

ANNUAL REPORT 2020

Year Ended February 29, 2020

Onward Holdings Co., Ltd.

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Contents

04	Onward at a Glance
06	A Message from the President
08	Special Feature
14	Apparel Business
18	Lifestyle Business
20	Core Brands
28	Our History
32	Our Network
34	Onward-Approved Factory System
36	Environmental and Social Responsibility
40	Corporate Governance
44	Board of Directors, Audit & Supervisory Board Members, and Executive Officers / Company Organization
45	Financial Section
85	Main Subsidiaries
87	Corporate / Investor Information
88	History

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 on not only the efforts of the Company but also the conditions facing the industry as a whole, and we ask for understanding in this regard.

Onward at a Glance

Fiscal year ended February 29, 2020

The Onward Group is the apparel manufacturer and retailer that built the very foundations for the manufacture and sale of ready-made clothing in Japan. Today, we continue to be recognized as a leading company in the industry specializing in high-value-added products with outstanding quality, and we are more than able to compete in apparel markets around the world. Our business model encompasses all stages of the apparel value chain, including planning, design, production, and sales. The Onward Group also prides itself on its lineup of products and services that interconnect with various areas of people's lives. This fashion-oriented lineup includes men's, women's, and children's clothing and accessories as well as uniforms, dance wear, pet-fashion items, gift catalogs, and others.

Founding
1927

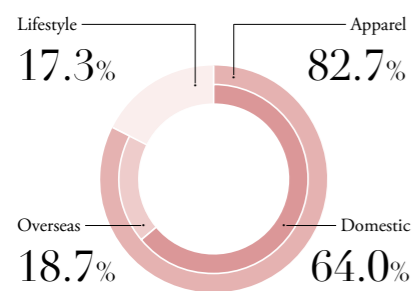
Number of Employees
5,153 people

Main CSR Activities

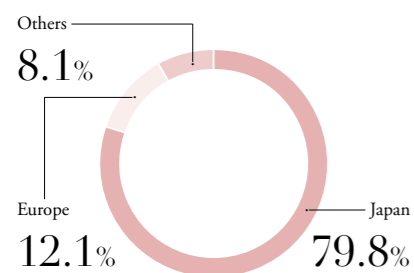
- Item collection for recycling and reuse via the Onward Green Campaign
(See pages 37–38 for details)
- Factory auditing through the Onward-Approved Factory System
(See pages 34–35 for details)

Sales Breakdown

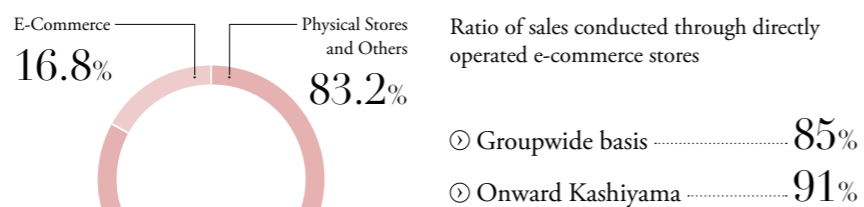
By Business Segment



By Geographic Region



By Sales Channel*



* Figures for Onward Kashiya

Net Sales

¥ 248,234 million
(3.2% YoY)

Operating Profit

¥ -3,061 million

Operating Margin

-1.2 %

Profit Attributable to Owners of Parent

¥ -52,135 million

ROE

-42.02 %

Total Net Assets

¥ 94,037 million

Shareholders' Equity Ratio

38.3 %

Cash Dividends per Share

¥ 24.00

A Message from the President



Michinobu Yasumoto
Representative Director, President

The Onward Group is pursuing improved corporate value by steadily advancing growth strategies positioning the digital field, the customization field, and the lifestyle field as pillars of future growth while moving forward with global business reforms.

Review of Fiscal Year 2020

In fiscal year 2020, net sales increased 3.2% year on year, to ¥248.2 billion; operating loss of ¥3.1 billion was recorded, compared with operating profit of ¥4.5 billion in the previous fiscal year; ordinary loss of ¥3.8 billion was posted, compared with ordinary profit of ¥5.2 billion; and loss attributable to owners of parent came to ¥52.1 billion, compared with profit attributable to owners of parent of ¥4.9 billion.

In the domestic apparel business, sales and profit were down. Although this business benefited from strong e-commerce sales, overall performance suffered due to faltering sales at physical stores stemming from the impacts of the consumption tax hike in Japan as well as unseasonable weather, specifically the warm winter, and natural disasters such as heavy rains and typhoons. Overseas, we implemented global business reforms, enabling our Asian business to achieve higher profit despite a decline in sales. The benefits of these reforms in the European and North American businesses, however, did not appear in fiscal year 2020, but will be felt in fiscal year 2021 forward. Accordingly, sales and profit were down in the overseas apparel business. Due to these factors, overall sales and profit in the Apparel Business segment decreased.

The Lifestyle Business segment, meanwhile, achieved higher sales and profit. One factor behind this accomplishment was the new consolidation of gift catalog business operator Yamato Co., Ltd., which enabled this segment to expand operations in the new field of gifts. Another factor was earnings improvements stemming from the deployment of new brands by Chacott Co., Ltd.

Steady Progress in Growth Strategies and Global Business Reforms

Onward is making steady progress in growth strategies positioning three fields as pillars of future growth: the digital field, the customization field, and the lifestyle field. At the same time, we are moving forward with global business reforms. In these reforms, we seek to withdraw from and contract the scale of underperforming

businesses while closing unprofitable stores in the European, North American, Asian, and Japanese markets.

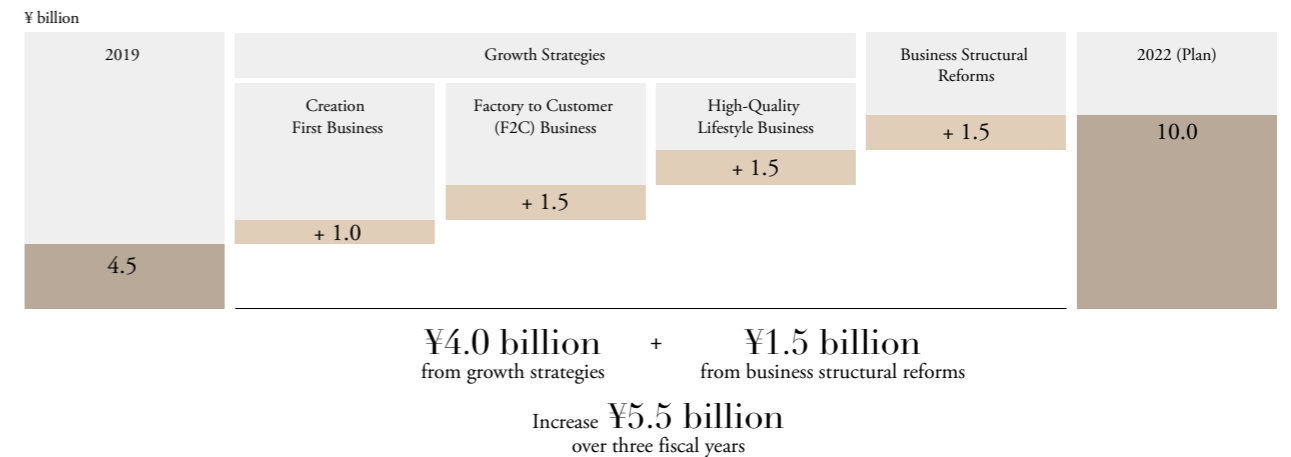
In the digital field, one of the pillars of our growth strategies, we achieved a 31% year-on-year increase in e-commerce sales, which came to ¥33.3 billion in fiscal year 2020 on a consolidated basis. Centered on Onward Crosset, the ratio of sales through directly operated e-commerce venues rose substantially to 85%. Compared with physical stores and third-party e-commerce sites, directly operated e-commerce venues boast exceptional levels of profitability coupled with a high capacity for managing customers. Accordingly, these venues have always been positioned as a cornerstone of our growth strategies. The stagnation of sales at physical stores is projected to be prolonged by the impacts of the global COVID-19 pandemic. For this reason, we intend to devote substantial efforts to accelerating the growth of our e-commerce operations.

In this undertaking, we will look to overhaul our operational structures to prioritize growing e-commerce operations. This approach will include utilizing marketing data suited to e-commerce sales channels and will extend to everything, from product planning to pricing. Another focus will be expanding the user base of our e-commerce sites. Accordingly, we will be working to encourage users of Onward Members' loyalty point card system to utilize our e-commerce sites in order to increase our number of e-commerce customers.

We aspire to grow Onward into an e-commerce business operator boasting high-level planning and production functions. To this end, we plan to accelerate the growth of our e-commerce operations in terms of both products and customer base, so as to expand these operations to the point that they are generating more than 50% of consolidated net sales over the medium-to-long-term.

I also see a need to ramp up structural reforms in relation to existing physical stores. In fiscal year 2020, the Onward Group closed or consolidated approximately 700 stores around the world. This move was taken in response to issues pertaining to our overabundance of store locations and to declining customer numbers. Looking ahead, we expect that the decline in customer numbers

Operating Profit Trends under the New Medium-Term Management Plan



will accelerate as a result of the global COVID-19 pandemic. Accordingly, we plan to close or consolidate an additional 700 stores as part of our selection and concentration efforts in fiscal year 2021. Moreover, we will seek out the ideal form for the physical stores of the future in the apparel business while endeavoring to increasingly direct customers who frequent physical stores to e-commerce venues and vice versa.

Efforts in the second pillar of our growth strategies, the customization field, included the development of factory-to-customer operations that utilize a customization business model linking factories and customers. The KASHIYAMA the Smart Tailor made-to-order suit business, one such business that saw a full-fledged launch in 2018, posted net sales of about ¥5.0 billion in fiscal year 2020. Our factory-to-customer operations started from men's business suits, a business that we have been engaged in since the birth of the KASHIYAMA. Moving forward, however, we aim to expand the scope of our KASHIYAMA customization business model to include made-to-order women's business suits as well as shoes and bags.

The third pillar of our growth strategies is the lifestyle field. Operations in this field posted increases in sales and profit in fiscal year 2020. Performance is holding firm even in the face of challenging conditions, and some companies are even overcoming said conditions to achieve growth in sales. The lifestyle field is home to Group companies active in growth areas that address customer needs for items for use while staying home as well as for healthy living and organic products. These companies are eyeing Asia and other overseas markets for their future business expansion efforts. Going forward, we will continue to develop businesses in the lifestyle field while proactively engaging in M&A activities.

Moving on, I would now like to talk about our global business reforms. In our Asian business, we withdrew from directly operated businesses in South Korea during fiscal year 2020. In addition, we completed the transference of licensing businesses for Nijyusanku and ICB in our Chinese sales operations. We recognize that stable management of manufacturing operations in China and the ASEAN region will be imperative to the future of the Asian business.

Moreover, we intend to deploy the KASHIYAMA customization business model outside of Japan, developing it as a growth business in China and other Asian markets. As for our European and North American businesses, we have been marching forward with reforms, such as bold withdrawals from underperforming businesses, since fall 2019. However, we were forced to suspend these reforms due to the impacts of the global COVID-19 pandemic, causing delays from our initial schedule. Regardless, we still intend to rapidly advance business reforms going forward, particularly in Europe.

Financial Strategy

The basic policy of the financial strategy of the Onward Group is to conduct priority investments in growth businesses and to issue appropriate shareholder returns all while maintaining a stable financial base. We recognize the importance of maintaining healthy cash flows given the opaque outlook for the global operating environment. Accordingly, we look to improve operating cash flows based on management positioning EBITDA as an important indicator, an approach carried on from the previous fiscal year. As for dividends, our basic policy is to distribute regular and stable dividends to shareholders in accordance with our business performance, and we target a dividend payout ratio of 35% or more. Meanwhile, we will continue working to raise return on equity above 5% as soon as possible, after which we will seek to increase this indicator to 8%.

Going forward, the Onward Group stands committed to improving corporate value through the provision of high-quality products and services, among other initiatives. I hope we can look forward to your ongoing support as we advance on this quest.

August 2020

Michinobu Yasumoto
Representative Director, President

SPECIAL FEATURE

Advancement of Business Reforms and Three Pillars of Growth Strategies

The Onward Group is enacting a management policy of advancing global business reforms and growth strategies positioning the digital field, the customization field, and the lifestyle field as pillars of future growth.

In this special feature, we will look at some concrete examples of initiatives to be implemented based on each of the pillars of the abovementioned growth strategies.

1

Acceleration of Growth
in the Digital Field



2

Promotion of the
Factory-to-Customer
Business in the
Customization Field



3

Lifestyle Field
Businesses



1

Acceleration of Growth in the Digital Field

Debut of New uncrave E-Commerce-Oriented Brand

The new direct-to-consumer brand uncrave, which targets working women with diverse lifestyles and will primarily be deployed through e-commerce venues, was launched on the Onward Group's official e-commerce website—Onward Crosset—in February 2020.

With it becoming more commonplace for women to have careers and thus be more socially active, they are increasingly longing for clothing that exquisitely balances the intellectual and the sensitive and the fashionable and the basic and which is suitable for the needs of various social situations. The uncrave brand therefore has been launched focusing on coordinated outfits to meet these needs.

We are currently promoting uncrave's brand philosophy and distributing the latest news through the brand's official social media accounts while also opening pop-up stores in order to improve brand awareness and grow e-commerce sales.



#StayStylish Project

Onward Holdings launched the #StayStylish Project on May 14, 2020, based on its desire to help make the world a brighter place through the power of fashion.

The #StayStylish Project seeks to empower everyone who is feeling the stress of the limitations placed on them by the global COVID-19 pandemic.

In this project, all fashion lovers are encouraged to band together as a single team to help make the world a brighter place through the power of fashion.

The project is being promoted through television commercials and social media with the project message of "Seize this opportunity to find a new side of yourself in the fitting room; now is the time to make the world a brighter place together."

Moreover, we held a RED CROSS WEEK event in May 2020 during which a portion of all sales through Onward Crosset, the Onward Group's official e-commerce website, were donated to the Japanese Red Cross Society, an organization with which the Group has collaborated in social contribution activities since 2011. This event was held to recognize the Japanese Red Cross Society's endorsement of the #StayStylish Project and acknowledge its annual designation of May as a month for promoting activities based on its goals.

2

Promotion of the Factory-to-Customer Business in the Customization Field



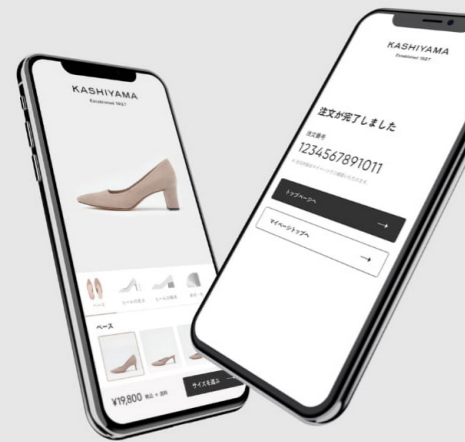
Launch of Made-to-Order Women's Shoes

The Onward Group launched its second factory-to-customer business in November 2019: made-to-order women's shoes.

In our made-to-order women's shoe business, we allow customers to choose from an astounding lineup of design and material variations for pumps and other shoe types as well as from a robust selection of size samples to make the shoe that fits their foot perfectly.

Prices start from a reasonable ¥9,900 (before tax) and the ordered shoes are shipped directly to customers from the manufacturer: a partner factory in Japan equipped with cutting-edge computer-aided design and computer-aided manufacturing (automatic cutting) systems.

Just like our made-to-order suits, customers can receive their products in as little as a week. Customers can choose from approximately 300,000 different combinations of base designs, materials, and heels to create their perfect shoe. Moreover, as the shoes are made to order, it is possible to buy a pair with different sizes for the left foot and right foot. We offer a total of 30 size combinations comprising 10 length choices and three circumference choices. Orders can be placed through our e-commerce website.



Collaboration between ZOZO and KASHIYAMA to Explore New Fashion Business Domains

On August 26, 2020, Onward Personal Style Co., Ltd., began offering made-to-order coordinated outfits for men and women from its KASHIYAMA made-to-order brand on the ZOZOTOWN website operated by ZOZO, Inc.

The KASHIYAMA brand boasts a robust lineup of size patterns made using data collected over the course of its long history while also benefiting from the Onward Group's directly operated manufacturing platform. ZOZO, meanwhile, has accumulated big data on more than 1.0 million body types through its ZOSUIT line and serves over 8.6 million people via its website every year (as of June 30, 2020). Combining these two massive databases of body data has allowed for the creation of a framework through which made-to-order fashion items can be ordered easily and completely online while accommodating a wide range of size variations. This service is offered in the multi-size section of the ZOZOTOWN website.

In the future, we hope to explore new fashion domains in which easy access to made-to-order items can be offered online. The made-to-order women's shoes available through the KASHIYAMA brand are one example of these efforts, and we are planning the manufacture and sale of new made-to-order items going forward. We aim to grow the completely online sales business model for made-to-order items being developed by KASHIYAMA and ZOZO to achieve sales of around ¥10.0 billion in five years.

3

Lifestyle Field Businesses



Celebration of 70th Anniversary of Chacott

Chacott's history dates back to 1950, shortly after the conclusion of World War II, when Chacott's founder encountered a pair of toe shoes that had been completely worn out. Over the years, the Chacott brand grew while catering to the needs of dancers of ballet and various other styles, carving out an unshakable industry position as a brand specializing in dance-related products. We celebrated the 70th anniversary of Chacott in January 2020. This momentous occasion has been designated as the "first day of the future," symbolizing our desire to continue evolving this brand and to utilize the insight and experience we have accumulated thus far to encourage as many customers as possible to embrace the Chacott brand.

70th Chacott



Release of Kateigaho Gourmet Gift Catalog Offering Once-in-a-Lifetime Gourmet Encounters Based on the Theme of Travel and Food

On September 1, 2020, Yamato Co., Ltd., partnered with Sekai Bunka Retailing Inc., the mail order business arm of the Sekaibunka Group, to launch a gourmet gift catalog based on the Kateigaho magazine published by SEKAI BUNKA PUBLISHING INC.

Kateigaho has presented a world of dreams and beauty over the some six decades that it has been in publication. The gift catalog based on this magazine embraces the theme of travel and food, introducing carefully selected items from across Japan through special features that are in keeping with the world of dreams and beauty illustrated by that exude a sense of beauty and culture befitting of Kateigaho.

The Kateigaho gift catalog can be a very personal gift that adds prestige to the lifestyles of high-class individuals with a discerning sense of value.



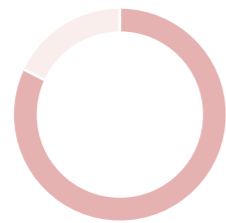
Kateigaho Gourmet Gift Catalog

Apparel Business

The Apparel Business segment, which operates the principal business of the Onward Group, comprises 70 operating companies and generates 82.7% of the Company's consolidated net sales. This segment primarily performs the planning, production, and sale of textile products. The operations of this segment are divided into the domestic apparel business, which includes core operating company Onward Kashiyama, and the overseas apparel business, a global business developed in regions such as Europe, Asia, and North America.

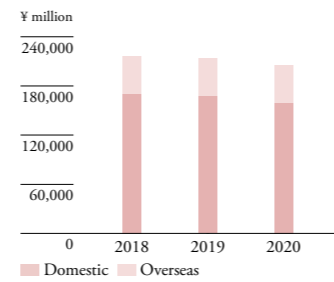
Contribution to Total Sales

82.7%



Net Sales by Apparel Business

¥205,265 million



Domestic Apparel Business

The domestic apparel business is our mainstay business, generating 64.0% of consolidated net sales, and its operations encompass the planning, manufacture, and retail of apparel items on the mid-range to high-end scale of prices. This business also carries out the production and wholesale of corporate uniforms and sales promotion goods.



Jiyuku

Onward Kashiyama Business Overview

Onward Kashiyama is the Group's core operating company, generating 51.6% of consolidated net sales. Engaged in planning, production, sales, and other activities for providing clothing of impeccable quality, Onward Kashiyama supplies

womenswear, menswear, children's clothing, and accessories from private brands as well as licensed brands.

Alongside distribution via department stores, our main sales channel and an area of strength, we are stepping up the distribution of our products through the growing venue of e-commerce.

Future initiatives will be aimed at establishing operating foundations adapted to the trend toward Omni-channel retailing. We will accomplish this objective by integrating the functions of physical and online stores while boosting efficiency through logistics reforms and by enhancing our product planning and production capabilities as a manufacturer.

Other Domestic Apparel Subsidiaries

Business Overview of Major Subsidiaries

Island, 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. At Onward Trading, a

leading domestic manufacturer of uniforms, the apparel expertise and product planning excellence cultivated by the Group are used to provide corporate uniforms to suit any environment while striking the best balance between style and usability.



