

# Consolidated Financial Results for the Three Months Ended May 31, 2023 [Japanese GAAP]



July 6, 2023

Company name: Onward Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 8016

URL: <https://www.onward-hd.co.jp/en/>

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Scheduled date of filing quarterly securities report: July 14, 2023

Scheduled date of commencing dividend payments: –

Availability of supplementary materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors, securities analysts, and the press)

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Performance for the Three Months Ended May 31, 2023 (March 1, 2023 – May 31, 2023)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2023	49,907	12.0	5,380	168.3	4,861	84.3	3,348	83.6
May 31, 2022	44,551	(3.2)	2,005	74.8	2,638	33.4	1,823	(11.5)

(Note) Comprehensive income: Three months ended May 31, 2023: 2,706 million yen [(48.6)%]

Three months ended May 31, 2022: 5,267 million yen [46.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2023	24.67	24.64
May 31, 2022	13.44	13.42

(Reference) EBITDA (operating profit + depreciation and amortization):

Three months ended May 31, 2023: 6,545 million yen [94.5%]

Three months ended May 31, 2022: 3,365 million yen [37.5%]

## (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of May 31, 2023	164,387	80,887	46.1
As of February 28, 2023	159,198	85,073	47.0

(Reference) Shareholders' equity: As of May 31, 2023: 75,742 million yen

As of February 28, 2023: 74,747 million yen

## 2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2023	–	–	–	12.00	12.00
Fiscal year ending February 29, 2024	–				
Fiscal year ending February 29, 2024 (Forecast)		–	–	16.00	16.00

(Note) Revision to the forecast for dividends announced most recently: Yes

## 3. Consolidated Performance Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 - February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1H (cumulative)	90,000	9.5	4,000	–	3,400	419.4	2,400	403.9	17.68
Full year	188,800	7.2	10,000	91.8	9,000	69.2	5,000	63.3	36.84

(Notes) 1. Revision to the performance forecast announced most recently: Yes

2. The year-on-year growth rate of operating profit for the first half of the fiscal year ending February 29, 2024 exceeded 1,000%, and is therefore indicated as “–.”

(Reference) EBITDA (operating profit + depreciation and amortization):

Full year ending February 29, 2024 (forecast): 15,100 million yen [45.6%]

Full year ended February 28, 2023: 10,373 million yen [165.0%]

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None  
Newly included: – (Company name:)  
Excluded: – (Company name:)
- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement  
1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes  
2) Changes in accounting policies other than 1) above: None  
3) Changes in accounting estimates: None  
4) Restatement: None
- (4) Total number of issued shares (common stock)  
1) Total number of issued shares at the end of the period (including treasury shares):  
As of May 31, 2023: 157,921,669 shares  
As of February 28, 2023: 157,921,669 shares  
2) Total number of treasury shares at the end of the period:  
As of May 31, 2023: 22,204,604 shares  
As of February 28, 2023: 22,204,488 shares  
3) Average number of shares outstanding during the period:  
Three months ended May 31, 2023: 135,717,142 shares  
Three months ended May 31, 2022: 135,633,824 shares

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\* Explanation of the proper use of performance forecast and other notes

The performance outlook and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that have been deemed reasonable. Actual performance may differ significantly from these forecasts due to a wide range of factors. For conditions used as the assumptions for the performance forecast and notes on the use of performance forecast, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information” on page 3 of the Attachments.

*Note:*

*This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.*

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Operating Results

During the three months ended May 31, 2023, the Japanese economy showed a moderate recovery trend as economic activities continued to normalize due to the easing of mask-wearing rules and COVID-19's reclassification as a category V infectious disease, and with the recovery of inbound tourism demand helping to bolster improvement in business sentiment, among other factors. On the other hand, the outlook remains uncertain, as there are concerns that consumers will become more defensive in their lifestyles due to climbing inflation on the back of global rises in resource prices and exchange rate fluctuations.

Under these circumstances, the Group saw a steady increase in the number of customers visiting both its physical stores and online store, with sales growing significantly. This was due to factors such as increased awareness of the Click and Try service offered in OMO (Online Merges with Offline)-type stores by our core operating company, Onward Kashiya Co., Ltd., and the success of marketing initiatives using social media. Furthermore, the global business reforms that we have been undertaking since the fiscal year ended February 29, 2020, have clearly borne fruit, and efforts to improve the efficiency of the product supply chain progressed, which resulted in an improvement in gross profit margin while the SG&A ratio decreased significantly.

Additionally, we have initiated a capital and business alliance with fashion company WEGO Co., Ltd., with the aim of tapping into a new customer base.

As a result of the above, consolidated net sales amounted to 49,907 million yen (a 12.0% increase year on year), consolidated operating profit was recorded at 5,380 million yen (a 168.3% increase year on year), consolidated recurring profit was recorded at 4,861 million yen (an 84.3% increase year on year), and profit attributable to owners of parent amounted to 3,348 million yen (an 83.6% increase year on year).

