ONWARD

Creating Tomorrow's Lifestyles

Annual Report 2008

Year Ended February 29, 2008

ONWARD HOLDINGS CO., LTD.

Profile

Since its establishment in 1947, ONWARD KASHIYAMA CO., LTD., has been an active leader in the world of fashion. The Company has drawn on its sophisticated capabilities in planning, technological development, information network management, and production to develop a wide range of popular brands that appeal to the diverse tastes of consumers, who differ not only in age but also in the values they hold. Onward's products are marketed through department stores, direct merchants, shopping centers, and general retailers throughout Japan as well as via a global sales network that spans Europe, Asia, and North America.

Onward has earned a strong reputation in all quarters for its continued ability to anticipate consumer needs and offer new concepts that reflect those needs. As a leading retailer in the global apparel industry, Onward is drawing on its long experience in planning and development, technology, information, and production to more actively develop business in both domestic and overseas markets.

Contents

Future business plans, targets, and related numerical figures presented in this annual report are intended to give an accurate picture of Onward's future prospects. However, no guarantee can be offered that plans, targets, and other numerical figures described herein can be realized. The achievement of stated targets is dependent not only on the efforts of the Company but also the conditions facing the industry as a whole, and we ask for understanding in this regard.

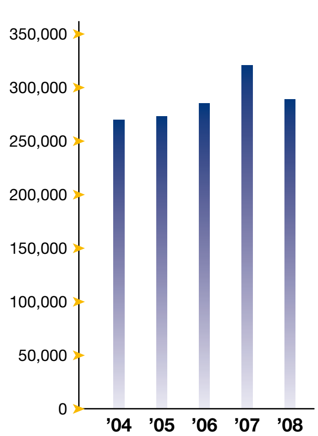
Financial Highlights

ONWARD KASHIYAMA CO., LTD. and Subsidiaries
Years ended February 28, 2007 and February 29, 2008

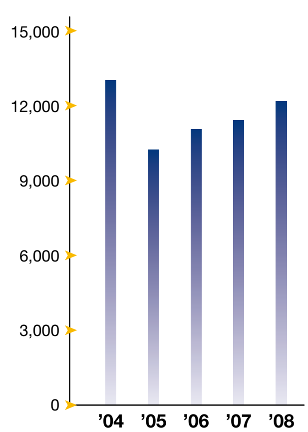
	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
At year-end:			
Total current assets	¥135,197	**¥112,519**	**$1,073,864**
Total current liabilities	103,494	**93,321**	**890,636**
Short-term loans	26,916	**25,677**	**245,059**
Total shareholders’ equity	212,600	**213,625**	**2,038,796**
For the year:			
Net sales	¥318,691	**¥287,032**	**$2,739,383**
Operating income	25,431	**18,628**	**177,782**
Net income	11,438	**12,214**	**116,566**
	Yen		U.S. dollars
Per share:			
Net income—basic	¥70.5	**¥76.5**	**$0.730**
Cash dividends	26.0	**30.0**	**0.286**
ROE (%)	5.3	**5.7**	
Operating income margin (%)	7.9	**6.5**	

Note: Yen amounts have been translated, for convenience only, at ¥104.78=US$1, the approximate exchange rate on February 29, 2008.

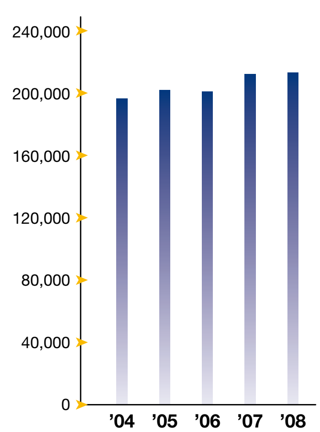
Net Sales
(Millions of yen)
Years ended February 28 or 29



Net Income
(Millions of yen)
Years ended February 28 or 29



Total Shareholders’ Equity
(Millions of yen)
At February 28 or 29



The Onward Group made the transition to a holding company structure in September 2007 to strengthen management capabilities and accelerate the implementation of its growth strategies. Group companies are now working to expand their business domains and increase their profitability. Looking ahead, the Group will substantially step up its policy of Brand-Leveraged Management and, with a sense for the fashion preferences and needs of the times, endeavor to give its brands additional polish and strength.

Performance in Fiscal 2008

During the fiscal year ended February 29, 2008, we regret to report that net sales and ordinary income declined. Net sales amounted to ¥287,032 million, 9.9% lower than for the previous year; operating income was ¥18,628 billion, 26.8% lower than for the prior year; and ordinary income amounted to ¥24,128 million, 12.0% lower than in the previous year.

In Japan, ONWARD KASHIYAMA CO., LTD., faced tough market conditions, and sales of core brands, principally in the women's fashion business, were weak. However, as a result of the elimination of unprofitable brands, the focusing of corporate resources (including personnel, financial, and other resources) on core brands and the strict implementation of low-cost management, profitability began to recover in the second half of the fiscal year. Within the Group, we concentrated those departments and companies engaged principally in non-store sales within ONWARD TRADING CO., LTD., and worked to strengthen marketing capabilities and improve management efficiency. In our overseas business operations, we reported steady performances in Europe and Asia, and earnings were above the planned levels.

Please note that we sold our full equity interest in former subsidiary IMPACT 21 CO., LTD., and that company was excluded from the scope of consolidation beginning with the first quarter of fiscal 2008.

Three-Year Medium-Term Management Plan

In Japan, the apparel market is shrinking as a result of the decreasing number of children per household and the overall decline in the country's population. Sales at department stores, which are our principal retail outlets, have declined each year since 1997, and over this 11-year period, total sales have diminished about ¥1.5 trillion. Along with this trend, annual sales of apparel have also dropped about ¥900 billion. Moreover, the department store sector has entered a period of major realignments, as competition has grown more intense. In principal urban areas, the number of commercial facilities—such as fashion boutique buildings, transportation terminal buildings, shopping centers, and other retail venues—is expanding. Domestic apparel manufacturers who have distributed their products mainly through department stores are approaching a critical time in their development.

Takeshi Hirouchi

Chairman & CEO

Amid this business environment, the Onward Group has prepared its Three-Year Medium-Term Management Plan covering the period from fiscal 2008 through fiscal 2010. (For further details, please see the section referring to the "Three-Year Medium-Term Management Plan" on pages 5 to 10 of this annual report.)

The thrust of our strategy is to "defend our position in the domestic market and expand into overseas markets." We are aiming to expand our stable stream of earnings in the Japanese market, while aggressively expanding our overseas operations."

At present, we are proceeding to concentrate corporate resources on our core brands, and, while implementing strict, low-cost management measures, we intend to continue this policy. At the same time, to speed up the growth of the Group, we are strengthening existing brands and developing new brands, as we implement an aggressive M&A policy. We are riding the wave of realignments that is rising within the apparel industry and are working to acquire attractive brands in Japan and overseas to make them part of our Group brand portfolio. Please note that we have not set an upper limit for M&A activities and intend to make whatever investments may be necessary to meet our objectives.

Domestic Policy: Top Priority on Polishing Our Brands

In Japan, even though there are no prospects for growth in consumer purchasing power, commercial facilities are being constructed one after another, and a surplus of sales space is emerging. Along with this development, competition among retailers for this new space is intense, and, if they do not pay attention and monitor developments carefully, other retailers will seize sales opportunities, as if industry participants were in a game of musical chairs.

However, whatever direction these developments may take, one thing that will not change is that consumers will visit retail venues looking for products they like. To maintain brand dominance, we have to raise the value of our individual brands and continue to win the full confidence and trust of our customers.

The Onward Group is, first, putting highest priority on adding polish to and strengthening its existing brands. It is essential for us to improve the profitability of core brands and create brands with value that customers can perceive.

By taking the right steps to polish and increase the attractiveness of our brands, we can enhance their value again. It will be important to properly communicate our own brands inside and outside the Group and share this understanding and the image of their value. In the case of NIJYUSANKU, which is our top core brand, we have begun airing commercials featuring popular actresses, and, as a result of coordinated activities to polish all aspects of this brand, including products, sales areas, and planning, profitability has improved significantly.

For new brands, beginning in spring 2009, we are scheduled to introduce a new brand for the age-group around 40, that will overlap the market coverage of JIYUKU and NIJYUSANKU. In addition, to strengthen our men's casual offerings, we will expand the CK Calvin Klein men's product lineup. Moreover, we are working on the development of lower-priced standard products and strengthening our offerings of accessories.

Kentaro Mizuno

President

Overseas Policy: Expansion Mainly in Europe and Asia

Onward was one of the first Japanese apparel manufacturers to enter overseas markets in the 1970s. At present, our business activities in Europe are centered around the GIBO' CO. Group and the JOSEPH Group, and these operations are reporting solid growth, along with profitability. In addition, in Asia, where we followed others in entering the markets of the region, as a result of the efforts of regional staff, we have captured the No. 1 position among Japanese apparel makers in this region.

Along with the trend toward globalization, the development of international brands is an issue that must be addressed by apparel manufacturers. We at Onward have positioned the development of overseas operations as a key to Group expansion and intend to sustain a solid growth trend.

In Europe, the GIBO' CO. Group, which has an established reputation for the production of fashion items that embodied strong fashion sensitivity and high quality, has received many M&A offers. At present, these are being considered carefully, but we are anticipating considerable further growth in its operations. On the other hand, in Asia, especially in China, we are developing our operations around our own brands and plan to proceed with the creation of a “second Onward” with roots in the local markets. In addition, we are moving forward aggressively with the further development of our position in the U.S. market as well as entry into newly emerging countries.

With the Pride that Goes with Being a Leading Company

Our forecast for the year ending February 28, 2009, is for net sales of ¥291.0 billion, an increase of 1.4% over fiscal 2008; operating income of ¥20.6 billion, a gain of 10.6%; ordinary income of ¥24.2 billion (an increase of 0.3%); and net income of ¥12.4 billion (a gain of 1.5%).

Onward believes that returning a portion of profit to shareholders is one of its most important priorities. Our basic policy is to set a target payout ratio of 35% or more and to make stable and appropriate distributions of profits, taking account of performance. For fiscal 2008, we have increased the dividend for the full year by ¥4 per share to ¥30 per share. In addition, we intend to conduct active buybacks of Company shares, taking account of funding demand and other issues as well as changes in the management environment to make it possible to implement a flexible capital policy.

The Onward Group, as one of the top companies in the apparel industry, will continue to work to capture the fashion sensitivities of the times, never forget to accept the challenge of attaining new goals, and make a strong commitment to action.

We wish to thank you, our shareholders, for your understanding and support and look forward to your continuing cooperation.

May 2008

Takeshi Hirouchi, Chairman & CEO

Kentaro Mizuno, President

Onward's Brand-Leveraged Management and World Strategy

Three-Year Medium-Term Management Plan: Fiscal 2008 to Fiscal 2010

The Onward Group is aiming to increase its corporate value by implementing its Brand-Leveraged Management strategy, which targets expansion in business scale and strengthening of its management base by further polishing and enhancing the attractiveness of its brands.

At present, the Group is implementing its Three-Year Medium-Term Management Plan covering the period from fiscal 2008 through fiscal 2010, which seeks to establish new paths for growth. In domestic activities, the Group is exercising selectivity and concentration in the allocation of its corporate resources and working to attain stable expansion in earnings from existing businesses. Overseas, the Group is endeavoring to strengthen its foundation for growth and aggressively expand earnings. Moreover, with the goals of developing new business domains and expanding business scale, the Group is pursuing an active M&A strategy in Japan and overseas with the objective of accelerating growth.

Quantitative Objectives for Fiscal 2010

Net sales	**¥350,000 million**
Operating income	**¥30,000 million (an 8.6% ratio of operating income to net sales)**
Ordinary income	**¥35,000 million (a 10.0% ratio of ordinary income to net sales)**
Net income	**¥18,000 million (a 5.1% ratio of net income to net sales)**
Return on equity	**8% or higher**

- To strengthen the Group's foundation for growth, plans call for making about ¥30 billion in capital investments.
- The Group has not set an upper limit for strategic business investments, including M&A, and intends to make whatever investments may be necessary to meet its objectives.

■ Objectives by Business Segment

Apparel and Other Textile Product Businesses
Sales: ¥350,000 million — Operating income: ¥29,600 million (an 8.5% ratio of operating income to sales)

Service-Related Businesses
Sales: ¥22,800 million — Operating income: ¥600 million (a 2.6% ratio of operating income to sales)

Resort-Related Businesses
Sales: ¥6,700 million — Operating income: ¥300 million (a 4.5% ratio of operating income to sales)

■ Domestic vs. Overseas Operations

Domestic operations
Sales: ¥280,000 million — Operating income: ¥21,000 million (a 7.5% ratio of operating income to sales)

Overseas operations
Sales: ¥100,000 million — Operating income: ¥9,500 million (a 9.5% ratio of operating income to sales)

Basic Strategies by Business Segment

▶ Apparel and Other Textile Product Businesses

In this business, for fiscal 2010, the Group is planning to reach targets of ¥350,000 million in sales and ¥29,600 million in operating income (with an 8.5% ratio of operating income to sales).

In the apparel and other textile product businesses segment, the Group is proceeding with measures to strengthen marketing and technology (including production, logistics, information capabilities, etc.), and create new value for its brands.

Basic Strategies of the Apparel and Other Textile Product Businesses

1. Develop original design and planning capabilities
Reinforce priority brands. Strengthen product development capabilities in planning and production units

2. Strengthen marketing
Substantially bolster capabilities as a group of sales professionals

3. Create attractive sales environments
Create shops that display brands attractively to win the interest and support of consumers

4. Use advertising and publicity that draws wide interest
Develop and implement advertising and publicity programs that inspire people and leave a strong impression. At the same time, transmit and strengthen the corporate brand and image

5. Create systems for augmenting the supply of best-selling items
Gather and analyze information quickly on best-selling products. Also, further develop and bolster domestic production systems

6. Implement quality production at low cost
Implement low-cost production while maintaining quality that will win consumer support. Strike a balance between product value and price while strengthening R&D capabilities

7. Use quick and nimble logistics and distribution systems
Create faster and more efficient logistics and distribution systems

8. Use state-of-the-art information systems
Increase the accuracy of management data and retail store information, while also accelerating the speed of information delivery

9. Develop new businesses and new business domains
Aim for entering new domains created from the customer’s perspective. Develop new major brands for potential markets, while expanding the accessory business

▶ Service-Related Businesses

In this business, for fiscal 2010, the Group is planning to reach targets of ¥22,800 million in sales and ¥600 million in operating income (with a 2.6% ratio of operating income to sales).

In the logistics and distribution business, the Group will work to establish an earnings base in ACROSS TRANSPORT that will enable that company to become the leading logistics company in the fashion business. The Group will also strengthen its logistics capabilities to become a comprehensive logistics company specializing in services for the fashion industry with a global reach through its Shanghai base.