KUMIKYOKU



TOCCA

Performance in Fiscal Year 2020

In fiscal year 2020, e-commerce operations centered on core operating company Onward Kashiyama were strong. At the same time, Onward Trading, a company that plans and sells corporate uniforms and sales promotion goods, enjoyed higher sales and profits. Overall, however, sales and profits were down in the domestic apparel business. This outcome was a result of sales at physical stores being heavily impacted by the consumption tax hike in Japan; natural disasters such as heavy rains and typhoons; and unseasonable weather, most notably the warm winter.

Overseas Apparel Business

The overseas apparel business consists of operations in Europe, Asia, and North America, where we develop brands and conduct planning and manufacturing activities, and accounts for 18.7% of consolidated net sales.

Higher profitability will be pursued through business reforms in Europe and Asia, as we strengthen our competitiveness in the global market.

Europe

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

In March 2019, organizational reforms were undertaken at core subsidiary Onward Luxury Group.

Under the new structure, manufacturing divisions and the JIL SANDER brand business will be operated by independent companies while Onward Italia will be placed in charge of the overall management of operations. Meanwhile, Joseph Ltd., which is growing the JOSEPH brand centered on London, has implemented new management and creative teams.

Going forward, we will seek to maximize



JIL SANDER

synergies in the European business as we develop a unique presence in the European fashion industry as a conglomerate boasting a comprehensive range of functions encompassing brand, manufacturing, and retail operations.

Business Overview

Onward Italia

The core businesses of Onward Italia are manufacturing, which is advanced using directly operated factories in Italy, and the JIL SANDER brand business. Through the organizational reform instituted in March 2019, both of these core businesses were spun off into subsidiaries.

Onward Italia is taking steps to improve administrative management and corporate governance while reinforcing its management structure through means such as the appointment of new leadership. In this manner, the company is accelerating growth strategies and business structure reforms in the European business.

Onward Luxury Group

Onward Luxury Group, a company formed by restructuring prior manufacturing divisions, undertakes the production of the principal items that are indispensable to a designer brand line, including apparel and shoes. Moreover, the company is constructing a manufacturing platform capable of providing the utmost levels of quality.

In addition to the production of Group brands, Onward Luxury Group conducts OEM and contract manufacturing and wholesale of outside brand products based on licensing agreements.

Jil Sander

The company conducts the planning, manufacture, and wholesale of the JIL SANDER brand luxury menswear and womenswear collections and accessories and manages retail on a worldwide basis.

JIL SANDER has been working to reinvent its brand since appointing Lucie and Luke Meier as the creative directors of JIL SANDER to coincide with the launch of the 2018 spring/summer collection.

In conjunction with this brand reinvention, we renovated our JIL SANDER stores in the Omotesando area of Tokyo in September 2018 and in Paris in October 2019. In addition, the new line JIL SANDER+ was launched together with the 2019 autumn/winter collection.

Meanwhile, the Florence production site was transformed into an exclusive site for use by the JIL SANDER brand in October 2019.



ICB

Product development focused on the JIL SANDER brand will be ramped up going forward as we simultaneously enhance communication between creative teams and production sites.

We look forward to communicating the new JIL SANDER to the world and increasing its recognition as a global brand

Joseph

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

In 2019, management, creative teams, and retail store networks were reinvented and restructured.

Looking ahead, Joseph will move forward with structural reforms focusing on customers, corporate culture, and creativity in order to enhance profitability and launch the JOSEPH brand on a new growth track.



JOSEPH

Asia

In our Asian business, we transformed our business model in January 2020 after becoming partners with local companies in China for the purpose of further expanding the Nijyusanku and ICB brands in this country. Going forward, we aim to achieve greater brand awareness of our core brands through our new sales network.

With regard to KASHIYAMA, which is positioned as a growth business for the Onward Group, we opened a directly operated store in Shanghai in August 2020 to expand this business in China. Meanwhile, core Onward Kashiyama brands are sold in department stores and shopping centers in areas such as Hong Kong and Taiwan.

Furthermore, recognizing that Asia is also an important production site, we are closely coordinating with partner factories in China and reinforcing the Company's manufacturing platform in the ASEAN region. One example of these efforts is the acquisition of a factory located in Dalian, China, in 2016, which is now Kashiyama (Dalian) Co., Ltd.

This factory established a highly efficient made-to-order production system as a manufacturing site for the KASHIYAMA business. In April 2019, operations commenced at the Group's second Dalian factory, and we are currently in the process of rebuilding the first factory. These factories

are expected to support the increasingly rapid growth of KASHIYAMA.

North America

The North American business is mainly focusing on retail operations.

J. PRESS, acquired by Onward Holdings in 1986, is a well-loved brand among Ivy Leaguers. We currently own three directly managed stores in North America, including the Yale Club store in New York City opened in October 2017. This flagship store will drive efforts to attract new customers.

KASHIYAMA was launched in North America in 2019, and we are developing this brand by using the shared office space provided by WeWork Companies Inc., in addition to the new flagship store in New York opened in 2020.

As we move forward, we will conduct necessary investments from a medium-to-long-term perspective to expand our North American business.

Performance in Fiscal Year 2020

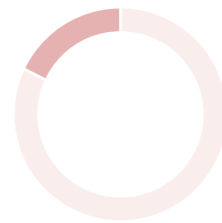
In fiscal year 2020, the Asian business achieved higher profit, despite lower sales, due to the benefits of business reforms. However, total sales and profits were down in the overseas business.

Lifestyle Business

The Lifestyle Business segment comprises 21 operating companies and generates 17.3% of the Company's consolidated net sales. In this segment, we capitalize on the Onward Group's product development and sales capabilities to create new values and lifestyles with fashionable proposals in a wide variety of fields. The Lifestyle Business segment thus manufactures and sells items such as gifts, dance wear, pet fashion, character goods and toys, and cosmetics; operates and manages resort facilities; and plans, designs, and constructs commercial facilities.

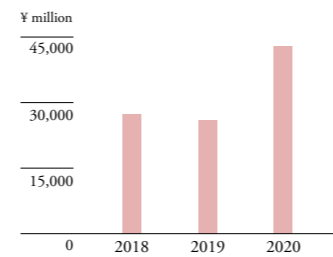
Contribution to
Total Sales

17.3%



Net Sales by
Apparel Business

¥42,969
million



Business Overview of Major Subsidiaries

Yamato Co., Ltd., a planner and producer of gifts and gift catalogs, is anticipated to realize synergies with the Apparel Business segment and broaden the Onward Group's business scope in the completely new field of gifts.

Chacott, a manufacturer and retailer of ballet and other dance wear, is capitalizing on its high recognition as a manufacturer to broaden the scope of its business into yoga, fitness, cosmetics, and other new fields. In Europe, we operate Freed of London, the world's leading manufacturer of professional dance shoes.

Creative Yoko offers a lineup of products for pets as well as an assortment of character goods and toys. This company is bolstering sales through e-commerce venues while also strengthening its character merchandise business, which is focused largely on its original character Sirotan.

Meanwhile, we are expanding our operations in the growth business of cosmetics centered on Kokobuy, which manufactures and sells organic cosmetics and haircare products.

In our resort business, we operate hotels and golf courses in Guam as well as golf courses and golf schools in Japan.

Performance in Fiscal Year 2020

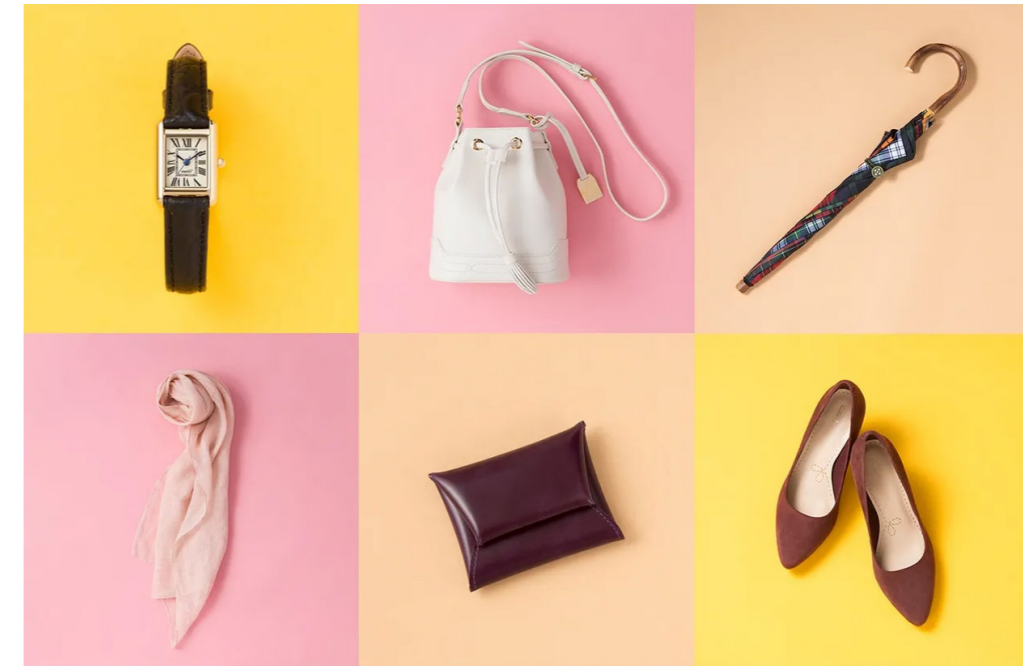
In fiscal year 2020, both sales and operating profit were up in the Lifestyle Business segment. Incorporating the newly consolidated gift business operator Yamato, the segment worked to grow its operations in the new field of gifts. Great contributions to performance were made by Yamato during this fiscal year. In addition, Chacott achieved improvements in earnings by deploying new brands.



Sirotan, the main character of Creative Yoko




product



- 20 Core Brands
- 28 Our History
- 32 Our Network
- 34 Onward-Approved Factory System
- 36 Environmental and Social Responsibility
- 40 Corporate Governance
- 44 Board of Directors, Audit & Supervisory Board Members, and Executive Officers / Company Organization

Core Brands



23 

LAUNCHED
1993

ANNUAL SALES
¥26.6 billion

Nijyusanku is the leading brand of Onward Kashiya. With working women in their 30s and 40s as its core target, the brand is based on the concept of creating a “Japanese women’s standard.” It thus seeks to capture the hearts of customers of all ages with its timeless and simple designs, which make for elegant and comfortable clothing that can be enjoyed by all. With the March 2019 publication of the *My Standard Nijyusanku* style magazine, a step forward was taken in enhancing sales promotion activities through an owned media strategy (The name of the *My Standard Nijyusanku* style magazine has since been changed to #StayStylish).

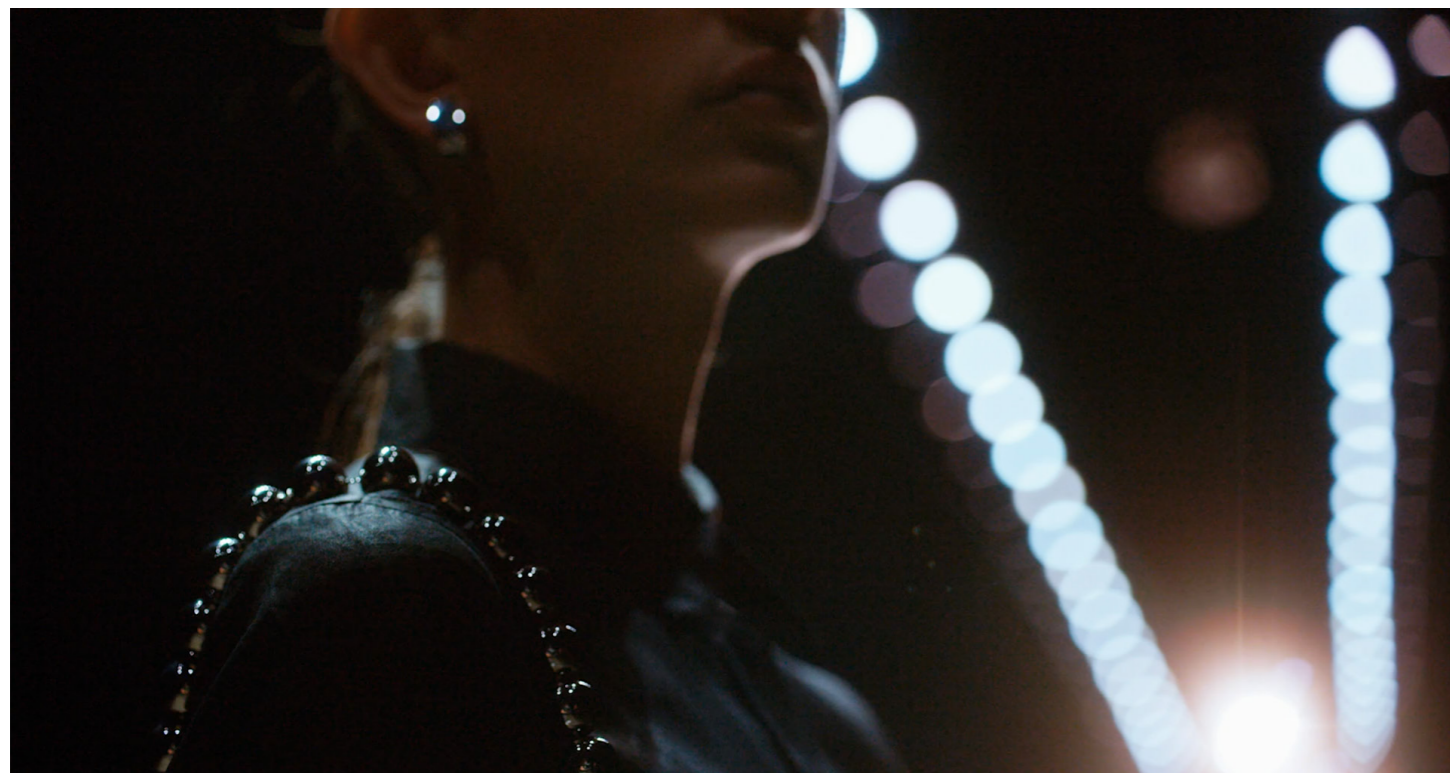
KASHIYAMA

LAUNCHED
2017

ANNUAL SALES
¥4.3 billion

KASHIYAMA is a new made-to-order suit brand founded on a distinctive factory-to-customer scheme that employs proprietary factory innovations to deliver exquisite made-to-order suits starting from ¥30,000 in as little as one week. Customers can have their measurements taken in stores or have staff dispatched to take measurements at their home or office. Measurement data is saved to allow subsequent orders to be made online.





JIL SANDER

LAUNCHED

1973

ANNUAL SALES

¥10.0 billion

JIL SANDER is a luxury brand through which Ms. Jil Sander announced her first collection in 1973. Onward Holdings acquired the brand in 2008. From the 2018 spring/summer collection, Lucie and Luke Meier were appointed as the new creative directors. A new line, JIL SANDER+, started from the 2019 autumn/winter season.



JOSEPH

LAUNCHED
1972

ANNUAL SALES
¥8.4 billion

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 Kashiya.



JOSEPH



93rd

The Onward Group is currently in its 93rd year since its founding in 1927.

1927



Founding

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

Events Seen in Each Era

Roaring Twenties–World War II

- Westernization of women's clothing trends (after the Great Kanto Earthquake in 1923–)
- Great Depression originating in the United States (1929)
- World War II (1939–1945)

1 Company 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.



Events Seen in Each Era

Post-war reconstruction–Japanese economic miracle

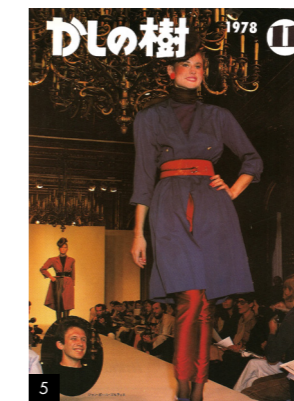
- Start of mass-production boom (1950s–)
- Ready-made clothing revolution for men's and women's clothing (1960s–)
- Economic boom surrounding Summer Olympics in Tokyo (1962–1964)
- Japan ranked No. 2 in the world for gross national product (1968)

2 Grading machine modifies and cuts basic sewing patterns

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.



Events Seen in Each Era

Pivot of change–Japanese asset price bubble

- Oil crisis (1973)
- Plaza Accord (1985)
- Enactment of Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment (1986)
- Emergence of prominent Japanese designers
- Spread of luxury fashion

3 Bus Stop store on Boulevard Saint-Germain in Paris

4 Onward Kashiyama's U.S. office

5 Jean-Paul Gaultier's debut Paris fashion show, 1978

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 Kashiwama's store numbers grow rapidly after the launch of the new brands, and this impressive growth forms the foundations for future advancement.



Events Seen in Each Era

Bubble collapse– Post-bubble recession

- Release of Windows 95 (1995)
- Rapid spread of the Internet among the general public
- Diversification of retail channels and emergence of specialty retailers selling private label apparel

- 6 Launches Kumikyoku, 1992
- 7 Launches Nijyusanku, 1993



2001 – 2010

Launch of Global Apparel Group

Maintaining its focus on the department store channel in the domestic market, Onward turns its eyes abroad at the beginning of the century. By accelerating global strategies, the Company begins its advance into the Chinese market, establishes a manufacturing platform in Italy, and acquires prominent European brands JOSEPH in 2005 and JIL SANDER in 2008.

The transition to a holding company system is made in 2007. In the years that follow, the Company continues to draw uniquely powerful brands under its umbrella in Japan as well as overseas, acquiring pet fashion pioneer Creative Yoko in 2008 and Island,

the maker of the trusted Grace Continental brand for discerning women, in 2009. It was at this time that Onward truly makes a new start as a global apparel group that undertakes various types of fashion businesses all over the world.

Events Seen in Each Era

Global information era

- Lehman Brothers bankruptcy and global financial crisis (2008)
- Mass consolidation and reorganization of Japanese department stores
- Burgeoning of fast fashion

- 8 Acquires Jil Sander Group, 2008
- 9 Acquires Joseph Group, 2005
- 10 Acquires Island Co., Ltd., 2009



2011 – Today

Road to Ongoing Growth

After the global financial crisis of 2008, the landscape of the fashion business and, subsequently, the structure of the apparel supply chain undergo a drastic transformation. The emergence of so-called fast fashion, the increase in production costs in Asia, the reorganization of domestic department stores, and the rise of e-commerce can all be seen as indicators of this transformation. Signaling its participation in the e-commerce field, the Onward Group cuts the ribbon for Onward Crosset, its directly managed e-commerce website, in December 2009. The Onward Members' loyalty point card system, applicable to all Onward Group brands, launches in 2014. Through this and other initiatives, the Onward Group proceeds to expand its customer base while accelerating its Omni-channel retailing strategy, which merges the strengths of online stores and physical stores.

In 2017, the Onward Group launches KASHIYAMA the Smart Tailor, a new made-to-order suit business that employs a proprietary factory innovation scheme to realize low prices and quick deliveries.

In 2019, the Onward Group steadily advances growth strategies positioning the digital field, the customization field, and the lifestyle field as pillars of future growth. Together with these growth strategies, the Group moves forward with global business reforms in which it seeks to withdraw from and contract the scale of underperforming businesses while closing unprofitable stores in the European, North American, Asian, and Japanese markets.

The Onward Group continues to increase its global competitiveness while tackling challenges on the road to sustainable growth.

