

# ANNUAL REPORT 2021

Fiscal Year Ended February 28, 2021  
Onward Holdings Co., Ltd.



—ONWARD—

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—ONWARD—



OMO store  
ONWARD CROSSET STORE  
LaLaport TOKYO-BAY

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### Forward-Looking Statements

The information in this report is not a solicitation to purchase or sell Onward Holdings stock. Opinions and forecasts stated herein represent the judgments of the Company at the time this report was published. Onward Holdings makes no guarantee regarding the accuracy of the information in this report and may make revisions without prior notice. Onward Holdings and the providers of this information assume no responsibility whatsoever for any losses incurred in association with this information.

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# Onward at a Glance

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.

In fiscal 2020, net sales were impacted by the two state of emergency declarations issued in Japan as well as the prolonged lockdowns instituted overseas in response to the global COVID-19 pandemic. Although requests to temporarily close stores resulted in a significant drop in sales through physical sales channels, higher sales were achieved in the Lifestyle Business segment and through e-commerce channels. As a result, overall net sales decreased by 29.8% year on year.

Of domestic net sales, 29.1% were generated through department stores, 32.9% were achieved via e-commerce channels, and 38.0% can be attributed to shopping centers and other channels. Going forward, efforts will target the enhancement of e-commerce sales channels as we employ new sales methodologies in the Apparel Business segment and strengthen intra-Group synergies in the Lifestyle Business segment.

Net Sales  
**¥174,323 million** (70.2% YoY)

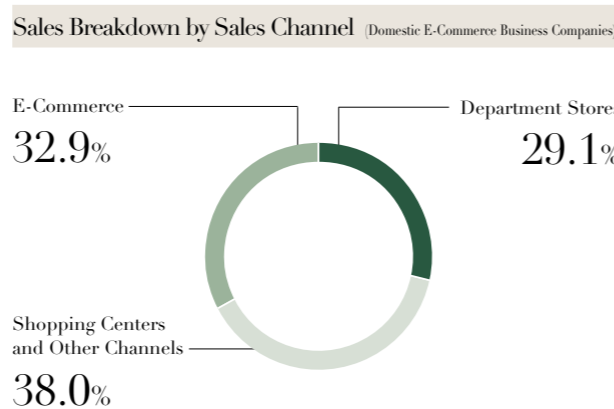
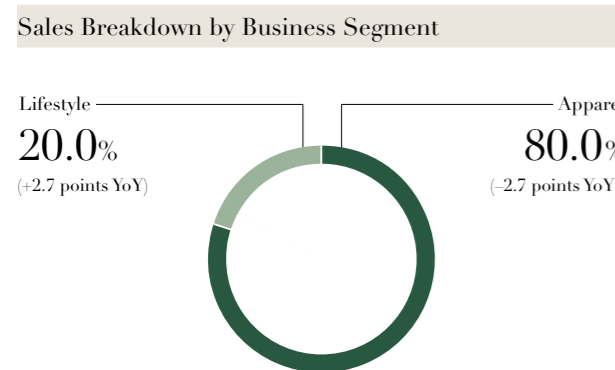
Operating Profit  
**¥-21,230 million**

Profit Attributable to Owners of Parent  
**¥-23,181 million**

Cash Dividends per Share  
**¥12**

Sales through Physical Sales Channels  
**¥132,739 million**

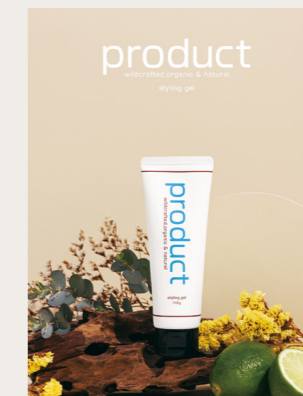
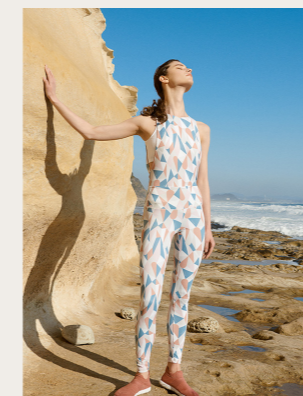
Consolidated E-Commerce Sales  
**¥41,584 million**



## Apparel



## Lifestyle



# Top Message

President and CEO  
Michinobu Yasumoto



The Onward Group will advance ONWARD VISION 2030 with the goals of evolving into a customer-centric company and making the best use of employees' diverse strengths.

## Review of Fiscal 2020

In fiscal 2020, a consistently opaque operating environment was faced in the global economy. This opacity was largely a result of the economic repercussions of the two state of emergency declarations issued in Japan in response to the global COVID-19 pandemic as well as lockdowns and bans on international travel instituted in countries around the world.

In this challenging operating environment, Onward Holdings took steps to curtail procurement and cut fixed costs. At the same time, we moved ahead with the global business reforms that we have been implementing since fiscal 2019, which involved withdrawing from unprofitable operations in Italy, abolishing underperforming brands, and closing stores that were not achieving profitability around the world.

In the domestic apparel business, profit increased at companies including Onward Trading Co., Ltd., which conducts a business-to-business uniform business, and Tiaclasse Co., Ltd., whose main sales channel is e-commerce. We achieved progress in shifting to e-commerce channels such as Onward Crosset, our directly-managed online store. However, due to the impact of the COVID-19 pandemic, sales decreased and operating losses were posted at companies including Onward Kashiya Co., Ltd. As a result, sales decreased and operating loss was recorded for the domestic apparel business.

In the overseas apparel business, despite the cost reduction benefits of the global business reforms we have been conducting since fiscal 2019, the impacts of the COVID-19 pandemic continued to be felt in Europe and the United States, resulting in a sales decline and operating loss for the overseas apparel business.

As a result, sales decreased and operating loss was posted for the Apparel Business segment as a whole.

In the Lifestyle Business segment, both sales and profit increased at Yamato Co., Ltd., which conducts a gift catalogue business, but sales decreased at companies including Onward Beach Resort Guam, Inc., which operates a resort business in Guam, where a lockdown has continued since the second quarter of fiscal 2020.

As a result, both sales and profit decreased for the Lifestyle Business segment, although this segment was able to secure operating profit.

As a result of these factors, consolidated net sales amounted to ¥174,323 million, a 29.8% year-on-year decrease; consolidated operating loss amounted to ¥21,230 million, compared with operating loss of ¥3,061 million in the previous fiscal year; consolidated recurring loss amounted to ¥20,174 million, compared with recurring loss of ¥3,835 million in the previous fiscal year; and loss attributable to owners of parent amounted to ¥23,181 million, compared with loss attributable to owners of parent of ¥52,135 million in the previous fiscal year.

## ONWARD VISION 2030 Medium- to Long-Term Management Vision

In fiscal 2020, the COVID-19 pandemic dealt a devastating blow to the Onward Group's domestic and overseas operations, the damages of which likely surpassed anything we have experienced since our founding. The COVID-19 pandemic was not the only major development, as the markets in which the Onward Group operates have been undergoing major structural changes, such as the evolution of digital transformations, since even before the pandemic.

Amid these changes, the Onward Group decided to undertake global business reforms to its operations in October 2019. As of April 2021, a large portion of those reforms had been completed as planned. However, we also understand that this is a time of great upheaval, and that the operating environment is likely to continue to change going forward. We recognize that this backdrop has created a need to show the course the Onward Group will take in the future. ONWARD VISION 2030, our medium- to long-term management vision for the period up to fiscal 2030, was shaped based on this understanding.

To guide our actions over the decade leading up to fiscal 2030, we put forth the mission statement of "enriching and adding color to people's lives while caring for the planet," which represents our *raison d'être*. This new statement adds to the management policy of "to enrich and add color to people's lives," which we have cherished since our founding, the belief that we must also enrich and preserve the color of the global environment in which we live. In other words, we have incorporated the perspective of sustainability, which is now crucial to corporate activities, into the new mission statement.

In addition, we look to fully utilize constantly evolving digital technologies as we seek to enhance communication between customers and Onward Group employees in a direct and two-way manner in order to co-create value for customers. This policy has shaped our goals of evolving into a customer-centric company and making the best use of employees' diverse strengths.

To ensure that we can fulfill our mission statement of "enriching and adding color to people's lives while caring for the planet," ONWARD VISION 2030 has defined five strategies: transform the Apparel Business segment's business model, accelerate growth in the Lifestyle Business segment, strengthen business-to-business operations, evolve into a company where diverse and unique personnel can exhibit their strengths, and promote sustainable management that pursues coexistence with the environment. We will steadily advance these strategies over the period of ONWARD VISION 2030 with a dedication to accomplishing our goals.

Under this vision, the 10-year period leading up to fiscal 2030 has been divided into the first three years and the last seven years. The first three years, during which we will likely have to endure the impacts of the COVID-19 pandemic, have been positioned as a time for reconstructing and solidifying the operating foundations that will be utilized to pursue growth after the pandemic has subsided. In fiscal 2023, the last of these first three years, we will target net sales of ¥200,000 million and operating profit of ¥7,000 million. Our policy for these three years will be to build solid foundations by transforming the business model of the Apparel Business segment, rather than pursuing expansion in the scale of sales, while growing earnings centered on the Lifestyle Business segment. Meanwhile, the latter seven years of the 10-year period have been positioned as a time for advancing full-fledged growth strategies in the post-COVID-19 world. We intend to grow the Lifestyle Business segment, which secured operating profit in fiscal 2020, despite the challenging operating environment, to stand alongside the Apparel Business segment as a core business by generating synergies with the Apparel Business segment and broadening the scope of its business through mergers, acquisitions, and other measures. Through this approach, we will target net sales of ¥300,000 million and operating profit of ¥25,000 million in fiscal 2030.

At the same time, capital efficiency will be thoroughly emphasized in management. We project that the impacts of the COVID-19 pandemic will continue to be felt up until fiscal 2023. We have therefore set a target of achieving return on equity (ROE) of 8% over the period leading up to fiscal 2023. And we have put forth an ROE target of 10% or more to be achieved by fiscal 2030.

To ensure progress in accordance with this roadmap, we believe it is necessary for us to make a major revision to our business and management platforms over the next three years. The Group's platforms currently consist of our product planning, production, and distribution platform; our sales platform, which comprises online stores and the online merges with offline-style stores, or OMO stores; our marketing platform, which includes the Onward Members' loyalty point card system boasting 3.75 million members (as of May 31, 2021); and our management and financial management platform and our organizational and human resource platform. To change into a customer-centric company, we will evolve these systems to create a management system for a new era.

Alongside such organizational reforms, the aforementioned five strategies will be advanced to further us toward our targets for fiscal 2030.

In regard to the first strategy—transform the Apparel Business segment's business model—we will shift away from our conventional approach toward communicating with customers, which was focused on physical stores and mass-media venues, to adopt an approach utilizing owned media and social media. We thereby aim to co-create value for customers through two-way communication with customers and to consequently maximize the value of our robust brand portfolio. In addition, we are working to digitalize our supply chain while developing OMO stores that combine the benefits of online stores with those of physical stores.

Under the second strategy—accelerate growth in the Lifestyle Business segment—we will concentrate the allocation of management resources to the five businesses of this segment that are matched to changes in consumer behavior. Specifically, these businesses are the wellness business, the beauty and cosmetics business, the pet and home life business, the gourmet foods business, and the gifts business. Through this approach, we will advance growth strategies positioning the Lifestyle Business segment as a core segment for the post-COVID-19 world.

One aspect of the third strategy—strengthen business-to-business operations—will be growing the uniform business of Onward Trading Co., Ltd. At the same time, we look to develop new platform service businesses that utilize the Onward Group's production platform to provide original equipment and design manufacturing services for retailing and apparel companies outside of the Group.

The fourth strategy—evolve into a company where diverse and unique personnel can exhibit their strengths—will develop a crucial foundation for the accomplishment of the targets of our medium- to long-term management vision. In other words, this strategy will focus on fostering workplace environments that allow, in particular, the female employees who support the Onward Group to continue working as long as they please while exercising their individuality.

Furthermore, in terms of the fifth strategy—promote sustainable management that pursues coexistence with the environment—we recognize that the apparel industry has a significant degree of responsibility toward the global environment, and that we must therefore make dedicated efforts to contribute to the realization of a sustainable society. These efforts will entail supplementing the recycling and reuse initiatives we have advanced thus far with measures for eliminating the creation of unnecessary products through revisions in the product planning and production phases. We are accelerating initiatives in accordance with our mission statement of "enriching and adding color to people's lives while caring for the planet."

## In Closing

Going forward, we anticipate that widespread vaccination will help gradually alleviate the impacts of the global COVID-19 pandemic and that society will in turn return to a state of relative normalcy. Accordingly, the Company is projecting year-on-year growth of 9% in net sales along with operating profit of ¥3,200 million in fiscal 2021.

At the same time, we realize that irreversible structural changes are progressing in the apparel industry served by the Onward Group. We are therefore committed to transforming the Onward Group by marching ahead with the policies and strategies defined in ONWARD VISION 2030 in the pursuit of sustainable improvements to corporate value.

Everyone at the Onward Group is dedicated to carrying out our new mission statement of "enriching and adding color to people's lives while caring for the planet." We sincerely appreciate your support for the Onward Group as we advance on this quest.

August 2021

Michinobu Yasumoto  
President and CEO

# Five Strategies Leading up to Fiscal 2030

The Onward Group is targeting net sales of ¥300.0 billion and operating profit of ¥25.0 billion in fiscal 2030. We aim to build a foundation for our future growth through the advancement of these five strategies.

## Strategy

1. Transform the Apparel Business Segment's Business Model

2. Accelerate Growth in the Lifestyle Business Segment

3. Strengthen Business-to-Business Operations

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

5. Promote Sustainable Management That Pursues Coexistence with the Environment

## ONWARD VISION 2030

The Onward Group's Raison D'être  
Mission Statement

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

Desired Image of the Onward Group

Evolving into a  
Customer-Centric Company,  
Making the Best Use of Employees'  
Diverse Strengths



Achieve direct and two-way communication  
between customers and employees to  
co-create value provided to customers

# 1.

## Transform the Apparel Business Segment's Business Model

### 1 Transform Communication with Customers

To achieve its goals of evolving into a customer-centric company and making the best use of employees' diverse strengths, the Onward Group realizes the need to address the fact it has grown into a vertically-divided organization over its nearly century-long history, effectively creating distance between customers and employees.

To reduce the distance, we will make full use of new and rapidly evolving tools, such as owned media, social media, and live commerce, as venues for co-creating value through direct and two-way communication between customers and Onward Group employees.

#### Owned Media Launch of ONWARD CROSSET MAG

Onward Kashiyama Co., Ltd., launched ONWARD CROSSET MAG on February 10, 2021. This new owned media venue integrates the prior information provision venues and customer contact points provided using paper and electronic media, respectively, to create connections by delivering brand and product information alongside a diverse range of other content.

Each month, around 12 different pieces of content will be distributed with specific targets through ONWARD CROSSET MAG, which will be linked to our social media accounts to supply customers with information that is of interest to them. Going forward, we will use owned media to expand our contact points with and to optimize our approaches toward new and existing customers while directly delivering customer experiences that are consistent among physical and e-commerce venues.

### ONWARD CROSSET MAG



### 2 Transform Product Planning, Production, and Distribution

The Onward Group is digitalizing its supply chain to better track production processes and promote data linkage to shorten delivery times, optimize prices, and improve traceability.

#### Capital and Business Alliance with Textile Trading Company SanMarino

On January 20, 2021, Onward Holdings entered into a capital and business alliance with textile trading company SanMarino Co., Ltd.

A textile trading company engaged in the planning of womenswear and original equipment manufacturing operations, SanMarino boasts wide-ranging information-gathering ability and material procurement capabilities and production networks in Asia and Europe. Onward has built a long-term, trust-based relationship with SanMarino as a major business partner. Through this capital and business alliance, we aim to further strengthen and enhance our long-standing relationship with SanMarino and to advance planning and production system reforms. By combining the management resources of both parties, including manufacturing expertise, technological capabilities, and global procurement and production capacities, we will work to develop next-generation planning and production systems.

### 3 Transform Sales

Onward looks to develop new store types through online merges with offline-style stores (OMO stores) that combine the benefits of both conventional physical stores and the online stores that have been growing rapidly as of late.



OMO store  
ONWARD CROSSET STORE  
LaLaport TOKYO-BAY

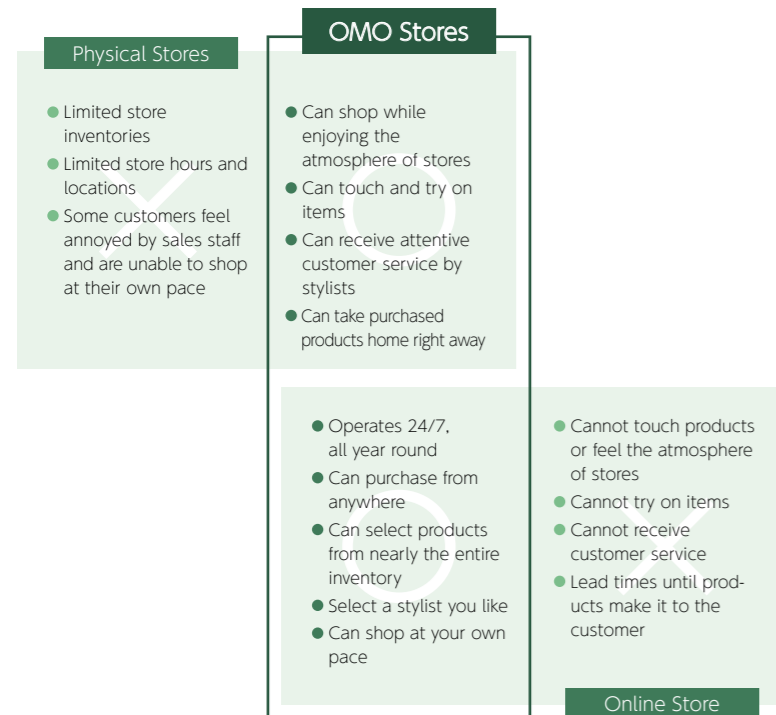
#### Opening of ONWARD CROSSET STORES Using New OMO Store Model in Saitama, Aichi, and Chiba Prefectures

In April 2021, Onward Kashiyama began developing ONWARD CROSSET STORES using a new model that merges the benefits of both physical and online stores.

The stores combine the benefit of trying on and purchasing apparel items offered by physical stores with the wide selection that is a benefit of online stores. Visitors to these stores can choose from items in the standard store inventory or use our new "click and try" service to have items available online, from any Onward Group brand, delivered to their desired store for them to try on and consider purchasing. Another characteristic of these stores is that they offer a customization service through which customers input their height to create an avatar that can be adorned with clothing items to enable customers to get a better idea of how they look. We also provide personal styling services using digital technologies together with other services, making for a lineup of six unique services along with an assortment of non-apparel products that will grab customers' attention and encourage them to make a purchase.

Such features and services combine to make Onward's first service-oriented OMO store venues that are not limited to the conventional sale of products.

#### Feature of OMO Store



#### Six Services of ONWARD CROSSET STORES

- Click and Try**  
Products of any Onward Group brand available through our ONWARD CROSSET online store can be delivered to a store selected by customers so that they can try them on and make a purchase.
- Personal Styling**  
Customers can access the services of a stylist online or at a physical store.
- Live Styling Broadcasts**  
We introduce products via videos and couple them with a feature that allows customers to easily purchase the introduced products online or have them delivered to a store to try on.
- Customization**  
Customers can choose the sizes and colors of applicable products to have them customized to match their body characteristics.
- Repair and Maintenance**  
ONWARD CROSSET STORES partner with Onward repair centers to offer renovation and repair services for clothing items.
- Onward Green Campaign**  
As part of Onward's environmental management efforts, the Onward Green Campaign entails promoting the reuse and recycling of clothing items customers no longer need with the aim of eliminating waste. The proceeds from resold items are used to fund environmental and social contribution activities.

## 2.

### Accelerate Growth in the Lifestyle Business Segment

The five businesses of the Onward Group's Lifestyle Business segment have been performing well even amid the COVID-19 pandemic, and significant effort will be dedicated to advancing growth strategies that position this segment as a core area of operations for the period after the pandemic.

