

ONWARD

ANNUAL REPORT 2019

Year Ended February 28, 2019

Onward Holdings Co., Ltd.



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KASHIYAMA
the Smart Tailor

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Forward-Looking Statements

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

Onward at a Glance

Fiscal year ended February 28, 2019

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

Founding

1927

Number of Employees

4,643 people

Number of Stores

2,855 stores
in 21 countries and regions

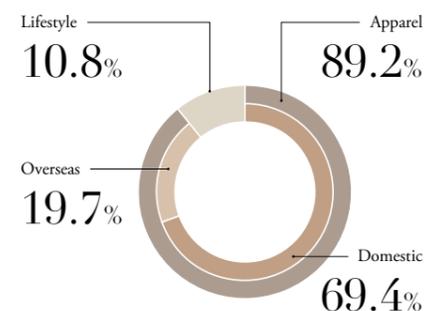
Main CSR Activities

► Item collection for recycling and reuse via the Onward Green Campaign
(See pages 41–42 for details)

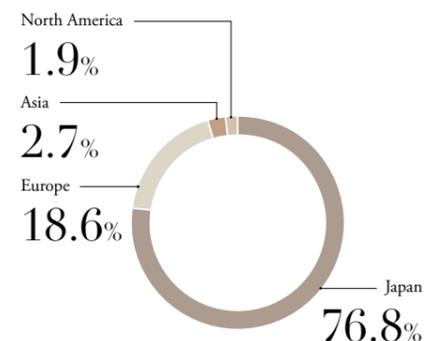
► Factory auditing through the Onward-Approved Factory System
(See pages 38–39 for details)

Sales Breakdown

By Business Segment

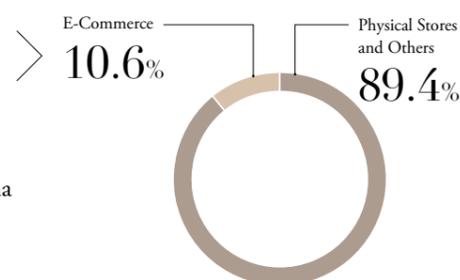


By Geographic Region



By Sales Channel

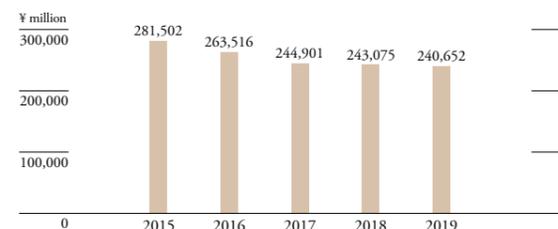
Ratio of sales conducted through directly operated e-commerce stores



Basis	Percentage
Groupwide basis	76%
Onward Kashiyama	85%

Financial Figures

Net Sales



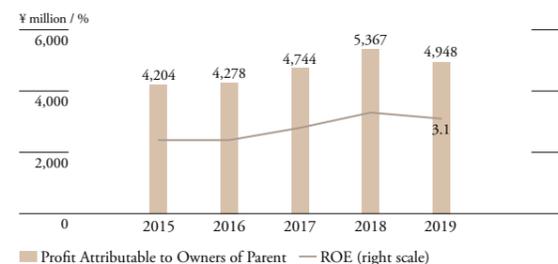
¥ 240,652 million
(-1.0% YoY)

Operating Profit and Operating Margin



¥ 4,462 million
(-13.6% YoY)

Profit Attributable to Owners of Parent and ROE

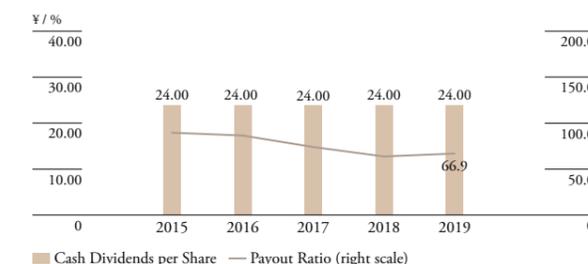


¥ 4,948 million
(-7.8% YoY)

Total Net Assets and Shareholders' Equity Ratio



Cash Dividends per Share and Payout Ratio



A Message from the President



Michinobu Yasumoto
Representative Director, President

Onward has launched its new medium-term management plan and is moving forward with the three growth strategies defined therein.

Review of Fiscal Year 2019

In fiscal year 2019, net sales decreased 1.0% year on year, to ¥240.7 billion; operating profit was down 13.6%, to ¥4.5 billion; ordinary profit dropped 12.9%, to ¥5.2 billion; and profit attributable to owners of parent declined 7.8%, to ¥4.9 billion.

We cannot deny the fact that performance in the domestic business, which was impacted by natural disasters and unseasonable weather as well as structural issues, was regrettable. Looking at the fourth quarter, however, we saw a recovery trend apparent in the upturn in the sales of Nijyusanku and other core brands.

As for the overseas business, the new creative team at JIL SANDER drove sales growth. Unfortunately, this growth in sales was counteracted by the impacts of closures of underperforming stores advanced as part of our structural reforms in Europe, which led operating profit in this business to decline.

On a consolidated basis, sales from e-commerce operations, which have been positioned as a growth pillar, achieved year-on-year growth of 26%, to ¥25.5 billion. The ratio of e-commerce sales to total sales was 10.6% in fiscal year 2019, an increase of 2.3 percentage points, while the ratio of e-commerce sales through directly operated e-commerce sites grew 1.0 percentage points, to 76%. The consistent e-commerce sales seen throughout the fiscal year underpinned overall Company sales.

Launch of the New Medium-Term Management Plan

The previous medium-term management plan, which concluded in fiscal year 2019, ended with numerical targets unmet. Regardless, this plan successfully guided us in building foundations for future growth. We constructed these foundations through proactive structural reforms, examples of which included a drastic revision to the organizations of Onward Kashiyama as well as logistic reforms and a change in the management system of the European business.

The new medium-term management plan that began in fiscal year 2020 prescribes three growth strategies as well as structural

reforms to be promoted in order to achieve net sales of ¥280.0 billion, operating profit of ¥10.0 billion, and return on equity of 5% in fiscal year 2022.

The first of these three growth strategies is to roll out the “Creation First Business.” This growth strategy entails advancing initiatives tailored to the originality and specific characteristics of each of the Onward Group’s various brands.

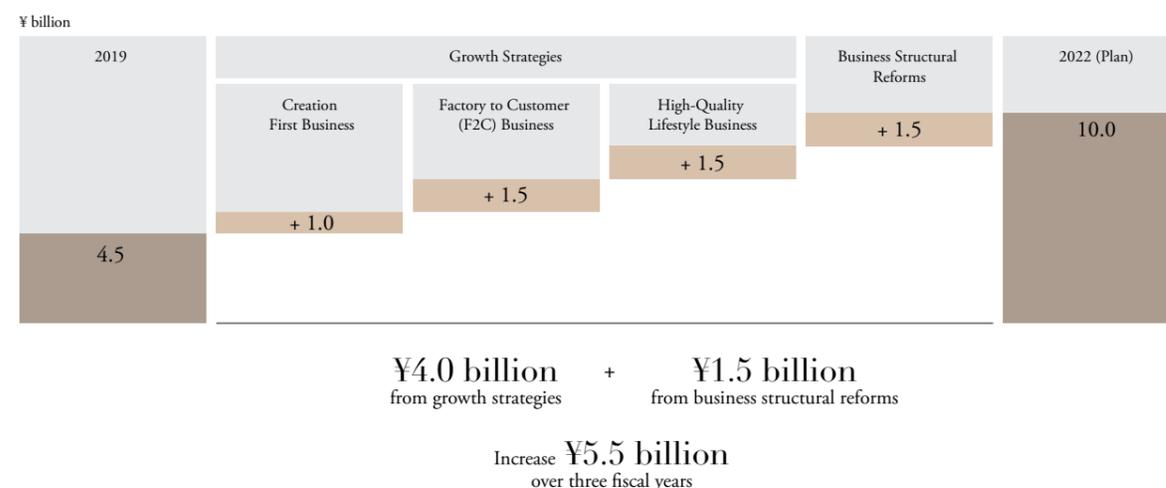
In core brands, such as Nijyusanku, Gotairiku, and other brands with long histories, we intend to approach new customers and reinvent our contents and merchandising approaches to be more suited to preferences and communication styles of these new customers. In smaller brands with relatively shorter histories, like ATON, TOCCA, and Advanced Down System (ADS), we will capitalize on the unique characteristics of each brand that differentiate them from others in order to formulate growth strategies matched to these characteristics and thereby steadily grow earnings. Meanwhile, the digital strategies and the transmission of creativity from physical stores described in the previous medium-term management plan will continue to be focuses for all brands. By augmenting brands in these ways, we will seek to engage in more effective communication with customers to further improve brand value.

The second growth strategy is to accelerate the “Factory to Customer (F2C) Business” in keeping with the trend toward mass customization.

One particular focus in this area is to expand the KASHIYAMA the Smart Tailor made-to-order suit business launched in 2017. This business employs a scheme that links a system for receiving orders directly from customers to Kashiyama (Dalian) Co., Ltd., a Company-operated manufacturing site located in Dalian, China, to deliver made-to-order suits to customers in as little as one week from the time of order. Despite the short delivery times, however, the production process still affords a significant amount of room for our high-level sewing techniques and other processes performed by hand, which is a distinctive characteristic of this business.

I have the utmost confidence in the substantial growth potential of this business and in its ability to succeed. This confidence is not just based on the rising attention made-to-order items are garnering

Operating Profit Trends under the New Medium-Term Management Plan



amid the diversification of consumer values; it is also founded on the fact that this business takes full advantage of the expertise and techniques the Onward Group has cultivated over its nearly century-long history as a leading Japanese apparel manufacturer. Our second Dalian factory was completed in April 2019. Capitalizing on the fortified manufacturing platform granted by this new factory, the Group will look to develop the KASHIYAMA the Smart Tailor business into a pillar supporting the medium-to-long-term growth of the Group overall.

The third and final of these growth strategies is to develop a “High-Quality Lifestyle Business generating synergies with the Apparel Business.”

The Onward Group is accelerating efforts to develop its multi-faceted Lifestyle Business, which we anticipate will be an effective catalyst for synergies with our mainstay Apparel Business. Offerings in our Lifestyle Business include beauty and wellness products, dining and food sales, and gifts. To further augment this business, we acquired all shares of Yamato Co., Ltd., a specialized planner and producer of gifts and gift catalogs, in March 2019. This company was thus converted into a wholly owned subsidiary. We anticipate that Yamato will be a powerful tool for developing a gift solution business and for generating synergies with other Onward Group product lines through the new lens of gifts.

The structural reforms described in the medium-term management plan will include scrapping underperforming stores and businesses. This approach is prefaced on the outlook for the continuation of a harsh operating environment. We also expect to be able to improve profitability by means of reforms in areas such as logistics, production, and general supply chain management. Through the steady implementation of these and other structural reforms, the Onward Group will look to increase business efficiency as it shifts its focus toward growth strategies.

Changes were also seen in the Board of Directors. In fiscal year 2020, Michio Osawa, representative director and president of Onward Kashiyama, became a representative senior managing director of the Company while overseas business representative Tsunenori Suzuki was made a senior managing director. In addition,

Yoshie Komuro, president and representative director of WORK LIFE BALANCE Co., Ltd., joined Onward as an outside director, our first female director, whether inside or outside. With this new management team, we are committed to advancing the medium-term management plan launched in fiscal year 2020 (see the Special Feature on pages 06–11 for details).

Financial Strategy

We will continue to institute various measures to improve return on equity.

The basic financial strategy of the Onward Group is to conduct aggressive up-front growth investments to increase future earnings and issue ongoing, consistent, and appropriate shareholder returns all while maintaining a stable financial base.

Return on equity, or ROE, in fiscal year 2019 was 3.1%, a year-on-year decline of 0.2 percentage point. Boosting operating profit will be part of our efforts to improve ROE. We will also continue to examine such options as selling investments in securities, liquidating assets, and acquiring and canceling treasury stock. Our initial target for ROE is 5%, which we aim to realize as soon as possible, after which we will seek to raise it to 8%.

Treasury stock acquisitions were an option we used in the past, and we will position them as important aspects of shareholder returns going forward. Accordingly, we will continue to flexibly conduct acquisitions based on thorough consideration of the future uses of such stocks as well as holding ratios and market capitalization.

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

August 2019


Michinobu Yasumoto
Representative Director, President

Special Feature

Three Growth Strategies of the New Medium-Term Management Plan

The Onward Group launched its new three-year, medium-term management plan in March 2019. This new medium-term management plan prescribes three growth strategies as well as structural reforms through which we will improve profitability to develop business foundations for future growth. In this special feature, we will introduce some of the concrete initiatives being implemented to advance the three growth strategies of the new medium-term management plan in its first year.



Special Feature

Roll Out the “Creation First Business”

My Standard

—First Owned Media Strategy for Nijyusanku

The *My Standard* style magazine was launched for core brand Nijyusanku in March 2019. This magazine is part of the first owned media strategy for this brand.

My Standard features a robust assortment of information enabling it to function as a dedicated catalog for Nijyusanku, including details on the brand’s creative focus on standard items. It does not stop there, however, as this magazine goes beyond a simple catalog to provide snapshots of the latest trends in Paris and other topics of interest.

In conjunction with the publication of *My Standard*, we have also launched a special website that features a convenient search function for browsing for and making online purchases of items showcased in the catalog.

To complement the release of the inaugural issue of *My Standard*, Nijyusanku is taking steps to generate attention and thereby boost sales through visual advertisements utilizing a wide range of mediums. Venues employed include magazines, the Internet, social media, pop-up stores, events, digital signage at major train stations, and advertisements inside of transportation venues. We are also practicing mutual customer referral between physical and virtual stores through sales promotions coordinating catalogs, websites, stores, and the Onward Members’ loyalty point card system.



Concept of *My Standard*

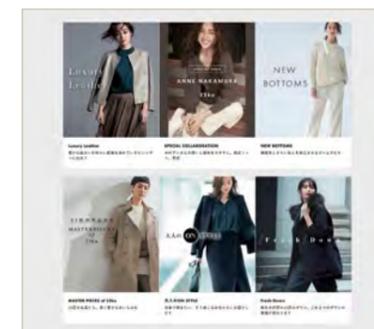
Everyone seeks to express their individuality, uninfluenced by trends and unbound by conventions.

Buying something new is easy; what we want is something that will be a constant presence in our lives. The standard for one’s individuality—this is *My Standard*.

We craft clothes that transcend ages and trends to earn the enduring support from wide-ranging customers, clothes that are simple yet sophisticated and comfortable, and clothes that make their quality known the second they are worn.

Let us help your individuality shine.

Sales Promotion through a Wide Range of Mediums



Special websites



Pop-up stores



Collaboration products

3

Develop a “High-Quality Lifestyle Business Generating Synergies with the Apparel Business”

Entry into the New Field of Gifts and Gift Catalogs through the Acquisition of Yamato

Two Major Strengths of Yamato

In March 2019, specialized gift and major gift catalog company Yamato Co., Ltd., was welcomed into the Onward Group.

Founded in Nagano Prefecture in 1940, Yamato got its start in the wholesale of glass products before fully leveraging the expertise and distribution functions it had cultivated in the gift field to integrate functions in the four areas of product planning, purchasing, catalog publication, and logistics. This company has thus established a distinctive gift solutions system capable of furnishing flexible responses to diverse and transforming gift needs.

Today, Yamato is advancing its business as a dedicated planner and producer of gifts and gift catalogs based on the goal of contributing to the development of more enriched communities through the ongoing transformation of the gift market.



Logistics

Located in the company's head office in Azumino City, Nagano Prefecture, Yamato's expansive logistics center houses a comprehensive range of gift logistics functions, including order processing, inventory management, packaging, shipping, and call center functions. This center makes it possible for catalogs and gifts to be delivered to customers on a one-stop basis. Yamato also provides proxy services pertaining to shareholder benefits, Japan's *furusato nozei* (hometown tax donation) program, and other schemes.

Logistics center floor space:

26,000 m²

Number of pallets:

7,000

Total stock keeping units:

20,000



Planning and Proposal Capabilities

Yamato produces 300 gift catalogs under 30 brands prepared based on various life events and applications.

This company combines its planning capabilities, which encompass purchasing products from Japan and other countries and developing original products, and its ability to produce catalogs that make it easy to search for products while communicating their appeal to make proposals in response to various gift needs.



Synergies with the Onward Group



The Onward Group aims to develop frameworks for collaboration with Yamato in sales activities targeting its primary business partners: department stores and prominent bridal companies throughout Japan. In addition, we see the potential for significant synergies to be generated between Yamato and the Onward Group through the introduction of Onward brand products into the gift catalog business and the utilization of the Onward Group's e-commerce and other digital platforms and global network. The introduction of the new field of gifts and gift catalogs into the Group's business scope is anticipated to accelerate progress in the growth strategies of Yamato and of the Onward Group as a whole.



Head office and logistics center in Azumino City, Nagano Prefecture



Directly operated Artina Gift Studio store and inside Yamato's logistics center



In November 2019, we followed up KASHIYAMA the Smart Tailor with a second factory-to-customer business, our new line of made-to-order women's shoes.

Apparel Business

The Apparel Business segment, which operates the principal business of the Onward Group, comprises 87 operating companies and generates 89.2% of the Company's consolidated net sales.

This segment primarily performs the planning, production, and sale of textile products.

The operations of this segment are divided into the domestic apparel business, which includes core operating company Onward Kashiya, and the overseas apparel business, a global business developed in regions such as Europe, Asia, and North America.

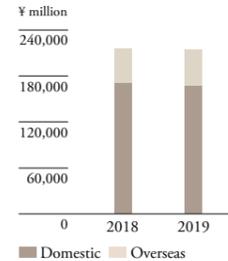
Contribution to Total Sales



89.2%

Net Sales by Apparel Business

¥214,564 million



Domestic Apparel Business

The domestic apparel business is our mainstay business, generating 69.4% of consolidated net sales.

The operations of this business include the planning, manufacture, and retail of apparel items on the mid-range to high-end scale of prices. This business also carries out the production and wholesale of uniforms and sales promotion goods.

Onward Kashiya

Business Overview

Onward Kashiya is the Group's core operating company, generating 57.3% of consolidated net sales.

Engaged in planning, production, sales, and other activities for providing clothing of impeccable quality, Onward Kashiya supplies womenswear, menswear, children's clothing, and accessories from private brands as well as licensed brands.

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

Future initiatives will be aimed at establishing operating foundations that are adapted to the trend toward Omni-channel retailing. We will accomplish this objective by integrating the functions of physical and online stores while boosting



Jiyuku

efficiency through logistics reforms and enhancing our product planning and production capabilities as a manufacturer.

