

Consolidated Financial Results for the Three Months Ended May 31, 2022 [Japanese GAAP]



July 7, 2022

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, 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 Three Months Ended May 31, 2022 (March 1, 2022 – May 31, 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	%
Three months ended								
May 31, 2022	44,551	(3.2)	2,005	74.8	2,638	33.4	1,823	(11.5)
May 31, 2021	46,022	7.9	1,147	–	1,976	–	2,060	–

(Note) Comprehensive income: Three months ended May 31, 2022: 5,267 million yen [46.6%]

Three months ended May 31, 2021: 3,594 million yen [663.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
May 31, 2022	13.44	13.42
May 31, 2021	15.20	15.17

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

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

Three months ended May 31, 2021: 2,447 million yen [–%]

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of May 31, 2022	161,969	80,605	43.4
As of February 28, 2022	157,727	77,257	42.4

(Reference) Shareholders' equity: As of May 31, 2022: 70,357 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
1H (cumulative)	77,000	(4.7)	(1,800)	–	(1,750)	–	(1,250)	–	(9.22)
Full year	168,700	0.1	2,100	–	2,050	304.1	1,700	(80.2)	12.54

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

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

Full year ending February 28, 2023 (forecast): 7,080 million yen [80.8%]

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 May 31, 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 May 31, 2022:	22,287,977 shares
As of February 28, 2022:	22,287,771 shares
 - 3) Average number of shares outstanding during the period:

Three months ended May 31, 2022:	135,633,824 shares
Three months ended May 31, 2021:	135,605,426 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.

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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, 2022, the outlook for the Japanese economy remained uncertain with the sudden depreciation of the Japanese yen in foreign exchange markets and soaring resource prices due to the Russo-Ukrainian situation, despite the number of COVID-19 infections beginning to decline and consumption activity gradually returning to normal due to the easing of restrictions on activity.

In these circumstances, the Group has promoted “Transformation Communication with Customers,” which aims to co-create value with customers through new methods utilizing digital technology. In addition, the Group has steadily promoted the integration of physical stores and e-commerce as a priority measure in the Apparel Business and gradually expanded the number of OMO (Online Merges with Offline)-type stores which introduced the Click and Try service, which greatly contributed to the recovery of net sales in the Apparel Business overall. The Group also curbed discount sales and fully implemented a centralized inventory control system, thus realizing significant improvements in gross profit margin for the three months ended May 31, 2022, and a much higher operating profit compared with the previous year.

As a result of the above, consolidated net sales amounted to 44,551 million yen (a 3.2% decrease year on year), consolidated operating profit amounted to 2,005 million yen (a 74.8% increase year on year), consolidated recurring profit amounted to 2,638 million yen (a 33.4% increase year on year), and profit attributable to owners of parent amounted to 1,823 million yen (an 11.5% 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 three months ended May 31, 2022 was 3,365 million yen (a 37.5% increase year on year).

Status by segment is as follows.

[Apparel Business]

In the domestic business, Onward Kashiyama Co., Ltd., which is a core operating company, steadily implemented sales strategies such as expanding the number of OMO-type stores, which introduced the Click and Try service. As a result of these strategies, both sales and profit significantly increased. Furthermore, both sales and profit increased at Onward Personal Style Co., Ltd., which develops KASHIYAMA, a made-to-order suit brand.

In the overseas business, sales decreased as a result of withdrawing from unprofitable businesses in Europe. As a result, profit increased despite a decrease in sales for the Apparel Business.

[Lifestyle Business]

In the Lifestyle Business, Chacott Co., Ltd. opened the flagship Chacott DAIKANYAMA store in March 2022, which attracted a large number of visitors. In addition, customers were presented with new lifestyle ideas, such as the “dōzo – Have fun with gifts” social gift service begun by Yamato Co., Ltd., that became popular.

Both sales and profit increased at Chacott Co., Ltd. due to the strong performance of its ballet products and at Yamato Co., Ltd. due to the robust recovery of demand for wedding-related products.

Sales and profit also increased at Creative Yoko Co., Ltd., which is engaged in a pet and home life business, and at KOKOBUY Co., Ltd., which conducts a beauty and cosmetics 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 first quarter of the fiscal year under review increased by 4,241 million yen compared with the end of the previous fiscal year to 161,969 million yen. This was primarily due to increases in cash and deposits of 6,811 million yen and investment securities of 1,401 million yen.

Liabilities increased by 893 million yen compared with the end of the previous fiscal year to 81,364 million yen. This was primarily due to an increase in short-term borrowings of 3,938 million yen.

Net assets increased by 3,347 million yen compared with the end of the previous fiscal year to 80,605 million yen. This was primarily due to profit attributable to owners of parent of 1,823 million yen, dividends of surplus of 1,627 million yen, an increase in valuation difference on available-for-sale securities of 1,300 million yen, and an increase in foreign currency translation adjustment of 1,970 million yen.

As a result, the shareholders' equity ratio was 43.4%.

