

Translation

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August 12, 2021

CONSOLIDATED FINANCIAL RESULTS for the First Three Months of the Fiscal Year Ending March 31, 2022 <under Japanese GAAP>

Company name: TOMY COMPANY, LTD.
Listing: First Section of the Tokyo Stock Exchange
Securities identification code: 7867
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Scheduled date to file quarterly securities report: August 13, 2021
Scheduled date to commence dividend payments: –
Supplementary material on quarterly financial results: No
Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first three months of the fiscal year ending March 31, 2022 (From April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2021	35,058	30.8	2,148	–	2,144	–	3,009	–
June 30, 2020	26,809	(24.0)	(583)	–	(656)	–	(1,174)	–

Note: Comprehensive income
Three months ended June 30, 2021: 2,769 million yen (–%)
Three months ended June 30, 2020: (1,321) million yen (–%)

	Basic earnings per share	Diluted earnings per share
Three months ended	yen	yen
June 30, 2021	32.18	32.17
June 30, 2020	(12.44)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
June 30, 2021	151,063	71,304	46.9	760.98
March 31, 2021	147,614	69,928	47.1	742.45

Reference: Equity

As of June 30, 2021: 70,890 million yen

As of March 31, 2021: 69,534 million yen

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2021	–	7.50	–	10.00	17.50
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		10.00	–	10.00	20.00

Note: Revisions to the cash dividend forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022

(From April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Six months ending September 30, 2021 (cumulative)	75,000	18.7	4,700	155.4	4,500	177.4	4,000	674.6	42.78
Fiscal year ending March 31, 2022	155,000	9.8	8,000	13.0	7,600	6.0	6,500	20.9	69.52

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Application of specific accounting for preparing quarterly consolidated financial statements)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 16 of the attached material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

A. Changes in accounting policies due to revisions to accounting standards: Yes

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement: None

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Changes in accounting policies)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 16 of the attached material.

(4) Number of issued shares (common shares)

A. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	96,290,850 shares
As of March 31, 2021	96,290,850 shares

B. Number of treasury shares at the end of the period

As of June 30, 2021	3,134,764 shares
As of March 31, 2021	2,634,292 shares

C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	93,502,437 shares
Three months ended June 30, 2020	94,376,180 shares

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or audit corporation.

* Proper use of earnings forecasts, and other special matters

Regarding future forecasts, please refer to “(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements,” under “1. Qualitative Information Regarding Consolidated Operating Results,” on page 9.

A financial results presentation meeting for institutional investors and analysts will be held via telephone conference on August 12, 2021.

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1. Qualitative Information Regarding Consolidated Operating Results

(1) Explanation of Operating Results

(Highlights of First Three Months of the Fiscal Year Ending March 31, 2022)

(Impacts etc. of the novel coronavirus disease (COVID-19))

A declaration of third state of emergency was reissued in some regions including Tokyo in April, and there are concerns about the lingering effect of the trend of restrictions on consumers' outings. For the TOMY Group, the retail business, such as KIDDY LAND and TOMICA Shop and PLARAIL Shop, and the event business including TOMICA EXPO and PLARAIL EXPO were affected by continuous factors such as the postponement of movie releases, and the cancellation, postponement, and the scaling-down of various events.

The TOMY Group implemented measures to prevent the spread of infections, including continuing remote working to drastically reduce instances of employees leaving their homes and attending workplaces, as well as continuing to prohibit external business meal meetings and both overseas and domestic business trips in principle.

(Consolidated performance)

• Net sales

Net sales were ¥35,058 million (up 30.8% year on year). This is due to the growth in toy shipments compared to the same period of the previous fiscal year amid various restrictions, while there are concerns about the lingering effect of the trend of restrictions on consumers' outings in the retail business and the event business.

The Group launched toys related to "SHINKALION Z," which is the second season of the TV animation series that started airing in April 2021, and they have been well received. For LICCA series, LICCA dolls and "LICCA with smoke and sizzle, lively barbecue" were especially popular. For the trading card game DUEL MASTERS, products released toward the 20th anniversary of its release remained strong. Pokémon related toys such as "MONSTER COLLECTION" were well received, and the popularity of the amusement machine Pokémon Mezastar increased. In addition, overseas-bound exports of TRANSFORMERS remained solid in North America and Europe.

