

# Consolidated Financial Results for the Nine Months Ended November 30, 2022 [Japanese GAAP]



January 12, 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: January 13, 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 Nine Months Ended November 30, 2022 (March 1, 2022 – November 30, 2022)

(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	%
Nine months ended November 30, 2022	130,397	4.9	4,315	–	4,698	–	2,723	(66.3)
Nine months ended November 30, 2021	124,355	(6.0)	(948)	–	(759)	–	8,082	–

(Note) Comprehensive income: Nine months ended November 30, 2022: 9,849 million yen [(2.1)%]

Nine months ended November 30, 2021: 10,058 million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2022	20.08	20.05
Nine months ended November 30, 2021	59.60	59.48

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

Nine months ended November 30, 2022: 8,244 million yen [191.0%]

Nine months ended November 30, 2021: 2,832 million yen [–%]

## (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of November 30, 2022	166,028	84,938	45.0
As of February 28, 2022	157,727	77,257	42.4

(Reference) Shareholders' equity: As of November 30, 2022: 74,718 million yen

As of February 28, 2022: 66,886 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, 2022	–	–	–	12.00	12.00
Fiscal year ending February 28, 2023	–	–	–		
Fiscal year ending February 28, 2023 (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, 2023 (March 1, 2022 - February 28, 2023)

(% 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	175,000	3.9	5,000	–	5,200	925.1	2,600	(69.7)	19.17

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

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

Full year ending February 28, 2023 (forecast): 10,000 million yen [155.4%]

Full year ended February 28, 2022: 3,915 million yen [–%]

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes  
Newly included: – (Company name:)  
Excluded: One company (Company name: Onward Beach Resort Guam, Inc.)
- (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, 2022: 157,921,669 shares  
As of February 28, 2022: 157,921,669 shares  
2) Total number of treasury shares at the end of the period:  
As of November 30, 2022: 22,235,698 shares  
As of February 28, 2022: 22,287,771 shares  
3) Average number of shares outstanding during the period:  
Nine months ended November 30, 2022: 135,642,227 shares  
Nine months ended November 30, 2021: 135,614,518 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 forecast 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 nine months ended November 30, 2022, the outlook for the Japanese economy remained uncertain due to soaring prices of energy resources and raw materials caused by the international situation, as well as the ongoing depreciation of the yen, which outweighed the benefits of the recovery trend that is supported by the progress in normalizing economic activities on the back of the relaxation of behavioral restrictions related to COVID-19.

In these circumstances, Click and Try, an OMO (Online Merges with Offline) service that enables customers to order products from the official online store and to try on and purchase them at physical stores, had user numbers that remained at a high level, contributing to sales expansion at physical stores. In addition, based on the policy of concentrating management resources on its own brand business as part of global business reforms, the Company is moving ahead with business in both the apparel and lifestyle segments with the aim of achieving the goals outlined in ONWARD VISION 2030, the Company's medium-to long-term management vision formulated in April 2021. During the period under review, the Company acquired the trademark rights in Japan to the American lifestyle brand JOSEPH ABOUD to further strengthen and promote the brand business. The Company will go about actively opening up stores within new sales channels for the brand such as shopping centers, street-facing shops, and third-party online marketplaces, and of course, within the existing department store sales channel as well, and will significantly expand its product lines to accelerate the growth of JOSEPH ABOUD into the Group's core brand.

As a result of the above, consolidated net sales amounted to 130,397 million yen (a 4.9% increase year on year), consolidated operating profit amounted to 4,315 million yen (an operating loss of 948 million yen for the same period of the previous fiscal year), consolidated recurring profit amounted to 4,698 million yen (a recurring loss of 759 million yen for the same period of the previous fiscal year), and profit attributable to owners of parent amounted to 2,723 million yen (a 66.3% decrease year on 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, 2022 was 8,244 million yen (a 191.0% increase year on year).

Status by segment is as follows.

