ONWARD

OMO-type ONWARD CROSSET STORE at Lalaport TOKYO-BAY

## FY02/22 Q1 Results Presentation Supplement

ONWARD HOLDINGS CO., LTD.
July 8, 2021

Greetings, my name is Osamu Sato, and I am the director in charge of finance, accounting, and investor relations at Onward Holdings.

I would like to thank you for taking the time to watch this video during which we will be discussing the performance of Onward Holdings in the three-month period ended May 31, 2021.

The COVID-19 pandemic continued throughout the three-month period under review, and state of emergency declarations and priority measures, such as those for preventing the spread of the disease, were implemented on an intermittent basis across the entire period. As a result, large-scale commercial facilities were once again asked to close or shorten business hours, prolonging the opaque outlook.

In this environment, the Onward Group took steps to limit the losses that would have arisen from closures associated with physical stores by curtailing procurement and cutting fixed costs. At the same time, we capitalized on the global business reforms carried out over the past two years as we sought to weather the difficult conditions in Japan and overseas.

# Contents


| | | |
|---|---|---|
| P.2-3 | ・・・ | FY02/22 Q1 Consolidated Results |
| P.4-5 | ・・・ | Results by Group Company |
| P.6 | ・・・ | Early Adoption of New Revenue Recognition Standard |
| P.7-8 | ・・・ | Financial Situation |
| P.9-12 | ・・・ | DATA BOOK |

## FY02/22 Q1 Consolidated Results

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- ☐ Sales were steady until the first half of April, but fell sharply from the second half onward owing to the reissuance of the state of emergency declaration. This, combined with the impact of the withdrawal from unprofitable businesses and the closure of underperforming stores in Japan and overseas in FY02/21 resulted in limited sales growth.

- ☐ As for profits, the global business reforms kicked off in the fall of 2019 yielded results, with a 3.5pp improvement in gross profit margin and a 3.3pp decrease in SG&A expenses. As a result, the Company returned to profitability at all profit levels, with operating profit of approximately 1.1 billion yen, recurring profit of approximately 2 billion yen, and net income of approximately 2.1 billion yen.

- ☐ By Group company, Onward Kashiyama (nonconsolidated), Domestic Subtotal (excl. Onward Kashiyama), and Overseas Total all achieved operating profit thanks to progress in business reform, digitization, and other growth strategies. As of the end of Q1 FY02/22, the Company completed business reforms at its Italian operations, which had previously suffered large operating losses among its overseas businesses.

## FY02/22 Q1 Consolidated Results

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(Million yen)

| Adjusted Q1 FY02/21 figures to reflect change in revenue recognition standard*2 | | Q1 | | | | Q1 (unadjusted*3) |
|---|---|---|---|---|---|---|
| | | FY02/22 | FY02/21 | Change | YoY | FY02/21 |
| 1 | Sales | 46,022 | 43,719 | +2,303 | 105.3% | 42,653 |
| 2 | Gross Profit | 23,780 | 21,082 | +2,698 | 112.8% | 19,516 |
| | (% of Sales) | 51.7% | 48.2% | +3.5% | | 45.8% |
| 3 | SG&A Expenses | 22,632 | 22,933 | -301 | 98.7% | 21,367 |
| | (% of Sales) | 49.2% | 52.5% | -3.3% | | 50.1% |
| 4 | **Operating Profit** | **1,147** | **-1,851** | **+2,998** | **-** | **-1,851** |
| | (% of Sales) | 2.5% | - | | | - |
| 5 | **Recurring Profit** | **1,976** | **-1,746** | **+3,722** | **-** | **-1,746** |
| 6 | **Net Income** | **2,060** | **-2,417** | **+4,477** | **-** | **-2,417** |
| 7 | EBITDA*1 | 2,447 | -304 | +2,751 | - | -304 |

1 EBITDA = operating profit + depreciation and amortization

**2 Figures for Q1 FY02/21 have been adjusted to reflect the new revenue recognition standard used in Q1 FY02/22**

Adjustments: +1,066 million yen for sales, +1,566 million yen for gross profit and SG&A expenses, respectively

