ANNUAL REPORT 2012

YEAR ENDED FEBRUARY 29, 2012

ONWARD

ONWARD HOLDINGS CO., LTD.

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POTENTIAL

A premier purveyor of upscale apparel to Japanese and worldwide consumers for more than 50 years, ONWARD has always been about moving forward and evolving with its customers, while retaining the core values of quality and style.

Despite the challenges of the global economy and the aftermath of Great East Japan Earthquake, we are optimistic and focused on the future. Under our new mid-term plan, released in April 2012 and running through February 2015, we aim to grow revenues and dramatically improve profitability both domestically and overseas.

The fiscal year ending February 2013 is the first year of the plan. It is the year we lay the foundation for sustainable growth and prepare for important strategic challenges ahead. In this annual report, we invite you to learn about us and our POTENTIAL. Welcome!

2011 HIGHLIGHTS

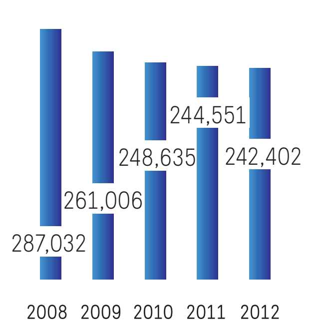
FINANCIAL HIGHLIGHTS

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
February 28, 2011 and February 29, 2012

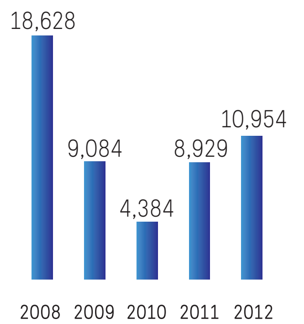
	Millions of yen			Thousands of U.S. dollars
	2012	2011	YoY	2012
For the Year				
Net sales	**¥ 242,402**	¥ 244,551	-0.9 %	**$ 3,004,487**
Operating income	**10,954**	8,929	22.7	**135,768**
Net income	**3,529**	2,723	29.6	**43,743**
At Year-End				
Total assets	**¥ 276,939**	¥ 281,643	-1.7 %	**$ 3,432,566**
Total net assets	**157,303**	158,745	-0.9	**1,949,712**
Free cash flow*	**11,219**	6,055	85.3	**139,055**
Per Share				
Net income (EPS) (yen)	**¥ 22.52**	¥ 17.38	29.6 %	**$ 0.28**
Net assets (yen)	**995.11**	1,002.34	-0.7	**12.33**
Cash dividends (yen)	**24.00**	24.00	—	**0.30**
Ratios				
ROE (%)	**2.3 %**	1.7 %	0.6 %	**2.3 %**
Operating margin (%)	**4.5**	3.7	0.8	**4.5**
SGA/Sales (%)	**43.0**	43.7	-0.7	**43.0**
Other Information				
Overseas sales (%)	**17.1 %**	16.0 %	1.1 %	**17.1 %**
Number of full-time employees	**3,993**	3.910	2.1	**3,993**

Note: Yen amounts have been translated, for convenience only, at ¥80.68=US$1, the approximate exchange rate on February 29, 2012.
*Free cash flow = cash flows from operating activities + cash flows from investing activities.

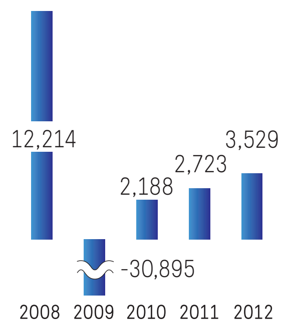
Net Sales
(Millions of yen)



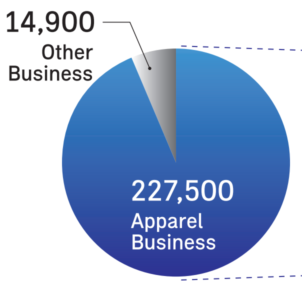
Operating Income
(Millions of yen)



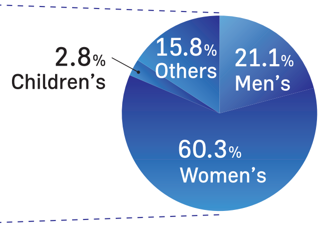
Net Income (Loss)
(Millions of yen)



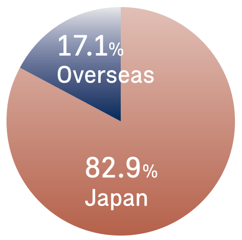
Sales by Segment
(Millions of yen)



Sales by Apparel Type
(Apparel Business)



Domestic/Overseas Sales



A LOOK BACK AT 2011

MARCH

ONWARD

Support for Areas Affected by the Great East Japan Earthquake

ONWARD donated relief funds of 100 million yen for the areas affected by the Great East Japan Earthquake through the Japanese Red Cross Society. ONWARD also donated a total of 100,000 relief supply items including blankets and work gloves made from recycled clothing collected through the Onward Green Campaign, and warm winter clothing from the Group's product range.

APRIL

Onward Kashiyama

Opening of Nijyusanku GINZA Flagship Store in Ginza, Tokyo

Nijyusanku's first flagship store opened in Ginza, Tokyo. Nijyusanku is the core brand of Onward Kashiyama and the Group's top-selling brand. Ginza is renowned throughout Japan and Asia as a shopping destination. The Ginza store will help promote and increase the appeal of the brand throughout Asia.

MAY / JUNE

Onward Kashiyama

"Cool Style" Campaign

In light of continuing appeals to reduce energy consumption due to electricity supply shortages, Onward Kashiyama ran a targeted campaign for men's clothing for summer season. From business wear through to casual, a range of "Cool Style" items were promoted, including shirt and pants combinations made of breathable, quick-drying material.

SEPTEMBER

ONWARD

Induction of Kashiyama's New President

Akinori Baba was appointed President of Onward Kashiyama. He brings to the job a strong track record of managing core womenswear brands and a broad network of relationships in the fashion world. In his new role Mr. Baba will support Takeshi Hirouchi, Chairman and President of ONWARD HOLDINGS, in realizing the company's global growth ambitions.

OCTOBER

ONWARD

Jil Sander Special Event

Jil Sander Celebrating Cinema & Fashion was held in Tokyo. The event featured the Italian film *I Am Love*, for which Jil Sander designed all the heroine's costumes, and a runway show for the 2012 Spring/Summer women's and men's collection was held.

FEBRUARY

ONWARD

"ICB NY Exclusive Collection" Digital Fashion Show

To coincide with the launch of the "ICB NY Exclusive Collection" in North America, ONWARD presented a world-first digital fashion show during New York Fashion Week. The show introduced a number of new collections showcasing the combination of ICB's modern styling and chief designer Prabal Gurung's creative talent.

BUSINESS SUMMARY 2011
JAPAN

Sales before Elimination
(Millions of yen)

213,730

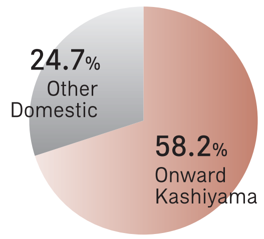
YoY

-1.9%

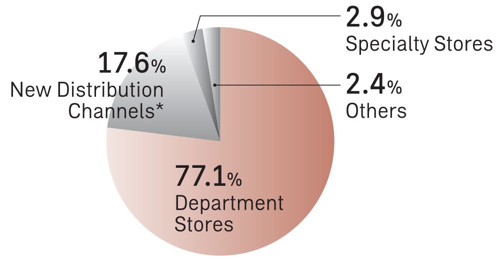
Contribution to the Total Sales

82.9%

Sales by Company



Onward Kashiyama: Sales by Distribution Channel



* Channels other than department stores (e.g. shopping centers, directly managed stores, and e-commerce)

Operating Income before Elimination
(Millions of yen)

13,005

FY02/12 domestic sales were 213,730 million yen, a 1.9% YoY decrease. Operating profit was up 16.9% to 13,005 million yen, exceeding forecasts by 4.6%.

Onward Kashiyama registered a significant rise in profitability, led by the core brands. It absorbed the impact of the earthquake in the first half (which caused an estimated decrease in sales of about 3,000 million yen due to store closures and reduced opening hours in the Tohoku and the Kanto regions) by bolstering product offerings and store sales and improving costs controls, including labor and advertising costs. This resulted in improved profits.

During the first half, the earthquake, an early start of seasonal sales by competitors, and weak performance of fall apparel amid unseasonably hot weather, hurt profitability. At the same time, gross profit margins benefited from lower minimum royalty guarantees on licensed brands and a higher ratio of sales of full price items (benefiting from the Cool Biz casual business wear trend). Onward Kashiyama also controlled SG&A costs.

Second half gross profit margins improved due to a greater proportion of sales of full price items. These full price sales were driven by strong sales of original knitwear and shawls developed under the Cross-Brand Plan and successful cold weather outerwear offerings. SG&A costs control also contributed to improved profitability.

Onward Trading's sales promotion business registered an upward trend but the uniforms and corporate tie-up business could not overcome the impact of the earthquake. This has resulted in reduced first half operating profits, which has led to a decrease in both sales and profits for the full fiscal year.

Chacott steadily increased customer numbers led by the flagship store and the e-commerce and achieved an increase in both sales and profits.

Island's aggressive merchandising strategy and corresponding efforts to carry a broader inventory resulted in a lower gross profit margin. However, the strategy paid off by delivering double digit increases in both sales and profits, exceeding forecasts.

Creative Yoko's sales fell in the aftermath of the earthquake, but it managed to achieve profit growth as spend per customer and gross profit margins increased driven by strong new product offerings of new brands.

BUSINESS SUMMARY 2011
OVERSEAS

Sales before Elimination
(Millions of yen)

43,955

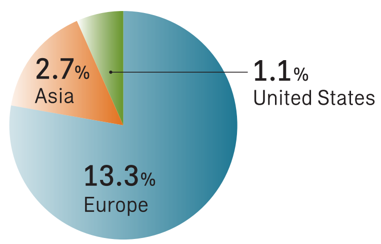
YoY

5.9 %

Contribution to the Total Sales

17.1%

Sales by Geographic Segment



Operating Income before Elimination
(Millions of yen)

323

FY02/12 foreign sales were 43,955 million yen, a 5.9% YoY increase. Operating profit was 323 million yen (prior year: 99 million yen operating loss).

Operations in Europe recorded significant profit recovery and registered sales of 34,170 million yen. European operating profit was 197 million yen (prior year: 363 million yen operating loss). GIBO'Co achieved strong performance in the apparel and shoes wholesale business driven by increased orders from Jil Sander and other brands (both from the inside and outside of the Onward group companies).

Jil Sander successfully improved production efficiency by making better use of GIBO'Co's production platform, leading to improved gross profit margins. Retail sales of the new JIL SANDER Navy line did not reach the company's ambitious forecast. However, wholesale sales trended as forecast.

Despite successful efforts to refresh the JOSEPH brand, sales fell below budget and prior year results as the European retail market failed to recover.

Both sales and profits in Asia, centered in China, trended steadily upward in the first half. However, second half sales trended downward due to economic anxiety in China resulting in sales of 6,895 million yen, a 6.7% YoY increase, and operating profit of 333 million yen, a 19.0% YoY decrease.

Sales in the United States were 2,890 million yen (3.5% YoY decrease), with an operating loss of 207 million yen (prior year: 147 million yen operating loss). J. PRESS retail sales were slightly down, but the gross profit margin improved because of an increase in sales of full price items, and, as a result, the size of the deficit decreased.

First half resort management (Guam) was influenced by fewer Japanese tourists due to the earthquake. Despite successful efforts to return to profit in the second half, the recovery was not sufficient to make up for first half losses, resulting in a full year loss.

LETTER TO OUR SHAREHOLDERS

Dear Shareholders

The year ending February 2012 was an extremely challenging year. The Great East Japan Earthquake was an unprecedented disaster and its aftermath has caused much hardship and anguish for both families and businesses alike. In this environment we continued to adapt our business to reflect changes in the market and prepare for the next phase of growth. As a result, although first half results were severely affected by the impact of the earthquake, we were able to increase both revenue and profit in the second half and, as a result, beat our profit forecast for the full year. We are focused on delivering growth, and this focus is demonstrated in the new mid-term plan unveiled in April 2012.

Since our foundation in 1927, we have grown as an apparel industry leader, designing, manufacturing, and selling products of the highest quality and value. The Japanese consumer market has matured, with the customers demanding high quality products that exhibit the world-class craftsmanship. At the same time, prolonged economic stagnation and a global trend towards fast fashion have led to increasing demand for low-priced products. ONWARD has never focused on this section of the market and this trend has been particularly challenging for us. However, the Great East Japan Earthquake seems to have brought about a surprising change – consumer values seem to have shifted away from an extreme polarization between luxury brands and fast fashion. Consumers are once again having more than a fleeting glance at upscale fashion, our core competence.

In this changing market, we have at least three competitive advantages. We have an outstanding presence in department stores, a close partnership that helps secure strong revenue streams. We are in a great financial shape and that ensures that we can deal with any contingencies and risks. Finally, we have a significant growth potential in overseas markets, with the European operations and brands being the core strength.

Our business strategy focuses on brands. It is the strength and value of our brands that enhance our competitiveness. Brands are the foundation stones of our business; we endeavor to develop and deliver quality, high-added value products that are revolutionary, not reactionary.

We believe that that developing and producing "something new", or something that sets us apart from our competitors, is the only way for us to grow and develop. Ultimately, this is how customers will come to love us and our products.
From the year ending February 2013, the first year of our new mid-term plan, brand value comes into focus as the core tool to increase our global competitiveness. We are aggressively pursuing growth in both domestic and overseas operations, targeting sales of 350 billion yen (44% increase compared to fiscal 2012), operating profit of 26.5 billion yen (141% increase), recurring profit of 28 billion yen (111% increase) and ROE of 8% (2.3% in fiscal 2012).

Domestically, we focus on reforming our business structure to improve profitability and deliver growth. We will also continue to build new businesses and acquire existing ones, and while department stores continue to be our core sales channel, we will be increasingly focusing our resources to establish a stronger market presence in other channels.

At Onward Kashiyama, our main domestic subsidiary, we are mounting continuous effort to expand and strengthen our brand portfolio. Taking full advantage of being vertically integrated, we are building our retail brand business as we roll out stores in locations outside of department stores. Brands that have limited growth potential will be streamlined, as will the administrative structure as part of structural reforms to maximize human resource and infrastructure utilization.

In terms of new business and M&A, particular emphasis will be placed on areas that are new to us, for instance the younger consumer market, and opening stores in train station buildings and fashion malls. Island acquired in 2009, and Birz Group, acquired in 2012, both possess strong competitive advantages in the young market. They also have manufacturing capabilities in Japan and Asia. Sharing this market expertise and manufacturing capabilities creates synergies across the broader Onward group.

We aim to enhance our online presence through product differentiation and brand mix. Offerings are not limited to clothing and also include pet supplies and dancewear. Ultimately, we aim to reach sales of 10 billion yen in the online channel by February 2015.

We expect overseas operations to become an increasingly important growth driver, contributing 25% of the group's sales and profits by the end of 2015.
GIBO'Co will play a central role in fulfilling our objective of building an integrated apparel manufacturer capable of producing and selling high quality European made products. We will consolidate the management and administration of GIBO'Co, Joseph and Jil Sander. At the same time GIBO'Co will evolve into a manufacturing platform and expand wholesale operations by acquiring new licenses and establishing new retail business.

Following the return of Ms. Jil Sander to her namesake brand as creative director, the focus is on strengthening the label's collection lines, boosting accessories and goods, and expanding the licensing business. JIL SANDER Navy, a new line, will be relaunched as an independent brand in the second half of the year ending February 2013. We anticipate growth in both retail and wholesale as JIL SANDER and JIL SANDER Navy open flagship stores in Tokyo and New York and expand in Asia.

JOSEPH is set for further global expansion; we will open retail stores in Europe and North America, while expanding wholesale and franchise operations in Europe, Russia, the Middle East and Asia.

We forecast sales growth in at our 270 stores throughout Asia. We are working to boost both retail and wholesale revenues in the region. We aim to achieve this by tailoring our brands to suit local market needs and rolling out new stores in ASEAN countries. Another area of emphasis is expansion of manufacturing in ASEAN countries. We are not simply diversifying our outsourced manufacturing base but working to lower the overall manufacturing costs and build our own autonomous production capabilities. The final goal is to develop and efficient integrated manufacturing structure to support our growth aspirations.

In the US, the emphasis is on enhancing production and sales of the J. PRESS and ICB brands. Another goal is to strengthen our sales infrastructure throughout North America, through opening new showrooms and other initiatives.

In sum, the priority targets of the year ending February 2013, the first year of the new mid-term plan, are sales and profits growth domestically, with Onward Kashiyama playing a central role, and returning European operations to profitability. We are targeting consolidated sales of 266.6 billion yen (a 10% year on year increase) and operating profit of 13.8 billion yen (26% increase).

At the beginning of the road to recovery from the Great East Japan Earthquake, we remain as determined as ever to deliver encouragement, dreams, and hope through fashion.

Your continual guidance and support is highly valued and appreciated.

Takeshi Hirouchi

TAKESHI HIROUCHI
CHAIRMAN and PRESIDENT

THE WORLD OF ONWARD

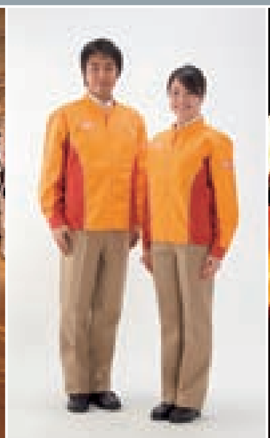
Founder,
Junzo Kashiyama
(1901-1986)

Nijyusanku when the brand
was launched in 1993

Flagship store of
Nijyusanku GINZA in Tokyo

Akinori Baba,
the new President of
Onward Kashiyama

The second
OPENING CEREMONY store
opened in Lumine Shinjuku



Onward Trading's
uniform division

Chacott working in partnership
with K-Ballet Company,
directed by Tetsuya Kumakawa

Birz Group's Language store
in Roppongi Hills

JAPAN

ONWARD is a Japanese high-end apparel manufacturer and retailer. Domestic operations are comprised of 33 subsidiaries and accounts for 83% of total sales. The main subsidiary is Onward Kashiyama, a manufacturer of men's, women's and children's apparel and kimono. Onward Kashiyama accounts for more than 70% of the sales and operating profit of domestic operations. (figures based on fiscal 2012 results)

ONWARD KASHIYAMA

Onward Kashiyama began as Kashiyama Trading established by Junzo Kashiyama in 1927.

In the 1950s, after the war, it started making and selling men's ready-made clothing. Its unique production system allowed to significantly improve production efficiency and quality of ready-made apparel. Kashiyama also developed a then-new consignment system (inventory remains the property of the apparel manufacturer until the store sells the product) and established a comprehensive distribution strategy focused on department stores. In the 1960s, driven by Japan's economic expansion, Kashiyama grew rapidly to become one of the nation's leading menswear manufacturers.