Performance and Outlook

In fiscal year 2019, logistics reforms were undertaken, and the prior 11 logistics warehouses dispersed throughout Japan

were consolidated into four in March 2018.

In addition, e-commerce warehouse functions were transferred to the Narashino Logistics Center in August 2018 in order to integrate inventories for physical stores and e-commerce operations.



Directly operated Nijyusanku Ginza store

Meanwhile, the official Onward smartphone application was upgraded in November 2018, strengthening our ability to grow sales through the application and to otherwise promote Omni-channel retailing.

Regardless, sales and profits were down as a result of faltering sales of full-priced items in Nijyusanku and other core brands combined with higher logistics and point- and coupon-related expenses.

In fiscal year 2020, we will seek to grow sales of core brands by partnering with outside creators and ramping up promotional activities utilizing our brand magazines.

At the same time, increased accuracy in supply chain management will be pursued by utilizing directly operated factories in Japan and overseas as well as logistics warehouses in Ho Chi Minh City, Vietnam, and in Shanghai and Dalian, China.

Onward Kashiya's retail strategies in fiscal year 2020 will entail accelerating digital strategies to bolster e-commerce operations. We will also expand new sales channels, such as wholesale and outlets, while reducing the number of unprofitable stores.

Other Domestic Apparel Subsidiaries

Business Overview of Major Subsidiaries

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

Island, which has Grace Continental as its core brand, is providing fashion items with a distinctive aesthetic that is proving immensely popular among women with refined tastes. In addition to Onward Trading and Island, the domestic apparel business also includes the sale of European high-end and luxury brands in Japan and the operation of multi-brand stores, such as VIA BUS STOP.

Performance and Outlook

In fiscal year 2019, the uniform business of Onward Trading struggled, as did sales at physical Island stores, leading both subsidiaries to post lower sales and profits. Conversely, earnings from luxury brand

sales improved as a result of the withdrawal from underperforming brands and stores. Accordingly, other domestic apparel subsidiaries posted lower sales but higher profits overall.

In fiscal year 2020, earnings are anticipated to improve at Onward Trading and Island.

In regard to domestic apparel business operations pertaining to the JIL SANDER and Moreau Paris brands in Japan, a change in the management structure of the European business will result in the conversion of Onward Italia into a consolidated subsidiary in the second quarter of fiscal year 2020.



Grace Continental

Overseas Apparel Business

The overseas apparel business consists of operations in Europe, Asia, and North America, where we develop brands and conduct planning and manufacturing activities, and accounts for 19.7% of consolidated net sales.

Business scale expansion will be pursued centered on Europe, where operations are the largest, as we strengthen our competitiveness in the global market.

Europe

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

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

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



New eco-friendly brand F_WD

In this manner, the European business is currently in a period of great change.

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

Business Overview

Onward Italia

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

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

Onward Luxury Group

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

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

Jil Sander

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

Lucie and Luke Meier are the creative directors of JIL SANDER, and this brand has been taking advantage of their talents since the 2018 spring/summer collection.

In conjunction with the reinvention of this brand, we renovated our JIL SANDER stores in the Omotesando area of Tokyo in September 2018 and in Paris in September 2019.



JIL SANDER+

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

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

In addition, a new line JIL SANDER+ was made available from the 2019 autumn/winter season.

We look forward to communicating the new JIL SANDER to the world to grow it as a global brand.

Joseph

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

In fiscal year 2019, a new management team was installed under the leadership of a new CEO. A new creative director was also appointed, and she rolled out her first collection from the 2019 autumn/winter season.

Looking ahead, Joseph will move forward with structural reforms based on the themes of customers, corporate culture,



KASHIYAMA the Smart Tailor, North America

and creativity in order to enhance profitability and launch the JOSEPH brand on a new growth track.

Asia

In our Asian business, Nijyusanku, ICB, and other core Onward Group brands are sold in department stores and shopping centers in China—including Hong Kong—Taiwan, Thailand, and Vietnam.

In recent years, we have been transforming our business model while building upon partnerships with local companies.

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

This factory established a highly efficient made-to-order production system as a manufacturing site for the growth of the made-to-order suit business. In April 2019, operations commenced at the Group's second Dalian factory. Together with the first Dalian factory, it grants us a joint production capacity of 100,000 suits a year and is thus anticipated to support the increasingly rapid growth of KASHIYAMA the Smart Tailor.

North America

North American operations comprise retail businesses in the United States.

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

KASHIYAMA the Smart Tailor was launched in North America in 2019, and we are expanding the locations for this brand by using the shared office space provided by WeWork Companies Inc.

As we move forward, we will conduct necessary investments from a medium-to-long-term perspective to expand our North American operations as we seek to grow the market for our products.

Performance and Outlook

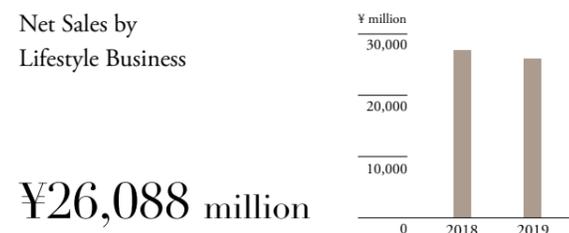
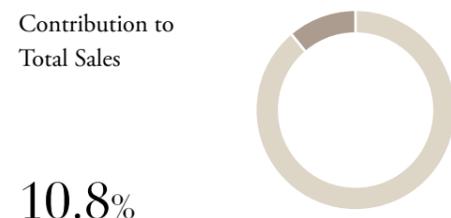
In fiscal year 2019, sales of the JIL SANDER brand were buoyed thanks to collections designed by its new creative directors. However, overseas sales and profits were down overall as a result of diminished profitability at European manufacturing divisions, sluggish JOSEPH sales, and ongoing losses in South Korea.

Our goals in fiscal year 2020 include further growing JIL SANDER sales and improving earnings in both Europe and Asia through structural reforms.

Lifestyle Business

The Lifestyle Business segment comprises 22 operating companies and generates 10.8% of the Company's consolidated net sales.

In this segment, we capitalize on the Onward Group's product development and sales capabilities to create new values and lifestyles with fashionable proposals in a wide variety of fields. The Lifestyle Business segment thus manufactures and sells items such as ballet and other dance wear, pet fashion, character goods and toys, and cosmetics; develops gift catalog operations; operates and manages resort facilities; and plans, designs, and constructs commercial facilities.



Chacott Futako-Tamagawa store

Business Overview of Major Subsidiaries

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

Creative Yoko offers a lineup of products for pets as well as an assortment of character goods and toys. This company is enhancing its stores to better cater to the needs of inbound travelers to Japan while also strengthening its character merchandise business.

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

We also welcomed Yamato Co., Ltd., a specialized planner and producer of gifts and gift catalogs, into the Onward Group in March 2019.

We anticipate that the completely new gift business experience and expertise Yamato brings to the Onward Group will catalyze synergies with the Apparel Business segment and spur the broadening of our business scope (see the Special Feature on pages 10 – 11 for details).

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

Performance and Outlook

In fiscal year 2019, overall sales and profits in the Lifestyle Business segment were down. Although profitability improved at Creative Yoko and Kokobuy, the benefits were not able to counteract the lower sales and profits in the resort business resulting from a decline in Japanese tourists to Guam.

As for fiscal year 2020, we project sales growth in existing businesses coupled with growth attributable to the newly consolidated Yamato and its gift catalog business.



Sirotan, the main character of Creative Yoko, celebrated his 20th anniversary



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Core Brands



23 

LAUNCHED
1993

ANNUAL SALES
¥27.0 billion

NUMBER OF STORES
Over 200

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

23 



KASHIYAMA
the Smart Tailor

LAUNCHED
2017

ANNUAL SALES
¥3.7 billion

NUMBER OF STORES
44

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

そのスーツ、どこの?

そのスーツは、カシヤマ。

そのスーツは、カシヤマ。

そのスーツ、どこの?

オーダーメイド | 30,000円⁺税⁺ | 最短1週間

kashiYama1927.jp

KASHIYAMA
the Smart Tailor



JIL SANDER

LAUNCHED

1973

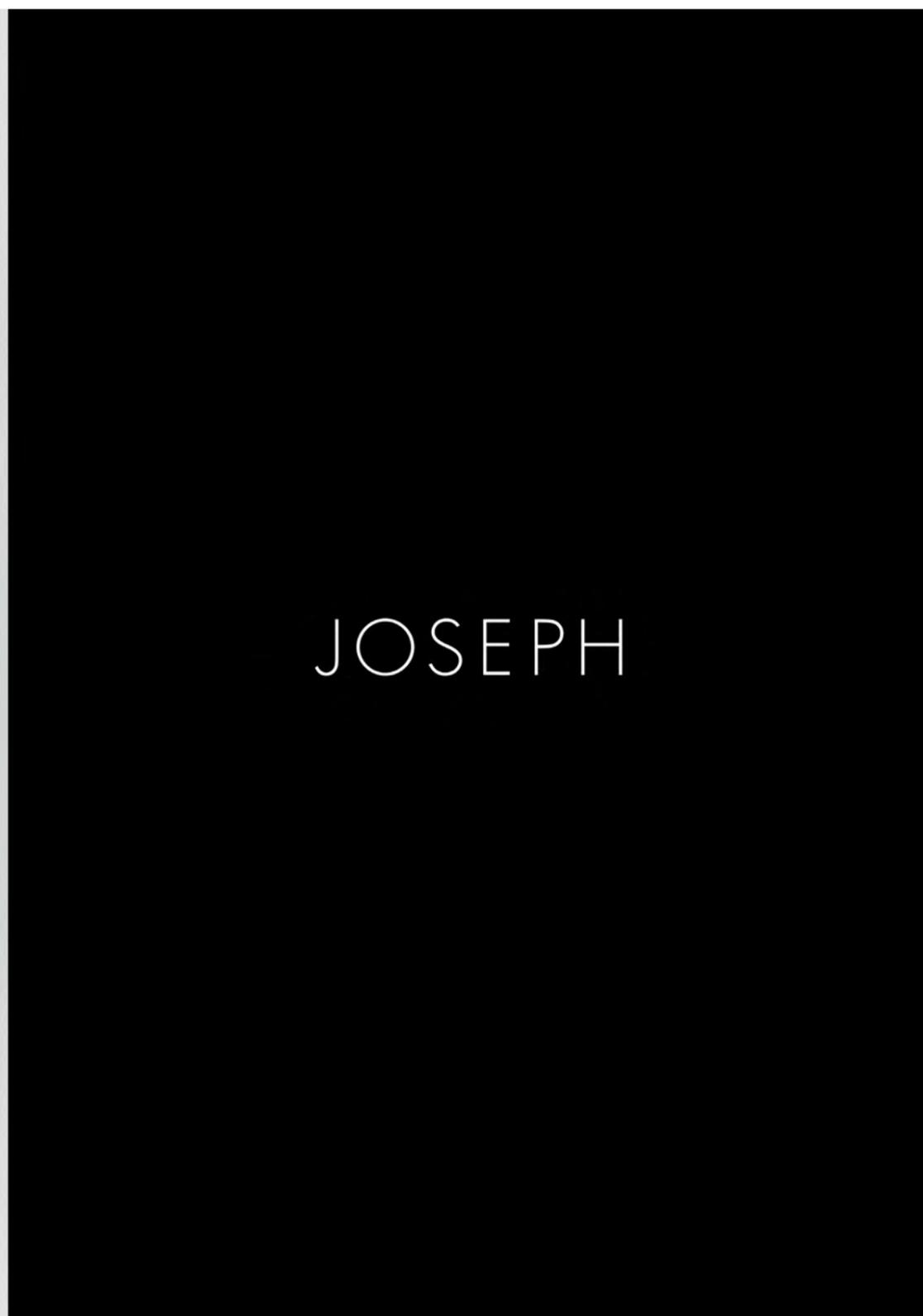
ANNUAL SALES

¥11.3 billion

NUMBER OF STORES

46

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



JOSEPH

LAUNCHED

1972

ANNUAL SALES

¥14.8 billion

NUMBER OF STORES

143

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

92nd

The Onward Group is currently in its 92nd year since its founding in 1927.

In this new decade of growth leading up to the 100th anniversary of our founding, we are still looking onward to the future as we move forward.

1927



Company founder Junzo Kashiyama

Founding

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

1950s – 1960s

Ready-Made Clothing Revolution

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



Grading machine modifies and cuts basic sewing patterns

1970s – 1980s

Overseas Expansion

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



Bus Stop store on Boulevard Saint-Germain in Paris



Onward Kashiyama's U.S. office



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

Events Seen in Each Era

- 1920s Roaring Twenties—World War II
- Westernization of women's clothing trends (after the Great Kanto Earthquake in 1923—)
- 1940s
- Great Depression originating in the United States (1929)
 - World War II (1939–1945)

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

- 1970s Pivot of change—Japanese asset price bubble
- Oil crisis (1973)
 - Plaza Accord (1985)
- 1980s
- Enactment of Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment (1986)
 - Emergence of prominent Japanese designers
 - Spread of luxury fashion

1990s - 2000

2001 - 2010

Launch of Core Brands

The womenswear business dramatically expands in the 1990s with the launch of core brands, beginning with Kumikyoku in 1992 and followed by Nijyusanku in 1993, ICB in 1995, and Jiyuku in 2000. The luxury brand boom driven by Japan's bubble economy comes to an end in the 1990s, and consumers start to look for more simple and practical clothing, and they are able to find this style in Japanese brands.



Launches Kumikyoku, 1992



Launches Nijyusanku, 1993

Department stores begin expanding womenswear floor spaces and emphasizing new brands from Japanese makers. Thanks to this trend, Onward Kashiwama's store numbers grow rapidly after the launch of the new brands, and this impressive growth forms the foundations for future advancement.

Launch of Global Apparel Group

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



Acquires Jil Sander Group, 2008

2011 - Today

Road to Ongoing Growth

After the global financial crisis of 2008, the landscape of the fashion business and, subsequently, the structure of the apparel supply chain undergo a drastic transformation. The emergence of so-called fast fashion, the increase of production costs in Asia, the reorganization of domestic department stores, and the rise of e-commerce can all be seen as indicators of this transformation.

Signaling its participation in the e-commerce field, the Onward Group cuts the ribbon for Onward Crosset, its directly managed e-commerce website, in December 2009.

The Onward Members' loyalty point card system, applicable to all Onward Group brands, launches in 2014.

Through this and other initiatives, the Onward Group proceeds to expand its customer base while accelerating its

The transition to a holding company system is made in 2007. In the years that follow, the Company continues to draw uniquely powerful brands under its umbrella in Japan as well as overseas, acquiring pet fashion pioneer Creative Yoko in 2008 and Island, the maker of the trusted Grace Continental brand for discerning women, in 2009. It was at this time that Onward truly makes a new start as a global apparel group that undertakes various types of fashion businesses all over the world.



Acquires Joseph Group, 2005



Acquires Island Co., Ltd., 2009



Launches Onward Crosset, 2009

Omni-channel retailing strategy, which merges the strengths of online stores and physical stores.

In 2017, the Onward Group launches KASHIYAMA the Smart Tailor, a new made-to-order suit business that employs a proprietary factory innovation scheme to realize low prices and quick deliveries. This groundwork for the expansion of factory-to-customer businesses is laid in April 2019 with the commencement of operations at the second factory in Dalian, China.

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



Opens Nijyusanku Ginza store, 2011



Commences operations at second KASHIYAMA the Smart Tailor factory in Dalian, China, 2019

1990s Bubble collapse—Post-bubble recession

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

2001 Global information era

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

2011 Fourth industrial revolution (Industry 4.0)

- Great East Japan Earthquake (2011)
- Annual inbound visitors to Japan exceed 30 million (2018)

Today

Our Value Chain

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

To fulfill this mission, we take advantage of fashion trend information by utilizing our global network, the technological capabilities granted by our production teams, and the quality control management of the Japan Apparel Quality Center.

By merging these strengths, we create new products that excel from the perspectives of fashion, technologies, and quality and propose new values and lifestyles.



Increased Supply Chain Management Precision

The Onward Group believes that swift, small-lot production and supply will be crucial to the Apparel Business going forward, whether products from factories are sent to stores or directly to customers.

Recognizing this need, we are taking steps to improve the precision of our supply chain management. The Kashiya Dalian factories, the Kashiya Saga factory, and other directly operated factories in Japan and overseas are being effectively utilized to pursue such improvements. In addition, we are enhancing the one-stop procurement and logistics system used in overseas production operations by coordinating our network with comprehensive warehouses in Ho Chi Minh City, Vietnam, and in Shanghai and Dalian, China, and overseas partner factories.

Production Flow (primarily used by Onward Kashiya)

PLANNING AND DESIGN

PRODUCTION

1 RESEARCH

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



2 DESIGN AND MATERIAL SELECTION

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



3 SAMPLE CREATION

From among the samples, the items to be commercialized are selected, and production volume is decided.



4 INTERNAL AND EXTERNAL EXHIBITIONS

Internal exhibitions are held for brand representatives to share information on products and receive input.

When new technologies or products are developed, exhibitions and events are held for members of the press and other influential individuals to promote these new innovations.



5 PRODUCT SELECTION

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

6 PRODUCT PLANNING

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



Planning and Production Teams

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



Japan Apparel Quality Center

The Onward Group established the Japan Apparel Quality Center in March 2017. The Japan Apparel Quality Center offers quality control guidance and proxy services in the four areas of quality control management, quality merchandising, test analyses, and factory audits and repairs (or product repair) that are steeped in the Group's quality control expertise and insight. These services are made available to apparel manufacturers, trading companies, factories, and other entities engaged in textile and fashion businesses both inside and outside of the Group.

Moreover, the Japan Apparel Quality Center will seek to share and promote the use of Japan's quality control techniques, which are known for a level of attention to detail not found anywhere else in the world, throughout the entire industry. We hope that this undertaking will lead to the creation of stronger frameworks for providing consumers with safe, reliable, and high-value products.





Logistics Reforms

In March 2018, Onward Kashiya consolidated its prior 11 logistics warehouses dispersed throughout Japan into four and transitioned from the prior structure, which entailed the management of inventories by branch, to a structure based on centralized control.

In addition, the logistic base of e-commerce was transferred to the Narashino Logistics Center in August 2018, thereby integrating inventories for physical stores and e-commerce operations.

Furthermore, RFID reader gates were installed at all warehouses, improving efficiency with regard to logistics procedures and increasing the accuracy of inventory data.

DELIVERY AND SALES

7

PRODUCTION

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



8

FINAL CHECK

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



9

DELIVERY

Products are transported from distribution warehouses to stores based on the instructions of distributors.



