

INTEGRATED REPORT 2024

INTEGRATED REPORT
Onward Holdings Co., Ltd.

ONWARD



MISSION STATEMENT

The Onward Group's Mission Statement

Enriching and Adding Color to People's Lives While Caring for the Planet

Keep moving forward as a

“lifestyle and culture creation company”

that contributes to creating lifestyles with richness and colors in harmony with the planet through “customer-centric management leveraging employees’ diverse strengths”



Editorial Policy

This Integrated Report comprehensively summarizes financial and ESG-related information, including the desired image of the Onward Group and value that it provides to society, and strategies and management base to realize them, in order to communicate Onward Holdings' value-creation story to stakeholders in an easy-to-understand manner. This year it provides an explanation on the direction and details of various initiatives we are pursuing to enhance our corporate value along the theme of the strategies of ONWARD VISION 2030 which was announced in April.

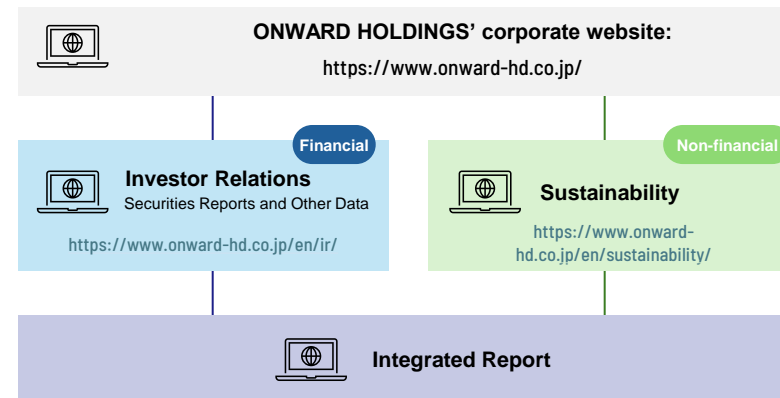
In compiling the Integrated Report, we have referred to the "Guidance for Collaborative Value Creation 2.0" by the Ministry of Economy, Trade and Industry and the "Integrated Reporting Framework" recommended by the IFRS Foundation.

Period covered	FY02/24 (March 2023 to February 2024)
Scope of coverage	Onward Holdings Co., Ltd. and its subsidiaries (Some include activities, etc. before FY02/24 and after FY02/25)
Date of issue	November 29, 2024

Disclaimer

The forward-looking statements contained in this Integrated Report are based on information available to the Company up to the issuance of this report and certain assumptions that the Company deems reasonable, and are not intended to be a promise by the Company that they will be achieved.

Information Disclosure System



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Message from the President

TOP MESSAGE

We aim to maximize social value and corporate value through lifestyle and culture creation

This year marks the 97th anniversary since Junzo Kashiwama founded Kashiwama Trading in 1927 to sell ready-made menswear.

The Company has maintained throughout its history since its founding the concept of enriching and adding color to people's lives.

The medium- to long-term management vision "ONWARD VISION 2030" announced in April 2021 incorporates the perspective of sustainability management into this idea and defines our desired image as "enriching and adding color to people's lives while caring for the planet."

The Company will continue to grow while pursuing coexistence with the global environment.

Onward Holdings Co., Ltd.
President and CEO

Michinobu Yasumoto



— Review of FY02/24

In the financial results for the year ended February 29, 2024, net sales increased 7.7% from the previous fiscal year to ¥189.6 billion, operating profit amounted to ¥11.3 billion, the highest since FY02/09, and profit attributable to owners of parent was ¥6.6 billion, a significant increase over the previous fiscal year. In light of the strong performance, we also expanded shareholder return, paying a dividend per share of ¥20, an increase of ¥4 from the previous fiscal year.

Although net sales did not reach the ¥200 billion target set in ONWARD VISION 2030, operating profit was well above the target of ¥7 billion as a result of our focus on strengthening customer-centric product development and sales services. In terms of performance by brand, the existing mainstay brand businesses such as Nijyusanku and Pet Paradise performed well, and new brands such as the DtoC brand UNFILO also grew significantly, resulting in a significant increase in profit.

— 01 Progress of ONWARD VISION 2030

The Group has established a roadmap for the 10-year period of its medium- to long-term management plan, dividing it into "Business structure transformation phase" from FY02/22 to FY02/24, "Growth phase" from FY02/25 to FY02/27, and "Growth acceleration phase" for the subsequent four years. We aim to achieve net sales of ¥300 billion and operating profit of ¥25 billion in FY02/31, the final year.

Thorough Business Reforms Resulted in Significant Recovery in Profitability and Efficiency

Our performance in FY02/24 improved significantly, and this can be attributed to the global business reforms that we had been focusing on since FY02/20. The reforms were intended to halt a decline in productivity and profitability by withdrawing from unprofitable businesses and stores in Japan and overseas, improve profitability, and also develop a new business model that includes the development of OMO (Online Merges with Offline)-type stores that combine the advantages of physical stores and e-commerce.

Against the backdrop of a period of rapid economic growth, the Group had achieved growth through an aggressive store opening policy, particularly in department stores, which boasted an outstanding ability to attract customers. However, with the burst of the bubble economy (1992), the department store distribution's ability to attract customers began to diminish, resulting in lower store sales and a significant decline in productivity and efficiency.

In order to get out of such situation, we embarked on large-scale efforts for business reforms in FY02/20, including withdrawing from unprofitable businesses and stores and promoting DX, the results of which are being seen mainly in the fashion-related business. The series of reforms have resulted in higher sales per store and improved productivity per worker, as well as enhanced development of OMO-type stores linked to online stores, represented by ONWARD CROSSET SELECT (OCS). We are very pleased with such results.

Transformation of Store Operations — Breakthrough of Multi-Brand Stores and Thorough Management of Store Profitability

The wider rollout of OCS has also brought about significant changes in how we operate stores.

In the Group's nearly 100-year history, business was supposed to be done on a brand-by-brand basis. In other words, stores were expected to sell off branded products produced by the planning and production division. With OCS, however, it is now possible for each store to assort and sell products from Onward Kashiyama's various brands at its discretion, based on the premise of "enhancing overall store performance." From the point of view of store sales staff, this enables them to be more flexible in making proposals to customers and to engage in active, rather than passive, sales activities. Further, it has narrowed a seasonal gap between busy and off-peak periods and store-level profitability management is functioning well, resulting in higher profitability.

Going forward, we will accelerate our efforts by expanding customer touchpoints outside of department stores, such as shopping centers and fashion outlets.

Meanwhile, as we expand into a variety of sales formats, it will become extremely important to manage store-level profitability. To this end, while the Group used to manage profitability by unit such as brand and region, it has since subdivided the management unit into smaller units to introduce store-level management. Furthermore, our focus on DX investment has resulted in a significant improvement in the precision of profitability management. We also have high expectations for those in the store manager position as managers who play such roles.

— 02 What Onward Cherishes in Management

Management Strategies Must Also Bring Value to Employees Who Implement Them

OCS has enabled more efficient store development by handling a wide range of brands, and has also been very effective in terms of store operations and management. The rollout of OCS has resulted in larger stores in scale, and a store of a larger size to some extent helps us to manage profitability and staffing. Even sales staff can take time off at their own discretion when there are 10 people or so.

OCS helps improve customer satisfaction by providing customers with an opportunity to look at and try items from multiple brands, and at the same time, helps employees change the way they work and contributes to improving the profitability of store operations. It indeed brings the benefits of 'killing two birds with one stone.'

It is store managers at respective stores who practice this type of management on a daily basis. Their role includes revenue management, personnel and product management, and much more. In light of their importance, the Group is also working hard on improving the compensation of store managers.

Strategic Product Lines Based on the Redefinition of Brand Purpose and the "Store Brand" Concept

While the Group focuses on developing stores based on the uniqueness and concept of each brand, it is important to avoid giving too much priority to the brand's concept and ideas only. To be frank about the current state of the Group, we have highly diverse brands as we have been conducting targeting along societal attributes such as gender and age. It is also true that, as a result of increased segmentation, it has become difficult to clearly define their appeal points when communicating to the outside world.

Therefore, we are looking to classify our dispersed brands based on a broader worldview, redefining their purposes and consolidating them at the same time. We would also like to develop stores that strategically handle products produced under such purposes.

An important point in creating such store brands is to offer customers additional value beyond the fashion field through a diverse product lineup. And it is businesses in the wellness field, such as gifts, pets, and beauty, that will play this role.

By promoting manufacturing and store development involving the wellness field for which demand is relatively stable throughout the year, we aim to improve the profitability of the entire company and achieve steady growth.

"Twin-Armed Approach" of Focus on Manufacturing and Customer Services as a Differentiating Factor

As a foundation for achieving these goals, the Group has strengths that competitors cannot easily imitate. They are the high-quality manufacturing capability that we have cultivated over our nearly 100-year history and the sophisticated customer service skills of our sales staff. The Group will continue to strive for new value creation by both thoroughly focusing on quality by leveraging its accumulated technological and procurement capabilities, and using its high level of customer service skills as a retailer.



— 03 Co-creation of Value with Stakeholders

In April 2024, in light of changes to the post-COVID-19 pandemic business environment, we reviewed “ONWARD VISION 2030” announced in April 2021, and announced “ONWARD VISION 2030” (revised version), which defines what the Group aims to be as a “lifestyle and culture creation company.”

Deliver Happiness to Stakeholders through Creation of Lifestyle and Culture

At the root of lifestyle and culture creation, there lies the co-creation of value provided to customers with the Group’s products and services as a starting point. The Company’s employees, with their diverse values, create ideas freely and, when those ideas are accepted by our customers, the circle of empathy will spread. It will maximize both the Company’s productivity and the value of customer experience, creating new energy for co-creation.

As I explained, reflected in “enriching and adding color to people’s lives while caring for the planet” and a “lifestyle and culture creation company” are not only our commitment to helping enrich life for our customers, but also our desire to enhance the motivation of our employees who are responsible for actions for that, foster a focus on services, and enrich and add colors to their lives through a hike in their wages and others.

Toward Onward That Walks Together with Our Customers and Employees through Life

The membership of the “Onward Members” program symbolizes the acceptance by customers of the Onward Group’s focus and value offered. With 5.3 million registered customers as of the end of February 2024, we are proud that we have established a solid customer base.

A challenge for the future is to maximize lifetime value (LTV) by leveraging such customer base and extending the time customers spend with us.

An important consideration for LTV is how to attract younger customers.

As I mentioned earlier, the Group had grown by opening stores mainly in department stores. As a result of that, our approach to customers in their 30s and younger had been somewhat diluted. Our vision is to be an enterprise that can continue to provide our customers with richness and colors by leveraging the Group’s diverse brand portfolio and having them walk through life with the Group from birth to old age.

Moreover, as our employees progress in their career paths in the same way that customers’ life stages change, it will facilitate their choosing the most comfortable working environment from among many brands and workplaces. We believe that thinking in this way with LTV as a starting point will enable us to provide attractive value to both customers and employees from a long-term perspective.

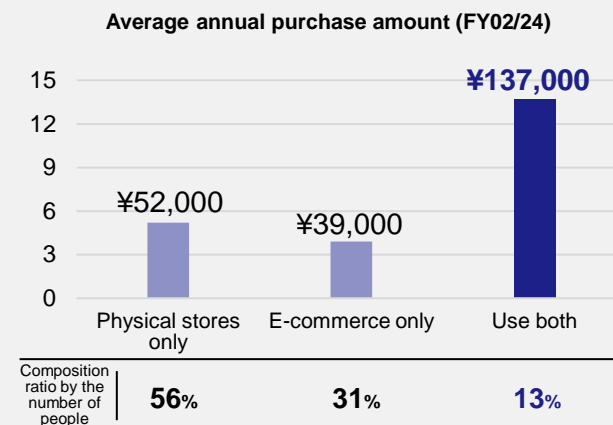
— 04 Rolling Out Strategies for Growth Phase

Japan has entered a long-term trend of a declining population, and we are unlikely to see the fashion industry in Japan expand significantly in the future. In such environment, the Company places particular emphasis on three key areas for sustainable growth over the medium to long term: expansion of e-commerce, effective use of M&A, and efficient overseas business development.

Create Customer Experience That Leverages the Advantages of E-Commerce

The ratio of e-commerce sales to the Group’s consolidated sales is approximately 30%, which is high compared with the industry’s standard, and the annual purchase amount of customers who use both stores and e-commerce is approximately three times that of customers who use only either of them. That said, since there are still many customers who shop at stores only, it is important to help those customers understand the advantages of e-commerce, such as the rich product lineup and superior convenience, and to encourage them to use e-commerce. To that end, we will take full advantage of our strength of courteous customer services in our stores.

Although the Group’s products are also sold through other companies’ e-commerce malls, our own e-commerce site ONWARD CROSSET accounts for nearly 90% of our total e-commerce sales. We will continue to focus on acquiring new customers through other companies’ e-commerce malls as well, while further strengthening our own e-commerce.



Taking on Challenge for Discontinuous Growth

In the first three years of ONWARD VISION 2030, we focused on improving profitability based on the existing businesses. However, we consider the use of M&A to be an indispensable strategy for achieving our goal of ¥300 billion in net sales in FY02/31.

We now have a system to generate stable operating cash flow to realize M&A flexibly as a result of the global business reforms. We have also established a dedicated team to execute M&A and are making efforts to gather information and scrutinize transactions.

Conceptualizing Overseas Business Strategy with Domestic as Starting Point

For our overseas business, we have drawn strategies by region to achieve net sales of the ¥30 billion level in FY02/31 by strengthening our business infrastructure. First, we will build infrastructure for our overseas business by increasing inbound sales which are enjoying a tailwind, while also increasing repeat sales.

In the past we often established directly managed stores overseas. However, from the perspectives of business risks and time value, we will develop business in cooperation with local partners who share the values and appeal of the Group going forward.

In Japan we will develop flagship stores that can strongly communicate the brands, mainly street-level stores, in order also to fascinate not only inbound customers but also influential partners who understand the local culture and customs in each country.

— 05 ESG Initiatives Supporting Growth Strategies

Promotion of Human Capital Management

The values sought by customers are expected to become even more diverse and individualized in the future. In order to meet the expectations of our customers, we believe it is necessary to have the Group itself made up of diverse and unique personnel and develop an environment and workstyle that help each of them to fully demonstrate their capabilities.

The Group has been implementing six organizational and human resource platform reforms based on ONWARD VISION 2030. During the first three years, we made particularly strong efforts to raise wage levels, expand career-oriented personnel development plans, and create an organization that empowers female employees and helps our members balance work with childcare/nursing care.

What we will particularly focus on going forward is to foster a climate of realizing “diversity for promoting innovation.” Diversity may be seen as a kind of boom; however, for the Group, it is recognized as an important element in organizational development. Novel ideas will not emerge if an organization remains uniform in terms of gender, age or nationality. By embedding in the Group the fundamental concept of diversity, which is co-existence of diverse personnel and various ways of thinking, we will also redefine how our organization should be.

Deepening Sustainable Management Strategy

Some have an image of the fashion industry as being contrary to environmental conservation, since it is difficult to predict future demand, resulting in mass production with the leftover being disposed of, in addition to its short cycle for launching new products. The Company has been conducting the Onward Green Campaign since FY02/10 with the objective of encouraging the circulation of apparel to promote the efficient utilization of limited resources and to ensure our precious environment still exists for future generations to enjoy. We pioneered the industry’s efforts to collect pieces of unwanted clothing and recycle, reuse, and sell them as used clothing for charity.

We also aim to expand made-to-order production with a loss-free production system in mind. As for made-to-order production, sales of the “KASHIYAMA” brand by Onward Personal Style Co., Ltd. have been strong, and we plan to quadruple the production volume in FY02/31 compared with FY02/24.

Regarding the improvement of traceability, a Product Lifecycle Management (PLM) system has been introduced in 25 partner companies since May 2024 to improve traceability. We will continue to work to ensure traceability throughout the supply chain and expand initiatives through industry-wide partnerships.

— 06 To Our Stakeholders

With the support of our shareholders, customers and various other stakeholders, the Group managed to overcome the biggest crisis since its founding, the COVID-19 pandemic. Our current business performance is on a recovery trend, and we sincerely appreciate the fact we have an opportunity to make a fresh start toward “ONWARD VISION 2030.” We will continue to make steady progress toward realizing “enriching and adding color to people’s lives while caring for the planet,” as set out in our mission statement.

We sincerely ask our stakeholders to provide us with continuing support.



History of Value Creation (Our History)

The Group has been developing a wide range of original brands such as Nijyusanku and Kumikyoku as well as global brands such as “J.PRESS” and “JOSEPH” since its founding in 1927.

Over the course of its history, it has developed six key strengths, including a broad brand portfolio, fusion of physical and digital, and a unique value chain.

1927 – 1940s Initial Period

The Company is established in 1927 by Junzo Kashiyama and begins operations as Kashiyama Trading in Osaka.

1950s – 1960s Development as a Menswear Manufacturer

Strength

Value chain

▶ P. 15

After World War II, Onward begins the production and sale of ready-made menswear. Taking its cue from apparel manufacturing in the United States, the Company adopts an assembly-line production system and introduces such advanced equipment as Hoffman steam press machines. These efforts result in substantial improvements in productivity and the quality of ready-made clothing. Along with this success, the Company develops a business format for consignment transactions* between apparel companies and department stores that is now widely used in the business operations of department stores, to establish a distribution strategy centered on department stores. In the 1960s, driven by Japan’s high economic growth, Onward grows rapidly to become a leading menswear manufacturer in Japan.

* Consignment transactions
A type of transaction in which the ownership of a product is not transferred, nor is a sale recorded, when a product is delivered to a department store or other retailer. Rather, the ownership of a product is transferred and a sale is recorded when a customer purchases a product on display at a retailer.

1970s – 1980s Acceleration of Overseas Expansion

Strength

Brand portfolio

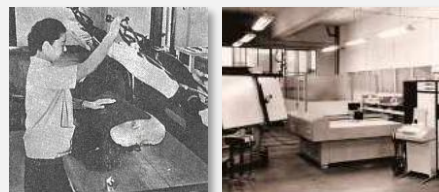
▶ P. 11

In keeping a step ahead of other Japanese apparel manufacturers, Onward establishes subsidiaries in three of the world’s major fashion cities—New York, Paris, and Milan—and by the end of the 1980s, Onward had built a business foundation in the three cities. Onward succeeded in laying the foundation of the overseas business, drawing on the most up-to-date information on the global fashion business obtained through these subsidiaries. In the late 1970s, Onward appointed designer Jean-Paul Gaultier to be an exclusive designer for its Bus Stop line of boutiques in Paris. His first fashion show is held in Paris in 1978 with the support of the Company.

Net sales
(Millions of yen)



Factory and office in Oimatsu-cho, Osaka



Introduces the first Hoffman steam press machines in Japan



1. ONWARD KASHIYAMA U.S.A.
2. Contracts with fashion leader Jean-Paul Gaultier

- 1927** KASHIYAMA TRADING established by Junzo Kashiyama
- 1947** KASHIYAMA CO., LTD. established (currently, ONWARD HOLDINGS CO., LTD.)

- 1960** Company stock listed on the second sections of the Tokyo, Osaka, and Nagoya stock exchanges
- 1962** ONWARD SALES CO., LTD. established (currently, ONWARD CORPORATE DESIGN CO., LTD.)
- 1966** Head Office relocated from Honmachi, Higashi-ku, Osaka-shi, Osaka to Nihonbashi, Chuo-ku, Tokyo

- 1972** ONWARD KASHIYAMA U.S.A. INC. established
- 1986** J. PRESS INC. acquired
- 1988** ONWARD KASHIYAMA HONG KONG LTD. established
Name changed to ONWARD KASHIYAMA CO., LTD. (currently, ONWARD HOLDINGS CO., LTD.)

History of Value Creation (Our History)



1990s
Launch of Core Brands
Strength
Brand portfolio ▶ P. 11

The womenswear business dramatically expands with the launch of core brands, beginning with Kumikyoku and followed by Nijyusanku, ICB, and the menswear brand Gotairiku. From around this time, consumers in Japan start to attribute greater value to more refined and practical clothing, and they find Japanese brands more attractive again. With the expansion of womenswear floor spaces at department stores, store numbers of Onward Kashiya Co., Ltd. also grow rapidly after the launch of the new brands, and this impressive growth forms the foundation for future advancement.

2000 – 2010s
Business Expansion through M&A
Strength
Connecting business group ▶ P. 12

Onward accelerated its global strategies through M&A. To further accelerate overseas business development, we acquired the global brand JOSEPH, which boasts high name recognition and superior competitiveness in major cities in Europe, the U.S. and Japan. In 2007 we transitioned to a holding company structure which separates the management oversight function from the business execution function, in order to strengthen group governance. Moreover, we started making full-fledged efforts for business expansion in the lifestyle field through the acquisition of shares in a pet fashion pioneer Creative Yoko Co., Ltd. and other measures.

2010s – Today
Road to Sustainable Growth
Strength
Physical × digital ▶ P. 13

Launches ONWARD CROSSET, its own e-commerce site. In addition, we are promoting our OMO strategy by developing ONWARD CROSSET SELECT stores, which combine the advantages of online and offline. Also, the Onward Group launches the KASHIYAMA brand, a new made-to-order suit business that employs a proprietary factory innovation scheme to realize low prices and quick deliveries. In FY02/21, the COVID-19 pandemic brought us the biggest crisis since our founding. However, the Group continued to push ahead with global business reforms and, in April 2021, formulated a medium- to long-term management vision “ONWARD VISION 2030” as a growth strategy for the period up to FY02/31.