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

No revisions have been made to the consolidated performance forecast for the six months ending August 31, 2022 and the full year ending February 28, 2023, which was announced on April 7, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	15,209	22,021
Notes and accounts receivable—trade, and contract assets	14,204	14,287
Merchandise and finished goods	23,908	23,043
Work in process	449	348
Raw materials and supplies	2,478	2,372
Other	4,509	4,892
Allowance for doubtful accounts	(252)	(321)
Total current assets	60,508	66,645
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,008	21,489
Land	23,371	23,057
Other, net	11,663	11,020
Total property, plant and equipment	58,042	55,568
Intangible assets		
Goodwill	4,631	4,516
Other	4,717	4,255
Total intangible assets	9,349	8,772
Investments and other assets		
Investment securities	14,117	15,518
Retirement benefit asset	3,248	3,341
Deferred tax assets	4,338	2,847
Other	8,286	9,455
Allowance for doubtful accounts	(163)	(180)
Total investments and other assets	29,827	30,983
Total non-current assets	97,219	95,323
Total assets	157,727	161,969

(Million yen)

	As of February 28, 2022	As of May 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable—trade	6,361	6,282
Electronically recorded obligations—operating	11,860	10,700
Short-term borrowings	22,758	26,697
Income taxes payable	2,022	738
Provision for bonuses	626	1,112
Provision for bonuses for directors	50	21
Other	12,080	12,086
Total current liabilities	55,761	57,639
Non-current liabilities		
Long-term borrowings	12,377	11,475
Retirement benefit liability	2,858	2,831
Provision for retirement benefits for directors and corporate auditors	247	251
Asset retirement obligations	2,503	2,560
Other	6,722	6,606
Total non-current liabilities	24,709	23,724
Total liabilities	80,470	81,364
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,390	50,390
Retained earnings	15,391	15,586
Treasury shares	(20,831)	(20,831)
Total shareholders' equity	75,030	75,225
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,646)	(345)
Deferred gains or losses on hedges	1	17
Revaluation reserve for land	(5,698)	(5,698)
Foreign currency translation adjustment	(328)	1,641
Remeasurements of defined benefit plans	(472)	(483)
Total accumulated other comprehensive income	(8,144)	(4,868)
Share acquisition rights	122	122
Non-controlling interests	10,248	10,125
Total net assets	77,257	80,605
Total liabilities and net assets	157,727	161,969

(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, 2021	For the three months ended May 31, 2022
Net sales	46,022	44,551
Cost of sales	22,242	19,833
Gross profit	23,780	24,718
Selling, general and administrative expenses	22,632	22,712
Operating profit	1,147	2,005
Non-operating income		
Interest income	6	6
Dividend income	0	0
Foreign exchange gains	515	860
Subsidy income	282	84
Other	473	95
Total non-operating income	1,278	1,046
Non-operating expenses		
Interest expenses	107	52
Share of loss of entities accounted for using equity method	25	15
Other	316	346
Total non-operating expenses	449	414
Recurring profit	1,976	2,638
Extraordinary income		
Gain on sales of non-current assets	4,818	—
Gain on sales of investment securities	63	—
Gain on sales of shares of subsidiaries and associates	2,944	1,317
Other	—	25
Total extraordinary income	7,826	1,343
Extraordinary losses		
Extraordinary loss due to closing and other	779	—
Loss on sales of shares of subsidiaries and associates	2,027	—
Impairment loss	155	458
Loss on liquidation of subsidiaries and associates	1,968	—
Other	0	1
Total extraordinary losses	4,931	459
Profit before income taxes	4,871	3,521
Total income taxes	2,672	2,016
Profit	2,199	1,505
Profit (loss) attributable to non-controlling interests	138	(317)
Profit attributable to owners of parent	2,060	1,823

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Profit	2,199	1,505
Other comprehensive income		
Valuation difference on available-for-sale securities	625	1,300
Deferred gains or losses on hedges	(30)	16
Revaluation reserve for land	401	—
Foreign currency translation adjustment	390	2,456
Remeasurements of defined benefit plans, net of tax	7	(11)
Total other comprehensive income	1,395	3,762
Comprehensive income	3,594	5,267
Comprehensive income attributable to:		
Owners of parent	3,437	5,099
Non-controlling interests	157	168

(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 Three months ended May 31, 2021 (From March 1, 2021 to May 31, 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	28,926	7,878	36,804	9,218	46,022	—	46,022
(2) Intersegment sales or transfers	202	351	554	343	897	(897)	—
Total	29,129	8,229	37,358	9,561	46,920	(897)	46,022
Segment profit	495	219	715	472	1,187	(40)	1,147

(Notes) 1. The adjustment amount for segment profit of (40) million yen includes amortization of goodwill of (193) million yen, elimination of intersegment transactions of 915 million yen, and corporate expenses not allocated to reportable segments of (762) million yen. Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.

2. Segment profit 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, 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.

(Significant events after reporting period)

Not applicable.