In October 2020, the Fat Brain Group, an independent U.S. toy company, became a subsidiary of TOMY International, Inc. and has been included in the scope of consolidation.

• Profit

Operating profit was ¥2,148 million (operating loss of ¥583 million in the same period of the previous year), and ordinary profit was ¥2,144 million (ordinary loss of ¥656 million in the same period of the previous year). This was mainly attributable to steady net sales and an increase in gross profit due to improvements in the product mix, as well as the progress of expense control based on the state of the spread of COVID-19 and in-store sales. In addition, in order to make flexible and efficient use of management resources and strengthen the financial position, the TOMY Group reviewed its assets retained, and then transferred a real estate for office use, which is a non-current asset owned by TOMY (Hong Kong) Ltd., a consolidated subsidiary of the Company. An extraordinary income of ¥1,884 million was therefore recorded as a gain on transfer in the quarter period under review, resulting in a profit attributable to owners of parent of ¥3,009 million (loss attributable to owners of parent of ¥1,174 million in the same period of the previous year).

(Overview of Reportable Segments)
 <Overview of operating results by segment>

(Millions of yen)

	First three months of the fiscal year ended March 31, 2021	First three months of the fiscal year ending March 31, 2022	Change	Rate of change (%)
Net sales	26,809	35,058	8,248	30.8
Japan	23,056	28,863	5,807	25.2
Americas	3,188	4,908	1,719	53.9
Europe	759	896	137	18.1
Oceania	352	585	233	66.2
Asia (excl. Japan)	10,283	11,243	959	9.3
Eliminations and corporate	(10,830)	(11,438)	(607)	–
Operating profit/(loss)	(583)	2,148	2,731	–
Japan	211	2,785	2,573	1,215.2
Americas	(83)	(1)	81	–
Europe	(77)	(81)	(3)	–
Oceania	11	53	41	357.8
Asia (excl. Japan)	155	235	80	51.8
Eliminations and corporate	(801)	(842)	(41)	–

Japan

(Millions of yen)

	First three months of the fiscal year ended March 31, 2021	First three months of the fiscal year ending March 31, 2022	Change
Net sales	23,056	28,863	5,807
Operating profit	211	2,785	2,573

Net sales were ¥28,863 million (up 25.2% year on year) and operating profit was ¥2,785 million (up 1,215.2% year on year) due to the growth in toy shipments compared to the same period of the previous fiscal year despite various restrictions.

A declaration of state of emergency was reissued in April, and the effect of the trend of restrictions on consumers' outings has been lingering. For the TOMY Group, the retail business, such as KIDDY LAND and TOMICA Shop and PLARAIL Shop, and also the event business including TOMICA EXPO and PLARAIL EXPO were affected by the continuous trend of postponement of movie releases, and cancellation, postponement, and scaling-down of various events.

The Group launched toys related to "SHINKALION Z," which is the second season of the TV animation series that started airing in April 2021, and they have been well received. For LICCA series, LICCA dolls such as LICCA Yumeiro Colorful Change and "LICCA with smoke and sizzle, lively barbecue" gained popularity and remained robust. Moreover, LICCA dolls, TOMICA, GACHA capsule toys and other variety toys as collaboration products with "Demon Slayer: Kimetsu no Yaiba" were released, and pre-orders of PLARAIL, which will be released in July, also gained popularity.

For the trading card game DUEL MASTERS, products such as "The Rise of Kings Series Chapter 1 RexStars and Dispector" which is the enhanced collection of rare cards toward the 20th anniversary of its release, performed well. In April, we also started developing the toys of the card battle game MAZICA PARTY, which has gimmicks and is printed with scratch-off printing and thermochromic printing, as well as its TV animation. For Pokémon series, "MONSTER COLLECTION" and other related toys were well received, and the popularity of the amusement machine Pokémon Mezastar, which was launched in September 2020, grew significantly. For BEYBLADE BURST, "Dynamite Battle Layer" series, which is

the new chapter launched in April 2021, has been popular with new targets as well, and sales exceeded the company's expectation, though domestic sales were previously on the decline. Overseas-bound exports were rather modest, despite the continued broadcasting of the TV animation in North America and other regions.

