[Delayed]Consolidated Financial Results for the Six Months Ended August 31, 2021 [Japanese GAAP]

October 7, 2021

Company name: Onward Holdings Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 8016
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Scheduled date of filing quarterly securities report: October 14, 2021
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 Six Months Ended August 31, 2021 (March 1, 2021 – August 31, 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
August 31, 2021	80,785	(0.7)	(3,294)	–	(2,862)	–	7,448	–
August 31, 2020	81,353	(31.3)	(10,979)	–	(11,454)	–	(15,188)	–

(Note) Comprehensive income: Six months ended August 31, 2021: 9,842 million yen [–%]
Six months ended August 31, 2020: (12,250) million yen [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2021	54.92	54.81
August 31, 2020	(112.26)	–

(Reference) EBITDA (operating profit + depreciation and amortization):
Six months ended August 31, 2021: (687) million yen [–%]
Six months ended August 31, 2020: (7,989) 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 August 31, 2021	165,157	65,441	39.4
As of February 28, 2021	196,052	59,509	28.9

(Reference) Shareholders’ equity: As of August 31, 2021: 65,057 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: Yes
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 August 31, 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 August 31, 2021:	22,309,031 shares
As of February 28, 2021:	22,322,123 shares

3) Average number of shares outstanding during the period:

Six months ended August 31, 2021:	135,607,220 shares
Six months ended August 31, 2020:	135,297,917 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 six months ended August 31, 2021, although economic recovery was expected in line with the progress in vaccination against COVID-19, the spread of COVID-19 variants did not slow down. In response, the government expanded the areas subject to the declaration of a state of emergency and priority measures to prevent the spread of the virus, leading to sluggish consumer sentiment and economic activities that were significantly restricted. As a result, the outlook of the Japanese economy continued to remain uncertain.

In these circumstances, the Company launched the CRAHUG project, a Direct to Consumer (D2C) support project, with the aim of supporting production in Japan. The project provides assistance to producers and factories across the country in production management, sales support and sales promotion of their original products. In addition, the D2C brand #Newans is promoting innovations in new business models. For example, the brand’s Creating Together Project, a consumer engagement-type framework launched this spring, created a Consumer to Consumer (C2C) model featuring product planning that gives shape to consumer feedback.

Net sales continued to suffer severe conditions from the impact of the prolonged declaration of the state of emergency. However, as the global business reforms that had been conducted since the autumn of 2019 played out, operating profit and loss improved mainly due to a significant improvement in gross profit margin as well as a reduced SGA ratio achieved by cutting fixed costs.

As a result of the above, consolidated net sales amounted to 80,785 million yen (a 0.7% decrease year-on-year), a consolidated operating loss was recorded at 3,294 million yen (an operating loss of 10,979 million yen for the same period of the previous fiscal year), a consolidated recurring loss was recorded at 2,862 million yen (a recurring loss of 11,454 million yen for the same period of the previous fiscal year), and profit attributable to owners of parent amounted to 7,448 million yen (a loss attributable to owners of parent of 15,188 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 six months ended August 31, 2021 was (687) million yen ((7,989) 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, (4) 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 six months ended August 31, 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, (4) 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, at Tiaclasse Co., Ltd., whose main sales channel is e-commerce, both sales and profit increased as in the previous fiscal year. In addition, sales increased with improved operating profit and loss at Onward Kashiyama Co., Ltd., which is a core group company, and at Island Co., Ltd., which operates Grace Continental as its core brand.

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

As a result, operating loss was significantly minimized 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 increased, and profitability was restored also at Creative Yoko Co., Ltd., which is engaged in a pet and home life business, due to strong performance of its products that designed for at-home consumption. Meanwhile, both sales and profit decreased at companies including Onward Beach Resort Guam, Inc., which operates a resort business in Guam, due to the continued declaration of a state of emergency.

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 second quarter of the fiscal year under review decreased by 30,894 million yen compared with the end of the previous fiscal year to 165,157 million yen. This was primarily due to decreases in land of 9,774 million yen, merchandise and finished goods of 3,784 million yen, and notes and accounts receivable—trade, and contract assets of 7,263 million yen.

Liabilities decreased by 36,827 million yen compared with the end of the previous fiscal year to 99,716 million yen. This was primarily due to decreases in notes and accounts payable—trade of 5,855 million yen and short-term borrowings of 19,287 million yen.

Net assets increased by 5,932 million yen compared with the end of the previous fiscal year to 65,441 million yen. This was primarily due to profit attributable to owners of parent of 7,448 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 39.4%.

(Status of cash flows)

Cash flows provided by operating activities amounted to 962 million yen (an outflow of 22,914 million yen for the same period of the previous fiscal year) primarily due to recording profit before income taxes, and decreases in trade receivables and trade payables.

Cash flows provided by investing activities amounted to 20,022 million yen (an inflow of 4,500 million yen for the same period of the previous fiscal year) primarily due to proceeds from sales of property, plant and equipment.

