

[Translation]

**Consolidated Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2023
[IFRS]**



February 10, 2023
Stock Exchange: Tokyo

Listed Company: Wacoal Holdings Corp.

Code Number: 3591 (URL: <https://www.wacoalholdings.jp/>)

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Scheduled quarterly report submission date: February 14, 2023

Scheduled dividend payment start date: -

Supplementary materials regarding quarterly business results: Yes

Explanatory meeting regarding quarterly business results: Yes (for institutional investors, analysts and the press)

(Amounts less than 1 million yen have been rounded)

1. Third Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 – December 31, 2022)

(1) Consolidated Business Results

(% indicates increase (decrease) from the corresponding period of the previous fiscal year)

	Revenue		Business Profit		Operating (Loss) Profit		Profit Before Income Taxes and Equity in Net Profit of Affiliated Companies		(Loss) Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Third Quarter ended December 31, 2022	143,903	10.7	4,978	(3.1)	(1,810)	-	252	(96.7)	(2,368)	-
Third Quarter ended December 31, 2021	129,989	-	5,136	-	6,113	-	7,577	-	4,908	-

	Net (Loss) Profit Attributable to Owners of Parent		Total Comprehensive Income		Basic (Loss) Earnings per Share		Diluted (Loss) Earnings per Share	
	Millions of Yen	%	Millions of Yen	%	Yen	Yen	Yen	Yen
Third Quarter ended December 31, 2022	(2,431)	-	961	(84.5)	(40.27)		(40.27)	
Third Quarter ended December 31, 2021	5,002	-	6,202	-	80.13		79.79	

(Note) Business profit is calculated by subtracting cost of sales, and selling, general and administrative expenses from revenue.

(2) Consolidated Financial Condition

	Total Assets		Total Equity		Equity Attributable to Owners of Parent		Ratio of Equity Attributable to Owners of Parent	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	%	
As of December 31, 2022	283,266		211,421		208,414		73.6	
As of the end of Fiscal Year (March 31, 2022)	299,177		220,868		217,990		72.9	

2. Status of Dividends

	Annual Dividend				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2022	–	20.00	–	30.00	50.00
Fiscal Year Ending March 31, 2023	–	40.00	–		
Fiscal Year Ending March 31, 2023 (Estimates)				40.00	80.00

(Note) Revision of estimated dividends announced during the latest quarter: No

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(% indicates increase (decrease) from the previous fiscal year)

	Revenue		Business Profit		Operating Loss		Loss Before Income Taxes and Equity in Net Profit of Affiliated Companies		Net Loss Attributable to Owners of Parent		Basic Loss per Share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	
Annual	190,000	10.4	2,000	304.9	(5,500)	-	(3,000)	-	(4,000)	-	(66.26)	

(Note) Revision of forecast of consolidated business results announced during the latest quarter: Yes

Notes

- (1) Changes in significant subsidiaries in the consolidated cumulative third quarter of the current fiscal year (i.e. changes in specified subsidiaries (*tokutei kogaisha*) which involve change in scope of consolidation): None
- (2) Changes in accounting principles and/or accounting estimates:
 - (i) Changes in accounting principles required by IFRS: None
 - (ii) Changes in accounting principles other than (i) above: None
 - (iii) Changes in accounting estimates: None
- (3) Number of Issued Shares (Common Stock)

	Third Quarter ended December 31, 2022	Fiscal Year ended March 31, 2022
(i) Number of issued shares (including treasury stock) as of the end of:	64,500,000 shares	65,589,042 shares
(ii) Number of shares held as treasury stock as of the end of:	5,763,428 shares	4,130,773 shares
(iii) Average number of shares during consolidated third quarter (third quarter ended December 31):	60,364,680 shares	62,424,097 shares

*These quarterly financial statements are exempt from the review procedures.

*Cautionary Statement regarding Forecast of Business Results

(Implementation of the International Financial Reporting Standards (“IFRS”))

Our group has implemented IFRS starting from the current consolidated fiscal year. The financial figures for the corresponding period of the previous fiscal year and the previous fiscal year are also presented in accordance with IFRS. For differences between IFRS and U.S. GAAP in the financial figures, please see “2. Condensed Quarterly Consolidated Financial Statements and Accompanying Notes – (5) Notes to Condensed Quarterly Consolidated Financial Statements (First-time adoption)” on page 19 of the attached materials.

(Cautionary note on forward-looking statements)

The forecast of business results is based on reasonable information we obtained as of the date hereof and, due to various risks, uncertainties and other factors arising in the future, actual results in the future may differ largely from the estimates set out in this document. For notes on conditions used for the forecast of business results and cautionary statements regarding forecast of business results, please see “1. Qualitative Information regarding Consolidated Performance during the Third Quarter – (3) Qualitative Information regarding Forecast of Consolidated Business Results” on page 10 of the attached materials.

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1. Qualitative Information regarding Consolidated Performance during the Third Quarter

(1) Qualitative Information regarding Consolidated Business Results

(i) Performance Overview of the Nine Months ended December 31, 2022

(Millions of Yen)

	Previous Consolidated Cumulative Third Quarter (From April 1, 2021 to December 31, 2021)	Current Consolidated Cumulative Third Quarter (From April 1, 2022 to December 31, 2022)	Increased/(Decreased) from previous consolidated cumulative third quarter	
	Amount	Amount	Amount	%
Revenue	129,989	143,903	+13,914	+10.7
Cost of sales	56,351	62,246	+5,895	+10.5
Gross profit	73,638	81,657	+8,019	+10.9
Selling, general and administrative expenses	68,502	76,679	+8,177	+11.9
Business profit	5,136	4,978	(158)	(3.1)
Other income	1,316	5,019	+3,703	+281.4
Other expenses	339	11,807	+11,468	-
Operating (loss) profit	6,113	(1,810)	(7,923)	-
Finance income	1,271	1,285	+14	+1.1
Finance expense	226	684	+458	+202.7
Share of profit of investments accounted for using equity method	419	1,461	+1,042	+248.7
Profit before income taxes and equity in net profit of affiliated companies	7,577	252	(7,325)	(96.7)
Net (loss) profit attributable to owners of parent	5,002	(2,431)	(7,433)	-

(Our group voluntarily implements the International Financial Reporting Standards (“IFRS”) starting from the beginning of the current cumulative third quarter, and the results for the previous cumulative third quarter have been reclassified to conform to IFRS.)

