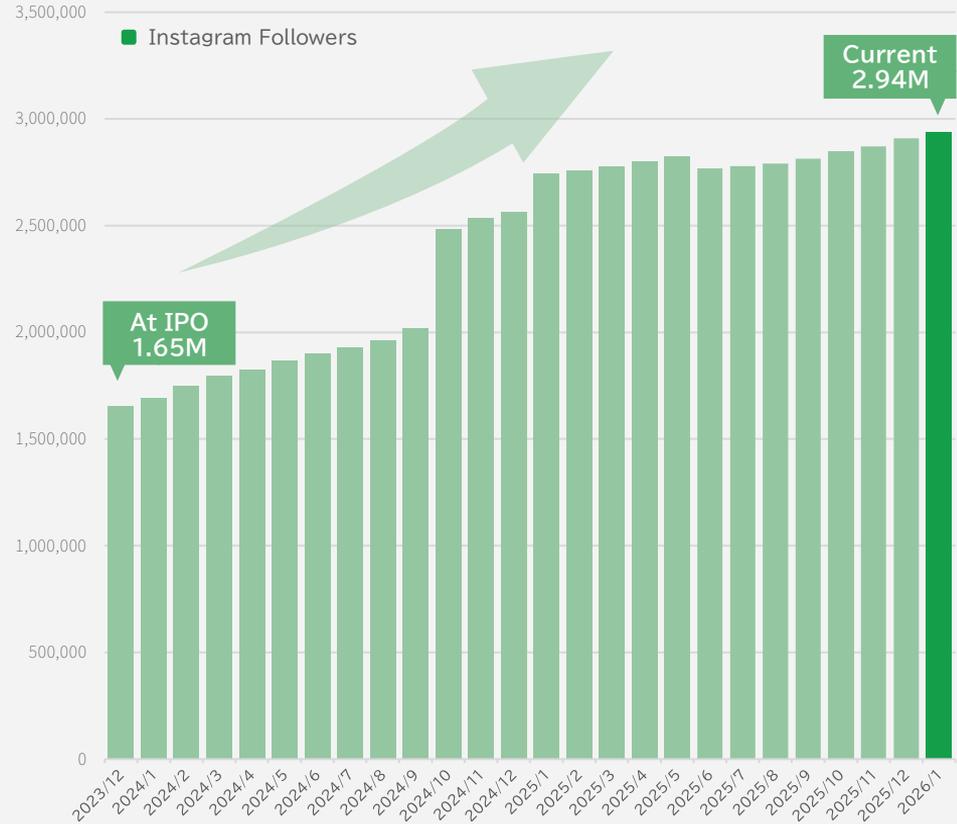
6 brands, including GULL, upgraded in Y-League rank due to rapid growth.

(Note) Y-League ranking is updated semiannually (end of March and September), based on latest 12 months' performance.



Instagram Followers Trend

Instagram strategy: brand members post styled images and videos to showcase brand identity. Total followers across yutori Group exceeded 2.94M, capturing a large potential customer base.

