

FY2025Q1 EARNINGS CALL (HELD ON MAY 15TH, 2025)

<SUMMARY OF Q&A SESSION>

Q :	Given the uncertainty such as U.S. tariff policies, has there been any change in the order situation from wholesale accounts? Also, what is your current approach regarding production volume?
A :	Global orders from wholesale accounts, including those from the U.S., are currently up 30% YoY for the second half. We have not seen any order cancellations due to the uncertain environment, and we recognize that there has been no significant change. Regarding production volume, rather than producing the full amounts of orders, we plan to produce an appropriate quantity to optimize inventory efficiency.

Q :	How much did sales and operating profit exceed the financial plan? Specifically, which categories or regions contributed most to the outperformance?
A :	Sales are 1% below the plan, but we recognize that this is broadly in line with the plan. Operating profit exceeded 3 billion yen. By category, P.RUN, CPS, and OT exceeded the plan, while by region, North America and Greater China exceeded the plan. Furthermore, the upward deviation was supported by the conservative planning of SG&A expenses, which included a slight buffer.

Q :	Japanese yen has been appreciating recently. How much will this impact be on business performance? Also, could you explain the impact from the perspective of the demand from inbound tourism?
A :	Although sales appear to decline under a stronger yen, we mitigate the impact of extreme short-term exchange rate fluctuations by reserving the foreign exchange rate for procurement over a three-year period. Therefore, the immediate impact of recent currency volatility is limited. Additionally, selling, general and administrative expenses also decrease with a stronger yen, so the overall impact on operating profit is not significant. Regarding foreign exchange sensitivity, a 1-yen appreciation against the U.S. dollar results in a decrease of 750 million yen in sales and 30 million yen in operating profit. As for the demand from inbound tourism, strong momentum continues. Sales to inbound tourists for April reached 4 billion yen, a record high for a

	single month. For the full year, we plan to achieve sales of approximately 32 billion yen (about 2.6 billion yen per month), and both March and April have exceeded the plan. The momentum continues in May, so a positive contribution to profits is expected.
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Q :	What is the breakdown of the potential impact of up to 5 billion yen from U.S. tariffs policies?
A :	As of the end of March 2025, we already have approximately three months' worth of inventory on hand. In anticipation of the expiration of the mutual tariff suspension period on July 8, we have accelerated production for the U.S. market to complete customs clearance in the U.S. as much as possible. We are also working with shipping companies to expedite transportation to the U.S. As a result, inventory will be secured through the third quarter, and we have made our estimates based on the assumption that we won't have the impact until the fourth quarter. Specifically, we have conservatively estimated the maximum risk at 5 billion yen, considering factors such as a potential increase in U.S. import prices due to higher tariffs for the fourth quarter and a possible rise in freight costs due to increased demand for shipping vessels.

Q :	Despite the macroeconomic environment being far from favorable, what is driving the strong performance in Greater China?
A :	There are several factors. First, the product strategy has been successful by leveraging high-performance running shoes tailored to local market needs and the strong brand power of Onitsuka Tiger. Additionally, by strategically developing company operated stores and mono-brand stores depending on the city, we have built optimized sales channels tailored to each urban customer segment. Furthermore, by delegating authority to the China headquarters, they have shortened lead times from product planning to launch, enabling a swift response to changing demand. These initiatives, combined with government support such as the "Extensive Fitness-For-All Activities," have contributed to strong performance in Greater China.