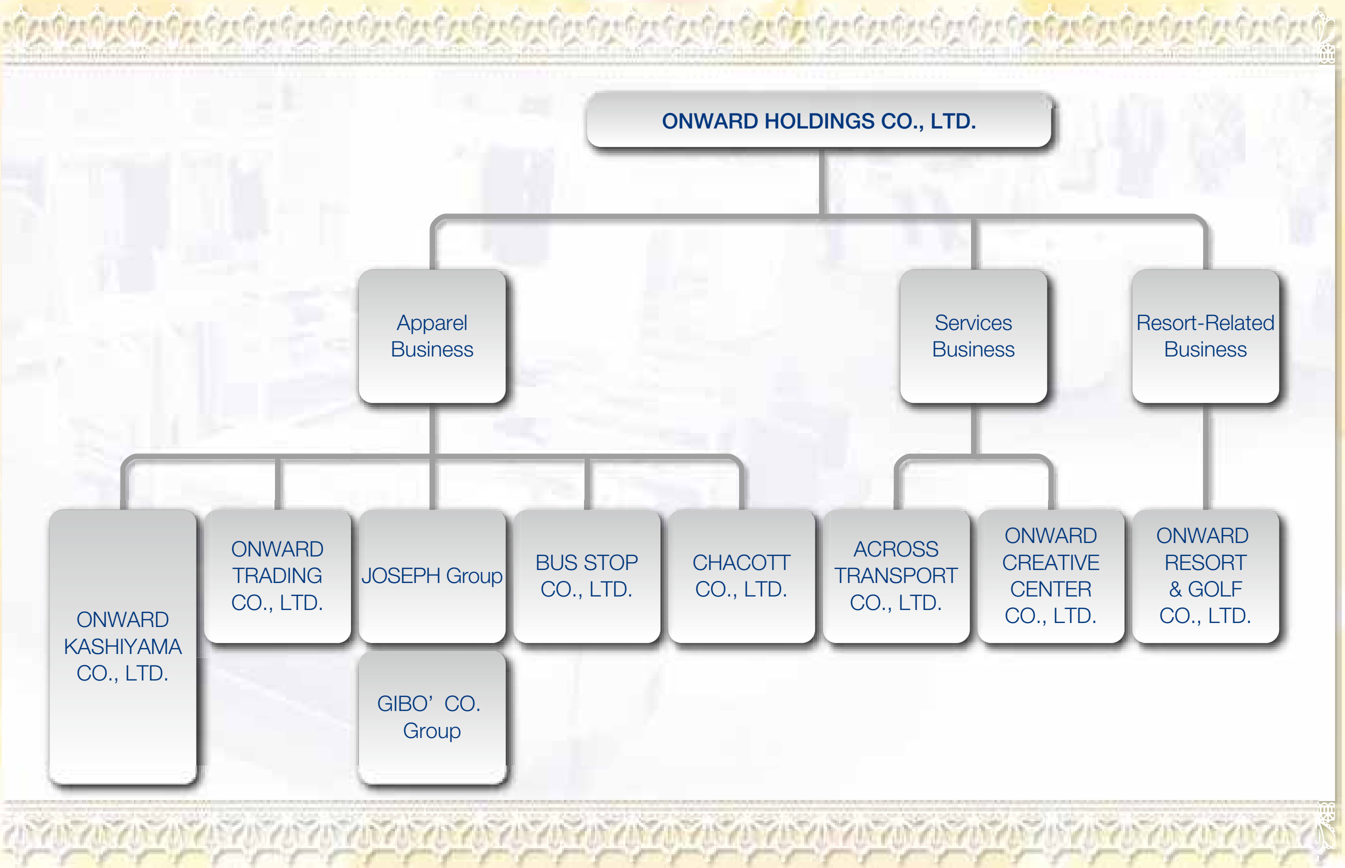
In the retail shop creation business, the Group will endeavor to establish a strong presence for ONWARD CREATIVE CENTER as a leading shop design and implementation company with strong capabilities for creating fashionable retail venues. In addition, ONWARD CREATIVE CENTER will draw on its implementation know-how gained through creating stores for the Onward Group and expand its "total space production and creation" business.

▶ Resort-Related Businesses

In this business, for fiscal 2010, the Group is planning to reach targets of ¥6,700 million in sales and ¥300 million in operating income (with a 4.5% ratio of operating income to sales).

The Group is establishing an earnings base for ONWARD RESORT & GOLF CO., LTD., as an all-round resort business based in Guam. By drawing on synergies between Onward's beach resort and golf resort facilities, the Group aims to make this the No. 1 resort in Guam.

Outline of ONWARD HOLDINGS



Domestic Strategy for Apparel-Related Businesses

Plans for fiscal 2010: Sales of ¥249,600 million and operating income of ¥20,000 million (an 8.0% ratio of operating income to sales)

ONWARD KASHIYAMA CO., LTD.

▶ Realizing Its Full Strengths as a Comprehensive Apparel Company

ONWARD KASHIYAMA will proceed with a review and the expansion of its portfolio of brands and work to achieve stable expansion in earnings from existing brands. At the same time, the Company will strengthen its R&D and product development capabilities and move forward with the development of new brands. In addition to its apparel business, the Company will strengthen its existing lineup of accessories and implement a strategy for new accessory offerings drawing on its global network.

Strategy by Retail Channel
Plans for fiscal 2010 (by channel)

• Department stores:	Sales of ¥164,200 million and operating income of ¥14,300 million (an 8.7% ratio of operating income to sales)
• New channels:	Sales of ¥42,200 million and operating income of ¥2,900 million (a 6.9% ratio of operating income to sales)
• Other channels:	Sales of ¥9,700 million and operating income of ¥600 million (a 6.2% ratio of operating income to sales)
• Non-store sales channels:	Sales of ¥33,500 million and operating income of ¥2,200 million (a 6.6% ratio of operating income to sales)

ONWARD KASHIYAMA will aim for stable growth of its existing brands through the department store channel. At the same time, the Company will develop new types of brands aimed at potential markets, newly enter product zones it has not developed in the past, and adopt other approaches to cultivate product zones where growth is anticipated.

In new retail channels outside the department store channel, the Company will accelerate the opening of outlets in transportation stations and fashion boutique buildings as well as the opening of directly operated street-level stores. For existing brands, the Company will endeavor to increase the profitability of existing brands while also developing new brands by promoting sales not only of its in-house brands but also the brands of alliance partners and brands acquired through M&A. Also, by further developing sales of core brands through street-level stores in prime retail locations (flagship stores), the Company will enhance the presence of its brands and build on this higher profile in Japan to expand its overseas sales, especially in Asia.

Strategies by Product Category
Plans for 2010 (by category)

• Apparel:	Sales of ¥224,600 million and operating income of ¥18,600 million (an 8.3% ratio of operating income to sales)
• Accessories:	Sales of ¥25,000 million and operating income of ¥1,400 million (a 5.6% ratio of operating income to sales)

In its fashion goods business, ONWARD KASHIYAMA will strengthen its existing lineup of accessories and develop new accessory offerings drawing on its global network.

ONWARD TRADING CO., LTD.

▶ Promoting the Transition to Being a Comprehensive Fashion Trading Company on the Way to Moving onto a Growth Path

ONWARD TRADING will aim for stable expansion in its core businesses of supplying uniforms and sales promotion services. This company will also target higher profitability through developing new products and sales channels, including Internet e-commerce marketing, while strengthening in-house overseas production and procurement capabilities.

CHACOTT CO., LTD.

▶ Strengthening Its Earnings Base as Leading Company in the Dance Market

CHACOTT will expand earnings by bolstering its retail sales, mainly through directly operated outlets.

BUS STOP CO., LTD.

▶ Increasing Profitability Mainly through "VIA BUS STOP" Boutiques

BUS STOP will work to expand earnings through boutiques that specialize in overseas creator brands reflecting an understanding of the trends of the times.

Apparel-Related Business Operations (Overseas Strategy)

Plans for 2010: Sales of ¥100,000 million and operating income of ¥9,500 million (a 9.5% ratio of operating income to sales)

Identify and highlight the needs of differing areas and the strengths of various companies, strengthen the business base, and then work to expand earnings

Plans for 2010 (by overseas region)

• Europe:	Sales of ¥83,600 million and operating income of ¥8,300 million (a 9.9% ratio of operating income to sales)
• Asia:	Sales of ¥10,700 million and operating income of ¥1,100 million (a 10.3% ratio of operating income to sales)
• United States:	Sales of ¥5,700 million and operating income of ¥100 million (a 1.8% ratio of operating income to sales)

Note: Figures for the United States include the Group's resort businesses located in Guam.

■ Europe

The GIBO' CO. Group is an Italian apparel maker that manufactures and supplies the world's high-end designer brand goods to markets around the globe. It has annual sales of about ¥20.0 billion. GIBO' CO.'s modelist group, which has considerable depth of experience in designer creations, has accumulated impressive planning expertise, ranging from fabric to knitted items as well as shoes and bags. This company has established a production platform capable of supplying products that meet high-quality standards.

In addition to expanding its existing businesses, the GIBO' CO. Group is implementing an aggressive M&A strategy that promises to yield important synergies and is aiming to become a corporate group with a presence in the world's fashion markets.

The JOSEPH Group is a global fashion brand based in London that offers high-quality comfortable casual wear for sophisticated urban men and women. Its annual sales are about ¥15.0 billion. This group is now strengthening its product planning and design capabilities by combining the Onward Group's merchandising know-how in Japan with JOSEPH's own creative capabilities.

Going forward, the JOSEPH Group will actively expand its fashion goods business and accelerate the implementation of a global strategy through operating alliances.

■ Asia

Expanding Sales with a Focus on Onward Brands

In Asia, the Onward Group is strengthening its management base and opening new stores as it continues to report profits. The Group is proceeding with the localization of its operations drawing on the capabilities of staff native to each area and is working to create a "second Onward" in the region.

■ United States

Enhancing the Profit Platform Concentrating on J. PRESS and JOSEPH Brands

In the United States, the Onward Group is bolstering the competitiveness of the J. PRESS and JOSEPH brands as well as aiming for expansion in sales to enhance the balance of revenues and expenses.

Business Overview

NIJYUSANKU

KUMIKYOKU

ICB

JIYUKU

gotairiku

J.PRESS

The Onward Group made the transition to a holding company structure on September 1, 2007, and is currently implementing its policy of Brand-Leveraged Management.

In domestic business activities, sales of women's fashions declined, reflecting the difficult conditions in Japan's apparel market as a whole where trends in consumption have become more diverse, but, on the other hand, sales of men's fashions showed a relatively better performance.

ONWARD KASHIYAMA continued to confront tough operating conditions, principally in the women's fashion business. However, during the second half of the fiscal year ended February 29, 2008, as a result of management measures to eliminate unprofitable brands and concentrate corporate resources on core brands, the performance of the Company's largest brand line, NIJYUSANKU, began to recover, thus laying the foundation for profitability during fiscal 2009. Although men's fashions performed relatively well during fiscal 2008, final results showed declines in sales and income overall.

At ONWARD TRADING, the Group took measures to concentrate departments and companies engaged mainly in non-store retailing in that company and worked to strengthen marketing capabilities and improve management efficiency.

In overseas business operations, sales outside Japan rose to ¥45.5 billion for fiscal 2008, raising the percentage of overseas sales to 15.7% of total Group sales.

In Europe, as a result of improvement in productivity, the GIBO' CO. Group reported a performance above initial targets. In addition, the Group acquired the operating rights of FRASSINETI, a leading manufacturer of bags based in Italy, and CORPORATE CO., an apparel manufacturer also based in Italy, thus moving toward the establishment of a platform for new growth in the brand business and the creation of a platform for high-quality production. On the other hand, the JOSEPH Group reported stable expansion in its existing retail activities and reported progress toward enhanced profitability. The JOSEPH Group also began sales in new markets, including Italy and Germany.

In Asia, sales, principally of Onward Group brand products, showed steady expansion, and the Group exceeded its initial targets for sales and income. Going forward, the Group anticipates growth accompanied by profitability in this region.

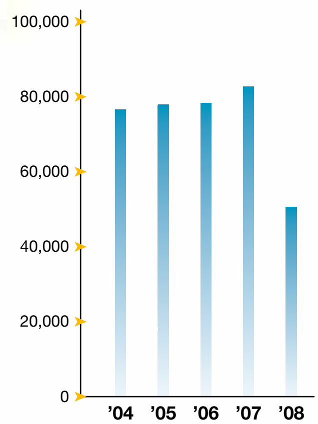
Apparel Business

(Manufacturing and Marketing of Men's Fashions, Women's Fashions, and Other Products)

Sales of the apparel business declined 10.8% from the previous fiscal year, to ¥269,335 million, for the fiscal year under review.

Note: While IMPACT 21 CO., LTD., was previously a subsidiary, the Company has sold all its shares in that company, which was excluded from the scope of consolidation beginning from the fiscal year under review.

Sales of Men's Fashions
(Millions of yen)
Years ended February 28 or 29



Men's Fashions

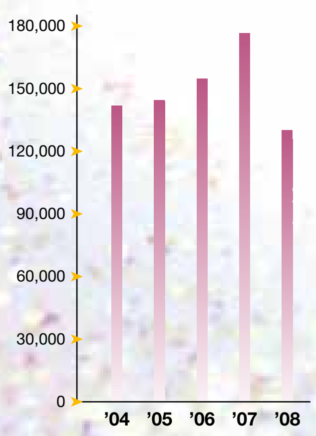
Consolidated sales of men's fashions were ¥50,593 million, and accounted for 25.6% of consolidated sales.

As conditions remained difficult in the department store market, the Company decided on its products for principal emphasis in the men's fashion business on a week-by-week basis and strengthened its marketing activities. As a consequence, sales edged slightly above the level of the previous fiscal year.

Overall, the Company implemented a strong sales drive for men's suits, including personal made-to-order suits, but demand for "Cool Biz" apparel weakened and conditions in the jacket and shirt fields were difficult. However, sales of coats performed well, owing to the severe winter conditions during the fiscal year.

Among CK Calvin Klein and JOSEPH brand products, sales of such items as suits, coats, and knitwear were stronger than in the previous fiscal year, and total sales exceeded those of the prior year. In addition, the Company made a strong sales push for cut-and-sew as well as trousers and slacks products in the JOSEPH and NIJYUSANKU sports casual wear lines, and sales of these products exceeded the levels of the previous fiscal year.

Sales of Women's Fashions
(Millions of yen)
Years ended February 28 or 29



Women's Fashions

Consolidated sales of women's fashions were ¥129,984 million, and accounted for 65.8% of consolidated sales.

Overall sales of "proper" items (with fixed prices) were weak, and total sales of this business were below the level of the previous fiscal year.

In department stores, sales of dresses and coats in the core brand lines of NIJYUSANKU, KUMIKYOKU, ICB, and JIYUKU were above the previous year's levels, but market conditions, especially for jackets and skirts, were difficult and total sales were below the previous year's levels. Sales of quasi core brand Paul Smith showed a slight decline, while sales of products in the Sonia, Sonia Rikiel, MICHAEL MICHAEL KORS, and prideglide brand lines dropped substantially. Also, while sales of Jane Moore items in the Missy Misses brand line and CK Calvin Klein brand items dropped sharply from the previous fiscal year, sales of NAVE brand products for young people held their own with the prior year. Sales of new brand DOLLY GIRL BY ANNA SUI products were strong.

In new retail channels, sales of Dip Drops and rosebullet brand line items expanded significantly; however, sales of anyFAM and anySIS products, which are marketed mainly in shopping centers, showed a marginal decline.

Children's Fashions, Kimonos, and Other

Children's Fashions

Consolidated sales of children's fashions were ¥7,696 million, and accounted for 3.9% of consolidated sales.

Reflecting the shrinkage in the market for children's fashions along with the trend toward having few children, conditions in this market were tough. Sales of CELINE brand products exceeded the level of the previous year; as in the department store market, conditions for KUMIKYOKU line products were severe. Sales of J. PRESS products for wearing to job interviews and for new school entrants were favorable, but this was insufficient to make up for the overall lackluster performance of brand products.

Kimonos

Consolidated sales of kimonos were ¥3,230 million, and accounted for 1.6% of consolidated sales.

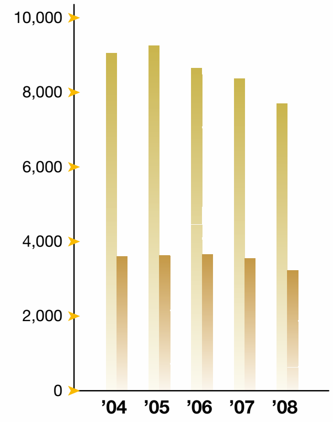
In the luxury Japanese traditional apparel market segment, sales of formal kimonos held strong throughout the fiscal year. Sales of long-sleeve kimonos, however, continued their long-term declining trend as a result of the continuing shift toward rentals and other factors. Sales of *yukata* (casual, kimono-style robes) among younger people were weak during the fiscal year, but sales to senior citizens held firm.

Consolidated sales of other operations (including bags and jewelry) rose 3.6%, to ¥6,037 million, and accounted for 3.1% of consolidated sales.

Among bags, sales of items in the NIJYUSANKU brand line exceeded those of the previous fiscal year, and the favorable performance of casual leather mit-mitte brand leisure bags raised bag sales over the prior year. Sales in the KUMIKYOKU line were below the previous year's level, reflecting the tough going experienced in sales to younger people through department stores. In the jewelry business, sales of items for bridal occasions and limited-edition products for Christmas matched customer interest in a broad range of items and held strong.

