

Consolidated Financial Results for the Three Months Ended May 31, 2024 [Japanese GAAP]



July 4, 2024

Company name: Onward Holdings Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Securities code: 8016

URL: <https://www.onward-hd.co.jp/en/>

Representative: Michinobu Yasumoto, President and CEO

Contact: Shohei Yoshida, Director in charge of Finance, Accounting, Investor Relations

Phone: +81-3-4512-1030

Scheduled date of filing quarterly securities report: July 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 Three Months Ended May 31, 2024 (March 1, 2024 – May 31, 2024)

(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	%
Three months ended May 31, 2024	51,376	2.9	5,074	(5.7)	5,195	6.9	4,019	20.1
May 31, 2023	49,907	12.0	5,380	168.3	4,861	84.3	3,348	83.6

(Note) Comprehensive income: Three months ended May 31, 2024: 7,799 million yen [188.2%]

Three months ended May 31, 2023: 2,706 million yen [(48.6)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2024	29.61	29.58
May 31, 2023	24.67	24.64

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

Three months ended May 31, 2024: 6,247 million yen [(4.6)%]

Three months ended May 31, 2023: 6,545 million yen [94.5%]

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of May 31, 2024	172,839	82,443	47.7
As of February 29, 2024	171,362	84,995	46.6

(Reference) Shareholders' equity: As of May 31, 2024: 82,372 million yen

As of February 29, 2024: 79,796 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 29, 2024	–	–	–	20.00	20.00
Fiscal year ending February 28, 2025	–				
Fiscal year ending February 28, 2025 (Forecast)		–	–	24.00	24.00

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

3. Consolidated Performance Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 - February 28, 2025)

(% 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
1H (cumulative)	94,900	5.0	5,500	9.5	5,500	24.6	4,050	41.5	29.84
Full year	200,000	5.5	12,500	11.0	12,200	20.5	8,250	24.8	60.78

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

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

Full year ending February 28, 2025 (forecast): 17,700 million yen [10.3%]

Full year ended February 29, 2024: 16,052 million yen [54.7%]

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
Newly included: – (Company name:)
Excluded: One company (Company name: Onward Italia S.r.l.)
- (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: None
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 May 31, 2024: 157,921,669 shares
As of February 29, 2024: 157,921,669 shares
2) Total number of treasury shares at the end of the period:
As of May 31, 2024: 22,183,889 shares
As of February 29, 2024: 22,193,554 shares
3) Average number of shares outstanding during the period:
Three months ended May 31, 2024: 135,735,253 shares
Three months ended May 31, 2023: 135,717,142 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
(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
(Segment information, etc.)	9

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

(1) Explanation of Operating Results

During the three months ended May 31, 2024, the Japanese economy showed signs of gradual recovery, with economic activity normalizing on recovery in personal consumption and corporate earnings, and the employment and income conditions improving. Nevertheless, the outlook remains uncertain due to prolonged conflicts in the Middle East and Ukraine, concerns about the future of the Chinese economy, and soaring energy and raw material prices. In addition, while the apparel industry saw some recovery in inbound demand due to the weak yen, there are concerns about consumers' rising awareness toward conscious spending.

In this environment, the Group's net sales increased due to robust sales of new products responding to climate change and ongoing growth in the use of the "Click and Try" OMO (Online Merges with Offline) service. The gross profit margin declined as a result of planned optimization of inventory levels, but the SG&A-to-sales ratio also declined as a rise in personnel expenses accompanying wage increases and higher advertising expenses were offset by more efficient store operations through the expansion of multi-brand stores.

As a result of the above, on a consolidated basis, net sales amounted to 51,376 million yen (2.9% increase year-on-year), operating profit to 5,074 million yen (5.7% decrease year-on-year), recurring profit to 5,195 million yen (6.9% increase year-on-year), and profit attributable to owners of parent to 4,019 million yen (20.1% increase year-on-year).

Furthermore, amid efforts to accelerate growth through enhancement and expansion of business foundations that utilize creation of new businesses, M&A, etc., the Group has adopted EBITDA (operating profit + depreciation and amortization) as a key management indicator to enable convenient comparisons between companies regardless of differences in accounting standards.

EBITDA for the three months ended May 31, 2024, was 6,247 million yen (4.6% decrease year on year).

Results by segment were as follows.

Status by segment is as follows.

Effective from the first quarter (the three months ended May 31, 2024), Onward Holdings has changed its reportable segments. The following comparison uses a restatement of figures for the three months ended May 31, 2023, to reflect the new segmentation.

[Domestic Business]

In Japan, the core operating company Onward Kashiya Co., Ltd. expanded the number of OMO-type stores offering the "Click and Try" service that is being rolled out nationwide and worked to develop new products responding to climate change. This resulted in strong sales of mainstay brands Nijyusanku and J.PRESS and the new brand UNFILO.