Cash flows used in financing activities amounted to 23,966 million yen (an inflow of 16,025 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 six months ended August 31, 2021 decreased by 2,008 million yen compared with the end of the previous fiscal year to 19,261 million yen.

(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, 2022, which was announced on April 8, 2021, based on the financial results for the second quarter of the fiscal year under review. For details, please refer to "Notice on Differences between the Consolidated Performance Forecast and the Results for the Six Months Ended August 31, 2021 and Revisions to the Consolidated Performance Forecast for the Full Year Ending February 28, 2022" announced today, 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 August 31, 2021
Assets		
Current assets		
Cash and deposits	21,301	19,286
Notes and accounts receivable—trade	18,251	—
Notes and accounts receivable—trade, and contract assets	—	10,987
Merchandise and finished goods	28,909	25,124
Work in process	1,010	712
Raw materials and supplies	4,435	2,796
Other	6,829	3,840
Allowance for doubtful accounts	(277)	(301)
Total current assets	80,460	62,447
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,316	23,272
Land	35,259	25,484
Other, net	12,249	12,521
Total property, plant and equipment	71,825	61,278
Intangible assets		
Goodwill	5,251	4,959
Other	5,416	5,144
Total intangible assets	10,667	10,103
Investments and other assets		
Investment securities	14,312	14,689
Retirement benefit asset	2,814	2,908
Deferred tax assets	7,486	5,101
Other	8,778	8,957
Allowance for doubtful accounts	(292)	(328)
Total investments and other assets	33,099	31,328
Total non-current assets	115,592	102,710
Total assets	196,052	165,157

(Million yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable—trade	13,472	7,616
Electronically recorded obligations—operating	8,484	8,197
Short-term borrowings	61,618	42,331
Income taxes payable	669	2,925
Provision for bonuses	589	917
Provision for bonuses for directors	25	33
Provision for sales returns	125	—
Provision for point card certificates	636	—
Other	13,927	10,180
Total current liabilities	99,549	72,202
Non-current liabilities		
Long-term borrowings	16,430	14,404
Retirement benefit liability	3,482	3,083
Provision for retirement benefits for directors and corporate auditors	232	240
Asset retirement obligations	1,661	2,644
Other	15,187	7,141
Total non-current liabilities	36,993	27,513
Total liabilities	136,543	99,716
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,390	50,390
Retained earnings	9,321	15,617
Treasury shares	(20,865)	(20,852)
Total shareholders' equity	68,926	75,235
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,939)	(1,121)
Deferred gains or losses on hedges	15	(28)
Revaluation reserve for land	(7,864)	(7,619)
Foreign currency translation adjustment	(1,669)	(677)
Remeasurements of defined benefit plans	(744)	(730)
Total accumulated other comprehensive income	(12,202)	(10,177)
Share acquisition rights	138	131
Non-controlling interests	2,646	252
Total net assets	59,509	65,441
Total liabilities and net assets	196,052	165,157

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six months ended August 31

(Million yen)

	For the six months ended August 31, 2020	For the six months ended August 31, 2021
Net sales	81,353	80,785
Cost of sales	47,003	39,767
Gross profit	34,349	41,018
Selling, general and administrative expenses	45,328	44,313
Operating loss	(10,979)	(3,294)
Non-operating income		
Interest income	23	20
Dividend income	116	91
Foreign exchange gains	—	109
Subsidy income	108	450
Other	438	573
Total non-operating income	685	1,244
Non-operating expenses		
Interest expenses	242	221
Share of loss of entities accounted for using equity method	38	42
Foreign exchange losses	648	—
Other	232	548
Total non-operating expenses	1,161	812
Recurring loss	(11,454)	(2,862)
Extraordinary income		
Subsidies for employment adjustment, etc.	1,811	244
Gain on sales of non-current assets	2,013	17,089
Gain on sales of investment securities	8	92
Gain on sales of shares of subsidiaries and associates	–	2,944
Total extraordinary income	3,833	20,370
Extraordinary losses		
Loss on liquidation of business	953	—
Extraordinary loss due to closing and other	3,254	1,062
Loss on sales of shares of subsidiaries and associates	–	1,829
Impairment loss	904	222
Loss on valuation of investment securities	1,657	–
Loss on liquidation of subsidiaries and associates	–	1,968
Other	430	310
Total extraordinary losses	7,200	5,393
Profit (loss) before income taxes	(14,821)	12,114
Total income taxes	146	4,525
Profit (loss)	(14,967)	7,589
Profit attributable to non-controlling interests	221	140
Profit (loss) attributable to owners of parent	(15,188)	7,448

Quarterly Consolidated Statements of Comprehensive Income

Six months ended August 31

(Million yen)

	For the six months ended August 31, 2020	For the six months ended August 31, 2021
Profit (loss)	(14,967)	7,589
Other comprehensive income		
Valuation difference on available-for-sale securities	2,028	818
Deferred gains or losses on hedges	7	(43)
Revaluation reserve for land	1,064	453
Foreign currency translation adjustment	(245)	1,011
Remeasurements of defined benefit plans, net of tax	(137)	14
Total other comprehensive income	2,717	2,253
Comprehensive income	(12,250)	9,842
Comprehensive income attributable to:		
Owners of parent	(12,467)	9,682
Non-controlling interests	217	159