Sales of Children's Fashions, Kimonos

(Millions of yen)
Years ended February 28 or 29



Service Businesses

(Logistics-Related Business and Management of Resort Facilities)

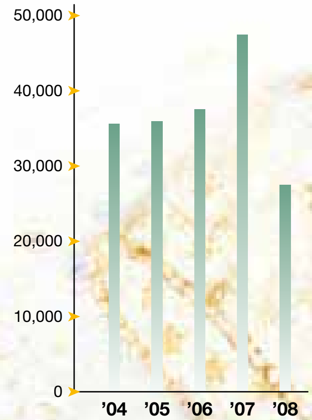
Consolidated sales of service businesses were ¥27,488 million.

In the logistics-related and other services businesses, marketing activities were stepped up to win business from customers outside the Onward Group, but sales were below the level of the previous fiscal year because of deterioration in the operating environment.

In the resort business, as a result of the concentration of its hotel and golf course operations in Guam into a comprehensive resort business, the Group was able to establish a business base for these activities, and profitability improved because of synergies among hotel and water park operations on the one hand and golf course operations on the other.

Service Businesses

(Millions of yen)
Years ended February 28 or 29



Basic Approach to Corporate Governance

The Onward Group understands that responding promptly to changes in the management environment and establishing corporate governance systems that enhance soundness, fairness, transparency, and compliance are important management issues related to increasing corporate value, or, in other words, shareholder value. We are working to establish bonds of trust with all stakeholders, especially our shareholders, and improve our corporate governance by strengthening the functions of our management systems and those of the General Meeting of Shareholders, Board of Directors, and Board of Auditors.

Framework for Business Execution and Management Surveillance

To make clear the difference between management decision-making functions and the functions related to the conduct of business activities, the Company has introduced the Executive Officer System. The Board of Directors is responsible for making strategic decisions regarding Group matters and for supervising the activities of Group companies. By separating these supervisory functions from the conduct of business activities, the Company has clarified the responsibilities and authority of Group companies and has accelerated its strategic decision-making functions. This enables the Company to conduct management quickly and execute business activities flexibly and efficiently. In addition to the Board of Directors, the Company has formed the Group Strategic Council, which meets once a month and includes the presidents of core Group companies as members. The Company has also created the Group Management Promotion Council, which meets periodically and includes the directors of Group companies as members.

Since the Company has adopted the Board of Auditor governance model, the corporate auditors attend important meetings of the Board of Directors and monitor the conduct of duties of the Directors from an independent perspective, while working to improve management surveillance functions. In addition, outside directors and outside auditors have been appointed to enhance the transparency of management.

Strengthening Internal Control Systems

To substantially strengthen internal control systems, revisions in certain parts of the basic policy for designing and implementing internal control systems were approved by the Board of Directors in April 2008. The Company is now working to swiftly design internal control systems based on this revised policy and will conduct continuing reviews to make needed improvements to create efficient corporate systems in compliance with legal regulations.

Compliance Systems

The Company has prepared its Compliance Regulations, which state its basic compliance policy, and has formed the Onward Group Compliance Committee. The Compliance Department, which has primary responsibility for compliance matters, has prepared a *Compliance Manual* that takes the Onward Group Compliance Regulations as a basis and works to promote the creation and improvement of compliance systems for the Onward Group. The Onward Group Compliance Committee works together with the Compliance Division to implement appropriate activities for training and increasing the awareness of compliance issues. The committee and the division also work jointly to ensure the *Compliance Manual* is properly employed throughout the Group and to verify the upgrading and improvement of compliance systems. In addition, the committee and the division have established a "hotline," which is based on the Onward Group Internal Information Transmission Regulations, and act as the conduit for transmitting confidential information regarding compliance matters.

The Internal Auditing Department has the responsibility for planning for and structuring business process systems that ensure operations in all departments are conducted appropriately and efficiently in compliance with relevant laws, the Articles of Incorporation, regulations, manuals, internal orders, and other directives. This department is also responsible for reporting to the Board of Directors on these matters.

Risk Management Systems

The Group has designed and operates systems to improve its risk management, as provided for in its Onward Group Risk Management Regulations. The Compliance Division is in overall charge of related matters, and its responsibilities include designing risk management systems, identifying issues to be addressed, preparing plans for risk management systems, reporting to the Board of Directors, and readying appropriate systems to deal with risks that may impact the continuation of the Company's operations or have a major impact on its operations, including the risk of natural disasters and information systems risk. Moreover, as necessary, the Board of Directors works together with outside specialists to strengthen the Company's capabilities for dealing with risk and establishing systems to prevent risk.

Matters Related to Corporate Takeovers

The General Meeting of Shareholders, which convened in May 2008, approved the introduction of the "Policy for Responding to Large-Scale Purchases of the Company's Shares (TOB Defense Policy)." This policy established rules to be followed by parties that make large-scale purchases of the Company's shares. It also clarifies specified cases where there is a possibility that purchasers of the Company's shares may incur damages as a result of defensive actions taken by the Company and, by making appropriate disclosure, enables the Company to issue warnings to such purchasers whose behavior does not contribute to enhancing corporate value and may be contrary to the common interests of the shareholders. Please note that, when the provisions of this policy are applied, the policy calls for the formation of a committee that is independent of the Board of Directors to eliminate arbitrary judgments by the Board and for maximum compliance with the recommendations of this committee.

Board of Directors

Directors

Chairman & CEO
Takeshi Hirouchi*

President
Kentaro Mizuno*

Vice President
Kazuya Baba*

Managing Directors
Masaaki Yoshizawa
Junji Nakamura

Outside Directors
Hachiro Honjou
Yoshihide Nakamura

Officers

Executive Officers
Hitoshi Aoyama
Hidenobu Tanaka
Hirokazu Yoshizato

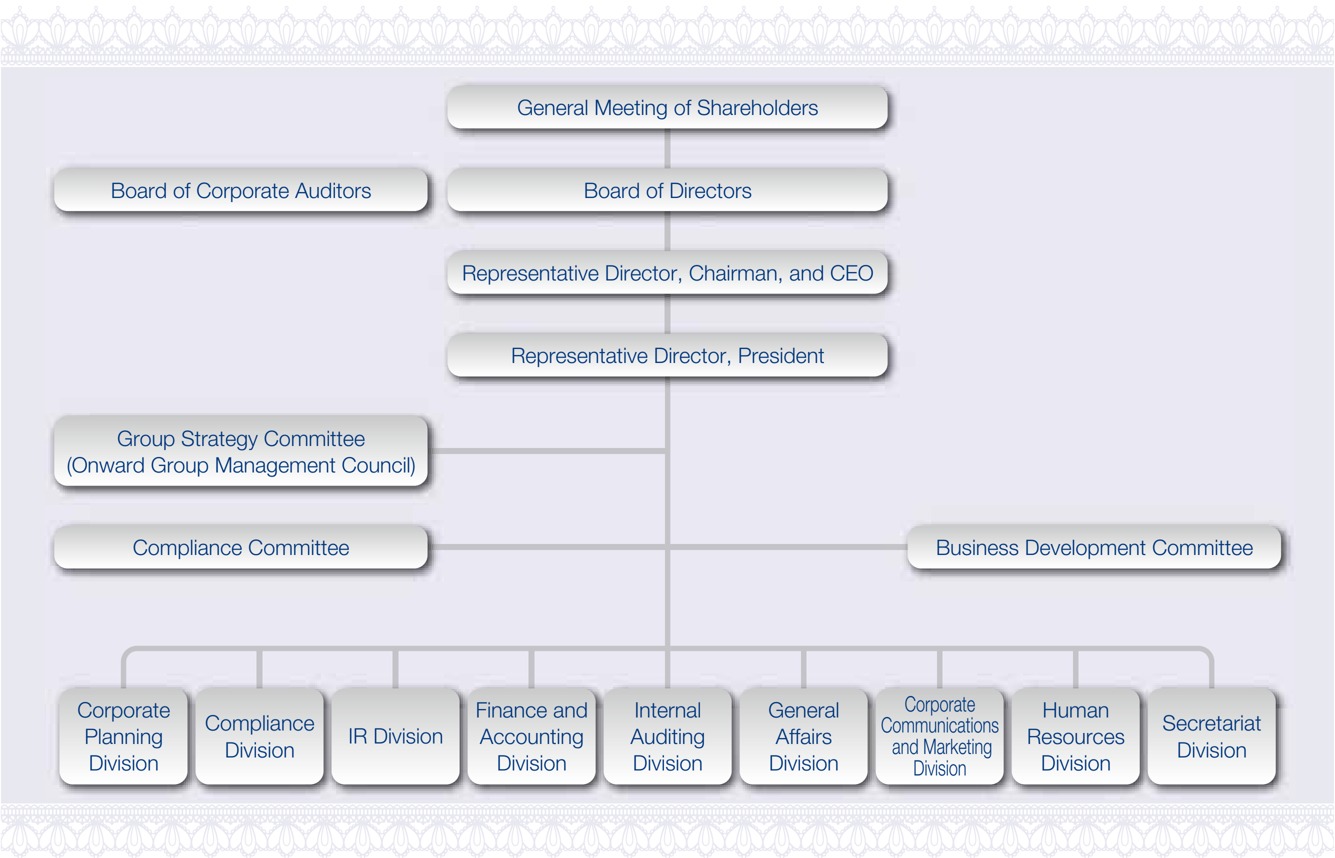
Corporate Auditors

Standing Corporate Auditors
Akito Yamamoto
Hideo Matsumoto
Keiichi Ogawa**
Jotaro Yabe**

As of May 29, 2008

* Representative Director
** Outside Auditor

Organization Chart (As of March 1, 2008)



Consolidated Six-Year Summary

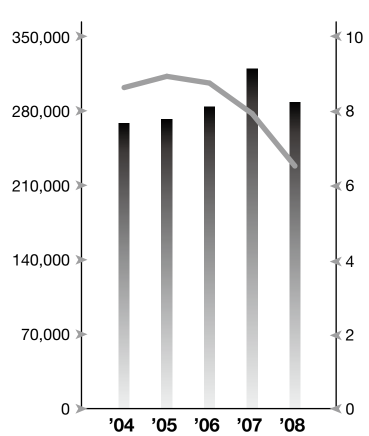
ONWARD KASHIYAMA CO., LTD. and Subsidiaries
Years ended February 28 or 29

	Millions of yen						Thousands of U.S. dollars
	2003	2004	2005	2006	2007	**2008**	**2008**
At year-end:							
Total current assets	¥141,468	¥165,931	¥150,969	¥135,769	¥135,197	**¥112,519**	**$1,073,864**
Total property, plant and equipment	101,188	96,017	96,394	99,688	94,850	**95,008**	**906,738**
Total assets	302,188	318,270	308,170	329,403	347,936	**309,092**	**2,949,918**
Total current liabilities	80,147	92,270	79,025	97,617	103,494	**93,321**	**890,636**
Total shareholders' equity	190,755	196,796	202,377	201,599	212,600	**213,625**	**2,038,796**
For the year:							
Net sales	¥263,399	¥267,746	¥271,273	¥283,111	¥318,691	**¥287,032**	**$2,739,383**
Cost of sales	143,234	143,921	146,447	152,043	175,796	**156,842**	**1,496,873**
Selling, general and administrative expenses	100,558	100,929	100,621	106,360	117,464	**111,562**	**1,064,728**
Operating income	19,607	22,896	24,205	24,708	25,431	**18,628**	**177,782**
Income taxes, current	6,166	13,868	7,490	12,321	14,409	**9,780**	**93,337**
Net income	7,158	13,053	10,257	11,091	11,438	**12,214**	**116,566**
	Yen						U.S. dollars
Per share:							
Net income—basic	¥41.6	¥74.1	¥58.1	¥63.8	¥70.5	**¥76.5**	**$0.730**
Cash dividends	16.5	20.0	22.0	24.0	26.0	**30.0**	**0.286**

Note: Yen amounts have been translated, for convenience only, at ¥104.78=US$1, the approximate exchange rate on February 29, 2008.

Net Sales and Operating Income Margin

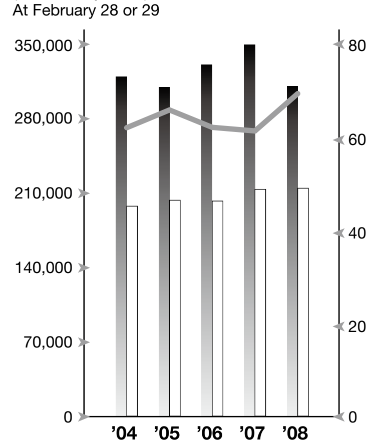
(Millions of yen, %)
Years ended February 28 or 29



■ Net sales (left scale)
■ Operating income margin (right scale)

Total Assets, Total Shareholders' Equity, and Shareholders' Equity Ratio

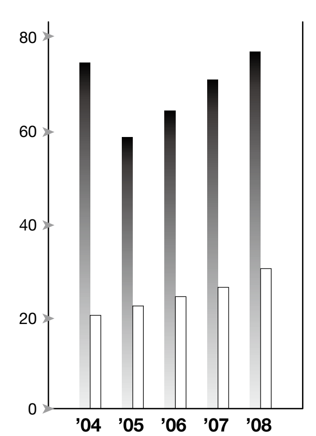
(Millions of yen, %)
At February 28 or 29



■ Total assets (left scale)
□ Total shareholders' equity (left scale)
■ Shareholders' equity ratio (right scale)

Net Income Per Share and Cash Dividends Per Share

(Yen)
Years ended February 28 or 29



■ Net income per share
□ Cash dividends per share

Management's Discussion and Analysis

Overview

During the fiscal year under review (ended February 29, 2008), the Japanese economy continued on a gradual recovery trend supported by private capital investment, which rose along with the improvement in corporate profits. However, the effects of the turmoil in world financial markets, which was triggered by the subprime loan crisis, and the rise in crude oil prices, created a lingering feeling of uncertainty regarding the future course of economic trends. Consumer spending also continued to lack robustness as consumer psychology deteriorated along with rising prices and stagnation in wage growth.

The apparel industry also faced severe conditions, as consumer trends became increasingly diverse and weather conditions were unseasonable, with cold temperatures in early spring, a delay in the onset of the rainy season, high temperatures that lingered into the early fall, and other adverse trends. As a consequence, the operating environment remained challenging throughout the fiscal year. Amid this operating environment, the Onward Group made the transition to a pure holding company organizational structure to accelerate activities to augment its management strengths and implement its business strategies effectively, while working to expand the business domains of its Group companies and increase profitability.

In domestic business activities, issues to be addressed remained at ONWARD KASHIYAMA, as performance of core brands weakened in the first half of the fiscal year, but in the second half, we took measures to achieve greater focus and concentration in the allocation of management resources and worked to reform our earnings structure to provide a foundation for earnings in the next fiscal year. In addition, we concentrated our Group divisions and companies that are focused on non-store sales activities into ONWARD TRADING CO., LTD., and adopted measures to enhance management strengths and improve the efficiency of management.

Overseas, activities in Europe and Asia reported steady performance and we were able to report sales and income above the planned levels. Going forward, we will work to draw on the growth of overseas activities to further the development of our domestic operations, and strengthen our overseas brand strategies and product development capabilities drawing on our global network. Among other developments, we sold our full equity interest in subsidiary IMPACT 21 CO., LTD., and removed that company from the scope of consolidation beginning with the first quarter of the fiscal year under review.

As a consequence of these developments and activities, the Onward Group reported net sales of ¥287.0 billion, 9.9% lower than in the previous fiscal year; operating income of ¥18.6 billion, 26.8% lower year on year; and net income of ¥12.2 billion, which was 6.8% higher than for the prior year.

Results of Operations

Net Sales

Net sales for the fiscal year under review declined ¥31.7 billion, or 9.9%, from the level of the previous fiscal year, to ¥287.0 billion, as a result of the removal of former subsidiary IMPACT 21 from the scope of consolidation. The Onward Group's business activities are divided into two principal segments, namely, apparel and other textile product businesses and service-related businesses. The results of these two segments are presented below.