Business environment surrounding our group during the current consolidated cumulative third quarter (April 1, 2022 - December 31, 2022) were severely affected by weak sales in major countries and the consequential impact of our clients’ restraint of procurement. Despite relaxation of restrictions related to the coronavirus pandemic (“COVID-19”), recovery in sales from our group’s domestic business has been gradual as a result of the number of customers visiting our retail stores remained low, due to the negative impact on consumer spending arising from inflation concerns in the second half of the year. Our business environment in the United States remained sluggish due to the slowdown in consumer spending as well as the impact of inventory adjustments by suppliers. Our business in China also remained challenging due to the implementation of strict COVID-19 restrictions. Our business in Europe, on the other hand, maintained its strong sales despite the continuing inflation. In addition, our business in other Asian countries showed signs of recovery as relaxation of COVID-19 restrictions took place.

Under such circumstances, our group is moving forward with our initiatives to address increasingly complex and diverse social issues as an opportunity for future growth, and to enhance our corporate value by promoting “sustainable management”, a management approach that balances resolving social issues on one hand and sustainable growth on the other hand through our business activities, under the “VISION 2030”, our medium- to long-term strategy framework which we announced in June 2022. In addition, our new mid-term business plan for the next three years, which starts in the current fiscal year, is designed to lay the foundation to realize our new vision formulated under “VISION 2030”, which is “to evolve and grow” as “Wacoal Group of the World” by providing both physical and emotional beauty and richness to individuals through high sensitivity and premium quality”, and to promote initiatives for transforming into a highly profitable company capable of sustainable growth.

In our domestic business, we will continue promoting our unique CX strategy including the utilization of our customers database and merger between online and offline activities to improve value of our customer experience, and strengthening our efforts to improve profitability, aiming “to transform ourselves into a resilient corporate structure”. In our overseas business, we will seek further expansion by expanding our e-commerce business and

entering into the emerging markets, in addition to expanding solid sales growth in the existing areas where we conduct our business. On the financial strategies side, we will work to improve our return on equity by improving profitability and capital efficiency while conducting active investments for growth.

As a result of the above, for the current consolidated cumulative third quarter, consolidated revenue was 143.90 billion yen (an increase of 10.7% as compared to the corresponding period of the previous fiscal year), and the consolidated business profit was 4.98 billion yen (a decrease of 3.1% as compared to the corresponding period of the previous fiscal year). We recorded a consolidated operating loss of 1.81 billion yen (as compared to a consolidated operating profit of 6.11 billion yen for the corresponding period of the previous fiscal year) as a result of the impairment charges of 10.11 billion yen recorded on goodwill and intangible assets related to Wacoal International Corp. (U.S.).

In 2019, Wacoal International Corp. (U.S.), our consolidated subsidiary, acquired Intimates Online, Inc. (“Intimates Online”), which distributes the “LIVELY” brand, to create growth opportunities and strengthen competitiveness in the e-commerce market. However, in light of the changes in the external environment factors, including the tighter data privacy regulations on digital marketing and the recent slowdown in consumer spending, we reassessed the recoverable amount by Wacoal International Corp. (U.S.), and recorded an impairment charge of 10.11 billion yen.

Consolidated profit before income taxes and equity in net profit of affiliated companies were 0.25 billion yen (a decrease of 96.7% as compared to the corresponding period of the previous fiscal year), and consolidated net loss attributable to owners of parent was 2.43 billion yen (a consolidated net profit of 5.00 billion yen for the corresponding period of the previous fiscal year).

The key exchange rates used for the current consolidated cumulative third quarter (the corresponding period of the previous fiscal year) were: 136.51 yen (111.10 yen) to the U.S. dollar; 163.91 yen (152.76 yen) to the Sterling pound; and 19.88 yen (17.25 yen) to the Chinese yuan.

(ii) Business Overview of Our Reportable Segments

(Millions of Yen)

	Previous Cumulative Third Quarter (from April 1, 2021 to December 31, 2021)		Current Cumulative Third Quarter (from April 1, 2022 to December 31, 2022)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Total Revenue	129,989	100.0	143,903	100.0	+13,914	+10.7
Wacoal Business (Domestic)	67,340	51.8	74,683	51.9	+7,343	+10.9
Wacoal Business (Overseas)	44,480	34.2	49,792	34.6	+5,312	+11.9
Peach John Business	9,141	7.0	9,049	6.3	(92)	(1.0)
Other	9,028	7.0	10,379	7.2	+1,351	+15.0

	Previous Cumulative Third Quarter (from April 1, 2021 to December 31, 2021)		Current Cumulative Third Quarter (from April 1, 2022 to December 31, 2022)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Operating (Loss)/Profit	6,113	4.7	(1,810)	-	(7,923)	-
Wacoal Business (Domestic)	3,433	5.1	5,053	6.8	+1,620	+47.2
Wacoal Business (Overseas)	1,806	4.1	(8,044)	-	(9,850)	-
Peach John Business	1,494	16.3	896	9.9	(598)	(40.0)
Other	(620)	-	285	2.7	+905	-

a. Wacoal Business (Domestic)

In our “Wacoal Business (Domestic)” segment, we promoted our unique CX strategy to improve value of our customer experience, and continue to make efforts on cost structure reform, in order to achieve the core strategy aiming “to transform ourselves into a resilient corporate structure” under our mid-term business plan.

During the current cumulative third quarter, sales from our existing member customers both online (our e-commerce website) and offline remained strong as a result of our successful efforts to strengthen the retention marketing as a part of our CX strategy. Sales from non-member customers including new customers, however, did not result in success, as we could not come up with effective marketing measures which would lead consumers to visit our stores or to purchase our products. Sales from third-party e-commerce websites have achieved a high growth as a result of our efforts to improve purchase rates by strengthening initiatives with major e-commerce vendors.

As a result of the above, revenue attributable to our “Wacoal Business (Domestic)” segment was 74.68 billion yen (an increase of 10.9% as compared to such revenue for the corresponding period of the previous fiscal year). While the gross profit rate fell due to an increase in procurement costs associated with the rapid depreciation of the Japanese yen, operating profit was 5.05 billion yen (an increase of 47.2% as compared to such operating profit for the corresponding period of the previous fiscal year), attributable to a gain from sale of fixed assets (3.02 billion yen) related to our former business office in Osaka, in addition to increased revenue.

