

Consolidated Financial Results for the Six Months Ended August 31, 2024 [Japanese GAAP]



October 3, 2024

Company name: Onward Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 8016

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

Representative: Michinobu Yasumoto, President and CEO

Contact: Shohei Yoshida, Director in charge of Finance, Accounting, Investor Relations

Phone: +81-3-4512-1030

Scheduled date of filing semi-annual securities report: October 11, 2024

Scheduled date of commencing dividend payments: –

Availability of supplementary materials on financial results: Available

Schedule of 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 Six Months Ended August 31, 2024 (March 1, 2024 – August 31, 2024)

(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	%
Six months ended August 31, 2024	95,102	5.2	5,255	4.6	5,213	18.1	4,108	43.5
August 31, 2023	90,411	10.0	5,022	–	4,412	574.1	2,862	501.1

(Notes) 1. Comprehensive income: Six months ended August 31, 2024: 6,703 million yen [262.6%]

Six months ended August 31, 2023: 1,848 million yen [(70.8)%]

2. The year-on-year change rate of operating profit for the six months ended August 31, 2023 exceeded 1,000%, and is therefore indicated as “–.”

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2024	30.27	30.24
August 31, 2023	21.09	21.07

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

Six months ended August 31, 2024: 7,690 million yen [4.1%]

Six months ended August 31, 2023: 7,390 million yen [160.4%]

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of August 31, 2024	169,703	81,347	47.9
As of February 29, 2024	171,362	84,995	46.6

(Reference) Shareholders' equity: As of August 31, 2024: 81,278 million yen

As of February 29, 2024: 79,796 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 29, 2024	–	–	–	20.00	20.00
Fiscal year ending February 28, 2025	–	–			
Fiscal year ending February 28, 2025 (Forecast)			–	24.00	24.00

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

3. Consolidated Performance Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)

(% 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	210,000	10.7	12,500	11.0	12,200	20.5	8,250	24.8	60.78

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

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

Full year ending February 28, 2025 (forecast): 17,700 million yen [10.3%]

Full year ended February 29, 2024: 16,052 million yen [54.7%]

*** Notes:**

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly included: – (Company name:)
Excluded: One company (Company name: Onward Italia S.r.l.)
- (2) Application of special accounting methods for the preparation of semi-annual 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: None
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 August 31, 2024: 157,921,669 shares
As of February 29, 2024: 157,921,669 shares

2) Total number of treasury shares at the end of the period:
As of August 31, 2024: 22,179,605 shares
As of February 29, 2024: 22,193,554 shares

3) Average number of shares outstanding during the period:
Six months ended August 31, 2024: 135,736,626 shares
Six months ended August 31, 2023: 135,717,046 shares

* These semi-annual consolidated financial results are outside the scope of 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. Overview of Operating Results, etc. (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. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period under Review

In the six months ended August 31, 2024 (hereinafter “the period under review”), the Japanese economy showed signs of gradual recovery, with economic activity normalizing, supported by a rebound in personal consumption and corporate earnings, and an improvement in the employment and income conditions. However, the outlook remained clouded due to protracted conflicts in the Middle East and Ukraine, concerns about the future of the Chinese economy, and the soaring energy and raw material prices. In the apparel industry as well, there were concerns about consumers’ growing tendency toward saving, driven by an increased awareness of protecting financial security.

In this business environment, the Onward Group reported an increase in net sales, owing to robust sales of functional products designed to respond to climate change and continued expansion in the use of the online-mergers-with-offline (OMO) service, “Click & Try”. While the gross profit margin declined as the Group proceeded with inventory optimization measures as planned, the SG&A ratio improved due to the increased efficiency of store operations on the expansion of multi-brand stores, which offset higher personnel and advertising expenses, the former due to wage hikes. As a result, the Group turned a profit at all levels for the second quarter of the current fiscal year, the first time in 17 fiscal years since the fiscal year ended February 29, 2008.