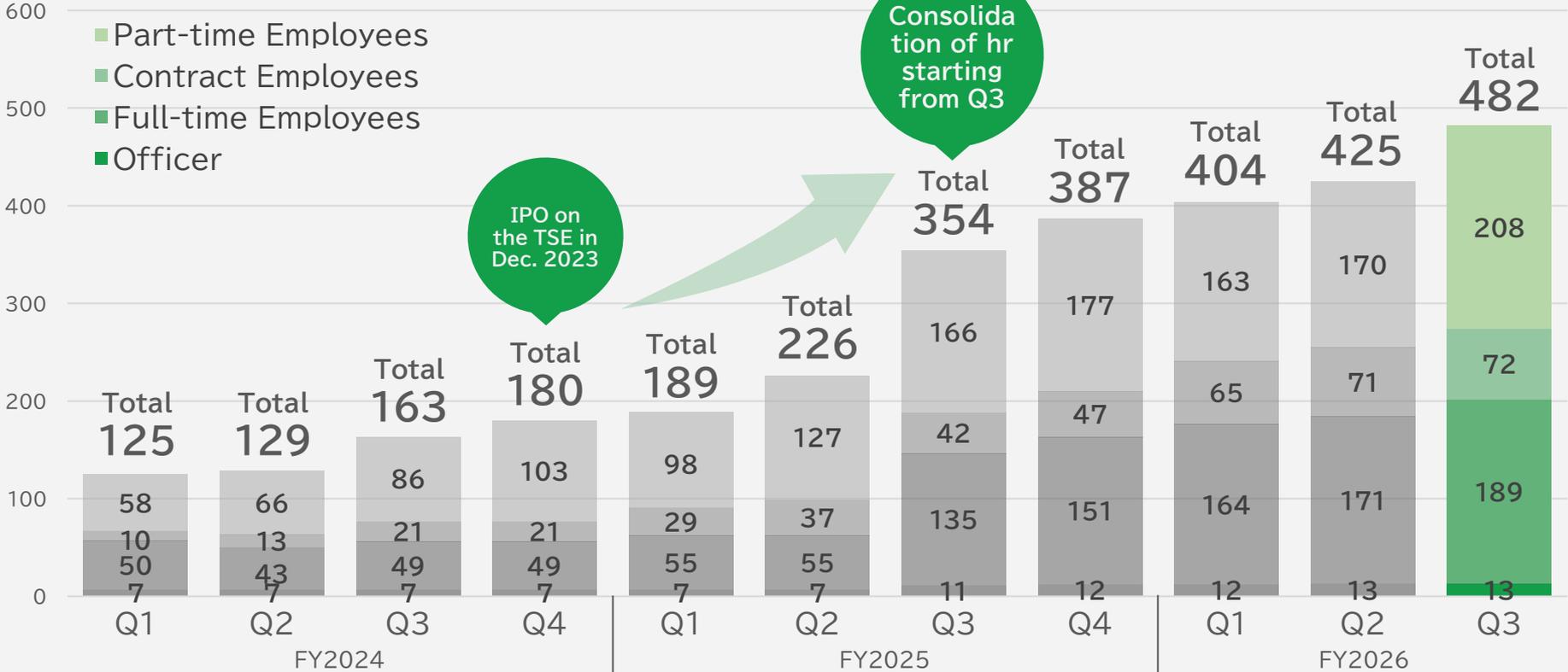


Consolidated Employee Count



As of FY2026 Q3: 482 employees and officers across the consolidated group.
Investing in talent to strengthen key competitive advantage.

(Headcount)



2

Full-Year Earnings Forecast Revision

Full-Year Earnings Forecast Revision



In light of strong performance, we have revised upward our earnings forecast for the fiscal year ending March 2026.

(JPY Million)	FY2025 Results	Sales Ratio	FY2026 Revised Forecast (Q2)	Sales Ratio	Change from FY2025	FY2026 Revised Forecast	Sales Ratio	Change from FY2025	Compared to previous Forecast
Sales	8,306	-	12,100	-	145.7%	13,100	-	157.7%	108.3%
Gross Profit	5,112	61.5%	7,441	61.5%	145.6%	8,114	61.9%	158.7%	109.0%
Adj. EBITDA	957	11.5%	1,333	11.0%	139.3%	1,415	10.8%	147.9%	106.2%
Operating Profit	671	8.1%	968	8.0%	144.2%	1,050	8.0%	156.5%	108.5%
Ordinary Profit	646	8.8%	888	7.3%	137.4%	970	7.4%	150.2%	109.2%
Profit Attributable to Owners of Parent	314	3.8%	400	3.3%	127.4%	400	3.1%	127.4%	-

(Note) Adj. EBITDA: Operating Profit plus depreciation, amortization of goodwill, amortization of security deposits, stock-based compensation expenses and accretion expenses. 27