Events Seen in Each Era

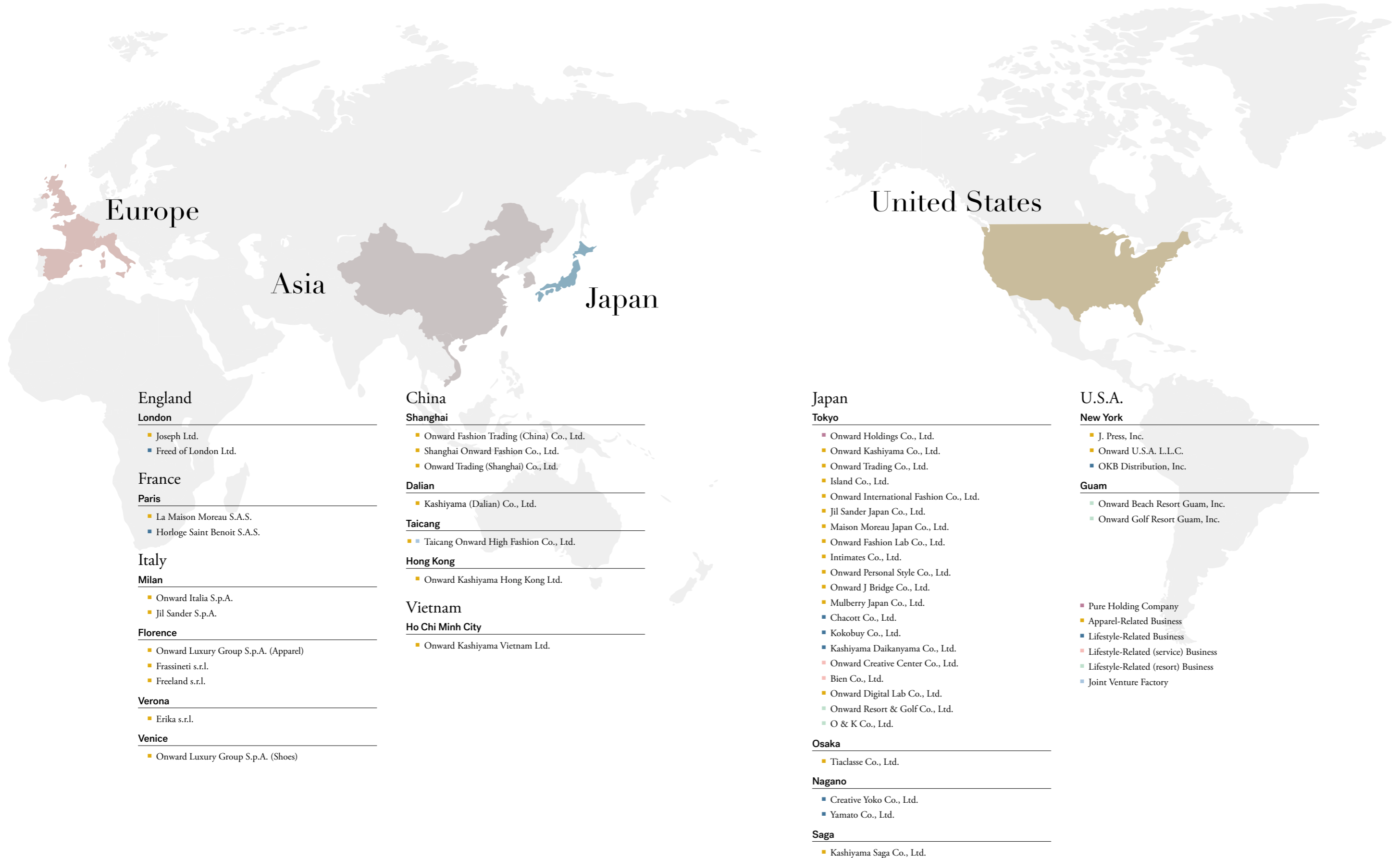
Fourth industrial revolution (Industry 4.0)

- Great East Japan Earthquake (2011)
- Annual inbound visitors to Japan exceed 30 million (2018)
- Global COVID-19 pandemic (ongoing from January 2020)

- 11 Launches Onward Crosset, 2009
- 12 Opens Nijyusanku Ginza store, 2011
- 13 Commences operations at second KASHIYAMA the Smart Tailor factory in Dalian, China, 2019

Our Network

As of August 31, 2020



Onward-Approved Factory System

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

The Onward Group seeks to combat these risks through the Onward-Approved Factory System launched in fiscal year 2015. By implementing this system, we will build a robust and reliable supply chain while practicing CSR procurement through an ongoing virtuous cycle of factory audits and mutual improvement.

Audit Targets

In fiscal year 2015, the Onward Group introduced the Onward-Approved Factory System, which is used when performing audits of sewing factories. To receive certification under the

Onward-Approved Factory System, factories must pass CSR and quality control audits conducted by the Japan Apparel Quality Center.

Audits Performed

	Number of factories audited	Number of factories that passed compliance audit
2015–2019 (Actual)	441	396
2020–2021 (Plan)	180 (Expected)	

Note: Audit plans were halted in fiscal year 2020 and fiscal year 2021 due to restrictions in traveling to the applicable countries. These plans will be resumed after these restrictions have been lifted.

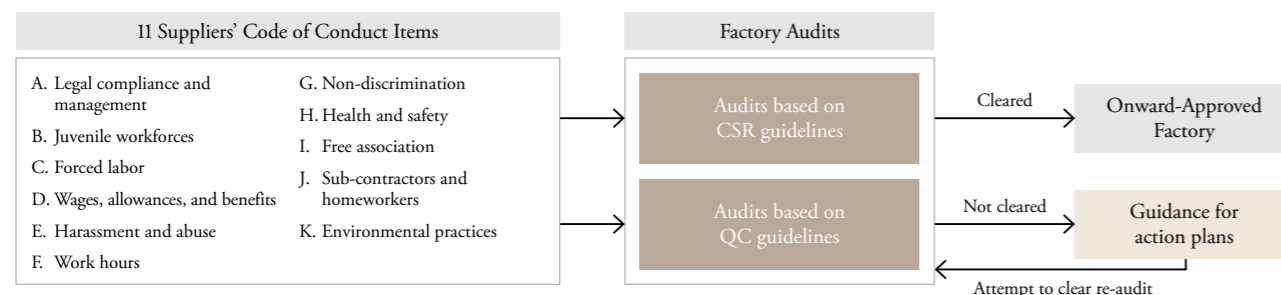
Audit Methods

Audits related to CSR are conducted in accordance with Onward Holdings' proprietary Suppliers' Code of Conduct, which is based on international standards. Actual audits are entrusted to local audit firms, but representatives from the Japan Apparel Quality Center are always present when audits are conducted. We thereby endeavor to help ensure appropriate auditing based on the current business environment and to develop the understanding necessary for us to exercise our responsibility as the order placer to support factories in carrying out any improvements that need to be made. Audits relating to QC are conducted directly by the Japan Apparel Quality Center.

The results of audits and any compliance findings are compiled into audit reports, and the results of both CSR and QC audits are provided to the factory.

If no serious compliance findings are discovered through the audit, a certificate of approval is issued that is valid for two years. If improvements are deemed necessary, feedback is supplied with regard to the areas requiring improvements and guidance for action plans is provided by the Japan Apparel Quality Center. The factory is then re-audited after a period of approximately one year.

Audit Procedure



Note: Audits are conducted every two years, in principle, and the period during which certificates of approval are valid is extended based on the number of audits cleared in the past.



Suppliers' Code of Conduct Items (Created in Japanese, English, and Chinese languages)

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

Environmental and Social Responsibility

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 high-quality products that can be enjoyed over a long period of time.
2. Develop leading-edge technologies, 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 preservation measures: enhance the energy efficiency of offices 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.

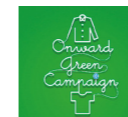
Onward Green Campaign

4,837,951
Items Collected

907,207
Customers Who Donated

77% Recycled
23% Reused

Note: The figures above represent totals from 2009 to August 2020.

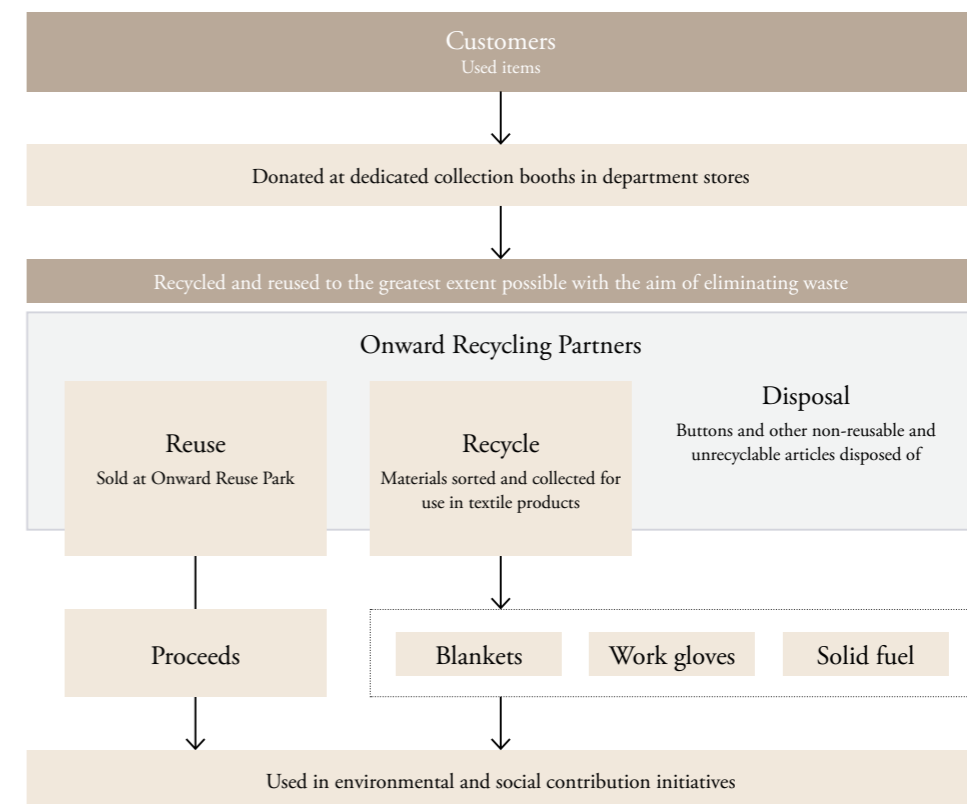


The Onward Green Campaign is designed to create an apparel life-cycle circulation system. In comparison with other consumables, the recycling of textile goods is relatively uncommon. Onward Kashiyama launched the Onward Green Campaign in 2009 with the objective of encouraging the circulation of apparel to promote the efficient utilization of limited resources and to ensure that our precious environment still exists for future generations to enjoy. Through this campaign, clothing items designed, produced, and sold by the Onward Group are collected to be recycled and reused to the greatest

extent possible. Certain clothing items are recycled through use as refuse-derived fuel, which is utilized as an alternative source of energy for major paper factories. Other items are recycled by harvesting the thread thereof for use in new textile goods. This thread is used to create blankets and work gloves to be provided for disaster relief purposes and delivered to developing countries around the world. In addition, collected clothing items that can still be worn are reused by being sold at Onward Reuse Park,* with all proceeds used to fund environmental and social contribution initiatives.

* For details regarding Onward Reuse Park, please refer to page 39.

Recycling Process



Environmental and Social Responsibility

Joint Social Contribution Activities with the Japanese Red Cross Society

Under the Onward Green Campaign, and utilizing the extensive Red Cross network that reaches more than 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

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



First support program: May 2010

2 Kazakhstan

Refugee camp:
3,000 blankets
Donated to refugees, orphans, other socially marginalized people, and communities in the city of Almaty



Second support program: February 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



Third support program: September 2011

4 China

Regions heavily impacted by the 2008 Sichuan earthquake:
2,200 blankets
Donated to a school and other facilities located in the mountainous regions of Sichuan Province that were affected by the earthquake in 2008



Fourth support program: March 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.)



Fifth support program: September 2012

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



Sixth support program: October 2013

7 Myanmar

Impoverished area:
4,000 blankets
Donated to impoverished individuals, special needs schools, and children living in orphanages in Myanmar



Seventh support program: October 2014

8 Vietnam

Impoverished area:
4,000 blankets
Regions primarily in the northern mountain range and central highlands



Eighth support program: October 2015, April 2016

9 Nepal

Regions stricken by the Nepal earthquake:
2,000 blankets



Ninth support program: February 2016

10 Indonesia

4,000 blankets
Donated to impoverished individuals, orphanages, and medical facilities in Indonesia in October 2017



11 India

4,000 blankets
Donated to impoverished individuals in India in November 2018



12 Mongolia

4,000 blankets
Donated to impoverished individuals in Mongolia in October 2019



Receipt of Letter of Appreciation from Minister of Health, Labour and Welfare via the Japanese Red Cross Society

In March 2020, Onward received a letter of appreciation from the Minister of Health, Labour and Welfare via the Japanese Red Cross Society. This letter of appreciation expressed gratitude for the social contributions made through Onward Crosset, our directly managed e-commerce website, as well as through family sales.

Going forward, the Onward Group will continue to engage in proactive environmental and social contribution activities as it strengthens its ties with the Japanese Red Cross Society to offer even wider-ranging support.



Other Activities

Onward Reuse Park—A Base for Conveying Our Environmental and Social Contribution Initiatives

Onward Holdings opened Onward Reuse Park in Kichijoji, Tokyo, in March 2014 as a base for conveying the Group's environmental and social contribution initiatives directly to consumers. Onward Reuse Park sells used products from Onward Group brands at discounted prices, and the proceeds from these sales are used to fund further environmental and social contribution initiatives. In this manner, this shop creates a proprietary circular economy that encompasses everything from the sale of apparel items to collection and recycle and reuse.

The Onward Group also implements other initiatives to create accessible opportunities for customers to become more ecologically active. For example, we hold workshops and sell accessories made from used apparel items. Furthermore, the Onward Reuse Park online store was opened in August 2017 to provide a wider range of options for utilizing collected clothing.

Onward Green Store Eco-Friendly Bargain Store

In September 2020, Onward Kashiya opened its first Onward Green Store, a new eco-friendly bargain store format, in the MALLAGE KASHIWA shopping mall.

This eco-friendly bargain store format is based on the concept of contributing to the global environment by taking full responsibility for the products (clothing items) we manufacture by creating a cycle of use that prevents products from becoming waste.



Eight Consecutive Years of Participation in KIBOU311 Cherry Tree Planting Events for Great East Japan Earthquake Relief



Onward Kashiya participated in the eighth KIBOU311 cherry tree planting event, which took place in Minamisanriku-cho, Miyagi Prefecture. We have participated in KIBOU311 events for eight consecutive years. 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.

Forest Preservation Initiatives at Tosayama Onward Rainbow Forest

In 2008, Onward entered into a partnership agreement with both 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 80 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 performed by Group employees 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 are among its most important responsibilities and central to increasing corporate and shareholder value.

In its basic management policy, the Onward Group has defined its business domain as “a world of fashion that gives refreshment and beauty to people’s lives.” By offering fashion as an integral part of consumer culture, the Group creates new lifestyles and values that contribute to the enrichment of life for all people. Moreover, the Company believes that, in order to exercise this policy and accomplish its objectives, it is vital that the Group builds and maintains strong networks and relationships with customers and all other stakeholders it connects with in its corporate activities.

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 six members of the Board of Directors (five men and one woman) are appointed from outside the Company and selected on the basis of their high level of independence. This initiative is aimed at reinforcing the supervisory function of the Board.

In fiscal year 2020, the Board of Directors met nine times, and one separate meeting was held in the form of document correspondence.

Evaluation of the Effectiveness of the Board of Directors

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

1. Scope of evaluations

- All directors and Audit & Supervisory Board members

2. Procedures for evaluations

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

3. Overview of results of analysis and evaluation of Board of Directors’ effectiveness in fiscal year 2020

- Board of Directors effectively exercising functions for establishing management strategies and targets, resolving management issues, and overseeing business execution in accordance with Onward’s Corporate Governance Policy
- Current composition, discussion quality, and operation methods of Board of Directors appropriate; no issues requiring urgent attention
- More efficient operation, higher shared recognition of issues among outside directors and outside Audit & Supervisory Board members, and more extensive provision of information to outside directors required for improvements to the effectiveness of the Board of Directors

Reasons for the Appointment of Outside Directors

Name	Reasons for Appointment as an Outside Director
Akira Kawamoto	We are expecting Mr. Kawamoto to use his extensive experience gained while working for the government for many years and diverse academic knowledge and insight to enhance the Company’s management.
Yoshie Komuro	We are expecting Ms. Komuro to use her specialized insight as a manager and the experience and insight that she gained on expert panels as part of government-affiliated councils to enhance the Company’s management.

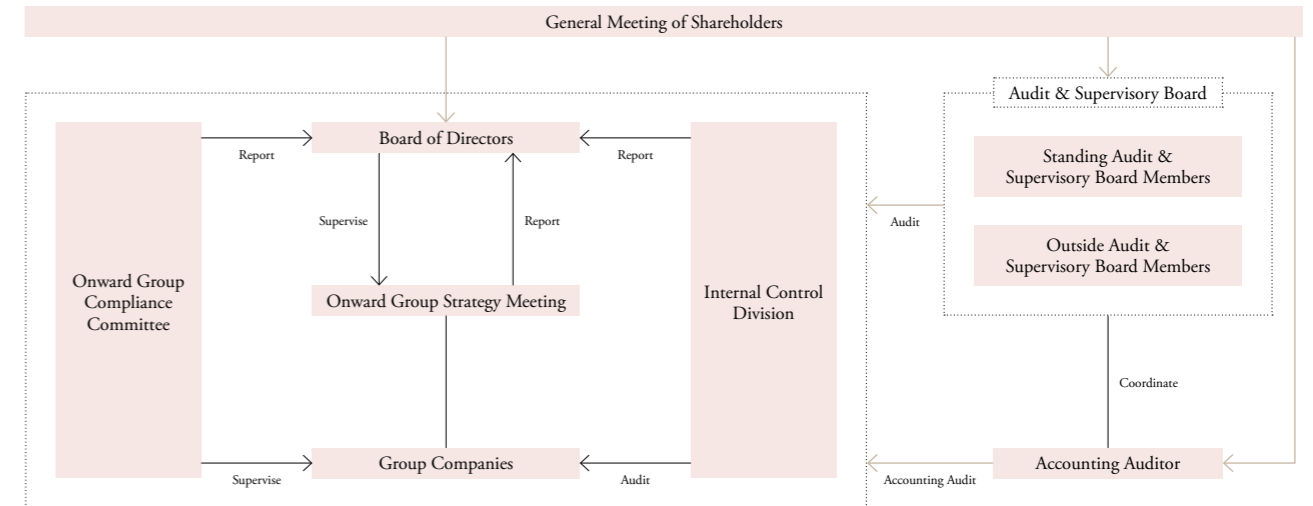
Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company has adopted an Audit & Supervisory Board structure, under which the Company has appointed four Audit & Supervisory Board members (three men and one woman), two of whom are outside Audit & Supervisory Board members. Audit & 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 Board of Directors’ meetings, Group financial account settlement meetings, and the Growth Oriented Management Committee, in accordance with audit policies and the roles delegated by the Audit & Supervisory Board. In addition, the Internal Audit Office and business departments conduct periodic monitoring in an effort to establish an effective and lawful corporate structure.

The Audit & Supervisory Board meets with the representative directors and the accounting auditor on a regular basis to share and exchange information and opinions. This initiative is also designed to ensure 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 are made based on this information as required.

In fiscal year 2020, the Audit & Supervisory Board met 17 times.

Corporate Governance Structure



Reasons for the Appointment of Outside Audit & Supervisory Board Members

Name	Reasons for Appointment as an Outside Audit & Supervisory Board Member
Ryu Umezumi	We are expecting Mr. Umezumi to use his wealth of knowledge, insight, and specialties from his experience as an attorney, particularly his robust insight and experience pertaining to capital market transactions and financial transactions, in audits of the Company.
Mitsuyo Kusano	We are expecting Ms. Kusano to use her wide-ranging experience and robust insight from her years of experience in the media industry and her time on expert panels of government committees in audits of the Company.

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 (six male executive officers but no female representation at this time) with the aim of clarifying other management decision-making and business execution functions. In order to facilitate flexible decision-making on a Groupwide basis, the Onward Group Strategy Meeting, which primarily comprises directors and executive representatives from operating companies, is in place to review the management strategies and important management matters of operating companies and confirm the status of operations.

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

Directors’ and Audit & Supervisory Board Members’ Compensation

Compensation paid to directors, excluding outside directors, comprises a basic compensation component, bonuses, and compensation for use in acquiring company stock.

The total amounts of compensation paid by officer classification, the total amounts of compensation paid by type of compensation, and details on 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
		Fixed Compensation	Compensation for the Purpose of Acquiring Company Stock	Performance-Linked Compensation	
Directors (excluding Outside Directors)	218	150	67	—	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	36	—	—	2
Outside Officers	40	40	—	—	5

Note: As of February 29, 2020, the Company had four directors and two Audit & Supervisory Board members, four of whom were outside officers. The number of directors includes two directors who resigned from their positions upon the conclusion of the General Meeting of Shareholders held on May 23, 2019.

Total Amount of Consolidated Compensation by Officer

This information is omitted as there were no officers who received payments exceeding ¥100 million on an individual basis in fiscal year 2020.

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

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

Policies for Cross-Shareholdings and Exercise of Related Voting Rights

In addition to stocks held purely for investment purposes, the Company will hold shares of stocks in listed companies with the aim of maintaining and strengthening business relationships and thereby improving medium-to-long-term corporate value. With regard to major cross-shareholdings, the Board of Directors will conduct annual assessments of the meaningfulness and economic rationality of these holdings from the perspectives of shareholding risk limitation and capital efficiency with consideration paid to the Company's growth potential and profitability and to the reinforcement and maintenance of business relationships as well as other concerns. Our basic policy is to sell those holdings that are deemed to no longer be appropriate after gaining the understanding of the business partner in question. In addition, holdings that have been deemed appropriate may also be sold when necessitated by the market environment or by management or financial strategies.