• Apparel and Other Textile Product Businesses

In the Japanese market, ONWARD KASHIYAMA encountered tough conditions, principally in the women's fashions business, because of the growing diversity of consumer spending and the weakness in apparel markets. However, beginning in the second half of the fiscal year, we eliminated unprofitable brands and focused corporate resources on core brands. As a result, our largest brand NIJYUSANKU began to show recovery in performance. However, overall, market conditions were challenging, and, despite strong efforts, sales and income from the men's fashions business declined, and this had a major impact on consolidated performance.

In overseas markets, in the European region, GIBO' CO. S.p.A. attained performance exceeding initially planned levels. We made investments aimed at future growth, including the acquisition of the operating rights of FRASSINETI s.r.l., a leading Italian bag manufacturer, and CORPORATE CO., an apparel manufacturer, and took steps for establishing a foundation for new growth in the brand business. The JOSEPH Group worked to enhance its profitability and was successful in achieving stable expansion in sales of its existing stores and began sales in new markets, including Italy and Germany. In Asia, we steadily expanded our sales, focusing on our in-house brands, and we are looking for accelerated expansion in profitability going forward. In the North American market, we have created a management base focused on the J. PRESS and JOSEPH brand businesses that will enhance profitability.

As a result of these activities, sales of the apparel and other textile product businesses declined 10.8%, to ¥269.3 billion, and operating income decreased 18.7%, to ¥20.1 billion.

• Service-Related Businesses

In the Onward Group's service-related businesses, efforts were made to strengthen management by stepping up marketing activities to win outsourcing business from outside the Group, but, as a result of the deterioration in the management environment, performance was below the levels of the previous fiscal year. In resort business activities, we concentrated our resources on the Group's hotel and golf course businesses in Guam, thus improving profitability and establishing a business base for these operations. As a consequence of these activities, sales in the Group's service-related businesses declined 11.3%, to ¥27.5 billion, and operating income decreased 60.4%, to ¥0.3 billion.

Cost of Sales, Selling, General and Administrative Expenses, and Other Income (Expenses)

The consolidated cost of sales fell ¥19.0 billion, or 10.8% from the previous fiscal year, to ¥156.8 billion, as a result of the exclusion of former subsidiary IMPACT 21 from the scope of consolidation. As a consequence of a substantial decline in net sales, gross profit decreased ¥12.7 billion, or 8.9%, to ¥130.2 billion, but the gross margin on net sales improved 0.6 percentage point from 44.8% to 45.4%.

Selling, general and administrative (SG&A) expenses declined ¥5.9 billion, or 5.0%, to ¥111.6 billion. The ratio of SG&A expenses to net sales deteriorated 2.0 percentage points, from 36.9%, to 38.9%, as a result of the substantial drop in net sales. Mainly because of the increase in the ratio of SG&A expenses to net sales, the ratio of operating income to net sales declined 1.5 percentage points, from 8.0% to 6.5%, and operating income fell ¥6.8 billion, or 26.8%, to ¥18.6 billion, representing the first decline in seven years.

Other income (expenses) amounted to income of ¥1.9 billion for the fiscal year under review compared with expenses of ¥9.3 billion for the previous fiscal year, thus representing an improvement of ¥11.2 billion. Although the gain on the sale of investments in securities, net, declined from ¥4.1 billion in the previous fiscal year to zero for the fiscal year under review because of the absence of the ¥9.7 billion in the gain on the cancellation of the pension trust, improvement in the other income (expenses) account was reported because losses on impairment of fixed assets fell substantially from ¥17.0 billion in the previous fiscal year to ¥1.3 billion in the fiscal year under review, and the Company reported a gain of ¥6.9 billion from the sale of its equity interest in IMPACT 21. As a result, income before income taxes and minority interests rose ¥4.4 billion, or 18.5%, to ¥27.9 billion. The effective tax rate for the fiscal year rose 5.8 percentage points, from 47.8% to 53.6%, because of the reporting of gains from the sale of a subsidiary. Net income rose ¥0.8 billion, or 6.8%, to ¥12.2 billion, for the third consecutive annual increase. The ratio of net income to net sales rose 0.7 percentage point, to 4.3%, and the ratio of net income to shareholders' equity increased 0.5 percentage point, to 6.1%.

Financial Position

Total assets declined ¥38.8 billion, or 11.2%, to ¥309.1 billion. Accompanying the exclusion of IMPACT 21 from the scope of consolidation, cash and deposits, accounts and notes receivable, and inventories declined, and, as a result of the sale of that company's stock, the Company's investments in securities decreased ¥12.5 billion. As a consequence, current assets as a whole fell ¥22.7 billion, or 16.8%, and fixed assets decreased ¥16.2 billion, or 7.6%, to ¥196.6 billion. Please note that tangible fixed assets expanded ¥0.2 billion, to ¥95.0 billion, as capital investments of ¥9.6 billion exceeded depreciation of ¥7.6 billion.

Liabilities declined ¥11.3 billion, or 9.2%, to ¥111.5 billion. Current liabilities decreased ¥10.2 billion from the end of the previous fiscal year, and long-term liabilities were down ¥1.2 billion. However, primarily as a result of the exclusion of IMPACT 21 from the scope of consolidation, accounts and notes payable declined ¥9.6 billion, to ¥42.1 billion, and short-term loans decreased ¥1.2 billion, to ¥25.7 billion.

Despite an increase in buybacks of Company shares, from ¥16.5 billion in the previous fiscal year to ¥23.5 billion during the year under review, shareholders' equity rose ¥1.0 billion, or 0.5%, to ¥213.6 billion, as a result of an increase in retained earnings of ¥8.1 billion, to ¥157.0 billion, accompanying the reporting of net income for the fiscal year. Total net assets, including minority interests in consolidated subsidiaries, declined ¥27.5 billion, to ¥197.6 billion, because of a decrease in minority interests in consolidated subsidiaries from ¥18.6 billion to ¥2.6 billion. The ratio of shareholders' equity to total assets was up 8.0 percentage points, because of the substantial decline in total assets, and stood at 69.1% at the end of the fiscal year under review. In addition, the ratio of interest-bearing debt to shareholders' equity rose 1.0 percentage point, from 12.0% to 13.0%. The current ratio declined 10.0 percentage points, from 130.6% at the end of the previous fiscal year to 120.6%.

The major changes in the balance sheets as a whole were all related to the effects of the exclusion of IMPACT 21 from the scope of consolidation. Going forward, in part with the objective of eliminating policies that may be contrary to the interests of shareholders, the Company will review and put its brand portfolio in order and focus on its core brands to substantially maximize the efficiency of its business activities.

Cash Flows

Net cash provided by operating activities declined ¥4.9 billion from the previous fiscal year, to ¥12.5 billion, for the fiscal year under review. Although income before income taxes and minority interests increased ¥4.4 billion, to ¥27.9 billion, this was offset by the decline in net sales and other changes in the financial statements resulting from the exclusion of IMPACT 21 from the scope of consolidation.

Net cash used in investing activities increased ¥6.8 billion, to ¥20.6 billion, as a result of the exclusion of IMPACT 21 from the scope of consolidation.

Net cash used in financing activities rose ¥6.7 billion, to ¥12.6 billion. This increase was due to the payment of cash dividends in accord with the Company's policy for the distribution of income and buybacks of the Company's shares amounting to ¥7.0 billion aimed at making possible the implementation of flexible capital policies.

As a result of the aforementioned factors, the balance of cash and cash equivalents at the end of fiscal 2008 was ¥36.8 billion, ¥20.5 billion lower than at the end of fiscal 2007.

Policy on the Distribution of Profits

The management of the Onward Group recognizes the distribution of a portion of profits to shareholders as one of its top priorities. The basic policy of the Company is to set a target dividend payout ratio of 35% or more and strive to make stable distributions from profits that are appropriate to trends in the Company's performance.

Following the comprehensive consideration of performance for the fiscal year under review and the future business environment, the Company has decided to pay a cash dividend of ¥30 per share for the fiscal year under review, ¥4 higher than the ¥26 per share paid for the previous fiscal year.

The Company will make active buybacks of its outstanding shares, giving due consideration to funding requirements and other factors, with the objective of making possible the implementation of flexible capital policies.

Retained earnings will be employed in a flexible manner that strikes a balance between strategic investments for the consolidation of a solid business structure and improving the Company's financial position.

Outlook

Looking to future economic prospects, the Company believes that developments will require careful monitoring and attention because of the instabilities in the world economy, including the deceleration of the U.S. economy and the signs of weakness in the Japanese economy resulting from political, economic, and a range of other factors.

In the apparel industry, the Company believes the operating environment will continue to be severe as there are no prospects for substantial improvement in consumer spending and competition among both domestic and foreign companies and brands will become even more intense. To establish a new path for growth, the Onward Group has prepared its Three-Year Medium-Term Management Plan, which will cover the period from fiscal 2008 through fiscal 2010. In its business activities in Japan, the Group will aim for stable expansion in earnings through exercising selectivity and concentration in allocating resources to businesses and brands. In overseas activities, the Group will work toward strengthening its foundation for growth and aggressively expand earnings. Moreover, the Group will work to accelerate growth by engaging aggressively in M&A activities to enter new business domains and expand existing businesses.

To implement these business policies, in the first year of the medium-term plan, ONWARD KASHIYAMA implemented measures to achieve stable expansion in earnings of existing brands through activities to review and expand its brand portfolio and proceed with the development of new brands through strengthening R&D and product development capabilities. In addition, the Company is working to expand its business categories outside the apparel area through strengthening its existing accessories businesses and implementing a new accessories strategy drawing on its global network. Other Group companies are pursuing strategies that are basically similar to expand earnings through improvements in their operating bases.

In overseas business activities, the Group is working to identify special features of various areas and the strengths of Group companies to enhance their business bases and expand earnings. In Europe, the Group will continue to invest in the GIBO' CO. Group and the JOSEPH Group and implement strategies aimed at establishing global growth paths. In Asia, the Group is continuing to accelerate earnings growth through expansion in sales of its own brands. In North America, the Group is working to clarify the brands it will develop and its distribution strategies as well as implement measures aimed at establishing a stronger earnings base.

As a consequence of the implementation of these policies, the Group has prepared plans for the fiscal year ending February 28, 2009, calling for growth in net sales of 1.4%, to ¥291.0 billion, an increase in operating income of 10.6%, to ¥20.6 billion, and expansion in net income of 1.5%, to ¥12.4 billion. (Please note that these plans for future performance are judgments that are based on information available at the time these figures were prepared and they are subject to latent risks and uncertainties. Therefore, if the factors that form the basis for these forecasts differ from assumed conditions, actual performance may differ substantially from the target levels.)

Description of Business Risks

The businesses of the Onward Group may be influenced by a number of risks, which are described in the following paragraphs. Based on its awareness of the possibility that these risks may emerge, the Group conducts its business operations in a manner to avoid such risks and minimize their effects in the event they should emerge. Please note that forward-looking statements contained in this section are based on the Group's judgments as of April 11, 2008.

• Risks Associated with Changes in Consumer Needs

To respond accurately to customer needs regarding the fashion products supplied by the Onward Group, the Group works to achieve originality and competitiveness of its products through the implementation of its Brand-Leveraged Management policy. However, the Group may not be able to attain the performance targets in its business plans because of a number of factors, including stagnation in consumer spending as a result of fluctuations in economic conditions, competition with other companies, and sudden changes in fashion trends. This failure to meet targets may have an impact on Group performance.

• Risks Associated with Weather Conditions and Natural Disasters

Since sales of the Group's core fashion products may vary because of weather conditions, the Group works to strengthen its systems for planning and production on a short turnaround cycle. However, cool weather in the summers and warm weather in the winters as well as other unexpected developments of this kind as well as a series of typhoons may result in the loss of sales opportunities during peak seasons, and there is a possibility that such developments may have an adverse impact on performance. In addition, unexpected natural disasters, such as earthquakes and floods, sudden fires and accidents, and such illegal activities as acts of terrorism may make cessation of the Group's operations unavoidable. Such circumstances may have an impact on Group performance.

• Quality Risk

The Group has established "quality management standards" and works to manage the quality of its products through the observance of these standards. However, despite the establishment of systems for maintaining quality, incidents may occur related to product liability as a result of matters relating to the Group and its business partners. Such incidents may damage the Group's brand image and result in substantial expenses that may have an impact on Group performance.

• Risks Associated with Business Partners

The Group has strengthened its internal systems for confirming the operating condition and creditworthiness of its business partners. However, losses may occur as a result of the non-payment of obligations caused by a series of defaults during times of credit instability and unexpected bankruptcies of large commercial facilities. Such circumstances may have an impact on Group performance.

• Risks Associated with Intellectual Property

The Group owns trademarks and other intellectual property in Japan and overseas. The Group works to safeguard the rights to this property based on legal regulations, but the Group and its brand image may be damaged and its capabilities for product development may be impaired in the event of infringement of these rights by third parties. Accordingly, such circumstances may have an impact on Group performance. In addition, the Group obtains rights to the use of intellectual property owned by its alliance partners based overseas and conducts business activities based on licensed brands. If the related contracts are unexpectedly cancelled or if the terms of such contracts become unfavorable when they are renewed, then such circumstances may have an impact on Group performance.

• Legal Risks

The Group conducts its business activities will full regard for laws and regulations, including those related to antimonopoly, treatment of subcontractors, and labeling laws as well as laws concerning the natural environment and recycling. The Onward Group Compliance Committee takes a central role in providing information related to the importance of compliance with laws and regulations as well as internal control procedures with the aim of ensuring proper compliance management. However, despite the establishment of these compliance systems, issues may arise as a result of the illegal behavior of employees and the actions of business partners. Such issues may impair the trust placed in the Group by society and result in the payment of substantial expenses for indemnities, etc. Such circumstances may have an impact on the Group's performance.

• Risks Associated with Information

The Group works to take all necessary measures and strengthen systems for ensuring the security of information systems as provided for under the guidelines of Japan's Private Information Protection Law. The Group has established systems for the management and supervision of information and has taken steps to ensure all management and staff are aware of information security matters. However, going forward, issues may arise if there are leakages of information resulting from improper access to computer systems and criminal activities. Such issues may impair the trust placed in the Group by society and result in the payment of related expenses. Such circumstances may have an impact on the Group's performance.

• Risks Associated with Overseas Business Operations

The Group's overseas operations may be exposed to a range of risks resulting from natural disasters; political, social, and economic conditions; wars and terrorism; fluctuations in foreign currency exchange rates; lawsuits related to intellectual property; and outbreaks of communicable diseases. When such risks emerge, the Group may have difficulty in continuing its business operations. Such circumstances may have an impact on the Group's performance.