Kumikyoku

Debuted in the fall of 1992 as a casual brand with the concept of “evolving staples” that allow you to enjoy single-item clothing coordination flexibly



Nijyusanku

Debuted in the fall of 1993 as a brand proposing a single-item clothing line for adult women



JOSEPH

Acquired in 2005 as a brand that moderately incorporates trends under Slick & Chic



Creative Yoko

In 2008, made our subsidiary a brand that proposes merchandise and services that make people feel at ease, peaceful, and positive



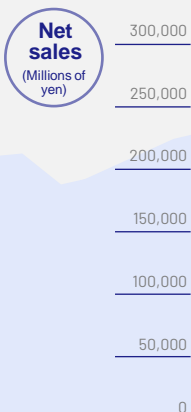
3. ONWARD CROSSET, the Group’s official fashion direct shopping site



4. Smart Factory with proprietary factory innovation, KASHIYAMA DALIAN (“Dalian Factory” hereinafter)



5. ONWARD CROSSET SELECT, an OMO-type store that fuses the advantages of physical and online stores



Growth Strategy of ONWARD VISION 2030

- Drive diverse brand, product and distribution strategies in the “fashion field”
- Accelerate growth in the “wellness field” in line with new values of consumers
- Create a contemporary “corporate design field”
- Evolve cutting-edge DX strategies such as OMO/PLM
- Strengthen growth infrastructure for overseas business
- Implement appropriate business risk management against future uncertainties

▶ P. 20

- 2001** ONWARD FASHION TRADING (China) CO., LTD. established
- 2005** PROJECT SLOANE LTD. (Joseph Group) acquired
- 2007** Name changed to ONWARD HOLDINGS CO., LTD. (transitioned to holding company structure)
- 2008** CREATIVE YOKO CO., LTD. acquired
- 2009** O.P.S. CO., LTD. established (currently, ONWARD PERSONAL STYLE CO., LTD.)
ISLAND CO., LTD. acquired

- 2011** ONWARD KASHIYAMA VIETNAM LTD. established
- 2016** ONWARD KAISEI (Dalian) CO., LTD. acquired (currently, Kashiya (Dalian) Co., Ltd.)
- 2017** KOKOBUY INC. acquired
- 2018** GENERAL CLOTHING CO., LTD. acquired (currently, KASHIYAMA SAGA CO., LTD.)
- 2019** ONWARD DIGITAL LAB CO., LTD. established
YAMATO CO., LTD. acquired
- 2023** ONWARD TRADING CO., LTD. and ONWARD CREATIVE CENTER CO., LTD. merged, and name changed to ONWARD CORPORATE DESIGN CO., LTD.

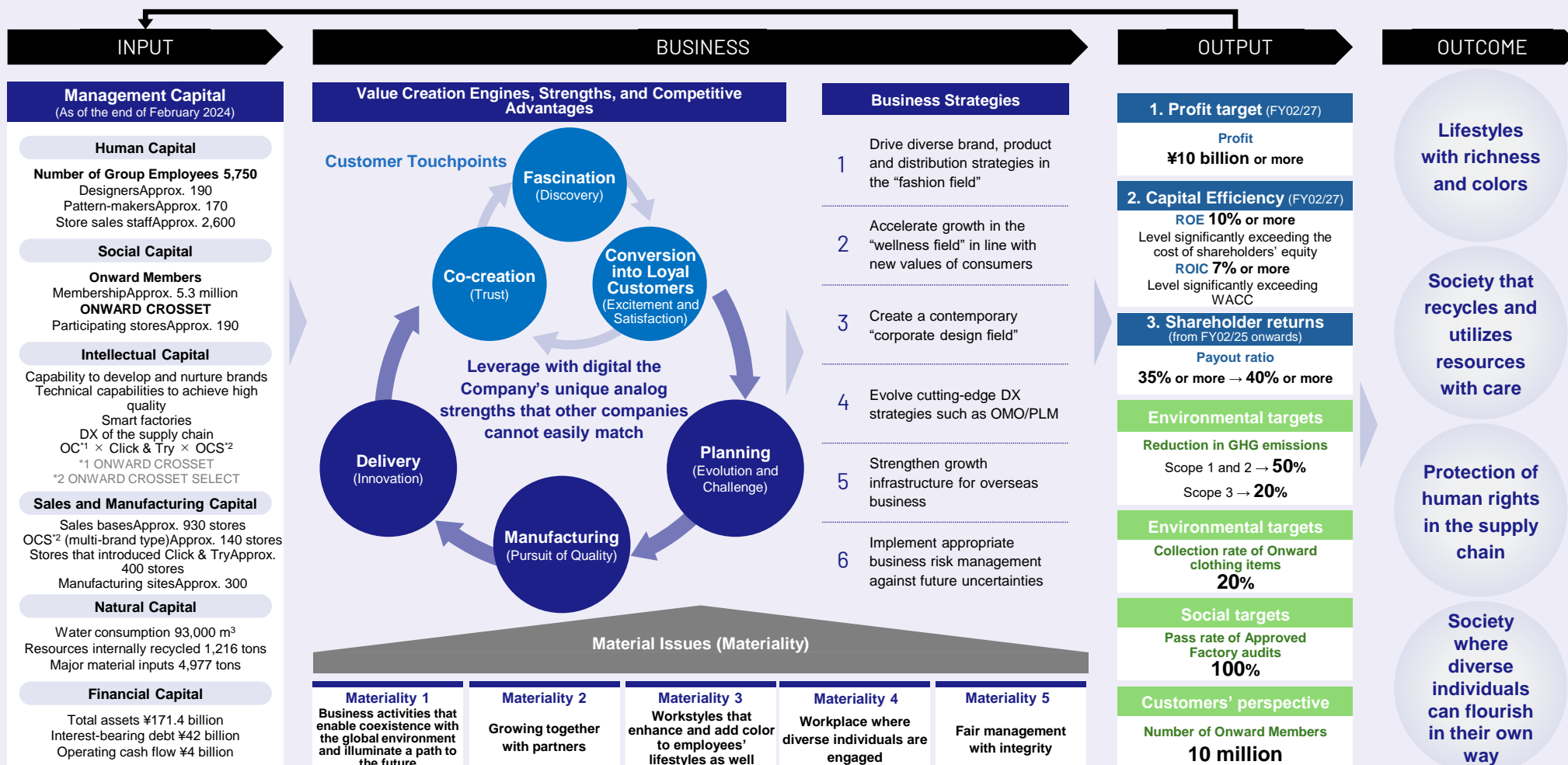
Sales target for FY02/31
¥300 billion

Value Creation Process

The Group aims to contribute to creating lifestyles with richness and colors through the promotion of business strategies in each field of fashion, wellness and corporate design, in order to expand corporate value.

This is achieved through the value creation process, where we use capital accumulated through business activities to date as a foundation (INPUT) in business activities (BUSINESS) to create corporate value (OUTPUT and OUTCOME).

Mission Statement Enriching and Adding Color to People's Lives While Caring for the Planet



Overall Picture of the Business

Consolidated Financial Results for FY02/24

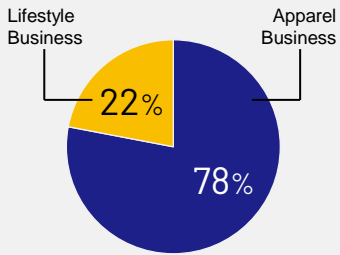
Net Sales	Operating Profit	Annual Cash Dividends per Share
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¥189.6 billion

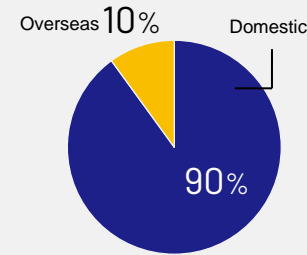
¥11.3 billion

¥20

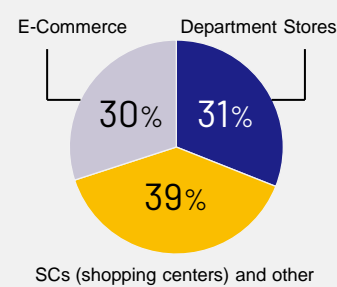
Sales Breakdown by Domestic Business Segment



Sales Breakdown by Japan/Overseas



Sales Breakdown by Domestic Sales Channel



Since Founding

97 years

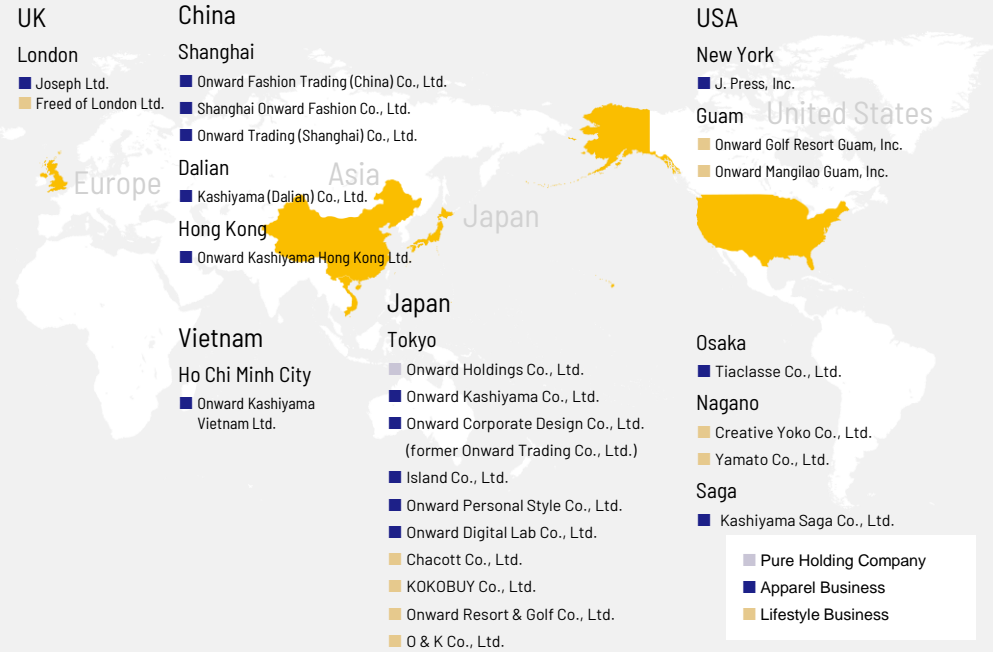
Number of Group Companies

46 companies

Number of Group Employees

5,750

Main Group Companies



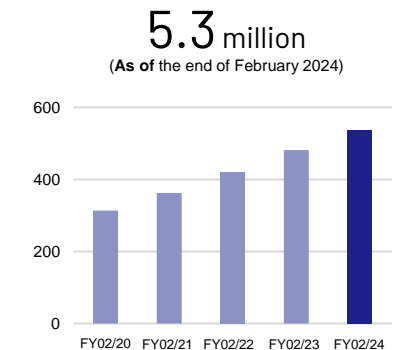
Apparel Business Main Brands



Wellness Business Main Brands



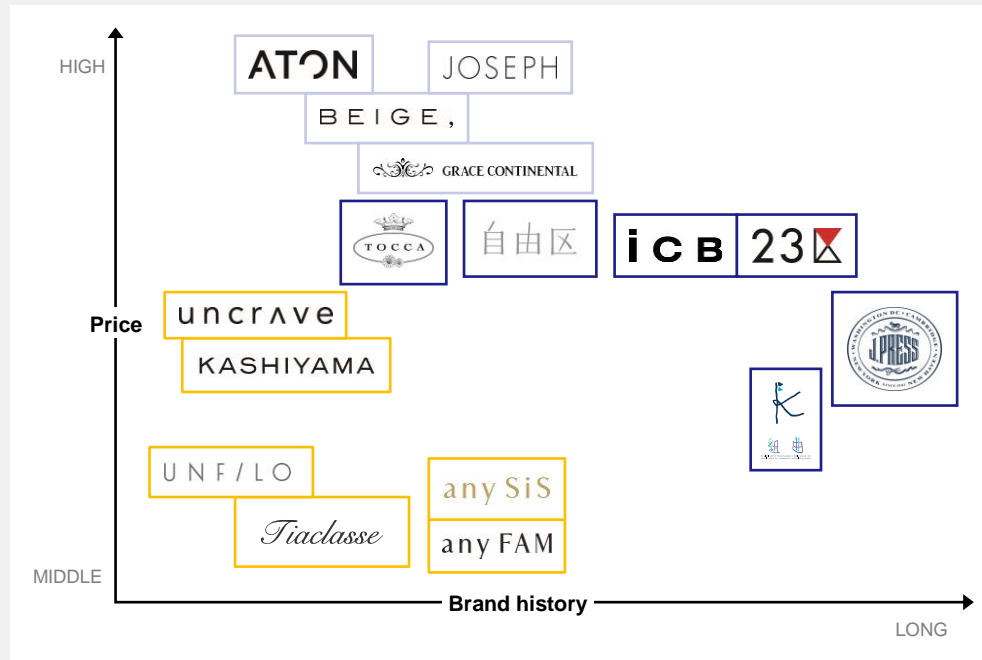
Membership



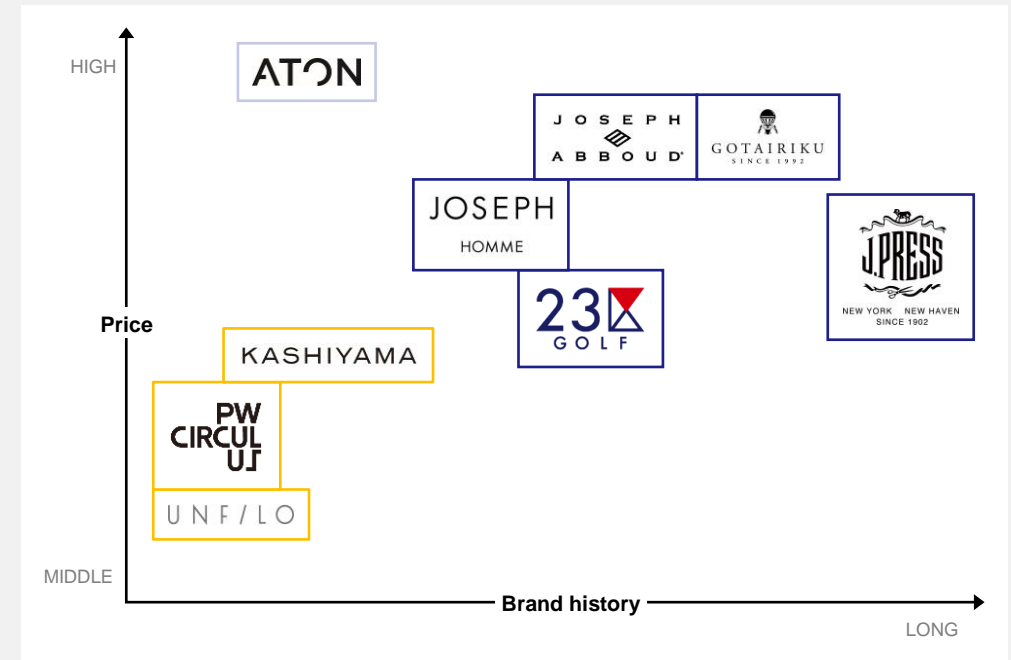
Brand Groups Leading to Long-Lasting and Deep Connections with Customers

The Group’s target customers are people who are interested in fashion and who express their own particular tastes in everyday life situations. Basic and high-quality products that will never fade away from these brands are worn by customers for many years as “long-selling brands.” We also offer “high-grade brands” for customers who have their own style and want to enjoy fashion of a higher level. Further, we propose products with a new worldview as “entry brands” so that customers who have not been familiar with our products can enjoy them. The brand groups that fascinate customers of various ages and values and lead to long-lasting and deep connections provide a basis for the Group’s sustainable growth.

Women’s (Key Brands)



Men’s (Key Brands)



Entry brands

A group of brands expected to be the first touch point with the Group. By proposing a new worldview, these brands aim to gain the support of customers who are not familiar with the Company’s products as well and be worn for many years.

Long-selling brands

A group of core brands that the Group proudly offers. Basic and high-quality products that will never fade away are worn for many years.

High-grade brands

Customers who have their own style and want to express themselves with a higher sense of *class* and *elegance* enjoy products with the brands’ own individuality.

“Connecting” Business Group toward Realization of Mission Statement

With “enriching and adding color to people’s lives while caring for the planet” set out in its mission statement, the Group declares that it will continue to evolve as a “lifestyle and culture creation company” that contributes to creating lifestyles with “richness and colors” in harmony with the planet. As customers’ values become more diverse, the “richness and color” that each and every one of them pursues in their daily lives are also diverse. At the Group, we aim to create “richness and color” for each of our customers in various scenes of their daily lives, such as when working, relaxing at home, taking a walk, or going out to eat with friends.

All of our businesses* are connected toward the realization of our mission statement, and as a lifestyle and culture creation company, we will fill our customers’ daily lives with “richness and color.”

* Below are the main operating companies in the three business fields:

Onward Kashiyama Co., Ltd.

Comprehensive apparel manufacturer of men’s, women’s, and children’s clothing

The Onward Group has defined its business fields as “a world of fashion that offers refreshment and beauty to people’s lives.” By offering fashion as an integral part of consumer culture, the Group aims to create new lifestyles and values that contribute to the enrichment of life for all people.



Onward Personal Style Co., Ltd.

Provision of the made-to-order brand “KASHIYAMA”

Aiming to “democratize made-to-order,” it offers good quality, genuine made-to-order suits produced by using experience from nearly 100 years of our history at a reasonable price. By “democratize,” it means gaining support from many customers. It will provide each and every one of our customers with high-quality comfort.



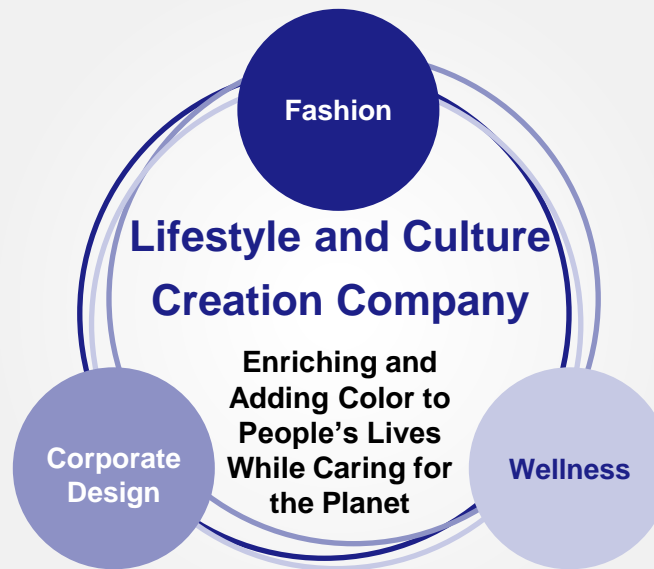
Onward Corporate Design Co., Ltd.

Planning, production and sales of uniforms and sales promotion goods, branding support, etc.

We will continue to bring smiles to our customers by providing new value to them and to the world, leveraging our capability to propose customer-oriented solutions, know-how as a comprehensive apparel group, and team merchandising.



Potential for Further Business Expansion



Yamato Co., Ltd.

Gift solutions featuring gift catalogs

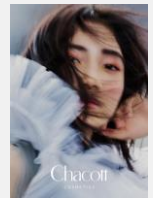
In order to realize a special “gift” for each gift-giver, we are committed to providing “gifts that make you feel eager to give them” and a “solid promise to deliver them securely.” We also aim to give shape to numerous thoughts and feelings of the givers and create a world of peace brought about by the power of gifts.



Chacott Co., Ltd.

Comprehensive business development including the sale of ballet/dance goods, cosmetics and others, and the operation of dance studios

The brand philosophy is “Make life beautiful from the inside out.” While maintaining its expertise in supporting “arts & culture” centered on ballet and dance, it aims to make further contributions to society for many consumers who wish to “be beautiful.”



KOKOBUY Co., Ltd.

Development of a natural organic cosmetics brand

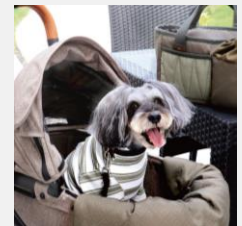
It delivers playful, organic, and exciting products, and provides “playful” comfort that makes every day enchanting. It continues with research and development to create unique organic products that are friendly to people and the earth.



Creative Yoko Co., Ltd.

Comfort goods and pet-related products

It aims to be a LOHAS company with grace that we can all be proud of, where personnel with rich sensibilities who love nature and beautiful living propose merchandise and services that make people feel at ease, peaceful, and positive, and where we constantly polish our human nature in a beautiful and robust manner.



Sources of Strengths

Physical × digital

Through OMO-type stores that combine services offered physically (at stores) and digitally (e-commerce), the Group will expand venues where both customers and the Group can enjoy maximum benefits.

We aim to improve customer convenience and satisfaction while expanding the Group's profits further.

Physical (Store) Strategy

Through customer services at our stores, we build long-lasting, deep connections based on trust with each and every customer. We always listen to our customers and strive to improve the value of customer experience so that customers who visit our stores will "want to see the store staff again."

ONWARD CROSSET SELECT

Multi-brand stores that handle a variety of products beyond the boundaries of the brands of Onward Kashiya Co., Ltd. Approximately 140 stores nationwide (as of May 31, 2024). Optimal styling from multiple brands is proposed according to each customer's tastes and preferences. In addition to enhancing customer satisfaction, it also has the effect of leveling out seasonal variations in store sales, helping to ensure stable store operations.



With regards to store operations, we have a system in place to maximize the advantages of multi-brand stores by appointing personnel with particularly strong management skills to serve as store managers.

Proposals Tailored to the Needs of Each and Every Customer

Through communicating with customers and examining their purchase histories, we gain a solid understanding of each customer's preferences for clothing and make personalized and optimal proposals. We reliably deliver the products our customers want and build long-lasting and deep relationships based on trust.



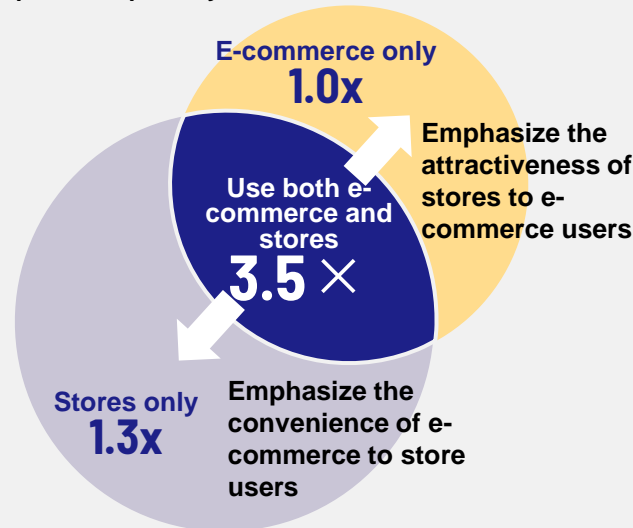
Evolution of OMO stores

Create and expand opportunities for people to enjoy the benefits of both physical (stores) and digital (e-commerce)

Leverage Physical's Strengths with Digital

The unit purchase price per customer is 1.3 for those who use stores only, and 3.5 for those who use both e-commerce and stores, where 1.0 indicates a customer that uses e-commerce only. By recommending the use of stores and e-commerce in combination to customers who use e-commerce or stores only, we aim to enhance convenience and satisfaction for customers and expand the Group's profits.