Kashiyama made full-fledged forays into women's apparel in the 1990s, launching its core Nijyusanku, Kumikyoku, ICB, and Jiyuku brands. These launches coincided with a general push to expand womenswear floor space in department stores, enabling Kashiyama to increase store numbers and expand the brands soon after their launch. Nijyusanku grew to more than 20 billion yen in sales within three years of its launch.Today, it is one of the best-selling brands in Japanese department stores with sales exceeding 38 billion yen.
As business expanded, Kashiyama continued to grow as a comprehensive manufacturer of women's, men's and children's apparel, and kimono. By early 2000, it became one of the leading apparel companies in Japan with annual sales exceeding 200 billion yen.

In the following years, the shift of consumer trends towards fast fashion with its low prices and the impact of the global financial crisis created significant challenges for upscale apparel manufacturers. At the same time, domestic apparel consumption patterns and the industry itself changed. Department stores restructured, train station buildings and fashion malls emerged as an important retail destination, and e-commerce expanded to become a major channel for apparel sales.

Since the global financial crisis, Kashiyama has cut underperforming brands and stores, and concentrated on the core brands to improve profitability. Amid the challenging environment, Kashiyama continued to invest in product development and created new products that set it apart from its competitors. In December 2009 the company launched its directly managed online store "ONWARD CROSSET", marking the full scale entry into online retailing. In April 2011, it opened Nijyusanku GINZA, the first flagship store of the core brand Nijyusanku. This marked the start of the efforts to move into a new distribution channel.

Akinori Baba, formerly a division manager responsible for Nijusanku and other core brands, became Representative Director and President of Kashiyama in September 2011. This change in leadership signifies the start of Kashiyama's next growth phase. President Baba's growth strategy is based on two key principles. The first one is to maintain steady growth through stronger partnerships with department stores, focused on the company's core brands. Here the aim is to grow sales per retail unit and boost overall profitability, by perfecting product quality, expanding retail floor space, and renovating shops. The second one is to strengthen the direct retail business. By consolidating design and sales operations, Kashiyama has built a system where the customer needs are more accurately reflected in product design. New stores will be located where they have greatest impact for each brand and a greater emphasis will be placed on rolling out stores in locations other than department stores.

Kashiyama, alongside the entire Onward group, is committed to growth and prepared to change with times, all the while staying loyal to its traditions and values as a pioneering Japanese apparel manufacturer.

OTHER DOMESTIC

In other domestic operations, ONWARD employs its capabilities and experience as a premier purveyor of high quality apparel to offer its fashion signature to a variety of markets.
At Chacott, one of the world's leading ballet and dance supply labels, the focus is on sales growth by rolling out directly managed stores while working closely with K-Ballet Company, a leading Japanese ballet company, as a means of improving brand value.
Island, with its Grace Continental brand, has developed a strong fan base among female consumers, allowing it to consistently grow earnings. Its stores, located inside train station buildings and fashion malls, offer clothing and other fashion items which are uniquely Grace Continental.
Birz Group, which came under the ONWARD umbrella from April 2012, has created immediate group synergies thanks to its expertise in youth apparel and cost efficient manufacturing in Asia.
Creative Yoko, a pet fashion and supplies retailer, places an emphasis on rolling out stores at fashion malls and high way rest and service areas, which have recently gained attention as new retail venues.
Onward Trading, the leading office uniform supplier makes the most on ONWARD's know-how to provide uniforms to suit any environment, while striking the best balance between style and usability.


組曲
The global staff of Onward presents a highly sensitive inter-
national brand for contemporary fashion-loving women.

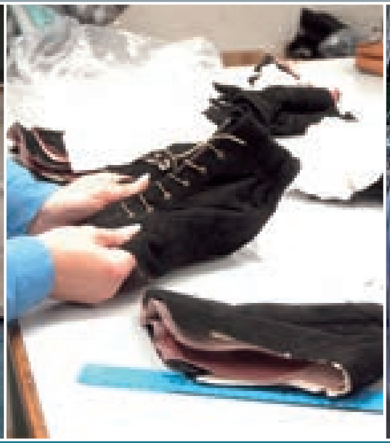

20th
ANNIVERSARY
23区
Authenticity Oriented

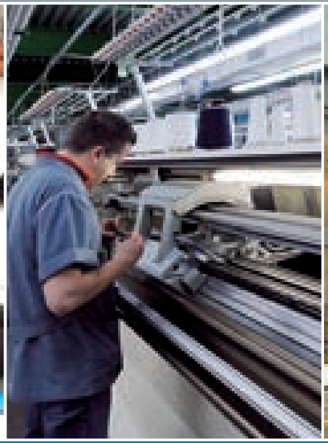
THE WORLD OF ONWARD

OVERSEAS

In the 1970s ONWARD was one of the first Japanese apparel retailers to establish local operations abroad in the three fashion capitals – New York, Paris and Milan. By the 1980s the foundations for foreign operations had been well established. Moving into the 1990s, the company achieved substantial progress in its global strategy. ONWARD enhanced its overseas manufacturing capacity through acquisitions and successfully developed new brands, using its global network and collaborating with various fashion designers. Since the turn of the new millennium, the global strategy has seen further acceleration, with such initiatives as the full-scale launch into the Chinese market, the development of a manufacturing base in Italy, and the acquisition of a number of global brands.
ONWARD currently has operations in Europe, Asia, and the United States. The plan is to expand the overseas operations around the world, with a particular focus on Europe, increasing sales and profits contribution to 25% of the total by the yea ending February 2015.


The GIBO' Co pattern makers have earned the high respect of prominent designers


Iris a shoe manufacturer that set itself apart with Venetian artisanship


Erika a manufacturer of fine knits for high-end brands.


JIL SANDER store in Hamburg

JOSEPH store in Westbourne


Rosebullet participated the Tokyo Girls Collection in Beijing 2011


ICB in Wangfujing department store


ICB NY Exclusive Collection by Prabal Gurung

EUROPE

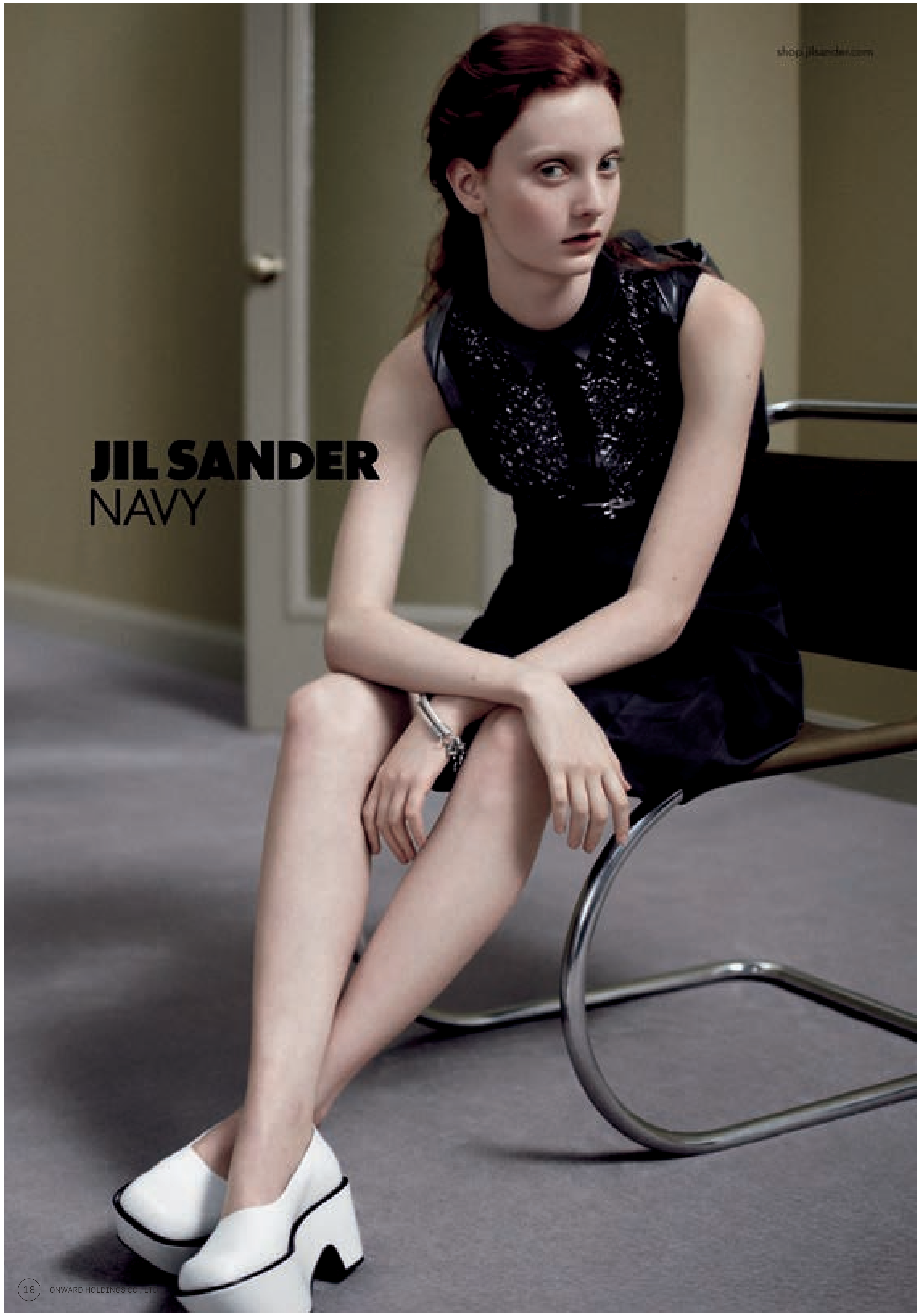
ONWARD'S operations in Europe center on GIBO'Co, Joseph and Jil Sander.
GIBO'Co, acquired in 1990, is an Italian manufacturer that produces and distributes apparel and accessories for the world's high-end designer labels. Distinguished fashion designers and prominent fashion retailers have high regard for its outstanding quality and craftsmanship. GIBO'Co is known for its manufacturing platform capable of providing high quality fabric clothes, knits, bags and shoes. Recently, particular emphasis has been placed on increasing orders during major fashion weeks utilizing the showrooms in Paris, Milan, and New York. The main emphasis of operations is wholesaling. The products are distributed worldwide with particular strengths in Europe, North America, Asia, and the Middle East. In recent years, GIBO'Co has also commenced manufacturing merchandise for Jil Sander, providing important group-level synergies.
Joseph, acquired in 2005, is based in London and manages stores in major cities throughout the world. In recent years, a number of its stores within department stores and directly managed stores in London and Paris have been revamped to enhance brand appeal. As of 2012, Joseph is focusing on improving profitability, by strengthening the accessories offering, launching more men's products, opening new directly managed stores and shops within department stores in Europe and North America, and expanding distribution channels through wholesaling and franchising in the EU, Russia, Middle East and Asia.
Jil Sander, acquired in 2008, manufacturers and sells JIL SANDER brand products. It has worldwide retail and wholesale presence. As JIL SANDER celebrated its 40th Anniversary, its founder, Ms. Jil Sander, has returned as a creative director starting with the 2013 Spring/Summer collection. The brand is set to continue its pursuit of its basic concept, "pure, clean designs and distinctive simplicity". The new line, JIL SANDER Navy, is launched in the second half of the year ending February 2012 as an independent brand. Both retail and wholesale operations of Jil Sander will be expanded through the opening of flagship stores in Tokyo and New York and establishing Asian sales channels.
Moving forward, the management and administration of each subsidiary will be consolidated, with GIBO'Co playing a central role in building an integrated apparel manufacturer capable of producing and selling high quality European-made products.

ASIA

Beginning with the establishment of its first Shanghai subsidiary in 1995, ONWARD has continued to advance its Asian operations. There are now approximately 270 shops of Kashiyama's 11 core brands, including Nijyusanku, ICB and rosebullet, operating in department stores and directly managed stores in China, Hong Kong, Korea, Taiwan, Singapore, Thailand, and Vietnam. In China, rosebullet has won popularity among young females and has been designated a strategic brand. Additionally, ONWARD now locally designs and manufactures products for the Chinese market, distributing them through wholesale channels.
In recent years, Asia has been gaining in importance as a key manufacturing location. Alongside existing partnerships with Chinese manufacturers, ONWARD is set to expand its manufacturing platform in ASEAN regions, particularly Vietnam. With its sights set on capital alliances and the acquisition of manufacturing capacity, ONWARD is determined to build profitable manufacturing base in Asia with high quality output, superior materials procurement capacity, and fast delivery times.

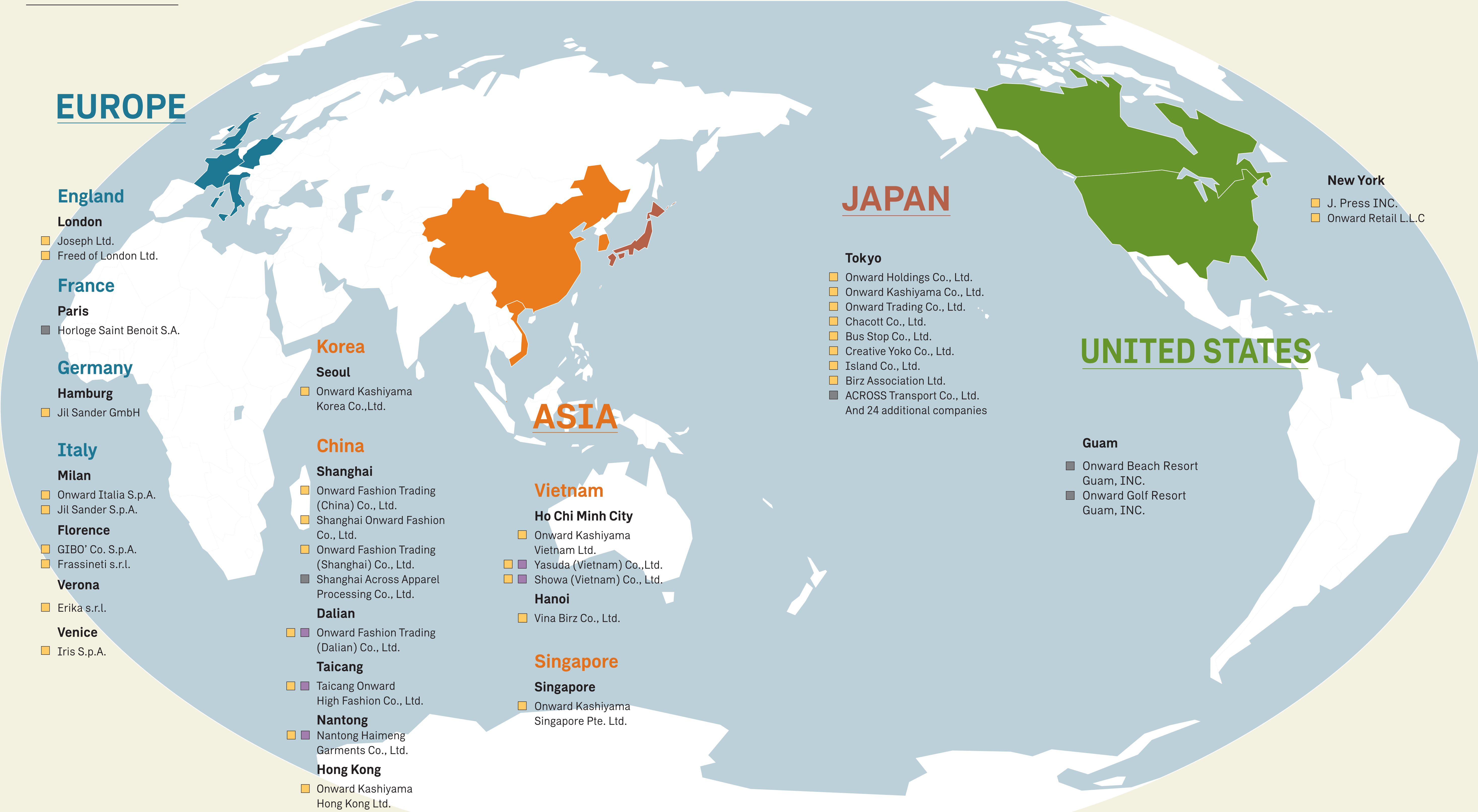
UNITED STATES

Operations in the United States include retailing in North America as well hotel and golf course management in Guam.
J. PRESS, which was acquired in 1986, has won the continuous loyalty of Ivy Leaguers. The brand has four stores located in New Haven, New York, Cambridge and Washington D.C.In 2012, a project to re-launch the ICB in the United States has begun with the appointment of Prabal Gurung, a New York based designer, as chief designer for the brand. ICB will roll out 18 shops in Barneys New York stores, coinciding with the launch of the e-commerce effort. ONWARD plans to further boost its North American presence by opening new US-based offices and showrooms.


shop.jilsander.com
JIL SANDER
NAVY

GLOBAL NETWORK

- Apparel
- Other
- Joint Venture Factory



EUROPE

England
London
- Joseph Ltd.
- Freed of London Ltd.

France
Paris
- Horloge Saint Benoit S.A.

Germany
Hamburg
- Jil Sander GmbH

Italy
Milan
- Onward Italia S.p.A.
- Jil Sander S.p.A.

Florence
- GIBO' Co. S.p.A.
- Frassineti s.r.l.

Verona
- Erika s.r.l.

Venice
- Iris S.p.A.

ASIA

Korea
Seoul
- Onward Kashiyama Korea Co.,Ltd.

China
Shanghai
- Onward Fashion Trading (China) Co., Ltd.
- Shanghai Onward Fashion Co., Ltd.
- Onward Fashion Trading (Shanghai) Co., Ltd.
- Shanghai Across Apparel Processing Co., Ltd.

Dalian
- Onward Fashion Trading (Dalian) Co., Ltd.

Taicang
- Taicang Onward High Fashion Co., Ltd.

Nantong
- Nantong Haimeng Garments Co., Ltd.

Hong Kong
- Onward Kashiyama Hong Kong Ltd.

Vietnam
Ho Chi Minh City
- Onward Kashiyama Vietnam Ltd.
- Yasuda (Vietnam) Co.,Ltd.
- Showa (Vietnam) Co., Ltd.

Hanoi
- Vina Birz Co., Ltd.

Singapore
Singapore
- Onward Kashiyama Singapore Pte. Ltd.

JAPAN

Tokyo
- Onward Holdings Co., Ltd.
- Onward Kashiyama Co., Ltd.
- Onward Trading Co., Ltd.
- Chacott Co., Ltd.
- Bus Stop Co., Ltd.
- Creative Yoko Co., Ltd.
- Island Co., Ltd.
- Birz Association Ltd.
- ACROSS Transport Co., Ltd.

And 24 additional companies

UNITED STATES

New York
- J. Press INC.
- Onward Retail L.L.C

Guam
- Onward Beach Resort Guam, INC.
- Onward Golf Resort Guam, INC.

CORE BRANDS

Nijyusanku

Founded in 1993, Nijyusanku is the leading brand of Onward Kashiyama. The brand's core target is working women in their 30s and 40s, offering "Tokyo Real Clothes" that are based on simple, basic yet trendy designs. Nijyusanku has over 200 stores throughout Japan, most of which are within department stores, and recorded sales of 25 billion yen for the year ending February 2012. The flagship store, Nijyusanku GINZA, was opened in April 2011 in Ginza, Tokyo to promote the brand throughout Asia.

