ONWARD

Creating Tomorrow's Lifestyles

ANNUAL REPORT 2004

Year Ended February 29, 2004

Profile

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

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

Contents

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

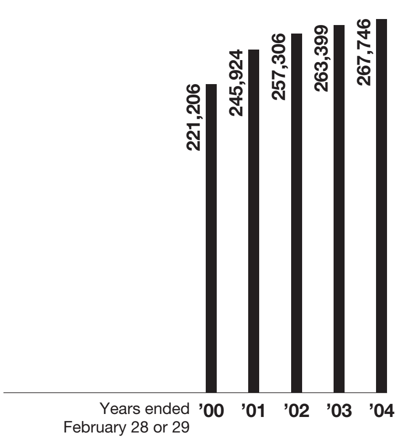
financial highlights

Financial Highlights

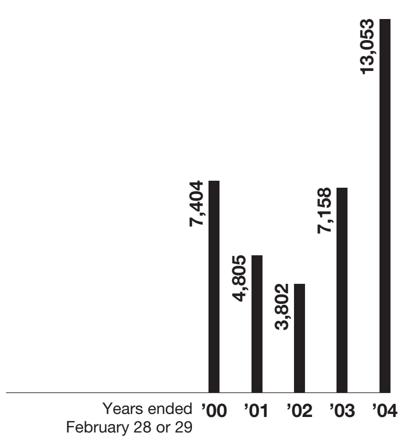
ONWARD KASHIYAMA Co., Ltd. and Subsidiaries
Years ended February 28 or 29

	Millions of yen		Thousands of U.S. dollars
ASSETS	2003	**2004**	**2004**
At year-end:			
Total current assets	¥141,468	**¥165,931**	**$1,513,691**
Total current liabilities	80,147	**92,270**	**841,730**
Total shareholders' equity	190,755	**196,796**	**1,795,258**
For the year:			
Net sales	¥263,399	**¥267,746**	**$2,442,490**
Operating income	19,607	**22,896**	**208,864**
Net income	7,158	**13,053**	**119,079**
Short-term bank loans	19,930	**17,491**	**159,566**
	Yen		U.S. dollars
Per share:			
Net income—Basic	¥ 41.6	**¥ 74.1**	**$ 0.676**
Cash dividends	16.5	**16.5**	**0.151**
ROE (%)	3.8	**6.7**	
Operating income margin (%)	7.4	**8.6**	

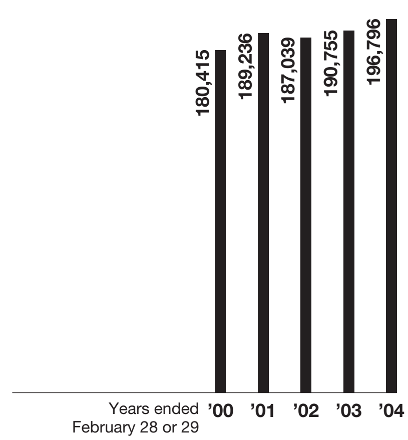
Note: Yen amounts have been translated, for convenience only, at ¥109.62=US$1, the approximate exchange rate on February 29, 2004.



Net Sales
(Millions of yen)



Net Income
(Millions of yen)



Total Shareholders' Equity
(Millions of yen)

A Message to Our Shareholders

a message to our shareholders

In fiscal 2004, ended February 28, 2004, consumption remained weak in Japan, and business conditions in the apparel industry were harsh. Despite this, ONWARD KASHIYAMA Co., Ltd., maintained a forward-looking posture and was able to achieve increases in sales and profitability, just as in fiscal 2003. The Company is continuing to proactively implement various Brand-Leveraged Management strategies with the goal of maximizing shareholder value.

Akira Baba,
Chairman

The Operating Environment in Fiscal 2004

During fiscal 2004, the Japanese economy began seeing the emergence of trends that were slightly more positive than those of the previous fiscal year. Deflationary conditions are expected to persist, however, and it remains difficult to foresee a shift to rising consumption. Because of the delayed economic recovery, any upturn in consumption will likely be hampered by highly discriminating consumer purchasing behavior. Companies in the apparel industry hoping to successfully meet the needs of consumers in this environment will have to strategically emphasize superiority in design sensitivity and product quality. Such companies must carefully gather and analyze market information, implement business strategies in prudently small stages, gain a good grasp of what consumers are truly longing for and are likely to buy, and then quickly take the steps needed to stock stores with those kinds of products.

Performance Overview

Despite the challenges of these market conditions, the Onward Group was able to boost its revenues and profitability. On a consolidated basis, net sales rose to ¥267.7 billion, up 1.7% from fiscal 2003, operating income advanced 16.8%, to ¥22.9 billion, and net income surged 82.4%, to ¥13.1 billion. Net income per share was ¥74.1, and return on equity was 6.7%. As of May 27, 2004, cash dividends applicable to the period were set at ¥20.0 per share.

As in the previous fiscal year, in fiscal 2004 Onward pursued a policy of selecting strategic business fields and concentrating its resources in those fields. In line with this policy, a number of Group companies were reorganized or liquidated.

On March 1, 2004, Chacott Co., Ltd., was transformed into a wholly owned subsidiary through a stock swap, and CK Calvin Klein operations were shifted to the parent company. The conversion of Chacott into a subsidiary is designed to boost management efficiency and the Group's overall corporate value as well as to benefit Chacott shareholders, whose previous holdings were of low liquidity with values not commensurate with that company's performance. The transfer of CK Calvin Klein operations reflected a shift of this brand from designer-led to apparel industry-oriented operations and made it possible to speed up product planning activities. At the same time, we expanded our operations backed by area marketing activities being carried out by each of our branches throughout Japan.

Takeshi Hirouchi,
President

In September 2003, Across Transport Co., Ltd., was merged with Across Service Co., Ltd. The merged company specializes in fashion distribution and is aiming to be the best company in that sector.

During the year under review, the parent company provided support for two other Group companies—Onward Beach Resort Guam, Inc., and Onward Kashiyama U.S.A. Inc.

- Onward Beach Resort Guam revalued all its assets at current market prices and eliminated all its accumulated losses. Although this company has recently faced challenges from such unexpected circumstances as those associated with terrorism, typhoons, the SARS epidemic, and hostilities in Iraq, its performance has finally begun recovering, and its sales in the first three months of fiscal 2004 were up 27% from the same period in fiscal 2003.
- The terror incidents of September 11, 2001, had a strong negative influence on the fashion business of Onward Kashiyama U.S.A., which was forced to discontinue its mainstay "KORS" (Michael Kors line) operations. Accumulated losses related to those operations and the withdrawal from those operations were eliminated during fiscal 2004.
- O & K Co., Ltd., which became a wholly owned subsidiary in April 2003, continued to face a harsh operating environment, and its sales decreased 10% during fiscal 2004. In fiscal 2005, plans call for greatly reducing the subsidiary's expenses and thereby considerably reducing its losses. At the same time, steps will be taken to enhance O & K's profitability by bolstering its mainstay distribution business with agricultural cooperatives, merging and eliminating certain branch offices, and increasing personnel efficiency.

All these restructuring measures are aimed at strengthening the Onward Group's overall profit base over the medium-to-long term.

On a non-consolidated basis, the parent Company was able in fiscal 2004 to augment its sales and profitability for the third consecutive fiscal year. Net sales were up 5.6%, and operating and net income grew 5.8% and 41.0%, respectively. This strong performance reflected the Company's steady implementation of Brand-Leveraged Management strategies and progress made in pursuing optimal brand positioning. During fiscal 2004, the Company introduced a 52-week merchandising (MD) system that immediately identifies products that are selling well to make product restocking faster and more efficient. The MD system has steadily enhanced the effectiveness of product planning while boosting the level of sales per detail staff person.

Outlook

As economic recovery began to take hold in spring 2004, fashion colors brightened considerably. Similarly, Onward began accelerating its implementation and refinement of Brand-Leveraged Management strategies, aiming to further strengthen its main brands while proactively seeking to realize growth in the brighter business climate. Since fiscal 2004, the Company has stepped up its efforts to expand its luxury brand business by establishing new outlets while developing new brands. New distribution methods are being used to enhance the profitability of established brands, strengthen marketing outlets, and develop new merchandise.

The Onward Group has almost completed its balance-sheet streamlining campaign and, during fiscal 2005, it is aiming to achieve increases of 8.2% in net sales and 4.1% in recurring income.

In line with our strong emphasis on measures to maximize shareholder value, we expect to augment returns to shareholders through such measures as increasing the linkage between our profitability and dividend levels. For the time being, we aim to sustain dividends at the ¥20 per share level attained in fiscal 2004.

May 27, 2004

Akira Baba, Chairman

Takeshi Hirouchi, President

Strengthening Brand Value—Medium-Term Business Plan

strengthening brand value—medium-term business plan

Onward is strengthening its businesses through the implementation of Brand-Leveraged Management strategies. In 1997, the Company adopted the in-house slogan Neo-Revolution to represent the reforms believed to be necessary for business success in the harsh operating environment of the time, and the concept of expanding operations through Brand-Leveraged Management strategies was introduced. Since then, we have worked to maximize the value of our brands and moved forward with measures to optimize our brand positioning.

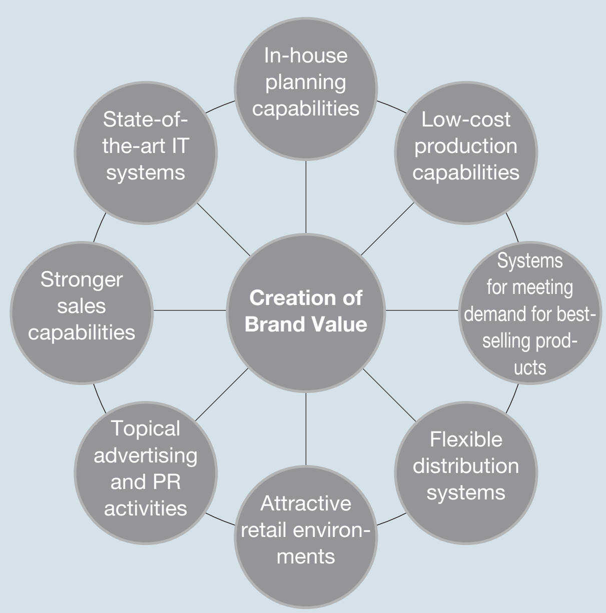
The "Brand-Leveraged Management" Concept

Onward's Brand-Leveraged Management strategies are designed to maximize the value of the Company's brands, thereby generating additional added value and another dimension of customer satisfaction while equipping the Company with competitive capabilities that enable it to avoid profit-sapping price competition. In the creation of brand value, Brand-Leveraged Management strategies emphasize initiatives focused on objectives in eight key areas: in-house planning capabilities, low-cost production capabilities, systems for meeting demand for best-selling products, flexible distribution systems, attractive retail environments, topical advertising and PR activities, stronger sales capabilities, and state-of-the-art IT systems. In line with the Brand-Leveraged Management concept, we have since 1997 established business groups that autonomously handle the marketing of numerous brands, including J. PRESS, NIJYUSANKU, KUMIKYOKU, ICB, JIYUKU, and JANE MORE.

Brand-Leveraged Management Growth Strategies

Onward's brand growth strategies position each brand as a "brand tree" that can be nurtured in ways that make it taller and broader as well enabling it to send out additional branches. Each brand is founded on distinctive root identities and seeks to grow by presenting various aspects of top-quality fashion. The trunk of each brand is the core brand and the branches that develop form derivative brands that extend into diverse promising growth fields. Coordinating related product development strategies and product distribution strategies facilitates well-balanced brand development processes, helping sustain and increase overall brand value.

Creating Brand Value—Eight Key Areas



Brand-Leveraged Management Product Strategies

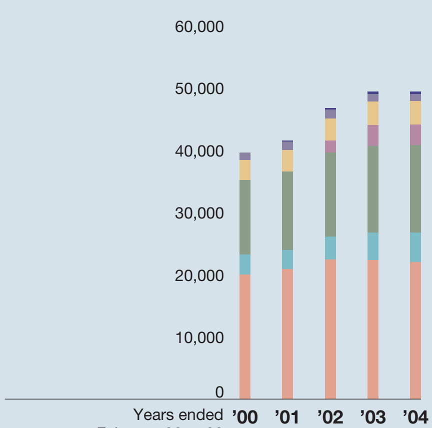
The Company's product strategies entail three kinds of expansion. First, we nurture a given product line by focusing on an associated top-quality prestige line. Next, we enlarge that line into such fields as women's, men's, children's, and family apparel. Finally, we extend the line into such additional merchandise fields as bags, shoes, belts, perfume, and sundry goods.

For example, the parent company is working during fiscal 2005 to develop large-scale core brands from the CK Calvin Klein brand—which was transferred from another Group company, On Business Trend Co., Ltd.—as well as from the DAKS brand—which was formally launched in March 2004. CK Calvin Klein brand products are being marketed nationwide through Onward's branch network, and the DAKS brand is being developed through the use of the MD system and a dedicated brand shop strategy. While men's fashion goods in these lines were previously managed with emphasis on profitability, a more aggressive expansion strategy has been adopted with the objective of boosting net sales 14% during fiscal 2005. Moreover, the expansion is been coordinated with the expansion of another large-scale brand—J. PRESS. The recovery in the men's fashion business got on track during fiscal 2004, and our coordinated approach to brand development is expected to help accelerate this recovery.

Brand-Leveraged Management Distribution Strategies

Onward's distribution strategy centers on efforts to expand sales floor space at department stores, introduce outlets at such new types of distribution facilities as train-station buildings and fashion buildings in urban centers as well as shopping centers and fashion malls in suburbs, and establish directly managed roadside stores.

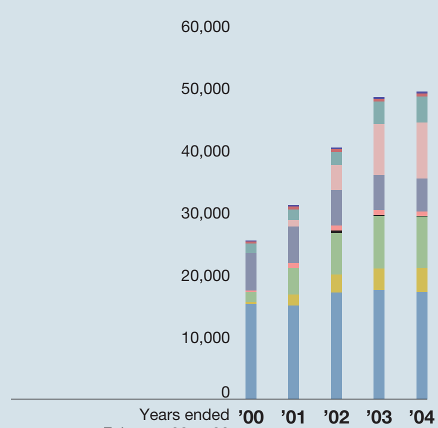
Currently, regarding department stores, the Company is striving to relocate its sales floor spaces to optimal locations and also expand the size of these areas. Regarding new distribution routes, we are expanding distribution through the non-department store outlets of various products centered on the KUMIKYOKU FAM line. We are also moving ahead with various overseas distribution measures aimed at strengthening and expanding our brands.



- NIJYUSANKU
- NIJYUSANKU HOMME
- NIJYUSANKU (S&L)
- NIJYUSANKU DEUX
- NIJYUSANKU SPORT
- Bags and jewelry
- *Yukata*

Retail Sales of NIJYUSANKU

(Millions of yen)



- KUMIKYOKU
- KUMIKYOKU (S&L)
- KUMIKYOKU SIS
- KUMIKYOKU girl
- KUMIKYOKU Noir
- KUMIKYOKU (chilteens)
- KUMIKYOKU FAM
- Bags and jewelry
- Kimonos
- *Yukata*

Retail Sales of KUMIKYOKU

(Millions of yen)

Note: In addition to the listed retail sales categories for the two brands, Onward generates revenue from licensing out the brands. In fiscal 2004, such licensing income amounted to approximately ¥1.6 billion and ¥1.1 billion in the cases of NIJYUSANKU and KUMIKYOKU, respectively. Thus, the annual sales of both brands are in excess of ¥50.0 billion.

Brand-Leveraged Management Results

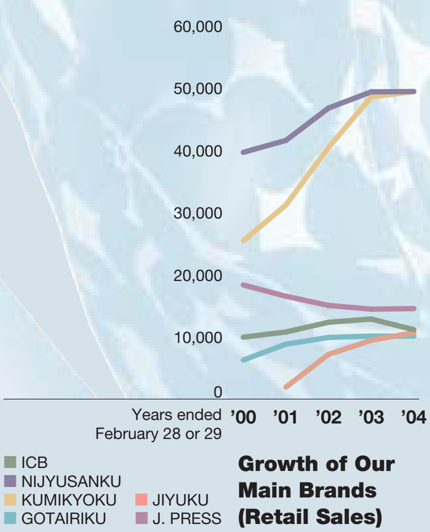
In recent years, the use of Brand-Leveraged Management strategies has enabled stable growth in the sales and profitability of such large-scale brands as NIJYUSANKU, KUMIKYOKU, ICB, and GOTAIRIKU (Personal Style in Form). In fiscal 2004, retail sales (including licensing income) of NIJYUSANKU and KUMIKYOKU brand products each surpassed the ¥50.0 billion mark, while those of ICB brand products reached ¥18.0 billion.