Starting in the current fiscal year, we have changed the presentation of net sales from Wacoal Corp. related to transactions with department stores to be based on storefront prices, but we have not made retroactive revisions. This change in presentation has no impact on operating profit because this change resulted in increases in both revenue and selling, general and administrative expenses of the same amount (4.16 billion yen) respectively.

b. Wacoal Business (Overseas)

In order to “accelerate global growth” which is one of our core strategies under the mid-term business plan with respect to our “Wacoal Business (Overseas)” segment, we continue to make efforts to acquire new customers by strengthening digital marketing and to convert existing customers to loyal customers by utilizing data and strengthening CRM.

Sales from Wacoal Europe Ltd. (“Wacoal Europe”) increased as a result of strong sales from our specialty stores, which account for approximately half of the sales of Wacoal Europe, in addition to strong sales from department stores in the United Kingdom. Sales from swimwear products continued to be strong, and our products under “Elomi” brand achieved a high growth against the backdrop of the growing body-positive trend. Sales from Wacoal International Corp. (U.S.) were sluggish due to the absence of the recovery from the impact of COVID-19 seen during the corresponding period of the previous fiscal year, as well as deterioration in consumer confidence in the wake of the growing inflation. Sales from Wacoal America, Inc., on a local currency basis, decreased due to sales from physical stores, our e-commerce website and third-party e-commerce websites all falling below the level of the corresponding period of the previous fiscal year and the corresponding negative impact on our major clients’ procurement. In light of the recent deterioration in the marketing environment, Intimates Online, which distributes the “LIVELY” brand, reformed its management structure in August and made efforts to improve profitability. However, as a result of significant reduction in advertising expenses, the number of customers visiting its stores struggled to increase. Sales from Wacoal China Co., Ltd. (“Wacoal China”) significantly decreased due to temporary closings of commercial facilities and a decrease in the number of customers visiting stores resulting from the impact of the strict restrictions on activities under the zero-COVID policy, in addition to the weak e-commerce sales.

As a result of the above-described factors and the recent rapid depreciation of the Japanese yen against major currencies, sales revenues attributable to our “Wacoal Business (Overseas)” segment on a Japanese yen basis were 49.79 billion yen (an increase of 11.9% as compared to such sales revenues for the corresponding period of the previous fiscal year). We recorded an operating loss of 8.04 billion yen (an operating profit of 1.81 billion yen for the corresponding period of the previous fiscal year) due to an impairment charge of 10.11 billion yen recorded at Wacoal International Corp. (U.S.), in addition to operating loss recorded at Wacoal China resulting from the negative impact of the spread of COVID-19.

c. Peach John Business

In our Peach John Business, we aim to achieve a high profit level by promoting product development that captures consumer needs and by developing effective marketing strategies.

During the current cumulative third quarter, sales from our directly-managed stores exceeded the level of the corresponding period of the previous fiscal year due to the absence of negative impact of COVID-19 seen during the previous fiscal year, as well as the strong sales of our core products under “NICE BODY” series. On the other hand, our e-commerce sales fell below the level of the corresponding period of the previous fiscal year as our continuing efforts to focus on contents marketing measures did not lead to increased sales.

As a result of the above, revenue attributable to our “Peach John Business” segment were 9.05 billion yen (a decrease of 1.0% as compared to such revenue for the corresponding period of the previous fiscal year). Despite our efforts to reduce advertising expenses, operating profit decreased to 0.90 billion yen (a decrease of 40.0% as compared to such operating profit for the corresponding period of the previous fiscal year) due to the depreciation of the Japanese yen leading to increases in raw material costs, in addition to the impact of decreased revenue.

d. Other

In our “Other” business segment, we are building a system that can continue to steadily generate profits by actively addressing unprofitable businesses and reassessing fixed costs, in order to achieve the core strategy aiming “to transform ourselves into a resilient corporate structure” under our mid-term business plan.

During the current cumulative third quarter, sales from Lecien Corporation increased as a result of a recovery in sales from its own brand products and sales from delivery to new partner companies, despite the weak sales of its private brand products sold by major apparel supply chain companies. In addition, revenue from Nanasai Co., Ltd. and Ai Co., Ltd. increased on the back of a recovery in demand following the relaxation of COVID-19 restrictions.

As a result of the above, revenue and operating profit attributable to our “Other” business segment were 10.38 billion yen (an increase of 15.0% as compared to such revenue for the corresponding period of the previous fiscal year) and 0.29 billion yen (as compared to an operating loss of 0.62 billion yen for the corresponding period of the previous fiscal year), respectively. We were able to record profit due to the increased revenue and an improvement in profit structure resulting from a progress in reassessment of operations by each business entity as well as the compensation received from vacating a factory site of a subsidiary of Lecien Corporation.

(Reference) Revenue and Operating Profit/ (Loss) of Major Subsidiaries

(Millions of Yen)

Revenue	Previous Cumulative Third Quarter (from April 1, 2021 to December 31, 2021)		Current Cumulative Third Quarter (from April 1, 2022 to December 31, 2022)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Wacoal Corp.	61,766	47.5	70,397	48.9	+8,631	+14.0
Wacoal International Corp. (U.S)	19,331	14.9	21,491	14.9	+2,160	+11.2
Wacoal Europe Ltd.	11,937	9.2	14,013	9.7	+2,076	+17.4
Wacoal China Co., Ltd.	8,894	6.8	7,333	5.1	(1,561)	(17.6)
Peach John Co., Ltd.	9,141	7.0	9,049	6.3	(92)	(1.0)
Lecien Corporation	2,460	1.9	2,494	1.7	+34	+1.4
Nanasai Co., Ltd.	4,157	3.2	4,703	3.3	+546	+13.1

*Revenue from external customers only

(Millions of Yen)

Operating Profit/(Loss)	Previous Cumulative Third Quarter (from April 1, 2021 to December 31, 2021)		Current Cumulative Third Quarter (from April 1, 2022 to December 31, 2022)		Increased/(Decreased) from previous cumulative third quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Wacoal Corp.	2,528	4.1	5,160	7.3	+2,632	+104.1
Wacoal International Corp. (U.S.)	518	2.7	(9,587)	-	(10,105)	-
Wacoal Europe Ltd.	1,351	11.3	955	6.8	(396)	(29.3)
Wacoal China Co., Ltd.	(33)	-	(668)	-	(635)	-
Peach John Co., Ltd.	1,494	16.3	896	9.9	(598)	(40.0)
Lecien Corporation	(416)	-	90	3.6	+506	-
Nanasai Co., Ltd.	(66)	-	32	0.7	+98	-

(2) Qualitative Information regarding Consolidated Financial Condition

(i) Assets, Liabilities and Total Shareholders' Equity

Our total assets as of the end of the current consolidated third quarter were 283,266 million yen, a decrease of 15,911 million yen from the end of the previous fiscal year, mainly due to impairment charges on goodwill and intangible assets, in addition to a decrease in cash and cash equivalents due to payments for purchase of treasury stock and repayment of borrowings.