Jiyuku

Jiyuku is one of the original Onward Kashiyama brands and was launched in 2000. Elegant, high quality everyday-wear is the brand's basic concept. With a core target of active women aged between 35 and 45, Jiyuku offers versatile modern clothing, perfect for any occasion. Most of the brand's stores are located within department stores, and has made sales of 8.4 billion yen for the year ending February 2012.

Kumikyoku

Founded in 1992, Kumikyoku is the second largest brand of Onward Kashiyama. With a target of working women around 30 years old, and with the concept of "Standard clothing that does not stand still". Kumikyoku offers casual yet elegant and trendy styling, while pursuing quality and comfort that customers will enjoy at any time. Kumikyoku has over 150 stores throughout Japan, mostly within department stores, and recorded sales of 10 billion yen for the year ending February 2012.

iCB

One of Onward Kashiyama's original brands, ICB was launched in 1995 as an international concept brand.ICB targets sophisticated, urban working women in their 30s, and offers a variety of fashion styles, perfect for any business occasion. Most of the brand's stores are located within department stores, with the brand having achieved sales of 8.9 billion yen for the year ending February 2012. The ICB NY Exclusive Collection, by up and coming designer, Prabal Gurung from New York, was launched in autumn 2012 in North America.

JIL SANDER

Founded in 1973 by Ms. Jil Sander in Germany, JIL SANDER is a luxury brand. The brand is known for its simple, minimalist and sharp designs, created with unrivalled skill. JIL SANDER has more than 60 stores throughout Europe, Asia and Japan, and also wholesales throughout the world. ONWARD acquired JIL SANDER in 2008. For the year ending February 2012, JIL SANDER made sales of 9.9 billion yen. In 2011 the brand launched the casual new line JIL SANDER Navy. The founder of the brand, Ms. Jil Sander, is to return as creative director in time for the 2013 Spring/Summer collection.

JOSEPH

JOSEPH is a London based global brand with stores located in major cities throughout the world. The brand has more than 100 stores, with flagship stores in London and Paris. With a concept of "SLICK&CHIC" JOSEPH offers quality, comfortable casual clothing for sophisticated urban men and women. ONWARD acquired JOSEPH in 2005 and for the year ending February 2012, JOSEPH posted sales of 10.3 billion yen.

SOCIAL RESPONSIBILITY

ENVIRONMENT

Basic Philosophy

ONWARD endeavors to contribute to the enrichment of people's lives in its role as a lifestyle culture enterprise and strives to be a company that positions the preservation of the environment as a key management issue while being environmentally friendly and socially responsible.

Environmental Concept

Thinking of the Earth. Clothing Its People.

The world is changing faster than ever with fashion and trends changing at a bewildering speed. In recent years we've seen an increase in products touting low price, and perhaps many of us feel, more than before, that clothing is becoming disposable. Fashion disposed as trends change is slowly placing an increasing burden on our environment and may one day significantly affect our lives. Fashion's original role was to bring enrichment and color to people's lives and to promote and inspire prosperity. Fashion shouldn't be something that takes away from our planet's natural environment, nor should it detract from the infinite possibilities of our very own futures.

ONWARD continues to be committed to taking on the challenge of achieving harmony with earth and its people through its corporate activities and a range of products that include fashion items, in its role as a leading organization of the apparel industry who delivers fashion on a global scale.

Our Promise

1. Provide quality products that can be enjoyed over a long period of time;
2. Develop leading-edge technology, products and services that reduce the burden on the environment;
3. Implement the Onward Green Campaign, which is designed to create an apparel life-cycle circulation system; and
4. Implement various environmental conservation initiatives: enhance energy efficiency of offices, introduce low-emission vehicles, and implement forest preservation initiatives at the "Tosayama Onward Rainbow Forest".

These commitments are a reflection of our consideration for Earth's future and our desire to responsibly deliver fashion that brings enrichment and color to people's lives. ONWARD is committed to developing strategies to fulfill our promises and responsibilities and will achieve them one by one.

Basic Environmental Policy

1. Strive to be environmentally conscious in every aspect of its business through energy saving, the promotion of resource saving initiatives, waste reduction, and the promotion of recycling.
2. Build an environmental management system based on ISO14001, and subsequently strive to continually improve environmental conservation initiatives and prevent environmental pollution.
3. Comply with environmental legal obligations, treaties and other agreed-upon obligations.
4. Establish environmental objectives and goals and strive to meet those objectives of which frequent reviews are to be conducted.
5. Inform all individuals working at or for ONWARD of these environmental policies to increase awareness and understanding of environmental conservation, and strive to promote corporate activities that are both environmentally friendly and socially responsible.
6. Disclose these environmental policies to outside parties.

Acquisition Of ISO14001

The following business sites have acquired and subsequently maintained international standard ISO14001: ONWARD Headquarters, and the organization's offices in Nagoya, Sendai, Sapporo, and Fukuoka. These business sites are committed to improving their environmental initiatives using PDCA.

EVENTS AND ACTIVITIES

Onward Green Campaign

The Onward Green Campaign is designed to create an apparel life-cycle circulation system.

In comparison to other consumables, the recycling of textile goods is relatively undeveloped. Onward Kashiyama launched the Onward Green Campaign in 2009 with the objective of encouraging the circulation of apparel to promote efficient utilization of our limited resources and to ensure that our precious environment still exists for future generations to enjoy. Onward Kashiyama collects men's, women's, children's clothing as well as sportswear and other items sold by Onward Kashiyama at Onward Green Campaign collection booths in department stores and recycles and reuses the garments where possible. A portion of the collected garments are recycled as yarn, which is then used to create blankets, work gloves and other recycled textile products that contribute to the organizations environmental and social contribution initiatives.

Tie-up with the Japanese Red Cross Society

Under the Onward Green Campaign and utilizing the extensive Red Cross network that reaches 186 countries throughout the world, ONWARD in cooperation with the Japanese Red Cross Society is distributing blankets and work gloves to areas that have been affected by, and are in the process of recovery from natural disaster. Work gloves have also been donated domestically to individuals involved in forestry conservation efforts. These gloves have also been distributed and utilized as a part of an awareness building campaign.

Support Program Using Recycled Blankets

Bangladesh

In May 2010, ONWARD donated 3,000 recycled blankets, made from garments collected in 2009, to a refugee camp in the Cox's Bazar district of Chittagong in South East Bangladesh. Blankets were also donated to the hospital that provides medical care in the area. The quality and color of the blankets were very much appreciated at each of the facilities. ONWARD has received letters of thanks from the hospital, doctors and managers. Images of the blankets being distributed also featured in a local paper.

Japan

In September 2011, ONWARD donated 1,000 recycled blankets to 31 community centers that were affected by the earthquake within Miyagi prefecture. In response to the Great East Japan Earthquake, ONWARD designated a number of affected areas in the Tohoku region to be among the recipients of the recycled blankets and work gloves. In the spring 2012 campaign, ONWARD successfully collected 55,264 items of clothing from 11,389 customers.

Kazakhstan

In February 2011, ONWARD donated 3,000 recycled blankets, made from garments collected in 2010, to refugees, orphans, other socially marginalized people and communities in Almaty city, Kazakhstan (Central Asia). It has been reported that the recycled blankets have been used during the harsh winter months of Kazakhstan, resulting in less cases of serious illness developing from the common cold.

China

In March 2012, ONWARD donated 2,000 recycled blankets to a school and other facilities located in the mountainous regions of Sichuan Province that were affected by the earthquake in 2008. The Red Cross continues to work in the region to assist restoration. The recipient school lost both its main and branch campuses in the earthquake. Currently a dormitory is under construction on the main campus to enable those students who previously studied at the branch campus to relocate to the main campus. The blankets are used by the students who are to move into the new dormitory.

CORPORATE GOVERNANCE

Our Basic Approach to Corporate Governance

ONWARD believes that responding promptly to changes in the business environment and establishing positive corporate governance that enhances the health, fairness, transparency and compliance of the business is one of the most important responsibilities of management to increase shareholder value. ONWARD builds trusting relationships with all stakeholders, and enhances the corporate governance by strengthening the management system and the effectiveness of the Annual General Meeting, the Board of Directors, and the Board of Auditors.

Execution and Supervision of Business Operations

(a) Directors and the Board of Directors

ONWARD has determined that the term of directors is limited to one year. This rule is in place to clarify the management responsibilities of directors, increase opportunities for shareholders to vote on the board members and to establish management structure that is best positioned to respond to changes in the business environment. To strengthen the supervisory function of the board, two of the seven directors must be independent non-executive directors.

(b) Corporate Auditor and Board of Auditors

We have incorporated an audit system where two of the four auditors are independent external auditors. The auditors have also been assigned staff to assist them in carrying out their duties and to strengthen their supervisory function. Each auditor must audit the work of directors; their responsibilities include reviewing documentation of important decisions and attending important meetings, such as the Board of Directors' Meetings, Group financial account settlement meetings and Group Business Management Meetings, in accordance with the audit policy and the roles delegated by the Board of Auditors. The Internal Control Division and each department use internal controls to ensure the development of an effective and lawful corporate structure.

The Board of Auditors meets with the Representative Director and the auditor of the financial accounts on a regular basis to share and exchange information and opinions. Each auditor reports to the board, in accordance with the audit policy and the roles delegated by the board, to participate in board discussions and make resolutions as necessary.

(C) Overview of Committees

The Board of Directors has established the Onward Compliance Committee to preside over the compliance structure. The committee promotes the development and improvement of the compliance structure in line with the Compliance Manual, which is based on the Onward Compliance Regulations.

(d) Execution of Business Operations

ONWARD is structured as a group headed by a holding company where the Board of Directors is responsible for strategic decision making and supervising subsidiaries. In this way ONWARD has separated the supervisory and execution functions in order to clarify the responsibilities and authority of each subsidiary and to also enable accelerated strategic decision-making.

When matters that require urgent attention arise, the Board of Directors convenes as necessary; ONWARD has a system in place that ensures swift and appropriate responses to rapid changes in the business environment.

Additionally, an executive officer system has been introduced to distinguish the decision-making function and business operation function. Furthermore, in order to facilitate agile decision-making, the Group Strategy Meeting and Group Business Management Meeting have been established. This is where management strategies and the important management matters of subsidiaries are debated and where the state of operations is reviewed. ONWARD also has advisory contracts with a number of attorneys to receive legal advice.

Strengthening The Internal Control System

A basic policy for improvement of the internal control system has been under development (formulated). Based on this policy ONWARD develops an internal control system that is under continual review for improvement, and aims to build an effective and law abiding corporate structure.

Compliance Structure

Onward Compliance Regulations have been formulated as the group's basic policies. The Onward Compliance Committee has been established to be responsible for the management and coordination of regulations. The Compliance Division, is charged with developing and improving the group's compliance structure in line with the Compliance Manual, which in turn is based on the Compliance Regulations. In cooperation with the Compliance Division, the Compliance Committee undertakes education and awareness initiatives to ensure the wide knowledge of and adherence to the Compliance Manual. Through these initiatives both the committee and the division are working to develop a compliance structure and review system. In line with the Onward Whistle-blowing Regulations, "Whistle-line" has been established both within and outside the group to serve as a contact point for those wishing to pass on information and make reports.

The Internal Control Division is responsible for auditing and ensuring that operations are carried out and financial and other documentation are created effectively and in compliance with the requirements of the law, articles of incorporation, regulations, the Compliance Manual and internal directives.

Risk Management Structure

The risk management structure has been developed and is operated in line with the Onward Risk Management Regulations. The Compliance Division is responsible for the development of a risk management structure, the identification of issues and the development of risk management related plans. The division reports to the Board of Directors and works to establish an effective structure to address natural disaster risk, information systems risk and other risks that may severely impact the continuation of business. Additionally, the Board of Directors works in cooperation with external specialists as the situation requires to strengthen the organization's capacity to respond to risk and establish a legal framework to avoid risk.

Anti-Takeover Measures

At the May 2011 annual general meeting it was resolved that "Measures Against Large-volume Acquisition of the Company (Anti-takeover Measures)" are to be continued. These measures stipulate the regulations with which purchasers attempting to make a large-volume acquisition of the company's shares must comply. These measures also demonstrate that non-compliance with these regulations may force the company to take countermeasures that may cause harm to the purchaser. The measures have been made public as a means of warning purchasers intending to harm the value of the company or the common interests of its shareholders. To avoid conflicts of interest, an independent committee is responsible for determining whether or not countermeasures are to be taken, and their decision is final.

BOARD OF DIRECTORS and ORGANIZATION CHART

DIRECTORS

Representative Director Chairman and President
Takeshi Hirouchi

Senior Managing Director
Masaaki Yoshizawa

Managing Director
Kenichi Iizuka

Directors
Akinori Baba
Hiroaki Yamada

Directors (Outside)
Hachiro Honjou
Yoshihide Nakamura

OFFICERS

Managing Executive Officer
Masabumi Kiyohara
Michio Osawa
Hidenobu Tanaka
Hirokazu Yoshizato
Michinobu Yasumoto

Executive Officers
Eiji Touno
Hisayuki Ichinose
Tomohiko Sakamoto

CORPORATE AUDITORS

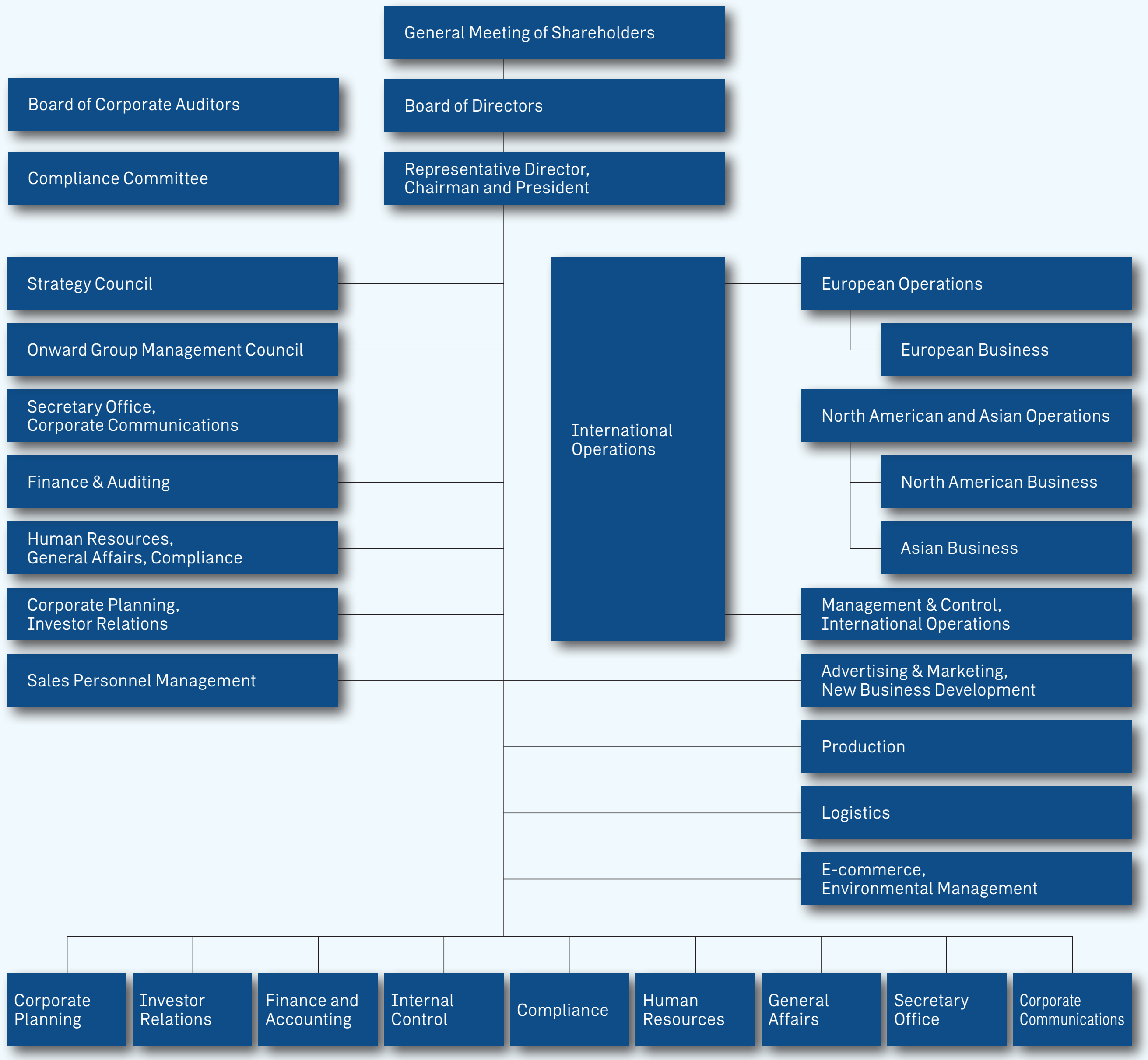
Full-time Corporate Auditors
Akito Yamamoto
Hitoshi Aoyama

Corporate Auditors (Outside)
Jotaro Yabe
Katsuaki Ohashi

As of September 1, 2012

ORGANIZATION CHART

(As of September 1, 2012)



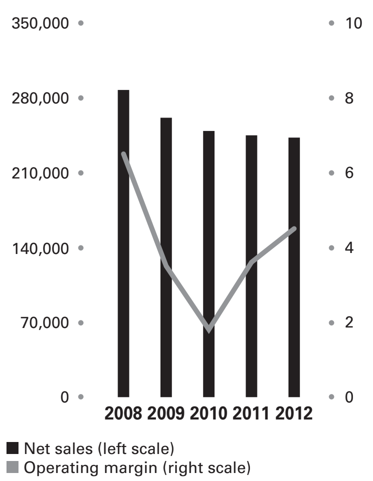
CONSOLIDATED SIX-YEAR SUMMARY

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Year ended February 28 or 29

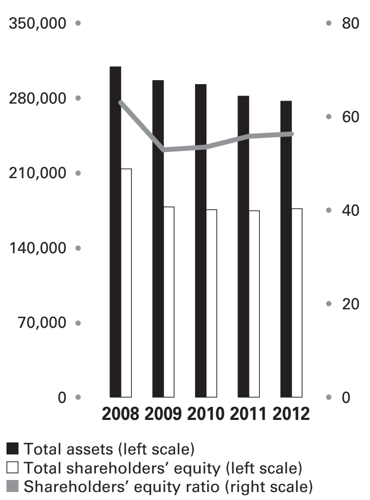
	Millions of yen						Thousands of U.S. dollars
	2007	2008	2009	2010	2011	**2012**	**2012**
At Year-end:							
Total current assets	¥135,197	¥112,519	¥ 98,946	¥100,680	¥ 95,545	**¥ 98,895**	**$1,225,771**
Total property, plant and equipment	94,850	95,008	90,175	89,742	86,623	**82,988**	**1,028,604**
Total assets	347,936	309,092	296,283	292,569	281,643	**276,939**	**3,432,566**
Total current liabilities	103,494	93,321	92,369	90,929	82,677	**84,091**	**1,042,283**
Total shareholders' equity	212,600	213,625	178,023	175,450	174,454	**176,320**	**2,185,427**
Total net assets	225,138	197,639	158,418	158,164	158,745	**157,303**	**1,949,712**
For the Year:							
Net sales	¥318,691	¥287,032	¥261,006	¥248,635	¥244,551	**¥242,402**	**$3,004,487**
Cost of sales	175,796	156,842	142,676	134,459	128,726	**127,288**	**1,577,695**
Selling, general and administrative expenses	117,464	111,562	109,246	109,792	106,896	**104,160**	**1,291,024**
Operating income	25,431	18,628	9,084	4,384	8,929	**10,954**	**135,768**
Income taxes, current	14,409	9,780	4,639	4,016	5,555	**7,528**	**93,308**
Net income (loss)	11,438	12,214	(30,895)	2,188	2,723	**3,529**	**43,743**
	Yen						U.S. dollars
Per Share:							
Net income (loss)—basic	¥ 70.5	¥ 76.5	¥ (197.2)	¥ 13.9	¥ 17.3	**¥ 22.5**	**$0.28**
Net assets	1,256.93	1,243.80	1,001.36	998.98	1,002.34	**995.11**	**12.3**
Cash dividends	26.00	30.00	30.00	24.00	24.00	**24.00**	**0.30**

Note: Yen amounts have been translated, for convenience only, at ¥80.68=US$1, the approximate exchange rate on February 29, 2012.

