Consolidated Financial Results
for the Nine Months Ended November 30, 2021
[Japanese GAAP]

January 13, 2022

Company name: Onward Holdings Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 8016
URL: https://www.onward-hd.co.jp/site/english/
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Scheduled date of filing quarterly securities report: January 14, 2022
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 Nine Months Ended November 30, 2021 (March 1, 2021 – November 30, 2021)

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

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2021	124,355	(6.0)	(948)	–	(759)	–	8,082	–
November 30, 2020	132,227	(27.7)	(10,262)	–	(10,245)	–	(14,596)	–

(Note) Comprehensive income: Nine months ended November 30, 2021: 10,058 million yen [–%]
Nine months ended November 30, 2020: (12,278) million yen [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2021	59.60	59.48
November 30, 2020	(107.82)	–

(Reference) EBITDA (operating profit + depreciation and amortization):
Nine months ended November 30, 2021: 2,832 million yen [–%]
Nine months ended November 30, 2020: (5,786) million yen [–%]

(Notes) 1. The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) early, from the beginning of the first quarter of the fiscal year under review.
2. The presentation method has been changed from the first quarter of the fiscal year under review, and therefore, with regard to net sales, operating profit, and EBITDA in the Consolidated Operating Results (cumulative), the Company states figures and year-on-year changes after reclassification that reflect this change in the presentation method.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders’ equity ratio
	Million yen	Million yen	%
As of November 30, 2021	167,422	65,656	39.0
As of February 28, 2021	196,052	59,509	28.9

(Reference) Shareholders’ equity: As of November 30, 2021: 65,285 million yen
As of February 28, 2021: 56,723 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, 2021	–	–	–	12.00	12.00
Fiscal year ending February 28, 2022	–	–	–		
Fiscal year ending February 28, 2022 (Forecast)				12.00	12.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Performance Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 - February 28, 2022)

(% 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
Full year	174,600	(0.7)	1,000	–	1,200	–	8,200	–	60.47

(Note) Revision to the performance forecast announced most recently: No

The presentation method has been changed from the first quarter of the fiscal year under review, and therefore, year-on-year change in net sales has been calculated using the figures for the same period of the previous fiscal year after reclassification that reflect this change in the presentation method.

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

Full year ending February 28, 2022 (forecast): 6,940 million yen [–%]

Full year ended February 28, 2021: (14,133) million yen [–%]

*** 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 November 30, 2021:	157,921,669 shares
As of February 28, 2021:	157,921,669 shares

2) Total number of treasury shares at the end of the period:

As of November 30, 2021:	22,292,406 shares
As of February 28, 2021:	22,322,123 shares

3) Average number of shares outstanding during the period:

Nine months ended November 30, 2021:	135,614,518 shares
Nine months ended November 30, 2020:	135,374,866 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 4 of the Attachments.

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

(1) Explanation of Operating Results

During the nine months ended November 30, 2021 (from March 1, 2021 to November 30, 2021), while difficulties due to the impact of COVID-19 continued, a gradual recovery trend began to emerge in the Japanese economy thanks to a decrease in the number of cases due to a higher vaccination rate from the summer of 2021 onwards and the lifting of the state of emergency at the end of September of the same year. However, the concern of a resurgence of infections, including new variant outbreaks, has not been eliminated and the outlook continues to remain uncertain.

In these circumstances, the Group implemented thorough measures to restrain procurement and reduce fixed costs, etc., as well as steadily executing the global business reforms that have been conducted since the autumn of 2019.

In addition, Onward Digital Lab Co., Ltd., which is responsible for the digital strategy of the Group, is promoting reforms in new business models, such as by launching the new CRAHUG project with the aim of supporting manufacturing in Japan and supporting the opening of OMO-type stores, a new business format that combines the benefits of physical stores and online.

Onward Kashiyama Co., Ltd., which is a core group company, opened a concept store in Omotesando, Tokyo, of fashion brand TOCCA from New York, the United States, and Chacott Co., Ltd. developed ballet makeup under Chacott COSMETICS brand in collaboration with The National Ballet of Japan, and renewed its color makeup MULTI-COLOR VARIATION. Thus, we worked proactively on expanding revenue by opening new stores and renewing products, which we had refrained from last fiscal year due to the COVID-19 pandemic.

