ONWARD

ANNUAL REPORT 2015

YEAR ENDED FEBRUARY 28, 2015

ONWARD HOLDINGS CO., LTD.

VISION

In fiscal year 2015, we continued to focus on addressing challenges of the global apparel market. While we are happy to report stronger profitability in Europe, our overall business continued to face headwinds in most of the key markets, particularly in Japan.

However, our history, spanning nearly 90 years, shows that we emerge stronger when presented with challenges. One of our secrets is that we invest focusing on future decades, not the next few quarters.

In 2015, we invested at all levels, from the top executive suite to new domestic subsidiaries and joint ventures, for sustainable growth. The new, modern Tokyo Head Office building opened its doors to our employees and partners.

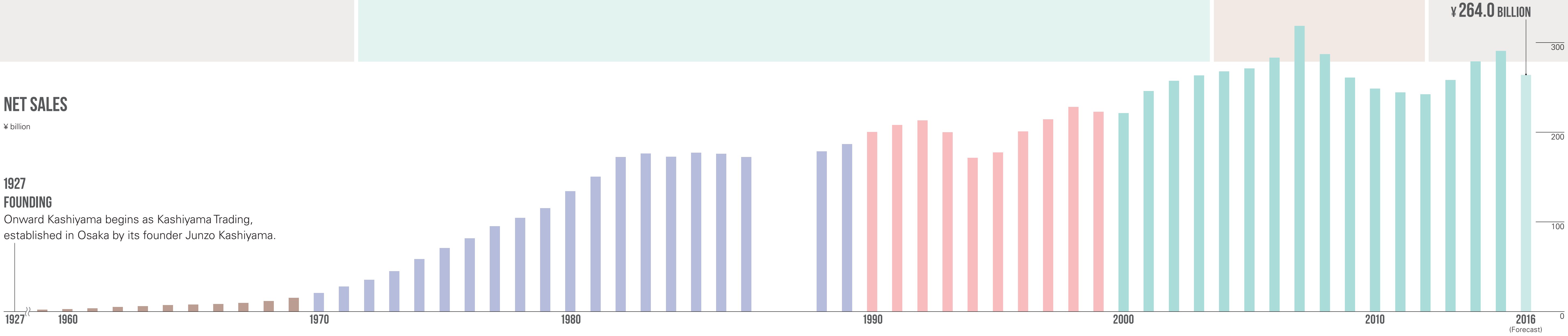
Our investment push will continue. Onward of the near future will be defined by an Omni-channel retailing strategy, new businesses within and beyond apparel, and global balance and profitability. Our vision is that of a leading apparel company, committed to its heritage but focused on achieving future growth and delivering enduring value to customers.

CONTENTS

FORWARD-LOOKING STATEMENTS

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

OUR HISTORY



1927
FOUNDING
Onward Kashiyama begins as Kashiyama Trading, established in Osaka by its founder Junzo Kashiyama.

1950s–1960s
READY-MADE CLOTHING REVOLUTION

In the 1950s, Onward begins the production and sale of ready-made menswear. Taking its cue from apparel manufacturing in the United States, the Company adopts an assembly-line production system and introduces such advanced equipment as Hoffman steam press machines. These efforts result in substantial improvements in productivity and the quality of ready-made clothing. Along with this success, the Company develops a business format for transactions between apparel companies and department stores that is now widely used in the business operations of department stores. In the 1960s, driven by Japan's economic expansion, Onward grows rapidly to become a leading menswear manufacturer in Japan.

1970s–1980s
OVERSEAS EXPANSION

In keeping a step ahead of other Japanese apparel manufacturers, during the 1970s Onward develops its global strategy and establishes subsidiaries in New York in 1972, Paris in 1973, and Milan in 1974. By establishing local subsidiaries in three major fashion cities in a short period of time, Onward succeeded in organizing the foundation of the overseas business, drawing on the most updated information on the global fashion business. In 1977, after an interview with up-and-coming designer Jean-Paul Gaultier, then 24, the Company decides to sponsor his brand creation. His first fashion show is held in Paris in 1978 with the support of the Company.

1990s–2000
LAUNCH OF CORE BRANDS

The womenswear business dramatically expands in the 1990s with the launch of core brands, beginning with Kumikyoku in 1992 and followed by Nijyusanku in 1993, ICB in 1995, and Jiyuku in 2000. The luxury brand boom driven by Japan's bubble economy comes to an end in the 1990s, and consumers start to look for more simple and practical clothing, and they are able to find this style in Japanese brands. Department stores begin expanding womenswear floor spaces and emphasizing new brands from Japanese makers. Thanks to this trend, Onward Kashiyama's store numbers grow rapidly after the launch of the new brands, and this impressive growth forms the foundations for future advancement.

2001–TODAY
TO THE NEXT GROWTH PHASE

After the turn of the century, Onward accelerates its overseas business. Major advances include its entry into the Chinese market and the establishment of a manufacturing platform in Europe. The transition to a holding company system is made in 2007. At the same time, the Company successfully draws strong global brands under the Group's umbrella, acquiring the British brand and multi-brand store JOSEPH in 2005 and the German luxury brand JIL SANDER in 2008. Akinori Baba becomes president of Onward Kashiyama in 2011 and Michinobu Yasumoto becomes president of Onward Holdings in 2015. This change in leadership signifies the start of the Company's next growth phase. By increasing its global competitiveness, Onward is aggressively pursuing growth in both domestic and overseas operations.

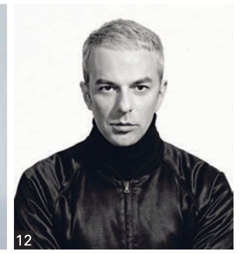




1 Company founder Junzo Kashiyama 2 Grading machine modifies and cuts basic sewing patterns 3 Jean-Paul Gaultier's debut Paris fashion show, 1978
4 Jean-Paul Gaultier 5 Onward Kashiyama's U.S. offices 6 Bus Stop store on Boulevard Saint-Germain in Paris





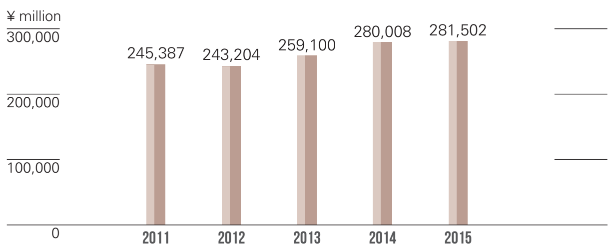


7 Launches Kumikyoku brand, 1992 8 Launches Nijyusanku brand, 1993 9 Launches ICB (International Concept Brand), 1995 10 Acquires Joseph Group, 2005
11 Acquires Jil Sander Group, 2008 12 JIL SANDER's new creative director, Rodolfo Paglialunga

KEY PERFORMANCE TRENDS

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

NET SALES

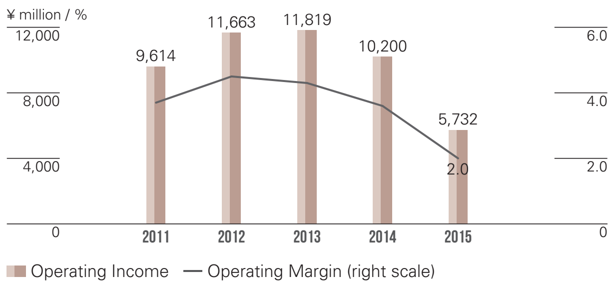


¥281.5 BILLION +0.5% (YOY)

NET SALES

In the domestic business, performance was strong for e-commerce operations and strategic brands at Onward Kashiyama. However, sales in this business decreased due to the struggling performance of women's brands, which stemmed from the lingering impacts of the consumption tax hike. Meanwhile, sales recovered in Europe and the United States in the overseas business. Both businesses recorded sales in line with the previous fiscal year, and consequently net sales rose 0.5% year on year, to ¥281.5 billion.

OPERATING INCOME AND OPERATING MARGIN

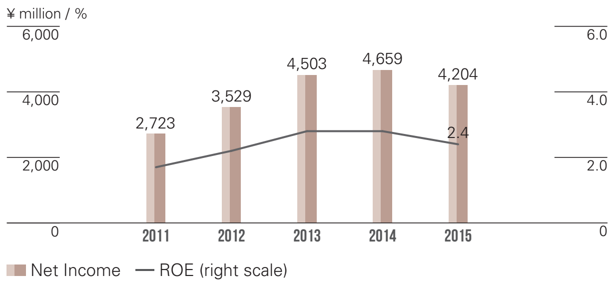


¥5.7 BILLION -43.8% (YOY)

OPERATING INCOME

In the overseas business, profits showed significant improvement in Europe, as planned. However, overall income decreased due to difficult consumer buying patterns in the domestic market as well as to the costs of abolishing unprofitable businesses and investments in IT systems and infrastructure. Accordingly, operating income declined 43.8% year on year, to ¥5.7 billion.

NET INCOME AND ROE

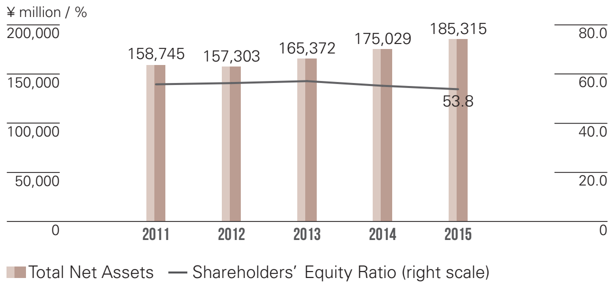


¥4.2 BILLION -9.8% (YOY)

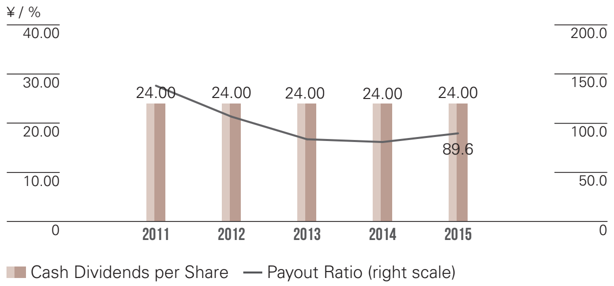
NET INCOME

Net income decreased ¥455 million, or 9.8%, to ¥4.2 billion, and ROE declined 0.4 percentage points, to 2.4%.

TOTAL NET ASSETS AND SHAREHOLDERS' EQUITY RATIO



CASH DIVIDENDS PER SHARE AND PAYOUT RATIO



THE YEAR IN BRIEF

2014

MARCH

ONWARD KASHIYAMA

SHARE PARK Store Opens

The first SHARE PARK store was opened in LaLaport TOKYO-BAY, where it is proposing casual but high-quality fashion items.

MARCH

ONWARD HOLDINGS

Onward Reuse Park Opens

Onward Reuse Park was opened in Tokyo as a base for conveying the Group's environmental and social contribution initiatives.

APRIL

ONWARD LUXURY GROUP

Rodolfo Paglialunga Is Named as JIL SANDER's Creative Director

Italian designer Rodolfo Paglialunga was named as JIL SANDER's new creative director.

SEPTEMBER

ONWARD KASHIYAMA

Onward Members' Loyalty Point Card System Launches

The Onward members' loyalty point card system, applicable to all Onward Kashiyama brands, was launched in more than 2,000 stores nationwide.

OCTOBER

ONWARD KASHIYAMA

TOCCA STORE GINZA Opens

TOCCA STORE GINZA, the TOCCA brand's largest flagship store with a floor space of 300m², opened its doors in Ginza, Tokyo.

OCTOBER

ONWARD HOLDINGS

Blankets Created from Recycled Clothes Are Donated to Myanmar

Clothing items collected through the Onward Green Campaign were recycled to create 4,000 blankets, which were donated to Myanmar through the Japanese Red Cross Society.

NOVEMBER

CHACOTT

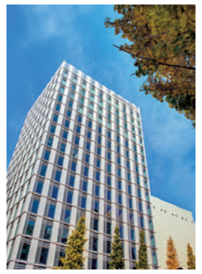
DANCE CUBE KACHIDOKI Starts Up

DANCE CUBE KACHIDOKI, a new, integrated commercial facility containing a dance studio, a ballet and other dance wear store, a bicycle shop, and a cafe, was started up in Tokyo.

NOVEMBER

ONWARD HOLDINGS

Onward Park Building Is Completed

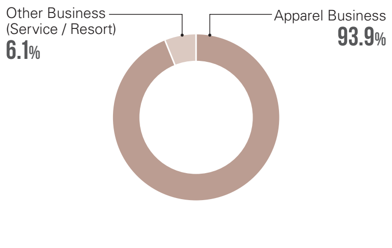


After a two-year renovation period, the Company's new Head Office building—the Onward Park Building—was completed in the Nihonbashi district of Tokyo.

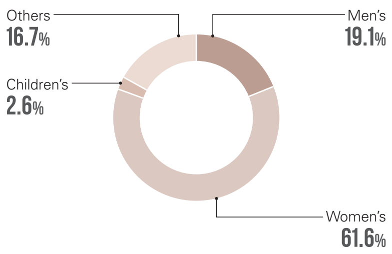
REVIEW OF OPERATIONS

SALES BREAKDOWN

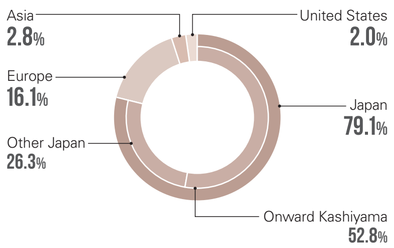
SALES BY BUSINESS SEGMENT



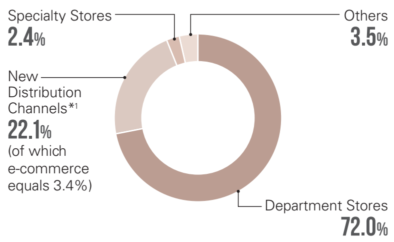
APPAREL BUSINESS SALES BY CLOTHING TYPE



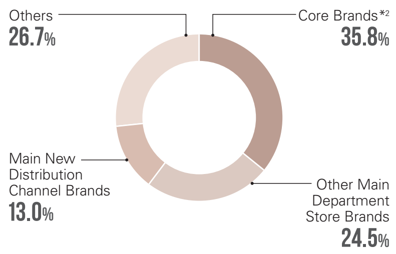
SALES BY GEOGRAPHIC SEGMENT



ONWARD KASHIYAMA SALES BY CHANNEL



ONWARD KASHIYAMA SALES BY BRAND



*1. Channels other than department stores (including shopping centers, directly managed stores, and e-commerce)
*2. Nijyusanku, Kumikyoku, ICB, and Jiyuku

MAIN SUBSIDIARIES

JAPAN

ONWARD KASHIYAMA

• Core company of the Group engaged in the manufacture and sale of menswear, womenswear, and children's clothing, accessories, and other items.

CORE BRANDS

• Nijyusanku, Kumikyoku, ICB, Jiyuku, Gotairiku, J.PRESS

ONWARD TRADING

• Manufacture and sale of uniforms and sales promotion goods

ITEMS

• Company, school, and medical-related uniforms and sales promotion goods

CREATIVE YOKO

• Manufacture and sale of pet-fashion items, character accessories, and other goods.

CORE BRANDS

• PET PARADISE, Mother Garden

CHACOTT

• Manufacture and sale of ballet and other dance wear, shoes, and related goods

CORE BRANDS

• Chacott, Freed of London

ISLAND

• Manufacture and sale of women's clothing and accessories

CORE BRAND

• Grace Continental

OVERSEAS

ONWARD LUXURY GROUP

• OEM, production, and wholesale of European and U.S. brands

• Manufacture and sale of luxury men's and women's clothing and accessories

CORE BRANDS / ITEMS

• Designer clothing, knitwear, bags, shoes, and other items, for luxury brands

• JIL SANDER, JIL SANDER Navy

JOSEPH

• Manufacture and sale of men's and women's clothing and accessories as well as operation of multi-brand stores

CORE BRAND

• JOSEPH

A LETTER TO OUR SHAREHOLDERS

TAKESHI HIROUCHI
Representative Director,
Chairman

Dear Shareholders,

In fiscal year 2015, ended February 28, 2015, mid-to-high-end apparel sales struggled as the consumption tax hike continued to affect the domestic apparel market. Furthermore, the competitive landscape became more difficult in the fashion industry. For example, the makeup of the industry is changing as the boundaries between different roles fade—with retailers becoming manufacturers—and new sales channels, such as e-commerce and omni-channel retailing, emerge on a global scale.

In times such as these, we think the key to growth in the apparel business is surely brands and products themselves. We aim to hone our skill as an apparel manufacturer—our core business—and continue to offer "something new," in other words, innovative, original products and brands differentiated from the competition. We have a strong conviction that by doing so we can grow based on an international standard, with ample ability to compete.

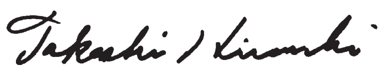
Furthermore, the Onward Group already has the important management resources needed to survive in this global market, including the diverse range of products and brands we have tirelessly cultivated over the years, a sales network and manufacturing functions both in Japan and overseas, and human resources active around the world. Our aim is to skillfully combine these factors as we strive to become a truly global company.

To achieve this goal, in fiscal year 2016 we plan to improve our profitability in both domestic and overseas businesses while securing the foundations for ongoing growth in the future.

From this year, the Onward Group will operate under a new structure, with Michinobu Yasumoto appointed president of Onward Holdings. Together with Akinori Baba, president of Onward Kashiyama, the Group's core operating subsidiary, we shall continue striving to ensure that this year we take back the momentum, with these two young leaders in their 40s at the helm of our operations.

I would like to express my gratitude to all our shareholders for their ongoing support, cooperation, and trust.

August 2015



TAKESHI HIROUCHI
Representative Director, Chairman

A MESSAGE FROM THE PRESIDENT

MICHINOBU YASUMOTO
Representative Director,
President

Greetings, my name is Michinobu Yasumoto, and I assumed the position of president and representative director of Onward Holdings Co., Ltd., in March 2015. I am committed to further developing Onward's business while maximizing corporate value by actively fulfilling our responsibilities toward society. On behalf of the Onward Group, I want to extend our sincere appreciation to stakeholders for their support and interest in us.

MISSION AS PRESIDENT

The Onward Group is deploying an Omni-channel retailing strategy, which, combined with its existing business strengths, is anticipated to help further boost competitiveness. For this reason, my mission as president is to lead our employees as we tackle new business challenges. I joined Onward Group from a different industry 10 years ago, and as such the Company's managers have much more experience in the fashion business than I. By fully leveraging the skills and insight of these individuals and my own experience, I will devote my efforts to furthering the growth of the Group.

Fiscal year 2016, ending February 29, 2016, is the time for us to determine the future direction the Onward Group will take and then to incorporate that vision into the next medium-term management plan. During this year, I am striving to communicate my own beliefs while confirming the conditions at the front lines of operations. I thereby aim to cultivate a shared vision for the entire Group, based on which will we formulate the strategies and targets of the plan. In Japan, the impacts of the consumption tax hike are lingering much longer than expected, making for a difficult operating environment. In light of these conditions, I am well aware of the fact that there may be some concern with regard to the growth potential of the Onward Group and even of the industry as a whole. There is thus a need to ensure steady income growth to dispel this air of uncertainty. In addition to accomplishing this task, we must thoroughly explain our policies, our vision, and the progress of our plans in order to earn the understanding and support of shareholders, investors, and other stakeholders. Perhaps not needing to be said, but I feel it is crucial to communicate both the good and the bad when it comes to our business.

Looking ahead, the Onward Group will continue to leverage its strengths as a leading apparel manufacturer to supply the global market with products at reasonable prices and with impeccable quality. I hope all stakeholders will look forward to our future accomplishments with a sense of anticipation.

AIMS OF OUR OMNI-CHANNEL RETAILING STRATEGY

The Group is currently pushing forward with an Omni-channel retailing strategy that forms an organic union between online stores and physical stores with the aim of reinforcing our customer bases around the world.

Of course, we will continue to provide customers with top-notch hospitality and enjoyable shopping experiences at our stores. At the same time, however, we hope to make it possible for customers to use the Internet to check brand information and receive purchased products in the manner that is most ideal for them.

Our products are made with high-quality materials and outstanding techniques to ensure that our brands continue to be loved for years to come. This approach toward production will not change going forward. We believe that physical stores are crucial to communicating the value of our products, as they provide an opportunity for customers to experience the actual feel and fit of these products. However, there are also times when a particular item is not in stock, forcing customers to wait weeks for this item to be delivered from a warehouse or another store. This waiting period is a major factor behind lost sales opportunities due to customers losing their interest in making purchases. Internet shopping is becoming increasingly mainstream. Accordingly, the promotion of our Omni-channel retailing strategy has the potential to create opportunities for us to reach new customers and thereby expand sales. This strategy will also entail changes in the framework used for in-store sales and in how we approach customers. In the end, this

A MESSAGE FROM THE PRESIDENT

strategy is expected to create a virtuous spiral that will lead to reductions in lost sales opportunities while also improving brand value.