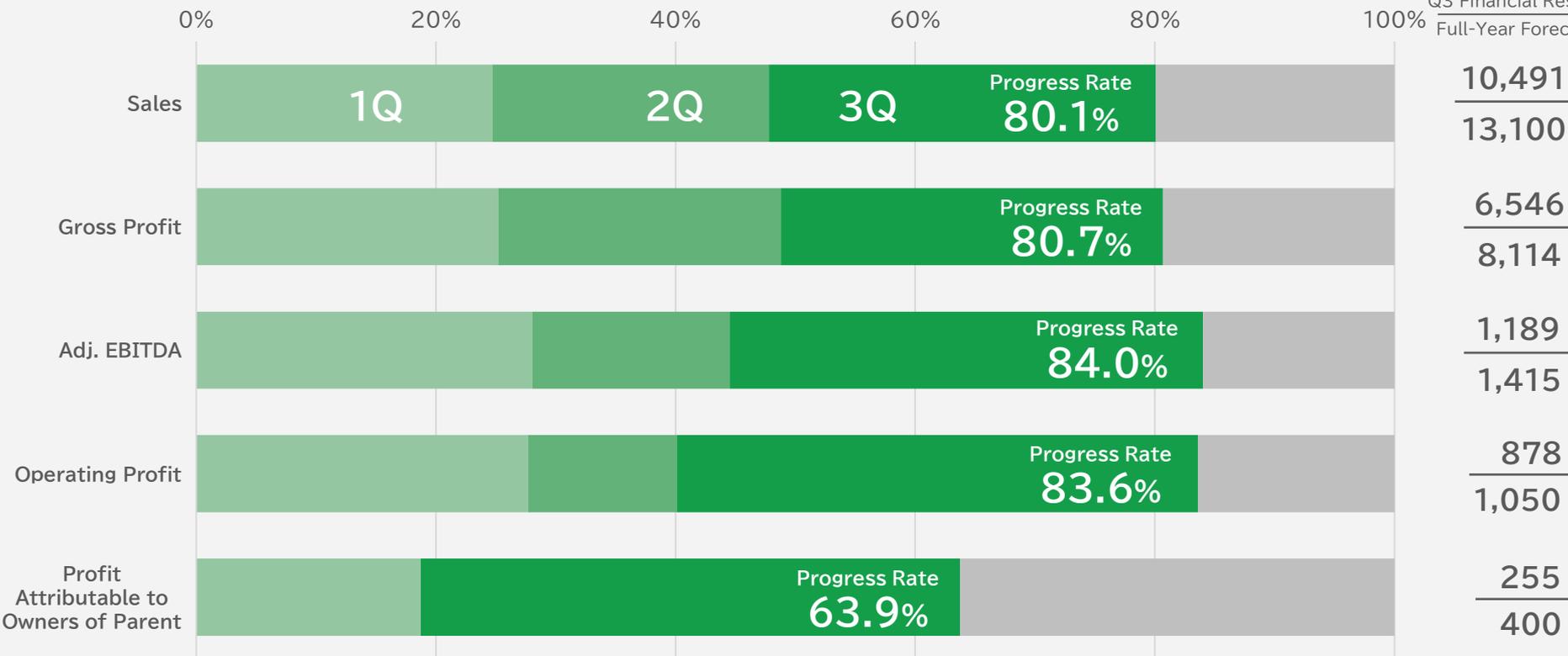
Q3 Financial Result vs. Full-Year Forecast (Revised)



The progress at the end of the Q3 based on the upwardly revised earnings forecast is as follows.

(JPY Million)

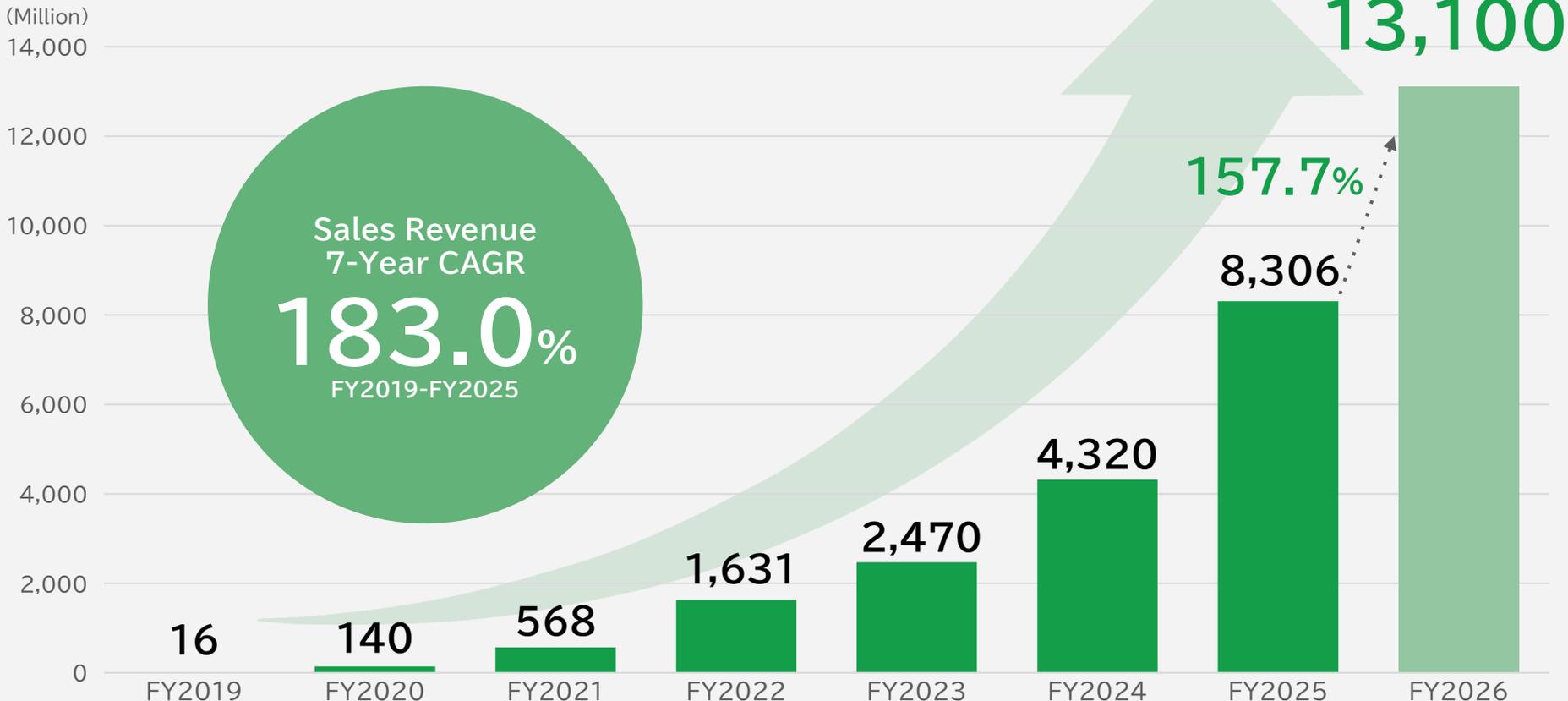
$\frac{\text{Q3 Financial Result}}{\text{Full-Year Forecast}}$