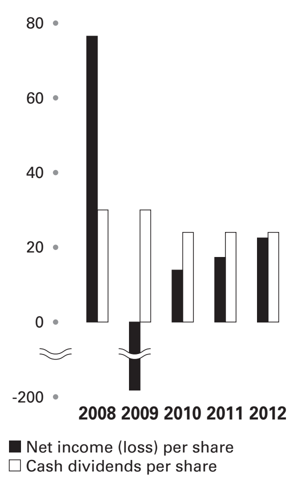
Net Sales and Operating Margin
(Millions of yen, %)



Total Assets, Total Shareholders' Equity, and Shareholders' Equity Ratio
(Millions of yen, %)



Net Income (Loss) Per Share and Cash Dividends Per Share
(Yen)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

During the fiscal year ended February 29, 2012 (fiscal 2012), the Japanese economy achieved a sound recovery in the aftermath of the Great East Japan Earthquake. However, prospects for the Japanese economy remained uncertain because of the persisting unprecedented strength of the yen and concerns about a possible slowdown of the world economy owing to the European sovereign debt crisis.

In the apparel and fashion industries in Japan, consumer confidence, which was undermined by the earthquake, recovered faster than expected, supported by demand associated with reconstruction. Nevertheless, overall business conditions continued to be challenging as deflationary pressure persisted.

In this business environment, the domestic business achieved increases in both sales and profit in the second half of fiscal 2012 and a full-year profit increase, offsetting the impact of the earthquake. It was the result of Onward Kashiyama's aggressive merchandising and marketing initiatives and efficient cost management. The overseas business recorded increased sales and profit in accordance with the plan, thanks to a great improvement of profitability in Europe.

As a result, on a consolidated basis, net sales amounted to ¥242,402 million, a decrease of 0.9% year on year, operating income was ¥10,954 million, an increase of 22.7%, and net income was ¥3,529 million, up 29.6%.

Results of Operations

Note: Figures of segments' business results presented are before elimination of intersegment transactions.

Net Sales

Sales of the apparel businesses decreased 0.8% year on year to ¥230,021 million and sales of other businesses decreased 1.0% to ¥21,572 million. As a result, consolidated net sales decreased ¥2,149 million or 0.9% from the previous fiscal year to ¥242,402 million.

Costs, Expenses and Other Income

The ratio of cost of sales decreased 0.1 percentage points from 52.6% for the previous fiscal year to 52.5%. The gross profit margin improved 0.1 percentage points from 47.4% for the previous fiscal year to 47.5%. These improvements were attributable to the recovery of domestic sales of full-price items after the earthquake, reduction in royalty payments, and enhanced production efficiency in Europe by utilizing the Group's production platform. Gross profit decreased ¥711 million or 0.6% from the previous fiscal year to ¥115,114 million as a result of a decrease in net sales.

The ratio of selling, general and administrative expenses to net sales decreased 0.7 percentage points from 43.7% for the previous fiscal year to 43.0%. This improvement was mainly attributable to Onward Kashiyama's efficient cost management. As a result, the operating income margin increased 0.8 percentage points from 3.7% for the previous fiscal year to 4.5%. Operating income increased ¥2,025 million or 22.7% from the previous fiscal year to ¥10,954 million.

With respect to other income (expenses), other income, net, of ¥116 million was recorded compared with other expenses, net, of ¥377 million for the previous fiscal year. Major items were a ¥887 million increase in the gain on sales of fixed assets, a ¥1,293 million decrease in the loss on write-down of investments in securities, a loss on adjustment for changes of accounting standard for asset retirement obligations amounting to ¥1,086 million, and a loss on reconstruction of ¥1,320 million.

Income before income taxes and minority interests increased ¥2,518 million or 29.4% to ¥11,070 million. The effective tax rate after the application of deferred tax accounting increased from 66.7% for the previous fiscal year to 67.3%, and income taxes increased ¥1,743 million or 30.5% from ¥5,708 million for the previous fiscal year to ¥7,451 million. As a result, net income increased ¥806 million or 29.6% from the previous fiscal year to ¥3,529 million.

Segment Information

Results of operations by reportable segment for the fiscal year ended February 29, 2012, were as follows.

• Apparel Business

Regarding domestic business operations, in order to absorb the impact of the earthquake , Onward Kashiyama engaged in aggressive merchandising and marketing initiatives for its core brands in the second half, focusing on the strategic products under the cross-brand plan and value-added cold-weather apparel. It also implemented measures to boost sales, including effective sales promotion. As a result, Onward Kashiyama achieved an increase in profit. Results of operations of the Internet business, whose market is expanding, greatly exceeded the targets as Onward Kashiyama and the Group's other domestic brands broadened the range of brands and items, made improvements to the website, and increased the number of registered customers. The domestic apparel business as a whole recorded increased profit for the full fiscal year.

Regarding overseas business, in Europe GIBO' CO. Group experienced a substantial increase in profit as a result of improved productivity and greater synergies with Jil Sander. Consequently, although results in Asia were below the level of the previous fiscal year, the overseas apparel business as a whole recorded higher sales and profit.

As result, segment sales were ¥230,021 million, a decrease of 0.8% year on year, and operating income was ¥14,303 million, an increase of 16.6%.

• Other Business

Among service-related businesses, Onward Creative Center, which designs and constructs commercial facilities, reduced losses thanks to the recovery of sales in the second half of the fiscal year. In addition, ACROSS Transport which is engaged in logistics and transport of apparel, recorded increases in both sales and profit, which exceeded the targets, because it expanded its customer base for logistics outsourcing. The resort business, however, recorded lower sales and profit because of the plunge in the number of customers from Japan owing to cancellations of reservations following the earthquake.

As a result, segment sales were ¥21,572 million, a decrease of 1.0% year on year, and operating income was ¥131 million, an increase of 219.5%.

Financial Position

Total assets amounted to ¥276,939 million at the end of fiscal 2012, having decreased ¥4,704 million from the end of the previous fiscal year. Current assets increased ¥3,350 million, mainly due to increases in cash and time deposits and inventories. Fixed assets decreased ¥8,054 million because of decreases in property, plant and equipment and goodwill.

Total liabilities amounted to ¥119,636 million at the end of fiscal 2012, having decreased ¥3,262 million from the end of the previous fiscal year. Current liabilities increased ¥1,414 million owing to an increase in accrued income taxes and a provision for building reconstruction-related losses despite a decrease in short-term loans payable. Long-term liabilities decreased ¥4,676 million, mainly due to a decrease in long-term loans payable.

Total net assets were ¥157,303 million at the end of fiscal 2012, having decreased ¥1,442 million from the end of the previous fiscal year. Total shareholders' equity increased ¥1,866 million, mainly attributable to an increase in retained earnings. Accumulated other comprehensive income decreased ¥2,923 million, partly owing to a decrease in net revaluation loss of land.

As a result, the shareholders' equity ratio increased 0.5 percentage points from 55.8% at the end of the previous fiscal year to 56.3% at the end of the fiscal 2012 because shareholders' equity increased whereas total assets decreased.

Cash Flows

Net cash provided by operating activities amounted to ¥13,181 million, having increased ¥1,974 million from the previous fiscal year. The main item was a ¥2,518 million increase in income before income taxes and minority interests.

Net cash used in investing activities amounted to ¥1,962 million, having decreased ¥3,190 million from the previous fiscal year, mainly attributable to investment in sales floor equipment and acquisition of investments in securities, despite proceeds from sale of land.

Net cash used in financing activities amounted to ¥7,449 million, having decreased ¥1,823 million from the previous fiscal year. The main item was repayment of loans payable and dividends paid.

As a result, cash and cash equivalents at the end of fiscal 2012 amounted to ¥32,088 million, having increased ¥3,454 million from the end of the previous fiscal year.

Capital Expenditure

The Group executes capital investment on a continuous basis to enhance planning, production, sales, and logistics in order to meet diverse needs.

Capital expenditure during fiscal 2012 amounted to ¥6,230 million and its breakdown by segment is as described below:

In the Apparel Businesses, capital expenditure totaled ¥5,247 million, most of which was invested for sales floors at department stores and directly managed stores with the aim of strengthening the sales structure.

In Other Businesses, the Group invested ¥896 million to upgrade commercial facilities and to enhance operational efficiency.

Profit Distribution Policy

Management of Onward Holdings regards the distribution of profits to shareholders as one of its top priorities. The basic policy of the Company is to continue to pay stable dividends linked with the Company's business performance, with a target dividend payout ratio of at least 35%.

Taking into consideration the Company's business results for the fiscal year under review and the future business environment, the Company decided to pay a cash dividend of ¥24 per share for the fiscal year under review, unchanged from the previous fiscal year.

The Company intends to employ retained earnings flexibly for strategic investments to establish a solid business structure and to strengthen the Company's financial position, taking into consideration the need for funds.

Outlook for Fiscal Year to February 2013

Recovery of the Japanese economy is expected to remain fragile because of the persistence of the strong yen and concerns about the slowing of the world economy owing to the European sovereign debt crisis. The outlook for personal consumption also affords few grounds for optimism apart from demand associated with reconstruction from the earthquake, because of deeply rooted consumer frugality in view of the poor prospects for personal incomes.

In this economic environment, ONWARD will implement growth strategies in accordance with the New Medium-Term Three-Year Plan to achieve a new growth path based on "fashion."

Regarding domestic business operations, ONWARD will work to achieve growth and improve the cost structure by shifting personnel from existing businesses to new businesses and growing areas that ONWARD intends to develop and strengthen. ONWARD will accelerate growth of its Internet business, whose sales and profit are rising in line with the growth of the market, by enhancing the content, increasing the range of items and brands, and increasing the number of registered customers. Moreover, ONWARD will vigorously seek opportunities for M&A and, with careful consideration, pursue M&A that will increase the growth potential and from which synergies can be expected.

In overseas business, ONWARD will strive to advance to a global growth phase by developing the European business as the Group's main source of profit. In North America, ONWARD will establish a new design and development base in New York for future business development, while taking steps to improve profitability of existing businesses. Regarding production operations in Asia, ONWARD will continue to focus on low-cost production by starting production in more regions and strengthening autonomous production systems. Regarding sales operations in Asia, while increasing the size of existing stores to enhance sales efficiency, ONWARD will develop new stores and expand wholesale to enhance growth potential.

For the fiscal year ending February 28, 2013, management forecasts consolidated net sales of ¥266,600 million, an increase of 10.0% year on year, operating income of ¥13,800 million, up 26.0%, and net income of ¥5,000 million, up 41.7%.

The forecast of business performance and other forward-looking statements contained herein are based on information currently available to management and certain assumptions that management believes to be reasonable. Therefore, actual results may differ materially from those expressed or implied by such statements for various reasons.

Business Risks

Risks that may have an impact on ONWARD operations are described below. Recognizing the possibility of materialization of these risks, in its business operations the Group endeavors to prevent risks from materializing and to minimize the impact in the event that they materialize.

Forward-looking statements in this section are based on the Group's judgment as of May 29, 2012.

(1) Risks associated with changes in consumer needs

To precisely respond to consumer needs regarding fashion products, ONWARD strives to develop original and competitive products through the implementation of its Brand-Leveraged Management policy. However, ONWARD may not be able to attain the performance targets set in the business plan because of a number of factors, including lackluster consumer spending as a result of economic fluctuations, competition with other companies, and sudden changes in fashion trends. Such eventuality may have an adverse impact on the Group's business performance.

(2) Risks associated with weather conditions and disasters

Since sales of ONWARD mainstay fashion products are susceptible to influence by the weather, ONWARD has put in place systems for planning and production with a short turnaround cycle, and is strengthening those systems. However, unsettled weather persisting for a prolonged period, such as cool weather in the summer and warm weather in the winter, or a series of typhoons may result in the loss of sales opportunities during peak seasons. Such developments may have an adverse impact on the Group's business performance.

In addition, unexpected occurrence of a natural disaster, such as an earthquake and flooding, fire and accident, or outbreak of an epidemic, such as a new strain of influenza, may compel ONWARD to suspend its operations. Such eventuality may have an adverse impact on the Group's business performance.

(3) Quality risk

ONWARD implements quality control of its products in accordance with its established appropriate quality control standards. Despite the implementation of such quality control systems, an incident related to product liability may occur as a result of matters relating to ONWARD or its business partner, which may undermine the image of ONWARD and brand image and result in substantial cost burden. Such eventuality may have an adverse impact on the Group's business performance.

(4) Risks associated with business partners

ONWARD has put in place internal systems for periodically assessing the operating conditions and the creditworthiness of its business partners, and is strengthening those systems. However, ONWARD may incur losses due to bad debts if a business partner fails to fulfill its financial obligations or due to an unexpected bankruptcy of a large retail complex. Such eventuality may have an adverse impact on the Group's business performance.

(5) Risks associated with intellectual property

ONWARD owns trademarks and other intellectual property in Japan and overseas and strives to safeguard the rights to such property in accordance with laws and regulations. However, in the event of infringement of such rights by a third party, the image of ONWARD and brand image may be undermined and ONWARD product development may be impaired. Such eventuality may have an adverse impact on the Group's business performance.

Moreover, ONWARD conducts licensed brand business by securing rights to use intellectual property owned by its overseas partners. For unexpected reasons, the relevant contract may be cancelled or the terms and conditions of the relevant contract may become unfavorable upon renewal. Such eventuality may have an adverse impact on the Group's business performance.

(6) Risks associated with laws and regulations

In doing business, ONWARD pays careful attention to laws and regulations, including those concerning antitrust, treatment of subcontractors, labeling, and consumer product safety, and environment- and recycling-related laws, and strives to ensure compliance. The Onward Group Compliance Committee spearheads the Group's efforts to raise awareness about the importance of ensuring legal compliance and internal control procedures. Despite the implementation of such control systems, an issue may arise as a result of illegal behavior of an employee or a business partner and may undermine the trust placed in ONWARD by society and result in substantial cost burden, such as payment of indemnities. Such eventuality may have an adverse impact on the Group's business performance.

(7) Risks associated with information

ONWARD has thoroughly implemented measures to ensure security of its information systems. Regarding treatment of personal information, ONWARD has established the Guidelines concerning the Personal Information Protection Law and strives to enhance awareness of all officers and employees. Although ONWARD is strengthening information management systems, an issue may arise as a result of leakage of information due to unauthorized access to computer systems or criminal behavior and may undermine the trust placed in ONWARD by society and result in increased cost burden. Such eventuality may have an adverse impact on the Group's business performance.

(8) Risks associated with overseas business operations

Overseas business operations are exposed to a range of risks, including natural disaster, political turmoil, change in social and economic conditions, terrorism, war, fluctuations in foreign currency exchange rates, lawsuits related to intellectual property, and infectious disease. In the event that such risk materializes, it may become difficult for the Company to continue its business operations. Such eventuality may have an adverse impact on the Group's business performance.

(9) Risks associated with business/capital tie-ups

As part of its growth strategies, ONWARD invests in Japan and overseas through M&A etc.

In the event that business performance and financial position deteriorate owing to change in the business environment that exceeds expectations, ONWARD may record a loss on impairment of goodwill. Such eventuality may have an adverse impact on the Group's business performance.