#### 1 Wellness Business

**Principal Company** Chacott Co., Ltd.

**Business Activities** Comprehensive business development including the sale of ballet/dance goods and cosmetics, and the operation of ballet schools

#### "From Closed to Open" Strategy for Ramping Up Proposals Targeting Everyday Life

Chacott is advancing branding activities based on its brand philosophy of "Make life beautiful from the inside out." As part of these efforts, Chacott is implementing its "From Closed to Open" strategy, which entails ramping up proposals for the use of the assets it has fostered throughout its history of serving dancers in everyday life situations. For example, this company's CHACOTT FOR PROFESSIONALS brand of professional-use cosmetics, used by numerous professional artists when performing on stage, has been reinvented to form the Chacott COSMETICS line, which was made available for sale at directly operated stores and other distributors across Japan on April 16, 2021. Chacott's cosmetics are made in Japan with carefully selected ingredients to ensure safety and peace of mind so that they can be used even on the delicate skin of small children performing ballet. Moreover, they have gained high levels of trust from professional artists with colors that retain their appeal even under the spotlight and with their resistance to sweat and other secretions. As such, many professionals have already deemed them to be the perfect makeup choice for their everyday lives.

Meanwhile, Chacott rebranded its fitness wear products as "balance wear" with applications that go beyond exercise and relaxation, integrating and reorganizing these products to form the Chacott Balance line. In this line, we are developing a range of items that can be used in everyday life settings outside of fitness. Such items include tulle skirts based on the concept of using the materials of ballet wear and Ballet Skinny jeans that stretch to allow freedom to raise one's leg easily while also drawing the wearer's attention to their pelvis to create a beautiful posture.

While continuing to develop the core ballet

business it has fostered since its founding, Chacott will use its ballet expertise to serve the general market and thereby stimulate interest in stage performances and culture to create a new virtuous cycle driving its business.



Chacott COSMETICS



2021S/5 Ballet Wear  
Chacott's ballet wear has been developed based on the input of leading ballerinas (photograph features Shoko Nakamura).

## 2 Beauty & Cosmetics Business

**Principal Company** KOKOBUY Co., Ltd.

**Business Activities** Development of product, an organic haircare and skincare brand

### Launch of product Botanical Hold Gel, First Specialized Hairstyling Offering in product Line

On June 18, 2021, we introduced into our product line of organic and wildcrafted a new hairstyling gel made completely from natural ingredients. With an ideal level of hold, this gel lets users style their hair for both formal and more casual occasions with complete freedom to go for looks ranging from rough to cool. We also recommend a stylish look that gives the image of wet hair. This package is accented by a refreshing lime scent that is perfect for people of all genders.

### New product Line Hair Wax Using Neroli Oil to Produce a Pleasing Aroma

A new hair wax made using Neroli essential oil was introduced into the product line of organic and wildcrafted on December 25, 2020.

Made using only natural ingredients, this organic hair wax can be used for a variety of purposes, ranging from hairstyling to moisturizing one's hair, skin, lips, nails, and entire body. It is even safe for the delicate skin of babies. Available in compact, portable sizes for convenient transportation, this gel has you covered for hairstyling and other care needs away from home.



product hairstyling gel (top)  
product Neroli hair wax (bottom)

## 3 Pet & Home Life Business

**Principal Company** Creative Yoko Co., Ltd.

**Business Activities** Development of comfort goods and pet-related products



Hinami lifestyle brand products

### Debut of Hinami Lifestyle Brand

Creative Yoko's Hinami lifestyle brand debuted for sale on online shopping sites on March 5, 2021, with a lineup centered on masks and hygiene products. The COVID-19 pandemic caused many to adopt new lifestyles to prevent the spread of the virus while also giving rise to increased hygiene awareness and otherwise transforming our lives. In response to this trend, we developed the Hinami brand based on the theme of what we can do now to better serve our precious customers and their families. "Hinami" is a portmanteau of the Japanese words for "day" and "ordinary." This name is symbolic of the brand's focus on every day and on everyday habits, aiming to propose products that make those non-extraordinary slices of life in our busy everyday lives more comfortable, convenient, and fulfilling. The brand's logo represents the passage of time in our everyday lives with a sun and moon motif. Hinami brand products include antibacterial, antiviral reversible masks that employ the CLEANSE® antibacterial, antiviral fiber-processing technology of Kurabo Industries Ltd.; Moist Mask Mist, an aroma spray for masks made using botanical extracts; Moist Hand Mist and Moist Hand Gel that allow users an easy, waterless option to wash and sanitize their hands; Nano Face Mist that can be used whenever one feels that their skin is too dry; and other mask and hygiene products.

## 4 Gourmet Foods Business

**Principal Company** Onward Digital Lab Co., Ltd.

**Business Activities** Operation of Onward Marche, an e-commerce site for high-quality gourmet foods for refined tastes

Onward Marche (<https://marche.onward.co.jp/>, in Japanese only) is a high-quality gourmet food e-commerce website aimed at individuals with refined tastes who want to enjoy food in a similar manner to fashion.

This website is a gateway to the new world of gourmet foods offered by Onward, a constant provider of new value and lifestyles in the world of fashion.

Onward's buyers travel across Japan to talk to producers in search of exquisite culinary masterpieces, choosing only the best based on sight and taste. Like an artist painting a canvas, the rich assortment of gourmet foods available at the Onward Marche market enriches and adds color to people's lives.

### Onward Marche Award 2020 Program

To commemorate the fourth anniversary of the November 2016 launch of the Onward Marche gourmet food e-commerce website for proposing enriching lifestyles through food, Onward Holdings announced the winners in the Onward Marche Award 2020 program on December 7, 2020.

In the program, one grand prix winner and nine category winners were selected from among the top 100 items ranked based on sales and popularity in 2020. In addition, three items presented with awards for the second consecutive year were entered into the Onward Marche hall of fame.



Onward Marche Award 2020

## 5 Gifts Business

**Principal Company** Yamato Co., Ltd.

**Business Activities** Development of gift solutions featuring gift catalogs

### Further Enhancement of Gift Services through Directly Operated E-Commerce Websites

The changes in gift purchasing styles arising in response to the COVID-19 pandemic have driven growth in purchases via e-commerce.

Amid this trend, the brand catalogue gifts of Yamato Co., Ltd., a company strength, were well received by consumers, resulting in increased sales of these items through directly operated e-commerce websites. Taking advantage of this opportunity, we evolved the services of our directly operated e-commerce websites to make Japan's gift culture feel more convenient and accessible.

Product-related initiatives by Yamato have included the development of online catalogs offering gifts matched to contemporary needs that can be sent through social media. In terms of content, on December 18, 2020, this company launched "antina wedding," a special corner focused on scenes and items related to weddings. Popular wedding-related gifts include those presented at receptions, confections, items that culturally represent blessings, and gifts given to close relatives or friends as thanks for congratulatory gifts. The "antina wedding" corner helps alleviate the concerns of couples getting married who may desire to give such gifts.

Yamato will continue to propose new forms of gifts going forward with an emphasis on digital spaces.





KASHIYAMA DALIAN (smart factory)

### 3.

## Strengthen Business-to-Business Operations

Business-to-business operations have been robust even amid the COVID-19 pandemic. We position them as stable growth businesses in the post-COVID era, while targeting net sales of ¥60.0 billion in fiscal 2030, which is projected to represent 20% of consolidated net sales.

#### Product Services Businesses (for general corporate clients)

Onward Trading Co., Ltd., a major group company, will further develop uniform and sales promotion businesses.

Based on its apparel business, Onward Trading proposes solutions to the branding and promotion issues faced by general corporate clients in their respective fields.

Directly soliciting client requests, various internal departments at Onward Trading team up to address customer issues and respond to unmet needs. Moreover, this company develops designs, patterns, and materials in-house to ensure that all proposals are completely original. Onward Trading also offers robust post-delivery support for tasks including inventory management, operating, cleaning, and re-ordering. Leveraging the strengths of the Onward Group, Onward Trading provides high-level responses to the various needs of corporate clients.

#### Platform Services Businesses (for retailers and apparel corporate clients)

In our platform services businesses, we look to make our production platform available for use by parties outside of the Onward Group to create a platform by sharing product planning, production, distribution information sharing and data-linking across the supply chain. We thereby aim to develop a new business model incorporating services powered by Internet of Things technologies, in order to provide original equipment and design manufacturing (OEM/ODM) services for retailers, apparel corporate clients, and other businesses.

Kashiyama (Dalian) Co., Ltd., a central component of these businesses, boasts a world-leading smart factory in the sewing field. The functions of this smart factory will be utilized to drive the growth of the Kashiyama brand and to expand into new business areas outside of the Group.

### 4.

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

It is expected that the value sought by customers will become more diverse and unique going forward, and responding to this need for diverse and unique value will require Onward to evolve into a company where diverse and unique personnel can exhibit their strengths.

To this end, we must train in-house personnel who will spearhead change while ramping up the recruitment of personnel externally in order to promote organizational and human resource platform reform.

Based on this policy, Onward will seek to "Promote the activities of diverse personnel", "Diversify workstyles", "Achieve a flat organization", "Transfer authority to the front lines", "Offer multiple career paths and focus on personnel development", and "Provide fair, multifaceted evaluations and performance-based compensation".



### 5.

## Promote Sustainable Management That Pursues Coexistence with the Environment

The Onward Group realizes that promoting sustainable management that pursues coexistence with the environment is a social responsibility shared by all companies.

The Group has long placed sustainability at the heart of its management based on this belief, and we are advancing various initiatives in pursuit of sustainability. One such example would be the Onward Green Campaign, which was launched in 2009 with the aim of preserving our precious environment for future generations.

Another initiative with environmental benefits is our KASHIYAMA brand, which uses a made-to-order model that eliminates wasteful production. The expansion of this brand will thus contribute to the environmental preservation aspect of sustainable management.

Furthermore, the Japan Apparel Quality Center was established in March 2017, with the aim of applying the quality control expertise and insight the Group has cultivated over the course of its history to factory audits throughout the apparel industry. Factory audits by the Japan Apparel Quality Center employ CSR audit guidelines based on global standards as well as its own proprietary quality control audit guidelines.

At the beginning of fiscal 2021, ending February 28, 2022, a dedicated organization was established within Onward Holdings to promote full-fledged sustainable management throughout the Onward Group. This organization will be used to accelerate sustainable management initiatives going forward.





# Financial Results in Fiscal 2020

During the fiscal year under review, the Japanese economy remained in a situation where its outlook was unclear, due to the impact of events stemming from the global spread of COVID-19, such as the state of emergency declarations in Japan, which were issued twice, lockdowns in various countries, and negative influence on economic activities due to bans on overseas travel.

In this harsh management environment, the Company strived to curtail purchasing and reduce fixed expenses, while steadily implementing measures such as the withdrawal from the Italy business, which had been an unprofitable business, discontinuation of unprofitable brands, and closing of unprofitable stores in Japan and overseas, as part of the global business reforms that have been conducted since the previous fiscal year.

E-commerce sales grew significantly, increasing by 26% year-on-year, mainly through Onward Crosset, the Group's official online shopping site, and the Lifestyle Business segment also trended strongly. However, the consolidated performance was seriously affected by factors such as a significant decrease in sales at physical stores including department stores and shopping centers, which are located mainly in metropolitan areas, and temporary closures due to lockdowns overseas.

As a result of the above, consolidated net sales amounted to ¥174,323 million (a 29.8% decrease year on year), consolidated operating loss came to ¥21,230 million (operating loss of ¥3,061 million in the previous fiscal year), consolidated ordinary loss stood at ¥20,174 million (ordinary loss of ¥3,835 million in the previous fiscal year), and loss attributable to owners of parent amounted to ¥23,181 million (loss attributable to owners of parent of ¥52,135 million in the previous fiscal year).

## Segment Information

The Onward Group's 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 Group engages in the Apparel Business (planning, production, and sale of textile products, including men's and women's clothing) and the Lifestyle Business in Japan and overseas.

## Information on Net Sales, Profit or Loss by Reportable Segment

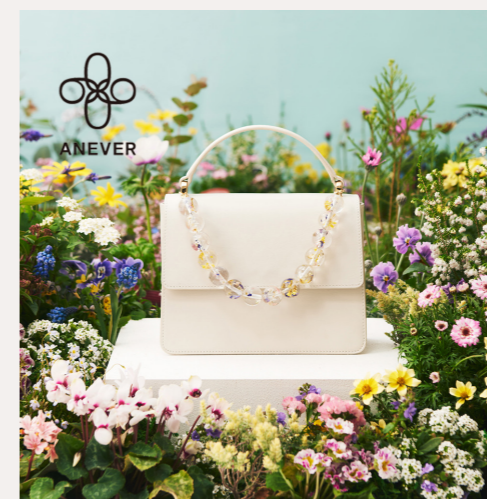
For Fiscal 2020 (from March 1, 2020 to February 28, 2021)

(Millions of yen)

	Apparel Business			Lifestyle Business	Total	Adjustments	Amount Recorded in Consolidated Financial Statements
	(Domestic)	(Overseas)	Total				
Net sales							
Net sales to outside customers	103,648	35,774	139,422	34,901	174,323	—	174,323
Intersegment sales or transfers	1,407	1,329	2,736	2,013	4,750	(4,750)	—
Total	105,055	37,103	142,158	36,914	179,073	(4,750)	174,323
Segment profit (loss)	(13,667)	(6,497)	(20,165)	147	(20,017)	(1,213)	(21,230)

(Note)

The adjustment amount for segment profit (loss) of (1,213) million yen includes amortization of goodwill of (786) million yen, elimination of intersegment transactions of 3,639 million yen, and corporate expenses not allocated to reportable segments of (4,065) million yen. Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.



## Apparel Business

The Apparel Business segment, which operates the principal business of the Onward Group, comprises 51 operating companies and generates 80% 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 Co., Ltd., and the overseas apparel business, a global business developed in regions such as Europe, Asia, and North America.

### Domestic Apparel Business

The domestic apparel business is our mainstay business, generating 59.5% of consolidated net sales, and its operations encompass the planning, production, and sale of high-quality apparel items in the mid-to-high price range. This business also carries out the production and wholesale of corporate uniforms and sales promotional goods.

In the domestic business, profit increased at companies including Onward Trading Co., Ltd., which conducts a B2B uniform business, and Tiaclasse Co., Ltd., whose main sales channel is e-commerce. Despite making progress in shifting to e-commerce sales channels such as Onward Crosset, a directly-managed online store, net sales through physical sales channels decreased due to the impact of COVID-19, causing profit decreases and operating losses at companies including Onward Kashiyama Co., Ltd. As a result, the domestic apparel business recorded a year-on-year decrease in net sales coupled with operating loss in fiscal 2020.

### Overseas Apparel Business

The overseas apparel business consists of operations mainly in Europe, Asia, and North America—where we develop brands and conduct planning and production activities—and accounts for 20.5% of consolidated net sales.

Higher profitability is being pursued through global business reforms in Europe and Asia. As one facet of these reforms, we withdrew from unprofitable operations in Italy.

In the overseas business, despite cost reduction effects of the global business reforms which have been conducted since the previous fiscal year, the impact of COVID-19 continued in Europe and the U.S., causing profit decreases and operating losses for the overseas business.

## Lifestyle Business

The Lifestyle Business segment comprises 23 operating companies and generates 20% of the Company's consolidated net sales. This segment consists of five businesses—the wellness business, which develops ballet/dance goods; the beauty and cosmetics business; the pet and home life business; the gourmet foods business; and the gifts business. In these businesses, we capitalize on the Onward Group's product development and sales capabilities to create new value and lifestyles with fashionable proposals in a wide variety of fields.

In fiscal 2020, both sales and profit increased at Yamato Co., Ltd., which conducts a gift catalog business, but sales decreased at companies including Onward Beach Resort Guam, Inc., which conducts a resort business in Guam, where a lockdown has continued since the second quarter. As a result, both sales and profit decreased for the Lifestyle Business segment, despite securing operating profit.

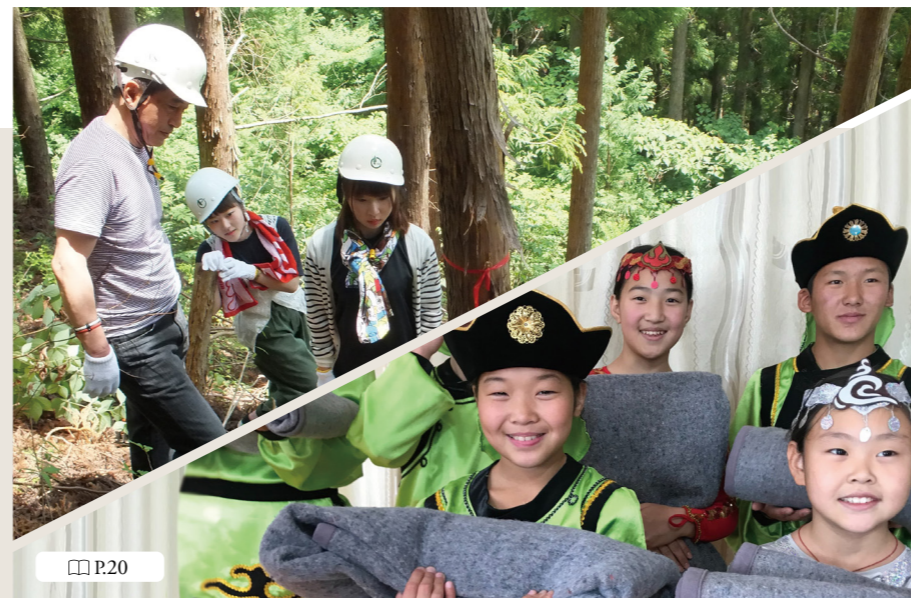
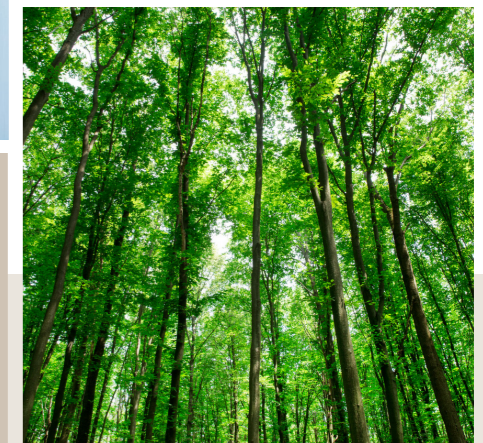
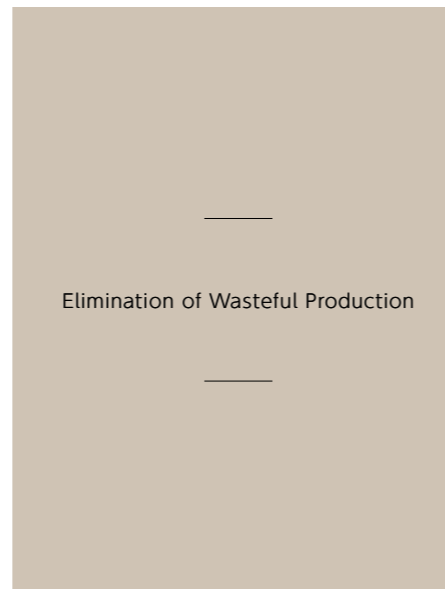
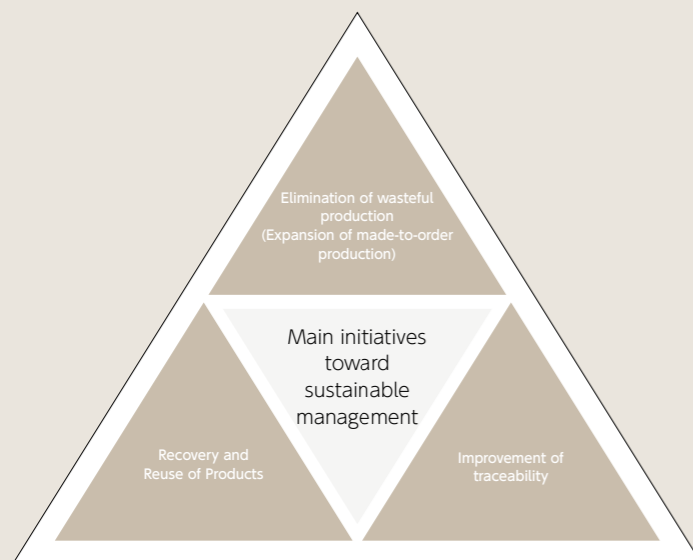
Special Feature 1

# Sustainable Management Initiatives

## Enriching and adding color to people's lives while caring for the planet

The world of today is plagued with various global environmental and social issues, and we are therefore pressed to take actions specifically for contributing to the realization of a sustainable society.