Furthermore, the Company strives to make the best possible decision when exercising voting rights related to cross-shareholdings. We therefore determine how these rights will be exercised based on a comprehensive evaluation of factors, including the medium-to-long-term improvement of the corporate value of the business partner in question and medium-to-long-term increases to the economic benefits for the Company and Group companies. These decisions are made by the Board of Directors each year after deliberation based on the following considerations.

1. Has the counterparty been suffering from a significant and ongoing deterioration of performance?
2. Has the counterparty engaged in antisocial activities or otherwise lost the trust of society?
3. Are proposals being made that threaten to adversely impact the interests of shareholders?

Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members

Candidates for positions as outside directors and outside Audit & Supervisory Board members will be judged to lack the necessary independence if they meet any of the following criteria.

1. Positions at companies at which a person involved in operation of the Company serves as a corporate officer
The individual must not be a person involved in operation at a company at which a person involved in operation of the Company serves as a corporate officer.
2. Material business relationships
The individual must not be a major customer or a person involved in operation of a major customer of the Company or a major supplier or a person involved in operation of a major supplier of the Company.
3. The Company's accounting auditor
The individual must not be affiliated with the accounting auditor that performs audits of the Company based on the Companies Act or the Financial Instruments and Exchange Act.
4. External specialists
The individual must not be a specialist receiving large amounts of monetary payments or other financial assets from the Company that are separate from compensation received for services as a director or an Audit & Supervisory Board member. (Specialists include lawyers, accountants, tax accountants, patent attorneys, judicial clerks, and consultants. If the financial assets in question are received by a company, an association, or other entity, the individual must not be affiliated with that entity.)
5. Donation recipients
The individual must not receive large donations from the Company. (If the donations in question are received by a company, an association, or other entity, the individual must not be a person involved in operation of that entity.)
6. Major shareholders
The individual must not possess direct or indirect holdings equating to 10% or more of the total voting rights of the Company or be a person involved in operation of an entity that possesses such holdings.
7. Past relationships
The individual must not have been applicable under items 1. to 5. during the past five years.

8. Relationships of kinship

The individual must not be a close relative of someone who is applicable under items 1. to 7. (excluding cases in which the relationship in question is nonmaterial).

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. Furthermore, by enhancing its corporate governance systems, the Company aims to earn high levels of trust among its customers and shareholders and from society as a whole. In specific terms, the Group published the *Compliance Manual* to clearly outline the direction of compliance activities and define standards for adhering to ethical concerns and social norms. The Onward Group Compliance Committee takes the lead in conducting continuous educational activities, including in-house training, as a part of efforts to ensure widespread awareness and understanding.

Moreover, the Group seeks to improve the quality of its products and subsequently customer satisfaction by channeling its quality management expertise through the Japan Apparel Quality Center. In addition, the Company has established a factory certification system as part of its supply chain management initiatives with the aim of improving work environments at partner factories.

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 system 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.

Interaction with Shareholders

The Company conducts various investor relations (IR) activities, and the Investor Relations Division has been established as a dedicated body for ensuring the functionality of these activities. This division maintains close coordination with Corporate Planning, Accounting, Legal Affairs, and other relevant divisions. It also relays the input and requests solicited through IR activities to the Executive Management Council and the Board of Directors for use in discussions of measures for improving corporate value.

1. Periodic briefings for analysts and institutional investors

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

2. Provision of IR materials on corporate website

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

- A Message from Management
<http://www.onward-hd.co.jp/site/english/ir/message.html>
- Financial Data
<http://www.onward-hd.co.jp/site/english/ir/financ.html>
- Information on Shares and Shareholders
<http://www.onward-hd.co.jp/site/english/ir/stocks.html>

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

As of November 1, 2020

Board of Directors

Representative Director, President
Michinobu Yasumoto

Senior Managing Director
Tsunenori Suzuki

Directors
Osamu Sato
Daisuke Ikeda

Outside Directors
Akira Kawamoto
Yoshie Komuro

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Members

Hirokazu Yoshizato
Hisayuki Ichinose

Outside Audit & Supervisory Board Members

Ryu Umezu
Mitsuyo Kusano

Executive Officers

Managing Executive Officers

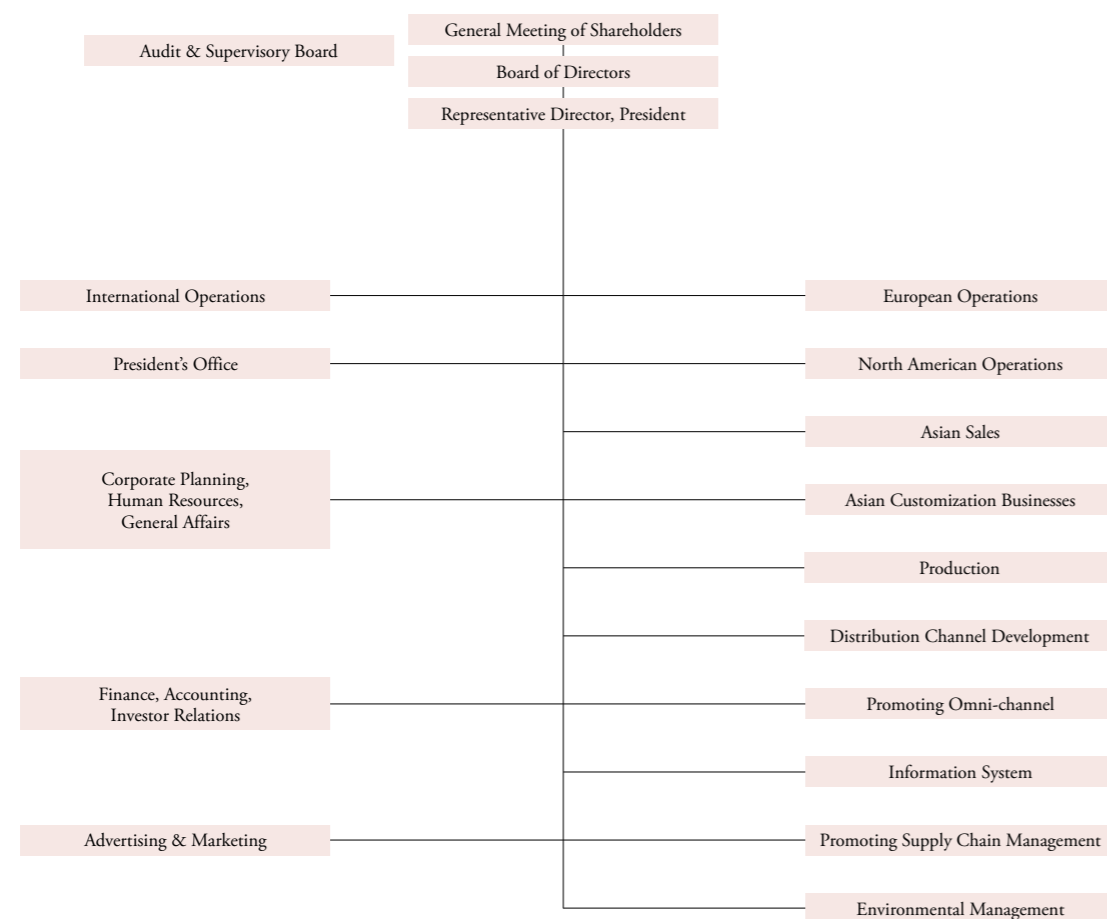
Hidekazu Imamura
Kenji Takeuchi
Takeshi Egashira
Yoshihiro Higuchi

Executive Officers

Tomohiko Sakamoto
Hikosaburo Seike

Company Organization

As of September 1, 2020



Financial Section

- 46 Six-Year Financial Summary
- 47 Management's Discussion and Analysis
- 50 Operating Risks
- 51 Consolidated Balance Sheets
- 53 Consolidated Statements of Income
- 54 Consolidated Statements of Comprehensive Income
- 55 Consolidated Statements of Changes in Equity
- 57 Consolidated Statements of Cash Flows
- 59 Notes to Consolidated Financial Statements
- 84 Independent Auditor's Report
- 85 Main Subsidiaries
- 87 Corporate / Investor Information
- 88 History

Note: In the financial section, reporting is based on the Annual Securities Report (*Yukashoken Hokokusho*) 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
	2015	2016	2017	2018	2019	2020	2020
FOR THE YEAR							
Net sales	¥281,502	¥263,516	¥244,901	¥243,075	¥240,652	¥248,234	\$2,268,426
Cost of sales	152,438	144,063	131,638	129,498	129,019	135,551	1,238,699
Selling, general and administrative expenses	123,332	115,675	109,059	108,410	107,171	115,744	1,057,702
Operating profit	5,732	3,778	4,204	5,167	4,462	(3,061)	(27,975)
Ordinary profit	7,162	5,504	5,577	5,929	5,162	(3,835)	(35,048)
Income taxes, current	5,033	8,680	1,534	3,305	1,244	1,653	15,106
Profit attributable to owners of parent	4,204	4,278	4,744	5,367	4,948	(52,135)	(476,428)
CASH FLOWS							
Cash flows from operating activities	16,491	3,632	6,844	13,228	4,635	8,003	73,135
Cash flows from investing activities	(15,657)	1,783	25,271	(7,300)	(10,306)	(10,758)	(98,313)
Cash flows from financing activities	757	(6,357)	(32,856)	(6,593)	11,543	(1,595)	(14,578)
Free cash flow*2	834	5,415	32,115	5,928	(5,671)	(2,755)	(25,178)
Capital expenditures	26,884	15,955	10,599	12,058	13,473	9,534	87,121
Depreciation and amortization	7,219	7,799	6,663	6,335	6,511	6,393	58,418
AT YEAR-END							
Cash and deposits	31,123	29,407	26,097	26,335	31,284	28,795	263,138
Total current assets	117,052	121,469	103,573	105,978	117,298	106,782	975,803
Total property, plant and equipment	109,658	106,695	92,269	93,714	96,718	83,231	760,591
Total assets	340,854	313,454	273,227	278,134	287,555	234,317	2,141,247
Total current liabilities	109,619	106,110	85,684	86,384	105,405	108,744	993,724
Total shareholders' equity	179,880	176,264	169,027	168,342	167,429	105,023	959,733
Total net assets	185,315	172,337	165,670	168,153	162,211	94,037	859,335

	Yen						U.S. dollars*1
PER SHARE INFORMATION							
Basic earnings per share (EPS)	¥ 26.78	¥ 28.27	¥ 31.47	¥ 36.97	¥ 35.24	¥ (383.97)	\$ (3.51)
Net assets	1,166.89	1,101.21	1,116.47	1,155.04	1,148.30	665.17	6.08
Cash dividends	24.00	24.00	24.00	24.00	24.00	24.00	0.22
Payout ratio (%)	89.6	86.5	74.0	63.7	66.9	—	—
RATIOS							
ROE (%)	2.4	2.4	2.8	3.3	3.1	(20.0)	—
ROA (%)	1.3	1.3	1.6	1.9	1.7	(42.0)	—
Operating margin (%)	2.0	1.4	1.7	2.1	1.9	(1.2)	—
Gross profit margin (%)	45.8	45.3	46.2	46.7	46.4	45.4	—
SG&A expenses / Net sales (%)	43.8	43.9	44.5	44.6	44.5	46.6	—
Shareholders' equity ratio (%)	53.8	54.2	59.8	59.2	55.1	38.3	—
OTHER INFORMATION							
Number of full-time employees	4,973	5,119	4,456	4,530	4,643	5,153	—

*1. Yen amounts have been translated, for convenience only, at ¥109.43 = US\$1, the rate of exchange as of February 29, 2020.

*2. Free cash flow = Cash flows from operating activities + Cash flows from investing activities

Management's Discussion and Analysis

Overview of Operating Results

In fiscal year 2020, ended February 29, 2020, the outlook for the global operating environment rapidly grew opaque. Factors behind this opacity included intensifying economic disputes among countries, the stalemate in negotiations between the United Kingdom and the European Union regarding the former's departure from the latter, the tense situation in the Middle East, and the global COVID-19 pandemic.

In response to this environment, the Onward Group implemented global business reforms that included withdrawing from and contracting the scale of underperforming businesses and closing unprofitable stores in the European, North American, Asian, and Japanese markets. In conjunction with these reforms, growth strategies were advanced positioning the digital field, the customization field, and the lifestyle field as pillars of future growth.

Net Sales

Sales in the Apparel Business decreased 4.3% year on year, to ¥205,265 million, while sales in the Lifestyle Business increased 64.7%, to ¥42,969 million. As a result, consolidated net sales were up 3.2% compared with the previous fiscal year, to ¥248,234 million.

Gross Profit

The gross profit margin decreased 1.0 percentage point, from 46.4% in fiscal year 2019 to 45.4% in fiscal year 2020. Gross profit increased ¥1,049 million, to ¥112,683 million.

Operating Profit

The ratio of selling, general and administrative (SG&A) expenses to net sales increased 2.1 percentage points, from 44.5% to 46.6%. Operating loss of ¥3,061 million was posted, compared with operating profit of ¥4,462 million in the previous fiscal year.

Other Income (Expenses)

Other expenses, net, amounted to ¥34,518 million, compared with other expenses, net, of ¥1,306 million in the previous fiscal year. Other income was recorded in the form of gain on sales and disposal of non-current assets, net, of ¥2,424 million loss on sales of investment securities, net ¥71, of -¥71 million. In other expenses, impairment loss on fixed assets increased from ¥5,533 million in fiscal year 2019 to ¥27,756 million in fiscal year 2020, and extra retirement expenses of ¥3,598 million and loss on liquidation of business of ¥3,029 million were recorded.

Profit before Income Taxes and Profit Attributable to Owners of Parent

Loss before income taxes of ¥37,580 million was recorded, compared with profit before income taxes of ¥3,155 million in fiscal year 2019. Loss attributable to owners of parent of ¥52,135 million was posted, compared with profit attributable to owners of parent of ¥4,948 million in the previous fiscal year.

	Millions of yen				
	2016	2017	2018	2019	2020
Net sales	¥ 263,516	¥ 244,901	¥ 243,075	¥ 240,652	¥ 248,234
Operating Profit	3,778	4,204	5,167	4,462	-3,061
Profit Attributable to Owners of Parent	4,278	4,744	5,367	4,948	-52,135

Management's Discussion and Analysis

Segment Information

Apparel Business

In fiscal year 2020, sales in the Apparel Business segment declined 4.3% year on year, to ¥205,265 million, while operating loss of ¥3,425 million was recorded, compared with operating profit of ¥5,255 million in fiscal year 2019.

Domestic Apparel Business

E-commerce sales were strong centered on core operating subsidiary Onward Kashiya Co., Ltd., while Onward Trading Co., Ltd., which designs and sells corporate uniforms and sales promotion merchandise, enjoyed increases in sales and profit. Conversely, sales at physical stores suffered greatly due to the impacts of the consumption tax hike in Japan; natural disasters such as heavy rains and typhoons; and unseasonable weather, most notably the warm winter. As a result, sales and profit were down for the domestic apparel business overall.

Overseas Apparel Business

The Asian business achieved higher profit despite lower sales due to the benefits of global business reforms. However, the benefits of these reforms in the European and North American businesses will not be felt until fiscal year 2021, and these businesses therefore posted declines in sales and profit. As a result, overall sales and profit decreased in the overseas apparel business.

Lifestyle Business

In fiscal year 2020, sales in the Lifestyle Business segment increased 64.7% year on year, to ¥42,969 million, and operating profit rose 0.8%, to ¥1,553 million.

With the new consolidation of gift catalog business operator Yamato Co., Ltd., acquired in the first quarter of fiscal year 2020, the Lifestyle Business segment proceeded to expand its operations in the new field of gifts. Yamato greatly contributed to performance while Chacott Co., Ltd., improved earnings following the deployment of new brands. As a result, both sales and operating profit were up for the Lifestyle Business segment overall.

Outlook for the Fiscal Year Ending February 28, 2021

For fiscal year 2021, ending February 28, 2021, it is projected that a recovery will take time with regard to the impacts of the global COVID-19 pandemic. Examples of these impacts include shortened operating hours and temporary closures of department stores, train station building stores, and other commercial facilities; sluggish inbound demand in Japan; and low consumption demand as government requests for people to stay home erode consumer confidence.

In response to this challenging operating environment, the Onward Group is seeking to strengthen its corporate constitution and improve earnings by accelerating global business reforms. The Group will also continue to move forward with growth strategies positioning the digital field, the customization field, and the lifestyle field as pillars of growth from a medium-to-long-term perspective.

Domestic Business

In the domestic business, we will seek to improve business efficiency by diversifying the value we provide, expanding our customer base, and evolving in line with the times.

Existing brand initiatives will include improving the value of apparel and other brands from the customer's perspective, advancing digital transformation strategies for expanding our ability to deliver experiences and services that contribute to increased customer satisfaction and convenience, and improving profitability by bolstering e-commerce operations.

In addition, we are promoting KASHIYAMA the Smart Tailor, our brand of made-to-order suits, as a core, next-generation business that is compatible with mass customization. At the same time, lifestyle businesses, such as cosmetics, wellness, and gift operations, will be expanded.

Overseas Business

In the overseas business, we will move ahead with global business reforms for optimizing operations.

In Europe, we are working to increase earnings power by refining operating structures for the manufacturing platform of Onward Luxury Group and the brands of JOSEPH and JIL SANDER.

In Asia, we have commenced initiatives with outside partners in China, and we will be moving ahead with growth strategies that respond flexibly to market changes through means such as expanding internet-based businesses and developing new sales channels going forward.

Initiatives in North America will include developing the J. PRESS brand and launching the KASHIYAMA the Smart Tailor made-to-order suits business in this market. In addition, we will carry out the investments deemed necessary from a medium-term perspective while implementing initiatives for growing our business in this market.

Financial Position

Assets

Total assets on February 29, 2020, stood at ¥234,317 million, down ¥53,238 million from the previous fiscal year-end. Total current assets decreased ¥7,542 million, mainly due to lower cash and deposits and inventories. Fixed assets fell ¥45,695 million, largely reflecting impairment losses stemming from the global business reforms.

Liabilities

Total liabilities as of February 29, 2020, were up ¥14,935 million from the previous fiscal year-end, to ¥140,280 million. Total current liabilities rose ¥3,337 million, mainly attributable to an increase in notes and accounts payable. Total long-term liabilities expanded ¥11,597 million, largely due to an increase in long-term loans payable.

Net Assets

On February 29, 2020, total net assets were down ¥68,173 million from the previous fiscal year-end, to ¥94,037 million. Total shareholders' equity decreased ¥62,405 million following a decline in retained earnings and the acquisition of treasury shares. Total accumulated other comprehensive loss increased ¥6,097 million, mainly because of downward adjustments associated with net unrealized loss on available-for-sale securities, a result of declines in the market price of stock holdings, and foreign currency translation adjustment.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities for fiscal year 2020 was ¥8,003 million (¥4,635 million in the previous fiscal year), mainly from loss before income taxes, impairment loss on fixed assets, and a decrease in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal year 2020 totaled ¥10,758 million (¥10,306 million in the previous fiscal year), mainly due to investments in sales facilities and business assets and payments for sale of investments in subsidiaries resulting in change in scope of consolidation.

Cash Flows from Financing Activities

Net cash used in financing activities for fiscal year 2020 amounted to ¥1,595 million (net cash provided by financing activities of ¥11,543 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 29, 2020, decreased ¥2,456 million, to ¥28,780 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 capital expenditures are the wellspring that enables us to address the diverse needs of our customers.

In fiscal year 2020, our capital expenditures totaled ¥9,534 million. The details of expenditures by segment are as follows.

In the Apparel Business segment, capital expenditures amounted to ¥6,587 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 network.

In the Lifestyle Business segment, we invested ¥1,467 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 35% or more.

A single dividend payment is issued each year and is decided via approval at the General Meeting of Shareholders. For fiscal year 2020, we resolved to distribute a cash dividend of ¥24 per share, the same level as in fiscal year 2019, based on a comprehensive evaluation of this year's performance and our outlook for the operating environment.

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.

	Millions of yen				
	2016	2017	2018	2019	2020
Total Assets	¥ 313,454	¥ 273,227	¥ 278,134	¥ 287,555	¥ 234,317
Total Net Assets	172,337	165,670	168,153	162,211	94,037
Cash Flows from Operating Activities	3,632	6,844	13,228	4,635	8,003
Cash Flows from Investing Activities	1,783	25,271	-7,300	-10,306	-10,758
Cash Flows from Financing Activities	-6,357	-32,856	-6,593	11,543	-1,595

Operating Risks

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

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.

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 properties 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.

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 dishonest acts and 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.