Additionally, as part of building a platform for product planning, production, and distribution, the Company decided to introduce a product lifestyle management (PLM) solution through a partnership with U.S.-based Centric Software, which supports digital transformation (DX). This solution shares information and links data through the entire product lifestyle from planning, procurement, and production to distribution and sales, visualizes costs and production progress, and enables the provision of the optimal products. The Company will continue to promote digitalization in the entire manufacturing process to shorten production lead time and optimize procurement costs.

As a result of the above, consolidated net sales amounted to 124,355 million yen (a 6.0% decrease year-on-year), a consolidated operating loss was recorded at 948 million yen (an operating loss of 10,262 million yen for the same period of the previous fiscal year), a consolidated recurring loss was recorded at 759 million yen (a recurring loss of 10,245 million yen for the same period of the previous fiscal year), and profit attributable to owners of parent amounted to 8,082 million yen (a loss attributable to owners of parent of 14,596 million yen for the same period of the previous fiscal year).

Furthermore, the Group has adopted EBITDA (operating profit + depreciation and amortization) as a 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&A, etc.

EBITDA for the nine months ended November 30, 2021 was 2,832 million yen ((5,786) million yen for the same period of the previous fiscal year).

The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the first quarter of the fiscal year under review. The details are described in “2. Quarterly Consolidated Financial Statements and Principal Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies).”

In addition, the presentation method has been changed from the beginning of the first quarter of the fiscal year under review. Therefore, for year-on-year comparison of operating results, the Company uses the figures in the Quarterly Consolidated Financial Statements for the nine months ended November 30, 2020 after reclassification, which reflect this change in the presentation method. The details of the change in the presentation method are described in "2. Quarterly Consolidated Financial Statements and Principal Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Additional information), (Changes in the presentation method)."

Status by segment is as follows.

[Apparel Business]
In the domestic business, Onward Kashiyama Co., Ltd., which is a core group company, withdrew from unprofitable businesses and stores to significantly improve operating profit and become profitable, and at Island Co., Ltd., which operates Grace Continental as its core brand, operating profit and loss improved.

In the overseas business, profitability improved as withdrawal from unprofitable businesses under the global business reforms played out, and operating loss was significantly minimized.

As a result, operating loss was significantly improved despite a decrease in sales for the Apparel Business as a whole.

[Lifestyle Business]
Sales increased, and profitability was restored at Chacott Co., Ltd., which operates a wellness business, due to strong performance of its mainstay ballet products as well as the Chacott COSMETICS and Chacott BALANCE brands, which cater to new lifestyles. In addition, sales and profit increased at Yamato Co., Ltd., which conducts a gift catalogue business, and at Creative Yoko Co., Ltd., which is engaged in a pet and home life business. Meanwhile, both sales and profit decreased at companies including Onward Beach Resort Guam, Inc., which operates a resort business in Guam, due to a sharp decline in visitors to the island.

As a result, both sales and profit increased for the Lifestyle Business as a whole.

(2) Explanation of Financial Position

(Status of assets, liabilities, and net assets)

Total assets as of the end of the third quarter of the fiscal year under review decreased by 28,630 million yen compared with the end of the previous fiscal year to 167,422 million yen. This was primarily due to decreases in cash and deposits of 3,662 million yen, land of 11,931 million yen, and deferred tax assets of 3,324 million yen.

Liabilities decreased by 34,778 million yen compared with the end of the previous fiscal year to 101,765 million yen. This was primarily due to decreases in short-term borrowings of 24,035 million yen, notes and accounts payable—trade of 5,505 million yen and long-term borrowings of 3,095 million yen.

Net assets increased by 6,147 million yen compared with the end of the previous fiscal year to 65,656 million yen. This was primarily due to profit attributable to owners of parent of 8,082 million yen, dividends of surplus of 1,627 million yen, and an increase in surplus at the beginning of the period due to changes in accounting policies of 272 million yen.

As a result, shareholders' equity ratio was 39.0%.

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

No revisions have been made to the consolidated performance forecast for the full year ending February 28, 2022, which was announced on October 7, 2021.