The Onward Group realizes that sustainable management is an important theme that forms the foundation for its corporate activities. Accordingly, we will continue to practice management that pursues coexistence with the environment based on our mission statement of "enriching and adding color to people's lives while caring for the planet."



# Elimination of Wasteful Production

## Expansion of Made-to-Order Businesses

The Onward Group is expanding made-to-order businesses in which it swiftly delivers clothing items carefully crafted to fit customers perfectly based on their orders. Combining cutting-edge technologies with seasoned made-by-hand craftsmanship, the smart factories used for our KASHIYAMA brand eliminate wasteful production.



Fabric automation management



Management by RFID\* and hanger system

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



Sewing of customized orders quickly and carefully

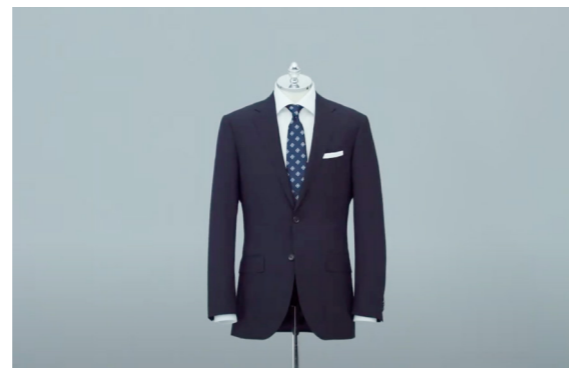


## Smart Factories (Operation of Kashiya Dalian)

### 1

#### Drastic Reforms to All Manufacturing Processes to Eliminate Wasteful Production

- Smart factories link data from orders with computer-aided manufacturing processes and use automatic cutting machines to cut cloth more precisely and thereby reduce the portions of cloth that cannot be used. In addition, these factories utilize automatic ordering systems for incidental items (buttons, lining, etc.) to ensure appropriate inventory levels.
- Moreover, we manage products with radio frequency identification tags and hanger systems while using tablets for process management to swiftly produce items customized based on customers' requests.



(From top)  
PACK-RUNNER  
Simple hanger assembled with the lid parts of a shipping box  
Miniaturization of packing box

## 2

### High-Efficiency Distribution System

- In our made-to-order businesses, we eliminate unnecessary warehouses by shipping products directly to customers from factories.
- PACK-RUNNER compression packages are used to deliver items in a sealed and compressed state to help substantially save space in logistics vehicles.
- We have also stopped using the plastic hangers employed when the KASHIYAMA brand was first launched, instead replacing them with patented simplified hangers that customers assemble by using parts of the lid from the box in which their product was shipped. This approach helps cut back on plastic use while making packaging smaller.

### 3

#### Other Environmental and Workstyle Initiatives

- The Onward Group is advancing paperless process initiatives to conserve paper resources. For example, we have abolished paper order slips, instead choosing to process orders via tablets and send order information in data form. Similarly, we transitioned from paper to digital customer records.
- We have also replaced certain lighting fixtures with LED lighting to conserve energy.
- These efforts have helped to receive CSR and QC, or quality control, certification from the Japan Apparel Quality Center.



LED lighting on the sewing line



Cafeteria, a place for employees to relax

# Recovery and Reuse of Products

## Establishment of Apparel Circulation System

Recognizing its responsibility as a leader in the apparel industry, the Onward Group is promoting an apparel circulation system to use resources as effectively as possible. As trends are changing at a dizzying speed, we aim to contribute to the environment and to society by promoting the reuse and recycling of apparel items in order to prevent such items from being disposed as they go out of style.

### Onward Green Campaign

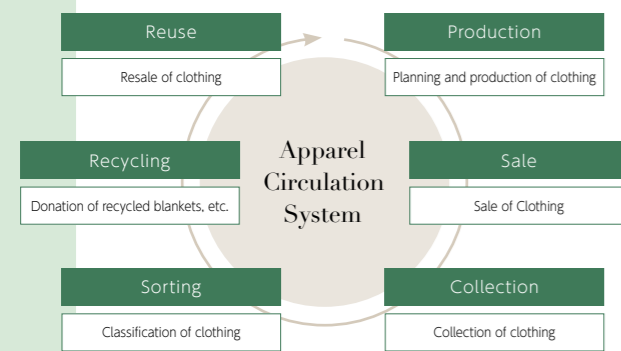
As one facet of its environmental management initiatives, the Onward Group is advancing the Onward Green Campaign to promote an apparel circulation system in which we collect used Onward Group apparel items from customers so that they can be reused or recycled to the greatest degree possible.

Since 2009, the Onward Green Campaign has been held twice a year (in spring and fall) in conjunction with department stores and shopping centers that endorse the aims of this program. Moreover, department stores and directly managed stand-alone stores, excluding some stores, began collecting clothing items on a year-round basis in fall 2020.

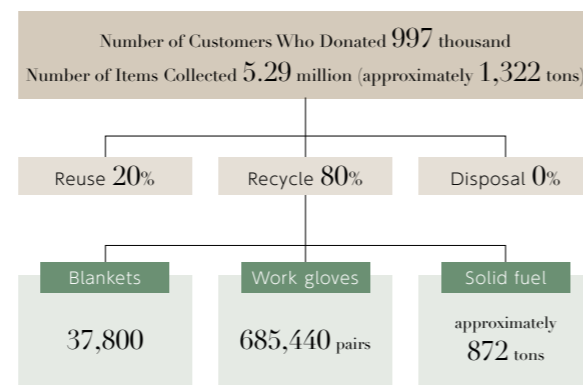
Certain clothing items are recycled by harvesting the thread thereof for use in new textile goods. This thread is used to create blankets and work gloves, and the blankets are supplied to disaster victims and delivered to developing countries around the world with the cooperation of the Japanese Red Cross Society. Other items are recycled through use as RPF, or refuse derived paper and plastics densified fuel, which is utilized as an alternative source of energy. In addition, collected clothing items that can still be worn are reused by being sold at the Onward Reuse Park environment-themed shop at discounted prices—which has a physical venue in Kichijoji, Tokyo, and an e-commerce venue—with all proceeds used to fund environmental and social contribution initiatives.



### Apparel Circulation System



### Product Reuse and Recycle Results



(Totals from fiscal 2009 to fiscal 2020)

### COLUMN

## Launch of New Direct-to-Consumer Brand ONWARD DD

### New Brand Available on ONWARD Design Diversity E-Commerce Website for Direct-to-Consumer Brands Focused on Addressing Social Issues

Onward Digital Lab Co., Ltd., the company responsible for the Group's digital strategies, has launched ONWARD Design Diversity, an e-commerce website for direct-to-consumer brands. ONWARD Design Diversity is based on a completely new concept: each brand it offers is focused on addressing a specific social issue.

Among these brands is the new ONWARD DD brand, which is focused on addressing the supply glut that is a chronic issue of the apparel industry. Inspired by the concept of clothing that is not based on trends, the brand's sustainability-minded solution for addressing the aforementioned issue is to offer apparel items that are not disposed as they go out of style.

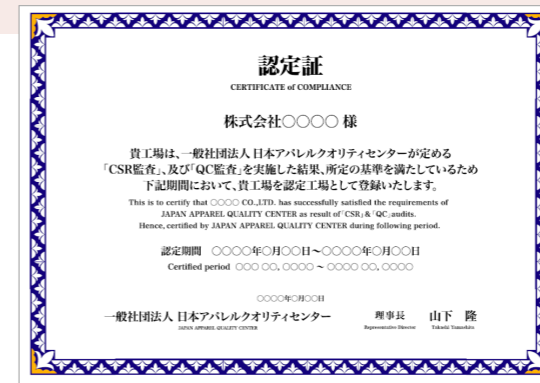
The goal of this brand is to completely free itself from trends in order to deliver value that will remain consistent for years to come. In other words, ONWARD DD looks to create clothing that proposes a new cycle, as opposed to simply making new clothes. As the items offered through the ONWARD DD brand will not be subject to simple clearance sales, they will be offered at more affordable prices from day one.



# Improvement of Traceability

## Onward-Approved Factory System

Society's expectations for companies to exercise social responsibility are rising, expanding the scope of risks that could present problems in business operations. These risks include environmental pollution in countries and regions from which products are procured as well as human rights violations at factories. The Onward Group seeks to combat these risks through the Onward-Approved Factory System launched in fiscal 2015. Ongoing factory audits are conducted through this system. Should a need for improvement be found, the applicable factory will be provided with a list of issues to be remedied along with guidance for implementing improvements. By implementing this system, we will build a robust and reliable supply chain while practicing CSR procurement to contribute to the sustainable growth of society.



## Goal of the Onward-Approved Factory System

The Onward-Approved Factory System was instituted with the goal of developing a manufacturing platform that can continuously supply impeccable-quality products. The Onward Group is well aware of how important safe and appropriate work environments at production sites are to improving employee retention rates and is thereby securing manufacturing techniques and ensuring stable product quality.

Through the Onward-Approved Factory System, we encourage partner factories to reinforce their management systems with regard to corporate social responsibility (CSR) and to quality control (QC). We therefore support factories exhibiting excellence in achieving sustainable growth.

## Audit Targets

In fiscal 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 audits
2015-2020 (Actual)	441	396

Note:  
Audits were not conducted in fiscal 2020 due to the global COVID-19 pandemic.  
Audit plans will be commenced in fiscal 2021 after the restrictions on traveling to the applicable countries 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 one year.

## Industry-Wide Initiatives

The Japan Apparel Quality Center provides its audit requirements and decision criteria to the Japan Apparel-Fashion Industry Council, a domestic apparel industry organization, so that its accumulated factory audit expertise can be utilized throughout the industry. The Japan Apparel Quality Center also offers advisory and audit proxy services for use by apparel and textile trading companies.

## Suppliers' Code of Conduct Items

<b>A. Legal compliance and management</b>	Business Partners of Onward shall comply with all relevant local laws and regulations. Furthermore, Business Partners shall comply with all relevant legal requirements and respect the legal and moral rights of their employees. At the same time, in order to comply with legal requirements, management systems for maintaining respective documents have to be established.
<b>B. Juvenile workforces</b>	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.
<b>C. Forced labor</b>	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.
<b>D. Wages, allowances, and benefits</b>	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.
<b>E. Harassment and abuse</b>	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.
<b>F. Work hours</b>	Business Partners of Onward shall comply with all legal requirements regarding work hour issues and abide by all local laws.
<b>G. Non-discrimination</b>	Business Partners of Onward shall not discriminate in employment or recruitment on the basis of age, nationality, race, color, gender, religion, or any other factor. Onward will not associate with Business Partners who partake in any form of discrimination.
<b>H. Health and safety</b>	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.
<b>I. Free association</b>	Business Partners of Onward shall guarantee the freedom of unions and workers who wish to join unions in accordance with local requirements.
<b>J. Sub-contractors and homeworkers</b>	Business Partners of Onward shall require all entities to which they outsource some or all of the duties with which they have been entrusted to comply with the Suppliers' Code of Conduct and shall inform Onward of such outsourcing.
<b>K. Environmental practices</b>	Business Partners of Onward shall have basic awareness of environmental protection. Business shall be conducted in accordance with local and internationally recognized environmental practices.

# Diversity Management Initiatives

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

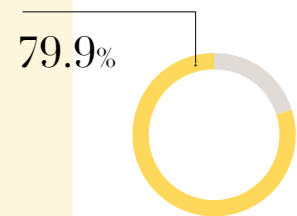
To evolve into a customer-centric company and make the best use of its employees' diverse strengths, Onward is endeavoring to train in-house personnel who will spearhead change while ramping up the recruitment of personnel externally in order to promote organizational and human resource platform reform. We thereby aim to become a company where diverse and unique personnel can exhibit their strengths.

### Empowerment of Female Employees

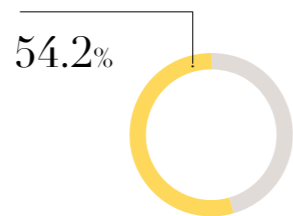
The apparel business requires fresh ideas and innovative value propositions. We believe that such ideas and propositions are best created when all employees respect and accept the differences between individuals and are able to exercise their skills to the fullest.

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

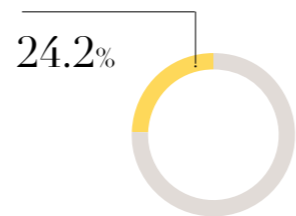
Ratio of Female Employees



Ratio of Female Assistant Managers



Ratio of Female Managers (Section Manager and Above)



(As of February 28, 2021: Onward Kashiwajima)

### Message

#### Promotion of Diversity

##### Workstyles in Times of Great Upheaval

Onward launched the Work Style Design Project in 2019 with the goal of revising workstyles and work practices in order to facilitate better work-life balances.

As part of this project, we conducted workstyle consulting with regard to positions for which it was previously thought to be difficult to move away from conventional workstyles, such as designers and sales personnel in urban centers. This consulting produced clear benefits, including reductions in overtime hours and increases in the number of days of paid leave acquired. In addition, training programs aimed at changing the awareness of leaders were implemented to create an organization that takes the initiative to change from leaders.

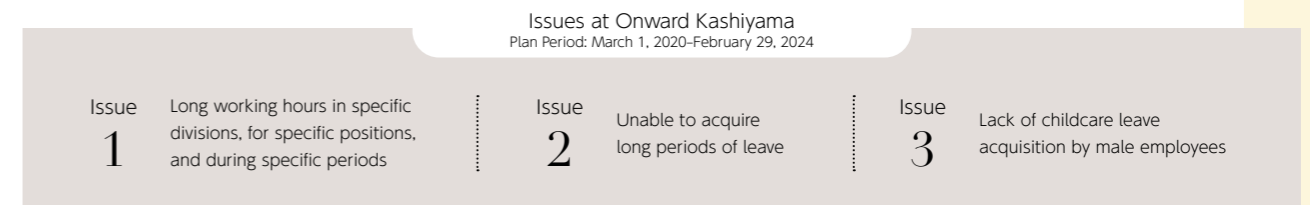
A major part of our workstyle reform initiatives are *Kaeru Kaigi* meetings. With a name that plays on the Japanese words for "change" and "go home," these meetings are held on a weekly basis to encourage employees to change how they work, go home early, and improve their lives, among other aims. *Kaeru Kaigi* meetings go beyond simply facilitating reports on work progress to promote self-driven processes of trial and error by all members for the purpose of transforming workstyles and achieving their goals for work. Most important, these meetings aim to be enjoyable for all attendees. For this reason, we are promoting *Kaeru Kaigi* meetings on a Companywide basis while ensuring that these meetings have an atmosphere conducive to voicing frank opinions regardless of rank or career history.

We are committed to guaranteeing that our work-life balance initiatives do not end with flowery words. Therefore, we will continue to promote the Work Style Design Project to develop a comfortable working environment for employees and help them achieve their goals.

### Establishment of Action Plan for Onward Kashiwajima

Onward Kashiwajima Co., Ltd., has established and is implementing an action plan based on the recognition of the following issues. This action plan is designed to guide efforts to foster an environment in which diverse employees can feel motivated in their work and deliver their best performance while maintaining a good work-life balance.

### Workstyle Reforms



### Initiatives

#### Cultivation of Time Management Mind-set

April 2016-

- Perform internal meetings and business negotiations during working hours
- Turn off lights and computers at 8 p.m.
- Provide notice of monthly overtime hours by division

March 2019-

- The Diversity Promotion Section alerts applicable individuals and supervisors when overtime hours exceed the legal limit.

#### Visualization of Work Progress

January 2019-

- Require submission of reports at start and end of work processes through in-house tools

March 2020-

- Visualizing of schedules with new internal tools
- Arrange explanatory forums on new internal tools at all domestic offices
- Offer use manuals on Company intranet

#### Revision of Workstyles through Work

##### Process Reforms

June 2019-

- Implementation of Work Style Design Project
- Develop model teams with the cooperation of external consultant
- Provide training to reform leaders
- Arrange courses for cultivating internal consultants
- Perform public relations activities on Work Style Design Project

#### Promotion of Childcare Leave Acquisition by Male Employees

February 2020-

- Distribute messages from the president

June 2020-

- Raise awareness among management members regarding need to encourage object employees to take childcare leave acquisition

#### System Reforms for Developing Comfortable Workplace Environment

March 2020-

- Change upper limit for by-hour leave from three days to five
- Allow for leave to be taken in the middle of shifts
- Introduce teleworking system on trial basis
- Offer mobile and working from home options on trial basis

March 2021-

- Introduce full-fledged teleworking system
- Examine and revise system period, etc., based on trials and introduce on full-fledged basis
- Promote digitalization to run meetings more efficiently
- Reduce travel time by conducting meetings online
- Share meeting materials via the internet

#### Requirement of Acquisition of 10 Consecutive Days of Leave

May 2020-

- Revise systems to allow for 121 holidays a year
- Require employees to acquire 10 consecutive days of leave (or five consecutive days on two occasions)

# 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 for it to build and maintain 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 opportunities to gain the confidence of shareholders, and to put in place an optimal and flexible management framework that is capable of responding to changes in the business environment in a timely manner, the Company has set the term of directors at one year. In addition, three of the seven members of the Board of Directors (six 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 2020, the Board of Directors met 11 times, and two separate meetings were 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 an overview of 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 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 generally appropriate
  - Ongoing examination of indicators used in business strategies, methods for monitoring operational execution, and numbers of agenda items at Board of Directors' meetings as well as more efficient operation required in fiscal 2021 for improvements to the effectiveness of the Board of Directors.

## Reasons for the Appointment of Outside Directors

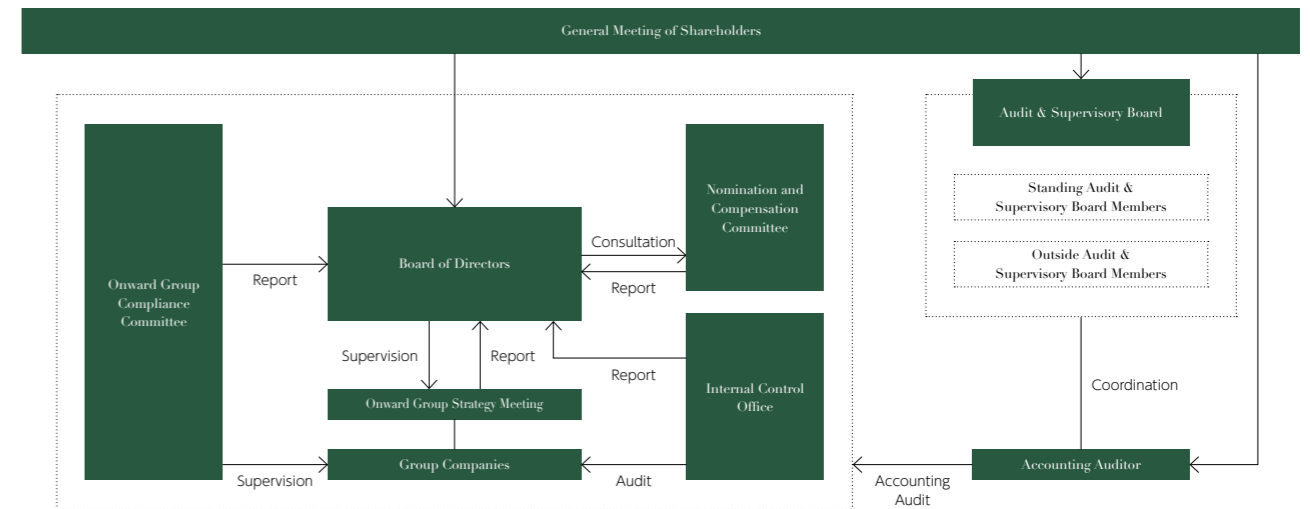
Name	Reasons for Appointment as an Outside Director
Akira Kawamoto	We are expecting Mr. Kawamoto to use his extensive experience gained while working for the government for many years and diverse academic knowledge and insight to enhance the Company's management.
Yoshie Komuro	We are expecting Ms. Komuro 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.
Kenji Chishiki	We are expecting Mr. Chishiki to use his specialized insight as a manager and his wide-ranging insight related to finance, accounting, legal affairs, etc. 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. Staff has also been assigned to assist Audit & Supervisory Board members in carrying out their duties and to strengthen their supervisory function. Each member audits and monitors the performance of directors. Responsibilities include reviewing the documentation of important decisions and attending important meetings, such as Board of Directors' meetings, Group financial account settlement meetings, and budget committee meetings, in accordance with audit policies and the roles established by the Audit & Supervisory Board. In addition, the Internal Control Office and business departments conduct periodic monitoring in an effort to establish an effective and lawful corporate structure.