CONSOLIDATED BALANCE SHEETS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2011 and February 29, 2012

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2011	2012	2012
Current assets:			
Cash and time deposits (Notes 2.(17), 3 and 10)	¥ 30,939	**¥ 33,192**	**$ 411,409**
Accounts and notes receivable (Note 3)	25,399	**25,257**	**313,049**
Inventories (Note 2. (4))	30,358	**31,445**	**389,744**
Deferred tax assets (Note 12)	4,075	**3,821**	**47,355**
Other current assets	5,498	**5,567**	**69,012**
Less: Allowance for bad debt	(724)	**(387)**	**(4,798)**
Total current assets	95,545	**98,895**	**1,225,771**
Property, plant and equipment (Note 6):			
Buildings and structures	76,280	**76,491**	**948,084**
Other depreciable property	25,828	**27,563**	**341,628**
Less: Accumulated depreciation	(68,585)	**(70,479)**	**(873,567)**
	33,523	**33,575**	**416,145**
Land (Note 13)	53,100	**49,413**	**612,459**
Total property, plant and equipment	86,623	**82,988**	**1,028,604**
Intangible assets, net:			
Goodwill	43,732	**40,794**	**505,627**
Other	3,014	**2,701**	**33,479**
Total intangible assets, net	46,746	**43,495**	**539,106**
Investments and other assets:			
Investments in securities (Notes 3 and 4)	34,592	**35,179**	**436,032**
Long-term loans receivable	4,839	**5,029**	**62,326**
Long-term prepaid expenses	751	**743**	**9,217**
Deferred tax assets (Note 12)	5,628	**4,495**	**55,717**
Other investments	9,274	**8,916**	**110,513**
Less: Allowance for bad debt	(2,355)	**(2,801)**	**(34,720)**
Total investments and other assets	52,729	**51,561**	**639,085**
Total assets	¥281,643	**¥276,939**	**$3,432,566**

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2011 and February 29, 2012

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2011	2012	2012
Current liabilities:			
Accounts and notes payable (Note 3)	¥ 32,704	**¥ 33,238**	**$ 411,975**
Short-term loans payable (Notes 3 and 15)	27,354	**26,427**	**327,557**
Current portion of long-term loans payable (Notes 3 and 15)	3,534	**3,439**	**42,620**
Accrued income taxes	4,533	**5,700**	**70,645**
Accrued bonuses to employees	1,569	**1,266**	**15,699**
Accrued bonuses to directors	299	**267**	**3,315**
Allowance for sales returns	870	**514**	**6,369**
Provision for point program	163	**202**	**2,506**
Allowance for losses on reconstruction	—	**1,320**	**16,361**
Other current liabilities	11,651	**11,718**	**145,236**
Total current liabilities	82,677	**84,091**	**1,042,283**
Long-term liabilities:			
Bonds (Note 15)	367	**90**	**1,116**
Long-term loans payable (Notes 3 and 15)	22,298	**19,640**	**243,436**
Deferred tax liabilities — revaluation of land (Notes 12 and 13)	5,942	**3,966**	**49,162**
Accrued retirement benefits (Note 8)	3,468	**4,123**	**51,097**
Accrued retirement benefits for directors and corporate auditors	119	**140**	**1,729**
Other	8,027	**7,586**	**94,031**
Total long-term liabilities	40,221	**35,545**	**440,571**
Total liabilities	122,898	**119,636**	**1,482,854**
Commitments and contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized — 400,000,000 shares			
Issued — 172,921,669 shares at February 28, 2011 and February 29, 2012, respectively	30,080	**30,080**	**372,827**
Capital surplus	50,043	**50,043**	**620,268**
Retained earnings (Note 16)	117,777	**119,524**	**1,481,460**
Less: Treasury stock, at cost, 16,238,791 shares and 16,162,243 shares at February 28, 2011 and February 29, 2012, respectively	(23,446)	**(23,327)**	**(289,128)**
Total shareholders' equity	174,454	**176,320**	**2,185,427**
Accumulated other comprehensive income:			
Net unrealized losses on available-for-sale securities (Note 4)	(2,838)	**(3,792)**	**(47,005)**
Deferred losses on hedging instruments	(5)	**10**	**122**
Net revaluation loss of land (Note 13)	(11,004)	**(12,503)**	**(154,965)**
Foreign currency translation adjustments	(3,558)	**(4,043)**	**(50,108)**
Total accumulated other comprehensive income	(17,405)	**(20,328)**	**(251,956)**
Stock acquisition rights	532	**653**	**8,099**
Minority interests in consolidated subsidiaries	1,164	**658**	**8,142**
Total net assets	158,745	**157,303**	**1,949,712**
Total liabilities and net assets	¥281,643	**¥276,939**	**$3,432,566**

Per share:	Yen		U.S. dollars (Note 2. (22))
Net assets per share	¥1,002.34	**¥995.11**	**$12.33**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2011 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2011	**2012**	**2012**
Net sales	¥244,551	**¥242,402**	**$3,004,487**
Cost of sales	128,726	**127,288**	**1,577,695**
Gross profit	115,825	**115,114**	**1,426,792**
Selling, general and administrative expenses (Note 19)	106,896	**104,160**	**1,291,024**
Operating income	8,929	**10,954**	**135,768**
Other income (expenses):			
Interest income	113	**110**	**1,356**
Dividend income	373	**388**	**4,813**
Land and house rent received	974	**595**	**7,369**
Interest expenses	(808)	**(651)**	**(8,066)**
Royalty income	836	**802**	**9,945**
Equity in earnings of investees	499	**715**	**8,863**
Foreign currency exchange loss	(702)	**(182)**	**(2,250)**
Loss on derivatives	(282)	**—**	**—**
Gain on sale of investments in securities, net (Note 4)	—	**14**	**173**
Loss on write-down of investments in securities (Note 4)	(1,322)	**(29)**	**(363)**
Provision for allowance for bad debt	—	**(350)**	**(4,337)**
Gain on disposal of fixed assets, net	49	**936**	**11,605**
Impairment loss on fixed assets (Note 7)	(937)	**(352)**	**(4,361)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**(1,086)**	**(13,465)**
Loss on reconstruction	—	**(1,320)**	**(16,361)**
Other, net	830	**526**	**6,522**
Income before income taxes and minority interests	8,552	**11,070**	**137,211**
Income taxes:			
Current (Note 2. (10))	5,555	**7,528**	**93,308**
Deferred (Note 12)	153	**(77)**	**(956)**
Income before minority interests	2,844	**3,619**	**44,859**
Minority interests in subsidiaries	(121)	**(90)**	**(1,116)**
Net income	¥ 2,723	**¥ 3,529**	**$ 43,743**

	Yen		U.S. dollars (Note 2. (22))
Per share (Notes 16, 17 and 19)**:**			
Net income — basic	¥17.38	**¥22.52**	**$0.28**
Diluted net income per share	17.28	**22.35**	**0.28**
Cash dividends	24.00	**24.00**	**0.30**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2011 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2011	**2012**	**2012**
Income before minority interests	—	**¥3,619**	**$44,859**
Other comprehensive income			
Net unrealized losses on available-for-sale securities	—	**(920)**	**(11,405)**
Deferred gains on hedging instruments	—	**15**	**192**
Foreign currency translation adjustments	—	**(447)**	**(5,542)**
Share of other comprehensive income of associates accounted for using the equity method	—	**(87)**	**(1,081)**
Total other comprehensive income (Notes 9)	—	**(1,439)**	**(17,836)**
Comprehensive income (Notes 9)	—	**¥2,180**	**$27,023**
Comprehensive income attributable to:			
Owners of the parent	—	**¥2,105**	**$26,094**
Minority interests	—	**75**	**929**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2011 and February 29, 2012

	Number of shares of common stock (thousands)	Millions of yen — Shareholders' equity: Common stock	Capital surplus	Retained earnings (Note 16)	Treasury stock	Total
Balance as at February 28, 2010	172,922	¥30,080	¥50,043	¥118,817	¥(23,490)	¥175,450
Cash dividends	—	—	—	(3,760)	—	(3,760)
Net income	—	—	—	2,723	—	2,723
Purchase of treasury stock	—	—	—	—	(30)	(30)
Reissuance of treasury stock	—	—	—	(16)	74	58
Reversal of net revaluation loss of land	—	—	—	11	—	11
Increase in retained earnings resulting from merger of non-consolidated subsidiaries	—	—	—	2	—	2
Net changes other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	—	—	—	(1,040)	44	(996)
Balance as at February 28, 2011	172,922	30,080	50,043	117,777	(23,446)	174,454
Cash dividends	—	—	—	**(3,760)**	—	**(3,760)**
Net income	—	—	—	**3,529**	—	**3,529**
Purchase of treasury stock	—	—	—	—	**(2)**	**(2)**
Reissuance of treasury stock	—	—	—	**(83)**	**121**	**38**
Reversal of net revaluation loss of land	—	—	—	**2,061**	—	**2,061**
Net changes other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	—	—	—	**1,747**	**119**	**1,866**
Balance as at February 29, 2012	**172,922**	**¥30,080**	**¥50,043**	**¥119,524**	**¥(23,327)**	**¥176,320**

	Thousands of U.S. dollars (Note 2. (22)) — Shareholders' equity: Common stock	Capital surplus	Retained earnings (Note 16)	Treasury stock	Total
Balance as at February 28, 2011	$372,827	$620,268	$1,459,803	$(290,603)	$2,162,295
Cash dividends	—	—	**(46,609)**	—	**(46,609)**
Net income	—	—	**43,743**	—	**43,743**
Purchase of treasury stock	—	—	—	**(27)**	**(27)**
Reissuance of treasury stock	—	—	**(1,024)**	**1,502**	**478**
Reversal of net revaluation loss of land	—	—	**25,547**	—	**25,547**
Net changes other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	**21,657**	**1,475**	**23,132**
Balance as at February 29, 2012	**$372,827**	**$620,268**	**$1,481,460**	**$(289,128)**	**$2,185,427**

See accompanying notes to consolidated financial statements.

(Continued)

	Millions of yen — Accumulated other comprehensive income: Net unrealized losses on available-for- sale securities (Note 4)	Deferred losses on hedging instruments	Net revaluation loss of land (Note 13)	Foreign currency translation adjustments	Total	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as at February 28, 2010	¥(5,560)	¥(42)	¥(10,993)	¥(2,355)	¥(18,950)	¥413	¥1,251	¥158,164
Cash dividends	—	—	—	—	—	—	—	(3,760)
Net income	—	—	—	—	—	—	—	2,723
Purchase of treasury stock	—	—	—	—	—	—	—	(30)
Reissuance of treasury stock	—	—	—	—	—	—	—	58
Reversal of net revaluation loss of land	—	—	—	—	—	—	—	11
Increase in retained earnings resulting from merger of non-consolidated subsidiaries	—	—	—	—	—	—	—	2
Net changes other than shareholders' equity	2,722	37	(11)	(1,203)	1,545	119	(87)	1,577
Total changes during the year	2,722	37	(11)	(1,203)	1,545	119	(87)	581
Balance as at February 28, 2011	(2,838)	(5)	(11,004)	(3,558)	(17,405)	532	1,164	158,745
Cash dividends	—	—	—	—	—	—	—	**(3,760)**
Net income	—	—	—	—	—	—	—	**3,529**
Purchase of treasury stock	—	—	—	—	—	—	—	**(2)**
Reissuance of treasury stock	—	—	—	—	—	—	—	**38**
Reversal of net revaluation loss of land	—	—	—	—	—	—	—	**2,061**
Net changes other than shareholders' equity	**(954)**	**15**	**(1,499)**	**(485)**	**(2,923)**	**121**	**(506)**	**(3,308)**
Total changes during the year	**(954)**	**15**	**(1,499)**	**(485)**	**(2,923)**	**121**	**(506)**	**(1,442)**
Balance as at February 29, 2012	**¥(3,792)**	**¥ 10**	**¥(12,503)**	**¥(4,043)**	**¥(20,328)**	**¥653**	**¥ 658**	**¥157,303**

	Thousands of U.S. dollars (Note 2. (22)) — Accumulated other comprehensive income: Net unrealized losses on available-for- sale securities (Note 4)	Deferred losses on hedging instruments	Net revaluation loss of land (Note 13)	Foreign currency translation adjustments	Total	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as at February 28, 2011	$(35,174)	$ (70)	$(136,387)	$(44,097)	$(215,728)	$6,597	$14,420	$1,967,584
Cash dividends	—	—	—	—	—	—	—	**(46,609)**
Net income	—	—	—	—	—	—	—	**43,743**
Purchase of treasury stock	—	—	—	—	—	—	—	**(27)**
Reissuance of treasury stock	—	—	—	—	—	—	—	**478**
Reversal of net revaluation loss of land	—	—	—	—	—	—	—	**25,547**
Net changes other than shareholders' equity	**(11,831)**	**192**	**(18,578)**	**(6,011)**	**(36,228)**	**1,502**	**(6,278)**	**(41,004)**
Total changes during the year	**(11,831)**	**192**	**(18,578)**	**(6,011)**	**(36,228)**	**1,502**	**(6,278)**	**(17,872)**
Balance as at February 29, 2012	**$(47,005)**	**$122**	**$(154,965)**	**$(50,108)**	**$(251,956)**	**$8,099**	**$ 8,142**	**$1,949,712**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2011 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2011	2012	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 8,552	**¥11,070**	**$137,211**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	5,642	**5,478**	**67,899**
Impairment loss on fixed assets	937	**352**	**4,361**
Net amortization of goodwill on consolidation	3,638	**3,665**	**45,420**
(Decrease) Increase in provision for allowance for bad debt	(439)	**138**	**1,709**
Decrease in provision for accrued retirement benefits	431	**686**	**8,505**
Interest and dividend income	(486)	**(498)**	**(6,169)**
Interest expense	808	**651**	**8,066**
Equity in earnings of investees	(500)	**(715)**	**(8,863)**
Gain on disposal of fixed assets, net	(49)	**(936)**	**(11,604)**
Gain on sale of investments in securities, net	—	**(13)**	**(156)**
Loss on write-down of investments in securities	1,322	**29**	**363**
Increase in trade receivables	(589)	**(188)**	**(2,326)**
Increase in inventories	(315)	**(1,444)**	**(17,901)**
(Decrease) Increase in trade payables	(2,429)	**761**	**9,429**
Other, net	(1,545)	**(1,187)**	**(14,709)**
Subtotal	14,978	**17,849**	**221,235**
Interest and dividends received	693	**746**	**9,241**
Interest paid	(770)	**(674)**	**(8,360)**
Income taxes paid	(4,819)	**(5,973)**	**(74,031)**
Refunded income taxes	1,125	**1,233**	**15,286**
Net cash provided by operating activities	11,207	**13,181**	**163,371**
Cash flows from investing activities:			
Increase in time deposits	(318)	**(1,021)**	**(12,650)**
Decrease in time deposits	1,652	**2,243**	**27,798**
Acquisition of property, plant and equipment	(3,090)	**(4,163)**	**(51,604)**
Proceeds from sale of property, plant and equipment	113	**4,754**	**58,920**
Acquisition of investments in securities	(1,837)	**(1,138)**	**(14,107)**
Proceeds from sale of investments in securities	14	**14**	**181**
Payments for long-term prepaid expenses	(773)	**(642)**	**(7,953)**
Payments for security deposits	(754)	**(510)**	**(6,316)**
Proceeds from security deposits	761	**800**	**9,917**
Payment for additional acquisition of shares of consolidated subsidiaries	—	**(1,396)**	**(17,308)**
Other, net	(920)	**(903)**	**(11,194)**
Net cash used in investing activities	(5,152)	**(1,962)**	**(24,316)**

(Continued)

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2011	2012	2012
Cash flows from financing activities:			
Decrease in short-term loans payable	(2,984)	**(330)**	**(4,086)**
Proceeds from long-term loans payable	2,080	**833**	**10,328**
Repayments of long-term loans payable	(4,118)	**(3,586)**	**(44,454)**
Acquisition of treasury stock	(9)	**(2)**	**(27)**
Dividends paid by the parent company	(3,760)	**(3,760)**	**(46,609)**
Dividends paid to minority shareholders	(29)	**(55)**	**(677)**
Other, net	(453)	**(549)**	**(6,806)**
Net cash used in financing activities	(9,272)	**(7,449)**	**(92,331)**
Effect of exchange rate changes on cash and cash equivalents	(829)	**(316)**	**(3,914)**
Net decrease (increase) in cash and cash equivalents	(4,046)	**3,454**	**42,810**
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	1	**—**	**—**
Cash and cash equivalents at beginning of year	32,679	**28,634**	**354,908**
Cash and cash equivalents at end of year (Note 10)	¥28,634	**¥32,088**	**$397,718**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
For the years ended February 28, 2011 and February 29, 2012

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 76 subsidiaries as at February 29, 2012 (75 as at February 28, 2011). The accompanying consolidated financial statements include the accounts of the Company and 65 of its subsidiaries (64 for 2011). Major consolidated subsidiaries are listed below (the Company and the 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
Chacott Co., Ltd.	100.0	February 29
Creative Yoko Co., Ltd.	100.0	February 29
Island Co., Ltd.	100.0	February 29
Bus Stop Co., Ltd.	100.0	February 29
Project Sloane Ltd.	100.0	November 30
Joseph Ltd.	100.0	November 30
Gibo' Co. S.p.A.	100.0	November 30
Violine S.à r.l.	100.0	November 30
Jil Sander Italy S.p.A	100.0	November 30
Onward Fashion Trading (China) Co., Ltd.	100.0	December 31
J. Press, Inc.	100.0	December 31
Across Transport Co., Ltd.	100.0	February 29
Onward Creative Center Co., Ltd.	100.0	February 29
BOOKLET CORP.	100.0	February 29
Excel Co., Ltd.	100.0	February 29
Onward Resort & Golf Co., Ltd.	100.0	February 29
Onward Life Design Network Co., Ltd.	100.0	February 29
Onward Beach Resort Guam, Inc.	100.0	December 31
Onward Mangilao Guam, Inc.	100.0	December 31

ONWARD KASHIYAMA VIETNAM LTD., SHANGHAI ONWARD CLOTHING CO., LTD. and Grace Continental Korea Co., Ltd. were established during the year ended February 29, 2012; therefore, ONWARD KASHIYAMA VIETNAM LTD., SHANGHAI ONWARD CLOTHING CO., LTD. and Grace Continental Korea Co., Ltd. became consolidated subsidiaries of the Company.

In the Jil Sander AG Group, Jil Sander Fashion GmbH was liquidated and removed from the scope of consolidation became an unconsolidated subsidiary of the Company. Also, in the Gibo' Co. Group, Gibo' Co. S.p.A. merged with CORPORATE s.r.l.

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 11 subsidiaries (11 for 2011) 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 within 20 years.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. A total of 20 companies (20 companies for 2011) are accounted for by the equity method for the year ended February 29, 2012.

The Company did not apply the equity method to 10 unconsolidated subsidiaries (10 in 2011) and 1 affiliate (1 in 2011) as at February 29, 2012, as the effect on net income or retained earnings of their consolidated financial statements are not material individually or in the aggregate.

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 held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the specific identification method. For the year ended February 29, 2012, the recorded write-downs were ¥9,494 million ($117,678 thousand). For the year ended February 28, 2011, the recorded write-downs were ¥10,307 million.

(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 are designated as "hedging instruments," which are deferred as a component of net assets, net of applicable taxes. 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.

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

The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	3 to 50 years
Other	2 to 20 years

(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. A valuation allowance is provided to reduce deferred tax assets to the amount that is realizable.

(11) Allowances for Bad Debt
An allowance for doubtful accounts, including trade notes and accounts receivable and certain investments and other assets, is provided against probable future losses on collection. The Company and subsidiaries designate certain accounts as highly doubtful accounts and provide a specific allowance for these accounts based on the management's detailed credit analysis. Other than these accounts, the Company provides an allowance for doubtful accounts based on the Company's historical average charge-off ratio.

(12) Allowances for Sales Returns
An allowance for sales returns is provided for the estimated losses based on the actual percentage of sales return in prior years and gross profit margin.

(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 Point Program
The provision for point program was provided for the future cost generating from the utilization of points that customers of certain consolidated subsidiaries have earned under the point service program which is for sales promotions. The Company reserves an amount considered appropriate to cover possible utilization of the points during and after the next fiscal year.

(15) Accounting for Leases
Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, over the lease periods as their useful lives and no residual value. Regarding finance leases transactions without title transfer for which the starting date for the lease transactions is prior to February 28, 2009, the Company and its domestic consolidated subsidiaries have continued to recognize lease payments as expenses.

(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 operations.

(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
The standard of impairment of long-lived assets 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.

(19) Accrued Bonuses to Employees
Allowance for bonuses to employees are provided by the estimated amounts, which are obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(20) Directors' Bonuses
Under the standard of directors' bonuses, 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.

(21) Allowances for Losses on Reconstruction
An allowance is provided for the estimated losses to be incurred with the reconstruction of the Head Office building of the Company.

The Company resolved to build a new Head Office building on the current Head Office premises (Nihonbashi, Chuo-ku, Tokyo) at its Board of Directors' meeting held on October 7, 2011. Based on this resolution, an allowance for losses on reconstruction has been recorded based on the estimated losses to be incurred from the rebuilding of the Head Office building.

(22) United States Dollar Amounts
Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥80.68=US$1, the rate of exchange as of February 29, 2012, 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.

(23) Reclassifications
Certain reclassifications have been made to the prior year's consolidated financial statements to conform with the presentation used for the year ended February 29, 2012.

(24) Goodwill
Goodwill is evaluated on an individual basis and amortized on a straight-line basis within 20 years.