#### [Apparel Business]

In the domestic business, at Onward Kashiya Co., Ltd., a core operating company, sales continued to increase at OMO-type stores, which introduced the Click and Try service, contributing to strong sales at physical stores, primarily department stores. At Island Co., Ltd., which operates Grace Continental, sales recovered due to successful sales promotion initiatives. In addition, sales increased at Onward Personal Style Co., Ltd., which develops the KASHIYAMA brand, owing to revisions to sales prices and profitability improved thanks to reduction of fixed costs resulting from enhanced business efficiency.

In the overseas business, sales decreased, impacted by withdrawal from unprofitable businesses in Europe under the global business reforms.

As a result, sales increased, with a significant return to profitability in the Apparel Business.

#### [Lifestyle Business]

Sales increased steadily at Chacott Co., Ltd., which operates a wellness business, due to strong performance of products in its mainstay ballet and fitness wear merchandise line. At Yamato Co., Ltd., which conducts a gift catalogue business, both sales and profit increased due to sustained growth in bridal-related demand. Creative

Yoko Co., Ltd., which is engaged in a pet and home life business, also continued to perform strongly. Sales and profit increased for all of the major companies in the Lifestyle Business.

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 third quarter of the fiscal year under review increased by 8,300 million yen compared with the end of the previous fiscal year to 166,028 million yen. This was primarily due to increases in notes and accounts receivable—trade, and contract assets of 3,454 million yen, merchandise and finished goods of 5,688 million yen, and investment securities of 3,137 million yen, and decreases in cash and deposits of 2,207 million yen and buildings and structures of 1,822 million yen.

Liabilities increased by 619 million yen compared with the end of the previous fiscal year to 81,089 million yen. This was primarily due to increases in notes and accounts payable—trade of 2,712 million yen and electronically recorded obligations—operating of 2,689 million yen, and decreases in short-term borrowings of 1,073 million yen, and long-term borrowings of 2,762 million yen.

Net assets increased by 7,681 million yen compared with the end of the previous fiscal year to 84,938 million yen. This was primarily due to profit attributable to owners of parent of 2,723 million yen, dividends of surplus of 1,627 million yen, an increase in valuation difference on available-for-sale securities of 3,777 million yen, and an increase in foreign currency translation adjustment of 2,888 million yen.

As a result, the shareholders' equity ratio was 45.0%.

## (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 28, 2023, which was announced on September 27, 2022, in light of the Company's third quarter performance. For details, please see "Notice of Revision to the Performance Forecast," announced today.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of November 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	15,209	13,002
Notes and accounts receivable—trade, and contract assets	14,204	17,659
Merchandise and finished goods	23,908	29,597
Work in process	449	541
Raw materials and supplies	2,478	2,645
Other	4,509	4,649
Allowance for doubtful accounts	(252)	(359)
Total current assets	60,508	67,737
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,008	21,185
Land	23,371	23,461
Other, net	11,663	11,472
Total property, plant and equipment	58,042	56,120
Intangible assets		
Goodwill	4,631	4,332
Other	4,717	5,351
Total intangible assets	9,349	9,684
Investments and other assets		
Investment securities	14,117	17,254
Retirement benefit asset	3,248	3,464
Deferred tax assets	4,338	2,761
Other	8,286	9,209
Allowance for doubtful accounts	(163)	(204)
Total investments and other assets	29,827	32,486
Total non-current assets	97,219	98,291
Total assets	157,727	166,028

(Million yen)