The presentation method has been changed from the first quarter of the fiscal year under review, and therefore, year-on-year change in net sales has been calculated using the figures for the same period of the previous fiscal year after reclassification, which reflect this change in the presentation method.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2021	As of November 30, 2021
Assets		
Current assets		
Cash and deposits	21,301	17,639
Notes and accounts receivable—trade	18,251	—
Notes and accounts receivable—trade, and contract assets	—	17,842
Merchandise and finished goods	28,909	26,927
Work in process	1,010	566
Raw materials and supplies	4,435	2,845
Other	6,829	4,268
Allowance for doubtful accounts	(277)	(269)
Total current assets	80,460	69,820
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,316	23,943
Land	35,259	23,327
Other, net	12,249	11,762
Total property, plant and equipment	71,825	59,033
Intangible assets		
Goodwill	5,251	4,786
Other	5,416	4,685
Total intangible assets	10,667	9,472
Investments and other assets		
Investment securities	14,312	13,463
Retirement benefit asset	2,814	2,923
Deferred tax assets	7,486	4,162
Other	8,778	8,708
Allowance for doubtful accounts	(292)	(160)
Total investments and other assets	33,099	29,096
Total non-current assets	115,592	97,601
Total assets	196,052	167,422

(Million yen)

	As of February 28, 2021	As of November 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable—trade	13,472	7,966
Electronically recorded obligations—operating	8,484	12,803
Short-term borrowings	61,618	37,583
Income taxes payable	669	2,693
Provision for bonuses	589	1,996
Provision for bonuses for directors	25	28
Provision for sales returns	125	—
Provision for point card certificates	636	—
Other	13,927	12,384
Total current liabilities	99,549	75,456
Non-current liabilities		
Long-term borrowings	16,430	13,335
Retirement benefit liability	3,482	3,049
Provision for retirement benefits for directors and corporate auditors	232	244
Asset retirement obligations	1,661	2,608
Other	15,187	7,072
Total non-current liabilities	36,993	26,309
Total liabilities	136,543	101,765
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,390	50,390
Retained earnings	9,321	14,910
Treasury shares	(20,865)	(20,836)
Total shareholders' equity	68,926	74,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,939)	(2,228)
Deferred gains or losses on hedges	15	(2)
Revaluation reserve for land	(7,864)	(5,698)
Foreign currency translation adjustment	(1,669)	(611)
Remeasurements of defined benefit plans	(744)	(718)
Total accumulated other comprehensive income	(12,202)	(9,258)
Share acquisition rights	138	124
Non-controlling interests	2,646	246
Total net assets	59,509	65,656
Total liabilities and net assets	196,052	167,422

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2020	For the nine months ended November 30, 2021
Net sales	132,227	124,355
Cost of sales	75,001	58,896
Gross profit	57,226	65,458
Selling, general and administrative expenses	67,488	66,407
Operating loss	(10,262)	(948)
Non-operating income		
Interest income	44	45
Dividend income	117	92
Subsidy income	703	804
Other	551	647
Total non-operating income	1,416	1,591
Non-operating expenses		
Interest expenses	361	304
Share of loss of entities accounted for using equity method	51	66
Foreign exchange losses	512	24
Other	475	1,006
Total non-operating expenses	1,400	1,401
Recurring loss	(10,245)	(759)
Extraordinary income		
Subsidies for employment adjustment, etc.	1,697	269
Gain on sales of non-current assets	2,592	17,924
Gain on sales of investment securities	8	103
Gain on sales of shares of subsidiaries and associates	–	2,944
Other	97	66
Total extraordinary income	4,396	21,308
Extraordinary losses		
Loss on liquidation of business	953	—
Extraordinary loss due to closing and other	3,722	1,311
Loss on sales of shares of subsidiaries and associates	–	1,829
Impairment loss	1,827	728
Loss on valuation of investment securities	1,657	–
Loss on liquidation of subsidiaries and associates	–	1,968
Other	430	387
Total extraordinary losses	8,592	6,225
Profit (loss) before income taxes	(14,441)	14,323
Total income taxes	(241)	6,106
Profit (loss)	(14,200)	8,216
Profit attributable to non-controlling interests	395	133
Profit (loss) attributable to owners of parent	(14,596)	8,082

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2020	For the nine months ended November 30, 2021
Profit (loss)	(14,200)	8,216
Other comprehensive income		
Valuation difference on available-for-sale securities	1,219	(289)
Deferred gains or losses on hedges	(30)	(17)
Revaluation reserve for land	1,064	1,042
Foreign currency translation adjustment	(210)	1,080
Remeasurements of defined benefit plans, net of tax	(121)	26
Total other comprehensive income	1,921	1,841
Comprehensive income	(12,278)	10,058
Comprehensive income attributable to:		
Owners of parent	(12,664)	9,902
Non-controlling interests	385	155

(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 the Accounting Standard for Revenue Recognition, etc.)