Each brand-focused organizational unit works in collaboration, with the respective roles of each unit being clearly differentiated. Moreover, each unit strives to promote the development of a balanced and diverse selection of staff members, including veterans, mid-level personnel, and new hires. These well-rounded teams are particularly effective in promoting 52-week MD system initiatives aimed at coordinating all the product planning, manufacturing, marketing, and sales activities associated with a given brand.

Future Strategies

In the future, Onward intends to increase the number of staff focused on Brand-Leveraged Management strategies, thereby augmenting the effectiveness of those strategies, while further strengthening emphasis on the parent company's core competencies. The Company aims to clearly define the fundamental values and added values associated with its brand identities and plan for the optimal development of brand trees in accordance with these value definitions. Regarding the eight key areas associated with Brand-Leveraged Management strategies, we intend to describe our objectives in these areas more concretely and specifically, even to the extent of assigning specific objective-oriented tasks to individual employees in specific organizational units.

By implementing its growth strategies through the concerted efforts of many internal units, Onward aims to further increase the solid appeal of its brands in a dependable and expeditious manner.



Growth of Our Main Brands (Retail Sales)
(Millions of yen)

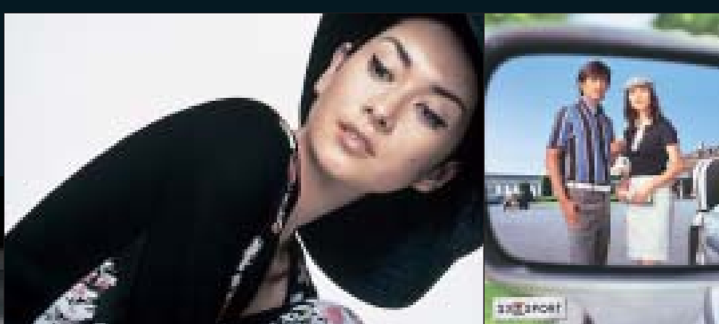
Note: The JIYUKU brand was launched in autumn-winter 2000. In addition to the listed retail sales categories for these brands, Onward generates revenue from licensing out the brands.

Onward is proactively expanding its brand-focused businesses centered on such core brands as NIJYUSANKU, KUMIKYOKU, GOTAIRIKU (Personal Style in Form), and J. PRESS. In fiscal 2004, the Company introduced the 52-week MD system, which facilitates the weekly launch of new products and fast restocking of strong-selling items. This system has helped expand sales and boost the level of sales per detail staff person, and the benefits from the system are steadily increasing.

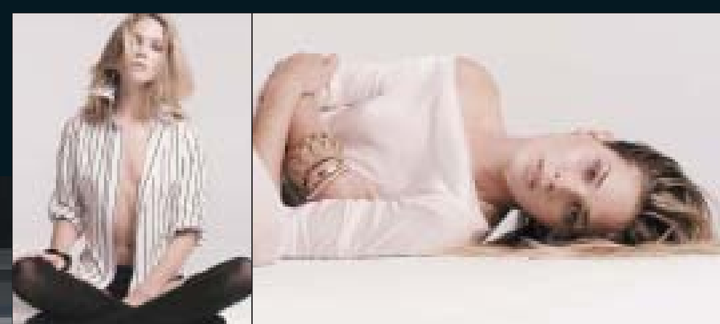
Regarding the results of Onward's Brand-Leveraged Management strategies, the Company's core brands achieved steady growth, with non-consolidated sales of existing brands up 1.4% overall. If sales of such new luxury brands as SONIA RYKIEL, MISSONI, and GIANFRANCO FERRE as well as the Field Dream brand are included in this calculation, the rate of increase in non-consolidated sales was 5.6%. Sales through department stores were up 4.3%.

With respect to distribution strategies, Onward proactively established new outlets, primarily for the KUMIKYOKU FAM and Field Dream brands, boosting the number of outlets 14.0%, to 330, and non-consolidated sales at those outlets were up 39.6%.

In fiscal 2005, Onward anticipates an 8.2% rise in non-consolidated net sales and 4.1% growth in non-consolidated recurring profit, reflecting the success of the Brand-Leveraged Management strategies, and Onward intends to continue using these strategies to expand its operations while further honing them for even greater success.



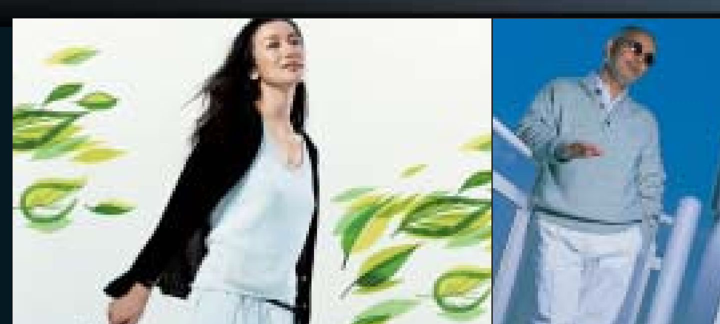
NIJYUSANKU



ICB

KUMIKYOKU

JIYUKU



Expansion of Our Main Brands

	Concept	Target Customers			Main Targets
		Men	Women	Children	
ICB	Urban and sophisticated brand for the global market	—	●	—	Working women in their late 20s
NIJYUSANKU	Casual wear separates for people who like to assemble their own original outfits	●	●	—	Women around 30
KUMIKYOKU	Trendy casual wear featuring mix-and-match separates	—	●	●	Young women in their early 20s
JIYUKU	High-quality elegant everyday wear	●	●	—	Women in their 40s
GOTAIRIKU	Tokyo-born brand that blends timeless British styling with an international flair	●	—	—	Businessmen in their 40s and 50s
J. PRESS	Modern versions of traditional American styles with emphasis on high quality and craftsmanship	●	●	●	Men in their late 30s

Note: The above brands are being developed primarily through department stores, although sub-brands of the NIJYUSANKU and KUMIKYOKU brands are being developed through dedicated brand shops at shopping centers.

GOTAIRIKU

J. PRESS

Men's Fashions

Fiscal 2004

Although a few positive trends emerged in the latter half of the year, the business environment for men's fashions for the year as a whole was harsh due to such factors as the protracted recession and unseasonal weather patterns, and Onward faced difficult conditions for marketing men's fashions, despite an ongoing uptrend in sales of casual wear. In business wear, sales of pattern-made suits increased smoothly, but the unseasonal weather affected business in loose fitting suits and wool coat suits, depressing overall sales of business wear. On the other hand, the 52-week MD system generated benefits that supported steady rises in sales of such casual wear brands as NIJYUSANKU HOMME and JIYUKU. In particular, NIJYUSANKU HOMME brand cut-sew items, shirts, and high-gauge knit items were hit products throughout the year. Moreover, the horizontal sharing of product development concepts among multiple brand-focused organizational units supported an overall rise in sales of knits and cut-sew offerings.

Consequently, consolidated sales in the Men's Fashion Business Group were ¥76.5 billion for fiscal 2004, down 3.9% from fiscal 2003, and accounted for 28.6% of consolidated net sales.

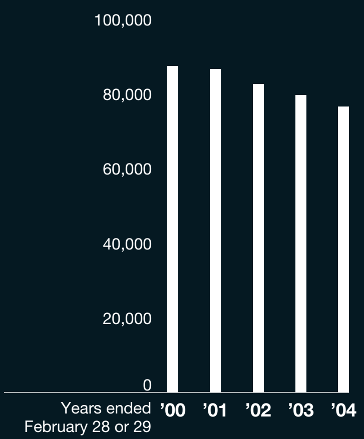
Outlook

Among existing brands, Onward is making particular efforts to further expand sales of its J. PRESS brand. Plans also call for elevating to major core brand status the CK Calvin Klein brand, which was recently transferred to the parent company, and the DAKS brand, which was formally launched in March 2004. CK Calvin Klein products are to be marketed nationwide through the Company's branch network, while the DAKS brand is being developed through the 52-week MD system and a dedicated brand shop strategy. The Company has given top priority to profitability in its men's fashion operations and intends to proactively expand its sales volume on the strength of a lineup centered on these new brands. During fiscal 2005, Onward projects a rise of 14% in its men's fashion sales revenue.

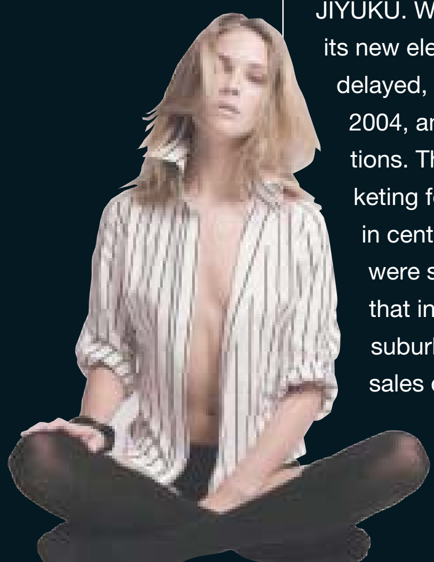
GOTAIRIKU

J. PRESS

JIYUKU



Sales of Men's Fashions
(Millions of yen)



Women's Fashions

Fiscal 2004

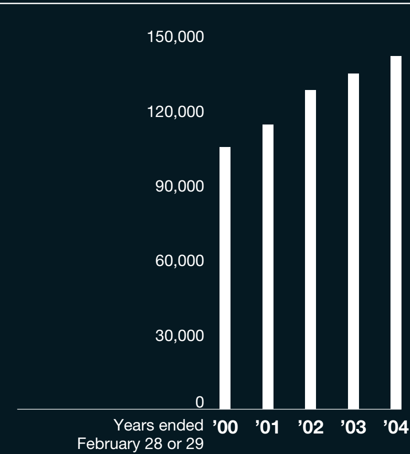
While market conditions for women's fashions remained severe, Onward was able to augment sales by increasing the accuracy of its demand trend projections and expanding its optimally located sales spaces. Particularly strong were sales of such mainstay brands as NIJYUSANKU, KUMIKYOKU, and JIYUKU. While the Company's development of merchandise for its new elegant and feminine VANILLA CONFUSION brand was delayed, the brand was launched in the latter half of fiscal 2004, and sales have increased steadily in line with projections. The rising sales of the Prideglide brand reflected marketing focused on department stores and fashion buildings in central urban locations. Also showing smooth growth were sales of KUMIKYOKU FAM via new sales channels that included shopping centers and fashion buildings in suburban locations. However, ICB brand winter clothing sales decreased.

Consequently, consolidated sales in the Women's Fashion Business Group rose 6.0%, to ¥143.0 billion, and comprised 53.4% of net sales.

Outlook

Aiming to further boost revenues from strong-selling core brands, Onward is seeking steady growth through augmented product proposal capabilities. The Company also intends to establish additional new outlets for luxury brands. Focusing on such new brands as VANILLA CONFUSION, launched in autumn 2003, and Prideglide, launched in autumn 2002, the Company is proactively establishing new outlets for marketing through department stores and fashion buildings in central urban locations.

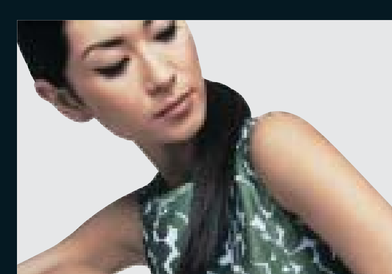
Onward has been marketing KUMIKYOKU FAM via new sales channels that include shopping centers and fashion buildings in suburban locations, and the Company plans to expand sales of this brand through single-brand stores. The Company is also seeking to open new suburban outlets for the Field Dream brand and step up its creation of new outlets in urban and suburban shopping centers for the Deep Drops brand, which was launched in spring 2003.



Sales of Women's Fashions
(Millions of yen)

JIYUKU

VANILLA CONFUSION



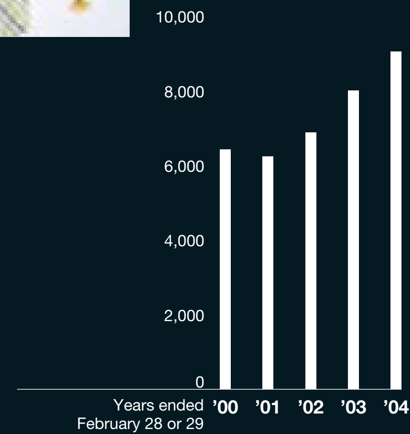
NIJYUSANKU

Children's Fashions, Kimonos, and Other

KUMIKYOKU (children)

Children's Fashions

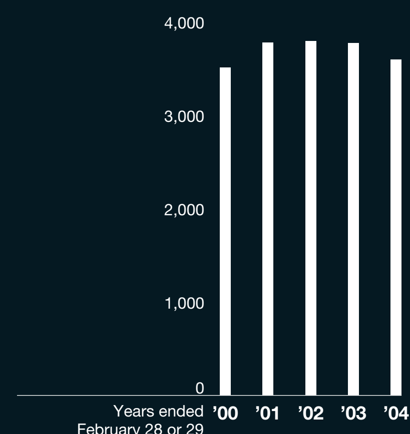
The decreasing birthrate in Japan has reduced domestic demand for children's fashions, and conditions in the children's fashion market have been made still more harsh by a rise in low-priced imports and growing sales of used clothing. Amid these conditions, Onward's sales of children's fashions were greatly affected by weather conditions, and sales of seasonal goods were generally weak. While sales of the KUMIKYOKU brand and seasonal goods fluctuated considerably, KUMIKYOKU FAM products showed smooth growth in sales centered on suburban shopping centers, making a major contribution to consolidated sales of children's fashions. Consolidated sales in Onward's Children's Fashion Business Group climbed 12.9%, to ¥9.1 billion, which represented 3.4% of net sales.



Sales of Children's Fashions
(Millions of yen)

Kimonos

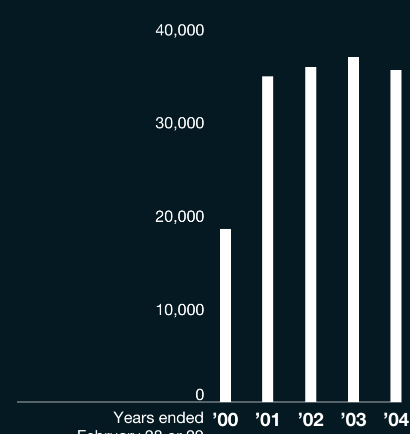
The market for kimonos has shrunk steadily for the past decade, but Onward achieved strong sales of KUMIKYOKU and NIJYU-SANKU brand *yukata* (cotton summer kimonos). Reinforcing its marketing activities at department stores, the Company was able to boost its sales of prêt-a-porter synthetic fabric kimonos and such other kimono-related products as sandals and bags, but a drop in sales of premium-fabric kimonos depressed overall sales in the kimono business segment. Thus, consolidated sales in Onward's Kimono Business Group decreased 4.8%, to ¥3.6 billion, making up 1.3% of the Company's net sales.