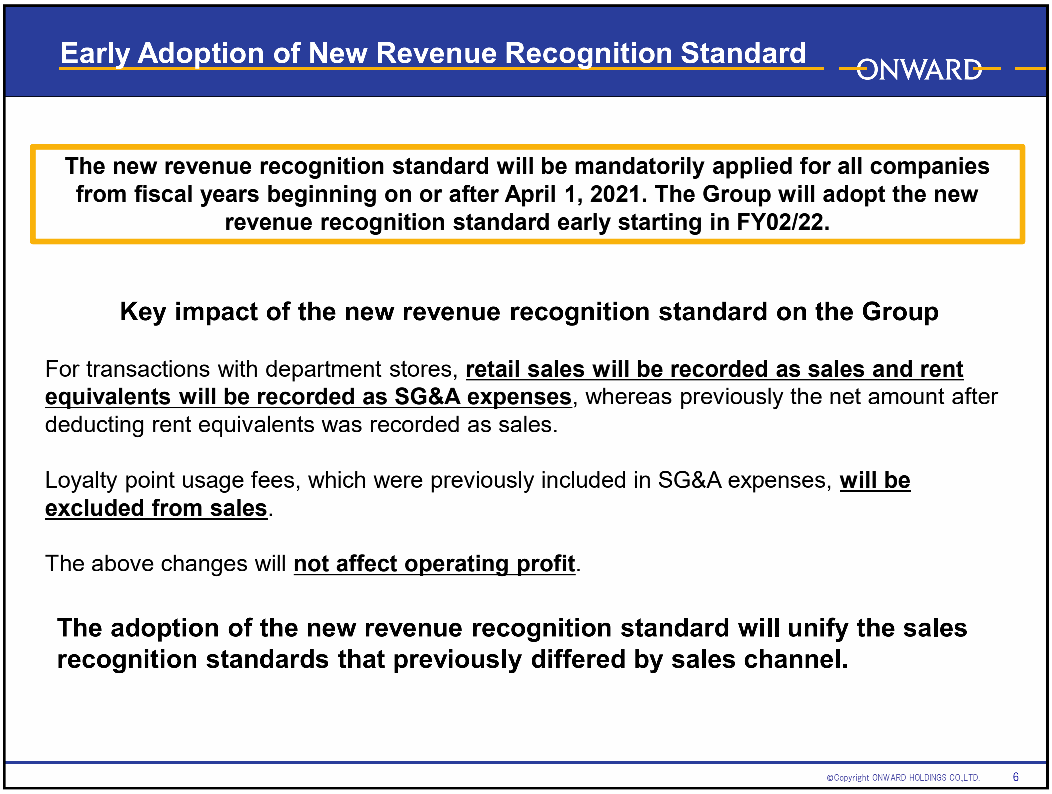
3 Unadjusted figures for Q1 FY02/21 correspond to the Q1 FY02/21 figures as shown in the Summary of Financial Results for Q1 FY02/22

I would now like to explain our consolidated financial performance for the three-month period ended May 31, 2021.

On a consolidated basis, net sales totaled ¥46,022 million, operating profit came to ¥1,147 million, recurring profit was ¥1,976 million, and profit attributable to owners of parent amounted to ¥2,060 million. EBITDA was ¥2,447 million.

In this manner, sales showed slight growth from the same period of the previous fiscal year while profitability was achieved with regard to all profit figures due to the benefits of the global business reforms carried out over the past two years and others.




Before discussing profit figures, I would like to touch on the new standards for recognizing revenues that the Company has applied from fiscal 2021. Information with this regard is provided on slide 6.

Companies using J-GAAP standards are required to apply revised standards for recognizing revenues for all fiscal years starting on and after April 1, 2021. This means that the application of these standards will be compulsory for the Company from fiscal 2022. However, we chose to apply the new standards in fiscal 2021, ahead of schedule.

This change has two major repercussions for the Company.

The first is that sales from transactions with department stores, which were previous recorded at wholesale value by subtracting rent fees from the sales amount, will be recorded in their entirety under net sales, after which rent fees will be subtracted via SG&A expenses.

The second pertains to point usage fees. These fees were normally accounted for through SG&A expenses, but they will be deducted from net sales under the new standards.

In accordance with the applicable accounting rules, profit figures from the previous fiscal year have been stated based on the prior standards in the consolidated financial results summary. In today’s presentation, however, we will generally be using figures for the previous fiscal year that have been restated based on the new standards. Accordingly, comparisons will be made on an “apple-to-apple” basis.

Please turn to slide 3.

## FY02/22 Q1 Consolidated Results

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(Million yen)

Adjusted Q1 FY02/21 figures to reflect change in revenue recognition standard*2

| | | Q1 | | | | Q1 (unadjusted*3) |
|---|---|---|---|---|---|---|
| | | FY02/22 | FY02/21 | Change | YoY | FY02/21 |
| 1 | Sales | 46,022 | 43,719 | +2,303 | 105.3% | 42,653 |
| 2 | Gross Profit | 23,780 | 21,082 | +2,698 | 112.8% | 19,516 |
| | (% of Sales) | 51.7% | 48.2% | +3.5% | | 45.8% |
| 3 | SG&A Expenses | 22,632 | 22,933 | -301 | 98.7% | 21,367 |
| | (% of Sales) | 49.2% | 52.5% | -3.3% | | 50.1% |
| 4 | **Operating Profit** | **1,147** | **-1,851** | **+2,998** | **-** | **-1,851** |
| | (% of Sales) | 2.5% | - | | | - |
| 5 | **Recurring Profit** | **1,976** | **-1,746** | **+3,722** | **-** | **-1,746** |
| 6 | **Net Income** | **2,060** | **-2,417** | **+4,477** | **-** | **-2,417** |
| 7 | EBITDA*1 | 2,447 | -304 | +2,751 | - | -304 |

1 EBITDA = operating profit + depreciation and amortization

**2 Figures for Q1 FY02/21 have been adjusted to reflect the new revenue recognition standard used in Q1 FY02/22**

Adjustments: +1,066 million yen for sales, +1,566 million yen for gross profit and SG&A expenses, respectively

3 Unadjusted figures for Q1 FY02/21 correspond to the Q1 FY02/21 figures as shown in the Summary of Financial Results for Q1 FY02/22




Net sales in the three-month period ended May 31, 2021, totaled ¥46,022 million, a year-on-year increase of only 5.3%. Sales grew smoothly up until the first half of April, but the number of new COVID-19 cases once again started to rise in the second half of this month, prompting the government of Japan to issue its third state of emergency declaration, which resulted in a slump in sales. Another factor stifling sales growth was the impacts of our withdrawing from unprofitable businesses and closing underperforming stores in Japan during the previous fiscal year.

