

[Translation]

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



November 11, 2022

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: November 14, 2022

Scheduled dividend payment start date: December 9, 2022

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. Second Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 – September 30, 2022)

(1) Consolidated Business Results

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

	Revenue		Business Profit		Operating Profit		Profit Before Income Taxes and Equity in Net Profit of Affiliated Companies		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Second Quarter ended September 30, 2022	97,506	13.0	4,344	14.7	4,001	(13.3)	5,881	8.0	4,283	25.5
Second Quarter ended September 30, 2021	86,286	-	3,787	-	4,617	-	5,444	-	3,412	-

	Net Profit Attributable to Owners of Parent		Total Comprehensive Income		Basic Earnings per Share	Diluted Earnings per Share
	Millions of Yen	%	Millions of Yen	%	Yen	Yen
Second Quarter ended September 30, 2022	4,201	22.3	11,412	210.4	68.91	68.62
Second Quarter ended September 30, 2021	3,435	-	3,676	-	55.01	54.78

(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	%
As of September 30, 2022	302,426	227,041	224,076	74.1
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 Profit		Profit Before Income Taxes and Equity in Net Profit of Affiliated Companies		Net Profit Attributable to Owners of Parent		Basic Earnings per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Annual	200,000	16.2	5,000	912.1	8,000	143.1	10,500	157.2	8,000	361.9	131.22

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

Notes

- (1) Changes in significant subsidiaries in the consolidated cumulative second 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)

	Second Quarter ended September 30, 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:	4,523,114 shares	4,130,773 shares
(iii) Average number of shares during consolidated second quarter (second quarter ended September 30):	60,965,308 shares	62,438,539 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 18 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 Second Quarter – (3) Qualitative Information regarding Forecast of Consolidated Business Results” on page 9 of the attached materials.

Table of Contents for Attached Materials

1.	Qualitative Information regarding Consolidated Performance during the Second Quarter -----	5
(1)	Qualitative Information regarding Consolidated Business Results -----	5
(2)	Qualitative Information regarding Consolidated Financial Condition -----	9
(3)	Qualitative Information regarding Forecast of Consolidated Business Results -----	9
2.	Condensed Quarterly Consolidated Financial Statements and Accompanying Notes -----	10
(1)	Condensed Quarterly Statement of Financial Position -----	10
(2)	Condensed Quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income -----	12
(3)	Condensed Quarterly Consolidated Statement of Changes in Equity -----	14
(4)	Condensed Quarterly Consolidated Statement of Cash Flows -----	15
(5)	Notes to Condensed Quarterly Consolidated Financial Statements -----	16
	(Notes on Going Concern) -----	16
	(Segment Information) -----	16
	(First-time Adoption) -----	18

1. Qualitative Information regarding Consolidated Performance during the Second Quarter

(1) Qualitative Information regarding Consolidated Business Results

(i) Performance Overview of the Six Months ended September 30, 2022

(Millions of Yen)

	Previous Consolidated Cumulative Second Quarter (From April 1, 2021 to September 30, 2021)	Current Consolidated Cumulative Second Quarter (From April 1, 2022 to September 30, 2022)	Increased/(Decreased) from previous consolidated cumulative second quarter	
	Amount	Amount	Amount	%
Revenue	86,286	97,506	+11,220	+13.0
Cost of sales	37,270	41,341	+4,071	+10.9
Gross profit	49,016	56,165	+7,149	+14.6
Selling, general and administrative expenses	45,229	51,821	+6,592	+14.6
Business profit	3,787	4,344	+557	+14.7
Other income	943	1,036	+93	+9.9
Other expenses	113	1,379	+1,266	-
Operating profit	4,617	4,001	(616)	(13.3)
Finance income	766	1,055	+289	+37.7
Finance expense	218	552	+334	+153.2
Share of profit of investments accounted for using equity method	279	1,377	+1,098	+393.5
Profit before income taxes and equity in net profit of affiliated companies	5,444	5,881	+437	+8.0
Net profit attributable to owners of parent	3,435	4,201	+766	+22.3

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

During the current consolidated cumulative second quarter (April 1, 2022 - September 30, 2022), our group’s domestic business environment continued to remain challenging as the number of customers visiting our retail stores still had a weak bounce back, despite relaxation of restrictions related to the coronavirus pandemic (“COVID-19”). The outlook is challenging due to price inflation of raw materials and energy as well as the recent rapid depreciation of the Japanese yen. Our business environment in the United States remained sluggish due to weaker consumer confidence as a result of the continuing inflation and higher interest rates to control such inflation. Our business in China also remained challenging due to the continuing 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 and foot traffic increased.