(Note) Adj. EBITDA: Operating Profit plus depreciation, amortization of goodwill, amortization of security deposits, stock-based compensation expenses and accretion expenses. 28

Full-Year Earnings Forecast Revision

Significant growth potential toward discontinuous growth



※For the period up to the second quarter of the fiscal year ending March 2025, results will be reported on a standalone basis. Starting from the third quarter of the fiscal year ending March 2025, results will be reported on a consolidated basis.

3

Equity Financing

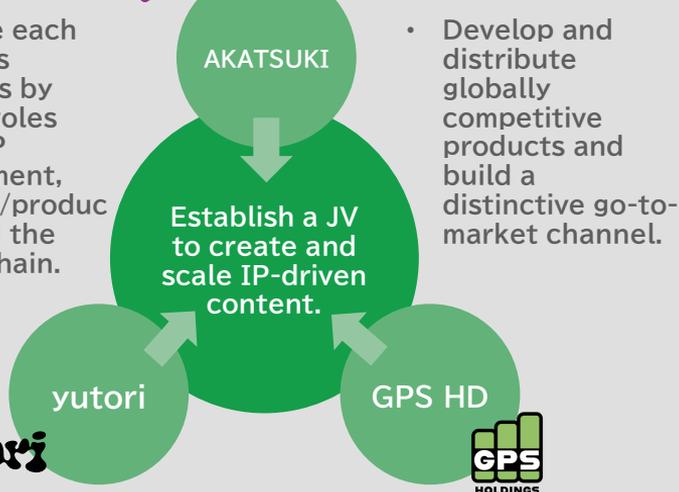
Overview of Capital & Business Alliance

Through a strategic partnership with Akatsuki and GPS HOLDINGS, we aim to create value by building an ecosystem around IP. In parallel, we plan to execute equity financing via a third-party allotment to MN Inter-Fashion and fixed-price stock acquisition rights allocated to Daiwa Securities.



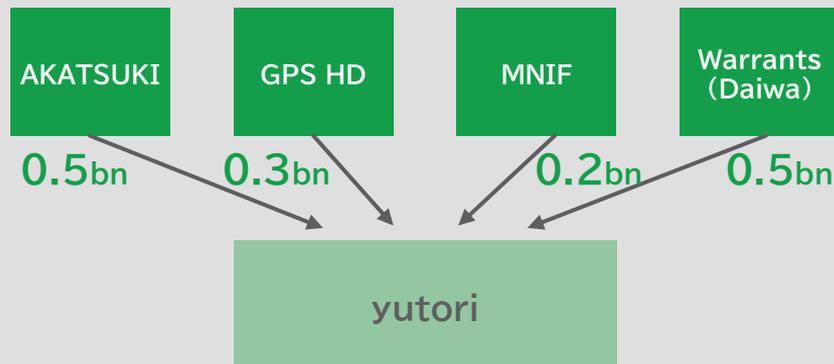
Buisness Collaboration

- Leverage each partner's strengths by sharing roles across IP management, planning/production, and the supply chain.



Equity Financing

- Third-party allotment: approx. JPY 1.0bn total (Akatsuki JPY 0.5bn, GPS JPY 0.3bn, MNIF JPY 0.2bn).
- Fixed-price warrants: up to JPY 0.5bn (Daiwa Securities).



Partnership Overview

Create new value through collaboration by combining each party's core capabilities.