Our total liabilities were 71,845 million yen, a decrease of 6,464 million yen from the end of the previous fiscal year, mainly due to decreases in borrowings and lease liabilities.

Equity attributable to owners of parent was 208,414 million yen, a decrease of 9,576 million yen from the end of the previous fiscal year, mainly due to a decrease in retained earnings and an increase in treasury stock.

As a result of the above, ratio of equity attributable to owners of parent as of the end of the current consolidated third quarter was 73.6%, an increase of 0.7% from the end of the previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents as of the end of the current consolidated third quarter were 30,669 million yen, a decrease of 6,816 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 6,235 million yen, an decrease of 8,643 million yen as compared to the corresponding period of the previous fiscal year, after adjustments for changes in assets and liabilities to our loss of 2,368 million yen plus adjustments for impairment charges.

(Cash Flow Provided by Investing Activities)

Cash flow provided by investing activities was 5,174 million yen, as compared to 4,484 million yen of cash outflow for the corresponding period of the previous fiscal year, due to sales of investment securities and property, plant and equipment.

(Cash Flow Used in Financing Activities)

Cash flow used in financing activities was 18,434 million yen, a decrease of 14,178 million yen as compared to the corresponding period of the previous fiscal year, due to repayment of borrowings, payments made for dividends and payments for purchase of treasury stock.

(3) Qualitative Information regarding Forecast of Consolidated Business Results

We have revised our forecast of consolidated business results for the fiscal year ending March 31, 2023 which we announced on November 11, 2022. For details, please see “Announcement of Revisions to the Forecast of Consolidated Business Results and Recognition of Impairment Charges (IFRS)” which we announced today.

2. Condensed Quarterly Consolidated Financial Statements and Accompanying Notes

(1) Condensed Quarterly Statement of Financial Position

(Millions of Yen)

Accounts	Date of Transition (April 1, 2021)	Previous Consolidated Fiscal Year as of March 31, 2022	Current Consolidated Third Quarter as of December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	63,987	37,485	30,669
Trade and other receivables	18,657	20,706	20,143
Other financial assets	2,238	1,795	1,780
Inventories	43,402	45,926	51,866
Other current assets	7,067	2,923	3,562
Total current assets	135,351	108,835	108,020
Non-current assets:			
Property, plant and equipment	44,973	48,602	46,879
Right-of-use assets	12,967	13,986	11,450
Goodwill	21,169	22,945	15,874
Intangible assets	15,343	15,666	13,350
Investment property	3,126	2,725	2,959
Investments accounted for using equity method	17,898	18,239	19,691
Other financial assets	56,334	52,249	48,396
Retirement benefit assets	9,434	13,280	13,292
Deferred income taxes	1,641	1,680	2,343
Other non-current assets	979	970	1,012
Total non-current assets	183,864	190,342	175,246
Total assets	319,215	299,177	283,266

(Millions of Yen)

Accounts	Date of Transition (April 1, 2021)	Previous Consolidated Fiscal Year as of March 31, 2022	Current Consolidated Third Quarter as of December 31, 2022
Liabilities and Equity			
Liabilities			
Current liabilities:			
Borrowings	40,707	10,227	6,084
Lease liabilities	3,657	5,197	4,172
Trade and other payables	15,058	16,738	14,811
Other financial liabilities	2,365	1,661	1,417
Income taxes payable	879	1,363	2,209
Other current liabilities	14,132	14,080	14,504
Total current liabilities	76,798	49,266	43,197
Non-current liabilities			
Borrowings	1,498	1,626	3,067
Lease liabilities	8,676	8,254	7,348
Other financial liabilities	1,639	820	—
Retirement benefit liability	2,089	3,466	3,369
Deferred income taxes	12,065	13,607	13,608
Other non-current liabilities	1,516	1,270	1,256
Total non-current liabilities	27,483	29,043	28,648
Total liabilities	104,281	78,309	71,845
Equity			
Common stock	13,260	13,260	13,260
Additional paid-in capital	29,120	29,077	29,030
Retained earnings	156,143	158,940	151,241
Other components of equity	22,381	27,571	29,024
Treasury stock, at cost	(8,876)	(10,858)	(14,141)
Total equity attributable to owners of parent	212,028	217,990	208,414
Noncontrolling interests	2,906	2,878	3,007
Total equity	214,934	220,868	211,421
Total liabilities and equity	319,215	299,177	283,266

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income

(Condensed Quarterly Consolidated Statement of Profit or Loss)

(Millions of Yen)

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2021 to December 31, 2021)		Current Consolidated Cumulative Third Quarter (From April 1, 2022 to December 31, 2022)	
		%		%
Revenue	129,989	100.0	143,903	100.0
Cost of sales	(56,351)	(43.3)	(62,246)	(43.3)
Selling, general and administrative expenses	(68,502)	(52.7)	(76,679)	(53.3)
Other income	1,316	1.0	5,019	3.5
Other expenses	(339)	(0.3)	(11,807)	(8.2)
Operating (loss) profit	6,113	4.7	(1,810)	(1.3)
Finance income	1,271	1.0	1,285	0.9
Finance costs	(226)	(0.2)	(684)	(0.4)
Share of profit of investments accounted for using equity method	419	0.3	1,461	1.0
Profit before tax	7,577	5.8	252	0.2
Income tax expense	(2,669)	(2.0)	(2,620)	(1.8)
(Loss) profit	4,908	3.8	(2,368)	(1.6)
(Loss) profit attributable to:				
Owners of parent	5,002	3.8	(2,431)	(1.7)
Noncontrolling interests	(94)	(0.0)	63	0.1
(Loss) profit	4,908	3.8	(2,368)	(1.6)
(Loss) earnings per share:				
Basic (loss) earnings per share (yen)	80.13		(40.27)	
Diluted (loss) earnings per share (yen)	79.79		(40.27)	

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Millions of Yen)