Overseas-bound exports of TRANSFORMERS, especially the Generation series, remained solid in North America and Europe. The TV animation, PAW Patrol, which entered its third year of broadcasting, gained popularity on YouTube and other distribution services, leading to a continuous sales increase of related products. Moreover, products that can be enjoyed at home, such as the board game, THE GAME OF LIFE, and the party game, POP-UP PIRATE, remained popular due to consumers voluntarily staying at home. Furthermore, we began the operation of "neltip" dedicated printing machines for nail tips targeting adults and teens in April 2021 to expand new business domains.

Americas

(Millions of yen)

	First three months of the fiscal year ended March 31, 2021	First three months of the fiscal year ending March 31, 2022	Change
Net sales	3,188	4,908	1,719
Operating loss	(83)	(1)	81

Net sales were ¥4,908 million (up 53.9% year on year) and operating loss was ¥1 million (operating loss of ¥83 million in the same period of the previous year). The Fat Brain Group became a subsidiary of TOMY International, Inc. in October 2020, which also contributed to these results. With the progress of COVID-19 vaccination, stay-at-home demand and e-commerce purchases have calmed down. At the same time, consumption of services involving consumers' outings has increased, leading to in-store sales growth, such as baby tableware, agricultural machinery toys, and plush toy MOCCHI- MOCCHI- (the overseas product name: Club Mocchi- Mocchi-).

Europe

(Millions of yen)

	First three months of the fiscal year ended March 31, 2021	First three months of the fiscal year ending March 31, 2022	Change
Net sales	759	896	137
Operating loss	(77)	(81)	(3)

Net sales were ¥896 million (up 18.1% year on year) and operating loss was ¥81 million (operating loss of ¥77 million in the same period of the previous fiscal year). The human traffic tends to recover with the progress of vaccination, although the lockdowns enforced due to the continuous spread of COVID-19. Through such trend, e-commerce purchases have calmed down, while in-store sales of agricultural machinery toys, such as BRITAINS grew.

Sales of infant products, including TOOMIES bath toys, remained steady.

Oceania

(Millions of yen)

	First three months of the fiscal year ended March 31, 2021	First three months of the fiscal year ending March 31, 2022	Change
Net sales	352	585	233
Operating profit	11	53	41

Net sales were ¥585 million (up 66.2% year on year) and operating profit was ¥53 million (up 357.8% year on year). The outing restriction executed as part of the lockdown measures amid the spread of COVID-19 continued to enforce in some regions even after fiscal 2021.

Infant products and preschool products trended favorably, as agricultural machinery toys for preschools

were well received and child seats and tableware for children gained popularity.

Asia (excl. Japan)

(Millions of yen)

	First three months of the fiscal year ended March 31, 2021	First three months of the fiscal year ending March 31, 2022	Change
Net sales	10,283	11,243	959
Operating profit	155	235	80

Net sales were ¥11,243 million (up 9.3% year on year) and operating profit was ¥235 million (up 51.8% year on year). Even after the spring of 2021, additional restrictions imposed on outings issued in some countries and regions have significantly affected the purchasing trends.

The new series of BEYBLADE BURST were developed in South Korea, Hong Kong, and other Asian regions, and single-pack TOMICA vehicles and TOMICA World, etc. performed well.

(2) Overview of Financial Position

Assets, Liabilities and Net Assets

<Assets>

At the end of the first quarter of the fiscal year ending March 31, 2022, current assets stood at ¥105,540 million, up ¥3,660 million from the end of the previous fiscal year ended March 31, 2021. This is mainly attributable to increases in merchandise and finished goods and notes and accounts receivable - trade.

Non-current assets stood at ¥45,522 million, down ¥212 million from the end of the previous fiscal year. This is mainly attributable to decreases in intangible assets and property, plant and equipment, despite an increase in investments and other assets.

<Liabilities>

At the end of the first quarter, current liabilities stood at ¥46,458 million, up ¥4,163 million from the end of the previous fiscal year. This is mainly attributable to increases in notes and accounts payable - trade, short-term borrowings, and current portion of long-term borrowings, despite a decrease in accrued expenses.

Non-current liabilities stood at ¥33,300 million, down ¥2,090 million from the end of the previous fiscal year. This is mainly attributable to a decrease in long-term borrowings, despite an increase in lease obligations.

