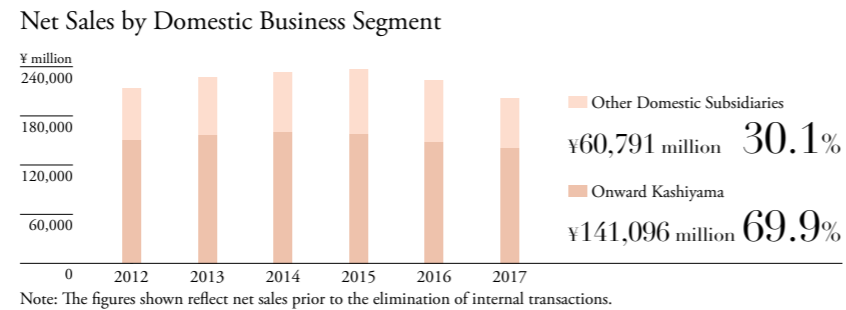
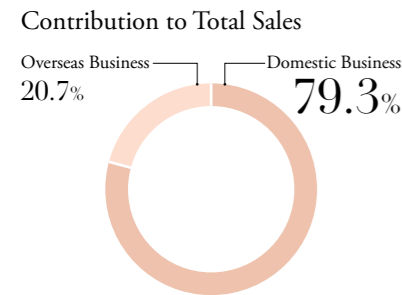


Our Business in Japan

The domestic business is our mainstay business, generating 79.3% of consolidated net sales. This business consists of 34 companies: core operating company Onward Kashiya as well as other domestic subsidiaries that make fashion proposals in a wide range of fields.



ICB Izutsuya Kokura Store

Onward Kashiya

Business Overview

Onward Kashiya is the Group's core operating company, generating 55% of consolidated net sales. Onward Kashiya manufactures and sells womenswear, menswear, children's clothing, and accessories, and 71% of its sales come from its main sales channel: department stores. Key womenswear brands Nijyusanku, Kumikyoku, ICB, and

Jiyuku account for 39% of net sales. Similarly, mainstay menswear brands Gotairiku and Personal Order are posting solid performances by capitalizing on their high-quality suits amid a rise in demand for luxury menswear.

Future growth strategies will include reinforcing our e-commerce operations centering on our directly managed e-commerce website Onward Crosset. In conjunction with these efforts, we will accelerate our Omni-channel retailing

strategy by integrating the inventory information, customer management, and service functions of our physical stores in Japan with online stores.

Performance and Outlook

In fiscal year 2017, we faced a difficult consumption climate, which proved to be particularly harsh for sales of fall items in 2016. Sales at physical stores declined as a result.

Full-year e-commerce sales exceeded our forecasts at ¥11.0 billion, an increase of 28% year on year. The strong growth in e-commerce sales coupled with the benefits of closures of unprofitable stores and the curtailment of sample costs led the gross profit margin to rise to 49.5%, up 0.9 percentage point.

In fiscal 2018, we will strengthen our e-commerce operations to grow sales of key and core brands. At the same time, we will pursue improved profitability through structural reforms, including unprofitable business reorganizations and unprofitable store closures.

Our Business in Japan



Other Domestic Subsidiaries

Business Overview

Other domestic subsidiaries leverage the product development and sales capabilities of the Onward Group to create new values and lifestyles by making fashion proposals in a wide range of fields.

Main Domestic 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, cosmetics, and other new fields. Meanwhile, 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.



Shirotan ga Ippai! on official Shirotan TV

Creative Yoko offers a lineup of products for pets as well as an assortment of character goods and toys. This company seeks to expand its network of unique, large-scale integrated pet stores while also strengthening its character merchandise business. At Onward Trading, a leading domestic manufacturer of uniforms and sales promotion goods, 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.



Grace Continental



Chacott

Performance and Outlook

In fiscal year 2017, performance was strong among main domestic subsidiaries, particularly Onward Trading and Chacott. Other domestic subsidiaries advanced structural reforms while reorganizing unprofitable businesses.

In fiscal year 2018, stable growth will be pursued at main domestic subsidiaries. Meanwhile, contributions to earnings improvements are anticipated to come from the benefits of the structural reforms and a new subsidiary that conducts the manufacture and sale of organic skincare and haircare products.