(25) Asset Retirement Obligations
The Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) from the year ended February 29, 2012.

Due to the application of this new standard, operating income was decreased by ¥30 million ($371 thousand), ordinary income was decreased by ¥43 million ($539 thousand), and income before income taxes and minority interests was decreased by ¥1,130 million ($14,003 thousand). Additionally, the amount of change in asset retirement obligations due to the application of the accounting standards was ¥1,682 million ($20,844 thousand) for the year ended February 29, 2012.

(26) Business Combinations
The Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008) from the year ended February 29, 2012. Major accounting changes under the revised accounting standards are as follows.

3. Financial Instruments

1. Matters pertaining to the status of financial instruments

(1) Policy on financial instruments

The Company and its subsidiaries invest their funds in short-term deposits and meet their financing needs through bank loans. The Company and its subsidiaries utilize derivatives to hedge various risks as described in detail below and do not enter into derivatives for trading or speculative purposes.

(2) Financial instruments and risks

Accounts and notes receivable are exposed to credit risk of customers. Trade receivables denominated in foreign currencies, being subject to risks associated with changes in the foreign currency exchange rates, are hedged by forward exchange contracts.

Investment securities mainly comprise stocks of companies with which the Company and its subsidiaries have business alliances and are exposed to risks associated with fluctuations of their market prices.

Accounts and notes payable are due within one year. Trade payables denominated in foreign currencies, being subject to risks associated with changes in foreign currency exchange rates, are hedged by forward exchange contracts, currency swaps, and currency option trading. The purpose for loans is for working capital (mainly short-term) and funds of capital investment (long-term). Interest-rate swaps are used to fix interest expenses for interest rate risk of a portion of long-term loans payable.

Regarding derivatives, forward foreign exchange contracts, currency swap, and currency option trading are used to hedge the foreign exchange rate fluctuation risk associated with the operating receivables and payables, and interest rate swap is used to mitigate the interest rate risk for loans payable.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the default risk for customers and counterparties)

In accordance with the internal policies of the Company and its consolidated subsidiaries for managing credit risk arising from notes and accounts receivable, the Company and its subsidiaries monitor creditworthiness of their main customers and counterparties on a periodical basis and monitor due dates and outstanding balances by individual customers. Additionally, as means to mitigate credit risks, derivative transactions are only conducted with high-credit worthy financial institutions as counterparties.

(b) Monitoring of market risk (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Company and its consolidated subsidiaries hedge risks associated with changes in the foreign currency exchange rates, arising from trade receivable and payable denominated in foreign currencies mainly by forward exchange contracts. Additionally, interest rate swap contracts are used to mitigate the risks associated with fluctuations in the interest payments on the long-term loans payable.

For investment securities, the Company and its consolidated subsidiaries periodically review their fair values and the financial position of the issuers. Additionally, the Company and its consolidated subsidiaries continuously evaluate whether securities should be maintained taking into account their fair values and relationships with the issues.

In derivative transactions, the division in charge of each derivative transaction follows the internal management policies within the actual demand. Additionally, the Company and its consolidated subsidiaries monthly review transactions balance and the valuation gain (loss).

(c) Monitoring of liquidity risk related to fund procurement (the risk that the Company and its consolidated subsidiaries may not be able to meet their obligations on scheduled due dates)

In order to manage liquidity risk, the Company and its consolidated subsidiaries timely prepare and update the cash flow plans based upon the report and maintain fund liquidity.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price if available. When no quoted market price is available, fair value is reasonably estimated. Since various variable assumptions are reflected in estimating the fair value, different assumptions could result in different fair values.

2. Matters related to fair values of financial instruments

The following are the consolidated balance sheet amounts, the fair values and the differences between them as of February 29, 2012 and February 28, 2011 (the closing dates of the consolidated account).

	Millions of yen		
February 29, 2012	Book value	Fair value	Difference
(a) Cash and time deposits	**¥ 33,192**	**¥ 33,192**	**¥ —**
(b) Accounts and notes receivable	**25,257**	**25,257**	**—**
(c) Investment in securities			
Available-for-sale securities	**25,923**	**25,923**	**—**
Investment to affiliates	**8,464**	**5,411**	**(3,053)**
(d) Accounts and notes payable	**(33,238)**	**(33,238)**	**—**
(e) Short-term loans payable	**(26,427)**	**(26,427)**	**—**
(f) Long-term loans payable (Cover current portion of long-term loans payable)	**(23,079)**	**(23,169)**	**90**
(g) Derivative transactions	**(990)**	**(990)**	**—**

	Thousands of U.S. dollars		
February 29, 2012	Book value	Fair value	Difference
(a) Cash and time deposits	**$ 411,409**	**$ 411,409**	**$ —**
(b) Accounts and notes receivable	**313,049**	**313,049**	**—**
(c) Investment in securities			
Available-for-sale securities	**321,310**	**321,310**	**—**
Investment to affiliates	**104,903**	**67,070**	**(37,833)**
(d) Accounts and notes payable	**(411,975)**	**(411,975)**	**—**
(e) Short-term loans payable	**(327,557)**	**(327,557)**	**—**
(f) Long-term loans payable (Cover current portion of long-term loans payable)	**(286,056)**	**(287,168)**	**1,112**
(g) Derivative transactions	**(12,265)**	**(12,265)**	**—**

	Millions of yen		
February 28, 2011	Book value	Fair value	Difference
(a) Cash and time deposits	¥ 30,939	¥ 30,939	¥ —
(b) Accounts and notes receivable	25,399	25,399	—
(c) Investment in securities			
Available-for-sale securities	26,782	26,782	—
Investment to affiliates	7,041	5,240	(1,801)
(d) Accounts and notes payable	(32,704)	(32,704)	—
(e) Short-term loans payable	(27,354)	(27,354)	—
(f) Long-term loans payable (Cover current portion of long-term loans payable)	(25,832)	(25,838)	6
(g) Derivative transactions	(1,469)	(1,469)	—

Notes:

1. Fair value measurement of financial instruments, including securities and derivatives

(a) Cash and time deposits and (b) Accounts and notes receivable

Since these items are settled in a short period of time, their book value approximates fair value.

(c) Investment in securities

The fair value of equity securities is calculated by the quoted market price.

(d) Accounts and notes payable and (e) Short-term loans payable

Since these items are settled in a short period of time, their book value approximates fair value.

(f) Long-term loans payable

The fair values of long-term loans payable are measured as present values obtained by discounting the total amount of principal and interest at the estimated interest rate if similar loans payable were newly made. Of long-term loans payable that have a variable interest rate, the book value is used as fair value, as they are deemed to reflect market interest rates within a short time.

(g) Derivative transactions

The fair value is calculated on the basis of the price quoted by the financial institutions.

2. Book values of financial instruments deemed extremely difficult to determine their fair value as of February 28, 2011 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Classification	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Investment securities			
Unlisted equity securities	¥769	**¥792**	**$9,819**

The fair values of these items are not included in (c) "Investment in securities" because their market prices are not available and whose fair values are deemed extremely difficult to determine.

3. The redemption schedule for monetary receivables and marketable securities with maturities as of February 29, 2012 and February 28, 2011 is as follows:

	Millions of yen			
February 29, 2012	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	**¥33,192**	**¥—**	**¥—**	**¥ —**
Accounts and notes receivable	**25,256**	**1**	**—**	**—**
Marketable and investment securities				
Available for sale securities with maturities	**—**	**58**	**—**	**600**
Total	**¥58,448**	**¥59**	**¥—**	**¥600**

	Thousands of U.S. dollars			
February 29, 2012	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	**$411,409**	**$ —**	**$—**	**$ —**
Accounts and notes receivable	**313,042**	**7**	**—**	**—**
Marketable and investment securities				
Available for sale securities with maturities	**—**	**728**	**—**	**7,437**
Total	**$724,451**	**$735**	**$—**	**$7,437**

	Millions of yen			
February 28, 2011	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	¥30,939	¥—	¥—	¥ —
Accounts and notes receivable	25,399	1	—	—
Marketable and investment securities				
Available for sale securities with maturities	—	58	—	600
Total	¥56,338	¥59	¥—	¥600

4. Expected repayment amounts of long-term loans payable subsequent to the balance sheet date See Note 14. "Short-Term Loans payable and Long-Term Loans payable."

4. Investments in Securities

(1) Information as of and for the Year Ended February 29, 2012

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

Investments in securities whose fair values were readily determinable at February 29, 2012 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities with unrealized gains:						
Equity securities	**¥ 8,561**	**¥ 7,059**	**¥ 1,502**	**$106,107**	**$ 87,492**	**$ 18,615**
Other	**14**	**13**	**1**	**175**	**163**	**12**
Total	**8,575**	**7,072**	**1,503**	**106,282**	**87,655**	**18,627**
Securities with unrealized losses:						
Equity securities	**17,080**	**20,443**	**(3,363)**	**211,704**	**253,384**	**(41,680)**
Other	**268**	**312**	**(44)**	**3,324**	**3,873**	**(549)**
Total	**17,348**	**20,755**	**(3,407)**	**215,028**	**257,257**	**(42,229)**
Total	**¥25,923**	**¥27,827**	**¥(1,904)**	**$321,310**	**$344,912**	**$(23,602)**

Note: Non-Marketable equity securities of ¥338 million ($4,192 thousand) are not included in the above table because there were no quoted market prices available and they are extremely difficult to determine the fair value.

(b) Available-for-sale securities sold during the year ended February 29, 2012:

	Millions of yen	Thousands of U.S. dollars
Proceeds from sale of securities	**¥15**	**$180**
Realized gain on sale of securities	**14**	**173**
Realized loss on sale of securities	**1**	**17**

(c) Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥29 million ($363 thousand) for the year ended February 29, 2012.

(d) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 29, 2012 was ¥8,918 million ($110,530 thousand).

(2) Information as of and for the Year Ended February 28, 2011

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

Investments in securities whose fair values were readily determinable at February 28, 2011 are summarized as follows:

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities with unrealized gains:			
Equity securities	¥12,356	¥ 9,994	¥ 2,362
Other	42	35	7
Total	12,398	10,029	2,369
Securities with unrealized losses:			
Equity securities	14,165	17,468	(3,303)
Other	218	291	(73)
Total	14,383	17,759	(3,376)
Total	¥26,781	¥27,788	¥(1,007)

Note: Non-Marketable equity securities of ¥337 million are not included in the above table because there were no quoted market prices available and they are extremely difficult to determine the fair value.

(b) Available-for-sale securities sold during the year ended February 28, 2011:

	Millions of yen
Proceeds from sale of securities	¥14
Realized gain on sale of securities	—
Realized loss on sale of securities	—

(c) Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥1,321 million for the year ended February 28, 2011.

(d) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 28, 2011 was ¥7,473 million.

5. Derivative Transactions

The contract or notional amounts and fair value of derivative financial instruments held as of February 29, 2012 and February 28, 2011 are summarized as follows:

(1) Derivative transactions not subject to hedge accounting:

	Millions of yen		
February 29, 2012	Contract or notional amounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	**¥2,744**	**¥ (354)**	**¥ (354)**
To sell foreign currency:			
U.S. dollar	**38**	**(1)**	**(1)**
Currency swap agreements:			
U.S. dollars received for Japanese yen	**1,361**	**(173)**	**(173)**
Currency option contracts:			
Buy: U.S. dollar call	**2,253**	**67**	**67**
Sell: U.S. dollar put	**2,782**	**(538)**	**(538)**
Buy: Euro dollar call	**102**	**2**	**2**
Sell: Euro dollar put	**205**	**(17)**	**(17)**
	¥9,485	**¥(1,014)**	**¥(1,014)**
Interest rate swap agreements:			
Variable rate received for variable rate	**¥ 300**	**¥ 4**	**¥ 4**
Variable rate received for fixed rate	**79**	**(1)**	**(1)**
Fixed rate received for variable rate	**100**	**(0)**	**(0)**
	¥ 479	**¥ 3**	**¥ 3**

February 29, 2012	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	**$ 34,004**	**$ (4,385)**	**$ (4,385)**
To sell foreign currency:			
U.S. dollar	**474**	**(9)**	**(9)**
Currency swap agreements:			
U.S. dollars received for Japanese yen	**16,867**	**(2,152)**	**(2,152)**
Currency option contracts:			
Buy: U.S. dollar call	**27,928**	**829**	**829**
Sell: U.S. dollar put	**34,482**	**(6,665)**	**(6,665)**
Buy: Euro dollar call	**1,270**	**23**	**23**
Sell: Euro dollar put	**2,539**	**(211)**	**(211)**
	$117,564	**$(12,570)**	**$(12,570)**
Interest rate swap agreements:			
Variable rate received for variable rate	**$ 3,718**	**$ 53**	**$ 53**
Variable rate received for fixed rate	**982**	**(12)**	**(12)**
Fixed rate received for variable rate	**1,240**	**(7)**	**(7)**
	$ 5,940	**$ 34**	**$ 34**

February 28, 2011	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	¥ 3,276	¥ (422)	¥ (422)
Euro	1,824	(68)	(68)
To sell foreign currency:			
U.S. dollar	572	(8)	(8)
Currency swap agreements:			
U.S. dollars received for Japanese yen	2,347	(307)	(307)
Currency option contracts:			
Buy: U.S. dollar call	2,622	94	94
Sell: U.S. dollar put	3,358	(718)	(718)
Buy: Euro dollar call	148	3	3
Sell: Euro dollar put	296	(27)	(27)
	¥14,443	¥(1,453)	¥(1,453)
Interest rate swap agreements:			
Variable rate received for variable rate	¥ 300	¥ 4	¥ 4
Variable rate received for fixed rate	536	(7)	(7)
Fixed rate received for variable rate	100	(4)	(4)
	¥ 936	¥ (7)	¥ (7)

(2) Derivative transactions processed by hedge accounting:

February 29, 2012		Millions of yen	
	Hedged Items	Contract or notional amounts	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	**Accounts payable**	**¥ 695**	**¥ 33**
Euro	**Accounts payable**	**1,355**	**3**
Bond	**Accounts payable**	**72**	**6**
To sell foreign currency:			
U.S. dollar	**Accounts receivable**	**682**	**(20)**
		¥2,804	**¥ 22**

February 29, 2012		Thousands of U.S. dollars	
	Hedged Items	Contract or notional amounts	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	**Accounts payable**	**$ 8,615**	**$ 413**
Euro	**Accounts payable**	**16,791**	**32**
Bond	**Accounts payable**	**900**	**71**
To sell foreign currency:			
U.S. dollar	**Accounts receivable**	**8,451**	**(246)**
		$34,757	**$ 270**

February 28, 2011		Millions of yen	
	Hedged Items	Contract or notional amounts	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable	¥189	¥(7)
Euro	Accounts payable	758	(2)
Bond	Accounts payable	13	0
		¥960	¥(9)

6. 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, 2011 and February 29, 2012 were reduced by ¥8,178 million and ¥8,127 million ($100,731 thousand), respectively, representing accumulated deferred gains from eligible sales.

7. Impairment Loss on Fixed Assets

For the years ended February 28, 2011 and February 29, 2012, the Company reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss as follows:

February 29, 2012

Location	Usage	Description	Millions of yen	Thousands of U.S. dollars
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥200	$2,484
		Other intangible assets	1	18
		Other	150	1,860

February 28, 2011

Location	Usage	Description	Millions of yen
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥264
		Other intangible assets	426
		Other	230
Osaka Prefecture	Lease assets	Land	17

The long-lived assets are basically grouped by brand, and assets for lease and idle assets are grouped individually by each item. The Company has recognized a loss on impairment on assets for lease and idle assets due to a significant decline in their market value, and on business assets due to a continuous loss generated from their operating activities, by reducing their book value to the respective net realizable value of each asset.

The impairment loss on long-lived assets for the years ended February 28, 2011 and February 29, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Buildings and structures	¥264	**¥200**	**$2,483**
Other intangible assets	426	**2**	**18**
Other	230	**150**	**1,860**
Land	17	**—**	**—**
Total	¥937	**¥352**	**$4,361**

The net realizable value for these assets is based on their net selling price or their value in use. The net selling price is estimated by using their estimated disposal price. The value in use is calculated by discounting the future cash flow with 6.5% and 6.8% discount rates for the years ended February 28, 2011 and February 29, 2012, respectively.

8. Retirement Plan and Retirement Benefits

The Company and its certain 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, tax-qualified pension plans and plans for lump-sum retirement benefits.

The reserve for retirement benefits as of February 28, 2011 and February 29, 2012 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Projected benefit obligations	¥(37,616)	**¥(36,940)**	**$(457,860)**
Plan assets (including employee retirement benefit fund)	26,295	**25,642**	**317,823**
Funded status	(11,321)	**(11,298)**	**(140,037)**
Unrecognized prior service costs	(38)	**(451)**	**(5,588)**
Unrecognized actuarial differences	7,907	**7,638**	**94,670**
Subtotal	(3,452)	**(4,111)**	**(50,955)**
Prepaid pension cost	16	**12**	**142**
Accrued retirement benefits	¥ (3,468)	**¥ (4,123)**	**$ (51,097)**

The net periodic pension expenses for the years ended February 28, 2011 and February 29, 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Service cost	¥1,611	**¥1,524**	**$18,892**
Interest cost	509	**524**	**6,497**
Expected return on plan assets	(173)	**(160)**	**(1,990)**
Amortization of unrecognized prior service costs	(35)	**(57)**	**(704)**
Amortization of unrecognized actuarial differences	1,242	**1,273**	**15,773**
Net periodic pension expenses	¥3,154	**¥3,104**	**$38,468**

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

	As of February 28, 2011	**As of February 29, 2012**
Method of attributing the projected benefits to periods of service	Straight-line basis	**Straight-line basis**
Discount rate	1.5%	**1.5%**
Expected rate of return on plan assets	0.2~1.5%	**0.2~1.5%**
Amortization of unrecognized prior service costs	5~10 years	**5~10 years**
Amortization of unrecognized actuarial differences	5~10 years	**5~10 years**

9. Notes to Consolidated Statements of Comprehensive Income

(1) Comprehensive income for the year ended February 28, 2011 consisted of the following:

	Millions of yen
Comprehensive income attributable to:	
Owners of the parent	¥4,278
Minority interests	70
Total	4,348

(2) Other comprehensive income for the year ended February 28, 2011 consisted of the following:

	Millions of yen
Net unrealized gains on available-for-sale securities	¥2,767
Deferred gains on hedging instruments	36
Foreign currency translation adjustments	(1,190)
Share of other comprehensive income of associates accounted for using the equity method	(109)
Total	1,504

(Additional information)

The Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for prior fiscal year are presented for the amounts of "Valuation and Translation Adjustments" and "Total Valuation and Translation Adjustments."