Disasters

The Onward Group has established disaster response handbooks and policies. Regardless, the occurrence of a natural disaster, such as an earthquake, a flood, or a fire; an accident; or an outbreak of an epidemic, such as a new strain of influenza, may compel the Onward Group to suspend its business operations. 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, 2019 and February 29, 2020

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2019	2020	2020
Current assets:			
Cash and deposits (Notes 3 and 10)	¥ 31,284	¥ 28,795	\$ 263,138
Notes and accounts receivable—trade (Note 3)	25,508	25,716	234,995
Inventories (Note 2. (4))	46,766	43,224	394,990
Other	11,521	9,536	87,147
Less: Allowance for doubtful accounts	(754)	(489)	(4,467)
Total current assets	114,325	106,782	975,803
Property, plant and equipment:			
Buildings and structures	84,325	74,627	681,959
Leased assets	9,071	9,756	89,153
Other	35,410	32,400	296,084
Less: Accumulated depreciation	(78,354)	(75,635)	(691,166)
Land	50,452	41,148	376,030
Total property, plant and equipment	46,266	42,083	384,561
Total property, plant and equipment	96,718	83,231	760,591
Intangible assets, net:			
Goodwill	9,455	6,128	55,997
Other	7,570	6,033	55,132
Total intangible assets, net	17,025	12,161	111,129
Investments and other assets:			
Investment securities (Notes 3 and 4)	27,846	13,341	121,913
Long-term loans receivable	2,469	1,613	14,738
Long-term prepaid expenses	447	301	2,749
Retirement benefit asset (Note 8)	2,919	2,705	24,717
Deferred tax assets (Note 12)	15,899	4,233	38,678
Other	10,344	10,256	93,725
Less: Allowance for doubtful accounts	(437)	(306)	(2,796)
Total investments and other assets	59,487	32,143	293,724
Total assets	¥287,555	¥234,317	\$2,141,247

Consolidated Balance Sheets

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2019	2020	2020
Current liabilities:			
Notes and accounts payable—trade (Note 3)	¥ 17,557	¥ 19,206	\$ 175,513
Electronically recorded obligations—operating (Note 3)	14,183	13,808	126,185
Short-term borrowings (Notes 3 and 13)	53,886	44,907	410,373
Current portion of long-term borrowings (Notes 3 and 13)	2,800	4,452	40,684
Income taxes payable	475	528	4,823
Provision for bonuses	777	835	7,634
Provision for bonuses for directors	156	23	208
Provision for sales returns	241	229	2,089
Provision for point card certificates	765	887	8,101
Other (Note 13)	14,565	23,869	218,114
Total current liabilities	105,405	108,744	993,724
Non-current liabilities:			
Long-term borrowings (Notes 3 and 13)	4,707	17,028	155,611
Deferred tax liabilities for land revaluation (Note 12)	1,747	1,756	16,043
Retirement benefit liability (Note 8)	3,993	3,724	34,029
Lease obligations (Note 13)	4,411	4,224	38,603
Provision for retirement benefits for directors and corporate auditors	203	233	2,131
Other (Note 12)	4,878	4,571	41,771
Total non-current liabilities	19,939	31,536	288,188
Total liabilities	125,344	140,280	1,281,912
Net assets:			
Shareholders' equity (Note 14):			
Share capital:			
Authorized—400,000,000 ordinary shares			
Issued—157,921,669 ordinary shares at February 28, 2019 and February 29, 2020	30,080	30,080	274,876
Capital surplus	50,043	50,043	457,308
Retained earnings	107,140	46,338	423,451
Less: Treasury shares, at cost, 20,052,156 ordinary shares and 22,901,445 ordinary shares at February 28, 2019 and February 29, 2020, respectively	(19,834)	(21,438)	(195,902)
Total shareholders' equity	167,429	105,023	959,733
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	(1,453)	(4,581)	(41,867)
Deferred gains or losses on hedges	80	22	204
Revaluation reserve for land	(8,957)	(9,285)	(84,853)
Foreign currency translation adjustment	1,134	(604)	(5,523)
Remeasurements of defined benefit plans (Note 8)	82	(763)	(6,968)
Total accumulated other comprehensive income	(9,114)	(15,211)	(139,007)
Share acquisition rights	559	484	4,424
Non-controlling interests	3,337	3,741	34,185
Total net assets	162,211	94,037	859,335
Total liabilities and net assets	¥287,555	¥234,317	\$2,141,247
Per share:	Yen		U.S. dollars (Note 2. (21))
Net assets per share	¥1,148.30	¥665.17	\$6.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2019 and February 29, 2020

	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2019	2020	2020
Net sales	¥240,652	¥248,234	\$2,268,426
Cost of sales	129,019	135,551	1,238,699
Gross profit	111,633	112,683	1,029,727
Selling, general and administrative expenses	107,171	115,744	1,057,702
Operating profit (loss)	4,462	(3,061)	(27,975)
Other income (expenses):			
Interest income	55	45	415
Dividend income	258	242	2,207
Rental income from land and buildings	1,303	1,289	11,778
Interest expenses	(370)	(403)	(3,683)
Share of loss of entities accounted for using equity method	(84)	(1,390)	(12,705)
Foreign exchange gains (losses)	27	(1)	(9)
Compensation income	418	—	—
Rental expenses	(548)	(657)	(6,006)
Gain (loss) on sales of investment securities, net (Note 4)	2,432	(71)	(650)
Gain on sales and disposal of non-current assets, net	2,313	2,424	22,151
Gain on liquidation of subsidiaries and associates	25	—	—
Loss on liquidation of business (Note 7)	—	(3,029)	(27,676)
Impairment loss (Note 6)	(5,533)	(27,756)	(253,642)
Loss on valuation of investment securities (Note 4)	(45)	(1,565)	(14,298)
Extra retirement payments	—	(3,598)	(32,880)
Loss on sales of shares of subsidiaries and associates	(1,185)	—	—
Other, net	(373)	(49)	(440)
Profit (loss) before income taxes	3,155	(37,580)	(343,413)
Income taxes (Note 12):			
Current	1,244	1,653	15,106
Deferred	(3,898)	12,202	111,511
Profit (loss)	5,809	(51,435)	(470,030)
Profit attributable to non-controlling interests	861	700	6,398
Profit (loss) attributable to owners of parent	¥ 4,948	¥(52,135)	\$ (476,428)
Per share (Notes 14, 15, and 17):	Yen		U.S. dollars (Note 2. (21))
Basic earnings (loss) per share	¥35.24	¥(383.97)	\$(3.51)
Diluted earnings per share	34.96	—	—
Cash dividends per share	24.00	24.00	0.22

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2019 and February 29, 2020

	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2019	2020	2020
Profit (loss)	¥ 5,809	¥(51,435)	\$(470,030)
Other comprehensive income:			
Valuation difference on available-for-sale securities	(2,628)	(4,792)	(43,787)
Deferred gains or losses on hedges	154	(57)	(523)
Revaluation reserve for land	—	(107)	(977)
Foreign currency translation adjustment	(891)	(1,507)	(13,771)
Remeasurements of defined benefit plans, net of tax	(756)	(844)	(7,715)
Share of other comprehensive income of entities accounted for using equity method	(207)	(15)	(136)
Total other comprehensive income (Note 9)	(4,328)	(7,322)	(66,909)
Comprehensive income	¥ 1,481	¥(58,757)	\$(536,939)
Comprehensive income attributable to:			
Owners of parent	¥ 659	¥(59,454)	\$(543,311)
Non-controlling interests	822	697	6,372

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2019 and February 29, 2020

	Number of ordinary shares (thousands)	Millions of yen				
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance as at March 1, 2018	167,922	¥30,080	¥50,043	¥115,799	¥(27,580)	¥168,342
Dividends of surplus	—	—	—	(3,420)	—	(3,420)
Profit attributable to owners of parent	—	—	—	4,948	—	4,948
Purchase of treasury shares	—	—	—	—	(3,725)	(3,725)
Disposal of treasury shares	—	—	—	(223)	393	170
Cancellation of treasury shares	(10,000)	—	—	(11,078)	11,078	—
Reversal of revaluation reserve for land	—	—	—	1,114	—	1,114
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Total changes in items during period	(10,000)	—	—	(8,659)	7,746	(913)
Balance as at February 28, 2019	157,922	30,080	50,043	107,140	(19,834)	167,429
Dividends of surplus	—	—	—	(3,309)	—	(3,309)
Loss attributable to owners of parent	—	—	—	(52,135)	—	(52,135)
Purchase of treasury shares	—	—	—	—	(1,758)	(1,758)
Disposal of treasury shares	—	—	—	(79)	154	75
Reversal of revaluation reserve for land	—	—	—	222	—	222
Change in scope of equity method	—	—	—	(4,768)	—	(4,768)
Change in scope of consolidation	—	—	—	(733)	—	(733)
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Total changes in items during period	—	—	—	(60,802)	(1,604)	(62,406)
Balance as at February 29, 2020	157,922	¥30,080	¥50,043	¥ 46,338	¥(21,438)	¥105,023

	Thousands of U.S. dollars (Note 2. (21))				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance as at February 28, 2019	\$274,876	\$457,308	\$ 979,073	\$(181,246)	\$1,530,011
Dividends of surplus	—	—	(30,237)	—	(30,237)
Loss attributable to owners of parent	—	—	(476,428)	—	(476,428)
Purchase of treasury shares	—	—	—	(16,064)	(16,064)
Disposal of treasury shares	—	—	(719)	1,408	689
Reversal of revaluation reserve for land	—	—	2,027	—	2,027
Change in scope of equity method	—	—	(43,570)	—	(43,570)
Change in scope of consolidation	—	—	(6,695)	—	(6,695)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes in items during period	—	—	(555,622)	(14,656)	(570,278)
Balance as at February 29, 2020	\$274,876	\$457,308	\$ 423,451	\$(195,902)	\$ 959,733

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

	Millions of yen								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities (Note 4)	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans (Note 8)	Total	Share acquisition rights	Non-controlling interests	Total net assets
Balance as at March 1, 2018	¥ 1,271	¥ (74)	¥(7,865)	¥ 2,097	¥ 838	¥ (3,733)	¥ 730	¥2,814	¥168,153
Dividends of surplus	—	—	—	—	—	—	—	—	(3,420)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	4,948
Purchase of treasury shares	—	—	—	—	—	—	—	—	(3,725)
Disposal of treasury shares	—	—	—	—	—	—	—	—	170
Cancellation of treasury shares	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	1,114
Net changes in items other than shareholders' equity	(2,724)	154	(1,092)	(963)	(756)	(5,381)	(171)	523	(5,029)
Total changes in items during period	(2,724)	154	(1,092)	(963)	(756)	(5,381)	(171)	523	(5,942)
Balance as at February 28, 2019	(1,453)	80	(8,957)	1,134	82	(9,114)	559	3,337	162,211
Dividends of surplus	—	—	—	—	—	—	—	—	(3,309)
Loss attributable to owners of parent	—	—	—	—	—	—	—	—	(52,135)
Purchase of treasury shares	—	—	—	—	—	—	—	—	(1,758)
Disposal of treasury shares	—	—	—	—	—	—	—	—	75
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	222
Change in scope of equity method	—	—	—	—	—	—	—	—	(4,768)
Change in scope of consolidation	—	—	—	—	—	—	—	—	(733)
Net changes in items other than shareholders' equity	(3,128)	(58)	(328)	(1,738)	(845)	(6,097)	(75)	404	(5,768)
Total changes in items during period	(3,128)	(58)	(328)	(1,738)	(845)	(6,097)	(75)	404	(68,174)
Balance as at February 29, 2020	¥(4,581)	¥ 22	¥(9,285)	¥ (604)	¥(763)	¥(15,211)	¥ 484	¥3,741	¥ 94,037

	Thousands of U.S. dollars (Note 2. (21))								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities (Note 4)	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans (Note 8)	Total	Share acquisition rights	Non-controlling interests	Total net assets
Balance as at February 28, 2019	\$(13,273)	\$ 727	\$(81,850)	\$ 10,366	\$ 747	\$(83,283)	\$5,112	\$30,487	\$1,482,327
Dividends of surplus	—	—	—	—	—	—	—	—	(30,237)
Loss attributable to owners of parent	—	—	—	—	—	—	—	—	(476,428)
Purchase of treasury shares	—	—	—	—	—	—	—	—	(16,064)
Disposal of treasury shares	—	—	—	—	—	—	—	—	689
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	2,027
Change in scope of equity method	—	—	—	—	—	—	—	—	(43,570)
Change in scope of consolidation	—	—	—	—	—	—	—	—	(6,695)
Net changes in items other than shareholders' equity	(28,594)	(523)	(3,003)	(15,889)	(7,715)	(55,724)	(688)	3,698	(52,714)
Total changes in items during period	(28,594)	(523)	(3,003)	(15,889)	(7,715)	(55,724)	(688)	3,698	(622,992)
Balance as at February 29, 2020	\$(41,867)	\$ 204	\$(84,853)	\$ (5,523)	\$(6,968)	\$(139,007)	\$4,424	\$34,185	\$ 859,335

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2019 and February 29, 2020

	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2019	2020	2020
	Cash flows from operating activities:		
Profit (loss) before income taxes	¥ 3,155	¥(37,580)	\$(343,413)
Adjustments to reconcile profit (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,511	6,393	58,418
Impairment loss	5,533	27,756	253,642
Amortization of goodwill	2,302	1,749	15,979
Increase (decrease) in allowance for doubtful accounts	586	(225)	(2,060)
Decrease (increase) in retirement benefit asset	928	214	1,956
Increase (decrease) in retirement benefit liability	(131)	(241)	(2,205)
Interest and dividend income	(313)	(287)	(2,622)
Interest expenses	370	403	3,683
Share of loss (profit) of entities accounted for using equity method	84	1,390	12,705
Loss (gain) on sales and disposal of non-current assets, net	(2,313)	(2,424)	(22,151)
Loss (gain) on sales of investment securities, net	(2,432)	71	650
Loss (gain) on valuation of investment securities	45	1,565	14,298
Decrease (increase) in trade receivables	(752)	540	4,939
Decrease (increase) in inventories	(4,186)	4,920	44,959
Increase (decrease) in trade payables	(904)	(33)	(305)
Other, net	(1,582)	3,753	34,302
Subtotal	6,901	7,964	72,775
Interest and dividends received	394	322	2,946
Interest paid	(367)	(459)	(4,195)
Income taxes paid	(2,304)	(1,679)	(15,340)
Income taxes refund	11	1,855	16,949
Net cash provided by (used in) operating activities	4,635	8,003	73,135
Cash flows from investing activities:			
Payments into time deposits	(5)	(21)	(195)
Proceeds from withdrawal of time deposits	599	53	482
Purchase of property, plant and equipment	(11,220)	(5,701)	(52,100)
Proceeds from sales of property, plant and equipment	4,803	4,057	37,073
Purchase of investment securities	(10,138)	(2,277)	(20,806)
Proceeds from sales of investment securities	9,444	3,654	33,392
Purchase of long-term prepaid expenses	(166)	(132)	(1,204)
Payments of guarantee deposits	(1,166)	(695)	(6,350)
Proceeds from refund of guarantee deposits	1,465	900	8,220
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(8,304)	(75,887)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	39	—	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(20)	—	—
Other, net	(3,941)	(2,292)	(20,938)
Net cash provided by (used in) investing activities	¥(10,306)	¥(10,758)	\$(98,313)

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 2, (21))
	2019	2020	2020
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	¥24,800	¥(8,044)	\$(73,506)
Proceeds from long-term borrowings	—	16,300	148,954
Repayments of long-term borrowings	(5,086)	(3,986)	(36,427)
Purchase of treasury shares	(3,725)	(1,758)	(16,064)
Dividends paid	(3,420)	(3,309)	(30,237)
Dividends paid to non-controlling interests	(154)	(103)	(943)
Other, net	(872)	(695)	(6,355)
Net cash provided by (used in) financing activities	11,543	(1,595)	(14,578)
Effect of exchange rate change on cash and cash equivalents	(285)	(499)	(4,554)
Net increase (decrease) in cash and cash equivalents	5,587	(4,849)	(44,310)
Cash and cash equivalents at beginning of period	25,650	31,237	285,453
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	2,392	21,858
Cash and cash equivalents at end of period (Note 10)	¥31,237	¥28,780	\$263,001

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2019 and February 29, 2020

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 Companies Act of Japan (the "Companies Act") and the Financial Instruments and Exchange Act 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-General of the Kanto Local 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 83 subsidiaries as at February 29, 2020 (87 as at February 28, 2019). The accompanying consolidated financial statements include the accounts of the Company and 76 of its subsidiaries (72 for 2019). Major consolidated subsidiaries are listed below (the Company and its consolidated subsidiaries are collectively referred to as the "Companies"):

Name of subsidiary	Equity ownership percentage	Closing date
Onward Kashiyama Co., Ltd.	100.0%	February 29
Yamato Co., Ltd.	100.0	February 29
Onward Trading Co., Ltd.	100.0	February 29
Chacott Co., Ltd.	100.0	February 29
Island Co., Ltd.	100.0	February 29
Creative Yoko Co., Ltd.	100.0	February 29
Onward Personal Style Co., Ltd.	100.0	February 29
Onward Italia S.p.A.	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
Onward Creative Center Co., Ltd.	100.0	February 29
Excel Co., Ltd.	100.0	February 29
Onward Resort & Golf Co., Ltd.	100.0	February 29
Onward Life Design Network Co., Ltd.	100.0	February 29
Onward Beach Resort Guam, Inc.	100.0	December 31
Onward Mangilao Guam, Inc.	100.0	December 31

During the year ended February 29, 2020, shares in Yamato Co., Ltd. were acquired; therefore, it became a consolidated subsidiary of the Company. Onward Italia S.p.A., Kashiyama Daikanyama Co., Ltd., and Onward Personal Style Co., Ltd., which had been unconsolidated subsidiaries, became consolidated subsidiaries of the Company since their materiality has increased. Onward International Fashion Co., Ltd., Onward Fashion Lab Co., Ltd., Jil Sander Japan Co., Ltd., Maison Moreau Japan Co., Ltd., and OLG LAB S.R.L. were newly established; therefore, these companies became consolidated subsidiaries of the Company.

Onward Kashiyama Singapore Pte. Ltd. was removed from the scope of consolidation since its materiality has decreased. Onward Luxury Group S.p.A., OLG S.R.L., Sakura Co., Ltd. and Jitensya Shokunin Co., Ltd. were liquidated; therefore, these companies were removed from the scope of consolidation.

The financial statements of subsidiaries with the fiscal year-end of December 31 or November 30 have been used for consolidation. The fiscal year-end of Kokobuy Co., Ltd. is September 30, and its financial statements prepared on a basis similar to that for the year-end closing as of December 31 have been used for consolidation purposes. Significant adjustments considered necessary between the fiscal year-ends and the Company's closing date have been made for consolidation.

The remaining 7 subsidiaries (8 for 2019) were not consolidated because their total assets, net sales, profit or loss, 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 purpose 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 non-controlling interests has been 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 associates

Investments in unconsolidated subsidiaries and associates are accounted for by the equity method. A total of 4 companies (24 companies for 2019) were accounted for by the equity method for the year ended February 29, 2020. Daidoh Limited was removed from the scope of the equity method since its effect has decreased. Charlotte Olympia Holdings Ltd. was liquidated; therefore, it was removed from the scope of the equity method.

The Company did not apply the equity method to Bien Co., Ltd. and others as the effects on profit or loss and retained earnings in the consolidated financial statements are not material individually or in the aggregate.

The fiscal year-end of Mulberry Japan Co., Ltd. is March 31, and its financial statements prepared on a basis similar to that for the year-end closing as of December 31 have been 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. Write-downs recorded for the years ended February 28, 2019 and February 29, 2020 were ¥8,958 million and ¥10,426 million (\$95,279 thousand), respectively.

(5) Investment 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 at cost.

In cases where any decline in the fair value of a security is assessed to be other than temporary, the cost of the security is reduced to the net realizable value, and the impairment loss is charged to profit or loss. Realized gains and losses are determined using the moving-average method and are reflected in profit or loss.

(6) Derivative transactions

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

(7) Hedge accounting

Gains or losses arising from changes in the fair values of derivatives designated as “hedging instruments” are deferred as a component of net assets, net of applicable taxes. The gains or losses on the hedging instruments are included in profit in the period during which the gains and losses on the hedged items or transactions are recognized. For forward exchange 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 forward exchange contracts. The related hedged items are trade payables and trade receivables denominated in foreign currencies and scheduled transactions.

The Company has a policy of utilizing hedging instruments in order to reduce 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 that are prescribed by Japanese income tax regulations, except for certain buildings (other than facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016, which are depreciated by the straight-line method pursuant to an amendment to the Japanese income tax act.

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 to 10 years) by the straight-line method.

(10) Income taxes

The accounting standard for income taxes requires 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 profit or loss 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) Allowance for doubtful accounts

An allowance for doubtful accounts, including notes and accounts receivable—trade and certain investments and other assets, is provided against probable future losses on collection. The Companies designate certain accounts as highly doubtful accounts and provide a specific allowance for these accounts based on management’s detailed credit analysis. Other than these accounts, the Companies provide an allowance for doubtful accounts based on their historical average charge-off ratio.