As for profit, we felt the benefits of the global business reforms we have been carrying out over the past two years.

Gross profit was ¥23,780 million, an increase of ¥2,700 million, or 12.8%, year on year. The rate of items sold at full price in stores increased, and we benefited from effective inventory control and our withdrawal from underperforming operations in Italy.

SG&A expenses totaled ¥22,632 million, a decrease of ¥300 million, or 1.3%, year on year. This outcome was the result of fixed cost reductions associated with global business reforms. Specifically, we successfully cut personnel and depreciation costs by 10% year on year, respectively, leading to a more stable operating foundation.

As a result, operating profit of ¥1,147 million was recorded, compared with operating loss of ¥1,851 million reported in the same period of the previous fiscal year.

The balance of non-operating income and expenses made for net non-operating income of approximately ¥800 million being recorded due to COVID-19 subsidy income as well as foreign exchange gains associated with accounting procedures for withdrawing from overseas operations.

Accordingly, recurring profit of ¥1,976 million was recorded, compared with recurring loss of ¥1,746 million reported in the same period of the previous fiscal year.

The balance of extraordinary income and losses led to the recording of net extraordinary income of ¥2,900 million. Extraordinary losses included ¥2,000 million in loss on sale of brand businesses, ¥2,000 million in loss on the liquidation of a management company, and ¥800 million in loss due to store closures resulted from the COVID-19 pandemic. However, these losses were outweighed by extraordinary income in the forms of gain on sales of non-current assets of ¥4,800 million and a gain on sales of production subsidiaries of ¥2,900 million associated with the final liquidation of operations in Italy as part of global business reforms. For details of extraordinary income and losses, please refer to page 11 of these materials.

Losses associated with the liquidation of operations in Italy will not be incurred after the three-month period ended May 31, 2021. After accounting for ¥2,800 million in income taxes, profit attributable to owners of parent came to ¥2,060 million.

EBITDA was ¥2,447 million, an improvement from a loss of approximately ¥304 million recorded for this item in the previous equivalent period.

Moving on to slide 4, I would next like to discuss performance by operating company.

## FY02/22 Q1 Results by Group Company

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(Million yen)

| No. | | | Q1 Sales FY02/22 | Sales FY02/21 | Sales Change | Operating Profit FY02/22 | Operating Profit FY02/21 | Operating Profit Change |
|---|---|---|---|---|---|---|---|---|
| 1 | Domestic | **Onward Kashiyama (Nonconsolidated)** | **22,435** | **17,560** | **+4,875** | **770** | **-1,573** | **+2,343** |
| 2 | Domestic | Onward Trading | 4,568 | 5,466 | -898 | 875 | 1,215 | -340 |
| 3 | Domestic | Island | 1,344 | 964 | +380 | -70 | -305 | +235 |
| 4 | Domestic | Chacott | 2,148 | 1,062 | +1,086 | 59 | -404 | +463 |
| 5 | Domestic | Creative Yoko | 1,090 | 833 | +257 | 48 | -29 | +77 |
| 6 | Domestic | Yamato | 4,714 | 4,476 | +238 | 292 | 346 | -54 |
| 7 | Domestic | Other | 3,338 | 3,235 | +103 | -144 | -25 | -119 |
| 8 | Domestic | **Domestic Subtotal (Excl. Onward Kashiyama)** | **17,202** | **16,036** | **+1,166** | **1,060** | **798** | **+262** |
| 9 | Overseas | Europe | 7,301 | 10,468 | -3,167 | 286 | -389 | +675 |
| 10 | Overseas | North America | 125 | 131 | -6 | -132 | -166 | +34 |
| 11 | Overseas | Asia | 1,146 | 1,085 | +61 | 50 | 121 | -71 |
| 12 | Overseas | Guam Resort | 71 | 1,029 | -958 | -191 | 116 | -307 |
| 13 | Overseas | **Overseas Total** | **8,643** | **12,713** | **-4,070** | **13** | **-318** | **+331** |
| 14 | | **Consolidated Total** | **46,022** | **43,719** | **+2,303** | **1,147** | **-1,851** | **+2,998** |

Note: The group breakdown is calculated using simple sums. Consolidated totals are after eliminating intergroup transactions

Note: Figures for Q1 FY02/21 have been adjusted to reflect the new revenue recognition standard used in Q1 FY02/22

No. 1 on this slide is Onward Kashiyama, which posted net sales of ¥22,435 million, an increase of approximately ¥4,900 million, or 28%, year on year. This company moved ahead with the closure of unprofitable stores and other business reforms, thereby achieving operating profit of ¥770 million, compared with operating loss of ¥1,573 million in the previous equivalent period.

No. 2 is Onward Trading, a company that is engaged in business-to-business operations, which have proven relatively resilient to the impacts of the COVID-19 pandemic. This company once again posted strong performance with net sales of ¥4,600 million and operating profit of ¥900 million, though performance was not quite as impressive as that seen in the midst of last year's special demand surge.

No. 3 is Island. Like Onward Kashiyama, Island suffered amid last year's apparel slump. In the three-month period, however, it was able to achieve net sales of ¥1,300 million, a year-on-year increase of ¥400 million. In addition, this company was able to reduce operating loss by ¥200 million through effective inventory control and other measures.