Unit purchase price by sales channel



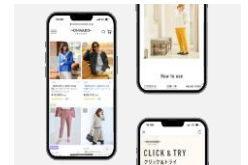
The size and overlap of circles indicate sales composition ratios

Digital (E-Commerce) Strategy

We develop our e-commerce strategy with as many as approx. 5.3 million Onward Members as the basis. For customers who have experienced and trusted Onward's quality, we offer one-stop multi-brand product proposals and provide an environment where they can purchase their favorite products whenever they want. Needless to say, it is designed to allow the first-time customers to fully experience the appeal of the Group.

ONWARD CROSSET

Our own e-commerce site that allows customers to experience the Group's products in one stop. Our staff members offer styling suggestions and help customers shop according to their tastes and preferences. By linking inventory data in e-commerce, warehouses and stores in real time, we are seeking to improve convenience and efficiency.



Click & Try

A service to deliver ONWARD CROSSET products to a store for people to try on. You can try on items you are interested in online at the actual stores and make purchases with satisfaction. Approximately 400 stores nationwide (as of May 31, 2024) to which products can be delivered. You can also easily order products exclusive for e-commerce and other items from your PC or smartphone.



Multi-Platform

ONWARD CROSSET offers products handled by the Group companies in the wellness field and those from companies outside the Group, in addition to products from Onward Kashiya Co., Ltd. A variety of products that meet the diverse tastes of our customers are offered.



Human Capital Management | Promoting Organizational and HR Platform Reform

Values sought by customers from the market are becoming more diverse, and consumer behavior in the pursuit of “individuality” is becoming more widespread. In order to respond to this, we must evolve into a company that is formed of diverse and unique personnel members, while at the same time allowing each of them to flourish. At the Company, we will implement organizational and HR platform reform to realize a “customer-centric company and make the best use of its employees’ diverse strengths,” in order to promote business strategies that respond to the diversifying values of our customers.

Promote the creation of an organization in which each individual can make the most of his or her strengths in order to respond to changes in a diverse market

As a result of our proactive efforts to empower female employees, including the appointment of two female executive officers in FY02/25, the ratio of female employees in leadership^{*1} positions at Onward Kashiyama Co., Ltd. rose to as high as about 30% as of the beginning of FY02/25. Aiming to achieve a “ratio of female employees in leadership^{*1} positions” of 50% by FY02/31 as a target going forward, we are providing training. In addition, we introduced the “work interval system” in FY02/23, thereby promoting an initiative for our members to secure 11 hours between the end of their working hours on the previous day and the beginning of working hours on the next day. We also conduct training for psychological security to the management on an ongoing basis, to evolve a flat organizational climate and communication.

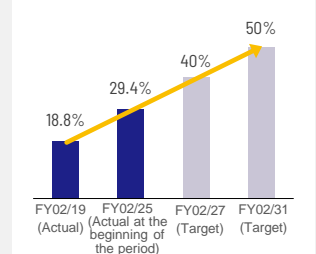
Further, we are working to help male employees take childcare leave to support childcare. The actual proportion of male employees taking childcare leave^{*2} for FY02/24 was 66.7%, with the average leave period of more than four months, indicating that we have started making steady progress. We will continue to promote the creation of an organization in which each employee can make the most of his or her strength.

*1 Assistant managers, section managers and general managers who are in career-track positions at Onward Kashiyama Co., Ltd.

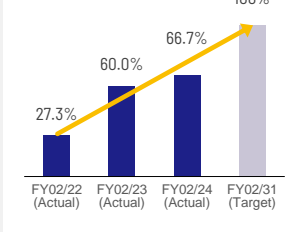
*2 Calculated based on the personnel within the scope of Work Style Design (see page 32) (office workers of Onward Kashiyama Co., Ltd.)

Changes in KPIs

Ratio of female employees in leadership positions^{*1}



Proportion of male employees taking childcare leave^{*2}



Promote creation of a diverse organization that is easy to work in

The Group welcomes diversity and aims to be an enterprise where diverse and unique personnel can exhibit their strengths. In FY02/24, in recognition of its initiatives for empowerment of female employees and support for balancing work and childcare/nursing care, the Group was awarded “Best Workplace,” the highest honor of the “D&I Awards 2023,” which evaluate diversity and inclusion (D&I). In order to meet the increasingly diverse values and needs of our customers and contribute to society, we will continue to develop an environment in which diverse and unique personnel can play an active role.



Realize attractive and competitive wage levels

It is essential to strengthen sales capabilities to improve customer satisfaction. In order to strengthen its sales capabilities through increased motivation of its sales staff, the Group substantially revised its personnel system in FY02/25. Specifically, we implemented a salary increase of 10% on average for 2,500 sales staff of Onward Kashiyama Co., Ltd., and raised starting salaries. In the future, we intend to achieve and maintain the highest salary levels in the industry for not only sales positions but for all positions, including career-track and technical positions.

Initiatives for human resource development that supports growth in each career

We support our employees’ growth in all aspects in order to promote our growth strategy even in times of a human resource shortage.

For example, starting from FY02/23, we have been giving a “BEST SHOP AWARD” each month to recognize the “BEST SHOP” and to spread its know-how to our stores nationwide.

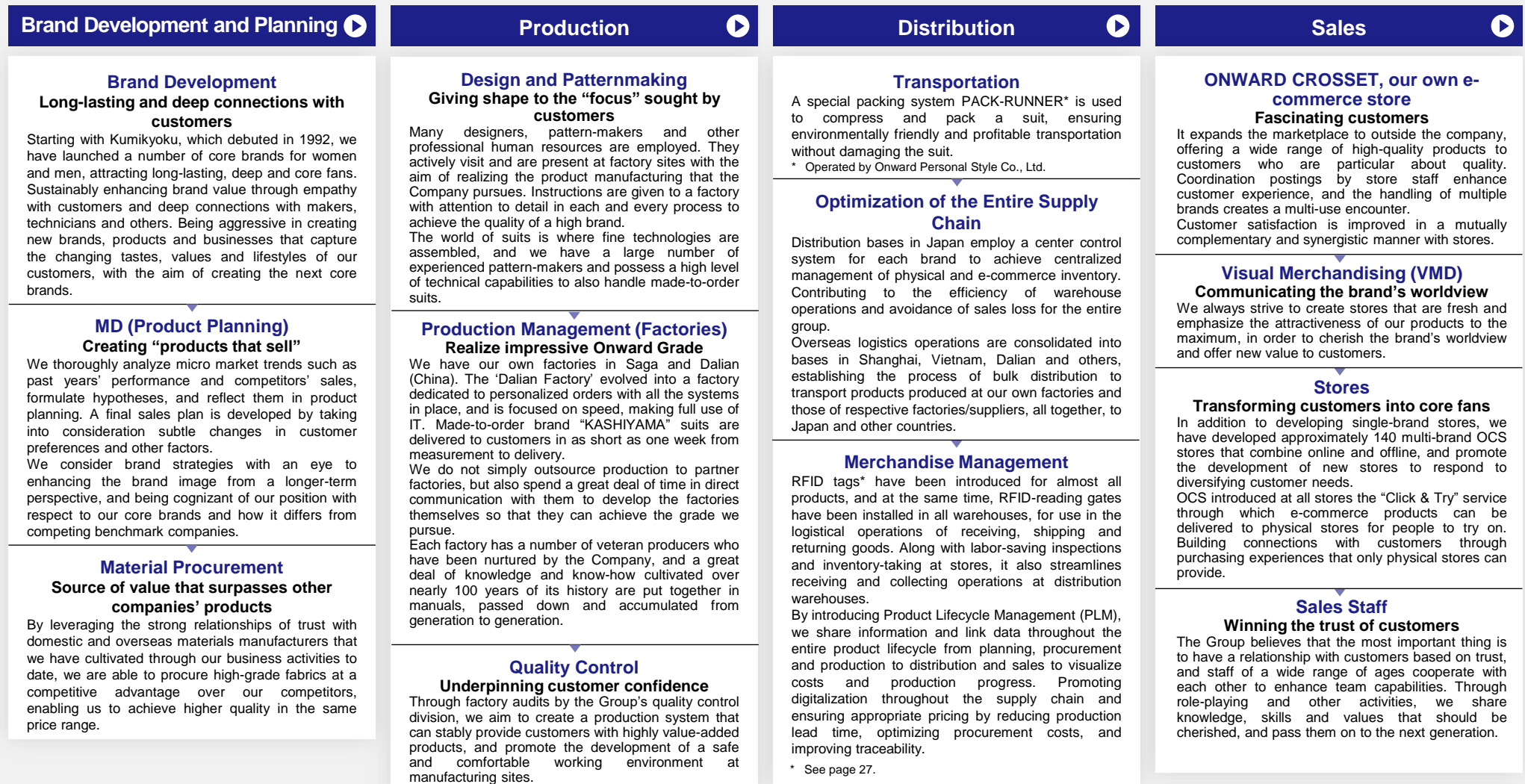
Also, we work to improve the skills of our employees by sending them to outside business schools to develop management personnel. In addition, we are striving to introduce and use e-learning courses that are available to all employees.

We have also introduced the “Meister System” under which highly skilled sales personnel who have reached the retirement age of 60 are certified as a “Store Meister,” and continue to work with appropriate treatment over a longer term and pass on their skills.



Value Chain

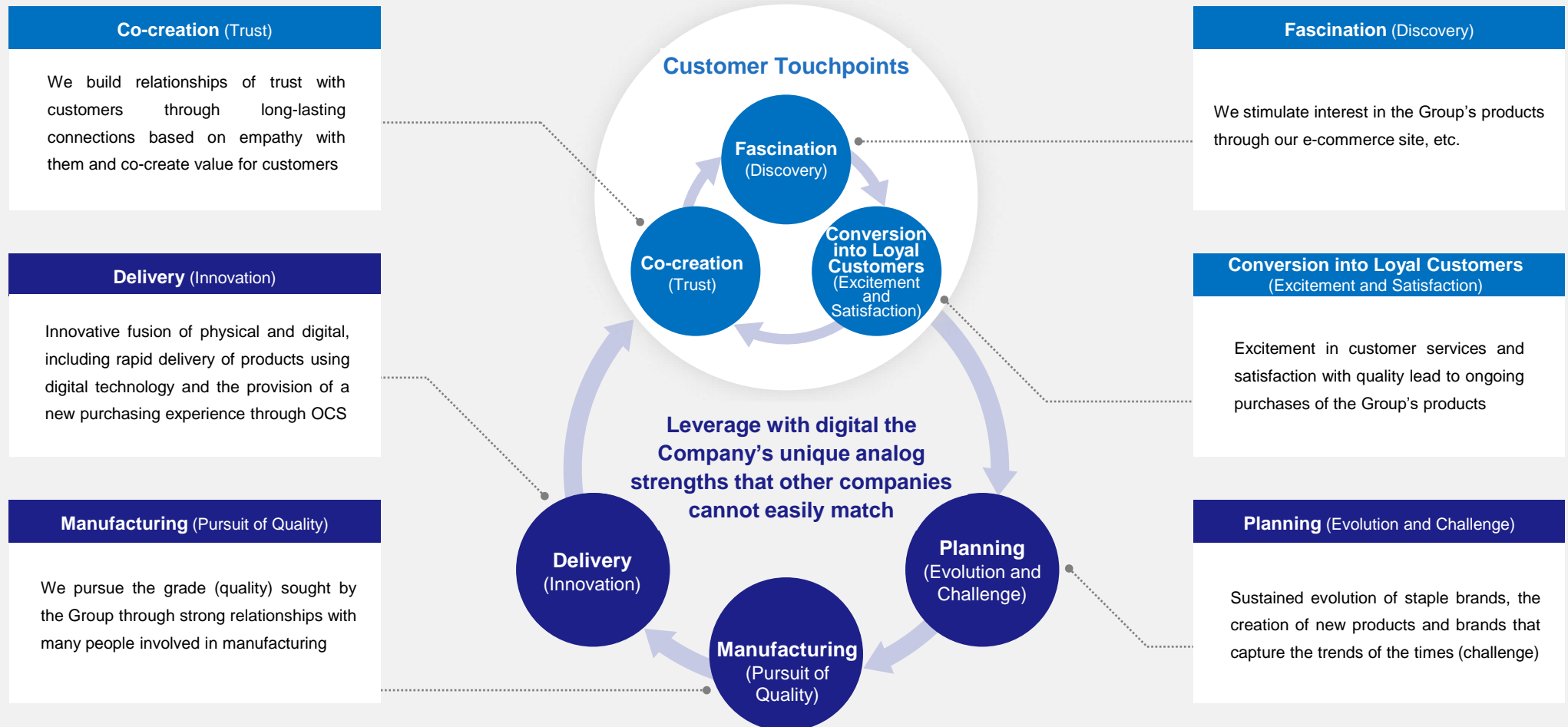
The Group has developed a unique value chain (VC) in the course of nearly 100 years of its history. Its strength lies in the fact that the processes are closely related to each other through direct communication and many people collaborate across divisions, creating products that provide value above and beyond their prices. Our unique VC, built through a long history of trial and error, resulted in mutual understanding across divisions and deeper product knowledge, and as a result has enabled us to achieve both quality and productivity. Products created with the utmost care are offered to customers through highly skilled store staff and an e-commerce site that proposes a wide range of high-quality products, establishing a relationship with customers who wear those items and leading to support over the long term.



Onward Group's Unique Strengths and Growth Engines

Through business activities over nearly 100 years, the Group has developed unique strengths and focus based on “connections through direct human-to-human interaction,” which no other company can easily imitate. We will further refine this strength with digital technology to build a solid revenue base and achieve discontinuous growth.

Onward Group's Unique Strengths and Growth Engines



Column **Planning and Brand Development**

It has been 30 years since the brand was born; why has Nijyusanku been supported by customers for many years?

The core brand of Onward Kashiya Co., Ltd. The fact that Nijyusanku products are of high quality has also led to a sense of trust in other brands. Nijyusanku celebrated its 30th anniversary in 2023. Supported by many customers, the brand has grown to an overwhelming scale in sales with 300,000 customers purchasing its products in FY02/24 and a ratio of repeat customers of more than 50%.



Brand Concept

The brand debuted in 1993 as a brand proposing a single-item clothing line for adult women, and now offers high-quality comfortable standards that originated in Japan and that transcend generations and eras and are widely and long-loved by women who live dignified and flexible lives under the concept of "Japanese Women's Standard."

Strengths and Unique Appeal Points

Constantly Evolving Brand

While maintaining the brand purpose as Nijyusanku, it continues to evolve, always incorporating new elements.

Sustainable Clothes

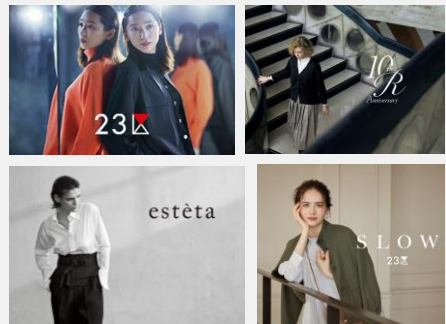
The times favor clothing that is flexible in coordination and of high quality, and can be worn for many years, rather than fashion novelties. Nijyusanku is a sustainable brand in line with the values sought by the current era.

Focus on Fabrics

High-grade fabrics from Japan and abroad are used. In our nearly 100-year history, we have built a strong pipeline with fabric wholesalers to procure the desired fabrics at the lowest price available anywhere. This is why we are able to offer the highest quality in the same price range.

Realize the Grade We Pursue

The sewing technology for men's suits that the Group has been refining for decades is applied to the sewing of women's brands as well. We have a number of in-house designers and pattern-makers who are dedicated to the respective brands and are heavily involved in the sewing process. They visit the factories themselves to provide guidance to produce products in line with the brand concept.



UNFILO, a new brand that captures the trends of the time in pursuit of functional beauty

The brand was launched based on the existence value for customers (what customers want from their clothes) with the brand purpose of "On the go. Offering functional beauty for all." It particularly focuses on the potential need for "on-the-go" scenes in daily life and the "functional beauty" of its products. Three years since its launched in the fall of 2021, it has been well accepted by all generations and is expanding steadily.

Brand Concept

On the go. Offering functional beauty for all.	UNFILO offers unprecedented comfort for everyone who is on the go.
We are on the go. For today, for someone else.	Offering comfortable and beautiful design for those who are not satisfied with functionality alone.
And for the future.	UNFILO will continue to update functional beauty.

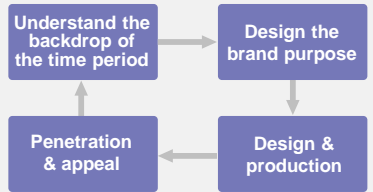


Why Successful in "Fascinating" Customers?

It is mainly attributed to the fact that we started with a clear "brand purpose," in other words, the value that customers seek in their clothes. We also chose materials and production factories that are in line with its purpose. We started it small, and chose to roll out 100% through e-commerce to quickly capture customer responses and reflect them in the products. As a result, we were able to create "clothes that are seen positively and praised by others."

Story Behind the Birth of the Brand

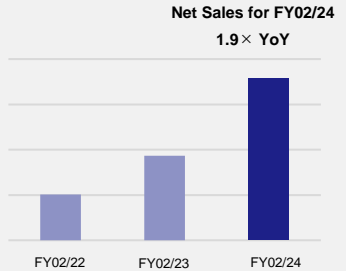
From the beginning, the brand was developed with the aim of creating a brand that would grow in size. Accordingly, its target was set to be "all people." However, we focused on the function of "helping people on the move" as its purpose, and added "beauty" to differentiate the brand from the competition, to make functional beauty the brand's purpose.



Nurturing Customers' Sense of Satisfaction, and Expectation for Converting Them into Loyal Customers

The Group's strength lies in its high percentage of repeat customers. One of the reasons is our high quality. UNFILO prides itself on the highest quality for the price. It pursues the development of functional materials and works closely with production sites to provide products that satisfy our customers.

In addition, fashion is also a strong point. UNFILO places importance on "how it looks in the eyes of a third party." Its basic value is being clothes that are not embarrassing as "clothes for going out" and that will be praised by others.



Column **Production**

— **Aiming for the Grade that the Onward Group Wants to Reach**

It is the “grade” beyond quality that the Group pursues. Quality can be achieved with technology; however, grade cannot be achieved with technology, rather with “passion.” Quality is a standard (visible) and grade represents an invisible value. It can only be created when everyone’s thoughts are united. We have group factories in Dalian, China and Saga, and their pattern-makers, graders and other professional human resources are the staff employed by the Group. Factories and human resources required for the “grade” we seek are developed in-house.



———— **People** ————

Onward Grade created by the “bond” between technicians and factory employees

It is our technical staff and employees at sewing factories who create and manufacture products that make people eager to buy and feel “this is amazing” at a glance. It is why the “bond” among people becomes so important. The most important thing is to discuss something properly. It may sound like an exaggeration, but you have to build something like a family bond to get to where you want to get to. The Group also has technicians present at “manufacturing scenes (factories).” Persons who know what manufacturing is about will be present at a factory and give instructions with particular focus to each and every process to produce at a grade they want to reach. We believe that the accumulation of small details, such as direct dialogue between people at work sites, creates the grade. Our own factories in Dalian and Saga are staffed by many veterans who have been nurtured by Onward to realize a grade that no other company can imitate. The technical division has 99 pattern-makers and 12 graders.



———— **Mechanism** ————

Smart factories

It is not quality that each factory can achieve, rather the grade that Onward wants to reach, what the Group seeks. We have also worked to nurture factories themselves with Onward’s know-how and technologies to reach the required standards. It takes time and effort; however, we have been able to improve both grade and productivity. This is the reason why the Group declares the “quality above and beyond price.” The Dalian Factory delivers made-to-order suits and other products to customers in as short as one week after receiving an order. The Dalian Factory has been honing its production technology by focusing on this ‘one-week’ period. The Saga Factory is a smart creative factory with half a century of accumulated technologies and know-how, and IoT, with an integrated production system in place, to give shape to the high ideals that designers wish to realize.



———— **Technique/Technology** ————

Sources and succession of Onward’s proprietary technologies

We strive to constantly update our technologies by, for example, compiling the techniques we have cultivated over our nearly 100-year history into manuals to pass them on, and we have been incorporating 3D digital technology from a few years ago. We believe that technologies are driven by menswear, especially in suits where fine technologies are assembled. If you cannot make a suit pattern properly, it is not easy to make patterns for other items well, either. It can be said that the accumulation of technologies over nearly 100 years has produced a grade that cannot be easily followed by other companies.



Column **ONWARD CROSSET SELECT (OCS)**

OCS's Appeal: Combining the Group's Fundamental Strengths, and Making Multi-Faceted Contributions to Product Sales, Marketing and Brand Development

The new store format, which combines the respective strengths of the stores (offline) and e-commerce site (online) operated by the Group, offers a wide variety of functions. Not limited to its function as OMO, it is also used for marketing and brand development by taking advantage of its feature of being able to flexibly switch products. This is a new store format that makes the most of the Group's unique strengths cultivated in both our stores and e-commerce site.

Asset that Leverages the Group's Strengths

Customer Touchpoints Start with Stores

Stores

Customer touchpoints start with stores. We believe it is very important to build a solid "1 to 1" relationship with our customers. We strive to gain the trust of our customers by accurately and appropriately communicating to them "how they can look great in their clothes," and serve customers in a way that makes them "feel eager to see this person again."

