

Translation

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November 8, 2022

CONSOLIDATED FINANCIAL RESULTS for the First Six Months of the Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

Company name: TOMY COMPANY, LTD.
Listing: Prime Market of the Tokyo Stock Exchange
Securities identification code: 7867
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Scheduled date to file quarterly securities report: November 9, 2022
Scheduled date to commence dividend payments: December 9, 2022
Supplementary material on quarterly financial results: Yes
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 six months of the fiscal year ending March 31, 2023 (From April 1, 2022 to September 30, 2022)

(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	%
Six months ended								
September 30, 2022	89,035	15.6	6,010	1.3	4,893	(17.6)	3,192	(39.2)
September 30, 2021	77,014	21.9	5,935	222.6	5,941	266.2	5,248	916.4

Note: Comprehensive income
Six months ended September 30, 2022: ¥12,732 million [129.4%]
Six months ended September 30, 2021: ¥5,550 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
September 30, 2022	34.86	34.83
September 30, 2021	56.31	56.28

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
September 30, 2022	173,253	90,081	51.9	978.29
March 31, 2022	156,090	79,174	50.5	860.74

Reference: Equity
As of September 30, 2022: ¥89,923 million
As of March 31, 2022: ¥78,863 million

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, 2022	–	10.00	–	22.50	32.50
Fiscal year ending March 31, 2023	–	17.50			
Fiscal year ending March 31, 2023 (Forecast)			–	15.00	32.50

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023

(From April 1, 2022 to March 31, 2023)

(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
Fiscal year ending March 31, 2023	170,000	2.8	12,000	(2.8)	11,800	(6.8)	7,500	(17.7)	80.83

Note: Revisions to the consolidated earnings forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the six 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 September 30, 2022	94,990,850 shares
As of March 31, 2022	94,990,850 shares

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

As of September 30, 2022	3,072,316 shares
As of March 31, 2022	3,367,301 shares

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

Six months ended September 30, 2022	91,567,042 shares
Six months ended September 30, 2021	93,201,229 shares

Note: The Company has introduced “Performance-linked stock-based compensation system for Directors (excluding outside directors and part-time directors)” and “Performance-linked stock-based compensation system for Executive Officers.” Treasury shares remaining in the “Performance-linked stock-based compensation system for Directors (excluding outside directors and part-time directors)” and the “Performance-linked stock-based compensation system for Executive Officers” that are recorded as treasury shares in shareholders’ equity are included in treasury shares to be deducted in the calculation of the total number of issued shares at the end of the period for the calculation of net assets per share. They are also included in treasury shares to be deducted in the calculation of the average number of shares during the period for the calculation of basic earnings per share.

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an 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 online on November 8, 2022. Materials for the financial results presentation meeting will be available on our website on the same day.

[Attached Material]

1.	Qualitative Information Regarding Consolidated Operating Results	5
(1)	Explanation of Operating Results	5
(2)	Overview of Financial Position.....	9
(3)	Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements.....	9
2.	Consolidated Financial Statements and Significant Notes Thereto.....	10
(1)	Consolidated Balance Sheet	10
(2)	Consolidated Statement of Income and Consolidated Statement of Comprehensive Income ...	12
	(Consolidated statement of income).....	12
	(Consolidated statement of comprehensive income).....	13
(3)	Consolidated Statement of Cash Flows.....	14
(4)	Notes Regarding Consolidated Financial Statements	16
	(Notes regarding assumption of going concern).....	16
	(Notes on significant changes in the amount of shareholders' equity).....	16
	(Application of specific accounting for preparing quarterly consolidated financial statements) ..	16
	(Changes in accounting policies).....	16
	(Additional information)	16
	(Consolidated statement of income).....	16
	(Segment information).....	17

1. Qualitative Information Regarding Consolidated Operating Results
(1) Explanation of Operating Results
(Highlights of First Six Months of the Fiscal Year Ending March 31, 2023)

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

With social and economic activities moving toward normalization, including the easing of restrictions on movement to counter COVID-19, we also saw a recovery in the flow of people to stores in the toy market.

In addition, the business environment surrounding the Company remains highly uncertain overall with the sharp rise in global raw materials prices and inflation and extreme foreign exchange fluctuations that began with the sudden deterioration in the situation in Ukraine.