Allottee	Representative	Location	Features
AKATSUKI	Tetsuro Koda	8F, oak meguro, 2-13-30 Kami-Osaki, Shinagawa-ku, Tokyo	Proven track record in the entertainment space (games, comics, etc.), including IP planning/development/operations, online platform building, and overseas marketing; operates digital content businesses globally, including mobile games.
GPS HOLDINGS	Yoichi Kawakami	1-6-11 Shinkawa, Chuo-ku, Tokyo	Operates character-IP businesses such as merchandise planning/manufacturing/sales and official EC site management; owns Gray Parker Service as a core subsidiary specializing in character business.
MN INETR-FASHION	Kazumi Yoshimoto	1-2-7 Motoakasaka, Minato-ku, Tokyo	A textile trading company formed through the integration of the textile business of Nittetsu Shoji and the Mitsui Bussan I-Fashion; provides end-to-end solutions spanning functional materials and apparel sourcing, OEM/ODM and brand businesses, material development, production/logistics, brand marketing, and global supply chain capabilities.

Collaboration

Creating an IP Business

- ✓ Collaborate between yutori's brands and GPS's IP content/merchandising business.
- ✓ Establish a JV among the three parties to create IP fashion content.
- ✓ Build a fashion-based platform that becomes a "place" where character IP gathers (details on next page).

Strengthening the Supply Chain

- ✓ Partner to upgrade the end-to-end supply chain.
- ✓ Collaborate to accelerate yutori brands' overseas expansion and cross-border collaborations.

Maximize IP value by creating a “place” centered on character IP, leveraging a rich IP resource base.

Establish a business model with existing IP, then progressively incorporate dormant IP and third-party IP to strengthen the feedback loop and create a global trend.



Utilize Existing / Dormant IP

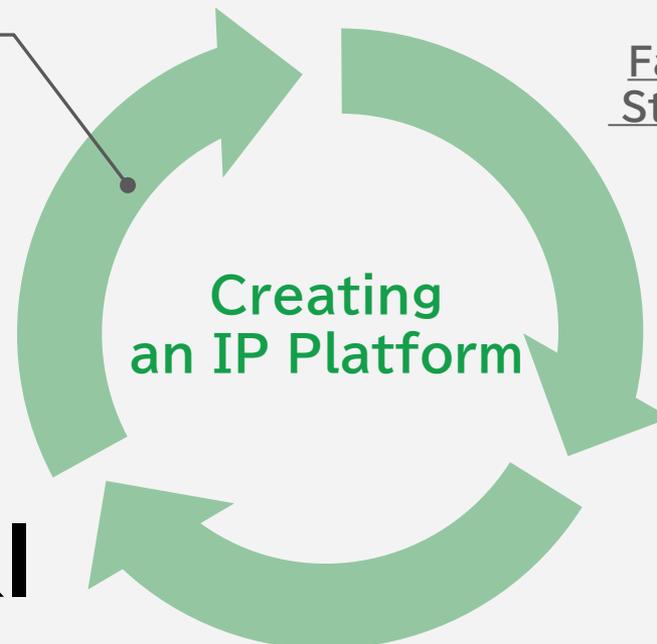
- ✓ Start by expanding awareness using popular IP within GPS’s IP business.
- ✓ Bring in dormant and third-party IP to build a platform that connects IPs as a “bridge.”

EC & Management Platform

- ✓ Build a robust management framework for the JV.
- ✓ Run EC tightly integrated with physical stores to execute a cohesive UX strategy.
- ✓ Expand global reach and outbound communication.

Fashionization / Store Operations

- ✓ Elevate IP goods from “novelty” to culture & fashion, enabling higher-value product development.
- ✓ Earn core fandom even within subculture contexts.
- ✓ Produce iconic physical stores that serve as cultural trend hubs—not just variety-goods corners.