The Audit & Supervisory Board meets with the representative directors and the accounting auditor on a regular basis to share and exchange information and opinions. This initiative is also designed to ensure a structure is in place that is capable of conducting audits in an effective and lawful manner. Moreover, the Audit & Supervisory Board receives reports from each member in accordance with audit policies and the roles. Deliberations are undertaken and resolutions are made based on this information as required. In fiscal 2020, the Audit & Supervisory Board met 15 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 Umezu	We are expecting Mr. Umezu 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.

## Nomination and Compensation Committee

The Nomination and Compensation Committee was established as an advisory body to the Board of Directors on February 26, 2021, for the purpose of contributing to strengthening the oversight function of the Board of Directors and enhancing the Company's corporate governance structure, by ensuring the transparency and objectivity of evaluation and decision-making processes related to director nomination and compensation. The Nomination and Compensation Committee functions as both a nominating committee and a compensation committee.

The Nomination and Compensation Committee responds to consultations from the Board of Directors by discussing matters pertaining to the nomination and compensation of directors. The results of these discussions are reported to the Board of Directors.

The Nomination and Compensation Committee is to comprise three or more members selected by the Board of Directors, a majority of whom should be outside directors designated as independent directors.

## Onward Group Compliance Committee

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

Together with the Compliance Division, the Onward Group Compliance Committee conducts effective training and awareness-raising activities, takes steps to spread understanding of the Compliance Manual, enhances the Company's compliance structure to ensure functionality, and performs compliance-related checks.

## 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 management decision-making and business execution functions. In order to facilitate flexible decision-making on a Groupwide basis, the Onward Group Strategy Meeting, which primarily comprises directors and operating officers from Group companies, is in place to review the management strategies and important management matters of operating companies and confirm the status of operations.

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

## Directors' and Audit & Supervisory Board Members' Compensation

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

1. Policies for Deciding Amounts of Directors' and Audit & Supervisory Board Members' Compensation
  - Compensation paid to directors and Audit & Supervisory Board members comprises basic compensation, compensation for the purpose of acquiring Company stock, and performance-linked bonuses.
    - i. Basic Compensation
      - Basic compensation is paid to directors and Audit & Supervisory Board members based on predefined standards that take into account factors such as full-time or part-time status, role, rank, years of service, and performance evaluations. Specific amounts of compensation paid to

## Corporate Governance

directors are determined by the Board of Directors while amounts of compensation paid to Audit & Supervisory Board members are determined through discussions among Audit & Supervisory Board members.

- ii. Compensation for the Purpose of Acquiring Company Stock  
In June 2015, the Company replaced the prior stock options with compensation for the purpose of acquiring Company stock, with the aim of improving the motivation of directors to pursue stock price increases and business performance improvements. Compensation for the purpose of acquiring Company stock is paid to directors (excluding outside directors).
- iii. Performance-Linked Bonuses  
Performance-linked bonuses are paid to directors (excluding outside directors) based on the Company's consolidated performance, etc. for the given fiscal year.

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

The upper limit for the compensation paid to directors was set at ¥500 million a year via a resolution at the 60th Annual General Meeting of Shareholders held on May 24, 2007. Compensation amounts are determined within this limit by the Board of Directors.

The upper limit for the compensation paid to Audit & Supervisory Board members was set at ¥60 million a year via a resolution at the 48th Annual General Meeting of Shareholders held on May 25, 1995. Compensation amounts are determined within this limit through discussions among the Audit & Supervisory Board members.

The numbers of directors and Audit & Supervisory Board members at the time of the respective resolutions were seven and three.

### 3. Performance Indicators and Method for Determining the amount of Performance-Linked Compensation

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

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

Performance evaluations are determined at financial account settlement meetings attended by directors, Audit & Supervisory Board members, and executive officers.

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

Classification	Total Amount of Compensation Paid (Millions of yen)	Total Amount of Compensation Paid by Type of Compensation (Millions of yen)			Number of Eligible Directors and Audit & Supervisory Board Members
		Fixed Compensation	Performance-Linked Compensation	Bonuses	
Directors (excluding Outside Directors)	181	126	54	—	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	36	—	—	3
Outside Directors and Outside Audit & Supervisory Board Members	40	40	—	—	6

Note: As of February 28, 2021, the Company had four directors and two Audit & Supervisory Board members, four of whom were outside. The numbers of directors and Audit & Supervisory Board members include two directors and one Audit & Supervisory Board member who resigned from their positions upon the conclusion of the 73rd Annual General Meeting of Shareholders held on May 28, 2020.

### Total Amount of Consolidated Compensation by Officer

This information is omitted as there were no person who received payments exceeding ¥100 million on an individual basis in fiscal 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 identification of issues faced by the Onward Group and their solutions. Outside directors and outside Audit & Supervisory Board members, meanwhile, are provided with explanations of the Company's business and organizational structures when they are appointed, and necessary information pertaining to issues faced in business activities and other matters is supplied regularly.

### Policies for Cross-Shareholdings and Exercise of Related Voting Rights

In addition to stocks held purely for investment purposes, the Company may hold shares of listed companies with the aim of maintaining and strengthening business relationships and thereby improving medium-to-long-term corporate value. With regard to cross-shareholdings, the Board of Directors will conduct annual assessments of the meaningfulness and economic rationality of these holdings, taking into account growth potential, profitability, strengthening of business relationships, etc., from the perspective of controlling shareholding risk and capital efficiency. Our basic policy is to sell those holdings that are deemed to no longer be appropriate after gaining the understanding of the business partner in question. In addition, holdings that have been deemed appropriate may also be sold in light of the market environment, management and financial strategies.

Furthermore, with respect to the exercise of voting rights related to cross-shareholdings, in order to ensure appropriate responses, the Company deliberates on each agenda item in accordance with the following criteria from the perspective of the medium-to-long-term improvement of the corporate value of the business partner in question and medium-to long-term increases to the economic benefits for the Company and Group companies, and make a comprehensive decision on approval or disapproval at the Board of Directors meeting each year.

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

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

Candidates for the positions of outside director and outside Audit & Supervisory Board member will be deemed not to have independence if they fall under 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 of a company at which a person involved in operation of the Company serves as a corporate officer.
2. Major business partners  
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 belong to the accounting auditor that performs audits of the Company based on the Companies Act or the Financial Instruments and Exchange Act.
4. External professionals  
The individual must not be a professional receiving large amounts of monetary payments or other financial assets from the Company other than compensation paid to directors and Audit & Supervisory Board members. (Professionals include lawyers, accountants, tax accountants, patent attorneys, judicial scriveners, and consultants. If the financial assets in question are received by a company, an association, or other entity, the individual must not belong to 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 substantially hold 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. Those who have fallen a criteria in the past  
The individual must not have fallen under items 1. to 5. during the past five years.
8. Close relatives of a person who falls under any of the above criteria  
The individual must not be a close relative of someone who falls under items 1. to 7. (excluding immaterial persons).

### Compliance System

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

Moreover, the Group strives to maintain and improve product quality and subsequently raise customer satisfaction by utilizing its expertise in quality control through the Japan Apparel Quality Center. In addition, the Company will continue to improve the working environments at our partner factories through the Onward-Approved Factory System as a facet of its supply chain management.

### Risk Management System

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

### Dialogues with Shareholders

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

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>



# Our History

The Onward Group is celebrating its 94th anniversary since its founding in 1927.

# 94th

## 1927 – 1940s



Company founder Junzo Kashiya

### Founding

Onward Kashiya is established by its founder Junzo Kashiya and begins operations as Kashiya Trading in Osaka.

#### Major Events Seen in the 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–late 1930s)
- World War II (1939–1945)

## 1950s – 1960s

### Development as a Menswear Manufacturer

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 consignment 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 high economic growth, Onward grows rapidly to become a leading menswear manufacturer in Japan.



#### Major Events Seen in the Era

#### Post-war reconstruction–High economic growth

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

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

## 1970s – 1980s

### Acceleration of Overseas Expansion

In keeping a step ahead of other Japanese apparel manufacturers, during the 1970s Onward develops its global strategy and establishes subsidiaries in three of the world's major fashion cities: New York, Paris, and Milan. By establishing the local subsidiaries in a short period of time, Onward succeeded in laying the foundation of the overseas business, drawing on the most up-to-date information on the global fashion business. In the late 1970s, Onward appointed up-and-coming designer Jean-Paul Gaultier to be a dedicated creative mind behind its Bus Stop line of boutiques in Paris. His first fashion show is held in Paris in 1978 with the support of the Company.



#### Major Events Seen in the Era

#### Stable economic growth–Bubble economy

- First oil crisis (1973)
- Plaza Accord (1985)
- Enactment of Equal Employment Opportunity Act for Men and Women (1986)
- Emergence of prominent Japanese designers
- Spread of luxury fashion

# 1990s

## 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, ICB, Jiyuku, and Gotairiku.

The luxury brand boom driven by Japan's bubble economy comes to an end in the 1990s, and consumers start to attribute greater value to more refined 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.



### Major Events Seen in the Era

#### Burst of bubble economy— 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 of private label apparel



### Major Events Seen in the Era

#### Era of economic maturity

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



# 2010s – 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 the KASHIYAMA brand, a new made-to-order suit business that employs a proprietary factory innovation scheme to realize low prices and quick deliveries.

The global COVID-19 pandemic dealt a devastating blow to the Onward Group's domestic and overseas operations in fiscal 2020. At the same time, the Group continued to push ahead with the global business reforms to its operations it undertook in October 2019, making steady progress regarding the withdrawal from unprofitable operations in Italy, the discontinuation of underperforming brands, and the closure of domestic and overseas stores that were not turning profits. In April 2021, we formulated ONWARD VISION 2030, our medium- to long-term management vision for the period up to fiscal 2030.

### Major Events Seen in the 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)



# 2000–2010

## Evolution into A 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 and JIL SANDER.

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 and Island, the maker of the trusted Grace Continental brand for discerning women. 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.



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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
	2016	2017	2018	2019	2020	2021	2021
<b>FOR THE YEAR</b>							
Net sales	¥263,516	¥244,901	¥243,075	¥240,652	¥248,234	¥174,323	\$1,640,690
Cost of sales	144,063	131,638	129,498	129,019	135,551	104,601	984,484
Selling, general and administrative expenses	115,675	109,059	108,410	107,171	115,744	90,953	856,026
Operating profit	3,778	4,204	5,167	4,462	(3,061)	(21,231)	(199,820)
Ordinary profit	5,504	5,577	5,929	5,162	(3,835)	(20,174)	(189,876)
Income taxes, current	8,680	1,534	3,305	1,244	1,653	814	7,664
Profit attributable to owners of parent	4,278	4,744	5,367	4,948	(52,135)	(23,182)	(218,181)
<b>CASH FLOWS</b>							
Cash flows from operating activities	3,632	6,844	13,228	4,635	8,003	(19,614)	(184,603)
Cash flows from investing activities	1,783	25,271	(7,300)	(10,306)	(10,758)	6,091	57,328
Cash flows from financing activities	(6,357)	(32,856)	(6,593)	11,543	(1,595)	5,861	55,159
Free cash flow*2	5,415	32,115	5,928	(5,671)	(2,755)	(13,523)	(127,275)
Capital expenditures	15,955	10,599	12,058	13,473	9,534	6,501	61,186
Depreciation and amortization	7,799	6,663	6,335	6,511	6,393	5,506	51,825
<b>AT YEAR-END</b>							
Cash and deposits	29,407	26,097	26,335	31,284	28,795	21,301	200,485
Total current assets	121,469	103,573	105,978	117,298	106,782	80,460	757,275
Total property, plant and equipment	106,695	92,269	93,714	96,718	83,231	69,071	650,076
Total assets	313,454	273,227	278,134	287,555	234,317	196,053	1,845,201
Total current liabilities	106,110	85,684	86,384	105,405	108,744	99,550	936,940
Total shareholders' equity	176,264	169,027	168,342	167,429	105,023	68,926	648,718
Total net assets	172,337	165,670	168,153	162,211	94,037	59,510	560,086
<b>PER SHARE INFORMATION</b>							
	Yen						U.S. dollars*1
Basic earnings per share (EPS)	¥ 28.27	¥ 31.47	¥ 36.97	¥ 35.24	¥ (383.97)	¥(171.18)	\$(1.61)
Net assets	1,101.21	1,116.47	1,155.04	1,148.30	665.17	418.32	3.94
Cash dividends	24.00	24.00	24.00	24.00	24.00	12.00	0.11
Payout ratio (%)	86.5	74.0	63.7	66.9	—	—	—
<b>RATIOS</b>							
ROE (%)	2.4	2.8	3.3	3.1	(42.0)	(31.6)	—
ROA (%)	1.3	1.6	1.9	1.7	(20.0)	(10.8)	—
Operating margin (%)	1.4	1.7	2.1	1.9	(1.2)	(12.2)	—
Gross profit margin (%)	45.3	46.2	46.7	46.4	45.4	40.0	—
SG&A expenses / Net sales (%)	43.9	44.5	44.6	44.5	46.6	52.2	—
Shareholders' equity ratio (%)	54.2	59.8	59.2	55.1	38.3	28.9	—
<b>OTHER INFORMATION</b>							
Number of full-time employees*3	5,119	4,456	4,530	4,643	5,153	7,498	—

\*1. Yen amounts have been translated, for convenience only, at ¥106.25 = US\$1, the rate of exchange as of February 28, 2021.

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

\*3 The number of employees as of February 28, 2021, increased by 2,345 from a year earlier. This increase was primarily due to a change in employment classifications at Onward Holdings and Onward Kashiya.

# Management's Discussion and Analysis

## Overview of Operating Results

During the fiscal year under review, the Japanese economy remained in a situation where its outlook is unclear, due to the impact of events stemming from the global spread of COVID-19, such as the state of emergency in Japan, which has been declared twice, lockdowns in various countries, and negative influence on economic activities due to bans on overseas travel.

In this harsh management environment, the Company strived to curtail purchasing and reduce fixed expenses, while steadily implementing measures such as withdrawal from the Italy business, which had been an unprofitable business, discontinuation of unprofitable brands, and closing of unprofitable stores in Japan and overseas, as part of the global business reforms that has been conducted since the previous fiscal year.

### Net Sales

Sales in the Apparel Business decreased 32.1% year on year, to ¥139,422 million, while sales in the Lifestyle Business decreased 18.8%, to ¥34,901 million. As a result, consolidated net sales were decreased 29.8% compared with the previous fiscal year, to ¥174,323 million.

### Gross Profit

The gross profit margin decreased 5.4 percentage point, from 45.4% in fiscal year 2019 to 40.0% in fiscal year 2020. Gross profit decreased ¥42,961 million, to ¥69,722 million.

### Operating Profit

The ratio of selling, general and administrative (SG&A) expenses to net sales increased 5.6 percentage points, from 46.6% to 52.2%. Operating loss of ¥21,231 million was posted, compared with operating loss of ¥3,061 million in the previous fiscal year.

### Other Income (Expenses)

Other expenses, net, amounted to ¥4,330 million, compared with other expenses, net, of ¥34,518 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 ¥8,416 million loss on sales of investment securities, net, of ¥8 million.

In other expenses, impairment loss decreased from ¥27,756 million in fiscal year 2019 to ¥3,299 million in fiscal year 2020.

### Profit before Income Taxes and Profit Attributable to Owners of Parent

Loss before income taxes of ¥25,561 million was recorded, compared with loss before income taxes of ¥37,580 million in fiscal year 2019. Loss attributable to owners of parent of ¥23,182 million was posted, compared with loss attributable to owners of parent of ¥52,135 million in the previous fiscal year.

Millions of yen

	2017	2018	2019	2020	2021
Net sales	¥ 244,901	¥ 243,075	¥ 240,652	¥ 248,234	¥174,323
Operating Profit	4,204	5,167	4,462	(3,061)	(21,231)
Profit Attributable to Owners of Parent	4,744	5,367	4,948	(52,135)	(23,182)

## Segment Information

### Apparel Business

In fiscal year 2020, sales in the Apparel Business segment declined 32.1% year on year, to ¥139,422 million, while operating loss of ¥20,165 million was recorded, compared with operating loss of ¥3,425 million in fiscal year 2019.

### Domestic Apparel Business

In the domestic business, profit increased at companies including Onward Trading Co., Ltd., which conducts a B2B uniform business, and Tiaclasse Co., Ltd., whose main sales channel is e-commerce. Despite progress in a shift in sales channels to e-commerce such as Onward Crosset, a directly-managed online store, net sales through physical sales channels decreased due to the impact of COVID-19, causing both sales and profit to decrease at companies including Onward Kashiyama Co., Ltd. As a result, both sales and profit decreased for the domestic business.

### Overseas Apparel Business

In the overseas business, despite cost reduction effects of the global business reforms which have been conducted since the previous fiscal year, the impact of COVID-19 continued in Europe and the U.S., causing both sales and profit to decrease for the overseas business. As a result, both sales and profit decreased for the Apparel Business as a whole.

### Lifestyle Business

In fiscal year 2020, sales in the Lifestyle Business segment decreased 18.8% year on year, to ¥34,901 million, and operating profit declined 90.5%, to ¥147 million.

In the Lifestyle Business, both sales and profit increased at Yamato Co., Ltd., which conducts a gift catalogue business, but sales decreased at companies including Onward Beach Resort Guam, Inc., which conducts a resort business in Guam where a lockdown has continued since the second quarter.

As a result, both sales and profit decreased for the Lifestyle Business, despite securing an operating profit.

## Outlook for the Fiscal Year 2021

In fiscal year 2021, the Company plans to utilize new sales methods that integrate physical stores with e-commerce and implement initiatives to advance the customization field in the Apparel business. In addition, we will step up group synergies in the Lifestyle business, including by leveraging loyalty card membership programs. As a result, we forecast full-year consolidated sales of approximately ¥190.5 billion (up 9% year on year). We are targeting e-commerce sales of ¥50 billion for the entire group. We expect gross profit margin to improve 13% point year on year by leveraging products with lost sales opportunities in fiscal year 2020, conducting thorough inventory control, and curbing discount sales. As a result, we forecast operating profit of ¥3.2 billion and net income of approximately ¥6.3 billion.

### Domestic Business

In the domestic business, we will seek to improve business efficiency by diversifying the value we provide, expanding our customer base.

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, 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 completed the reorganization and sales of unprofitable production operations. Going forward, we will work to increase earnings power by reorganizing JIL SANDER and improving the operational efficiency of Joseph.

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 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.

## Management's Discussion and Analysis

### Financial Position

#### Assets

Total assets on a consolidated basis as of the end of the fiscal year under review decreased by ¥38,264 million compared with the end of the previous fiscal year to ¥196,053 million. This was primarily due to decreases in cash and deposits of ¥7,493 million, notes and accounts receivable—trade of ¥7,464 million, merchandise and finished goods of ¥6,823 million, buildings and structures of ¥4,750 million, and land of ¥6,823 million.

#### Liabilities

Liabilities decreased by ¥3,736 million compared with the end of the previous fiscal year to ¥136,543 million. This was primarily due to a decrease in other current liabilities of ¥11,172 million.

#### Net Assets

Net assets decreased by ¥34,527 million compared with the end of the previous fiscal year to ¥59,509 million. This was primarily due to loss attributable to owners of parent of ¥23,182 million, dividends of surplus of ¥3,240 million, a decrease in retained earnings at the beginning of the period due to changes in the accounting policies of ¥10,011 million, and an increase in valuation difference on available-for-sale securities and other accounts of ¥1,905 million.

### Cash Flows

#### Cash Flows from Operating Activities

Cash flows used in operating activities amounted to ¥19,614 million (an inflow of ¥8,003 million for the previous fiscal year) mainly due to a loss before income taxes, an impairment loss, a decrease in trade receivables, and a decrease in trade payables.