Onward Personal Style Co., Ltd., which operates the KASHIYAMA brand, achieved significant sales growth due to an increase in new customers, including young people and women, thanks to successful promotional measures using digital advertising.

Chacott Co., Ltd., posted steady sales of seasonal products in the Chacott COSMETICS line.

In addition, despite a lower gross profit margin caused by a planned optimization of inventory levels, the SG&A-to-sales ratio also fell with promotion of more efficient store operations through an expansion of multi-brand stores.

As a result, the domestic business posted higher sales but lower operating profits.

[Overseas Business]

In the overseas business, sales in Asia expanded on improvement in the Dalian plant's utilization rate. In the J.PRESS business in the US, e-commerce sales grew.

In addition, JOSEPH, a contemporary brand originating in London in the UK, experienced deteriorating profitability due to a difficult business environment, especially in the wholesale business.

As a result, the overseas business posted a wider operating loss despite higher sales.

(2) Explanation of Financial Position

(Status of assets, liabilities, and net assets)

Total assets as of the end of the first quarter of the fiscal year under review increased by 1,476 million yen compared with the end of the previous fiscal year to 172,839 million yen. This was primarily due to increases in notes and accounts receivable—trade, and contract assets of 309 million yen and investment securities of 2,364 million yen, and a decrease in merchandise and finished goods of 1,015 million yen.

Liabilities increased by 4,028 million yen compared with the end of the previous fiscal year to 90,395 million yen. This was primarily due to increases in short-term borrowings of 1,618 million yen and long-term borrowings of 4,852 million yen, and a decrease in notes and accounts payable—trade of 1,987 million yen.

Net assets decreased by 2,551 million yen compared with the end of the previous fiscal year to 82,443 million yen. This was primarily due to an increase of 4,019 million yen from profit attributable to owners of parent, an increase in foreign currency translation adjustment of 1,963 million yen, an increase in valuation difference on available-for-sale securities of 1,674 million yen, a decrease in surplus of 2,451 million yen due to changes in the fiscal year-end of consolidated subsidiaries, a decrease of 2,714 million yen from dividends of surplus, and a decrease in non-controlling interests of 5,122 million yen.

As a result, the shareholders' equity ratio was 47.7%.

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

In the three months ended May 31, 2024, net sales and operating profit generally progressed as planned according to the consolidated performance forecast announced on April 4, 2024.

Recurring profit and profit attributable to owners of parent are expected to exceed the previous forecast due to the strong performance of associates accounted for using equity method and the recording of a share of profit of entities accounted for using equity method, among other factors.

As a result of the above, the consolidated performance forecast for the first half and full year has been revised upward as follows:

Revisions to the consolidated performance forecast for the first half of the fiscal year ending February 28, 2025 (March 1, 2024 - August 31, 2024)

	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Yen
Previous forecast (A)	5,300	3,800	28.00
Revised forecast (B)	5,500	4,050	29.84
Change (B-A)	200	250	—
Change rate (%)	3.8	6.6	—
*(Reference) First half of the fiscal year ended February 29, 2024	4,412	2,862	21.09

Revisions to the consolidated performance forecast for the full year ending February 28, 2025 (March 1, 2024 - February 28, 2025)

	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Yen
Previous forecast (A)	12,000	8,000	58.94
Revised forecast (B)	12,200	8,250	60.78
Change (B-A)	200	250	—
Change rate (%)	1.7	3.1	—
*(Reference) Fiscal year ended February 29, 2024	10,126	6,611	48.72

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	14,133	13,346
Notes and accounts receivable—trade, and contract assets	15,933	16,242
Merchandise and finished goods	35,257	34,241
Work in process	456	423
Raw materials and supplies	3,244	3,329
Other	4,675	5,053
Allowance for doubtful accounts	(301)	(365)
Total current assets	73,400	72,271
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,267	19,445
Land	22,626	22,695
Other, net	8,573	8,265
Total property, plant and equipment	50,468	50,405
Intangible assets		
Goodwill	3,289	3,141
Other	5,533	6,200
Total intangible assets	8,822	9,342
Investments and other assets		
Investment securities	16,600	18,964
Retirement benefit asset	7,774	7,829
Deferred tax assets	4,805	4,423
Other	9,585	9,700
Allowance for doubtful accounts	(93)	(98)
Total investments and other assets	38,671	40,819
Total non-current assets	97,962	100,567
Total assets	171,362	172,839