CUSTOMER BASE AS A STRENGTH

The customer base the Onward Group has established throughout its history of almost 90 years has been one of its greatest sources of competitiveness. We are compiling this customer base into a database. We realize that the interests of our customers are not limited only to apparel items but that these customers are also increasingly turning their attention to a wide range of lifestyles. By utilizing a database to develop new and innovative marketing techniques, we will endeavor to respond to our customers' non-apparel-related needs. If we are able to generate synergies between our existing apparel operations and businesses in new fields, we will be able to expand the scope of earnings opportunities. This process will entail initially creating new product categories that go beyond the existing concept of "product" or "brand" and then exploring new markets. In the past, our strategy has mainly focused on addressing the challenges faced in specific sales channels, such as department stores. Today, however, we need to concentrate on realizing new opportunities by catering to the specific needs of individual customers.

EXPANSION OF OVERSEAS CUSTOMER BASES

Faced with the gradual decline in Japan's population, we believe it is absolutely essential for us to expand our overseas customer bases. Previous global expansion strategies have been centered on increasing the number of store locations. In the future, however, we will shift gears to pursue sales growth by also taking advantage of e-commerce operations. At the same time, we plan to address the demand seen among inbound travelers to Japan, who visit the country with a strong desire for shopping.

One of our primary targets is China, where the middle class continues to grow and consumption demand remains robust. In this country, we are witnessing a rapid rise in the number of fashion-conscious consumers, primarily in Shanghai, Beijing, and other large cities. We expect to be able to create substantial sales growth through an approach that includes increasing the number of stores located in China while simultaneously responding to demand from Chinese consumers visiting Japan. Based on this belief, we plan to establish a joint venture company with Laox Co., Ltd., in September 2015. This company will sell made-in-Japan products that are manufactured using Onward's production network in Laox's duty-free stores in Japan while also conducting e-commerce in China with the aim of achieving annual sales of more than ¥20.0 billion in three years. Moreover, we are examining the possibility of combining the strengths of Laox and Onward to develop new products and establish new brands.

Laox's business consists of e-commerce in China and general duty-free stores in Japan. Laox is well recognized in China and has a broad customer base. By leveraging this customer base and Onward Group apparel product creation specialties, we hope to establish our own customer base with a breadth encompassing not only China but also other principal Asian nations. Laox Representative Director Yiwen Luo was born in China and has lived in Japan for more than 20 years, and he has acquired a deep understanding of both countries. With a profound appreciation for Japanese quality standards, Mr. Luo has the dream of developing a comprehensive retail business centered on high-quality, made-in-Japan products. The Onward Group, meanwhile, is faced with a sluggish domestic apparel market, which has made the exploration of the Chinese market a pressing task. The establishment of this joint venture, we hope, will enable us to leverage Laox's strong recognition as a retailer and sales channels to expedite our expansion in the Chinese market.

Going forward, we expect to engage in more joint projects in which we can draw on our strengths, and we will undertake such projects while striving to limit investment risks and reduce the time required for investments to generate returns. In addition to joint projects with companies from other industries, cross-supply-chain and cross-business collaboration with industry peers will also be viewed as a possible option as we abandon preconceptions to formulate wide-ranging measures for improving Onward's corporate value.

STRENGTHENING OF GLOBAL PLANNING AND PRODUCTION NETWORK

Although the Onward Group manufacturing platform used to be primarily located in Japan, we later shifted a large portion of production to China. Given the recent rise in costs in China, we are now extending our manufacturing platform into ASEAN countries. We have also established our own manufacturing platform in Europe, which is based in Italy. In this way, our manufacturing platforms are centered on Japan, China, Southeast Asia, and Italy. This global network consisting of four manufacturing platforms is being developed while working to prevent overconcentration on any one country, flexibly utilizing platforms in different regions as necessary to meet production requirements.

We are also revising production systems in Japan as it has once again become important to institute such revisions based on a range of considerations, including the trend of yen depreciation, the presence of sophisticated technological capabilities, and the shortness of transportation distances. At the same time, the entire domestic apparel industry is working to better communicate the Japanese quality standards, and made-in-Japan items are garnering unprecedented levels of attention overseas as a result. However, as we had previously shifted the bulk of our production capacity overseas, it will not be easy to fill the production gap that currently exists in Japan, and the speed of change in the operating environment prohibits us from immediately conducting large investments to address this gap issue. Nonetheless, it is essential for Japan to continue to be positioned as a core production site and for us to confirm that an appropriate balance is being maintained in production across our four manufacturing platforms.

COMPETITIVENESS BUILT ON HUMAN RESOURCES

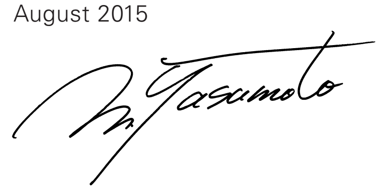
The current era is incredibly unpredictable. In this era, the achievement of further growth will require us to cultivate human resources with high levels of autonomy; in other words, human resources who are capable of acting on their own accord by thinking independently based on their own research. We hope to create a robust foundation of human resources who are inspired to actively give form to new ideas, whether those are for products, brands, services, or some other element of operations. We also aim to cultivate an atmosphere inside the Group that lends itself to ambitious efforts. Time will be required before such endeavors can begin generating returns, and it will be no surprise if an attempt to overcome a new challenge fails to create results. Nevertheless, it is important for all employees to have the experience of tackling such challenges. By investing time and money into the ambitious efforts of employees, I hope to steadily reap the benefits of these actions so that this pioneering spirit can multiply itself and permeate the entire Group.

CORPORATE GOVERNANCE SYSTEM FOR MAXIMIZING CORPORATE VALUE AND SHAREHOLDER VALUE

The Onward Group has adopted a holding company structure under which the Company's Board of Directors conducts strategic decision making and supervises operating companies. At the same time, we have separated the supervisory and business execution functions in order to clarify the responsibilities and authority of each operating company and to allow for strategic decisions to be made more quickly. Should urgent matters arise, the Board of Directors will convene in a timely manner to offer swift response to any issue that may occur in today's rapidly changing operating environment. In addition, an executive officer system has been adopted through which 17 executive officers have been appointed with the aim of clarifying responsibility for management decision-making and business execution functions. Furthermore, the Onward Group Strategy Meeting and the Group Business Management Meeting have been established as bodies for facilitating flexible decision making on a Groupwide basis. These bodies examine the management strategies of Group companies as well as other important matters related to management and review the status of business execution. The term of directors has been set at one year to further clarify managerial responsibility and provide additional opportunities for proving director credibility to shareholders. Two of the seven directors are outside directors, effectively strengthening the supervisory function of the Board of Directors. The Company employs an Audit & Supervisory Board structure, under which it has appointed four audit and supervisory board members, two of whom are highly independent outside audit and supervisory board members. The outside audit and supervisory board members oversee the business execution of the directors and offer advice based on their breadth of experience to provide more complete audits.

The enhancement of compliance systems has also been positioned as an important issue for management, and in that effort we are working to nurture high levels of trust among customers and shareholders as well as from society as a whole. I am confident that maintaining and building upon our strong relationships with various stakeholders will in turn contribute to the Onward Group's efforts to maximize corporate value and shareholder value.

August 2015



MICHINOBU YASUMOTO
Representative Director, President

23区

LAUNCHED	1993
ANNUAL SALES	¥26.9 BILLION
NUMBER OF STORES	OVER 200

Nijyusanku is the leading brand of Onward Kashiyama. The core target of this brand is working women in their 30s and 40s. The brand is available in department stores across the country as well as in its flagship store, Nijyusanku GINZA, which was opened in the Ginza district of Tokyo in 2011.

gotairiku
五　大　陸

LAUNCHED **1992**

ANNUAL SALES **¥4.8 BILLION**

NUMBER OF STORES **120**

Gotairiku is Onward Kashiyama's core men's brand. Based on the concept of providing a "gentlemanly wardrobe that represents Japan," this brand primarily features suits aimed at businessmen in their 40s. The brand continues to be promoted through the *Gotairiku Gonin Otoko* campaign, which features a quintet of Kabuki actors as spokesmen.

JIL SANDER

LAUNCHED **1973**

ANNUAL SALES **¥11.7 BILLION**

NUMBER OF STORES **80**

Founded by Ms. Jil Sander in Germany, JIL SANDER is a luxury brand that is featured periodically in Milan Fashion Week. Onward Holdings acquired JIL SANDER in 2008. The casual line JIL SANDER Navy was launched in 2011. In 2014, Italian designer Rodolfo Paglialunga was appointed the new creative director of JIL SANDER.

CORE BRANDS

JOSEPH

LAUNCHED	1972
ANNUAL SALES	¥18.6 BILLION
NUMBER OF STORES	130 STORES

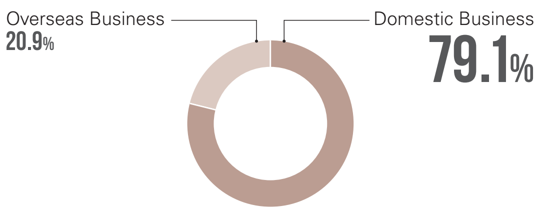
The JOSEPH brand grew from a small multi-brand store owned by Joseph Ettedgui in London. After the original label JOSEPH was launched with the concept of "SLICK&CHIC," Onward Holdings acquired JOSEPH in 2005. The development of this brand in Japan is being undertaken by Onward Kashiyama.

Nijyusanku GINZA

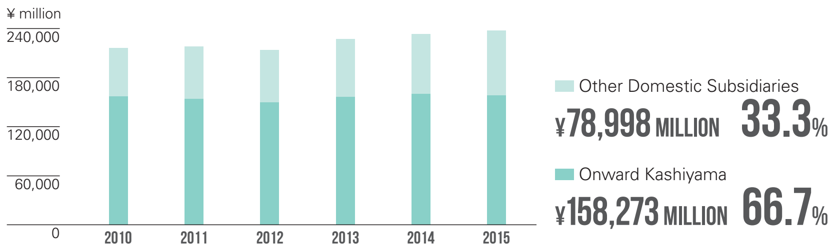
DOMESTIC BUSINESS

The domestic business is our mainstay business, generating 79% of consolidated net sales. This business consists of 23 companies: core operating company Onward Kashiyama Co., Ltd., as well as other domestic subsidiaries that make fashion proposals in a wide range of fields not limited only to apparel items.

CONTRIBUTION TO TOTAL SALES



NET SALES BY DOMESTIC BUSINESS SEGMENT



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

ONWARD KASHIYAMA

BUSINESS OVERVIEW

Onward Kashiyama is the Group's core operating company, generating 53% of consolidated net sales. Onward Kashiyama manufactures and sells menswear, womenswear, children's clothing, and accessories and 72% of its sales come from its main sales channel, department stores. Core brands Nijyusanku, Kumikyoku, ICB, and Jiyuku account for 36% of net sales. Nijyusanku boasts particularly high sales—reaching ¥36.0 billion on a retail price basis in fiscal year 2015—and is one of Japan's largest department store brands. Similarly, mainstay menswear brand Gotairiku is posting a solid performance, with its high-quality suits meeting rising demand for quality menswear.

Recently, the company has been expanding its operations in the growing e-commerce field, and it has defined the target of developing the directly managed e-commerce website Onward Crosset into a business with annual net sales of ¥10.0 billion by fiscal year 2017. Also, we have launched a loyalty point card system, which is applicable to all Onward Kashiyama brands, and we are utilizing IT to enhance customer service. We are taking such steps as we implement an Omni-channel retailing strategy that efficiently integrates the more than 3,000 physical stores in Japan with online stores.

PERFORMANCE AND OUTLOOK

In fiscal year 2015, major womenswear brands posted weak sales because consumer confidence failed to recover from the downturn that followed the consumption tax hike. Conversely, global brands, such as JOSEPH and TOCCA, turned in solid performances, as did men's suits sold under Gotairiku and other brands. In addition, full-year e-commerce sales were up 34% year on year, to ¥7.3 billion. In fiscal year 2016, we will further strengthen the core brands Nijyusanku and Gotairiku while deploying our Omni-channel retailing strategy.

OTHER DOMESTIC SUBSIDIARIES

BUSINESS OVERVIEW

Other domestic subsidiaries leverage the product development and sales capabilities of the Onward Group to create new values and lifestyles by making fashion proposals in a wide range of fields.

Chacott Co., Ltd., a manufacturer and retailer of ballet and other dance wear, is working to improve brand value and increase sales by accelerating openings of new types of large-scale stores. Meanwhile, Island Co., Ltd., which has Grace Continental as its core brand, is providing fashion items with a distinctive aesthetic that is proving immensely popular among women with refined tastes. Creative Yoko Co., Ltd., is pursuing the differentiation of its core pet fashion business by opening large-scale stores dealing in products and services for pets. At Onward Trading Co., Ltd., a leading domestic manufacturer of uniforms and sales promotion goods, the apparel expertise that pervades the Group is used to provide uniforms to suit any environment while striking the best balance between style and usability.

PERFORMANCE AND OUTLOOK

In fiscal year 2015, downward pressure was placed on profitability due to increased costs for dissolving unprofitable businesses and conducting upfront investments in new subsidiaries. Profitability is expected to improve in fiscal year 2016 accompanying the benefits of business reorganizations and the shift to new organizational structures.

VALUE CHAIN

As a leader in the apparel industry, the Onward Group is guided by a mission of continually proposing fresh, high-value-added products to consumers.

To fulfill this mission, we take advantage of the fashion trend information acquired through our global network and the technological capabilities of the Onward Research and Development Institute. By merging these strengths, we create new products that excel from the perspectives of fashion, technologies, and quality and propose new values and lifestyles.

DOMESTIC BUSINESS

ONWARD RESEARCH AND DEVELOPMENT INSTITUTE

Established in 1991, the Onward Research and Development Institute is the Group's proprietary center for comprehensive research on new manufacturing technologies and product developments. The Technology Development Center carries out numerous tests and trials to achieve the highest possible level of quality control. For example, fabric is tested for elasticity, tear resistance, friction durability, stretch recovery, and wrinkle resistance. The Onward Advanced Technology Research Center works together with 16 leading companies from the apparel industry, including raw material suppliers and garment material suppliers, to develop new products. The Professional Development Center is responsible for training and human resource development.

PRODUCT FLOW (PRIMARILY USED BY ONWARD KASHIYAMA)

PLANNING AND DESIGN

1 YEAR BEFORE START OF SALES

RESEARCH

Product development starts with our designers and merchandisers actually visiting fashion capitals around the world to research the latest fashion trends. They also attend fabric exhibitions to seek out new, high-quality fabrics.

6–9 MONTHS BEFORE

DESIGN

Concept drawings are created, and the design, materials, price range, and seasonal theme are decided based on a consideration of fashion trends, fabrics information, and other factors.

5 MONTHS BEFORE

SAMPLE CREATION

Samples are made based on concept drawings created by designers to visualize how the design and the materials will actually appear.

4 MONTHS BEFORE

EXHIBITION

Buyers, press members, and store managers are invited to exhibitions displaying new products. Alterations are made to samples based on feedback from buyers and store managers.

3–5 MONTHS BEFORE

SELECTION

From among the samples, the items to be commercialized are selected, and production numbers are decided through coordination with sales teams.

PRODUCTION

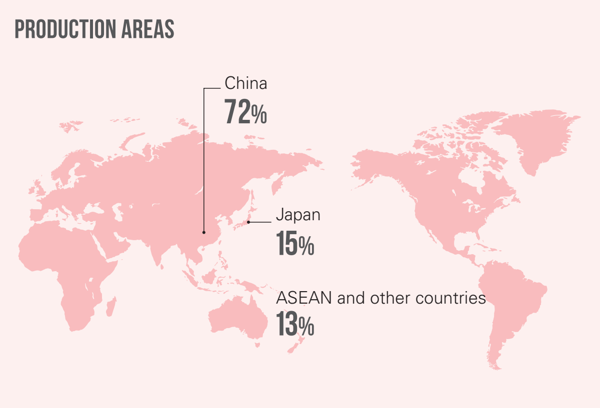
3 MONTHS BEFORE

PRODUCT PLANNING

Quality control teams inspect samples to determine if any issues exist with the fabric or manufacturing processes to be used. At the same time, production control teams decide which factories will be used for mass production as well as establish production schedules and order ancillary materials.

PLANNING AND PRODUCTION TEAMS

Onward Kashiyama has approximately 1,000 professionals in its planning and production control teams. With these strong teams in place, the Company assigns designers, patternmakers, and merchandisers to each brand. The production control teams take care of other aspects of production, ranging from factory selection, technical guidance, and fabric and other material sourcing to quality control.



PRODUCTION NETWORK

Of Onward Kashiyama's products, 79% are manufactured in cooperation with trading companies or delegated to factories in Japan or overseas. Recently, however, we have been establishing our own production network by strengthening partnerships with highly capable Japanese factories and expanding our low-cost production and sourcing network in China and Vietnam. Currently, about 72% of Onward Kashiyama's products are manufactured in China, 15% in Japan, and 13% in ASEAN and other countries. We are expanding procurement and production in Japan and the ASEAN region to ensure that we can always manufacture products in the most suitable location.

DEPARTMENT STORE TRANSACTIONS

The majority of transactions between department stores and apparel manufacturers are made under the consignment system, a transaction scheme indigenous to Japan with the following characteristics.

1. The apparel company owns the inventory and some store fixtures and provides their own sales personnel. When a product is sold, it is then considered to have been procured by the department store.
2. The apparel company pays an agreed percentage of its sales to the department store as a tenant fee. Rent and other costs generally do not apply.
3. The apparel company records a sale as the amount of the wholesale price of the item sold less the margin paid to the department store.

2 MONTHS BEFORE

PRODUCTION

Products are manufactured while production control teams and factories monitor delivery schedules and production processes.

1–2 WEEKS BEFORE

FINAL CHECK

Finished products are delivered to distribution warehouses. Stitching and other product details are inspected once again before delivery.

DELIVERY AND SALES

1 WEEK BEFORE

DELIVERY

Products are transported from warehouses to stores based on the instructions of sales managers and distributors.

SALES

Products are sold at stores and online.

IN-HOUSE TRANSPORTATION

Domestic subsidiary Across Transport specializes in the apparel logistics and transportation business. The company offers a total logistics service program that includes warehouse management, transportation, and other logistics functions designed especially for apparel products and accessories. These services are provided for Onward Kashiyama and other companies in Japan.

SALES CHANNELS

We develop our sales activities via a number of different sales channels. While maintaining our strength in department stores, we see new distribution channels as the key to domestic growth.


Nijyusanku

DEPARTMENT STORES

Department stores are Onward Kashiyama's main sales channel, with 2,700 shops nationwide. Sold in more than 200 such shops, our Nijyusanku brand is the largest department store brand by revenue in Japan. We have been strategically relocating and redesigning our shops to maximize individual shop sales and operational efficiency.

NEW DISTRIBUTION CHANNELS

The term "new distribution channels" as used by the Onward Group refers to sales channels other than department stores. These channels are a key focus, even though they only account for 22% of Onward Kashiyama's sales. We aim to expand the number of stores in the following sales channels while simultaneously bolstering sales from e-commerce operations.

DIRECTLY MANAGED STORES

These brand flagship stores double as brand billboards for our cutting-edge products.

TRAIN STATION COMPLEXES / FASHION MALLS

We offer fashionable and trendy products through this sales channel, which is displaying impressive growth in Japan.

SHOPPING CENTERS

These centers serve as a sales channel for Onward Kashiyama's brands, such as any FAM, any SiS, and the new SHARE PARK.

E-COMMERCE

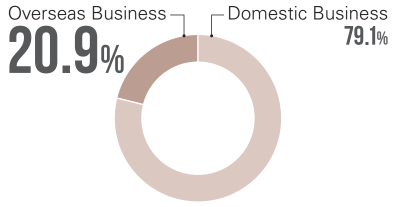
We conduct e-commerce sales of Group brands through our directly managed e-commerce website Onward Crosset and other domestic and overseas online shopping sites.

JIL SANDER NAVY

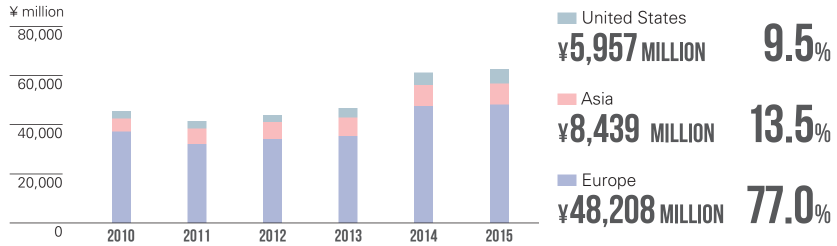
OVERSEAS BUSINESS

The overseas business consists of operations in Europe, Asia, and the United States and accounts for 21% of consolidated net sales. Business scale expansion will be pursued centered on Europe, where operations are the largest, as we strengthen competitiveness on the global market.

CONTRIBUTION TO TOTAL SALES



NET SALES BY OVERSEAS BUSINESS SEGMENT



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

EUROPE

BUSINESS OVERVIEW

The European business—our largest overseas business—primarily conducts the manufacture and sale of high-end apparel and accessories. Italian subsidiaries GIBO'Co S.p.A. and Iris S.p.A. were merged in June 2013 to establish Onward Luxury Group S.p.A. In 2014, Jil Sander Italy S.p.A. was merged into Onward Luxury Group. In the future, we aim to merge Joseph Ltd. in England into this company as we work to improve the managerial efficiency and profitability of the European business.

PERFORMANCE AND OUTLOOK

The new operational structure has resulted in heightened efficiency, with earnings improving as forecast. In fiscal year 2016, we will pursue further profitability improvements and expansion on the global market.