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2021 to December 31, 2021)	Current Consolidated Cumulative Third Quarter (From April 1, 2022 to December 31, 2022)
(Loss) profit	4,908	(2,368)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,067)	615
Remeasurement of defined benefit plans	—	(45)
Share of other comprehensive income of investments accounted for using equity method	54	176
Total	(1,013)	746
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	2,368	2,302
Share of other comprehensive income of investments accounted for using equity method	(61)	281
Total	2,307	2,583
Total other comprehensive income	1,294	3,329
Comprehensive income	6,202	961
Comprehensive income attributable to:		
Owners of parent	6,291	860
Noncontrolling interests	(89)	101
Comprehensive income	6,202	961

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Previous Consolidated Cumulative Third Quarter (From April 1, 2021 to December 31, 2021)

(Millions of Yen)

Item	Equity attributable to owners of parent						Noncontrolling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance at April 1, 2021	13,260	29,120	156,143	22,381	(8,876)	212,028	2,906	214,934
Profit (loss)			5,002			5,002	(94)	4,908
Other comprehensive income				1,289		1,289	5	1,294
Total comprehensive income	—	—	5,002	1,289	—	6,291	(89)	6,202
Repurchase of treasury stock					(589)	(589)		(589)
Disposal of treasury stock		(0)			0	0		0
Share-based payment transactions		(56)			101	45		45
Dividends			(2,498)			(2,498)	(82)	(2,580)
Equity transactions with noncontrolling interests						—	112	112
Transfer from other components of equity to retained earnings			132	(132)		—		—
Total transactions with owners	—	(56)	(2,366)	(132)	(488)	(3,042)	30	(3,012)
Balance at December 31, 2021	13,260	29,064	158,779	23,538	(9,364)	215,277	2,847	218,124

Current Consolidated Cumulative Third Quarter (From April 1, 2022 to December 31, 2022)

(Millions of Yen)

Item	Equity attributable to owners of parent						Noncontrolling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance at April 1, 2022	13,260	29,077	158,940	27,571	(10,858)	217,990	2,878	220,868
Profit (loss)			(2,431)			(2,431)	63	(2,368)
Other comprehensive income				3,291		3,291	38	3,329
Total comprehensive income	—	—	(2,431)	3,291	—	860	101	961
Repurchase of treasury stock					(6,248)	(6,248)		(6,248)
Cancellation of treasury stock			(2,863)		2,863	—		—
Share-based payment transactions		(47)			102	55		55
Dividends			(4,243)			(4,243)	(95)	(4,338)
Equity transactions with noncontrolling interests						—	123	123
Transfer from other components of equity to retained earnings			1,838	(1,838)		—		—
Total transactions with owners	—	(47)	(5,268)	(1,838)	(3,283)	(10,436)	28	(10,408)
Balance at December 31, 2022	13,260	29,030	151,241	29,024	(14,141)	208,414	3,007	211,421

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

Accounts	Previous Consolidated Cumulative Third Quarter (From April 1, 2021 to December 31, 2021)	Current Consolidated Cumulative Third Quarter (From April 1, 2022 to December 31, 2022)
Operating activities		
(Loss) profit	4,908	(2,368)
Depreciation and amortization	7,682	8,059
Impairment charges	24	10,109
Finance income	(1,271)	(1,285)
Finance costs	226	684
Share of (profit) of investments accounted for using equity method	(419)	(1,461)
Income tax expense	2,669	2,620
Gain on sale and disposal of property, plant and equipment-net	(98)	(2,758)
Decrease (increase) in trade and other receivables	(128)	980
Increase in inventories	(172)	(5,255)
Increase in other assets	(560)	(589)
Decrease in trade and other payables	(1,906)	(2,130)
(Decrease) increase in retirement benefit asset or liability	91	(123)
Increase in other liabilities	226	1,055
Other	(373)	(1,418)
Subtotal	10,899	6,120
Interest received	50	81
Dividends received	1,364	1,675
Interest paid	(174)	(191)
Income taxes (paid) received	2,739	(1,450)
Net cash provided by operating activities	14,878	6,235
Investing activities		
Proceeds from withdrawal of time deposits	369	293
Payments into time deposits	(1,364)	(95)
Purchase of property, plant and equipment	(4,658)	(2,146)
Proceeds from sale of property, plant and equipment	548	4,525
Purchase of intangible assets	(2,192)	(1,841)
Purchase of other financial assets	(3)	(37)
Proceeds from sale or amortization of other financial assets	2,442	4,344
Other	374	131
Net cash provided by (used in) investing activities	(4,484)	5,174
Financing activities		
Net decrease in short-term bank loans with original maturities of three months or less	(25,000)	(4,110)
Proceeds from long-term borrowings	—	1,365
Repayments of long-term borrowings	(35)	—
Repayments of lease obligations	(3,237)	(4,506)
Capital contribution from noncontrolling interests	112	123
Payments for purchase of treasury stock	(589)	(6,248)
Dividends paid to owners of parent	(2,498)	(4,243)
Dividends paid to noncontrolling interests	(82)	(95)
Contingent consideration payment	(1,283)	(720)
Net cash used in financing activities	(32,612)	(18,434)
Effect of exchange rate changes on cash and cash equivalents	590	209
Net decrease in cash and cash equivalents	(21,628)	(6,816)
Cash and cash equivalents at beginning of period	63,987	37,485
Cash and cash equivalents at end of period	42,359	30,669

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern)

Not applicable.

(Segment Information)

(i) Reportable Segment Information

Previous Consolidated Cumulative Third Quarter (From April 1, 2021 to December 31, 2021)

(Millions of Yen)

	Reportable Segment				Other (Note) 1	Adjustments	Consolidated
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Total			
Revenue							
External customers	67,340	44,480	9,141	120,961	9,028	—	129,989
Intersegment	622	6,035	279	6,936	2,726	(9,662)	—
Total	67,962	50,515	9,420	127,897	11,754	(9,662)	129,989
Segment profit (loss) (Note) 2	3,433	1,806	1,494	6,733	(620)	—	6,113

Current Consolidated Cumulative Third Quarter (From April 1, 2022 to December 31, 2022)

(Millions of Yen)

	Reportable Segment				Other (Note) 1	Adjustments	Consolidated
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Total			
Revenue							
External customers	74,683	49,792	9,049	133,524	10,379	—	143,903
Intersegment	839	10,372	205	11,416	3,206	(14,622)	—
Total	75,522	60,164	9,254	144,940	13,585	(14,622)	143,903
Segment profit (loss) (Note) 2	5,053	(8,044)	896	(2,095)	285	—	(1,810)

- (Note)
1. The “Other” category includes Lecien business, Nanasai business, and other business segments which are not included in the operating segment.
 2. The sum of the segment profit (loss) agrees to the operating profit (loss) on the condensed quarterly consolidated statement of profit or loss. For a reconciliation from operating profit (loss) to profit before income taxes and equity in net profit of affiliated companies, please see the condensed quarterly consolidated statement of profit or loss.
 3. The Company accounts for intersegment sales and transfers at cost plus an interest.