(Consolidated performance)

• Net sales

Net sales were ¥89,035 million (up 15.6% year on year). This was due to strong shipments of toys, the continued popularity of amusement machines and GACHA capsule toys developed by T-ARTS Company and sales growth in the KIDDY LAND retail business.

For our long-standing products, we continued our efforts to plan, develop, and enhance sales of attractive products not only for children, but for adults as well. For TOMICA, we launched large-scale products for children, such as “TOMICA Big Fire Truck & Transforming Command Station,” and for adults, we proactively promoted new products such as the “TOMICA Premium” Series, which pursues reality.

For the trading card game DUEL MASTERS, which celebrated the 20th anniversary of its release this fiscal year, the TV animation was revamped in September, and we strengthened marketing through the launch of related products and so forth. Overseas-bound exports of TRANSFORMERS grew mainly in North America and Asia.

For “Punirunes,” the LCD toy with a new texture that has proved highly popular since its launch, we announced that an original toy-inspired TV animation would start broadcasting from October.

We also commenced development of “Metaverse Pop-up Pirate,” to enable people to play with toys in the metaverse (virtual space), providing a new play experience in digital space.

The amusement machine Pokémon Mezastar developed by T-ARTS Company continued to be well received, and sales increased for the T-ARTS Company’s GACHA capsule toy business owing to related products using hit contents, amid the increasing market popularity of capsule toys.

• Profit

Operating profit was ¥6,010 million (up 1.3% year on year). This was mainly because of growth in gross profit due to the increase in net sales alongside efforts to manage selling, general and administrative expenses efficiently, despite a year-on-year increase in our sales cost ratio, mainly due to rising distribution costs at overseas locations and the impact of foreign exchange.

Ordinary profit was ¥4,893 million (down 17.6% year on year) due to the recording of non-operating expenses mainly from foreign exchange losses.

Profit attributable to owners of parent decreased to ¥3,192 million (down 39.2% year on year), but this was due to the recording of extraordinary income as gain on transfer from the transfer of real estate used for offices in non-current assets in the first quarter of the previous fiscal year.

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

(Millions of yen)

	First six months of the fiscal year ended March 31, 2022	First six months of the fiscal year ending March 31, 2023	Change	Rate of change (%)
Net sales	77,014	89,035	12,021	15.6
Japan	63,510	72,575	9,065	14.3
Americas	11,419	14,019	2,599	22.8
Europe	2,933	3,179	246	8.4
Oceania	1,146	1,459	312	27.3
Asia (excl. Japan)	24,201	32,186	7,985	33.0
Eliminations and corporate	(26,196)	(34,383)	(8,187)	–
Operating profit/ (loss)	5,935	6,010	74	1.3
Japan	6,898	7,733	835	12.1
Americas	(27)	(489)	(462)	–
Europe	118	(135)	(253)	–
Oceania	102	59	(43)	(42.0)
Asia (excl. Japan)	610	1,377	766	125.5
Eliminations and corporate	(1,767)	(2,535)	(768)	–

Japan

(Millions of yen)

	First six months of the fiscal year ended March 31, 2022	First six months of the fiscal year ending March 31, 2023	Change
Net sales	63,510	72,575	9,065
Operating profit	6,898	7,733	835

Net sales were ¥72,575 million (up 14.3% year on year), and operating profit was ¥7,733 million (up 12.1% year on year). This was due to strong shipments of toys, the continued popularity of GACHA capsule toys and amusement machines developed by T-ARTS Company, and sales growth in the KIDDY LAND retail business.

With social and economic activities moving toward normalization, including the easing of restrictions on movement to counter COVID-19, we also saw a recovery in the flow of people to stores in the toy market. For our long-standing products, we continued our efforts to plan, develop, and enhance sales of attractive products not only for children, but for adults as well. For TOMICA, we launched large-scale products for children, such as “TOMICA Big Fire Truck & Transforming Command Station,” and for adults, we proactively promoted new products such as the “TOMICA Premium” Series, which pursues reality. For the trading card game DUEL MASTERS, which celebrated the 20th anniversary of its release this fiscal year, the TV animation was revamped in September for the first time in six years, and we strengthened marketing through the launch of related products and so forth. Overseas-bound exports of TRANSFORMERS grew mainly in North America and Asia. For the Pokémon series, “Monster Collection” and other related toys continued to be well received, and the TV animation, PAW Patrol, which entered its fourth year of broadcasting, further grew its popularity through the broadcasting of a new series on terrestrial television, enjoying strong sales of related products.