No. 4 is Chacott. Performance for this company's ballet, cosmetic, and wellness products was strong due to their ability to accommodate the new lifestyles emerging in response to the COVID-19 pandemic. As a result, net sales were up ¥1,100 million year on year, to ¥2,100 million, while operating profit of ¥60 million was recorded, compared with operating loss of ¥404 million in the previous equivalent period.

No. 5 is Creative Yoko, which was able to grow net sales by ¥300 million year on year, to ¥1,100 million, by capturing the demand related to staying at home amid the COVID-19 pandemic in its pet supply business. In addition, this company recorded operating profit of ¥50 million, compared with operating loss of ¥29 million in the previous equivalent period.

As for No. 6, Yamato, which is engaged in the gifts business, department store- and wedding ceremony-related products performed well, even amid the COVID-19 pandemic, leading this company to record net sales of ¥4,700 million, up ¥200 million year on year, and operating profit of ¥300 million.

As a result, as shown by No. 8, net sales totaled ¥17,200 million and operating income amounted to ¥1,100 million for our domestic operations in their entirety.

In this manner, domestic operations showed strong performance even in the midst of the COVID-19 pandemic, and we look forward to robust growth in these operations after the pandemic has subsided.

As for overseas Group companies, global business reforms resulted in us finally completing the withdrawal from the chronically unprofitable operations in Italy during the three-month period ended May 31, 2021.

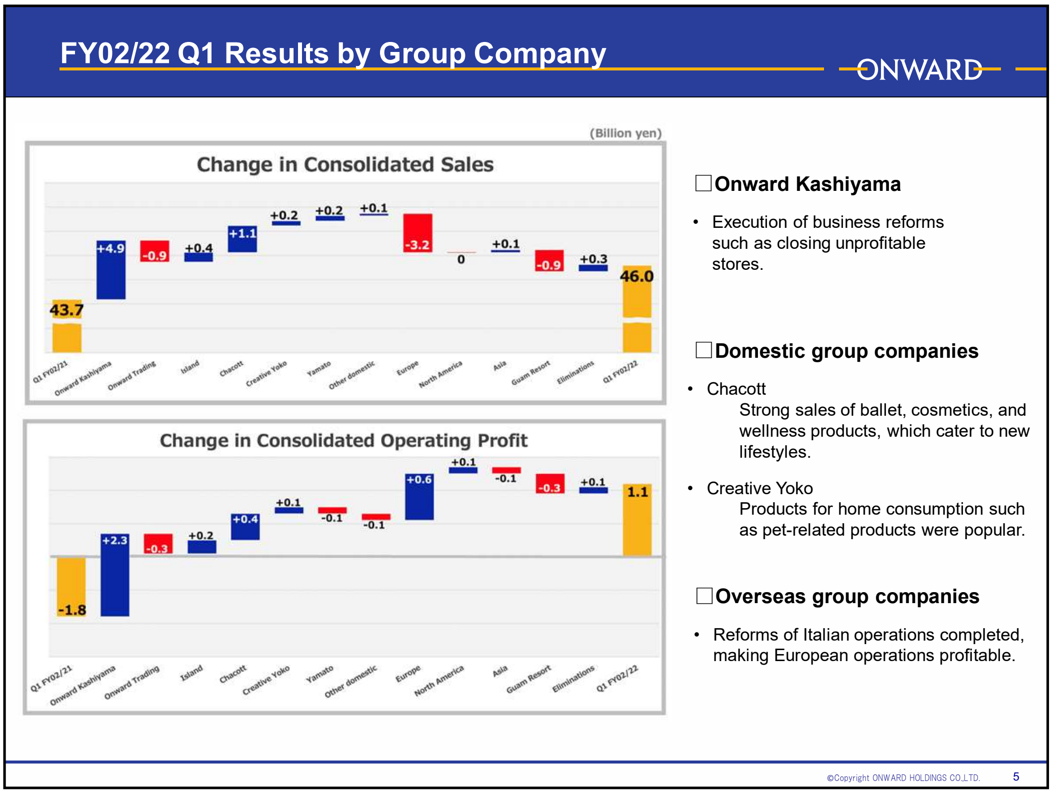
No. 9 on this slide is our European business. Net sales decreased ¥3,200 million in this business as a result of the contraction of operations in Italy, but operating profit of approximately ¥300 million was recorded nonetheless.

Meanwhile, the scale of losses decreased in the North American business even amid the COVID-19 pandemic, represented by No. 10.

Performance remained stable for our Asian business, No. 11.

No. 12 is the resort business. This business was profitable before the COVID-19 pandemic, but it is now facing a consistently challenging operating environment. We are thus looking forward to the resumption of tourism.

No. 13 on this slide represents the total performance of our overseas operations. The global business reforms proved beneficial, and, although net sales decreased to ¥8,600 million due to decreased sales from Italian operations, we were able to secure operating profit in overseas operations.




Slide 5 rearranges the information from slide 4 in the form of a waterfall chart detailing year-on-year changes in net sales and operating income.

Net sales declined in Europe due to the withdrawal from Italian operations, but we still achieved net sales growth of ¥2,300 million overall as this decline was counteracted by the improvement of sales at Onward Kashiyama and the sales growth of Chacott and other domestic subsidiaries.

