

# Consolidated Financial Results for the Six Months Ended August 31, 2023 [Japanese GAAP]



October 5, 2023

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 13, 2023

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, 2023 (March 1, 2023 – August 31, 2023)

(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, 2023	90,411	10.0	5,022	–	4,412	574.1	2,862	501.1
August 31, 2022	82,166	1.7	193	–	654	–	476	(93.6)

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

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

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2023	21.09	21.07
August 31, 2022	3.51	3.51

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

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

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

## (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of August 31, 2023	160,772	80,029	46.5
As of February 28, 2023	159,198	85,073	47.0

(Reference) Shareholders' equity: As of August 31, 2023: 74,823 million yen

As of February 28, 2023: 74,747 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, 2023	–	–	–	12.00	12.00
Fiscal year ending February 29, 2024	–	–			
Fiscal year ending February 29, 2024 (Forecast)			–	17.00	17.00

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

## 3. Consolidated Performance Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 - February 29, 2024)

(% 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	189,211	7.5	11,022	111.4	10,012	88.2	5,462	78.4	40.25

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

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

Full year ending February 29, 2024 (forecast): 16,100 million yen [55.2%]

Full year ended February 28, 2023: 10,373 million yen [165.0%]

**\* 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, 2023: 157,921,669 shares  
As of February 28, 2023: 157,921,669 shares  
2) Total number of treasury shares at the end of the period:  
As of August 31, 2023: 22,204,814 shares  
As of February 28, 2023: 22,204,488 shares  
3) Average number of shares outstanding during the period:  
Six months ended August 31, 2023: 135,717,046 shares  
Six months ended August 31, 2022: 135,633,704 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.

*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

In the six months ended August 31, 2023, the Japanese economy was on a gradual recovery track as socioeconomic activity normalized, with COVID-19 downgraded to a Class 5 infectious disease and the accompanying easing of border restrictions. However, the outlook remains uncertain, due to the impact of the protracted Russia-Ukraine conflict and the rise in domestic prices caused by soaring raw material and energy prices attributed to a weak yen, among other factors, on consumer sentiment and corporate activity.

Under these circumstances, the number of customers visiting physical and online stores steadily increased due to the expanded use of "Click & Try", the OMO (Online Merges with Offline) service of Onward Kashiyama Co., Ltd. and the improved accuracy of our marketing measures utilizing social media. As a result, net sales grew significantly. In addition, the gross profit margin continued to increase owing to the remarkable results of the global business reforms and increased efficiency of the product supply chain. Meanwhile, the SG&A ratio declined markedly, mainly thanks to improvement in sales efficiency through the development of multi-brand stores.

As a result of the above, consolidated net sales were 90,411 million yen (+10.0% year-on-year), consolidated operating profit was 5,022 million yen (26.0 times the year-ago figure), consolidated recurring profit was 4,412 million yen (+574.1% year-on-year), and profit attributable to owners of parent was 2,862 million yen (+501.1% year-on-year).

The Onward Group is accelerating growth by reinforcing and expanding its business base through the development of new businesses and M&As. In doing so, the Group has adopted EBITDA (operating profit + depreciation and amortization) as a key performance indicator to facilitate earnings comparisons between companies regardless of differences in accounting standards.

In the six months ended August 31, 2023, EBITDA was 7,390 million yen (+160.4% year-on-year).

Results by segment were as follows.

#### [Apparel Business]

In the domestic business, to celebrate the 30th anniversary of the launch of Nijyusanku, a core brand of Onward Kashiyama Co., Ltd., the Company appointed brand ambassadors and distributed the fashion movie, 30TH SPECIAL FASHION SHOW PARIS TO TOKYO, via a dedicated website, and pushed forward with initiatives aimed at achieving further growth. Sales of new brands such as "KASHIYAMA" and "UNFILO" were also strong.

Overseas, sales expanded in Europe, the Americas, and Asia, and increased utilization of the Dalian factory contributed to improved profitability.

As a result, the Apparel Business reported higher sales and moved into the black, generating substantial profits.

#### [Lifestyle Business]

Chacott Co., Ltd., which operates a wellness business, posted higher sales owing to increased demand for ballet-related goods on the back of a recovery in external events and growth of the cosmetics business. Performance at Creative Yoko Co., Ltd., a subsidiary engaged in a pet and home life business, continued holding firm, thanks to the success of new store opening initiatives. Yamato Co., Ltd., which operates a gift catalog business, also continued to perform well.

As a result, 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 increased by 1,573 million yen compared with the end of the previous fiscal year to 160,772 million yen. This was primarily due to an increase in merchandise and finished goods of 4,033 million yen, and decreases in cash and deposits of 1,481 million yen and notes and accounts receivable—trade, and contract assets of 1,598 million yen.

