

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.

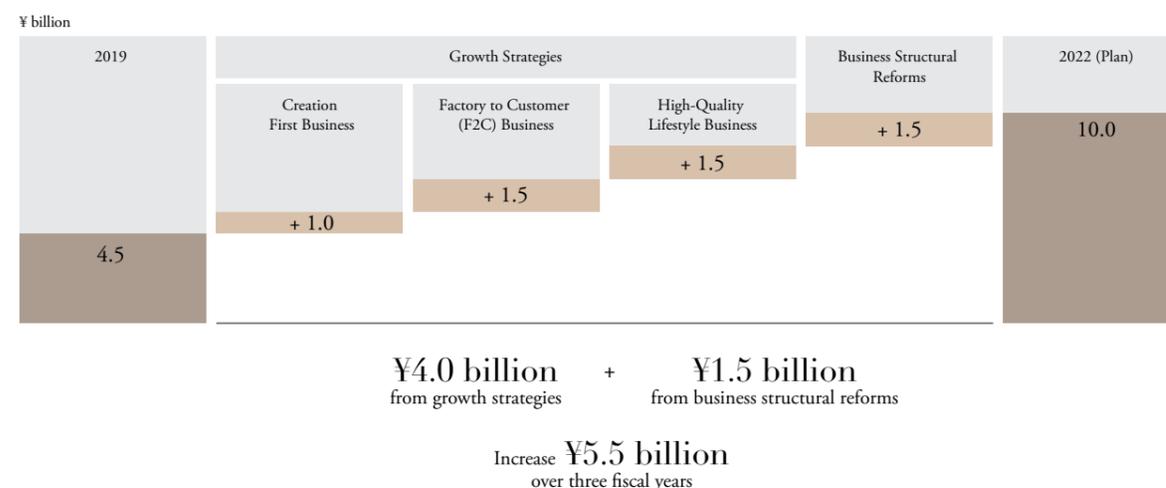
In core brands, such as Nijyusanku, Gotairiku, and other brands with long histories, we intend to approach new customers and reinvent our contents and merchandising approaches to be more suited to preferences and communication styles of these new customers. In smaller brands with relatively shorter histories, 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