10

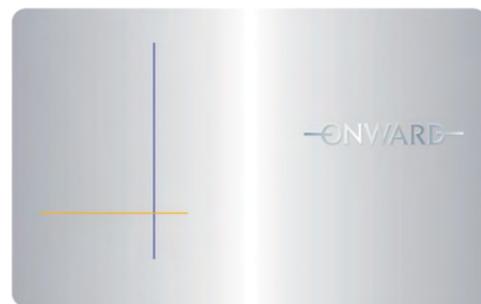
SALES

Products are sold at physical stores and online.

Onward Members' Loyalty Point Card System

Onward Members is a loyalty point card system that can be used at applicable Group stores, on the Onward Crosset directly managed e-commerce website, and on certain other directly managed websites. Through this system, Onward Members users not only accumulate points based on purchase amounts, but they are also able to receive various perks, including brand information on new products and events and member-exclusive services.

In November 2018, Onward's official smartphone application was upgraded to increase convenience and contact points with customers. These new features have contributed to an expanded user base.



Our Sales Channels

The Onward Group conducts its sales activities through a number of different sales channels. As we move forward, we will advance our Omni-channel retailing strategy that merges the strengths of both physical and online stores to further expand our customer base.

Department Stores

Department stores are the main sales channel of Onward Kashiya, accounting for 66% of its total sales in fiscal year 2019. A diverse range of core and other brands are deployed through this channel. In addition to enhancing existing stores, we are pursuing improvements in the sales of individual stores and in operational efficiency through strategic store openings and closures.

Recently, we have been promoting an Omni-channel retailing strategy as we step up sales promotions coordinated with online venues and augment services. Specific efforts on this front have included utilizing the Group's Onward Members' loyalty point card system and posting staff-recommended outfits on our website.



E-Commerce

E-commerce boasts the highest growth potential among the Onward Group's sales channels.

We operate Onward Crosset and brand-specific online stores and also list our products on domestic and overseas online shopping sites. We have maintained high rates of sales through directly operated e-commerce sites, and these sales accounted for 76% of the Group's total e-commerce sales and 85% of Onward Kashiya's e-commerce sales in fiscal year 2019.

Meanwhile, the official Onward smartphone application was upgraded in November 2018. The upgraded application makes it easier to narrow the scope of brand, store, and product information displayed while offering smooth access to e-commerce sites, the benefits of which are manifesting in higher sales through this application.



Directly Managed Standalone Stores

These brand flagship stores double as brand billboards.



Outlets

We are expanding our network of outlet stores, which include single-brand stores as well as multi-brand stores that feature selections matched to the characteristics of their area.



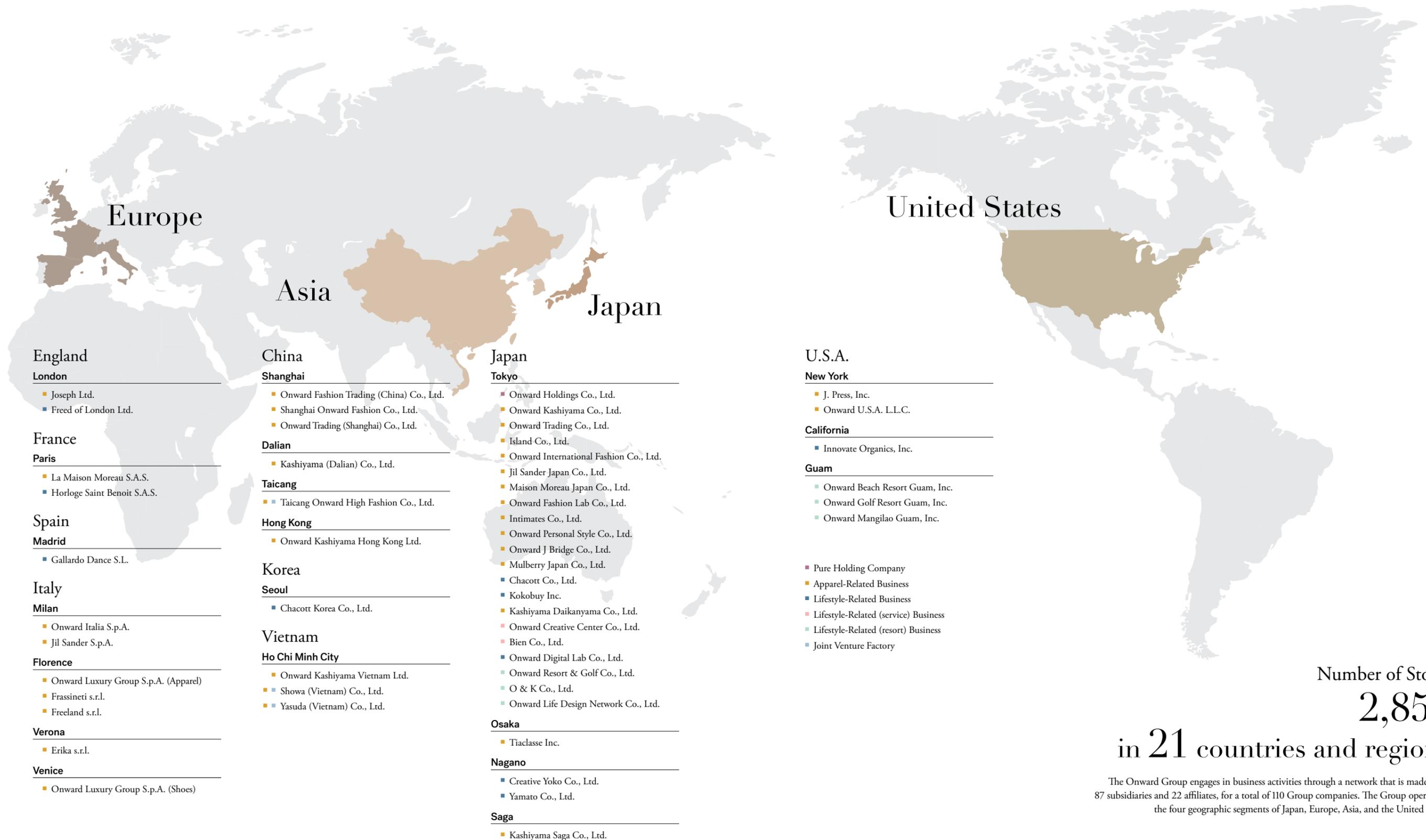
Shopping Centers

Whether in suburban shopping malls or urban department stores that have been converted into shopping centers, the forms of shopping centers are growing more diverse as unique centers are developed in response to diversifying consumer needs.

In stores located in shopping centers, the Onward Group arranges brand, product, and service lineups based on the characteristics of the respective regions and customers.

Our Network

As of August 31, 2019



Number of Stores
2,855
in **21** countries and regions

The Onward Group engages in business activities through a network that is made up of 87 subsidiaries and 22 affiliates, for a total of 110 Group companies. The Group operates in the four geographic segments of Japan, Europe, Asia, and the United States.

Onward-Approved Factory System

The Onward-Approved Factory System was instituted with the goal of developing a manufacturing platform that can continuously supply impeccable quality products.

We are well aware of how important safe and appropriate work environments at production sites are to improving employee retention rates and are thereby securing manufacturing techniques and ensuring stable product quality.

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



Audit Targets

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

To receive certification under the Onward-Approved Factory System, factories must pass CSR and quality control audits conducted by the Japan Apparel Quality Center. The Company

will not immediately cease transactions with a factory should it not pass these audits. Rather, discussions will be held with the factory in question and support will be offered in identifying issues and determining priorities in order to provide opportunities for gradual improvement.

Audits Performed

	Number of factories audited	Number of factories that passed compliance audit
2015–2018 (Actual)	268	239
2019 (Plan)	110 (Expected)	

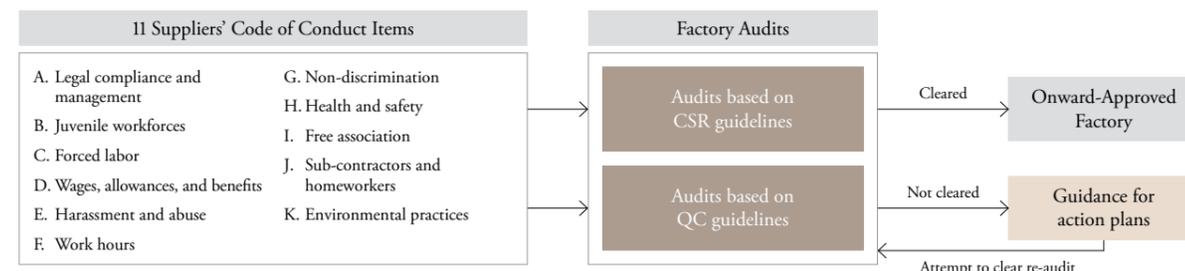
Audit Methods

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

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

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

Audit Procedure



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

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

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

Environmental and Social Responsibility

Basic Philosophy

Onward works diligently to enrich people's lives in its role as a lifestyle culture enterprise and positions the preservation of the environment as a key management issue while being environmentally friendly and socially responsible.

Environmental Concept

Thinking of the Earth. Clothing Its People.

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

Onward remains committed to taking on the challenge of achieving harmony with the planet and its people through its corporate activities and a range of products that include fashion items, as it carries out its role as a leading organization of the apparel industry that delivers fashion on a global scale.

Our Promise

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

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

Onward Green Campaign

4,250,243
Items Collected

777,494
Customers Who Donated

77% Recycled
23% Reused

Note: The figures above represent totals from 2009 to August 2019.

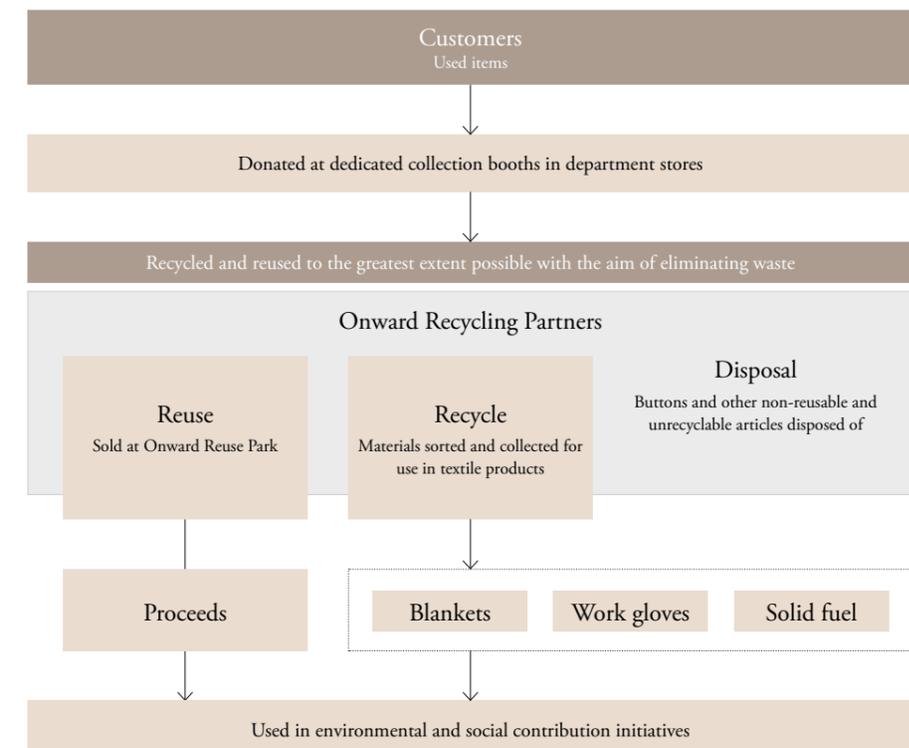


The Onward Green Campaign is designed to create an apparel life-cycle circulation system. In comparison with other consumables, the recycling of textile goods is relatively uncommon. Onward Kashiyama launched the Onward Green Campaign in 2009 with the objective of encouraging the circulation of apparel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

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

* For details regarding Onward Reuse Park, please refer to page 43.

Recycling Process



Tie-Up with the Japanese Red Cross Society

Under the Onward Green Campaign, and utilizing the extensive Red Cross network that reaches more than 185 countries throughout the world, Onward cooperates with the Japanese Red Cross Society in distributing blankets and work gloves to areas that have

been affected by, and are in the process of recovery from, a natural disaster. Work gloves have also been donated domestically to individuals involved in forest preservation efforts in addition to being distributed and utilized as a part of an awareness-building campaign.

Support Programs Using Recycled Blankets

1 Bangladesh

Refugee camp:
3,000 blankets
Donated to a refugee camp in the Cox's Bazar district of Chittagong, in southeastern Bangladesh, and to a hospital that provides medical care in the area



First support program: May 2010

2 Kazakhstan

Refugee camp:
3,300 blankets
Donated to refugees, orphans, other socially marginalized people, and communities in the city of Almaty



Second support program: February 2011

3 Japan

Regions heavily impacted by the Great East Japan Earthquake:
1,000 blankets
Donated to 31 community centers in Miyagi Prefecture that were affected by the Great East Japan Earthquake



Third support program: September 2011

4 China

Regions heavily impacted by the 2008 Sichuan earthquake:
2,000 blankets
Donated to a school and other facilities located in the mountainous regions of Sichuan Province that were affected by the earthquake in 2008



Fourth support program: March 2012

5 Mongolia

Impoverished area:
2,000 blankets
Donated to the area referred to locally as "dzud" that is periodically afflicted with severe snow damage (It is not uncommon for people living in impoverished areas to share one blanket during this period.)



Fifth support program: September 2012

6 Nepal

Impoverished area:
4,000 blankets
Donated to senior citizens and children living in social welfare facilities, where they are forced to face harsh winters each year without sufficient protection against the cold



Sixth support program: October 2013

7 Myanmar

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



Seventh support program: October 2014

8 Vietnam

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



Eighth support program: October 2015, April 2016

9 Nepal

Regions stricken by the Nepal earthquake:
2,000 blankets



Ninth support program: February 2016

10 Indonesia

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



11 India

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



12 Mongolia

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



Receipt of the President's Award in the National Recognition Ceremony of the Japanese Red Cross Society 2019

Onward received the President's Award in the National Recognition Ceremony of the Japanese Red Cross Society 2019 held by the Japanese Red Cross Society in May 2019. This award was a reflection of the ongoing international support activities of the Onward Group, which include general donations to Japanese Red Cross Society projects as well as donations through the society to provide blankets made from recycled materials to disaster-stricken areas and to support developing countries as part of the Onward Green Campaign.



Going forward, the Onward Group will strengthen its partnership with the Japanese Red Cross Society as it continues to engage in proactive social contribution activities.



Other Activities

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

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



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

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



Onward Kashiyama participated in the eighth KIBOU311 cherry tree planting event, which took place in Minamisanriku-cho, Miyagi Prefecture. We have participated in KIBOU311

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

Forest Preservation Initiatives at Tosayama Onward Rainbow Forest

In 2008, Onward entered into a partnership agreement with both the city of Kochi and the Kochi City Forestry Association and has been participating in forest preservation efforts at Tosayama



Onward Rainbow Forest, a forest approximately 80 hectares in size that is located in Kochi Prefecture. With the cooperation of local communities, we are conducting a forest regeneration program that includes forest thinning performed by Group employees twice a year.

Corporate Governance

Our Basic Approach to Corporate Governance

The Onward Group believes that responding promptly to changes in its business environment and ensuring a level of corporate governance that enhances the health, fairness, transparency, and compliance of its management and operations are among its most important responsibilities and central to increasing corporate and shareholder value.

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

Directors and the Board of Directors

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

Evaluation of the Effectiveness of the Board of Directors

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

1. Scope of evaluations

- All directors and Audit & Supervisory Board members

2. Procedures for evaluations

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

3. Overview of results of analysis and evaluation of Board of Directors’ effectiveness in fiscal year 2019

- Board of Directors effectively exercising functions for establishing management strategies and targets, resolving management issues, and overseeing business execution in accordance with Onward’s Corporate Governance Policy

- Current operation methods, agendas, and composition of Board of Directors appropriate; no issues requiring urgent attention
- More efficient operation and more extensive, timely, and viable provision of information to outside directors and outside Audit & Supervisory Board members required for improvements to the effectiveness of the Board of Directors

Reasons for the Appointment of Outside Directors

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

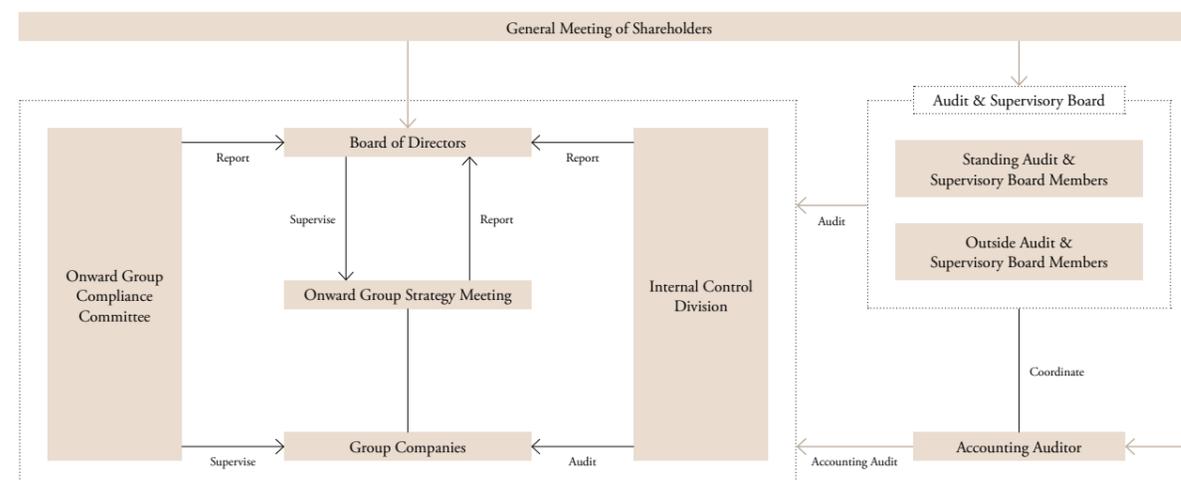
Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company has adopted an Audit & Supervisory Board structure, under which the Company has appointed four Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. Audit & Supervisory Board members have also assigned staff to assist them in carrying out their duties and to strengthen their supervisory function. Each member audits and monitors the performance of directors; responsibilities include reviewing the documentation of important decisions and attending important meetings, such as Board of Directors’ meetings, Group financial account settlement meetings, and the Growth-Oriented Management Committee, in accordance with audit policies and the roles delegated by the Audit & Supervisory Board. In addition, the Internal Control Division and each department are under periodic monitoring in an effort to establish an effective and lawful corporate structure. The Audit & Supervisory Board meets with the Representative Directors and the Accounting Auditor on a regular basis to share and exchange information and opinions. This initiative is also designed to ensure that a structure is in place that is capable of conducting audits in an effective and lawful manner. Moreover, the Audit & Supervisory Board receives reports from each member in accordance with audit policies and the roles delegated by the board. Deliberations are undertaken and resolutions are made based on this information as required.