▶ **For further details regarding the European business, please refer to the special feature on pages 30 and 31.**

ASIA

BUSINESS OVERVIEW

The Onward Group commenced the full-fledged development of its Asian business with the 1995 establishment of a subsidiary in Shanghai, China. Today, Nijyusanku, ICB, rosebullet, and other brands are sold in department stores and shopping centers in China, including Hong Kong, Korea, Taiwan, Singapore, Thailand, and Vietnam. Furthermore, Asia is rising in importance as a production site. To supplement existing partnerships with Chinese manufacturers that have high overall capacity, we aim to expand our manufacturing platform in ASEAN countries, such as Vietnam. With its sights set on capital alliances and the acquisition of production capacity, we are determined to build a manufacturing platform in Asia with high profitability and quality as well as superior material procurement capabilities and fast delivery time.

PERFORMANCE AND OUTLOOK

In fiscal year 2015, we were forced to proceed with the closure of unprofitable stores in China because consumption in the market failed to recover. We will continue such closures in fiscal year 2016 while concentrating management resources on highly promising stores in China.

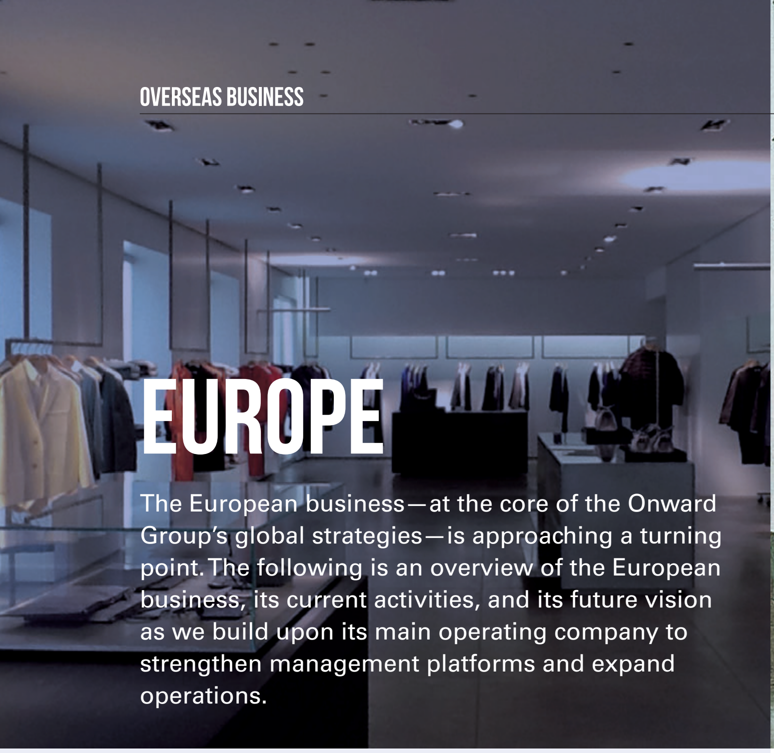
UNITED STATES

BUSINESS OVERVIEW

U.S. operations comprise retail businesses in the States as well as hotel and golf course management operations in Guam. J.PRESS, acquired in 1986, is a well-loved brand among Ivy Leaguers. Meanwhile, York Street, which we launched in 2013, targets the youth market and is sold in directly manage stores as well as in shops inside department stores. Between J.PRESS and York Street, we have four directly managed stores in the United States. As part of recent global strategies for European brands, we have been strengthening sales of JIL SANDER Navy and JOSEPH in the United States.

PERFORMANCE AND OUTLOOK

In fiscal year 2015, we streamlined planning and manufacturing platforms in our U.S. retail operations through greater coordination with planning teams in Japan. At the same time, we pushed forward with facility quality improvements in hotel and golf course management operations in Guam to increase the number of customers from Asia. The implementation of these measures will be further accelerated in fiscal year 2016.



EUROPE

The European business—at the core of the Onward Group's global strategies—is approaching a turning point. The following is an overview of the European business, its current activities, and its future vision as we build upon its main operating company to strengthen management platforms and expand operations.

JIL SANDER Munich store

JIL SANDER Hamburg store

DEVELOPMENT OF THE EUROPEAN BUSINESS

The Onward Group's European business began to grow in earnest after the acquisition of Italian apparel company GIBO'Co in 1990. Predicting the future growth of the luxury brand market, GIBO'Co concluded contracts with several promising designers, thereby putting its business on track for solid growth. In the years that followed, we proceeded to expand our product lineups by acquiring planning and manufacturing companies for knitwear, bags, and shoes while purchasing and merging apparel production sites. These efforts led to the creation of a massive, integrated manufacturing platform.

The subsequent acquisition of Joseph by Onward Holdings marked the Group's full-fledged entry into the retail business. Later, the luxury brand JIL SANDER was acquired and incorporated into the Group, cementing the Onward Group's presence as a fashion conglomerate in Europe.

BUSINESS OVERVIEW

ONWARD LUXURY GROUP

MANUFACTURE AND WHOLESALE

OLG Erika Knitwear Factory

In the European business, its manufacturing and wholesale divisions undertake the production of the principal items that are indispensable to a designer brand line, including apparel as well as shoes, bags, and knitwear, and are constructing a manufacturing platform capable of providing the utmost levels of quality. Apparel item production is conducted by leveraging the strengths of three sites in Italy: Florence, where we are skilled at tailored clothing, such as shoulder pieces; Bergamo, which is home to our skilled crafting functions for light fabric clothing; and Parma, where we create more elaborate clothing items. Furthermore, the manufacturing divisions are promoting synergies in product creation while also utilizing Onward's network of showrooms in Paris, Milan, and New York to expand sales opportunities and generate sales-field synergies.

JIL SANDER

We conduct the planning, manufacture, and wholesale of the JIL SANDER luxury menswear and womenswear collections and apparel and accessories from JIL SANDER Navy, and we are developing stores on a worldwide basis. Onward Luxury Group operates directly managed stores in Milan, Paris, Zurich, New York, and Chicago as well as 5 stores in Germany, making for a total of 10 stores. Franchise flagship stores exist in Tokyo and Seoul, and a total of 31 franchise sales corners have been developed in 19 stores overseas, located in London, Paris, and Moscow as well as in Thailand, Singapore, and China, and in 12 corners in department stores in Japan*.

JIL SANDER Berlin store

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

* Retail outlets in Japan are operated by domestic subsidiary Onward Global Fashion Co., Ltd.

JOSEPH

JOSEPH 77 Fulham Road store

With its base in London, Joseph manages 130 stores in major cities throughout the world.

In recent years, flagship stores in London and Paris have been renovated to enhance brand recognition. To accelerate the brand's global growth, Joseph is increasing accessory and menswear lineups while exploring new markets in China, expanding operations in the United States, and strengthening e-commerce businesses.

JOSEPH Old Bond Street store

OLG Shoes Division

OUTLOOK

Looking to the future of the European business, we will further leverage the established planning, manufacturing, distribution, and sales platforms for the JIL SANDER and JOSEPH brand businesses and simultaneously strengthen initiatives with conventional licensing businesses and brands. The Onward Luxury Group of today was formed in March 2014 by merging Jil Sander into its prior production and wholesale operations. In 2015, the Company will revise its workflow processes and advance the integration of its organizations while launching new projects.

Onward Luxury Group is the only company in the Onward Group that operates in the specialized high-end and luxury fashion field. In the long term, we aim to merge Joseph into Onward Luxury Group to unite the European business under a single company and generate synergies in order to develop it into a fashion conglomerate with a strong presence in the European market.

This united Onward Luxury Group will be able to exercise its strengths in manufacturing as well as the strengths of Jil Sander (brands) and Joseph (retail). With this comprehensive range of functions, Onward Luxury Group will seek to become a unique presence in the European fashion industry. Moreover, organizational integration will be pursued to further enhance the company's ability to make swift and synergetic management decisions.

OUR NETWORK

As of August 31, 2015

ENGLAND

LONDON

- Joseph Ltd.
- Freed of London Ltd.

FRANCE

PARIS

- Horloge Saint Benoit S.A.S.

CHINA

SHANGHAI

- Onward Fashion Trading (China) 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.

JAPAN

TOKYO

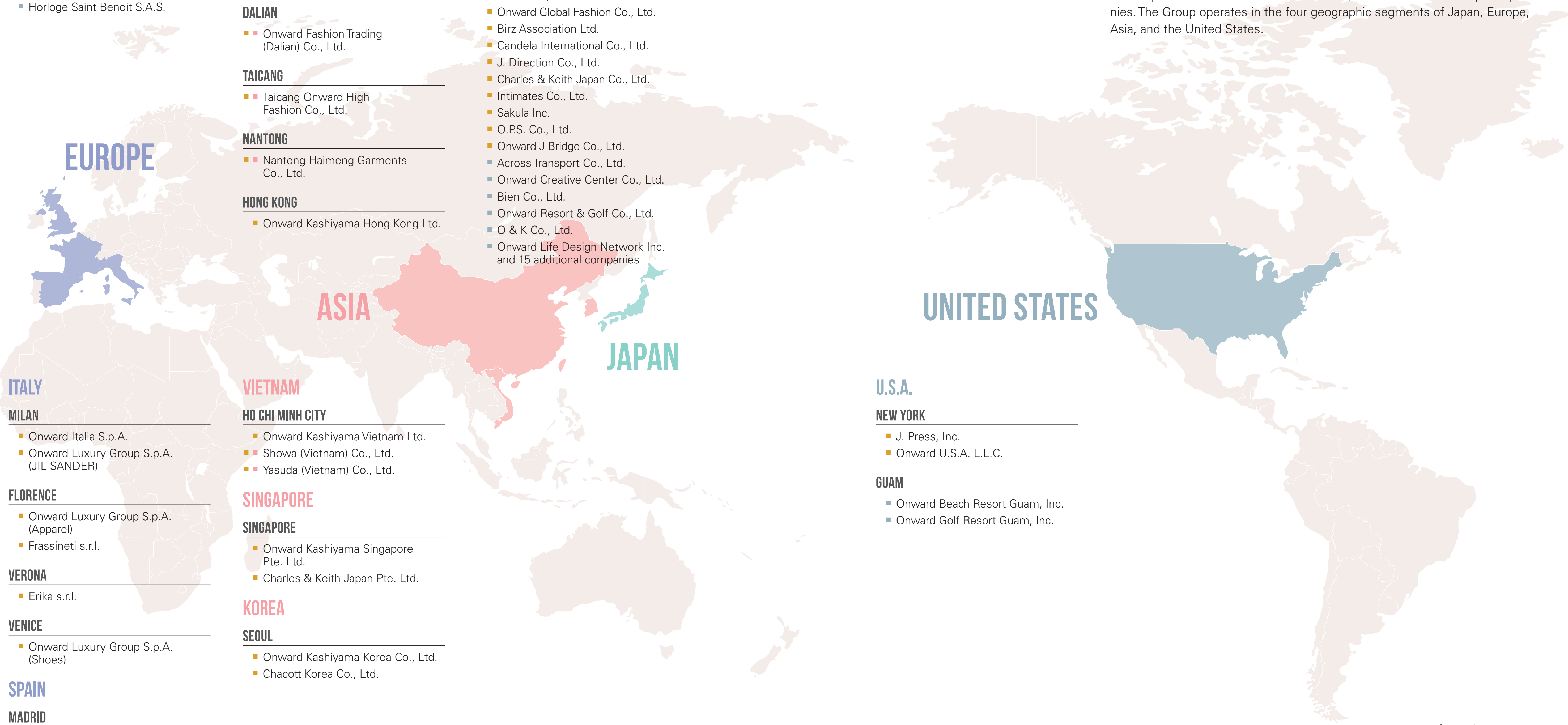
- Onward Holdings Co., Ltd.
- Onward Kashiyama Co., Ltd.
- Onward Trading Co., Ltd.
- Chacott Co., Ltd.
- Creative Yoko Co., Ltd.
- Island Co., Ltd.
- Onward Global Fashion Co., Ltd.
- Birz Association Ltd.
- Candela International Co., Ltd.
- J. Direction Co., Ltd.
- Charles & Keith Japan Co., Ltd.
- Intimates Co., Ltd.
- Sakula Inc.
- O.P.S. Co., Ltd.
- Onward J Bridge Co., Ltd.
- Across Transport Co., Ltd.
- Onward Creative Center Co., Ltd.
- Bien Co., Ltd.
- Onward Resort & Golf Co., Ltd.
- O & K Co., Ltd.
- Onward Life Design Network Inc. and 15 additional companies

NUMBER OF STORES

4,100

IN 22 COUNTRIES AND REGIONS

The Onward Group engages in business activities through a network that is made up of 81 subsidiaries and 22 affiliates, for a total of 104 Group companies. The Group operates in the four geographic segments of Japan, Europe, Asia, and the United States.



ITALY

MILAN

- Onward Italia S.p.A.
- Onward Luxury Group S.p.A. (JIL SANDER)

FLORENCE

- Onward Luxury Group S.p.A. (Apparel)
- Frassineti s.r.l.

VERONA

- Erika s.r.l.

VENICE

- Onward Luxury Group S.p.A. (Shoes)

SPAIN

MADRID

- Gallardo Dance S.L.

VIETNAM

HO CHI MINH CITY

- Onward Kashiyama Vietnam Ltd.
- Showa (Vietnam) Co., Ltd.
- Yasuda (Vietnam) Co., Ltd.

SINGAPORE

SINGAPORE

- Onward Kashiyama Singapore Pte. Ltd.
- Charles & Keith Japan Pte. Ltd.

KOREA

SEOUL

- Onward Kashiyama Korea Co., Ltd.
- Chacott Korea Co., Ltd.

U.S.A.

NEW YORK

- J. Press, Inc.
- Onward U.S.A. L.L.C.

GUAM

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

- Apparel
- Other
- Joint Venture Factory

BASIC PHILOSOPHY

Onward works diligently to enrich people's lives in its role as a lifestyle culture enterprise and 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 evolving faster than ever with fashions and trends changing at a brisk pace. In recent years, we have seen an increase in products touting low prices, and perhaps many of us feel, more than before, that clothing is becoming disposable. The disposal of clothing as trends change is slowly placing an increasing burden on the environment and may one day significantly affect our lives. The original role of fashion was to enrich and color people's lives while promoting and inspiring prosperity. Fashion should not be something that takes away from our planet's natural environment, nor should it detract from the infinite possibilities of our future.

Onward remains committed to taking on the challenge of achieving harmony with the planet and its people through its corporate activities and a range of products that include fashion items, as it carries out its role as a leading organization of the apparel industry that 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.
4. Implement various environmental conservation measures: enhance the energy efficiency of offices, introduce low-emission vehicles, and participate in forest preservation initiatives at Tosayama Onward Rainbow Forest.

Our Promise is a reflection of our consideration for the planet's future and our desire to responsibly deliver fashion that enriches and colors people's lives. We are committed to developing strategies that fulfill Our Promise and our responsibilities as a good corporate citizen.

ONWARD GREEN CAMPAIGN

1,650,000 ITEMS COLLECTED

310,000 CUSTOMERS THAT DONATED

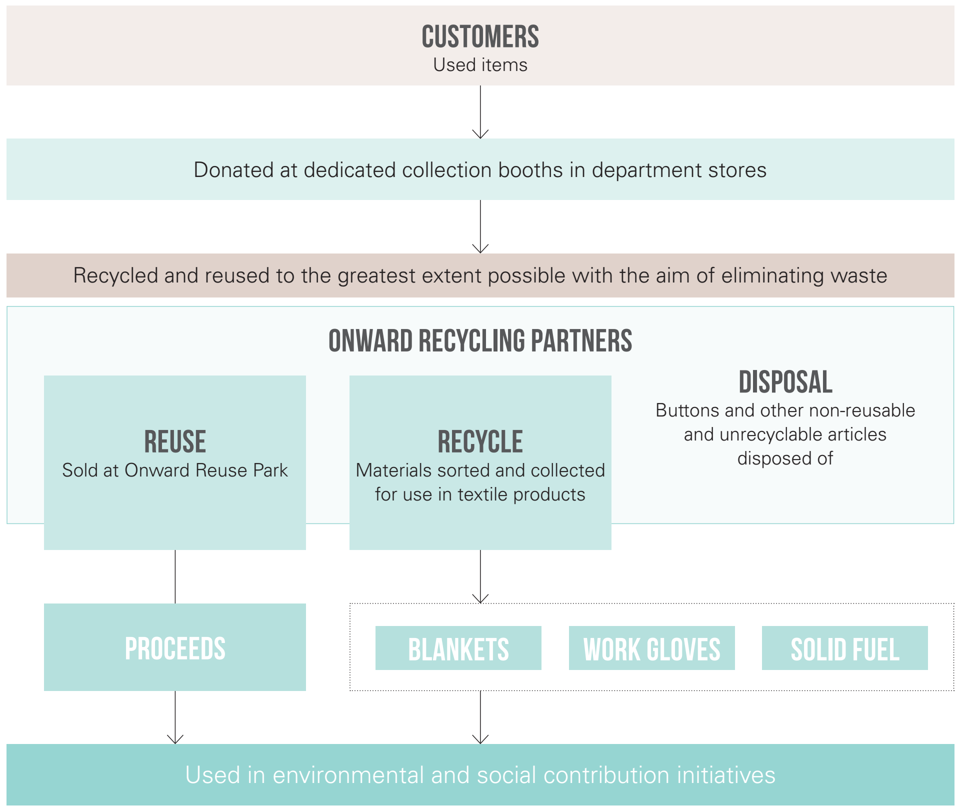
67% RECYCLED
33% REUSED

The Onward Green Campaign is designed to create an apparel life-cycle circulation system. In comparison with 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 the efficient utilization of limited resources and to ensure that our precious environment still exists for future generations to enjoy. Onward Kashiyama collects men's, women's, and children's clothing as well as sportswear and other items sold by Onward Kashiyama at Onward Green Campaign collection booths in department stores.

These items are recycled and reused to the greatest extent possible with the aim of eliminating waste. Certain clothing items are recycled through use as solid fuel. For other garments, we sort and collect usable materials to create blankets, work gloves, and other recycled textile products that contribute to the organization's environmental and social contribution initiatives. In addition, a portion of collected clothing items are sold at Onward Reuse Park, and the proceeds from these sales are used to fund environmental and social contribution initiatives.

>>> For details regarding Onward Reuse Park, please refer to page 35.

RECYCLING PROCESS



TIE-UP WITH THE JAPANESE RED CROSS SOCIETY

Under the Onward Green Campaign, and utilizing the extensive Red Cross network that reaches 185 countries throughout the world, Onward cooperates with the Japanese Red Cross Society in distributing blankets and work gloves to areas that have been affected by, and are in the process of recovery from, a natural disaster. Work gloves have also been donated domestically to individuals involved in forest preservation efforts in addition to being distributed and utilized as a part of an awareness-building campaign.

SUPPORT PROGRAMS USING RECYCLED BLANKETS

First support program:
May 2010

1 BANGLADESH

REFUGEE CAMP:

3,000 BLANKETS

Donated to a refugee camp in the Cox's Bazar district of Chittagong, in southeastern Bangladesh, and to a hospital that provides medical care in the area

Second support program:
February 2011

2 KAZAKHSTAN

REFUGEE CAMP:

3,300 BLANKETS

Donated to refugees, orphans, other socially marginalized people, and communities in the city of Almaty

Third support program:
September 2011

3 JAPAN

REGIONS HEAVILY IMPACTED BY THE GREAT EAST JAPAN EARTHQUAKE:

1,000 BLANKETS

Donated to 31 community centers in Miyagi Prefecture that were affected by the Great East Japan Earthquake

Fourth support program:
March 2012

4 CHINA

REGIONS HEAVILY IMPACTED BY THE 2008 SICHUAN EARTHQUAKE:

2,000 BLANKETS

Donated to a school and other facilities located in the mountainous regions of Sichuan Province that were affected by the earthquake in 2008

Fifth support program:
September 2012

5 MONGOLIA

IMPOVERISHED AREA:

2,000 BLANKETS

Donated to the area referred to locally as "dzud" that is periodically afflicted with severe snow damage
(It is not uncommon for people living in impoverished areas to share one blanket during this period.)

Sixth support program:
October 2013

6 NEPAL

IMPOVERISHED AREA:

4,000 BLANKETS

Donated to senior citizens and children living in social welfare facilities, where they are forced to face harsh winters each year without sufficient protection against the cold

Seventh support program:
October 2014

7 MYANMAR

IMPOVERISHED AREA:

4,000 BLANKETS

Donated to impoverished individuals, special needs schools, and children living in orphanages in Myanmar

8 VIETNAM / 9 NEPAL

IMPOVERISHED AREA:

2,000 BLANKETS TO EACH AREA

Eighth and ninth support program:
October 2015

OTHER ACTIVITIES

ONWARD REUSE PARK—USED ONWARD PRODUCTS OFFERED AT DISCOUNTED PRICES

Onward Reuse Park

Onward Holdings opened Onward Reuse Park in Tokyo as a base for conveying the Group's environmental and social contribution initiatives. In addition, Onward Reuse Park sells used Onward products at discounted prices, and the proceeds from these sales are used to fund further environmental and social contribution initiatives. This store was the first in the industry to employ such a sales model.