Furthermore, as an initiative to develop our IP on television and the internet, in April we began broadcasting the TV animation “BOTTLEMAN DX” and the new sensation danceable drama “RizSta - Top of Artists!” and began streaming the online animation “TOMICA Heroes Jobraver - Specially-equipped combined robot.” For “Punirunes,” the LCD toy with a new texture that is highly popular due to

its product features integrating digital and real play and the attraction of its many characters, we announced that an original toy-inspired TV animation would start broadcasting from October.

As initiatives around the key word “play,” we also developed highly original products and services utilizing new technology, such as the launches of “MUGENYOYO,” an innovative entertainment toy that allows players to enjoy playing yoyo, recording videos using AR effects, and posting them on social media, and “coemo,” a speaker that reads aloud using AI synthetic voice technology that sounds just like voice of the actual person. We also commenced development of “Metaverse Pop-up Pirate,” to enable people to play with toys in the metaverse (virtual space), providing a new play experience in digital space.

For amusement machines offered by T-ARTS Company, sales of Pokémon Mezastar remained strong. In T-ARTS Company’s GACHA capsule toy business, amid a market environment of increasing popularity of capsule toys, sales increased due to the expanded installation of large-scale GACHA sales spaces and related products using popular contents, and sales of plush toys were well received.

Americas

(Millions of yen)

	First six months of the fiscal year ended March 31, 2022	First six months of the fiscal year ending March 31, 2023	Change
Net sales	11,419	14,019	2,599
Operating loss	(27)	(489)	(462)

Net sales was ¥14,019 million (up 22.8% year on year), partly due to foreign exchange effects, but we recorded an operating loss of ¥489 million (operating loss of ¥27 million in the same period of the previous fiscal year), partly due to the impact of surging distribution costs. Various regulations to combat COVID-19 have been relaxed, and efforts to normalize social and economic activities gained momentum. Amid these conditions, while we continue to be impacted by supply-chain disruptions, sales of agricultural machinery toys such as “Ag Replicas” and “Ag Basic toys” were favorable, and sales of the plush toy series Mocchi- Mocchi- (overseas product name: Club Mocchi- Mocchi-), marketed by T-ARTS Company in Japan, grew.

Europe

(Millions of yen)

	First six months of the fiscal year ended March 31, 2022	First six months of the fiscal year ending March 31, 2023	Change
Net sales	2,933	3,179	246
Operating profit/ (loss)	118	(135)	(253)

Net sales were ¥3,179 million (up 8.4% year on year), mainly due to favorable sales of agricultural machinery toys such as “Ag Replicas” and growth in sales of the plush toy Club Mocchi- Mocchi-, despite a decrease in sales of infant products, while operating loss was ¥135 million (operating profit of ¥118 million in the same period of the previous fiscal year), mainly due to the impact of surging distribution costs. In European countries, various regulations to combat COVID-19 have been relaxed, and efforts to normalize social and economic activities made progress.

Oceania

(Millions of yen)

	First six months of the fiscal year ended March 31, 2022	First six months of the fiscal year ending March 31, 2023	Change
Net sales	1,146	1,459	312
Operating profit	102	59	(43)

Net sales were ¥1,459 million (up 27.3% year on year), and operating profit was ¥59 million (down 42.0% year on year). In Oceania, various regulations to combat COVID-19 have been relaxed, and efforts to

normalize social and economic activities made progress. Amid these conditions, sales of rideable-type agricultural machinery toys were strong, while in the infant and preschool products category, sales of infant products, such as Lamaze & Friends, grew.

