

**[Delayed] Consolidated Financial Results
for the Six Months Ended August 31, 2022
[Japanese GAAP]**



October 6, 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: October 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 Six Months Ended August 31, 2022 (March 1, 2022 – August 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	%
Six months ended August 31, 2022	82,166	1.7	193	–	654	–	476	(93.6)
August 31, 2021	80,785	(0.7)	(3,294)	–	(2,862)	–	7,448	–

(Note) Comprehensive income: Six months ended August 31, 2022: 6,340 million yen [(35.6)%]

Six months ended August 31, 2021: 9,842 million yen [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2022	3.51	3.51
August 31, 2021	54.92	54.81

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

Six months ended August 31, 2022: 2,838 million yen [–%]

Six months ended August 31, 2021: (687) million yen [–%]

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of August 31, 2022	154,529	81,677	46.1
As of February 28, 2022	157,727	77,257	42.4

(Reference) Shareholders' equity: As of August 31, 2022: 71,306 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	173,800	3.2	4,100	–	4,300	747.7	2,200	(74.3)	16.22

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

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

Full year ending February 28, 2023 (forecast): 9,080 million yen [131.9%]

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 August 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 August 31, 2022:	22,288,168 shares
As of February 28, 2022:	22,287,771 shares
 - 3) Average number of shares outstanding during the period:

Six months ended August 31, 2022:	135,633,704 shares
Six months ended August 31, 2021:	135,607,220 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 six months ended August 31, 2022, the outlook for the Japanese economy remained uncertain with a resurgence of COVID-19 infections, the soaring energy and raw material prices due to the Russo-Ukrainian situation, and the sudden depreciation of the Japanese yen, despite signs of gradual recovery due to the lifting of priority measures to prevent the spread of COVID-19.

In these circumstances, COVID-19 continued to influence overseas production, international distribution, and attraction of customers to stores and events, but sales at stores that introduced OMO (Online Merges with Offline) service were particularly strong, and the main brand business recovered owing to customer-oriented product measures including made-to-order suits. As a result, net sales increased particularly for Onward Kashiya Co., Ltd., which is a core operating company. The Group also curbed discount sales and continued to fully implement a centralized inventory control system, and the global business reforms that had been conducted since the fiscal year ended February 28, 2020 generated results, thus realizing improvements in gross profit margin and SG&A ratio, and a return to profit on all profit levels, including operating profit, recurring profit, and profit attributable to owners of parent.

As a result of the above, consolidated net sales amounted to 82,166 million yen (a 1.7% increase year on year), consolidated operating profit amounted to 193 million yen (an operating loss of 3,294 million yen for the same period of the previous fiscal year), consolidated recurring profit amounted to 654 million yen (a recurring loss of 2,862 million yen for the same period of the previous fiscal year), and profit attributable to owners of parent amounted to 476 million yen (a 93.6% 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 six months ended August 31, 2022 was 2,838 million yen ((687) million yen for the same period of the previous fiscal year).

Status by segment is as follows.

[Apparel Business]

In the domestic business, at Onward Kashiya Co., Ltd., sales increased at OMO-type stores, which introduced the Click and Try service, and sales of main brands such as Nijyusanku and GOTAIRIKU recovered primarily at department stores, while the new UNFILO brand developed hit products, thus resulting in strong sales. In addition, sales surged at Onward Personal Style Co., Ltd., which develops the KASHIYAMA brand, a made-to-order suit business, due to the success of sales promotion strategies. Other domestic apparel companies also recovered with increased sales and a return to profitability in the domestic business.

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 loss significantly reduced in the Apparel Business.

[Lifestyle Business]

Sales increased steadily at Chacott Co., Ltd., which operates a wellness business, due to strong performance of collaborative products and new products in its mainstay ballet and fitness wear merchandise line. KOKOBUY Co., Ltd., which conducts a beauty and cosmetics business, continued to see high sales growth, due largely to its mainstay hair wax, as well as the introduction of a seasonal dry shampoo product and new cosmetic products. Yamato Co., Ltd., which conducts a gift catalogue business, and 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 second quarter of the fiscal year under review decreased by 3,197 million yen compared with the end of the previous fiscal year to 154,529 million yen. This was primarily due to decreases in cash and deposits of 460 million yen, buildings and structures of 1,630 million yen, and notes and accounts receivable—trade, and contract assets of 2,900 million yen.