KIBOU311 PARTICIPATION IN CHERRY TREE PLANTING EVENT

KIBOU311 is a Great East Japan Earthquake relief project promoted on a global scale by DORMEUIL, a French manufacturer of luxury men's apparel. Donations collected through this project are provided to LOOM NIPPON, which uses the donations in turn to fund cherry tree planting events.

REDUCED ENVIRONMENTAL FOOTPRINT THROUGH LOW-EMISSION VEHICLES

Across Transport is conducting a number of initiatives to reduce its environmental footprint. These activities include the optimization of vehicle allocation and transport routes; the promotion of and education regarding environmentally friendly driving through the use of digital tachographs; the promotion of the cessation of vehicle idling; and the introduction of CNG vehicles, hybrid vehicles, and other low-emission vehicles.

WORKING CONDITIONS INSPECTIONS

Onward Kashiyama has been working with affiliated sewing factories in Japan and overseas to improve the quality of products sold in department stores, raise productivity, and manage the safety of products. We also emphasize the importance of properly manufacturing products in factories while guaranteeing safe working conditions. Such affiliated factories and other facilities are regularly inspected by the Company and third-party organizations to improve working conditions by ensuring employee safety and eliminating compulsory labor and extensive work periods.

BIO TECH JACKET—ECOLOGICAL-WEAR THAT RETURNS TO THE EARTH

Since 2010, Onward Kashiyama has been offering the Bio Tech Jacket, an ecological product that returns to the earth. This item is highly fashionable and yet is made of only biodegradable materials, which means that it will be broken down by natural bacteria and returned to the soil after disposal.

FOREST PRESERVATION INITIATIVES AT TOSAYAMA ONWARD RAINBOW FOREST

In 2008, Onward entered into a partnership agreement with the city of Kochi and the Kochi City Forestry Association and has been participating in forest preservation efforts at Tosayama Onward Rainbow Forest, a forest approximately 45 hectares in size that is located in Kochi Prefecture. With the cooperation of local communities, we are conducting a forest regeneration program that includes forest thinning twice a year.

CORPORATE GOVERNANCE

OUR BASIC APPROACH TO CORPORATE GOVERNANCE

The Onward Group believes that responding promptly to changes in its business environment and ensuring a level of corporate governance that enhances the health, fairness, transparency, and compliance of its management and operations is one of its important responsibilities and integral to increasing corporate and shareholder value. On this basis, every effort is being made to build trusting relationships with all stakeholders, including shareholders, and to strengthen the Group's management systems as well as the effectiveness of the General Meeting of Shareholders, the Board of Directors, and the Audit & Supervisory Board. In this manner, the Onward Group is working diligently to bolster its corporate governance.

DIRECTORS AND THE BOARD OF DIRECTORS

In order to further clarify the management responsibilities of directors, to increase the ability and opportunity to gain the confidence of shareholders, and to put in place an optimal and agile management framework that is capable of responding to changes in the business environment in a timely manner, the Company has set the term of directors at one year. In addition, two of the seven-member Board of Directors are appointed from outside the Company and selected on the basis of their high level of independence. This initiative is aimed at reinforcing the supervisory function of the Board.

REASONS FOR THE APPOINTMENT OF OUTSIDE DIRECTORS

Name	Reasons for Appointment as an Outside Director
Hachiro Honjo	We are expecting Mr. Honjo to use his business and management experience as a corporate officer to enhance the Company's management, based on his broad perspective, free from the industry to which the Company belongs.
Yoshihide Nakamura	We are expecting Mr. Nakamura to use his abundant experience and knowledge as a member of the management of other companies to enhance the Company's management.

AUDIT & SUPERVISORY BOARD MEMBERS AND THE AUDIT & SUPERVISORY BOARD

The Company has adopted an Audit & Supervisory Board structure, under which the Company has appointed four audit and supervisory board members, two of whom are outside audit and supervisory board members. Audit and supervisory board members have also assigned staff to assist them in carrying out their duties and to strengthen their supervisory function. Each member audits and monitors the performance of directors; responsibilities include reviewing the documentation of important decisions and attending important meetings, such as the Board of Directors' meetings, Group financial account settlement meetings, and Group Business Management meetings, in accordance with audit policies and the roles delegated by the Audit & Supervisory Board. In addition, the Internal Control Division and each department are under periodic monitoring in an effort to establish an effective and lawful corporate structure.

The Audit & Supervisory Board meets with the Representative Director and the Accounting Auditor on a regular basis to share and exchange information and opinions. This initiative is also designed to ensure that a structure is in place that is capable of conducting audits in an effective and lawful manner. Moreover, the Audit & Supervisory Board receives reports from each member in accordance with audit policies and the roles delegated by the Board. Deliberations are undertaken and resolutions made based on this information as required.

REASONS FOR THE APPOINTMENT OF OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS

Name	Reasons for Appointment as an Outside Audit & Supervisory Board Member
Jotaro Yabe	We are expecting Mr. Yabe to use his wide range of experience in government organizations and his deep insight to oversee the Company's operations.
Katsuaki Ohashi	We are expecting Mr. Ohashi to use his broad knowledge and deep insight as a former academic to oversee the Company's operations.

BUSINESS EXECUTION STRUCTURE

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

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

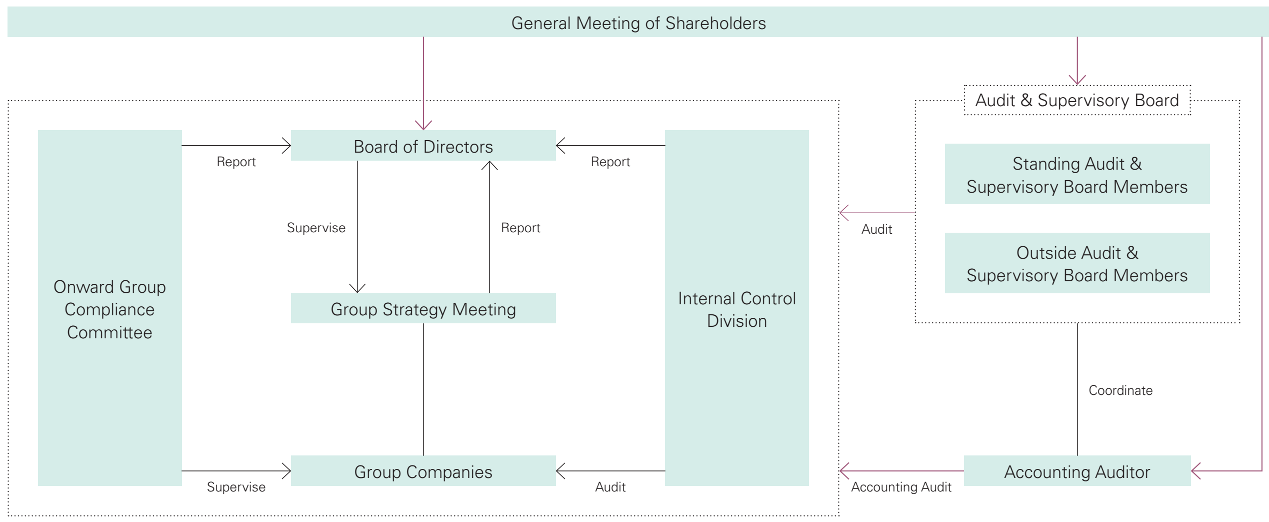
Moreover, the Group has introduced an executive officer system with the aim of clarifying other management decision-making and business execution functions. In order to facilitate agile decision making as a corporate group, the Onward Group Strategy Meeting and the Group Business Management Meeting have been established. At these meetings, management strategies and the important management matters of operating companies are debated and the state of operations is reviewed.

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

DIRECTORS' AND AUDIT & SUPERVISORY BOARD MEMBERS' COMPENSATION

Compensation paid to directors, excluding outside directors, comprises a basic compensation component, bonuses, and stock options.

CORPORATE GOVERNANCE STRUCTURE



The total amounts of compensation paid by officer classification, the total amounts of compensation paid by type of compensation, and details of the number of eligible officers are presented as follows.

Officer Classification	Total Amount of Compensation Paid (Millions of Yen)	Total Amount of Compensation Paid by Type of Compensation (Millions of Yen)			Number of Eligible Officers
		Basic Compensation	Bonuses	Stock Options	
Directors (excluding outside directors)	394	231	97	65	6
Audit & Supervisory Board Members (excluding outside audit and supervisory board members)	36	36	—	—	2
Outside Officers	40	40	—	—	4

Payments of compensation to persons that exceed ¥100 million are disclosed on an individual basis and are presented as follows.

Total amount of consolidated compensation by officer

Name (By Officer Classification)	Total Amount of Consolidated Compensation Paid (Millions of Yen)	Company Classification	Total Amount of Consolidated Compensation Paid by Type of Compensation (Millions of Yen)		
			Basic Compensation	Bonuses	Stock Options
Takeshi Hirouchi (Director)	161	Filing company	94	39	26

COMPLIANCE STRUCTURE

Recognizing that society as a whole is placing greater emphasis on efforts aimed at upgrading and expanding compliance structures, the Onward Group has positioned compliance as an important issue for management. Further, by enhancing its corporate governance systems, the Company aims to earn high levels of trust among its customers and shareholders and from society as a whole. In specific terms, the Group published the Compliance Manual to clearly outline the direction of compliance activities, taking into consideration ethical concerns and social norms. Established by the Board of Directors, the Onward Group Compliance Committee takes the lead in conducting continuing educational activities, including in-house training, as a part of efforts to ensure widespread awareness and understanding. Moreover, the Compliance Division has been positioned to oversee compliance, with energies channeled toward building and promoting an Onward Group compliance structure that is underpinned by the Compliance Manual, which is in turn based on the Onward Compliance Regulations.

RISK MANAGEMENT STRUCTURE

The Onward Risk Management Regulations were established with the purpose of guiding the development of the Company's risk management structure. The Compliance Division is responsible for the development of the 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 in order to respond appropriately to such risks.

BOARD OF DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND EXECUTIVE OFFICERS

As of September 1, 2015

BOARD OF DIRECTORS

Representative Director, Chairman
TAKESHI HIROUCHI

Representative Director, President
MICHINOBU YASUMOTO

Senior Managing Director
MASAAKI YOSHIZAWA

Director,
Representative Director, President,
Onward Kashiyama Co., Ltd.
AKINORI BABA

Director
HISAYUKI ICHINOSE

Outside Directors
HACHIRO HONJO
YOSHIHIDE NAKAMURA

AUDIT & SUPERVISORY BOARD MEMBERS

Standing Audit & Supervisory Board Members
HITOSHI AOYAMA
KENICHIRO TAMAI

Outside Audit & Supervisory Board Members
JOTARO YABE
KATSUAKI OHASHI

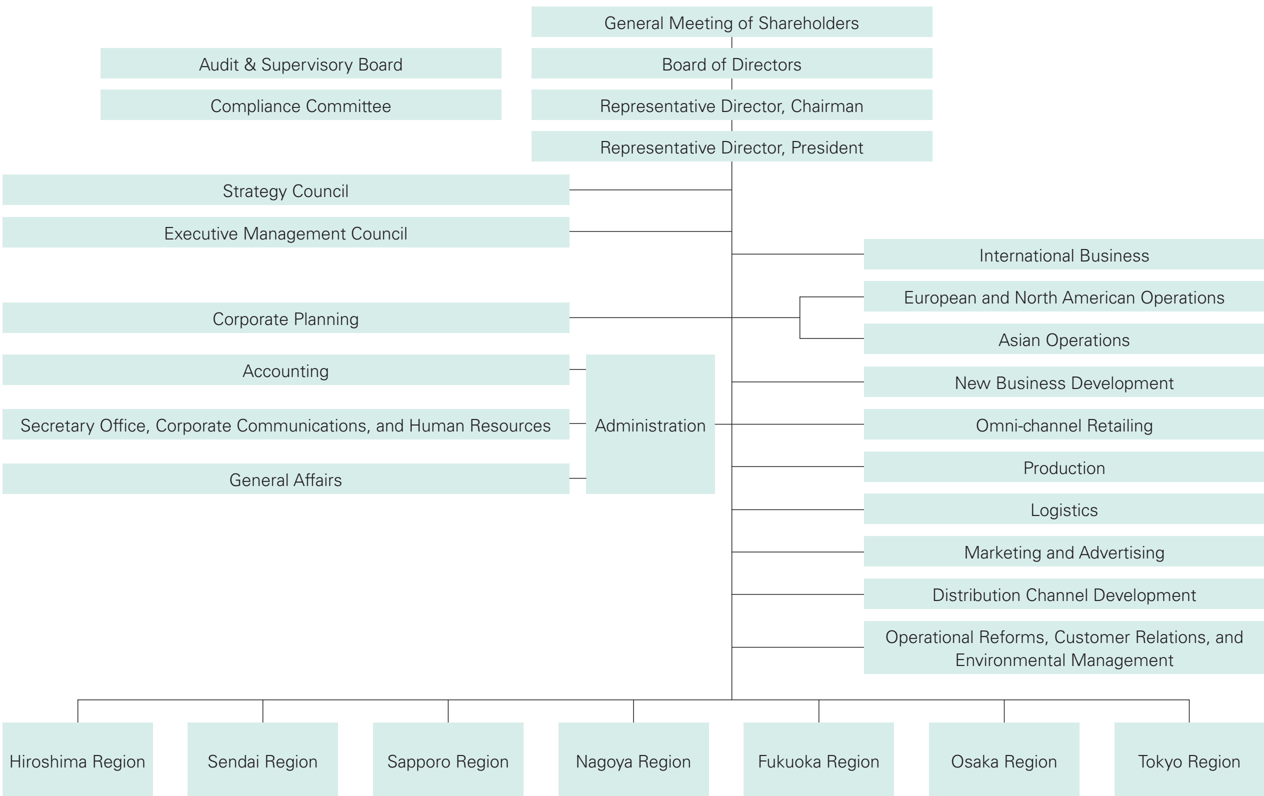
EXECUTIVE OFFICERS

Managing Executive Officers
KENICHI IIZUKA
TSUNENORI SUZUKI
MICHIO OHSAWA
HIROKAZU YOSHIZATO
EIHACHIRO UMEMIYA
IZUMI SUGITA

Executive Officers
YOSHIHIRO GOTOU
KAZUYUKI SUEMATSU
TOMOHIKO SAKAMOTO
OSAMU MIWA
TAKASHI SUDO
MASANORI SHOZU
MASAHIKO YAMASHITA
TAKEHIRO SHIRAISHI
HIKOSABURO SEIKE
HIRONOBU MITSUTA
KENJI TAKEUCHI

ORGANIZATION CHART

As of September 1, 2015



FINANCIAL SECTION

CONTENTS

Note: In the financial section, reporting is based on the Annual Securities Report (Yukashoken-Houkokusho) that is filed with the Financial Services Agency (FSA). As a result, information is presented in accordance with the reportable segments Apparel Business and Other Business.

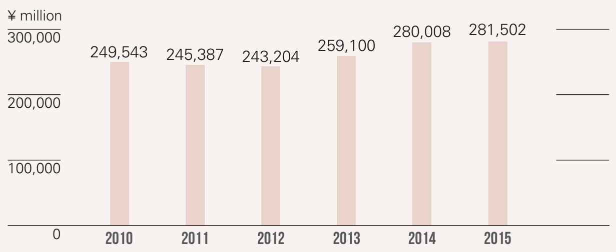
SIX-YEAR FINANCIAL SUMMARY

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

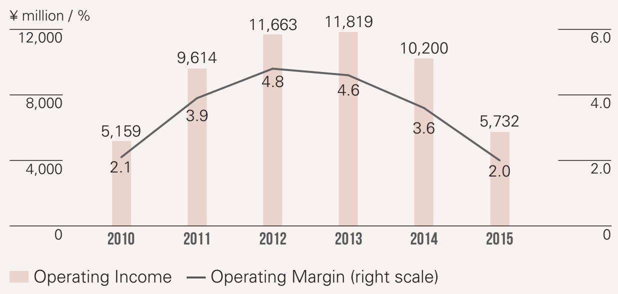
	Millions of yen						Thousands of U.S. dollars*1
	2010	2011	2012	2013	2014	2015	2015
FOR THE YEAR							
Net sales	¥249,543	¥245,387	¥243,204	¥259,100	¥280,008	¥281,502	$2,360,206
Cost of sales	134,592	128,877	127,382	133,983	149,270	152,438	1,278,092
Selling, general and administrative expenses	109,792	106,896	104,160	113,298	120,538	123,332	1,034,058
Operating income	5,159	9,614	11,663	11,819	10,200	5,732	48,056
Ordinary income	6,120	10,497	13,330	13,405	12,211	7,162	60,051
Income taxes, current	4,016	5,555	7,528	7,398	3,112	5,033	42,205
Net income	2,188	2,723	3,529	4,503	4,659	4,204	35,248
CASH FLOWS							
Cash flows from operating activities	14,058	11,207	13,181	10,138	13,362	16,491	138,264
Cash flows from investing activities	(26)	(5,152)	(1,962)	(10,683)	(14,301)	(15,657)	(131,272)
Cash flows from financing activities	(4,890)	(9,272)	(7,449)	(7,848)	2,122	757	6,350
Free cash flow*2	14,032	6,055	11,219	(545)	(939)	834	6,992
Capital expenditures	5,794	5,405	6,230	8,949	16,750	26,884	225,406
Depreciation and amortization	5,747	5,642	5,478	5,721	6,801	7,219	60,525
AT YEAR-END							
Cash and time deposits	34,330	30,939	33,192	24,677	27,376	31,123	260,944
Total current assets	100,680	95,545	98,895	100,320	110,349	117,052	981,401
Total property, plant and equipment	89,742	86,623	82,988	86,862	102,879	109,658	919,412
Total assets	292,569	281,643	276,939	286,779	313,431	340,854	2,857,838
Total current liabilities	90,929	82,677	84,091	100,740	101,010	109,619	919,086
Total shareholders' equity	175,450	174,454	176,320	177,142	178,078	179,880	1,508,171
Total net assets	158,164	158,745	157,303	165,372	175,029	185,315	1,553,744
	Yen						U.S. dollars*1
PER SHARE INFORMATION							
Net income (EPS)	¥ 13.97	¥ 17.38	¥ 22.52	¥ 28.71	¥ 29.69	¥ 26.78	$0.22
Net assets	998.98	1,002.34	995.11	1,043.64	1,102.99	1,166.89	9.78
Cash dividends	24.00	24.00	24.00	24.00	24.00	24.00	0.20
Payout ratio (%)	171.9	138.1	106.6	83.6	80.8	89.6	—
RATIOS							
ROE (%)	1.4	1.7	2.3	2.8	2.8	2.4	—
ROA (%)	0.7	1.0	1.3	1.6	1.6	1.3	—
Operating margin (%)	2.1	3.9	4.8	4.6	3.6	2.0	—
Gross profit margin (%)	46.1	47.5	47.6	48.3	46.7	45.8	—
SGA / Sales (%)	44.0	43.6	42.8	43.7	43.0	43.8	—
Shareholders' equity ratio (%)	53.5	55.8	56.3	57.1	55.2	53.8	—
OTHER INFORMATION							
Number of full-time employees	4,008	3,910	3,993	5,208	5,224	4,973	—

*1. Yen amounts have been translated, for convenience only, at ¥119.27=US$1, the approximate exchange rate on February 28, 2015.
*2. Free cash flow = Cash flows from operating activities + Cash flows from investing activities

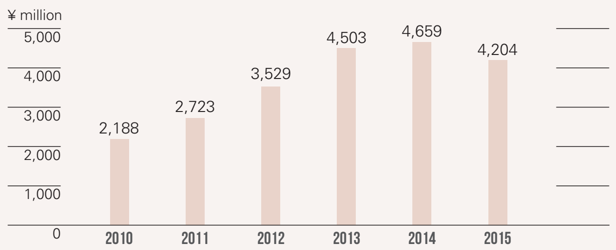
NET SALES



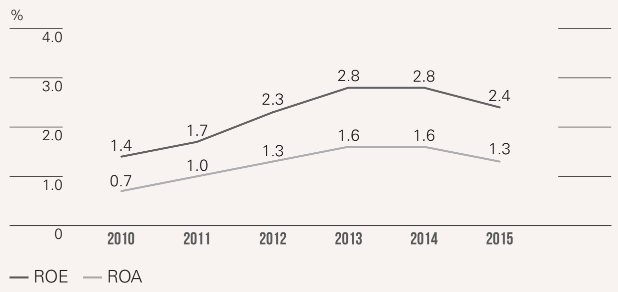
OPERATING INCOME AND OPERATING MARGIN



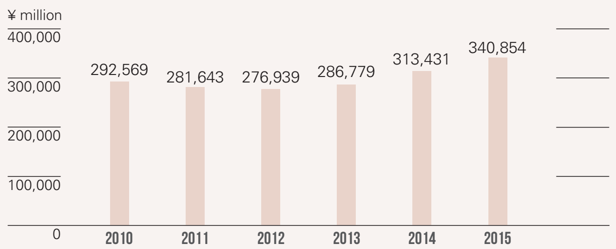
NET INCOME



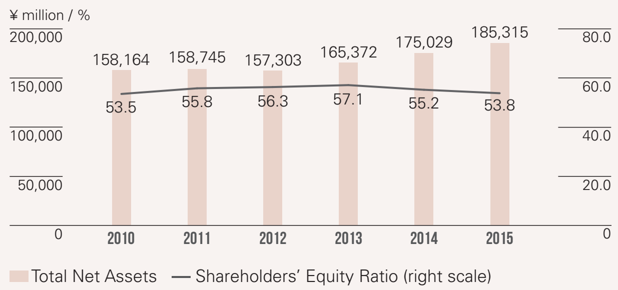
ROE AND ROA



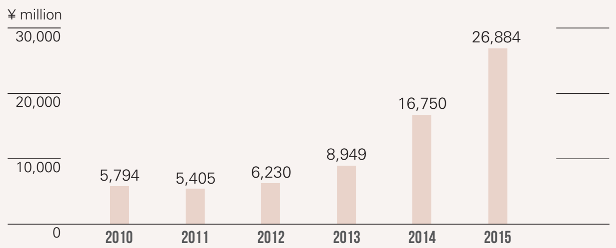
TOTAL ASSETS



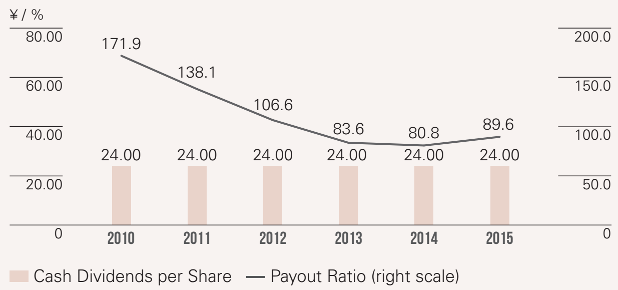
TOTAL NET ASSETS AND SHAREHOLDERS' EQUITY RATIO



CAPITAL EXPENDITURES



CASH DIVIDENDS PER SHARE AND PAYOUT RATIO



MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF OPERATING RESULTS

In fiscal year 2015, ended February 28, 2015, the domestic economy recovered moderately as corporate earnings improved, and the Japanese government and Bank of Japan implemented economic and monetary easing policies. However, sluggish consumer spending continued because the impact of the consumption tax hike persisted for longer than expected, while rapid yen depreciation led to rising prices of daily necessities and real wages continued to decline.

