

Consolidated Financial Results for the Nine Months Ended November 30, 2023 [Japanese GAAP]



January 11, 2024

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: January 12, 2024

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 Nine Months Ended November 30, 2023 (March 1, 2023 – November 30, 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	%
Nine months ended November 30, 2023	141,383	8.4	9,700	124.8	9,055	92.7	5,746	111.0
Nine months ended November 30, 2022	130,397	4.9	4,315	–	4,698	–	2,723	(66.3)

(Note) Comprehensive income: Nine months ended November 30, 2023: 4,662 million yen [(52.7)%]

Nine months ended November 30, 2022: 9,849 million yen [(2.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2023	42.35	42.29
Nine months ended November 30, 2022	20.08	20.05

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

Nine months ended November 30, 2023: 13,282 million yen [61.1%]

Nine months ended November 30, 2022: 8,244 million yen [191.0%]

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of November 30, 2023	172,857	82,719	44.9
As of February 28, 2023	159,198	85,073	47.0

(Reference) Shareholders' equity: As of November 30, 2023: 77,582 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)				18.00	18.00

(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	5,911	93.1	43.55

(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 November 30, 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 November 30, 2023: 22,193,147 shares
As of February 28, 2023: 22,204,488 shares
3) Average number of shares outstanding during the period:
Nine months ended November 30, 2023: 135,716,975 shares
Nine months ended November 30, 2022: 135,642,227 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.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income	6
Quarterly Consolidated Statements of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Uncertainties of entity’s ability to continue as going concern)	8
(Notes when there are significant changes in amounts of shareholders’ equity)	8
(Changes in accounting policies)	8
(Additional information)	8
(Segment information, etc.)	9
(Significant events after reporting period)	10

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

In the first nine months ended November 30, 2023, the Japanese economy saw socioeconomic activities returning to normal propelled by the lifting of various COVID-related restrictions. However, soaring energy and raw materials prices attributed to geopolitical tensions and rising domestic prices caused by foreign exchange rate changes dampened consumer sentiment and corporate activities, rendering the economic outlook uncertain.

The apparel and fashion industry witnessed a drastic change in consumer purchasing behavior caused by higher-than-usual temperatures between September and November, which delayed the sales of fall and winter merchandise.

Under these circumstances, at the Onward Group, sales of the mainstay brand business continued to be robust, owing to flexible merchandising strategies and further improvement in the operation of OMO (Online Merges with Offline) stores that offer “Click & Try” services. Operating profit margin also increased year-on-year, due to the success of global business reforms and progress in streamlining the supply chain.

Thanks to the above, sales and all profit categories grew in the third quarter of the current fiscal year. As a result, during the first nine months ended November 30, 2023, consolidated net sales came to 141,383 million yen (+8.4% year-on-year), consolidated operating profit 9,700 million yen (+124.8% year-on-year), consolidated recurring profit 9,055 million yen (+92.7% year-on-year), and profit attributable to owners of parent 5,746 million yen (+111.0% 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 first nine months ended November 30, 2023, EBITDA amounted to 13,282 million yen (+61.1% year-on-year).

Results by segment were as follows.

[Apparel Business]

In the domestic business, sales grew thanks to the strong performance of “Nijyusanku” and other mainstay brands of the core operating company Onward Kashiya Co., Ltd. The development and launch of popular products in “UNFILO” also contributed to sales growth. At Onward Personal Style Co., Ltd., which operates the “KASHIYAMA” brand, sales at directly managed stores and B2B sales performed well.

Overseas, sales increased in Europe, Americas, and Asia, with the profitability sharply improving.

As a result, the Apparel Business posted higher sales and profit.

[Lifestyle Business]

Chacott Co., Ltd., which runs the wellness business, posted higher sales owing to enhanced marketing strategies utilizing social media and the development and launch of popular products in the Chacott Cosmetics line. At Creative Yoko Co., Ltd., which operates the pet and home life business, sales continued to expand backed by the success of aggressive store opening measures.

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 third quarter of the fiscal year under review increased by 13,658 million yen compared with the end of the previous fiscal year to 172,857 million yen. This was primarily due to increases in notes and accounts receivable—trade, and contract assets of 5,124 million yen and merchandise and finished goods of 9,768 million yen, and decreases in cash and deposits of 1,138 million yen and investment securities of 909 million yen.

Liabilities increased by 16,012 million yen compared with the end of the previous fiscal year to 90,137 million yen. This was primarily due to increases in notes and accounts payable—trade of 585 million yen, electronically recorded obligations—operating of 3,033 million yen and short-term borrowings of 12,477 million yen, and a decrease in long-term borrowings of 1,312 million yen.

Net assets decreased by 2,353 million yen compared with the end of the previous fiscal year to 82,719 million yen. This was primarily due to profit attributable to owners of parent of 5,746 million yen, dividends of surplus of 1,628 million yen, a decrease in valuation difference on available-for-sale securities of 1,055 million yen, a decrease in foreign currency translation adjustment of 125 million yen, and a decrease in non-controlling interests of 5,182 million yen.

As a result, the shareholders' equity ratio was 44.9%.

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

In the nine months ended November 30, 2023, net sales, operating profit and recurring profit generally progressed as planned according to the consolidated performance forecast for the full year announced on October 5, 2023. Profit attributable to owners of parent is expected to exceed the previous forecast due to a decrease in income taxes—deferred accompanying recording of deferred tax assets, as increased taxable income due to ongoing favorable business results is expected.