(12) Provision for sales returns

The Companies provide for 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 Companies adopt the benefit formula basis for the method of attributing the projected benefits to periods.

Unrecognized prior service costs are amortized and charged or credited to profit or loss on a straight-line basis over five to 10 years, which are within the related employees’ average remaining service years. Unrecognized actuarial differences are amortized on a straight-line basis over five to 10 years, which are within the related employees’ average remaining service years, from the year following the one in which they arise.

To provide for retirement benefits for directors and corporate auditors, certain domestic consolidated subsidiaries recognize accrued retirement benefits in an amount required at the balance sheet dates in accordance with their internal rules.

(14) Provision for point card certificates

The provision for point card certificates is provided for future costs arising 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 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 statement of income.

(16) Application of consolidated taxation system

The Company and certain of its domestic consolidated subsidiaries apply the consolidated taxation system.

(17) Cash and cash equivalents

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

(18) Impairment of non-current assets

The accounting standard for impairment of fixed 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 is 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 is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(19) Provision for bonuses

Provision for bonuses is recognized for the estimated amount to provide for payment of bonuses to employees after the fiscal year-end, based on services provided by them during the period.

(20) Provision for bonuses for directors

The Company and certain of its domestic consolidated subsidiaries recognize provision for bonuses for directors in an estimated amount to provide for payment of bonuses to their directors.

(21) U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥109.43 = US\$1, the rate of exchange as of February 29, 2020, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized, or settled in U.S. dollars at that rate or any other rate.

(22) Goodwill

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

(23) Accounting standards issued but not yet effective

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(a) Overview

The standard is a comprehensive accounting standard for revenue recognition. Revenue is recognized in accordance with the following five-step approach.

Step 1: Identify a contract with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation in the contract

Step 5: Recognize revenue when or as a performance obligation is satisfied

Notes to Consolidated Financial Statements

(b) Scheduled date of adoption

The Companies expect to adopt the standard and the implementation guidance at the beginning of the year ending February 28, 2023.

(c) Impact of adopting the standard and the implementation guidance

The Company is currently evaluating the impact of adopting the standard and the implementation guidance on its consolidated financial statements.

(24) Change in presentation method

Changes associated with adoption of Partial Amendments to "Accounting Standard for Tax Effect Accounting" and related implementation guidances

The Company adopted the Partial Amendments to "Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018; the "Amendments") and related implementation guidances at the beginning of the year ended February 29, 2020, and changed to the method of presentation where deferred tax assets are presented under "investments and other assets" and deferred tax liabilities are presented under "non-current liabilities" and changed the notes on income taxes.

As a result, in the consolidated balance sheet as of February 28, 2019, "deferred tax assets" presented under "current assets" decreased by ¥2,973 million, and "deferred tax assets" presented under "investment and other assets" increased by the same amount.

Moreover, matters in Note 8 (except for total amount of valuation allowances) and Note 9 of Interpretive Notes to the "Accounting Standard for Tax Effect Accounting" specified in Paragraphs 3 to 5 of the Amendments have been added to the notes on income taxes. Comparative information for the year ended February 28, 2019, however, is not presented in accordance with the transitional provisions in Paragraph 7 of the Amendments.

(25) Additional information

Some stores of the Companies in and outside Japan have temporarily closed due to the global spread of the novel coronavirus.

The Companies made accounting estimates including the recoverability of deferred tax assets, assuming that the effect of the coronavirus disease will remain serious at least until the first quarter of the year ending February 28, 2021, thereafter beginning to ease and mostly subsiding by the fiscal year-end with considerations of its long-standing uncertainty.

3. Financial Instruments

(1) Matters pertaining to the status of financial instruments

(a) Policy on financial instruments

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

(b) Financial instruments and risks

Notes and accounts receivable—trade are exposed to credit risk of customers. Operating receivables denominated in foreign currencies, being subject to risk associated with changes in foreign currency exchange rates, are hedged by forward exchange contracts. Investment securities mainly comprise stocks of companies with which the Companies have business alliances and are exposed to risk associated with fluctuations of their market prices.

Notes and accounts payable—trade and electronically recorded obligations—operating are due within one year. Operating payables denominated in foreign currencies, being subject to risk associated with changes in foreign currency exchange rates, are hedged by forward exchange contracts. The purpose for borrowings is for working capital (mainly short term) and funds for capital investments (long term). A portion of long-term borrowings is subject to interest rate risk.

Regarding derivatives, forward exchange contracts, interest rate swaps, and currency options are used to hedge foreign exchange rate fluctuation risk associated with operating receivables and payables denominated in foreign currencies.

(c) Risk management for financial instruments

(i) Management of credit risk (risk of default by customers and counterparties)

For credit risk of customers associated with notes and accounts receivable—trade, in accordance with the credit management regulations, the Companies monitor the status of their main customers and counterparties on a periodical basis and manage due dates and outstanding balances by customer while working to at an early stage identify and mitigate any concerns about collection due to deterioration of financial conditions and other reasons.

For derivative transactions, to mitigate the credit risk, the Companies conduct transactions only with highly rated financial institutions.

(ii) Management of market risk (risk of fluctuations in foreign currency exchange rates, interest rates and others)

The Companies hedge risk associated with changes in foreign currency exchange rates arising from receivables and payables denominated in foreign currencies mainly by forward exchange contracts. For investment securities, the Companies periodically perceive the fair values and financial conditions of the issuers and continuously evaluate whether the securities should be maintained taking into account relationships with their business partners. For derivatives, the Companies conduct transactions only for their actual requirements in accordance with internal management rules and monthly review transaction balances, valuation gains or losses, and other conditions.

(iii) Management of liquidity risk related to fund procurement (risk that the Companies may not be able to meet their obligations on scheduled due dates)

In order to manage liquidity risk, the Companies timely prepare and update a schedule of cash receipts and disbursements and maintain sufficient liquidity on hand.

(d) Supplementary explanation of fair values of financial instruments

The fair values of financial instruments are 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 values, different assumptions could result in different fair values.

(2) Matters related to fair values of financial instruments

The following are carrying values on the consolidated balance sheet and fair values and differences between them as of February 28, 2019 and February 29, 2020.

February 28, 2019	Millions of yen		
	Carrying value	Fair value	Difference
(a) Cash and deposits	¥ 31,284	¥ 31,284	¥ —
(b) Notes and accounts receivable—trade	25,508	25,508	—
(c) Investment securities:			
Available-for-sale securities	17,890	17,890	—
Shares of subsidiaries and associates	6,204	2,220	(3,984)
(d) Notes and accounts payable—trade	(17,557)	(17,557)	—
(e) Electronically recorded obligations—operating	(14,183)	(14,183)	—
(f) Short-term borrowings	(53,886)	(53,886)	—
(g) Long-term borrowings (including current portion of long-term borrowings)	(7,507)	(7,512)	5
(h) Derivative transactions	103	103	—

February 29, 2020	Millions of yen		
	Carrying value	Fair value	Difference
(a) Cash and deposits	¥ 28,795	¥ 28,795	¥ —
(b) Notes and accounts receivable—trade	25,716	25,716	—
(c) Investment securities:			
Available-for-sale securities	12,726	12,726	—
(d) Notes and accounts payable—trade	(19,206)	(19,206)	—
(e) Electronically recorded obligations—operating	(13,808)	(13,808)	—
(f) Short-term borrowings	(44,907)	(44,907)	—
(g) Long-term borrowings (including current portion of long-term borrowings)	(21,480)	(21,401)	(79)
(h) Derivative transactions	46	46	—

February 29, 2020	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(a) Cash and deposits	\$ 263,138	\$ 263,138	\$ —
(b) Notes and accounts receivable—trade	234,995	234,995	—
(c) Investment securities:			
Available-for-sale securities	116,297	116,297	—
(d) Notes and accounts payable—trade	(175,513)	(175,513)	—
(e) Electronically recorded obligations—operating	(126,185)	(126,185)	—
(f) Short-term borrowings	(410,373)	(410,373)	—
(g) Long-term borrowings (including current portion of long-term borrowings)	(196,295)	(195,573)	(722)
(h) Derivative transactions	422	422	—

Notes:

1. Fair value measurement of financial instruments and matters related to securities and derivatives

(a) Cash and deposits and (b) Notes and accounts receivable—trade

Since these items are settled in a short period of time, their carrying values approximate fair values.

(c) Investment securities

The fair value of equity securities is based on the quoted market price.

(d) Notes and accounts payable—trade, (e) Electronically recorded obligations—operating and (f) Short-term borrowings

Since these items are settled in a short period of time, their carrying values approximate fair values.

Notes to Consolidated Financial Statements

(g) Long-term borrowings

The fair values of long-term borrowings are measured as present values obtained by discounting the total amount of principal and interest at the interest rate that is assumed if any similar loan is newly made.

(h) Derivative transactions

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

2. Carrying values of financial instruments whose fair values are deemed to be extremely difficult to determine as of February 28, 2019 and February 29, 2020 are as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Investment securities:			
Unlisted equity securities	¥3,751	¥615	\$5,616

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

3. The redemption schedules for monetary receivables and marketable securities with maturities as of February 28, 2019 and February 29, 2020 are as follows:

February 28, 2019	Millions of yen			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥31,284	¥—	¥—	¥—
Notes and accounts receivable—trade	25,508	—	—	—
Total	¥56,792	¥—	¥—	¥—

February 29, 2020	Millions of yen			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥28,795	¥—	¥—	¥—
Notes and accounts receivable—trade	25,716	—	—	—
Total	¥54,511	¥—	¥—	¥—

February 29, 2020	Thousands of U.S. dollars			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	\$263,138	\$—	\$—	\$—
Notes and accounts receivable—trade	234,995	—	—	—
Total	\$498,133	\$—	\$—	\$—

4. Expected repayment amounts of long-term borrowings subsequent to the balance sheet date
See Note 13. “Short-Term Borrowings and Long-Term Borrowings.”

4. Investment Securities

(1) Information as of and for the year ended February 28, 2019

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

Investment securities whose fair values were readily determinable at February 28, 2019 are summarized as follows:

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities with unrealized gain:			
Equity securities	¥11,205	¥ 9,706	¥ 1,499
Other	2	1	1
Subtotal	11,207	9,707	1,500
Securities with unrealized loss:			
Equity securities	6,683	7,914	(1,231)
Other	—	—	—
Subtotal	6,683	7,914	(1,231)
Total	¥17,890	¥17,621	¥ 269

Note: Non-marketable equity securities of ¥334 million are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair values.

(b) Available-for-sale securities sold during the year ended February 28, 2019

	Millions of yen
Proceeds from sales of securities	¥9,535
Realized gain on sales of securities	2,432
Realized loss on sales of securities	(0)

(c) The aggregate carrying amount of investments in unconsolidated subsidiaries and associates as of February 28, 2019 was ¥9,622 million.

(d) For the year ended February 28, 2019, the Companies recognized loss on valuation of investment securities (available-for-sale securities) of ¥45 million as an impairment loss.

(2) Information as of and for the year ended February 29, 2020

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

Investment securities whose fair values were readily determinable at February 29, 2020 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	¥ 774	¥ 604	¥ 170	\$ 7,069	\$ 5,512	\$ 1,557
Other	2	1	1	22	12	10
Subtotal	776	605	171	7,091	5,524	1,567
Securities with unrealized loss:						
Equity securities	11,950	16,734	(4,784)	109,206	152,920	(43,714)
Other	—	—	—	—	—	—
Subtotal	11,950	16,734	(4,784)	109,206	152,920	(43,714)
Total	¥12,726	¥17,339	¥(4,613)	\$116,297	\$158,444	\$(42,147)

Note: Non-marketable equity securities of ¥334 million (\$3,049 thousand) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair values.

(b) Available-for-sale securities sold during the year ended February 29, 2020

	Millions of yen	Thousands of U.S. dollars
Proceeds from sales of securities	¥3,742	\$34,197
Realized gain on sales of securities	161	1,470
Realized loss on sales of securities	(232)	(2,120)

(c) The aggregate carrying amount of investments in unconsolidated subsidiaries and associates as of February 29, 2020 was ¥281 million (\$2,567 thousand).

(d) For the year ended February 29, 2020, the Companies recognized loss on valuation of investment securities (available-for-sale securities) of ¥1,565 million (\$14,298 thousand) as an impairment loss.

5. Derivative Transactions

The contract or notional amounts and fair values of derivative financial instruments held as of February 28, 2019 and February 29, 2020 are summarized as follows:

(1) Derivative transactions to which hedge accounting was not applied
No applicable items.

(2) Derivative transactions to which hedge accounting was applied

February 28, 2019	Millions of yen		
	Hedged item	Contract or notional amount	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable—trade	¥2,185	¥ 97
Euro	Accounts payable—trade	1,474	(5)
Pound	Accounts payable—trade	23	1
Chinese yuan	Accounts payable—trade	207	10
		¥3,889	¥103

Notes to Consolidated Financial Statements

February 29, 2020	Millions of yen		
	Hedged item	Contract or notional amount	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable—trade	¥1,205	¥32
Euro	Accounts payable—trade	973	9
Pound	Accounts payable—trade	—	—
Chinese yuan	Accounts payable—trade	57	5
		¥2,235	¥46

February 29, 2020	Thousands of U.S. dollars		
	Hedged item	Contract or notional amount	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable—trade	\$11,006	\$296
Euro	Accounts payable—trade	8,893	82
Pound	Accounts payable—trade	—	—
Chinese yuan	Accounts payable—trade	524	44
		\$20,423	\$422

6. Impairment Loss

For the years ended February 28, 2019 and February 29, 2020, the Companies reviewed its non-current assets for impairment and, as a result, recognized an impairment loss as follows:

February 28, 2019			
Location	Usage	Description	Millions of yen
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥ 655
		Other	588
—	—	Goodwill	4,290

The non-current assets are basically grouped by store, and assets for lease and idle assets are grouped individually by each item. The Companies have 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 carrying amounts to the respective recoverable amounts.

February 29, 2020				
Location	Usage	Description	Millions of yen	Thousands of U.S. dollars
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥ 9,075	\$82,929
		Other	7,819	71,449
—	—	Goodwill	10,862	99,264

The non-current assets are basically grouped by store, and assets for lease and idle assets are grouped individually by each item. The Companies have 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 carrying amounts to the respective recoverable amounts.

For the year ended February 28, 2019, the Company recognized an impairment loss of ¥4,290 million on goodwill for Onward Luxury Group S.p.A., a consolidated subsidiary of the Company, as a result of consideration of its recoverability based on cash flow projections. For the year ended February 29, 2020, the Company recognized an impairment loss of ¥10,862 million (\$99,264 thousand) on goodwill for consolidated subsidiaries in and outside Japan as a result of consideration of their recoverability based on cash flow projections.

The recoverable amounts of these assets are 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 flows at a discount rate of 5.1% for the years ended February 28, 2019 and February 29, 2020.

7. Loss on Liquidation of Business

Loss on liquidation of business for the years ended February 28, 2019 and February 29, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Loss on disposal of inventories	¥—	¥1,282	\$11,712
Bad debts expenses	—	647	5,910
Expenses in relation to withdrawal from unprofitable stores	—	1,100	10,054
Total	¥—	¥3,029	\$27,676

8. Retirement Plan and Retirement Benefits

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

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

Under the lump-sum retirement payment plans, which are unfunded plans, some of which are funded plans as a result of the establishment of retirement benefit trusts, the Company and its subsidiaries grant lump-sum payments to their employees as retirement benefits, based on the salary levels and service periods.

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

(1) Defined benefit plans

(a) Changes in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at beginning of period	¥14,380	¥13,682	\$125,029
Service cost	955	930	8,503
Interest cost	37	36	326
Actuarial differences	6	(329)	(3,007)
Benefits paid	(1,737)	(2,091)	(19,105)
Other	41	(221)	(2,022)
Balance at end of period	¥13,682	¥12,007	\$109,724

(b) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at beginning of period	¥14,086	¥12,608	\$115,211
Expected return on plan assets	237	219	2,009
Actuarial differences	(1,283)	(1,506)	(13,767)
Employer contributions	297	290	2,650
Benefits paid	(729)	(623)	(5,691)
Balance at end of period	¥12,608	¥10,988	\$100,412

Notes to Consolidated Financial Statements

(c) Reconciliation from projected benefit obligations and plan assets to retirement benefit asset and liability recognized in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded projected benefit obligations	¥ 12,945	¥ 11,308	\$ 103,340
Plan assets	(12,608)	(10,988)	(100,412)
	337	320	2,928
Unfunded projected benefit obligations	737	699	6,384
Net amount of liability and asset recognized in the consolidated balance sheet	1,074	1,019	9,312
Retirement benefit liability	3,993	3,724	34,029
Retirement benefit asset	(2,919)	(2,705)	(24,717)
Net amount of liability and asset recognized in the consolidated balance sheet	¥ 1,074	¥ 1,019	\$ 9,312

(d) Net periodic pension expenses and their breakdown

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥ 955	¥ 931	\$ 8,504
Interest cost	37	36	326
Expected return on plan assets	(237)	(220)	(2,009)
Amortization of unrecognized actuarial differences	246	(66)	(601)
Amortization of unrecognized prior service costs	(47)	(47)	(429)
Other	(61)	(25)	(226)
Net periodic pension expenses	¥ 893	¥ 609	\$ 5,565

Note: In addition to the above, extra retirement payments of ¥3,598 million (\$32,880 thousand) were recognized.

(e) Remeasurements of defined benefit plans in other comprehensive income

Breakdown of items recognized as remeasurements of defined benefit plans (before tax effect) in other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Prior service costs	¥ (47)	¥ (47)	\$ (429)
Actuarial differences	(1,043)	(1,243)	(11,361)
Total	¥(1,090)	¥(1,290)	\$(11,790)

(f) Remeasurements of defined benefit plans in accumulated other comprehensive income

Breakdown of items recognized as remeasurements of defined benefit plans (before tax effect) in accumulated other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized prior service costs	¥121	¥ 74	\$ 680
Unrecognized actuarial differences	(3)	(1,246)	(11,393)
Total	¥118	¥(1,172)	\$(10,713)

(g) Plan assets

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

	2019	2020
Life insurance company general accounts	38%	35%
Equity securities	48%	44%
Debt securities	3%	4%
Short-term funds	11%	17%
Total	100%	100%

Note: Total plan assets include retirement benefit trusts established for defined benefit corporate pension plans and lump-sum retirement payment plans of 56% and 52% for the years ended February 28, 2019 and February 29, 2020, respectively.

(ii) Determination 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 from various assets constituting plan assets.

(h) Actuarial assumptions

	2019	2020
Discount rate	0.3% to 0.7%	0.3% to 0.7%
Long-term expected rate of return on plan assets	1.3% to 2.4%	1.5% to 2.9%

(2) Defined contribution plans

The amounts to be paid by the Companies to the defined contribution pension plans for the years ended February 28, 2019 and February 29, 2020 were ¥331 million and ¥312 million (\$2,847 thousand), respectively.

9. Note to Consolidated Statement of Comprehensive Income

Other comprehensive income for the years ended February 28, 2019 and February 29, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Valuation difference on available-for-sale securities:			
Amount arising during period	¥(1,196)	¥(6,468)	\$(59,105)
Reclassification adjustment for gain and loss	(2,591)	1,602	14,636
Amount before income tax effect	(3,787)	(4,866)	(44,469)
Income tax effect	1,159	74	682
Total	(2,628)	(4,792)	(43,787)
Deferred gains or losses on hedges:			
Amount arising during period	103	32	295
Reclassification adjustment for gain and loss	103	(103)	(941)
Amount before income tax effect	206	(71)	(646)
Income tax effect	(52)	14	123
Total	154	(57)	(523)
Revaluation reserve for land:			
Income tax effect	—	(107)	(977)
Total	—	(107)	(977)
Foreign currency translation adjustment:			
Amount arising during period	(843)	(1,508)	(13,779)
Reclassification adjustment for gain and loss	(48)	1	8
Total	(891)	(1,507)	(13,771)
Remeasurements of defined benefit plans:			
Amount arising during period	(1,289)	(1,177)	(10,759)
Reclassification adjustment for gain and loss	199	(113)	(1,031)
Amount before income tax effect	(1,090)	(1,290)	(11,790)
Income tax effect	334	446	4,075
Total	(756)	(844)	(7,715)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during period	(521)	(15)	(136)
Reclassification adjustment for gain and loss	314	—	—
Total	(207)	(15)	(136)
Total other comprehensive income	¥(4,328)	¥(7,322)	\$(66,909)

10. Note to Consolidated Statement of Cash Flows

Cash and cash equivalents at February 28, 2019 and February 29, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and deposits	¥31,284	¥28,795	\$263,138
Time deposits with maturities of more than three months	(47)	(15)	(137)
Cash and cash equivalents	¥31,237	¥28,780	\$263,001

Notes to Consolidated Financial Statements

11. Lease Transactions

(Lessee)

Finance lease transactions

Finance lease transactions that do not transfer ownership

(a) Leased assets

Leased assets are primarily comprised of logistic facilities (buildings and structures).