10. Notes to Consolidated Statements of Cash Flows

Cash and cash equivalents at February 28, 2011 and February 29, 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Cash and time deposits	¥30,939	**¥33,192**	**$411,409**
Time deposits with maturities of more than three months	(2,305)	**(1,104)**	**(13,691)**
Cash and cash equivalents	¥28,634	**¥32,088**	**$397,718**

11. Lease Transactions

Certain 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 still permitted by Japanese accounting principles. Certain key information on such lease contracts of the Companies for the years ended February 28, 2011 and February 29, 2012 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, 2011 and February 29, 2012 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	February 28, 2011			**February 29, 2012**			**February 29, 2012**		
	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total
Acquisition cost	¥ 889	¥ 528	¥ 1,417	**¥ 606**	**¥ 487**	**¥1,093**	**$ 7,508**	**$ 6,034**	**$ 13,542**
Accumulated depreciation	(636)	(376)	(1,012)	**(505)**	**(389)**	**(894)**	**(6,262)**	**(4,815)**	**(11,077)**
Accumulated impairment loss	(145)	—	(145)	**—**	**—**	**—**	**—**	**—**	**—**
Net book value	¥ 108	¥ 152	¥ 260	**¥ 101**	**¥ 98**	**¥ 199**	**$ 1,246**	**$ 1,219**	**$ 2,465**

The scheduled maturities of future lease payments on such lease contracts as of February 28, 2011 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Scheduled maturities of future leases:			
Due within one year	¥227	**¥151**	**$1,866**
Due over one year	178	**48**	**599**
	¥405	**¥199**	**$2,465**

Lease expenses, reversal of impairment loss of leased assets, depreciation and impairment loss for the years ended February 28, 2011 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Lease expenses for the year	¥380	**¥212**	**$2,633**
Depreciation	380	**212**	**2,633**

The Companies' operating lease contracts:

The scheduled maturities of future lease payments on operating lease contracts as of February 28, 2011 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Scheduled maturities of future leases:			
Due within one year	¥102	**¥ 80**	**$ 991**
Due over one year	171	**91**	**1,124**
	¥273	**¥171**	**$2,115**

(Lessor)

The scheduled maturities of future lease income on such lease contracts as of February 28, 2011 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Scheduled maturities of future leases:			
Due within one year	¥33	**¥20**	**$252**
Due over one year	23	**3**	**33**
	¥56	**¥23**	**$285**

12. Income Taxes

The tax effects of temporary differences that give rise to significant components of the deferred tax assets and liabilities as at February 28, 2011 and February 29, 2012 consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Deferred tax assets:			
Valuation loss on inventories	¥ 2,201	**¥ 2,015**	**$ 24,980**
Evaluation loss on investments in unconsolidated subsidiaries	173	**141**	**1,745**
Accrued bonuses to employees	647	**515**	**6,390**
Accrued retirement benefits	3,664	**3,494**	**43,311**
Accrued retirement benefits for directors and corporate auditors	57	**54**	**667**
Allowance for bad debt	1,087	**1,040**	**12,885**
Tax loss carryforwards	10,187	**8,519**	**105,592**
Impairment loss	7,257	**6,372**	**78,976**
Investments in securities	742	**397**	**4,923**
Net unrealized gains on available-for-sale securities	38	**694**	**8,599**
Other	3,688	**4,880**	**60,482**
Subtotal	29,741	**28,121**	**348,550**
Less: Valuation allowance	(18,804)	**(18,473)**	**(228,961)**
Total deferred tax assets	10,937	**9,648**	**119,589**
Deferred tax liabilities:			
Gain on securities contributed to an employee retirement benefit trust	(161)	**(141)**	**(1,753)**
Provision for deferred capital gains on real property for tax purposes	(20)	**(18)**	**(219)**
Other	(1,335)	**(1,386)**	**(17,178)**
Total deferred tax liabilities	(1,516)	**(1,545)**	**(19,150)**
Net deferred tax assets	¥ 9,421	**¥ 8,103**	**$ 100,439**

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended February 28, 2011 and February 29, 2012 is as follows:

	%	
	2011	**2012**
Statutory tax rate	40.7	**40.7**
Reconciliation:		
Non-deductible items (entertainment expenses, etc.)	3.9	**3.2**
Income not credited for tax purposes (dividends received, etc.)	(1.0)	**(1.4)**
Goodwill and amortization	12.3	**9.6**
Effect of tax rate changes	—	**5.5**
Other	10.9	**9.7**
Effective tax rate	66.8	**67.3**

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and special restoration corporation tax will be imposed from the fiscal years beginning on and after April 1, 2012. In conjunction with these changes, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will change for the temporary differences expected to be resolved from the fiscal year beginning on March 1, 2013 to the fiscal year beginning on March 1, 2015, and for the temporary differences expected to be resolved from the fiscal year beginning on March 1, 2016, from the former 40.7% to 38.0% and 35.6%, respectively. As a result of the changes in the statutory tax rate, deferred tax assets (less the amount of deferred tax liabilities) has decreased by ¥612 million ($7,591 thousand), and the income taxes-deferred (debit) has increased by ¥612 million ($7,591 thousand). In addition, deferred tax liabilities related to revaluation of land has decreased by ¥562 million ($6,970 thousand), and net revaluation loss of land has increased by the same amount.

13. 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, 2012, the net accumulated revaluation loss amounted to ¥12,503 million ($154,965 thousand), which is presented as a separate component of net assets as "Net revaluation loss of land." Related deferred tax liabilities of ¥3,966 million ($49,162 thousand) is recognized.

As of February 28, 2011, the net accumulated revaluation loss amounted to ¥11,004 million, which is presented as a separate component of net assets as "Net revaluation loss of land." Related deferred tax liabilities of ¥5,942 million is recognized.

The difference between the market value of land subject to the revaluation and the book value was ¥2,660 million ($32,965 thousand) as at February 29, 2012.

14. 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, 2011 and February 29, 2012 aggregated to ¥23 million and ¥22 million ($272 thousand), respectively.

15. Short-Term Loans payable and Long-Term Loans payable

Short-term loans payable at February 28, 2011 and February 29, 2012 represented loans, principally from banks. The weighted-average interest rate on these loans was 1.2% in 2011 and 1.3% in 2012.

Long-term loans payable at February 28, 2011 and February 29, 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Unsecured loans, principally from banks, maturing in installments through 2016 with weighted average interest of 1.1% at February 29, 2012	¥25,832	**¥23,079**	**$286,056**
Less current portion	3,534	**3,439**	**42,620**
	¥22,298	**¥19,640**	**$243,436**

Lease obligations at February 28, 2011 and February 29, 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
Lease obligations	¥1,016	**¥1,332**	**$16,512**
Less current portion of lease obligations	304	**458**	**5,680**
	¥ 712	**¥ 874**	**$10,832**

The aggregate annual maturities of long-term loans payable after February 28, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2014	**¥18,916**	**$234,462**
2015	**95**	**1,176**
2016	**112**	**1,394**
2017	**517**	**6,404**

The aggregate annual maturities of lease obligations after February 28, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2014	**¥417**	**$5,171**
2015	**277**	**3,435**
2016	**145**	**1,793**
2017	**33**	**408**

Bonds at February 28, 2011 and February 29, 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2011	**February 29, 2012**	**February 29, 2012**
1.73% unsecured yen bonds issued by a subsidiary, due 2012	¥150	**¥150**	**$1,859**
1.08% unsecured yen bonds issued by a subsidiary, due 2011	25	**—**	**—**
0.56% unsecured yen bonds issued by a subsidiary, due 2013	50	**30**	**372**
0.82% unsecured yen bonds issued by a subsidiary, due 2012	67	**34**	**421**
0.72% unsecured yen bonds issued by a subsidiary, due 2012	66	**33**	**412**
0.90% unsecured yen bonds issued by a subsidiary, due 2014	160	**120**	**1,487**
	518	**367**	**4,551**
Less current portion	151	**277**	**3,436**
	¥367	**¥ 90**	**$1,115**

The aggregate annual maturities of bonds after February 28, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2014	**¥50**	**$620**
2015	**40**	**496**
2016	**—**	**—**
2017	**—**	**—**

16. Shareholders' Equity

Under the Corporation Law of Japan, 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 of Japan 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 of Japan 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 28, 2011 and February 29, 2012 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 of Japan.

Dividends to be paid after the balance sheet date, which were approved by the general meeting of shareholders held on May 24, 2012, are as follows:

(a) Total dividends	¥3,762 million ($46,631 thousand)
(b) Source of dividends	Retained earnings
(c) Cash dividends per common share	¥24 ($0.30)
(d) Date to determine which shareholders receive the dividends	February 29, 2012
(e) Effective date	May 25, 2012

17. 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 operations 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, 2011 and February 29, 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Net income	¥2,723	**¥3,529**	**$43,743**
Less: Components not pertaining to common shareholders	—	**—**	**—**
Net income pertaining to common stock	¥2,723	**¥3,529**	**$43,743**
Average outstanding shares of common stock (thousand shares)	156,680	**156,715**	
Effect of dilutive stock options (thousand shares)	892	**1,178**	

18. Related-Party Transactions

Year Ended February 29, 2012

The Company leased land from Takeshi Hirouchi, Representative Director, Chairman and President of ONWARD HOLDINGS Co., Ltd., during the year and the rental fee was ¥7 million ($90 thousand). Also, Mr. Hirouchi paid a rental fee of ¥16 million ($202 thousand) to the Company for a house. The rental fees were determined by the average market prices.

Year Ended February 28, 2011

The Company leased land from Takeshi Hirouchi, Chairman and CEO of ONWARD HOLDINGS Co., Ltd., during the year and the rental fee was ¥7 million. Also, Mr. Hirouchi paid a rental fee of ¥16 million to the Company for a house. The rental fees were determined by the average market prices.

19. Stock Options

The cost recognized for the stock options for the years ended February 28, 2011 and February 29, 2012 was ¥162 million and ¥162 million ($2,007 thousand), respectively, which is included in selling, general and administrative expenses.

2011 Stock Option Plan (No. 10)

Under the 2011 stock option plan (No. 10), stock options were granted to 5 directors of the Company on June 20, 2011. They are exercisable in the period from June 21, 2011 to June 20, 2041. 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 of the Company.

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

Exercise price	¥1 ($0.01)
Fair value at the grant date	¥510 ($6.32)
Number of stock options granted	144,800 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2011 stock option plan (No. 10)
Non-vested:	
Outstanding at February 28, 2011	—
Granted	144,800
Forfeited	—
Vested	—
Outstanding at February 29, 2012	144,800

The fair value of the 2011 stock options (No. 10) was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	34.28%
Expected lives	5 years and 8 months
Expected dividend	¥24 per share
Risk-free interest rate	0.50%

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

2011 Stock Option Plan (No. 9)

Under the 2011 stock option plan (No. 9), stock options were granted to 1 executive officer of the Company, 12 directors and 18 executive officers of the Company's subsidiary on March 18, 2011. They are exercisable in the period from March 19, 2011 to February 28, 2041. 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 executive officer of the Company, directors or executive officers of the Company's subsidiary.

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

Exercise price	¥1 ($0.01)
Average stock price on the date the option was exercised	¥604 ($7.49)
Fair value at the grant date	¥444 ($5.50)
Number of stock options granted	199,900 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2011 stock option plan (No. 9)
Non-vested:	
Outstanding at February 28, 2011	—
Granted	199,900
Forfeited	9,300
Vested	9,100
Outstanding at February 29, 2012	181,500
Vested:	
Outstanding at February 28, 2011	—
Vested	9,100
Exercised	9,100
Forfeited	—
Outstanding at February 29, 2012	—

The fair value of the 2011 stock options (No. 9) was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	32.09%
Expected lives	9 years and 1 month
Expected dividend	¥24 per share
Risk-free interest rate	1.10%

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

2010 Stock Option Plan (No. 8)

Under the 2010 stock option plan (No. 8), stock options were granted to 5 directors of the Company on June 18, 2010. They are exercisable in the period from June 19, 2010 to June 18, 2040. 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 of the Company.

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

Exercise price	¥1 ($0.01)
Fair value at the grant date	¥613 ($7.60)
Number of stock options granted	115,800 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2010 stock option plan (No. 8)
Non-vested:	
Outstanding at February 28, 2011	113,100
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2012	113,100

The fair value of the 2010 stock options (No. 8) was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	33.456%
Expected lives	5 years and 10 months
Expected dividend	¥24 per share
Risk-free interest rate	0.5110%

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

2010 Stock Option Plan (No. 7)

Under the 2010 stock option plan (No. 7), stock options were granted to 8 directors and 22 executive officers of the Company's subsidiary on March 19, 2010. They are exercisable in the period from March 20, 2010 to February 29, 2040. 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 executive officers of the Company's subsidiary.

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

Exercise price	¥1 ($0.01)
Average stock price on the date the option was exercised	¥604 ($7.49)
Fair value at the grant date	¥475 ($5.89)
Number of stock options granted	194,600 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2010 stock option plan (No. 7)
Non-vested:	
Outstanding at February 28, 2011	191,700
Granted	—
Forfeited	—
Vested	10,200
Outstanding at February 29, 2012	181,500
Vested:	
Outstanding at February 28, 2011	—
Vested	10,200
Exercised	9,200
Forfeited	—
Outstanding at February 29, 2012	1,000

The fair value of the 2010 stock options (No. 7) was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	33.080%
Expected lives	9 years and 8 months
Expected dividend	¥30 per share
Risk-free interest rate	1.3046%

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

2009 Stock Option Plan (No. 6)

Under the 2009 stock option plan (No. 6), stock options were granted to 5 directors of the Company on June 19, 2009. They are exercisable in the period from June 20, 2009 to June 19, 2039. 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 of the Company.

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

Exercise price	¥1 ($0.01)
Fair value at the grant date	¥432 ($5.35)
Number of stock options granted	155,000 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2009 stock option plan (No. 6)
Non-vested:	
Outstanding at February 28, 2011	155,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2012	155,000

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

2009 Stock Option Plan (No. 5)

Under the 2009 stock option plan (No. 5), stock options were granted to 11 directors and 19 executive officers of the Company's subsidiary on March 18, 2009. They are exercisable in the period from March 19, 2009 to February 28, 2039. 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 executive officers of the Company's subsidiary.

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

Exercise price	¥1 ($0.01)
Average stock price on the date the option was exercised	¥598 ($7.41)
Fair value at the grant date	¥362 ($4.49)
Number of stock options granted	268,900 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2009 stock option plan (No. 5)
Non-vested:	
Outstanding at February 28, 2011	256,900
Granted	—
Forfeited	—
Vested	59,600
Outstanding at February 29, 2012	197,300
Vested:	
Outstanding at February 28, 2011	3,000
Vested	59,600
Exercised	47,800
Forfeited	—
Outstanding at February 29, 2012	14,800

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

2008 Stock Option Plan (No. 4)

Under the 2008 stock option plan (No. 4), stock options were granted to 12 directors and 21 executive officers of the Company's subsidiary on June 20, 2008. They are exercisable in the period from June 21, 2008 to February 28, 2038. 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 executive officers of the Company's subsidiary.

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

Exercise price	¥1 ($0.01)
Average stock price on the date the option was exercised	¥598 ($7.41)
Fair value at the grant date	¥905 ($11.22)
Number of stock options granted	91,100 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2008 stock option plan (No. 4)
Non-vested:	
Outstanding at February 28, 2011	67,100
Granted	—
Forfeited	—
Vested	17,200
Outstanding at February 29, 2012	49,900
Vested:	
Outstanding at February 28, 2011	5,000
Vested	17,200
Exercised	10,300
Forfeited	—
Outstanding at February 29, 2012	11,900

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

2008 Stock Option Plan (No. 3)

Under the 2008 stock option plan (No. 3), stock options were granted to 5 directors of the Company on June 20, 2008. They are exercisable in the period from June 21, 2008 to June 20, 2038. 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 of the Company.

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

Exercise price	¥1 ($0.01)
Fair value at the grant date	¥944 ($11.70)
Number of stock options granted	70,000 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2008 stock option plan (No. 3)
Non-vested:	
Outstanding at February 28, 2011	65,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2012	65,000
Vested:	
Outstanding at February 28, 2011	3,800
Vested	—
Exercised	—
Forfeited	—
Outstanding at February 29, 2012	3,800

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

2007 Stock Option Plan (No. 2)

Under the 2007 stock option plan (No. 2), stock options were granted to 5 directors and 2 corporate auditors of the Company 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 stock option plan is as follows:

Exercise price	¥1 ($0.01)
Fair value at the grant date	¥1,284 ($15.91)
Number of stock options granted	40,000 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2007 stock option plan (No. 2)
Non-vested:	
Outstanding at February 28, 2011	23,300
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2012	23,300
Vested:	
Outstanding at February 28, 2011	4,700
Vested	—
Exercised	—
Forfeited	—
Outstanding at February 29, 2012	4,700

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

2006 Stock Option Plan (No. 1)

Under the 2006 stock option plan (No. 1), stock options were granted to 12 directors and 2 corporate auditors of the Company 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 stock option plan is as follows:

Exercise price	¥1 ($0.01)
Average stock price on the date the option was exercised	¥613 ($7.60)
Fair value at the grant date	¥1,541 ($19.10)
Number of stock options granted	63,000 shares

A summary of the scale and movement of the stock option plan for the year ended February 29, 2012 is as follows:

	2006 stock option plan (No. 1)
Non-vested:	
Outstanding at February 28, 2011	20,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2012	20,000
Vested:	
Outstanding at February 28, 2011	20,500
Vested	—
Exercised	1,000
Forfeited	—
Outstanding at February 29, 2012	19,500

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

20. Segment Information

(1) Summary of reportable segments

The Onward Group's reportable segments are components for which separate financial information is available and regular evaluation by the Board of Directors is being performed to decide how management resources are allocated and to assess performance.

The principal business of the Onward Group is the apparel business (planning, production and sales of textile products, including men's and women's clothing). Additionally, the Onward Group also operates service and resort businesses.

The reportable segments of the Onward Group comprise the "Apparel Business," which has been divided geographically into "Japan," "Europe," "Asia/North America," and "Other Business."

The "Apparel Business (Japan)" operates the apparel business in Japan; the "Apparel Business (Europe)" operates the apparel business in Europe; and the "Apparel Business (Asia/North America)" operates the apparel business in Asia and North America. "Other Business" operates the logistics, sports facilities and resort facilities businesses.

(2) Method of calculating sales, profit or loss, assets, liabilities and other items by reportable segment

Accounting methods for reportable segments are mostly the same as the accounting methods described in "Basis of Presentation of the Consolidated Financial Statements."

Income by reportable segment refers to operating income. Intersegment sales and transfers are based on market values.