Creating an IP Platform



Equity Financing Summary

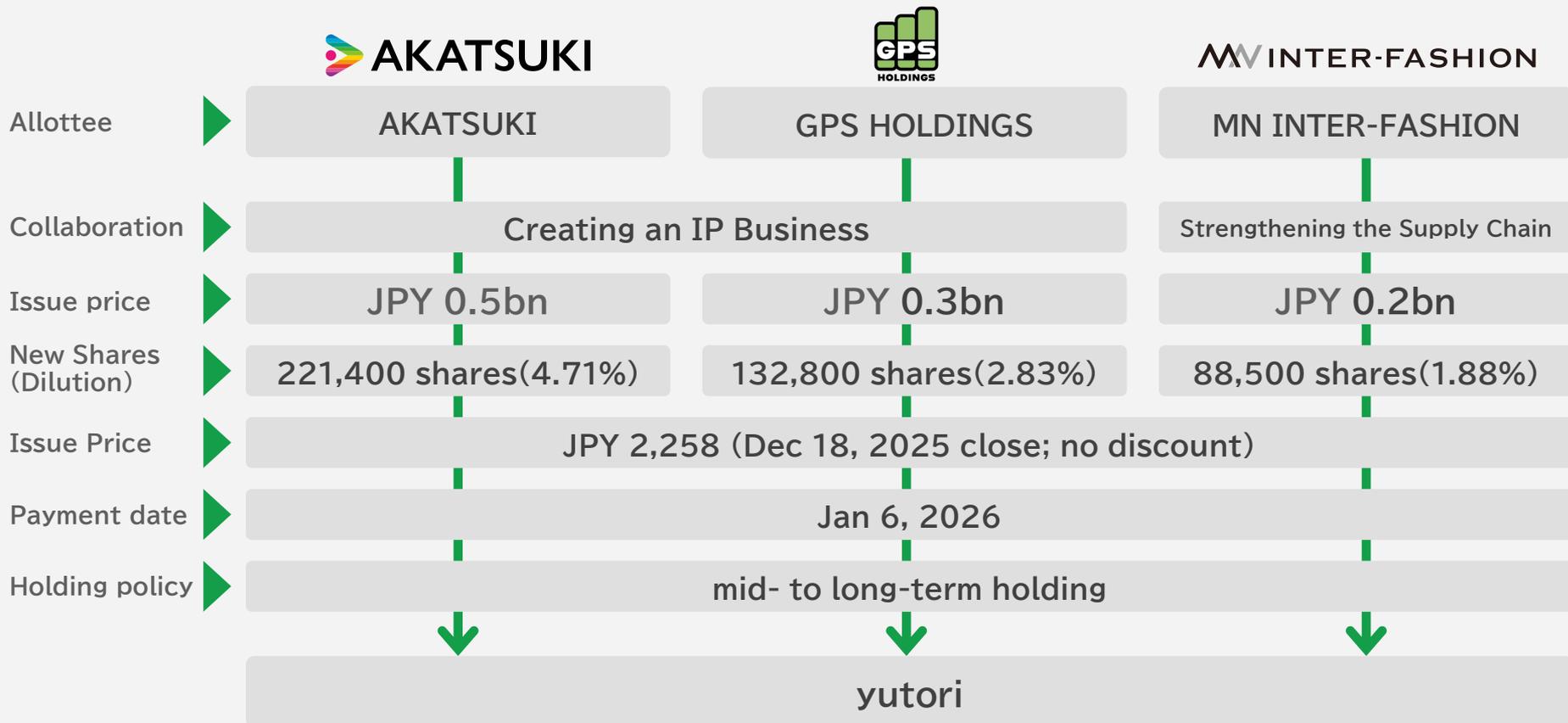
Target total proceeds of up to JPY 1.5bn through a third-party allotment and fixed-price warrants. Proceeds will strengthen our financial base and fund IP investment and future M&A.

Method of Financing	Allottee	Planned Proceeds	Timeline	Use of Proceeds	Spending Timeline
Third-party allotment	AKATSUKI	0.5bn	2026/1/6	Initial investment in the IP business: JPY 0.1bn	2026/1 ~ 2029/12
	GPS HOLDINGS	0.3bn			2026/1 ~ 2027/3
	MN INTER-FASHION	0.2bn		Debt repayment: JPY 0.9bn	2026/1 ~ 2027/3
Fixed-price warrants	Daiwa Securities	0.5bn	2026/1/7 ~ 2028/1/7	M&A funding: JPY 0.5bn	2026/1 ~ 2028/12
Total		1.5bn ※			

※Amounts are before issuance costs and may change.

Third-Party Allotment Details

Raise JPY 1.0bn from three strategic partners (total dilution: 9.42%).



Fixed-Price Warrants Overview

Issue fixed-price warrants to enable additional fundraising upon share price appreciation.

Items	Details
Allocation method	third-party allocation to Daiwa Securities
Estimated proceeds	JPY 0.5bn(if fully exercised)
Warrants / shares	1,845 warrants = 184,500 shares (dilution: 3.93%)
Exercise price	JPY 2,709 (120% of the prior-day close; no reset)
Exercise period	2 years (Jan 7, 2026 – Jan 7, 2028)
Other	<ul style="list-style-type: none">• Exercise Suspension Clause: The Company may designate periods during which the allottee cannot exercise the warrants.• Commitment Clause: If the share price remains above 125% of the exercise price for five consecutive business days, the Company may request exercise.