Operating profit recovered largely due to three factors: (1) improved profit at Onward Kashiyama, (2) strong performance at Chacott and other domestic subsidiaries, and (3) the profit buoying benefits of withdrawing for Italian operations in overseas businesses.

Going forward, the Onward Group will work to draw out the benefits of the global business reforms while shifting its attention to growth fields.

Looking next at slide 7, I would like to talk about our consolidated balance sheet.

## Early Adoption of New Revenue Recognition Standard

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**The new revenue recognition standard will be mandatorily applied for all companies from fiscal years beginning on or after April 1, 2021. The Group will adopt the new revenue recognition standard early starting in FY02/22.**

### Key impact of the new revenue recognition standard on the Group

For transactions with department stores, **retail sales will be recorded as sales and rent equivalents will be recorded as SG&A expenses**, whereas previously the net amount after deducting rent equivalents was recorded as sales.

Loyalty point usage fees, which were previously included in SG&A expenses, **will be excluded from sales**.

The above changes will **not affect operating profit**.

**The adoption of the new revenue recognition standard will unify the sales recognition standards that previously differed by sales channel.**

# Financial Situation

## FY02/22 Q1 Financial Situation

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■ Consolidated Balance Sheet

(Billion yen)

| | | End-Q1 FY02/22 | End-FY02/21 | Change |
|---|---|---|---|---|
| 1 | Current Assets | 70.2 | 80.4 | -10.2 |
| 2 | Cash and Deposits | 18.6 | 21.3 | -2.7 |
| 3 | Accounts Receivable | 12.6 | 18.2 | -5.6 |
| 4 | Inventory | 29.9 | 34.3 | -4.4 |
| 5 | Non-current Assets | 109.2 | 115.5 | -6.3 |
| 6 | Property, Plant and Equipment | 67.3 | 71.8 | -4.5 |
| 7 | Intangible Assets | 10.4 | 10.6 | -0.2 |
| 8 | Investments and Other Assets | 31.4 | 33.0 | -1.6 |
| 9 | Total Assets | 179.4 | 196.0 | -16.6 |
| 10 | Liabilities | 120.2 | 136.5 | -16.3 |
| 11 | Accounts Payable | 17.5 | 21.9 | -4.4 |
| 12 | Loans Payable | 76.5 | 78.0 | -1.5 |
| 13 | Net Assets | 59.2 | 59.5 | -0.3 |

 

Total assets, No.9, stood at ¥179,400 million on May 31, 2021, down ¥16,600 million from February 28, 2021, the previous fiscal year-end.

Cash and deposits, No. 2, decreased ¥2,700 million, to ¥18,600 million, and notes and accounts receivable—trade, No. 3, were down ¥5,600 million, to ¥12,600 million, due to improvements in funding efficiency following the withdrawal from operations in Italy.

Inventories, No. 4, decreased ¥4,400 million, or 13%, to ¥29,900 million due to the withdrawal from operations in Italy and the curtailing of procurement as part of inventory control measures.

As a result, total current assets, No. 1, decreased ¥10,200 million from February 28, 2021, to ¥70,200 million on May 31, 2021.

Property, plant and equipment, No. 6, declined ¥4,500 million, to ¥67,300 million, as a result of sales of land and structures based on our policy of more efficiently using assets.

Total non-current assets, No. 5, came to ¥109,200 million on May 31, 2021, down ¥6,300 million from the previous fiscal year-end, partly due to amortization of goodwill.

Liabilities, No. 10, was ¥120,200 million on May 31, 2021, down ¥16,300 million from February 28, 2021.

Notes and accounts payable—trade, No. 11, decreased ¥4,400 million, to ¥17,500 million, as a result of the withdrawal from operations in Italy and the curtailing of procurement at Onward Kashiyama.

Borrowings, No. 12, declined by ¥1,500 million, to ¥76,500 million, as revenues from sales of non-current assets were used to repay borrowings.

Net assets, No. 13, declined ¥300 million from the previous fiscal year-end, coming to ¥59,200 million on May 31, 2021.

This outcome was a result of the recording of profit attributable to owners of parent of ¥2,060 million along with deductions to net assets including ¥1,600 in dividends paid and ¥1,000 million from revaluation reserve for land.

The global business reforms performed over the past two years greatly enhanced our balance sheet, but also resulted in a reduction in net assets. Future efforts will include capitalizing on the benefits of the global business reforms and implementing growth strategies to grow profit and thereby increase net assets for a more stable financial base.

Next, on slide 8, we will look at our cash flows.

## FY02/22 Q1 Financial Situation

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### ■ Consolidated Cash Flows

(Million yen)

| | | Q1 | | |
|---|---|---|---|---|
| | | FY02/22 | FY02/21 | Change |
| 1 | CF from Operating Activities | 2,188 | -15,445 | +17,633 |
| 2 | CF from Investing Activities | -1,662 | 5,243 | -6,905 |
| 3 | CF from Financing Activities | -3,707 | 16,169 | -19,876 |
| 4 | Balance of Cash and Equivalents | 18,590 | 34,755 | -16,165 |

### ■ Capex

(Million yen)

| | | Q1 | | |
|---|---|---|---|---|
| | | FY02/22 | FY02/21 | Change |
| 5 | Capex | 1,311 | 1,546 | -235 |
| 6 | Depreciation | 1,207 | 1,406 | -199 |

### ■ Metrics

(1,000s of shares)

| | | End-Q1 FY02/22 | End-FY02/21 | Change |
|---|---|---|---|---|
| 7 | Shareholders' Equity Ratio | 32.8% | 28.9% | +3.9% |
| 8 | Shares issued | 157,922 | 157,922 | - |
| 9 | Average number of shares issued during the period (excl. treasury shares) | 135,605 | 135,091 | +514 |




Net cash provided by operating activities, No. 1 on this slide, was ¥2,188 million, compared with net cash used in operating activities of ¥15,400 million in the previous equivalent period. This massive increase in cash was a result of profit growth coupled with the cash buoying effect of decrease in inventory.