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 customer 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 second quarter, consolidated revenue was 97.51 billion yen (an increase of 13.0% as compared to the corresponding period of the previous fiscal year), consolidated business profit was 4.34 billion yen (an increase of 14.7% as compared to the corresponding period of the previous fiscal year), consolidated operating profit was 4.00 billion yen (a decrease of 13.3% as compared to the corresponding period of the previous fiscal year), consolidated profit before income taxes and equity in net profit of affiliated companies were 5.88 billion yen (an increase of 8.0% as compared to the corresponding period of the previous fiscal year), and consolidated net profit attributable to owners of parent was 4.20 billion yen (an increase of 22.3% as compared to the corresponding period of the previous fiscal year). The key exchange rates used for the current consolidated cumulative second quarter (the corresponding period of the previous fiscal year) were: 133.97 yen (109.80 yen) to the U.S. dollar; 162.89 yen (152.50 yen) to the Sterling pound; and 19.88 yen (16.99 yen) to the Chinese yuan.

(ii) Business Overview of Our Operating Segments

(Millions of Yen)

	Previous Cumulative Second Quarter (from April 1, 2021 to September 30, 2021)		Current Cumulative Second Quarter (from April 1, 2022 to September 30, 2022)		Increased/(Decreased) from previous cumulative second quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Total Revenue	86,286	100.0	97,506	100.0	+11,220	+13.0
Wacoal Business (Domestic)	42,935	49.7	48,865	50.1	+5,930	+13.8
Wacoal Business (Overseas)	31,299	36.3	35,086	36.0	+3,787	+12.1
Peach John Business	6,106	7.1	6,023	6.2	(83)	(1.4)
Other	5,946	6.9	7,532	7.7	+1,586	+26.7

	Previous Cumulative Second Quarter (from April 1, 2021 to September 30, 2021)		Current Cumulative Second Quarter (from April 1, 2022 to September 30, 2022)		Increased/(Decreased) from previous cumulative second quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Operating Profit/(Loss)	4,617	5.4	4,001	4.1	(616)	(13.3)
Wacoal Business (Domestic)	1,525	3.6	1,570	3.2	+45	+3.0
Wacoal Business (Overseas)	2,278	7.3	1,552	4.4	(726)	(31.9)
Peach John Business	1,079	17.7	830	13.8	(249)	(23.1)
Other	(265)	-	49	0.7	+314	-

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 second quarter, sales from our existing member customers both offline and online (our e-commerce website) remained strong as a result of our successful efforts to strengthen the retention marketing aimed at our existing member customers. Sales from non-member customers, including new customers, however, continued to be sluggish and fell significantly below our expectation as we could not implement marketing measures aimed at increasing store visits. In addition, delay in the normalization of the production at our factory in Vietnam caused delays in the delivery schedule of our products under our core brands, which resulted in a loss of sales opportunities.

As a result of the above, revenue attributable to our “Wacoal Business (Domestic)” segment was 48.87 billion yen (an increase of 13.8% as compared to such revenue for the corresponding period of the previous fiscal

year). Operating profit was 1.57 billion yen (an increase of 3.0% as compared to such operating profit for the corresponding period of the previous fiscal year) due to the reduction of fixed costs as a part of our cost structure reform, in addition to increased revenue, offsetting the increase in costs related to the expansion of our Moriyama Distribution Center. 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 increased in both revenue and selling, general and administrative expenses of the same amount (2.61 billion yen).