Liabilities increased by 6,617 million yen compared with the end of the previous fiscal year to 80,742 million yen. This was primarily due to an increase in short-term borrowings of 10,962 million yen, and a decrease in long-term borrowings of 2,660 million yen.

Net assets decreased by 5,044 million yen compared with the end of the previous fiscal year to 80,029 million yen. This was primarily due to profit attributable to owners of parent of 2,862 million yen, dividends of surplus of 1,628 million yen, a decrease in valuation difference on available-for-sale securities of 434 million yen, a decrease in foreign currency translation adjustment of 694 million yen, and a decrease in non-controlling interests of 5,119 million yen.

As a result, the shareholders' equity ratio was 46.5%.

(Status of cash flows)

Cash flows provided by operating activities amounted to 1,092 million yen (an inflow of 1,399 million yen for the same period of the previous fiscal year) mainly due to profit before income taxes, an increase in inventories, a decrease in trade receivables, and a decrease in trade payables.

Cash flows used in investing activities amounted to 1,893 million yen (an inflow of 5,935 million yen for the same period of the previous fiscal year) mainly due to purchase of investment securities and purchase of property, plant and equipment.

Cash flows used in financing activities amounted to 994 million yen (an outflow of 8,332 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, 2023, decreased by 1,481 million yen compared with the end of the previous fiscal year to 12,314 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 29, 2024, which was announced on July 6, 2023, in light of the Company's second quarter performance. For details, please see "Notice of Revision to the Performance Forecast and Dividend Forecast," announced today.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of August 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	13,805	12,324
Notes and accounts receivable—trade, and contract assets	13,981	12,383
Merchandise and finished goods	27,297	31,331
Work in process	486	518
Raw materials and supplies	2,935	3,135
Other	4,185	4,933
Allowance for doubtful accounts	(437)	(442)
Total current assets	62,255	64,185
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,498	19,409
Land	23,328	23,478
Other, net	10,303	10,701
Total property, plant and equipment	53,130	53,590
Intangible assets		
Goodwill	4,025	3,719
Other	5,081	5,002
Total intangible assets	9,106	8,721
Investments and other assets		
Investment securities	16,433	16,396
Retirement benefit asset	5,441	5,504
Deferred tax assets	3,454	2,873
Other	9,708	9,685
Allowance for doubtful accounts	(331)	(184)
Total investments and other assets	34,706	34,275
Total non-current assets	96,943	96,587
Total assets	159,198	160,772

(Million yen)

	As of February 28, 2023	As of August 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	8,154	8,209
Electronically recorded obligations—operating	13,236	12,925
Short-term borrowings	18,600	29,563
Income taxes payable	1,129	684
Provision for bonuses	914	1,460
Provision for bonuses for directors	179	122
Other	10,909	9,866
Total current liabilities	53,124	62,832
Non-current liabilities		
Long-term borrowings	8,657	5,997
Retirement benefit liability	2,886	2,860
Provision for retirement benefits for directors and corporate auditors	262	286
Asset retirement obligations	2,563	2,582
Other	6,630	6,184
Total non-current liabilities	21,000	17,910
Total liabilities	74,125	80,742
<b>Net assets</b>		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,347	50,347
Retained earnings	16,042	17,276
Treasury shares	(20,748)	(20,749)
Total shareholders' equity	75,721	76,955
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,620	2,186
Deferred gains or losses on hedges	30	47
Revaluation reserve for land	(5,698)	(5,698)
Foreign currency translation adjustment	1,441	747
Remeasurements of defined benefit plans	631	584
Total accumulated other comprehensive income	(973)	(2,132)
Share acquisition rights	82	82
Non-controlling interests	10,243	5,123
Total net assets	85,073	80,029
Total liabilities and net assets	159,198	160,772



## (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, 2022	For the six months ended August 31, 2023
Net sales	82,166	90,411
Cost of sales	37,431	39,258
Gross profit	44,735	51,152
Selling, general and administrative expenses	44,541	46,129
Operating profit	193	5,022
Non-operating income		
Interest income	13	37
Dividend income	106	112
Share of profit of entities accounted for using equity method	–	15
Foreign exchange gains	708	–
Reversal of allowance for doubtful accounts	–	35
Other	288	115
Total non-operating income	1,116	317
Non-operating expenses		
Interest expenses	131	269
Share of loss of entities accounted for using equity method	34	–
Foreign exchange losses	–	473
Other	489	183
Total non-operating expenses	655	927
Recurring profit	654	4,412
Extraordinary income		
Gain on sales of investment securities	120	362
Gain on sales of shares of subsidiaries and associates	1,306	–
Other	28	–
Total extraordinary income	1,455	362
Extraordinary losses		
Extraordinary loss due to closing and other	4	–
Impairment loss	470	242
Provision for loss on disaster	–	137
Other	11	5
Total extraordinary losses	485	385
Profit before income taxes	1,624	4,390
Total income taxes	1,341	1,382
Profit	282	3,007
Profit (loss) attributable to non-controlling interests	(193)	144
Profit attributable to owners of parent	476	2,862