In the domestic apparel and fashion industries, big-ticket items and demand from inbound tourists supported performance, but overall store sales faced difficult conditions, owing to frugal consumer behavior and the impact of successively harsh weather conditions.

In this operating environment, we at the Onward Group selected and concentrated our strategies in businesses both at home and abroad. In addition, we made necessary investments in our core businesses and mainstay brands, while also developing a new IT system for future growth and investing in infrastructure to enhance our management foundations. Furthermore, we completed the reconstruction of our headquarters in November 2014.

In the domestic business, the Onward Group as a whole strove to improve earnings, further pursuing high-quality products, sales environments, and services from the customer's perspective.

Overseas, earnings improved in our European and North American businesses, in line with plans. In Asia, however, the recovery in earnings was delayed.

NET SALES

Sales in the Apparel Business increased 0.5% year on year, to ¥264,301 million, while sales in the Other Business climbed 1.2%, to ¥17,201 million. As a result, consolidated net sales grew 0.5% compared with the previous fiscal year, to ¥281,502 million.

GROSS PROFIT

Cost of sales grew 2.1%, to ¥152,438 million, and gross profit was ¥129,064 million, a decrease of ¥1,674 million compared with the previous fiscal year. This decline was mainly due to higher production costs caused by the weak yen. The gross profit margin declined 0.9 percentage points, from 46.7% in fiscal year 2014 to 45.8% in fiscal year 2015. This decline was mainly due to difficult conditions for full-price sales as consumers became increasingly frugal following the consumption tax hike.

OPERATING INCOME

Selling, general and administrative (SG&A) expenses grew 2.3% year on year, to ¥123,332 million. The ratio of SG&A expenses to net sales was 43.8%, up 0.8 percentage points from 43.0% in the previous fiscal year. This increase was mainly due to one-time costs booked in the second half on the closing of unprofitable businesses and stores, and upfront investment in new subsidiaries. In addition, the operating income margin contracted, from 3.6% to 2.0%, following a decline in the gross profit margin. As a result, operating income decreased ¥4,468 million, to ¥5,732 million.

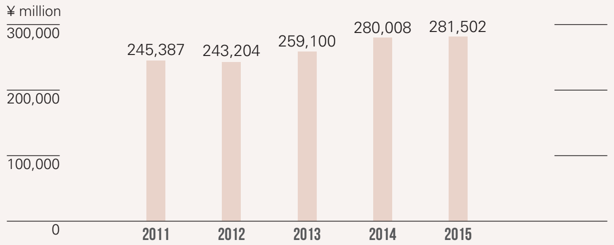
OTHER INCOME (EXPENSES)

Other income, net, amounted to ¥3,663 million, compared with other expenses, net, of ¥725 million in the fiscal previous year. Other expenses were recorded in the forms of impairment loss on fixed assets of ¥1,660 million, up ¥1,337 million year on year, and special retirement expenses of ¥1,901 million, up ¥1,818 million. Nonetheless, gain on sale of investments in securities, net, increased ¥4,472 million, to ¥5,363 million, and the previous fiscal year's loss from dissolution of corporate pension fund of ¥1,264 million was not recorded.

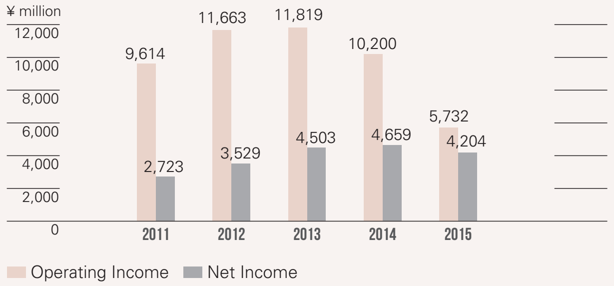
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS AND NET INCOME

Income before income taxes and minority interests was ¥9,395 million, a decrease of ¥80 million, or 0.8%, year on year. Income taxes climbed ¥390 million, or 8.2%, to ¥5,172 million, from ¥4,782 million in the previous fiscal year. Due to these factors, net income was ¥4,204 million, a decline of ¥455 million, or 9.8%, from the previous fiscal year.

NET SALES



OPERATING INCOME AND NET INCOME



SEGMENT INFORMATION

APPAREL BUSINESS

In fiscal year 2015, sales in the Apparel Business segment grew 0.5% year on year, to ¥264,301 million, while operating income decreased 29.1%, to ¥8,797 million.

Domestic Business

At core operating subsidiary Onward Kashiyama, the e-commerce business grew and luxury brands such as JOSEPH and TOCCA sold well, while sales of mainstay brands were also robust despite difficult conditions. However, profits declined from new distribution channels, leading to difficult results. At core subsidiaries, earnings were slow to recover and we made upfront investments in new operating subsidiaries, resulting in a decline in overall profits.

Overseas Business

In Europe, we achieved profitability as earnings significantly improved, in line with plans. In Asia, however, the recovery in earnings was delayed, owing partly to the negative impact of streamlining our store network, and worsening economic conditions.

OTHER BUSINESS

In fiscal year 2015, sales in the Other Business segment increased 1.2% compared with the previous fiscal year, to ¥17,201 million, and operating income increased 34.5%, to ¥390 million.

In our service-related businesses, sales declined for Onward Creative Center, which designs and constructs commercial facilities, but profits increased owing to growth in high-margin new businesses.

Our resort business performed favorably, posting higher sales and profits.

OUTLOOK FOR THE FISCAL YEAR ENDING FEBRUARY 29, 2016

For fiscal year 2016, ending February 29, 2016, we at the Onward Group forecast that net sales will decrease 6.2%, to ¥264,000 million, while operating income will grow 57.0% year on year, to ¥9,000.

As a whole, we expect a recovery in the domestic economy as real economic growth turns positive on the back of robust corporate earnings. In the domestic apparel and fashion industries, however, we think difficult conditions will continue, as consumers' spending patterns become increasingly diversified, and competition between companies heats up.

In this operating environment, we will focus on stable growth in core businesses while aiming to improve profitability, and also develop new businesses in areas with a promising outlook for growth.

DOMESTIC BUSINESS

We will focus on improving profitability in existing core businesses at Onward Kashiyama and other important subsidiaries. In addition, we will also concentrate on subsidiaries where plans are delayed, and on improving new businesses.

OVERSEAS BUSINESS

With earnings growth centered on our European business, we will increase our growth potential in the global market.

FINANCIAL POSITION

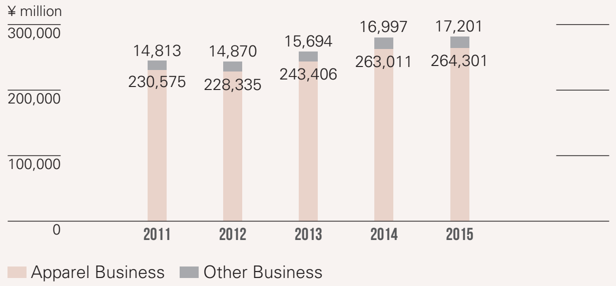
ASSETS

As of February 28, 2015, total assets increased ¥27,423 million from the previous fiscal year-end, to ¥340,854 million. Total current assets grew ¥6,703 million, mainly from gains in cash and deposits, accounts and notes receivable, and inventories. Fixed assets expanded ¥20,720 million, largely owing to rises in buildings and structures on the back of capital expenditure as well as increases in investments in securities, which was a reflection of higher market values of stockholdings.

LIABILITIES

Total liabilities as of February 28, 2015, expanded ¥17,137 million from the previous fiscal year-end, to ¥155,539 million. Total current liabilities grew ¥8,609 million, mainly attributable to an increase in accounts payable. Total long-term liabilities rose ¥8,528 million, due to an increase in long-term loans payable.

SEGMENT SALES



NET ASSETS

As of February 28, 2015, total net assets increased ¥10,286 million from the previous fiscal year-end, to ¥185,315 million. Total shareholders' equity rose ¥1,802 million, reflecting growth in retained earnings. Accumulated other comprehensive income expanded ¥8,391 million, mainly attributable to a rise in net unrealized gains on available-for-sale securities given the improvement in market values of our stockholdings as well as more beneficial foreign currency translation adjustments.

CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities for fiscal year 2015 was ¥16,491 million (¥13,362 million in the previous fiscal year), mainly from income before income taxes, and depreciation and amortization, along with the payment of income taxes.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities for fiscal year 2015 totaled ¥15,657 million (¥14,301 million in the previous fiscal year), mainly due to investments in sales facilities and the acquisition of real estate.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash provided by financing activities for fiscal year 2015 amounted to ¥757 million (¥2,122 million in the previous fiscal year), owing mainly to changes in borrowings and dividends paid. As a result, cash and cash equivalents as of February 28, 2015, moved up ¥2,587 million, to ¥29,818 million.

CAPITAL EXPENDITURES

We at the Onward Group undertake capital expenditures on a continuous basis to upgrade and expand our planning, production, sales, and logistics structures and systems. Our Group's capital expenditures are the wellspring that enables us to address the diverse needs of our customers. In fiscal year 2015, our capital expenditures totaled ¥26,884 million.

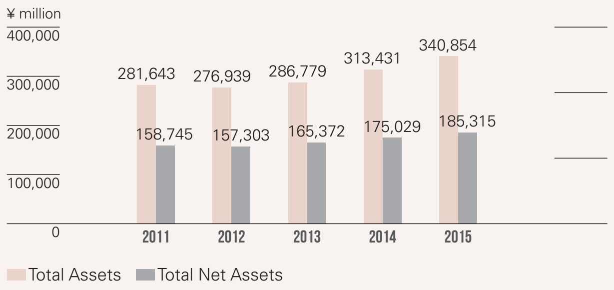
In the Apparel Business segment, capital expenditures amounted to ¥11,501 million, the majority of which was channeled to sales floors at department stores and directly managed stores with the aim of strengthening the Group's sales structure and systems. In the Other Business segment, we at the Onward Group invested ¥778 million to upgrade commercial facilities and enhance operational efficiency.

PROFIT DISTRIBUTION POLICY

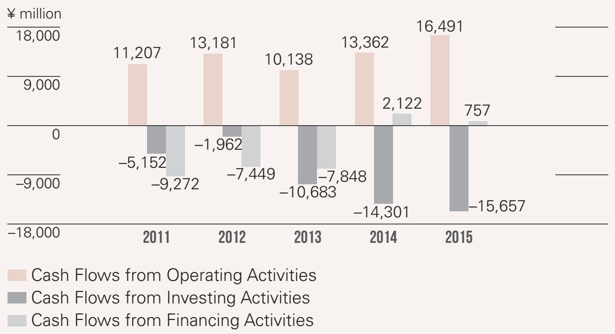
At Onward Holdings, we recognize that the distribution of profits to shareholders is one of our top priorities. Our basic policy is to distribute regular and stable dividends to shareholders based on our business performance, and we target a dividend payout ratio of at least 35%. For fiscal year 2015, we have decided to distribute a cash dividend of ¥24.00 per share.

Treasury stock acquisitions will be conducted based on funding requirements. Additionally, we intend to utilize our retained earnings flexibly and adopt a balanced approach to meet our funding requirements. Based on this policy, our retained earnings will be used for strategic investments to build a solid business foundation and strengthen our financial position as and when we consider appropriate.

TOTAL ASSETS AND TOTAL NET ASSETS



CASH FLOWS



OPERATING RISKS

Risks that may have an impact on our Group's operations are outlined as follows. After determining the potential for these risks to materialize, we at the Onward Group will implement measures designed to mitigate these risks or to minimize their impact.

Forward-looking statements in this section are based on the Group's judgments in light of information available at the time this report was prepared.

CHANGES IN CONSUMER NEEDS

To respond accurately to customer needs regarding fashion products, we work to develop original and competitive products through the implementation of our Brand-Leverage Management policy. However, our performance targets in our business plan may be challenging at times due to a number of external factors, such as sluggish consumer spending as a result of fluctuations in economic conditions, increased competition, and sudden changes in fashion trends. Falling short of our targets may have an impact on our Group's performance.

WEATHER CONDITIONS AND DISASTERS

Sales of our Group's mainstay fashion products may be affected by the weather. Consequently, we as a Group have put in place and continue to strengthen our systems for planning and production for a quick turnaround cycle. However, unseasonal weather over a prolonged period, such as cool weather in the summer or 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 our Group's business performance.

In addition, the occurrence of a natural disaster, such as an earthquake, a flood, a fire or an accident, or an outbreak of an epidemic, such as a new strain of influenza, may compel us at the Onward Group to suspend our business operations. Such an occurrence may have an adverse impact on our Group's business performance.

PRODUCT LIABILITY

We at the Onward Group adhere to strict quality control of our products in accordance with established quality control standards. Despite the implementation of such quality control systems, a product liability incident may still occur as a result of matters relating to our Group or business partners, which may undermine the image of both our Group and brands, leading to a substantial cost burden. Such an outcome may have an adverse impact on our Group's business performance.

BUSINESS PARTNERS

We at the Onward Group have put in place and are strengthening internal systems for periodically assessing the operating conditions and creditworthiness of our business partners. However, we may still incur losses due to bad debts if a business partner fails to fulfill its financial obligations, or as a result of an unexpected bankruptcy of a large retail complex. Such an occurrence may have an adverse impact on our Group's business performance as well.

INTELLECTUAL PROPERTY

We at the Onward Group own trademarks and other intellectual properties in Japan and overseas. We strive to safeguard the rights relating to such property in accordance with laws and regulations. However, in the event of an infringement of such rights by a third party, both the image of our Group and brand image may be undermined, resulting in impairment of our Group's product development activities. Such an occurrence may have an adverse impact on our Group's business performance.

Moreover, we at the Onward Group are actively engaged in licensed brand business activities. In undertaking these activities, we as a Group secure rights to use intellectual property owned by our overseas partners. For unexpected reasons, the relevant contracts may be cancelled or the terms and conditions may become unfavorable upon renewal. Such an outcome may have an adverse impact on our Group's business performance.

LEGAL PROCEDURES AND COMPLIANCE

In doing business, the Onward Group pays careful attention to laws and regulations—including those concerning antitrust, the treatment of subcontractors, labeling, 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 maintaining internal control procedures. Despite the implementation of such control systems, an issue may arise as a result of the illegal acts of an employee or a business partner and may undermine the trust placed in the Company by society, leading to a substantial cost burden, such as the payment of indemnities. Such an eventuality may have an adverse impact on our Group's business performance.

INFORMATION SECURITY

We at the Onward Group have implemented comprehensive measures aimed at ensuring the security of our information systems. Regarding the treatment of personal information, we have established "Guidelines concerning the Personal Information Protection Law" and strive to enhance information security awareness among all officers and employees. Although we as a Group are strengthening our information management systems, an issue may arise as a result of an information leak due to unauthorized access in our Group's computer systems or criminal behavior that may undermine the trust placed in us by society, leading to an increased cost burden. Such an occurrence may have an adverse impact on our Group's business performance.

OVERSEAS BUSINESS OPERATIONS

Our overseas business operations of the Onward Group are exposed to a range of risks, including natural disasters, political turmoil, changes in social and economic conditions, terrorism, war, fluctuations in foreign currency exchange rates, lawsuits related to intellectual property, and infectious diseases. In the event that such a risk materializes, it may become difficult for us to continue our business operations in the affected region. Such an occurrence may have an adverse impact on our Group's business performance.

BUSINESS AND CAPITAL TIE-UPS

As a part of our growth strategies, we at the Onward Group undertake a variety of investments in Japan and internationally through a broad spectrum of vehicles, including M&A transactions. In the event of deterioration in business performance and financial position owing to a change in the business environment that exceeds expectations, we may record a loss on impairment of goodwill. Such an occurrence may have an adverse impact on our Group's business performance.

CONSOLIDATED BALANCE SHEETS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2014 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
ASSETS	2014	2015	2014
Current assets:			
Cash and time deposits (Notes 3 and 10)	¥ 27,376	¥ 31,123	$ 260,944
Accounts and notes receivable (Note 3)	28,251	30,793	258,177
Inventories (Note 2. (4))	40,680	43,862	367,757
Deferred tax assets (Note 12)	5,109	4,066	34,088
Other current assets	9,568	8,132	68,181
Less: Allowance for bad debt	(635)	(924)	(7,746)
Total current assets	110,349	117,052	981,401
Property, plant and equipment (Note 6):			
Buildings and structures	80,723	82,220	689,363
Leased assets	8,073	8,804	73,814
Other depreciable property	33,089	35,747	299,719
Less: Accumulated depreciation	(75,328)	(79,148)	(663,605)
	46,557	47,623	399,291
Land (Note 13)	56,322	62,035	520,121
Total property, plant and equipment	102,879	109,658	919,412
Intangible assets, net:			
Goodwill	29,741	26,569	222,762
Other	4,536	7,487	62,774
Total intangible assets, net	34,277	34,056	285,536
Investments and other assets:			
Investments in securities (Notes 3 and 4)	49,162	54,162	454,113
Long-term loans receivable	5,446	2,294	19,235
Long-term prepaid expenses	1,182	1,119	9,382
Net defined benefit asset (Note 8)	—	3,267	27,389
Deferred tax assets (Note 12)	3,079	1,168	9,794
Other investments	10,029	18,726	157,012
Less: Allowance for bad debt	(2,972)	(648)	(5,436)
Total investments and other assets	65,926	80,088	671,489
Total assets	¥313,431	¥340,854	$2,857,838

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
LIABILITIES AND NET ASSETS	2014	2015	2015
Current liabilities:			
Accounts and notes payable (Note 3)	¥ 38,306	¥ 40,341	$ 338,230
Short-term loans payable (Notes 3 and 14)	41,825	42,404	355,531
Current portion of long-term loans payable (Notes 3 and 14)	3,132	3,250	27,246
Accrued income taxes	956	3,178	26,649
Accrued bonuses to employees	1,286	1,155	9,682
Accrued bonuses to directors	186	166	1,390
Allowance for sales returns	497	405	3,395
Provision for point program	264	331	2,778
Other current liabilities (Notes 12 and 14)	14,558	18,389	154,185
Total current liabilities	101,010	109,619	919,086
Long-term liabilities:			
Bonds (Note 14)	150	100	838
Long-term loans payable (Notes 3 and 14)	13,902	20,979	175,893
Deferred tax liabilities—revaluation of land (Notes 12 and 13)	3,966	3,209	26,907
Accrued retirement benefits (Note 8)	3,421	—	—
Net defined benefit liability (Note 8)	—	4,126	34,595
Lease obligations (Note 14)	5,981	5,892	49,400
Accrued retirement benefits for directors and corporate auditors	137	142	1,194
Other long-term liabilities (Note 12)	9,835	11,472	96,181
Total long-term liabilities	37,392	45,920	385,008
Total liabilities	138,402	155,539	1,304,094
Net assets:			
Shareholders' equity (Note 15):			
Common stock:			
Authorized—400,000,000 shares			
Issued—172,921,669 shares at February 28, 2014 and February 28, 2015, respectively	30,080	30,080	252,198
Capital surplus	50,043	50,043	419,579
Retained earnings	121,008	122,590	1,027,832
Less: Treasury stock, at cost, 15,988,357 shares and 15,846,086 shares at February 28, 2014 and February 28, 2015, respectively	(23,053)	(22,833)	(191,438)
Total shareholders' equity	178,078	179,880	1,508,171
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities (Note 4)	5,005	11,207	93,961
Deferred gain (loss) on hedging instruments	(33)	147	1,234
Net revaluation loss of land (Note 13)	(12,503)	(13,871)	(116,300)
Foreign currency translation adjustments	2,550	5,139	43,088
Remeasurements of defined benefit plans (Note 8)	—	788	6,611
Total accumulated other comprehensive income	(4,981)	3,410	28,594
Stock acquisition rights	823	871	7,306
Minority interests in consolidated subsidiaries	1,109	1,154	9,673
Total net assets	175,029	185,315	1,553,744
Total liabilities and net assets	¥ 313,431	¥340,854	$2,857,838