Reasons for the Appointment of Outside Audit & Supervisory Board Members

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

Corporate Governance Structure



Business Execution Structure

The Onward Group has adopted a holding company structure that allows the Company’s Board of Directors to engage in strategic decision-making and supervise operating companies. At the same time, the Group has separated the supervisory and execution functions in order to clarify the responsibilities and authority of each operating company and to facilitate accelerated strategic decision-making. When matters that require urgent attention arise, the Board of Directors convenes as necessary. In this manner, the Onward Group has a system in place that ensures a swift and appropriate response to rapid changes in the business environment.

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

Directors’ and Audit & Supervisory Board Members’ Compensation

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

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

Officer Classification	Total Amount of Compensation Paid (Millions of yen)	Total Amount of Compensation Paid by Type of Compensation (Millions of yen)			Number of Eligible Officers
		Basic Compensation	Bonuses	Compensation for Use in Acquiring Company Stock	
Directors (excluding Outside Directors)	419	234	95	90	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	36	—	—	3
Outside Officers	40	40	—	—	5

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

Total Amount of Consolidated Compensation by Officer

Name (By Officer Classification)	Total Amount of Compensation Paid (Millions of yen)	Company Classification	Total Amount of Compensation Paid by Type of Compensation (Millions of yen)		
			Basic Compensation	Bonuses	Compensation for Use in Acquiring Company Stock
Takeshi Hirouchi (Director)	150	Filing company	87	37	25

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

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

Policies for Cross-Shareholdings and Exercise of Related Voting Rights

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

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

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

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

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

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

7. Past relationships

The individual must not have been applicable under items 1. to 5. during the past five years.

8. Relationships of kinship

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

Compliance Structure

Recognizing that society as a whole is placing greater emphasis on efforts aimed at upgrading and expanding compliance structures, the Onward Group has positioned compliance as an important issue for management. Furthermore, by enhancing its corporate governance systems, the Company aims to earn high levels of trust among its customers and shareholders and from society as a whole. In specific terms, the Group published the *Compliance Manual* to clearly outline the direction of compliance activities and define standards for adhering to ethical concerns and social norms. The Onward Group Compliance Committee takes the lead in conducting continuous educational activities, including in-house training, as a part of efforts to ensure widespread awareness and understanding. In addition, the Company has established a factory certification system as part of its supply chain management initiatives with the aim of improving work environments at partner factories.

Risk Management Structure

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

Interaction with Shareholders

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

1. Periodic briefings for analysts and institutional investors

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

2. Provision of IR materials on corporate website

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

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

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

As of November 1, 2019

Board of Directors

Representative Director, President
Michinobu Yasumoto

Representative Senior Managing Director
Michio Osawa

Senior Managing Directors
Hisayuki Ichinose
Tsunenori Suzuki

Outside Directors
Akira Kawamoto
Yoshie Komuro

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Members

Hitoshi Aoyama
Hirokazu Yoshizato

Outside Audit & Supervisory Board Members

Jotaro Yabe
Katsuaki Ohashi

Executive Officers

Managing Executive Officers

Masahiko Yoshikawa
Kenji Takeuchi

Takeshi Egashira
Yoshihiro Higuchi

Takehiro Shiraishi
Hidekazu Imamura

Executive Officers

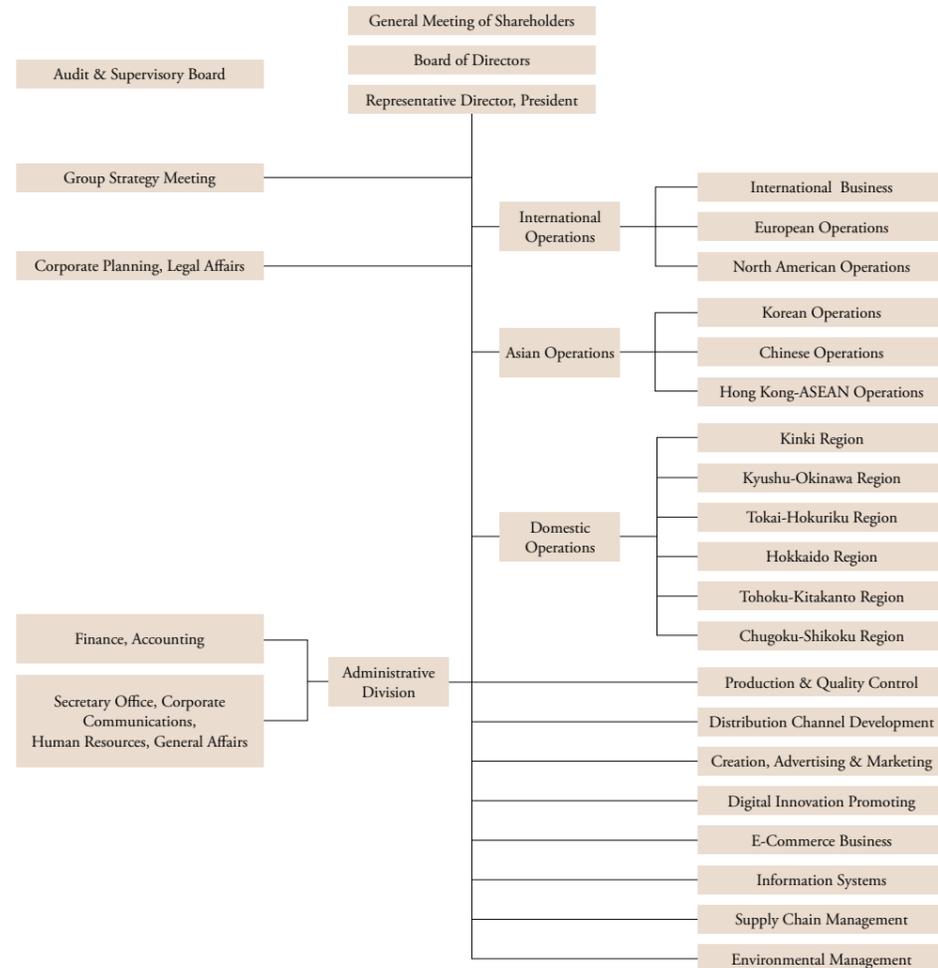
Tomohiko Sakamoto

Masanori Shozu
Hikosaburo Seike

Osamu Sato
Daisuke Ikeda

Company Organization

As of September 1, 2019



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



Six-Year Financial Summary

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

	Millions of yen						Thousands of U.S. dollars*
	2014	2015	2016	2017	2018	2019	2019
FOR THE YEAR							
Net sales	¥280,008	¥281,502	¥263,516	¥244,901	¥243,075	¥240,652	\$2,170,581
Cost of sales	149,270	152,438	144,063	131,638	129,498	129,019	1,163,698
Selling, general and administrative expenses	120,538	123,332	115,675	109,059	108,410	107,171	966,641
Operating profit	10,200	5,732	3,778	4,204	5,167	4,462	40,242
Ordinary profit	12,211	7,162	5,504	5,577	5,929	5,162	46,550
Income taxes, current	3,112	5,033	8,680	1,534	3,305	1,244	11,222
Profit attributable to owners of parent	4,659	4,204	4,278	4,744	5,367	4,948	44,633
CASH FLOWS							
Cash flows from operating activities	13,362	16,491	3,632	6,844	13,228	4,635	41,809
Cash flows from investing activities	(14,301)	(15,657)	1,783	25,271	(7,300)	(10,306)	(92,955)
Cash flows from financing activities	2,122	757	(6,357)	(32,856)	(6,593)	11,543	104,110
Free cash flow*2	(939)	834	5,415	32,115	5,928	(5,671)	(51,146)
Capital expenditures	16,750	26,884	15,955	10,599	12,058	13,473	125,520
Depreciation and amortization	6,801	7,219	7,799	6,663	6,335	6,511	58,722
AT YEAR-END							
Cash and deposits	27,376	31,123	29,407	26,097	26,335	31,284	282,173
Total current assets	110,349	117,052	121,469	103,573	105,978	117,298	1,057,976
Total property, plant and equipment	102,879	109,658	106,695	92,269	93,714	96,718	872,351
Total assets	313,431	340,854	313,454	273,227	278,134	287,555	2,593,621
Total current liabilities	101,010	109,619	106,110	85,684	86,384	105,405	950,711
Total shareholders' equity	178,078	179,880	176,264	169,027	168,342	167,429	1,510,139
Total net assets	175,029	185,315	172,337	165,670	168,153	162,211	1,463,074

	Yen						U.S. dollars*1
	2014	2015	2016	2017	2018	2019	2019
PER SHARE INFORMATION							
Basic earnings per share (EPS)	¥ 29.69	¥ 26.78	¥ 28.27	¥ 31.47	¥ 36.97	¥ 35.24	\$ 0.32
Net assets	1,102.99	1,166.89	1,101.21	1,116.47	1,155.04	1,148.30	10.36
Cash dividends	24.00	24.00	24.00	24.00	24.00	24.00	0.22
Payout ratio (%)	80.8	89.6	86.5	74.0	63.7	66.9	—
RATIOS							
ROE (%)	2.8	2.4	2.4	2.8	3.3	3.1	—
ROA (%)	1.6	1.3	1.3	1.6	1.9	1.7	—
Operating margin (%)	3.6	2.0	1.4	1.7	2.1	1.9	—
Gross profit margin (%)	46.7	45.8	45.3	46.2	46.7	46.4	—
SG&A expenses / Net sales (%)	43.0	43.8	43.9	44.5	44.6	44.5	—
Shareholders' equity ratio (%)	55.2	53.8	54.2	59.8	59.2	55.1	—
OTHER INFORMATION							
Number of full-time employees	5,224	4,973	5,119	4,456	4,530	4,643	—

*1. Yen amounts have been translated, for convenience only, at ¥110.87=US\$1, the rate of exchange as of February 28, 2019.
*2. Free cash flow = Cash flows from operating activities + Cash flows from investing activities

Net Sales



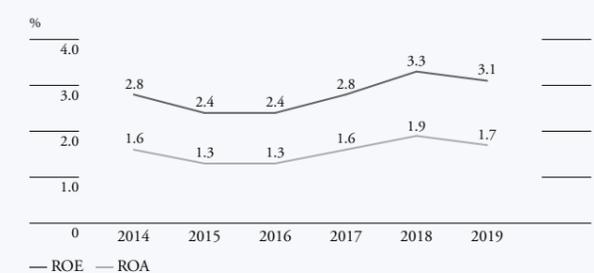
Operating Profit and Operating Margin



Profit Attributable to Owners of Parent



ROE and ROA



Total Assets



Total Net Assets and Shareholders' Equity Ratio



Capital Expenditures



Cash Dividends per Share and Payout Ratio



Management's Discussion and Analysis

Overview of Operating Results

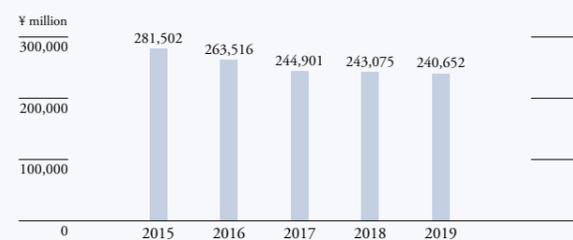
In fiscal year 2019, ended February 28, 2019, the domestic economy enjoyed ongoing improvements in corporate earnings, the job market, and wages, while consumer spending levels recovered. However, consumer confidence remained low as a result of record-breaking typhoons, earthquakes, and other natural disasters. Meanwhile, a recovery trend was seen in Europe and the United States, but this recovery was restricted by the impacts of trade disputes, uncertainty pertaining to government policies, and the United Kingdom's decision to withdraw from the European Union.

In the domestic apparel and fashion industries, the diversification of sales channels and a shift toward e-commerce was seen in reflection of changes in consumer purchasing intentions. Regardless, the pronounced trend toward frugality in clothing purchases persisted, and competition remained generally fierce. Amid this operating environment, the Onward Group moved forward with the implementation of its medium-term management plan during its final year. Based on this plan, we sought to steadily raise profits by heightening the value of products in core brands and improving customer service. We also advanced selection and concentration measures that included reinforcing our e-commerce operations and other businesses from which we can expect high margins and strong growth.

Net Sales

Sales in the Apparel Business decreased 0.5% year on year, to ¥214,564 million, while sales in the Lifestyle Business declined 4.6%, to ¥26,088 million. As a result, consolidated net sales were down 1.0% compared with the previous fiscal year, to ¥240,652 million. Effective from fiscal year 2019, the Company's segments were revised. As part of this revision, the Other Business was renamed the Lifestyle Business, which now comprises Chacott Co., Ltd., Creative Yoko Co., Ltd., and other companies.

Net Sales



Gross Profit

The gross profit margin decreased 0.3 percentage point, from 46.7% in fiscal year 2018 to 46.4% in fiscal year 2019. Gross profit decreased ¥1,944 million, to ¥111,633 million.

Operating Income

The ratio of selling, general and administrative (SG&A) expenses to net sales decreased 0.1 percentage point, from 44.6% to 44.5%. Operating profit, meanwhile, decreased ¥705 million year on year, to ¥4,462 million.

Other Income (Expenses)

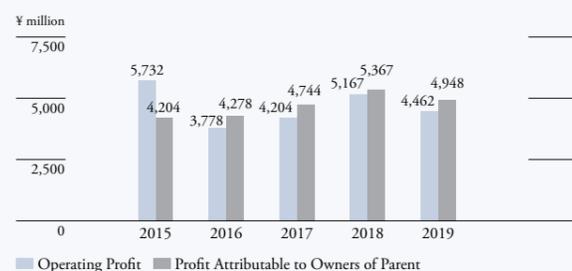
Other expenses, net, amounted to ¥1,307 million, compared with other income, net, of ¥4,862 million in the previous fiscal year. Other income was recorded in the form of gain on sale or disposal of fixed assets, net, of ¥2,313 million and gain on sale of investments in securities, net, of ¥2,432 million. In other expenses, impairment loss on fixed assets increased from ¥1,202 million in fiscal year 2018 to ¥5,533 million in fiscal year 2019.

Profit before Income Taxes and Profit Attributable to Owners of Parent

Profit before income taxes was ¥3,155 million, a decrease of ¥6,874 million year on year.

Profit attributable to owners of parent decreased ¥419 million from the previous fiscal year, to ¥4,948 million.

Operating Profit and Profit Attributable to Owners of Parent



Segment Information

Apparel Business

In fiscal year 2019, sales in the Apparel Business segment declined 0.5% year on year, to ¥214,564 million, while operating profit was down 10.1%, to ¥5,255 million.

Domestic Apparel Business

Sales from e-commerce operations, which have been an ongoing target for concentrated resource allocation, rose 25.8% year on year on a consolidated basis, making large contributions to overall sales. At core operating subsidiary Onward Kashiyama Co., Ltd., year-on-year increases were seen in the sales of brands such as Jiyuku, ICB, and J. PRESS, which benefited from a higher percentage of sales through e-commerce channels. Conversely, sales of Nijyusanku, Kumikyoku, Gotairiku, and other brands were down year on year. Sales decreases were also experienced by domestic subsidiaries Onward Trading Co., Ltd., and Onward Global Fashion Co., Ltd. Regardless of these decreases, higher profit was posted due to the withdrawal from underperforming businesses and brands and the implementation of cost control measures. As a result, operating profit was up while sales were down for the domestic business overall.

Overseas Apparel Business

The enhanced creative team at JIL SANDER continued to drive sales growth. At the same time, success in promoting the new J. PRESS flagship store and increased e-commerce sales in North America contributed to earnings improvement in this region. However, profits were down due to alterations in contracts in European manufacturing divisions and one-time expenses associated with closures of underperforming stores. As a result, sales were up while operating profit was down for the overseas business overall.

Lifestyle Business

In fiscal year 2019, sales in the Lifestyle Business segment declined 4.6% year on year, to ¥26,088 million, while operating profit decreased 10.7%, to ¥1,542 million.

Improvements in profitability were seen at Creative Yoko, which designs and sells products for pets as well as character goods and toys, and Kokobuy Inc., which manufactures and sells brand name organic haircare and skincare products. However, the resort business struggled due to a decline in the number of Japanese tourists visiting Guam. As a result, both sales and operating profit were down for the Lifestyle Business overall.

Outlook for the Fiscal Year Ending February 29, 2020

For fiscal year 2020, ending February 29, 2020, the Onward Group forecasts consolidated net sales to increase 6.4% year on year, to ¥256,000 million, and operating profit to grow 23.7%, to ¥5,520 million.

In the apparel and fashion industries, progress in globalization and the trend toward digitalization will serve as a backdrop for the difficult conditions characterized by fierce competition. Amid this operating environment, the Onward Group will seek to improve product value and enhance customer service in its core businesses with the aim of steadily improving profitability. At the same time, we will develop new businesses with a promising outlook for growth.

Domestic Business

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

Our focus in existing brands will be to improve the value of products centered on apparel from the perspective of customers in order to increase profitability. At the same time, we will grow operations in lifestyle-related fields, such as cosmetics and wellness.

In addition, we are promoting KASHIYAMA the Smart Tailor, our brand of made-to-order suits, as a core, next-generation business that is compatible with mass customization. We are also forging ahead with our Omni-channel retailing strategy, which entails expanding our offerings of experiences and services, as part of our efforts to realize higher levels of satisfaction and convenience for customers.

Overseas Business

In the overseas business, we will move ahead with the acceleration of our global strategies.

In Europe, we aim to realize higher profitability by cementing our frameworks for generating synergies between the manufacturing platform of Onward Luxury Group and the brands of JOSEPH and JIL SANDER. Meanwhile, we will establish a manufacturing platform for Moreau Paris and otherwise work to expand this brand with a view to solidifying its position as a luxury brand centered on bags and other accessories.

In Asia, we will move ahead with selection and concentration measures in existing businesses while advancing growth strategies that respond flexibly to market changes through means such as expanding Internet-based businesses and developing new sales channels.

Initiatives in North America will include developing operating structures and carrying out the investments deemed necessary from a medium-term perspective, such as those in the J. PRESS store in Yale Club in New York City. At the same time, we will implement initiatives for growing our business.