(ii) Segment Information by Region

Revenue – external customers

(Millions of Yen)

	Previous Consolidated Cumulative Third Quarter (From April 1, 2021 to December 31, 2021)	Current Consolidated Cumulative Third Quarter (From April 1, 2022 to December 31, 2022)
Japan	84,589	93,188
Asia and Oceania	15,135	16,490
Americas and Europe	30,265	34,225
Total	129,989	143,903

- (Note)
1. Countries or areas are classified according to locations of consolidated companies.
 2. Of “Americas and Europe” category, revenue in the United States for the previous consolidated cumulative third quarter and current consolidated cumulative third quarter were 22,825 million yen and 25,133 million yen, respectively.

(First-time Adoption)

Starting from the current consolidated first quarter, our group began preparing our condensed quarterly consolidated financial statements in accordance with IFRS. Previously, our group prepared the financial consolidated statements for the fiscal year ended March 31, 2022 in accordance with U.S. GAAP. The date of transition to IFRS is April 1, 2021.

(1) IFRS 1 – Exemptions

In principle, IFRS requires companies that adopt IFRS for the first time (a “first-time adopter”) to apply IFRS standards retrospectively. IFRS 1 *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”), however, outlines certain mandatory and discretionary exemptions from retrospective application of IFRS standards. The effect of the application of these exceptions and exemptions is adjusted in retained earnings and/or other components of equity at the date of transition to IFRS. The exemptions adopted by our group upon transition from U.S. GAAP to IFRS are as follows:

- Business combinations

A first-time adopter may choose not to apply IFRS 3 *Business Combinations* (“IFRS 3”) retrospectively to business combinations for which the acquisition date occurs prior to the date of transition to IFRS. Our group has applied such exemption and chosen not to apply retrospectively to business combinations that occurred prior to the date of transition. As a result, the amount of goodwill arising from business combinations prior to the date of transition is based on the carrying amount as of the transition date in accordance with U.S. GAAP.

Goodwill is tested for impairment as of the transition date, regardless of whether there is any indication of impairment.

- Deemed cost

IFRS 1 permits the use of fair value as of the date of transition to IFRS for property, plant and equipment, investment property and intangible assets as deemed cost as of that date. Our group uses fair value as of the date of transition for certain intangible assets as deemed cost under IFRS.

- Exchange differences on translation of foreign operations

IFRS 1 permits a first-time adopter to choose to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS. Our group has chosen to deem the cumulative amount of the exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS.

- Leases

Under IFRS 1, a first-time adopter may determine whether an arrangement contains a lease as of the date of transition to IFRS based on the facts and circumstances at the date of transition. It also permits to measure the lease liability at the present value of the remaining lease payments discounted at the lessee’s additional borrowing rate as of the date of transition, and the right-of use asset at the same amount as the lease liability. Leases ending within 12 months from the date of transition and leases with small underlying assets may be recognized as expenses.

Our group has applied such exemption, and recognized and measured leases.

- Designation of previously recognized financial instruments

IFRS 1 permits classification in IFRS 9 *Financial Instruments* (“IFRS 9”) to be based on facts and circumstances as of the date of transition, rather than on facts and circumstances existing at the time of recognition. In addition, it is permitted to designate equity financial assets as financial assets at fair value through other comprehensive income based on facts and circumstances existing as of the date of transition.

Our group has chosen the classification in IFRS 9 based on facts and circumstances existing as of the date of transition, and has designated certain equity financial assets as financial assets at fair value through other comprehensive income based on facts and circumstances existing as of the date of transition.

- Fair value measurement of financial instruments at initial recognition

Our group has elected to apply prospectively the provisions of IFRS 9 on fair value measurement and recognition of gains or losses on initial recognition of financial assets and liabilities.

(2) IFRS 1 – Mandatory Exceptions

IFRS 1 prohibits retrospective application regarding “estimates”, “derecognition of financial assets and financial liabilities”, “hedge accounting”, “noncontrolling interests” and “classification and measurement of financial instruments”. Our group has applied prospectively these items from the date of transition.

(3) Reconciliations

The reconciliations required to be disclosed under IFRS upon first-time adoption are as follows.

The reconciliations include items which may not impact the retained earnings and comprehensive income under “reclassification”, and items which may impact the retained earnings and comprehensive income under “recognition and measurement differences”.

For reconciliations of equity as at the date of transition to IFRS (April 1, 2021) and as at the end of the previous consolidated fiscal year (March 31, 2022), as well as reconciliations of statement of profit or loss and statement of comprehensive income for the previous consolidated fiscal year (from April 1, 2021 to March 31, 2022), please see “2. Condensed Quarterly Consolidated Financial Statements and Accompanying Notes – (5) Notes to Condensed Quarterly Consolidated Financial Statements (First-time adoption)” on page 18 of “Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2023” disclosed on August 10, 2022.

Reconciliation of Equity as at the end of the previous consolidated third quarter (December 31, 2021)