#### Cash Flows from Investing Activities

Cash flows provided by investing activities amounted to ¥6,091 million (an outflow of ¥10,758 million for the previous fiscal year) mainly due to proceeds from sales of property, plant and equipment and sales of shares of subsidiaries resulting in change in scope of consolidation.

#### Cash Flows from Financing Activities

Cash flows provided by financing activities amounted to ¥5,861 million (an outflow of ¥1,595 million for the previous fiscal year), which primarily included a net increase (decrease) in borrowings and dividends paid.

As a result, cash and cash equivalents at the end of the fiscal year under review decreased by ¥7,509 million compared with the end of the previous fiscal year to ¥21,270 million.

#### Capital Expenditure

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 ¥6,501 million. The details of expenditures by segment are as follows. In the Apparel Business segment, capital expenditures amounted to ¥4,800 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 ¥1,192 million to upgrade commercial facilities and enhance operational efficiency.

### Profit Distribution Policy

The Company positions returning profits to its shareholders as one of the most important management measures, with the basic policy to provide stable and appropriate shareholder returns linked to performance. With regard to dividends for the fiscal year under review, despite the extremely poor performance, the Company plans to pay out a dividend of ¥12 per share in light of its basic policy regarding dividend policy. The Company will determine whether to conduct a share buyback by taking into account factors such as its needs for funds.

The Company will flexibly utilize its internal reserve for strategic investments in the establishment of a robust business structure, enhancement of financial constitution, and other efforts while giving consideration to balancing its needs for funds.

Millions of yen

	2017	2018	2019	2020	2021
Total Assets	¥ 273,227	¥ 278,134	¥ 287,555	¥ 234,317	¥196,053
Total Net Assets	165,670	168,153	162,211	94,037	59,510
Cash Flows from Operating Activities	6,844	13,228	4,635	8,003	(19,614)
Cash Flows from Investing Activities	25,271	(7,300)	(10,306)	(10,758)	6,091
Cash Flows from Financing Activities	(32,856)	(6,593)	11,543	(1,595)	5,861

## 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.

### The COVID-19 Pandemic

The COVID-19 pandemic has the potential to cause supply chain disruptions in Japan and overseas, reduced consumer spending due to lockdowns, temporary closures of or shorten opening hours at stores, or other negative developments. Such occurrences may have an adverse impact on the Group's business performance or financial position.

The Onward Group is taking steps to combat these risks through exhaustive measures for preventing the spread of COVID-19 at its stores and offices, the introduction of teleworking systems, and other infection prevention efforts while also accommodating new lifestyles and implementing workstyle reforms.

# Consolidated Balance Sheets

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries  
February 29, 2020 and February 28, 2021

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2020	2021	2021
Current assets:			
Cash and deposits (Notes 17 and 18)	¥ 28,795	¥ 21,301	\$ 200,485
Notes and accounts receivable—trade (Note 17)	25,716	18,252	171,779
Inventories (Note 2. (4))	43,224	34,355	323,343
Other	9,536	6,829	64,275
Less: Allowance for doubtful accounts	(489)	(277)	(2,607)
Total current assets	106,782	80,460	757,275
Property, plant and equipment:			
Buildings and structures	74,627	57,981	545,704
Leased assets	9,756	9,969	93,828
Other	32,400	26,597	250,325
Less: Accumulated depreciation	(75,635)	(60,735)	(571,635)
	41,148	33,812	318,222
Land	42,083	35,259	331,854
Total property, plant and equipment	83,231	69,071	650,076
Intangible assets, net:			
Goodwill	6,128	5,251	49,422
Other	6,033	5,416	50,974
Total intangible assets, net	12,161	10,667	100,396
Investments and other assets:			
Investment securities (Notes 4 and 17)	13,341	14,313	134,708
Long-term loans receivable	1,613	1,663	15,649
Long-term prepaid expenses	301	441	4,150
Retirement benefit asset (Note 6)	2,705	2,815	26,491
Deferred tax assets (Note 13)	4,233	7,487	70,465
Other	10,256	9,429	88,746
Less: Allowance for doubtful accounts	(306)	(293)	(2,755)
Total investments and other assets	32,143	35,855	337,454
Total assets	¥234,317	¥196,053	\$1,845,201

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2020	2021	2021
Current liabilities:			
Notes and accounts payable—trade (Note 17)	¥ 19,206	¥ 13,472	\$ 126,796
Electronically recorded obligations—operating (Note 17)	13,808	8,485	79,857
Short-term borrowings (Notes 5 and 17)	44,907	56,567	532,395
Current portion of long-term borrowings (Notes 5 and 17)	4,452	5,052	47,548
Lease obligations (Notes 5 and 15)	808	2,041	19,205
Income taxes payable	528	669	6,298
Provision for bonuses	835	590	5,548
Provision for bonuses for directors	23	26	243
Provision for sales returns	229	125	1,177
Provision for point card certificates	887	636	5,991
Other	23,061	11,887	111,882
Total current liabilities	108,744	99,550	936,940
Non-current liabilities:			
Long-term borrowings (Notes 5 and 17)	17,028	16,430	154,635
Lease obligations (Notes 5 and 15)	4,224	11,616	109,323
Deferred tax liabilities for land revaluation (Note 13)	1,756	761	7,171
Retirement benefit liability (Note 6)	3,724	3,482	32,774
Provision for retirement benefits for directors and corporate auditors	233	233	2,192
Other (Note 13)	4,571	4,471	42,080
Total non-current liabilities	31,536	36,993	348,175
Total liabilities	140,280	136,543	1,285,115
Net assets:			
Shareholders' equity (Note 7):			
Share capital:			
Authorized—400,000,000 ordinary shares			
Issued—157,921,669 ordinary shares at February 29, 2020 and February 28, 2021	30,080	30,080	283,103
Capital surplus	50,043	50,391	474,267
Retained earnings	46,338	9,322	87,734
Less: Treasury shares, at cost, 22,901,445 ordinary shares and 22,322,123 ordinary shares at February 29, 2020 and February 28, 2021, respectively	(21,438)	(20,866)	(196,386)
Total shareholders' equity	105,023	68,927	648,718
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	(4,581)	(1,939)	(18,251)
Deferred gains or losses on hedges	22	15	142
Revaluation reserve for land (Note 8)	(9,285)	(7,864)	(74,018)
Foreign currency translation adjustment	(604)	(1,670)	(15,714)
Remeasurements of defined benefit plans (Note 6)	(763)	(745)	(7,009)
Total accumulated other comprehensive income	(15,211)	(12,203)	(114,850)
Share acquisition rights	484	139	1,307
Non-controlling interests	3,741	2,647	24,911
Total net assets	94,037	59,510	560,086
Total liabilities and net assets	¥234,317	¥196,053	\$1,845,201
Per share:			
Net assets per share	¥665.17	¥418.32	\$3.94

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries  
Years ended February 29, 2020 and February 28, 2021

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2020	2021	2021
Net sales	¥248,234	¥174,323	\$1,640,690
Cost of sales	135,551	104,601	984,484
Gross profit	112,683	69,722	656,206
Selling, general and administrative expenses	115,744	90,953	856,026
Operating profit (loss)	(3,061)	(21,231)	(199,820)
Other income (expenses):			
Interest income	45	55	521
Dividend income	242	194	1,824
Rental income from land and buildings	1,289	1,434	13,497
Subsidy income	—	885	8,325
Interest expenses	(403)	(595)	(5,603)
Share of loss of entities accounted for using equity method	(1,390)	(70)	(663)
Foreign exchange gains (losses)	(1)	(444)	(4,176)
Rental expenses	(657)	(519)	(4,885)
Subsidies for employment adjustment	—	1,696	15,963
Gain (loss) on sales of investment securities, net (Note 4)	(71)	5	46
Gain (loss) on sales and disposal of non-current assets, net	2,424	8,135	76,565
Loss on liquidation of business (Note 10)	(3,029)	(954)	(8,975)
Extraordinary loss due to closing and other (Note 11)	—	(3,894)	(36,646)
Impairment loss (Note 12)	(27,756)	(3,299)	(31,052)
Loss on valuation of investment securities (Note 4)	(1,565)	(1,685)	(15,862)
Extra retirement payments	(3,598)	—	—
Gain (loss) on sales of shares of subsidiaries and associates, net	—	(5,017)	(47,223)
Other, net	(49)	(257)	(2,409)
Profit (loss) before income taxes	(37,580)	(25,561)	(240,573)
Income taxes (Note 13):			
Current	1,653	814	7,664
Deferred	12,202	(3,707)	(34,887)
Profit (loss)	(51,435)	(22,668)	(213,350)
Profit attributable to non-controlling interests	700	514	4,831
Profit (loss) attributable to owners of parent	¥ (52,135)	¥ (23,182)	\$ (218,181)
	Yen		U.S. dollars (Note 2. (23))
Per share (Notes 7, 9, and 16):			
Basic earnings (loss) per share	¥(383.97)	¥(171.18)	\$(1.61)
Diluted earnings per share	—	—	—
Cash dividends per share	24.00	12.00	0.11

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries  
Years ended February 29, 2020 and February 28, 2021

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2020	2021	2021
Profit (loss)	¥(51,435)	¥(22,668)	\$(213,350)
Other comprehensive income:			
Valuation difference on available-for-sale securities	(4,792)	2,642	24,869
Deferred gains or losses on hedges	(57)	(7)	(68)
Revaluation reserve for land	(107)	1,064	10,015
Foreign currency translation adjustment	(1,507)	(1,081)	(10,177)
Remeasurements of defined benefit plans, net of tax	(844)	18	168
Share of other comprehensive income of entities accounted for using equity method	(15)	—	—
Total other comprehensive income (Note 14)	(7,322)	2,636	24,807
Comprehensive income	¥(58,757)	¥(20,032)	\$(188,543)
Comprehensive income attributable to:			
Owners of parent	¥(59,454)	¥(20,529)	\$(193,223)
Non-controlling interests	697	497	4,680

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries  
Years ended February 29, 2020 and February 28, 2021

	Millions of yen					
	Shareholders' equity (Note 7)					
	Number of ordinary shares (thousands)	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance as at March 1, 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
Cumulative effect of change in accounting policy	—	—	—	(10,011)	—	(10,011)
Restated balance	157,922	30,080	50,043	36,327	(21,438)	95,012
Dividends of surplus	—	—	—	(3,240)	—	(3,240)
Loss attributable to owners of parent	—	—	—	(23,182)	—	(23,182)
Purchase of treasury shares	—	—	—	—	(0)	(0)
Disposal of treasury shares	—	—	—	(226)	572	346
Reversal of revaluation reserve for land	—	—	—	(357)	—	(357)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	348	—	—	348
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Total changes in items during period	—	—	348	(27,005)	572	(26,085)
Balance as at February 28, 2021	157,922	¥30,080	¥50,391	¥ 9,322	¥(20,866)	¥ 68,927

	Thousands of U.S. dollars (Note 2. (23))				
	Shareholders' equity (Note 7)				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance as at February 29, 2020	\$283,103	\$470,995	\$ 436,124	\$(201,765)	\$ 988,457
Cumulative effect of change in accounting policy	—	—	(94,224)	—	(94,224)
Restated balance	283,103	470,995	341,900	(201,765)	894,233
Dividends of surplus	—	—	(30,499)	—	(30,499)
Loss attributable to owners of parent	—	—	(218,181)	—	(218,181)
Purchase of treasury shares	—	—	—	(3)	(3)
Disposal of treasury shares	—	—	(2,127)	5,382	3,255
Reversal of revaluation reserve for land	—	—	(3,359)	—	(3,359)
Change in ownership interest of parent due to transactions with non-controlling interests	—	3,272	—	—	3,272
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes in items during period	—	3,272	(254,166)	5,379	(245,515)
Balance as at February 28, 2021	\$283,103	\$474,267	\$ 87,734	\$(196,386)	\$ 648,718

See accompanying notes to consolidated financial statements.

	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, 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
Cumulative effect of change in accounting policy	—	—	—	—	—	—	—	—	(10,011)
Restated balance	(4,581)	22	(9,285)	(604)	(763)	(15,211)	484	3,741	84,026
Dividends of surplus	—	—	—	—	—	—	—	—	(3,240)
Loss attributable to owners of parent	—	—	—	—	—	—	—	—	(23,182)
Purchase of treasury shares	—	—	—	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	—	—	—	346
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	(357)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	—	348
Net changes in items other than shareholders' equity	2,642	(7)	1,421	(1,066)	18	3,008	(345)	(1,094)	1,569
Total changes in items during period	2,642	(7)	1,421	(1,066)	18	3,008	(345)	(1,094)	(24,516)
Balance as at February 28, 2021	¥(1,939)	¥ 15	¥(7,864)	¥(1,670)	¥(745)	¥(12,203)	¥ 139	¥ 2,647	¥ 59,510

	Thousands of U.S. dollars (Note 2. (23))								
	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 29, 2020	\$(43,120)	\$210	\$(87,393)	\$(5,688)	\$(7,177)	\$(143,168)	\$ 4,557	\$ 35,207	\$ 885,053
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	(94,224)
Restated balance	(43,120)	210	(87,393)	(5,688)	(7,177)	(143,168)	4,557	35,207	790,829
Dividends of surplus	—	—	—	—	—	—	—	—	(30,499)
Loss attributable to owners of parent	—	—	—	—	—	—	—	—	(218,181)
Purchase of treasury shares	—	—	—	—	—	—	—	—	(3)
Disposal of treasury shares	—	—	—	—	—	—	—	—	3,255
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	(3,359)
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	—	3,272
Net changes in items other than shareholders' equity	24,869	(68)	13,375	(10,026)	168	28,318	(3,250)	(10,296)	14,772
Total changes in items during period	24,869	(68)	13,375	(10,026)	168	28,318	(3,250)	(10,296)	(230,743)
Balance as at February 28, 2021	\$(18,251)	\$142	\$(74,018)	\$(15,714)	\$(7,009)	\$(114,850)	\$ 1,307	\$ 24,911	\$ 560,086

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Cash Flows

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries  
Years ended February 29, 2020 and February 28, 2021

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2020	2021	2021
<b>Cash flows from operating activities:</b>			
Profit (loss) before income taxes	¥(37,580)	¥(25,561)	\$(240,573)
Adjustments to reconcile profit (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,393	5,506	51,825
Impairment loss	27,756	3,299	31,052
Amortization of goodwill	1,749	787	7,407
Increase (decrease) in allowance for doubtful accounts	(225)	(57)	(534)
Decrease (increase) in retirement benefit asset	214	(110)	(1,034)
Increase (decrease) in retirement benefit liability	(241)	23	220
Interest and dividend income	(287)	(249)	(2,345)
Interest expenses	403	595	5,603
Share of loss (profit) of entities accounted for using equity method	1,390	70	663
Loss (gain) on sales and disposal of non-current assets, net	(2,424)	(8,135)	(76,565)
Loss (gain) on sales of investment securities, net	71	(5)	(46)
Loss (gain) on valuation of investment securities	1,565	1,685	15,862
Loss (gain) on sales of shares of subsidiaries and associates, net	—	5,017	47,223
Decrease (increase) in trade receivables	540	8,418	79,232
Decrease (increase) in inventories	4,920	6,579	61,916
Increase (decrease) in trade payables	(33)	(10,112)	(95,174)
Other, net	3,753	(8,323)	(78,359)
Subtotal	7,964	(20,573)	(193,627)
Interest and dividends received	322	253	2,376
Interest paid	(459)	(422)	(3,968)
Income taxes paid	(1,679)	(744)	(7,002)
Income taxes refund	1,855	1,872	17,618
<b>Net cash provided by (used in) operating activities</b>	<b>8,003</b>	<b>(19,614)</b>	<b>(184,603)</b>
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(21)	(92)	(865)
Proceeds from withdrawal of time deposits	53	76	714
Purchase of property, plant and equipment	(5,701)	(4,249)	(39,992)
Proceeds from sales of property, plant and equipment	4,057	17,756	167,115
Purchase of investment securities	(2,277)	(88)	(829)
Proceeds from sales of investment securities	3,654	521	4,899
Purchase of long-term prepaid expenses	(132)	(49)	(460)
Payments of guarantee deposits	(695)	(276)	(2,600)
Proceeds from refund of guarantee deposits	900	687	6,467
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8,304)	—	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(5,613)	(52,827)
Other, net	(2,292)	(2,582)	(24,294)
<b>Net cash provided by (used in) investing activities</b>	<b>¥(10,758)</b>	<b>¥ 6,091</b>	<b>\$ 57,328</b>

	Millions of yen		Thousands of U.S. dollars (Note 2. (23))
	2020	2021	2021
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	¥(8,044)	¥ 12,123	\$114,096
Proceeds from long-term borrowings	16,300	10,390	97,788
Repayments of long-term borrowings	(3,986)	(10,292)	(96,866)
Purchase of treasury shares	(1,758)	(0)	(3)
Dividends paid	(3,309)	(3,240)	(30,499)
Dividends paid to non-controlling interests	(103)	(740)	(6,961)
Other, net	(695)	(2,380)	(22,396)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,595)</b>	<b>5,861</b>	<b>55,159</b>
Effect of exchange rate change on cash and cash equivalents	(499)	52	495
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,849)</b>	<b>(7,610)</b>	<b>(71,621)</b>
Cash and cash equivalents at beginning of period	31,237	28,780	270,872
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	2,392	100	941
<b>Cash and cash equivalents at end of period (Note 18)</b>	<b>¥28,780</b>	<b>¥ 21,270</b>	<b>\$200,192</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries  
Years ended February 29, 2020 and February 28, 2021

## 1. Basis of Presentation of 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 of Japan 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 68 subsidiaries as at February 28, 2021 (83 as at February 29, 2020). The accompanying consolidated financial statements include the accounts of the Company and 63 of its subsidiaries (76 for 2020). 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 28
Yamato Co., Ltd.	100.0	February 28
Onward Trading Co., Ltd.	100.0	February 28
Chacott Co., Ltd.	100.0	February 28
Island Co., Ltd.	100.0	February 28
Creative Yoko Co., Ltd.	100.0	February 28
Onward Personal Style Co., Ltd.	100.0	February 28
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 28
Excel Co., Ltd.	100.0	February 28
Onward Resort & Golf Co., Ltd.	100.0	February 28
Onward Life Design Network Co., Ltd.	100.0	February 28
Kokobuy Co., Ltd.	100.0	February 28
Onward Beach Resort Guam, Inc.	100.0	December 31
Onward Mangilao Guam, Inc.	100.0	December 31

During the year ended February 28, 2021, Onward Digital Lab Co., Ltd., which had been an unconsolidated subsidiary, became a consolidated subsidiary of the Company since its materiality has increased. Maison Moreau S.A.S., Maison Moreau Japan Co., Ltd., Onward Luxury Group UK Ltd., Onward Luxury Group S.p.A., Onward Luxury Group S.A.R.L., Onward Luxury Group Inc., Green Iris KFT, Iris Sud S.R.L., OLG LAB S.R.L., Frassinetti S.R.L., and Maglificio Erika S.R.L. were removed from the scope of consolidation due to the sale of their shares.

Jil Sander Austria GmbH, Onward Kashiyama Korea Co., Ltd., and Innovate Organics, Inc. 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. Significant adjustments considered necessary between the fiscal year-ends and the Company's closing date have been made for consolidation.

6 subsidiaries (7 for 2020) were not consolidated because their total assets, net sales, profit or loss, or retained earnings did not have material effect on 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. 1 company (4 companies for 2020) was accounted for by the equity method for the year ended February 28, 2021. Gailyglen Ltd. was removed from the scope of the equity method since its effect has decreased.

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 29, 2020 and February 28, 2021 were ¥10,426 million and ¥12,937 million (\$121,757 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 and loss 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 forecasted 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 (5 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.

## Notes to Consolidated Financial Statements

### (12) 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.

### (13) 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.

### (14) 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.

### (15) Provision for point card certificates

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.

### (16) 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 5 to 10 years no longer than the related employees' average remaining service years when they occur. Unrecognized actuarial differences are amortized on a straight-line basis over 5 to 10 years no longer than the related employees' average remaining service years when they occur, commencing in the year following the one in which they occur.

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.