Quarterly Consolidated Statements of Comprehensive Income

Six months ended August 31

(Million yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Profit	282	3,007
Other comprehensive income		
Valuation difference on available-for-sale securities	2,657	(434)
Deferred gains or losses on hedges	61	16
Foreign currency translation adjustment	3,362	(694)
Remeasurements of defined benefit plans, net of tax	(23)	(46)
Share of other comprehensive income of entities accounted for using equity method	–	0
Total other comprehensive income	6,057	(1,158)
Comprehensive income	6,340	1,848
Comprehensive income attributable to:		
Owners of parent	6,048	1,704
Non-controlling interests	292	144

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,624	4,390
Depreciation and amortization	2,243	1,957
Impairment loss	470	242
Amortization of goodwill	401	410
Increase (decrease) in allowance for doubtful accounts	111	(157)
Decrease (increase) in retirement benefit asset	(164)	(63)
Increase (decrease) in retirement benefit liability	(32)	(26)
Interest and dividend income	(119)	(150)
Interest expenses	131	269
Decrease (increase) in trade receivables	3,065	1,722
Decrease (increase) in inventories	(477)	(4,026)
Increase (decrease) in trade payables	(381)	(412)
Loss (gain) on sales of shares of subsidiaries and associates	(1,306)	0
Loss (gain) on disposal of non-current assets	1	4
Other, net	(3,293)	(2,231)
Subtotal	2,272	1,928
Interest and dividends received	1,301	153
Interest paid	(154)	(352)
Income taxes paid	(2,051)	(1,044)
Income taxes refund	31	407
Net cash provided by (used in) operating activities	1,399	1,092
<b>Cash flows from investing activities</b>		
Payments into time deposits	(11)	–
Proceeds from withdrawal of time deposits	11	–
Purchase of property, plant and equipment	(1,478)	(868)
Proceeds from sales of property, plant and equipment	–	51
Purchase of investment securities	(1)	(2,017)
Proceeds from sales of investment securities	1,306	1,770
Payments of guarantee deposits	(204)	(350)
Proceeds from refund of guarantee deposits	259	161
Purchase of long-term prepaid expenses	(22)	(0)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	7,652	–
Other, net	(1,574)	(639)
Net cash provided by (used in) investing activities	5,935	(1,893)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(3,868)	8,272
Repayments of long-term borrowings	(2,193)	(1,860)
Dividends paid	(1,627)	(1,628)
Repayments to non-controlling shareholders	(190)	(5,020)
Other, net	(453)	(757)
Net cash provided by (used in) financing activities	(8,332)	(994)
Effect of exchange rate change on cash and cash equivalents	537	314
Net increase (decrease) in cash and cash equivalents	(460)	(1,481)
Cash and cash equivalents at beginning of period	15,199	13,795
Cash and cash equivalents at end of period	14,739	12,314

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Measurement Guidance") 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 Guidance in accordance with the transitional treatment provided in paragraph 27-2 of the Fair Value Measurement Guidance.

This does not affect the quarterly consolidated financial statements.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and certain consolidated subsidiaries in Japan have transitioned from a consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year under review. In accordance with this, the accounting and disclosure of corporate taxes, local corporate taxes, and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter referred to as "PITF No. 42").

Furthermore, based on paragraph 32 (1) of PITF No. 42, it is deemed that there are no effects due to changes in accounting policies accompanying the application of PITF No. 42.

(Segment information, etc.)

I 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.

II Six months ended August 31, 2023 (From March 1, 2023 to August 31, 2023)

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

(Million yen)

	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	62,065	6,571	68,636	21,774	90,411	—	90,411
(2) Intersegment sales or transfers	490	1,071	1,562	794	2,357	(2,357)	—
Total	62,555	7,643	70,198	22,569	92,768	(2,357)	90,411
Segment profit (loss)	3,493	(558)	2,935	2,556	5,491	(468)	5,022

(Notes) 1. The adjustment amount for segment profit (loss) of (468) million yen includes amortization of goodwill of (410) million yen, elimination of intersegment transactions of 1,921 million yen, and corporate expenses not allocated to reportable segments of (1,979) million yen.

Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.

2. Segment profit (loss) coincides with the amount of operating profit in the 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.