(3) Information on sales, profit or loss, assets, liabilities and other items by reportable segment for the years ended February 29, 2012 and February 28, 2011 are as follows:

For the year ended February 29, 2012	Millions of yen							
	Apparel							
	Japan	Europe	Asia/North America	Total	Other	Total	Adjustments (Note 1)	Consolidated total (Note 3)
Sale to outside customers	**¥189,112**	**¥31,879**	**¥6,541**	**¥227,532**	**¥14,870**	**¥242,402**	**¥ —**	**¥242,402**
Intersegment sales	**1,880**	**397**	**212**	**2,489**	**6,702**	**9,191**	**(9,191)**	**—**
Total	**¥190,992**	**¥32,276**	**¥6,753**	**¥230,021**	**¥21,572**	**¥251,593**	**¥ (9,191)**	**¥242,402**
Segment income	**¥ 13,271**	**¥ 944**	**¥ 88**	**¥ 14,303**	**¥ 131**	**¥ 14,434**	**¥ (3,480)**	**¥ 10,954**
Segment assets	**¥127,481**	**¥23,550**	**¥4,249**	**¥155,280**	**¥30,574**	**¥185,854**	**¥91,085**	**¥276,939**
Depreciation and amortization (Note 2)	**¥ 3,500**	**¥ 759**	**¥ 204**	**¥ 4,463**	**¥ 604**	**¥ 5,067**	**¥ 411**	**¥ 5,478**
Investments in equity-method affiliates	**8,464**	**12**	**—**	**8,476**	**10**	**8,486**	**—**	**8,486**
Capital expenditures (Note 2)	**3,699**	**1,209**	**339**	**5,247**	**896**	**6,143**	**87**	**6,230**

For the year ended February 29, 2012	Thousands of U.S. dollars							
	Apparel							
	Japan	Europe	Asia/North America	Total	Other	Total	Adjustments (Note 1)	Consolidated total (Note 3)
Sale to outside customers	**$2,343,979**	**$395,130**	**$81,071**	**$2,820,180**	**$184,307**	**$3,004,487**	**$ —**	**$3,004,487**
Intersegment sales	**23,303**	**4,920**	**2,622**	**30,845**	**83,074**	**113,919**	**(113,919)**	**—**
Total	**$2,367,282**	**$400,050**	**$83,693**	**$2,851,025**	**$267,381**	**$3,118,406**	**$ (113,919)**	**$3,004,487**
Segment income	**$ 164,482**	**$ 11,704**	**$ 1,089**	**$ 177,275**	**$ 1,629**	**$ 178,904**	**$ (43,136)**	**$ 135,768**
Segment assets	**$1,580,084**	**$291,894**	**$52,659**	**$1,924,637**	**$378,960**	**$2,303,597**	**$1,128,969**	**$3,432,566**
Depreciation and amortization (Note 2)	**$ 43,383**	**$ 9,404**	**$ 2,533**	**$ 55,320**	**$ 7,482**	**$ 62,802**	**$ 5,097**	**$ 67,899**
Investments in equity-method affiliates	**104,903**	**152**	**—**	**105,055**	**126**	**105,181**	**—**	**105,181**
Capital expenditures (Note 2)	**45,843**	**14,989**	**4,199**	**65,031**	**11,112**	**76,143**	**1,080**	**77,223**

(Notes) 1. Adjustments consist of the following:

(1) The adjustment amount for segment income of ¥(3,480) million includes amortization of goodwill of ¥(3,664) million, elimination of intersegment sales of ¥3,847 million, and corporate expenses not allocated to reportable segments of ¥(3,663) million. Corporate expenses are mainly general administrative expenses not allocated to reportable segments.

(2) The adjustment amount for segment assets of ¥ 91,085 million includes the unamortized balance of goodwill of ¥40,794 million, elimination of intersegment sales of ¥(133,464) million, and corporate assets not allocated to reportable segments of ¥183,755 million. Corporate assets are mainly assets held by the Company, a pure holding company.

2. Depreciation and amortization, and increases in property, plant and equipment, and intangible assets include long-term prepaid expenses (furniture and fixtures).

3. Segment income coincides with the amount of operating income in the Consolidated Statements of Operations.

For the year ended February 28, 2011	Millions of yen							
	Apparel							
	Japan	Europe	Asia/North America	Total	Other	Total	Adjustments (Note 1)	Consolidated total (Note 3)
Sale to outside customers	¥193,480	¥30,360	¥5,899	¥229,739	¥14,812	¥244,551	¥ —	¥244,551
Intersegment sales	1,690	353	186	2,229	6,982	9,211	(9,210)	—
Total	¥195,170	¥30,713	¥6,084	¥231,967	¥21,794	¥253,761	¥ (9,210)	¥244,551
Segment income	¥ 11,911	¥ 128	¥ 228	¥ 12,267	¥ 41	¥ 12,308	¥ (3,380)	¥ 8,929
Segment assets	¥123,870	¥21,914	¥3,786	¥149,570	¥30,295	¥179,865	¥101,777	¥281,642
Depreciation and amortization (Note 2)	¥ 3,495	¥ 866	¥ 182	¥ 4,543	¥ 552	¥ 5,095	¥ 547	¥ 5,642
Investments in equity-method affiliates	7,041	17	—	7,058	8	7,066	—	7,066
Capital expenditures (Note 2)	3,247	705	318	4,270	626	4,896	512	5,408

(Notes) 1. Adjustments consist of the following:

(1) The adjustment amount for segment income of ¥(3,380) million includes amortization of goodwill of ¥(3,638) million, elimination of intersegment sales of ¥3,976 million, and corporate expenses not allocated to reportable segments of ¥(3,719) million. Corporate expenses are mainly general administrative expenses not allocated to reportable segments.

(2) The adjustment amount for segment assets of ¥ 101,777 million includes the unamortized balance of goodwill of ¥43,732 million, elimination of intersegment sales of ¥(131,528) million, and corporate assets not allocated to reportable segments of ¥189,574 million. Corporate assets are mainly assets held by the Company, a pure holding company.

2. Depreciation and amortization, and increases in property, plant and equipment, and intangible assets include long-term prepaid expenses (furniture and fixtures).

3. Segment income coincides with the amount of operating income in the Consolidated Statements of Operations.

(Additional information)

Effective from the year ended February 29, 2012, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

(4) Segment information by geographical areas for the year ended February 29, 2012 is as follows:
(a) Sales

Millions of yen			
Japan	Europe	Other	Total
¥204,656	**¥19,635**	**¥18,111**	**¥242,402**

Thousands of U.S. dollars			
Japan	Europe	Other	Total
$2,536,633	**$243,372**	**$224,482**	**$3,004,487**

(b) Property, plant and equipment

Millions of yen			
Japan	Europe	Other	Total
¥68,753	**¥6,777**	**¥7,458**	**¥82,988**

Thousands of U.S. dollars			
Japan	Europe	Other	Total
$852,168	**$84,003**	**$92,433**	**$1,028,604**

(5) Segment information on impairment losses on property, plant and equipment by reportable segment for the year ended February 29, 2012 is as follows:

	Millions of yen						
	Apparel						
	Japan	Europe	Asia/North America	Total	Other	Elimination of intersegment amounts	Total
Impairment loss	**¥351**	**¥—**	**¥1**	**¥352**	**¥—**	**¥—**	**¥352**

	Thousands of U.S. dollars						
	Apparel						
	Japan	Europe	Asia/North America	Total	Other	Elimination of intersegment amounts	Total
Impairment loss	**$4,349**	**$—**	**$12**	**$4,361**	**$—**	**$—**	**$4,361**

Report of Independent Auditors

The Board of Directors
ONWARD HOLDINGS Co., Ltd.

We have audited the accompanying consolidated balance sheets of ONWARD HOLDINGS Co., Ltd. and consolidated subsidiaries as of February 29, 2012 and February 28, 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended February 29, 2012, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ONWARD HOLDINGS Co., Ltd. and consolidated subsidiaries at February 29, 2012 and February 28, 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 (22).

Ernst & Young ShinNihon LLC

May 24, 2012

CORPORATE DATA

(As of February 29, 2012)

HEAD OFFICE
Toda Building, 7-1,
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104-8329, Japan
Tel: (81) 3-4512-1020
Fax: (81) 3-4512-1021
URL: http://www.onward-hd.co.jp/

ESTABLISHED
September 1947

PAID-IN CAPITAL
¥30,079 million

COMMON STOCK
Authorized—400,000,000 shares
Issued—172,921,669 shares

NUMBER OF SHAREHOLDERS
11,305

STOCK LISTINGS
Tokyo, Osaka, and Nagoya stock exchanges

TRANSFER AGENT
Mitsubishi UFJ Trust & Banking Co., Ltd. 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

NUMBER OF EMPLOYEES (CONSOLIDATED)
3,993 (As of the end of February 2012)

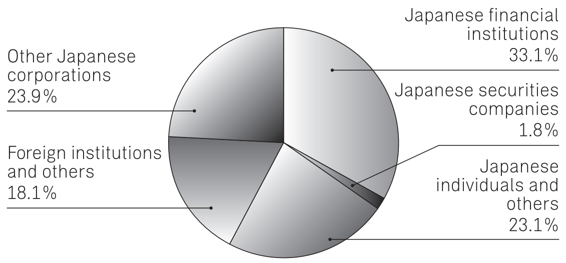
MAJOR SHAREHOLDERS

	Percentage of Total Shares Issued
Kashiyama Scholarship Foundation	5.5%
Japan Trustee Services Bank, Ltd. (Trust account)	4.3%
The Master Trust Bank of Japan, Ltd. (Trust account)	4.2%
Nippon Life Insurance Company	3.9%
Isetan Mitsukoshi, Ltd.	3.1%
The Dai-ichi Mutual Life Insurance Company Ltd.	2.6%
Japan Trustee Services Bank, Ltd. (Trust account nine)	2.6%
MARUI GROUP CO., LTD.	2.1%
HSBC BANK PLC - CLIENTS UK TAX TREATY	1.9%
Onward Holdings Customers' Shareholding Association	1.9%

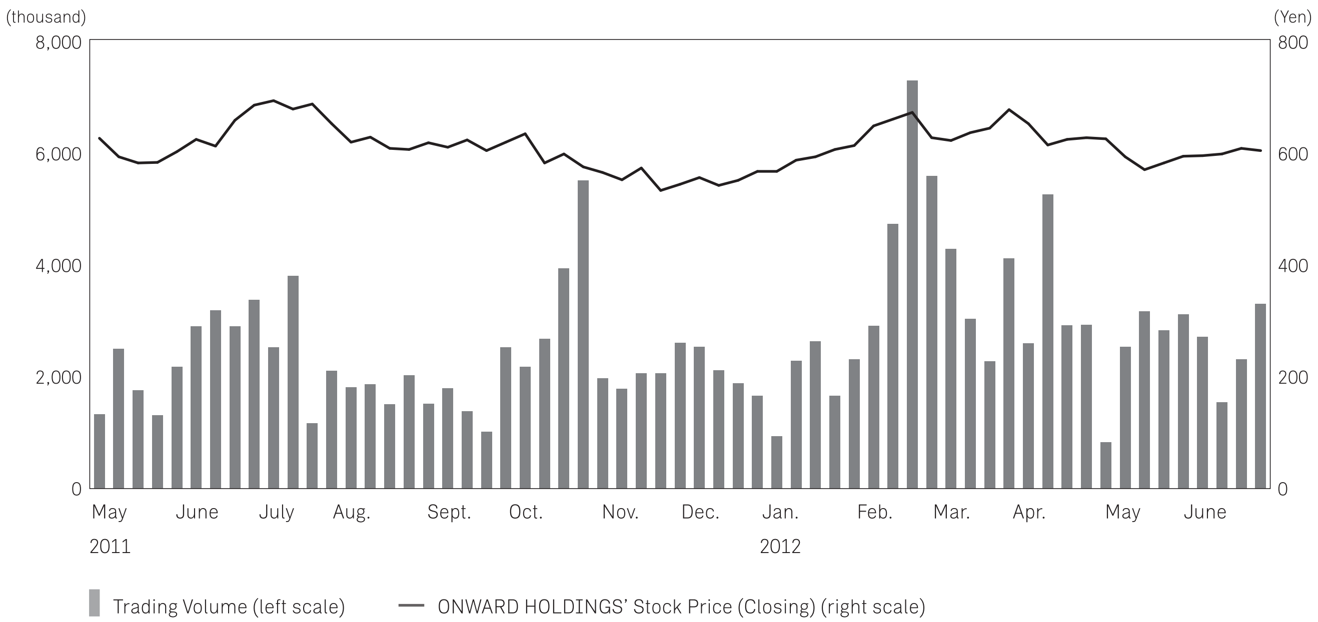
Note: The Company holds 16,162 treasury shares but has been excluded from the list of major shareholders.

DISTRIBUTION OF OWNERSHIP AMONG SHAREHOLDERS

(On a number of shares basis)



STOCK PRICE RANGE



HISTORY

1927	**February**	Junzo Kashiyama established Kashiyama Trading.
1947	**September**	Established Kashiyama Co., Ltd. in Oimatsu-cho, Kita-ku, Osaka City, Osaka (later relocated to Honmachi, Higashi-ku in 1952).
1960	**October**	Listed on the second sections of the Tokyo, Osaka and Nagoya stock exchanges.
1962	**April**	Established Onward Sales Co., Ltd. (formerly Oak Co., Ltd. and currently Onward Trading Co., Ltd.).
1964	**July**	Listing was transferred to the first sections of the Tokyo, Osaka and Nagoya stock exchanges.
1966	**September**	Transferred head-office from Honmachi, Kita-ku, Osaka to Nihonbashi, Chuo-ku, Tokyo
1972	**July**	Established Onward Transport Co., Ltd. (currently Across Transport Co., Ltd.).
1972	**September**	Established Onward Kashiyama U.S.A. INC.
1973	**February**	Established Onward Kashiyama France S.A.
1974	**February**	Established Onward Kashiyama Italia S.p.A. (currently Onward Italia S.p.A.).
1986	**October**	Acquired J.Press INC.
1988	**February**	Established Onward Kashiyama Hong Kong Ltd.
	September	Company name was changed to Onward Kashiyama Co.,Ltd. (currently Onward Holdings Co., Ltd.).
1989	**December**	Established Onward Kashiyama U.K.Ltd.
1990	**January**	Acquired GIBO' S.p.A. (name was changed to GIBO' Co S.p.A in April 1994).
	July	Acquired Chacott Co., Ltd.
1991	**February**	Launched Onward Research and Development Institute.
1992	**May**	Opened Onward Agana Beach Hotel in Guam (currently Onward Beach Resort).
1994	**May**	Established Bus Stop Co., Ltd.
1995	**June**	Established Shanghai Onward Fashion Co., Ltd.
1997	**June**	Established Onward Kashiyama Korea Co.,Ltd.
2004	**January**	Acquired Erika s.r.l.
2005	**May**	Acquired Project Sloane Ltd. (Joseph Group).
	July	Acquired Iris S.p.A.
2006	**October**	Acquired Mangilao Golf Club (currently Onward Mangilao Golf Club).
2007	**April**	Onward Fashion Trading (Shanghai) Co., Ltd., increased its capital and changed its name to Onward Fashion Trading (China) Co., Ltd.
	May	Acquired Frassineti s.r.l.
	June	Established J. Direction Co., Ltd.
	September	Changed to a holding company structure through corporate restructuring under the new company name, Onward Holdings Co., Ltd. Established new companies, Onward Kashiyama Co., Ltd. and Onward Trading Co., Ltd.
	October	Acquired Corporate s.r.l.
2008	**October**	Acquired Creative Yoko Co., Ltd. Acquired Jil Sander A.G.
2009	**December**	Acquired a controlling interest in Island Co., Ltd.
2010	**June**	Established Onward Kashiyama Singapore Pte.Ltd.
2011	**August**	Established Onward Kashiyama Vietnam Ltd.
2012	**April**	Acquired a controlling interest in Birz Group including Birz Association Ltd.

MAIN SUBSIDIARIES

JAPAN

Onward Kashiyama Co., Ltd.
Toda Building, 1-7-1 Kyobashi,
Chuo-ku, Tokyo 104-8329, Japan
Tel: (03) 4512-1020

Onward Trading Co., Ltd.
6-3-2 Kiba, Koto-ku,
Tokyo 135-8508, Japan
Tel: (03) 3649-3111

Chacott Co., Ltd.
1-20-8 Jinnan, Shibuya-ku,
Tokyo 150-0041, Japan
Tel: (03) 3476-1311

Bus Stop Co., Ltd.
Onden Imaizumi Building,
5-7-4 Jingumae, Shibuya-ku,
Tokyo 150-0001, Japan
Tel: (03) 5778-2391

Donna Karan Japan K.K.
3-14-11 Kaigan, Minato-ku,
Tokyo 108-8439, Japan
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Jil Sander Japan K.K.
Terra Asios Minami-Aoyama Building,
6-7-2 Minami-Aoyama, Minato-ku,
Tokyo 107-0062, Japan
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Fusion Co., Ltd.
Onden Imaizumi Building,
5-7-4 Jingumae, Shibuya-ku,
Tokyo 150-0001, Japan
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Creative Yoko Co., Ltd.
667-16 Takada, Nagano City,
Nagano Prefecture 381-8545, Japan
Tel: (026) 226-2001

Island Co., Ltd.
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Onden Imaizumi Building,
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J. Direction Co., Ltd.
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Birz Association Ltd.
BIRZ Building, 3-26-8 Sendagaya,
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Across Transport Co., Ltd.
3-9-32 Kaigan, Minato-ku,
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Tel: (03) 3455-2311

O & K Co., Ltd.
Toda Building, 1-7-1 Kyobashi,
Chuo-ku, Tokyo 104-8329, Japan
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Onward Resort & Golf Co., Ltd.
Toda Building, 1-7-1 Kyobashi,
Chuo-ku, Tokyo 104-8329, Japan
Tel: (03) 4512-1130

Onward Creative Center Co., Ltd.
3-11-6 Kaigan, Minato-ku,
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Tel: (03) 5476-5590

Booklet Co., Ltd.
1-5-26, Shinkita, Joto-ku,
Osaka City, Osaka 536-0015, Japan
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Onward Life Design Network INC.
TODA BUILDING, 1-7-1 Kyobashi,
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Tel: (03) 4512-1133

Bien Co., Ltd.
TODA BUILDING, 1-7-1 Kyobashi,
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O.P.S. Co., Ltd.
3-11-6 Kaigan, Minato-ku,
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OVERSEAS

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Firenze, Italy
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42 30032 FIESSO D'ART ICO (Venezia),
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Frassineti s.r.l.
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Tel: (44) 20-7736-2522

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Horloge Saint Benoit S.A.
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Shanghai Onward Fashion Co., Ltd.
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Shanghai, People's Republic of China
Tel: (86) 21-6466-6466

Onward Fashion Trading (Shanghai) Co., Ltd.
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Shanghai, People's Republic of China
Tel: (86) 21-6271-3535

Taicang Onward High Fashion Co., Ltd.
28 group of Taixi Village, Shaxi Town,
Taicang City, Jiangsu Province, People's
Republic of China
Tel: (86) 512-5325-4297

Onward Kashiyama Hong Kong Ltd.
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Onward Kashiyama Korea Co., Ltd.
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Onward Kashiyama Singapore Pte. Ltd.
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Onward Kashiyama Vietnam Ltd.
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Tel: (84) 8-3911-8857

Vina Birz Co., Ltd.
C6,C7,Dinh Tram Industrial Zone,
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Onward Retail L.L.C
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New York, NY 10018, U.S.A.
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Onward Beach Resort Guam, INC.
445 Govemor Carlos G.Camacho Road,
Tamuning, Guam 96913, U.S.A.
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Onward Golf Resort Guam, INC.
825, Route 4A, Talofofo,
Guam 96915, U.S.A.
TEL(1)671-789-5555

ONWARD HOLDINGS CO., LTD.

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