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable—trade	8,740	6,753
Electronically recorded obligations—operating	13,871	13,965
Short-term borrowings	25,412	27,030
Income taxes payable	965	609
Provision for bonuses	1,296	1,258
Provision for bonuses for directors	216	35
Other	11,847	12,072
Total current liabilities	62,350	61,725
Non-current liabilities		
Long-term borrowings	12,255	17,107
Retirement benefit liability	2,752	2,725
Provision for retirement benefits for directors and corporate auditors	290	44
Asset retirement obligations	2,629	2,680
Other	6,088	6,111
Total non-current liabilities	24,017	28,670
Total liabilities	86,367	90,395
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,342	50,337
Retained earnings	21,165	20,018
Treasury shares	(20,737)	(20,727)
Total shareholders' equity	80,849	79,707
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,431	4,106
Deferred gains or losses on hedges	4	17
Revaluation reserve for land	(5,837)	(5,837)
Foreign currency translation adjustment	451	2,415
Remeasurements of defined benefit plans	1,896	1,963
Total accumulated other comprehensive income	(1,052)	2,664
Share acquisition rights	76	71
Non-controlling interests	5,122	—
Total net assets	84,995	82,443
Total liabilities and net assets	171,362	172,839

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Net sales	49,907	51,376
Cost of sales	20,928	22,232
Gross profit	28,979	29,143
Selling, general and administrative expenses	23,599	24,069
Operating profit	5,380	5,074
Non-operating income		
Interest income	31	14
Dividend income	4	52
Share of profit of entities accounted for using equity method	–	131
Foreign exchange gains	–	71
Reversal of allowance for doubtful accounts	35	–
Other	49	31
Total non-operating income	120	302
Non-operating expenses		
Interest expenses	175	83
Share of loss of entities accounted for using equity method	1	–
Foreign exchange losses	351	–
Other	109	97
Total non-operating expenses	639	181
Recurring profit	4,861	5,195
Extraordinary income		
Gain on sales of non-current assets	–	944
Total extraordinary income	–	944
Extraordinary losses		
Impairment loss	152	31
Loss on liquidation of subsidiaries and associates	–	1,445
Other	–	5
Total extraordinary losses	152	1,482
Profit before income taxes	4,709	4,658
Total income taxes	1,278	576
Profit	3,430	4,081
Profit attributable to non-controlling interests	82	61
Profit attributable to owners of parent	3,348	4,019

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Profit	3,430	4,081
Other comprehensive income		
Valuation difference on available-for-sale securities	(287)	1,665
Deferred gains or losses on hedges	8	12
Foreign currency translation adjustment	(421)	1,959
Remeasurements of defined benefit plans, net of tax	(23)	66
Share of other comprehensive income of entities accounted for using equity method	–	13
Total other comprehensive income	(724)	3,717
Comprehensive income	2,706	7,799
Comprehensive income attributable to:		
Owners of parent	2,623	7,737
Non-controlling interests	82	61

(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.

(Segment information, etc.)

I Three months ended May 31, 2023 (from March 1, 2023 to May 31, 2023)

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

(Million yen)

	Domestic Business	Overseas Business	Total	Adjustments (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
(1) Net sales to outside customers	46,027	3,879	49,907	—	49,907
(2) Intersegment sales or transfers	250	578	829	(829)	—
Total	46,278	4,458	50,736	(829)	49,907
Segment profit (loss)	5,903	(262)	5,640	(259)	5,380

(Notes) 1. The adjustment amount for segment profit (loss) of (259) million yen includes amortization of goodwill of (198) million yen, elimination of intersegment transactions of 950 million yen, and corporate expenses not allocated to reportable segments of (1,011) 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 Three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024)

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

(Million yen)

	Domestic Business	Overseas Business	Total	Adjustments (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
Net sales					
(1) Net sales to outside customers	47,306	4,069	51,376	–	51,376
(2) Intersegment sales or transfers	326	707	1,033	(1,033)	–
Total	47,633	4,776	52,410	(1,033)	51,376
Segment profit (loss)	5,595	(402)	5,192	(117)	5,074

(Notes) 1. The adjustment amount for segment profit (loss) of (117) million yen includes amortization of goodwill of (208) million yen, elimination of intersegment transactions of 1,036 million yen, and corporate expenses not allocated to reportable segments of (945) 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.

3. Changes in reportable segments

As of the first quarter of the fiscal year under review, we have changed our reportable segments from the previous categories of “Apparel Business (Domestic),” “Apparel Business (Overseas),” and “Lifestyle Business” to “Domestic Business” and “Overseas Business.”

This change is aimed at conducting business management more in line with actual conditions by integrating both segments, as the boundaries between apparel and lifestyle are becoming less distinct amid the ongoing diversification of the market.

The segment information for the first quarter of the previous fiscal year has been prepared and presented based on the new categorization.