Net cash used in investing activities, No. 2, was ¥1,662 million as the costs associated with selling and liquidating operations in Europe outweighed the cash inflows from proceeds from sales of property, plant and equipment.

Net cash used in financing activities, No. 3, was ¥3,707 million due to dividends paid and repayments of borrowings.

Cash and cash equivalents at end of period, No. 4, were ¥18,590 million, a decrease of ¥16,200 million from the end of the previous equivalent period. This decrease was a result of our ability to more efficiently utilize the capital that had previously been less efficiently dispersed among numerous subsidiaries following the withdrawal from operations in Italy.

Given the total of ¥50,000 million in commitment lines concluded with a banking group centered on three megabanks, we have secured a sufficient amount of cash and deposits.

Capital investment, No. 5, totaled ¥1,300 million. Investments were limited to those deemed completely necessary and primarily consisted of investments in our Dalian factories as well as investments in sales floor fixtures and office renovations.

Depreciation and amortization, No. 6, decreased to ¥1,200 million from the previous equivalent period.

The shareholders' equity ratio, No. 7, recovered from 28.9% on February 28, 2021, to 32.8% on May 31, 2021. We look to raise this ratio to around 40% going forward.

# DATA BOOK

## DATA BOOK FY02/22 Q1 Results

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### Sales by Channel

Despite the planned scale back of website traffic to stabilize operations for the complete replacement of the in-house e-commerce system, e-commerce sales of domestic group companies using e-commerce grew 5.1% YoY while the e-commerce ratio remained above 30%. Total consolidated e-commerce sales, including overseas sales, amounted to approximately 11 billion yen.

(Million yen)

| | | Department Stores | Shopping Centers and Other | Physical Stores Total | Directly Managed E-Commerce | Other E-Commerce Platforms | E-Commerce Total | Total Sales | E-Commerce Ratio | Directly Managed E-Commerce Ratio |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Onward Kashiyama** | **8,976** | **6,648** | **15,624** | **6,171** | **640** | **6,811** | **22,435** | **30.4%** | **90.6%** |
| 2 | % of sales | 40.0% | 29.6% | 69.6% | 27.5% | 2.9% | 30.4% | 100.0% | | |
| 3 | YoY | 127.2% | 194.6% | 149.2% | 92.3% | 160.8% | 96.1% | 127.8% | **-10.0%** | **-3.8%** |
| 4 | Eight Domestic Subsidiaries Using E-Commerce *1 | 2,338 | 5,151 | 7,489 | 2,907 | 561 | 3,468 | 10,957 | 31.7% | 83.8% |
| 5 | **Total of Domestic Group Companies Using E-Commerce*** | **11,314** | **11,799** | **23,113** | **9,078** | **1,201** | **10,279** | **33,392** | **30.8%** | **88.3%** |
| 6 | % of sales | 33.9% | 35.3% | 69.2% | 27.2% | 3.6% | 30.8% | 100.0% | | |
| 7 | YoY | 125.9% | 162.2% | 142.1% | 102.1% | 135.7% | 105.1% | 128.2% | **-6.8%** | **-2.6%** |

1 Domestic Subsidiaries Using E-Commerce (Island, Tiaclasse, Onward Personal Style, Chacott, Creative Yoko, Yamato, Intimates, KOKOBUY)

 

Slide 9 and beyond constitutes a data book. On Slide 9, you will find a breakdown of net sales by sales channel.

In the three-month period ended May 31, 2021, we took intentional measures to curb the direction of traffic to our websites to allow for stable operation in conjunction with the complete replacement of our in-house e-commerce systems. Nonetheless, total e-commerce sales at companies performing e-commerce operations were up 5% year on year, and e-commerce sales accounted for more than 30% of sales at these companies.

## Results by Group Company

(Million yen)

| | | Onward Kashiyama (Nonconsolidated) Q1 | | | | Domestic Subtotal (Excl. Onward Kashiyama) Q1 | | | | Overseas Total Q1 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY02/22 | FY02/21 | Change | YoY | FY02/22 | FY02/21 | Change | YoY | FY02/22 | FY02/21 | Change | YoY |
| 1 | Sales | 22,435 | 17,560 | +4,875 | 127.8% | 17,202 | 16,036 | +1,166 | 107.3% | 8,643 | 12,713 | -4,070 | 68.0% |
| 2 | Gross Profit | 13,076 | 10,119 | +2,957 | 129.2% | 8,439 | 7,564 | +875 | 111.6% | 3,352 | 4,914 | -1,562 | 68.2% |
| | (% of Sales) | 58.3% | 57.6% | +0.7% | | 49.1% | 47.2% | +1.9% | | 38.8% | 38.7% | +0.1% | |
| 3 | SG&A Expenses | 12,306 | 11,692 | +614 | 105.3% | 7,379 | 6,766 | +613 | 109.1% | 3,339 | 5,232 | -1,893 | 63.8% |
| | (% of Sales) | 54.9% | 66.6% | -11.7% | | 42.9% | 42.2% | +0.7% | | 38.6% | 41.2% | -2.6% | |
| 4 | **Operating Profit** | **770** | **-1,573** | **+2,343** | - | **1,060** | **798** | **+262** | **132.8%** | **13** | **-318** | **+331** | - |
| | (% of Sales) | 3.4% | - | | | 6.2% | 5.0% | +1.2% | | 0.2% | - | | |