Per share :	Yen		U.S. dollars (Note 2. (22))
Net assets per share	¥1,102.99	¥1,166.89	$9.78

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2014 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2014	2015	2015
Net sales	¥280,008	¥281,502	$2,360,206
Cost of sales	149,270	152,438	1,278,092
Gross profit	130,738	129,064	1,082,114
Selling, general and administrative expenses	120,538	123,332	1,034,058
Operating income	10,200	5,732	48,056
Other income (expenses):			
Interest income	139	97	809
Dividend income	440	463	3,885
Land and house rent received	717	890	7,461
Interest expenses	(575)	(583)	(4,891)
Equity in losses of investees	(29)	(147)	(1,231)
Foreign currency exchange gain	465	397	3,332
Gain on sale of investments in securities, net (Note 4)	891	5,363	44,968
Gain (Loss) on sales or disposal of fixed assets, net	(1,318)	440	3,686
Impairment loss on fixed assets (Note 7)	(323)	(1,660)	(13,919)
Loss from dissolution of corporate pension fund	(1,264)	—	—
Special retirement expenses	(83)	(1,901)	(15,939)
Other, net	215	304	2,555
Income before income taxes and minority interests	9,475	9,395	78,772
Income taxes (Note 12):			
Current	3,112	5,033	42,205
Deferred	1,670	139	1,163
Income before minority interests	4,693	4,223	35,404
Minority interests in subsidiaries	(34)	(19)	(156)
Net income	¥ 4,659	¥ 4,204	$ 35,248
Per share (Notes 15, 16 and 18):	Yen		U.S. dollars (Note 2. (22))
Net income—basic	¥29.69	¥26.78	$0.22
Diluted net income per share	29.40	26.48	0.22
Cash dividends	24.00	24.00	0.20

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2014 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2014	2015	2015
Income before minority interests	¥ 4,693	¥ 4,223	$ 35,404
Other comprehensive income			
Net unrealized gain on available-for-sale securities	3,389	6,096	51,110
Deferred gain (loss) on hedging instruments	(67)	180	1,513
Foreign currency translation adjustments	4,768	2,546	21,344
Share of other comprehensive income of associates accounted for using the equity method	451	225	1,891
Total other comprehensive income (Note 9)	8,541	9,047	75,858
Comprehensive income	¥13,234	¥13,270	$111,262
Comprehensive income attributable to:			
Owners of the parent	¥13,098	¥13,176	$110,470
Minority interests	136	94	792

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2014 and February 28, 2015

		Millions of yen					
		Shareholders' equity					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings (Note 16)	Treasury stock	Total
Balance as at March 1, 2013	172,922	¥30,080	¥50,043	¥120,165	¥(23,146)	¥177,142
Cash dividends	—	—	—	(3,765)	—	(3,765)
Net income	—	—	—	4,659	—	4,659
Purchase of treasury stock	—	—	—	—	(7)	(7)
Reissuance of treasury stock	—	—	—	(51)	100	49
Net changes other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	—	—	—	843	93	936
Balance as at February 28, 2014	172,922	30,080	50,043	121,008	(23,053)	178,078
Cash dividends	—	—	—	(3,766)	—	(3,766)
Net income	—	—	—	4,204	—	4,204
Purchase of treasury stock	—	—	—	—	(4)	(4)
Reissuance of treasury stock	—	—	—	(141)	224	83
Reversal of revaluation of land	—	—	—	1,368	—	1,368
Change of scope of consolidation	—	—	—	(83)	—	(83)
Net changes other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	—	—	—	1,582	220	1,802
Balance as at February 28, 2015	172,922	¥30,080	¥50,043	¥122,590	¥(22,833)	¥179,880

	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, 2014	$252,198	$419,579	$1,014,567	$(193,280)	$1,493,064
Cash dividends	—	—	(31,579)	—	(31,579)
Net income	—	—	35,248	—	35,248
Purchase of treasury stock	—	—	—	(35)	(35)
Reissuance of treasury stock	—	—	(1,183)	1,877	694
Reversal of revaluation of land	—	—	11,474	—	11,474
Change of scope of consolidation	—	—	(695)	—	(695)
Net changes other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	13,265	1,842	15,107
Balance as at February 28, 2015	$252,198	$419,579	$1,027,832	$(191,438)	$1,508,171

See accompanying notes to consolidated financial statements.

	Millions of yen								
	Accumulated other comprehensive income								
	Net unrealized gain on available-for-sale securities (Note 4)	Deferred gain (loss) on hedging instruments	Net revaluation loss of land (Note 13)	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 8)	Total	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as at March 1, 2013	¥ 1,532	¥ 34	¥(12,503)	¥(2,484)	¥ —	¥(13,421)	¥724	¥ 927	¥165,372
Cash dividends	—	—	—	—	—	—	—	—	(3,765)
Net income	—	—	—	—	—	—	—	—	4,659
Purchase of treasury stock	—	—	—	—	—	—	—	—	(7)
Reissuance of treasury stock	—	—	—	—	—	—	—	—	49
Net changes other than shareholders' equity	3,473	(67)	—	5,034	—	8,440	99	182	8,721
Total changes during the year	3,473	(67)	—	5,034	—	8,440	99	182	9,657
Balance as at February 28, 2014	5,005	(33)	(12,503)	2,550	—	(4,981)	823	1,109	175,029
Cash dividends	—	—	—	—	—	—	—	—	(3,766)
Net income	—	—	—	—	—	—	—	—	4,204
Purchase of treasury stock	—	—	—	—	—	—	—	—	(4)
Reissuance of treasury stock	—	—	—	—	—	—	—	—	83
Reversal of revaluation of land	—	—	—	—	—	—	—	—	1,368
Change of scope of consolidation	—	—	—	—	—	—	—	—	(83)
Net changes other than shareholders' equity	6,202	180	(1,368)	2,589	788	8,391	48	45	8,484
Total changes during the year	6,202	180	(1,368)	2,589	788	8,391	48	45	10,286
Balance as at February 28, 2015	¥11,207	¥147	¥(13,871)	¥ 5,139	¥788	¥ 3,410	¥871	¥1,154	¥185,315

	Thousands of U.S. dollars (Note 2. (22))								
	Accumulated other comprehensive income								
	Net unrealized gain on available-for-sale securities (Note 4)	Deferred gain (loss) on hedging instruments	Net revaluation loss of land (Note 13)	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 8)	Total	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as at February 28, 2014	$41,959	$ (279)	$(104,826)	$21,381	$ —	$(41,765)	$6,904	$9,299	$1,467,502
Cash dividends	—	—	—	—	—	—	—	—	(31,579)
Net income	—	—	—	—	—	—	—	—	35,248
Purchase of treasury stock	—	—	—	—	—	—	—	—	(35)
Reissuance of treasury stock	—	—	—	—	—	—	—	—	694
Reversal of revaluation of land	—	—	—	—	—	—	—	—	11,474
Change of scope of consolidation	—	—	—	—	—	—	—	—	(695)
Net changes other than shareholders' equity	52,002	1,513	(11,474)	21,707	6,611	70,359	402	374	71,135
Total changes during the year	52,002	1,513	(11,474)	21,707	6,611	70,359	402	374	86,242
Balance as at February 28, 2015	$93,961	$1,234	$(116,300)	$43,088	$6,611	$28,594	$7,306	$9,673	$1,553,744

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2014 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 9,475	¥ 9,395	$ 78,772
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	6,801	7,219	60,525
Impairment loss on fixed assets	323	1,660	13,919
Net amortization of goodwill on consolidation	3,313	3,327	27,893
Increase (decrease) in provision for allowance for bad debt	515	(2,064)	(17,305)
Increase (decrease) in provision for accrued retirement benefits	1,944	—	—
Increase (decrease) in net defined benefit liability	—	(934)	(7,834)
Interest and dividend income	(579)	(560)	(4,694)
Interest expenses	575	583	4,891
Equity in (earnings) losses of investees	29	147	1,231
(Gain) loss on sales or disposal of fixed assets, net	1,318	(440)	(3,686)
(Gain) loss on sale of investments in securities, net	(891)	(5,363)	(44,968)
(Increase) decrease in trade receivables	(325)	(1,450)	(12,157)
(Increase) decrease in inventories	(4,025)	(1,948)	(16,329)
Increase (decrease) in trade payables	2,515	1,175	9,847
Other, net	(3,047)	7,231	60,625
Subtotal	17,941	17,978	150,730
Interest and dividends received	812	687	5,762
Interest paid	(593)	(600)	(5,034)
Income taxes paid	(6,283)	(2,595)	(21,761)
Refunded income taxes	1,485	1,021	8,567
Net cash provided by operating activities	13,362	16,491	138,264
Cash flows from investing activities:			
Increase in time deposits	(32)	(1,168)	(9,793)
Decrease in time deposits	35	16	137
Acquisition of property, plant and equipment	(13,678)	(22,182)	(185,979)
Proceeds from sale of property, plant and equipment	694	2,806	23,525
Acquisition of investments in securities	(125)	(543)	(4,553)
Proceeds from sale of investments in securities	2,268	10,170	85,266
Payments for long-term prepaid expenses	(871)	(586)	(4,910)
Payments for security deposits	(1,333)	(1,394)	(11,684)
Proceeds from security deposits	1,275	1,317	11,043
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(13)	(205)	(1,715)
Other, net	(2,521)	(3,888)	(32,609)
Net cash used in investing activities	(14,301)	(15,657)	(131,272)

	Millions of yen		Thousands of U.S. dollars (Note 2. (22))
	2014	2015	2015
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	10,504	(875)	(7,339)
Proceeds from long-term loans payable	15,354	10,000	83,843
Repayments of long-term loans payable	(19,015)	(3,358)	(28,151)
Acquisition of treasury stock	(7)	(4)	(35)
Dividends paid by the parent company	(3,765)	(3,766)	(31,579)
Dividends paid to minority shareholders	(58)	(83)	(694)
Other, net	(891)	(1,157)	(9,695)
Net cash provided by financing activities	2,122	757	6,350
Effect of exchange rate changes on cash and cash equivalents	1,486	835	7,003
Net increase (decrease) in cash and cash equivalents	2,669	2,426	20,345
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	17	161	1,350
Cash and cash equivalents at beginning of year	24,545	27,231	228,312
Cash and cash equivalents at end of year (Note 10)	¥ 27,231	¥29,818	$250,007

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ONWARD HOLDINGS Co., Ltd. and Subsidiaries
For the years ended February 28, 2014 and February 28, 2015

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 81 subsidiaries as at February 28, 2015 (81 as at February 28, 2014). The accompanying consolidated financial statements include the accounts of the Company and 72 of its subsidiaries (69 for 2014). 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 28
Onward Trading Co., Ltd.	100.0	February 28
Chacott Co., Ltd.	100.0	February 28
Creative Yoko Co., Ltd.	100.0	February 28
Island Co., Ltd.	100.0	February 28
Onward Global Fashion Co., Ltd.	100.0	February 28
Birz Association Co., Ltd.	100.0	February 28
Bus Stop Co., Ltd.	100.0	February 28
Onward Luxury Group S.p.A.	100.0	November 30
Project Sloane Ltd.	100.0	November 30
Joseph Ltd.	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 28
Onward Creative Center Co., Ltd.	100.0	February 28
Booklet Co., Ltd.	100.0	February 28
Excel Co., Ltd.	100.0	February 28
Onward Resort & Golf Co., Ltd.	100.0	February 28
Onward Life Design Network Co., Ltd.	100.0	February 28
Onward Beach Resort Guam, Inc.	100.0	December 31
Onward Mangilao Guam, Inc.	100.0	December 31

Intimates Co., Ltd. was newly established, and TOYO FRAME Co., LTD., and Mother International CO., Ltd. were fully acquired during the year ended February 28, 2015; therefore, these companies became consolidated subsidiaries of the Company.

Horloge Saint Benoit S.A.S., which was an affiliate accounted for using the equity method in the previous fiscal year, and J. Direction Co., Ltd. and Candela International Co., Ltd., which were the Company's unconsolidated subsidiaries in the previous fiscal year, have been included in the scope of consolidation from the year ended February 28, 2015, since their importance has increased.

Although Mother International Co., Ltd. was included in the scope of consolidation due to acquisition of all its shares, it was removed from the scope of consolidation as it was absorbed into Candela International Co., Ltd. due to merger.

Jil Sander Italy S.p.A was absorbed into Onward Luxury Group S.p.A., and Jil Sander America Inc. was absorbed into Onward Luxury Group Inc. due to merger; therefore, these companies were removed from the scope of consolidation.

The financial statements of the aforementioned subsidiaries with fiscal year-ends of December 31 or November 30 have been used for consolidation. Significant adjustments considered necessary due to different closing date from February 28 have been made with consolidation.

The remaining 9 subsidiaries (12 for 2014) 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 18 companies (19 companies for 2014) are accounted for by the equity method for the year ended February 28, 2015.

The Company did not apply the equity method to Onward Italia S.p.A. and others 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 Daidoh 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 28, 2015, the recorded write-downs were ¥11,466 million ($96,135 thousand). For the year ended February 28, 2014, the recorded write-downs were ¥12,247 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) INTANGIBLE ASSETS AND LONG-TERM PREPAID EXPENSES

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
To calculate projected benefit obligations, the Company adopts the straight-line basis for the method of attributing the projected benefits to periods.

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 certain domestic 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 domestic consolidated subsidiaries have earned under the point service program which is for sales promotions. They reserve 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) APPLICATION OF CONSOLIDATED TAXATION SYSTEM
The Company and certain domestic consolidated subsidiaries apply the consolidated taxation system.

(18) 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.

(19) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(20) 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.

(21) 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.

(22) UNITED STATES DOLLAR AMOUNTS
Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥119.27=US$1, the rate of exchange as of February 28, 2015, 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 28, 2015.

(Changes in Presentation Method)
"Royalty income" and "Royalty payment," which were included in "Other income (expenses)" for the prior fiscal year, have been included in "Net sales" and "Cost of sales," respectively.

The Onward Group has accelerated the implementation of our Brand-Leverage Management policy to increase revenues actively in overseas business through measures including reorganization of companies to enhance synergies between high quality production of Onward Luxury Group in Europe and strong brand value of Jil Sander Group. Amid these circumstances, as the quantitative materiality of these accounts is expected to increase in the future, we decided to change the presentation method to more appropriately present the Onward Group's actual situation.

To reflect this changes in presentation, the consolidated financial statements for the year ended February 28, 2014 have been reclassified.

As a result, the amount of ¥935 million, which was presented in "Royalty income" under "Other income" in the consolidated statements of operations for the year ended February 28, 2014, has been reclassified into "Net sales." The amount of ¥157 million, which was presented in "Royalty payment" under "Other expenses" in the consolidated statements of operations for the year ended February 28, 2014, has been reclassified into "Cost of sales."

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

(25) CHANGES IN ACCOUNTING POLICIES
Effective from the year ended February 28, 2015, the Company adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), except for certain provisions described in the main clause of paragraph 35 of the standard and in the main clause of paragraph 67 of the guidance. Accordingly, the Company has changed the method to record projected benefit obligations less plan assets as net defined benefit asset or net defined benefit liability, and recorded unrecognized actuarial differences and unrecognized prior service costs under net defined benefit asset or net defined benefit liability.

The effects of this change were recorded in remeasurements of defined benefit plans included in accumulated other comprehensive income, in accordance with the transitional treatment stated in the paragraph 37 of the standard.

As a result, as of February 28, 2015, net defined benefit asset and net defined benefit liability were recorded in an amount of ¥3,267 million ($27,389 thousand) and ¥4,126 million ($34,595 thousand), respectively. Accumulated other comprehensive income increased ¥788 million ($6,611 thousand). Net assets per share increased ¥5.02 ($0.04).

(26) UNAPPLIED ACCOUNTING STANDARDS
"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview
Accounting standard for retirement benefits and the guidance on accounting standard for retirement benefits has been revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) how unrecognized actuarial differences and unrecognized prior service costs should be accounted for, (b) how projected benefit obligations and service costs should be determined and (c) enhancement of disclosures.

(2) Date of adoption
The Company will adopt the amendments to the method for calculating projected benefit obligations and service costs from the beginning of the fiscal year ending February 29, 2016.

(3) The effect of adopting the accounting standards
The effect is under evaluation at the time consolidated financial statements were prepared.

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. The purpose for loans is for working capital (mainly short-term) and funds of capital investment (long-term). A portion of long-term loans payable are subject to interest rate risk.

Regarding derivatives, forward foreign exchange contracts and interest rate swaps are used to hedge the foreign exchange rate fluctuation risk associated with the operating receivables and payables.

(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.

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 28, 2015 and February 28, 2014 (the closing dates of the consolidated account).

	Millions of yen		
February 28, 2015	Book value	Fair value	Difference
(a) Cash and time deposits	¥ 31,123	¥ 31,123	¥ —
(b) Accounts and notes receivable	30,793	30,793	—
(c) Investment in securities			
Available-for-sale securities	44,390	44,390	—
Investment to affiliates	8,970	4,264	(4,706)
(d) Accounts and notes payable	(40,341)	(40,341)	—
(e) Short-term loans payable	(42,404)	(42,404)	—
(f) Long-term loans payable (Cover current portion of long-term loans payable)	(24,229)	(24,468)	239
(g) Derivative transactions	230	230	—

	Thousands of U.S. dollars		
February 28, 2015	Book value	Fair value	Difference
(a) Cash and time deposits	$ 260,944	$ 260,944	$ —
(b) Accounts and notes receivable	258,177	258,177	—
(c) Investment in securities			
Available-for-sale securities	372,182	372,182	—
Investment to affiliates	75,209	35,747	(39,462)
(d) Accounts and notes payable	(338,230)	(338,230)	—
(e) Short-term loans payable	(355,531)	(355,531)	—
(f) Long-term loans payable (Cover current portion of long-term loans payable)	(203,139)	(205,142)	2,003
(g) Derivative transactions	1,926	1,926	—

	Millions of yen		
February 28, 2014	Book value	Fair value	Difference
(a) Cash and time deposits	¥ 27,376	¥ 27,376	¥ —
(b) Accounts and notes receivable	28,251	28,251	—
(c) Investment in securities			
Available-for-sale securities	39,322	39,322	—
Investment to affiliates	9,024	5,001	(4,023)
(d) Accounts and notes payable	(38,306)	(38,306)	—
(e) Short-term loans payable	(41,825)	(41,825)	—
(f) Long-term loans payable (Cover current portion of long-term loans payable)	(17,034)	(17,206)	172
(g) Derivative transactions	(41)	(41)	—

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, 2014 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
Classification	February 28, 2014	February 28, 2015	February 28, 2015
Investments in securities			
Unlisted equity securities	¥816	¥802	$6,721

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 28, 2015 and February 28, 2014 is as follows:

	Millions of yen			
February 28, 2015	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	¥31,123	¥—	¥—	¥ —
Accounts and notes receivable	30,793	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturities	—	—	—	350
Total	¥61,916	¥—	¥—	¥350

	Thousands of U.S. dollars			
February 28, 2015	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	$260,944	$—	$—	$ —
Accounts and notes receivable	258,177	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturities	—	—	—	2,935
Total	$519,121	$—	$—	$2,935

	Millions of yen			
February 28, 2014	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and time deposits	¥27,376	¥—	¥—	¥ —
Accounts and notes receivable	28,251	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturities	57	—	—	500
Total	¥55,684	¥—	¥—	¥500

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 28, 2015

(a) Available-for-sale securities with readily determinable fair value:
Investments in securities whose fair values were readily determinable at February 28, 2015 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 gain:						
Equity securities	¥43,268	¥23,898	¥19,370	$362,773	$200,373	$162,400
Other	355	133	222	2,982	1,118	1,864
Total	43,623	24,031	19,592	365,755	201,491	164,264
Securities with unrealized loss:						
Equity securities	767	910	(143)	6,428	7,626	(1,198)
Other	—	—	—	—	—	—
Total	767	910	(143)	6,428	7,626	(1,198)
Total	¥44,390	¥24,941	¥19,449	$372,183	$209,117	$163,066

Note: Non-Marketable equity securities of ¥336 million ($2,820 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 28, 2015:

	Millions of yen	Thousands of U.S. dollars
Proceeds from sale of securities	¥10,170	$85,266
Realized gain on sale of securities	5,363	44,968
Realized loss on sale of securities	—	—

(c) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 28, 2015 was ¥9,435 million ($79,110 thousand).

(2) INFORMATION AS OF AND FOR THE YEAR ENDED FEBRUARY 28, 2014

(a) Available-for-sale securities with readily determinable fair value:
Investments in securities whose fair values were readily determinable at February 28, 2014 are summarized as follows:

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities with unrealized gain:			
Equity securities	¥31,905	¥21,645	¥10,260
Other	422	226	196
Total	32,327	21,871	10,456
Securities with unrealized loss:			
Equity securities	6,995	7,426	(431)
Other	—	—	—
Total	6,995	7,426	(431)
Total	¥39,322	¥29,297	¥10,025

Note: Non-Marketable equity securities of ¥336 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, 2014:

	Millions of yen
Proceeds from sale of securities	¥2,268
Realized gain on sale of securities	891
Realized loss on sale of securities	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 28, 2014 was ¥9,504 million.