As a result, consolidated net sales amounted to 95,102 million yen (+5.2% year-on-year), operating profit to 5,255 million yen (+4.6% year-on-year), recurring profit to 5,213 million yen (+18.1% year-on-year), and profit attributable to owners of parent to 4,108 million yen (+43.5% year-on-year).

Amid efforts to accelerate growth by expanding and reinforcing the business foundation, including through new business development and M&A, the Group has adopted EBITDA (operating profit + depreciation and amortization) as a key performance indicator to enable earnings comparisons with other companies, regardless of differences in accounting standards.

In the period under review, EBITDA was 7,690 million yen (+4.1% year-on-year).

Results by segment were as follows.

Effective from the period under review, the Group has revised its reportable segments. The year-on-year comparisons below are based on figures for the same period of the previous fiscal year, which have been retroactively adjusted to reflect the new segment classification.

[Domestic Business]

In Japan, the core operating company Onward Kashiyama Co., Ltd. expanded the number of OMO stores offering the “Click & Try” service nationwide and aggressively developed new functional products responding to climate change. As a result, sales of the mainstay brands Nijyusanku and GOTAIRIKU, as well as the new brand UNFILO, were robust.

Onward Personal Style Co., Ltd., which operates the KASHIYAMA brand, reported a significant increase in sales, driven by higher customer counts and average customer spend, thanks to the continued success of promotional measures using digital ads.

At Chacott Co., Ltd., the new pressed powder product in the Chacott COSMETICS line boosted sales.

While the gross profit margin declined as the Group proceeded with inventory optimization measures as planned, the SG&A ratio improved due to the enhanced efficiency of store operations attributed to the expansion of multi-brand stores.

As a result, the Domestic Business posted higher sales but lower profit.

[Overseas Business]

In the Overseas Business, sales increased in Asia due to improved utilization of the Dalian plant.

In the US, e-commerce sales of the traditional brand J.PRESS increased.

In Europe, JOSEPH, a contemporary brand originating in London, UK, performed strongly.

As a result, both sales and profit improved significantly in the Overseas Business.

(2) Overview of Financial Position for the Period under Review

(Status of assets, liabilities, and net assets)

Total assets as of the end of the period under review decreased by 1,659 million yen compared with the end of the previous fiscal year to 169,703 million yen. This was primarily due to an increase in merchandise and finished goods of 1,297 million yen and decreases in cash and deposits of 473 million yen, notes and accounts receivable—trade, and contract assets of 1,657 million yen, and investment securities of 737 million yen.

Liabilities increased by 1,988 million yen compared with the end of the previous fiscal year to 88,355 million yen. This was primarily due to an increase in long-term borrowings of 4,017 million yen and a decrease in short-term borrowings of 2,301 million yen.

Net assets decreased by 3,647 million yen compared with the end of the previous fiscal year to 81,347 million yen. This was primarily due to profit attributable to owners of parent of 4,108 million yen, an increase in foreign currency translation adjustment of 2,767 million yen, a decrease in surplus of 2,451 million yen due to changes in the accounting period of consolidated subsidiaries, a decrease of 2,714 million yen from dividends of surplus, and a decrease in non-controlling interests of 5,122 million yen.

As a result, the shareholders' equity ratio was 47.9%.

(Status of cash flows)

Cash flows provided by operating activities amounted to 6,282 million yen (an inflow of 1,092 million yen for the same period of the previous fiscal year) mainly due to profit before income taxes, an increase in inventories, a decrease in trade receivables, and an increase in trade payables.

Cash flows used in investing activities amounted to 27 million yen (an outflow of 1,893 million yen for the same period of the previous fiscal year) mainly due to purchase of property, plant and equipment, proceeds from sales of property, plant and equipment, and proceeds from sales of investment securities.

Cash flows used in financing activities amounted to 4,772 million yen (an outflow of 994 million yen for the same period of the previous fiscal year), which primarily included a net increase (decrease) in borrowings and dividends paid.

As a result, cash and cash equivalents as of the end of the period under review, decreased by 473 million yen compared with the end of the previous fiscal year to 13,660 million yen.