Note: Figures for Q1 FY02/21 have been adjusted to reflect the new revenue recognition standard used in Q1 FY02/22

Note: Figures for Domestic Subtotal (Excl. Onward Kashiyama) and Overseas Total are simple sums before consolidated eliminations

## DATA BOOK FY02/22 Q1 Results

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(Million yen)

| | Breakdown of SG&A expenses | Q1 FY02/22 | Q1 FY02/21 | Q1 Change | Q1 YoY |
|---|---|---|---|---|---|
| 1 | Personnel | 8,905 | 9,842 | -937 | 90.5% |
| 2 | Rent | 5,987 | 4,672 | +1,315 | 128.1% |
| 3 | Transportation | 1,602 | 1,587 | +15 | 100.9% |
| 4 | Promotion and Advertising | 1,501 | 1,715 | -214 | 87.5% |
| 5 | Depreciation | 902 | 999 | -97 | 90.3% |
| 6 | Other | 3,735 | 4,118 | -383 | 90.7% |
| 7 | Total SG&A expenses | 22,632 | 22,933 | -301 | 98.7% |
| 8 | Extraordinary loss adjustment | 779 | 2,409 | -1,630 | 32.3% |
| 9 | (Reference) Effective SG&A expenses | 23,411 | 25,342 | -1,931 | 92.4% |

Note: Figures for Q1 FY02/21 have been adjusted to reflect the new revenue recognition standard used in Q1 FY02/22

| | Breakdown of non-operating income/expenses | Q1 FY02/22 | Q1 FY02/21 | Q1 Change | Q1 YoY |
|---|---|---|---|---|---|
| 10 | Interest income | 6 | 10 | -4 | 60.0% |
| 11 | Dividend income | 0 | 11 | -11 | 0.0% |
| 12 | Foreign exchange gains | 515 | 116 | +399 | 444.0% |
| 13 | Subsidy income | 282 | - | +282 | - |
| 14 | Other non-operating income | 473 | 226 | +247 | 209.3% |
| 15 | Interest paid | -107 | -117 | +10 | 91.5% |
| 16 | Loss on equity method investments | -25 | -22 | -3 | 113.6% |
| 17 | Other non-operating expenses | -316 | -120 | -196 | 263.3% |
| 18 | Non-operating income/expenses | 829 | 104 | +725 | 797.1% |

| | Breakdown of extraordinary income/losses | Q1 FY02/22 | Q1 FY02/21 | Q1 Change | Q1 YoY |
|---|---|---|---|---|---|
| 19 | Gain on sales of non-current assets | 4,818 | 1,994 | +2,824 | 241.6% |
| 20 | Gain on sales of investment securities | 63 | - | +63 | - |
| 21 | Gain on sales of affiliated companies | 2,944 | - | +2,944 | - |
| 22 | Loss on sales of affiliated companies | -2,027 | - | -2,027 | - |
| 23 | Loss on liquidation of affiliated companies | -1,968 | - | -1,968 | - |
| 24 | Loss related to temporary closures | -779 | -2,420 | +1,641 | 32.2% |
| 25 | Impairment loss | -155 | -452 | +297 | 34.3% |
| 26 | Loss on valuation of investment securities | - | -458 | +458 | - |
| 27 | Other | 0 | -7 | +7 | 0.0% |
| 28 | Extraordinary income/losses | 2,895 | -1,346 | +4,241 | - |

If you look at slide 11, you will see a detailed breakdown of SG&A expenses, non-operating income and expenses, and extraordinary income and losses. I hope you will use this information as a reference.

With this, I conclude our discussion of financial results in the three-month period ended May 31, 2021.