Asia (excl. Japan)

(Millions of yen)

	First six months of the fiscal year ended March 31, 2022	First six months of the fiscal year ending March 31, 2023	Change
Net sales	24,201	32,186	7,985
Operating profit	610	1,377	766

Net sales were ¥32,186 million (up 33.0% year on year), and operating profit was ¥1,377 million (up 125.5% year on year), mainly due to gain in popularity of “Punirunes,” the LCD toy with a new texture that originated in Japan, and the high evaluation of T-ARTS Company’s amusement machines. Various regulations to combat COVID-19 were continued in some countries and regions, and lockdowns were enforced in some cities in China, with a continuing impact on purchasing trends. Amid these conditions, we offered long-standing products in Japan such as “TOMICA,” “PLARAIL,” “LICCA doll,” and “ANIA,” and sales were particularly favorable for single-pack “TOMICA” vehicles.

(2) Overview of Financial Position

Assets, Liabilities and Net Assets

<Assets>

At the end of the second quarter of the fiscal year ending March 31, 2023, current assets stood at ¥121,513 million, up ¥11,188 million from the end of the previous fiscal year ended March 31, 2022. This is mainly attributable to increases in notes and accounts receivable - trade and merchandise and finished goods, despite a decrease in cash and deposits.

Non-current assets stood at ¥51,739 million, up ¥5,973 million from the end of the previous fiscal year. This was mainly attributable to increases in property, plant and equipment and intangible assets, despite a decrease in investments and other assets.

<Liabilities>

At the end of the second quarter, current liabilities stood at ¥57,029 million, up ¥7,102 million from the end of the previous fiscal year. This was mainly attributable to increases in notes and accounts payable - trade and short-term borrowings, despite a decrease in accounts payable - other.

Non-current liabilities stood at ¥26,142 million, down ¥847 million from the end of the previous fiscal year. This was mainly attributable to a decrease in long-term borrowings, despite increases in lease liabilities and deferred tax liabilities.

<Net assets>

At the end of the second quarter, total net assets were ¥90,081 million, up ¥10,907 million from the end of the previous fiscal year. This was mainly attributable to increases in retained earnings, deferred gains or losses on hedges and foreign currency translation adjustment.

Cash Flows

Cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2023 was ¥56,853 million, a decrease of ¥8,456 million compared with the end of the previous fiscal year ended March 31, 2022.

<Net cash provided by (used in) operating activities>

Net cash used in operating activities was ¥2,862 million, compared with ¥2,153 million provided by the same period a year earlier. The main factors are profit before income taxes of ¥4,911 million, an increase in trade payables of ¥4,448 million, and depreciation of ¥3,063 million, despite an increase in inventories of ¥8,764 million and an increase in trade receivables of ¥4,884 million.

<Net cash provided by (used in) investing activities>

Net cash used in investing activities was ¥1,087 million, compared with ¥68 million used in the same period a year earlier. Cash was mainly used for purchase of property, plant and equipment of ¥677 million and purchase of intangible assets of ¥564 million.

<Net cash provided by (used in) financing activities>

Net cash used in financing activities was ¥5,581 million, compared with ¥5,853 million used in the same period a year earlier. The main factors are repayments of long-term borrowings of ¥4,363 million, dividends paid of ¥2,073 million, and repayments of finance lease liabilities of ¥1,464 million, despite an increase in short-term borrowings of ¥2,140 million.

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

No changes have been made to the earnings forecasts that were announced on May 10, 2022.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	65,424	56,949
Notes and accounts receivable - trade	20,291	26,246
Merchandise and finished goods	16,082	26,329
Work in process	837	796
Raw materials and supplies	1,096	1,249
Other	6,758	10,151
Allowance for doubtful accounts	(165)	(209)
Total current assets	110,324	121,513
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,347	13,543
Accumulated depreciation	(9,034)	(9,251)
Accumulated impairment loss	(941)	(911)
Buildings and structures, net	3,370	3,380
Machinery, equipment and vehicles	2,892	2,999
Accumulated depreciation	(2,305)	(2,427)
Accumulated impairment loss	(36)	(35)
Machinery, equipment and vehicles, net	549	536
Tools, furniture and fixtures	24,209	24,972
Accumulated depreciation	(22,344)	(23,073)
Accumulated impairment loss	(947)	(926)
Tools, furniture and fixtures, net	918	972
Land	3,916	3,943
Leased assets	8,425	8,656
Accumulated depreciation	(3,663)	(4,089)
Accumulated impairment loss	(378)	(384)
Leased assets, net	4,383	4,182
Right-of-use assets	-	3,326
Construction in progress	387	360
Total property, plant and equipment	13,526	16,701
Intangible assets		
Goodwill	15,988	17,926
Other	9,902	11,141
Total intangible assets	25,890	29,068
Investments and other assets		
Investment securities	2,970	2,884
Deferred tax assets	1,215	1,031
Other	2,230	2,124
Allowance for doubtful accounts	(66)	(71)
Total investments and other assets	6,349	5,970
Total non-current assets	45,766	51,739
Total assets	156,090	173,253