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

As disclosed in the Notice Concerning Additional Acquisition of Shares in Equity-Method Affiliate (Conversion to Consolidated Subsidiary) of August 28, 2024, WEGO Co., Ltd., which was an equity-method affiliate of the Company, will become a consolidated subsidiary from the third quarter of the current fiscal year. The consolidated performance forecast for the full year incorporates WEGO Co., Ltd.'s performance forecast, revising the net sales upward from the forecast announced on July 4, 2024, while maintaining the forecast for operating profit and subsequent items.

Revisions to the consolidated performance forecast for the full year ending February 28, 2025 (March 1, 2024 – February 28, 2025)

	Net sales
	Million yen
Previous forecast (A)	200,000
Revised forecast (B)	210,000
Change (B-A)	10,000
Change rate (%)	5.0
*(Reference) Fiscal year ended February 29, 2024	189,629

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	14,133	13,660
Notes and accounts receivable—trade, and contract assets	15,933	14,276
Merchandise and finished goods	35,257	36,555
Work in process	456	574
Raw materials and supplies	3,244	3,555
Other	4,675	3,769
Allowance for doubtful accounts	(301)	(314)
Total current assets	73,400	72,078
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,267	19,446
Land	22,626	22,766
Other, net	8,573	8,373
Total property, plant and equipment	50,468	50,586
Intangible assets		
Goodwill	3,289	2,984
Other	5,533	6,102
Total intangible assets	8,822	9,087
Investments and other assets		
Investment securities	16,600	15,863
Retirement benefit asset	7,774	7,885
Deferred tax assets	4,805	4,581
Other	9,585	9,715
Allowance for doubtful accounts	(93)	(94)
Total investments and other assets	38,671	37,951
Total non-current assets	97,962	97,625
Total assets	171,362	169,703

(Million yen)

	As of February 29, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable—trade	8,740	9,571
Electronically recorded obligations—operating	13,871	13,771
Short-term borrowings	25,412	23,111
Income taxes payable	965	649
Provision for bonuses	1,296	1,118
Provision for bonuses for directors	216	48
Other	11,847	12,596
Total current liabilities	62,350	60,866
Non-current liabilities		
Long-term borrowings	12,255	16,272
Retirement benefit liability	2,752	2,706
Provision for retirement benefits for directors and corporate auditors	290	45
Asset retirement obligations	2,629	2,716
Other	6,088	5,748
Total non-current liabilities	24,017	27,488
Total liabilities	86,367	88,355
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,342	50,335
Retained earnings	21,165	20,107
Treasury shares	(20,737)	(20,723)
Total shareholders' equity	80,849	79,798
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,431	2,247
Deferred gains or losses on hedges	4	(77)
Revaluation reserve for land	(5,837)	(5,825)
Foreign currency translation adjustment	451	3,219
Remeasurements of defined benefit plans	1,896	1,916
Total accumulated other comprehensive income	(1,052)	1,480
Share acquisition rights	76	68
Non-controlling interests	5,122	—
Total net assets	84,995	81,347
Total liabilities and net assets	171,362	169,703

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Net sales	90,411	95,102
Cost of sales	39,258	42,392
Gross profit	51,152	52,709
Selling, general and administrative expenses	46,129	47,454
Operating profit	5,022	5,255
Non-operating income		
Interest income	37	22
Dividend income	112	150
Share of profit of entities accounted for using equity method	15	65
Reversal of allowance for doubtful accounts	35	–
Other	115	68
Total non-operating income	317	306
Non-operating expenses		
Interest expenses	269	173
Foreign exchange losses	473	8
Other	183	166
Total non-operating expenses	927	349
Recurring profit	4,412	5,213
Extraordinary income		
Gain on sales of non-current assets	–	902
Gain on sales of investment securities	362	865
Total extraordinary income	362	1,767
Extraordinary losses		
Impairment loss	242	243
Provision for loss on disaster	137	–
Loss on liquidation of subsidiaries and associates	–	1,445
Other	5	10
Total extraordinary losses	385	1,700
Profit before income taxes	4,390	5,280
Total income taxes	1,382	1,110
Profit	3,007	4,170
Profit attributable to non-controlling interests	144	61
Profit attributable to owners of parent	2,862	4,108