Sales of Kimonos
(Millions of yen)

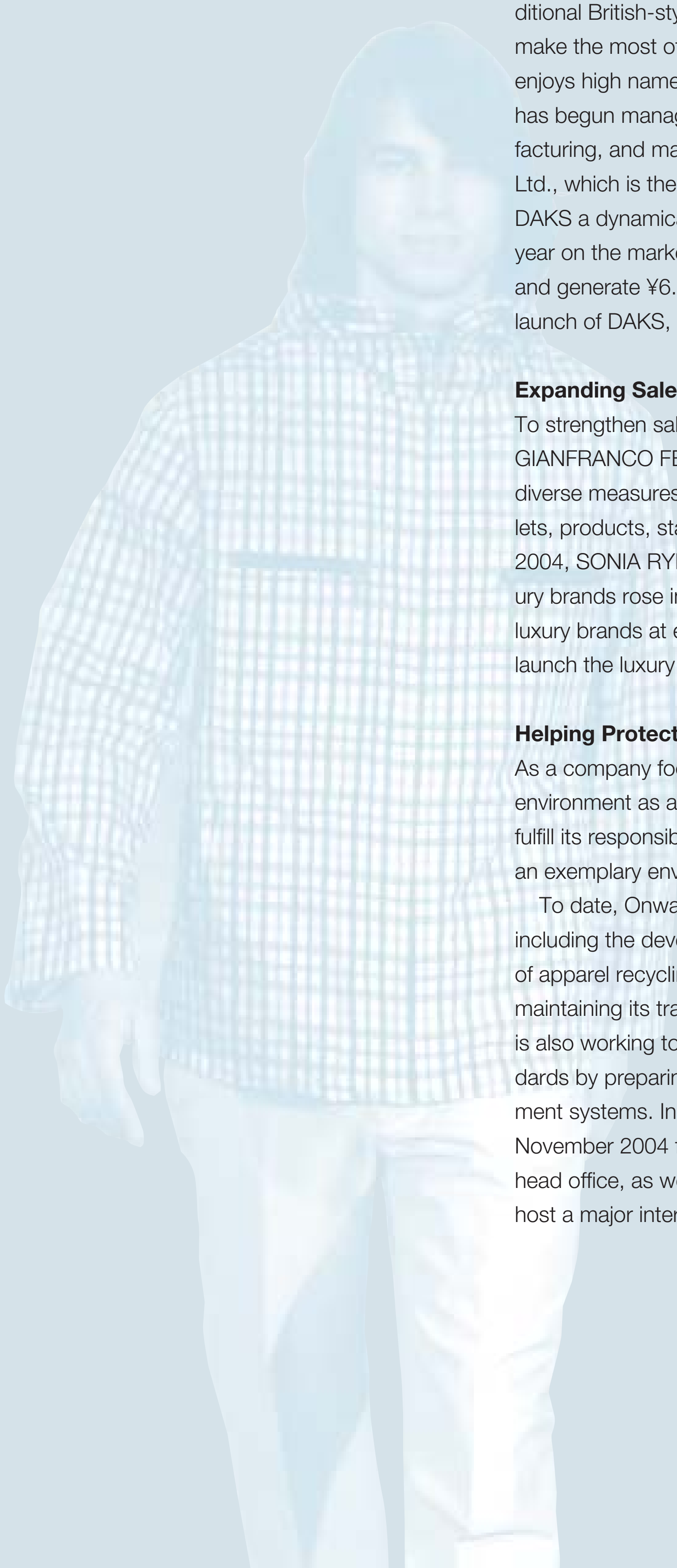
Other

The share of casual-style products in Japan's fashion jewelry market has steadily increased, while the size of the market has shrunk due a drop in bridal wear-related demand. However, although Onward's sales of bridal wear-related products declined, the strong brand identity of NIJYUSANKU, KUMIKYOKU, and ICB brand fashion jewelry products as well as the Company's efforts to respond to trends in demand for items for the buyers' own use and gift items supported rising sales. Sales of bags, objets d'art, and other goods also increased, reflecting higher sales of items styled for career women as well as shifting consumer preferences. Thus, other operations posted consolidated sales of ¥35.6 billion, down 3.8% from fiscal 2003, and represented 13.3% of net sales.



Sales of Other
(Millions of yen)

Topics



The New DAKS Brand

As a part of its Brand-Leveraged Management strategies, Onward launched the traditional British-style DAKS line of men's fashion in Japan in March 2004. Seeking to make the most of the strengths of the 100-year tradition of the DAKS brand, which enjoys high name recognition and a reputation for dependable high quality, Onward has begun managing the brand by concertedly applying its product planning, manufacturing, and marketing capabilities. Working in collaboration with Sankyo Seiko Co., Ltd., which is the master licensee for the brand in Japan, Onward is striving to make DAKS a dynamically powerful brand in domestic markets. In the brand's first fiscal year on the market, fiscal 2005, we are aiming to place DAKS products in 55 outlets and generate ¥6.0 billion in retail sales. In fiscal 2006, we expect to complete the launch of DAKS, generating ¥10 billion in retail sales at 100 outlets.

Expanding Sales of Luxury Brands

To strengthen sales of such luxury brands as SONIA RYKIEL, MISSONI, and GIANFRANCO FERRE, which it launched in spring 2003, Onward has implemented diverse measures to improve marketing operations, including efforts related to outlets, products, staff, and marketing methods. Reflecting these efforts, during fiscal 2004, SONIA RYKIEL brand sales surged 6.7%, to ¥5.9 billion, and total sales of luxury brands rose in line with the Company's plan. Preparation of sales spaces for the luxury brands at existing outlets is almost complete, and the Company will proactively launch the luxury brands at new outlets during fiscal 2005.

Helping Protect the Environment

As a company focused on consumer lifestyles, Onward views protecting the global environment as a highly important business objective. The Company is seeking to fulfill its responsibilities as a corporate citizen within international society by being an exemplary environment-friendly company.

To date, Onward has implemented numerous environmental protection initiatives, including the development of Eco J suits and biodegradable suits, the establishment of apparel recycling boxes, and the institution of green procurement programs. While maintaining its traditional proactive stance toward environmental protection, Onward is also working to more clearly demonstrate its high environmental protection standards by preparing to obtain ISO 14001 certification for its environmental management systems. In fiscal 2005, ISO 14001 certification is expected to be received in November 2004 for the Nihonbashi Building, which houses the Company's Tokyo head office, as well as for the Company's branch office in Nagoya, a city that will host a major international exposition during 2005.

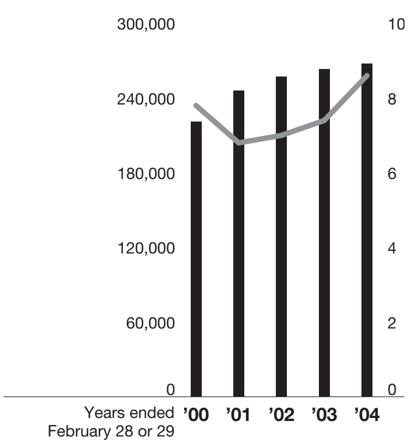
consolidated six-year summary

Consolidated Six-Year Summary

ONWARD KASHIYAMA Co., Ltd. and Subsidiaries
Years ended February 28 or 29

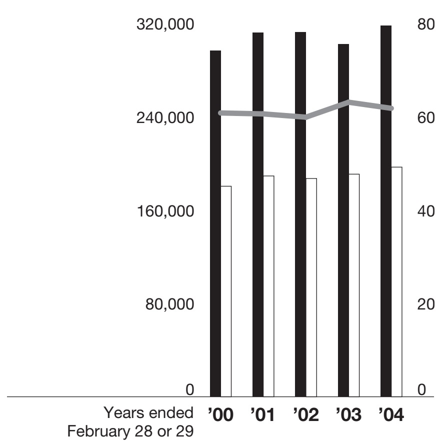
	Millions of yen						Thousands of U.S. dollars
	1999	2000	2001	2002	2003	**2004**	**2004**
At year-end:							
Total current assets	¥119,138	¥120,922	¥126,151	¥146,080	¥141,468	**¥165,931**	**$1,513,691**
Total property, plant and equipment	90,820	92,956	103,581	99,274	101,188	**96,017**	**875,909**
Total assets	291,484	296,715	312,258	312,443	302,188	**318,270**	**2,903,398**
Total current liabilities	69,691	79,636	78,985	99,673	80,147	**92,270**	**841,730**
Total shareholders' equity	185,287	180,415	189,236	187,039	190,755	**196,796**	**1,795,258**
For the year:							
Net sales	¥222,869	¥221,206	¥245,924	¥257,306	¥263,399	**¥267,746**	**$2,442,490**
Cost of sales	132,360	130,058	143,449	145,687	143,234	**143,921**	**1,312,905**
Selling, general and administrative expenses	73,700	73,887	85,731	93,499	100,558	**100,929**	**920,721**
Operating income	16,809	17,261	16,744	18,120	19,607	**22,896**	**208,864**
Income taxes, current	9,599	9,306	4,888	11,176	6,166	**13,868**	**126,513**
Net income	5,086	7,404	4,805	3,802	7,158	**13,053**	**119,079**
	Yen						U.S. dollars
Per share (Yen and U.S. dollars):							
Net income—Basic	¥30.0	¥43.0	¥27.9	¥22.1	¥41.6	**¥74.1**	**$0.676**
Cash dividends	16.5	16.5	16.5	16.5	16.5	**16.5**	**0.151**

Note: Yen amounts have been translated, for convenience only, at ¥109.62=US$1, the approximate exchange rate on February 29, 2004.



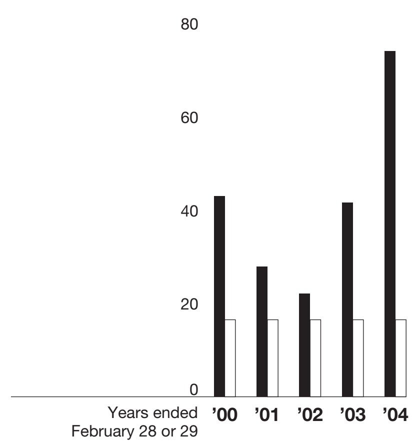
■ Net sales (left scale)
■ Operating income margin (right scale)

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



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

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



■ Net income per share
□ Cash dividends per share

Net Income and Cash Dividends Per Share
(Yen)

Overview

In fiscal 2004, ended February 29, 2004, the Japanese economy showed some signs of a gradual recovery, including an increase in private-sector capital investment sparked by improvements in corporate earnings and a pickup in export levels. However, employment conditions and the personal income environment remained lackluster, and the limited improvements did not lead to a full-fledged recovery. Furthermore, personal consumption, which exerts a strong influence on the apparel industry, failed to rebound amid persistent deflation, high unemployment, and other factors; thus, business conditions continued to be challenging.

Against the backdrop of this business environment, Onward continued, as it has for the past several years, to focus on a policy of Brand-Leveraged Management with a two-pronged strategy of strengthening product development and establishing a stable income base for its large-scale flagship brands NIJYUSANKU, KUMIKYOKU, ICB, JIYUKU, and GOTAIRIKU. In addition, the Company has implemented the full-scale launch of such brands as SONIA RYKIEL, MISSONI, and GIANFRANCO FERRE in the luxury apparel market. Furthermore, VANILLA CONFUSION, a new brand of women's clothing that Onward launched in autumn 2003, is moving toward securing a stable income base, enabling the Company to overcome the general market stagnation and steadily improve business performance.

Turning to its sales channel strategy, the Company focused its business expansion on department stores—its mainstay sales channel—including those in both urban shopping areas and commercial shopping centers, as well as on other sales channels into new distribution markets.

Furthermore, we drove sales expansion and strengthened our earnings base by implementing a comprehensive management system that spans demand forecasting, planning, production, and distribution to contribute to the creation of a supply chain management system while also utilizing our 52-week merchandising (MD) structure to construct a system able to accurately determine the optimal timing and merchandise mix for supply to retail outlets.

As a result of these factors, we again achieved growth in both sales and earnings in fiscal 2004, with net sales for the period edging up 1.7% from fiscal 2003, to ¥267.7 billion, operating income rising 16.8% year on year, to ¥22.9 billion, and net income gaining a full 82.4%, to ¥13.1 billion.

Results of Operations

Net Sales

Net sales for fiscal 2004 increased 1.7% from the previous fiscal year, to ¥267.7 billion, and, although this was only a slight increase, it marked the fourth consecutive year of growth in the Company's net sales. The increase was primarily attributable to the use of Brand-Leveraged Management to steadily strengthen the appeal of our leading brands amid lackluster consumer spending. Sales growth was led by the sales channel we refer to as "New Distribution" as well as by specific brands, including our KUMIKYOKU FAM line of children's apparel, which showed significant growth, and NIJYUSANKU, KUMIKYOKU, JIYUKU, KORS, and other brands in our lineup of women's apparel, which rose in their relative importance to Company sales. In other apparel businesses, performance in men's apparel was dampened by a contraction in the semi-custom suit business and the discontinuation of certain brands, while our Kimono business saw market competition intensify for premium traditional Japanese clothing. Overall sales in the Clothing Segment rose 1.6% from the previous term, to ¥255.1 billion.

However, sales in the Other Segment edged down 1.0% from fiscal 2003, to ¥25.3 billion.

Furthermore, in fiscal 2004 the Company decided to implement the following changes to make business operations more efficient.

1. Chacott Co., Ltd., was made a wholly owned subsidiary through a stock swap aimed at expanding our customer base and achieving other mutual benefits as well as to increase the overall Group value.
2. On Business Trend Co., Ltd., was put under liquidation to improve the corporate value of the CK Calvin Klein brand by concentrating business, planning, and production in the parent company.

3. Across Transport Co., Ltd., and Across Service Co., Ltd., were merged.
4. Support was provided to Onward Beach Resort Guam, Inc., to cover cumulative losses from the market devaluation of assets.
5. The head office provided financial assistance to Onward Kashiyama U.S.A. Inc. after the subsidiary was unable to regain its footing in the wake of the September 11, 2001, terrorist attacks.

Costs, Expenses, and Earnings

The cost of sales edged up 0.5% from fiscal 2003, to ¥143.9 billion. This was primarily due to increased net sales, but because it grew at a slower pace than net sales, gross profit rose 3.0%, to ¥123.8 billion, and the gross profit margin improved 0.6 percentage point, from 45.6%, to 46.2%.

Selling, general and administrative (SG&A) expenses rose 0.4% from the previous term, to ¥100.9 billion. This increase was relatively mild compared with that in net sales, and SG&A expenses as a percentage of net sales decreased 0.5 percentage point, to 37.7%, down from 38.2% in the previous fiscal year. Reduced costs were made possible through the implementation of the 52-week MD structure. As a result of the reduced costs and modest gain in net sales, operating income rose 16.8%, to ¥22.9 billion, for the third straight year of gains, while the ratio of operating income to net sales improved 1.2 percentage points from fiscal 2003, to 8.6%.

Other income (expenses) improved ¥6.4 billion, going from ¥2.2 billion in expenses in fiscal 2003, to ¥4.2 billion in income in fiscal 2004. The improvement was chiefly due to a ¥10.5 billion gain on the settlement of substitutional portion of governmental pension fund. This helped offset a ¥2.7 billion provision for allowance for doubtful accounts necessitated by business reorganization and assistance extended to overseas subsidiaries, as well as ¥3.7 billion in valuation losses on fixed assets and investments in unconsolidated subsidiaries and affiliates.

These factors contributed to a 55.2% increase in income before income taxes and minority interests, to ¥27.1 billion. The effective tax rate was high at 56.0% in the previous fiscal year due to losses of consolidated subsidiaries for which deferred tax assets are not recognized and other factors, but in fiscal 2004 it was down at 42.1%, which is nearly the same as the statutory tax rate, and the Company's tax burden decreased. This helped net income soar 82.4% in fiscal 2004, to a record-high ¥13.1 billion, sustaining the strong gains made in the previous period and, in turn, lifting the profit margin 2.2 percentage points from the previous term, to 4.9%. The return on equity (ROE) also improved 2.9 points, to 6.7%.

As indicated by its performance, the Onward Group is progressively strengthening its earnings base by utilizing Brand-Leveraged Management to reinforce the development of attractive products and the efficient management of subsidiaries and brands while pursuing a strategy aimed at establishing a supply chain management system and utilizing the 52-week MD system.

Financial Condition

The Onward Group's total assets as of the fiscal year-end were up 5.3%, or ¥16.1 billion, to ¥318.3 billion. This increase was largely due to a 17.3%, or ¥24.5 billion, rise in current assets. With regard to specific components of current assets, cash and time deposits were up ¥8.9 billion on the back of increased sales, other current assets grew by ¥7.8 billion due to growth in prepaid pension cost that accompanied the gain on the settlement of substitutional portion of governmental pension fund, and deferred tax assets—current were also up, rising ¥4.1 billion.

Property, plant and equipment declined ¥5.2 billion from the previous fiscal year-end, primarily due to losses related to the Guam resort business. Investments and advances dipped ¥2.0 billion as a result of decreases in investments in securities that accompanied the reorganization of subsidiaries and decreases in deferred tax assets.

Turning to liabilities, current liabilities increased ¥12.1 billion from the end of fiscal 2003. This was primarily accounted for by an ¥8.9 billion rise in accrued income taxes and a ¥4.8 billion expansion in trade payables. The increase in accrued income taxes was significant as accrued income taxes were relatively low in the prior fiscal year due to a refund in corporate taxes for the Onward Kashiyama parent company in that year. The expansion in trade payables resulted from the increase in net sales. Long-term liabilities receded ¥1.6 billion, led by a decline in accrued retirement benefits. Short-term bank loans continued to shrink, dropping ¥2.4 billion, to ¥17.5 billion.