It is "dialogue" that is important. Stores are staffed by people of a wide range of ages, and we will pass on our unique Onward way of interacting with customers and values to younger staff through various opportunities, including role-playing using actual products. It is not enough for a store to be a venue that welcomes customers; the store itself must have an ability to attract customers. In addition to keep our stores fresh at all times, we actively communicate the appeal of Onward by using tools such as LINE (a messaging app in Japan).



Support Customers' Purchasing Activities by Mutually Complementing with Physical Stores

EC

"DX for CX" is a common philosophy. "ONWARD CROSSET," an e-commerce site operated by the Group, offers a one-stop multi-brand shopping experience. It also functions as a marketplace that handles other companies' brands, creating a multi-use encounter.

Customers who visit our stores also use our e-commerce site as a very convenient way to shop. Our stores and e-commerce site complement each other to support customers' purchasing activities, such as "purchasing products not available in stores on the e-commerce site" and "getting items from the e-commerce site delivered to a store to try on."

Meanwhile, it depends on the content that makes up the site whether or not it can successfully fascinate customers. "For your reading (web magazine)" at the top of the screen is used to draw consumers interest to "products," and staff coordination examples facilitate a purchasing experience similar to that at a physical store.



Fusion, Creation of New Strengths

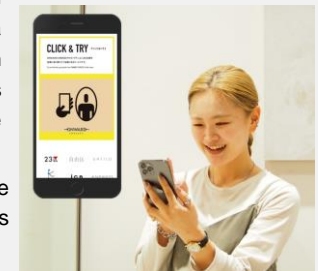
"Click & Try" Service, OMO's True Value, Introduced as Default

Fusion

OCS is a new store format that embodies OMO. It has expanded to approximately 140 stores (as of the end of May 2024) in the three years since the launch, and its performance is improving rapidly.

OCS handles multiple brands on the e-commerce site, and we aim to create an environment where customers can have a personalized purchasing experience while going back and forth between OCS and e-commerce without stress, by using OMO's "Click & Try" function which allows customers to get items they are interested in on the e-commerce site delivered for them to try on.

Customers who use both our stores and e-commerce site purchase more items, making it a desirable store format for both customers and the Group.

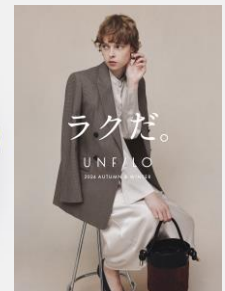


Brand Development through Successful Use of the OCS Mechanism

Fusion

OCS also allows for a brand to be expanded and scaled back, so it is possible to try out a new brand that we would like to market in the future by "starting small while creating a realistic touch point."

The brand UNFILO, which was launched in 2021, is an example of successfully utilizing this trial operation. We discussed the concept with those in charge of the brand, listened to actual customer feedback at stores and the opinions of stylists, and made various modifications to reflect them in the products. Thanks to the accumulation of these try-and-error efforts, the brand has achieved rapid growth, ranking in the top 10 of all Onward Kashiya brands in terms of net sales in FY02/24, even though it has only been three years since its launch.



Management Strategies and Targets

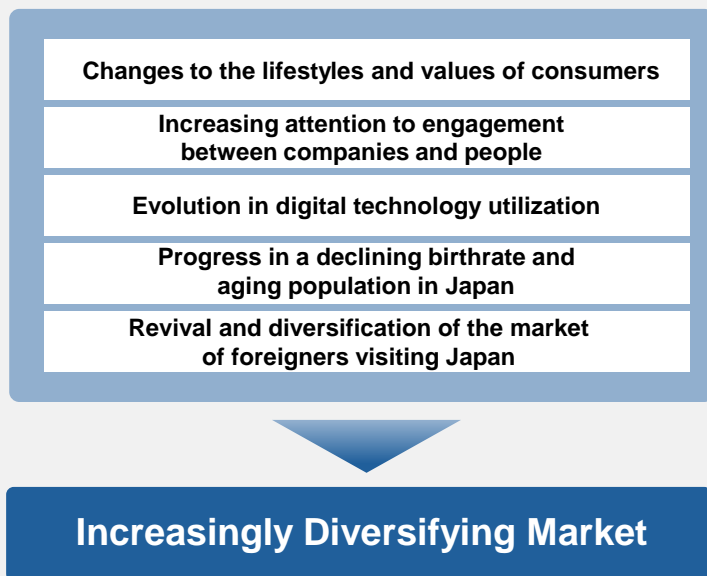
“ONWARD VISION 2030,” the Group’s medium- to long-term management vision, positions the period from FY02/25 to FY02/27 as the “Growth phase” and the period from FY02/28 to FY02/31 as the “Growth acceleration phase.”

In April 2024, we established six business strategies as our plan through FY02/27, as well as financial targets.

In addition, we plan growth investment of up to ¥70 billion level to achieve our targets.

Changes to the Post-COVID-19 Pandemic Business Environment

In light of the following five changes in the business environment, we recognize that market diversification is steadily progressing. The term “market bipolarization” is often used; however, we believe it is not bipolarization, rather multi-polarization and diversification. In the fashion industry, the two extremes of luxury and fast fashion are conspicuous. However, the Company believes that there exist a diverse range of markets in between, creating various opportunities there. In order to take up a challenge in such diverse markets, the Group is promoting six business strategies.



Business Strategies of the Group

1 Drive diverse brand, product, and distribution strategies in the “fashion field”

With respect to the development of new brands and products in response to the diversification of the market, we recognize a need for diversification of product merchandise (MD), etc. for the existing brands as well. Also, we believe that it is very effective in distribution to develop customer touchpoints in a way that combines physical stores and online. Cross-use customers, who use both online and offline, spend about three times as much on purchases as those who use only one of the two. In the future, we will focus on expanding touchpoints with diverse customers in order to expand such cross-use customer base.



Onward Kashiyama Co., Ltd. Onward Personal Style Co., Ltd. ...And others

2 Accelerate growth in the “wellness field” in line with new values of consumers

Consumers’ needs for spiritual enrichment, healthy bodies and fulfilling lives have increased enormously. The Group has designated these as the “wellness field” and will accelerate growth in the field, including through M&A, to make it a pillar along with the “fashion field.”



Yamato Co., Ltd. Chacott Co., Ltd. Creative Yoko Co., Ltd. KOKOBUY Co., Ltd. ...And others

3 Create a contemporary “corporate design field”

This field is represented by a business for corporate clients that supports companies to create engagement, with Onward Corporate Design Co., Ltd. as the core operating company. We recognize that it is a very large growth field and will create a business that proposes and provides comprehensive solutions for company uniforms, sales promotion support, and space creation.

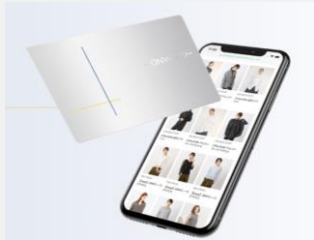


Onward Corporate Design Co., Ltd. ...And others

Business Strategies of the Group

4 Evolve cutting-edge DX strategies such as OMO/PLM

In the area of DX, we will thoroughly implement DX strategies in all fields of the Group businesses to build a highly productive corporate organization that quickly responds to the market. As for customer strategy, we will work to broaden the membership base of “Onward Members” and strengthen communication with customers. We will also evolve the OMO stores to improve sales service, and adopt and utilize a PLM system to improve efficiency in planning and production. Furthermore, we will work to increase efficiency in corporate operations by updating the backbone core, business processing, and information systems on an ongoing basis.



We have set the numerical targets of 10 million Onward Members by the end of FY02/31 and ¥100 billion in e-commerce sales in the same year.

5 Strengthen growth infrastructure for overseas business

The overseas business has been losing money in recent years. But going forward, we will develop a business strategy focusing on profits while steadily increasing sales. In Europe, we will grow the “JOSEPH” business, a contemporary designer brand from London, into a global brand business. In the U.S., we will speed up growth in the “J.PRESS” business, a brand from New Haven on the East Coast of the U.S. with more than 120 years of history, mainly in Japan and the U.S. In Asia, we will expand business in both production and sales in Asian markets including rapidly growing ASEAN.



We have set forth the numerical target of ¥30 billion or more in overseas business sales in FY02/31.

6 Implement appropriate business risk management against future uncertainties

There are various risks that may affect the Group’s businesses. Risks associated with changing consumer needs, risks due to weather conditions, risks related to business partners, risks related to intellectual property rights, risks related to overseas operations, etc. Recognizing the possibility of the occurrence of such risks, the Group conducts its business while making efforts to avoid their occurrence and minimize their impact when they do occur.

Financial Targets and Cash Allocation Policy for Growth

Target Financial Indicators —
Actions for Realizing Management Conscious of Cost of Capital and Share Prices

1. Profit target (FY02/27)	Profit	¥10 billion or more	Promote growth strategies including active growth investment (DX strategy, global strategy and M&A strategy)
2. Capital efficiency (FY02/27)	ROE	10% or more	Carry out the financial strategy with emphasis placed on capital efficiency through utilization of financial leverage and others
	ROIC	7% or more	
3. Shareholder return (from FY02/25 onwards)	Payout ratio	35% or more →	Further step up shareholder return through measures such as raising payout ratio
		40% or more	

■ ROE: Return on equity ■ ROIC: Return on invested capital ■ WACC: Weighted average cost of capital

Policy for Utilization of Funds for Growth (Cash Allocation Policy)

Cumulative total for three fiscal years (FY02/25 to FY02/27 plan)

- Create ¥40 billion level operating cash flow**
(Cumulative total for FY02/22 to FY02/24: ¥17.5 billion)
- Plan growth investment (CAPEX) of up to ¥70 billion level**
(Cumulative total for FY02/22 to FY02/24: ¥16.9 billion)

Operating cash flow	Shareholder return	Growth investment (CAPEX)	Fund-raising
Create ¥40 billion level	Payout ratio of 40% or more	Up to ¥70 billion level 1. DX strategic investment (including OMO) 2. Global strategic investment 3. M&A strategic investment	• Asset divestment • Utilization of interest-bearing debt (Net D/E ratio of a maximum of 0.5 times as a guideline)

Virtuous cycle to generate further operating cash flow

■ Net D/E ratio: Net debt-to-equity ratio

CFO Message

CFO MESSAGE

Completing business structure transformation, we will boldly take on challenges for the Growth phase toward FY02/31

Onward Holdings Co., Ltd.
Director
Finance, Accounting, Investor Relations

Shohei Yoshida



— 01 Review of the First Three Years of ONWARD VISION 2030

In April 2024, the Group announced the revised version of ONWARD VISION 2030, our medium- to long-term management plan. This medium- to long-term management plan, which started in FY02/22, designates the first three years as the “Business structure transformation phase,” FY02/25 to FY02/27 as the “Growth phase” and subsequent four years as the “Growth acceleration phase,” and sets targets of ¥300 billion in net sales and ¥25 billion in operating profit with an operating profit margin target of 8.3% in FY02/31, which is the final year.

Against these targets, we recorded net sales of ¥189.6 billion, up 7.7% from the previous year, operating profit of ¥11.3 billion, doubling the previous year’s figure, and an operating profit margin of 5.9%, up 2.9 percentage points from the previous year in FY02/24, the final year of the Business structure transformation phase.

Such significant improvement in performance from the previous fiscal year is attributed to our success in transforming ourselves into a lean profit structure that is more likely to generate profits through the global business reforms. In the “Business structure transformation phase,” the Group decisively sold subsidiaries and withdrew from unprofitable businesses while closing unprofitable stores. We also accelerated investment in e-commerce to focus on our own e-commerce site ONWARD CROSSET and on further opening its physical stores ONWARD CROSSET SELECT (OCS) and others. Coordination between e-commerce and stores has deepened, resulting in contribution to both customer attraction and sales.

And OCS’s capability to handle products across the boundaries of brands has prompted each store to better manage its profitability by providing greater scale per store. Thorough implementation of store-level P&L management has also led to a change in employee awareness, and we intend to continue to improve the efficiency of store operations by promoting the expansion of OCS.

— 02 Financial Strategy and Capital Policy Aimed at Realizing ONWARD VISION 2030

Looking back, the Group recorded net sales of ¥318.7 billion and operating profit of ¥25.4 billion in FY02/07. In other words, under “ONWARD VISION 2030,” we are again aiming for those levels of net sales of ¥300 billion and operating profit of ¥25 billion. Roles required of corporate activities, such as management conscious of the cost of capital and share prices, and sustainability management, are expanding rapidly. In addition, as mentioned above, the Group’s business structure as well as the composition of its management capital are very different from what they were then as a result of our review of unprofitable businesses and assets in recent years. Based on a leaner financial structure, we will reorganize our business model, including a new portfolio strategy that is different from the existing one, to accelerate our growth as a corporate group.

M&A as Key Element of Growth Strategy

We are a company with a long history that will celebrate the 100th anniversary of its founding in 2027. Over the course of its long history, it had succeeded in forming strong core businesses, but it had struggled to take on “challenges” of developing innovative products and services, and new markets in Japan and abroad. In order to raise the top line profoundly toward the target for FY02/31, it is essential to take on bold challenges without being bound by successful experiences. We are doing so little by little, for example, by forming a capital and business alliance with WEGO CO., LTD., which has strengths in younger generations, in 2023 (and subsequently making it our wholly-owned subsidiary in September 2024). Looking at our current business and brand portfolio, there are still many elements that fall short of our targets. However, we will develop and enhance our management capital and business promotion structure during the management plan period through FY02/27 and accelerate growth, starting in FY02/28.

As we pursue our business strategy, we will also further improve efficiency by integrating respective companies and functions and optimizing sales channels in line with our brand strategies. Although we were able to create a fairly lean profit structure over the past few years, we believe there is potential to further increase profitability.

How to Generate and Utilize Funds for Growth

For growth investment, in addition to M&A, we have designated DX investment that contributes to improving the productivity of the entire organization, including an OMO strategy, and global strategic investment with an eye to the expansion of overseas business development and production infrastructure, as priority investment items. We plan to make an investment of up to ¥70 billion level in these three domains during the Growth phase through FY02/27.

As sources of funds for investment, we plan to generate a cumulative total of operating cash flow of about ¥40 billion over the three-year period, while raising funds through the sale of assets such as real estate and investment securities, and external borrowings while of course being conscious of the level of net D/E ratio. We will maximize operating cash flow by expanding highly efficient businesses, particularly through the promotion of the OMO strategy.

In order to ensure that our growth investment will produce solid outcomes during the Growth acceleration phase, over the next three years we will focus on strengthening corporate governance, including our group companies, as a holding company and creating a structure for stable generation of operating cash flow.

Strengthening shareholder return is another important pillar of our financial strategy. The Company had been targeting a payout ratio of 35% or more and stably paying annual dividends of ¥24 per share, except for the period of the COVID-19 pandemic. But we reset the payout ratio target to 40% or more in conjunction with our recent strong performance.

Human Capital Investment for Growth

As part of the human capital management strategy in ONWARD VISION 2030, we aim to achieve attractive and competitive wage levels. Onward Kashiyama Co., Ltd. plans to raise the rate of average salary increase for sales staff to 10% under the new personnel system launched from FY02/25, and to achieve the highest level of compensation in the industry for career-track and technical positions. We hope that this will make the Group one of attractive options for job-seeking students as well as for those who have already established a track record at other companies or in other industries.

Going forward, we will consider reflecting the aforementioned store-level P&L into personal evaluations and introducing a compensation system for the management that is linked not only to business performance but also to share prices, in order for the entire group to have a stronger motivation for a higher share price and better business performance.

— 03 Promotion of Management Conscious of Cost of Capital and Share Prices

In response to the demand for management that is conscious of the cost of capital and share prices, the Group, in updating its “ONWARD VISION 2030,” has also set forth its desired image of executing a financial strategy that emphasizes capital efficiency. We set KPIs for FY02/27 at ROE of 10% or more and ROIC of 7% or more, and have successfully improved ROE and ROIC to 8.6% and 6.9%, respectively, as of FY02/24.

However, as of September 2024, PBR is still below 1x and PER also remains sluggish at around 10x. We hope to improve this issue by concurrently enhancing our profit structure and raising growth expectations by eliminating unprofitable businesses, developing profitability-focused measures centered on OCS, and taking other measures as reported so far.

Going forward, we aim to further improve capital efficiency by using ROIC and WACC as hurdle rates while further strengthening business feasibility assessments of the existing businesses and brands, and by thoroughly evaluating investments when executing M&A. At the same time, in order to facilitate future growth investment, we will realize optimal cash management for the entire group, centrally managing surplus funds at each group company and maintaining borrowings from financial institutions, etc. at an appropriate level.

— 04 To Our Stakeholders

My primary mission as CFO is to ensure that the foundation for growth will be first developed by FY02/27 in order to achieve the medium- to long-term management plan. We intend to respond to the expectations and demands of the capital market by further promoting reforms, and develop a framework for growth while retaining an organizational climate that underpins the Group’s strengths. In addition, we will further accelerate measures aimed at enhancing corporate value by proactively and deeply engaging in dialogue with shareholders and investors, an area where we have been rather passive.

We sincerely ask our stakeholders to provide us with continuing understanding and support.



Sustainability Vision and Promotion System

Sustainability Vision

Enriching and adding color to people's lives while caring for the planet, the Onward Group reaches out to future generations through the universal language of fashion.

The Onward Group established the Sustainability Committee in September 2021 to promote sustainability initiatives. Since then, this Committee has taken the lead in the formulation of a concrete action plan and KPIs (key performance indicators).

We will promote sustainable management in our aim to enrich and add color to people's lives while caring for the planet, as we reach out to future generations through the universal language of fashion.

Promote Sustainable Management That Pursues Coexistence with the Global Environment

The Onward Group has been promoting recovery, recycling, and reuse of its products through the Onward Green Campaign for over 10 years. We are also working actively to expand the scope of the made-to-order business that eliminates wasteful production. In terms of improving traceability, the quality control division within the Group conducts factory audits in Japan and overseas.

By embracing new challenges while stepping up these initiatives, we are promoting sustainable management that pursues coexistence with the global environment.

Evolve into a Company Where Diverse and Unique Personnel Can Exhibit Their Strengths

The Onward Group realizes that in order to respond to diversifying customer needs and values and contribute to society, the Group must be an enterprise where diverse and unique personnel are encouraged to exhibit their strengths. By promoting our workstyle reform project and enriching various personnel systems, we are endeavoring to cultivate a workplace environment where diverse employees can flourish and create work-life synergy.

Sustainability Promotion System

Sustainability Committee

The Group has established the Sustainability Committee, headed by the President and CEO of Onward Holdings. This Committee, whose members include the presidents and personnel responsible for sustainability of Onward Group companies, discusses and decides on sustainability risks and opportunities.

The Onward Group Sustainability Committee Organizational Structure



Materiality of the Onward Group | Five Material Issues

The Onward Group identified five material issues (materiality) in accordance with the mission statement, “Enriching and adding color to people’s lives while caring for the planet.”

Materiality 1



Business activities that enable coexistence with the global environment and illuminate a path to the future

We aim to contribute to the realization of a low-carbon, recycling-based society in order to pass on a rich and vivid planet to future generations.

Priority SDGs



Materiality 2



Growing together with partners

We cultivate long-term relationships rooted in trust with suppliers, local communities and other partners, emphasizing coexistence with them and the pursuit of mutually beneficial growth.

Priority SDGs



Materiality 3



Workstyles that enhance and add color to employees’ lifestyles as well

We aim to achieve work-life synergy by cultivating a working environment where every employee can work cheerfully, freely, and vigorously.

Priority SDGs



Materiality 4



Workplace where diverse individuals are engaged

We welcome diversity and aim to be an enterprise where diverse and unique personnel can exhibit their strengths.

Priority SDGs



Materiality 5



Fair management with integrity

We believe it is important to foster a corporate climate with integrity and fairness in order to continue to be trusted and needed by society.

Priority SDGs



Deepening Sustainable Management Strategy “Green Onward”



We Will Deepen “Green Onward,” a Project to Promote Sustainable Management.

Promotion of Loss-Free Production System

Reduction of production loss by expanding **made-to-order** production of suits and other products through the evolution of “Smart Factory”

FY02/31 target for made-to-order production volume **4×** (from FY02/24)

Onward Personal Style Co., Ltd. and Onward Kashiya Co., Ltd. combined



Circulation Activities of Onward Clothing Items

Expansion of the circulation system for clothing items by promoting “reuse,” “recycle” and “remake” in conjunction with the Onward Green Campaign, a circulation project for Onward clothing items that has been ongoing since 2009

FY2030 target for circulation ratio of

Onward clothing items **20%**

(Number of items circulated for the year/Number of items produced for the year)

FY02/20 actual: 5.8%, FY02/24 actual: 9.2%

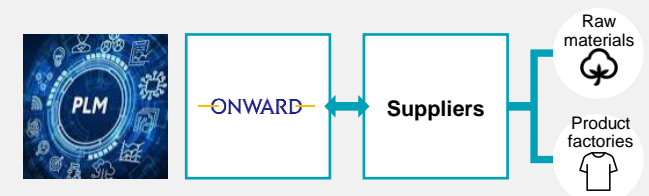


Improvement of Traceability

Visualization of the entire manufacturing process (materials, accessories, sewing, transportation, etc.) through the introduction of a Product Lifecycle Management (PLM) system to promote improved traceability in the supply chain

PLM collaboration partners as of May 2024

25 companies started introduction



Environmental Initiatives

We aim to contribute to the realization of a low-carbon, recycling-based society in order to pass on a rich and vivid planet to future generations.

Promotion of Loss-Free Production System

The Onward Group is focusing on the expansion of made-to-order production, efficient merchandising by integrating inventory data from both physical stores and e-commerce to ensure smoother two-way transfer of products, achievement of appropriate production volumes, and development of sustainable products, among other things. Through these efforts, we are promoting manufacturing and an OMO strategy that balance consideration for the global environment with improved customer satisfaction and convenience.



High-Efficiency Distribution System

In our made-to-order businesses, we take wasteful warehouses out of the equation and deliver products directly from factories to customers.

We use PACK-RUNNER compressed and sealed packages to help substantially save space in logistics vehicles.

We use paper delivery packages for suits to ensure environmentally conscious and compact packaging.



PACK-RUNNER



Paper delivery package



Environmentally conscious, compact package

Sales system that utilizes OMO stores to eliminate waste

Physical stores provide opportunities to try on items and customer services, while e-commerce offers its advantages such as a rich selection of products. Through OMO stores offering the services of both, we are providing venues where customers can enjoy the maximum benefits of both services.