The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) (hereinafter referred to as the "Accounting Standard for Revenue Recognition, etc.") from the beginning of the first quarter of the fiscal year under review, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services is transferred to the customer.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

(Revenue recognition for principal and agent transactions)

Regarding transactions in which the Company acts an agent in providing goods to a customer, the Company previously recognized the gross amount of consideration to be received from the customer as revenue. However, the Company has shifted to the method by which it recognizes revenue at the net amount after deducting the amount to be paid to the supplier of goods from the amount to be received from the customer. Meanwhile, with regard to transactions in which the Company acts as a principal and whose revenue was previously recognized at the net amount after deducting an amount equivalent to distribution fees from the amount to be received from the customer, the Company has shifted to the method by which it recognizes revenue at the gross amount of consideration.

(Revenue recognition for customer loyalty program)

Regarding the sale of goods under the customer loyalty program, which grants points to customers when goods are sold, the Company previously recognized revenue at the time of sale, recorded an amount expected to be used from the points granted as "Provision for point card certificates," and recorded the amount of provision for point card certificates as "Selling, general and administrative expenses." However, the Company has shifted to the method by which it identifies the points granted as performance obligations and allocates the transaction price based on the standalone selling price estimated in consideration of the points that are expected to expire in the future.

(Revenue recognition for sale with a right of return)

Regarding "Provision for sales returns," which was previously recorded under "Current liabilities" based on an amount equivalent to gross profit, the Company has shifted to the method by which it recognizes revenue and cost of sales at the amounts excluding amounts equivalent to revenue and cost of sales for merchandise and finished goods that are expected to be returned. Compensation for merchandise and finished goods that are expected to be returned is recorded as refund liabilities in "Other" under "Current liabilities," and assets recognized as the right to recover merchandize and finished goods from customers at the time of settlement of refund liabilities are recorded as return assets in "Notes and accounts receivable—trade, and contract assets" under "Current assets."

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the first quarter of the fiscal year under review, is added to or subtracted from retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy is applied from the said beginning balance. However, the new accounting policy has not been retrospectively applied to contracts for which nearly all the revenue amounts had been recognized in accordance with the previous treatment prior to the beginning of the first quarter of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the nine months ended November 30, 2021, net sales increased by 5,340 million yen, cost of sales decreased by 1,843 million yen, selling, general and administrative expenses increased by 7,310 million yen, operating loss and recurring loss each deteriorated by 125 million yen, and profit before income taxes decreased by 125 million yen. In addition, the balance of retained earnings at the beginning of the period increased by 272 million yen. Due to the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable—trade," which was presented under "Current assets" in the Consolidated Balance Sheets for the previous fiscal year, is instead included in "Notes and accounts receivable—trade, and contract assets" from the first quarter of the fiscal year under review. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not reclassified financial statements for the previous fiscal year by using the new presentation method.

(Additional information)

(Changes in the presentation method)

While real estate lease revenue and real estate lease expenses were previously recorded in "Non-operating income," "Selling, general and administrative expenses," and "Non-operating expenses," they are recorded in "Net sales" and "Cost of sales" from the first quarter of the fiscal year under review. The Company positions real estate leasing as one of its major businesses, recognizes real estate lease revenue as a steady source of revenue, and expects real estate lease revenue to grow along with an increase in the number of leasehold properties. In addition, the relevant department now appropriately manages the profitability of the real estate leasing business. In light of these circumstances, in order to present the actual state of the business more appropriately, the Company has changed the presentation method. Quarterly Consolidated Financial Statements for the nine months ended November 30, 2020 have been reclassified to reflect this change in the presentation method.

As a result, 1,066 million yen presented in "Rental income from land and buildings" and 106 million yen presented in "Other" under "Non-operating income" in the Quarterly Consolidated Statements of Income for the nine months ended November 30, 2020 have been reclassified as "Net sales." Additionally, 61 million yen presented in "Selling, general and administrative expenses" and 370 million yen of "Rental expenses" under "Non-operating expenses" have been reclassified as "Cost of sales."

Furthermore, 2,754 million yen presented in "Other" under "Investments and other assets" in the Consolidated Balance Sheets for the previous fiscal year has been reclassified as "Buildings and structures, net" of 2,728 million yen and "Other, net" of 26 million yen under "Property, plant and equipment."