### (17) Goodwill

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

### (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) 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.

### (20) 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.

### (21) Application of consolidated taxation system

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

### (22) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

As for items transitioned to the group tax sharing system established in the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) of Japan as well as items revised on the non-consolidated taxation system in association with the transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries have not applied the provisions of paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, February 16, 2018) as allowed by the treatment in paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020), but applied the provisions of the Act before revision to the amounts of deferred tax assets and deferred tax liabilities.

### (23) U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥106.25 = US\$1, the rate of exchange as of February 28, 2021, 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.

### (24) Change in accounting policy

The Company's subsidiaries that had adopted International Financial Reporting Standards adopted International Financial Reporting Standard 16 "Leases" ("IFRS 16") in the year ended February 28, 2021.

### (25) Accounting standard issued but not yet effective

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised on March 31, 2020)  
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 31, 2020)

#### (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

#### (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, 2022.

#### (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.

### (26) Additional information

It is difficult to foresee whether the effects of the spread of the novel coronavirus disease 2019 ("COVID-19") will develop or blow over.

In the light of these circumstances, the Companies made accounting estimates including the impairment of non-current assets and the recoverability of deferred tax assets, assuming that the effects of the COVID-19 would remain after the year ending February 28, 2022 while the environment surrounding the Companies' businesses would recover slowly.

## 3. Business Combination

The Board of Directors of the Company resolved to transfer all shares of Onward Luxury Group S.p.A. ("OLG S.p.A." in this section) held by Onward Italia S.p.A., a consolidated subsidiary of the Company, at the Board of Directors' meeting held on December 11, 2020 and executed a share transfer agreement and transferred the shares on the same date.

### (1) Overview of share transfer

#### (a) Name and business description of such subsidiary

Name: Onward Luxury Group S.p.A.

Business description: Production and sales of clothing and shoes for luxury brands

#### (b) Transferee

NEMO S.R.L.

#### (c) Grounds for share transfer

The Company, in order to address drastic changes in the Companies' business environments, has proceeded with withdrawal from and scaling down of unprofitable businesses and has worked on the selection and concentration on priority businesses as in the "Implementation of Global Business Restructuring" timely disclosed on October 4, 2019.

The global spread of the COVID-19 caused a further worsening of the Companies' business environments overseas primarily in Europe and a significant impact on the Companies' operating results.

Under these circumstances, as a result of examining various options for the future businesses in Europe, the Company determined, from the perspective of the Companies' global business restructuring, that it was the best option to withdraw from the OLG S.p.A. business, which had been unprofitable, and to transfer all the shares of OLG S.p.A. held by Onward Italia S.p.A. primary to the current management of the business through a management buyout.

#### (d) Date of share transfer

December 11, 2020

#### (e) Overview of transaction including legal form

Share transfer in consideration for cash

## Notes to Consolidated Financial Statements

### (2) Summary of applied accounting treatment

(a) Amount of profit or loss in association with transfer

Loss on sales of shares of subsidiaries and associates ¥4,537 million (\$4,704 thousand)

(b) Appropriate carrying value of assets and liabilities related to transferred business and their breakdown

The transfer price is not disclosed because of confidentiality provisions in the share transfer agreement.

(c) Accounting treatment

The difference between the carrying value of such transferred shares for consolidation purposes and the sale value of the shares is recognized in "loss on sales of shares of subsidiaries and associates" under other expenses.

### (3) Name of segmentation which included such subsidiary in segment information

Apparel Business

### (4) Estimated amounts of profit and loss related to transferred subsidiary recognized in the consolidated statement of income for the year ended February 28, 2021

Net sales ¥14,856 million (\$139,820 thousand) Operating loss ¥1,816 million (\$17,090 thousand)

## 4. Investment Securities

### (1) 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		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities with unrealized gain:			
Equity securities	¥774	¥604	¥170
Other	2	1	1
Subtotal	776	605	171
Securities with unrealized loss:			
Equity securities	11,950	16,734	(4,784)
Other	—	—	—
Subtotal	11,950	16,734	(4,784)
Total	¥12,726	¥17,339	¥(4,613)

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 29, 2020

	Millions of yen
Proceeds from sales of securities	¥3,742
Realized gain on sales of securities	161
Realized loss on sales of securities	(232)

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

(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 as an impairment loss.

### (2) Information as of and for the year ended February 28, 2021

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

Investment securities whose fair values were readily determinable at February 28, 2021 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	¥ 4,902	¥ 3,983	¥ 919	\$ 46,137	\$ 37,483	\$ 8,654
Other	3	1	2	25	12	13
Subtotal	4,905	3,984	921	46,162	37,495	8,667
Securities with unrealized loss:						
Equity securities	8,953	11,705	(2,752)	84,265	110,168	(25,903)
Other	—	—	—	—	—	—
Subtotal	8,953	11,705	(2,752)	84,265	110,168	(25,903)
Total	¥13,858	¥15,689	¥(1,831)	\$130,427	\$147,663	\$(17,236)

Note: Non-marketable equity securities of ¥374 million (\$3,515 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 28, 2021

	Millions of yen	Thousands of U.S. dollars
Proceeds from sales of securities	¥28	\$267
Realized gain on sales of securities	9	83
Realized loss on sales of securities	(4)	(37)

(c) The aggregate carrying amount of investments in unconsolidated subsidiaries and associates as of February 28, 2021 was ¥81 million (\$766 thousand).

(d) For the year ended February 28, 2021, the Companies recognized loss on valuation of investment securities of ¥1,685 million (\$15,862 thousand) (available-for-sale securities of ¥1,657 million (\$15,600 thousand) and shares of subsidiaries and associates of ¥28 million (\$262 thousand)) as an impairment loss.

## 5. Short-Term Borrowings and Long-Term Borrowings

Short-term borrowings at February 29, 2020 and February 28, 2021 represented loans, principally from banks. The weighted-average interest rate on these loans was 0.6% and 0.4% in 2020 and 2021, respectively.

Long-term borrowings at February 29, 2020 and February 28, 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unsecured loans, principally from banks, maturing in installments through 2027	¥21,480	¥21,482	\$202,183
Less: Current portion with weighted-average interest rate of 0.3% at February 29, 2020 and February 28, 2021	4,452	5,052	47,548
Long-term borrowings, less current portion, with weighted-average interest rate of 0.3% and 0.4% at February 29, 2020 and February 28, 2021, respectively	¥17,028	¥16,430	\$154,635

Lease obligations at February 29, 2020 and February 28, 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Lease obligations	¥5,032	¥13,657	\$128,528
Less: Current portion of lease obligations	808	2,041	19,205
	¥4,224	¥11,616	\$109,323

## Notes to Consolidated Financial Statements

The aggregate annual maturities of long-term borrowings after February 28, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2022	¥5,052	\$47,548
2023	4,053	38,146
2024	3,720	35,012
2025	4,464	42,014

The aggregate annual maturities of lease obligations after February 28, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending February 28 or 29:		
2022	¥2,041	\$19,205
2023	1,673	15,747
2024	1,455	13,694
2025	1,313	12,360

The Company is subject to financial covenants on its borrowings from certain financial institutions that the Company is required to maintain a certain level of net assets and ordinary profit or loss, which is operating profit or loss plus recurring income less recurring expenses, in the consolidated and non-consolidated financial statements.

The balance of borrowings subject to the financial covenants at February 29, 2020 and February 28, 2021 is shown below:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Short-term borrowings	¥25,000	¥25,000	\$235,294
Long-term borrowings	13,780	10,340	97,318
(Of which current portion of long-term borrowings)	3,440	3,440	32,376
Total	¥38,780	¥35,340	\$332,612

## 6. Retirement Plan and Retirement Benefits

The Company and certain of its consolidated 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 consolidated 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 consolidated 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
	2020	2021	2021
Balance at beginning of period	¥13,682	¥12,007	\$113,008
Service cost	930	856	8,057
Interest cost	36	32	302
Actuarial differences	(329)	403	3,792
Benefits paid	(2,091)	(1,667)	(15,690)
Other	(221)	(205)	(1,932)
Balance at end of period	¥12,007	¥11,426	\$107,537

### (b) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of period	¥12,608	¥10,988	\$103,418
Expected return on plan assets	219	212	1,996
Actuarial differences	(1,506)	336	3,162
Employer contributions	290	246	2,317
Benefits paid	(623)	(1,024)	(9,639)
Balance at end of period	¥10,988	¥10,758	\$101,254

### (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
	2020	2021	2021
Funded projected benefit obligations	¥ 11,308	¥ 10,889	\$ 102,489
Plan assets	(10,988)	(10,758)	(101,253)
	320	131	1,236
Unfunded projected benefit obligations	699	536	5,047
Net amount of liability and asset recognized in the consolidated balance sheet	1,019	667	6,283
Retirement benefit liability	3,724	3,482	32,774
Retirement benefit asset	(2,705)	(2,815)	(26,491)
Net amount of liability and asset recognized in the consolidated balance sheet	¥ 1,019	¥ 667	\$ 6,283

### (d) Net periodic pension expenses and their breakdown

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 931	¥ 856	\$ 8,057
Interest cost	36	32	302
Expected return on plan assets	(220)	(212)	(1,996)
Amortization of unrecognized actuarial differences	(66)	145	1,369
Amortization of unrecognized prior service costs	(47)	(47)	(442)
Other	(25)	(21)	(202)
Net periodic pension expenses	¥ 609	¥ 753	\$ 7,088

Note: In addition to the above, extra retirement payments of ¥3,598 million were recognized in the year ended February 29, 2020.

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

The 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
	2020	2021	2021
Prior service costs	¥ (47)	¥(47)	\$(442)
Actuarial differences	(1,243)	79	739
Total	¥(1,290)	¥ 32	\$ 297

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

The 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
	2020	2021	2021
Unrecognized prior service costs	¥ 74	¥ 27	\$ 258
Unrecognized actuarial differences	(1,246)	(1,168)	(10,995)
Total	¥(1,172)	¥(1,141)	\$(10,737)

## Notes to Consolidated Financial Statements

### (g) Plan assets

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

	2020	2021
Life insurance company general accounts	35%	30%
Equity securities	44%	49%
Debt securities	4%	3%
Short-term funds	17%	18%
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 52% and 58% for the years ended February 29, 2020 and February 28, 2021, 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

	2020	2021
Discount rate	0.3% to 0.7%	0.3% to 0.7%
Long-term expected rate of return on plan assets	1.5% to 2.9%	1.5% to 3.6%

### (2) Defined contribution plans

The amounts to be paid by the Companies to the defined contribution pension plans for the years ended February 29, 2020 and February 28, 2021 were ¥312 million and ¥297 million (\$2,795 thousand), respectively.

## 7. 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 29, 2020 and February 28, 2021 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 27, 2021, are as follows:

(a) Total dividends:	¥1,627 million (\$15,315 thousand)
(b) Source of dividends:	Retained earnings
(c) Cash dividends per ordinary share:	¥12 (\$0.11)
(d) Date to determine which shareholders receive the dividends:	February 28, 2021
(e) Effective date:	May 28, 2021

## 8. Revaluation Reserve for Land

The Companies revalued land for business and have recorded the amount equivalent to applicable taxes in relation to the revaluation differences in "deferred tax liabilities for land revaluation" under liabilities section and the remaining amount in "revaluation reserve for land" under net assets section pursuant to the "Act on Revaluation of Land" (Act No. 34 of 1998) and the "Act for Partial Revision of the Act on Revaluation of Land" (revised on March 31, 2001) of Japan.

### - Revaluation method

In order to determine the land prices that were to become the basis of calculation for the assessed value of land-holding tax stipulated in Article 16 of the "Land-holding Tax Act" (Act No. 69 of 1991) of Japan specified in Article 2, item (iv) of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998) of Japan, the Companies determined the land prices on the basis of prices calculated using the method established and published by Commissioner of National Tax Agency, Japan, making reasonable adjustments for the depth of land and, for certain land, determined the prices, making reasonable adjustments to the assessed value of fixed assets tax specified in Article 2, item (iii) of the same order.

### - Revaluation date

February 28, 2002

Since the fair value of revalued land exceeded the carrying value of the land after revaluation, the difference as of February 29, 2020 and February 28, 2021 is omitted.

## 9. Share Options

The cost recognized for the share options for the years ended February 29, 2020 and February 28, 2021 was nil.

### 2014 Share Option Plan (No. 16)

Under the 2014 share option plan (No. 16), share options were granted to 5 directors of the Company on June 20, 2014. They are exercisable in the period from June 21, 2014 to June 20, 2044. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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)
Average share price on the date the option was exercised:	¥317 (\$2.98)
Fair value at the grant date:	¥526 (\$4.95)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2014 share option plan (No. 16)
Non-vested (shares):	
Outstanding at February 29, 2020	73,100
Granted	—
Forfeited	—
Vested	65,200
Outstanding at February 28, 2021	7,900
Vested (shares):	
Outstanding at February 29, 2020	49,800
Vested	65,200
Exercised	105,000
Forfeited	—
Outstanding at February 28, 2021	10,000

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.

## 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 5 directors and 9 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:	¥409 (\$3.85)
Fair value at the grant date:	¥466 (\$4.39)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2014 share option plan (No. 15)
Non-vested (shares):	
Outstanding at February 29, 2020	52,600
Granted	—
Forfeited	—
Vested	3,700
Outstanding at February 28, 2021	48,900
Vested (shares):	
Outstanding at February 29, 2020	28,300
Vested	3,700
Exercised	23,800
Forfeited	—
Outstanding at February 28, 2021	8,200

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 5 directors of the Company on June 20, 2013. They are exercisable in the period from June 21, 2013 to June 20, 2043. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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:	¥377 (\$3.55)
Fair value at the grant date:	¥629 (\$5.92)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2013 share option plan (No. 14)
Non-vested (shares):	
Outstanding at February 29, 2020	56,700
Granted	—
Forfeited	—
Vested	56,700
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	33,400
Vested	56,700
Exercised	90,100
Forfeited	—
Outstanding at February 28, 2021	—

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 6 directors and 9 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:	¥488 (\$4.59)
Fair value at the grant date:	¥572 (\$5.38)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2013 share option plan (No. 13)
Non-vested (shares):	
Outstanding at February 29, 2020	49,300
Granted	—
Forfeited	—
Vested	3,100
Outstanding at February 28, 2021	46,200
Vested (shares):	
Outstanding at February 29, 2020	20,900
Vested	3,100
Exercised	17,100
Forfeited	—
Outstanding at February 28, 2021	6,900

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 5 directors of the Company on June 20, 2012. They are exercisable in the period from June 21, 2012 to June 20, 2042. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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:	¥374 (\$3.52)
Fair value at the grant date:	¥458 (\$4.31)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2012 share option plan (No. 12)
Non-vested (shares):	
Outstanding at February 29, 2020	74,900
Granted	—
Forfeited	—
Vested	74,900
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	6,800
Vested	74,900
Exercised	81,700
Forfeited	—
Outstanding at February 28, 2021	—

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 1 executive officer of the Company and 9 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:	¥488 (\$4.59)
Fair value at the grant date:	¥444 (\$4.18)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2012 share option plan (No. 11)
Non-vested (shares):	
Outstanding at February 29, 2020	39,300
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2021	39,300
Vested (shares):	
Outstanding at February 29, 2020	11,400
Vested	—
Exercised	2,400
Forfeited	—
Outstanding at February 28, 2021	9,000

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.

### 2011 Share Option Plan (No. 10)

Under the 2011 share option plan (No. 10), share options were granted to 5 directors of the Company on June 20, 2011. They are exercisable in the period from June 21, 2011 to June 20, 2041. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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)
Average share price on the date the option was exercised:	¥377 (\$3.55)
Fair value at the grant date:	¥510 (\$4.80)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2011 share option plan (No. 10)
Non-vested (shares):	
Outstanding at February 29, 2020	69,400
Granted	—
Forfeited	—
Vested	69,400
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	—
Vested	69,400
Exercised	69,400
Forfeited	—
Outstanding at February 28, 2021	—

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 1 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:	¥339 (\$3.19)
Fair value at the grant date:	¥444 (\$4.18)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2011 share option plan (No. 9)
Non-vested (shares):	
Outstanding at February 29, 2020	30,300
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2021	30,300
Vested (shares):	
Outstanding at February 29, 2020	11,300
Vested	—
Exercised	3,600
Forfeited	—
Outstanding at February 28, 2021	7,700

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 5 directors of the Company on June 18, 2010. They are exercisable in the period from June 19, 2010 to June 18, 2040. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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)
Average share price on the date the option was exercised:	¥377 (\$3.55)
Fair value at the grant date:	¥613 (\$5.77)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2010 share option plan (No. 8)
Non-vested (shares):	
Outstanding at February 29, 2020	52,300
Granted	—
Forfeited	—
Vested	52,300
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	—
Vested	52,300
Exercised	52,300
Forfeited	—
Outstanding at February 28, 2021	—

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 8 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)
Fair value at the grant date:	¥475 (\$4.47)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2010 share option plan (No. 7)
Non-vested (shares):	
Outstanding at February 29, 2020	28,500
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2021	28,500

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.

### 2009 Share Option Plan (No. 6)

Under the 2009 share option plan (No. 6), share options were granted to 5 directors of the Company on June 19, 2009. They are exercisable in the period from June 20, 2009 to June 19, 2039. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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)
Average share price on the date the option was exercised:	¥377 (\$3.55)
Fair value at the grant date:	¥432 (\$4.07)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2009 share option plan (No. 6)
Non-vested (shares):	
Outstanding at February 29, 2020	72,000
Granted	—
Forfeited	—
Vested	72,000
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	—
Vested	72,000
Exercised	72,000
Forfeited	—
Outstanding at February 28, 2021	—

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 (\$3.41)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2009 share option plan (No. 5)
Non-vested (shares):	
Outstanding at February 29, 2020	31,800
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2021	31,800
Vested (shares):	
Outstanding at February 29, 2020	4,600
Vested	—
Exercised	—
Forfeited	—
Outstanding at February 28, 2021	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)
Fair value at the grant date:	¥905 (\$8.52)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2008 share option plan (No. 4)
Non-vested (shares):	
Outstanding at February 29, 2020	8,200
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2021	8,200

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 5 directors of the Company on June 20, 2008. They are exercisable in the period from June 21, 2008 to June 20, 2038. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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)
Average share price on the date the option was exercised:	¥378 (\$3.56)
Fair value at the grant date:	¥944 (\$8.88)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2008 share option plan (No. 3)
Non-vested (shares):	
Outstanding at February 29, 2020	32,000
Granted	—
Forfeited	—
Vested	32,000
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	—
Vested	32,000
Exercised	32,000
Forfeited	—
Outstanding at February 28, 2021	—

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 5 directors and 2 corporate auditors of the Company on July 20, 2007. They are exercisable in the period from July 21, 2007 to July 20, 2037. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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)
Average share price on the date the option was exercised:	¥377 (\$3.55)
Fair value at the grant date:	¥1,284 (\$12.08)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2007 share option plan (No. 2)
Non-vested (shares):	
Outstanding at February 29, 2020	16,600
Granted	—
Forfeited	—
Vested	16,600
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	—
Vested	16,600
Exercised	16,600
Forfeited	—
Outstanding at February 28, 2021	—

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 2 corporate auditors of the Company on June 20, 2006. They are exercisable in the period from July 1, 2006 to June 30, 2036. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they 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)
Average share price on the date the option was exercised:	¥377 (\$3.55)
Fair value at the grant date:	¥1,541 (\$14.50)

A summary of the scale and movement of the share option plan for the year ended February 28, 2021 is as follows:

	2006 share option plan (No. 1)
Non-vested (shares):	
Outstanding at February 29, 2020	14,500
Granted	—
Forfeited	—
Vested	14,500
Outstanding at February 28, 2021	—
Vested (shares):	
Outstanding at February 29, 2020	—
Vested	14,500
Exercised	14,500
Forfeited	—
Outstanding at February 28, 2021	—

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.

## 10. Loss on Liquidation of Business

Loss on liquidation of business for the years ended February 29, 2020 and February 28, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Loss on disposal of inventories	¥1,282	¥ —	\$ —
Bad debts expenses	647	—	—
Expenses in relation to withdrawal from unprofitable stores	1,100	954	8,975
Total	¥3,029	¥954	\$8,975

## 11. Extraordinary Loss due to Closing and Other

The Companies temporarily closed many stores in commercial facilities, their own stores, and resort facilities in Japan, North America, Europe and other areas as requested by governments and local governments in association with the COVID-19. Fixed costs for stores and resort facilities incurred during the closure, such as personnel expenses, depreciation, and rent expenses, were recognized in "Extraordinary loss due to closing and other" under other expenses.