In addition to the gradual expansion of OMO stores with Click & Try service, where almost all items on our online store can be delivered to a store to be tried on and purchased, we will also continue to expand the roll-out and development of ONWARD CROSSET SELECT stores. These are multi-brand stores with sustainability functions including the support of the Onward Green Campaign, through which we collect used Onward Group apparel items from customers so that they can be reused or recycled to the greatest degree possible. In addition, repair and maintenance services are available at some of the ONWARD CROSSET SELECT stores.



Smart Factory KASHIYAMA DALIAN (Dalian Factory)

(KASHIYAMA, a made-to-order suits brand)

Drastic Reforms to All Manufacturing Processes to Eliminate Wasteful Production

Smart factories link data from orders with computer-aided manufacturing processes and use automatic cutting machines to cut cloth more precisely and thereby reduce the portions of cloth that cannot be used. In addition, these factories utilize automatic ordering systems for incidental items (buttons, lining, etc.) to ensure appropriate inventory levels.

We manage products with radio frequency identification (RFID)* tags and hanger systems while using tablets for process management to swiftly produce items customized based on customers' requests.

* RFID is an automatic recognition technology that uses radio waves to read and write information on IC tags without contact.



Environmental Initiatives

Circulation Activities of Onward Clothing Items

In addition to promoting environmentally friendly manufacturing, we will promote recovery, recycling, and reuse of our products while also stepping up the reduction and recycling of plastic waste, in order to realize a recycling-based society (circular economy).

Onward Green Campaign Designed to Establish an Apparel Circulation System

Onward Kashiwajima launched the Onward Green Campaign in 2009 with the objective of encouraging the circulation of apparel to promote the efficient utilization of limited resources and to ensure our precious environment still exists for future generations to enjoy. Through this campaign, we promote an apparel circulation system in which we collect used Onward Group apparel items from customers so that they can be reused or recycled to the greatest degree possible.

In addition, collected clothing items that are in good condition will be cleaned and sold at Onward Reuse Park, which is our concept store to communicate the Group's environmental initiatives, and online at charity prices with the proceeds used to fund sustainable initiatives. Clothing items that could not be sold are recycled to produce blankets, work gloves, solid fuel, and other products. The blankets are provided to disaster-affected areas in Japan and abroad and to developing countries in cooperation with the Japanese Red Cross Society. Work gloves are distributed for various purposes, such as for disaster relief, forest preservation, and awareness-raising activities.

During the period from the start in 2009 up to the end of FY02/24, a cumulative total of approximately 7.8 million items of clothing were collected, of which we recycled 84% and reused 16%.

In FY02/24 those corresponding to 9.2% of our annual production were collected.

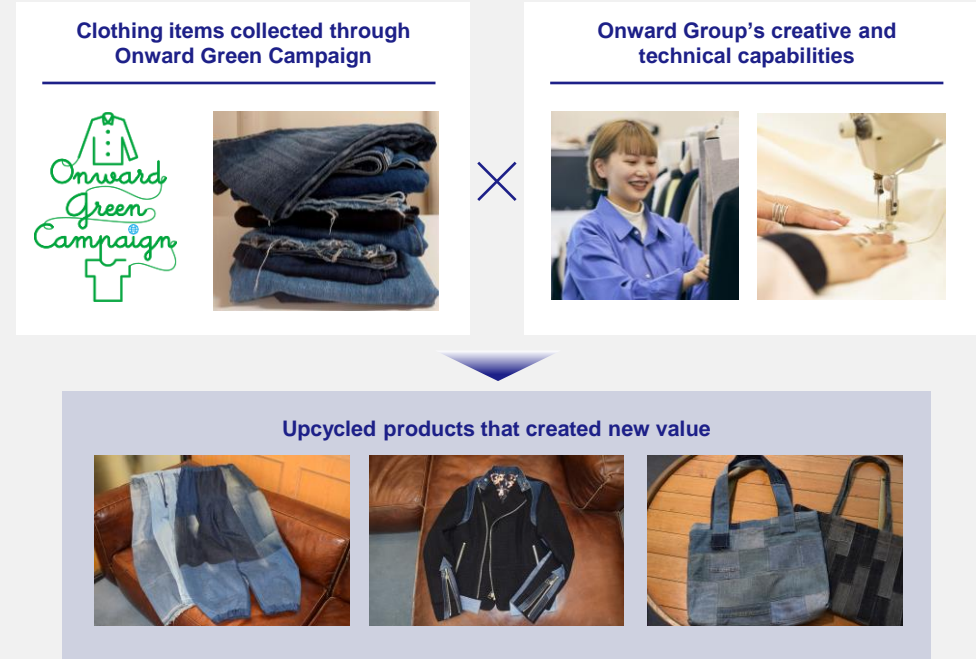


“Onward Reuse Park Kichijoji,” an environmental concept shop celebrating its 10th anniversary in March 2024

Onward Group's Upcycle Action

“Upcycle Action” creates new value from unwanted clothing items by leveraging the creative capability as a fashion company.

In the first phase of the project, employees of the Group participated as creators and created approximately 150 upcycled items using denim from clothing collected from customers, which were sold on the Onward Group's official fashion direct shopping site “ONWARD CROSSET.”



Onward Group Disclosure in Line with the TCFD Recommendations

The Onward Group realizes that sustainable management is an important theme that forms the foundation for its corporate activities. Accordingly, we are practicing management that pursues coexistence with the global environment based on our mission statement of “enriching and adding color to people’s lives while caring for the planet.” Recognizing that environmental issues, particularly climate change, have become increasingly serious around the world in recent years, they are top priority in the Group’s business activities, and in 2022 we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We will continue to proactively address climate change and disclose information in order to coexist with the earth and promote business activities that are connected with the future.

Governance

The Group has established the Sustainability Committee, headed by the President and CEO of Onward Holdings, to promote concrete sustainability initiatives in 2021. The Committee, whose members include the presidents and personnel responsible for sustainability of Onward Group companies, promotes information-sharing and progress management on climate change issues across the entire group.

Sustainability Committee [▶ P. 24](#)

Risk Management

The climate change problem poses various risks to the Group, but we believe that managing these risks in advance and responding appropriately to them will also provide opportunities for sustainable growth in our business activities.

The Sustainability Committee takes the lead in analyzing in detail how climate change affects our business activities, sharing risk information with each group company, and considering and promoting initiatives.

Strategy

The Group identifies the risks and opportunities that climate change poses to its business activities and conducts scenario analyses of how to respond to these risks and opportunities. Referring to the recommendations of the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), the scenario analysis assumed two worlds: one in which the world steadily implements climate change measures and a temperature rise is limited to less than 2°C, and the other in which temperatures rise 4°C or more due to insufficient measures.

Using 2030 as a baseline, we analyzed the impact of policies, regulations, technologies, markets, and reputations on business in the process of achieving this in the below 2°C scenario, and the impact of acute and chronic changes in weather conditions and disasters associated with rising temperatures in the 4°C scenario.

The Onward Group has identified the promotion of sustainable management that pursues coexistence with the global environment as an important theme of its medium-to long-term management vision “ONWARD VISION 2030.”

Indicators and Targets

As part of our efforts to address climate change, we monitor greenhouse gas emissions (Scope 1, 2, and 3) and promote actions to reduce greenhouse gas emissions in conjunction with each group company, led by the Sustainability Committee.

Changes in Onward Group greenhouse gas emissions from FY02/20 to FY02/24

		FY02/20	FY02/21	FY02/22	FY02/23	FY02/24	FY02/24 / FY02/20	
		GHG emissions (t-CO ₂)	GHG emissions (t-CO ₂)	GHG emissions (t-CO ₂)	GHG emissions (t-CO ₂)	GHG emissions (t-CO ₂)	Reduction (t-CO ₂)	Change (%)
Scope1	Emissions from fuel use	2,187	1,182	1,553	1,233	1,187	-1,000	-45.7%
Scope2	Adjusted emissions from electricity use	11,547	9,841	8,895	6,352	5,522	-6,025	-52.2%
Scope3	Emissions from business activities other than Scope 1 and 2	230,687	171,920	177,123	181,250	197,221	-33,466	-14.5%
Total greenhouse gas emissions		244,421	182,943	187,571	188,835	203,930	-40,491	-16.6%

* Total of domestic consolidated group companies

* Refer to the “Emission Intensity Database (Ver. 3.2) for calculating greenhouse gas emissions, etc. of organizations through their supply chains” by the Ministry of the Environment.

* Cat 3, 8, 9, 10, 11, 13, 14, and 15, which are not related to business activities, are excluded from the calculation.

Onward Group greenhouse gas emission reduction target (compared with FY02/20)

FY02/31 Scope 1 and 2	50% reduction	FY02/31 Scope 3	20% reduction	FY02/51 Scope 1 and 2	Aiming for effectively zero
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* Total of domestic consolidated group companies

We aim to contribute to the realization of a low-carbon, recycling-based society in order to pass on a rich and vivid planet to future generations.

We will promote manufacturing that is friendly to the earth, expand made-to-order production, and conduct sustainable procurement of materials.

Aiming to realize a circular economy, we will promote collection, recycling, and reuse of products, and actively work to reduce and recycle plastic waste.

Each of us will actively take action to mitigate climate change and promote business activities that pursues coexistence with the global environment.

Onward Group Disclosure in Line with the TCFD Recommendations

Scenario Analysis in Line with the TCFD Framework

Risk and opportunity classification	Factor	Onward Group's risks and opportunities		Countermeasures	Business impact		
		Risks	Opportunities		Less than 2°C	4°C	
Transition Risks	Policy measures Regulations Technologies	<ul style="list-style-type: none"> Introduction of carbon tax (carbon pricing) Fines for failure to respond to climate change Expanded use of renewable energy Stricter plastic regulations Introduction of clothing recycling law and waste disposal law 	<ul style="list-style-type: none"> Reduced profit due to carbon tax (carbon pricing) Increased costs due to the introduction of renewable energy Increased logistics costs due to stronger GHG emissions controls Decrease in sales of plastic products 	<ul style="list-style-type: none"> Reduction of energy consumption through introduction of new technologies Progress in improving the efficiency of logistics Increasing demand for recycled plastic products Reduction of inventories through appropriate production Creating new businesses through increased collection of clothing items 	<ul style="list-style-type: none"> Reducing GHG emissions by promoting sustainable management Introduction of energy-saving equipment (LEDs, etc.) at stores and business sites Strengthening measures in cooperation with government and industry groups Phasing in of renewable energy Increasing the efficiency of transportation by expanding bulk distribution Switching to and development of products using recycled plastics Manufacturing without waste by strengthening make-to-order production Expansion of collection of clothing items through the Onward Green Campaign 	↑	↗
	Reputation	<ul style="list-style-type: none"> More investors are caring about sustainable management Stricter disclosure of sustainable indicators Increasing demand for solutions to environmental and social issues 	<ul style="list-style-type: none"> Negative impact on investments and loans due to a decline in ESG ratings Changes in consumer preferences and reduced demand for products and services Impacts on corporate image and human resource recruitment due to inadequate response 	<ul style="list-style-type: none"> Strengthen management structure by incorporating ESG investments Increasing demand for environmentally conscious products and services Enhancing corporate image and securing human resources through sustainable management 	<ul style="list-style-type: none"> Strengthening the dissemination of sustainable management Ensure appropriate and timely disclosure of information Thorough factory audits and quality control 	↗	→
	Market	<ul style="list-style-type: none"> Sympathy with environmentally conscious products and services Growing interest in the circular economy 	<ul style="list-style-type: none"> Decreased willingness to purchase products other than environmentally conscious products Refraining from buying due to growing awareness of circular economy 	<ul style="list-style-type: none"> Improve profitability through development of environmentally conscious product/brands Expanding the 3Rs (reduce, reuse, and recycle) of clothing recycling for a circular economy Creating services in response to the circular economy Increasing demand for high-value-added products that can be worn for a long time 	<ul style="list-style-type: none"> Expansion of environmentally conscious products and brands Expansion of collection of clothing items through the Onward Green Campaign Strengthen proposals for new services (3R/upcycle, etc.) 	↑	↗
Physical Risks	Acute Chronic	<ul style="list-style-type: none"> Increase in natural disasters due to climate change Sea level rise and changes in rainfall due to climate change Average temperature increase due to climate change 	<ul style="list-style-type: none"> Damage due to suspension of store operation and store closures due to natural disasters Rising raw material costs due to bad weather Disruption of production plants and distribution routes due to natural disasters Decrease in demand for products other than climate change-responsive products 	<ul style="list-style-type: none"> Increasing demand for disaster prevention and protective apparel Increasing demand for climate change-responsive products and services 	<ul style="list-style-type: none"> Establishing a system to disperse production bases in preparation for disasters Formulation of disaster-prevention manuals and reinforcement of supply chain coordination Strengthening climate change-responsive products and services Expansion of product lines using functional materials 	↗	↑

The impact on the business is shown in three levels (the slope of the arrow represents the trajectory).

- The impact on the Onward Group's business is expected to be **significantly large** ↑
- The impact on the Onward Group's business is expected to be **rather large** ↗
- The impact on the Onward Group's business is expected to be **immaterial** →

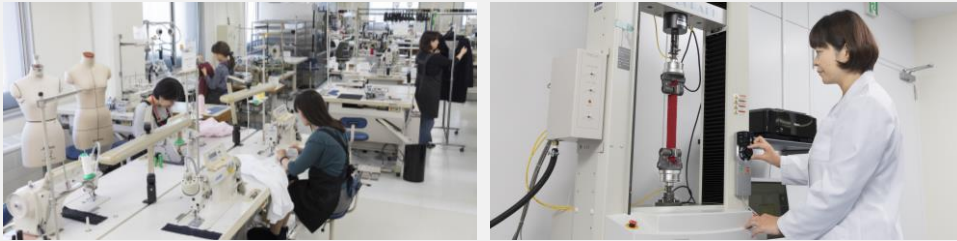
Social Initiatives

We cultivate long-term relationships rooted in trust with suppliers, local communities and other partners, emphasizing coexistence with them and the pursuit of mutually beneficial growth.

Each one of us will comply with the Onward Group Guidelines for Action and conduct ethical business activities. We emphasize ensuring human rights and occupational safety and health throughout the supply chain in Japan and overseas, sharing values with our business partners. Moreover, through co-creation of value with communities and social contribution activities, we aim to be an enterprise that grows together with them.

Co-prosperity with Suppliers

At the Onward Group, we share values with our business partners in the supply chain. We aim to establish long-term relationships rooted in trust with our business partners and aspire to be an enterprise that can grow together with them.



Production System Capable of Delivering High-Quality Products Stably

The Group's quality control division has been offering services, such as factory audits, QMD*, testing & analysis, and repair.

Through factory audits, we aim to foster companies that earn the trust of society and achieve production systems that ensure the stable delivery of high-value-added products to customers. Deficiencies in CSR and QC systems at our production factories are not only subject to criticism in society, but also major obstacles to the sustainable operation of factories which are our suppliers. As such, we perform audits employing the CSR audit guidelines based on global standards as well as our own proprietary quality control audit guidelines.

Following the audits, certificates of compliance are issued to factories that meet the prescribed standards. However, CSR audits should not be a means of terminating transactions with factories that do not satisfy the standards. Rather, we think it is the social responsibility of the Group as a brand holder to point out problems and help factory management understand the significance of the issues, and provide support for improvement. As such, we explain the purpose of the audit and the reasons for the requirements to the management of the factory being audited. Moreover, in light of the factory's unique circumstances, we provide guidance for improvement action plans, as we conduct "guidance-type audits."

* QMD is an acronym for "Quality Merchandising." It means from the product planning stage, we provide total support for quality, including material color fastness and physical performance checks, to appearance checks through product testing of sample products, to commercialization.

Co-prosperity with Communities

Supporting Japanese Manufacturing

Onward Digital Lab Co., Ltd., which is responsible for the Group's digital strategies, promotes CRAHUG, an initiative launched in 2021 to support factories and producers across Japan on sales and branding.

In this project, we provide sales support through two collaborative plans: a sales collaboration plan that supports sales and promotion of existing products on the Group's official online store ONWARD CROSSET; and a branding plan that supports partners on new product development for their original brands. The number of participating factories has risen to 46.

\ Comments from Partners /

This brand development initiative with CRAHUG has allowed subcontracted sewing factories like ours to showcase their own capabilities to society. With the company and staff growing together, I hope we can communicate the attractiveness of not only our business but also that of Akita Prefecture, which will contribute to regional revitalization.

CRAHUG staff members took the lead on branding, and I myself worked hard to gather information, reading specialized books and so on. It was a great opportunity for me to deepen my knowledge of branding and marketing, and to learn their importance.



Work Style Design

— We aim to achieve work-life synergy by cultivating a working environment where every employee can work cheerfully, freely, and vigorously.

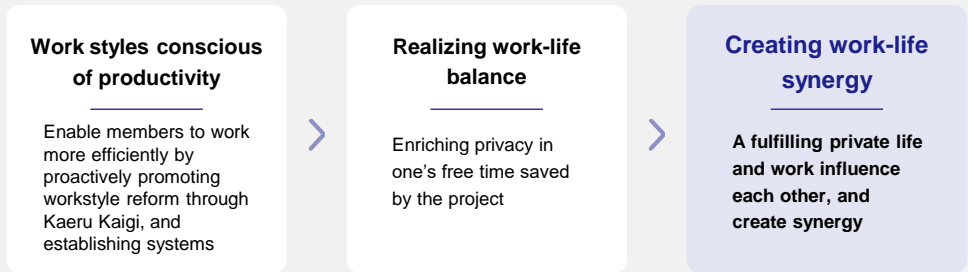
We are implementing the Work Style Design Project for workstyle reform and enriching personnel systems so that all employees can bring their skills, capabilities, and new ideas into full play, thus enhancing and adding color to their everyday lives. We will strive to achieve work-life synergy by enabling employees to enhance both work and private life while meeting customers' expectations and contributing to society.

Work Style Design Project

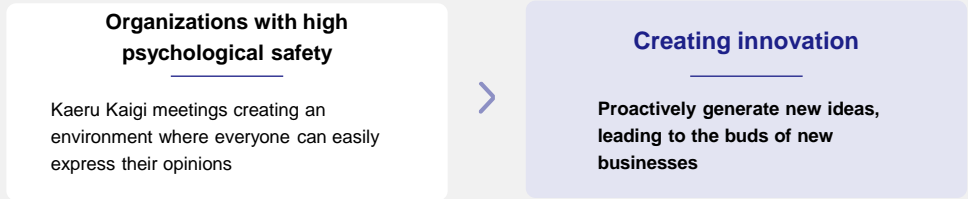
The Group is executing the Work Style Design Project to enhance operational efficiency and productivity by achieving work-life balance. This workstyle reform project encourages employees to take the initiative in changing the way they work.

We started this initiative not with the purpose of merely reducing overtime work, increasing leave days taken, or improving work efficiency. Rather, we would like to use the time saved by making these changes in order to create opportunities to give shape to new ideas and make innovations.

Work Style Design Project Goal 1



Work Style Design Project Goal 2



Kaeru Kaigi meetings

Each team that usually works together holds meetings to consider what team members should do to improve their workstyles. Kaeru Kaigi meetings go beyond simply facilitating reports on work progress to promote self-driven processes of repeating trial and error by all members for the purpose of transforming workstyles and achieving their goals for work. Psychological safety is critical to holding these meetings. We have fostered climate of free and open discussion by sharing awareness of “sharing your opinion no matter what it is, not rejecting opinions that are shared, but giving a reaction.”

	FY02/19 Result	FY02/20 Result	FY02/21 Result	FY02/22 Result	FY02/23 Result	FY02/24 Result
Overtime hours ^{*1}	17.7 hours	18.2 hours	6.3 hours	6.8 hours	8.4 hours	10.7 hours
Days of leave taken ^{*1}	119.0 days	125.1 days	124.0 days	124.9 days	123.4 days	128.4 days

*1 Calculated based on the personnel within the scope of Work Style Design (office workers of Onward Kashiyama Co., Ltd.)

Overtime hours which decreased in FY02/21 due to the COVID-19 pandemic have been on an increasing trend as the pandemic subsided. However, the promotion of the Work Style Design Project enabled us to significantly reduce overtime hours compared with before the COVID-19 pandemic. (down 41.2% in FY02/24 compared with FY02/20)

New Initiatives

We will get the Work Style Design Project, which has been carried out mainly by the core operating company Onward Kashiyama Co., Ltd., implemented more widely within the Group and aim to be an enterprise where diverse personnel can exhibit their strengths.



Diversity

— We welcome diversity and aim to be an enterprise where diverse and unique personnel can exhibit their strengths.

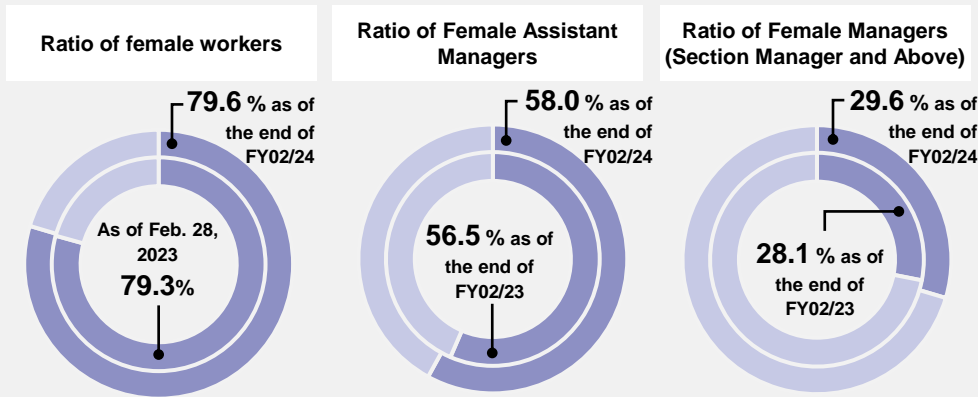
The Onward Group realizes that in order to respond to diversifying customer values and needs and contribute to society, the Onward Group must be an enterprise where diverse and unique personnel are encouraged to exhibit their strengths.