Liabilities decreased by 7,618 million yen compared with the end of the previous fiscal year to 72,851 million yen. This was primarily due to decreases in electronically recorded obligations—operating of 2,069 million yen, short-term borrowings of 2,720 million yen, and long-term borrowings of 1,860 million yen.

Net assets increased by 4,420 million yen compared with the end of the previous fiscal year to 81,677 million yen. This was primarily due to profit attributable to owners of parent of 476 million yen, dividends of surplus of 1,627 million yen, an increase in valuation difference on available-for-sale securities of 2,657 million yen, and an increase in foreign currency translation adjustment of 2,876 million yen.

As a result, the shareholders' equity ratio was 46.1%.

(Status of cash flows)

Cash flows provided by operating activities amounted to 1,399 million yen (an inflow of 962 million yen for the same period of the previous fiscal year) mainly due to profit before income taxes, a decrease in trade receivables, and a decrease in trade payables.

Cash flows provided by investing activities amounted to 5,935 million yen (an inflow of 20,022 million yen for the same period of the previous fiscal year) mainly due to proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows used in financing activities amounted to 8,332 million yen (an outflow of 23,966 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, 2022 decreased by 460 million yen compared with the end of the previous fiscal year to 14,739 million yen.

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

No revisions have been made to the consolidated performance forecast for the full year ending February 28, 2023, which was announced on September 27, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	15,209	14,749
Notes and accounts receivable—trade, and contract assets	14,204	11,303
Merchandise and finished goods	23,908	24,635
Work in process	449	500
Raw materials and supplies	2,478	2,439
Other	4,509	4,789
Allowance for doubtful accounts	(252)	(347)
Total current assets	60,508	58,071
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,008	21,377
Land	23,371	23,476
Other, net	11,663	11,363
Total property, plant and equipment	58,042	56,217
Intangible assets		
Goodwill	4,631	4,460
Other	4,717	4,072
Total intangible assets	9,349	8,532
Investments and other assets		
Investment securities	14,117	15,772
Retirement benefit asset	3,248	3,413
Deferred tax assets	4,338	3,488
Other	8,286	9,229
Allowance for doubtful accounts	(163)	(194)
Total investments and other assets	29,827	31,708
Total non-current assets	97,219	96,458
Total assets	157,727	154,529

(Million yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable—trade	6,361	8,244
Electronically recorded obligations—operating	11,860	9,791
Short-term borrowings	22,758	20,037
Income taxes payable	2,022	866
Provision for bonuses	626	1,053
Provision for bonuses for directors	50	38
Other	12,080	10,232
Total current liabilities	55,761	50,265
Non-current liabilities		
Long-term borrowings	12,377	10,517
Retirement benefit liability	2,858	2,827
Provision for retirement benefits for directors and corporate auditors	247	255
Asset retirement obligations	2,503	2,559
Other	6,722	6,428
Total non-current liabilities	24,709	22,586
Total liabilities	80,470	72,851
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,390	50,390
Retained earnings	15,391	14,239
Treasury shares	(20,831)	(20,831)
Total shareholders' equity	75,030	73,878
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,646)	1,010
Deferred gains or losses on hedges	1	63
Revaluation reserve for land	(5,698)	(5,698)
Foreign currency translation adjustment	(328)	2,548
Remeasurements of defined benefit plans	(472)	(495)
Total accumulated other comprehensive income	(8,144)	(2,572)
Share acquisition rights	122	122
Non-controlling interests	10,248	10,248
Total net assets	77,257	81,677
Total liabilities and net assets	157,727	154,529