## 12. Impairment Loss

For the years ended February 29, 2020 and February 28, 2021, the Companies reviewed its non-current assets for impairment and, as a result, recognized an impairment loss as follows:

February 29, 2020			
Location	Usage	Description	Millions of yen
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥ 9,075
		Other	7,819
—	—	Goodwill	10,862

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.

## Notes to Consolidated Financial Statements

February 28, 2021				
Location	Usage	Description	Millions of yen	Thousands of U.S. dollars
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥1,203	\$11,323
		Other	2,096	19,729

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 29, 2020, the Company recognized an impairment loss of ¥10,862 million on goodwill for consolidated subsidiaries in and outside Japan as a result of consideration of their recoverability based on cash flow projections. For the year ended February 28, 2021, the Company recognized an impairment loss of ¥3,299 million (\$31,052 thousand).

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% and 4.4% for the years ended February 29, 2020 and February 28, 2021, respectively.

### 13. Income Taxes

The tax effects of temporary differences that give rise to significant components of the deferred tax assets and liabilities as at February 29, 2020 and February 28, 2021 consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Deferred tax assets:</b>			
Tax loss carry forwards	¥ 27,423	¥ 33,065	\$ 311,201
Impairment loss	10,649	13,742	129,336
Loss on write-down of inventories	2,555	3,028	28,502
Retirement benefit liability	3,725	2,972	27,974
Allowance for doubtful accounts	1,266	2,875	27,055
Valuation difference on available-for-sale securities	1,457	685	6,445
Provision for bonuses	281	201	1,888
Provision for retirement benefits for directors and corporate auditors	87	86	810
Loss on valuation of shares of subsidiaries and associates	1,960	50	471
Loss on valuation of investment securities	27	24	222
Other	3,339	2,897	27,269
Subtotal	52,769	59,625	561,173
Valuation allowance for tax loss carry forwards (Note 2)	(27,132)	(32,970)	(310,301)
Valuation allowance for deductible temporary differences	(19,014)	(17,544)	(165,122)
Total valuation allowances (Note 1)	(46,146)	(50,514)	(475,423)
Total deferred tax assets	6,623	9,111	85,750
<b>Deferred tax liabilities:</b>			
Retirement benefit asset	(936)	(974)	(9,163)
Valuation difference on available-for-sale securities	(6)	(137)	(1,289)
Gain on securities contributed to employee retirement benefit trusts	(43)	(43)	(408)
Provision for deferred capital gain on real property for tax purposes	(40)	(39)	(371)
Other	(1,444)	(494)	(4,645)
Total deferred tax liabilities	(2,469)	(1,687)	(15,876)
Net deferred tax assets	¥ 4,154	¥ 7,424	\$ 69,874

Notes: 1. Valuation allowances increased by ¥4,368 million (\$41,111 thousand) due to increased tax loss carry forwards.

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

February 29, 2020	Millions of yen						
	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	Total
Tax loss carry forwards (a)	¥ 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

February 28, 2021	Millions of yen						
	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	Total
Tax loss carry forwards (a)	¥ 285	¥ 464	¥ 610	¥ 745	¥ 2,611	¥ 28,350	¥ 33,065
Valuation allowance	(285)	(464)	(610)	(745)	(2,611)	(28,255)	(32,970)
Deferred tax assets	—	—	—	—	—	95	(b) 95

February 28, 2021	Thousands of U.S. dollars						
	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	Total
Tax loss carry forwards (a)	\$ 2,686	\$ 4,364	\$ 5,739	\$ 7,011	\$ 24,573	\$ 266,828	\$ 311,201
Valuation allowance	(2,686)	(4,364)	(5,739)	(7,011)	(24,573)	(265,928)	(310,301)
Deferred tax assets	—	—	—	—	—	900	(b) 900

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

(b) The Company recognized ¥291 million and ¥95 million (\$900 thousand) of deferred tax assets for ¥27,423 million and ¥33,065 million (\$311,201 thousand) of tax loss carry forwards (amounts computed by multiplying the statutory tax rate) as of February 29, 2020 and February 28, 2021, respectively. 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 for the year ended February 29, 2020 and February 28, 2021 is omitted due to the recording of loss before income taxes.

### 14. Note to Consolidated Statements of Comprehensive Income

Other comprehensive income for the years ended February 29, 2020 and February 28, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Valuation difference on available-for-sale securities:</b>			
Amount arising during period	¥(6,468)	¥ 1,121	\$ 10,550
Reclassification adjustment for gain and loss	1,602	1,652	15,553
Amount before income tax effect	(4,866)	2,773	26,103
Income tax effect	74	(131)	(1,234)
Total	(4,792)	2,642	24,869
<b>Deferred gains or losses on hedges:</b>			
Amount arising during period	32	22	212
Reclassification adjustment for gain and loss	(103)	(32)	(303)
Amount before income tax effect	(71)	(10)	(91)
Income tax effect	14	3	23
Total	(57)	(7)	(68)
<b>Revaluation reserve for land:</b>			
Income tax effect	(107)	1,064	10,015
Total	(107)	1,064	10,015
<b>Foreign currency translation adjustment:</b>			
Amount arising during period	(1,508)	(1,009)	(9,494)
Reclassification adjustment for gain and loss	1	(72)	(683)
Total	(1,507)	(1,081)	(10,177)
<b>Remeasurements of defined benefit plans:</b>			
Amount arising during period	(1,177)	(66)	(630)
Reclassification adjustment for gain and loss	(113)	98	927
Amount before income tax effect	(1,290)	32	297
Income tax effect	446	(14)	(129)
Total	(844)	18	168
<b>Share of other comprehensive income of entities accounted for using equity method:</b>			
Amount arising during period	(15)	—	—
Total	(15)	—	—
Total other comprehensive income	¥(7,322)	¥ 2,636	\$ 24,807

## Notes to Consolidated Financial Statements

### 15. 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.

### 16. 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 29, 2020 and February 28, 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit (loss) attributable to owners of parent	¥ (52,135)	¥ (23,182)	\$(218,181)
Less: Components not pertaining to ordinary shareholders	—	—	—
Profit (loss) pertaining to ordinary shareholders	¥ (52,135)	¥ (23,182)	\$(218,181)
Average number of ordinary shares (thousand shares)	135,779	135,421	
Effect of dilutive share options (thousand shares)	—	—	

### 17. 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 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 29, 2020 and February 28, 2021.

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 28, 2021	Millions of yen		
	Carrying value	Fair value	Difference
(a) Cash and deposits	¥ 21,301	¥ 21,301	¥ —
(b) Notes and accounts receivable—trade	18,252	18,252	—
(c) Investment securities:			
Available-for-sale securities	13,858	13,858	—
(d) Notes and accounts payable—trade	(13,472)	(13,472)	—
(e) Electronically recorded obligations—operating	(8,485)	(8,485)	—
(f) Short-term borrowings	(56,567)	(56,567)	—
(g) Long-term borrowings (including current portion of long-term borrowings)	(21,482)	(21,406)	(76)
(h) Derivative transactions	24	24	—

## Notes to Consolidated Financial Statements

February 28, 2021	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(a) Cash and deposits	\$ 200,485	\$ 200,485	\$ —
(b) Notes and accounts receivable—trade	171,779	171,779	—
(c) Investment securities:	130,427	130,427	—
Available-for-sale securities			—
(d) Notes and accounts payable—trade	(126,796)	(126,796)	—
(e) Electronically recorded obligations—operating	(79,857)	(79,857)	—
(f) Short-term borrowings	(532,395)	(532,395)	—
(g) Long-term borrowings (including current portion of long-term borrowings)	(202,184)	(201,471)	(713)
(h) Derivative transactions	224	224	—

### 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.

(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 29, 2020 and February 28, 2021 are as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investment securities:			
Unlisted equity securities	¥615	¥455	\$4,281

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 29, 2020 and February 28, 2021 are as follows:

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 28, 2021	Millions of yen			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥21,301	¥—	¥—	¥—
Notes and accounts receivable—trade	18,252	—	—	—
Total	¥39,553	¥—	¥—	¥—

February 28, 2021	Thousands of U.S. dollars			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	\$200,485	\$—	\$—	\$—
Notes and accounts receivable—trade	171,779	—	—	—
Total	\$372,264	\$—	\$—	\$—

4. Expected repayment amounts of long-term borrowings subsequent to the balance sheet date

See Note 5. “Short-Term Borrowings and Long-Term Borrowings.”

## 18. Note to Consolidated Statements of Cash Flows

Cash and cash equivalents at February 29, 2020 and February 28, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and deposits	¥28,795	¥21,301	\$200,485
Time deposits with maturities of more than three months	(15)	(31)	(293)
Cash and cash equivalents	¥28,780	¥21,270	\$200,192

## 19. Derivative Transactions

The contract or notional amounts and fair values of derivative financial instruments held as of February 29, 2020 and February 28, 2021 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 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 28, 2021	Millions of yen		
	Hedged item	Contract or notional amount	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable—trade	¥ 934	¥ 17
Euro	Accounts payable—trade	1,056	7
Pound	Accounts payable—trade	2	0
Chinese yuan	Accounts payable—trade	—	—
		¥1,992	¥ 24

February 28, 2021	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	\$ 8,786	\$156
Euro	Accounts payable—trade	9,943	66
Pound	Accounts payable—trade	20	2
Chinese yuan	Accounts payable—trade	—	—
		\$18,749	\$224

## Notes to Consolidated Financial Statements

### 20. 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 29, 2020 and February 28, 2021 is as follows:

	Millions of yen						
	Apparel					Adjustments (Note 1)	Consolidated total (Note 3)
For the year ended February 29, 2020	Domestic	Overseas	Total	Lifestyle	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
Investments in equity-method entities	67	17	84	—	84	—	84
Increases in property, plant and equipment, and intangible assets (Notes 2 and 4)	4,944	1,643	6,587	1,467	8,054	1,480	9,534

Notes: 1. Adjustments consist of the following:

- The adjustment amount for segment profit (loss) of ¥(1,189) million includes amortization of goodwill of ¥(1,748) million, elimination of intersegment transactions of ¥5,138 million, and corporate expenses not allocated to reportable segments of ¥(4,579) million. Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.
- The adjustment amount for segment assets of ¥32,671 million includes the unamortized balance of goodwill of ¥6,128 million, elimination of intersegment transactions of ¥(142,558) million, and corporate assets not allocated to reportable segments of ¥169,101 million. Corporate assets are mainly assets held by the Company, a pure holding company.
- Depreciation and amortization, and increases in property, plant and equipment, and intangible assets include long-term prepaid expenses (furniture and fixtures).
- Segment profit (loss) coincides with the amount of operating loss in the consolidated statement of income.
- 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.

	Millions of yen						
	Apparel					Adjustments (Note 1)	Consolidated total (Note 3)
For the year ended February 28, 2021	Domestic	Overseas	Total	Lifestyle	Total		
Net sales to outside customers	¥103,648	¥35,774	¥139,422	¥34,901	¥174,323	¥ —	¥174,323
Intersegment sales or transfers	1,408	1,329	2,737	2,014	4,751	(4,751)	—
Total	¥105,056	¥37,103	¥142,159	¥36,915	¥179,074	¥(4,751)	¥174,323
Segment profit (loss)	¥ (13,667)	¥(6,498)	¥(20,165)	¥ 147	¥(20,018)	¥(1,213)	¥(21,231)
Segment assets	¥ 94,813	¥25,761	¥120,574	¥44,384	¥164,958	¥31,095	¥196,053
Depreciation and amortization (Note 2)	¥ 3,084	¥ 915	¥ 3,999	¥ 1,010	¥ 5,009	¥ 497	¥ 5,506
Investments in equity-method entities	12	—	12	—	12	—	12
Increases in property, plant and equipment, and intangible assets (Note 2)	2,804	1,996	4,800	1,192	5,992	510	6,502

Thousands of U.S. dollars

	Apparel					Adjustments (Note 1)	Consolidated total (Note 3)
	Domestic	Overseas	Total	Lifestyle	Total		
For the year ended February 28, 2021							
Net sales to outside customers	\$ 975,512	\$336,698	\$1,312,210	\$328,480	\$1,640,690	\$ —	\$1,640,690
Intersegment sales or transfers	13,245	12,510	25,755	18,955	44,710	(44,710)	—
Total	\$ 988,757	\$349,208	\$1,337,965	\$347,435	\$1,685,400	\$(44,710)	\$1,640,690
Segment profit (loss)	\$(128,634)	\$(61,155)	\$(189,789)	\$ 1,387	\$(188,402)	\$(11,418)	\$(199,820)
Segment assets	\$ 892,353	\$242,457	\$1,134,810	\$417,736	\$1,552,546	\$292,655	\$1,845,201
Depreciation and amortization (Note 2)	\$ 29,030	\$8,610	\$ 37,640	\$ 9,505	\$ 47,145	\$ 4,680	\$ 51,825
Investments in equity-method entities	114	—	114	—	114	—	114
Increases in property, plant and equipment, and intangible assets (Note 2)	26,393	18,780	45,173	11,223	56,396	4,796	61,192

Notes: 1. Adjustments consist of the following:

- The adjustment amount for segment profit (loss) of ¥(1,213) million (\$ (1,418) thousand) includes amortization of goodwill of ¥(787) million (\$ (7,407) thousand), elimination of intersegment transactions of ¥3,639 million (\$34,252 thousand), and corporate expenses not allocated to reportable segments of ¥(4,065) million (\$ (38,263) thousand). Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.
- The adjustment amount for segment assets of ¥31,095 million (\$292,655 thousand) includes the unamortized balance of goodwill of ¥5,251 million (\$49,422 thousand), elimination of intersegment transactions of ¥(133,274) million (\$ (1,254,346) thousand), and corporate assets not allocated to reportable segments of ¥159,118 million (\$1,497,579 thousand). Corporate assets are mainly assets held by the Company, a pure holding company.
- Depreciation and amortization, and increases in property, plant and equipment, and intangible assets include long-term prepaid expenses (furniture and fixtures).
- Segment profit (loss) coincides with the amount of operating loss in the consolidated statement of income.

#### (4) Segment information by geographical area for the years ended February 29, 2020 and February 28, 2021 is as follows:

##### (a) Sales

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

	Millions of yen			
	Japan	Europe	Other	Total
For the year ended February 28, 2021				
	¥139,861	¥23,840	¥10,622	¥174,323

	Thousands of U.S. dollars			
	Japan	Europe	Other	Total
For the year ended February 28, 2021				
	\$1,316,340	\$224,375	\$99,975	\$1,640,690

##### (b) Property, plant and equipment

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

	Millions of yen				
	Japan	U.S.A.	Europe	Other	Total
February 28, 2021					
	¥57,835	¥7,763	¥1,881	¥1,592	¥69,071

	Thousands of U.S. dollars				
	Japan	U.S.A.	Europe	Other	Total
February 28, 2021					
	\$544,324	\$73,061	\$17,706	\$14,985	\$650,076

## Notes to Consolidated Financial Statements

(5) Segment information on impairment loss by reportable segment for the years ended February 29, 2020 and February 28, 2021 is as follows:

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

	Millions of yen					
	Apparel			Lifestyle	Unallocated amounts and elimination	Total
For the year ended February 28, 2021	Domestic	Overseas	Total			
Impairment loss	¥1,386	¥1,003	¥2,389	¥910	¥—	¥3,299

	Thousands of U.S. dollars					
	Apparel			Lifestyle	Unallocated amounts and elimination	Total
For the year ended February 28, 2021	Domestic	Overseas	Total			
Impairment loss	\$13,044	\$9,442	\$22,486	\$8,566	\$—	\$31,052

## 21. Related-Party Transactions

### 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. Also, Mr. Hirouchi paid a rental fee of ¥15 million 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, and the balance of relevant accounts receivable—trade as of February 29, 2020 was ¥9 million. Prices and other terms and conditions were determined by reference to market prices or general terms and conditions.

### Year Ended February 28, 2021

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 2021. The transaction amount was ¥45 million (\$423 thousand), and the balance of relevant accounts receivable—trade as of February 28, 2021 was ¥0 million (\$0 thousand). Prices and other terms and conditions were determined by reference to market prices or general terms and conditions.

## 22. Subsequent Events

### (1) Transfer of fixed assets

As shown below, the Board of Directors of the Company resolved to transfer its subsidiaries' fixed assets at the Board of Directors' meeting held on March 11, 2021.

#### (a) Grounds for transfer

To increase the efficiency of assets and improve financial strength.

#### (b) Details of transferred assets

##### (i) Land and building in Nakamura-ku, Nagoya, Aichi

Asset name	Address and description	Current state
Land and building in Nakamura-ku, Nagoya, Aichi	Meieki-minami 4-1107, Nakamura-ku, Nagoya, Aichi, Japan Land area: 3,158.01 square meters Total floor area: 16,227.29 square meters	Office

\* The gain from the transfer is expected to be approximately ¥3.5 billion (\$33 million), which is the transfer price of ¥6.5 billion (\$61 million) less the carrying amount of ¥2.8 billion (\$26 million) and costs related to the transfer.

##### (ii) Land and building in Shibuya-ku, Tokyo

Asset name	Address and description	Current state
Land and building in Shibuya-ku, Tokyo	Jinnan 1-34-6, 1-34-24, Shibuya-ku, Tokyo, Japan Land area: 246.65 square meters Total floor area: 1,675.56 square meters	Store and office

\* The transfer price and the carrying amount are not disclosed because of a non-disclosure agreement with the transferee. The gain from the transfer is expected to be approximately ¥1.3 billion (\$12 million) after deduction of the carrying amount and costs related to the transfer.

### (c) Overview of transferee

#### (i) Land and building in Nakamura-ku, Nagoya, Aichi

(1) Name	Sumitomo Realty & Development Co., Ltd.
(2) Address	Shinjuku NS Building, Nishi-shinjuku 2-4-1, Shinjuku-ku, Tokyo, Japan
(3) Name and title of representative	Kojun Nishima, Representative Director and President

#### (ii) Land and building in Shibuya-ku, Tokyo

Details are not disclosed because of a non-disclosure agreement with the transferee.

\* There is no information to be specified between the transferee and the Company as a capital relationship, personnel relationship, business relationship, or related party.

### (d) Overview of consolidated subsidiaries

#### (i) Land and building in Nakamura-ku, Nagoya, Aichi

(1) Name	Onward Kashiyama Co., Ltd.
(2) Address	Nihonbashi 3-10-5, Chuo-ku, Tokyo, Japan
(3) Name and title of representative	Tsunenori Suzuki, Representative Director and President
(4) Business description	Planning, production and sales of men's clothing, women's clothing, children's clothing, accessories and other items
(5) Share capital	¥100 million

#### (ii) Land and building in Shibuya-ku, Tokyo

(1) Name	Excel Co., Ltd.
(2) Address	Jinnan 1-20-8, Shibuya-ku, Tokyo, Japan
(3) Name and title of representative	Koji Watanabe, Representative Director and President
(4) Business description	Leasing of real estate property
(5) Share capital	¥80 million

### (e) Transfer schedule

	(i) Land and building in Nakamura-ku, Nagoya, Aichi	(ii) Land and building in Shibuya-ku, Tokyo
(1) Resolved at the Board of Directors' meeting on:	March 11, 2021	March 11, 2021
(2) Agreement executed on:	March 11, 2021	March 11, 2021
(3) Property delivered on:	March 31, 2021	March 11, 2021

### (f) Impact on operating results

The Company plans to recognize the gain from the transfer of the fixed assets of approximately ¥4.8 billion (\$45 million) in "gain on sales of non-current assets" under other income in the consolidated financial statements for the first quarter of the year ending February 28, 2022.

### (2) Transfer of consolidated subsidiary (share transfer)

The Board of Directors of the Company resolved to transfer all shares of Jil Sander S.p.A. held by Onward Italia S.p.A., a consolidated subsidiary of the Company, at the Board of Directors' meeting held on March 5, 2021.

Due to the share transfer, Jil Sander S.p.A. has been removed from the scope of consolidation.