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Profit	3,007	4,170
Other comprehensive income		
Valuation difference on available-for-sale securities	(434)	(191)
Deferred gains or losses on hedges	16	(82)
Revaluation reserve for land	–	12
Foreign currency translation adjustment	(694)	2,757
Remeasurements of defined benefit plans, net of tax	(46)	20
Share of other comprehensive income of entities accounted for using equity method	0	17
Total other comprehensive income	(1,158)	2,532
Comprehensive income	1,848	6,703
Comprehensive income attributable to:		
Owners of parent	1,704	6,641
Non-controlling interests	144	61

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	4,390	5,280
Depreciation and amortization	1,957	2,007
Impairment loss	242	243
Amortization of goodwill	410	427
Increase (decrease) in allowance for doubtful accounts	(157)	(37)
Decrease (increase) in retirement benefit asset	(63)	(110)
Increase (decrease) in retirement benefit liability	(26)	(46)
Interest and dividend income	(150)	(172)
Interest expenses	269	173
Decrease (increase) in trade receivables	1,722	1,215
Decrease (increase) in inventories	(4,026)	(2,315)
Increase (decrease) in trade payables	(412)	979
Loss (gain) on sales of shares of subsidiaries and associates	0	–
Loss (gain) on disposal of non-current assets	4	(896)
Other, net	(2,231)	(1,203)
Subtotal	1,928	5,547
Interest and dividends received	153	207
Interest paid	(352)	(175)
Income taxes paid	(1,044)	(853)
Income taxes refund	407	1,556
Net cash provided by (used in) operating activities	1,092	6,282
Cash flows from investing activities		
Purchase of property, plant and equipment	(868)	(1,203)
Proceeds from sales of property, plant and equipment	51	1,526
Purchase of investment securities	(2,017)	(2)
Proceeds from sales of investment securities	1,770	1,254
Payments of guarantee deposits	(350)	(136)
Proceeds from refund of guarantee deposits	161	156
Purchase of long-term prepaid expenses	(0)	(131)
Other, net	(639)	(1,489)
Net cash provided by (used in) investing activities	(1,893)	(27)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,272	676
Proceeds from long-term borrowings	–	6,000
Repayments of long-term borrowings	(1,860)	(3,035)
Dividends paid	(1,628)	(2,714)
Repayments to non-controlling shareholders	(5,020)	(5,061)
Other, net	(757)	(637)
Net cash provided by (used in) financing activities	(994)	(4,772)
Effect of exchange rate change on cash and cash equivalents	314	257
Net increase (decrease) in cash and cash equivalents	(1,481)	1,739
Cash and cash equivalents at beginning of period	13,795	14,133
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	–	(2,213)
Cash and cash equivalents at end of period	12,314	13,660

(4) Notes to Semi-annual Consolidated Financial Statements
(Segment information, etc.)

I Six months ended August 31, 2023 (from March 1, 2023 to August 31, 2023)

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

	(Million yen)				
	Domestic Business	Overseas Business	Total	Adjustments (Note 1)	Amount recorded in Semi-annual Consolidated Statements of Income (Note 2)
Net sales					
(1) Net sales to outside customers	82,603	7,807	90,411	–	90,411
(2) Intersegment sales or transfers	481	1,111	1,593	(1,593)	–
Total	83,085	8,918	92,004	(1,593)	90,411
Segment profit (loss)	6,032	(661)	5,371	(349)	5,022

(Notes) 1. The adjustment amount for segment profit (loss) of (349) million yen includes amortization of goodwill of (410) million yen, elimination of intersegment transactions of 2,040 million yen, and corporate expenses not allocated to reportable segments of (1,979) 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 Semi-annual 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 Six months ended August 31, 2024 (from March 1, 2024 to August 31, 2024)