Shareholders' equity grew 3.2%, or ¥6.0 billion, to ¥196.8 billion, due mainly to an increase in retained earnings accompanying the rise in net income. Despite the rise, the shareholders' equity ratio declined 1.3 percentage points from fiscal 2003, to 61.8% at the end of the term. In addition, the ratio of short-term bank loans to shareholders' equity was reduced 1.5 percentage points from fiscal 2003, to 8.9%. The current ratio improved 3.3 percentage points in fiscal 2004, to 179.8%.

Viewed as a whole, significant changes in the balance sheet were generally related to the reorganization and consolidation of subsidiaries and brands as a part of the Group's strategy to advance optimally efficient business management through the strategic allocation of business resources to promising brands and business opportunities, which was undertaken to benefit stockholders.

Cash Flows

Net cash provided by operating activities totaled ¥30.5 billion, up ¥15.0 billion from fiscal 2003, due to the increase in net sales, improvements in operating margins, and other factors.

Net cash used in investing activities increased ¥2.1 billion from the prior term, to ¥8.7 billion, largely a result of active investments in retail outlets and sales floors.

Net cash used in financing activities totaled ¥10.8 billion, owing mainly to ¥5.3 billion in fund outflows for the acquisition of treasury stock and other factors.

As a result of the aforementioned factors, the balance of cash and cash equivalents at the end of fiscal 2004 was up ¥10.9 billion from the end of the prior term, at ¥87.8 billion.

Policy on the Distribution of Profits

The Onward Group's management has long recognized as one of its top priorities the distribution of profit to shareholders. We will strive to continue to make stable dividend payments, while securing adequate internal capital resources to strengthen our financial base and actively expand operations, taking into overall account the business environment and performance trends. Based on these considerations, the Company acquired ¥5.3 billion in treasury stock in the period under review and, as of May 27, 2004, increased its cash dividend payment for the year from ¥16.5 per share to ¥20.0 per share. As a result, the payout ratio for fiscal 2004 was 34.3%, and the ratio of cash dividends to stockholders' equity was 1.8%.

Forward-Looking Statement

Despite signs of economic recovery, we expect challenging economic conditions to persist amid high unemployment, depressed personal incomes, unstable international conditions, and other areas of concern.

To counter these adverse economic conditions, the Onward Group will continue to actively apply Brand-Leveraged Management and will persevere in implementing its fiscal 2003 strategy to steadily expand existing brands, which are primarily marketed through department stores, as well as its luxury brand lines in their second year of marketing. We will also begin the full-scale marketing of VANILLA CONFUSION, which was launched in autumn 2003, and actively develop the newly created DAKS, which will be launched in spring 2005, in an effort to expand sales and secure a stable income base. In addition, as a part of a Group initiative to strategically allocate management resources, we transferred control of the CK Calvin Klein brand from a Group subsidiary, and will cultivate it as a large flagship brand.

The Company will pursue a growth strategy of expanding sales by strengthening cooperation between brand-centered business groups and the eight domestic regional marketing branches to enhance market competitiveness and improve management efficiency to achieve its goals.

For the fiscal year ending February 28, 2005, we anticipate a 3.1% increase in consolidated net sales, to ¥276.0 billion, and a 1.1% rise in consolidated net income, to ¥13.2 billion. These forecasts, based on information available to the Onward Group at the time of writing, include the possibility of latent risks and uncertainties. Please be aware that a variety of factors may affect the Group's forecasts, and cause actual results to differ significantly from projections.

Consolidated Balance Sheets

ONWARD KASHIYAMA Co., Ltd. and Subsidiaries
February 28, 2003 and February 29, 2004

	Millions of yen		Thousands of U.S. dollars (Note 2. (18))
ASSETS	2003	**2004**	**2004**
Current assets:			
Cash and time deposits (Note 2. (16))	¥ 79,191	**¥ 88,099**	**$ 803,678**
Trade receivables	29,049	**31,781**	**289,920**
Less: Allowance for bad debts	(213)	**(318)**	**(2,906)**
	28,836	**31,463**	**287,014**
Inventories	25,133	**26,158**	**238,626**
Deferred tax assets—current (Note 8)	3,116	**7,240**	**66,047**
Other current assets	5,192	**12,971**	**118,326**
Total current assets	141,468	**165,931**	**1,513,691**
Investments and advances:			
Investments in securities (Note 3)	15,820	**13,113**	**119,625**
Long-term loans (Note 14)	2,833	**6,089**	**55,548**
Deferred tax assets—non-current (Note 8)	9,776	**7,481**	**68,246**
Deferred tax assets—revaluation of land (Note 9)	1,701	**1,626**	**14,835**
Other investments	18,934	**18,791**	**171,419**
Total investments and advances	49,064	**47,100**	**429,673**
Property, plant and equipment (Note 5):			
Buildings and structures	67,464	**65,006**	**593,012**
Other depreciable property	18,052	**18,357**	**167,459**
Less: Accumulated depreciation	(41,164)	**(43,416)**	**(396,061)**
	44,352	**39,947**	**364,410**
Land (Note 9)	56,836	**56,070**	**511,499**
Total property, plant and equipment	101,188	**96,017**	**875,909**
Deferred charges and other assets	10,468	**9,222**	**84,125**
Excess investment costs over net assets of subsidiaries	1	**—**	**—**
	¥302,188	**¥318,270**	**$2,903,398**

The accompanying notes are an integral part of these statements.

LIABILITIES. MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 2. (18)) 2004
Current liabilities:			
Short-term bank loans (Note 16)	¥ 19,930	**¥ 17,491**	**$ 159,566**
Trade payables	43,000	**47,777**	**435,849**
Accrued expenses	6,863	**7,840**	**71,517**
Accrued income taxes	1,996	**10,867**	**99,131**
Consumption tax payable	1,504	**1,104**	**10,070**
Accrued bonuses to employees	2,807	**2,969**	**27,082**
Allowance for sales returns	1,409	**1,213**	**11,065**
Other current liabilities	2,638	**3,009**	**27,450**
Total current liabilities	80,147	**92,270**	**841,730**
Long-term liabilities:			
Long-term debt	4,957	**4,764**	**43,461**
Negative goodwill on consolidation	—	**1,790**	**16,328**
Accrued retirement benefits (Note 6)	8,088	**4,880**	**44,518**
Total long-term liabilities	13,045	**11,434**	**104,307**
Total liabilities	93,192	**103,704**	**946,037**
Minority interests in consolidated subsidiaries	18,241	**17,770**	**162,103**
Commitments and contingent liabilities (Note 10)			
Shareholders' equity:			
Common stock:			
Authorized—400,000,000 shares			
Issued—172,292,587 shares and 172,921,669 shares at February 28, 2003 and February 29, 2004, respectively	30,080	**30,080**	**274,399**
Capital surplus	49,135	**49,707**	**453,450**
Retained earnings (Note 11)	114,791	**124,575**	**1,136,429**
Net revaluation loss of land (Note 9)	(2,347)	**(2,373)**	**(21,642)**
Net unrealized gains (losses) on available-for-sale securities (Note 3)	(175)	**807**	**7,353**
Foreign currency translation adjustment	(637)	**(627)**	**(5,718)**
	190,847	**202,169**	**1,844,271**
Less: Treasury stock, at cost, 87,006 shares and 5,128,796 shares at February 28, 2003 and February 29, 2004, respectively	(92)	**(5,373)**	**(49,013)**
Total shareholders' equity	190,755	**196,796**	**1,795,258**
	¥302,188	**¥318,270**	**$2,903,398**

	Yen 2003	Yen 2004	U.S. dollars (Note 2. (18)) 2004
Per share (Note 13):			
Net assets per share	¥1,107.7	**¥1,170.0**	**$10.673**

Consolidated Statements of Income

ONWARD KASHIYAMA Co., Ltd. and Subsidiaries
For the years ended February 28, 2002, 2003 and February 29, 2004

	Millions of yen			Thousands of U.S. dollars (Note 2. (18))
	2002	2003	**2004**	**2004**
Net sales	¥257,306	¥263,399	**¥267,746**	**$2,442,490**
Cost of sales	145,687	143,234	**143,921**	**1,312,905**
Gross profit	111,619	120,165	**123,825**	**1,129,585**
Selling, general and administrative expenses	93,499	100,558	**100,929**	**920,721**
Operating income	18,120	19,607	**22,896**	**208,864**
Other income (expenses):				
Interest income	297	160	**149**	**1,363**
Interest expenses	(185)	(149)	**(128)**	**(1,162)**
Loss on disposal of property, net	(436)	(911)	**(1,169)**	**(10,671)**
Net gain on sale of investments in securities	2,444	1,338	**1,016**	**9,266**
Loss on write-down of investments in securities	(1,771)	(2,549)	**(15)**	**(133)**
Royalty income	1,106	1,030	**899**	**8,200**
Loss on liquidation of subsidiaries and affiliates	(617)	(72)	**(34)**	**(312)**
Additional retirement payments	(3,902)	(993)	**(54)**	**(494)**
Provision for allowance for doubtful accounts	(611)	—	**(2,744)**	**(25,032)**
Gain on securities contributed to employees' retirement benefit fund	8,542	—	**—**	**—**
Transition adjustment arising from adoption of the new accounting standard for retirement benefits (Note 2. (11))	(14,430)	—	**—**	**—**
Foreign currency exchange gain (loss)	1,991	(665)	**(734)**	**(6,695)**
Gain on the settlement of substitutional portion of governmental pension fund (Note 2. (11))	—	—	**10,471**	**95,524**
Valuation losses on investments in unconsolidated subsidiaries and affiliates	—	—	**(1,611)**	**(14,692)**
Valuation losses on fixed assets	—	(2)	**(2,103)**	**(19,191)**
Other, net	782	651	**244**	**2,231**
Income before income taxes and minority interests	11,330	17,445	**27,083**	**247,066**
Income taxes (Note 8):				
Current	11,176	6,166	**13,868**	**126,513**
Deferred	(4,884)	3,605	**(2,466)**	**(22,499)**
Prior-year income taxes	1,287	—	**—**	**—**
Income before minority interests	3,751	7,674	**15,681**	**143,052**
Minority interests in (earnings) losses of consolidated subsidiaries	51	(516)	**(2,628)**	**(23,973)**
Net income	¥ 3,802	¥ 7,158	**¥ 13,053**	**$ 119,079**

	Yen			U.S. dollars (Note 2. (18))
Per share (Note 13):				
Net income—Basic	¥22.1	¥41.6	**¥74.1**	**$0.676**
Cash dividends	16.5	16.5	**16.5**	**0.151**

Diluted net income per share is not disclosed because there were no securities with dilutive effect.
The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

ONWARD KASHIYAMA Co., Ltd. and Subsidiaries
For the years ended February 28, 2002, 2003 and February 29, 2004

	Number of shares of common stock (thousands)	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Net revaluation loss of land	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
Balance as at February 28, 2001:	172,293	¥30,080	¥49,135	¥110,022	¥ —	¥ —	¥ —	¥ (1)
Cash dividends	—	—	—	(2,843)	—	—	—	—
Directors' bonuses	—	—	—	(51)	—	—	—	—
Selling of treasury stock, net	—	—	—	—	—	—	—	(16)
Adjustment of retained earnings for newly consolidated subsidiaries	—	—	—	12	—	—	—	—
Net income for the year ended February 28, 2002	—	—	—	3,802	—	—	—	—
Net revaluation loss of land	—	—	—	—	(2,348)	—	—	—
Net unrealized losses on available-for-sale securities	—	—	—	—	—	(278)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(475)	—
Balance as at February 28, 2002:	172,293	30,080	49,135	110,942	(2,348)	(278)	(475)	(17)
Cash dividends	—	—	—	(2,843)	—	—	—	—
Directors' bonuses	—	—	—	(466)	—	—	—	—
Selling of treasury stock, net	—	—	—	—	—	—	—	(75)
Net income for the year ended February 28, 2003	—	—	—	7,158	—	—	—	—
Decrease in net revaluation loss of land	—	—	—	—	1	—	—	—
Net unrealized losses on available-for-sale securities	—	—	—	—	—	103	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	(162)	—
Balance as at February 28, 2003:	172,293	30,080	49,135	114,791	(2,347)	(175)	(637)	(92)
Cash dividends	**—**	**—**	**—**	**(2,841)**	**—**	**—**	**—**	**—**
Directors' bonuses	**—**	**—**	**—**	**(401)**	**—**	**—**	**—**	**—**
Gain on sales of treasury stock	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**2**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,283)**
Net income for the year ended February 29, 2004	**—**	**—**	**—**	**13,053**	**—**	**—**	**—**	**—**
Increase in net revaluation loss of land due to statutory tax rate change	**—**	**—**	**—**	**—**	**(53)**	**—**	**—**	**—**
Decrease in net revaluation loss of land	**—**	**—**	**—**	**(27)**	**27**	**—**	**—**	**—**
Net unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**982**	**—**	**—**
Foreign currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**10**	**—**
Issuance of new stock in exchange for Oak Co., Ltd.'s stock	**629**	**—**	**572**	**—**	**—**	**—**	**—**	**—**
Balance as at February 29, 2004	**172,922**	**¥30,080**	**¥49,707**	**¥124,575**	**¥(2,373)**	**¥807**	**¥(627)**	**¥(5,373)**

	Number of shares of common stock (thousands)	Thousands of U.S. dollars (Note 2. (18))						
		Common stock	Capital surplus	Retained earnings	Net revaluation loss of land	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustment	Treasury stock
Balance as at February 28, 2003:	172,293	$274,399	$448,230	$1,047,171	$(21,406)	$(1,598)	$(5,813)	$ (837)
Cash dividends	**—**	**—**	**—**	**(25,920)**	**—**	**—**	**—**	**—**
Directors' bonuses	**—**	**—**	**—**	**(3,658)**	**—**	**—**	**—**	**—**
Gain on sales of treasury stock	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**15**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(48,191)**
Net income for the year ended February 29, 2004	**—**	**—**	**—**	**119,079**	**—**	**—**	**—**	**—**
Increase in net revaluation loss of land due to statutory tax rate change	**—**	**—**	**—**	**—**	**(479)**	**—**	**—**	**—**
Decrease in net revaluation loss of land	**—**	**—**	**—**	**(243)**	**243**	**—**	**—**	**—**
Net unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**8,951**	**—**	**—**
Foreign currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**95**	**—**
Issuance of new stock in exchange for Oak Co., Ltd.'s stock	**629**	**—**	**5,220**	**—**	**—**	**—**	**—**	**—**
Balance as at February 29, 2004	**172,922**	**$274,399**	**$453,450**	**$1,136,429**	**$(21,642)**	**$7,353**	**$(5,718)**	**$(49,013)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

ONWARD KASHIYAMA Co., Ltd. and Subsidiaries
For the years ended February 28, 2002, 2003 and February 29, 2004

	Millions of yen			Thousands of U.S. dollars (Note 2. (18))
	2002	2003	**2004**	**2004**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥11,330	¥17,445	**¥27,083**	**$247,066**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	7,179	7,890	**7,531**	**68,701**
Increase (decrease) in provision for allowance for doubtful accounts	421	(658)	**2,683**	**24,477**
Increase (decrease) in provision for accrued retirement benefits	14,220	996	**(2,792)**	**(25,473)**
Gain on securities contributed to employees' retirement benefit fund	(8,542)	—	**—**	**—**
Net interest and dividend income	(272)	(43)	**(46)**	**(421)**
Loss on disposal of fixed assets	436	911	**1,169**	**10,671**
Net gain on sale of investments in securities	(2,444)	(1,338)	**(1,016)**	**(9,266)**
Loss on write-down of investments in securities	1,771	2,549	**15**	**133**
Valuation losses on investments in unconsolidated subsidiaries and affiliates	—	—	**1,611**	**14,692**
(Increase) decrease in trade receivables	830	2,363	**(2,746)**	**(25,054)**
(Increase) decrease in inventories	(89)	1,750	**(1,035)**	**(9,438)**
Increase (decrease) increase in trade payables	2,292	(2,396)	**4,942**	**45,087**
Other, net	(591)	1,492	**1,936**	**(17,665)**
Subtotal	26,541	30,961	**35,463**	**323,510**
Interest and dividends received	456	190	**178**	**1,627**
Interest paid	(185)	(156)	**(130)**	**(1,183)**
Income taxes paid	(3,992)	(15,494)	**(4,996)**	**(45,584)**
Net cash provided by operating activities	22,820	15,501	**30,515**	**278,370**
Cash flows from investing activities:				
Increase in time deposits	(6,017)	(2,283)	**(498)**	**(4,540)**
Decrease in time deposits	12,265	445	**493**	**4,494**
Acquisition of property, plant and equipment	(7,155)	(4,170)	**(4,183)**	**(38,157)**
Proceeds from sale of property, plant and equipment	231	316	**1,208**	**11,015**
Acquisition of investments in securities	(433)	(6,324)	**(412)**	**(3,754)**
Proceeds from sale of investments in securities	11,448	5,554	**1,907**	**17,394**
Net (increase) decrease in deferred charges	(4,096)	220	**(2,444)**	**(22,296)**
Payments for deposits	(2,279)	(2,182)	**(1,320)**	**(12,043)**
Proceeds from deposits	1,331	2,370	**668**	**6,095**
Other, net	(2,254)	(553)	**(4,123)**	**(37,608)**
Net cash (used in) provided by investing activities	3,041	(6,607)	**(8,704)**	**(79,400)**
Cash flows from financing activities:				
Proceeds from short-term loans	6,349	3,156	**688**	**6,283**
Repayments of short-term loans	(3,631)	(9,449)	**(3,073)**	**(28,035)**
Net repayments of long-term debt	—	(2,060)	**—**	**—**
Treasury stock	(16)	(75)	**(5,281)**	**(48,176)**
Dividends paid	(2,843)	(2,843)	**(2,841)**	**(25,920)**
Dividends paid to minority stockholders	(164)	(196)	**(337)**	**(3,075)**
Other, net	—	—	**(3)**	**(29)**
Net cash used in financing activities	(305)	(11,467)	**(10,847)**	**(98,952)**
Effect of exchange rate changes on cash and cash equivalents	52	(18)	**(61)**	**(558)**
Increase (decrease) in cash and cash equivalents	25,608	(2,591)	**10,903**	**99,460**
Cash and cash equivalents at beginning of year	53,819	79,499	**76,908**	**701,590**
Increase in cash and cash equivalents due to changes in the scope of consolidation	72	—	**—**	**—**
Cash and cash equivalents at end of year (Note 2. (16))	¥79,499	¥76,908	**¥87,811**	**$801,050**

The accompanying notes are an integral part of these statements.