Consolidated Balance Sheets

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
February 28, 2007 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
ASSETS	2007	**2008**	**2008**
Current assets:			
Cash and time deposits (Notes 2. (17) and 7. (1))	¥ 57,390	**¥ 36,849**	**$ 351,680**
Accounts and notes receivable	32,308	**28,323**	**270,313**
Inventories (Note 2. (4))	37,098	**33,233**	**317,171**
Deferred tax assets (Note 9)	4,192	**3,953**	**37,727**
Other current assets	4,373	**10,329**	**98,573**
Less: Allowance for bad debt	(164)	**(168)**	**(1,600)**
Total current assets	135,197	**112,519**	**1,073,864**
Property, plant and equipment (Note 5):			
Buildings and structures	75,623	**77,814**	**742,646**
Other depreciable property	26,532	**26,373**	**251,698**
Less: Accumulated depreciation	(61,028)	**(62,340)**	**(594,964)**
	41,127	**41,847**	**399,380**
Land (Note 10)	53,723	**53,161**	**507,358**
Total property, plant and equipment	94,850	**95,008**	**906,738**
Intangible assets, net:			
Goodwill	24,311	**23,084**	**220,314**
Other	2,783	**2,860**	**27,290**
Total intangible assets, net	27,094	**25,944**	**247,604**
Investments and other assets:			
Investments in securities (Note 3)	63,308	**50,773**	**484,571**
Long-term loans receivable	4,267	**4,732**	**45,162**
Long-term prepaid expenses	3,708	**1,861**	**17,762**
Deferred tax assets (Note 9)	5,815	**6,436**	**61,422**
Other investments	14,692	**12,986**	**123,933**
Less: Allowance for bad debt	(995)	**(1,167)**	**(11,138)**
Total investments and other assets	90,795	**75,621**	**721,712**
Total assets	¥347,936	**¥309,092**	**$2,949,918**

LIABILITIES AND NET ASSETS	Millions of yen 2007	2008	Thousands of U.S. dollars (Note 2. (23)) 2008
Current liabilities:			
Accounts and notes payable	¥ 51,692	**¥ 42,075**	**$ 401,554**
Short-term loans (Note 12)	26,916	**25,677**	**245,059**
Accrued expenses	7,258	**8,478**	**80,913**
Accrued income taxes	8,234	**7,237**	**69,072**
Consumption taxes payable	936	**2,359**	**22,515**
Accrued bonuses to employees	2,694	**2,428**	**23,172**
Allowance for sales returns	1,028	**712**	**6,793**
Other current liabilities	4,736	**4,355**	**41,558**
Total current liabilities	103,494	**93,321**	**890,636**
Long-term liabilities:			
Negative goodwill	447	**—**	**—**
Accrued retirement benefits (Note 6)	4,950	**3,487**	**33,279**
Accrued retirement benefits for directors and statutory auditors	274	**151**	**1,446**
Deferred tax liabilities—revaluation of land (Notes 9 and 10)	5,992	**5,949**	**56,777**
Other	7,641	**8,545**	**81,548**
Total long-term liabilities	19,304	**18,132**	**173,050**
Total liabilities	122,798	**111,453**	**1,063,686**
Commitments and contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized—400,000,000 shares			
Issued—172,921,669 shares at February 28, 2007 and February 29, 2008	30,080	**30,080**	**287,074**
Capital surplus	50,045	**50,044**	**477,613**
Retained earnings (Note 13)	148,954	**157,016**	**1,498,529**
Less: Treasury stock, at cost, 10,744,252 shares and 16,259,441 shares at February 28, 2007 and February 29, 2008, respectively	(16,479)	**(23,515)**	**(224,420)**
Total shareholders' equity	212,600	**213,625**	**2,038,796**
Valuation and translation adjustments:			
Net unrealized (losses) gains on available-for-sale securities (Note 3)	3,813	**(5,887)**	**(56,186)**
Deferred gains on hedging instruments	21	**(17)**	**(166)**
Net revaluation loss of land (Notes 9 and 10)	(11,012)	**(11,075)**	**(105,696)**
Foreign currency translation adjustment	(1,578)	**(1,789)**	**(17,071)**
Total valuation and translation adjustments	(8,756)	**(18,768)**	**(179,119)**
Stock acquisition rights	73	**135**	**1,294**
Minority interests in consolidated subsidiaries	21,221	**2,647**	**25,261**
Total net assets	225,138	**197,639**	**1,886,232**
Total liabilities and net assets	¥347,936	**¥309,092**	**$2,949,918**

	Yen		U.S. dollars (Note 2. (23))
Per share:			
Net assets per share	¥1,256.9	**¥1,243.8**	**$11.9**

See accompanying notes to financial statements.

Consolidated Statements of Income

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
For the years ended February 28, 2007 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2007	**2008**	**2008**
Net sales	¥318,691	**¥287,032**	**$2,739,383**
Cost of sales	175,796	**156,842**	**1,496,873**
Gross profit	142,895	**130,190**	**1,242,510**
Selling, general and administrative expenses (Note 16)	117,464	**111,562**	**1,064,728**
Operating income	25,431	**18,628**	**177,782**
Other income (expenses):			
Interest income	257	**343**	**3,272**
Interest expenses	(850)	**(397)**	**(3,792)**
Loss on disposal of property, net	(82)	**(82)**	**(779)**
Gain on sale of investments in securities, net (Note 3)	4,051	**6,192**	**59,091**
Loss on write-down of investments in securities	(40)	**(16)**	**(150)**
Royalty income	473	**696**	**6,647**
Equity in earnings of investees	—	**1,693**	**16,161**
Loss on withdrawal of pension fund	—	**(487)**	**(4,648)**
Provision for allowance for bad debt	(378)	**(781)**	**(7,456)**
Foreign currency exchange gain (loss)	(137)	**140**	**1,333**
Gain on cancellation of the pension trust	9,665	**—**	**—**
Impairment losses on fixed assets	(16,968)	**(1,333)**	**(12,719)**
Other, net	2,113	**3,301**	**31,496**
Income before income taxes and minority interests	23,535	**27,897**	**266,238**
Income taxes:			
Current (Note 2. (10))	14,409	**9,780**	**93,337**
Deferred (Note 9)	(3,170)	**5,186**	**49,492**
Income before minority interests	12,296	**12,931**	**123,409**
Minority interests in subsidiaries	(858)	**(717)**	**(6,843)**
Net income	¥ 11,438	**¥ 12,214**	**$ 116,566**

	Yen		U.S. dollars (Note 2. (23))
Per share (Notes 13,14 and 16):			
Net income—basic	¥70.5	**¥76.5**	**$0.730**
Diluted net income per share	70.5	**76.5**	**0.730**
Cash dividends	26.0	**30.0**	**0.286**

See accompanying notes to financial statements.

Consolidated Statements of Changes in Net Assets

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
For the years ended February 28, 2007 and February 29, 2008

		Millions of yen				
		Shareholders' equity				
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings (Note 13)	Treasury stock	Total
Balance as at February 28, 2006:	172,922	¥30,080	¥50,044	¥137,922	¥(16,447)	¥201,599
Cash dividends	—	—	—	(3,893)	—	(3,893)
Bonuses to directors and statutory auditors	—	—	—	(531)	—	(531)
Net income	—	—	—	11,438	—	11,438
Purchase of treasury stock	—	—	—	—	(42)	(42)
Reissuance of treasury stock	—	—	1	—	10	11
Reversal of reserve for land revaluation	—	—	—	554	—	554
Increase resulting from newly consolidated subsidiaries	—	—	—	3,464	—	3,464
Net changes other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	—	—	1	11,032	(32)	11,001
Balance as at February 28, 2007:	172,922	30,080	50,045	148,954	(16,479)	212,600
Cash dividends	**—**	**—**	**—**	**(4,217)**	**—**	**(4,217)**
Net income	**—**	**—**	**—**	**12,214**	**—**	**12,214**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(7,044)**	**(7,044)**
Reissuance of treasury stock	**—**	**—**	**(1)**	**—**	**8**	**7**
Reversal of reserve for land revaluation	**—**	**—**	**—**	**62**	**—**	**62**
Increase resulting from newly consolidated subsidiaries	**—**	**—**	**—**	**3**	**—**	**3**
Net changes other than shareholders' equity	**—**	**—**	**—**	**—**	**—**	**—**
Total changes during the year	**—**	**—**	**(1)**	**8,062**	**(7,036)**	**1,025**
Balance as at February 29, 2008	**172,922**	**¥30,080**	**¥50,044**	**¥157,016**	**¥(23,515)**	**¥213,625**

	Thousands of U.S. dollars (Note 2. (23))				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings (Note 13)	Treasury stock	Total
Balance as at February 28, 2007:	$287,074	$477,624	$1,421,587	$(157,267)	$2,029,018
Cash dividends	**—**	**—**	**(40,243)**	**—**	**(40,243)**
Net income	**—**	**—**	**116,566**	**—**	**116,566**
Purchase of treasury stock	**—**	**—**	**—**	**(67,231)**	**(67,231)**
Reissuance of treasury stock	**—**	**(11)**	**—**	**78**	**67**
Reversal of reserve for land revaluation	**—**	**—**	**596**	**—**	**596**
Increase resulting from newly consolidated subsidiaries	**—**	**—**	**23**	**—**	**23**
Net changes other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Total changes during the year	**—**	**(11)**	**76,942**	**(67,153)**	**9,778**
Balance as at February 29, 2008	**$287,074**	**$477,613**	**$1,498,529**	**$(224,420)**	**$2,038,796**

See accompanying notes to financial statements.

(Continued)

	Millions of yen							
	Valuation and translation adjustments							
	Net unrealized (losses) gains on available-for-sale securities (Note 3)	Deferred gains/losses on hedging instruments	Net revaluation loss of land (Notes 9, 10)	Foreign currency translation adjustment	Total	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as at February 28, 2006:	¥ 5,292	¥ —	¥ (2,378)	¥ (687)	¥ 2,227	¥ —	¥ 17,773	¥221,599
Cash dividends	—	—	—	—	—	—	—	(3,893)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(531)
Net income	—	—	—	—	—	—	—	11,438
Purchase of treasury stock	—	—	—	—	—	—	—	(42)
Reissuance of treasury stock	—	—	—	—	—	—	—	11
Reversal of reserve for land revaluation	—	—	—	—	—	—	—	554
Increase resulting from newly consolidated subsidiaries	—	—	—	—	—	—	—	3,464
Net changes other than shareholders' equity	(1,479)	21	(8,634)	(891)	(10,983)	73	3,448	(7,462)
Total changes during the year	(1,479)	21	(8,634)	(891)	(10,983)	73	3,448	3,539
Balance as at February 28, 2007:	3,813	21	(11,012)	(1,578)	(8,756)	73	21,221	225,138
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,217)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**12,214**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(7,044)**
Reissuance of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7**
Reversal of reserve for land revaluation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**62**
Increase resulting from newly consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3**
Net changes other than shareholders' equity	**(9,700)**	**(38)**	**(63)**	**(211)**	**(10,012)**	**62**	**(18,574)**	**(28,524)**
Total changes during the year	**(9,700)**	**(38)**	**(63)**	**(211)**	**(10,012)**	**62**	**(18,574)**	**(27,499)**
Balance as at February 29, 2008	**¥(5,887)**	**¥(17)**	**¥(11,075)**	**¥(1,789)**	**¥ (18,768)**	**¥135**	**¥ 2,647**	**¥197,639**

	Thousands of U.S. dollars (Note 2. (23))							
	Valuation and translation adjustments							
	Net unrealized (losses) gains on available-for-sale securities (Note 3)	Deferred gains/losses on hedging instruments	Net revaluation loss of land (Notes 9, 10)	Foreign currency translation adjustment	Total	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as at February 28, 2007:	$ 36,396	$ 200	$(105,101)	$ (15,056)	$ (83,561)	$ 695	$ 202,524	$2,148,676
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(40,243)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**116,566**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(67,231)**
Reissuance of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**67**
Reversal of reserve for land revaluation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**596**
Increase resulting from newly consolidated subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**23**
Net changes other than shareholders' equity	**(92,582)**	**(366)**	**(595)**	**(2,015)**	**(95,558)**	**599**	**(177,263)**	**(272,222)**
Total changes during the year	**(92,582)**	**(366)**	**(595)**	**(2,015)**	**(95,558)**	**599**	**(177,263)**	**(262,444)**
Balance as at February 29, 2008	**$(56,186)**	**$(166)**	**$(105,696)**	**$(17,071)**	**$(179,119)**	**$1,294**	**$ 25,261**	**$1,886,232**

See accompanying notes to financial statements.

Consolidated Statements of Cash Flows

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
For the years ended February 28, 2007 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2007	**2008**	**2008**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥23,535	**¥27,897**	**$ 266,238**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	6,697	**7,341**	**70,059**
Impairment loss on fixed assets	16,968	**1,333**	**12,719**
Net amortization of goodwill on consolidation	903	**1,051**	**10,029**
Increase (Decrease) in provision for allowance for bad debt	541	**779**	**7,437**
Increase (Decrease) in provision for accrued retirement benefits	(1,346)	**(855)**	**(8,155)**
Interest and dividend income	255	**(878)**	**(8,380)**
Equity in earnings of investees	—	**(1,693)**	**(16,161)**
Loss on disposal of property, net	82	**82**	**779**
Gain on sale of investments in securities, net	(4,051)	**(6,192)**	**(59,091)**
Loss on write-down of investments in securities	40	**16**	**150**
Valuation losses on investments in unconsolidated subsidiaries and affiliates	127	**50**	**477**
Gain on cancellation of the pension trust	(9,665)	**—**	**—**
Decrease (Increase) in trade receivables	(1,397)	**515**	**4,917**
Decrease (Increase) in inventories	(3,337)	**715**	**6,826**
Increase (Decrease) in trade payables	1,206	**(5,121)**	**(48,870)**
Other, net	1,952	**(763)**	**(7,276)**
Subtotal	32,510	**24,277**	**231,698**
Interest and dividends received	957	**1,571**	**14,995**
Interest paid	(864)	**(393)**	**(3,754)**
Income taxes paid	(15,321)	**(13,013)**	**(124,189)**
Refunded income taxes	80	**61**	**580**
Net cash provided by operating activities	17,362	**12,503**	**119,330**
Cash flows from investing activities:			
Increase in time deposits	(87)	**(2,594)**	**(24,757)**
Decrease in time deposits	81	**2,604**	**24,852**
Acquisition of property, plant and equipment	(7,687)	**(8,379)**	**(79,964)**
Proceeds from sale of property, plant and equipment	1,517	**1,247**	**11,902**
Acquisition of investments in securities	(12,933)	**(6,380)**	**(60,886)**
Proceeds from sale of investments in securities	6,585	**2,795**	**26,670**
Payments for long-term prepaid expenses	(2,021)	**(1,404)**	**(13,400)**
Payments for security deposits	(928)	**(298)**	**(2,847)**
Proceeds from deposits	948	**363**	**3,466**
Payment for acquisition of consolidated subsidiaries resulting in a change in the scope of consolidation (Note 7. (2))	(4,737)	**—**	**—**
Payment related to a sale of consolidated subsidiary resulting in a change in the scope of consolidation (Notes 2 and 7. (2))	—	**(6,346)**	**(60,573)**
Other, net	5,413	**(2,218)**	**(21,170)**
Net cash used in investing activities	(13,849)	**(20,610)**	**(196,707)**

See accompanying notes to financial statements.

(Continued)

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2007	**2008**	**2008**
Cash flows from financing activities:			
Net repayments of short-term loans	(1,139)	**(1,301)**	**(12,413)**
Acquisition of treasury stock	(42)	**(7,044)**	**(67,231)**
Dividends paid by the parent company	(3,893)	**(4,217)**	**(40,243)**
Dividends paid to minority stockholders	(773)	**—**	**—**
Other, net	10	**(21)**	**(205)**
Net cash used in financing activities	(5,837)	**(12,583)**	**(120,092)**
Effect of exchange rate changes on cash and cash equivalents	364	**159**	**1,522**
Net decrease in cash and cash equivalents	(1,960)	**(20,531)**	**(195,947)**
Cash and cash equivalents at beginning of year	56,058	**57,306**	**546,921**
Effect of newly consolidated subsidiaries	3,208	**—**	**—**
Cash and cash equivalents at end of year (Note 7. (1))	¥57,306	**¥36,775**	**$350,974**

See accompanying notes to financial statements.