Furthermore, the Group has adopted EBITDA (operating profit + depreciation and amortization) as a key management indicator with the purpose of enabling convenient comparisons between companies regardless of differences in accounting standards, amid its efforts to accelerate growth through enhancement and expansion of business foundations that utilize creation of new businesses, M&As, etc.

EBITDA for the three months ended May 31, 2023 was 6,545 million yen (a 94.5% increase year on year).

Status by segment is as follows.

#### [Apparel Business]

In the domestic business, by focusing on customer-centric product development and sales services, Onward Kashiya Co., Ltd.'s key brands, namely Nijyusanku and GOTAIRIKU, among others, maintained strong performance. Additionally, sales were favorable for "steppi," which became an independent brand from the D2C brand UNFILO. Sales at Onward Personal Style Co., Ltd., which develops the KASHIYAMA brand, increased significantly due to the strong performance of high-priced products and store renovations, among other factors.

In the overseas business, sales increased in Europe, the U. S., and Asia, respectively, and the higher utilization rate of the Dalian factory contributed to improved profitability.

As a result, both sales and profit increased in the Apparel Business.

#### [Lifestyle Business]

Chacott Co., Ltd., which operates a wellness business, saw strong performance in the sales of its mainstay ballet goods as well as Chacott COSMETICS. Creative Yoko Co., Ltd., which operates a pet and home life business, saw an expansion in sales due to the success of efforts to open new stores as well as development of new and other products in its pet business. Yamato Co., Ltd., which operates a gift catalogue business, also continued to perform well.

As a result, both sales and profit increased in the Lifestyle Business.

## (2) Explanation of Financial Position

(Status of assets, liabilities, and net assets)

Total assets as of the end of the first quarter of the fiscal year under review increased by 5,188 million yen compared with the end of the previous fiscal year to 164,387 million yen. This was primarily due to increases in notes and accounts receivable—trade, and contract assets of 1,843 million yen and merchandise and finished goods of 1,837 million yen.

Liabilities increased by 9,374 million yen compared with the end of the previous fiscal year to 83,500 million yen. This was primarily due to increases in short-term borrowings of 9,040 million yen and electronically recorded obligations—operating of 1,410 million yen.

Net assets decreased by 4,186 million yen compared with the end of the previous fiscal year to 80,887 million yen. This was primarily due to profit attributable to owners of parent of 3,348 million yen, dividends of surplus of 1,628 million yen, a decrease in valuation difference on available-for-sale securities of 287 million yen, a decrease in foreign currency translation adjustment of 421 million yen, and a decrease in non-controlling interests of 5,181 million yen.

As a result, the shareholders' equity ratio was 46.1%.

## (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

Revisions have been made to the consolidated performance forecast for the full year ending February 29, 2024, which was announced on April 6, 2023, in light of the Company's first quarter performance. For details, please see "Notice of Revision to the Performance Forecast and Dividend Forecast," announced today.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	13,805	13,580
Notes and accounts receivable—trade, and contract assets	13,981	15,825
Merchandise and finished goods	27,297	29,135
Work in process	486	332
Raw materials and supplies	2,935	3,015
Other	4,185	4,713
Allowance for doubtful accounts	(437)	(425)
Total current assets	62,255	66,178
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,498	19,448
Land	23,328	23,341
Other, net	10,303	10,407
Total property, plant and equipment	53,130	53,196
Intangible assets		
Goodwill	4,025	3,833
Other	5,081	5,177
Total intangible assets	9,106	9,011
Investments and other assets		
Investment securities	16,433	17,520
Retirement benefit asset	5,441	5,465
Deferred tax assets	3,454	3,437
Other	9,708	9,873
Allowance for doubtful accounts	(331)	(296)
Total investments and other assets	34,706	36,000
Total non-current assets	96,943	98,208
Total assets	159,198	164,387

(Million yen)

	As of February 28, 2023	As of May 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	8,154	7,459
Electronically recorded obligations—operating	13,236	14,647
Short-term borrowings	18,600	27,640
Income taxes payable	1,129	936
Provision for bonuses	914	1,413
Provision for bonuses for directors	179	70
Other	10,909	11,450
Total current liabilities	53,124	63,617
Non-current liabilities		
Long-term borrowings	8,657	7,755
Retirement benefit liability	2,886	2,856
Provision for retirement benefits for directors and corporate auditors	262	266
Asset retirement obligations	2,563	2,593
Other	6,630	6,410
Total non-current liabilities	21,000	19,882
Total liabilities	74,125	83,500
<b>Net assets</b>		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,347	50,347
Retained earnings	16,042	17,762
Treasury shares	(20,748)	(20,748)
Total shareholders' equity	75,721	77,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,620	2,332
Deferred gains or losses on hedges	30	39
Revaluation reserve for land	(5,698)	(5,698)
Foreign currency translation adjustment	1,441	1,020
Remeasurements of defined benefit plans	631	607
Total accumulated other comprehensive income	(973)	(1,698)
Share acquisition rights	82	82
Non-controlling interests	10,243	5,061
Total net assets	85,073	80,887
Total liabilities and net assets	159,198	164,387



## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statements of Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Net sales	44,551	49,907
Cost of sales	19,833	20,928
Gross profit	24,718	28,979
Selling, general and administrative expenses	22,712	23,599
Operating profit	2,005	5,380
Non-operating income		
Interest income	6	31
Dividend income	0	4
Foreign exchange gains	860	–
Subsidy income	84	–
Reversal of allowance for doubtful accounts	–	35
Other	95	49
Total non-operating income	1,046	120
Non-operating expenses		
Interest expenses	52	175
Share of loss of entities accounted for using equity method	15	1
Foreign exchange losses	–	351
Other	346	109
Total non-operating expenses	414	639
Recurring profit	2,638	4,861
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	1,317	–
Other	25	–
Total extraordinary income	1,343	–
Extraordinary losses		
Impairment loss	458	152
Other	1	–
Total extraordinary losses	459	152
Profit before income taxes	3,521	4,709
Total income taxes	2,016	1,278
Profit	1,505	3,430
Profit (loss) attributable to non-controlling interests	(317)	82
Profit attributable to owners of parent	1,823	3,348

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Profit	1,505	3,430
Other comprehensive income		
Valuation difference on available-for-sale securities	1,300	(287)
Deferred gains or losses on hedges	16	8
Foreign currency translation adjustment	2,456	(421)
Remeasurements of defined benefit plans, net of tax	(11)	(23)
Total other comprehensive income	3,762	(724)
Comprehensive income	5,267	2,706
Comprehensive income attributable to:		
Owners of parent	5,099	2,623
Non-controlling interests	168	82

(3) Notes to Quarterly Consolidated Financial Statements  
(Uncertainties of entity's ability to continue as going concern)  
Not applicable.

(Notes when there are significant changes in amounts of shareholders' equity)  
Not applicable.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Measurement Guidance") from the beginning of the first quarter of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in paragraph 27-2 of the Fair Value Measurement Guidance. This does not affect the quarterly consolidated financial statements.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and certain consolidated subsidiaries in Japan have transitioned from a consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year under review. In accordance with this, the accounting and disclosure of corporate taxes, local corporate taxes, and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42"). Furthermore, based on paragraph 32 (1) of PITF No. 42, it is deemed that there are no effects due to changes in accounting policies accompanying the application of PITF No. 42.

(Segment information, etc.)

I Three months ended May 31, 2022 (From March 1, 2022 to May 31, 2022)

1. Information on net sales and profit or loss by reportable segment

(Million yen)

	Apparel Business			Lifestyle Business	Total	Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	(Domestic)	(Overseas)	Total				
Net sales							
(1) Net sales to outside customers	31,519	2,741	34,261	10,290	44,551	—	44,551
(2) Intersegment sales or transfers	216	439	656	478	1,134	(1,134)	—
Total	31,736	3,181	34,917	10,768	45,685	(1,134)	44,551
Segment profit (loss)	1,912	(560)	1,351	833	2,185	(179)	2,005

(Notes) 1. The adjustment amount for segment profit (loss) of (179) million yen includes amortization of goodwill of (193) million yen, elimination of intersegment transactions of 926 million yen, and corporate expenses not allocated to reportable segments of (912) million yen. Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.

2. Segment profit (loss) coincides with the amount of operating profit in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

There was no significant impairment loss or significant change in goodwill.

II Three months ended May 31, 2023 (From March 1, 2023 to May 31, 2023)

1. Information on net sales and profit or loss by reportable segment

(Million yen)

	Apparel Business			Lifestyle Business	Total	Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	(Domestic)	(Overseas)	Total				
Net sales							
(1) Net sales to outside customers	35,484	3,240	38,725	11,182	49,907	—	49,907
(2) Intersegment sales or transfers	254	561	815	458	1,274	(1,274)	—
Total	35,738	3,801	39,540	11,641	51,181	(1,274)	49,907
Segment profit (loss)	4,389	(300)	4,089	1,609	5,698	(318)	5,380

(Notes) 1. The adjustment amount for segment profit (loss) of (318) million yen includes amortization of goodwill of (198) million yen, elimination of intersegment transactions of 892 million yen, and corporate expenses not allocated to reportable segments of (1,011) million yen. Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.

2. Segment profit (loss) coincides with the amount of operating profit in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

There was no significant impairment loss or significant change in goodwill.

(Significant events after reporting period)

Not applicable.