ONWARD KASHIYAMA Co., Ltd. and Subsidiaries

1. Basis of Presentation of the Consolidated Financial Statements

Accounting Principles

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

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan. The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows of the Company and its consolidated subsidiaries in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 47 subsidiaries as at February 29, 2004 (53 as at February 28, 2003, 55 as at February 28, 2002). The accompanying consolidated financial statements include the accounts of the Company and its 17 subsidiaries (23 for 2003 and 2002). The 17 subsidiaries which have been consolidated with the Company are listed below (the Company and these consolidated subsidiaries are together referred to as the "Companies"):

Name of subsidiary	Equity ownership percentage	Closing date
Impact 21 Co., Ltd.	41.1%	February 29
Onward Life Design Network Co., Ltd.	100.0	February 29
Freed of London Ltd.	100.0	December 31
O & K Co., Ltd.	100.0	February 29
Onward Beach Resort Co., Ltd.	100.0	December 31
Donna Karan Japan K.K.	100.0	December 31
Onward Creative Center Co., Ltd.	100.0	February 29
Excel Co., Ltd.	100.0	February 29
Across Transport Co., Ltd.	100.0	February 29
On Business Trend Co., Ltd.	100.0	February 29
Onward Marine Co., Ltd.	100.0	February 29
Personal Order Japan Co., Ltd.	100.0	February 29
Onward Beach Resort Guam, Inc.	100.0	December 31
Bus Stop Co., Ltd.	100.0	February 29
Oak Co., Ltd.	100.0	February 29
Chacott Co., Ltd.	60.5	February 29
BOOKLET CORP.	100.0	February 29

+A VIA BUS CO., LTD. and Field Dream Co., Ltd. were liquidated in 2003. On Business Trend Co., Ltd. is under liquidation as of February 29, 2004. By exchange of stock, Oak Co., Ltd. became a 100% owned subsidiary on April 1, 2003. Acty 21 Co., Ltd., and Partner 21 Co., Ltd. have been merged with Impact 21 Co., Ltd. and changed its name to Impact 21 Co., Ltd. in 2003. Across Service Co., Ltd. has been merged with Across Transport Co., Ltd. and changed its name to Across Transport Co., Ltd. in 2003.

Financial statements of Donna Karan Japan K.K., Onward Beach Resort Co., Ltd., Onward Beach Resort Guam, Inc., and Freed of London Ltd., which have a fiscal year-end of December 31, have been used for consolidation. Significant transactions between January 1 and February 29 are reflected in the consolidated financial statements.

The remaining 30 subsidiaries (30 for 2003, 32 for 2002) were not consolidated because their combined assets, net sales, net income, and retained earnings in the aggregate were not material compared with those of the consolidated financial statements of the Companies.

(2) Consolidation and Elimination

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

The assets and liabilities of consolidated subsidiaries are incorporated into the financial statements at fair value at the time of acquisition, and the difference between the cost of investments in consolidated subsidiaries and the equity in their net assets at dates of acquisition is amortized equally over a five-year period.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

Although the Company had 30 unconsolidated subsidiaries (30 in 2003, 32 in 2002) and 5 affiliates (3 in 2003 and 4 in 2002) as at February 29, 2004, the equity method was not applied to any of those subsidiaries and affiliates except for Polo Ralph Lauren Japan Co., Ltd. This was because investment in the unconsolidated subsidiaries and affiliates would not have had a material effect on the stocks of consolidated financial statements.

Since Polo Ralph Lauren Japan Co., Ltd. was acquired at the 2003 fiscal year-end, the equity method has been applied to the investment since the 2004 fiscal year.

(4) Inventories

Inventories are stated at cost, cost being determined generally by the last purchase invoice price method which approximates the first-in, first-out cost method. Merchandise held at retail stores is valued at the retail cost method.

When the net realizable value of certain classes of inventories (consisting primarily of seasonal merchandise which remains unsold after the end of such seasons) is substantially less than the carrying value (cost), and the decline of value is not expected to be recovered in the near future, appropriate write-downs are recorded on such inventory items. The amount of write-down is determined based on the experience of sales of merchandise similar to those unsold items during the immediately preceding three years. At February 28, 2003 and February 29, 2004, recorded write-downs were ¥9,347 million and ¥10,335 million ($94,285 thousand), respectively.

Unconsolidated subsidiaries and affiliates are stated at the cost determined by the moving-average method.

(5) Investments in Securities

Debt securities and equity securities designated as available for sale (“other securities”), whose fair values are readily determinable, are carried at fair values prevailing at the fiscal year-end date with unrealized gains or losses included as a component of shareholders’ equity, net of applicable taxes.

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

(6) Derivative Transactions

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

(7) Hedge Accounting

All gains or losses arising from changes in fair values of the derivatives designated as “hedging instruments” are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized. For foreign exchange forward contracts, if they meet conditions for hedge accounting, the difference between 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 by the Company are principally foreign exchange forward contracts. The related hedged items are trade accounts payable and trade accounts receivable denominated in foreign currencies, and scheduled transactions.

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

(8) Property, Plant and Equipment

Depreciation is computed using the declining-balance method at rates based on the estimated useful lives of assets which are prescribed by Japanese income tax regulations except for certain buildings.

The Companies compute depreciation expense for buildings (other than improvements) acquired on and after April 1998 by the straight-line method pursuant to the amendment to the Japanese income tax law.

(9) Amortization

Intangible assets and long-term prepaid expenses are amortized on a straight-line method over the period prescribed by the Japanese Commercial Code or tax regulations.

Software costs for internal use are amortized over their expected useful lives (5 years or less) on a straight-line method.

(10) Income Taxes

Income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income tax, local inhabitant taxes and enterprise taxes.

(11) Allowances

An allowance for bad debts is provided for estimated losses on known bad debts and doubtful accounts at the balance sheet date.

Accrued bonuses to employees are provided for at an amount determined based on the estimated bonuses to employees which were incurred at the balance-sheet date.

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

Accrued retirement benefits are provided for at the present value of the projected benefit obligation less the estimated fair value of plan assets and deferred gains or losses at the balance-sheet date. Until the year ended February 28, 2001, the Company provided for accrued retirement benefits (unfunded) in an amount equivalent to 100% of the liabilities payable to all employees eligible for such benefits upon their voluntary retirement at the balance-sheet date, less the accumulated balance of fund assets for the pension plan. As at February 28, 2001, fund assets aggregated ¥7,339 million with the past service liabilities being amortized over a six-year period.

Effective from the year ended February 28, 2002, the Company and its consolidated subsidiaries adopted the “New Accounting Standard for Retirement Benefits.” The unrecognized difference of ¥14,430 million arising from adopting the new standard (the “transition adjustment”) has been fully amortized for the year ended February 28, 2002. Unrecognized prior service costs are amortized and charged/credited to income on a straight-line basis over 5 to 10 years, which are within the related employees’ average remaining service years. Unrecognized actuarial differences are amortized on a straight-line basis over 5 to 10 years, which are within the related employees’ average remaining service years from the year following the one in which they arise.

Following the enactment of the Defined Benefit Corporate Pension Plan Law in Japan, on September 25, 2003, the Company and certain consolidated subsidiaries, obtained approval from Japan's Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the portion of the Employee Pension Fund that the Company and its consolidated subsidiaries operate on behalf of the Government (the so-called substitutional portion). The Company and the subsidiaries applied transitional provisions as prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No. 13 issued by the Japanese Institute of Certified Public Accountants) and recognized a gain in the amount of ¥10,471 million ($95,524 thousand) for the settlement of the substitutional portion was recognized at the date of approval from Japan's Ministry of Health, Labour and Welfare.

The amount of plan assets to be transferred to the Government was computed at ¥21,743 million ($198,351 thousand) as of February 29, 2004.

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

While these companies have no legal obligation, it is the customary practice in Japan to make lump-sum payments to a director or a statutory auditor upon retirement under the approval of the general meeting of shareholders.

(12) Accounting for Leases

Finance leases other than those which are deemed to transfer the ownership of the lease assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.

(13) Accounting for Consumption Tax

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

(14) Dividends

Under the resolution of the general meeting of shareholders held on May 27, 2004, the Board of Directors declared a cash dividend of ¥3,356 million ($30,614 thousand), ¥20.0 ($0.182) per share, which was applicable to earnings of the year ended February 29, 2004 and payable to shareholders on the register on February 29, 2004.

(15) Net Assets, Net Income and Dividends per Share

Effective from the fiscal year ended February 29, 2004, the Company and its domestic consolidated subsidiaries applied the Financial Accounting Standards No. 2 "Financial Accounting Standards for Earnings per Share" and the Financial Accounting Standards Implementation Guidance No. 4 "Implementation Guidance for Accounting Standards for Earnings per Share" issued by Accounting Standard Board of Japan on September 25, 2002.

The effect of the adoption is set forth in Note 13.

(16) Cash and Cash Equivalents

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

Cash and cash equivalents at February 28, 2003 and February 29, 2004 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Cash and time deposits	¥79,191	**¥88,099**	**$803,678**
Time deposits with a maturity of more than three months	(2,283)	**(288)**	**(2,628)**
Cash and cash equivalents	¥76,908	**¥87,811**	**$801,050**

(17) Reclassification of Accounts

Certain prior year amounts have been reclassified to conform with the current year's presentation.

(18) United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥109.62=US$1, the rate of exchange as of February 29, 2004, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at the rate or any other rate.

3. Investments in Securities

(1) Information as of and for the Year Ended February 29, 2004

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

Investments in securities whose fair values were available at February 29, 2004, are analyzed as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Fair value (Carrying value)	Difference	Acquisition cost	Fair value (Carrying value)	Difference
Securities with unrealized gains:						
Equity securities	**¥1,373**	**¥2,873**	**¥1,500**	**$12,528**	**$26,211**	**$13,683**
Total	**1,373**	**2,873**	**1,500**	**12,528**	**26,211**	**13,683**
Securities with unrealized losses:						
Equity securities	**728**	**606**	**(122)**	**6,644**	**5,527**	**(1,117)**
Total	**728**	**606**	**(122)**	**6,644**	**5,257**	**(1,117)**
Total	**¥2,101**	**¥3,479**	**¥1,378**	**$19,172**	**$31,738**	**$12,566**

(b) Other securities sold during the year ended February 29, 2004:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Proceeds from sale of other securities	**¥1,907**	**$17,394**
Gross realized gain on sale of other securities	**1,016**	**9,266**
Gross realized loss on sale of other securities	**—**	**—**

(c) Major securities which are not stated at fair values as of February 29, 2004:

	Millions of yen	Thousands of U.S. dollars
Other securities:		
Non-listed equity securities	**¥ 786**	**$ 7,166**
Non-listed foreign bonds	**4,400**	**40,139**
Subtotal	**5,186**	**47,305**
Investments in equity securities of unconsolidated subsidiaries and affiliates	**6,448**	**58,827**
Total	**¥11,634**	**$106,132**

(d) Redemption and maturity schedule of debt securities classified as other securities:

	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Non-listed foreign bonds	**¥2,000**	**¥—**	**¥2,400**	**¥—**	**$18,245**	**$—**	**$21,894**	**$—**

(2) Information as of and for the Year Ended February 28, 2003

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

Investments in securities whose fair values were available at February 28, 2003, are analyzed as follows:

	Millions of yen		
	Acquisition cost	Fair value (Carrying value)	Difference
Securities with unrealized gains:			
Equity securities	¥ 298	¥ 376	¥ 78
Total	298	376	78
Securities with unrealized losses:			
Equity securities	2,624	2,246	(378)
Total	2,624	2,246	(378)
Total	¥2,922	¥2,622	¥(300)

An impairment loss of ¥2,513 million was recognized for the decline of fair value of the available-for-sale equity securities for the year ended February 28, 2003.

(b) Other securities sold during the year ended February 28, 2003:

	Millions of yen
Proceeds from sale of other securities	¥3
Gross realized gain on sale of other securities	—
Gross realized loss on sale of other securities	1

(c) Major securities which are not stated at fair values as of February 28, 2003:

	Millions of yen
Other securities:	
Non-listed equity securities	¥ 775
Non-listed foreign bonds	4,400
Subtotal	5,175
Investments in equity securities of unconsolidated subsidiaries and affiliates	8,023
Total	¥13,198

(d) Redemption and maturity schedule of debt securities classified as other securities:

	Millions of yen			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Non-listed foreign bonds	¥—	¥—	¥4,400	¥—

4. Derivative Transactions

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

The Company and its consolidated subsidiaries applied hedge accounting for all derivative transactions as of February 28, 2003 and February 29, 2004, therefore, no market value information is disclosed.

5. Property, Plant and Equipment

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

Property, plant and equipment at February 28, 2003 and February 29, 2004, were reduced by ¥8,752 million and ¥8,658 million ($78,983 thousand), respectively, representing accumulated deferred gains from eligible prior sales.