Notes to Consolidated Financial Statements

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
For the years ended February 28, 2007 and February 29, 2008

1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by ONWARD HOLDINGS Co., Ltd. (the "Company"), and its consolidated subsidiaries in accordance with the provisions set forth in the Corporation Law of Japan (the "Corporation Law") and the Financial Instruments and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows of the Company and its consolidated subsidiaries in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 89 subsidiaries as at February 29, 2008 (69 as at February 28, 2007). The accompanying consolidated financial statements include the accounts of the Company and its 47 subsidiaries (55 for 2007). The 47 subsidiaries which have been consolidated by the Company are listed below (the Company and these consolidated subsidiaries are collectively referred to as the "Companies"):

Name of subsidiary	Equity ownership percentage	Closing date
Onward KASHIYAMA Co., Ltd.	100.0%	February 29
Onward Trading Co., Ltd.	100.0	February 29
Onward Life Design Network Co., Ltd.	100.0	February 29
Freed of London Ltd.	100.0	December 31
O & K Co., Ltd.	100.0	February 29
Onward Resort & Golf Co., Ltd.	100.0	February 29
Donna Karan Japan K.K.	100.0	December 31
Onward Creative Center Co., Ltd.	100.0	February 29
Excel Co., Ltd.	100.0	February 29
Across Transport Co., Ltd.	100.0	February 29
Onward Beach Resort Guam, Inc.	100.0	December 31
Bus Stop Co., Ltd.	100.0	February 29
Chacott Co., Ltd.	100.0	February 29
BOOKLET CORP.	100.0	February 29
Project Sloane Ltd.	100.0	November 30
Joseph Ltd.	100.0	November 30
Joseph Tricot Ltd.	100.0	November 30
Joseph at Old Bond Street Ltd.	51.0	November 30
Joseph at Wimbledon Ltd.	100.0	November 30
Joseph London SARL	100.0	November 30
Joseph Tricot Cannes SARL	100.0	November 30
Joseph E. France SARL	65.0	November 30
Joseph Production EURL	100.0	November 30
SCI Joseph	65.0	November 30
Joseph UK Inc. (New York)	100.0	November 30
Joseph Eyewear Ltd.	100.0	November 30
Joe's Cafes Ltd.	100.0	November 30
Gibo' & Co. S.p.A.	84.0	November 30
Maglificio Erika S.r.l.	70.0	November 30
Iris S.p.A.	60.0	November 30
Gibo' USA Inc.	100.0	November 30
Gibo' France SARL	100.0	November 30
Iris Sud S.r.l.	99.0	November 30
Rediris SARL	99.0	November 30
Iris France SARL	100.0	November 30

Frassineti S.r.l	60.0	November 30
O.K.N. Amsterdam B.V.	100.0	November 30
Onward Kashiyama Korea Co., Ltd.	100.0	December 31
Onward Kashiyama Hong Kong Ltd.	100.0	December 31
Onward International Fashion China Co., Ltd.	100.0	December 31
Onward Trading (Shanghai) Co., Ltd.	67.0	December 31
J. Press, Inc.	100.0	December 31
Onward Retail, L.L.C.	100.0	December 31
Agana Resort Club L.P.S.	81.1	December 31
Onward Kashiyama Guam, Inc.	100.0	December 31
Onward Golf Resort Guam, Inc.	100.0	December 31
Onward Mangilao Guam, Inc.	100.0	December 31

On September 1,2007, the Company was reorganized as a pure holding company, and changed its name to ONWARD HOLDINGS Co., Ltd. The Company transferred its apparel business to a wholly owned subsidiary, ONWARD KASHIYAMA Co., Ltd., and its trading business to a wholly owned subsidiary, Onward Trading Co., Ltd.

Effective from September 1, 2007, Personal Order Japan Co., Ltd. transferred its business to Onward Trading Co., Ltd. and was excluded from consolidation, as Personal Order Japan Co., Ltd. was liquidated on November 30, 2007.

All shares of Impact 21 Co., Ltd. were sold, and Impact 21 Co., Ltd. was excluded from consolidation accordingly.

A 60% share of Frassineti S.r.l was acquired on May 22, 2007 and Frassineti S.r.l became a consolidated subsidiary of the Company.

Joseph at Richmond Ltd., Joseph at Notting Hill Ltd., Joseph at Brooks Street Ltd., Medtown Ltd., Joblin Ltd., Lynxmead Inc. and Bridge UK Inc. were excluded from consolidation.

Shanghai Onward Fashion Co., Ltd. changed its name to Onward International Fashion China Co., Ltd.

The financial statements of the aforementioned subsidiaries with fiscal year-ends of December 31 or November 30 have been used for consolidation. All material transactions that occurred in the periods from such fiscal year-ends and February 29, the Company’s fiscal year-end, have been adjusted.

The remaining 15 subsidiaries (14 for 2007) were not consolidated because their total assets, net sales, net income and retained earnings were not material individually or in the aggregate compared with those of the consolidated financial statements of the Companies.

(2) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements of the Companies, all significant intercompany transactions, account balances and unrealized profits among the Companies have been entirely eliminated, and the portion attributable to minority interests is credited/charged thereto.

The assets and liabilities of newly acquired subsidiaries are measured at fair value at the time of acquisition, and the differences between the cost of investments in the consolidated subsidiaries and the equity in their net assets at fair value are accounted for as goodwill, which is amortized on a straight-line basis over 5-20 year periods.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. 21 companies (23 companies for 2007) are accounted for by the equity method for the year ended February 29, 2008.

All shares of Polo Ralph Lauren Japan Co., Ltd. were sold, and Polo Ralph Lauren Japan Co., Ltd. was excluded from the equity method. The Daido International Co., Ltd. was added to the Daido Limited Group and the equity method was applied.

The Company did not apply the equity method to 15 unconsolidated subsidiaries (14 in 2007) and 6 affiliates (6 in 2007) as at February 29, 2008, as the effect on net income or retained earnings of their consolidated financial statements would not be material.

The Company applied the equity method by using the November 30 financial statements of Gailyglen Ltd., which has a fiscal year-end of November 30. Also, the December 31 financial statements of Daido Limited, which has a fiscal year-end of March 31, prepared on a basis similar to that for year-end closing, were used for consolidation purposes.

(4) Inventories

Inventories are stated at cost, cost being determined generally by the last purchase invoice price method. Merchandise and finished goods held at retail stores are measured using the retail cost method.

When the net realizable value of certain classes of inventories (consisting primarily of seasonal merchandise which remains unsold after the end of such seasons) is substantially less than the carrying value (cost), and the decline in value is not expected to be recovered in the near future, appropriate write-downs are recorded on such inventory items. The amount of write-down is determined based on the experience of sales of merchandise similar to those unsold items during the last three years. For the years ended February 28, 2007 and February 29, 2008, the recorded write-downs were ¥11,262 million and ¥9,903 million ($94,509 thousand), respectively.

(5) Investments in Securities

Debt securities and equity securities classified as available-for-sale securities whose fair values are readily determinable are carried at the fair values prevailing at the fiscal year-end date with unrealized gains or losses included as a component of net assets, net of applicable taxes.

Available-for-sale securities whose fair values cannot readily be determined are stated principally at cost. In cases where declines in the fair values of individual securities are assessed to be other than temporary, the cost of the security is reduced to net realizable value and the impairment loss is charged to income. Realized gains and losses are determined using the moving-average method and are reflected in income.

(6) Derivative Transactions

All derivatives are stated at fair value, and changes in fair value are included in income for the period in which they arise, except for derivatives that are designated as “hedging instruments” (see “(7) Hedge Accounting” below).

(7) Hedge Accounting

All gains or losses arising from changes in the fair values of the derivatives designated as “hedging instruments,” which were formerly deferred as assets or liabilities, are deferred as a component of net assets, net of applicable taxes, due to the adoption of a new accounting standard described in Note 2. (20). The gains or losses on the hedging instruments are included in net income in the same period during which the gains and losses on the hedge items or transactions are recognized. For foreign exchange forward contracts, if they meet conditions for hedge accounting, the difference between the contract rate and spot rate at the date of the contract is recognized over the period from the contract date to the settlement date.

The derivatives designated as hedging instruments are principally foreign exchange forward contracts. The related hedged items are trade accounts payable and trade accounts receivable denominated in foreign currencies and scheduled transactions.

The Company has a policy of utilizing hedging instruments in order to reduce the exposure to the risk of foreign currency exchange rate fluctuation.

(8) Property, Plant and Equipment

The Company and its domestic consolidated subsidiaries provide depreciation by the declining-balance method at rates based on the estimated useful lives of assets which are prescribed by Japanese income tax regulations, except for certain buildings (other than improvements) acquired on and after April 1998, which are depreciated by the straight-line method pursuant to an amendment to Japanese income tax law.

Effective April 1, 2007, the Company and its domestic subsidiaries changed their method of depreciation of property, plant and equipment acquired on or after April 1, 2007 in connection with the revision to the Japanese Corporation Tax Law. The change did not have a material impact on the Companies' results of operations.

Overseas consolidated subsidiaries provide depreciation by the straight-line method.

(9) Amortization

Intangible assets and long-term prepaid expenses are amortized by the straight-line method.

Software costs for internal use are amortized over their expected useful lives (five years) by the straight-line method.

(10) Income Taxes

The accounting standards for income taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(11) Allowances for Bad Debt

An allowance for bad debt is provided for estimated losses on known bad debt and those on doubtful accounts using the historical write-off ratio at the balance sheet date.

(12) Allowances for Sales Returns

An allowance for sales returns is provided for the estimated losses on sales returns calculated under the Japanese tax regulations.

(13) Retirement Benefits

Accrued retirement benefits are provided for at the present value of the projected benefit obligation less the estimated fair value of plan assets and deferred gains or losses at the balance sheet date. Unrecognized prior service costs are amortized and charged or credited to income on a straight-line basis over 5 to 10 years, which is within the related employees' average remaining service years. Unrecognized actuarial differences are amortized on a straight-line basis over 5 to 10 years, which is within the related employees' average remaining service years, from the year following the one in which they arise.

Accrued retirement benefits for directors and statutory auditors are provided for at the amount required at the balance sheet dates in accordance with the internal rules of the Company and certain consolidated subsidiaries.

(14) Provision for Loss on Guarantee Obligations

The provision for loss on guarantee obligations was provided for the estimated losses on the Company's obligations to pay for the guaranteed debts of subsidiaries. In estimating the provision, the Company considers the financial condition of each of the subsidiaries.

(15) Accounting for Leases

For the Company and its domestic consolidated subsidiaries, finance leases other than those which are deemed to transfer the ownership of the lease assets to lessees are accounted for as operating leases.

(16) Accounting for Japanese Consumption Taxes

The Japanese consumption taxes withheld upon sale of goods and services and the consumption taxes paid by the Companies on the purchase of goods and services are not included in the accompanying consolidated statements of income.

(17) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits which can be withdrawn on demand, and short-term investments which are readily convertible into cash or with an original maturity of three months or less, which represent insignificant risk of changes in value.

(18) Impairment of Long-Lived Assets

Effective March 1, 2006, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets (“Opinion concerning the Establishment of an Accounting Standard for the Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the “Implementation Guidance on the Accounting Standard for the Impairment of Fixed Assets” (Business Accounting Standard Implementation Guidance No. 6 issued on October 31, 2003).

The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to be generated from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the standard was to decrease income before income taxes and minority interests by ¥16,968 million for the year ended February 28, 2007.

The ¥16,968 million impairment loss was recognized for land (¥3,855 million), buildings and structures (¥8,181 million) and other fixed assets (¥4,932 million).

(19) Directors' Bonuses

During the year ended February 28, 2007, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Directors' Bonuses" (Accounting Standards Board of Japan Statement No. 4, issued by the Accounting Standards Board of Japan on November 29, 2005).

Under the standard, directors' bonuses are accounted for as an expense as incurred, instead of being accounted for as an appropriation of retained earnings upon approval at a general meeting of shareholders. The effect of adoption of the new standard was to decrease income before income taxes and minority interests by ¥517 million for the year ended February 28, 2007.

(20) Presentation of Net Assets on the Balance Sheet

During the year ended February 28, 2007, the Company adopted the "Accounting Standard for Presentation of Net Assets on the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the "Guidance on Accounting Standard for Presentation of Net Assets on the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8, issued by the Accounting Standards Board of Japan on December 9, 2005).

Under the standard, "Shareholders' equity" is presented as a component of "Net assets" along with the other components of "Valuation and translation adjustments", "Stock acquisition rights" and "Minority interests in consolidated subsidiaries." "Deferred gains/losses on hedging instruments" formerly presented as assets or liabilities are presented as a component of "Valuation and translation adjustments." "Minority interests in consolidated subsidiaries" formerly listed after "Liabilities" are also included in "Net assets." Shareholders' equity based on the previous classification amounted to ¥203,824 million for the year ended February 28, 2007.

(21) Stock Options

During the year ended February 28, 2007, the Company adopted the "Accounting Standard for Share-Based Payment" (Accounting Standards Board of Japan Statement No. 8, issued by the Accounting Standards Board of Japan on December 27, 2005) and "Guidance on Accounting Standard for Share-Based Payment" (Accounting Standards Board of Japan Guidance No. 11, issued by the Accounting Standards Board of Japan, revised on May 31, 2006).

These standards provide that stock options should be recognized as an expense and presented as "Stock acquisition rights" as a component of net assets. The standards are applied to stock options that are granted on and after May 1, 2006. The effect of adoption of the new standards was immaterial.

(22) Business Combinations and Business Divestitures and the Related Implementation Guidance

During the year ended February 29, 2008, the Company and its domestic subsidiaries adopted the "Accounting standard for business combinations" (Accounting Standards issued by the Business Accounting Council in Japan on October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No. 7) and "Implementation Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10) both issued by the accounting Standards Board of Japan on December 27, 2005. There was no effect from the adoption of the new standards.

(23) United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥104.78=US$1, the rate of exchange as of February 29, 2008, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

3. Investments in Securities

(1) Information as of and for the Year Ended February 29, 2008

(a) Available-for-sale securities with readily determinable fair value:

Investments in securities whose fair values were readily determinable at February 29, 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Fair value (carrying value)	Unrealized gain (loss)	Acquisition cost	Fair value (carrying value)	Unrealized gain (loss)
Securities with unrealized gains:						
Equity securities	**¥ 6,783**	**¥ 9,225**	**¥ 2,442**	**$ 64,736**	**$ 88,038**	**$ 23,302**
Total	**6,783**	**9,225**	**2,442**	**64,736**	**88,038**	**23,302**
Securities with unrealized losses:						
Equity securities	**43,120**	**30,756**	**(12,364)**	**411,528**	**293,532**	**(117,996)**
Total	**43,120**	**30,756**	**(12,364)**	**411,528**	**293,532**	**(117,996)**
Total	**¥49,903**	**¥39,981**	**¥ (9,922)**	**$476,264**	**$381,570**	**$ 94,694**

(b) Available-for-sale securities sold during the year ended February 29, 2008:

	Millions of yen	Thousands of U.S. dollars
Proceeds from sale of securities	**¥15**	**$138**
Gross realized gain on sale of securities	**11**	**105**
Gross realized loss on sale of securities	**—**	**—**

(c) Major securities which were not stated at fair value as of February 29, 2008:

	Millions of yen	Thousands of U.S. dollars
Available-for-sale securities:		
Non-marketable equity securities	**¥341**	**$3,259**

(d) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 29, 2008 was ¥10,451 million ($99,742 thousand).

(2) Information as of and for the Year Ended February 28, 2007

(a) Available-for-sale securities with readily determinable fair value:

Investments in securities whose fair values were readily determinable at February 28, 2007 are summarized as follows:

	Millions of yen		
	Acquisition cost	Fair value (carrying value)	Unrealized gain (loss)
Securities with unrealized gains:			
Equity securities	¥34,583	¥42,398	¥7,815
Total	34,583	42,398	7,815
Securities with unrealized losses:			
Equity securities	9,218	7,883	(1,335)
Total	9,218	7,883	(1,335)
Total	¥43,801	¥50,281	¥6,480

(b) Available-for-sale securities sold during the year ended February 28, 2007:

	Millions of yen
Proceeds from sale of securities	¥6,565
Gross realized gain on sale of securities	4,060
Gross realized loss on sale of securities	9

(c) Major securities which were not stated at fair value as of February 28, 2007:

	Millions of yen
Available-for-sale securities:	
Non-marketable equity securities	¥345

(d) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 28, 2007 was ¥12,683 million.

4. Derivative Transactions

Derivatives are used in order to hedge foreign exchange market risk on the transactions which occur in the normal course of business. Derivatives are not used for speculative purposes or for highly leveraged transactions. Derivatives are executed with financial institutions with high credit ratings, and the Company does not anticipate significant losses due to the credit risks of its counterparties.

The Company and its consolidated subsidiaries applied hedge accounting for all derivative transactions as of February 28, 2007 and February 29, 2008; therefore, disclosure requirements of market value information on those derivatives are not applicable.

5. Property, Plant and Equipment

The Japanese tax regulations allow a company to defer capital gains on the sale of qualified real property, if the company intends to offset such gains against the cost of newly acquired fixed assets. When such accounting is followed, the cost of the new fixed assets is reduced to the extent of the deferred capital gains, thereby affecting related depreciation charges and accumulated depreciation.

Property, plant and equipment at February 28, 2007 and February 29, 2008, were reduced by ¥8,420 million and ¥8,353 million ($79,715 thousand), respectively, representing accumulated deferred gains from eligible sales.