Financial Position

Assets

Total assets on February 28, 2019, stood at ¥287,555 million, up ¥9,421 million from the previous fiscal year-end. Total current assets increased ¥11,320 million, mainly from an increase in cash and deposits. Fixed assets were down ¥1,899 million, largely reflecting a decrease in investments in securities.

Liabilities

Total liabilities as of February 28, 2019, were up ¥15,363 million from the previous fiscal year-end, to ¥125,344 million. Total current liabilities rose ¥19,021 million, mainly attributable to an increase in short-term loans payable. Total long-term liabilities were down ¥3,658 million, largely due to an increase in long-term loans payable.

Net Assets

On February 28, 2019, total net assets were down ¥5,942 million from the previous fiscal year-end, to ¥162,211 million. Total shareholders' equity decreased ¥913 million following a decrease in retained earnings. Total accumulated other comprehensive income decreased ¥5,381 million, mainly because of a downward adjustment associated with net unrealized loss on available-for-sale securities.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities for fiscal year 2019 was ¥4,635 million (¥13,228 million in the previous fiscal year), mainly from profit before income taxes and income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities for fiscal year 2019 totaled ¥10,306 million (¥7,300 million in the previous fiscal year), mainly due to investments in sales facilities and business assets.

Cash Flows from Financing Activities

Net cash provided by financing activities for fiscal year 2019 amounted to ¥11,543 million (net cash used in financing activities of ¥6,593 million in the previous fiscal year), owing mainly to changes in borrowings.

As a result, cash and cash equivalents as of February 28, 2019, increased ¥5,587 million, to ¥31,237 million.

Capital Expenditures

We at the Onward Group undertake capital expenditures on a continuous basis to upgrade and expand our planning, production, sales, and logistics structures and systems. Our capital expenditures are the wellspring that enables us to address the diverse needs of our customers.

In fiscal year 2019, our capital expenditures totaled ¥13,473 million. The details of expenditures by segment are as follows.

In the Apparel Business segment, capital expenditures amounted to ¥8,518 million, the majority of which was channeled to sales floors at department stores and directly managed stores with the aim of strengthening the Group's sales structure and network.

In the Lifestyle Business segment, we invested ¥635 million to upgrade commercial facilities and enhance operational efficiency.

Profit Distribution Policy

At Onward Holdings, we recognize that the distribution of profits to shareholders is one of our top priorities. Our basic policy is to distribute regular and stable dividends to shareholders based on our business performance, and we target a dividend payout ratio of 35% or more.

A single dividend payment is issued each year and is decided via approval at the General Meeting of Shareholders. For fiscal year 2019, we resolved to distribute a cash dividend of ¥24 per share, the same level as in fiscal year 2018, based on a comprehensive evaluation of this year's performance and our outlook for the operating environment.

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

Operating Risks

Changes in Consumer Needs

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

Weather Conditions

Sales of our Group's mainstay fashion products may be affected by the weather. Consequently, we as a Group have put in place and continue to strengthen our systems for planning and production for a quick turnaround cycle. However, unseasonal weather over a prolonged period, such as cool weather in the summer or warm weather in the winter, or a series of typhoons may result in the loss of sales opportunities during peak seasons. Such developments may have an adverse impact on our Group's business performance.

Product Liability

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

Business Partners

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

Intellectual Property

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

Legal Procedures and Compliance

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

Information Security

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

Overseas Business Operations

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

Business and Capital Tie-ups

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

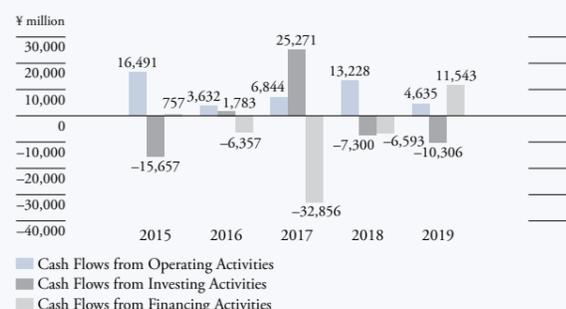
Disasters

The Onward Group has established disaster response handbooks and policies. Regardless, the occurrence of a natural disaster, such as an earthquake, a flood, or a fire; an accident; or an outbreak of an epidemic, such as a new strain of influenza, may compel the Onward Group to suspend its business operations. Such an occurrence may have an adverse impact on our Group's business performance.

Total Assets and Total Net Assets



Cash Flows



Consolidated Balance Sheets

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
February 28, 2018 and 2019

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2018	2019	2019
Current assets:			
Cash and deposits (Notes 3 and 10)	¥ 26,335	¥ 31,284	\$ 282,173
Accounts and notes receivable (Note 3)	25,057	25,508	230,072
Inventories (Note 2. (4))	42,980	46,766	421,808
Deferred tax assets (Note 12)	4,130	2,973	26,816
Other current assets	7,827	11,521	103,906
Less: Allowance for bad debt	(351)	(754)	(6,799)
Total current assets	105,978	117,298	1,057,976
Property, plant and equipment:			
Buildings and structures	80,950	84,325	760,577
Leased assets	8,428	9,071	81,818
Other depreciable property	34,363	35,410	319,381
Less: Accumulated depreciation	(77,032)	(78,354)	(706,721)
	46,709	50,452	455,055
Land	47,005	46,266	417,296
Total property, plant and equipment	93,714	96,718	872,351
Intangible assets, net:			
Goodwill	16,228	9,455	85,284
Other	8,284	7,570	68,281
Total intangible assets, net	24,512	17,025	153,565
Investments and other assets:			
Investments in securities (Notes 3 and 4)	30,491	27,846	251,155
Long-term loans receivable	1,888	2,469	22,272
Long-term prepaid expenses	360	447	4,031
Net defined benefit asset (Note 8)	3,847	2,919	26,327
Deferred tax assets (Note 12)	6,971	12,926	116,590
Other investments	10,634	10,344	93,295
Less: Allowance for bad debt	(261)	(437)	(3,941)
Total investments and other assets	53,930	56,514	509,729
Total assets	¥278,134	¥287,555	\$2,593,621

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2018	2019	2019
Current liabilities:			
Accounts and notes payable (Note 3)	¥ 18,059	¥ 17,557	\$ 158,355
Electronically recorded obligations—operating (Note 3)	14,873	14,183	127,922
Short-term loans payable (Notes 3 and 13)	29,533	53,886	486,028
Current portion of long-term loans payable (Notes 3 and 13)	5,800	2,800	25,257
Accrued income taxes	2,085	475	4,285
Accrued bonuses to employees	1,052	777	7,012
Accrued bonuses to directors	196	156	1,410
Allowance for sales returns	272	241	2,178
Provision for point program	736	765	6,897
Other current liabilities (Notes 12 and 13)	13,778	14,565	131,367
Total current liabilities	86,384	105,405	950,711
Long-term liabilities:			
Long-term loans payable (Notes 3 and 13)	6,819	4,707	42,452
Deferred tax liabilities—revaluation of land (Note 12)	2,259	1,747	15,753
Net defined benefit liability (Note 8)	4,141	3,993	36,018
Lease obligations (Note 13)	4,384	4,411	39,786
Accrued retirement benefits for directors and corporate auditors	188	203	1,827
Other long-term liabilities (Note 12)	5,806	4,878	44,000
Total long-term liabilities	23,597	19,939	179,836
Total liabilities	109,981	125,344	1,130,547
Net assets:			
Shareholders' equity (Note 14):			
Common stock:			
Authorized—400,000,000 shares			
Issued—167,921,669 shares and 157,921,669 shares at February 28, 2018 and 2019, respectively	30,080	30,080	271,306
Capital surplus	50,043	50,043	451,368
Retained earnings	115,799	107,140	966,357
Less: Treasury stock, at cost, 25,406,796 shares and 20,052,156 shares at February 28, 2018 and 2019, respectively	(27,580)	(19,834)	(178,892)
Total shareholders' equity	168,342	167,429	1,510,139
Accumulated other comprehensive income:			
Net unrealized gain (loss) on available-for-sale securities (Note 4)	1,271	(1,453)	(13,101)
Deferred gain (loss) on hedging instruments	(74)	80	717
Net revaluation loss on land	(7,865)	(8,957)	(80,787)
Foreign currency translation adjustments	2,097	1,134	10,231
Remeasurements of defined benefit plans (Note 8)	838	82	738
Total accumulated other comprehensive income	(3,733)	(9,114)	(82,202)
Stock acquisition rights	730	559	5,046
Non-controlling interests	2,814	3,337	30,091
Total net assets	168,153	162,211	1,463,074
Total liabilities and net assets	¥278,134	¥287,555	\$2,593,621
Per share:			
Net assets per share	¥1,155.04	¥1,148.30	\$10.36

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2018 and 2019

	Millions of yen					
	Number of shares of common stock (thousands)	Shareholders' equity (Note 14)				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as at March 1, 2017	167,922	¥30,080	¥50,043	¥113,072	¥(24,168)	¥169,027
Cash dividends	—	—	—	(3,511)	—	(3,511)
Profit attributable to owners of parent	—	—	—	5,367	—	5,367
Purchase of treasury stock	—	—	—	—	(3,532)	(3,532)
Reissuance of treasury stock	—	—	—	(70)	120	50
Reversal of revaluation of land	—	—	—	941	—	941
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	—	—	—	2,727	(3,412)	(685)
Balance as at February 28, 2018	167,922	30,080	50,043	115,799	(27,580)	168,342
Cash dividends	—	—	—	(3,420)	—	(3,420)
Profit attributable to owners of parent	—	—	—	4,948	—	4,948
Purchase of treasury stock	—	—	—	—	(3,725)	(3,725)
Reissuance of treasury stock	—	—	—	(223)	393	170
Retirement of treasury stock	10,000	—	—	(11,078)	11,078	—
Reversal of revaluation of land	—	—	—	1,114	—	1,114
Net changes in items other than shareholders' equity	—	—	—	—	—	—
Total changes during the year	10,000	—	—	(8,659)	7,746	(913)
Balance as at February 28, 2019	157,922	¥30,080	¥50,043	¥107,140	¥(19,834)	¥167,429

	Thousands of U.S. dollars (Note 2. (21))				
	Shareholders' equity (Note 14)				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as at February 28, 2018	\$271,306	\$451,368	\$1,044,454	\$(248,757)	\$1,518,371
Cash dividends	—	—	(30,850)	—	(30,850)
Profit attributable to owners of parent	—	—	44,633	—	44,633
Purchase of treasury stock	—	—	—	(33,600)	(33,600)
Reissuance of treasury stock	—	—	(2,007)	3,546	1,539
Retirement of treasury stock	—	—	(99,919)	99,919	—
Reversal of revaluation of land	—	—	10,046	—	10,046
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	(78,097)	69,865	(8,232)
Balance as at February 28, 2019	\$271,306	\$451,368	\$ 966,357	\$(178,892)	\$1,510,139

See accompanying notes to consolidated financial statements.

	Millions of yen								
	Accumulated other comprehensive income								Total net assets
	Net unrealized gain (loss) on available-for-sale securities (Note 4)	Deferred gain (loss) on hedging instruments	Net revaluation loss on land	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 8)	Total	Stock acquisition rights	Non-controlling interests	
Balance as at March 1, 2017	¥ 323	¥ 57	¥(6,923)	¥ 528	¥ 341	¥(5,674)	¥ 780	¥1,537	¥165,670
Cash dividends	—	—	—	—	—	—	—	—	(3,511)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	5,367
Purchase of treasury stock	—	—	—	—	—	—	—	—	(3,532)
Reissuance of treasury stock	—	—	—	—	—	—	—	—	50
Reversal of revaluation of land	—	—	—	—	—	—	—	—	941
Net changes in items other than shareholders' equity	948	(131)	(942)	1,569	497	1,941	(50)	1,277	3,168
Total changes during the year	948	(131)	(942)	1,569	497	1,941	(50)	1,277	2,483
Balance as at February 28, 2018	1,271	(74)	(7,865)	2,097	838	(3,733)	730	2,814	168,153
Cash dividends	—	—	—	—	—	—	—	—	(3,420)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	4,948
Purchase of treasury stock	—	—	—	—	—	—	—	—	(3,725)
Reissuance of treasury stock	—	—	—	—	—	—	—	—	170
Retirement of treasury stock	—	—	—	—	—	—	—	—	—
Reversal of revaluation of land	—	—	—	—	—	—	—	—	1,114
Net changes in items other than shareholders' equity	(2,724)	154	(1,092)	(963)	(756)	(5,381)	(171)	523	(5,029)
Total changes during the year	(2,724)	154	(1,092)	(963)	(756)	(5,381)	(171)	523	(5,942)
Balance as at February 28, 2019	¥(1,453)	¥ 80	¥(8,957)	¥1,134	¥ 82	¥(9,114)	¥ 559	¥3,337	¥162,211

	Thousands of U.S. dollars (Note 2. (21))								
	Accumulated other comprehensive income								Total net assets
	Net unrealized gain (loss) on available-for-sale securities (Note 4)	Deferred gain (loss) on hedging instruments	Net revaluation loss on land	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 8)	Total	Stock acquisition rights	Non-controlling interests	
Balance as at February 28, 2018	\$ 11,460	\$ (668)	\$(70,935)	\$18,920	\$ 7,561	\$(33,662)	\$ 6,581	\$25,377	\$1,516,667
Cash dividends	—	—	—	—	—	—	—	—	(30,850)
Profit attributable to owners of parent	—	—	—	—	—	—	—	—	44,633
Purchase of treasury stock	—	—	—	—	—	—	—	—	(33,600)
Reissuance of treasury stock	—	—	—	—	—	—	—	—	1,539
Retirement of treasury stock	—	—	—	—	—	—	—	—	—
Reversal of revaluation of land	—	—	—	—	—	—	—	—	10,046
Net changes in items other than shareholders' equity	(24,561)	1,385	(9,852)	(8,689)	(6,823)	(48,540)	(1,535)	4,714	(45,361)
Total changes during the year	(24,561)	1,385	(9,852)	(8,689)	(6,823)	(48,540)	(1,535)	4,714	(53,593)
Balance as at February 28, 2019	\$(13,101)	\$ 717	\$(80,787)	\$10,231	\$ 738	\$(82,202)	\$ 5,046	\$30,091	\$1,463,074

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes	¥10,029	¥ 3,155	\$ 28,456
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,335	6,511	58,722
Impairment loss on fixed assets	1,202	5,533	49,909
Net amortization of goodwill on consolidation	2,563	2,302	20,762
Increase (decrease) in allowance for bad debt	(462)	586	5,289
(Increase) decrease in net defined benefit asset	(670)	928	8,373
Increase (decrease) in net defined benefit liability	98	(131)	(1,181)
Interest and dividend income	(300)	(313)	(2,826)
Interest expenses	318	370	3,339
Equity in (earnings) losses of investees	775	84	754
(Gain) loss on sale or disposal of fixed assets, net	(3,645)	(2,313)	(20,861)
(Gain) loss on sale of investments in securities, net	(1,711)	(2,432)	(21,933)
(Increase) decrease in trade receivables	1,648	(752)	(6,785)
(Increase) decrease in inventories	(1,980)	(4,186)	(37,753)
Increase (decrease) in trade payables	921	(904)	(8,154)
Other, net	(1,830)	(1,537)	(13,864)
Subtotal	13,291	6,901	62,247
Interest and dividends received	376	394	3,553
Interest paid	(323)	(367)	(3,313)
Income taxes paid	(1,961)	(2,304)	(20,780)
Refunded income taxes	1,845	11	102
Net cash provided by (used in) operating activities	13,228	4,635	41,809
Cash flows from investing activities:			
Increase in time deposits	(640)	(5)	(46)
Decrease in time deposits	29	599	5,402
Acquisition of property, plant and equipment	(9,459)	(11,220)	(101,199)
Proceeds from sale of property, plant and equipment	6,392	4,803	43,320
Acquisition of investments in securities	(6,302)	(10,138)	(91,438)
Proceeds from sale of investments in securities	4,864	9,444	85,179
Payments for long-term prepaid expenses	(256)	(166)	(1,501)
Payments for security deposits	(301)	(1,166)	(10,516)
Proceeds from security deposits	1,121	1,465	13,212
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	39	351
Payments for sale of investments in subsidiaries resulting in change in scope of consolidation	—	(20)	(181)
Other, net	(2,748)	(3,941)	(35,538)
Net cash provided by (used in) investing activities	(7,300)	(10,306)	(92,955)

	Millions of yen		Thousands of U.S. dollars (Note 2. (21))
	2018	2019	2019
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	6,004	24,800	223,684
Proceeds from long-term loans payable	20,000	—	—
Repayments of long-term loans payable	(24,570)	(5,086)	(45,871)
Acquisition of treasury stock	(3,532)	(3,725)	(33,600)
Dividends paid by the parent company	(3,511)	(3,420)	(30,850)
Dividends paid to non-controlling interests	(196)	(154)	(1,387)
Other, net	(788)	(872)	(7,866)
Net cash provided by (used in) financing activities	(6,593)	11,543	104,110
Effect of exchange rate changes on cash and cash equivalents	291	(285)	(2,570)
Net increase (decrease) in cash and cash equivalents	(374)	5,587	50,394
Cash and cash equivalents at beginning of year	26,024	25,650	231,351
Cash and cash equivalents at end of year (Note 10)	¥ 25,650	¥31,237	\$281,745

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ONWARD HOLDINGS Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2018 and 2019

1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by ONWARD HOLDINGS Co., Ltd. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act") and the Financial Instruments and Exchange Act and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. Certain items presented in the consolidated financial statements submitted to the Director-General of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

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

2. Summary of Significant Accounting Policies

(1) Scope of consolidation

The Company had 87 subsidiaries as at February 28, 2019 (84 as at February 28, 2018). The accompanying consolidated financial statements include the accounts of the Company and 72 of its subsidiaries (71 for 2018). Major consolidated subsidiaries are listed below (the Company and its consolidated subsidiaries are collectively referred to as the "Companies"):

Name of subsidiary	Equity ownership percentage	Closing date
Onward Kashiyama Co., Ltd.	100.0%	February 28
Onward Trading Co., Ltd.	100.0	February 28
Chacott Co., Ltd.	100.0	February 28
Creative Yoko Co., Ltd.	100.0	February 28
Island Co., Ltd.	100.0	February 28
Onward Global Fashion Co., Ltd.	100.0	February 28
Onward Luxury Group S.p.A.	100.0	November 30
Joseph Ltd.	100.0	November 30
Onward Fashion Trading (China) Co., Ltd.	100.0	December 31
J. Press, Inc.	100.0	December 31
Onward Creative Center Co., Ltd.	100.0	February 28
Excel Co., Ltd.	100.0	February 28
Onward Resort & Golf Co., Ltd.	100.0	February 28
Onward Life Design Network Co., Ltd.	100.0	February 28
Onward Beach Resort Guam, Inc.	100.0	December 31
Onward Mangilao Guam, Inc.	100.0	December 31

During the year ended February 28, 2019, Onward Luxury Group S.r.l., Jil Sander S.p.A., Jil Sander Paris S.a.r.l., and Jil Sander USA Inc. were newly established, and shares in Kashiyama Saga Co., Ltd. were acquired; therefore, these companies became consolidated subsidiaries of the Company.