6. Retirement Plan and Retirement Benefits

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

The reserve for retirement benefits as of February 29, 2004, is analyzed as follows:

As of February 29, 2004	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations	**¥(34,940)**	**$(318,734)**
Plan assets (including employees' retirement benefit fund)	**36,571**	**333,613**
Funded status	**1,631**	**14,879**
Unrecognized prior service costs	**(273)**	**(2,487)**
Unrecognized actuarial differences	**3,413**	**31,130**
Subtotal	**4,771**	**43,522**
Prepaid pension cost	**7,969**	**72,695**
Accrued pension and severance costs	**¥ (3,198)**	**$ (29,173)**

Net pension expense for the year ended February 29, 2004, was as follows:

For the year ended February 29, 2004	Millions of yen	Thousands of U.S. dollars
Service cost	**¥2,030**	**$18,523**
Interest cost	**1,229**	**11,207**
Expected return on plan assets	**(588)**	**(5,362)**
Amortization of unrecognized prior service costs	**(111)**	**(1,009)**
Amortization of unrecognized actuarial differences	**1,682**	**15,340**
Net pension expense	**¥4,242**	**$38,699**

Assumptions used in the calculation of the aforementioned information were as follows:

	As of February 29, 2004
Method of attributing the projected benefits to periods of service	**Straight-line basis**
Discount rate	**2.0% (2.0 to 2.5% at the beginning)**
Expected rate of return on plan assets	
Welfare benefit plan	**1.5 to 2.0%**
Tax qualified pension plans	**0.8 to 1.5%**
Amortization of unrecognized prior service costs	**5 to 10 years**
Amortization of unrecognized actuarial differences	**5 to 10 years**

The reserve for retirement benefits as of February 28, 2003, is analyzed as follows:

	Millions of yen
Projected benefit obligations	¥(73,099)
Plan assets (including employees' retirement benefit fund)	48,006
Funded status	(25,093)
Unrecognized prior service costs	(1,349)
Unrecognized actuarial differences	21,840
Subtotal	(4,602)
Prepaid pension cost	1,388
Accrued pension and severance costs	¥ (5,990)

Net pension expense for the year ended February 28, 2003 was as follows:

	Millions of yen
Service cost	¥2,520
Interest cost	1,907
Expected return on plan assets	(997)
Amortization of transition adjustment	(165)
Amortization of unrecognized actuarial differences	1,211
Net pension expense	¥4,476

Assumptions used in the calculation of the aforementioned information were as follows:

	As of February 28, 2003
Method of attributing the projected benefits to periods of service	Straight-line basis
Discount rate	2.0 to 2.5% (2.0 to 3.0% at the beginning)
Expected rate of return on plan assets	
Welfare benefit plan	2.0 to 2.7%
Tax qualified pension plans	1.1 to 1.5%
Amortization of unrecognized prior service costs	5 to 10 years
Amortization of unrecognized actuarial differences	5 to 10 years

7. Lease Transactions

The Company's finance lease contracts which are not deemed to transfer the ownership of the leased assets to lessees are not capitalized, which is permitted by the Japanese accounting principles. Certain key information on such lease contracts of the Companies for the years ended February 28, 2003 and February 29, 2004, are as follows.

(Lessee)

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004			**2004**		
	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total
Acquisition cost	**¥2,670**	**¥1,354**	**¥4,024**	**$24,356**	**$12,355**	**$36,711**
Accumulated depreciation	**(1,392)**	**(745)**	**(2,137)**	**(12,702)**	**(6,798)**	**(19,500)**
Net book value	**¥1,278**	**¥ 609**	**¥1,887**	**$11,654**	**$ 5,557**	**$17,211**

	Millions of yen		
	2003		
	Tools, furniture, and fixtures	Other	Total
Acquisition cost	¥2,745	¥1,101	¥3,846
Accumulated depreciation	(1,358)	(516)	(1,874)
Net book value	¥1,387	¥ 585	¥1,972

The scheduled maturities of future lease payments on such lease contracts as of February 28, 2003 and February 29, 2004, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Scheduled maturities of future leases:			
Due within one year	¥ 817	**¥ 828**	**$ 7,553**
Due over one year	1,213	**1,102**	**10,053**
	¥2,030	**¥1,930**	**$17,606**

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Lease expenses for the year	¥958	**¥756**	**$6,894**
Depreciation	958	**756**	**6,894**

(Lessor)

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004			**2004**		
	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total
Acquisition cost	**¥—**	**¥75**	**¥75**	**$—**	**$685**	**$685**
Accumulated depreciation	**¥—**	**(36)**	**(36)**	**—**	**(330)**	**(330)**
Net book value	**¥—**	**¥39**	**¥39**	**$—**	**$355**	**$355**

	Millions of yen		
	2003		
	Tools, furniture, and fixtures	Other	Total
Acquisition cost	¥ 7	¥71	¥78
Accumulated depreciation	(5)	(47)	(52)
Net book value	¥ 2	¥24	¥26

The scheduled maturities of future lease income on such lease contracts as of February 28, 2003 and February 29, 2004, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Scheduled maturities of future lease income:			
Due within one year	¥ 33	**¥ 33**	**$ 304**
Due over one year	74	**77**	**703**
	¥107	**¥110**	**$1,007**

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Lease income for the year	¥20	**¥16**	**$149**
Depreciation	15	**17**	**160**

8. Income Taxes

Deferred tax assets and liabilities as at February 28, 2003 and February 29, 2004, consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Deferred tax assets:			
Valuation loss on inventories	¥ 2,801	**¥ 2,828**	**$ 25,798**
Evaluation loss on investments in unconsolidated subsidiaries	475	**1,392**	**12,698**
Excess amount of tax-deductible accrued bonuses to employees	698	**995**	**9,077**
Excess amount of tax-deductible accrued employees' retirement benefits	10,411	**6,381**	**58,210**
Allowance for directors' retirement benefits	882	**677**	**6,176**
Tax loss carryforwards	13,170	**12,218**	**111,458**
Others	3,441	**8,604**	**78,489**
Subtotal	31,878	**33,095**	**301,906**
Valuation allowance	(15,240)	**(14,342)**	**(130,833)**
Total deferred tax assets	16,638	**18,753**	**171,073**
Deferred tax liabilities:			
Gain on securities contributed to an employee retirement benefit trust	(3,589)	**(3,474)**	**31,691**
Provision for deferred capital gains on real property	(25)	**(23)**	**(210)**
Other	(132)	**(561)**	**(5,118)**
Total deferred tax liabilities	(3,746)	**(4,058)**	**(37,019)**
Net deferred tax assets	¥12,892	**¥14,695**	**$134,054**

Reconciliation between the statutory tax rate and the effective tax rate for the year ended February 28, 2003 is as follows:

	%
	2003
Statutory tax rate	42.0%
(Reconciliation)	
Nondeductible items (entertainment expense, etc.)	2.1
Losses of consolidated subsidiaries to which deferred tax assets are not recognized	11.3
Tax recognition on liquidation of consolidated subsidiaries	(5.6)
Eliminated gains on sale of equities of consolidated subsidiaries	4.5
Other	1.7
Effective tax rate	56.0%

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended February 29, 2004 has not been disclosed because such a difference is immaterial.

Legislation was issued at March 31, 2003, which amended a part of local taxes. Thus, the statutory tax rate which was used to calculate deferred tax assets and deferred tax liabilities for temporary differences that are expected to reverse beginning March 1, 2005, was changed accordingly from 42.1% to 40.7%. As a result, deferred tax assets, net of deferred tax liabilities, as of February 29, 2004, decreased by ¥250 million ($2,281 thousand), income tax expense—deferred for the year then ended increased by ¥250 million ($2,281 thousand), and net revaluation loss of land decreased by ¥53 million ($479 thousand).

9. Revaluation of Land

In the year ended February 28, 2002, the Company revaluated land for its business use at a market value as a result of application of the law, which permits a one-time revaluation of land for business use.

The revaluation loss amounted to ¥3,999 million ($36,477 thousand) , the related deferred tax asset recognized is ¥1,626 million ($14,835 thousand), and the net revaluation loss of ¥2,373 million ($21,642 thousand) is presented as a separate component of shareholders' equity as a "net revaluation loss of land".

The difference between the market value of land subject to the revaluation and the book value was ¥5,101 million ($46,542 thousand) as at February 29, 2004.

10. Commitments and Contingent Liabilities

The Company was contingently liable as a guarantor for certain affiliates' bank loans and for customers. The outstanding balance guaranteed as at February 28, 2003 and February 29, 2004, aggregated ¥5,026 million and ¥3,147 million ($28,715 thousand), respectively.

11. Legal Reserve and Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Company's Articles of Incorporation, a proposal for appropriation of retained earnings must be submitted by the Board of Directors to the shareholders' meeting held within three months following the fiscal year-end for shareholders' approval.

The appropriation of retained earnings reflected in the accompanying Consolidated Statements of Income represents the result of such an appropriation applicable to the preceding fiscal period.

Under Japanese accounting practices, bonuses to directors and statutory auditors are paid out of retained earnings instead of being charged to income of the year, and constitute a part of the appropriation explained above.

The Japanese Commercial Code requires that an amount equal to at least 10% of any payment by way of appropriation of retained earnings be set aside as a legal reserve until the total additional paid-in capital and a legal reserve equals 25% of paid-in capital. An additional paid-in capital and/or a legal reserve in excess of 25% of stated capital in total may be reduced by resolution of the shareholders, which may be available for distribution to shareholders.

12. Subsequent Events

Subsequent to February 29, 2004, the Company's Board of Directors proposed a plan for the appropriation of retained earnings applicable to the year ended February 29, 2004, which was approved at the general meeting of shareholders held on May 27, 2004.

The approved appropriation of retained earnings is shown below:

	Millions of yen	Thousands of U.S. dollars
Reversal of a reserve for deferred capital gains on real property	¥ 1	$ 6
Appropriations:		
Cash dividends (¥20.0 per share)	(3,356)	(30,614)
Directors' bonuses	(421)	(3,840)
Arbitrary reserves:		
Reserve for deferred capital gains on real property	(1)	(7)
General reserve	(6,000)	(54,735)
	¥(9,777)	$(89,190)

13. Net Assets, Net Income and Dividends per Share

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

Effective from the year ended February 29, 2004, the Company and its subsidiaries applied the Financial Accounting Standards No. 2 "Financial Accounting Standards for Earnings per Share" and the Financial Accounting Standards Implementation Guidance No. 4 "Implementation Guidance for Accounting Standards for Earnings per Share" issued by Accounting Standard Board of Japan on September 25, 2002.

Basis for the calculation of net income per share for the year ended February 29, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
Net income	¥13,053	$119,079
Less: Components not pertaining to common shareholders		
Bonuses to directors and corporate auditors	(479)	(4,371)
Net income pertaining to common stock	¥12,574	$114,708
Average outstanding shares of common stock		169,754,659 shares

By applying the previous method, the amounts of net income per share and net assets per share for the year ended February 29, 2004, are calculated as follows:

	Yen	U.S. dollars
Net income per share	¥ 76.9	$ 0.701
Net assets per share	1,172.9	10.699

Cash dividends per share shown for each year in the accompanying Consolidated Statements of Income represent dividends declared as applicable to the respective years, rather than those paid in the respective years.

14. Related Party Transaction

Year ended February 28, 2003

The disclosure for related party transactions is omitted as there have been no significant transactions with related parties.

Year ended February 29, 2004

The Company lent ¥3,300 million (US$30,104 thousand) to ONWARD KASHIYAMA U.S.A. INC., a 100% owned subsidiary of the Company, during the year and the outstanding balance as at February 29, 2004 in the same amount was included in long-term loans. Interest rate is based on the market rate and the repayment is scheduled at a time on the due date.

15. Segment Information

(1) Industry Segment Information

The Company and its consolidated subsidiaries operate principally in two industrial segments, "Clothing" and "Other."

The Clothing Division produces and sells a wide range of women's and men's clothing, including: dresses, suits, shirts, skirts, sweaters, trousers, and casualwear.

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

Segment information classified by industry segment of the Companies for each of the two years ended February 29, 2004 and February 28, 2003 is as follows:

Year ended February 29, 2004	Millions of yen				
	Industry segment			Elimination of intersegment sales	Consolidated total
	Clothing	Other	Total		
Sales to outside customers	**¥255,111**	**¥12,635**	**¥267,746**	**¥ —**	**¥267,746**
Intersegment sales	**19**	**12,632**	**12,651**	**(12,651)**	**—**
Total	**255,130**	**25,267**	**280,397**	**(12,651)**	**267,746**
Costs and expenses	**232,209**	**25,361**	**257,570**	**(12,720)**	**244,850**
Operating income (loss)	**¥ 22,921**	**¥ (94)**	**¥ 22,827**	**¥ 69**	**¥ 22,896**
Assets	**¥298,909**	**¥38,384**	**¥337,293**	**¥(19,023)**	**¥318,270**
Depreciation	**6,573**	**1,026**	**7,599**	**(68)**	**7,531**
Capital expenditures	**6,858**	**336**	**7,194**	**(47)**	**7,147**

Year ended February 29, 2004	Thousands of U.S. dollars				
	Industry segment			Elimination of intersegment sales	Consolidated total
	Clothing	Other	Total		
Sales to outside customers	**$2,327,231**	**$115,259**	**$2,422,490**	**$ —**	**$2,442,490**
Intersegment sales	**171**	**115,233**	**115,404**	**(115,404)**	**—**
Total	**2,327,402**	**230,492**	**2,557,894**	**(115,404)**	**2,442,490**
Costs and expenses	**2,118,306**	**231,358**	**2,349,664**	**(116,038)**	**2,233,626**
Operating income (loss)	**$ 209,096**	**$ (866)**	**$ 208,230**	**$ 634**	**$ 208,864**
Assets	**$2,726,778**	**$350,152**	**$3,076,930**	**$(173,532)**	**$2,903,398**
Depreciation	**59,960**	**9,366**	**69,326**	**(625)**	**68,701**
Capital expenditures	**62,564**	**3,064**	**65,628**	**(433)**	**65,195**

Year ended February 28, 2003	Millions of yen				
	Industry segment			Elimination of intersegment sales	Consolidated total
	Clothing	Other	Total		
Sales to outside customers	¥251,207	¥12,192	¥263,399	¥ —	¥263,399
Intersegment sales	117	13,332	13,449	(13,449)	—
Total	251,324	25,524	276,848	(13,449)	263,399
Costs and expenses	231,654	25,562	257,216	(13,424)	243,792
Operating income (loss)	¥ 19,670	¥ (38)	¥ 19,632	¥ (25)	¥ 19,607
Assets	¥281,164	¥42,314	¥323,478	¥(21,290)	¥302,188
Depreciation	6,950	1,031	7,981	(91)	7,890
Capital expenditures	7,733	1,345	9,078	(130)	8,948

(2) Geographic Segment Information

Geographic segment information is omitted because more than 90% of total sales and total assets relate to only the domestic segment.

(3) Overseas Sales

Overseas sales information is omitted because the total overseas sales of the Companies is under 10% of consolidated sales amount.

16. Loans

Short-term loans at February 28, 2003 and February 29, 2004 represented loans, principally from banks. The weighted-average interest rates on these loans were 0.6% in 2003 and 2004, respectively.

Report of Independent Accountants

To the Board of Directors and Shareholders of ONWARD KASHIYAMA Co., Ltd.:

We have audited the accompanying consolidated balance sheets of ONWARD KASHIYAMA Co., Ltd. and its consolidated subsidiaries as of February 28, 2003 and February 29, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended February 29, 2004, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ONWARD KASHIYAMA Co., Ltd. and its consolidated subsidiaries as of February 28, 2003 and February 29, 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 29, 2004, in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2. (18) to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
May 27, 2004

Non-Consolidated Balance Sheets

ONWARD KASHIYAMA Co., Ltd.
February 28, 2003 and February 29, 2004

	Millions of yen		Thousands of U.S. dollars (Note 2. (14))
ASSETS	2003	**2004**	**2004**
Current assets:			
Cash	¥ 18,036	**¥ 8,103**	**$ 73,917**
Time deposits	30,993	**45,008**	**410,582**
Trade receivables:			
Notes	2,543	**2,009**	**18,329**
Accounts	16,316	**19,524**	**178,105**
	18,859	**21,533**	**196,434**
Less: Allowance for bad debts	(120)	**(238)**	**(2,167)**
	18,739	**21,295**	**194,267**
Inventories (Note 3)	16,892	**19,914**	**181,667**
Advance payments	408	**918**	**8,374**
Deferred tax assets—current (Note 9)	1,998	**5,743**	**52,395**
Prepaid pension cost	1,388	**7,969**	**72,695**
Other current assets	1,586	**3,757**	**34,264**
Total current assets	90,040	**112,707**	**1,028,161**
Investments and advances:			
Investments in securities	6,772	**5,552**	**50,651**
Investments in and advances to subsidiaries and affiliates (Note 8)	31,590	**30,068**	**274,296**
Long-term loans to employees	267	**226**	**2,059**
Deferred tax assets—noncurrent (Note 9)	10,855	**9,063**	**82,673**
Deferred tax assets—revaluation of land (Notes 6 and 9)	1,701	**1,626**	**14,835**
Other investments	15,485	**18,268**	**166,650**
Less: Allowance for bad debts	(1,959)	**(3,801)**	**(34,679)**
Total investments and advances	64,711	**61,002**	**556,485**
Property, plant and equipment (Note 5):			
Buildings and structures	48,759	**47,066**	**429,360**
Machinery and equipment	1,469	**1,374**	**12,533**
Tools, furniture and fixtures	8,032	**8,837**	**80,618**
	58,260	**57,277**	**522,511**
Less: Accumulated depreciation	(29,020)	**(29,019)**	**(264,731)**
	29,240	**28,258**	**257,780**
Land: (Note 6)	43,483	**42,926**	**391,588**
Total property, plant and equipment	72,723	**71,184**	**649,368**
Deferred charges and other assets	3,664	**3,681**	**33,580**
Total assets	¥231,138	**¥248,574**	**$2,267,594**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 2. (14)) 2004
Current liabilities:			
Trade payables:			
Notes	¥ 24,279	**¥ 27,912**	**$ 254,626**
Accounts	6,258	**7,437**	**67,841**
	30,537	**35,349**	**322,467**
Non-trade payables	1,406	**1,188**	**10,841**
Accrued expenses	4,250	**5,647**	**51,511**
Accrued income taxes	—	**8,890**	**81,098**
Consumption tax payable	798	**760**	**6,934**
Accrued bonuses to employees	1,926	**2,122**	**19,358**
Allowance for sales returns	1,266	**1,119**	**10,208**
Other current liabilities	737	**469**	**4,282**
Total current liabilities	40,920	**55,544**	**506,699**
Long-term liabilities:			
Long-term guarantee money deposited	2,201	**2,238**	**20,409**
Accrued retirement benefits	2,846	**1,523**	**13,896**
Total long-term liabilities	5,047	**3,761**	**34,305**
Total liabilities	45,967	**59,305**	**541,004**
Commitments and contingent liabilities (Note 10)			
Shareholders' equity:			
Common stock:			
Authorized—400,000,000 shares			
Issued—172,292,587 shares and 172,921,669 shares at February 28, 2003 and February 29, 2004, respectively	30,080	**30,080**	**274,399**
Capital surplus	49,135	**50,615**	**461,728**
Legal reserve (Note 11)	5,483	**5,483**	**50,014**
General reserve (Note 11)	92,709	**96,209**	**877,659**
Special reserve	34	**33**	**309**
Retained earnings (Note 11)	10,342	**13,830**	**126,161**
Net revaluation loss of land (Notes 6 and 9)	(2,347)	**(2,373)**	**(21,642)**
Net unrealized gains (losses) on available-for-sale securities (Note 8)	(173)	**765**	**6,975**
Less: Treasury stock, at cost, 87,006 shares and 5,128,796 shares at February 28, 2003 and February 29, 2004, respectively	(92)	**(5,373)**	**(49,013)**
Total shareholders' equity	185,171	**189,269**	**1,726,590**
Total liabilities and shareholders' equity	¥231,138	**¥248,574**	**$2,267,594**