# DATA BOOK FY02/22 Q1 Results

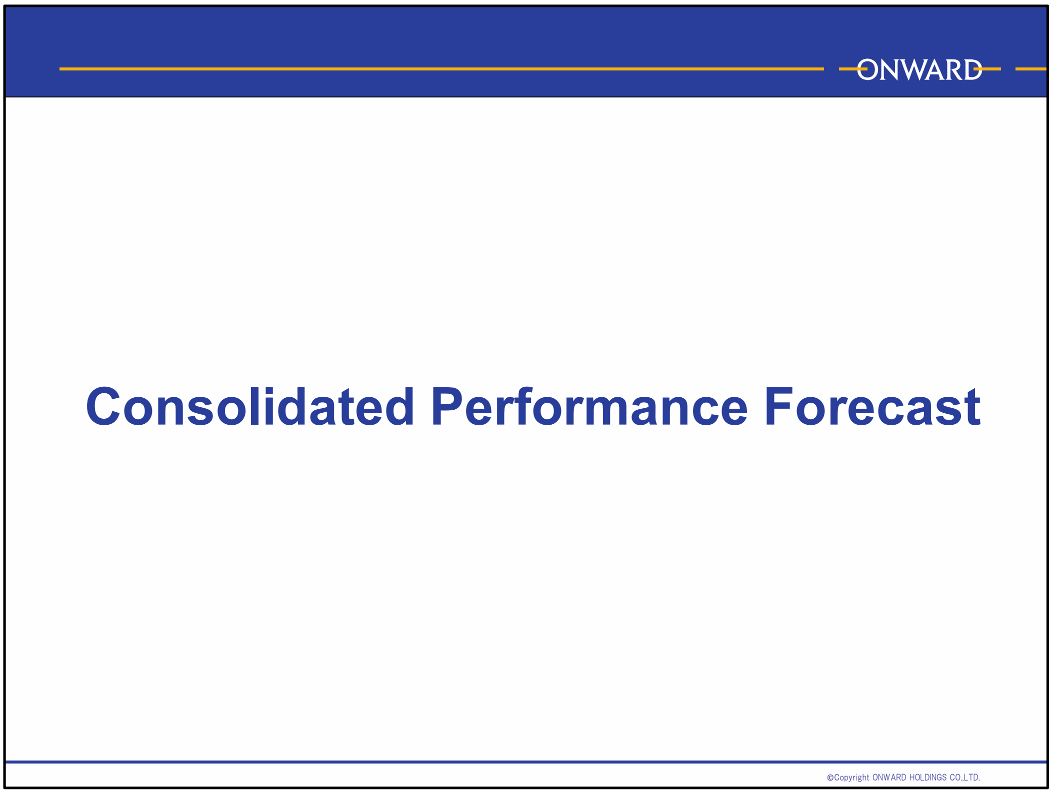
ONWARD

(Million yen)

## Results by segment

| | | | | Q1 | | | |
|---|---|---|---|---|---|---|---|
| | | | | FY02/22 | FY02/21 | Change | YoY |
| 1 | Domestic | Apparel | Sales | 28,926 | 24,245 | +4,681 | 119.3% |
| 2 | Domestic | Apparel | Operating Profit | 495 | -1,691 | +2,186 | - |
| 3 | Domestic | Lifestyle | Sales | 8,875 | 7,383 | +1,492 | 120.2% |
| 4 | Domestic | Lifestyle | Operating Profit | 723 | 329 | +394 | 219.8% |
| 5 | Domestic | **Domestic Total** | Sales | 37,801 | 31,628 | +6,173 | 119.5% |
| 6 | Domestic | **Domestic Total** | Operating Profit | 1,218 | -1,362 | +2,580 | - |
| 7 | Overseas | Apparel | Sales | 7,878 | 10,713 | -2,835 | 73.5% |
| 8 | Overseas | Apparel | Operating Profit | 220 | -527 | +747 | - |
| 9 | Overseas | Lifestyle | Sales | 343 | 1,378 | -1,035 | 24.9% |
| 10 | Overseas | Lifestyle | Operating Profit | -251 | 42 | -293 | - |
| 11 | Overseas | **Overseas Total** | Sales | 8,221 | 12,091 | -3,870 | 68.0% |
| 12 | Overseas | **Overseas Total** | Operating Profit | -31 | -485 | +454 | - |
| 13 | **Consolidated Total** | | **Sales** | **46,022** | **43,719** | **+2,303** | **105.3%** |
| 14 | **Consolidated Total** | | **Operating Profit** | **1,147** | **-1,851** | **+2,998** | **-** |

Note: Q1 represents December through February for European companies and January through March for US and Asian companies
Note: Figures for Q1 FY02/21 have been adjusted to reflect the new revenue recognition standard used in Q1 FY02/22
Note: Domestic Apparel (Onward Kashiyama, Onward Trading, Island, Onward Personal Style, and 10 other companies; 14 companies in total)
Overseas Apparel (8 companies in the JOSEPH Group, J.PRESS, Onward Fashion Trading and 8 other companies; 18 companies in total)
Domestic Lifestyle (Chacott, Creative Yoko, Yamato, KASHIYAMA DAIKANYAMA, and 6 other companies; 10 companies in total)
Overseas Lifestyle (Onward Beach Resort Guam and 9 other companies; 10 companies in total)




I would now like to discuss our forecasts for the six-month period ending August 30, 2021, and for fiscal 2021.

Net sales growth in the three-month period ended May 31, 2021, recovered slower than expected due to the prolongation of Japan's state of emergency declaration.

However, we also saw improvements in the gross profit margin and reductions in fixed costs as a result of the global business reforms.

During the second quarter, we expect poor performance for the apparel industry as a whole as this will be a period of sales and inventory clearance.

Looking ahead, we will revise sales approaches and product strategies to improve our second-quarter profit mix in an attempt to make the second quarter a profit-generation period. However, the outlook remains opaque, and we have therefore chosen not to revise our previously released forecasts for the six-month period ending August 31, 2021, and for fiscal 2021. Thus, as previously disclosed, we project operating loss of ¥3,200 million in the six-month period ending August 31, 2021, and operating profit of ¥3,000 million for fiscal 2021, and we aim to ensure these forecasts are met.

This ends my presentation. Thank you for watching this video until the end.

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ONWARD HOLDINGS CO., LTD.