CHARLES & KEITH JAPAN PTE. LTD., SCI Joseph, and Joseph E France S.A.R.L. were liquidated, and shares in Toyo Frame Co., Ltd. were transferred; therefore, these companies were removed from the scope of consolidation.

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

The remaining eight subsidiaries (seven for 2018) were not consolidated because their total assets, net sales, net income and retained earnings were not material individually or in the aggregate compared with those of the consolidated financial statements of the Companies.

(2) Consolidation and elimination

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

The assets and liabilities of newly acquired subsidiaries are measured at fair value at the time of acquisition, and the differences between the cost of investments in the consolidated subsidiaries and the equity in their net assets at fair value are accounted for as goodwill, which is amortized on a straight-line basis within 20 years.

(3) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. A total of 24 companies (25 companies for 2018) were accounted for by the equity method for the year ended February 28, 2019.

The Company did not apply the equity method to Onward Italia S.p.A. and others as the effect on net income and retained earnings of the consolidated financial statements are not material individually or in the aggregate.

Although the fiscal year-end of Gailyglan Ltd. is November 30, its financial statements for the fiscal year-end have been used. Also, the fiscal year-end of Daidoh Limited is March 31, and its financial statements prepared on a basis similar to that for the year-end closing as of December 31 have been used for consolidation purposes.

(4) Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the specific identification method. Write-downs recorded for the years ended February 28, 2018 and 2019 were ¥10,136 million and ¥8,958 million (\$80,795 thousand), respectively.

(5) Investments in securities

Debt securities and equity securities classified as available-for-sale securities whose fair values are readily determinable are carried at the fair values prevailing at the fiscal year-end date with unrealized gains or losses included as a component of net assets, net of applicable taxes. Available-for-sale securities whose fair values cannot readily be determined are stated at cost.

In cases where any decline in the fair value of a security is assessed to be other than temporary, the cost of the security is reduced to the net realizable value, and the impairment loss is charged to 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

Gains or losses arising from changes in the fair values of derivatives designated as "hedging instruments" are deferred as a component of net assets, net of applicable taxes. The gains or losses on the hedging instruments are included in profit in the period during which the gains and losses on the hedged items or transactions are recognized. For forward exchange contracts, if they meet conditions for hedge accounting, the difference between the contract rate and spot rate at the date of the contract is recognized over the period from the contract date to the settlement date.

The derivatives designated as hedging instruments are principally forward exchange contracts. The related hedged items are trade accounts payable and trade accounts receivable denominated in foreign currencies and scheduled transactions.

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

(8) Property, plant and equipment

The Company and its domestic consolidated subsidiaries provide depreciation by the declining-balance method at rates based on the estimated useful lives of assets that are prescribed by Japanese income tax regulations, except for certain buildings (other than facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016, which are depreciated by the straight-line method pursuant to an amendment to the Japanese income tax act.

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

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

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

(9) Intangible assets and long-term prepaid expenses

Intangible assets and long-term prepaid expenses are amortized by the straight-line method. Software costs for internal use are amortized over their expected useful lives (five to 10 years) by the straight-line method.

(10) Income taxes

The accounting standard for income taxes requires that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to reduce deferred tax assets to the amount that is realizable.

(11) Allowance for bad debt

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

(12) Allowance for sales returns

Certain domestic consolidated subsidiaries provide for estimated losses based on the actual percentage of sales return in prior years and gross profit margin.

(13) Retirement benefits

To calculate projected benefit obligations, the Companies adopt the benefit formula basis for the method of attributing the projected benefits to periods.

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

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

(14) Provision for point program

The provision for point program is provided for future costs arising from the utilization of points that customers of certain domestic consolidated subsidiaries have earned under the point service program, which is for sales promotions. They reserve an amount considered appropriate to cover possible utilization of the points during and after the next fiscal year.

(15) Accounting for Japanese consumption taxes

The Japanese consumption taxes withheld upon sale of goods and services, and the consumption taxes paid by the Companies on the purchase of goods and services are not included in the accompanying consolidated statements of operations.

(16) Application of consolidated taxation system

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

(17) Cash and cash equivalents

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

(18) Impairment of long-lived assets

The accounting standard for impairment of long-lived assets requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to be generated from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(19) Accrued bonuses to employees

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

(20) Accrued bonuses to directors

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

(21) U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside of Japan. The rate of ¥110.87=US\$1, the rate of exchange as of February 28, 2019, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized, or settled, in U.S. dollars at that rate or any other rate.

(22) Goodwill

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

(23) Accounting standards issued but not yet effective

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

(a) Overview

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

Step 1: Identify a contract with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

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

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

(b) Scheduled date of adoption

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

(c) Impact of adopting the standard and implementation guidance

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

(24) Changes in accounting estimates

Inventories of certain consolidated subsidiaries were previously carried at the book value that was systematically written down at certain rates when the inventory-holding period exceeded certain periods. As a result of the collectability and analyzability of complete sales data on the inventory-holding period and sales channel for each single item, owing to the strengthened inventory management due to logistics reform and centralized inventory, they changed to a method whereby the book value is gradually written down according to the inventory-holding period in order to more appropriately reflect the fair inventory valuation in the year ended February 28, 2019.

As a result, cost of sales for the year ended February 28, 2019 decreased by ¥2,166 million (\$19,536 thousand), and gross profit, operating profit, and profit before income taxes increased by the same amount, compared with those amounts determined by the previous method.

3. Financial Instruments

(1) Matters pertaining to the status of financial instruments

(a) Policy on financial instruments

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

(b) Financial instruments and risks

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

Investments in securities mainly comprise stocks of companies with which the Companies have business alliances and are exposed to risk associated with fluctuations of their market prices.

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

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

(c) Risk management for financial instruments

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

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

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

The Companies hedge risk associated with changes in foreign currency exchange rates arising from receivables and payables denominated in foreign currencies mainly by forward exchange contracts.

For investments in securities, the Companies periodically perceive the fair values and financial conditions of the issuers and continuously evaluate whether the securities should be maintained taking into account relationships with their business partners.

For derivatives, the Companies conduct transactions only for their actual requirements in accordance with internal management rules and monthly review transaction balances, valuation gain or loss, and other conditions.

Notes to Consolidated Financial Statements

(iii) Management of liquidity risk related to fund procurement (risk that the Companies may not be able to meet their obligations on scheduled due dates)
In order to manage liquidity risk, the Companies timely prepare and update a schedule of cash receipts and disbursements and maintain sufficient liquidity on hand.

(d) Supplementary explanation of fair values of financial instruments

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

(2) Matters related to fair values of financial instruments

The following are the consolidated balance sheet amounts and fair values and differences between them as of February 28, 2018 and 2019.

February 28, 2018	Millions of yen		
	Book value	Fair value	Difference
(a) Cash and deposits	¥ 26,335	¥ 26,335	¥ —
(b) Accounts and notes receivable	25,057	25,057	—
(c) Investments in securities:			
Available-for-sale securities	20,792	20,792	—
Investments in unconsolidated subsidiaries and affiliates	8,384	3,848	(4,536)
(d) Accounts and notes payable	(18,059)	(18,059)	—
(e) Electronically recorded obligations—operating	(14,873)	(14,873)	—
(f) Short-term loans payable	(29,533)	(29,533)	—
(g) Long-term loans payable (including current portion of long-term loans payable)	(12,619)	(12,635)	16
(h) Derivative transactions	(103)	(103)	—

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

February 28, 2019	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(a) Cash and deposits	\$ 282,173	\$ 282,173	\$ —
(b) Accounts and notes receivable	230,072	230,072	—
(c) Investments in securities:			
Available-for-sale securities	161,357	161,357	—
Investments in unconsolidated subsidiaries and affiliates	55,961	20,027	(35,934)
(d) Accounts and notes payable	(158,355)	(158,355)	—
(e) Electronically recorded obligations—operating	(127,922)	(127,922)	—
(f) Short-term loans payable	(486,028)	(486,028)	—
(g) Long-term loans payable (including current portion of long-term loans payable)	(67,709)	(67,755)	46
(h) Derivative transactions	928	928	—

Notes:

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

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

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

(c) Investments in securities

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

(d) Accounts and notes payable, (e) Electronically recorded obligations—operating and (f) Short-term loans payable

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

(g) Long-term loans payable

The fair values of fixed interest rate long-term loans payable are measured as present values obtained by discounting the total amount of principal and interest at the interest rate that is assumed if any similar loan is newly made. Variable interest rate long-term loans payable are deemed to reflect market interest rates in a short period of time, so the book value is used as fair value.

(h) Derivative transactions

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

2. Book values of financial instruments deemed extremely difficult to determine their fair values as of February 28, 2018 and 2019 are as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investments in securities:			
Unlisted equity securities	¥1,315	¥3,751	\$33,837

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

3. The redemption schedules for monetary receivables and marketable securities with maturities as of February 28, 2018 and 2019 are as follows:

February 28, 2018	Millions of yen			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥26,335	¥—	¥—	¥—
Accounts and notes receivable	25,057	—	—	—
Total	¥51,392	¥—	¥—	¥—

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

February 28, 2019	Thousands of U.S. dollars			
	Due within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	\$282,173	\$—	\$—	\$—
Accounts and notes receivable	230,072	—	—	—
Total	\$512,245	\$—	\$—	\$—

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

See Note 13. “Short-Term Loans Payable and Long-Term Loans Payable.”

4. Investments in Securities

(1) Information as of and for the year ended February 28, 2018

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

Investments in securities whose fair values were readily determinable at February 28, 2018 are summarized as follows:

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities with unrealized gain:			
Equity securities	¥17,746	¥13,007	¥4,739
Other	3	1	2
Subtotal	17,749	13,008	4,741
Securities with unrealized loss:			
Equity securities	3,044	3,728	(684)
Other	—	—	—
Subtotal	3,044	3,728	(684)
Total	¥20,793	¥16,736	¥4,057

Note: Non-marketable equity securities of ¥336 million are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair values.

Notes to Consolidated Financial Statements

(b) Available-for-sale securities sold during the year ended February 28, 2018

	Millions of yen
Proceeds from sale of securities	¥4,458
Realized gain on sale of securities	1,715
Realized loss on sale of securities	(5)

(c) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 28, 2018 was ¥9,362 million.

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

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

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

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities with unrealized gain:						
Equity securities	¥11,205	¥ 9,706	¥ 1,499	\$101,061	\$ 87,539	\$ 13,522
Other	2	1	1	24	12	12
Subtotal	11,207	9,707	1,500	101,085	87,551	13,534
Securities with unrealized loss:						
Equity securities	6,683	7,914	(1,231)	60,272	71,379	(11,107)
Other	—	—	—	—	—	—
Subtotal	6,683	7,914	(1,231)	60,272	71,379	(11,107)
Total	¥17,890	¥17,621	¥ 269	\$161,357	\$158,930	\$ 2,427

Note: Non-marketable equity securities of ¥334 million (\$3,009 thousand) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair values.

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

	Millions of yen	Thousands of U.S. dollars
Proceeds from sale of securities	¥9,535	\$86,000
Realized gain on sale of securities	2,432	21,933
Realized loss on sale of securities	(0)	(0)

(c) The aggregate carrying amount of investments in unconsolidated subsidiaries and affiliates as of February 28, 2019 was ¥9,622 million (\$86,788 thousand).

(d) For the year ended February 28, 2019, the Companies recognized loss on valuation of investments in securities (available-for-sale securities) of ¥45 million (\$402 thousand) as an impairment loss.

5. Derivative Transactions

The contract or notional amounts and fair values of derivative financial instruments held as of February 28, 2018 and 2019 are summarized as follows:

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

(2) Derivative transactions to which hedge accounting was applied

February 28, 2018	Millions of yen		
	Hedged item	Contract or notional amount	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable	¥4,233	¥(102)
Euro	Accounts payable	2,199	3
Pound	Accounts payable	17	(0)
Chinese yuan	Accounts payable	140	(4)
		¥6,589	¥(103)

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

February 28, 2019	Thousands of U.S. dollars		
	Hedged item	Contract or notional amount	Fair value
Forward exchange contracts:			
To buy foreign currency:			
U.S. dollar	Accounts payable	\$19,711	\$870
Euro	Accounts payable	13,293	(49)
Pound	Accounts payable	205	13
Chinese yuan	Accounts payable	1,869	94
		\$35,078	\$928

6. Impairment Loss on Fixed Assets

For the years ended February 28, 2018 and 2019, the Companies reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss as follows:

February 28, 2018

Location	Usage	Description	Millions of yen
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥484
		Other	556
		Goodwill	162

The long-lived assets are basically grouped by brand, and assets for lease and idle assets are grouped individually by each item. The Companies have recognized a loss on impairment on assets for lease and idle assets due to a significant decline in their market value and on business assets due to a continuous loss generated from their operating activities by reducing their book values to the respective recoverable amounts.

February 28, 2019

Location	Usage	Description	Millions of yen	Thousands of U.S. dollars
Tokyo metropolitan area and other	Business assets	Buildings and structures	¥ 655	\$ 5,905
		Other depreciable property	588	5,310
		Goodwill	4,290	38,694

The long-lived assets are basically grouped by store, and assets for lease and idle assets are grouped individually by each item. The Companies have recognized a loss on impairment on assets for lease and idle assets due to a significant decline in their market value and on business assets due to a continuous loss generated from their operating activities by reducing their book values to the respective recoverable amounts.

The impairment loss on long-lived assets for the years ended February 28, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥ 484	¥ 655	\$ 5,905
Other intangible assets	339	376	3,392
Other depreciable property	168	212	1,918
Land	49	—	—
Goodwill	162	4,290	38,694
Total	¥1,202	¥5,533	\$49,909

For the year ended February 28, 2018, the Company recognized an impairment loss of ¥162 million on the unamortized balance of goodwill for Tiaclasse Inc., a consolidated subsidiary of the Company, as a result of consideration of its recoverability based on cash flow projections. For the year ended February 28, 2019, the Company recognized an impairment loss of ¥4,290 million (\$38,694 thousand) on goodwill for Onward Luxury Group S.p.A., a consolidated subsidiary of the Company, as a result of consideration of its recoverability based on cash flow projections.

The recoverable amount of these assets is based on their net selling price or their value in use. The net selling price is estimated by using their estimated disposal price. The value in use is calculated by discounting the future cash flows at discount rates of 5.3% and 5.1% for the years ended February 28, 2018 and 2019, respectively.

7. Business Restructuring Expenses

Business restructuring expenses for the years ended February 28, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Business portfolio restructuring:			
Expenses in relation to withdrawal from unprofitable stores	¥320	¥—	\$—
Retirement expenses resulting from logistics and organization restructuring, etc.	74	—	—
Total	¥394	¥—	\$—

8. Retirement Plan and Retirement Benefits

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

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

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

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

(1) Defined benefit plans

(a) Changes in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	¥14,982	¥14,380	\$129,697
Service cost	1,013	955	8,616
Interest cost	39	37	335
Actuarial differences	5	6	50
Benefits paid	(1,783)	(1,737)	(15,665)
Other	124	41	372
Balance at end of year	¥14,380	¥13,682	\$123,405

(b) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	¥14,171	¥14,086	\$127,048
Expected return on plan assets	222	237	2,136
Actuarial differences	200	(1,283)	(11,576)
Employer contributions	310	297	2,681
Benefits paid	(817)	(729)	(6,575)
Balance at end of year	¥14,086	¥12,608	\$113,714

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded projected benefit obligations	¥ 13,633	¥ 12,945	\$ 116,759
Plan assets	(14,086)	(12,608)	(113,714)
	(453)	337	3,045
Unfunded projected benefit obligations	747	737	6,646
Net amount of liability and asset recognized in the consolidated balance sheets	294	1,074	9,691
Net defined benefit liability	4,141	3,993	36,018
Net defined benefit asset	(3,847)	(2,919)	(26,327)
Net amount of liability and asset recognized in the consolidated balance sheets	¥ 294	¥ 1,074	\$ 9,691

(d) Net periodic pension expenses and their breakdown

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥1,013	¥ 955	\$ 8,616
Interest cost	39	37	335
Expected return on plan assets	(222)	(237)	(2,136)
Amortization of unrecognized actuarial differences	568	246	2,214
Amortization of unrecognized prior service costs	(47)	(47)	(424)
Other	(64)	(61)	(552)
Net periodic pension expenses	¥1,287	¥ 893	\$ 8,053

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Prior service costs	¥ (47)	¥ (47)	\$ (424)
Actuarial differences	764	(1,043)	(9,411)
Total	¥717	¥(1,090)	\$(9,835)

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized prior service costs	¥ 168	¥121	\$1,095
Unrecognized actuarial differences	1,040	(3)	(32)
Total	¥1,208	¥118	\$1,063

(g) Plan assets

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

	2018	2019
Life insurance company general accounts	37%	38%
Equity securities	52%	48%
Debt securities	2%	3%
Short-term funds	9%	11%
Total	100%	100%

Total plan assets include retirement benefit trusts established for defined benefit corporate pension plans and lump-sum retirement payment plans of 58% and 56% for the years ended February 28, 2018 and 2019, respectively.

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

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

(h) Basis for calculation of actuarial assumptions

	2018	2019
Discount rate	0.3% to 0.7%	0.3% to 0.7%
Long-term expected rate of return on plan assets	0.7% to 2.4%	1.3% to 2.4%

(2) Defined contribution plans

The amounts to be paid by the Companies to the defined contribution pension plans for the years ended February 28, 2018 and 2019 were ¥350 million and ¥331 million (\$2,985 thousand), respectively.