#### (a) Grounds for transfer

The Company, in order to address drastic changes in the Companies' business environments, has proceeded with withdrawal from and scaling down of unprofitable businesses and has worked on the selection and concentration on priority businesses as in the "Implementation of Global Business Restructuring" timely disclosed on October 4, 2019.

The global spread of the COVID-19 caused a further worsening of the Companies' business environments overseas primarily in Europe and a significant impact on the Companies' operating results.

Under these circumstances, as a result of examining various options for the future businesses in Europe, the Company determined, from the perspective of the Companies' global business restructuring, that it was the best option to withdraw from the Jil Sander S.p.A. business, which had been unprofitable, and to transfer its shares to a third party, and decided to transfer all the shares of Jil Sander S.p.A. held by Onward Italia S.p.A.

The Company transferred the shares of Onward Luxury Group S.p.A. as in the "Notice on Transfer of Consolidated Subsidiary (Share Transfer)" timely disclosed on December 11, 2020. Furthermore, the Company has disposed of an underperforming business through this share transfer and will improve and strengthen the financial standing and accelerate the improvement of the Companies' corporate value by further concentrating management resources on growth areas and stabilizing the revenue base.

## Notes to Consolidated Financial Statements

### (b) Overview of transferred subsidiary

(1) Name	Jil Sander S.p.A.
(2) Address	Foro Buonaparte 71, 20121 Milano, Italy
(3) Name and title of representative	Axel Keller, Representative Director
(4) Business description	Planning and sales of "Jil Sander" brand items
(5) Share capital	€24,650 thousand
(6) Established on	October 19, 2018
(7) Major shareholder and shareholding percentage	Onward Italia S.p.A.: 100%
(8) Relationship between the Company and such company	Capital relationship: A consolidated subsidiary of the Company Personnel relationship: 3 employees of the Company assuming the director of such company Business relationship: No direct business relationship (The Company has provided services related to consulting and management to such company's parent company, Onward Italia S.p.A.)

### (c) Name of reportable segment including such company in segment information Apparel Business (Overseas)

### (d) Overview of transferee

(1) Name	OTB S.p.A.
(2) Address	Via Dell'Industria 2, Breganze (Vicenza), Italy
(3) Name and title of representative	Renzo Rosso, Representative Director
(4) Business description	Holding company of fashion businesses
(5) Share capital	€25,000 thousand
(6) Established on	December 7, 1981
(7) Net assets	€884,356 thousand
(8) Total assets	€1,833,885 thousand
(9) Relationship between the Company and transferee	Capital relationship: There is no capital relationship to be stated between the Company and the transferee. Personnel relationship: There is no personnel relationship to be stated between the Company and the transferee. Business relationship: There is no business relationship to be stated between the Company and the transferee.

### (e) Transfer price and ownership percentage before and after transfer

(1) Ownership percentage before transfer	Ownership percentage: 100%
(2) Ownership percentage transferred	Ownership percentage: 100%
(3) Share transfer price	The transfer price is not disclosed because of confidentiality provisions in the share transfer agreement.
(4) Ownership percentage after transfer	Ownership percentage: 0%

### (f) Schedule

(1) Resolved at the Board of Directors' meeting on:	March 5, 2021
(2) Agreement executed on:	March 5, 2021
(3) Shares transferred on:	April 16, 2021

### (g) Impact on operating results

The impact of this share transfer will be recognized in the year ending February 28, 2022.

The Company is currently examining the impact on the Companies' operating results for the year ending February 28, 2022.

### (3) Transfer of consolidated subsidiary (share transfer)

The Board of Directors of the Company resolved to transfer all shares of Freeland s.r.l. held by Onward Italia S.p.A., a consolidated subsidiary of the Company, at the Board of Directors' meeting held on March 26, 2021.

Due to the share transfer, Freeland s.r.l. has been removed from the scope of consolidation.

### (a) Grounds for transfer

The Company, in order to address drastic changes in the Companies' business environments, has proceeded with withdrawal from and scaling down of unprofitable businesses and has worked on the selection and concentration on priority businesses as in the "Implementation of Global Business Restructuring" timely disclosed on October 4, 2019.

The global spread of the COVID-19 caused a further worsening of the Companies' business environments overseas primarily in Europe and a significant impact on the Companies' operating results.

Under these circumstances, as a result of examining various options for the future businesses in Europe, the Company determined, from the perspective of the Companies' global business restructuring, that it was the best option to withdraw from the Freeland s.r.l. business and to transfer its shares to a third party, and decided to transfer all the shares of Freeland s.r.l. held by Onward Italia S.p.A.

The Board of Directors of the Company resolved to transfer the shares of Onward Luxury Group S.p.A. and the shares of Jil Sander S.p.A. as in the "Notice on Transfer of Consolidated Subsidiary (Share Transfer)" timely disclosed on December 11, 2020 and March 5, 2021, respectively. The Company has executed this share transfer to complete a series of business restructuring initiatives in Italy.

The Company will dispose of underperforming businesses through the global business restructuring, which the Company has worked on since the year ended February 29, 2020, and will improve and strengthen the financial standing and accelerate the improvement of the Companies' corporate value by further concentrating management resources on growth areas and stabilizing the revenue base.

### (b) Overview of transferred subsidiary

(1) Name	Freeland s.r.l.
(2) Address	Via G da Verrazzano 4/6/8, 50054, Fucecchio Firenze, Italy
(3) Name and title of representative	Claudio Tiezzi, Representative Director
(4) Business description	Production and sales of sports footwear for luxury brands
(5) Share capital	€20,000 thousand
(6) Established on	May 29, 2000
(7) Major shareholder and shareholding percentage	Onward Italia S.p.A.: 60%
(8) Relationship between the Company and such company	Capital relationship: A consolidated subsidiary of the Company Personnel relationship: 3 employees of the Company assuming the office of Director of such company Business relationship: No direct business relationship (The Company has provided services related to consulting and management to such company's parent company, Onward Italia S.p.A.)

### (c) Name of reportable segment including such company in segment information Apparel Business (Overseas)

### (d) Overview of transferee

(1) Name	FREE S.r.l.
(2) Address	Via Giovanni da Verrazzano n. 4/6/8, Fucecchio Firenze, Italy
(3) Name and title of representative	Gabriella Pantani, Representative Director
(4) Business description	Investing in companies and organizations
(5) Share capital	€1,010 thousand
(6) Established on	February 16, 2020
(7) Net assets	€40,000 thousand
(8) Total assets	€53,300 thousand
(9) Relationship between the Company and transferee	Capital relationship: There is no capital relationship to be stated between the Company and the transferee. Personnel relationship: There is no personnel relationship to be stated between the Company and the transferee. Business relationship: There is no business relationship to be stated between the Company and the transferee.

### (e) Transfer price and ownership percentage before and after transfer

(1) Ownership percentage before transfer	Ownership percentage: 60%
(2) Ownership percentage transferred	Ownership percentage: 60%
(3) Share transfer price	The transfer price is not disclosed because of confidentiality provisions in the share transfer agreement.
(4) Ownership percentage after transfer	Ownership percentage: 0%



## (f) Schedule

(1) Resolved at the Board of Directors' meeting on:	March 26, 2021
(2) Agreement executed on:	March 26, 2021
(3) Shares transferred on:	March 29, 2021

## (g) Impact on operating results

The impact of this share transfer will be recognized in the year ending February 28, 2022.

The Company is currently examining the impact on the Companies' operating results for the year ending February 28, 2022.

## (4) Reductions in amounts of legal capital surplus and legal retained earnings as well as appropriation of surplus

As shown below, at the Board of Directors' meeting on April 8, 2021, the Board of Directors of the Company resolved to discuss the proposal for reductions in the amounts of legal capital surplus and legal retained earnings as well as appropriation of surplus at the General Meeting of Shareholders on May 27, 2021, and the proposal was approved at the said shareholders' meeting.

## (a) Reduction in amount of legal capital surplus

## (i) Purpose of reduction in amount of legal capital surplus

In order to increase surplus as dividend resources and implement a flexible and stable dividend policy that responds to changes in the Companies' business environments in future, the amount of legal capital surplus has been reduced and transferred to other capital surplus in accordance with the provisions of Article 448, paragraph (1) of the Companies Act.

## (ii) Summary of reduction in amount of legal capital surplus

1) Amount of reduction in legal capital surplus  
¥13,000,000,000 (\$122,352,941) of legal capital surplus ¥51,550,605,414 (\$485,182,169)

## 2) Method of reducing amount of legal capital surplus

All the amount of reduction in legal capital surplus has been transferred to other capital surplus.

## (b) Reduction in amount of legal retained earnings

## (i) Purpose of reduction in amount of legal retained earnings

In order to increase surplus as dividend resources and implement a flexible and stable dividend policy that responds to changes in the Companies' business environments in future, the amount of legal retained earnings has been reduced and transferred to retained earnings brought forward in accordance with the provisions of Article 448, paragraph (1) of the Companies Act.

## (ii) Summary of reduction in amount of legal retained earnings

1) Amount of reduction in legal retained earnings  
¥5,482,510,554 (\$51,600,099) of legal retained earnings ¥5,482,510,554 (\$51,600,099) (full amount)

## 2) Method of reducing amount of legal retained earnings

All the amount of reduction in legal retained earnings has been transferred to retained earnings brought forward.

## (c) Schedule of reductions in amounts of legal capital surplus and legal retained earnings

(1) Resolved at the Board of Directors' meeting on:	April 8, 2021
(2) Public notice to creditors for objections:	April 16, 2021
(3) Final date on which creditors may state objections:	May 17, 2021
(4) Resolved at the General Meeting of Shareholders on:	May 27, 2021
(5) Effective date:	May 27, 2021

## (d) Appropriation of surplus

In order to increase surplus as dividend resources and implement a flexible and stable dividend policy that responds to changes in the Companies' business environments in future, all the amount of general reserve ¥38,709,000,000 (\$364,320,000) has been reversed and transferred to retained earnings brought forward.

## (e) Impact on operating results

This does not have any impact on the Company's operating results, since the accounts have been transferred under "net assets section" and there is no change in the amount of net assets.

## Independent Auditor's Report



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## Independent Auditor's Report

The Board of Directors  
ONWARD HOLDINGS Co., Ltd.

## Opinion

We have audited the accompanying consolidated financial statements of ONWARD HOLDINGS and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at February 28, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(21) to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

November 19, 2021

Nobuhiro Watanabe  
Designated Engagement Partner  
Certified Public Accountant

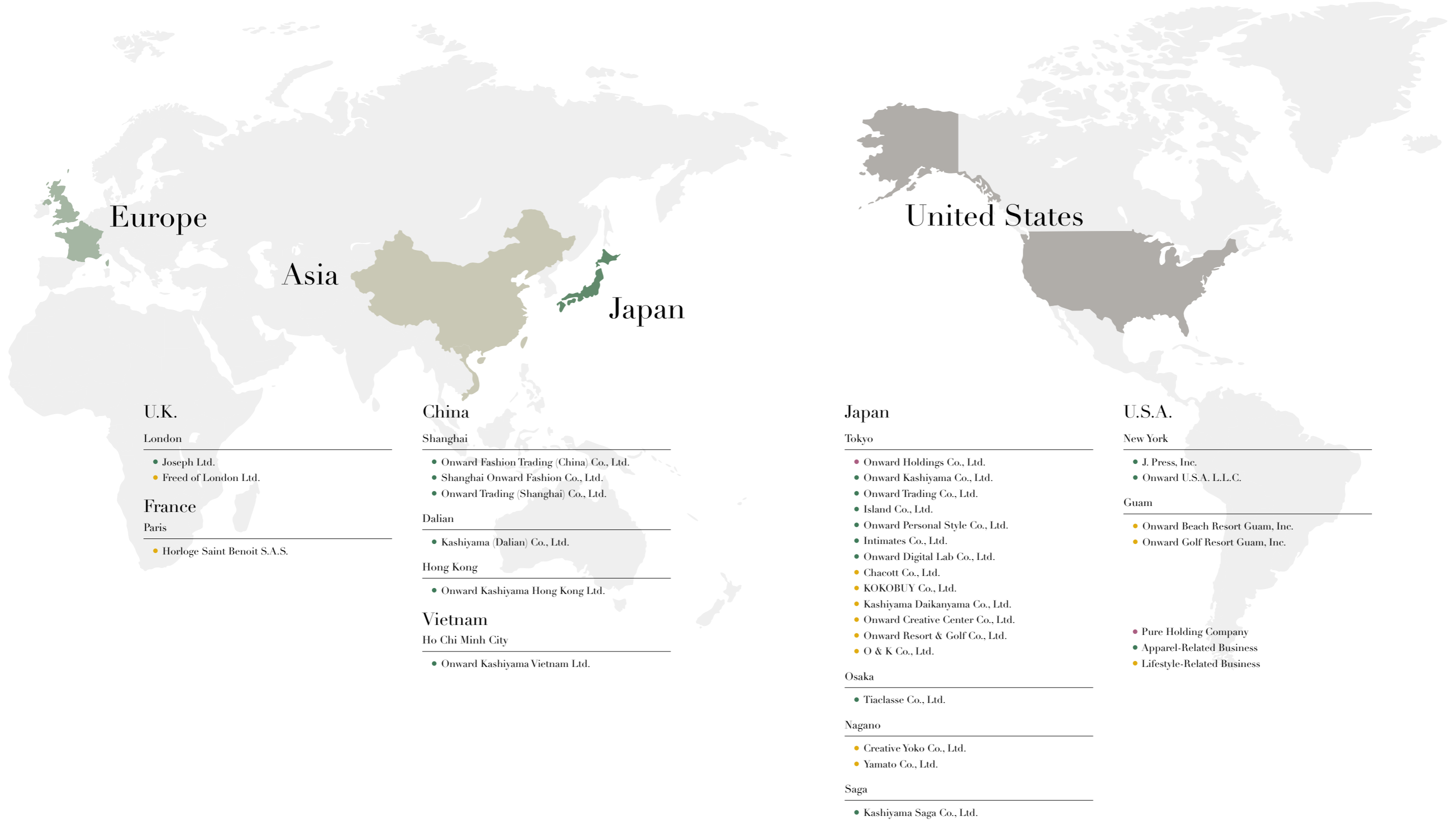
Michiyo Hirose  
Designated Engagement Partner  
Certified Public Accountant

Hayato Kobayashi  
Designated Engagement Partner  
Certified Public Accountant

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# Our Network

As of August 31, 2021



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

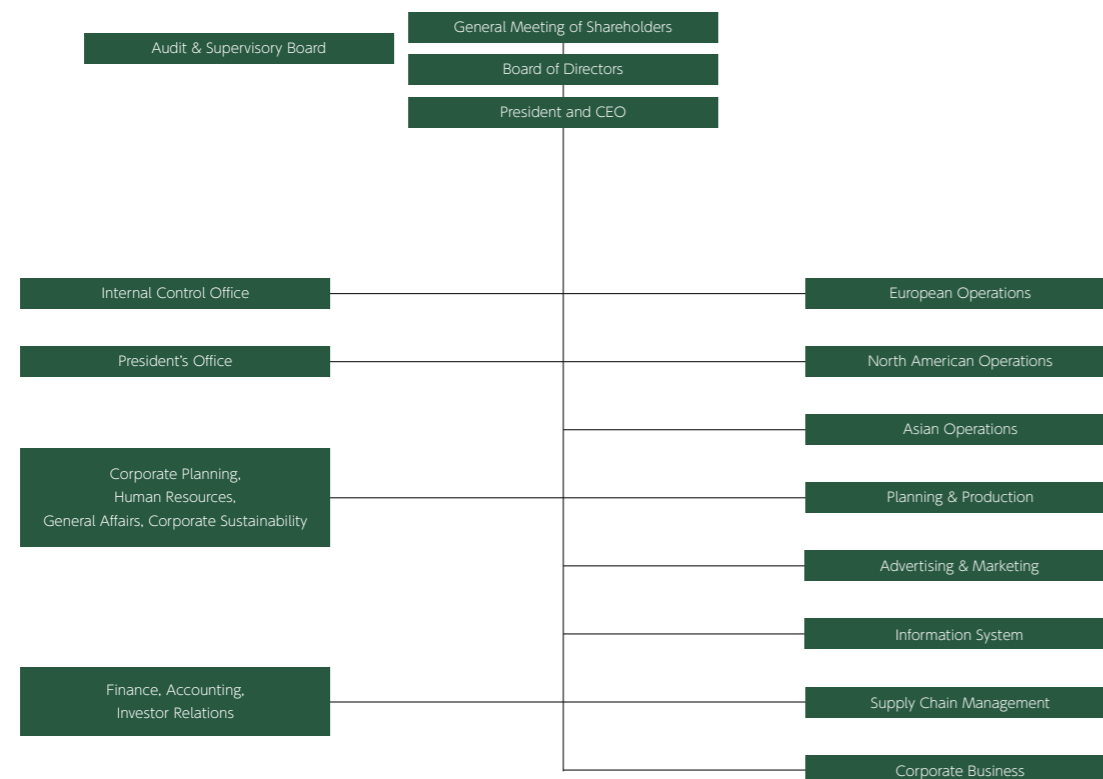
As of May 27, 2021

Directors	Audit & Supervisory Board Members	Executive Officers
<i>President and CEO</i> Michinobu Yasumoto	<i>Standing Audit &amp; Supervisory Board Members</i> Hirokazu Yoshizato Hisayuki Ichinose	<i>Senior Managing Executive Officer</i> Yasuharu Tamura
<i>Senior Managing Director</i> Tsunenori Suzuki	<i>Outside Audit &amp; Supervisory Board Members</i> Ryu Umezu Mitsuyo Kusano	<i>Managing Executive Officers</i> Kenji Takeuchi Takeshi Egashira Yoshihiro Higuchi
<i>Directors</i> Osamu Sato Daisuke Ikeda		
<i>Outside Directors</i> Akira Kawamoto Yoshie Komuro Kenji Chishiki		

Note: The name of Mr. Tsunenori Suzuki in the family register is Tsunenori Hasegawa, and the name of Ms. Yoshie Komuro in the family register is Yoshie Ishikawa.

# Company Organization

As of September 1, 2021



# Corporate / Investor Information

As of February 28, 2021

Name	Onward Holdings Co., Ltd.
Head Office	10-5, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8239, Japan
Tel	(+81) 3-4512-1051 (IR Div.)
Established	September 1947
Capital	¥30,079 million
Common Stock	Authorized— 400,000,000 shares Issued— 157,921,669 shares <small>Note: The total number of issued and outstanding shares includes 22,322,123 shares of treasury stock.</small>
Number of Shareholders	37,657
Stock Exchange Listing	Tokyo Stock Exchange (as of September 30, 2021)
Transfer Agent	Mitsubishi UFJ Trust & Banking Co., Ltd. 1-1, Nikkocho, Fuchu, Tokyo 183-0044, Japan
Number of Employees (Consolidated)	7,498

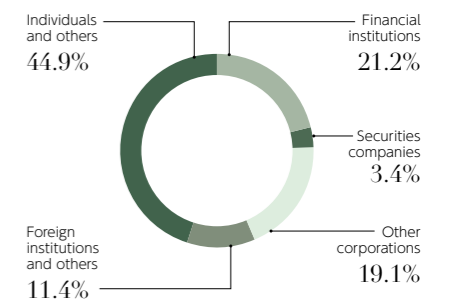
## Major Shareholders

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Kashiyama Scholarship Foundation	8,710	6.4
Onward Holdings Customers' Shareholdings Association	5,163	3.8
The Master Trust Bank of Japan, Ltd. (Trust account)	5,066	3.7
Nippon Life Insurance Company	4,671	3.4
Fumiya Shino	4,201	3.0
The Dai-ichi Life Insurance Company, Ltd.	4,200	3.0
STATE STREET BANK AND TRUST COMPANY 505001	3,182	2.3
Sumitomo Mitsui Banking Corporation	2,931	2.1
SMBC Nikko Securities Inc.	2,660	1.9
Isetan Mitsukoshi Ltd.	2,301	1.6

Notes:  
1. The Company holds 22,322,123 shares of treasury stock.  
2. The percentage of total shares issued is calculated after deducting 22,322,123 shares of treasury stock.

## Distribution of Ownership among Shareholders

(On a number of shares basis)



Note: Data regarding individuals and others includes treasury stock.

## Stock Price Range and Trading Volume