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
(Assets)						Assets
Current Assets						Current Assets
Cash and cash equivalents	42,569	—	(210)	42,359		Cash and cash equivalents
Time deposits	2,425	(2,425)	—	—		
Notes and accounts receivable	18,590	224	388	19,202		Trade and other receivables
Allowance for doubtful receivables	(302)	302	—	—		
	—	2,925	42	2,967	A	Other financial assets
Inventories	44,573	—	(273)	44,300		Inventories
Return assets	716	(716)	—	—		
Other current assets	3,716	(194)	422	3,944		Other current assets
Total current assets	112,287	116	369	112,772		Total current assets
Property, Plant and Equipment						Non-current Assets
Land	20,360	—	—	—		
Buildings and building improvements	73,653	—	—	—		
Machinery and equipment	20,151	—	—	—		
Construction in progress	3,732	—	—	—		
	117,896	—	—	—		
Accumulated depreciation	(66,251)	—	—	—		
Net property, plant and equipment	51,645	(3,982)	(319)	47,344	b	Property, plant and equipment
Other assets						
Operating leases right-of-use assets	11,207	852	330	12,389	D, E, j	Right-of-use assets
Investments	47,845	(47,845)	—	—		
Goodwill	21,813	—	—	21,813		Goodwill
Other intangible assets	15,081	403	(349)	15,135	C, c	Intangible assets
	—	2,727	—	2,727	B	Investment property
Investments in affiliated companies	21,782	—	(3,296)	18,486	d	Investments accounted for using equity method
	—	52,250	—	52,250		Other financial assets
Prepaid pension expense	10,081	—	(724)	9,357		Retirement benefit assets
Deferred income taxes	1,799	—	(128)	1,671	k	Deferred income taxes
Other	5,419	(4,521)	155	1,053		Other non-current assets
Total other assets	135,027	—	—	—		
	—	—	—	182,225		Total non-current assets
Total Assets	298,959	—	(3,962)	294,997		Total Assets

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
(Liabilities)						Liabilities and Equity
Current Liabilities	15,685	—	—	15,685		Liabilities
Short-term bank loans	—	3,990	397	4,387	D, j	Current Liabilities
Notes and accounts payable	—	13,504	(67)	13,437	h	Borrowings
Trade notes payable	769	(769)	—	—		Lease liabilities
Trade accounts payable	8,083	(8,083)	—	—		Trade and other payables
Other payables	4,701	(4,701)	—	—		
	—	2,020	—	2,020	G	Other financial liabilities
Accrued payroll and bonuses	4,926	(4,926)	—	—		
Income taxes payable	1,150	—	(182)	968		Income taxes payable
Refund liabilities	2,498	(2,498)	—	—		
Short-term operating lease liabilities	3,990	(3,990)	—	—		
Contingent consideration (short-term)	920	(920)	—	—		
Other current liabilities	7,642	7,033	(149)	14,526	F, i	Other current liabilities
Total current liabilities	50,364	660	(1)	51,023		Total current liabilities
Long-term liabilities	1,545	—	—	1,545		Non-current liabilities
Long-term debt	—	7,530	(63)	7,467	D, j	Borrowings
	—	765	—	765	G	Lease liabilities
Liabilities for termination and retirement benefit	1,956	143	9	2,108		Other financial liabilities
Deferred income taxes	12,819	—	(435)	12,384	k	Retirement benefit liability
Long-term operating lease liabilities	7,530	(7,530)	—	—		Deferred income taxes
Contingent consideration (long-term)	765	(765)	—	—		
Other long-term liabilities	2,178	(803)	206	1,581	i	Other non-current liabilities
Total long-term liabilities	26,793	(660)	(283)	25,850		Total non-current liabilities
Total liabilities	77,157	—	(284)	76,873		Total liabilities
(Equity)						Equity
Common stock	13,260	—	—	13,260		Common stock
Additional paid-in capital	29,064	—	—	29,064		Additional paid-in capital
Retained earnings	182,341	—	(23,562)	158,779	l	Retained earnings
Accumulated other comprehensive income (loss)	—	3,440	20,098	23,538	f, g	Other components of equity
Foreign currency translation adjustments	4,416	(4,416)	—	—		
Pension liability adjustments	(976)	976	—	—		
Treasury stock, at cost	(9,364)	—	—	(9,364)		Treasury stock, at cost
Total Wacoal Holdings Corp. shareholders' equity	218,741	—	(3,464)	215,277		Total equity attributable to owners of parent
Noncontrolling interests	3,061	—	(214)	2,847		Noncontrolling interests
Total equity	221,802	—	(3,678)	218,124		Total equity
Total liabilities and equity	298,959	—	(3,962)	294,997		Total liabilities and equity

Reconciliation of Statement of Profit or Loss and Statement of Comprehensive Income for the previous consolidated cumulative third quarter (From April 1, 2021 to December 31, 2021)

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net sales	130,187	10	(208)	129,989		Revenue
Operating expenses						
Cost of sales	(56,585)	(29)	263	(56,351)	f, i	Cost of sales
Selling, general and administrative expenses	(68,545)	(830)	873	(68,502)	f, i	Selling, general and administrative expenses
	—	1,315	1	1,316	H	Other income
	—	(306)	(33)	(339)	H	Other expenses
Operating income	5,057	160	896	6,113		Operating profit
Other income (expenses)						
Interest income	45	(45)	—	—		
Interest expense	(48)	48	—	—		
Dividend income	1,034	(1,034)	—	—		
Valuation loss on marketable securities and investments – net	(1,575)	45	1,530	—		
Other – net	1,024	(330)	(694)	—		
	—	1,246	25	1,271	H	Finance income
	—	(90)	(136)	(226)	H	Finance costs
	—	487	(68)	419		Share of profit of investments accounted for using equity method
Income before income taxes and equity in net income of affiliated companies	5,537	487	1,553	7,577		Profit before tax
Income taxes	(2,517)	—	(152)	(2,669)	k	Income tax expense
Income before equity in net income of affiliated companies	3,020	—	—	—		
Equity in net income of affiliated companies	487	(487)	—	—		
Net income	3,507	—	1,401	4,908		Profit
						Profit attributable to:
Net income attributable to Wacoal Holdings Corp.	3,493	—	1,509	5,002		Owners of parent
Net income attributable to noncontrolling interests	14	—	(108)	(94)		Noncontrolling interests

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net income	3,507	—	1,401	4,908		Profit
Other comprehensive income (net of tax)						Other comprehensive income
						Items that will not be reclassified to profit or loss
	—	—	(1,067)	(1,067)	a	Financial assets measured at fair value through other comprehensive income
Pension liability adjustments	32	—	(32)	—	f	Remeasurement of defined benefit plans
	—	—	54	54		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	2,659	117	(408)	2,368		Exchange differences on translation of foreign operations
	—	(117)	56	(61)		Share of other comprehensive income of investments accounted for using equity method
Total of other comprehensive income	2,691	—	(1,397)	1,294		Total other comprehensive income
Comprehensive income	6,198	—	4	6,202		Comprehensive income
Comprehensive income attributable to Wacoal Holdings Corp.	6,171	—	120	6,291		Comprehensive income attributable to:
Comprehensive income attributable to noncontrolling interests	27	—	(116)	(89)		Owners of parent
						Noncontrolling interests