9. Notes to Consolidated Statements of Comprehensive Income

Other comprehensive income for the years ended February 28, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥ 2,869	¥(1,196)	\$(10,790)
Reclassification adjustment for gain and loss	(1,788)	(2,591)	(23,368)
Amount before income tax effect	1,081	(3,787)	(34,158)
Income tax effect	(331)	1,159	10,460
Total	750	(2,628)	(23,698)
Deferred gain (loss) on hedging instruments:			
Amount arising during the year	(103)	103	929
Reclassification adjustment for gain and loss	(83)	103	927
Amount before income tax effect	(186)	206	1,856
Income tax effect	55	(52)	(471)
Total	(131)	154	1,385
Foreign currency translation adjustments:			
Amount arising during the year	1,464	(843)	(7,600)
Reclassification adjustment for gain and loss	(37)	(48)	(434)
Total	1,427	(891)	(8,034)
Remeasurements of defined benefit plans:			
Amount arising during the year	196	(1,289)	(11,625)
Reclassification adjustment for gain and loss	521	199	1,790
Amount before income tax effect	717	(1,090)	(9,835)
Income tax effect	(220)	334	3,011
Total	497	(756)	(6,824)
Share of other comprehensive income of associates accounted for using the equity method:			
Amount arising during the year	335	(521)	(4,702)
Reclassification adjustment for gain and loss	—	314	2,835
Total	335	(207)	(1,867)
Total other comprehensive income	¥ 2,878	¥(4,328)	\$(39,038)

10. Notes to Consolidated Statements of Cash Flows

Cash and cash equivalents at February 28, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥26,335	¥31,284	\$282,173
Time deposits with maturities of more than three months	(685)	(47)	(428)
Cash and cash equivalents	¥25,650	¥31,237	\$281,745

11. Lease Transactions

(Lessee)

Finance lease transactions

Finance lease transactions that do not transfer ownership

(a) Leased assets

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

(b) Depreciation method for leased assets

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

12. Income Taxes

The tax effects of temporary differences that give rise to significant components of the deferred tax assets and liabilities as at February 28, 2018 and 2019 consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Loss on write-down of inventories	¥ 2,167	¥ 1,371	\$ 12,367
Loss on write-down of investments in unconsolidated subsidiaries	1,718	7,135	64,358
Accrued bonuses to employees	325	240	2,164
Net defined benefit liability	2,708	2,711	24,450
Accrued retirement benefits for directors and corporate auditors	78	83	753
Allowance for bad debt	1,457	1,576	14,213
Tax loss carry forwards	11,080	10,833	97,712
Impairment loss on fixed assets	4,699	6,419	57,893
Investments in securities	25	25	228
Net unrealized loss on available-for-sale securities	—	53	476
Other	3,641	3,749	33,808
Subtotal	27,898	34,195	308,422
Less: Valuation allowance	(13,738)	(16,624)	(149,940)
Total deferred tax assets	14,160	17,571	158,482
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trusts	(56)	(43)	(391)
Net defined benefit asset	(1,178)	(894)	(8,061)
Provision for deferred capital gain on real property for tax purposes	(38)	(38)	(339)
Net unrealized gain on available-for-sale securities	(1,240)	(133)	(1,197)
Other	(547)	(564)	(5,091)
Total deferred tax liabilities	(3,059)	(1,672)	(15,079)
Net deferred tax assets	¥ 11,101	¥ 15,899	\$ 143,403

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

	%	
	2018	2019
Statutory tax rate	—	30.9
Reconciliation:		
Permanently non-deductible expenses (entertainment expenses, etc.)	—	5.1
Permanently non-taxable income (dividends received, etc.)	—	(3.1)
Per capita inhabitant tax	—	4.3
Amortization of goodwill	—	16.1
Impairment loss on goodwill	—	42.0
Changes in valuation allowance	—	(213.5)
Consolidation adjustments to gain or loss on sale of investments in subsidiaries and affiliates	—	10.2
Effects due to liquidation of consolidated subsidiaries	—	0.9
Differences in statutory tax rate	—	20.4
Other	—	2.6
Effective tax rate	—	(84.1)

Note: The details for the year ended February 28, 2018 are omitted as the difference between the statutory tax rate and the effective tax rate is 5% or less of the statutory tax rate.

13. Short-Term Loans Payable and Long-Term Loans Payable

Short-term loans payable at February 28, 2018 and 2019 represented loans, principally from banks. The weighted-average interest rate on these loans was 0.9% and 0.6% in 2018 and 2019, respectively.

Long-term loans payable at February 28, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unsecured loans, principally from banks, maturing in installments through 2022	¥12,619	¥7,507	\$67,707
Less: Current portion with weighted-average interest rate of 0.5% at February 28, 2018 and 0.3% at February 28, 2019	5,800	2,800	25,255
Long-term loans payable, less current portion, with weighted-average interest rate of 0.3% at February 28, 2018 and 2019	¥ 6,819	¥4,707	\$42,452

Lease obligations at February 28, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Lease obligations	¥5,052	¥5,050	\$45,546
Less: Current portion of lease obligations	668	639	5,760
	¥4,384	¥4,411	\$39,786

The aggregate annual maturities of long-term loans payable after February 29, 2020 are as follows:

	Millions of yen	Thousands of U.S. dollars
	Year ending February 28 or 29:	
2020	¥2,800	\$25,255
2021	2,103	18,971
2022	2,103	18,971
2023	501	4,510

The aggregate annual maturities of lease obligations after February 29, 2020 are as follows:

	Millions of yen	Thousands of U.S. dollars
	Year ending February 28 or 29:	
2020	¥639	\$5,760
2021	571	5,151
2022	482	4,348
2023	403	3,633

14. Shareholders' Equity

Under the Companies Act, the entire amount of the issue price of shares is required to be designated as a stated common stock account, although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that the additional paid-in capital and the legal reserve are available for appropriations by resolution of a shareholders' meeting. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

Cash dividends charged to retained earnings for the years ended February 28, 2018 and 2019 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

Dividends to be paid after the balance sheet date, which were approved by the General Meeting of Shareholders held on May 23, 2019, are as follows:

(a) Total dividends:	¥3,309 million (\$29,845 thousand)
(b) Source of dividends:	Retained earnings
(c) Cash dividends per common share:	¥24 (\$0.22)
(d) Date to determine which shareholders receive the dividends:	February 28, 2019
(e) Effective date:	May 24, 2019

15. Per Share Information

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

The basis for the calculation of basic and diluted earnings per share for the years ended February 28, 2018 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit attributable to owners of parent	¥5,367	¥4,948	\$44,633
Less: Components not pertaining to common shareholders	—	—	—
Profit pertaining to common shareholders	¥5,367	¥4,948	\$44,633
Average outstanding shares of common stock (thousand shares)	145,154	140,406	
Effect of dilutive stock options (thousand shares)	1,448	1,147	

16. Related-Party Transactions

Year Ended February 28, 2018

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

Onward Global Fashion Co., Ltd., a consolidated subsidiary of the Company, sold goods to BOLS 1987 Co., Ltd., over which Hitoshi Futamura, Representative Director, President of Onward Global Fashion Co., Ltd., held 100% of voting rights directly, during fiscal year 2018. The transaction amount was ¥57 million, and the balance of relevant accounts receivable as of February 28, 2018 was ¥9 million. Prices and other terms and conditions were determined by reference to market prices or general terms and conditions.

Year Ended February 28, 2019

The Company leased land from Takeshi Hirouchi, Representative Director and Chairman of ONWARD HOLDINGS Co., Ltd., during the fiscal year, and the rental fee was ¥7 million (\$65 thousand). Also, Mr. Hirouchi paid a rental fee of ¥16 million (\$147 thousand) to the Company for a house. The rental fees were determined by the average market prices.

Onward Global Fashion Co., Ltd., a consolidated subsidiary of the Company, sold goods to BOLS 1987 Co., Ltd., over which Hitoshi Futamura, Representative Director, President of Onward Global Fashion Co., Ltd., held 100% of voting rights directly, during fiscal year 2019. The transaction amount was ¥51 million (\$460 thousand), and the balance of relevant accounts receivable as of February 28, 2019 was ¥12 million (\$108 thousand). Prices and other terms and conditions were determined by reference to market prices or general terms and conditions.

17. Stock Options

The cost recognized for the stock options for the years ended February 28, 2018 and 2019 was nil.

2014 Stock Option Plan (No. 16)

Under the 2014 stock option plan (No. 16), stock options were granted to five directors of the Company on June 20, 2014. They are exercisable in the period from June 21, 2014 to June 20, 2044. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors of the Company.

The number of stock options granted by type of shares is 122,900 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥526 (\$4.74)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2014 stock option plan (No. 16)
Non-vested (shares):	
Outstanding at February 28, 2018	103,700
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	103,700
Vested (shares):	
Outstanding at February 28, 2018	19,200
Vested	—
Exercised	—
Forfeited	—
Outstanding at February 28, 2019	19,200

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

2014 Stock Option Plan (No. 15)

Under the 2014 stock option plan (No. 15), stock options were granted to 12 executive officers of the Company and five directors and nine executive officers of a Company's subsidiary on March 20, 2014. They are exercisable in the period from March 21, 2014 to February 29, 2044. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as executive officers of the Company, or as directors or executive officers of said Company subsidiary.

The number of stock options granted by type of shares is 146,100 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥769 (\$6.94)
Fair value at the grant date:	¥466 (\$4.20)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2014 stock option plan (No. 15)
Non-vested (shares):	
Outstanding at February 28, 2018	99,400
Granted	—
Forfeited	—
Vested	35,700
Outstanding at February 28, 2019	63,700
Vested (shares):	
Outstanding at February 28, 2018	40,600
Vested	35,700
Exercised	38,000
Forfeited	—
Outstanding at February 28, 2019	38,300

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

2013 Stock Option Plan (No. 14)

Under the 2013 stock option plan (No. 14), stock options were granted to five directors of the Company on June 20, 2013. They are exercisable in the period from June 21, 2013 to June 20, 2043. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors of the Company.

The number of stock options granted by type of shares is 107,000 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥654 (\$5.90)
Fair value at the grant date:	¥629 (\$5.67)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2013 stock option plan (No. 14)
Non-vested (shares):	
Outstanding at February 28, 2018	82,100
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	82,100
Vested (shares):	
Outstanding at February 28, 2018	24,900
Vested	—
Exercised	2,200
Forfeited	—
Outstanding at February 28, 2019	22,700

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

2013 Stock Option Plan (No. 13)

Under the 2013 stock option plan (No. 13), stock options were granted to 14 executive officers of the Company and six directors and nine executive officers of a Company subsidiary on March 18, 2013. They are exercisable in the period from March 19, 2013 to February 28, 2043. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as executive officers of the Company, or as directors or executive officers of said Company subsidiary.

The number of stock options granted by type of shares is 151,300 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥740 (\$6.67)
Fair value at the grant date:	¥572 (\$5.16)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2013 stock option plan (No. 13)
Non-vested (shares):	
Outstanding at February 28, 2018	88,600
Granted	—
Forfeited	—
Vested	30,000
Outstanding at February 28, 2019	58,600
Vested (shares):	
Outstanding at February 28, 2018	51,800
Vested	30,000
Exercised	47,900
Forfeited	—
Outstanding at February 28, 2019	33,900

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

2012 Stock Option Plan (No. 12)

Under the 2012 stock option plan (No. 12), stock options were granted to five directors of the Company on June 20, 2012. They are exercisable in the period from June 21, 2012 to June 20, 2042. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors of the Company.

The number of stock options granted by type of shares is 141,400 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥657 (\$5.93)
Fair value at the grant date:	¥458 (\$4.13)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2012 stock option plan (No. 12)
Non-vested (shares):	
Outstanding at February 28, 2018	108,500
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	<u>108,500</u>
Vested (shares):	
Outstanding at February 28, 2018	32,900
Vested	—
Exercised	18,900
Forfeited	—
Outstanding at February 28, 2019	<u>14,000</u>

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

2012 Stock Option Plan (No. 11)

Under the 2012 stock option plan (No. 11), stock options were granted to one executive officer of the Company and nine directors and 18 executive officers of a Company subsidiary on March 19, 2012. They are exercisable in the period from March 20, 2012 to February 28, 2042. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as executive officers of the Company, or as directors or executive officers of said Company subsidiary.

The number of stock options granted by type of shares is 234,700 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥734 (\$6.62)
Fair value at the grant date:	¥444 (\$4.00)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2012 stock option plan (No. 11)
Non-vested (shares):	
Outstanding at February 28, 2018	72,900
Granted	—
Forfeited	—
Vested	25,400
Outstanding at February 28, 2019	<u>47,500</u>
Vested (shares):	
Outstanding at February 28, 2018	93,500
Vested	25,400
Exercised	82,400
Forfeited	—
Outstanding at February 28, 2019	<u>36,500</u>

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

2011 Stock Option Plan (No. 10)

Under the 2011 stock option plan (No. 10), stock options were granted to five directors of the Company on June 20, 2011. They are exercisable in the period from June 21, 2011 to June 20, 2041. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors of the Company.

The number of stock options granted by type of shares is 144,800 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥684 (\$6.17)
Fair value at the grant date:	¥510 (\$4.60)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2011 stock option plan (No. 10)
Non-vested (shares):	
Outstanding at February 28, 2018	69,400
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	<u>69,400</u>
Vested (shares):	
Outstanding at February 28, 2018	12,000
Vested	—
Exercised	12,000
Forfeited	—
Outstanding at February 28, 2019	<u>—</u>

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

2011 Stock Option Plan (No. 9)

Under the 2011 stock option plan (No. 9), stock options were granted to one executive officer of the Company and 12 directors and 18 executive officers of the Company subsidiary on March 18, 2011. They are exercisable in the period from March 19, 2011 to February 28, 2041. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as executive officers of the Company, or as directors or executive officers of said Company subsidiary.

The number of stock options granted by type of shares is 199,900 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥744 (\$6.71)
Fair value at the grant date:	¥444 (\$4.00)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2011 stock option plan (No. 9)
Non-vested (shares):	
Outstanding at February 28, 2018	56,000
Granted	—
Forfeited	—
Vested	18,500
Outstanding at February 28, 2019	<u>37,500</u>
Vested (shares):	
Outstanding at February 28, 2018	57,700
Vested	18,500
Exercised	61,300
Forfeited	—
Outstanding at February 28, 2019	<u>14,900</u>

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

2010 Stock Option Plan (No. 8)

Under the 2010 stock option plan (No. 8), stock options were granted to five directors of the Company on June 18, 2010. They are exercisable in the period from June 19, 2010 to June 18, 2040. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors of the Company.

The number of stock options granted by type of shares is 115,800 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥613 (\$5.53)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2010 stock option plan (No. 8)
Non-vested (shares):	
Outstanding at February 28, 2018	52,300
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	<u>52,300</u>

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

2010 Stock Option Plan (No. 7)

Under the 2010 stock option plan (No. 7), stock options were granted to eight directors and 22 executive officers of a Company subsidiary on March 19, 2010. They are exercisable in the period from March 20, 2010 to February 29, 2040. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors or executive officers of said Company subsidiary.

The number of stock options granted by type of shares is 194,600 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥754 (\$6.80)
Fair value at the grant date:	¥475 (\$4.28)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2010 stock option plan (No. 7)
Non-vested (shares):	
Outstanding at February 28, 2018	44,100
Granted	—
Forfeited	—
Vested	11,700
Outstanding at February 28, 2019	<u>32,400</u>
Vested (shares):	
Outstanding at February 28, 2018	36,800
Vested	11,700
Exercised	44,600
Forfeited	—
Outstanding at February 28, 2019	<u>3,900</u>

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

2009 Stock Option Plan (No. 6)

Under the 2009 stock option plan (No. 6), stock options were granted to five directors of the Company on June 19, 2009. They are exercisable in the period from June 20, 2009 to June 19, 2039. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors of the Company.

The number of stock options granted by type of shares is 155,000 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥432 (\$3.90)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2009 stock option plan (No. 6)
Non-vested (shares):	
Outstanding at February 28, 2018	72,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	<u>72,000</u>

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

2009 Stock Option Plan (No. 5)

Under the 2009 stock option plan (No. 5), stock options were granted to 11 directors and 19 executive officers of a Company subsidiary on March 18, 2009. They are exercisable in the period from March 19, 2009 to February 28, 2039. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors or executive officers of said Company subsidiary.

The number of stock options granted by type of shares is 268,900 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥756 (\$6.82)
Fair value at the grant date:	¥362 (\$3.27)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2009 stock option plan (No. 5)
Non-vested (shares):	
Outstanding at February 28, 2018	42,000
Granted	—
Forfeited	—
Vested	10,200
Outstanding at February 28, 2019	<u>31,800</u>
Vested (shares):	
Outstanding at February 28, 2018	31,800
Vested	10,200
Exercised	37,400
Forfeited	—
Outstanding at February 28, 2019	<u>4,600</u>

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

2008 Stock Option Plan (No. 4)

Under the 2008 stock option plan (No. 4), stock options were granted to 12 directors and 21 executive officers of a Company subsidiary on June 20, 2008. They are exercisable in the period from June 21, 2008 to February 28, 2038. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors or executive officers of said Company subsidiary.

The number of stock options granted by type of shares is 91,100 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Average stock price on the date the option was exercised:	¥739 (\$6.67)
Fair value at the grant date:	¥905 (\$8.16)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2008 stock option plan (No. 4)
Non-vested (shares):	
Outstanding at February 28, 2018	11,400
Granted	—
Forfeited	—
Vested	3,200
Outstanding at February 28, 2019	<u>8,200</u>
Vested (shares):	
Outstanding at February 28, 2018	10,000
Vested	3,200
Exercised	11,600
Forfeited	—
Outstanding at February 28, 2019	<u>1,600</u>

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

2008 Stock Option Plan (No. 3)

Under the 2008 stock option plan (No. 3), stock options were granted to five directors of the Company on June 20, 2008. They are exercisable in the period from June 21, 2008 to June 20, 2038. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors of the Company.

The number of stock options granted by type of shares is 70,000 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥944 (\$8.51)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2008 stock option plan (No. 3)
Non-vested (shares):	
Outstanding at February 28, 2018	32,000
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	<u>32,000</u>

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

2007 Stock Option Plan (No. 2)

Under the 2007 stock option plan (No. 2), stock options were granted to five directors and two corporate auditors of the Company on July 20, 2007. They are exercisable in the period from July 21, 2007 to July 20, 2037. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors or corporate auditors of the Company.

The number of stock options granted by type of shares is 40,000 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥1,284 (\$11.58)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2007 stock option plan (No. 2)
Non-vested (shares):	
Outstanding at February 28, 2018	16,600
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	<u>16,600</u>

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

2006 Stock Option Plan (No. 1)

Under the 2006 stock option plan (No. 1), stock options were granted to 12 directors and two corporate auditors of the Company on June 20, 2006. They are exercisable in the period from July 1, 2006 to June 30, 2036. The terms of the options include certain limitations on the exercisability under which grantees can exercise their options during a five-year period starting a year after they no longer occupy their positions as directors or corporate auditors of the Company.