6. Retirement Plan and Retirement Benefits

The Company and its subsidiaries have defined benefit retirement plans covering substantially all employees. Defined benefit retirement plans include a plan which is governed by the regulations of the Japanese Welfare Pension Insurance Law ("Welfare Benefit Plan"), tax qualified pension plans and plans for lump-sum retirement benefits.

The reserve for retirement benefits as of February 28, 2007 and February 29, 2008 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Projected benefit obligations	¥(37,366)	**¥(35,870)**	**$(342,340)**
Plan assets (including employee retirement benefit fund)	36,589	**30,144**	**287,687**
Funded status	(776)	**(5,726)**	**(54,653)**
Unrecognized prior service costs	(146)	**(117)**	**(1,112)**
Unrecognized actuarial differences	(4,029)	**2,602**	**24,831**
Unrecognized pension assets	—	**—**	**—**
Subtotal	(4,950)	**(3,241)**	**(30,934)**
Prepaid pension cost	—	**246**	**2,346**
Accrued retirement benefits	¥ (4,950)	**¥ (3,487)**	**$ (33,279)**

The net periodic pension expenses for the years ended February 28, 2007 and February 29, 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Service cost	¥1,669	**¥1,544**	**$14,737**
Interest cost	674	**649**	**6,191**
Expected return on plan assets	(592)	**(504)**	**(4,807)**
Amortization of unrecognized prior service costs	(43)	**(29)**	**(281)**
Amortization of unrecognized actuarial differences	(1,061)	**(71)**	**(680)**
Net periodic pension expenses	¥ 647	**¥1,589**	**$15,160**

Actuarial assumptions used in the calculation of the aforementioned information were as follows:

	As of February 28, 2007	**As of February 29, 2008**
Method of attributing the projected benefits to periods of service	Straight-line basis	**Straight-line basis**
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	0.6~2.5%	**0.7~2.8%**
Amortization of unrecognized prior service costs	5~10 years	**5~10 years**
Amortization of unrecognized actuarial differences	5~10 years	**5~10 years**

7. Notes to Consolidated Statements of Cash Flows

(1) Cash and cash equivalents at February 28, 2007 and February 29, 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Cash and time deposits	¥57,390	**¥36,849**	**$351,680**
Time deposits with maturities of more than three months	(84)	**(74)**	**(706)**
Cash and cash equivalents	¥57,306	**¥36,775**	**$350,974**

(2) Payment related to a sale of consolidated subsidiary resulting in a change in the scope of consolidation

For the year ended February 29, 2008, due to a sale of shares of Impact 21 Co., Ltd., Impact 21 Co., Ltd. was excluded from consolidation. The assets and liabilities of the company were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 33,112	$ 316,012
Fixed assets	5,802	55,379
Current liabilities	(7,041)	(67,196)
Long-term liabilities	(705)	(6,732)
Minority interests in the subsidiary	(18,966)	(181,010)
Gain on sale of investments in securities	6,885	65,705
Cash income from the sale of the subsidiary	19,087	182,158
Cash and cash equivalents held by the subsidiary	(25,433)	(242,729)
Payment for selling of the subsidiary	¥ (6,346)	$ (60,573)

Payment for acquisition of consolidated subsidiaries resulting in a change in the scope of consolidation

For the year ended February 28, 2007, due to the acquisition of shares of Onward Mangilao Guam, Inc., Onward Mangilao Guam, Inc. was newly consolidated. The assets and liabilities of the company at the time of initial consolidation, additional cash paid for the acquisition, cash and cash equivalents held by the subsidiary and net payment for acquisition of the subsidiary were as follows:

	Millions of yen
Current assets	¥ 627
Fixed assets	3,937
Goodwill on consolidation	754
Current liabilities	(108)
Cash paid for acquisition of the subsidiary	5,210
Cash and cash equivalents held by the subsidiary	(473)
Payment for acquisition of the subsidiary	¥4,737

8. Lease Transactions

The Companies' finance lease contracts that are not deemed to transfer the ownership of the leased assets to lessees are accounted for as operating leases, which is permitted by Japanese accounting principles. Certain key information on such lease contracts of the Companies for the years ended February 28, 2007 and February 29, 2008 are as follows:

(Lessee)

Assumed data as to acquisition cost, accumulated depreciation, accumulated impairment loss and net book value of the leased assets, which included the portion of interest thereon, as of February 28, 2007 and February 29, 2008 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	February 28, 2007			**February 29, 2008**			**February 29, 2008**		
	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total
Acquisition cost	¥2,531	¥856	¥3,387	**¥2,388**	**¥772**	**¥3,160**	**$22,789**	**$7,375**	**$30,164**
Accumulated depreciation	(1,169)	(447)	(1,616)	**(1,145)**	**(372)**	**(1,517)**	**(10,928)**	**(3,554)**	**(14,482)**
Accumulated impairment loss	(145)	—	(145)	**(145)**	**—**	**(145)**	**(1,381)**	**—**	**(1,381)**
Net book value	¥1,217	¥409	¥1,626	**¥1,098**	**¥400**	**¥1,498**	**$10,480**	**$3,821**	**$14,301**

The scheduled maturities of future lease payments on such lease contracts as of February 28, 2007 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Scheduled maturities of future leases:			
Due within one year	¥ 695	**¥ 678**	**$ 6,470**
Due over one year	1,074	**965**	**9,212**
	¥1,769	**¥1,643**	**$15,682**

The balance of accumulated impairment losses of leased assets as of February 28, 2007 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Impairment losses of leased assets	¥85	**¥32**	**$304**

Lease expenses, reversal of impairment loss of leased assets, depreciation and impairment loss for the years ended February 28, 2007 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Lease expenses for the year	¥688	**¥715**	**$6,820**
Reversal of impairment loss of leased assets	60	**53**	**509**
Depreciation	688	**715**	**6,820**
Impairment loss	145	**—**	**—**

The Companies' operating lease contracts:

The scheduled maturities of future lease payments on operating lease contracts as of February 28, 2007 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Scheduled maturities of future leases:			
Due within one year	¥119	**¥2**	**$24**
Due over one year	363	**—**	**—**
	¥482	**¥2**	**$24**

(Lessor)

Acquisition cost, accumulated depreciation and net book value of the leased assets as of February 28, 2007 and February 29, 2008 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	February 28, 2007		**February 29, 2008**		**February 29, 2008**	
	Other	Total	Other	Total	Other	Total
Acquisition cost	¥ 80	¥ 80	**¥ 83**	**¥ 83**	**$ 788**	**$ 788**
Accumulated depreciation	(60)	(60)	**(68)**	**(68)**	**(645)**	**(645)**
Net book value	¥ 20	¥ 20	**¥ 15**	**¥ 15**	**$ 143**	**$ 143**

The scheduled maturities of future lease income on such lease contracts as of February 28, 2007 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Due within one year	¥ 71	**¥ 73**	**$ 701**
Due over one year	134	**144**	**1,369**
	¥205	**¥217**	**$2,070**

Lease income and depreciation for the years ended February 28, 2007 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Lease income for the year	¥17	**¥18**	**$171**
Depreciation	¥11	**¥11**	**$102**

9. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as at February 28, 2007 and February 29, 2008 consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2007	**February 29, 2008**	**February 29, 2008**
Deferred tax assets:			
Valuation loss on inventories	¥ 2,143	**¥ 1,434**	**$ 13,684**
Evaluation loss on investments in unconsolidated subsidiaries	1,033	**28**	**263**
Accrued bonuses to employees	1,011	**987**	**9,424**
Accrued retirement benefits	5,923	**5,937**	**56,661**
Accrued retirement benefits for directors and auditors	1,080	**62**	**588**
Allowance for bad debt	1,182	**503**	**4,799**
Tax loss carryforwards	11,273	**12,200**	**116,434**
Impairment loss	8,599	**7,582**	**72,363**
Net unrealized gains on available-for-sale securities	—	**4,035**	**38,511**
Other	2,514	**3,053**	**29,146**
Subtotal	34,758	**35,821**	**341,873**
Less: Valuation allowance	(14,783)	**(17,848)**	**(170,335)**
Total deferred tax assets	19,975	**17,973**	**171,538**
Deferred tax liabilities:			
Gain on securities contributed to an employee retirement benefit trust	(3,474)	**(237)**	**(2,261)**
Gain on securities returned from an employee retirement benefit trust	(3,931)	**(3,474)**	**(33,154)**
Net unrealized gains on available-for-sale securities	(2,638)	**(3,930)**	**(37,513)**
Provision for deferred capital gains on real property for tax purposes	(22)	**(22)**	**(206)**
Other	(95)	**(155)**	**(1,483)**
Total deferred tax liabilities	(10,160)	**(7,818)**	**(74,617)**
Net deferred tax assets	¥ 9,815	**¥ 10,155**	**$ 96,921**

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended February 28, 2007 and February 29, 2008 is as follows:

	%	
	2007	**2008**
Statutory tax rate	40.7	**40.7**
Reconciliation:		
Non-deductible items (entertainment expenses, etc.)	2.9	**1.7**
Change in valuation allowance	5.5	**(3.4)**
Deductible losses on sales of investments in subsidiaries and affiliates which are eliminated for consolidation	—	**15.9**
Other	(1.3)	**(1.3)**
Effective tax rate	47.8	**53.6**

10. Revaluation of Land

On February 28, 2002, the Company revaluated its land for business use at market value as a result of the application of the Land Revaluation Law, which permits a one-time revaluation of land for business use.

As of February 29, 2008, the accumulated revaluation loss amounted to ¥17,024 million ($162,472 thousand), for which the related deferred tax liability of ¥5,949 million ($56,777 thousand) is recognized. The net revaluation loss of ¥11,075 million ($105,696 thousand) is presented as a separate component of net assets as “Net revaluation loss of land.”

As of February 28, 2007, the accumulated revaluation loss amounted to ¥17,004 million, for which the related deferred tax liability of ¥5,992 million is recognized. The net revaluation loss of ¥11,012 million is presented as a separate component of net assets as a “Net revaluation loss of land.”

The difference between the market value of land subject to the revaluation and the book value was ¥5,810 million as at February 28, 2007.

11. Commitments and Contingent Liabilities

The Company was contingently liable as a guarantor for certain affiliates’ bank loans. The outstanding balance of such bank loans guaranteed as at February 28, 2007 and February 29, 2008 aggregated to ¥1,339 million and ¥96 million ($919 thousand), respectively.

12. Short-term Loans

Short-term loans at February 28, 2007 and February 29, 2008 represented loans, principally from banks. The weighted-average interest rate on these loans was 3.1% in 2007 and 3.8% in 2008.

13. Shareholders’ Equity

On May 1, 2006, a new corporation law (the "Corporation Law") became effective, which reformed and replaced the Commercial Code of Japan with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. Under the Corporation Law, the entire amount of the issue price of shares is required to be designated as a stated common stock account, although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

The Corporation Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law also provides that additional paid-in capital and the legal reserve are available for appropriations by a resolution of the shareholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

Cash dividends charged to retained earnings for the years ended February 29, 2008 and February 28, 2007 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company’s non-consolidated books of account in accordance with the Corporation Law.

Dividends to be paid after the balance sheet date, which were approved by the general meeting of shareholders held on May 29, 2008, are as follows:

(a) Total dividends	¥4,700 million ($44,855 thousand)
(b) Source of dividends	Retained earnings
(c) Cash dividends per common share	¥30 ($0.29)
(d) Date to determine which shareholders receive the dividends	February 29, 2008
(e) Effective date	May 30, 2008

14. Per Share Information

Net income per share of common stock is computed based upon the weighted-average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years rather than those paid during the years.

The basis for the calculation of basic and diluted net income per share for the years ended February 28, 2007 and February 29, 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Net income	¥11,438	**¥12,214**	**$116,566**
Less: Components not pertaining to common shareholders	—	**—**	**—**
Net income pertaining to common stock	¥11,438	**¥12,214**	**$116,566**
Average outstanding shares of common stock (shares)	162,187,211	**159,602,933**	
Effect of dilutive stock options (shares)	43,814	**87,523**	

15. Related-Party Transactions

Year Ended February 29, 2008

The Company leased land from Mr. Hirouchi, Chairman and CEO of ONWARD HOLDINGS Co., Ltd., during the year and the rental fee was ¥7 million ($69 thousand). Also, Mr. Hirouchi paid a rental fee of ¥17 million ($163 thousand) to the Company for a house. The rental fees were determined by the market average amounts.

Year Ended February 28, 2007

The Company leased land from Mr. Hirouchi, Chairman of Onward Kashiyama Co., Ltd., during the year and the rental fee was ¥7 million. Also, Mr. Hirouchi paid a rental fee of ¥21 million to the Company for a house. The rental fees were determined by the market average amounts.

16. Stock Options

The Company has two stock option plans granted to directors and corporate auditors.

2007 Stock Option Plan

Under the 2007 stock option plan, stock options were granted to 5 directors and 2 corporate auditors on July 20, 2007. They are exercisable in the period from July 21, 2007 to July 20, 2037. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they lose their positions as directors or corporate auditors.

A summary of information for the Company's stock option plan is as follows:

Exercise price	¥1 ($0.01)
Fair value at the grant date	¥1,284 ($12.25)
Number of stock options granted	40,000 shares

The cost recognized for the stock options for the year ended February 29, 2008 was ¥63 million ($599 thousand), which is included in selling, general and administrative expenses.

A summary of the scale and movement of the Company's stock option plan as of February 29, 2008 is as follows:

Stock options not exercisable:

	2007 stock option plan
Outstanding at February 28, 2007	—
Granted	40,000
Forfeited	—
Vested	—
Outstanding at February 29, 2008	40,000

The fair value of the stock options granted for the year ended February 29, 2008 was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	31.207%
Expected lives	7 years and 6 months
Expected dividend	¥26 per share
Risk-free interest rate	1.7498%

The number of rights to vest in the future periods is determined based on actual forfeited number of the stock option because it is difficult to estimate forfeiture in the future.

2006 Stock Option Plan

Under the 2006 stock option plan, stock options were granted to 12 directors and 2 corporate auditors on June 20, 2006. They are exercisable in the period from July 1, 2006 to June 30, 2036. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they lose their positions as directors or corporate auditors.

A summary of information for the Company's stock option plan is as follows:

Exercise price	¥1
Fair value at the grant date	¥1,541
Number of stock options granted	63,000 shares

The cost recognized for the stock options for the year ended February 28, 2007 was ¥73 million, which is included in selling, general and administrative expenses.

A summary of the scale and movement of the Company's stock option plan as of February 28, 2007 is as follows:

Stock options not exercisable:

	2006 stock option plan
Outstanding at February 28, 2006	—
Granted	63,000
Forfeited	—
Vested	—
Outstanding at February 28, 2007	63,000

The fair value of the stock options granted for the year ended February 28, 2007 was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	33.507%
Expected lives	7 years and 6 months
Expected dividend	¥24 per share
Risk-free interest rate	1.6000%

The number of rights to vest in the future periods is determined based on actual forfeited number of the stock option because it is difficult to estimate forfeiture in the future.

17. Segment Information

(1) Industry Segment Information

The Company and its consolidated subsidiaries operate principally in two industrial segments, “Apparel” and “Other.”

The Apparel Division produces and sells a wide range of women's and men's clothing, including dresses, suits, shirts, skirts, sweaters, trousers and casual wear.

The Other Division operates logistics, sports facilities, resort facilities, etc.

On September 1, 2007, the Company was reorganized as a pure holding company; therefore, the Group management expenses and the assets used for management activity which were included in the Apparel segment have been transferred to Elimination of intersegment sales.

The management expenses transferred to Elimination of intersegment sales as of February 29, 2008, was ¥1,801 million ($17,188 thousand) and the assets used for management activity as of February 29, 2008, was ¥180,201 million ($1,719,803 thousand).

