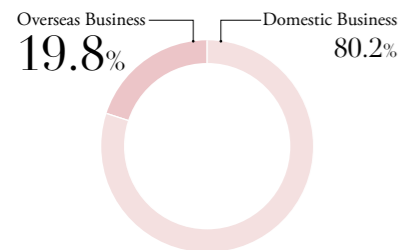


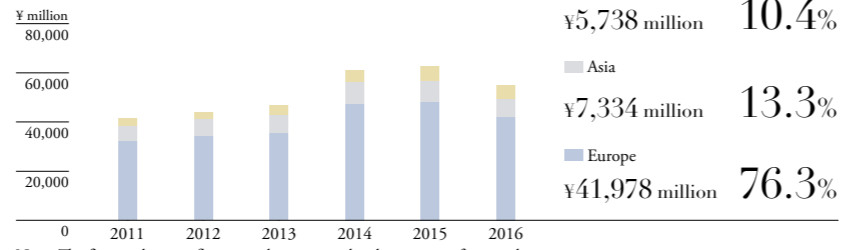
Overseas Business

The overseas business consists of operations in Europe, Asia, and the United States and accounts for 19.8% of consolidated net sales. Business scale expansion will be pursued centered on Europe, where operations are the largest, as we strengthen our competitiveness in the global market.

Contribution to Total Sales



Net Sales by Overseas Business Segment



Note: The figures shown reflect net sales prior to the elimination of internal transactions.

United States	¥5,738 million	10.4%
Asia	¥7,334 million	13.3%
Europe	¥41,978 million	76.3%

Europe

The European business—our largest overseas business—primarily conducts the manufacture and sale of high-end apparel and accessories.

In 2014, the current form of Onward Luxury Group, which merges Italian subsidiaries GIBO'Co Group and Jil Sander Group, was established. In the long term, we aim to merge Joseph Group in England into Onward Luxury Group to unite the European business under a single company and generate synergies in order to develop it into a fashion conglomerate with a strong presence in the European market.

By uniting our European business, we will be able to exercise its strengths in manufacturing as well as the strengths of Jil Sander (brands) and Joseph (retail). With this comprehensive range of functions, we will seek to become a unique presence in the European fashion industry.

Business Overview

Onward Luxury Group

Manufacture and Wholesale

Onward Luxury Group's manufacturing and wholesale divisions undertake the production of the principal items that are indispensable to a designer brand line, including apparel as well as shoes, bags, and knitwear, and are constructing a manufacturing platform capable of providing the utmost levels of quality.

Apparel item production is conducted by leveraging the strengths of three sites in Italy: Florence, where we are skilled at tailored clothing, such as shoulder pieces; Bergamo, which is home to our skilled crafting functions for light fabric clothing; and Parma, where we create more elaborate clothing items.

Furthermore, the manufacturing divisions are promoting synergies in product creation while also utilizing Onward's network of showrooms in Paris, Milan, and New York to expand sales opportunities and generate sales-field synergies.



OLG Erika Knitwear Factory

JIL SANDER

We conduct the planning, manufacture, and wholesale of the JIL SANDER luxury menswear and womenswear collections and apparel and accessories from JIL SANDER Navy, and we are developing stores on a worldwide basis.

Moreover, Rodolfo Pagliarunga, renowned for his work with Prada and Vionnet, was named as the creative director for JIL SANDER and began lending his talents with the 2015 spring/summer collection. We will promote JIL SANDER in the next chapter of its development to further its growth as a global brand.



JIL SANDER Paris store

JOSEPH

Joseph undertakes the planning, manufacture, and sale of JOSEPH brand menswear and womenswear collections and accessories and is also developing a network of multi-brand stores and JOSEPH brand stores centered on London.

In recent years, flagship stores in London and Paris have been renovated to enhance brand recognition. To accelerate the brand's global growth, Joseph is increasing accessory and menswear line-ups while expanding operations in the North American market and strengthening e-commerce businesses.

Performance and Outlook

In fiscal year 2016, we strengthened operating foundations and secured stable earnings for production operations. However, the difficult operating environment placed downward pressure on the retail and wholesale operations of Jil Sander, resulting in reduced profits.

In fiscal year 2017, we will undertake investments aimed at increasing the recognition of the JIL SANDER brand while enhancing inter-Group synergies that extend to new subsidiaries dealing in bags and shoes.



JOSEPH 77 Fulham Road store

Asia

Business Overview

In our Asian business, Nijyusanku, ICB, rosebullet, and other major Onward Kashiyama brands are sold in department stores and shopping centers in China, including Hong Kong, Taiwan, South Korea, Singapore, Thailand, Indonesia, and Vietnam.

Furthermore, Asia is rising in importance as a production site. To supplement existing partnerships with Chinese manufacturers that have high overall capacity, we aim to expand our manufacturing platform in ASEAN countries, such as Vietnam. With our sights set on capital alliances and the acquisition of production capacity, we are determined to build a manufacturing platform in Asia with high profitability and quality as well as superior material procurement capabilities and fast delivery time.

United States

Business Overview

U.S. operations comprise retail businesses in the States as well as hotel and golf course management operations in Guam.

J.PRESS, acquired in 1986, is a well-loved brand among Ivy Leaguers. We currently have three directly managed stores in the United States. As part of recent global strategies for European brands, we have been strengthening sales of JOSEPH in the United States.

As we move forward, we will expand our U.S. operations as we conduct necessary investments from a medium-to-long-term perspective to grow retail businesses.

Performance and Outlook

In fiscal year 2016, we were able to improve performance in North America and Asia through streamlining business structures and store networks.

In fiscal year 2017, we will continue carrying out business reorganizations while we expand e-commerce operations and explore new markets to increase earnings.