The number of stock options granted by type of shares is 63,000 shares of common stock.

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

Exercise price:	¥1 (\$0.01)
Fair value at the grant date:	¥1,541 (\$13.90)

A summary of the scale and movement of the stock option plan for the year ended February 28, 2019 is as follows:

	2006 stock option plan (No. 1)
Non-vested (shares):	
Outstanding at February 28, 2018	14,500
Granted	—
Forfeited	—
Vested	—
Outstanding at February 28, 2019	<u>14,500</u>

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

18. Segment Information

(1) Summary of reportable segments

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

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

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

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

In the year ended February 28, 2019, the Companies reviewed their segmentation and changed their reportable segments from the "Apparel Business (Japan)," "Apparel Business (Europe)," "Apparel Business (Asia / North America)," and "Other Business" to the "Apparel Business (Japan)," "Apparel Business (Overseas)," and "Lifestyle Business."

Segment information for the year ended February 28, 2018 is on the basis of the new segmentation.

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

Accounting methods for reportable segments are mostly the same as the accounting methods described in "2. Summary of Significant Accounting Policies."

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

(Changes in accounting estimates)

As stated in (24) Changes in accounting estimates, 2. Summary of Significant Accounting Policies, inventories of certain consolidated subsidiaries were previously carried at the book value that was systematically written down at certain rates when the inventory-holding period exceeded certain periods. These subsidiaries changed to a method whereby the book value is gradually written down according to the inventory-holding period.

As a result, segment profit of the "Apparel Business (Japan)" for the year ended February 28, 2019 increased by ¥2,166 million (\$19,536 thousand), compared with that amount recorded by the previous method.

(3) Information on net sales, profit or loss, assets, liabilities, and other items by reportable segment for the years ended February 28, 2018 and 2019 is as follows:

	Millions of yen						
	Apparel					Adjustments (Note 1)	Consolidated total (Note 3)
For the year ended February 28, 2018	Japan	Overseas	Total	Lifestyle	Total		
Net sales to outside customers	¥170,215	¥45,517	¥215,732	¥27,343	¥243,075	¥ —	¥243,075
Intersegment sales or transfers	1,239	2,940	4,179	2,402	6,581	(6,581)	—
Total	¥171,454	¥48,457	¥219,911	¥29,745	¥249,656	¥(6,581)	¥243,075
Segment profit (loss)	¥ 8,563	¥(2,716)	¥ 5,847	¥ 1,727	¥ 7,574	¥(2,407)	¥ 5,167
Segment assets	¥125,695	¥45,054	¥170,749	¥40,813	¥211,562	¥66,572	¥278,134
Depreciation and amortization (Note 2)	¥ 3,611	¥ 1,274	¥ 4,885	¥ 994	¥ 5,879	¥ 456	¥ 6,335
Investments in equity-method affiliates	8,384	842	9,226	—	9,226	—	9,226
Increases in property, plant and equipment, and intangible assets (Note 2)	5,746	2,524	8,270	1,065	9,335	2,723	12,058

Notes: 1. Adjustments consist of the following:

- (1) The adjustment amount for segment profit (loss) of ¥(2,407) million includes amortization of goodwill of ¥(2,563) million, elimination of intersegment transactions of ¥4,532 million, and corporate expenses not allocated to reportable segments of ¥(4,376) million. Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.
- (2) The adjustment amount for segment assets of ¥66,572 million includes the unamortized balance of goodwill of ¥16,228 million, elimination of intersegment transactions of ¥(120,941) million, and corporate assets not allocated to reportable segments of ¥171,285 million. Corporate assets are mainly assets held by the Company, a pure holding company.
2. Depreciation and amortization, and increases in property, plant and equipment, and intangible assets include long-term prepaid expenses (furniture and fixtures).
3. Segment profit (loss) coincides with the amount of operating profit in the consolidated statements of operations.

Millions of yen

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

Thousands of U.S. dollars

	Apparel					Adjustments (Note 1)	Consolidated total (Note 3)
	Japan	Overseas	Total	Lifestyle	Total		
For the year ended February 28, 2019							
Net sales to outside customers	\$1,506,790	\$428,484	\$1,935,274	\$235,307	\$2,170,581	\$ —	\$2,170,581
Intersegment sales or transfers	12,848	33,393	46,241	20,899	67,140	(67,140)	—
Total	\$1,519,638	\$461,877	\$1,981,515	\$256,206	\$2,237,721	\$(67,140)	\$2,170,581
Segment profit (loss)	\$ 81,340	\$(33,943)	\$ 47,397	\$ 13,905	\$ 61,302	\$(21,060)	\$ 40,242
Segment assets	\$1,133,527	\$446,610	\$1,580,137	\$362,481	\$1,942,618	\$651,003	\$2,593,621
Depreciation and amortization (Note 2)	\$ 33,629	\$ 11,555	\$ 45,184	\$ 9,002	\$ 54,186	\$ 4,536	\$ 58,722
Investments in equity-method affiliates	57,131	7,595	64,726	—	64,726	—	64,726
Increases in property, plant and equipment, and intangible assets (Note 2)	55,470	21,354	76,824	5,731	82,555	38,965	121,520

Notes: 1. Adjustments consist of the following:

- (1) The adjustment amount for segment profit (loss) of ¥(2,335) million (\$21,060 thousand) includes amortization of goodwill of ¥(2,302) million (\$20,762 thousand), elimination of intersegment transactions of ¥4,523 million (\$40,799 thousand), and corporate expenses not allocated to reportable segments of ¥(4,556) million (\$41,097 thousand). Corporate expenses are mainly general and administrative expenses that are not attributable to reportable segments.
- (2) The adjustment amount for segment assets of ¥72,177 million (\$651,003 thousand) includes the unamortized balance of goodwill of ¥9,455 million (\$85,284 thousand), elimination of intersegment transactions of ¥(138,800) million (\$1,251,920 thousand), and corporate assets not allocated to reportable segments of ¥201,522 million (\$1,817,639 thousand). Corporate assets are mainly assets held by the Company, a pure holding company.
2. Depreciation and amortization, and increases in property, plant and equipment, and intangible assets include long-term prepaid expenses (furniture and fixtures).
3. Segment profit (loss) coincides with the amount of operating profit in the consolidated statements of operations.

(4) Segment information by geographical area for the years ended February 28, 2018 and 2019 is as follows:

(a) Sales

	Millions of yen			Total
	Japan	Europe	Other	
For the year ended February 28, 2018				
	¥190,496	¥33,394	¥19,185	¥243,075

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

	Thousands of U.S. dollars			Total
	Japan	Europe	Other	
For the year ended February 28, 2019				
	\$1,681,769	\$313,381	\$175,431	\$2,170,581

(b) Property, plant and equipment

February 28, 2018				
Millions of yen				
Japan	Europe	Other	Total	
¥75,348	¥8,168	¥10,198	¥93,714	

February 28, 2019				
Millions of yen				
Japan	Europe	Other	Total	
¥78,202	¥7,908	¥10,608	¥96,718	

February 28, 2019				
Thousands of U.S. dollars				
Japan	Europe	Other	Total	
\$705,350	\$71,324	\$95,677	\$872,351	

(5) Segment information on impairment loss on fixed assets by reportable segment for the years ended February 28, 2018 and 2019 is as follows:

	Millions of yen					
	Apparel			Lifestyle	Unallocated amounts and elimination	Total
	Japan	Overseas	Total			
For the year ended February 28, 2018						
Impairment loss	¥371	¥620	¥991	¥—	¥211	¥1,202

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

	Thousands of U.S. dollars					
	Apparel			Lifestyle	Unallocated amounts and elimination	Total
	Japan	Overseas	Total			
For the year ended February 28, 2019						
Impairment loss	\$5,695	\$5,499	\$11,194	\$21	\$38,694	\$49,909

Independent Auditor's Report



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

Tel: +81 3 3503 1100
Fax: +81 3 3503 1107
ey.com

Independent Auditor's Report

The Board of Directors
ONWARD HOLDINGS Co., Ltd.

We have audited the accompanying consolidated financial statements of ONWARD HOLDINGS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at February 28, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ONWARD HOLDINGS Co., Ltd. and its consolidated subsidiaries as at February 28, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2(21).

Ernst & Young Shin Nihon LLC

May 24, 2019

A member firm of Ernst & Young Global Limited

Main Subsidiaries

As of August 31, 2019

Japan

Onward Kashiyama Co., Ltd.

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

Onward Trading Co., Ltd.

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

Island Co., Ltd.

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

Onward International Fashion Co., Ltd.

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

Onward Fashion Lab Co., Ltd.

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

Intimates Co., Ltd.

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

Onward Personal Style Co., Ltd.

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

Onward J Bridge Co., Ltd.

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

Tiaclasse Inc.

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

Mulberry Japan Co., Ltd.

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

Kashiyama Saga Co., Ltd.

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

Chacott Co., Ltd.

1-20-8 Jinnan, Shibuya-ku, Tokyo 150-0041, Japan
Tel: (81) 3-3476-1411

Creative Yoko Co., Ltd.

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

Kokobuy Inc.

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

Yamato Co., Ltd.

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

Kashiyama Daikanyama Co., Ltd.

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

Onward Creative Center Co., Ltd.

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

Bien Co., Ltd.

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

Onward Resort & Golf Co., Ltd.

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

O & K Co., Ltd.

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

Onward Life Design Network Co., Ltd.

3-10-5 Nihonbashi, Chuo-ku, Tokyo 103-8239, Japan
Tel: (81) 3-4512-1133

Overseas

Europe

Onward Italia S.p.A.

Via Della Spiga 9, 20121 Milano, Italy
Tel: (39) 02-783-667

Onward Luxury Group S.p.A.

Via Cassia 69, 50029 Tavarnuzze, Firenze, Italy
Tel: (39) 055-237-2020

Jil Sander S.p.A.

Foro Buonaparte 71, 20121 Milano, Italy
Tel: (39) 02-8069131

Erika s.r.l.

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

Frassinetti s.r.l.

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

Freeland s.r.l.

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

Joseph Ltd.

Unit 11, 50 Carnwath Road, London SW6 3JX, U.K.
Tel: (44) 20-7736-2522

Freed of London Ltd.

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

La Maison Moreau S.A.S.

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

Horloge Saint Benoit S.A.S.

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

Asia

Onward Fashion Trading (China) Co., Ltd.

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

Shanghai Onward Fashion Co., Ltd.

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

Onward Trading (Shanghai) Co., Ltd.

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

Kashiyama (Dalian) Co., Ltd.

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

Onward Kashiyama Hong Kong Ltd.

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

Onward Kashiyama Vietnam Ltd.

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

United States

J. Press, Inc.

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

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

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

Onward Beach Resort Guam, Inc.

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

Onward Golf Resort Guam, Inc.

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

Onward Mangilao Guam, Inc.

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

Corporate / Investor Information

As of February 28, 2019

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

Established September 1947

Capital ¥30,080 million

Common Stock Authorized—400,000,000 shares
 Issued—157,921,669 shares

Note: The total number of issued and outstanding shares included 20,052,156 shares of treasury stock.

Number of Shareholders 16,201

Stock Exchange Listings Tokyo, Nagoya

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

Number of Employees (Consolidated) 4,643

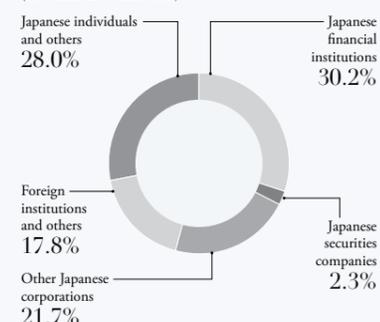
Major Shareholders

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Kashiyama Scholarship Foundation	8,710	6.3
The Master Trust Bank of Japan, Ltd. (Trust account)	6,976	5.0
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	6,078	4.4
Japan Trustee Services Bank, Ltd. (Trust account)	5,714	4.1
Nippon Life Insurance Company	4,671	3.3
Onward Holdings Customers' Shareholding Association	4,556	3.3
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,511	3.2
The Dai-ichi Mutual Life Insurance Company, Ltd.	4,200	3.0
Sumitomo Mitsui Banking Corporation	2,931	2.1
SMBC Nikko Securities Inc.	2,785	2.0

Notes:
 1. The Company holds 20,052,156 shares of treasury stock. Treasury stock is not included in the above Major Shareholders information.
 2. The percentage of total shares issued is calculated after deducting 20,052,156 shares of treasury stock.

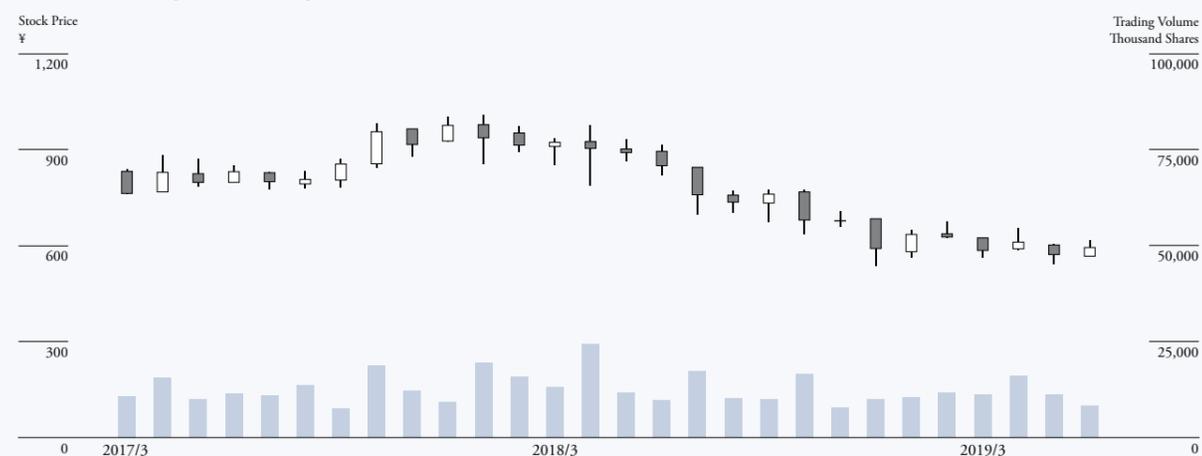
Distribution of Ownership among Shareholders

(On a number of shares basis)



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

Stock Price Range and Trading Volume



History

1927	February	Junzo Kashiyama established Kashiyama Trading.
1947	September	Established Kashiyama Co., Ltd., in Oimatsu-cho, Kita-ku, Osaka City, Osaka (later relocated to Honmachi, Higashi-ku, in 1952).
1960	October	Listed on second sections of Tokyo, Osaka, and Nagoya stock exchanges.
1962	April	Established Onward Sales Co., Ltd. (formerly Oak Co., Ltd.; currently Onward Trading Co., Ltd.).
1964	July	Listing was transferred to first sections of Tokyo, Osaka, and Nagoya stock exchanges.
1966	September	Transferred head office from Honmachi, Kita-ku, Osaka, to Nihonbashi, Chuo-ku, Tokyo.
1972	July	Established Onward Transport Co., Ltd. (currently Across Transport Co., Ltd.).
	September	Established Onward Kashiyama U.S.A. INC.
1973	February	Established Onward Kashiyama France S.A.
1974	February	Established Onward Kashiyama Italia S.p.A. (currently Onward Italia S.p.A.).
1986	October	Acquired J. Press, Inc.
1988	February	Established Onward Kashiyama Hong Kong Ltd.
	September	Company name changed to Onward Kashiyama Co., Ltd. (currently Onward Holdings Co., Ltd.).
1989	December	Established Onward Kashiyama U.K. Ltd.
1990	January	Acquired GIBO' S.p.A. (name was changed to GIBO'Co S.p.A. in April 1994).
	July	Acquired Chacott Co., Ltd.
1991	February	Launched Onward Research and Development Institute.
1992	May	Opened Onward Agana Beach Hotel in Guam (currently Onward Beach Resort Guam, Inc.).
1994	May	Established Bus Stop Co., Ltd.
1995	June	Established Shanghai Onward Fashion Co., Ltd.
1997	June	Established Onward Kashiyama Korea Co., Ltd.
2004	January	Acquired Erika s.r.l.
2005	May	Acquired Project Sloane Ltd. (Joseph Group).
	July	Acquired Iris S.p.A.
2006	October	Acquired Mangilao Golf Club (currently Onward Mangilao Guam, Inc.).
2007	April	Onward Fashion Trading (Shanghai) Co., Ltd., increased its capital and changed its name to Onward Fashion Trading (China) Co., Ltd.
	May	Acquired Frassinetti s.r.l.
	June	Established J. Direction Co., Ltd.
	September	Changed to holding company structure through corporate restructuring under new company name, Onward Holdings Co., Ltd.
		Established Onward Kashiyama Co., Ltd., and Onward Trading Co., Ltd.
	October	Acquired Corporate s.r.l.
2008	October	Acquired Creative Yoko Co., Ltd.
		Acquired Jil Sander A.G.
2009	December	Acquired controlling interest in Island Co., Ltd.
2010	June	Established Onward Kashiyama Singapore Pte. Ltd.
2011	August	Established Onward Kashiyama Vietnam Ltd.
2012	April	Acquired controlling interest in Birz Group, including Birz Association Ltd.
	May	Established Onward Trading (Shanghai) Co., Ltd.
	December	Established Charles & Keith Japan Co., Ltd.
2013	February	Acquired Sakula Inc.
	June	Established Onward Luxury Group S.p.A.
2014	March	Established Onward Global Fashion Co., Ltd.
	November	Completed Onward Park Building (head office in Nihonbashi district of Tokyo).
2015	March	Michinobu Yasumoto became president and representative director.
	September	Established Onward J Bridge Co., Ltd. (a joint venture company with Laox Co., Ltd.).
2016	March	Acquired La Maison Moreau S.A.S.
	April	Acquired Tiaclasse Inc.
	August	Converted Onward Kaisei (Dalian) Co., Ltd. (currently Kashiyama (Dalian) Co., Ltd.), into a wholly owned subsidiary through acquisition of stock.
2017	January	Acquired Kokobuy Inc. and Innovate Organics, Inc.
	December	Acquired Mulberry Japan Co., Ltd. (a joint venture company with Mulberry Group plc).
2018	March	Acquired General Clothing Co., Ltd. (currently Kashiyama Saga Co., Ltd.).
2019	March	Acquired Yamato Co., Ltd.

Onward Holdings Co., Ltd.

Head Office:

10-5, Nihonbashi 3-chome, Chuo-ku,

Tokyo 103-8239, Japan

Tel: (81) 3-4512-1020

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Onward Holdings Co., Ltd.

Head Office:

10-5, Nihonbashi 3-chome, Chuo-ku,

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