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

(Million yen)

	Domestic Business	Overseas Business	Total	Adjustments (Note 1)	Amount recorded in Semi-annual Consolidated Statements of Income (Note 2)
Net sales					
(1) Net sales to outside customers	86,049	9,052	95,102	—	95,102
(2) Intersegment sales or transfers	745	1,806	2,552	(2,552)	—
Total	86,795	10,859	97,655	(2,552)	95,102
Segment profit (loss)	5,613	(112)	5,500	(245)	5,255

(Notes) 1. The adjustment amount for segment profit (loss) of (245) million yen includes amortization of goodwill of (427) million yen, elimination of intersegment transactions of 2,078 million yen, and corporate expenses not allocated to reportable segments of (1,896) 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 Semi-annual 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. Changes in reportable segments

As of the first half of the fiscal year under review, we have changed our reportable segments from the previous categories of “Apparel Business (Domestic),” “Apparel Business (Overseas),” and “Lifestyle Business” to “Domestic Business” and “Overseas Business.”

This change is aimed at conducting business management more in line with actual conditions by integrating both segments, as the boundaries between apparel and lifestyle are becoming less distinct amid the ongoing diversification of the market.

The segment information for the first half of the previous fiscal year has been prepared and presented based on the new categorization.

(Notes when there are significant changes in amounts of shareholders' equity)

Not applicable.

(Uncertainties of entity's ability to continue as going concern)

Not applicable.

(Significant events after reporting period)

(Conversion to consolidated subsidiary through acquisition of shares)

The Company resolved to acquire additional shares of WEGO Co., Ltd., previously an equity-method affiliate, and to make it a consolidated subsidiary at a meeting of the Board of Directors held on 28th August 2024. Then the Company acquired the shares on 27th September 2024.

(1) Summary of business combination

1) Name and details of business of acquiree

Name: WEGO Co., Ltd.

Details of business: Planning, manufacturing, and sale of clothing, sundries, etc.

2) Main reason for business combination

Under its mission statement, “Enriching and Adding Color to People’s Lives while Caring for the Planet,” the Company provides customers with valuable products and services in the fashion, wellness, and corporate design fields. Meanwhile, WEGO is a fashion company that aims to create new value by combining fashion, culture, and lifestyle under the corporate identity of “YOUR FAN.”

In May 2023, the Company entered into a capital and business alliance and became WEGO’s shareholder with 20.27% of the total number of its shares issued. Through this alliance, we have aimed to revitalize WEGO’s business by utilizing the Company’s management know-how and other resources. As a result, WEGO is expected to return to profitability at the operating level in fiscal 2024 for the first time in five fiscal years.

By acquiring the remaining 79.73% of WEGO’s shares and making it a wholly owned subsidiary, we will make investments in DX and human capital to further improve WEGO’s performance, thereby enhancing the corporate value of the Onward Group.

3) Date of business combination

September 27, 2024

4) Legal form of business combination

Share acquisition with cash consideration

5) Name of entity after business combination

No change

6) Ratio of voting rights acquired

Ratio of voting rights owned immediately before the date of business combination: 20.27%

Ratio of voting rights additionally acquired on the date of business combination: 79.73%

Ratio of voting rights after acquisition: 100.00%

7) Main grounds for determining acquirer

Due to the Company’s acquisition of shares with cash consideration

(2) Acquisition cost of acquiree and the breakdown by type of consideration

Consideration for	Cash and deposits	500 million yen
additional acquisition		

Additional acquisition cost	500 million yen
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(Note)The completion of the Share Acquisition is conditional on the Company lending WEGO Co., Ltd. the necessary funds to make an early repayment of the debt held by WEGO Co., Ltd.

(3) Content and amount of main acquisition-related costs

Not determined at this time.

(4) Amount, reason, and method and period of amortization with respect to goodwill incurred
Not determined at this time.

(5) Amount and breakdown of main assets acquired and liabilities assumed on the date of business combination
Not determined at this time.