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 expansion of sales of our products under “Elomi” brand against the backdrop of the growing body-neutral trend (accepting your body for what it is), in addition to the strong sales from swimwear products supported by the relaxation of COVID-19 restrictions in the United Kingdom and Europe. On the other hand, 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 inflation and the rise in interest rates to control such inflation. Sales from Wacoal America, Inc. on a local currency basis, decreased due to the impact of our major clients’ restraint of procurement, as well as weak sales from our physical stores. In addition, sales from Intimates Online, Inc. (“Intimates Online”), which distributes the “LIVELY” brand significantly decreased as our efforts to reassess media mix to attract new customers failed to produce results. Sales from Wacoal China Co., Ltd. (“Wacoal China”) significantly decreased due to 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 key currencies, sales revenues attributable to our “Wacoal Business (Overseas)” segment on a Japanese yen basis were 35.09 billion yen (an increase of 12.1% as compared to such sales revenues for the corresponding period of the previous fiscal year). Operating profit was 1.55 billion yen (a decrease of 31.9% as compared to such operating profit for the corresponding period of the previous fiscal year) due to negative impact of operating loss recorded at Wacoal China and Intimates Online, as well as one-time loss recorded at Wacoal Europe.

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 second quarter, sales from our directly-managed stores exceeded the level for the corresponding period of the previous fiscal year due to the absence of negative impact of the closings of physical stores following the spread of COVID-19 seen during the corresponding period of the previous fiscal year, as well as our marketing measures which contributed to an increase in the number of customers visiting physical stores. On the other hand, although some of our marketing measures, including the casting of a popular male artist as our model and the collaboration project with the movie “ONE PIECE FILM RED”, gained a certain level of publicity, our e-commerce sales fell below the level of the corresponding period of the previous fiscal year as the overall effectiveness of our marketing measures did not reach the expected level.

As a result of the above, revenue and operating profit attributable to our “Peach John Business” segment were 6.02 billion yen (a decrease of 1.4% as compared to such revenue for the corresponding period of the previous fiscal year) and 0.83 billion yen (a decrease of 23.1% as compared to such operating profit for the corresponding period of the previous fiscal year), respectively. Although operating profit decreased from the corresponding period of the previous fiscal year due to sharp increases in raw material prices and an increase in sales promotion expenses, we maintained a high level of profit.

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 second quarter, revenue from Lecien Corporation increased as a result of a recovery in sales of its own brand products, despite the weak sales of our private products sold by major apparel supply chain companies. In addition, revenue from Nanasai Co., Ltd. and Ai Co., Ltd. significantly 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 7.53 billion yen (an increase of 26.7% as compared to such revenue for the corresponding period of the previous fiscal year) and 0.05 billion yen (as compared to an operating loss of 0.27 billion yen for the corresponding period of the previous fiscal year). We recorded profit due to increased revenue and an improvement in profit structure resulting from a progress in reassessment of operations by each business entity, despite the expenses incurred in connection with the liquidation of a subsidiary of Lecien Corporation.

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

(Millions of Yen)

Revenue	Previous Cumulative Second Quarter (from April 1, 2021 to September 30, 2021)		Current Cumulative Second Quarter (from April 1, 2022 to September 30, 2022)		Increased/(Decreased) from previous cumulative second quarter	
	Amount	Distribution Ratio (%)	Amount	Distribution Ratio (%)	Amount	%
Wacoal Corp.	38,826	45.0	46,018	47.2	+7,192	+18.5
Wacoal International Corp. (U.S.)	14,445	16.7	15,537	15.9	+1,092	+7.6
Wacoal Europe Ltd.	8,596	10.0	10,069	10.3	+1,473	+17.1
Wacoal China Co., Ltd.	5,550	6.4	4,796	4.9	(754)	(13.6)
Peach John Co., Ltd.	6,106	7.1	6,023	6.2	(83)	(1.4)
Lecien Corporation	1,748	2.0	1,848	1.9	+100	+5.7
Nanasai Co., Ltd.	2,515	2.9	3,248	3.3	+733	+29.1

*Revenue from external customers only

(Millions of Yen)