5. DERIVATIVE TRANSACTIONS

The contract or notional amounts and fair value of derivative financial instruments held as of February 28, 2015 and February 28, 2014 are summarized as follows:
(1) Derivative transactions not subject to hedge accounting:

	Millions of yen		
February 28, 2015	Contract or notional amounts	Fair value	Valuation gain (loss)
Currency option contracts:			
Buy: U.S. dollar call	¥ —	¥—	¥—
Sell: U.S. dollar put	—	—	—
	¥ —	¥—	¥—
Interest rate swap agreements:			
Variable rate receive / variable rate pay	¥300	¥ 0	¥ 0
Variable rate receive / fixed rate pay	—	—	—
Fixed rate receive / variable rate pay	100	(0)	(0)
	¥400	¥ 0	¥ 0

	Thousands of U.S. dollars		
February 28, 2015	Contract or notional amounts	Fair value	Valuation gain (loss)
Currency option contracts:			
Buy: U.S. dollar call	$ —	$—	$—
Sell: U.S. dollar put	—	—	—
	$ —	$—	$—
Interest rate swap agreements:			
Variable rate receive / variable rate pay	$2,515	$ 4	$ 4
Variable rate receive / fixed rate pay	—	—	—
Fixed rate receive / variable rate pay	839	(0)	(0)
	$3,354	$ 4	$ 4

	Millions of yen		
February 28, 2014	Contract or notional amounts	Fair value	Valuation gain (loss)
Currency option contracts:			
Buy: U.S. dollar call	¥ 97	¥ 5	¥ 5
Sell: U.S. dollar put	211	(5)	(5)
	¥308	¥(0)	¥(0)
Interest rate swap agreements:			
Variable rate receive / variable rate pay	¥300	¥ 2	¥ 2
Variable rate receive / fixed rate pay	3	(0)	(0)
Fixed rate receive / variable rate pay	100	1	1
	¥403	¥ 3	¥ 3

(2) Derivative transactions processed by hedge accounting:

	Millions of yen		
February 28, 2015	Hedged Items	Contract or notional amounts	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable	¥4,660	¥265
Euro	Accounts payable	1,475	(37)
Pound	Accounts payable	38	2
Chinese Yuan	Accounts payable	183	(0)
To sell foreign currency:			
U.S. dollar	Accounts receivable	1	(0)
		¥6,357	¥230

February 28, 2015	Hedged Items	Thousands of U.S. dollars Contract or notional amounts	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable	$39,072	$2,219
Euro	Accounts payable	12,370	(307)
Pound	Accounts payable	316	15
Chinese Yuan	Accounts payable	1,535	(3)
To sell foreign currency:			
U.S. dollar	Accounts receivable	9	(2)
		$53,302	$1,922

February 28, 2014	Hedged Items	Millions of yen Contract or notional amounts	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable	¥2,249	¥(31)
Euro	Accounts payable	2,509	(20)
Pound	Accounts payable	121	4
Chinese Yuan	Accounts payable	126	(1)
To sell foreign currency:			
U.S. dollar	Accounts receivable	140	4
		¥5,145	¥(44)

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, 2014 and February 28, 2015 were reduced by ¥8,035 million and ¥7,993 million ($67,014 thousand), respectively, representing accumulated deferred gains from eligible sales.

7. IMPAIRMENT LOSS ON FIXED ASSETS

For the years ended February 28, 2015 and February 28, 2014, the Company reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss as follows:

February 28, 2015

Location	Usage	Description	Millions of yen	Thousands of U.S. dollars
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥739	$6,198
		Other	921	7,721

February 28, 2014

Location	Usage	Description	Millions of yen
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥211
		Other	112

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, 2014 and February 28, 2015 consisted of the following:

	Millions of yen February 28, 2014	 February 28, 2015	Thousands of U.S. dollars February 28, 2015
Buildings and structures	¥211	¥ 739	$ 6,198
Other intangible assets	—	31	258
Other	112	78	657
Land	—	12	97
Goodwill	—	800	6,709
Total	¥323	¥1,660	$13,919

Based on the result of future cash flow analysis that the recoverable amount of goodwill on Birz Association Ltd., which is a considered subsidiary of the Company was less than the carrying amount, the Company recognized impairment loss of ¥800 million ($6,709 thousand) on the remaining unamortized portion of the goodwill for the year ended February 28, 2015.

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 5.1% and 5.5% discount rates for the years ended February 28, 2014 and February 28, 2015, respectively.

8. RETIREMENT PLAN AND RETIREMENT BENEFITS

The Company and its certain subsidiaries have adopted funded and unfunded defined benefit retirement plans as well as defined contribution retirement plans to provide retirement benefits to employees.

Under the defined benefit corporate pension plans, all of which are funded, the Company and its certain subsidiaries make lump-sum payments or pensions to employees based on their salary level and service period. Retirement benefit trusts have been established in certain defined benefit corporate pension plans.

Under the lump-sum retirement payment plans, of which some are funded, the Company and its subsidiaries make lump-sum payments to employees as retirement benefits, based on their salary level and service period. Retirement benefit trusts have been established in some of lump-sum retirement payment plans.

Under the lump-sum retirement payment plans for certain consolidated subsidiaries, net defined benefit liability and net periodic pension expenses are calculated by using the simplified method.

(1) INFORMATION AS OF AND FOR THE YEAR ENDED FEBRUARY 28, 2015

A. Defined benefit plans

(i) Change in projected benefit obligations

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥18,591	$155,878
Service cost	979	8,209
Interest cost	233	1,955
Actuarial differences	(764)	(6,410)
Benefits paid	(2,714)	(22,755)
Others	227	1,904
Balance at end of year	¥16,552	$138,781

(ii) Change in plan assets

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥13,859	$116,198
Expected return on plan assets	235	1,972
Actuarial differences	2,026	16,984
Employer contributions	293	2,460
Benefits paid	(720)	(6,039)
Balance at end of year	¥15,693	$131,575

(iii) Reconciliation from projected benefit obligations and plan assets to net defined benefit asset and liability recognized in the consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
Funded projected benefit obligations	¥ 15,786	$ 132,359
Plan assets	(15,693)	(131,575)
	93	784
Unfunded projected benefit obligations	766	6,422
Net amount of liability and asset recognized in the consolidated balance sheets	859	7,206
Net defined benefit liability	4,126	34,595
Net defined benefit asset	(3,267)	(27,389)
Net amount of liability and asset recognized in the consolidated balance sheets	¥ 859	$ 7,206

(iv) Net periodic pension expenses and their breakdown

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 979	$ 8,209
Interest cost	233	1,955
Expected return on plan assets	(235)	(1,972)
Amortization of unrecognized actuarial differences	228	1,909
Amortization of unrecognized prior service costs	(54)	(449)
Others	(14)	(120)
Net periodic pension expenses	¥1,137	$ 9,532

(v) Remeasurements of defined benefit plans

The components of items recognized in remeasurements of defined benefit plans (before tax effect) are as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service costs	¥ 320	$ 2,681
Unrecognized actuarial differences	909	7,624
Total	¥1,229	$10,305

(vi) Plan assets

(a) Percentage by major category of plans assets is as follows:

Life insurance company general accounts	40%
Equity securities	51%
Bonds	2%
Cash and cash equivalents	7%
Total	100%

Total plan assets include 54% of contribution of securities to retirement benefit trust in the corporate pension plan.

(b) Determination procedure of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Companies consider the current and projected asset allocations, as well as current and future long-term rate of returns for various categories of the plan assets.

(vii) Basis for calculation of actuarial assumptions

Discount rate	1.5%
Long-term expected rate of return on plan assets	1.2% 2.1%

B. Defined contribution plans

The amount to be paid by the Company and certain consolidated subsidiaries to the defined contribution pension plans was ¥434 million ($3,637 thousands) for the year ended February 28, 2015.

(2) INFORMATION AS OF AND FOR THE YEAR ENDED FEBRUARY 28, 2014

The Company and its certain subsidiaries have defined benefit pension plan and plans for lump-sum retirement benefits as defined benefit retirement plans, as well as defined contribution pension plans as defined contribution retirement plans.

The corporate pension fund, which the Company and its certain subsidiaries have adopted, were dissolved on February 27, 2014, by the approval of dissolution obtained from the Minister of Health, Labour and Welfare. As a result of this dissolution, loss from dissolution of corporate pension fund of ¥1,264 million was recognized in other expenses.

The reserve for retirement benefits as of February 28, 2014 is analyzed as follows:

	Millions of yen
	February 28, 2014
Projected benefit obligations	¥ (18,592)
Plan assets (including employee retirement benefit fund)	13,859
Funded status	(4,733)
Unrecognized prior service costs	(371)
Unrecognized actuarial differences	2,106
Subtotal	(2,998)
Prepaid pension cost	423
Accrued retirement benefits	¥ (3,421)

The net periodic pension expense for the years ended February 28, 2014 is as follows:

	Millions of yen
	2014
Service cost	¥ 1,301
Interest cost	381
Expected return on plan assets	(182)
Amortization of unrecognized prior service costs	(54)
Amortization of unrecognized actuarial differences	269
Contributions paid to the defined contribution pension plans	464
Net periodic pension expenses	¥ 2,179

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

	As of February 28, 2014
Method of attributing the projected benefits to periods of service	Straight-line basis
Discount rate	1.5%
Expected rate of return on plan assets	0.0~1.5%
Amortization of unrecognized prior service costs	5~10 years
Amortization of unrecognized actuarial differences	5~10 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES TO CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Other Comprehensive income for the years ended February 28, 2014 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Net unrealized gain on available-for-sales securities:			
Amount arising during the year	¥ 6,302	¥15,211	$127,533
Reclassification adjustment for gain and loss	(984)	(5,787)	(48,519)
Amount before income tax effect	5,318	9,424	79,014
Income tax effect	(1,929)	(3,328)	(27,904)
Total	3,389	6,096	51,110
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(44)	229	1,922
Reclassification adjustment for gain and loss	(70)	44	373
Amount before income tax effect	(114)	273	2,295
Income tax effect	47	(93)	(782)
Total	(67)	180	1,513
Foreign currency translation adjustments:			
Amount arising during the year	4,768	2,546	21,344
Total	4,768	2,546	21,344
Share of other comprehensive income of associates accounted for using the equity-method:			
Amount arising during the year	451	225	1,891
Total	451	225	1,891
Total other comprehensive income	¥ 8,541	¥ 9,047	$ 75,858

10. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and cash equivalents at February 28, 2014 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Cash and time deposits	¥27,376	¥31,123	$260,944
Time deposits with maturities of more than three months	(145)	(1,305)	(10,937)
Cash and cash equivalents	¥27,231	¥29,818	$250,007

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, 2014 and February 28, 2015 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, 2014 and February 28, 2015 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	February 28, 2014			February 28, 2015			February 28, 2015		
	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total
Acquisition cost	¥157	¥108	¥265	¥ 5	¥ 21	¥ 26	$ 40	$181	$221
Accumulated depreciation	(157)	(106)	(263)	(5)	(21)	(26)	(40)	(181)	(221)
Net book value	¥ 0	¥ 2	¥ 2	¥—	¥ —	¥ —	$ —	$ —	$ —

The scheduled maturities of future lease payments on such lease contracts as of February 28, 2014 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Scheduled maturities of future leases:			
Due within one year	¥ 2	¥—	$—
Due over one year	—	—	—
	¥ 2	¥—	$—

Lease expenses, reversal of impairment loss of leased assets, depreciation and impairment loss for the years ended February 28, 2014 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Lease expenses for the year	¥32	¥2	$17
Depreciation	32	2	17

The Companies' operating lease contracts:
The scheduled maturities of future lease payments on operating lease contracts as of February 28, 2014 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Scheduled maturities of future leases:			
Due within one year	¥27	¥—	$—
Due over one year	—	—	—
	¥27	¥—	$—

(Lessor)
Disclosure is omitted because it is immaterial as of February 28, 2014 and February 28, 2015.

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, 2014 and February 28, 2015 consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Deferred tax assets:			
Loss on write-down of inventories	¥ 2,697	¥ 2,473	$ 20,732
Loss on write-down of investments in unconsolidated subsidiaries	184	130	1,093
Accrued bonuses to employees	490	412	3,455
Accrued retirement benefits	2,620	—	—
Net defined benefit liability	—	3,082	25,844
Accrued retirement benefits for directors and corporate auditors	53	55	459
Allowance for bad debt	2,400	372	3,115
Tax loss carry forwards	10,256	10,625	89,085
Impairment loss on fixed assets	6,023	6,193	51,920
Investments in securities	432	432	3,626
Net unrealized loss on available-for-sale securities	37	—	—
Other	5,382	6,069	50,883
Subtotal	30,574	29,843	250,212
Less: Valuation allowance	(19,071)	(18,298)	(153,414)
Total deferred tax assets	11,503	11,545	96,798
Deferred tax liabilities:			
Gain on securities contributed to an employee retirement benefit trust	(126)	(113)	(952)
Net defined benefit asset	—	(1,164)	(9,756)
Provision for deferred capital gain on real property for tax purposes	(18)	(17)	(141)
Net unrealized gain on available-for-sale securities	(3,585)	(6,914)	(57,973)
Other	(597)	(709)	(5,942)
Total deferred tax liabilities	(4,326)	(8,917)	(74,764)
Net deferred tax assets	¥ 7,177	¥ 2,628	$ 22,034

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended February 28, 2014 and February 28, 2015 is as follows:

	%	
	2014	2015
Statutory tax rate	38.0	38.0
Reconciliation:		
Permanently non-deductible expenses (entertainment expenses, etc.)	2.6	2.5
Income not taxable for tax purposes (dividends received, etc.)	(1.5)	(1.6)
Amortization of goodwill	12.3	12.5
Other	(0.9)	3.7
Effective tax rate	50.5	55.1

(Change in tax rates after the closing dates of the consolidated accounts)
On March 31, 2015, "Partial Amendment of the Income Tax Act" (Act No. 9 of 2015) and "Partial Amendment of the Local Tax Act" (Act No. 2 of 2015) were promulgated, and the income tax rate will be reduced from the consolidated fiscal years beginning on or after April 1, 2015. Accordingly, the statutory tax rates applied to the calculation of deferred tax assets and liabilities will be lowered from 35.6% to 33.1% for temporary differences expected to be settled in the fiscal year beginning on March 1, 2016, and to 32.3% for temporary differences expected to be settled in the fiscal years beginning on or after March 1, 2017.

If the revised statutory tax rates are adopted for the year ended February 28, 2015, deferred tax assets, deferred tax liabilities and deferred tax liabilities – revaluation of land will decrease by ¥245 million ($2,057 thousand), ¥527 million ($4,420 thousand) and ¥299 million ($2,508 thousand), respectively, and income taxes - deferred, net unrealized gain on available-for-sale securities, remeasurements of defined benefit plans and net revaluation loss of land will increase by ¥403 million ($3,380 thousand), ¥644 million ($5,399 thousand), ¥41 million ($344 thousand) and ¥299 million ($2,508 thousand), respectively.

13. REVALUATION OF LAND

The Company revaluated its own land for business use in accordance with "Act on Revaluation of Land" (Act No. 34, promulgated on March 31, 1998) and "Act for Partial Revision of Act on Revaluation of Land" (amended on March 31, 2001). The income taxes corresponding to the net unrealized gain are reported in long-term liabilities as deferred tax liabilities-revaluation of land and the net unrealized gain, net of deferred taxes, are reported as net revaluation loss of land in net assets.

Pursuant to Article 2-4 of "Order for Enforcement of Act on Revaluation of Land" (the "Order"; Cabinet Order No. 119, promulgated on March 31, 1998), in order to calculate the land value for a basis of determining the taxable amount subject to land value tax prescribed by Article 16 of "Land Value Tax Law" (Law No. 69 of 1991), in addition to conducting appropriate adjustments for land shape of the assessment, certain lands are determined by the assessed value of the fixed assets stipulated in Article 2-3 of the Order, based on the method established and published by the Director General of National Tax Agency.

The difference between the market value of land subject to the revaluation and the book value as at February 28, 2014 and 2015 was ¥3,460 million and ¥1,774 million ($14,875 thousand), respectively.

14. SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE

Short-term loans payable at February 28, 2014 and February 28, 2015 represented loans, principally from banks. The weighted-average interest rate on these loans was 0.8% in 2014 and 0.7% in 2015.

Long-term loans payable at February 28, 2014 and February 28, 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Unsecured loans, principally from banks, maturing in installments through 2020	¥17,034	¥24,229	$203,139
Less current portion with weighted average interest of 0.8% at February 28, 2015	3,132	3,250	27,246
Long-term loans payable, less current portion with weighted average interest of 0.8% at February 28, 2015	¥13,902	¥20,979	$175,893

Lease obligations at February 28, 2014 and February 28, 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
Lease obligations	¥6,862	¥6,835	$57,305
Less current portion of lease obligations	881	943	7,905
	¥5,981	¥5,892	$49,400

The aggregate annual maturities of long-term loans payable after February 29, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2017	¥ 3,262	$ 27,353
2018	14,669	122,992
2019	3,021	25,327
2020	14	120

The aggregate annual maturities of lease obligations after February 29, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2017	¥792	$6,642
2018	633	5,306
2019	481	4,032
2020	288	2,417

Bonds at February 28, 2014 and February 28, 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	February 28, 2014	February 28, 2015	February 28, 2015
0.90% in 2014 and 2015 unsecured yen bonds issued by a subsidiary, due 2014	40	—	—
0.45% in 2014 and 0.39% in 2015 unsecured yen bonds issued by a subsidiary, due 2018	200	150	1,257
0.99% in 2014 and 2015 unsecured yen bonds issued by a subsidiary, due 2014	10	—	—
	250	150	1,257
Less current portion	100	50	419
	¥150	¥100	$ 838

The aggregate annual maturities of bonds after February 29, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2017	¥50	$419
2018	50	419
2019	—	—
2020	—	—

15. 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, 2014 and February 28, 2015 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 28, 2015, are as follows:

(a) Total dividends	¥3,770 million ($31,607 thousand)
(b) Source of dividends	Retained earnings
(c) Cash dividends per common share	¥24 ($0.20)
(d) Date to determine which shareholders receive the dividends	February 28, 2015
(e) Effective date	May 29, 2015

16. 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, 2014 and February 28, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net income	¥ 4,659	¥ 4,204	$35,248
Less: Components not pertaining to common shareholders	—	—	—
Net income pertaining to common stock	¥ 4,659	¥ 4,204	$35,248
Average outstanding shares of common stock (thousand shares)	156,904	157,006	
Effect of dilutive stock options (thousand shares)	1,581	1,729	

17. RELATED-PARTY TRANSACTIONS

YEAR ENDED FEBRUARY 28, 2015

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 ($61 thousand). Also, Mr. Hirouchi paid a rental fee of ¥16 million ($136 thousand) to the Company for a house. The rental fees were determined by the average market prices.

YEAR ENDED FEBRUARY 28, 2014

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. 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.

18. STOCK OPTIONS

The cost recognized for the stock options for the years ended February 28, 2014 and February 28, 2015 was ¥149 million and ¥131 million ($1,095 thousand), respectively, which is included in selling, general and administrative expenses.

2014 STOCK OPTION PLAN (NO. 16)

Under the 2014 stock option plan (No. 16), stock options were granted to 5 directors of the Company on June 20, 2014. They are exercisable in the period from June 21, 2014 to June 20, 2044. 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.

Number of stock options granted by the type of shares is 122,900 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Fair value at the grant date	¥526 ($ 4.41)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2014 stock option plan (No. 16)
Non-vested:	
Outstanding at February 28, 2014	—
Granted	122,900
Forfeited	—
Vested	—
Outstanding at February 28, 2015	122,900

The fair value of the 2014 stock options (No. 16) was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	31.40%
Expected lives	9 years and 4 months
Expected dividend	¥24 per share
Risk-free interest rate	0.527%

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.

2014 STOCK OPTION PLAN (NO. 15)

Under the 2014 stock option plan (No. 15), stock options were granted to 12 executive officers of the Company, 5 directors and 9 executive officers of the Company's subsidiary on March 20, 2014. They are exercisable in the period from March 21, 2014 to February 29, 2044. 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 officers of the Company, directors or executive officers of the Company's subsidiary.

Number of stock options granted by the type of shares is 146,100 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Fair value at the grant date	¥466 ($ 3.91)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2014 stock option plan (No. 15)
Non-vested:	
Outstanding at February 28, 2014	—
Granted	146,100
Forfeited	6,100
Vested	—
Outstanding at February 28, 2015	140,000

The fair value of the 2014 stock options (No. 15) was estimated using the Black-Scholes option-valuation model with the following assumptions:

Expected volatility	32.04%
Expected lives	8 years and 4 months
Expected dividend	¥24 per share
Risk-free interest rate	0.467%

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.

2013 STOCK OPTION PLAN (NO. 14)

Under the 2013 stock option plan (No. 14), stock options were granted to 5 directors of the Company on June 20, 2013. They are exercisable in the period from June 21, 2013 to June 20, 2043. 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.