(b) Depreciation method for leased assets

The Companies have adopted a method whereby leased assets are depreciated on a straight-line basis over the lease periods as their useful lives with no residual value.

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, 2019 and February 29, 2020 consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Tax loss carry forwards	¥ 10,833	¥ 27,423	\$ 250,599
Impairment loss	6,419	10,649	97,310
Retirement benefit liability	2,711	3,725	34,042
Loss on write-down of inventories	1,371	2,555	23,350
Loss on valuation of shares of subsidiaries and associates	7,135	1,960	17,908
Valuation difference on available-for-sale securities	53	1,457	13,316
Allowance for doubtful accounts	1,576	1,266	11,566
Provision for bonuses	240	281	2,571
Provision for retirement benefits for directors and corporate auditors	83	87	792
Investment securities	25	27	246
Other	3,749	3,339	30,515
Subtotal	34,195	52,769	482,215
Valuation allowance for tax loss carry forwards (Note 2)	—	(27,132)	(247,938)
Valuation allowance for deductible temporary differences	—	(19,014)	(173,756)
Total valuation allowances (Note 1)	(16,624)	(46,146)	(421,694)
Total deferred tax assets	17,571	6,623	60,521
Deferred tax liabilities:			
Retirement benefit asset	(894)	(936)	(8,550)
Gain on securities contributed to employee retirement benefit trusts	(43)	(43)	(396)
Provision for deferred capital gain on real property for tax purposes	(38)	(40)	(369)
Valuation difference on available-for-sale securities	(133)	(6)	(58)
Other	(564)	(1,444)	(13,192)
Total deferred tax liabilities	(1,672)	(2,469)	(22,565)
Net deferred tax assets	¥ 15,899	¥ 4,154	\$ 37,956

Notes: 1. Valuation allowances increased by ¥29,522 million (\$269,782 thousand) due to increased tax loss carry forwards and valuation allowance for impairment loss.

2. The amounts of tax loss carry forwards and related deferred tax assets disaggregated by period of expiration:

	Millions of yen						Total
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
February 29, 2020							
Tax loss carry forwards	¥ 685	¥ 281	¥ 479	¥ 618	¥ 769	¥ 24,591	¥ 27,423
Valuation allowance	(685)	(281)	(479)	(618)	(769)	(24,300)	(27,132)
Deferred tax assets	—	—	—	—	—	291	(b) 291

	Thousands of U.S. dollars						Total
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
February 29, 2020							
Tax loss carry forwards	\$ 6,255	\$ 2,568	\$ 4,381	\$ 5,647	\$ 7,028	\$ 224,720	\$ 250,599
Valuation allowance	(6,255)	(2,568)	(4,381)	(5,647)	(7,028)	(222,059)	(247,938)
Deferred tax assets	—	—	—	—	—	2,661	2,661

(a) Tax loss carry forwards present the amounts computed by multiplying the statutory tax rate.

(b) The Company recognized ¥291 million (\$2,661 thousand) of deferred tax assets for ¥27,423 million (\$250,599 thousand) of tax loss carry forwards (amount computed by multiplying the statutory tax rate). The Company did not recognize any valuation allowance for some portions of the tax loss carry forwards since it expected that the portions could be utilized due to the existence of probable future taxable profit.

The reconciliation of the difference between the statutory tax rate and the effective tax rate is as follows:

	%	
	2019	2020
Statutory tax rate	30.9	—
Reconciliation:		
Permanently non-deductible expenses (entertainment expenses, etc.)	5.1	—
Permanently non-taxable income (dividends received, etc.)	(3.1)	—
Per capita inhabitant tax	4.3	—
Amortization of goodwill	16.1	—
Impairment loss on goodwill	42.0	—
Changes in valuation allowances	(213.5)	—
Consolidation adjustments to gain or loss on sales of shares of subsidiaries and associates	10.2	—
Effects due to liquidation of consolidated subsidiaries	0.9	—
Differences in statutory tax rate	20.4	—
Other	2.6	—
Effective tax rate	(84.1)	—

Note: The details for the year ended February 29, 2020 are omitted due to the recording of loss before income taxes.

13. Short-Term Borrowings and Long-Term Borrowings

Short-term borrowings at February 28, 2019 and February 29, 2020 represented loans, principally from banks. The weighted-average interest rate on these loans was 0.6% in 2019 and 2020.

Long-term borrowings at February 28, 2019 and February 29, 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unsecured loans, principally from banks, maturing in installments through 2027	¥7,507	¥21,480	\$196,295
Less: Current portion with weighted-average interest rate of 0.3% at February 28, 2019 and February 29, 2020	2,800	4,452	40,684
Long-term borrowings, less current portion, with weighted-average interest rate of 0.3% at February 28, 2019 and February 29, 2020	¥4,707	¥17,028	\$155,611

Lease obligations at February 28, 2019 and February 29, 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Lease obligations	¥5,050	¥5,032	\$45,990
Less: Current portion of lease obligations	639	808	7,387
	¥4,411	¥4,224	\$38,603

Notes to Consolidated Financial Statements

The aggregate annual maturities of long-term borrowings after February 28, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2021	¥4,452	\$40,684
2022	4,548	41,565
2023	2,952	26,976
2024	2,452	22,407

The aggregate annual maturities of lease obligations after February 28, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2021	¥808	\$7,387
2022	659	6,022
2023	495	4,519
2024	384	3,511

14. Shareholders' Equity

Under the Companies Act, the entire amount of the issue price of shares is required to be designated as a stated capital 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 Companies Act 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 Companies Act also provides that the additional paid-in capital and the legal reserve be available for appropriations by resolution of a shareholders' meeting. The balance of the legal reserve is included in retained earnings in the accompanying consolidated balance sheet.

Cash dividends charged to retained earnings for the years ended February 28, 2019 and February 29, 2020 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 Companies Act.

Dividends to be paid after the balance sheet date, which were approved by the General Meeting of Shareholders held on May 28, 2020, are as follows:

(a) Total dividends:	¥3,240 million (\$29,612 thousand)
(b) Source of dividends:	Retained earnings
(c) Cash dividends per ordinary share:	¥24 (\$0.22)
(d) Date to determine which shareholders receive the dividends:	February 29, 2020
(e) Effective date:	May 29, 2020

15. Per Share Information

Earnings per share is computed based upon the weighted-average number of ordinary shares outstanding during each year. Cash dividends per share shown in the accompanying consolidated statement of income represent dividends declared as applicable to the year rather than those paid during the year.

The basis for the calculation of basic and diluted earnings per share for the years ended February 28, 2019 and February 29, 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Profit (loss) attributable to owners of parent	¥ 4,948	¥(52,135)	\$(476,428)
Less: Components not pertaining to ordinary shareholders	—	—	—
Profit (loss) pertaining to ordinary shareholders	¥ 4,948	¥(52,135)	\$(476,428)
Average number of ordinary shares (thousand shares)	140,406	135,779	
Effect of dilutive share options (thousand shares)	1,147	—	

16. Related-Party Transactions

Year Ended February 28, 2019

The Company leased land from Takeshi Hirouchi, Representative Director and Chairman of ONWARD HOLDINGS Co., Ltd., during the fiscal 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.

Onward Global Fashion Co., Ltd., a consolidated subsidiary of the Company, sold goods to BOLS 1987 Co., Ltd., over which Hitoshi Futamura, Representative Director, President of Onward Global Fashion Co., Ltd., held 100% of voting rights directly, during fiscal year 2019. The transaction amount was ¥51 million, and the balance of relevant accounts receivable—trade as of February 28, 2019 was ¥12 million. Prices and other terms and conditions were determined by reference to market prices or general terms and conditions.

Year Ended February 29, 2020

The Company leased land from Takeshi Hirouchi, Supreme Advisor of ONWARD HOLDINGS Co., Ltd., during the fiscal year, and the rental fee was ¥8 million (\$73 thousand). Also, Mr. Hirouchi paid a rental fee of ¥15 million (\$137 thousand) to the Company for a house. The rental fees were determined by the average market prices.

Onward Fashion Lab Co., Ltd., a consolidated subsidiary of the Company, sold goods to BOLS 1987 Co., Ltd., over which Hitoshi Futamura, Representative Director, President of Onward Global Fashion Co., Ltd., held 100% of voting rights directly, during fiscal year 2020. The transaction amount was ¥44 million (\$402 thousand), and the balance of relevant accounts receivable—trade as of February 29, 2020 was ¥9 million (\$82 thousand). Prices and other terms and conditions were determined by reference to market prices or general terms and conditions.

17. Share Options

The cost recognized for the share options for the years ended February 28, 2019 and February 29, 2020 was nil.

2014 Share Option Plan (No. 16)

Under the 2014 share option plan (No. 16), share options were granted to five 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 no longer occupy their positions as directors of the Company.

The number of share options granted by type of shares is 122,900 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥526 (\$4.81)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2014 share option plan (No. 16)
Non-vested (shares):	
Outstanding at February 28, 2019	103,700
Granted	—
Forfeited	—
Vested	30,600
Outstanding at February 29, 2020	73,100
Vested (shares):	
Outstanding at February 28, 2019	19,200
Vested	30,600
Exercised	—
Forfeited	—
Outstanding at February 29, 2020	49,800

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

Notes to Consolidated Financial Statements

2014 Share Option Plan (No. 15)

Under the 2014 share option plan (No. 15), share options were granted to 12 executive officers of the Company and five directors and nine executive officers of a 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 no longer occupy their positions as executive officers of the Company, or as directors or executive officers of said Company subsidiary.

The number of share options granted by type of shares is 146,100 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥588 (\$5.37)
Fair value at the grant date:	¥466 (\$4.26)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2014 share option plan (No. 15)
Non-vested (shares):	
Outstanding at February 28, 2019	63,700
Granted	—
Forfeited	—
Vested	11,100
Outstanding at February 29, 2020	52,600
Vested (shares):	
Outstanding at February 28, 2019	38,300
Vested	11,100
Exercised	21,100
Forfeited	—
Outstanding at February 29, 2020	28,300

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

2013 Share Option Plan (No. 14)

Under the 2013 share option plan (No. 14), share options were granted to five 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 no longer occupy their positions as directors of the Company.

The number of share options granted by type of shares is 107,000 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥591 (\$5.40)
Fair value at the grant date:	¥629 (\$5.75)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2013 share option plan (No. 14)
Non-vested (shares):	
Outstanding at February 28, 2019	82,100
Granted	—
Forfeited	—
Vested	25,400
Outstanding at February 29, 2020	56,700
Vested (shares):	
Outstanding at February 28, 2019	22,700
Vested	25,400
Exercised	14,700
Forfeited	—
Outstanding at February 29, 2020	33,400

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

2013 Share Option Plan (No. 13)

Under the 2013 share option plan (No. 13), share options were granted to 14 executive officers of the Company and six directors and nine executive officers of a Company 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 no longer occupy their positions as executive officers of the Company, or as directors or executive officers of said Company subsidiary.

The number of share options granted by type of shares is 151,300 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥584 (\$5.34)
Fair value at the grant date:	¥572 (\$5.23)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2013 share option plan (No. 13)
Non-vested (shares):	
Outstanding at February 28, 2019	58,600
Granted	—
Forfeited	—
Vested	9,300
Outstanding at February 29, 2020	49,300
Vested (shares):	
Outstanding at February 28, 2019	33,900
Vested	9,300
Exercised	22,300
Forfeited	—
Outstanding at February 29, 2020	20,900

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

2012 Share Option Plan (No. 12)

Under the 2012 share option plan (No. 12), share options were granted to five 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 no longer occupy their positions as directors of the Company.

The number of share options granted by type of shares is 141,400 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥580 (\$5.30)
Fair value at the grant date:	¥458 (\$4.19)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2012 share option plan (No. 12)
Non-vested (shares):	
Outstanding at February 28, 2019	108,500
Granted	—
Forfeited	—
Vested	33,600
Outstanding at February 29, 2020	74,900
Vested (shares):	
Outstanding at February 28, 2019	14,000
Vested	33,600
Exercised	40,800
Forfeited	—
Outstanding at February 29, 2020	6,800

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

Notes to Consolidated Financial Statements

2012 Share Option Plan (No. 11)

Under the 2012 share option plan (No. 11), share options were granted to one executive officer of the Company and nine directors and 18 executive officers of a Company 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 no longer occupy their positions as an executive officer of the Company, or as directors or executive officers of said Company subsidiary.

The number of share options granted by type of shares is 234,700 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥591 (\$5.40)
Fair value at the grant date:	¥444 (\$4.06)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2012 share option plan (No. 11)
Non-vested (shares):	
Outstanding at February 28, 2019	47,500
Granted	—
Forfeited	—
Vested	8,200
Outstanding at February 29, 2020	<u>39,300</u>
Vested (shares):	
Outstanding at February 28, 2019	36,500
Vested	8,200
Exercised	33,300
Forfeited	—
Outstanding at February 29, 2020	<u>11,400</u>

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

2011 Share Option Plan (No. 10)

Under the 2011 share option plan (No. 10), share options were granted to five 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 no longer occupy their positions as directors of the Company.

The number of share options granted by type of shares is 144,800 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥510 (\$4.66)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2011 share option plan (No. 10)
Non-vested (shares):	
Outstanding at February 28, 2019	69,400
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	<u>69,400</u>

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

2011 Share Option Plan (No. 9)

Under the 2011 share option plan (No. 9), share options were granted to one executive officer of the Company and 12 directors and 18 executive officers of a Company 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 no longer occupy their positions as an executive officer of the Company, or as directors or executive officers of said Company subsidiary.

The number of share options granted by type of shares is 199,900 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥589 (\$5.38)
Fair value at the grant date:	¥444 (\$4.06)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2011 share option plan (No. 9)
Non-vested (shares):	
Outstanding at February 28, 2019	37,500
Granted	—
Forfeited	—
Vested	7,200
Outstanding at February 29, 2020	<u>30,300</u>
Vested (shares):	
Outstanding at February 28, 2019	14,900
Vested	7,200
Exercised	10,800
Forfeited	—
Outstanding at February 29, 2020	<u>11,300</u>

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

2010 Share Option Plan (No. 8)

Under the 2010 share option plan (No. 8), share options were granted to five 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 no longer occupy their positions as directors of the Company.

The number of share options granted by type of shares is 115,800 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥613 (\$5.60)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2010 share option plan (No. 8)
Non-vested (shares):	
Outstanding at February 28, 2019	52,300
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	<u>52,300</u>

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

Notes to Consolidated Financial Statements

2010 Share Option Plan (No. 7)

Under the 2010 share option plan (No. 7), share options were granted to eight directors and 22 executive officers of a Company 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 no longer occupy their positions as directors or executive officers of said Company subsidiary.

The number of share options granted by type of shares is 194,600 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥589 (\$5.38)
Fair value at the grant date:	¥475 (\$4.34)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2010 share option plan (No. 7)
Non-vested (shares):	
Outstanding at February 28, 2019	32,400
Granted	—
Forfeited	—
Vested	3,900
Outstanding at February 29, 2020	28,500
Vested (shares):	
Outstanding at February 28, 2019	3,900
Vested	3,900
Exercised	7,800
Forfeited	—
Outstanding at February 29, 2020	—

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

2009 Share Option Plan (No. 6)

Under the 2009 share option plan (No. 6), share options were granted to five 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 no longer occupy their positions as directors of the Company.

The number of share options granted by type of shares is 155,000 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥432 (\$3.95)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2009 share option plan (No. 6)
Non-vested (shares):	
Outstanding at February 28, 2019	72,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	72,000

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

2009 Share Option Plan (No. 5)

Under the 2009 share option plan (No. 5), share options were granted to 11 directors and 19 executive officers of a Company 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 no longer occupy their positions as directors or executive officers of said Company subsidiary.

The number of share options granted by type of shares is 268,900 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥362 (\$3.31)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2009 share option plan (No. 5)
Non-vested (shares):	
Outstanding at February 28, 2019	31,800
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	31,800
Vested (shares):	
Outstanding at February 28, 2019	4,600
Vested	—
Exercised	—
Forfeited	—
Outstanding at February 29, 2020	4,600

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

2008 Share Option Plan (No. 4)

Under the 2008 share option plan (No. 4), share options were granted to 12 directors and 21 executive officers of a Company 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 no longer occupy their positions as directors or executive officers of said Company subsidiary.

The number of share options granted by type of shares is 91,100 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Average share price on the date the option was exercised:	¥598 (\$5.46)
Fair value at the grant date:	¥905 (\$8.27)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2008 share option plan (No. 4)
Non-vested (shares):	
Outstanding at February 28, 2019	8,200
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	8,200
Vested (shares):	
Outstanding at February 28, 2019	1,600
Vested	—
Exercised	1,600
Forfeited	—
Outstanding at February 29, 2020	—

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

Notes to Consolidated Financial Statements

2008 Share Option Plan (No. 3)

Under the 2008 share option plan (No. 3), share options were granted to five 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 no longer occupy their positions as directors of the Company.

The number of share options granted by type of shares is 70,000 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥944 (\$8.63)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2008 share option plan (No. 3)
Non-vested (shares):	
Outstanding at February 28, 2019	32,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	32,000

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

2007 Share Option Plan (No. 2)

Under the 2007 share option plan (No. 2), share options were granted to five directors and two 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 no longer occupy their positions as directors or corporate auditors of the Company.

The number of share options granted by type of shares is 40,000 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥1,284 (\$11.73)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2007 share option plan (No. 2)
Non-vested (shares):	
Outstanding at February 28, 2019	16,600
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	16,600

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

2006 Share Option Plan (No. 1)

Under the 2006 share option plan (No. 1), share options were granted to 12 directors and two 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 no longer occupy their positions as directors or corporate auditors of the Company.

The number of share options granted by type of shares is 63,000 ordinary shares.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥1,541 (\$14.08)

A summary of the scale and movement of the share option plan for the year ended February 29, 2020 is as follows:

	2006 share option plan (No. 1)
Non-vested (shares):	
Outstanding at February 28, 2019	14,500
Granted	—
Forfeited	—
Vested	—
Outstanding at February 29, 2020	14,500

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

18. Segment Information

(1) Summary of reportable segments

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

The Companies engage in the apparel business (planning, production, and sales of textile products, including men's and women's clothing) and the lifestyle business in Japan and overseas.

The reportable segments of the Companies comprise the "Apparel Business," which is divided geographically into two categories, "Domestic" and "Overseas," and the "Lifestyle Business."

The "Apparel Business (Domestic)" operates the apparel business in Japan; the "Apparel Business (Overseas)" operates the apparel business overseas. The "Lifestyle Business" operates businesses including a cosmetic business, a wellness business related to ballet and dance and resorts, a pet supply and other business, and a business related to gifts.

(2) Method of calculating net 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 "2. Summary of Significant Accounting Policies."

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

(3) Information on net sales, profit or loss, assets, liabilities, and other items by reportable segment for the years ended February 28, 2019 and February 29, 2020 is as follows:

	Millions of yen						Adjustments (Note 1)	Consolidated total (Note 3)
	Apparel			Lifestyle				
For the year ended February 28, 2019	Domestic	Overseas	Total	Total	Total			
Net sales to outside customers	¥167,058	¥47,506	¥214,564	¥26,088	¥240,652	¥ —	¥240,652	
Intersegment sales or transfers	1,424	3,702	5,126	2,318	7,444	(7,444)	—	
Total	¥168,482	¥51,208	¥219,690	¥28,406	¥248,096	¥ (7,444)	¥240,652	
Segment profit (loss)	¥ 9,018	¥ (3,763)	¥ 5,255	¥ 1,542	¥ 6,797	¥ (2,335)	¥ 4,462	
Segment assets	¥125,674	¥49,516	¥175,190	¥40,188	¥215,378	¥72,177	¥287,555	
Depreciation and amortization (Note 2)	¥ 3,729	¥ 1,281	¥ 5,010	¥ 998	¥ 6,008	¥ 503	¥ 6,511	
Investments in equity-method entities	6,334	842	7,176	—	7,176	—	7,176	
Increases in property, plant and equipment, and intangible assets (Note 2)	6,150	2,368	8,518	635	9,153	4,320	13,473	

Notes: 1. Adjustments consist of the following:

- (1) The adjustment amount for segment profit (loss) of ¥(2,335) million includes amortization of goodwill of ¥(2,302) million, elimination of intersegment transactions of ¥4,523 million, and corporate expenses not allocated to reportable segments of ¥(4,556) million. Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.
- (2) The adjustment amount for segment assets of ¥72,177 million includes the unamortized balance of goodwill of ¥9,455 million, elimination of intersegment transactions of ¥(138,800) million, and corporate assets not allocated to reportable segments of ¥201,522 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 profit (loss) coincides with the amount of operating profit in the consolidated statement of income.