Segment information classified by industry segment of the Companies for the year ended February 29, 2008 is as follows:

For the year ended February 29, 2008	Millions of yen				
	Industry segment			Elimination of intersegment sales	Consolidated total
	Apparel	Other	Total		
Sales to outside customers	¥269,322	¥17,710	¥287,032	¥ —	¥287,032
Intersegment sales	13	9,778	9,791	(9,791)	—
Total	269,335	27,488	296,823	(9,791)	287,032
Costs and expenses	249,191	27,211	276,402	(7,998)	268,404
Operating income	¥ 20,144	¥ 277	¥ 20,421	¥ (1,793)	¥ 18,628
Assets	¥178,035	¥40,664	¥218,699	¥90,393	¥309,092
Depreciation and amortization	¥ 6,246	¥ 1,148	¥ 7,394	¥ (53)	¥ 7,341
Impairment loss	¥ 1,312	¥ 21	¥ 1,333	¥ —	¥ 1,333
Capital expenditures	¥ 8,565	¥ 1,037	¥ 9,602	¥ (36)	¥ 9,566

For the year ended February 29, 2008	Thousands of U.S. dollars				
	Industry segment			Elimination of intersegment sales	Consolidated total
	Apparel	Other	Total		
Sales to outside customers	$2,570,356	$169,027	$2,739,383	$ —	$2,739,383
Intersegment sales	129	93,319	93,448	(93,448)	—
Total	2,570,485	262,346	2,832,831	(93,448)	2,739,383
Costs and expenses	2,378,234	259,702	2,637,936	(76,334)	2,561,602
Operating income	$ 192,251	$ 2,645	$ 194,896	$ (17,114)	$ 177,782
Assets	$1,699,133	$388,089	$2,087,222	$862,696	$2,949,918
Depreciation and amortization	$ 59,608	$ 10,960	$ 70,568	$ (509)	$ 70,059
Impairment loss	$ 12,526	$ 193	$ 12,719	$ —	$ 12,719
Capital expenditures	$ 81,741	$ 9,902	$ 91,643	$ (346)	$ 91,297

Segment information classified by industry segment of the Companies for the year ended February 28, 2007 is as follows:

For the year ended February 28, 2007	Millions of yen				
	Industry segment			Elimination of intersegment sales	Consolidated total
	Clothing	Other	Total		
Sales to outside customers	¥301,845	¥16,845	¥318,690	¥ —	¥318,690
Intersegment sales	24	14,131	14,155	(14,155)	—
Total	301,869	30,976	332,845	(14,155)	318,690
Costs and expenses	277,086	30,277	307,363	(14,104)	293,259
Operating income	¥ 24,783	¥ 699	¥ 25,482	¥ (51)	¥ 25,431
Assets	¥337,035	¥52,807	¥389,842	¥(41,906)	¥347,936
Depreciation and amortization	¥ 5,917	¥ 844	¥ 6,761	¥ (65)	¥ 6,696
Impairment loss	¥ 4,371	¥12,597	¥ 16,968	¥ —	¥ 16,968
Capital expenditures	¥ 10,020	¥ 597	¥ 10,617	¥ (111)	¥ 10,506

(2) Geographic Segment Information

The sales in Europe were over 10% of total segment sales for the year ended February 28, 2007, therefore, the Company disclosed geographic segment information.

The major countries or regions in the respective divisions are as follows:

Europe: United Kingdom, Italy and France

Other: U.S.A., China and Korea

On September 1, 2007, the Company was reorganized as a pure holding company; therefore, the Group management expense and the assets used for management activity which were included in the Japan segment have been transferred to Elimination of intersegment sales.

The management expenses transferred to Elimination of intersegment sales as of February 29, 2008, was ¥1,801 million ($17,188 thousand) and the assets used for management activity as of February 29, 2008, was ¥180,201 million ($1,719,803 thousand).

Segment information classified by geographic segment of the Company for the year ended February 29, 2008 is as follows:

For the year ended February 29, 2008	Millions of yen					
	Geographic segment				Elimination of intersegment sales	Consolidated total
	Japan	Europe	Other	Total		
Sales to outside customers	**¥243,199**	**¥34,107**	**¥ 9,726**	**¥287,032**	**¥ —**	**¥287,032**
Intersegment sales	**1,536**	**623**	**121**	**2,280**	**(2,280)**	**—**
Total	**244,735**	**34,730**	**9,847**	**289,312**	**(2,280)**	**287,032**
Costs and expenses	**226,700**	**31,892**	**10,765**	**269,357**	**(952)**	**268,405**
Operating income (loss)	**¥ 18,035**	**¥ 2,838**	**¥ (917)**	**¥ 19,956**	**¥ (1,328)**	**¥ 18,628**
Assets	**¥152,615**	**¥47,114**	**¥17,839**	**¥217,568**	**¥91,524**	**¥309,092**

For the year ended February 29, 2008	Thousands of U.S. dollars					
	Geographic segment				Elimination of intersegment sales	Consolidated total
	Japan	Europe	Other	Total		
Sales to outside customers	**$2,321,044**	**$ 325,510**	**$ 92,829**	**$2,739,383**	**$ —**	**$2,739,383**
Intersegment sales	**14,665**	**5,944**	**1,154**	**21,763**	**(21,763)**	**—**
Total	**2,335,709**	**331,454**	**93,983**	**2,761,146**	**(21,763)**	**2,739,383**
Costs and expenses	**2,163,585**	**304,373**	**102,736**	**2,570,694**	**(9,093)**	**2,561,601**
Operating income (loss)	**$ 172,124**	**$ 27,081**	**$ (8,753)**	**$ 190,452**	**$ (12,670)**	**$ 177,782**
Assets	**$1,456,524**	**$ 449,646**	**$170,255**	**$2,076,425**	**$873,493**	**$2,949,918**

Segment information classified by geographic segment of the Company for the year ended February 28, 2007 is as follows:

For the year ended February 28, 2007	Millions of yen					
	Geographic segment				Elimination of intersegment sales	Consolidated total
	Japan	Europe	Other	Total		
Sales to outside customers	¥280,169	¥31,395	¥ 7,126	¥318,690	¥ —	¥318,690
Intersegment sales	1,138	1,109	122	2,369	(2,369)	—
Total	281,307	32,504	7,248	321,059	(2,369)	318,690
Costs and expenses	258,126	29,277	8,334	295,737	(2,478)	293,259
Operating income (loss)	¥ 23,181	¥ 3,227	¥ (1,086)	¥ 25,322	¥ 109	¥ 25,431
Assets	¥321,911	¥31,595	¥18,041	¥371,547	¥(23,611)	¥347,936

(3) Overseas Sales

Overseas sales were over 10% of consolidated sales for the year ended February 28, 2007 , therefore, the Company disclosed overseas sales information.

The major countries or regions in the respective divisions are as follows:

Europe: United Kingdom, Italy and France

Other: U.S.A., China and Korea

The overseas sales are sales except for sales to the Japan area of the Company and its consolidated subsidiaries.

Segment information classified as overseas sales of the Company for the year ended February 29, 2008 is as follows:

For the year ended February 29, 2008	Millions of yen		
	Overseas sales		
	Europe	Other	Total
Overseas sales	**¥25,917**	**¥19,243**	**¥45,160**
Consolidated sales			**287,032**
Percentage of overseas sales against consolidated sales	**9.0%**	**6.7%**	**15.7%**

For the year ended February 29, 2008	Thousands of U.S. dollars		
	Overseas sales		
	Europe	Other	Total
Overseas sales	**$247,351**	**$183,651**	**$ 431,002**
Consolidated sales			**2,739,383**
Percentage of overseas sales against consolidated sales	**9.0%**	**6.7%**	**15.7%**

Segment information classified as overseas sales of the Company for the year ended February 28, 2007 is as follows:

For the year ended February 28, 2007	Millions of yen		
	Overseas sales		
	Europe	Other	Total
Overseas sales	¥23,985	¥13,925	¥ 37,910
Consolidated sales			318,690
Percentage of overseas sales against consolidated sales	7.5%	4.4%	11.9%

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196. Tokyo, Japan 100-8611

Tel : 03 3503 1100
Fax : 03 3503 1197

REPORT OF INDEPENDENT AUDITORS

The Board of Directors of
ONWARD HOLDINGS Co., Ltd.

We have audited the accompanying consolidated balance sheets of ONWARD HOLDINGS Co., Ltd. and its consolidated subsidiaries as of February 28, 2007 and February 29, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the two years in the period ended February 29, 2008, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ONWARD HOLDINGS Co., Ltd. and its consolidated subsidiaries as of February 28, 2007 and February 29, 2008, and the consolidated results of their operations and their cash flows for each of the two years in the period ended February 29, 2008, in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2(23) to the accompanying consolidated financial statements.

As more fully described in Note 2(18) to the consolidated financial statements, the Company has adopted the provisions of a new accounting standard for the impairment of fixed assets, effective March 1, 2006.

Ernst & Young ShinNihon

May 29, 2008

A MEMBER OF ERNST & YOUNG GLOBAL

Principal Subsidiaries

Overseas Subsidiaries

J. PRESS, INC.
262 York Street,
New Haven, CT 06511, U.S.A.
Tel: (1) 203-772-1310

ONWARD KASHIYAMA HONG KONG LTD.
Units 1208-9, Lippo Sun Plaza,
28 Canton Road, T.S.T.,
Kowloon, Hong Kong,
People's Republic of China
Tel: (852) 2721-7068

GIBO' CO. S.p.A.
Via Cassia 69, Tavarnuzza,
50029 Firenze, Italy
Tel: (39) 055-237-2020

ONWARD ITALIA S.p.A.
Via Della Spiga 9, 20121 Milano, Italy
Tel: (39) 02-783-667

SHANGHAI ONWARD FASHION CO., LTD.
5F Jinjiang Dickson Center,
#400 Changle Road, Shanghai,
People's Republic of China
Tel: (86) 21-6466-6466

ONWARD FASHION TRADING (China) CO., LTD.
5F Jinjiang Dickson Center,
#400 Changle Road, Shanghai,
People's Republic of China
Tel: (86) 21-6472-3660

ONWARD RETAIL L.L.C.
530 7th Ave., 29th Floor,
NAVE Soho Store,
New York, NY 10018, U.S.A.
Tel: (1) 212-997-3600

ONWARD KASHIYAMA KOREA CO., LTD.
GF, Hwankyoung B/D,
1-118, Jang Chung-Dong, Chung-ku,
Seoul, 100-391, Republic of Korea
Tel: (82) 2-548-5841

HORLOGE SAINT BENOIT S.A.
22 Rue Saint Benoit,
75006 Paris, France
Tel: (33) 1-4544-1118

ONWARD BEACH RESORT GUAM, INC.
445 Governor Carlos G. Camacho Road,
Tamuning, Guam 96911, U.S.A.
Tel: (1) 671-647-7777

ONWARD GOLF RESORT GUAM, INC.
#825, Route 4A, Talofofo,
Guam 96915, U.S.A.
Tel: (1) 671-789-5555

FREED OF LONDON LTD.
94, St. Martin's Lane,
London WC2N 4AT, U.K.
Tel: (44) 20-7240-0432

JOSEPH LTD.
Unit 11, 50 Carnwath Road,
London SW6 3JX, U.K.
Tel: (44) 20-7736-2522

JIL SANDER S.p.A.
Piazza Castello 1,
20121 Milano, Italy
Tel: (39) 02-806913. 1

IRIS S.p.A.
Via Pampagnina 42,
Fisso D'Artico,
30032 Venezia, Italy
Tel: (39) 041-5169911

ERIKA s.r.l.
Via Boschi, 42/bis,
37060 MACCARI (Verona), Italy
Tel: (39) 0442-56666

FRASSINETI s.r.l.
Via E. Fermi 7, Loc. Scopeti - Rufina,
50068 Firenze, Italy
Tel: (39) 055-839-7385

Domestic Subsidiaries

APPAREL AND TEXTILE PRODUCTS
ONWARD TRADING CO., LTD.
CHACOTT CO., LTD.
CREATIVE YOKO CO., LTD.
BUS STOP CO., LTD.
DONNA KARAN JAPAN K.K.
FUSION CO., LTD.
J. DIRECTION CO., LTD.

SERVICES
ACROSS TRANSPORT CO., LTD.
ONWARD LIFE DESIGN NETWORK CO., LTD.
ONWARD CREATIVE CENTER CO., LTD.
VOICEDAM CO., LTD.
BIEN CO., LTD.
ONWARD OAKS CO., LTD.
EXCEL CO., LTD.
BOOKLET CORP.

RESORTS
O & K CO., LTD.
ONWARD RESORT & GOLF CO., LTD.

As of February 29, 2008

Corporate Data

(As of February 29, 2008)

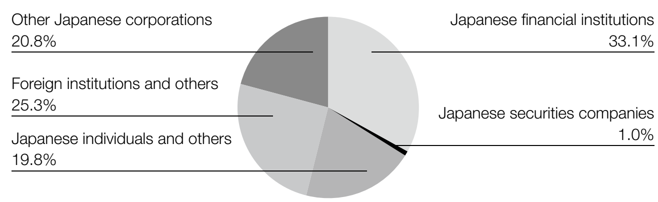
Head Office	10-5, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8239, Japan Tel: (81) 3-3272-2317 Fax: (81) 3-3272-2314 URL: http://www.onward.co.jp/
Established	September 1947
Paid-in Capital	¥30,080 million
Common Stock	Authorized—400,000,000 shares Issued—172,921,669 shares
Number of Shareholders	6,056
Stock Listings	Tokyo, Osaka, and Nagoya stock exchanges
Transfer Agent	Mitsubishi UFJ Trust & Banking Co., Ltd. 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Number of Employees (Consolidated)	2,469 (As of the end of February 2008)

Major Shareholders

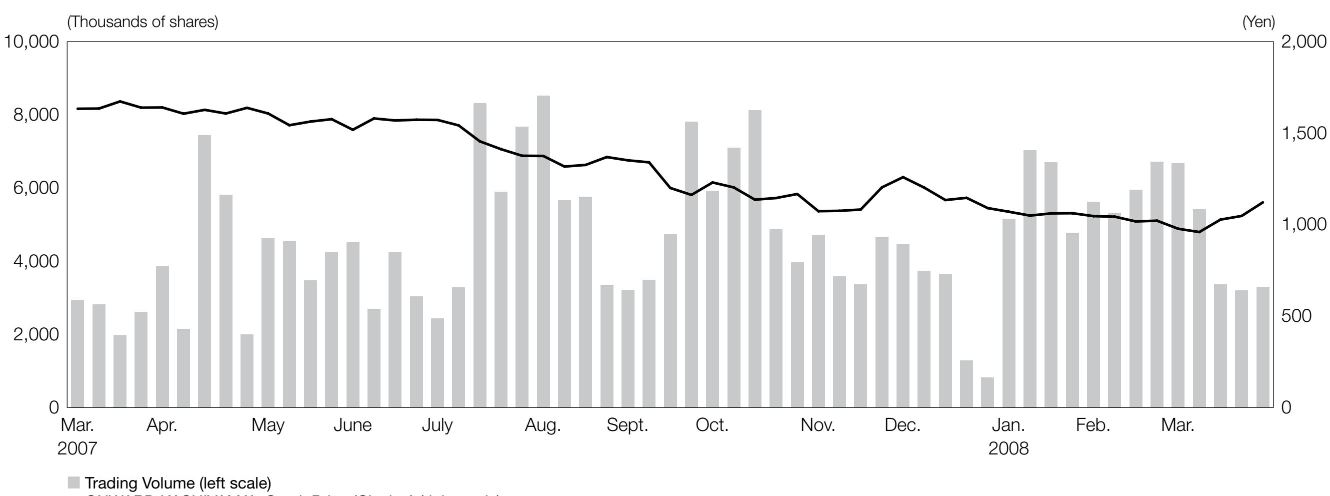
	Percentage of Total Shares Issued
Kashiyama Scholarship Foundation	5.5%
Japan Trustee Services Bank, Ltd.	5.0
Nippon Life Insurance Company	3.9
The Master Trust Bank of Japan, Ltd.	3.9
Lehman Brothers International (Europe), Limited	3.7
Isetan Company, Limited	3.1
State Street Bank and Trust Company	2.8
The Dai-ichi Mutual Life Insurance Company	2.6
MARUI GROUP CO., LTD.	2.1
Trust & Custody Services Bank, Ltd. (Trust Account)	2.0

Distribution of Ownership among Shareholders

(On a number of shares basis)



Stock Price Movement



ONWARD HOLDINGS CO., LTD.

Head Office: 10-5, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8239, Japan
Tel: (81) 3-3272-2317
URL: http://www.onward.co.jp/

Printed in Japan