<Net assets>

At the end of the first quarter, total net assets were ¥71,304 million, up ¥1,375 million from the end of the previous fiscal year. This is mainly attributable to an increase in retained earnings, despite purchase of treasury shares.

Cash Flows

Cash and cash equivalents (hereafter “cash”) at the end of the first quarter of the fiscal year ending March 31, 2022 was ¥63,550 million, an increase of ¥2 million compared with the end of the previous fiscal year ended March 31, 2021.

Net cash provided by operating activities was ¥1,669 million, compared with ¥1,795 million used in the same period a year earlier. The main factors are profit before income taxes of ¥3,816 million and an increase in trade payables of ¥3,070 million, despite an increase in inventories of ¥2,697 million and gain on sale of non-current assets of ¥1,884 million.

Net cash provided by investing activities was ¥791 million, compared with ¥606 million used in the same period a year earlier. The main factors are proceeds from sale of property, plant and equipment of ¥1,700 million, despite purchase of property, plant and equipment of ¥519 million and purchase of intangible assets of ¥390 million.

Net cash used in financing activities was ¥2,504 million, compared with ¥11,333 million provided by the same period a year earlier. The main factors are repayments of long-term borrowings of ¥1,481 million, dividends paid of ¥874 million, and repayments of finance lease obligations of ¥707 million, despite an increase in short-term borrowings of ¥572 million.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

In light of the recent business performance trends and other factors, we have revised today (August 12, 2021) the consolidated earnings forecasts for the six months ending September 30, 2021 (cumulative) that was announced on May 11, 2021. Please refer to today’s press release “Notice Concerning Revisions of Earnings Forecasts” for details regarding the revisions of earnings forecasts.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	63,656	63,659
Notes and accounts receivable - trade	18,170	18,937
Merchandise and finished goods	13,163	15,978
Work in process	624	563
Raw materials and supplies	903	844
Other	5,545	5,696
Allowance for doubtful accounts	(185)	(138)
Total current assets	101,879	105,540
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,944	12,987
Accumulated depreciation	(8,693)	(8,718)
Accumulated impairment loss	(441)	(441)
Buildings and structures, net	3,810	3,827
Machinery, equipment and vehicles	2,606	2,635
Accumulated depreciation	(2,116)	(2,139)
Accumulated impairment loss	(31)	(31)
Machinery, equipment and vehicles, net	458	463
Tools, furniture and fixtures	23,525	23,724
Accumulated depreciation	(21,622)	(21,872)
Accumulated impairment loss	(822)	(826)
Tools, furniture and fixtures, net	1,080	1,025
Land	3,902	3,900
Leased assets	8,780	8,502
Accumulated depreciation	(3,972)	(3,603)
Accumulated impairment loss	(339)	(342)
Leased assets, net	4,467	4,557
Construction in progress	534	362
Total property, plant and equipment	14,254	14,136
Intangible assets		
Goodwill	15,902	15,496
Other	9,455	9,372
Total intangible assets	25,357	24,868
Investments and other assets		
Investment securities	2,592	2,535
Deferred tax assets	1,267	1,731
Other	2,290	2,330
Allowance for doubtful accounts	(27)	(79)
Total investments and other assets	6,122	6,518
Total non-current assets	45,734	45,522
Total assets	147,614	151,063

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,151	11,238
Short-term borrowings	6,833	7,439
Current portion of long-term borrowings	8,064	8,763
Lease obligations	2,332	2,453
Accounts payable - other	6,155	6,345
Accrued expenses	6,973	6,336
Income taxes payable	1,129	758
Provisions	319	277
Other	2,336	2,846
Total current liabilities	42,295	46,458
Non-current liabilities		
Long-term borrowings	27,465	25,272
Lease obligations	1,549	1,700
Deferred tax liabilities	252	301
Deferred tax liabilities for land revaluation	472	472
Provisions	223	226
Retirement benefit liability	2,517	2,520
Other	2,909	2,807
Total non-current liabilities	35,390	33,300
Total liabilities	77,686	79,759
Net assets		
Shareholders' equity		
Share capital	3,459	3,459
Capital surplus	9,211	9,211
Retained earnings	48,226	50,299
Treasury shares	(2,307)	(2,785)
Total shareholders' equity	58,590	60,185
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	828	785
Deferred gains or losses on hedges	605	474
Revaluation reserve for land	624	624
Foreign currency translation adjustment	9,275	9,202
Remeasurements of defined benefit plans	(388)	(381)
Total accumulated other comprehensive income	10,944	10,705
Share acquisition rights	393	413
Total net assets	69,928	71,304
Total liabilities and net assets	147,614	151,063