	Yen 2003	Yen 2004	U.S. dollars (Note 2. (14)) 2004
Per share:			
Net assets per share	¥1,075.3	**¥1,125.5**	**$10.267**

Non-Consolidated Statements of Income and Retained Earnings

ONWARD KASHIYAMA Co., Ltd.
For the years ended February 28, 2002, 2003 and February 29, 2004

	Millions of yen			Thousands of U.S. dollars (Note 2. (14))
	2002	2003	**2004**	**2004**
Net sales	¥171,109	¥175,031	**¥184,914**	**$1,686,868**
Cost of sales	93,111	92,843	**96,782**	**882,887**
	77,998	82,188	**88,132**	**803,981**
Reversal of allowance for sales returns, net	89	119	**147**	**1,341**
Gross profit	78,087	82,307	**88,279**	**805,322**
Selling, general and administrative expenses	61,865	65,423	**70,416**	**642,370**
Operating income	16,222	16,884	**17,863**	**162,952**
Other income (expenses):				
Interest and dividend income	591	431	**409**	**3,734**
Loss on disposal of property, net	(36)	(77)	**(86)**	**(789)**
Loss on write-down of investments in securities	(1,738)	(2,380)	**(15)**	**(133)**
Royalty income	587	536	**467**	**4,264**
Gain on securities contributed to employee retirement benefit trust	8,542	—	**—**	**—**
Loss on liquidation of subsidiaries and affiliates	(617)	(4,435)	**(4,750)**	**(43,332)**
Provision for allowance for doubtful accounts	(511)	(800)	**(2,744)**	**(25,032)**
Additional retirement payments	(2,691)	(929)	**—**	**—**
Transition adjustment arising from adoption of the new accounting standard for retirement benefits	(13,940)	—	**—**	**—**
Gain on sale of equities in affiliates	—	2,197	**—**	**—**
Rents received	1,116	1,197	**1,123**	**10,242**
Net gain on sale of investments in securities	2,444	—	**1,016**	**9,266**
Gain on the settlement of substitutional potion of governmental pension fund (Note 2. (8))	—	—	**8,616**	**78,601**
Other, net	571	515	**(3,756)**	**(34,267)**
	(5,682)	(3,745)	**280**	**2,554**
Income before income taxes	10,540	13,139	**18,143**	**165,506**
Income taxes (Note 9):				
Current	8,474	3,005	**10,522**	**95,984**
Deferred	(5,045)	2,895	**(2,582)**	**(23,552)**
Prior-year income taxes	1,287	—	**—**	**—**
	4,716	5,900	**7,940**	**72,432**
Net income	5,824	7,239	**10,203**	**93,074**
Retained earnings:				
Balance at beginning of year	3,611	6,344	**10,342**	**94,347**
Reversal of reserve for deferred capital gains on property due to adoption of deferred tax accounting	37	1	**1**	**6**
Reversal of reserve for land revaluation	—	(1)	**(27)**	**(243)**
Appropriations (Note 11):				
Cash dividends	(2,843)	(2,843)	**(2,841)**	**(25,920)**
Directors' bonuses	—	(398)	**(348)**	**(3,175)**
Transfer to legal reserve	(285)	—	**—**	**—**
Transfer to general reserve	—	—	**(3,500)**	**(31,928)**
	(3,128)	(3,241)	**(6,689)**	**(61,023)**
Balance at end of year	¥ 6,344	¥ 10,342	**¥ 13,830**	**$ 126,161**

	Yen			U.S. dollars (Note 2. (14))
Per share (Note 13):				
Net income—Basic	¥33.8	¥42.0	**¥57.6**	**$0.526**
Cash dividends	16.5	16.5	**16.5**	**0.151**

Diluted net income per share is not disclosed because there were no securities with dilutive effect.
The accompanying notes are an integral part of these statements.

non-consolidated statements of shareholders' equity

Non-Consolidated Statements of Shareholders' Equity

ONWARD KASHIYAMA Co., Ltd.
For the years ended February 28, 2002, 2003 and February 29, 2004

	Number of shares of common stock (thousands)	Millions of yen								
		Common stock	Capital surplus	Legal reserve	General reserve	Special reserve	Retained earnings	Net revaluation loss of land	Net unrealized gains (losses) on available-for-sale-securities	Treasury stock
Balance as at February 28, 2001:	172,293	¥30,080	¥49,135	¥5,198	¥92,709	¥72	¥ 3,611	¥ —	¥ —	¥ —
Reversal of reserve for deferred capital gains on property	—	—	—	—	—	(37)	37	—	—	—
Cash dividends	—	—	—	—	—	—	(2,843)	—	—	—
Transfer to legal reserve	—	—	—	285	—	—	(285)	—	—	—
Net income for the year ended February 28, 2002	—	—	—	—	—	—	5,824	—	—	—
Net revaluation loss of land	—	—	—	—	—	—	—	(2,348)	—	—
Net unrealized losses on available-for-sale securities	—	—	—	—	—	—	—	—	(255)	—
Treasury stock, at cost	—	—	—	—	—	—	—	—	—	(17)
Balance as at February 28, 2002:	172,293	30,080	49,135	5,483	92,709	35	6,344	(2,348)	(255)	(17)
Reversal of reserve for deferred capital gains on property	—	—	—	—	—	(1)	1	—	—	—
Decrease in net revaluation loss of land	—	—	—	—	—	—	(1)	1	—	—
Cash dividends	—	—	—	—	—	—	(2,843)	—	—	—
Directors' bonuses	—	—	—	—	—	—	(398)	—	—	—
Net income for the year ended February 28, 2003	—	—	—	—	—	—	7,239	—	—	—
Net unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	—	82	—
Treasury stock, at cost	—	—	—	—	—	—	—	—	—	(75)
Balance as at February 28, 2003:	172,293	30,080	49,135	5,483	92,709	34	10,342	(2,347)	(173)	(92)
Reversal of reserve for deferred capital gains on property	**—**	**—**	**—**	**—**	**—**	**(1)**	**1**	**—**	**—**	**—**
Increase in net revaluation loss of land due to statutory tax rate change	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(53)**	**—**	**—**
Decrease in net revaluation loss of land	**—**	**—**	**—**	**—**	**—**	**—**	**(27)**	**27**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(2,841)**	**—**	**—**	**—**
Directors' bonuses	**—**	**—**	**—**	**—**	**—**	**—**	**(348)**	**—**	**—**	**—**
Transfer to general reserve	**—**	**—**	**—**	**—**	**3,500**	**—**	**(3,500)**	**—**	**—**	**—**
Net income for the year ended February 29, 2004	**—**	**—**	**—**	**—**	**—**	**—**	**10,203**	**—**	**—**	**—**
Net unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**938**	**—**
Issuance of new stock in exchange for Oak Co., Ltd.'s stock	**629**	**—**	**1,480**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Gain on sales of treasury stock	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**2**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,283)**
Balance as at February 29, 2004	**172,922**	**¥30,080**	**¥50,615**	**¥5,483**	**¥96,209**	**¥33**	**¥13,830**	**¥(2,373)**	**¥765**	**¥(5,373)**

	Number of shares of common stock (thousands)	Thousands of U.S. dollars (Note 2. (14))								
		Common stock	Capital surplus	Legal reserve	General reserve	Special reserve	Retained earnings	Net revaluation loss of land	Net unrealized gains (losses) on available-for-sale-securities	Treasury stock
Balance as at February 28, 2003:	172,293	$274,399	$448,230	$50,014	$845,731	$315	$ 94,347	$(21,406)	$(1,587)	$ (837)
Reversal of reserve for deferred capital gains on property	**—**	**—**	**—**	**—**	**—**	**(6)**	**6**	**—**	**—**	**—**
Increase in net revaluation loss of land due to statutory tax rate change	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(479)**	**—**	**—**
Decrease in net revaluation loss of land	**—**	**—**	**—**	**—**	**—**	**—**	**(243)**	**243**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(25,920)**	**—**	**—**	**—**
Directors' bonuses	**—**	**—**	**—**	**—**	**—**	**—**	**(3,175)**	**—**	**—**	**—**
Transfer to general reserve	**—**	**—**	**—**	**—**	**31,928**	**—**	**(31,928)**	**—**	**—**	**—**
Net income for the year ended February 29, 2004	**—**	**—**	**—**	**—**	**—**	**—**	**93,074**	**—**	**—**	**—**
Net unrealized gains on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**8,562**	**—**
Issuance of new stock in exchange for Oak Co., Ltd.'s stock	**629**	**—**	**13,498**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Gain on sales of treasury stock	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**15**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(48,191)**
Balance as at February 29, 2004	**172,922**	**$274,399**	**$461,728**	**$50,014**	**$877,659**	**$309**	**$126,161**	**$(21,642)**	**$6,975**	**$(49,013)**

The accompanying notes are an integral part of these statements.

ONWARD KASHIYAMA Co., Ltd.

1. Basis of Presentation of the Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by ONWARD KASHIYAMA Co., Ltd. (the "Company"), in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

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

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

2. Summary of Significant Accounting Policies

(1) Inventories

Inventories are stated at cost, cost being determined generally by the last purchase invoice price method which approximates the first-in first-out cost method. Merchandise held at retail stores is valued at the retail cost method.

When the net realizable value of certain classes of inventories (consisting primarily of seasonal merchandise which remains unsold after the end of such seasons) is substantially less than the carrying value (cost), and the decline of value is not expected to be recovered in the near future, appropriate write-downs are recorded on such inventory items. The amount of write-down is determined based on the experience of sales of merchandise, similar to those unsold items during the immediately preceding three years. At February 28, 2003 and February 29, 2004, recorded write-down was ¥6,243 million and ¥7,621 million ($69,521 thousand), respectively.

(2) Investments in Securities

Refer to Note 2. (5) to the consolidated financial statements.

(3) Derivative Transactions

Refer to Note 2. (6) to the consolidated financial statements.

(4) Hedge Accounting

Refer to Note 2. (7) to the consolidated financial statements.

(5) Property, Plant and Equipment

Refer to Note 2. (8) to the consolidated financial statements.

(6) Amortization

Refer to Note 2. (9) to the consolidated financial statements.

(7) Income Taxes

Refer to Note 2. (10) to the consolidated financial statements.

(8) Allowances

An allowance for bad debts is provided for estimated losses on known bad debts and doubtful accounts at the balance-sheet date.

Accrued bonuses to employees is provided for at an amount determined based on the estimated bonuses to employees which were incurred at the balance-sheet date.

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

Accrued retirement benefit is provided for at the present value of the projected benefit obligation less the estimated fair value of plan assets and deferred gains or losses at the balance-sheet date.

Until the year ended February 28, 2001, the Company provided for accrued retirement benefits (unfunded) in an amount equivalent to 100% of the liabilities payable to all employees eligible for such benefits upon their voluntary retirement at the balance-sheet date, less the accumulated balance of fund assets for the pension plan.

As at February 28, 2001, fund assets aggregated ¥6,813 million, with the past service liabilities being amortized over a six-year period.

Effective from the year ended February 28, 2002, the Company adopted the "New Accounting Standard for Retirement Benefits." The unrecognized difference arising from adopting the new standard (the "transition adjustment") of ¥13,940 million has been fully amortized for the year ended February 28, 2002. Unrecognized prior service costs are amortized on a straight-line basis over 10 years, which is within the related employees' average remaining service years. Unrecognized actuarial differences are amortized on a straight-line basis over 10 years, which is within the related employees' average remaining service years from the year following the one in which they arise.

Following the enactment of the Defined Benefit Corporate Pension Plan Law in Japan, on September 25, 2003, the Company obtained approval from Japan's Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the portion of the Employee Pension Fund that the Company operates on behalf of the Government (the so-called substitutional portion). The Company applied transitional provisions as prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No. 13 issued by the Japanese Institute of Certified Public Accountants) and recognized a gain in the amount of ¥8,616 million ($78,601 thousand) for the settlement of the substitutional portion was recognized at the date of approval from Japan's Ministry of Health, Labour and Welfare.

The amount of plan assets to be transferred to the Government was computed at ¥19,705 million ($179,754 thousand) as of February 29, 2004.

Accrued retirement benefits for directors and statutory auditors is provided for at the amount required at the balance-sheet dates in accordance with the Company's internal rules.

While the Company has no legal obligation, it is the customary practice in Japan to make lump-sum payments to a director or a statutory auditor upon retirement under the approval of the general meeting of shareholders.

(9) Accounting for Leases

Refer to Note 2. (12) to the consolidated financial statements.

(10) Accounting for Consumption Tax

Refer to Note 2. (13) to the consolidated financial statements.

(11) Dividends

Refer to Note 2. (14) to the consolidated financial statements.

(12) Net Assets, Net Income and Dividends per Share

Refer to Note 2. (15) to the consolidated financial statements.

(13) Reclassification of Accounts

Certain prior year amounts have been reclassified to conform with the current year's presentation.

(14) United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥109.62=US $1, the rate of exchange as of February 29, 2004, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rate.

3. Inventories

Inventories at February 28, 2003 and February 29, 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Merchandise and finished goods	¥14,382	**¥17,175**	**$156,684**
Raw materials	1,469	**1,637**	**14,934**
Work-in-process	844	**885**	**8,073**
Supplies	197	**217**	**1,976**
	¥16,892	**¥19,914**	**$181,667**

4. Derivative Transactions

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

The Company and its consolidated subsidiaries applied hedge accounting for all derivative transactions as of February 28, 2003 and February 29, 2004, therefore, no market value information is disclosed.

5. Property, Plant and Equipment

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

Property, plant and equipment at February 28, 2003 and February 29, 2004, were reduced by ¥8,752 million and ¥8,658 million ($78,983 thousand), respectively, representing accumulated deferred gains from eligible prior sales.

6. Revaluation of Land

Refer to Note 9 to the consolidated financial statements.

7. Lease Transactions

The Company's finance lease contracts which are not deemed to transfer the ownership of the leased assets to lessees are not capitalized, which is permitted by the Japanese accounting principles. Certain key information on such lease contracts of the Company for the years ended February 28, 2003 and February 29, 2004, is as follows.