Key Features

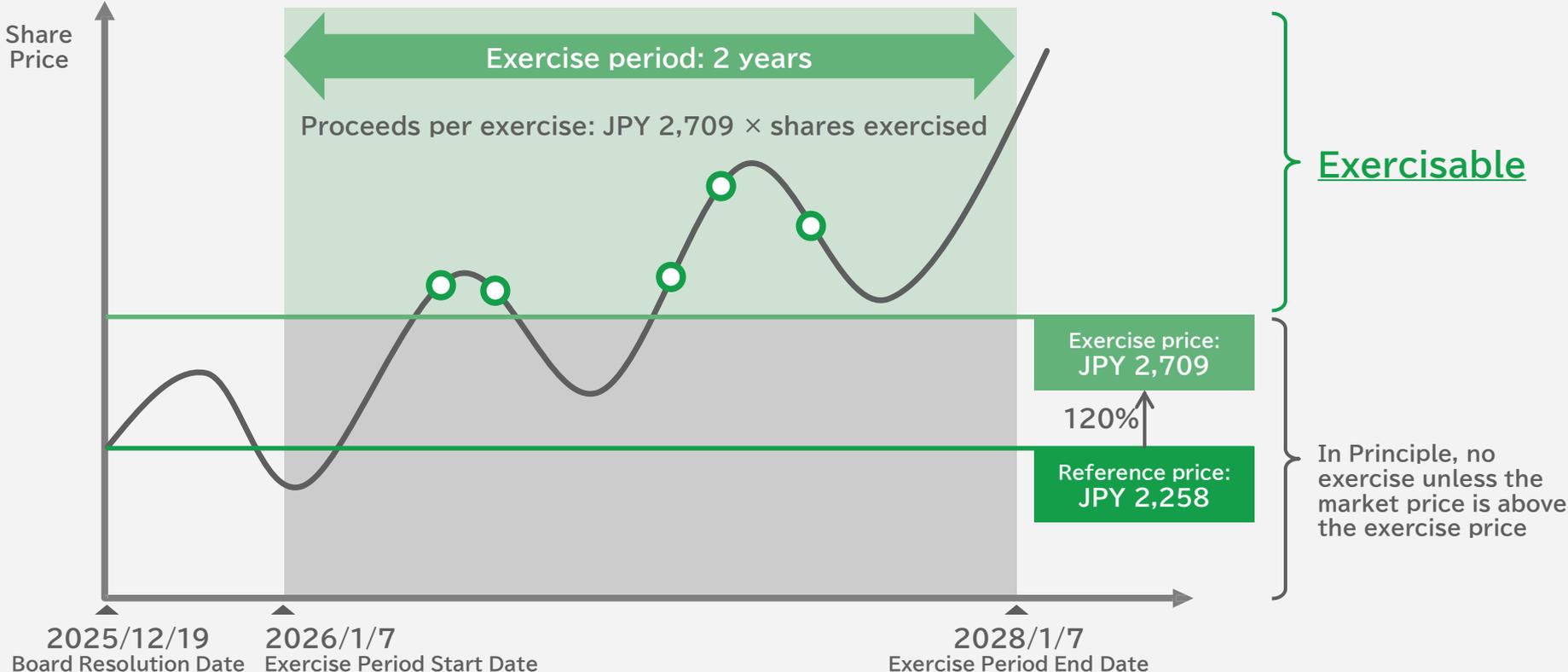
① Dilution cap is fixed: max 3.93% (no change in potential shares).

② Exercise price is fixed at 120%: unlike MS warrants; maximum proceeds are also fixed (~JPY 0.5bn).

③ Commitment mechanism: to mitigate the risk of non-exercise even if the share price rises.

Fixed-Price Warrants Mechanics

Setting the exercise price above the reference share price ensures fundraising occurs only when the share price rises—providing a clear, shareholder-friendly structure.



※Illustration only; not a forecast of future share price.

4

Q&A



Q.

1. Regarding the third-party allotment in December 2025, did yutori intend to keep the allottee's ownership ratio within a certain range? Or was it the result of accepting the maximum possible amount through discussions with the counterparty? The allotment was priced at a level that had declined significantly from the peak share price. Was there any specific intention behind this? Also, if the share price had not declined prior to the equity financing, would you have shown greater consideration to existing shareholders (e.g., by reducing the allotment to Daiwa Securities), or would the amount raised have increased, enabling larger growth investments?

A.