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated statement of income)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	26,809	35,058
Cost of sales	17,066	20,885
Gross profit	9,743	14,173
Selling, general and administrative expenses	10,326	12,024
Operating profit (loss)	(583)	2,148
Non-operating income		
Interest and dividend income	28	22
Rental income	33	38
Foreign exchange gains	—	16
Other	31	36
Total non-operating income	93	113
Non-operating expenses		
Interest expenses	55	97
Foreign exchange losses	61	—
Other	49	20
Total non-operating expenses	166	117
Ordinary profit (loss)	(656)	2,144
Extraordinary income		
Gain on sale of non-current assets	4	1,884
Subsidies for employment adjustment	52	—
Total extraordinary income	57	1,884
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Loss on sale of non-current assets	0	—
Loss on COVID-19	651	192
Other	—	20
Total extraordinary losses	654	213
Profit (loss) before income taxes	(1,253)	3,816
Income taxes	(53)	806
Profit (loss)	(1,199)	3,009
Loss attributable to non-controlling interests	(25)	—
Profit (loss) attributable to owners of parent	(1,174)	3,009

(Consolidated statement of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit (loss)	(1,199)	3,009
Other comprehensive income		
Valuation difference on available-for-sale securities	79	(42)
Deferred gains or losses on hedges	(7)	(131)
Foreign currency translation adjustment	(220)	(73)
Remeasurements of defined benefit plans, net of tax	26	7
Total other comprehensive income	(122)	(239)
Comprehensive income	(1,321)	2,769
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,296)	2,769
Comprehensive income attributable to non-controlling interests	(25)	—

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	(1,253)	3,816
Depreciation	1,346	1,476
Loss on retirement of non-current assets	3	0
Amortization of goodwill	329	383
Subsidies for employment adjustment	(52)	—
Loss on COVID-19	651	192
Increase (decrease) in allowance for doubtful accounts	(1)	3
Increase (decrease) in provisions	(33)	(27)
Increase (decrease) in retirement benefit liability	41	13
Interest and dividend income	(28)	(22)
Interest expenses	55	97
Foreign exchange losses (gains)	(72)	(34)
Loss (gain) on sale of non-current assets	(4)	(1,884)
Decrease (increase) in trade receivables	1,590	(775)
Decrease (increase) in inventories	(2,700)	(2,697)
Decrease (increase) in prepaid expenses	(376)	(459)
Increase (decrease) in trade payables	578	3,070
Increase (decrease) in accounts payable - other	(1,515)	105
Increase (decrease) in accrued expenses	(632)	(647)
Other, net	1,275	761
Subtotal	(801)	3,370
Interest and dividends received	27	22
Interest paid	(48)	(97)
Proceeds from subsidies for employment adjustment	14	—
Payments associated with loss on COVID-19	(433)	(135)
Income taxes paid	(554)	(1,490)
Net cash provided by (used in) operating activities	(1,795)	1,669
Cash flows from investing activities		
Purchase of property, plant and equipment	(330)	(519)
Proceeds from sale of property, plant and equipment	4	1,700
Purchase of intangible assets	(242)	(390)
Other, net	(38)	1
Net cash provided by (used in) investing activities	(606)	791

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	560	572
Proceeds from long-term borrowings	14,000	—
Repayments of long-term borrowings	(1,325)	(1,481)
Dividends paid	(1,320)	(874)
Repayments of finance lease obligations	(764)	(707)
Proceeds from disposal of treasury shares	0	—
Purchase of treasury shares	(549)	(477)
Proceeds from sale and leaseback transactions	69	501
Proceeds from liquidation of receivables	700	—
Other, net	(37)	(37)
Net cash provided by (used in) financing activities	11,333	(2,504)
Effect of exchange rate change on cash and cash equivalents	(1)	46
Net increase (decrease) in cash and cash equivalents	8,930	2
Cash and cash equivalents at beginning of period	46,904	63,548
Cash and cash equivalents at end of period	55,835	63,550

(4) Notes Regarding Consolidated Financial Statements

(Notes regarding assumption of going concern)

Nothing to note.