Operating Profit/(Loss)	Previous Cumulative Second Quarter (from April 1, 2021 to September 30, 2021)		Current Cumulative Second Quarter (from April 1, 2022 to September 30, 2022)		Increased/(Decreased) from previous cumulative second quarter	
	Amount	% to Sales	Amount	% to Sales	Amount	%
Wacoal Corp.	908	2.3	1,967	4.3	+1,059	+116.6
Wacoal International Corp. (U.S.)	1,136	7.9	596	3.8	(540)	(47.5)
Wacoal Europe Ltd.	1,108	12.9	409	4.1	(699)	(63.1)
Wacoal China Co., Ltd.	(153)	-	(656)	-	(503)	-
Peach John Co., Ltd.	1,079	17.7	830	13.8	(249)	(23.1)
Lecien Corporation	(72)	-	(185)	-	(113)	-
Nanasai Co., Ltd.	(111)	-	20	0.6	+131	-

(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 second quarter were 302,426 million yen, an increase of 3,249 million yen from the end of the previous fiscal year, mainly due to the increases in inventories and an increase in goodwill attributable to the depreciation of the Japanese yen, and an increase in investments accounted for using equity method, despite a decreased in cash and cash equivalents due to payments for purchase of treasury stock and repayment of borrowings.

Our total liabilities were 75,385 million yen, a decrease of 2,924 million yen from the end of the previous fiscal year, mainly due to a decrease in borrowings.

Equity attributable to owners of parent was 224,076 million yen, an increase of 6,086 million yen from the end of the previous fiscal year, mainly due to an increase in exchange differences on translation of foreign operations due to the effect of the depreciation of the Japanese yen.

As a result of the above, ratio of equity attributable to owners of parent as of the end of the current consolidated second quarter was 74.1%, an increase of 1.2% from the end of the previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents as of the end of the current consolidated second quarter were 30,000 million yen, a decrease of 7,485 million yen from the end of the previous fiscal year.

(Cash Flow Provided by Operating Activities)

Cash flow provided by operating activities was 4,854 million yen, an decrease of 5,631 million yen as compared to the corresponding period of the previous fiscal year, after adjustments for changes in assets and liabilities to our profit of 4,283 million yen plus adjustments for depreciation and amortization expenses and income taxes payable.

(Cash Flow Used in Investing Activities)

Cash flow used in investing activities was 1,117 million yen, a decrease of 1,785 million yen as compared to the corresponding period of the previous fiscal year, due to purchase of property, plant and equipment and intangible assets.

(Cash Flow Used in Financing Activities)

Cash flow used in financing activities was 12,512 million yen, a decrease of 12,148 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 May 13, 2022. For details, please see "Announcement of Revisions to the Forecast of Consolidated Business Results (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 Second Quarter as of September 30, 2022
Assets			
Current assets:			
Cash and cash equivalents	63,987	37,485	30,000
Trade and other receivables	18,657	20,706	21,178
Other financial assets	2,238	1,795	1,894
Inventories	43,402	45,926	52,686
Other current assets	7,067	2,923	4,947
Total current assets	135,351	108,835	110,705
Non-current assets:			
Property, plant and equipment	44,973	48,602	48,164
Right-of-use assets	12,967	13,986	13,122
Goodwill	21,169	22,945	25,379
Intangible assets	15,343	15,666	14,965
Investment property	3,126	2,725	2,722
Investments accounted for using equity method	17,898	18,239	20,252
Other financial assets	56,334	52,249	50,771
Retirement benefit assets	9,434	13,280	13,291
Deferred income taxes	1,641	1,680	2,011
Other non-current assets	979	970	1,044
Total non-current assets	183,864	190,342	191,721
Total assets	319,215	299,177	302,426

(Millions of Yen)