Number of stock options granted by the type of shares is 107,000 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Fair value at the grant date	¥629 ($ 5.27)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2013 stock option plan (No. 14)
Non-vested:	
Outstanding at February 28, 2014	107,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2015	107,000

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2013 STOCK OPTION PLAN (NO. 13)

Under the 2013 stock option plan (No. 13), stock options were granted to 14 executive officers of the Company, 6 directors and 9 executive officers of the Company's subsidiary on March 18, 2013. They are exercisable in the period from March 19, 2013 to February 28, 2043. 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.

Number of stock options granted by the type of shares is 151,300 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥697 ($ 5.84)
Fair value at the grant date	¥572 ($ 4.80)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2013 stock option plan (No. 13)
Non-vested:	
Outstanding at February 28, 2014	143,200
Granted	—
Forfeited	—
Vested	2,800
Outstanding at February 28, 2015	140,400
Vested:	
Outstanding at February 28, 2014	—
Vested	2,800
Exercised	2,800
Forfeited	—
Outstanding at February 28, 2015	—

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.

2012 STOCK OPTION PLAN (NO. 12)

Under the 2012 stock option plan (No. 12), stock options were granted to 5 directors of the Company on June 20, 2012. They are exercisable in the period from June 21, 2012 to June 20, 2042. 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.

Number of stock options granted by the type of shares is 141,400 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Fair value at the grant date	¥458 ($ 3.84)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2012 stock option plan (No. 12)
Non-vested:	
Outstanding at February 28, 2014	141,400
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2015	141,400

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.

2012 STOCK OPTION PLAN (NO. 11)

Under the 2012 stock option plan (No. 11), stock options were granted to 1 executive officer of the Company, 9 directors and 18 executive officers of the Company's subsidiary on March 19, 2012. They are exercisable in the period from March 20, 2012 to February 28, 2042. 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 the executive officer of the Company, directors or executive officers of the Company's subsidiary.

Number of stock options granted by the type of shares is 234,700 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥685 ($ 5.74)
Fair value at the grant date	¥444 ($ 3.72)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2012 stock option plan (No. 11)
Non-vested:	
Outstanding at February 28, 2014	174,000
Granted	—
Forfeited	—
Vested	31,600
Outstanding at February 28, 2015	142,400
Vested:	
Outstanding at February 28, 2014	23,300
Vested	31,600
Exercised	4,100
Forfeited	—
Outstanding at February 28, 2015	50,800

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.

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.

Number of stock options granted by the type of shares is 144,800 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Fair value at the grant date	¥510 ($ 4.28)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2011 stock option plan (No. 10)
Non-vested:	
Outstanding at February 28, 2014	79,400
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2015	79,400
Vested:	
Outstanding at February 28, 2014	65,400
Vested	—
Exercised	—
Forfeited	—
Outstanding at February 28, 2015	65,400

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 the executive officer of the Company, directors or executive officers of the Company's subsidiary.

Number of stock options granted by the type of shares is 199,900 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥691 ($ 5.79)
Fair value at the grant date	¥444 ($ 3.72)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2011 stock option plan (No. 9)
Non-vested:	
Outstanding at February 28, 2014	143,300
Granted	—
Forfeited	—
Vested	27,500
Outstanding at February 28, 2015	115,800
Vested:	
Outstanding at February 28, 2014	31,000
Vested	27,500
Exercised	7,200
Forfeited	—
Outstanding at February 28, 2015	51,300

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.

Number of stock options granted by the type of shares is 115,800 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥695 ($ 5.83)
Fair value at the grant date	¥613 ($ 5.14)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2010 stock option plan (No. 8)
Non-vested:	
Outstanding at February 28, 2014	52,300
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2015	52,300
Vested:	
Outstanding at February 28, 2014	52,500
Vested	—
Exercised	32,800
Forfeited	—
Outstanding at February 28, 2015	19,700

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.

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.

Number of stock options granted by the type of shares is 194,600 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥698 ($ 5.85)
Fair value at the grant date	¥475 ($ 3.98)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2010 stock option plan (No. 7)
Non-vested:	
Outstanding at February 28, 2014	114,900
Granted	—
Forfeited	—
Vested	20,900
Outstanding at February 28, 2015	94,000
Vested:	
Outstanding at February 28, 2014	39,200
Vested	20,900
Exercised	7,800
Forfeited	—
Outstanding at February 28, 2015	52,300

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.

Number of stock options granted by the type of shares is 155,000 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥693 ($ 5.81)
Fair value at the grant date	¥432 ($ 3.62)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2009 stock option plan (No. 6)
Non-vested:	
Outstanding at February 28, 2014	72,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2015	72,000
Vested:	
Outstanding at February 28, 2014	57,200
Vested	—
Exercised	57,200
Forfeited	—
Outstanding at February 28, 2015	—

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Number of stock options granted by the type of shares is 268,900 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥711 ($ 5.96)
Fair value at the grant date	¥362 ($ 3.04)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2009 stock option plan (No. 5)
Non-vested:	
Outstanding at February 28, 2014	127,600
Granted	—
Forfeited	—
Vested	27,300
Outstanding at February 28, 2015	100,300
Vested:	
Outstanding at February 28, 2014	34,800
Vested	27,300
Exercised	11,200
Forfeited	—
Outstanding at February 28, 2015	50,900

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. 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.

Number of stock options granted by the type of shares is 91,100 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥712 ($ 5.97)
Fair value at the grant date	¥905 ($ 7.59)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2008 stock option plan (No. 4)
Non-vested:	
Outstanding at February 28, 2014	34,900
Granted	—
Forfeited	—
Vested	6,600
Outstanding at February 28, 2015	28,300
Vested:	
Outstanding at February 28, 2014	8,400
Vested	6,600
Exercised	5,000
Forfeited	—
Outstanding at February 28, 2015	10,000

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.

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.

Number of stock options granted by the type of shares is 70,000 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Average stock price on the date the option was exercised	¥699 ($ 5.86)
Fair value at the grant date	¥944 ($ 7.91)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2008 stock option plan (No. 3)
Non-vested:	
Outstanding at February 28, 2014	32,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2015	32,000
Vested:	
Outstanding at February 28, 2014	20,000
Vested	—
Exercised	20,000
Forfeited	—
Outstanding at February 28, 2015	—

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 of the Company.

Number of stock options granted by the type of shares is 40,000 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Fair value at the grant date	¥1,284 ($ 10.77)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2007 stock option plan (No. 2)
Non-vested:	
Outstanding at February 28, 2014	18,100
Granted	—
Forfeited	—
Vested	1,500
Outstanding at February 28, 2015	16,600
Vested:	
Outstanding at February 28, 2014	—
Vested	1,500
Exercised	—
Forfeited	—
Outstanding at February 28, 2015	1,500

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.

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 of the Company.

Number of stock options granted by the type of shares is 63,000 shares of common stock.

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

Exercise price	¥1 ($ 0.01)
Fair value at the grant date	¥1,541 ($ 12.92)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2015 is as follows:

	2006 stock option plan (No. 1)
Non-vested:	
Outstanding at February 28, 2014	15,500
Granted	—
Forfeited	—
Vested	1,000
Outstanding at February 28, 2015	14,500
Vested:	
Outstanding at February 28, 2014	—
Vested	1,000
Exercised	—
Forfeited	—
Outstanding at February 28, 2015	1,000

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.

19. 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 three categories, "Japan," "Europe," and "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 28, 2015 and February 28, 2014 are as follows:

Millions of yen

	Apparel							
For the year ended February 28, 2015	Japan	Europe	Asia/North America	Total	Other	Total	Adjustments (Note 1)	Consolidated total (Note 3)
Sale to outside customers	¥211,019	¥45,338	¥ 7,944	¥264,301	¥17,201	¥281,502	¥ —	¥281,502
Intersegment sales	1,343	2,485	611	4,439	8,090	12,529	(12,529)	—
Total	¥212,362	¥47,823	¥ 8,555	¥268,740	¥25,291	¥294,031	¥ (12,529)	¥281,502
Segment income (loss)	¥ 10,573	¥ 62	¥(1,838)	¥ 8,797	¥ 390	¥ 9,187	¥ (3,455)	¥ 5,732
Segment assets	¥151,869	¥38,028	¥ 5,725	¥195,622	¥36,307	¥231,929	¥108,925	¥340,854
Depreciation and amortization (Note 2)	¥ 4,158	¥ 1,104	¥ 484	¥ 5,746	¥ 1,072	¥ 6,818	¥ 401	¥ 7,219
Investments in equity-method affiliates	8,970	73	—	9,043	—	9,043	—	9,043
Increases in property, plant and equipment, and intangible assets (Note 2)	10,140	841	520	11,501	778	12,279	14,605	26,884

Thousands of U.S. dollars

	Apparel							
For the year ended February 28, 2015	Japan	Europe	Asia/North America	Total	Other	Total	Adjustments (Note 1)	Consolidated total (Note 3)
Sale to outside customers	$1,769,256	$380,125	$ 66,604	$2,215,985	$144,221	$2,360,206	$ —	$2,360,206
Intersegment sales	11,257	20,839	5,123	37,219	67,830	105,049	(105,049)	—
Total	$1,780,513	$400,964	$ 71,727	$2,253,204	$212,051	$2,465,255	$(105,049)	$2,360,206
Segment income (loss)	$ 88,645	$ 524	$(15,409)	$ 73,760	$ 3,267	$ 77,027	$ (28,971)	$ 48,056
Segment assets	$1,273,323	$318,839	$ 48,001	$1,640,163	$304,413	$1,944,576	$ 913,262	$2,857,838
Depreciation and amortization (Note 2)	$ 34,860	$ 9,256	$ 4,061	$ 48,177	$ 8,985	$ 57,162	$ 3,363	$ 60,525
Investments in equity-method affiliates	75,209	610	—	75,819	—	75,819	—	75,819
Increases in property, plant and equipment, and intangible assets (Note 2)	85,021	7,052	4,355	96,428	6,521	102,949	122,457	225,406

(Notes) 1. Adjustments consist of the following:
(1) The adjustment amount for segment income (loss) of ¥(3,455) million ($(28,971) thousand) includes amortization of goodwill of ¥(3,327) million ($(27,893) thousand), elimination of intersegment sales of ¥3,859 million ($32,351 thousand), and corporate expenses not allocated to reportable segments of ¥(3,987) million ($(33,429) thousand). Corporate expenses are mainly general administrative expenses not allocated to reportable segments.
(2) The adjustment amount for segment assets of ¥108,925 million ($913,262 thousand) includes the unamortized balance of goodwill of ¥26,569 million ($222,762 thousand), elimination of intersegment sales of ¥(134,150) million ($(1,124,761) thousand), and corporate assets not allocated to reportable segments of ¥216,506 million ($1,815,261 thousand). 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 (loss) coincides with the amount of operating income in the consolidated statements of operations.

Millions of yen

	Apparel							
For the year ended February 28, 2014	Japan	Europe	Asia/North America	Total	Other	Total	Adjustments (Note 1)	Consolidated total (Note 3)
Sale to outside customers	¥208,357	¥46,195	¥ 8,459	¥263,011	¥16,997	¥280,008	¥ —	¥280,008
Intersegment sales	1,438	601	441	2,480	8,354	10,834	(10,834)	—
Total	¥209,795	¥46,796	¥ 8,900	¥265,491	¥25,351	¥290,842	¥ (10,834)	¥280,008
Segment income (loss)	¥ 14,014	¥ (564)	¥(1,038)	¥ 12,412	¥ 290	¥ 12,702	¥ (2,502)	¥ 10,200
Segment assets	¥142,327	¥35,557	¥ 6,038	¥183,922	¥27,756	¥211,678	¥101,753	¥313,431
Depreciation and amortization (Note 2)	¥ 3,910	¥ 1,069	¥ 466	¥ 5,445	¥ 959	¥ 6,404	¥ 397	¥ 6,801
Investments in equity-method affiliates	9,024	91	—	9,115	—	9,115	—	9,115
Increases in property, plant and equipment, and intangible assets (Note 2)	13,471	1,156	762	15,389	1,270	16,659	5,805	22,464

(Notes) 1. Adjustments consist of the following:
(1) The adjustment amount for segment income (loss) of ¥(2,502) million includes amortization of goodwill of ¥(3,313) million, elimination of intersegment sales of ¥3,984 million, and corporate expenses not allocated to reportable segments of ¥(3,173) million. Corporate expenses are mainly general administrative expenses not allocated to reportable segments.
(2) The adjustment amount for segment assets of ¥101,753 million includes the unamortized balance of goodwill of ¥29,741 million, elimination of intersegment sales of ¥(130,059) million, and corporate assets not allocated to reportable segments of ¥202,071 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 (loss) coincides with the amount of operating income in the consolidated statements of operations.
4. As stated in "Reclassification," the consolidated financial statements for the year ended February 28, 2014 have been reclassified due to the change of presentation.
As a result, "Sale to outside customers" in the Apparel Business segment increased ¥262 million in Japan, ¥671 million in Europe, ¥2 million in Asia/North America, and ¥935 million in Total. "Segment income (loss)" in the Apparel Business segment increased ¥137 million in Japan, ¥671 million in Europe, decreased ¥30 million in Asia/North America, and increased ¥778 million in Total.

(4) Segment information by geographical areas for the year ended February 28, 2015 and February 28, 2014 are as follows:
(a) Sales

For the year ended February 28, 2015 — Millions of yen

Japan	Europe	Other	Total
¥223,620	¥29,213	¥28,669	¥281,502

For the year ended February 28, 2015 — Thousands of U.S. dollars

Japan	Europe	Other	Total
$1,874,904	$244,930	$240,372	$2,360,206

For the year ended February 28, 2014 — Millions of yen

Japan	Europe	Other	Total
¥225,315	¥26,544	¥28,149	¥280,008

As stated in "Reclassification," the consolidated financial statements for the year ended February 28, 2014 have been reclassified due to the change of presentation.

As a result, "Sales" increased ¥258 million in Japan, ¥458 million in Europe, ¥219 million in Other and ¥935 million in Total.

(b) Property, plant and equipment

For the year ended February 28, 2015 — Millions of yen

Japan	Europe	Other	Total
¥89,448	¥8,843	¥11,367	¥109,658

For the year ended February 28, 2015 — Thousands of U.S. dollars

Japan	Europe	Other	Total
$749,960	$74,145	$95,307	$919,412

For the year ended February 28, 2014 — Millions of yen

Japan	Europe	Other	Total
¥83,440	¥9,366	¥10,073	¥102,879

(5) Segment information on impairment losses on property, plant and equipment by reportable segment for the year ended February 28, 2015 and February 28, 2014 are as follows:

	Millions of yen						
	Apparel						
For the year ended February 28, 2015	Japan	Europe	Asia/North America	Total	Other	Elimination of intersegment amounts	Total
Impairment loss	¥632	¥—	¥216	¥848	¥12	¥800	¥1,660

	Thousands of U.S. dollars						
	Apparel						
For the year ended February 28, 2015	Japan	Europe	Asia/North America	Total	Other	Elimination of intersegment amounts	Total
Impairment loss	$5,296	$—	$1,815	$7,111	$99	$6,709	$13,919

	Millions of yen						
	Apparel						
For the year ended February 28, 2014	Japan	Europe	Asia/North America	Total	Other	Elimination of intersegment amounts	Total
Impairment loss	¥251	¥—	¥51	¥302	¥21	¥—	¥323

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors
ONWARD HOLDINGS Co., Ltd.

We have audited the accompanying consolidated financial statements of ONWARD HOLDINGS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at February 28, 2015, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ONWARD HOLDINGS Co., Ltd. and its consolidated subsidiaries as at February 28, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2(22).

Ernst & Young ShinNihon LLC

May 29, 2015

A member firm of Ernst & Young Global Limited

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CORPORATE/INVESTOR INFORMATION

As of February 28, 2015

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ESTABLISHED	September 1947
CAPITAL	¥30,079 million
COMMON STOCK	Authorized—400,000,000 shares Issued—172,921,669 shares Note: The total number of issued and outstanding shares included 15,846,000 shares of treasury stock.
NUMBER OF SHAREHOLDERS	11,541
STOCK EXCHANGE LISTINGS	Tokyo, Nagoya
TRANSFER AGENT	Mitsubishi UFJ Trust & Banking Co., Ltd. 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
NUMBER OF EMPLOYEES (CONSOLIDATED)	4,973

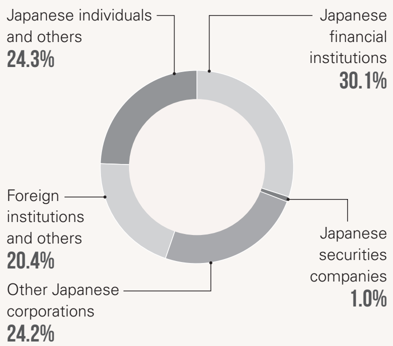
MAJOR SHAREHOLDERS

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Kashiyama Scholarship Foundation	8,710	5.5
Japan Trustee Services Bank, Ltd. (Trust account)	7,700	4.9
Isetan Mitsukoshi, Ltd.	5,001	3.1
Japan Trustee Service Bank, Ltd. (Trust account9)	4,698	2.9
Nippon Life Insurance Company	4,671	2.9
The Dai-ichi Mutual Life Insurance Company Ltd.	4,200	2.6
The Master Trust Bank of Japan, Ltd. (Trust account)	4,138	2.6
Onward Holdings Customers' Shareholding Association	4,082	2.5
BNYML-NON TREATY ACCOUNT	3,418	2.1
MARUI GROUP CO., LTD.	3,417	2.1

Notes:
1. The Company holds 15,846,000 shares of treasury stock. Treasury stock is not included in the above Major Shareholders information.
2. Percentage of total shares issued are calculated after deducting 15,846,000 shares of treasury stock.

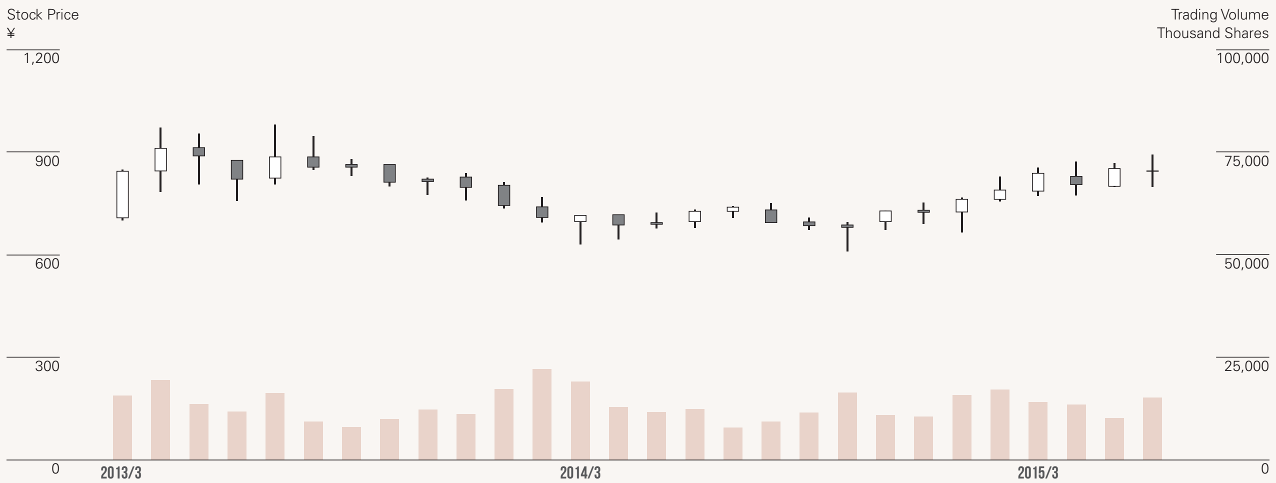
DISTRIBUTION OF OWNERSHIP AMONG SHAREHOLDERS

(On a number of shares basis)



Note: Japanese individuals and others data include treasury stock.

STOCK PRICE RANGE AND TRADING VOLUME



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 second sections of Tokyo, Osaka, and Nagoya stock exchanges.
1962	APRIL	Established Onward Sales Co., Ltd. (formerly Oak Co., Ltd.; currently Onward Trading Co., Ltd.).
1964	JULY	Listing was transferred to first sections of 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.).
	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 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 Guam, Inc.).
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 holding company structure through corporate restructuring under 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 controlling interest in Island Co., Ltd.
2010	JUNE	Established Onward Kashiyama Singapore Pte. Ltd.
2011	AUGUST	Established Onward Kashiyama Vietnam Ltd.
2012	APRIL	Acquired controlling interest in Birz Group, including Birz International Ltd.
	MAY	Established Onward Fashion Trading (Shanghai) Co., Ltd.
	DECEMBER	Established Charles & Keith Japan Co., Ltd.
2013	FEBRUARY	Acquired Sakula Inc.
	JUNE	Established Onward Luxury Group S.p.A.
2014	MARCH	Established Onward Global Fashion Co., Ltd.
	NOVEMBER	Completed Onward Park Building (Head Office building in Nihonbashi district of Tokyo).
2015	MARCH	Michinobu Yasumoto became president and representative director.
	SEPTEMBER	Established Onward J Bridge Co., Ltd. (a joint venture company with Laox Co., Ltd.).

ONWARD HOLDINGS CO., LTD.

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Printed in Japan