(Notes on significant changes in the amount of shareholders' equity)

Nothing to note.

(Application of specific accounting for preparing quarterly consolidated financial statements)

Tax expense calculation

Tax expenses on profit before income taxes for the three months under review are calculated by multiplying profit before income taxes for the three months under review by the reasonably estimated effective tax rate for the fiscal year including the first quarter under review after applying tax effect accounting.

(Changes in accounting policies)

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result of the application of the Accounting Standard for Revenue Recognition, Etc., the Company has changed its method of recognizing revenue from digestion purchases from the gross amount of consideration received from the customer to the net amount of the gross amount minus the amount paid to the supplier, after determining the role (principal or agent) in providing the goods or services to the customer.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter under review was added to or deducted from the opening balance of retained earnings of the first quarter under review, and thus the new accounting policy was applied from such opening balance.

As a result of this change, for the first three months under review, net sales decreased by ¥84 million and cost of sales decreased by ¥84 million, but there is no effect on operating profit, ordinary profit and profit before income taxes. In addition, there is no change in the opening balance of retained earnings of the fiscal year ending March 31, 2022.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Application of Accounting Standard for Fair Value Measurement, Etc.

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. have been applied from the beginning of the first quarter under review, and the new accounting policies provided in the Accounting Standard for Fair Value Measurement, etc. will be applied going forward in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no effect on the quarterly consolidated financial statements.

(Additional information)

Assumptions regarding the effects of COVID-19 used in accounting estimates

A state of emergency has been declared again in Japan and it is difficult to accurately predict when COVID-19 will subside.

Based on the assumption that the impact of COVID-19 will not worsen from the situation at the end of

the previous fiscal year, the Group has made accounting estimates, including the recoverability of deferred tax assets and the valuation of goodwill, trademark usage rights and other intangible assets. There have been no significant changes to the assumptions used in these accounting estimates since the previous fiscal year.

(Consolidated statement of income)

Loss on COVID-19

During the first three months of the fiscal year ended March 31, 2021, it mainly includes fixed expenses (personnel expenses and depreciation, etc.) incurred at retail stores that had temporary closures following the declaration of the state of emergency, which was issued by the Japanese government on April 7, 2020, due to the effects of the spread of COVID-19.

During the first three months of the fiscal year ending March 31, 2022, it mainly includes fixed expenses (personnel expenses and depreciation, etc.) incurred at retail stores that had temporary closures or shortening business hours following the declaration of the state of emergency, which was issued by the Japanese government, due to the effects of the spread of COVID-19.

(Segment information)

I. First three months of the fiscal year ended March 31, 2021 (April 1, 2020 to June 30, 2020)

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

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	21,067	3,172	759	343	1,466	26,809
Inter-segment sales and transfers	1,989	15	—	8	8,817	10,830
Total	23,056	3,188	759	352	10,283	37,640
Segment profit (loss)	211	(83)	(77)	11	155	217

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof
(Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	217
Inter-segment eliminations	(111)
Corporate expenses (Note)	(689)
Operating profit (loss) on the quarterly consolidated statement of income	(583)

Note: Corporate expenses primarily comprise general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	16,728	6,042	5,707	4,038	26,809

Note: Net sales are categorized into a country or region based on the customer's location.

II. First three months of the fiscal year ending March 31, 2022 (April 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	26,548	4,851	892	585	2,181	35,058
Inter-segment sales and transfers	2,315	56	3	—	9,061	11,438
Total	28,863	4,908	896	585	11,243	46,496
Segment profit (loss)	2,785	(1)	(81)	53	235	2,991

2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof
(Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	2,991
Inter-segment eliminations	(100)
Corporate expenses (Note)	(742)
Operating profit on the quarterly consolidated statement of income	2,148

Note: Corporate expenses primarily comprise general and administrative expenses not allocable to reportable segments.

3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	21,811	7,525	7,092	5,720	35,058

Note: Net sales are categorized into a country or region based on the customer's location.