Accounts	Date of Transition (April 1, 2021)	Previous Consolidated Fiscal Year as of March 31, 2022	Current Consolidated Second Quarter as of September 30, 2022
Liabilities and Equity			
Liabilities			
Current liabilities:			
Borrowings	40,707	10,227	5,336
Lease liabilities	3,657	5,197	4,747
Trade and other payables	15,058	16,738	16,011
Other financial liabilities	2,365	1,661	2,145
Income taxes payable	879	1,363	1,125
Other current liabilities	14,132	14,080	16,219
Total current liabilities	76,798	49,266	45,583
Non-current liabilities			
Borrowings	1,498	1,626	3,321
Lease liabilities	8,676	8,254	7,894
Other financial liabilities	1,639	820	—
Retirement benefit liability	2,089	3,466	3,432
Deferred income taxes	12,065	13,607	13,891
Other non-current liabilities	1,516	1,270	1,264
Total non-current liabilities	27,483	29,043	29,802
Total liabilities	104,281	78,309	75,385
Equity			
Common stock	13,260	13,260	13,260
Additional paid-in capital	29,120	29,077	29,000
Retained earnings	156,143	158,940	158,676
Other components of equity	22,381	27,571	34,358
Treasury stock, at cost	(8,876)	(10,858)	(11,218)
Total equity attributable to owners of parent	212,028	217,990	224,076
Noncontrolling interests	2,906	2,878	2,965
Total equity	214,934	220,868	227,041
Total liabilities and equity	319,215	299,177	302,426

(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 Second Quarter (From April 1, 2021 to September 30, 2021)		Current Consolidated Cumulative Second Quarter (From April 1, 2022 to September 30, 2022)	
		%		%
Revenue	86,286	100.0	97,506	100.0
Cost of sales	(37,270)	(43.2)	(41,341)	(42.4)
Selling, general and administrative expenses	(45,229)	(52.4)	(51,821)	(53.1)
Other income	943	1.1	1,036	1.0
Other expenses	(113)	(0.1)	(1,379)	(1.4)
Operating profit	4,617	5.4	4,001	4.1
Finance income	766	0.9	1,055	1.1
Finance costs	(218)	(0.3)	(552)	(0.6)
Share of profit of investments accounted for using equity method	279	0.3	1,377	1.4
Profit before tax	5,444	6.3	5,881	6.0
Income tax expense	(2,032)	(2.3)	(1,598)	(1.6)
Profit	3,412	4.0	4,283	4.4
Profit attributable to:				
Owners of parent	3,435	4.0	4,201	4.3
Noncontrolling interests	(23)	(0.0)	82	0.1
Profit	3,412	4.0	4,283	4.4
Earnings per share:				
Basic earnings per share (yen)	55.01		68.91	
Diluted earnings per share (yen)	54.78		68.62	

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Millions of Yen)

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2021 to September 30, 2021)	Current Consolidated Cumulative Second Quarter (From April 1, 2022 to September 30, 2022)
Profit	3,412	4,283
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	202	(187)
Remeasurement of defined benefit plans	—	(45)
Share of other comprehensive (loss) income of investments accounted for using equity method	(17)	32
Total	185	(200)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	465	7,049
Share of other comprehensive income of investments accounted for using equity method	(386)	280
Total	79	7,329
Total other comprehensive income	264	7,129
Comprehensive income	3,676	11,412
Comprehensive income attributable to:		
Owners of parent	3,744	11,230
Noncontrolling interests	(68)	182
Comprehensive income	3,676	11,412

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Previous Consolidated Cumulative Second Quarter (From April 1, 2021 to September 30, 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			3,435			3,435	(23)	3,412
Other comprehensive income				309		309	(45)	264
Total comprehensive income	—	—	3,435	309	—	3,744	(68)	3,676
Repurchase of treasury stock					(0)	(0)		(0)
Disposal of treasury stock		(0)			0	0		0
Share-based payment transactions		(73)			101	28		28
Dividends			(1,248)			(1,248)	(82)	(1,330)
Equity transactions with noncontrolling interests						—	55	55
Transfer from other components of equity to retained earnings			39	(39)		—		—
Total transactions with owners	—	(73)	(1,209)	(39)	101	(1,220)	(27)	(1,247)
Balance at September 30, 2021	13,260	29,047	158,369	22,651	(8,775)	214,552	2,811	217,363

Current Consolidated Cumulative Second Quarter (From April 1, 2022 to September 30, 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			4,201			4,201	82	4,283
Other comprehensive income				7,029		7,029	100	7,129
Total comprehensive income	—	—	4,201	7,029	—	11,230	182	11,412
Repurchase of treasury stock					(3,335)	(3,335)		(3,335)
Cancellation of treasury stock			(2,863)		2,863	—		—
Share-based payment transactions		(77)			112	35		35
Dividends			(1,844)			(1,844)	(95)	(1,939)
Transfer from other components of equity to retained earnings			242	(242)		—		—
Total transactions with owners	—	(77)	(4,465)	(242)	(360)	(5,144)	(95)	(5,239)
Balance at September 30, 2022	13,260	29,000	158,676	34,358	(11,218)	224,076	2,965	227,041