Welcoming each person’s unique qualities and capabilities, we are cultivating an environment that can facilitate innovation.

Empowerment of Female Employees

The fashion business requires fresh ideas and innovative value propositions. The Group believes that such ideas and propositions are best created when all employees respect and accept the differences between individuals and are able to exercise their skills to the fullest.

We have established the Diversity Promotion Section within our human resource division in order to foster a workplace environment in which all employees can feel motivated and deliver their best performance. This section is responsible for revising prior work processes and implementing ongoing workstyle reforms for the purpose of improving productivity at each department.



(All figures are for Onward Kashiyama Co., Ltd.)

New Initiatives (Empowerment of Female Employees)

In FY02/24 we held “Dialogue sessions,” where the President and CEO and female employees in a general manager position gathered to share issues and discuss solutions for promoting diversity that would be positive for all stakeholders.

We will carry out initiatives aimed at achieving a ratio of female employees in leadership of 50% on an ongoing basis in FY02/25 as well.

Promotion to Support the Balance between Work and Childcare

Aspiring to be an enterprise where diverse and unique personnel can exhibit their strengths, the Group supports employees’ efforts to achieve a good balance between work and childcare.

After participating in the “100% Male Employees Childcare Leave Declaration” in 2019, we have been working to encourage male employees to take childcare leave. As a result, we were able to increase the proportion of male employees taking childcare leave to as high as nearly 70% in FY02/24. In January 2024, a male employee in a general manager position became the first employee in the Group to take two weeks of childcare leave.

Proportion taking childcare leave

	FY02/19 Result	FY02/20 Result	FY02/21 Result	FY02/22 Result	FY02/23 Result	FY02/24 Result
Female	100.0%	100.0%	97.0%	100.0%	100.0%	100.0%
Male	7.7%	10.5%	20.0%	27.3%	60.0%	66.7%
Total	59.3%	65.3%	79.1%	75.0%	86.2%	88.9%

* Calculated based on the personnel within the scope of Work Style Design



Initiatives for Human Capital Management

— We aim to be an enterprise where diverse and unique personnel can exhibit their strengths for the sustainable improvement of our corporate value.

To evolve into a customer-centric company and make the best use of its employees' diverse strengths, the Group is endeavoring to train in-house personnel who will spearhead changes while ramping up the recruitment of personnel externally in order to promote organizational and human resource platform reform.

Utilization of Various Systems to Enable Diverse and Unique Human Resources to Exhibit Their Strengths

<p>1 Shift selection system</p>	<p>Aiming to create an environment in which employees can work with a sense of fulfillment while maintaining work-life balance, we introduced the shift selection system to allow individual employees to choose their working hours from 13 types of shifts in September 2022.</p>	<p>Voices from the front lines "I change shifts when I go to my favorite Takarazuka dinner show (a Japanese all-female theater troupe) or when I want to take my dog to hospital." "It has made it a lot easier for me to work because I can go to places I used to have to leave early to go to, after I come in full time."</p>
<p>2 Side job system</p>	<p>In order to help employees advance their careers by acquiring knowledge and skills that cannot be obtained through regular work within the company, we introduced a side job system starting in July 2022.</p>	<p>Voices from the front lines Side job: Belly dancer and instructor "The shift selection system has allowed me to perform at events and give lessons on weekdays as well, expanding my workstyle options. I feel that, by starting a side job, I am now able to deal with my primary job with an equal level of motivation and sense of responsibility."</p>
<p>3 Store Meister system</p>	<p>We launched the "Store Meister System," a mechanism that allows highly skilled sales personnel who have reached the retirement age of 60 to continue to work as "Store Meister" with appropriate treatment over a long term, in FY02/24. In the first year, 14 people were appointed as "Store Meister."</p>	<p>Voices from the front lines "I joined the company in 1982. I enjoy my job in sales, where I can also enrich my life by interacting with customers, and I feel that is why I have been able to continue working for this long. The joy of being recognized by the company in the form of "Meister" has given me even greater motivation. In the future, I will use my experience to further the activities as Meister. So that Onward's hospitality will be conveyed not only to our customers, but also to the company and people around me. All for a smile."</p>



Respecting Human Rights and Developing the Working Environment

— We emphasize ensuring human rights and occupational safety and health throughout the supply chain in Japan and overseas.

“Onward-Approved Factory” System

Society’s expectations for companies to exercise social responsibility are rising, expanding the scope of risks that could present problems in business operations. These risks include environmental pollution in countries and regions from which products are procured as well as human rights violations at factories.

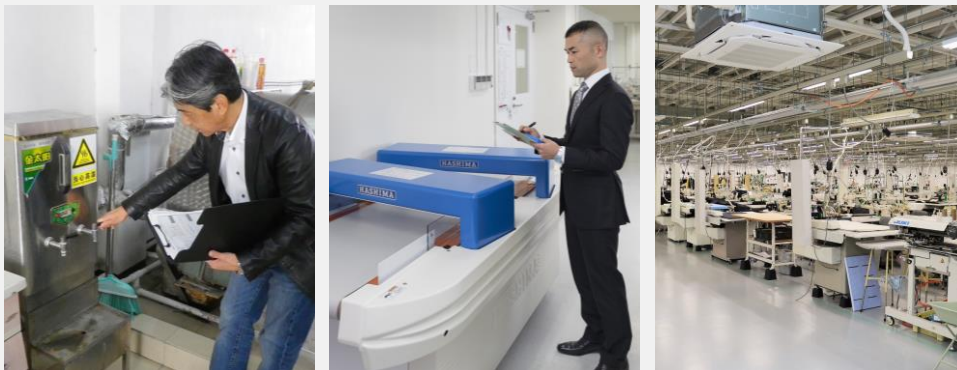
The Group has been operating the Onward-Approved Factory system since FY02/16. Through factory audits by the quality control division, we work to ensure that work environments at production sites are safe and comfortable.

Initiatives to Respect Human Rights and Working Environments of Sewing Factories

We started conducting CSR audits of our production factories in 2007, at the behest of international brands with which we had licensing agreements.

Audits related to CSR are conducted in accordance with the Group’s proprietary Suppliers’ Code of Conduct, which is based on international standards. Actual audits are entrusted to local audit firms, but representatives from the quality control division are always present when audits are conducted. We thereby endeavor to help ensure appropriate auditing based on the current business environment and to develop the understanding necessary for us to exercise our responsibilities as the order placer to support factories in carrying out any improvements that need to be made.

We conduct audits based on the belief that a brand holder has a social responsibility to point out problems that could develop to human rights issues and help factory management understand the significance of the issues and improve their performance. Certificates of Onward-Approved Factory are issued to factories that meet the prescribed standards. As for factories that do not satisfy the standards, rather than terminating transactions with them, we thoroughly explain the purpose of the audit and the reasons for the requirements to the management of the factory being audited. Moreover, in light of the factory’s unique circumstances, we offer support by providing guidance for improvement action plans.



Audit Targets

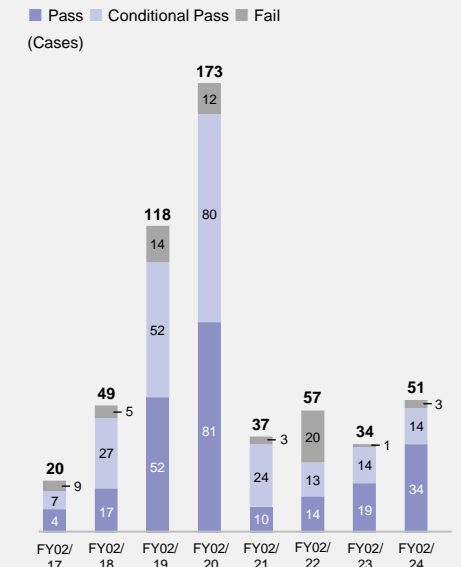
Audit results (total number of audits including Japan and overseas)

Our goal is to conduct guidance-type audits, in which we point out problems of factories that do not satisfy the standards of the audit, and help factory management understand the significance of the issues. We then take into consideration the factory’s unique circumstances, and present specific methods such as guidance for improvement action plans.

As a result of these efforts, the percentage of audits that resulted in a pass or conditional pass has risen from 80% in FY02/17, the year after the audit began, to 94% in FY02/24.

* The table below shows the number of audits by year, not the total number of factories.

Year	Number of Factories Audited	Pass		Conditional pass ²		Fail	
		Cases	%	Cases	%	Cases	%
FY02/17	20	9	45%	7	35%	4	20%
FY02/18	49	17	35%	27	55%	5	10%
FY02/19	118	52	44%	52	44%	14	12%
FY02/20	173	81	47%	80	46%	12	7%
FY02/21 ¹	37	10	27%	24	65%	3	8%
FY02/22 ¹	57	14	25%	13	23%	20	35%
FY02/23	34	19	56%	14	41%	1	3%
FY02/24	51	34	67%	14	27%	3	6%



¹ For overseas factories in FY02/21 and FY02/22, CRS audits were conducted only by local auditors.

² A conditional pass is a pass granted on the premise of prompt correction when nonconformities are found in relatively important elements, including working hours, wages, and occupational safety. In the case of a conditional pass, a correctional audit will be conducted to confirm the status of corrections after 1 year.

Respecting Human Rights and Developing the Working Environment

“Japanese quality,” cultivated to satisfy the most eagle-eyed customers, is renowned worldwide for its attention to detail and we believe it is a unique aspect of Japanese culture with global appeal.

The quality control division of the Group provides QMD (quality merchandising), comprehensive support for quality from the planning phase through to commercialization, such as checking the color fastness and physical performance of materials, and checking the appearance by product testing.

Moreover, in June 2022, we opened Shibaura Repair Workshop, where it mends and repairs apparel, removes stains, does pressing, and recycles products, thereby contributing to sustainability and environmental conservation in the apparel and fashion industry.

Suppliers' Code of Conduct Items

A Legal compliance and management	Business Partners of Onward shall comply with all relevant local laws and regulations. Furthermore, Business Partners shall comply with all relevant legal requirements and respect the legal and moral rights of their employees. At the same time, in order to comply with legal requirements, management systems for maintaining respective documents have to be established.
B Juvenile workforces	Business Partners of Onward shall not employ minors younger than the local legal minimum working age, or age 15. This code is applicable to all facilities of Business Partners.
C Forced labor	Business Partners of Onward, in any part of their business, shall not associate with business partners who utilize captivity or forced labor. Additionally, Business Partners of Onward shall not associate with business partners who violate the above.
D Wages, allowances, and benefits	Business Partners of Onward shall comply with all laws and regulations on local wages, hours of work, and allowances. Fundamental policy on wages and allowances shall comply with local laws, regulations and standards, while equally satisfying international requirements. Onward will not associate with any Business Partner who violates local laws and regulations or industry common practices.
E Harassment and abuse	Business Partners of Onward shall not utilize any form of physical or psychological coercion or retribution to workers. Furthermore, Business Partners of Onward shall not associate with business partners who violate the above.
F Work hours	Business Partners of Onward shall comply with all legal requirements regarding work hour issues and abide by all local laws.
G Non-discrimination	Business Partners of Onward shall not discriminate in employment or recruitment on the basis of age, nationality, race, color, gender, religion, or any other factor. Business Partners of Onward shall not associate with business partners who partake in any form of discrimination.
H Health and safety	Business Partners of Onward shall provide a safe and healthy work environment for workers. Additionally, they shall ensure not to expose workers to an unsanitary and hazardous workplace environment.
I Free association	Business Partners of Onward shall guarantee the freedom of unions and workers who wish to join unions in accordance with local requirements.
J Sub-contractors and homeworkers	Business Partners of Onward shall require all entities to which they outsource some or all of the duties with which they have been entrusted to comply with the Suppliers' Code of Conduct and shall inform Onward of such outsourcing.
K Environmental practices	Business Partners of Onward shall have basic awareness of environmental protection. Business shall be conducted in accordance with local and internationally recognized environmental practices.

Stakeholder Engagement

We have established a mission statement of “enriching and adding color to people’s lives while caring for the planet.” Guided by this purpose, we aim to evolve into a customer-centric company and make the best use of its employees’ diverse strengths.

To that end, we believe it is vital to build and maintain strong networks and relationships with communities, employees and business partners we connect with in the Group’s business activities.

Communities

Enriching and Adding Color to Children’s Lives Through the Universal Language of Fashion

As part of its efforts to promote sustainable management, Onward Kashiyama Co., Ltd. is engaged in support activities to enrich and add color to children’s lives through the universal language of fashion. As part of support activities for the Tokyo Foster Family Association, which assists foster parents and foster children, we gift children clothing to celebrate their entrance into elementary school every spring. Tokyo Foster Family Association is one of Japan’s leading organizations both in history and in scale. We launched these activities in 2014 with the belief that providing support through the association is the first step toward supporting children. Moving forward, we will continue offering support activities alongside the Tokyo Foster Family Association to play our part in supporting children’s healthy growth and independence.



Employees

Creating an Environment Where Diverse Personnel Can Exhibit Their Strengths

The Onward Group is promoting initiatives such as the implementation of measures and the introduction of personnel systems aimed at creating a comfortable working environment for everyone.

In recognition of the Group’s initiatives for empowerment of female employees and support for balancing work and childcare/nursing care, in FY02/24 it was awarded “Best Workplace,” the highest honor of the “D&I Awards 2023,” which evaluate diversity and inclusion (D&I) (administered by JobRainbow). In order to respond to diversifying customer needs and values and contribute to society, we will continue to endeavor to create work-life synergy for our employees and develop an environment where diverse personnel can exhibit their strengths.



Business partners

Fostering Pride in Work through Original Uniforms with Experience Value Added

Onward Corporate Design Co., Ltd. offers uniforms that contribute to enhancing corporate value.

The new uniforms of Doutor Coffee shops, which are scheduled to be launched in December 2024, partially use fabric recycled from drifting plastic (PET) bottle waste.

Ahead of the production of the new uniforms, we conducted a beach cleanup with six people, including executives from Doutor Coffee, on Ishigaki Island in December 2023, to collect approximately 1,500 PET bottles. Through the new Doutor original uniforms with experience value added, we aim to increase interest in and awareness of the marine litter problem both inside and outside the company, and to make people feel proud of working at Doutor Coffee Co., Ltd.



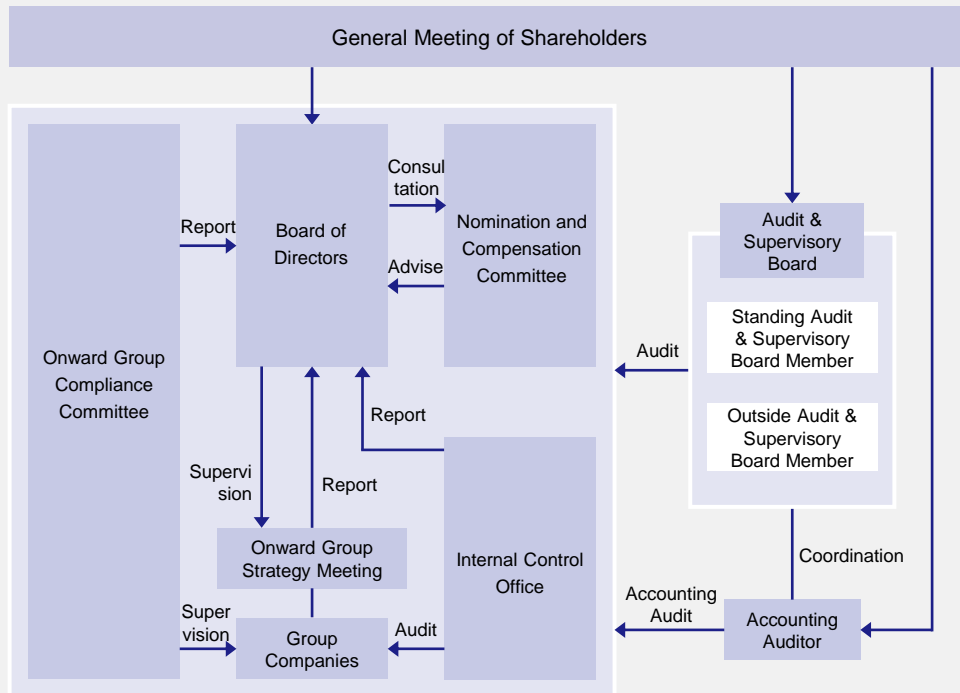
Corporate Governance

Our Basic Approach to Corporate Governance

The Group believes that responding promptly to changes in its business environment and ensuring a level of corporate governance that enhances the health, fairness, transparency, and compliance of its management and operations are among its most important responsibilities and central to increasing corporate and shareholder value.

The Group has set forth “enriching and adding color to people’s lives while caring for the planet” in its mission statement, and declares that it will keep moving forward as a “lifestyle and culture creation company” that contributes to creating lifestyles with “richness and colors” in harmony with the planet through “customer-centric management leveraging employees’ diverse strengths” in its basic management policy. Moreover, we believe that, in order to exercise this policy and accomplish its objectives, it is vital for the Group to build and maintain strong networks and relationships with customers and all other stakeholders it connects with in its corporate activities.

Corporate Governance Structure



Directors and the Board of Directors

In order to further clarify the management responsibilities of Directors, to increase opportunities to gain the confidence of shareholders, and to put in place an optimal and flexible management framework that is capable of responding to changes in the business environment in a timely manner, the Company has set the term of directors at one year. In addition, two of the six members of the Board of Directors (five men and one woman) are appointed from outside the Company and selected on the basis of their high level of independence. This initiative is aimed at reinforcing the supervisory function of the Board. In FY02/24, the Board of Directors met 12 times, and one separate meeting was held in the form of document correspondence.

Reasons for the Appointment of Outside Directors

Name	Reasons for Appointment as an Outside Director and Status of Attendance in FY02/24
Akira Kawamoto	We have elected Mr. Kawamoto as an Outside Director because we are expecting him to use his extensive experience gained while working for the government for many years and diverse knowledge and insight from his academic experience to enhance the Company's management. He attended 12 out of 12 (100%) Board of Directors' meetings.
Yoshie Komuro	We have elected Ms. Komuro as an Outside Director because we are expecting her to use her expertise as a corporate manager and experience and insight developed through serving as an expert sitting on various government-affiliated councils to enhance the Company's management. She attended 12 out of 12 (100%) Board of Directors' meetings.

Skill Matrix of the Board of Directors (As of May 23, 2024)

Name	Outside Directors and Outside Audit & Supervisory Board Members	Expertise and Experience Expected by the Company					
		Company Management Business Operation	International Experience Overseas Business	Financial Accounting M&A	Legal Compliance Risk Management	IT Digital	Human Resources Diversity Environment Social Contribution
Michinobu Yasumoto		●	●			●	●
Kenji Chishiki		●		●	●		●
Daisuke Ikeda		●			●		●
Shohei Yoshida		●	●	●			
Akira Kawamoto	●	●	●	●		●	
Yoshie Komuro	●	●				●	●

Corporate Governance

Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company has adopted an Audit & Supervisory Board structure, under which the Company has appointed four Audit & Supervisory Board Members (three men and one woman *as of February 29, 2024), two of whom are Outside Audit & Supervisory Board Members. Staff members have also been assigned to assist Audit & Supervisory Board Members in carrying out their duties and to strengthen their supervisory function. Each member audits and monitors the performance of directors. Responsibilities include reviewing the documentation of important decisions and attending important meetings, such as Board of Directors' meetings, Group financial account settlement meetings, and budget committee meetings, in accordance with audit policies and the roles established by the Audit & Supervisory Board. In addition, the Internal Control Office and business departments conduct periodic monitoring in an effort to establish an effective and lawful corporate structure.

The Audit & Supervisory Board meets with the representative directors and the accounting auditor on a regular basis to share and exchange information and opinions. This initiative is also designed to ensure a structure is in place that is capable of conducting audits in an effective and lawful manner. Moreover, the Audit & Supervisory Board receives reports from each member in accordance with audit policies and the roles. Deliberations are undertaken and resolutions are made based on this information as required. In FY02/24, the Audit & Supervisory Board met 16 times.

Reasons for the Appointment of Outside Audit & Supervisory Board Members

Name	Reasons for Appointment as an Outside Audit & Supervisory Board Member and Status of Attendance in FY02/24
Ryu Umezu	We have elected Mr. Umezu as an Outside Audit & Supervisory Board Member because we are expecting him to use his wealth of knowledge, insight, and specialties from his experience as an attorney, particularly his robust insight and experience pertaining to capital market transactions and financial transactions, in audits of the Company. He attended 12 out of 12 (100%) Board of Directors' meetings and 16 out of 16 (100%) Audit & Supervisory Board meetings.
Mitsuyo Kusano	We have elected Ms. Kusano as an Outside Audit & Supervisory Board Member because we are expecting her to use her wide-ranging experience and robust insight from her years of experience in the media industry and her time on expert panels of government committees in audits of the Company. She attended 12 out of 12 (100%) Board of Directors' meetings and 16 out of 16 (100%) Audit & Supervisory Board meetings.

WEB For the Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members, please refer to the Corporate Governance Policy on the Company's website.
https://www.onward-hd.co.jp/en/company/policy_en.pdf

Nomination and Compensation Committee

The Nomination and Compensation Committee, the majority of the members of which are Outside Directors, was established as a voluntary advisory body to the Board of Directors. The Nomination and Compensation Committee responds to consultations from the Board of Directors by discussing matters pertaining to the nomination and compensation of Directors. The results of these discussions are reported to the Board of Directors.

Group Governance

The Group has adopted a holding company structure that allows the Company's Board of Directors to engage in strategic decision-making and supervise operating companies. At the same time, the Group has separated the supervisory and execution functions in order to clarify the responsibilities and authority of each operating company and to facilitate accelerated strategic decision-making.

When matters that require urgent attention arise, the Board of Directors convenes as necessary. In this manner, the Onward Group has a system in place that ensures a swift and appropriate response to rapid changes in the business environment.

Moreover, the Group has introduced an executive officer system (six male executive officers but no female representation *as of the end of February 2024) with the aim of clearly separating management decision-making and business execution functions. In order to facilitate flexible decision-making on a Groupwide basis, the Onward Group Strategy Meeting, which primarily comprises Directors and operating officers from Group companies, is in place to review the management strategies and important management matters of operating companies and confirm the status of operations.