	Millions of yen						Adjustments (Note 1)	Consolidated total (Note 3)
	Apparel			Lifestyle				
For the year ended February 29, 2020	Domestic	Overseas	Total	Total	Total			
Net sales to outside customers	¥158,955	¥46,310	¥205,265	¥42,969	¥248,234	¥ —	¥248,234	
Intersegment sales or transfers	1,393	2,499	3,892	2,870	6,762	(6,762)	—	
Total	¥160,348	¥48,809	¥209,157	¥45,839	¥254,996	¥ (6,762)	¥248,234	
Segment profit (loss)	¥ 2,515	¥ (5,940)	¥ (3,425)	¥ 1,553	¥ (1,872)	¥ (1,189)	¥ (3,061)	
Segment assets	¥113,017	¥38,622	¥151,639	¥50,007	¥201,646	¥32,671	¥234,317	
Depreciation and amortization (Note 2)	¥ 3,675	¥ 944	¥ 4,619	¥ 1,278	¥ 5,897	¥ 496	¥ 6,393	

Notes to Consolidated Financial Statements

Investments in equity-method entities	67	17	84	—	84	—	84
Increases in property, plant and equipment, and intangible assets (Note 2)	4,944	1,643	6,587	1,467	8,054	1,480	9,534
Thousands of U.S. dollars							
	Apparel						
	Domestic	Overseas	Total	Lifestyle	Total	Adjustments (Note 1)	Consolidated total (Note 3)
For the year ended February 29, 2020							
Net sales to outside customers	\$1,452,571	\$423,194	\$1,875,765	\$392,661	\$2,268,426	\$ —	\$2,268,426
Intersegment sales or transfers	12,730	22,840	35,570	26,225	61,795	(61,795)	—
Total	\$1,465,301	\$446,034	\$1,911,335	\$418,886	\$2,330,221	\$ (61,795)	\$2,268,426
Segment profit (loss)	\$ 22,982	\$ (54,282)	\$ (31,300)	\$ 14,193	\$ (17,107)	\$ (10,868)	\$ (27,975)
Segment assets	\$1,032,776	\$352,936	\$1,385,712	\$456,976	\$1,842,688	\$298,559	\$2,141,247
Depreciation and amortization (Note 2)	\$ 33,584	\$ 8,624	\$ 42,208	\$ 11,679	\$ 53,887	\$ 4,531	\$ 58,418
Investments in equity-method entities	613	156	769	—	769	—	769
Increases in property, plant and equipment, and intangible assets (Note 2)	45,179	15,015	60,194	13,404	73,598	13,523	87,121

Notes: 1. Adjustments consist of the following:

- (1) The adjustment amount for segment profit (loss) of ¥(1,189) million (\$ (10,868) thousand) includes amortization of goodwill of ¥(1,748) million (\$ (15,979) thousand), elimination of intersegment transactions of ¥5,138 million (\$46,957 thousand), and corporate expenses not allocated to reportable segments of ¥(4,579) million (\$ (41,846) thousand). Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.
- (2) The adjustment amount for segment assets of ¥32,671 million (\$298,559 thousand) includes the unamortized balance of goodwill of ¥6,128 million (\$55,997 thousand), elimination of intersegment transactions of ¥(142,558) million (\$ (1,302,729) thousand), and corporate assets not allocated to reportable segments of ¥169,101 million (\$1,545,291 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 profit (loss) coincides with the amount of operating loss in the consolidated statement of income.
4. Increases in property, plant and equipment, and intangible assets do not include an increase in goodwill resulting from the inclusion of subsidiaries in the consolidation.

(4) Segment information by geographical area for the years ended February 28, 2019 and February 29, 2020 is as follows:

(a) Sales

For the year ended February 28, 2019		Millions of yen		
Japan	Europe	Other	Total	
¥186,458	¥34,745	¥19,449	¥240,652	

For the year ended February 29, 2020		Millions of yen		
Japan	Europe	Other	Total	
¥198,071	¥29,983	¥20,180	¥248,234	

For the year ended February 29, 2020		Thousands of U.S. dollars		
Japan	Europe	Other	Total	
\$1,810,023	\$273,994	\$184,409	\$2,268,426	

(b) Property, plant and equipment

February 28, 2019		Millions of yen		
Japan	U.S.A.	Europe	Other	Total
¥78,202	¥9,498	¥7,908	¥1,110	¥96,718

February 29, 2020		Millions of yen		
Japan	U.S.A.	Europe	Other	Total
¥68,089	¥9,358	¥4,336	¥1,448	¥83,231

February 29, 2020		Thousands of U.S. dollars		
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Japan	U.S.A.	Europe	Other	Total
\$622,215	\$85,515	\$39,623	\$13,238	\$760,591

(Change in presentation method)

Property, plant and equipment in U.S.A., which was included in "other" in the consolidated financial statements for the year ended February 28, 2019, have been presented separately in the financial statements for the year ended February 29, 2020, since significance of the amount has increased. As a result, certain line item amounts as of February 28, 2019 stated in "(4) Segment information by geographical area, (b) Property, plant and equipment" have been reclassified.

(5) Segment information on impairment loss by reportable segment for the years ended February 28, 2019 and February 29, 2020 is as follows:

		Millions of yen				
		Apparel			Unallocated amounts and elimination	Total
		Domestic	Overseas	Total	Lifestyle	Total
For the year ended February 28, 2019						
Impairment loss		¥631	¥610	¥1,241	¥2	¥4,290
						¥5,533

		Millions of yen				
		Apparel			Unallocated amounts and elimination	Total
		Domestic	Overseas	Total	Lifestyle	Total
For the year ended February 29, 2020						
Impairment loss		¥3,137	¥5,261	¥8,398	¥8,259	¥11,099
						¥27,756

		Thousands of U.S. dollars				
		Apparel			Unallocated amounts and elimination	Total
		Domestic	Overseas	Total	Lifestyle	Total
For the year ended February 29, 2020						
Impairment loss		\$28,664	\$48,072	\$76,736	\$75,477	\$101,429
						\$253,642

19. Subsequent Event

Restrictions and other emergency measures were implemented in many countries due to the global spread of the novel coronavirus. In Japan, the state of emergency due to the spread of the novel coronavirus was declared by the Japanese government on April 7, 2020, and the state of emergency expanded to the entire nation on April 16.

Some stores of the Companies in and outside Japan have temporarily closed accordingly, which may have a significant effect on consolidated net sales for the year ending February 28, 2021. It is difficult to reasonably compute the effect on the date of submission (May 29, 2020).

Assumptions of accounting estimates associated with the spread of the novel coronavirus for the year ended February 29, 2020 are presented in "2. Summary of Significant Accounting Policies, (25) Additional information."

Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

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 29, 2020, and the consolidated statements of income, comprehensive income, changes in equity, 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 29, 2020, 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(21).

May 29, 2020

Ernst & Young Shin Nihon LLC

A member firm of Ernst & Young Global Limited

Main Subsidiaries

As of August 31, 2020

Japan

Onward Kashiyama Co., Ltd.

3-10-5 Nihonbashi, Chuo-ku, Tokyo 103-8239, Japan
Tel: (81) 3-4512-1020

Onward Trading Co., Ltd.

2-10-10 Iidabashi, Chiyoda-ku, Tokyo 102-8115, Japan
Tel: (81) 3-5266-1333

Island Co., Ltd.

Fiore Daikanyama Building, 6-6 Daikanyama-cho,
Shibuya-ku, Tokyo 150-0034, Japan
Tel: (81) 3-3780-6805

Onward International Fashion Co., Ltd.

3-26-8 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan
Tel: (81) 3-5770-5370

Jil Sander Japan Co., Ltd.

3-26-8 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan
Tel: (81) 3-5770-5331

Maison Moreau Japan Co., Ltd.

3-26-8 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan
Tel: (81) 3-5770-5339

Onward Fashion Lab Co., Ltd.

3-26-8 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan
Tel: (81) 3-5770-5358

Intimates Co., Ltd.

6th Floor, VORT Aobadai Building, 3-10-9 Aobadai,
Meguro-ku, Tokyo 153-0042, Japan
Tel: (81) 3-5428-6611

Onward Personal Style Co., Ltd.

3-9-32 Kaigan, Minato-ku, Tokyo 108-8439, Japan
Tel: (81) 3-5476-6131

Onward J Bridge Co., Ltd.

3-9-32 Kaigan, Minato-ku, Tokyo 108-8439, Japan
Tel: (81) 3-5476-5370

Tiaclass Co., Ltd.

Senri Asahi Hankyu Building, 1-5-3 Shinsenri Higashimachi,
Toyonaka-shi, Osaka 560-0082, Japan
Tel: (81) 6-6873-5566

Mulberry Japan Co., Ltd.

3-26-8 Sendagaya, Shibuya-ku, Tokyo 151-0051, Japan
Tel: (81) 3-5770-5380

Kashiyama Saga Co., Ltd.

6656 Tachibanacho Nagashima, Takeo City, Saga 843-0014,
Japan
Tel: (81) 954-23-2118

Chacott Co., Ltd.

1-20-8 Jinnan, Shibuya-ku, Tokyo 150-0041, Japan
Tel: (81) 3-3476-1311

Creative Yoko Co., Ltd.

667-16 Takada, Nagano City, Nagano 381-8545, Japan
Tel: (81) 26-226-2001

Kokobuy Co., Ltd.

6th Floor, Daikanyama Front, 16-2 Daikanyama-cho,
Shibuya-ku, Tokyo 150-0034, Japan
Tel: (81) 3-6696-3547

Yamato Co., Ltd.

1178-11 Toyoshinatake, Azumino City, Nagano 399-8204, Japan
Tel: (81) 263-71-3600

Kashiyama Daikanyama Co., Ltd.

14-18 Daikanyama-cho, Shibuya-ku, Tokyo 150-0034, Japan
Tel: (81) 3-5784-1287

Onward Creative Center Co., Ltd.

3-10-5 Nihonbashi, Chuo-ku, Tokyo 103-8239, Japan
Tel: (81) 3-4512-1140

Bien Co., Ltd.

3-10-5 Nihonbashi, Chuo-ku, Tokyo 103-8239, Japan
Tel: (81) 3-4512-1120

Onward Digital Lab Co., Ltd.

3-9-32 Kaigan, Minato-ku, Tokyo 108-8439, Japan

Onward Resort & Golf Co., Ltd.

3-10-5 Nihonbashi, Chuo-ku, Tokyo 103-8239, Japan
Tel: (81) 3-4512-1130

O & K Co., Ltd.

1086 Fukuokamachi, Utsunomiya City, Tochigi 321-0342, Japan
Tel: (81) 28-652-4411

Main Subsidiaries

Overseas

Europe

Onward Italia S.p.A.

Via Orobica, 34-20139 Milano, Italy
Tel: (39) 02-783-667

Onward Luxury Group S.p.A.

Via Cassia 69, 50029 Tavarnuzze, Firenze, Italy
Tel: (39) 055-237-201

Jil Sander S.p.A.

Foro Buonaparte 71, 20121 Milano, Italy
Tel: (39) 02-806-9131

Erika s.r.l.

Via Boschi n. 42bis 37060,
Maccacari di Gazzo Veronese - (VR), Italy
Tel: (39) 0442-56666

Frassinetti s.r.l.

Via Enrico Fermi, 7 50068 Rufina Firenze, Italy
Tel: (39) 055-839-7385

Freeland s.r.l.

Via G. da Verrazzano 4/6/8, 50054,
Fucecchio Firenze, Italy
Tel: (39) 057-124-4337

Joseph Ltd.

Unit 11, 50 Carnwath Road,
London SW6 3JX, U.K.
Tel: (44) 207-610-8400

Freed of London Ltd.

35 Rydal Street,
Leicester LE2 7DS, U.K.
Tel: (44) 116-254-8010

La Maison Moreau S.A.S.

14 Rue de Savoie, 75006 Paris, France
Tel: (33) 1-8565-8410

Horloge Saint Benoit S.A.S.

22, Rue Saint Benoit, 75006 Paris, France
Tel: (33) 1-4544-1118

Asia

Onward Fashion Trading (China) Co., Ltd.

12th Floor, Onward Building,
No. 1238, Danba Road, Putuo District of
Shanghai 200333, People's Republic of China
Tel: (86) 21-6472-3660

Shanghai Onward Fashion Co., Ltd.

13th Floor, Onward Building,
No. 1238, Danba Road, Putuo District of
Shanghai 200333, People's Republic of China
Tel: (86) 21-6466-6466

Onward Trading (Shanghai) Co., Ltd.

14th Floor, Onward Building,
No. 1238, Danba Road, Putuo District of
Shanghai 200333, People's Republic of China
Tel: (86) 21-6271-3535

Kashiyama (Dalian) Co., Ltd.

North Tie Shan Xi Road, Dalian Economic and
Technical Development Zone, Dalian 116601,
People's Republic of China
Tel: (86) 411-8761-2098

Onward Kashiyama Hong Kong Ltd.

Unit 1208-9, Lippo Sun Plaza,
28 Canton Road, Tsim Sha Tsui, Kowloon,
Hong Kong, People's Republic of China
Tel: (852) 2367-2055

Onward Kashiyama Vietnam Ltd.

10th Floor, 60 Nguyen Dinh Chieu Street,
Da Kao Ward, District 1, Ho Chi Minh City, Vietnam
Tel: (84) 28-3911-8857

United States

J. Press, Inc.

8W 38th Street Suite 200,
New York, NY 10018, U.S.A.
Tel: (1) 212-997-3600

Onward U.S.A. L.L.C.

8W 38th Street Suite 200,
New York, NY 10018, U.S.A.
Tel: (1) 212-997-3600

Onward Beach Resort Guam, Inc.

445 Governor Carlos G. Camacho Road,
Tamuning, Guam 96913, U.S.A.
Tel: (1) 671-647-7777

Onward Golf Resort Guam, Inc.

825 Route 4A, Talofofo, Guam 96915, U.S.A.
Tel: (1) 671-789-5555

Onward Mangilao Guam, Inc.

1810 Route 15, Pagat Mangilao,
Guam 96913, U.S.A.
Tel: (1) 671-734-1111

Corporate / Investor Information

As of February 29, 2020

Head Office 10-5, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8239, Japan
Tel: (81) 3-4512-1020
Fax: (81) 3-4512-1021
URL: <http://www.onward-hd.co.jp/site/english/>

Established September 1947

Capital ¥30,080 million

Common Stock Authorized—400,000,000 shares
Issued—157,921,669 shares
Note: The total number of issued and outstanding shares included 22,901,445 shares of treasury stock.

Number of Shareholders 17,526

Stock Exchange Listings Tokyo, Nagoya

Transfer Agent Mitsubishi UFJ Trust & Banking Co., Ltd.
1-1, Nikkocho, Fuchu, Tokyo 183-0044, Japan

Number of Employees (Consolidated) 5,153

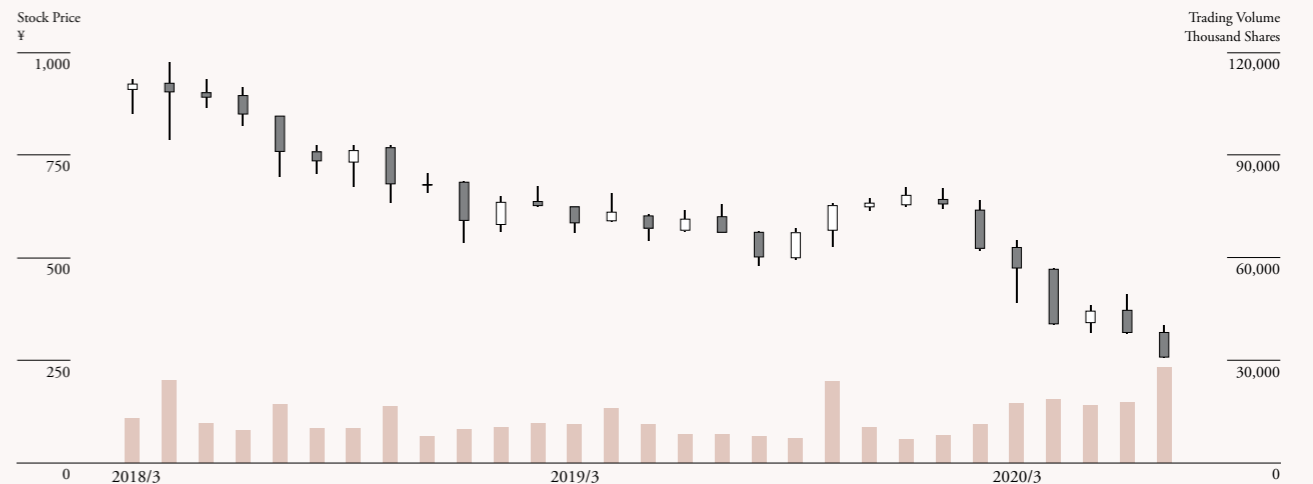
Major Shareholders

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Kashiyama Scholarship Foundation	8,710	6.4
Japan Trustee Services Bank, Ltd. (Trust account)	8,011	5.9
The Master Trust Bank of Japan, Ltd. (Trust account)	7,677	5.6
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	4,825	3.5
Nippon Life Insurance Company	4,671	3.4
Onward Holdings Customers' Shareholding Association	4,665	3.4
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,536	3.3
The Dai-ichi Mutual Life Insurance Company, Ltd.	4,200	3.1
STATE STREET BANK AND TRUST COMPANY 505001	3,481	2.5
Sumitomo Mitsui Banking Corporation	2,931	2.1

Notes:

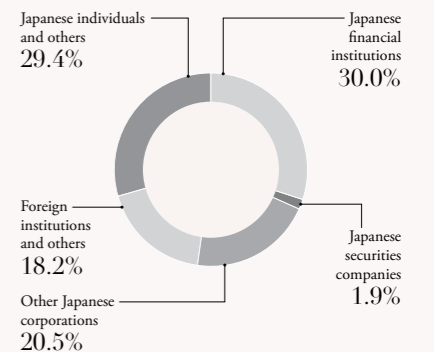
- The Company holds 22,901,445 shares of treasury stock. Treasury stock is not included in the above Major Shareholders information.
- The percentage of total shares issued is calculated after deducting 22,901,445 shares of treasury stock.

Stock Price Range and Trading Volume



Distribution of Ownership among Shareholders

(On a number of shares basis)



Note: Data regarding Japanese individuals and others includes treasury stock.

History

1927	February	Junzo Kashiya established Kashiya Trading.
1947	September	Established Kashiya 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 Kashiya U.S.A. INC.
1973	February	Established Onward Kashiya France S.A.
1974	February	Established Onward Kashiya Italia S.p.A. (currently Onward Italia S.p.A.).
1986	October	Acquired J. Press, Inc.
1988	February	Established Onward Kashiya Hong Kong Ltd.
	September	Company name changed to Onward Kashiya Co., Ltd. (currently Onward Holdings Co., Ltd.).
1989	December	Established Onward Kashiya 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 Kashiya 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 Guam, Inc.).
2007	April	Onward Fashion Trading (Shanghai) Co., Ltd., increased its capital and changed its name to Onward Fashion Trading (China) Co., Ltd.
	May	Acquired Frassinetti 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 Onward Kashiya 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.
	December	Acquired controlling interest in Island Co., Ltd.
2010	June	Established Onward Kashiya Singapore Pte. Ltd.
2011	August	Established Onward Kashiya Vietnam Ltd.
2012	April	Acquired controlling interest in Birz Group, including Birz Association Ltd.
	May	Established Onward Trading (Shanghai) Co., Ltd.
	December	Established Charles & Keith Japan Co., Ltd.
2013	February	Acquired Sakura Co., Ltd.
	June	Established Onward Luxury Group S.p.A.
2014	March	Established Onward Global Fashion Co., Ltd.
	November	Completed Onward Park Building (head office 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.).
2016	March	Acquired La Maison Moreau S.A.S.
	April	Acquired Tiaclasse Co., Ltd.
	August	Converted Onward Kaisei (Dalian) Co., Ltd. (currently Kashiya (Dalian) Co., Ltd.), into a wholly owned subsidiary through acquisition of stock.
2017	January	Acquired Kokobuy Co., Ltd. and Innovate Organics, Inc.
	December	Acquired Mulberry Japan Co., Ltd. (a joint venture company with Mulberry Group plc).
2018	March	Acquired General Clothing Co., Ltd. (currently Kashiya Saga Co., Ltd.).
2019	March	Acquired Yamato Co., Ltd.

Onward Holdings Co., Ltd.

Head Office:
 10-5, Nihonbashi 3-chome, Chuo-ku,
 Tokyo 103-8239, Japan
 Tel: (81) 3-4512-1020
<http://www.onward-hd.co.jp/site/english/>