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

Accounts	Previous Consolidated Cumulative Second Quarter (From April 1, 2021 to September 30, 2021)	Current Consolidated Cumulative Second Quarter (From April 1, 2022 to September 30, 2022)
Operating activities		
Profit	3,412	4,283
Depreciation and amortization	4,909	5,018
Finance income	(766)	(1,055)
Finance costs	218	552
Share of (profit) of investments accounted for using equity method	(279)	(1,377)
Income tax expense	2,032	1,598
Loss (gain) on sale of fixed assets	(126)	137
Increase in trade and other receivables	945	553
Increase in inventories	(1,129)	(4,477)
Increase in other assets	(657)	(568)
Decrease in trade and other payables	(2,475)	(1,850)
(Decrease) increase in retirement benefit asset or liability	62	(74)
Increase in other liabilities	145	2,771
Other	(507)	(958)
Subtotal	5,784	4,553
Interest received	36	38
Dividends received	955	1,218
Interest paid	(116)	(106)
Income taxes (paid) received	3,826	(849)
Net cash provided by operating activities	10,485	4,854
Investing activities		
Proceeds from withdrawal of time deposits	367	293
Payments into time deposits	(817)	(84)
Purchase of property, plant and equipment	(3,268)	(1,447)
Proceeds from sale of property, plant and equipment	271	243
Purchase of intangible assets	(1,522)	(1,051)
Purchase of other financial assets	(2)	(33)
Proceeds from sale or amortization of other financial assets	2,039	986
Other	30	(24)
Net cash used in investing activities	(2,902)	(1,117)
Financing activities		
Net decrease in short-term bank loans with original maturities of three months or less	20,000	4,896
Proceeds from long-term borrowings	-	1,340
Repayments of long-term borrowings	(25)	-
Repayments of lease obligations	(2,092)	(2,975)
Capital contribution from noncontrolling interests	55	-
Payments for purchase of treasury stock	(0)	(3,335)
Dividends paid to owners of parent	(1,248)	(1,844)
Dividends paid to noncontrolling interests	(82)	(95)
Contingent consideration payment	(1,268)	(707)
Net cash used in financing activities	(24,660)	(12,512)
Effect of exchange rate changes on cash and cash equivalents	131	1,290
Net decrease in cash and cash equivalents	16,946	7,485
Cash and cash equivalents at beginning of period	63,987	37,485
Cash and cash equivalents at end of period	47,041	30,000

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern)

Not applicable.

(Segment Information)

(i) Reportable Segment Information

Previous Consolidated Cumulative Second Quarter (From April 1, 2021 to September 30, 2021)

(Millions of Yen)

	Reportable Segment				Other (Note) 1	Adjustments	Consolidated
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Total			
Revenue							
External customers	42,935	31,299	6,106	80,340	5,946	—	86,286
Intersegment	385	4,314	178	4,877	1,911	(6,788)	—
Total	43,320	35,613	6,284	85,217	7,857	(6,788)	86,286
Segment profit (loss) (Note) 2	1,525	2,278	1,079	4,882	(265)	—	4,617

Current Consolidated Cumulative Second Quarter (From April 1, 2022 to September 30, 2022)

(Millions of Yen)

	Reportable Segment				Other (Note) 1	Adjustments	Consolidated
	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John Business	Total			
Revenue							
External customers	48,865	35,086	6,023	89,974	7,532	—	97,506
Intersegment	529	7,419	146	8,094	1,983	(10,077)	—
Total	49,394	42,505	6,169	98,068	9,515	(10,077)	97,506
Segment profit (Note) 2	1,570	1,552	830	3,952	49	—	4,001