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,958	14,276
Short-term borrowings	7,628	9,984
Current portion of long-term borrowings	8,834	8,968
Lease liabilities	2,686	3,363
Accounts payable - other	7,502	6,751
Accrued expenses	8,183	8,863
Income taxes payable	2,422	1,755
Provisions	714	446
Other	2,995	2,618
Total current liabilities	49,927	57,029
Non-current liabilities		
Long-term borrowings	18,894	14,779
Lease liabilities	1,626	4,392
Deferred tax liabilities	770	1,245
Deferred tax liabilities for land revaluation	472	472
Provisions	243	311
Retirement benefit liability	2,585	2,540
Other	2,396	2,399
Total non-current liabilities	26,989	26,142
Total liabilities	76,916	83,171
Net assets		
Shareholders' equity		
Share capital	3,459	3,459
Capital surplus	8,014	8,141
Retained earnings	55,472	56,588
Treasury shares	(3,374)	(3,098)
Total shareholders' equity	63,571	65,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,103	1,028
Deferred gains or losses on hedges	800	2,489
Revaluation reserve for land	624	624
Foreign currency translation adjustment	13,158	21,131
Remeasurements of defined benefit plans	(395)	(441)
Total accumulated other comprehensive income	15,291	24,832
Share acquisition rights	310	158
Total net assets	79,174	90,081
Total liabilities and net assets	156,090	173,253

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	77,014	89,035
Cost of sales	45,967	55,033
Gross profit	31,046	34,002
Selling, general and administrative expenses	25,111	27,992
Operating profit	5,935	6,010
Non-operating income		
Interest and dividend income	30	66
Rental income	75	76
Other	164	109
Total non-operating income	270	252
Non-operating expenses		
Interest expenses	176	238
Foreign exchange losses	35	967
Other	52	162
Total non-operating expenses	264	1,368
Ordinary profit	5,941	4,893
Extraordinary income		
Gain on sale of non-current assets	1,887	0
Gain on reversal of share acquisition rights	0	54
Subsidies for employment adjustment	38	–
Total extraordinary income	1,926	55
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment losses	211	1
Loss on COVID-19	214	33
Other	20	2
Total extraordinary losses	446	37
Profit before income taxes	7,421	4,911
Income taxes	2,172	1,718
Profit	5,248	3,192
Profit attributable to owners of parent	5,248	3,192

(Consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	5,248	3,192
Other comprehensive income		
Valuation difference on available-for-sale securities	68	(75)
Deferred gains or losses on hedges	(199)	1,688
Foreign currency translation adjustment	422	7,973
Remeasurements of defined benefit plans, net of tax	10	(45)
Total other comprehensive income	302	9,540
Comprehensive income	5,550	12,732
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,550	12,732
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	7,421	4,911
Depreciation	2,858	3,063
Loss on retirement of non-current assets	0	0
Impairment losses	211	1
Amortization of goodwill	764	916
Subsidies for employment adjustment	(38)	–
Gain on reversal of share acquisition rights	0	(54)
Loss on COVID-19	214	33
Increase (decrease) in allowance for doubtful accounts	15	23
Increase (decrease) in provisions	65	(127)
Increase (decrease) in retirement benefit liability	27	(16)
Interest and dividend income	(30)	(66)
Interest expenses	176	238
Foreign exchange losses (gains)	112	1,586
Loss (gain) on sale of non-current assets	(1,887)	2
Decrease (increase) in trade receivables	(6,057)	(4,884)
Decrease (increase) in inventories	(4,580)	(8,764)
Decrease (increase) in prepaid expenses	(276)	(743)
Increase (decrease) in trade payables	3,254	4,448
Increase (decrease) in accounts payable - other	1,119	(747)
Increase (decrease) in accrued expenses	810	168
Other, net	(368)	(92)
Subtotal	3,811	(104)
Interest and dividends received	26	65
Interest paid	(176)	(215)
Proceeds from subsidies for employment adjustment	38	–
Payments associated with loss on COVID-19	(146)	(32)
Income taxes paid	(1,400)	(2,575)
Net cash provided by (used in) operating activities	2,153	(2,862)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,104)	(677)
Proceeds from sale of property, plant and equipment	1,702	0
Purchase of intangible assets	(753)	(564)
Other, net	87	154
Net cash provided by (used in) investing activities	(68)	(1,087)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	866	2,140
Repayments of long-term borrowings	(3,663)	(4,363)
Dividends paid	(937)	(2,073)
Repayments of finance lease liabilities	(1,400)	(1,464)
Proceeds from disposal of treasury shares	–	296
Purchase of treasury shares	(1,202)	(168)
Proceeds from sale and leaseback transactions	565	141
Other, net	(81)	(90)
Net cash provided by (used in) financing activities	(5,853)	(5,581)
Effect of exchange rate change on cash and cash equivalents	72	1,074
Net increase (decrease) in cash and cash equivalents	(3,695)	(8,456)
Cash and cash equivalents at beginning of period	63,548	65,310
Cash and cash equivalents at end of period	59,852	56,853

(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 six months under review are calculated by multiplying profit before income taxes for the six months under review by the reasonably estimated effective tax rate for the fiscal year including the second quarter under review after applying tax effect accounting.

(Changes in accounting policies)

(Application of ASU 2016-02 "Leases")

At consolidated subsidiaries outside Japan adopting US GAAP, Accounting Standards Update No. 2016-02 "Leases" ("ASU 2016-02") has been applied from the first quarter of the fiscal year ending March 31, 2023. Due to this application, lessees, in principle, record all leases as assets and liabilities on the balance sheets. In applying ASU 2016-02, in accordance with the transition requirements, a method has been adopted to recognize the cumulative effect of accounting change at the date of initial application.

As a result, as of September 30, 2022, "right-of-use assets" in property, plant and equipment increased by ¥3,326 million, "lease liabilities" in current liabilities increased by ¥600 million, and "lease liabilities" in non-current liabilities increased by ¥2,911 million. The impact on profit and loss for the first six months of the fiscal year under review was immaterial.

(Additional information)

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

It is still difficult to accurately predict when COVID-19 will come to a halt.

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 six months of the fiscal year ended March 31, 2022, it mainly includes fixed expenses (personnel expenses and depreciation, etc.) incurred at retail stores that had temporary closures or shortened 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.

During the first six months of the fiscal year ending March 31, 2023, it mainly includes fixed expenses (personnel expenses and depreciation, etc.) incurred during the business activity suspension period following the lockdowns in Shanghai, China, due to the effects of the spread of COVID-19.

(Segment information)

I. First six months of the fiscal year ended March 31, 2022 (April 1, 2021 to September 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	57,439	11,179	2,929	1,146	4,319	77,014
Inter-segment sales and transfers	6,070	240	3	–	19,881	26,196
Total	63,510	11,419	2,933	1,146	24,201	103,210
Segment profit (loss)	6,898	(27)	118	102	610	7,702

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	7,702
Inter-segment eliminations	(153)
Corporate expenses (Note)	(1,613)
Operating profit on the quarterly consolidated statement of income	5,935

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

II. First six months of the fiscal year ending March 31, 2023 (April 1, 2022 to September 30, 2022)

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	64,554	13,869	3,179	1,459	5,973	89,035
Inter-segment sales and transfers	8,020	149	–	–	26,213	34,383
Total	72,575	14,019	3,179	1,459	32,186	123,419
Segment profit (loss)	7,733	(489)	(135)	59	1,377	8,545

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	8,545
Inter-segment eliminations	(786)
Corporate expenses (Note)	(1,749)
Operating profit on the quarterly consolidated statement of income	6,010

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