	As of February 28, 2022	As of November 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	6,361	9,073
Electronically recorded obligations—operating	11,860	14,550
Short-term borrowings	22,758	21,684
Income taxes payable	2,022	889
Provision for bonuses	626	2,302
Provision for bonuses for directors	50	75
Other	12,080	10,945
Total current liabilities	55,761	59,522
Non-current liabilities		
Long-term borrowings	12,377	9,615
Retirement benefit liability	2,858	2,813
Provision for retirement benefits for directors and corporate auditors	247	259
Asset retirement obligations	2,503	2,596
Other	6,722	6,283
Total non-current liabilities	24,709	21,567
Total liabilities	80,470	81,089
<b>Net assets</b>		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,390	50,390
Retained earnings	15,391	16,460
Treasury shares	(20,831)	(20,779)
Total shareholders' equity	75,030	76,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,646)	2,130
Deferred gains or losses on hedges	1	81
Revaluation reserve for land	(5,698)	(5,698)
Foreign currency translation adjustment	(328)	2,560
Remeasurements of defined benefit plans	(472)	(507)
Total accumulated other comprehensive income	(8,144)	(1,432)
Share acquisition rights	122	97
Non-controlling interests	10,248	10,122
Total net assets	77,257	84,938
Total liabilities and net assets	157,727	166,028



## (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, 2021	For the nine months ended November 30, 2022
Net sales	124,355	130,397
Cost of sales	58,896	57,772
Gross profit	65,458	72,625
Selling, general and administrative expenses	66,407	68,309
Operating profit (loss)	(948)	4,315
Non-operating income		
Interest income	45	20
Dividend income	92	107
Foreign exchange gains	–	788
Subsidy income	804	133
Other	647	205
Total non-operating income	1,591	1,255
Non-operating expenses		
Interest expenses	304	234
Share of loss of entities accounted for using equity method	66	42
Foreign exchange losses	24	–
Other	1,006	595
Total non-operating expenses	1,401	873
Recurring profit (loss)	(759)	4,698
Extraordinary income		
Gain on sales of non-current assets	17,924	0
Gain on sales of investment securities	103	123
Gain on sales of shares of subsidiaries and associates	2,944	1,303
Subsidies for employment adjustment, etc.	269	–
Other	66	29
Total extraordinary income	21,308	1,456
Extraordinary losses		
Extraordinary loss due to closing and other	1,311	4
Loss on sales of shares of subsidiaries and associates	1,829	–
Impairment loss	728	723
Loss on liquidation of subsidiaries and associates	1,968	–
Other	387	153
Total extraordinary losses	6,225	880
Profit before income taxes	14,323	5,273
Total income taxes	6,106	2,621
Profit	8,216	2,652
Profit (loss) attributable to non-controlling interests	133	(71)
Profit attributable to owners of parent	8,082	2,723

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2021	For the nine months ended November 30, 2022
Profit	8,216	2,652
Other comprehensive income		
Valuation difference on available-for-sale securities	(289)	3,777
Deferred gains or losses on hedges	(17)	80
Revaluation reserve for land	1,042	–
Foreign currency translation adjustment	1,080	3,374
Remeasurements of defined benefit plans, net of tax	26	(34)
Total other comprehensive income	1,841	7,197
Comprehensive income	10,058	9,849
Comprehensive income attributable to:		
Owners of parent	9,902	9,435
Non-controlling interests	155	414

(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 significant subsidiaries during the period under review)

Onward Beach Resort Guam, Inc., which was the Company's consolidated subsidiary, was excluded from the scope of consolidation in the first quarter of the fiscal year under review due to the sale of all its shares that the subsidiary of the Company owned.

(Changes in accounting policies)

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Standard") and other standards 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 Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

This does not affect the quarterly consolidated financial statements.

(Additional information)

(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.

(Segment information, etc.)

I 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.

II Nine months ended November 30, 2022 (From March 1, 2022 to November 30, 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	89,836	9,536	99,372	31,025	130,397	—	130,397
(2) Intersegment sales or transfers	706	1,284	1,990	1,192	3,182	(3,182)	—
Total	90,542	10,820	101,363	32,217	133,580	(3,182)	130,397
Segment profit (loss)	3,227	(1,111)	2,115	3,138	5,254	(938)	4,315

(Notes) 1. The adjustment amount for segment profit (loss) of (938) million yen includes amortization of goodwill of (614) million yen, elimination of intersegment transactions of 2,345 million yen, and corporate expenses not allocated to reportable segments of (2,669) 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.