- (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 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 Second Quarter (From April 1, 2021 to September 30, 2021)	Current Consolidated Cumulative Second Quarter (From April 1, 2022 to September 30, 2022)
Japan	54,233	61,797
Asia and Oceania	9,856	10,973
Americas and Europe	22,197	24,736
Total	86,286	97,506

- (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 second quarter and current consolidated cumulative second quarter were 17,082 million yen and 18,199 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 second quarter (September 30, 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	46,797	—	244	47,041		Cash and cash equivalents
Time deposits	1,913	(1,913)	—	—		
Notes and accounts receivable	18,425	201	(759)	17,867		Trade and other receivables
Allowance for doubtful receivables	(291)	291	—	—		
	—	2,365	(14)	2,351	A	Other financial assets
Inventories	44,176	—	463	44,639		Inventories
Return assets	719	(719)	—	—		
Other current assets	3,556	(102)	(239)	3,215		Other current assets
Total current assets	115,295	123	(305)	115,113		Total current assets
Property, Plant and Equipment						Non-current Assets
Land	20,559	—	—	—		
Buildings and building improvements	73,353	—	—	—		
Machinery and equipment	19,722	—	—	—		
Construction in progress	3,711	—	—	—		
	117,345	—	—	—		
Accumulated depreciation	(65,845)	—	—	—		
Net property, plant and equipment	51,500	(4,372)	(462)	46,666	b	Property, plant and equipment
Other assets						
Operating leases right-of-use assets	12,019	857	8	12,884	D, E, j	Right-of-use assets
Investments	50,016	(50,016)	—	—		
Goodwill	21,186	—	—	21,186		Goodwill
Other intangible assets	14,910	403	(330)	14,983	C, c	Intangible assets
	—	3,110	—	3,110	B	Investment property
Investments in affiliated companies	21,590	—	(3,865)	17,725	d	Investments accounted for using equity method
	—	54,762	(11)	54,751		Other financial assets
Prepaid pension expense	9,906	—	(516)	9,390		Retirement benefit assets
Deferred income taxes	1,764	—	3	1,767	k	Deferred income taxes
Other	5,749	(4,862)	137	1,024		Other non-current assets
Total other assets	137,140	—	—	—		
	—	—	—	183,486		Total non-current assets
Total Assets	303,935	5	(5,341)	298,599		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	20,663	10	—	20,673		Liabilities
Short-term bank loans	—	4,196	125	4,321	D, j	Current Liabilities
Notes and accounts payable	—	12,853	(317)	12,536	h	Borrowings
Trade notes payable	666	(666)	—	—		Lease liabilities
Trade accounts payable	8,365	(8,365)	—	—		Trade and other payables
Other payables	3,822	(3,822)	—	—		
Accrued payroll and bonuses	—	1,954	—	1,954	G	Other financial liabilities
Income taxes payable	6,232	(6,232)	—	—		
Refund liabilities	1,507	—	(497)	1,010		Income taxes payable
Short-term operating lease liabilities	2,297	(2,297)	—	—		
Contingent consideration (short-term)	4,196	(4,196)	—	—		
Other current liabilities	895	(895)	—	—		
Total current liabilities	5,968	8,129	46	14,143	F, i	Other current liabilities
	54,611	669	(643)	54,637		Total current liabilities
Long-term liabilities	1,511	—	—	1,511		Non-current liabilities
Long-term debt	—	8,043	(58)	7,985	D, j	Borrowings
Liabilities for termination and retirement benefit	—	745	—	745	G	Lease liabilities
Deferred income taxes	1,958	143	—	2,101		Other financial liabilities
Long-term operating lease liabilities	13,363	—	(659)	12,704	k	Retirement benefit liability
Contingent consideration (long-term)	8,043	(8,043)	—	—		Deferred income taxes
Other long-term liabilities	745	(745)	—	—		
Total long-term liabilities	2,243	(807)	117	1,553	i	Other non-current liabilities
	27,863	(664)	(600)	26,599		Total non-current liabilities
Total liabilities	82,474	5	(1,243)	81,236		Total liabilities
(Equity)						Equity
Common stock	13,260	—	—	13,260		Common stock
Additional paid-in capital	29,047	—	—	29,047		Additional paid-in capital
Retained earnings	183,081	—	(24,712)	158,369	l	Retained earnings
Accumulated other comprehensive income (loss)	—	1,802	20,849	22,651	f, g	Other components of equity
Foreign currency translation adjustments	2,791	(2,791)	—	—		
Pension liability adjustments	(989)	989	—	—		
Treasury stock, at cost	(8,775)	—	—	(8,775)		Treasury stock, at cost
Total Wacoal Holdings Corp. shareholders' equity	218,415	—	(3,863)	214,552		Total equity attributable to owners of parent
Noncontrolling interests	3,046	—	(235)	2,811		Noncontrolling interests
Total equity	221,461	—	(4,098)	217,363		Total equity
Total liabilities and equity	303,935	5	(5,341)	298,599		Total liabilities and equity