(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, 2021	For the six months ended August 31, 2022
Net sales	80,785	82,166
Cost of sales	39,767	37,431
Gross profit	41,018	44,735
Selling, general and administrative expenses	44,313	44,541
Operating profit (loss)	(3,294)	193
Non-operating income		
Interest income	20	13
Dividend income	91	106
Foreign exchange gains	109	708
Subsidy income	450	109
Other	573	178
Total non-operating income	1,244	1,116
Non-operating expenses		
Interest expenses	221	131
Share of loss of entities accounted for using equity method	42	34
Other	548	489
Total non-operating expenses	812	655
Recurring profit (loss)	(2,862)	654
Extraordinary income		
Gain on sales of non-current assets	17,089	–
Gain on sales of investment securities	92	120
Gain on sales of shares of subsidiaries and associates	2,944	1,306
Subsidies for employment adjustment, etc.	244	–
Other	–	28
Total extraordinary income	20,370	1,455
Extraordinary losses		
Extraordinary loss due to closing and other	1,062	4
Loss on sales of shares of subsidiaries and associates	1,829	–
Impairment loss	222	470
Loss on liquidation of subsidiaries and associates	1,968	–
Other	310	11
Total extraordinary losses	5,393	485
Profit before income taxes	12,114	1,624
Total income taxes	4,525	1,341
Profit	7,589	282
Profit (loss) attributable to non-controlling interests	140	(193)
Profit attributable to owners of parent	7,448	476

Quarterly Consolidated Statements of Comprehensive Income

Six months ended August 31

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Profit	7,589	282
Other comprehensive income		
Valuation difference on available-for-sale securities	818	2,657
Deferred gains or losses on hedges	(43)	61
Revaluation reserve for land	453	–
Foreign currency translation adjustment	1,011	3,362
Remeasurements of defined benefit plans, net of tax	14	(23)
Total other comprehensive income	2,253	6,057
Comprehensive income	9,842	6,340
Comprehensive income attributable to:		
Owners of parent	9,682	6,048
Non-controlling interests	159	292

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	12,114	1,624
Depreciation and amortization	2,392	2,243
Impairment loss	222	470
Amortization of goodwill	382	401
Increase (decrease) in allowance for doubtful accounts	86	111
Decrease (increase) in retirement benefit asset	(93)	(164)
Increase (decrease) in retirement benefit liability	7	(32)
Interest and dividend income	(111)	(119)
Interest expenses	221	131
Decrease (increase) in trade receivables	4,369	3,065
Decrease (increase) in inventories	1,573	(477)
Increase (decrease) in trade payables	(3,396)	(381)
Loss (gain) on sales of shares of subsidiaries and associates	(1,114)	(1,306)
Loss (gain) on disposal of non-current assets	(17,055)	1
Other, net	998	(3,293)
Subtotal	596	2,272
Interest and dividends received	161	1,301
Interest paid	(327)	(154)
Income taxes paid	(1,802)	(2,051)
Income taxes refund	2,334	31
Net cash provided by (used in) operating activities	962	1,399
Cash flows from investing activities		
Payments into time deposits	(31)	(11)
Proceeds from withdrawal of time deposits	39	11
Purchase of property, plant and equipment	(1,658)	(1,478)
Proceeds from sales of property, plant and equipment	28,987	–
Purchase of investment securities	(7)	(1)
Proceeds from sales of investment securities	504	1,306
Payments of guarantee deposits	(856)	(204)
Proceeds from refund of guarantee deposits	864	259
Purchase of long-term prepaid expenses	(17)	(22)
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	7,652
Other, net	(1,054)	(1,574)
Net cash provided by (used in) investing activities	20,022	5,935
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(19,262)	(3,868)
Repayments of long-term borrowings	(2,526)	(2,193)
Dividends paid	(1,627)	(1,627)
Other, net	(550)	(644)
Net cash provided by (used in) financing activities	(23,966)	(8,332)
Effect of exchange rate change on cash and cash equivalents	973	537
Net increase (decrease) in cash and cash equivalents	(2,008)	(460)
Cash and cash equivalents at beginning of period	21,270	15,199
Cash and cash equivalents at end of period	19,261	14,739

(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 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.

This change is not applicable to the second quarter of the fiscal year under review.

(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 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.

II Six months ended August 31, 2022 (From March 1, 2022 to August 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	56,043	5,773	61,817	20,348	82,166	–	82,166
(2) Intersegment sales or transfers	557	928	1,485	718	2,203	(2,203)	–
Total	56,601	6,702	63,303	21,066	84,370	(2,203)	82,166
Segment profit (loss)	57	(1,005)	(948)	1,664	716	(522)	193

(Notes) 1. The adjustment amount for segment profit (loss) of (522) million yen includes amortization of goodwill of (401) million yen, elimination of intersegment transactions of 1,696 million yen, and corporate expenses not allocated to reportable segments of (1,817) 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.