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2020	For the six months ended August 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	(14,821)	12,114
Depreciation and amortization	2,804	2,392
Impairment loss	904	222
Amortization of goodwill	397	382
Increase (decrease) in allowance for doubtful accounts	(102)	86
Decrease (increase) in retirement benefit asset	242	(93)
Increase (decrease) in retirement benefit liability	(162)	7
Interest and dividend income	(139)	(111)
Interest expenses	242	221
Decrease (increase) in trade receivables	8,301	4,369
Decrease (increase) in inventories	(474)	1,573
Increase (decrease) in trade payables	(11,887)	(3,396)
Loss (gain) on sales of shares of subsidiaries and associates	–	(1,114)
Loss (gain) on disposal of non-current assets	(1,986)	(17,055)
Other, net	(7,524)	998
Subtotal	(24,204)	596
Interest and dividends received	144	161
Interest paid	(260)	(327)
Income taxes paid	(452)	(1,802)
Income taxes refund	1,858	2,334
Net cash provided by (used in) operating activities	(22,914)	962
Cash flows from investing activities		
Payments into time deposits	(51)	(31)
Proceeds from withdrawal of time deposits	26	39
Purchase of property, plant and equipment	(2,950)	(1,658)
Proceeds from sales of property, plant and equipment	7,788	28,987
Purchase of investment securities	(25)	(7)
Proceeds from sales of investment securities	503	504
Payments of guarantee deposits	(140)	(856)
Proceeds from refund of guarantee deposits	336	864
Purchase of long-term prepaid expenses	(48)	(17)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(8,366)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	1,620
Other, net	(938)	(1,054)
Net cash provided by (used in) investing activities	4,500	20,022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	18,518	(19,262)
Proceeds from long-term borrowings	5,000	–
Repayments of long-term borrowings	(2,376)	(2,526)
Dividends paid	(3,240)	(1,627)
Other, net	(1,875)	(550)
Net cash provided by (used in) financing activities	16,025	(23,966)
Effect of exchange rate change on cash and cash equivalents	(226)	973
Net increase (decrease) in cash and cash equivalents	(2,614)	(2,008)
Cash and cash equivalents at beginning of period	28,780	21,270
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	100	–
Cash and cash equivalents at end of period	26,265	19,261

(4) 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 six months ended August 31, 2021, net sales increased by 3,469 million yen, cost of sales decreased by 1,006 million yen, selling, general and administrative expenses increased by 4,501 million yen, operating loss and recurring loss each deteriorated by 25 million yen, and profit before income taxes decreased by 25 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 six months ended August 31, 2020 have been reclassified to reflect this change in the presentation method.

As a result, 695 million yen presented in "Rental income from land and buildings" and 71 million yen presented in "Other" under "Non-operating income" in the Quarterly Consolidated Statements of Income for the six months ended August 31, 2020 have been reclassified as "Net sales." Additionally, 36 million yen presented in "Selling, general and administrative expenses" and 259 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 second 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 Six months ended August 31, 2020 (From March 1, 2020 to August 31, 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	49,175	14,896	64,072	17,281	81,353	–	81,353
(2) Intersegment sales or transfers	586	643	1,230	1,038	2,268	(2,268)	–
Total	49,762	15,540	65,302	18,319	83,621	(2,268)	81,353
Segment profit (loss)	(8,245)	(2,831)	(11,077)	434	(10,642)	(336)	(10,979)

(Notes) 1. The adjustment amount for segment profit (loss) of (336) million yen includes amortization of goodwill of (397) million yen, elimination of intersegment transactions of 2,367 million yen, and corporate expenses not allocated to reportable segments of (2,306) 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 446 million yen, 456 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 Six months ended August 31, 2021 (From March 1, 2021 to August 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	52,182	10,046	62,229	18,556	80,785	–	80,785
(2) Intersegment sales or transfers	323	589	912	619	1,532	(1,532)	–
Total	52,506	10,635	63,141	19,175	82,317	(1,532)	80,785
Segment profit (loss)	(3,637)	(487)	(4,124)	1,061	(3,063)	(231)	(3,294)

(Notes) 1. The adjustment amount for segment profit (loss) of (231) million yen includes amortization of goodwill of (382) million yen, elimination of intersegment transactions of 1,842 million yen, and corporate expenses not allocated to reportable segments of (1,691) 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 six months ended August 31, 2021, for the "Apparel Business," net sales increased by 3,630 million yen and segment loss deteriorated by 22 million yen, for the "Lifestyle Business," net sales and segment profit decreased by 160 million yen and 3 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 six months ended August 31, 2020 have also been restated to reflect the reclassification. As a result of these changes, segment loss for the "Apparel Business" improved by 22 million yen, and net sales and segment profit for the "Lifestyle Business" increased by 767 million yen and 470 million yen, respectively, compared with before the reclassification.

(Significant events after reporting period)

Not applicable.