Reconciliation of Statement of Profit or Loss and Statement of Comprehensive Income for the previous consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)

(Millions of Yen)

Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net sales	87,419	7	(1,140)	86,286		Revenue
Operating expenses						
Cost of sales	(37,805)	(19)	554	(37,270)	f, i	Cost of sales
Selling, general and administrative expenses	(45,638)	(634)	1,043	(45,229)	f, i	Selling, general and administrative expenses
	—	943	—	943	H	Other income
	—	(115)	2	(113)	H	Other expenses
Operating income	3,976	182	459	4,617		Operating profit
Other income (expenses)						
Interest income	39	(39)	—	—		
Interest expense	(37)	37	—	—		
Dividend income	639	(639)	—	—		
Valuation loss on marketable securities and investments – net	198	94	(292)	—		
Other – net	685	(263)	(422)	—		
	—	767	(1)	766	H	Finance income
	—	(139)	(79)	(218)	H	Finance costs
	—	117	162	279		Share of profit of investments accounted for using equity method
Income before income taxes and equity in net income of affiliated companies	5,500	117	(173)	5,444		Profit before tax
Income taxes	(2,617)	—	585	(2,032)	k	Income tax expense
Income before equity in net income of affiliated companies	2,883	—	—	—		
Equity in net income of affiliated companies	117	(117)	—	—		
Net income	3,000	—	412	3,412		Profit
						Profit attributable to:
Net income attributable to Wacoal Holdings Corp.	2,983	—	452	3,435		Owners of parent
Net income attributable to noncontrolling interests	17	—	(40)	(23)		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	3,000	—	412	3,412		Profit
Other comprehensive income (net of tax)						Other comprehensive income
						Items that will not be reclassified to profit or loss
	—	—	202	202	a	Financial assets measured at fair value through other comprehensive income
Pension liability adjustments	19	—	(19)	—	f	Remeasurement of defined benefit plans
	—	—	(17)	(17)		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	1,073	(316)	(292)	465		Exchange differences on translation of foreign operations
	—	316	(702)	(386)		Share of other comprehensive income of investments accounted for using equity method
Total of other comprehensive income	1,092	—	(828)	264		Total other comprehensive income
Comprehensive income	4,092	—	(416)	3,676		Comprehensive income
Comprehensive income attributable to Wacoal Holdings Corp.	4,023	—	(279)	3,744		Comprehensive income attributable to:
Comprehensive income attributable to noncontrolling interests	69	—	(137)	(68)		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 except 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.

1. Adjustment to retained earnings

(Millions of Yen)

	Previous consolidated second quarter (September 30, 2021)
a. Fair value measurement of equity instruments	(22,516)
b. Adjustment of recorded amount of property, plant and equipment	(413)
c. Adjustment of recorded amount of intangible assets	(138)
d. Adjustment of recorded amount of investments accounted for using equity method	(3,796)
e. Uniformity of reporting periods	(247)
f. Adjustment related to retirement benefit accounting	(1,327)
g. Transfer of exchange differences on translation of foreign operations	2,930
h. Adjustment related to recognition of levies	207
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	37
Other	(52)
Subtotal	(25,609)
k. Tax effect adjustments	662
Adjustment related to noncontrolling interests	235
Total	(24,712)

Reconciliation of Consolidated Statement of Cash Flows for the previous consolidated cumulative second quarter (From April 1, 2021 to September 30, 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.