The Onward Group also has advisory contracts with a number of attorneys to receive legal advice.

Evaluation of the Effectiveness of the Board of Directors

The Company's Directors conduct annual self-evaluations to assess the effectiveness and appropriateness of the Board of Directors' management oversight function as well as the degree of accomplishment of their own duties. The results of these evaluations are reported to the Board of Directors. Based on these self-evaluations, the Board of Directors analyzes and evaluates its overall effectiveness, disclosing an overview of the results.

Scope of evaluations

- All Directors and Audit & Supervisory Board Members

Procedures for evaluations

- Self-evaluation via questionnaire
- Support for evaluations provided by external advisor

Overview of results of analysis and evaluation of Board of Directors' effectiveness in FY02/24

- Board of Directors effectively exercising functions for establishing management strategies and targets, resolving management issues, and overseeing business execution in accordance with Onward's Corporate Governance Basic Policy
- Current composition, discussion quality, and operation methods of Board of Directors generally appropriate
- Ongoing examination of diversity of the Board of Directors, monitoring of operational execution, and number of agenda items and materials for the Board of Directors' meetings as well as more efficient operation required in the FY02/25 for improvements to the effectiveness of the Board of Directors

Corporate Governance

Directors' and Audit & Supervisory Board Members' Compensation

Policies for Deciding Amounts of and Calculation Methods for Directors' and Audit & Supervisory Board Members' Compensation

Policies for Deciding Amounts of Directors' and Audit & Supervisory Board Members' Compensation

Compensation paid to Directors and Audit & Supervisory Board Members of the Company comprises basic compensation and compensation for the purpose of acquiring Company stock, which are fixed compensation, and bonuses, which are performance-linked compensation.

Outside Directors and Audit & Supervisory Board Members only receive basic compensation from the standpoint of maintaining independence.

Additionally, the Nomination and Compensation Committee, the majority of the members of which are Outside Directors, was established as a voluntary advisory body to the Board of Directors. The amount allocated to individual Directors is determined by the Board of Directors, upon discussion of the matters relating to the nomination and compensation of Directors by the Nomination and Compensation Committee and reports to the Board of Directors.

a. Basic Compensation

Basic compensation is paid to Directors and Audit & Supervisory Board Members based on predefined standards that take into account factors such as full-time or part-time status, role, rank, years of service, and performance evaluations. Specific amounts of compensation paid to Directors are determined by the Board of Directors while amounts of compensation paid to Audit & Supervisory Board Members are determined through discussions among Audit & Supervisory Board Members.

b. Compensation for the Purpose of Acquiring Company Stock

In June 2015, the Company replaced the prior stock options with compensation for the purpose of acquiring Company stock, with the aim of improving the motivation of Directors to pursue stock price increases and business performance improvements. Compensation for the purpose of acquiring Company stock is paid to Directors (excluding Outside Directors).

c. Bonuses

Bonuses are paid to Directors (excluding Outside Directors) based on the Company's consolidated performance, etc. for the given fiscal year.

The authority to determine the amount of compensation, etc. for Directors of the Company and the policy for determining the calculation method is held by the Board of Directors. The amount of compensation, etc. is determined within the total amount approved by the general meeting of shareholders by comprehensively taking into account factors such as the Director's duties, the business performance of each fiscal year, and the degree of the Director's contribution.

The compensation, etc. for Audit & Supervisory Board Members is determined through discussions among Audit & Supervisory Board Members within the compensation amount approved by the general meeting of shareholders upon taking into account factors such as full-time or part time status and the division of duties.

Resolutions by the General Meeting of Shareholders with Regard to Directors' and Audit & Supervisory Board Members' Compensation

Compensation for Directors of the Company is determined by a resolution of the Board of Directors within the range of "up to ¥500 million a year (including ¥30 million a year for outside Directors)," which was set by resolution of the 60th Annual General Meeting of Shareholders held on May 24, 2007.

At the 74th Annual General Meeting of Shareholders held on May 27, 2021, it was resolved to revise the upper limit paid to Outside Directors to ¥50 million a year from ¥30 million a year.

Basic compensation for Audit & Supervisory Board Members is determined by consultation among them within the range of "up to ¥60 million a year," which was set by resolution of the 48th Annual General Meeting of Shareholders held on May 25, 1995.

The numbers of Directors and Audit & Supervisory Board Members at the time of the resolutions were seven and four, respectively.

Performance Indicators and Method for Determining the Amount of Performance-Linked Compensation

The purpose of this compensation is to reflect single-year business performance in compensation, heighten motivation for improving business performance, increase focus on accomplishing management targets, and clearly evaluate successes.

Bonuses are based on Companywide performance in accordance with the same standards used to calculate the bonuses of employee ranks and adjusted based on performance evaluations that comprehensively account for factors such as the degree of accomplishment of target indicators for management accounting that include sales and profit and loss in the areas of responsibility assigned to each director at the beginning of each fiscal year.

Performance evaluations are determined at the Financial Results Meeting attended by Directors, Audit & Supervisory Board Members, and executive officers.

Total Amount of Compensation Paid by Classification of Directors and Audit & Supervisory Board Members, Total Amount of Compensation Paid by Type of Compensation, and Number of Eligible Directors and Audit & Supervisory Board Members

(As of May 23, 2023)

Classification	Total Amount of Compensation Paid (Millions of yen)	Total Amount of Compensation Paid by Type of Compensation (Millions of yen)			Number of Eligible Directors and Audit & Supervisory Board Members
		Fixed Compensation		Performance-Linked Compensation	
		Basic Compensation	Compensation for the Purpose of Acquiring Company Stock	Bonuses	
Directors (of which, Outside Directors)	332 (24)	175 (24)	53 (-)	104 (-)	6 (2)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	52 (16)	52 (16)	- (-)	- (-)	4 (2)
Total	385 (40)	228 (40)	53 (-)	104 (-)	10 (4)

* As of February 29, 2024, the Company had six Directors and four Audit & Supervisory Board Members.

Corporate Governance

Training of Directors, Audit & Supervisory Board Members, and Executive Officers

The Company offers opportunities for Directors, Audit & Supervisory Board Members, and executive officers to acquire the knowledge necessary for performing their duties along with opportunities for ongoing self-study to ensure that they are able to fulfill their roles and responsibilities. In addition, discussions are held with new directors, Audit & Supervisory Board members, and executive officers upon their appointment regarding the Company's management, business, and financial strategies; important relevant matters; and identification of issues faced by the Onward Group and their solutions. Outside Directors and Outside Audit & Supervisory Board Members, meanwhile, are provided with explanations of the Company's business and organizational structures when they are appointed, and necessary information pertaining to issues faced in business activities and other matters is supplied regularly.

Policies for Cross-Shareholdings and Exercise of Related Voting Rights

In addition to stocks held purely for investment purposes, the Company may hold shares of listed companies with the aim of maintaining and strengthening business relationships and thereby improving medium-to-long-term corporate value. With regard to cross-shareholdings, the Board of Directors will conduct annual assessments of the meaningfulness and economic rationality of these holdings, taking into account growth potential, profitability, strengthening of business relationships, etc., from the perspective of controlling shareholding risk and capital efficiency. Our basic policy is to sell those holdings that are deemed to no longer be appropriate after gaining the understanding of the business partner in question. In addition, holdings that have been deemed appropriate may also be sold in light of the market environment, management and financial strategies. Furthermore, with respect to the exercise of voting rights related to cross-shareholdings, in order to ensure appropriate responses, the Company deliberates on each agenda item in accordance with the following criteria from the perspective of the medium- to long-term improvement of the corporate value of the business partner in question and medium- to long-term increases to the economic benefits for the Company and Group companies, and makes a comprehensive decision on approval or disapproval at the Board of Directors meeting each year.

- 1) Whether the counterparty has been suffering from a significant and ongoing deterioration in business performance
- 2) Whether the counterparty has engaged in any antisocial activities or otherwise lost the trust of society
- 3) Whether there are any proposals submitted that may harm the interests of shareholders

Compliance System

Recognizing that society as a whole increasingly expects it to improve its compliance systems, the Onward Group has positioned compliance as an important issue for management. Furthermore, by enhancing its corporate governance systems, the Company aims to earn high levels of trust among its customers and shareholders and from society as a whole.

The Company has established the Onward Group Compliance Committee as an organization for overseeing the Company's compliance structure.

Initiatives for Compliance

As for initiatives for compliance, the Group created the Compliance Manual to clearly outline the direction of compliance activities and define standards for adhering to ethical concerns and social norms. The Onward Group Compliance Committee takes the lead in conducting continuous educational activities, including in-house training, as a part of efforts to ensure widespread awareness and understanding.

Also, in terms of the Act on the Protection of Personal Information, the Company has established Guidelines on the Protection of Personal Information and continuously carries out training by conducting seminars for all officers and employees.

Risk Management System

The Onward Risk Management Regulations were established with the purpose of guiding the development of the Company's risk management system. The Compliance Division is responsible for the development of the risk management system, the identification of issues, and the formulation of risk-management-related plans. The division reports to the Board of Directors. An effective system is in place to address natural disaster risk, information system risk, and other risks that may severely impact the continuation of business. Additionally, the Board of Directors works in cooperation with external professionals as the situation requires in order to respond appropriately to such risks.

Dialogues with Shareholders

The Company conducts various investor relations (IR) activities, and the IR Division has been established as a dedicated body for ensuring the functionality of these activities. This division maintains close coordination with Corporate Planning, Accounting, Legal Affairs, and other relevant divisions. It also reports the opinions and requests obtained through IR activities to the Onward Group Strategy Meeting and the Board of Directors for use in discussions regarding measures for improving corporate value.

WEB <https://www.onward-hd.co.jp/en/ir/stocks/dialogue.html>

Periodic briefings for analysts and institutional investors

The officer responsible for IR information disclosure plays a central role in holding periodic briefings for analysts and institutional investors at which we explain our financial results and business strategies.

Provision of IR materials on corporate website

An extensive amount of information is disclosed through Onward Holdings' corporate website. Please refer to this website for information on various topics.

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

Round-Table with Outside Directors

We invite people with a wide range of experience and insight as Outside Directors who supervise management and provide advice from an objective perspective, thereby ensuring the execution of strategies and ensuring management transparency.

This year, Mr. Akira Kawamoto, who has been serving as Outside Director since 2018, and Ms. Yoshie Komuro, who has been deeply involved in the Group's workstyle reform since before she took office as Outside Director, spoke on topics including the evaluation of recent reforms and sustainability management that the Group is pursuing.

Outside Director

Akira Kawamoto



Outside Director

Yoshie Komuro

1981 Joined Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)
1995 Seconded to OECD (Organization for Economic Co-operation and Development) (until 1999)
2013 Founded Aspirant Group Inc. (currently Vice Chairman)
Specially Appointed Professor of Keio University
2018 Outside Director of Onward Holdings Co., Ltd.

1999 Joined Shiseido Company, Limited
2006 Established Work-Life Balance Co., Ltd.
2019 Outside Director of Onward Holdings Co., Ltd.



1 Accumulated Brand Power and Climate That Embraces Changes Are the Sources of Onward's Value Creation

From the perspective of the two of you as Outside Directors, what are Onward's strengths?

Kawamoto I recognize that the Company's greatest strength lies in its corporate climate, which offers a well-balanced blend of tradition and innovation. While Japan's leading apparel companies were founded one after another in 1940 and thereafter, the Company was founded as far back as 1927. It is an undeniable fact that the trust accumulated over its nearly 100-year history creates brand power, which is indeed the source of value creation.

However, the world of fashion changes very rapidly, and this is something that cannot necessarily be dealt with only by building on the past; rather, it is necessary to adapt to each era. Even before COVID-19, the Company had been boldly implementing structural reforms in its domestic and overseas businesses. I believe that the Company's strengths lie in its ability to decisively carry out reforms based on tradition and its flexibility to embrace changes. I believe that the driving force behind the recent reforms was such corporate climate, the leadership of President Mr. Yasumoto, and the strong will of the employees, who are full of love for Onward.

Komuro I feel that its strength lies in the climate where diversity of personnel is ensured and candid and open discussions are held regardless of gender or age. As Mr. Kawamoto mentioned, I feel that, with such diversity, many employees are committed to creating new innovations without being attached too much to existing values, while respecting them.

Meanwhile, I remember the first time I taught a training course for all managers in 2018, which is before I took office as Outside Director, it was all men as far as the eye could see, all in navy-blue suits, and it looked like an army. From such state, the workstyle reform served as a trigger, leading to the creation of a climate that recognizes diversity, and different values are also getting accepted flexibly. Partly because President Mr. Yasumoto also positively accepted such change, diverse values have penetrated various departments relatively smoothly, which has had a significant effect on product development, including the creation of new hit products.

2 Steady Awareness-Raising over Past Five Years Has Fostered Diverse Values and Promoted Workstyle Reform and the Appointment of Female Executive Officers

I understand that a number of reforms have been promoted in human capital management. Please share your thoughts on the changes before and after the reforms, and what needs to be done for even more diversity.

Komuro Management that emphasizes human capital is constantly evolving day by day. In particular, the Company has made significant progress in empowering female employees, including the appointment of two female executive officers in March 2024. There were many challenges to overcome before we could have female officers, including an internal consensus to be reached and their own willingness and experience. However, I feel that it was very significant that we managed to go as far as the appointment despite the twists and turns.

I think the driving force behind this was a change in how people are evaluated and the workstyle reform. In the past, there was a tendency to require leaders to push forward with work regardless of what it takes, or to push themselves too hard to complete their tasks, and I think it was a factor in hesitating to promote female employees to leadership positions. The way people are evaluated has changed considerably as a result of the workstyle reform, with those who can deliver results within a certain amount of time being considered excellent. In order to encourage female employees to honestly seek promotions, we set up an opportunity for President Yasumoto and female candidates for officer to discuss the significance of diversity through dialogue sessions held over the course of one year.

As a result of making such efforts steadily, the Board of Directors' desire to empower female employees is getting embraced gradually throughout the company, female employees are becoming more motivated, and there is also growing company-wide momentum for the utilization of human resources. Particularly striking is a change in men's attitudes toward childcare leave. The proportion of male employees taking childcare leave was only in the order of 7% in FY02/19. But in FY02/24, five years later, it increased to as high as 66.7%. Further, not limited to the proportion of taking childcare leave, the average number of days of leave taken has reached more than four months.

Kawamoto Although the number of male employees taking childcare leave is gradually increasing also in Japan, we often hear that in other companies, employees themselves are not fully convinced of the need for childcare leave, or that the leave taken is only for a few days. In circumstances where there is still much room for men to fully participate in childcare, I feel proud that the Company has been able to promote fairly aggressive initiatives.

Through such initiatives and the changes Ms. Komuro explained about, I believe that the Company is steadily approaching a "lifestyle and culture creation company" that it has set forth in its mission. Further, we are a company that provides "richness and colors" to our customers' lives, with a focus on apparel. Unless we, the entity that is to deliver them are like this, this mission will not be completed.

Komuro While there are not a few companies that put in place formalities only for the sake of disclosure, I believe that the Company has been able to steadily lay the groundwork for reform while enhancing psychological security internally, by promoting fundamental efforts based on the workstyle reform. Also, President Yasumoto's strong desire to change the corporate climate toward the empowerment of female employees was a major boost.

I think it was also good that we started with measures in areas that were easy to work on. By starting with areas that are easy to work on, sales do not decline, but rather improve, despite changes in the way people work. This fosters psychological security, leading to higher creativity as well. As we managed to get the positive aspects of the reform manifested one after another this way, it proceeded smoothly once we proceeded to actual implementation.

Kawamoto As I said earlier, the prerequisite for the Company to realize its mission is that each and every employee must be happy. To date, we have been promoting the empowerment of female employees and other diverse employees while enhancing psychological security with the workstyle reform as the foundation. However, I feel that we, the Board of Directors, could have done more to adequately follow up on the engagement of our entire workforce in real time, while we do have an awareness of that. I intend to apply this to the future operation of the Board of Directors.

I understand clearly that effective reforms have been underway. Meanwhile, do you feel that the enhancement of diversity and the workstyle reform are leading to an increase in corporate value?

Komuro Through a series of reforms, we have seen an increase in the number of male employees participating in childcare and female employees working in management positions while raising children. But for many of our customers, that is just everyday life. The workstyle reform resulted in the employees' realizing more such values held by customers and what they are looking for, which has led to the creation of new hit brands. I believe that each and every one of us should have time for hobbies and lead an enriched life with a relaxed mind, which will also lead to improvements in the overall strength of the company as a whole and its products.

3 The Role of M&A Is Increasing to Realize Sustainable Growth in The Future. Aiming to Maximize Synergies by Enhancing Psychological Security for Acquired Company

The Company will aim to achieve net sales of ¥300 billion in FY02/31 through discontinuous growth going forward. What are your thoughts on how corporate governance should be as we accelerate growth?

Kawamoto We welcomed Ms. Komuro as our first female director in 2019, and Ms. Mitsuyo Kusano joined us in the following year as female Audit & Supervisory Board Member. There has been steady progress in diversity and institutional design of the Board of Directors, including the establishment of the Nomination and Compensation Committee as an advisory body to the Board of Directors in 2021.

Under such structure, we intend to encourage the use of digital technology, and manage and supervise business execution in a more effective and efficient manner as the Board of Directors based on quantitative information.

M&A is also one of the key measures to achieve the targets for FY02/31. The key to growth will be to grow the wellness field, which has high affinity with the fashion field. As in the past, we believe that M&A will be a main driver to an expansion in the wellness field. The Company's internal system for promoting M&A has been strengthened, but the most important of all is Post-Merger Integration (PMI), which is an integration process after a corporate acquisition. We will strive for appropriate management and control within the group so that the best outcome will be achieved.



Komuro In addition, what is important is to enhance psychological security of the acquired company. In order to bring together companies with different climates, it is important for the Company to receive information as is and to create a system that allows us to make decisions appropriately and promptly based on such information. If this cannot be realized, synergies that are the essence of M&A will not be created. It is essential to enhance psychological security while respecting the acquired company, also in order to realize it.

The Company has developed a variety of measures for reforms and has continued to work steadily without interruption. I hope that it will accelerate growth based on the foundation it has built.

4 The Apparel Industry Has a Tremendous Impact on the Environment. Expect Onward to Lead Cross-Industry Initiatives

In realizing sustainability management, environmental and social initiatives are also important in addition to strengthening corporate governance. How would you rate recent initiatives and future challenges?

Kawamoto We have a long history of addressing environmental issues in particular, such as the “Onward Green Campaign” launched in 2009 to collect, recycle and reuse clothing items from customers. However, as the world moves toward fast fashion, the life cycle of clothing (production, consumption and disposal) is becoming even shorter, and we must accelerate our efforts to keep pace with this trend. There is a strong demand from society to reduce environmental load, and I hope that the entire company will take on the challenge for new innovations while utilizing its know-how gained so far.

Also, as related to the previous topic, with sustainability in mind in terms of the company's own survival, I believe it is important to grow our revenue base by expanding the wellness field, such as gifts, pets, and beauty.

Komuro As Mr. Kawamoto pointed out, the apparel industry has a significant impact on the environment, and there is a limit to what can be done by an individual company alone; cross-industry efforts are essential. Product Lifecycle Management (PLM), which the Company has been working on, is a mechanism that can promote greater efficiency and productivity in the activities of the entire supply chain, and can contribute to reducing environmental load while involving a variety of companies. I believe that the Company's brand strength, cultivated over the years, will help to encourage everyone in the industry to participate.



On the social aspect, around 2021, forced labor in apparel companies was raised as an issue. At that time, the Board of Directors fully scrutinized the actual situation at the Company and re-examined the entire supply chain. I hope that the Company will take the lead in raising the level of initiatives in the industry as a whole, both in terms of environmental conservation and traceability.

Finally, what are your future aspirations as Outside Director?

Komuro Although female directors are still in the minority in the Company, I recognize that it is my role to express my opinions without any discernment because of that.

That said, rather than unilaterally imposing my opinions as a minority, I would like to help the Company move in the right direction by presenting quantitative evidence based on examples from other companies and overseas.

Kawamoto I would like to be in a position to stimulate discussion from a broad perspective based on my experience in economic policy, international work assignments and business that I have gained in government offices and investment projects. I expect the Company to gradually shift the axis of its business to overseas markets as well. In doing so, I intend to leverage my global knowledge to help the Company grow.