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			**2004**			**2004**		
	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total	Tools, furniture, and fixtures	Other	Total
Acquisition cost	¥1,467	¥326	¥1,793	**¥1,407**	**¥373**	**¥1,780**	**$12,832**	**$3,399**	**$16,231**
Accumulated depreciation	(678)	(116)	(794)	**(786)**	**(184)**	**(970)**	**(7,171)**	**(1,675)**	**(8,846)**
Net book value	¥ 789	¥210	¥ 999	**¥ 621**	**¥189**	**¥ 810**	**$ 5,661**	**$1,724**	**$ 7,385**

The scheduled maturities of future lease payments on such lease contracts as of February 28, 2003 and February 29, 2004, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Scheduled maturities of future leases:			
Due within one year	¥395	**¥382**	**$3,483**
Due over one year	604	**428**	**3,902**
	¥999	**¥810**	**$7,385**

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Lease expenses for the year	¥441	**¥419**	**$3,818**
Depreciation	441	**419**	**3,818**

8. Investments in and Advances to Subsidiaries

Shares of subsidiaries with market value at February 28, 2003 and February 29, 2004 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2003			**2004**			**2004**		
	Book value	Market value	Difference	Book value	Market value	Difference	Book value	Market value	Difference
Shares of subsidiaries	¥508	¥7,536	¥7,028	**¥280**	**¥13,529**	**¥13,249**	**$2,558**	**$123,421**	**$120,863**

9. Income Taxes

Deferred tax assets and liabilities as at February 28, 2003 and February 29, 2004, consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Deferred tax assets:			
Valuation loss on inventories	¥ 1,410	**¥ 1,713**	**$ 15,626**
Evaluation loss on investments in subsidiaries	2,841	**4,303**	**39,251**
Excess amount of tax-deductible accrued employees' retirement benefits	8,496	**5,519**	**50,350**
Allowance for directors' retirement benefits	753	**540**	**4,929**
Other	3,099	**6,752**	**61,595**
Total deferred tax assets	16,599	**18,827**	**171,751**
Deferred tax liabilities:			
Gain on securities contributed to an employees' retirement benefit fund	(3,589)	**(3,474)**	**(31,691)**
Provision for deferred capital gains on real property	(25)	**(23)**	**(212)**
Other	(132)	**(524)**	**(4,780)**
Total deferred tax liabilities	(3,746)	**(4,021)**	**(36,683)**
Net deferred tax assets	¥12,853	**¥14,806**	**$135,068**

Reconciliation between the statutory tax rate and the effective tax rate for the year ended February 28, 2003 is as follows:

	%
	2003
Statutory tax rate	42.0%
(Reconciliation)	
Nondeductible items (entertainment expenses, etc.)	2.3
Nontaxable items (dividend income, etc.)	(0.5)
Inhabitant tax per capita basis	1.1
Effective tax rate	44.9%

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended February 29, 2004 has not been disclosed because such difference is immaterial.

Please also refer to Note 8 to the consolidated financial statements.

Legislation was issued at March 31, 2003, which amended a part of local taxes. Thus, the statutory tax rate which was used to calculate deferred tax assets and deferred tax liabilities for temporary differences that are expected to reverse beginning March 1, 2005, was changed accordingly from 42.0% to 40.7%. As a result, deferred tax assets, net of deferred tax liabilities, as of February 29, 2004 decreased by ¥290 million ($2,641 thousand), income tax expense—deferred for the year then ended increased by ¥290 million ($2,641thousand), and net revaluation loss of land decreased by ¥53 million ($479 thousand).

10. Commitment and Contingent Liabilities

The Company was contingently liable as a guarantor for certain affiliates' bank loans. The outstanding balance guaranteed as at February 28, 2003 and February 29, 2004, aggregated ¥19,567 million and ¥17,419 million ($158,900 thousand), respectively.

11. Legal Reserve and Appropriation of Retained Earnings

Refer to Note 11 to the consolidated financial statements.

12. Subsequent Events

Refer to Note 12 to the consolidated financial statements.

13. Net Assets, Net Income and Dividends per Share

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

Effective from the year ended February 29, 2004, the Company and its subsidiaries applied the Financial Accounting Standards No. 2 "Financial Accounting Standards for Earnings per Share" and the Financial Accounting Standards Implementation Guidance No. 4 "Implementation Guidance for Accounting Standards for Earnings per Share" issued by Accounting Standard Board of Japan on September 25, 2002.

Basis for the calculation of net income per share for the year ended February 29, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
Net income	¥10,203	$93,074
Less: Components not pertaining to common shareholders		
Bonuses to directors and corporate auditors	(421)	(3,841)
Net income pertaining to common stock	¥ 9,782	$89,233
Average outstanding shares of common stock	169,755,258 shares	

By applying the previous method, the amounts of net income per share and net assets per share for the year ended February 29, 2004, would be calculated as follows:

	Yen	U.S. dollars
Net income per share	¥ 57.6	$ 0.526
Net assets per share	1,125.5	10.267

Report of Independent Accountants

To the Board of Directors and Shareholders of ONWARD KASHIYAMA Co., Ltd.:

We have audited the accompanying non-consolidated balance sheets of ONWARD KASHIYAMA Co., Ltd., as of February 28, 2003 and February 29, 2004, and the related non-consolidated statements of income and retained earnings, and of shareholders' equity for each of the three years in the period ended February 29, 2004, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of ONWARD KASHIYAMA Co., Ltd., as of February 28, 2003 and February 29, 2004, and the results of its operations for each of the three years in the period ended February 29, 2004, in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2. (14) to the accompanying non-consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
May 27, 2004

Board of Directors

<DIRECTORS>

Chairman

Akira Baba*

President

Takeshi Hirouchi*

Vice President

Kenji Takada*

Senior Managing Directors

Fumiyasu Yamashita

Masaru Kusaki

Managing Directors

Masao Ohno

Kazuya Baba

Isao Yamane

Masaaki Yoshizawa

Shigeru Uemura

* Representative Director

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Standing Corporate Auditors

Yasumitsu Miyamoto

Tenji Tanaka

Kinshi Kurihara

Akito Yamamoto

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Yoshiaki Hanada

Ryuji Horie

Tetsuji Wada

Kentaro Mizuno

Masabumi Kiyohara

Tadayoshi Kobayashi

Susumu Maeda

Wataru Sakai

Tsutomu Ohnuma

Hiroaki Yamada

Executive Officers

Akio Date

Nobutake Matsuo

Kisaku Uragami

Hiroshi Imai

Toshio Tobita

Shigeru Kamakari

Yoshihiko Sato

Hideo Matsumoto

Kenichiro Tamai

Hiroshi Ishida

Tsutomu Hagihira

Eiji Tono

Masayoshi Tomura

Masayoshi Harazawa

Minoru Tanaka

Hitoshi Aoyama

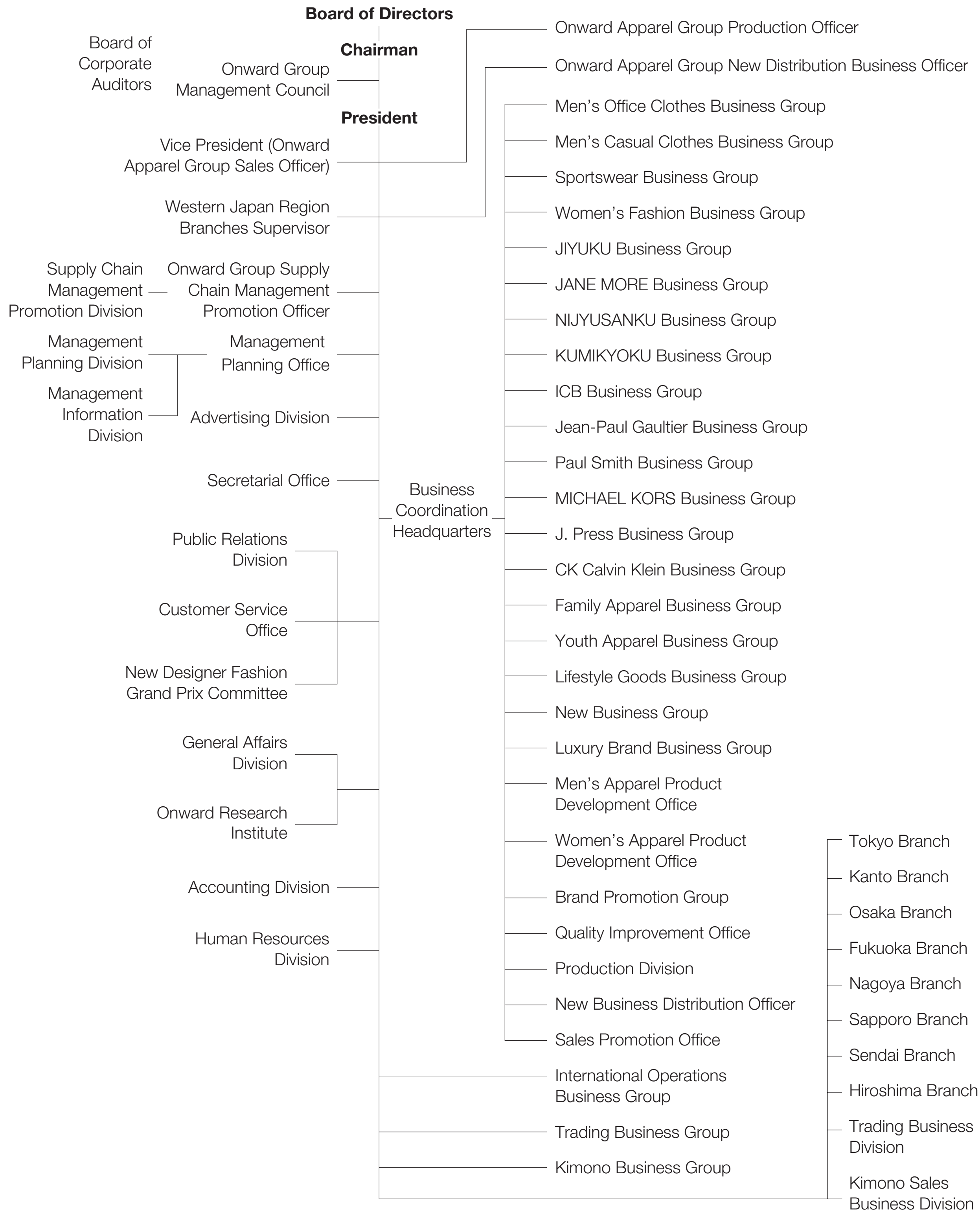
Shinichi Yokoyama

Takahisa Suzuki

Akinori Baba

As of May 27, 2004

Organization Chart



As of May 27, 2004

principal subsidiaries

Principal Subsidiaries

OVERSEAS SUBSIDIARIES

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

ONWARD KASHIYAMA FRANCE S.A.
6, Rue Vivienne,
75002 Paris, France
Tel: (33) 1-5504-8787

ONWARD KASHIYAMA U.S.A. INC.
530 Seventh Avenue,
29th Floor,
New York, NY 10018, U.S.A.
Tel: (1) 212-997-3600

ONWARD KASHIYAMA HONG KONG LTD.
Unit 1208-9, Lippo Sun Plaza,
28 Canton Road, T.S.T.,
Kowloon, Hong Kong
People's Republic of China
Tel: (852) 2367-2055, 2721-7074

ONWARD KASHIYAMA U.K. LTD.
47, Conduit Street,
London W1S 2YP, U.K.
Tel: (44) 20-7494-2074

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

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

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

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

ONWARD RETAIL L.L.C.
499 Seventh Avenue,
7th & 8th Floors, South Tower,
New York, NY 10018, U.S.A.
Tel: (1) 212-629-6100

ONWARD KASHIYAMA KOREA CO., LTD.
U-SAM BLDG., 2F, 584-1 Shinsa-Dong,
Kangnam-ku, Seoul,
Republic of Korea
Tel: (82) 2-548-5841

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

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

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

DOMESTIC SUBSIDIARIES

<APPAREL AND TEXTILE PRODUCTS>

IMPACT 21 CO., LTD.

OAK CO., LTD.

CHACOTT CO., LTD.

DONNA KARAN JAPAN K.K.

BUS STOP CO., LTD.

PERSONAL ORDER JAPAN CO., LTD.

<SERVICES>

ACROSS TRANSPORT CO., LTD.

ONWARD CREATIVE CENTER CO., LTD.

ONWARD LIFE DESIGN NETWORK CO., LTD.

EXCEL CO., LTD.

BOOKLET CORP.

<RESORTS>

O & K CO., LTD.

ONWARD MARINE CO., LTD.

ONWARD BEACH RESORT CO., LTD.

As of May 27, 2004

Corporate Data

(As of February 29, 2004)

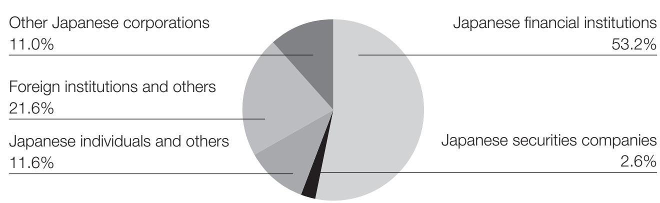
Head Office	10-5, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8239, Japan Tel: (81) 3-3272-2317 Fax: (81) 3-3272-2314 URL: http://www.onward.co.jp/
Established	September 1947
Paid-in Capital	¥30,080 million
Common Stock	Authorized—400,000,000 shares Issued—172,921,669 shares
Number of Shareholders	9,166
Stock Listings	Tokyo, Osaka, and Nagoya stock exchanges
Transfer Agent	UFJ Trust Bank Ltd. 1-4-3, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Number of Employees	1,689

Major Shareholders

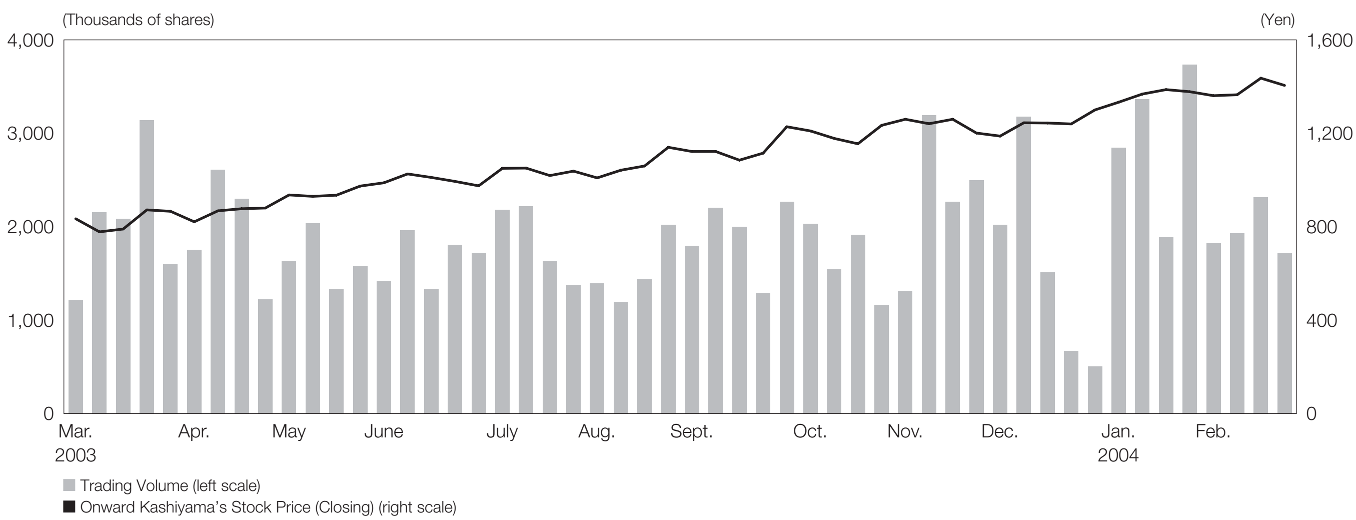
	Percentage of Total Shares Issued
Japan Trustee Services Bank, Ltd.	17.80%
The Master Trust Bank of Japan, Ltd.	6.79
Kashiyama Scholarship Foundation	5.04
Trust & Custody Service Bank, Ltd.	4.21
Nippon Life Insurance Company	3.66
The Dai-ichi Mutual Life Insurance Company	3.65
Nomura Securities Co., Ltd.	2.18
Isetan Company Limited	2.12
State Street Bank and Company	1.64
The Sumitomo Trust & Banking Co., Ltd.	1.62

Distribution of Ownership among Shareholders

(On a number of shares basis)



Stock Price Movement



Onward Kashiyama Co., Ltd.

Head Office: 10-5, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-8239
Tel: (81) 3-3272-2317

Printed in Japan