Notes to the Reconciliations

(i) Reclassification

- A. Certain financial instruments included in “time deposits” and “other current assets” that were separately presented under U.S. GAAP have been reclassified and presented as “other financial assets” under IFRS.
- B. “Investment property”, which was included in “Property, plant and equipment” under U.S. GAAP, is presented separately under IFRS.
- C. “Painting”, which was included in “Property, plant and equipment” under U.S. GAAP, has been reclassified and presented in “intangible assets” under IFRS as an asset with an indefinite useful life.
- D. Items presented as “operating lease right-of-use assets”, “short-term operating lease liabilities” and “long-term operating lease liabilities” under U.S. GAAP are presented as “right-of-use assets” and “lease liabilities” under current liabilities and non-current liabilities, respectively, under IFRS.
- E. “Leasehold rights”, which were included in “Other intangible assets” under U.S. GAAP, have been reclassified and presented as “Right-of-use assets” under IFRS.
- F. “Accrued payroll and bonuses” and “Refund liability”, which were separately presented under U.S. GAAP, have been reclassified and presented as “Other current liabilities” under IFRS.
- G. “Contingent consideration (short-term)” included in “Notes and accounts payable – Other payables” under Current Liabilities and “Contingent consideration (long-term)”, which was separated presented under “Long-term liabilities” under U.S. GAAP have been reclassified and presented as Current Liabilities and as “other financial liabilities” under Non-current Liabilities”, respectively, under IFRS.
- H. Items presented in “Operating costs and expenses”, “Other income (expenses)” under U.S. GAAP are recorded as “Finance income” and “Finance costs” for financial related gains and losses, while other items are presented as “Other income” and “other expenses” under IFRS.

(ii) Recognition and measurement differences

The following adjustments are prorated to the related noncontrolling interests.

a. Fair value measurement of equity instruments

Valuation gains (losses), gains (losses) on sales, and impairment charges with respect to equity instruments are recognized in net income or loss under U.S. GAAP, whereas changes in fair value are recognized in other comprehensive income under IFRS expect for certain issues.

b. Adjustment of recorded amount of property, plant and equipment

Under U.S. GAAP, an impairment charge is recognized only when there is an indication that the total undiscounted future cash flows expected from the use or eventual disposition of an asset (group) are less than its carrying amount. On the other hand, under IFRS, if there is an indication of impairment, an impairment charge is recognized when the recoverable amount of an asset (group) is less than its carrying amount.

c. Adjustment of recorded amount of intangible assets

For certain intangible assets, the fair value of the transition date is used as deemed cost.

d. Adjustment of recorded amount of investments accounted for using equity method

Under U.S. GAAP, a loss is recognized when a series of losses or elements of the investee’s investment that indicate an other-than-temporary decrease in the value of the investment have occurred. On the other hand, under IFRS, an impairment charge is recognized if there is objective evidence of impairment after the application of the equity method.

e. Uniformity of reporting periods

Certain consolidated subsidiaries and equity method affiliates that have a different fiscal year-end from that of the Company have been unified in their reporting periods to match the Company's fiscal year-end as of the date of transition.

f. Adjustment related to retirement benefit accounting

Under U.S. GAAP, actuarial gains and losses and prior service cost are recognized in other comprehensive income when incurred and amortized in subsequent periods. On the other hand, under IFRS, actuarial gains and losses (remeasurement of defined benefit plans) are recognized in other comprehensive income when incurred and immediately transferred to retained earnings. In addition, past service costs are recognized immediately as part of retirement benefit expenses.

g. Transfer of exchange differences on translation of foreign operations

Upon first-time adoption, we elected the exemptions provided in IFRS 1 and transferred all cumulative translation differences at the date of transition to retained earnings.

h. Adjustment related to recognition of levies

Items corresponding to property tax levies that the Company and certain consolidated subsidiaries are obligated to pay were recognized over the fiscal year in which they were paid under U.S. GAAP, but are recognized in IFRS on the date the event giving rise to the obligation occurs. The amount required as of the transition date is recognized as liability in "Trade and other payables" and adjusted to retained earnings as of the date of transition.

i. Adjustment for recognition of other long-term employee benefit obligations

For long-term employee benefit plans adopted by certain consolidated subsidiaries, which were not recognized under U.S. GAAP, the present value of the projected payments as of the date of transition is included in "Other current liabilities" and "Other non-current liabilities" as a liability and adjusted to retained earnings on the date of transition. The net change in such liabilities is recognized as "Selling, general and administrative expenses" and "cost of sales" under IFRS.

j. Recognition of right-of-use assets and lease liability, adjustment of recorded amount of right-of-use assets

Leases accounted for as "operating leases" under U.S. GAAP were remeasured in accordance with IFRS 16 as of the date of transition and adjusted to retained earnings on the date of transition.

k. Tax effect adjustments

Changes in deferred tax assets (deferred tax liabilities) occurred due to temporary differences arising (or eliminated) as a result of IFRS adjustments, etc. In addition, with respect to the tax effects of unrealized intragroup transactions, deferred tax assets are recognized under IFRS at the tax rate of the seller, whereas under U.S. GAAP, the tax expense was recognized at the source of sale.

l. Adjustment to retained earnings

(Millions of Yen)

	Previous consolidated third quarter (December 31, 2021)
a. Fair value measurement of equity instruments	(21,226)
b. Adjustment of recorded amount of property, plant and equipment	(408)
c. Adjustment of recorded amount of intangible assets	(138)
d. Adjustment of recorded amount of investments accounted for using equity method	(4,010)
e. Uniformity of reporting periods	378
f. Adjustment related to retirement benefit accounting	(1,881)
g. Transfer of exchange differences on translation of foreign operations	2,930
h. Adjustment related to recognition of levies	636
i. Adjustment for recognition of other long-term employee benefit obligations	(294)
j. Recognition of right-of-use assets and lease liabilities, adjustment of recorded amount of right-of-use assets	(31)
Other	(39)
Subtotal	(24,083)
k. Tax effect adjustments	307
Adjustment related to noncontrolling interests	214
Total	(23,562)

Reconciliation of Consolidated Statement of Cash Flows for the previous consolidated cumulative third quarter (From April 1, 2021 to December 31, 2021) and the previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

There are no material differences between the consolidated statement of cash flows disclosed in accordance with U.S. GAAP and the consolidated statement of cash flows disclosed in accordance with IFRS.