Management Team



Managing Director

Daisuke Ikeda

Standing Audit & Supervisory Board Member

Nobuyoshi Onogi

Outside Audit & Supervisory Board Member

Ryu Umezu

Outside Audit & Supervisory Board Member

Mitsuyo Kusano

Standing Audit & Supervisory Board Member

Hikosaburo Seike

Director

Shohei Yoshida

Outside Director

Yoshie Komuro

President and CEO

Michinobu Yasumoto

Director and Vice President

Kenji Chishiki

Outside Director

Akira Kawamoto

11-Year Key Financial Data

(Millions of yen)

	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23	FY02/24
Net Sales	280,007	281,501	263,516	244,900	243,075	240,652	248,233	175,899	168,453	176,072	189,629
Cost of sales	149,270	152,438	144,063	131,638	129,498	129,019	135,550	105,196	80,841	79,320	83,847
Selling, general and administrative expenses	120,537	123,332	115,674	109,059	108,409	107,171	115,744	90,876	88,691	91,537	94,521
Operating Profit	10,200	5,731	3,778	4,203	5,167	4,461	(3,061)	(20,173)	(1,079)	5,214	11,260
Recurring profit	12,211	7,162	5,504	5,577	5,928	5,161	(3,835)	(20,174)	507	5,319	10,126
Income taxes – current	3,111	5,033	8,679	1,533	3,305	1,244	1,653	814	2,695	1,387	1,263
Profit attributable to owners of parent	4,658	4,204	4,278	4,744	5,366	4,948	(52,135)	(23,181)	8,566	3,061	6,611
Cash flows from operating activities	13,361	16,490	3,632	6,844	13,228	4,635	8,003	(19,614)	7,814	5,685	3,999
Cash flows from investing activities	(14,300)	(15,656)	1,782	25,270	(7,299)	(10,305)	(10,758)	6,091	21,685	4,390	(4,321)
Cash flows from financing activities	2,121	757	(6,357)	(32,856)	(6,593)	11,542	(1,595)	5,860	(36,173)	(11,955)	263
Free cash flow	(939)	834	5,414	32,114	5,929	(5,670)	(2,755)	(13,523)	29,499	10,075	(322)
Capital expenditures	16,750	26,884	15,955	10,599	12,058	13,472	9,533	6,501	5,657	4,921	4,613
Depreciation and amortization	6,800	7,218	7,799	6,662	6,334	6,510	6,392	5,659	4,605	4,366	3,978
Cash and deposits	27,375	31,122	29,407	26,096	26,334	31,284	28,795	21,301	15,209	13,805	14,133
Current assets	110,349	117,051	121,468	103,572	105,977	114,324	106,782	80,460	60,508	62,255	73,400
Property, plant and equipment	102,878	109,658	106,695	92,268	93,714	96,717	83,231	71,825	58,042	53,130	50,468
Total assets	313,430	340,854	313,454	273,226	278,133	287,554	234,316	196,052	157,727	159,198	171,362
Current liabilities	101,009	109,619	106,109	85,684	86,384	105,405	108,743	99,549	55,761	53,124	62,350
Shareholders' equity	178,077	179,879	176,263	169,027	168,341	167,429	105,023	68,926	75,030	75,721	80,849
Net assets	175,028	185,315	172,337	165,670	168,152	162,210	94,036	59,509	77,257	85,073	84,995
Basic earnings per share (EPS) (yen)	29.69	26.78	28.27	31.47	36.97	35.24	(383.97)	(171.18)	63.17	22.57	48.72
Net assets per share (yen)	1,102.99	1,166.89	1,101.21	1,116.47	1,155.04	1,148.30	665.17	418.32	493.14	550.76	587.92
Cash dividends (yen)	24.00	24.00	24.00	24.00	24.00	24.00	24.00	12.00	12.00	12.00	20.00
Payout ratio (%)	80.8	89.6	86.5	74.0	63.7	66.9	–	–	19.0	53.2	41.1
ROE (%)	2.8	2.4	2.4	2.8	3.3	3.1	(42.0)	(31.6)	13.9	4.3	8.6
ROA (%)	4.1	2.2	1.7	1.9	2.2	1.8	(1.5)	(9.4)	0.3	3.4	6.1
Operating profit margin (%)	3.6	2.0	1.4	1.7	2.1	1.9	(1.2)	(11.5)	(0.6)	3.0	5.9
Gross profit margin (%)	46.7	45.8	45.3	46.2	46.7	46.4	45.4	40.2	52.0	54.9	55.8
SG&A expenses / Net sales (%)	43.0	43.8	43.9	44.5	44.6	44.5	46.6	51.7	52.7	52.0	49.8
Shareholders' equity ratio (%)	55.2	53.8	54.2	59.8	59.2	55.1	38.3	28.9	42.4	47.0	46.6
Number of full-time employees (consolidated)	5,224	4,973	5,119	4,456	4,530	4,643	5,153	7,498	6,377	6,061	5,750

Notes: 1. The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) early, from the beginning of FY02/22.

2. The presentation method has been changed from FY02/22, and therefore, with regard to net sales and operating profit for the previous fiscal year, the Company states figures after reclassification that reflect this change in the presentation method.

3. The increase in the number of employees (consolidated) in and after FY02/21, is mainly due to the changes in the employment categories of the Company and Onward Kashiyama Co., Ltd.

Analysis of Financial Position, Operating Results and Cash Flows

Overview of Operating Results, etc.

During the fiscal year under review, the Japanese economy remained on a mild economic recovery path as the normalization of social and economic activities progressed gradually as a result of the lifting of restrictions on activities related to COVID-19. On the other hand, soaring prices of energy resources and raw materials due to the international situation and rising domestic prices due to exchange rate fluctuations, etc. have affected consumer confidence and business activities, and the economic outlook remains uncertain.

Under such circumstances, the Group's physical and online stores benefited from improved operational capabilities of OMO (Online Merges with Offline)-type stores that introduced the "Click & Try" service, as well as more precise marketing measures using social networking services, which contributed to an increase in the number of visitors to physical and online stores as well as an increase in net sales. In addition, the outcome of the global business reforms and progress in improving the efficiency of the product supply chain led to higher operating profit margin in the current fiscal year compared with the previous fiscal year, resulting in an increase in revenue and a significant increase in profit at all levels during the fiscal year under review. Operating profit was the highest on record since FY02/09.

As a result of the above, consolidated net sales amounted to ¥189,629 million (a 7.7% increase year-on-year), consolidated operating profit was recorded at ¥11,260 million (a 115.9% increase year-on-year), consolidated recurring profit was ¥10,126 million (a 90.4% increase year-on-year), and profit attributable to owners of parent amounted to ¥6,611 million (a 116.0% increase year-on-year).

Status by Business Segment

[Apparel Business]

In the domestic business, Onward Kashiyama Co., Ltd., the core operating company of the Group, saw sales of its mainstay brands such as Nijyusanku stay strong. Further, "UNFILO" created hit products, which led to a significant increase in net sales. Sales also increased at Onward Personal Style Co., Ltd., which develops the KASHIYAMA brand, as the effect of advertising and promotion activities was evident to see and sales at directly managed stores and BtoB sales remained strong. Overseas business achieved revenue growth in Europe, the U.S. and Asia, with a significant improvement in profit and loss.

As a result of the above, net sales amounted to ¥146,522 million (an 8.7% increase year-on-year) and operating profit was ¥7,513 million (a 214.4% increase year-on-year).

[Lifestyle Business]

Chacott Co., Ltd., which develops a wellness business, saw net sales increase thanks to the strengthening of marketing measures by utilizing social networking services and through the creation of hit products in "Chacott Cosmetics." In addition, Creative Yoko Co., Ltd., which operates a pet and home life business, continued to post strong sales as its aggressive store opening strategy proved successful. Yamato Co., Ltd., which develops a gift catalog business, also continued to perform well. As a result of the above, net sales amounted to ¥43,107 million (a 4.4% increase year-on-year) and operating profit was ¥4,364 million (a 16.2% increase year-on-year).

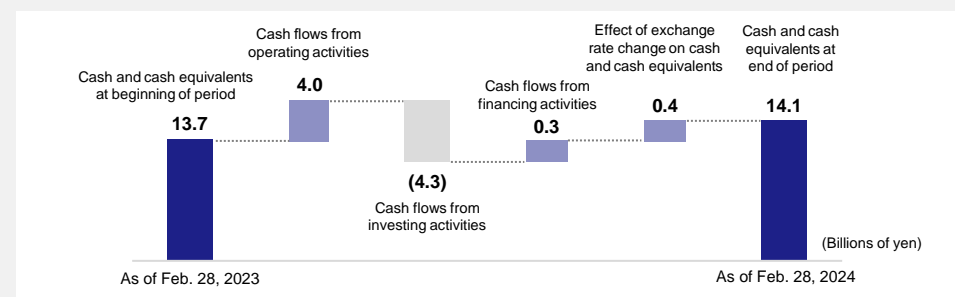
Cash Flows

Cash flows provided by operating activities amounted to ¥3,999 million (an inflow of ¥5,685 million for the previous fiscal year) mainly due to a profit before income taxes, an impairment loss, an increase in trade receivables, and an increase in inventories.

Cash flows used in investing activities amounted to ¥4,321 million (an inflow of ¥4,390 million for the previous fiscal year) mainly due to purchase of property, plant and equipment and purchase of investment securities.

Cash flows provided by financing activities amounted to ¥263 million (an outflow of ¥11,955 million for the previous fiscal year), which primarily included a net increase in short-term borrowings and proceeds from long-term borrowings.

As a result, cash and cash equivalents at the end of the fiscal year under review increased by ¥337 million compared with the end of the previous fiscal year to ¥14,133 million.



Production, Orders and Sales

a. Production

The results of production by segment during the fiscal year under review are as follows.

Given the difficulty of defining production in the Lifestyle Business, the figures for "Production" are not given.

Segment	Amount (Millions of yen)	YoY Change (%)
Apparel Business	14,348	105.1

Note: Figures represent manufacturing costs.

b. Orders

The Group engages in mostly Make-to-Stock production rather than Make-to-Order production.

Furthermore, items produced by Make-to-Order are also produced by Make-to-Stock for the same item, and it is difficult to calculate them separately. Therefore, descriptions are omitted.

Analysis of Financial Position, Operating Results and Cash Flows

c. Sales

The results of sales by segment during the fiscal year under review are as follows.

Segment	Amount (Millions of yen)	YoY Change (%)	
Apparel Business	Domestic	131,256	108.2
	Overseas	15,265	113.7
	Total	146,522	108.7
Lifestyle Business	43,107	104.4	
Total	189,629	107.7	

Note: Inter-segment transactions have been eliminated.

Analysis of Operating Results

a. Net Sales and Gross Profit

Net sales grew ¥13,557 million compared with the previous consolidated fiscal year to ¥189,629 million due to an increase in the number of visitors to physical and online stores, reflecting improved management capabilities of OMO-type stores with the “Click & Try” service introduced, mainly by our core operating company Onward Kashiya Co., Ltd., the expanded roll-out of multi-brand ONWARD CROSSET SELECT stores, and the improved precision of marketing measures utilizing social networking services.

Gross profit increased ¥9,030 million from the previous fiscal year to ¥105,782 million and the gross profit margin improved by 0.9 pt due to our efforts for thorough inventory control and discounted sales reduction measures.

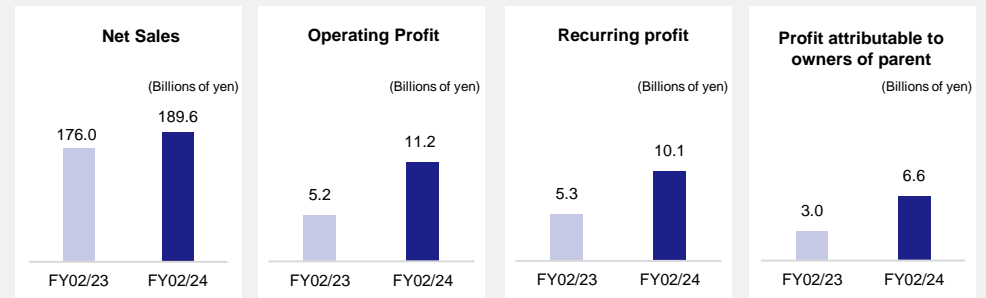
b. Operating Profit and Recurring Profit

While selling, general and administrative expenses increased by ¥2,984 million from the previous fiscal year to ¥94,521 million, the selling, general and administrative expense ratio declined thanks to the outcomes of our global business reforms, etc.

As a result, operating profit grew ¥6,045 million from the previous fiscal year to ¥11,260 million and recurring profit increased by ¥4,807 million from the previous fiscal year to ¥10,126 million.

c. Profit Before Income Taxes and Profit Attributable to Owners of Parent

Extraordinary income amounted to ¥433 million as a result of gain on sale of investment securities and gain on sale of non-current assets, etc. Extraordinary losses amounted to ¥4,395 million, mainly due to impairment losses on non-current assets and losses from the disaster caused by the typhoon off the coast of Guam. Profit before income taxes increased by ¥2,354 million from the previous fiscal year to ¥6,164 million and profit attributable to owners of parent increased by ¥3,550 million to ¥6,611 million.



Analysis of Financial Position

a. Assets

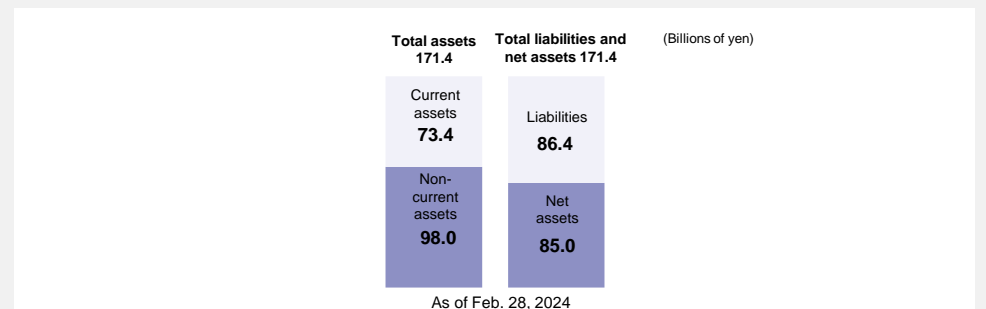
Total assets grew ¥12,163 million compared with the end of the previous fiscal year to ¥171,362 million. Current assets were up ¥11,145 million due to increases in merchandise and finished goods, raw materials and supplies, etc. Non-current assets rose ¥1,018 million mainly due to an increase in retirement benefit asset.

b. Liabilities

Total liabilities increased by ¥12,242 million compared with the end of the previous fiscal year to ¥86,367 million. Current liabilities grew ¥9,226 million due to an increase in short-term borrowings, etc., and non-current liabilities rose ¥3,016 million due to an increase in long-term borrowings, etc.

c. Net assets

Total net assets decreased by ¥78 million compared with the end of the previous fiscal year to ¥84,995 million. Shareholders' equity was up ¥5,128 million, mainly due to profit attributable to owners of parent.



Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	13,805	14,133
Notes and accounts receivable-trade, and contract assets	13,981	15,933
Merchandise and finished goods	27,297	35,257
Work in process	486	456
Raw materials and supplies	2,935	3,244
Other, net	4,185	4,675
Allowance for doubtful accounts	(437)	(301)
Total current assets	62,255	73,400
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,719	41,039
Accumulated depreciation	(21,220)	(21,772)
Buildings and structures, net	19,498	19,267
Land	23,328	22,626
Leased assets	9,988	10,036
Accumulated depreciation	(6,784)	(7,215)
Leased assets, net	3,204	2,820
Other, net	18,548	17,531
Accumulated depreciation	(11,449)	(11,759)
Other, net	7,099	5,753
Total property, plant and equipment	53,130	50,468
Intangible fixed assets		
Goodwill	4,025	3,289
Other, net	5,081	5,533
Total intangible fixed assets	9,106	8,822
Investments and other assets		
Investment securities	16,433	16,600
Long-term loans receivable	2,882	2,566
Long-term prepaid expenses	383	347
Retirement benefit asset	5,441	7,774
Deferred tax assets	3,454	4,805
Other, net	6,442	6,671
Allowance for doubtful accounts	(331)	(93)
Total investments and other assets	34,706	38,671
Total non-current assets	96,943	97,692
Total assets	159,198	171,362

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,154	8,740
Electronically recorded obligations-operating	13,236	13,871
Short-term borrowings	14,880	20,198
Current portion of long-term borrowings	3,720	5,214
Lease obligations	887	858
Income taxes payable	1,129	965
Provision for bonuses	914	1,296
Provision for bonuses for directors	179	216
Other, net	10,021	10,988
Total current liabilities	53,124	62,350
Non-current liabilities		
Long-term borrowings	8,657	12,255
Lease obligations	3,902	3,420
Deferred tax liabilities for land revaluation	241	180
Retirement benefit liability	2,886	2,752
Provision for retirement benefits for directors and corporate auditors	262	290
Asset retirement obligations	2,563	2,629
Other, net	2,485	2,488
Total non-current liabilities	21,000	24,017
Total liabilities	74,125	86,367
Net assets		
Shareholders' equity		
Share capital	30,079	30,079
Capital surplus	50,347	50,342
Retained earnings	16,042	21,165
Treasury shares	(20,748)	(20,737)
Total shareholders' equity	75,721	80,849
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,620	2,431
Deferred gains or losses on hedges	30	4
Revaluation reserve for land	(5,698)	(5,837)
Foreign currency translation adjustment	1,441	451
Remeasurements plans	631	1,896
Total accumulated other comprehensive income	(973)	(1,052)
Share acquisition rights	82	76
Non-controlling interests	10,243	5,122
Total net assets	85,073	84,995
Total liabilities and net assets	159,198	171,362

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Net Sales	176,072	189,629
Cost of sales	79,320	83,847
Gross profit	96,751	105,782
Selling, general and administrative expenses	91,537	94,521
Operating Profit	5,214	11,260
Non-operating income		
Interest income	28	52
Dividend income	205	231
Foreign exchange gains	789	-
Subsidy income	136	-
Other, net	219	211
Total non-operating income	1,380	494
Non-operating expenses		
Interest expenses	363	896
Loss on disposal of salesfloor fixtures, etc.	45	16
Foreign exchange losses	-	109
Share of loss of entities accounted for using equity method	46	249
Other, net	819	356
Total non-operating expenses	1,274	1,628
Recurring profit	5,319	10,126
Extraordinary income		
Gain on sale of investment securities	527	363
Gain on sale of non-current assets	21	69
Gain on sale of shares of subsidiaries and associates	1,300	-
Other, net	29	-
Total extraordinary income	1,878	433
Extraordinary losses		
Impairment loss	2,906	3,586
Extraordinary loss due to closing and other	5	-
Losses due to disaster	-	195
Other, net	475	614
Total extraordinary losses	3,388	4,395
Profit before income taxes	3,809	6,164
Income taxes – current	1,387	1,263
Income taxes – deferred	(688)	(1,976)
Total income taxes	698	(713)
Profit	3,111	6,878
Profit attributable to non-controlling interests	49	266
Profit attributable to owners of parent	3,061	6,611

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Profit	3,111	6,878
Other comprehensive income		
Valuation difference on available-for-sale securities	4,267	(197)
Deferred gains or losses on hedges	29	(25)
Foreign currency translation adjustment	2,256	(990)
Remeasurements of defined benefit plans, net of tax	1,103	1,265
Share of other comprehensive income of affiliates accounted for by the equity method	-	7
Total other comprehensive income	7,656	60
Comprehensive income	10,767	6,938
Comprehensive income attributable to:		
Owners of parent	10,231	6,672
Non-controlling interests	535	266

Consolidated Financial Statements

Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 1, 2023	30,079	50,390	15,391	(20,831)	75,030	(1,646)	1	(5,698)	(328)	(472)	(8,144)	122	10,248	77,257
Cumulative effects of changes in accounting policies			(782)		(782)									(782)
Restated balance	30,079	50,390	14,608	(20,831)	74,247	(1,646)	1	(5,698)	(328)	(472)	(8,144)	122	10,248	76,474
Changes during period														
Dividends of surplus			(1,627)		(1,627)									(1,627)
Profit attributable to owners of parent			3,061		3,061									3,061
Purchase of treasury shares				(0)	(0)									(0)
Disposal of treasury shares		(43)		82	39									39
Net changes in items other than shareholders' equity						4,267	29	-	1,770	1,103	7,170	(39)	(5)	7,125
Total changes in items during period	-	(43)	1,433	82	1,473	4,267	29	-	1,770	1,103	7,170	(39)	(5)	8,598
Balance as at February 29, 2024	30,079	50,347	16,042	(20,748)	75,721	2,620	30	(5,698)	1,441	631	(973)	82	10,243	85,073

Fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as at March 1, 2023	30,079	50,347	16,042	(20,748)	75,721	2,620	30	(5,698)	1,441	631	(973)	82	10,243	85,073
Changes during period														
Dividends of surplus			(1,628)		(1,628)									(1,628)
Profit attributable to owners of parent			6,611		6,611									6,611
Purchase of treasury shares				(0)	(0)									(0)
Disposal of treasury shares		(5)		11	6									6
Reversal of revaluation reserve for land			139		139									139
Net changes in items other than shareholders' equity						(189)	(25)	(139)	(990)	1,265	(79)	(6)	(5,121)	(5,207)
Total changes in items during period	-	(5)	5,122	11	5,128	(189)	(25)	(139)	(990)	1,265	(79)	(6)	(5,121)	(78)
Balance as at February 29, 2024	30,079	50,342	21,165	(20,737)	80,849	2,431	4	(5,837)	451	1,896	(1,052)	76	5,122	84,995

Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	3,809	6,164
Depreciation and amortization	4,366	3,978
Impairment loss	2,906	3,586
Amortization of goodwill	794	813
Increase (decrease) in allowance for doubtful accounts	330	(413)
Decrease (increase) in retirement benefit asset	(2,192)	(2,333)
Increase (decrease) in retirement benefit liability	26	(134)
Interest and dividend income	(234)	(283)
Interest expenses	363	896
Share of loss (profit) of entities accounted for using equity method	46	249
Loss (gain) on disposal of non-current assets	4	(21)
Loss on disposal of salesfloor fixtures, etc.	45	16
Loss (gain) on sales of investment securities	(505)	(363)
Loss (gain) on valuation of investment securities	166	-
Loss (gain) on sales of shares of subsidiaries and associates	(1,300)	0
Decrease (increase) in trade receivables	358	(1,742)
Decrease (increase) in inventories	(3,653)	(7,848)
Increase (decrease) in trade payables	3,077	931
Other, net	(1,032)	1,793
Subtotal	7,377	5,289
Interest and dividends received	1,414	252
Interest paid	(414)	(766)
Income taxes paid	(2,726)	(2,373)
Income taxes refund	35	1,597
Net cash provided by (used in) operating activities	5,685	3,999
Cash flows from investing activities		
Payments into time deposits	(11)	-
Proceeds from withdrawal of time deposits	11	10
Purchase of property, plant and equipment	(2,164)	(1,967)
Proceeds from sales of property, plant and equipment	0	289
Purchase of investment securities	(3)	(2,022)
Proceeds from sales of investment securities	3,238	1,771
Purchase of long-term prepaid expenses	(69)	(9)
Payments of guarantee deposits	(878)	(607)
Proceeds from refund of guarantee deposits	474	317
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	7,644	-
Other, net	(3,851)	(2,101)
Net cash provided by (used in) investing activities	4,390	(4,321)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,796)	3,202
Proceeds from long-term debt	-	9,000
Repayments of long-term borrowings	(4,053)	(3,907)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,627)	(1,628)
Payments to noncontrolling interests	(190)	(5,020)
Dividends paid to non-controlling interests	(248)	(366)
Other, net	(1,038)	(1,014)
Net cash provided by (used in) financing activities	(11,955)	263
Effect of exchange rate change on cash and cash equivalents	475	396
Net increase (decrease) in cash and cash equivalents	(1,403)	337
Cash and cash equivalents at beginning of period	15,199	13,795
Cash and cash equivalents at end of period	13,795	14,133