(Accounting estimates related to the impact of the spread of COVID-19)

For the third quarter of the fiscal year under review, there are no material changes in the assumptions related to the impact of the spread of COVID-19 that were stated in "Additional information (Accounting estimates related to the impact of the spread of COVID-19)" in the securities report for the previous fiscal year.

(Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

Regarding the transition into the group tax sharing system established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the single-entity taxation system has been revised in conjunction with the transition into the group tax sharing system, the Company and certain consolidated subsidiaries in Japan have not applied the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), in accordance with the solution in paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws prior to the amendment.

(Notes to Quarterly Consolidated Statements of Income)

Due to requests from governments and municipalities in response to COVID-19, many of the stores located in retail facilities, directly-managed stores, resort facilities, and other locations were temporarily closed in regions including Japan, North America, and Europe. Fixed expenses (including personnel expenses, depreciation, and rent expenses) for stores and resort facilities incurred during the periods of closure were recognized as "Extraordinary loss due to closing and other" in "Extraordinary losses."

(Segment information, etc.)

I Nine months ended November 30, 2020 (From March 1, 2020 to November 30, 2020)

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	78,972	26,345	105,318	26,909	132,227	−	132,227
(2) Intersegment sales or transfers	1,063	971	2,034	1,603	3,638	(3,638)	−
Total	80,035	27,317	107,353	28,512	135,865	(3,638)	132,227
Segment profit (loss)	(8,672)	(2,792)	(11,464)	1,361	(10,102)	(159)	(10,262)

(Notes) 1. The adjustment amount for segment profit (loss) of (159) million yen includes amortization of goodwill of (593) million yen, elimination of intersegment transactions of 3,413 million yen, and corporate expenses not allocated to reportable segments of (2,978) 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 loss in the Quarterly Consolidated Statements of Income.

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

(Significant impairment loss on non-current assets)

Impairment loss was recorded in the “Apparel Business (Domestic),” “Apparel Business (Overseas),” and “Lifestyle Business” segments.

The amounts of impairment loss recorded in the “Apparel Business (Domestic),” “Apparel Business (Overseas),” and “Lifestyle Business” segments were 816 million yen, 1,009 million yen, and 1 million yen, respectively.

(Significant changes in the amount of goodwill)

There was no significant amount incurred or change in goodwill.

II Nine months ended November 30, 2021 (From March 1, 2021 to November 30, 2021)

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	83,633	12,407	96,041	28,313	124,355	—	124,355
(2) Intersegment sales or transfers	545	849	1,395	1,200	2,595	(2,595)	—
Total	84,179	13,257	97,436	29,513	126,950	(2,595)	124,355
Segment profit (loss)	(1,949)	(778)	(2,728)	1,870	(858)	(90)	(948)

(Notes) 1. The adjustment amount for segment profit (loss) of (90) million yen includes amortization of goodwill of (572) million yen, elimination of intersegment transactions of 2,810 million yen, and corporate expenses not allocated to reportable segments of (2,329) 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 loss 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.

3. Information on changes, etc. in reportable segments

As stated in "(Changes in accounting policies)," the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the fiscal year under review and changed the accounting method for revenue recognition. Accordingly, it has also changed the method of calculating profit or loss for reportable segments.

As a result of these changes, for the nine months ended November 30, 2021, for the "Apparel Business," net sales increased by 5,599 million yen and segment loss deteriorated by 125 million yen, for the "Lifestyle Business," net sales and segment profit decreased by 258 million yen and 0 million yen, respectively, compared with those calculated under the previous method.

In addition, as stated in "(Additional information), (Changes in the presentation method)," "Rental income from land and buildings," which was previously recorded under "Non-operating income," has been reclassified as "Net sales" from the first quarter of the fiscal year under review. In addition, "Depreciation and amortization," which was included in "Selling, general and administrative expenses," and "Rental expenses," which was recorded under "Non-operating expenses," have been reclassified as "Cost of sales." The figures in the segment information for the nine months ended November 30, 2020 have also been restated to reflect the reclassification. As a result of these changes, segment loss for the "Apparel Business" improved by 40 million yen, and net sales and segment profit for the "Lifestyle Business" increased by 1,173 million yen and 740 million yen, respectively, compared with before the reclassification.

(Significant events after reporting period)

Not applicable.