Due to the above results, the consolidated performance forecast for the full year is revised as follows:

Revisions to the consolidated performance forecast for the full year ending February 29, 2024 (March 1, 2023 - February 29, 2024)

	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Yen
Previous forecast (A)	5,462	40.25
Revised forecast (B)	5,911	43.55
Change (B-A)	449	–
Change rate (%)	8.2	–
*(Reference) Fiscal year ended February 28, 2023	3,061	22.57

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	13,805	12,667
Notes and accounts receivable—trade, and contract assets	13,981	19,105
Merchandise and finished goods	27,297	37,066
Work in process	486	531
Raw materials and supplies	2,935	3,204
Other	4,185	4,644
Allowance for doubtful accounts	(437)	(475)
Total current assets	62,255	76,745
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,498	19,652
Land	23,328	23,511
Other, net	10,303	10,985
Total property, plant and equipment	53,130	54,149
Intangible assets		
Goodwill	4,025	3,545
Other	5,081	5,488
Total intangible assets	9,106	9,034
Investments and other assets		
Investment securities	16,433	15,524
Retirement benefit asset	5,441	5,556
Deferred tax assets	3,454	2,307
Other	9,708	9,726
Allowance for doubtful accounts	(331)	(185)
Total investments and other assets	34,706	32,928
Total non-current assets	96,943	96,112
Total assets	159,198	172,857

(Million yen)

	As of February 28, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable—trade	8,154	8,739
Electronically recorded obligations—operating	13,236	16,269
Short-term borrowings	18,600	31,078
Income taxes payable	1,129	900
Provision for bonuses	914	2,393
Provision for bonuses for directors	179	108
Other	10,909	11,326
Total current liabilities	53,124	70,817
Non-current liabilities		
Long-term borrowings	8,657	7,345
Retirement benefit liability	2,886	2,865
Provision for retirement benefits for directors and corporate auditors	262	290
Asset retirement obligations	2,563	2,605
Other	6,630	6,213
Total non-current liabilities	21,000	19,319
Total liabilities	74,125	90,137
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,347	50,342
Retained earnings	16,042	20,201
Treasury shares	(20,748)	(20,737)
Total shareholders' equity	75,721	79,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,620	1,565
Deferred gains or losses on hedges	30	(7)
Revaluation reserve for land	(5,698)	(5,738)
Foreign currency translation adjustment	1,441	1,316
Remeasurements of defined benefit plans	631	561
Total accumulated other comprehensive income	(973)	(2,303)
Share acquisition rights	82	76
Non-controlling interests	10,243	5,061
Total net assets	85,073	82,719
Total liabilities and net assets	159,198	172,857

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Net sales	130,397	141,383
Cost of sales	57,772	61,109
Gross profit	72,625	80,274
Selling, general and administrative expenses	68,309	70,573
Operating profit	4,315	9,700
Non-operating income		
Interest income	20	46
Dividend income	107	123
Share of profit of entities accounted for using equity method	–	42
Foreign exchange gains	788	–
Other	338	176
Total non-operating income	1,255	388
Non-operating expenses		
Interest expenses	234	392
Share of loss of entities accounted for using equity method	42	–
Foreign exchange losses	–	380
Other	595	259
Total non-operating expenses	873	1,033
Recurring profit	4,698	9,055
Extraordinary income		
Gain on sales of investment securities	123	362
Gain on sales of shares of subsidiaries and associates	1,303	–
Other	29	52
Total extraordinary income	1,456	415
Extraordinary losses		
Extraordinary loss due to closing and other	4	–
Impairment loss	723	362
Loss on disaster	–	187
Other	153	48
Total extraordinary losses	880	598
Profit before income taxes	5,273	8,872
Total income taxes	2,621	2,920
Profit	2,652	5,952
Profit (loss) attributable to non-controlling interests	(71)	205
Profit attributable to owners of parent	2,723	5,746

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Profit	2,652	5,952
Other comprehensive income		
Valuation difference on available-for-sale securities	3,777	(1,067)
Deferred gains or losses on hedges	80	(38)
Foreign currency translation adjustment	3,374	(129)
Remeasurements of defined benefit plans, net of tax	(34)	(70)
Share of other comprehensive income of entities accounted for using equity method	–	16
Total other comprehensive income	7,197	(1,289)
Comprehensive income	9,849	4,662
Comprehensive income attributable to:		
Owners of parent	9,435	4,457
Non-controlling interests	414	205

(3) 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 Nine months ended November 30, 2022 (From March 1, 2022 to November 30, 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	89,836	9,536	99,372	31,025	130,397	—	130,397
(2) Intersegment sales or transfers	706	1,284	1,990	1,192	3,182	(3,182)	—
Total	90,542	10,820	101,363	32,217	133,580	(3,182)	130,397
Segment profit (loss)	3,227	(1,111)	2,115	3,138	5,254	(938)	4,315

(Notes) 1. The adjustment amount for segment profit (loss) of (938) million yen includes amortization of goodwill of (614) million yen, elimination of intersegment transactions of 2,345 million yen, and corporate expenses not allocated to reportable segments of (2,669) 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 Nine months ended November 30, 2023 (From March 1, 2023 to November 30, 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	97,764	11,120	108,884	32,499	141,383	—	141,383
(2) Intersegment sales or transfers	806	1,484	2,290	858	3,149	(3,149)	—
Total	98,570	12,604	111,175	33,357	144,532	(3,149)	141,383
Segment profit (loss)	7,114	(525)	6,589	3,712	10,302	(601)	9,700

(Notes) 1. The adjustment amount for segment profit (loss) of (601) million yen includes amortization of goodwill of (622) million yen, elimination of intersegment transactions of 2,814 million yen, and corporate expenses not allocated to reportable segments of (2,793) 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.