1. It was not a matter of choosing one over the other. We made the decision through discussions with the allottee after comprehensively considering factors such as the allottee's ownership ratio, the amount the allottee could invest, and the funds required for our business investments and for improving our financial soundness. We position this as a capital policy aimed at enhancing corporate value, pursuing an appropriate balance. We had no intention of targeting any specific share price level. This was the outcome of evaluating the certainty of fundraising and the appropriateness of the terms (e.g., amount raised, allotment price, dilution ratio). As for a hypothetical scenario in which the share price had stayed at a higher level, we cannot provide a definitive answer. Generally, if the same amount of funds is raised, the number of newly issued shares would decrease and dilution would be relatively contained; conversely, if a similar level of dilution is allowed, the amount raised could increase, potentially expanding capacity for growth investments. We believe it is important to optimize the speed of growth investments and the level of dilution based on investment opportunities at the time, cost of capital, and market conditions, and we will continue to consider our capital policy with the same approach going forward.

Q.

1. Share price has declined from its peak and is currently range-bound. Are you considering share repurchases?

A.

1. In order to maximize capital efficiency, we believe prioritizing the allocation of funds to investments that enhance our future cash flow generation capability (e.g., M&A and business investments) will ultimately lead to mid to long term corporate value creation. At the same time, we recognize that there are situations in which share repurchases can be effective. We will comprehensively consider factors such as share price levels and cash on hand, and if we determine that a share repurchase would maximize capital efficiency, it could become one of our options. At present, we have not decided on any specific share repurchase plan; however, we will disclose it in a timely manner should we make such a decision. We will also continue to consider other shareholder return measures.

Q.

1. There is a significant gap between ROE and ROIC. ROE is at a high level due to a low equity ratio; however, as you increase the equity ratio and strengthen financial soundness going forward, how do you intend to maintain and improve ROE? In addition, please explain your future policy on how you will improve the gap between ROE and ROIC. Lastly, I would appreciate it if you could include targets and policies regarding these profitability metrics in your earnings presentation materials.

A.

1. First, we understand ROE as the return on net income relative to shareholders' equity, and ROIC as a metric indicating the business's earning power—after-tax operating profit relative to invested capital (interest-bearing debt plus shareholders' equity). Accordingly, while a simple comparison is difficult, ROE can be viewed as ROIC plus the effect of financial leverage; when leverage is high, ROE tends to be relatively higher as well. In that sense, we believe that a gap between ROE and ROIC driven by leverage—within an appropriately maintained level of financial soundness—can contribute to capital efficiency. Based on this premise, we view our current ROE being higher than ROIC primarily as the result of leverage. Meanwhile, from the perspective of balancing growth investments and financial soundness, we implemented the equity financing as previously announced. As you noted, ROE may be pressured downward in the process of increasing the equity ratio; however, we believe that, to maintain and enhance ROE, the essential theme for mid to long term corporate value creation is the sustained improvement of ROIC (our underlying earning power) itself, rather than a numerical improvement that relies solely on leverage. (Continued on the next page →)

Q.

1. There is a significant gap between ROE and ROIC. ROE is at a high level due to a low equity ratio; however, as you increase the equity ratio and strengthen financial soundness going forward, how do you intend to maintain and improve ROE? In addition, please explain your future policy on how you will improve the gap between ROE and ROIC. Lastly, we would appreciate it if you could include targets and policies regarding these profitability metrics in your earnings presentation materials.

A.

1. (Continued from the previous page) Specifically, in order to increase the number of “brands that earn” from “brands that sell,” we will periodically review and optimize our brand portfolio to concentrate resources (people and capital) on brands with higher profitability (improving the numerator of ROIC), while also aiming to improve working capital efficiency (improving the denominator), such as by shortening inventory turnover periods. We believe that, as ROIC improves, it becomes possible to maintain and enhance ROE as well. As ROE and ROIC are important management indicators, we take your feedback seriously and will continue to review them on an ongoing basis. We also intend to enhance our disclosures regarding targets and policies for these metrics.

Q.

2. How will you work to improve profitability going forward? I do not believe operating profit is sufficient relative to sales, and under the full-year forecast the profit margin appears to be worsening.

A.

2. Considering our current business scale, we believe that expanding sales meaningfully is more important than maximizing short-term profit. Therefore, while we do not assume that profitability will decline materially, we do expect that some fluctuations may occur in the near term. In the current period, compared with the previous period, we expect profitability to decline due to a combination of (i) increased advertising and promotional investments as well as initial investments in new products/materials in the cosmetics business, which has entered a more full-scale phase, (ii) investments aimed at overseas expansion into China and Taiwan, and (iii) the withdrawal from unprofitable brands. In particular, the former investments are in areas we are focusing on for mid to long term growth, and we would appreciate it if they could be understood as proactive investments. For structural profitability improvement, beyond reducing fixed costs and indirect expenses, we believe the more impactful measures include focusing on higher-profit brands through a review of our brand portfolio, as described in the previous Q&A.

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For inquiries
ir@yutori.tokyo

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