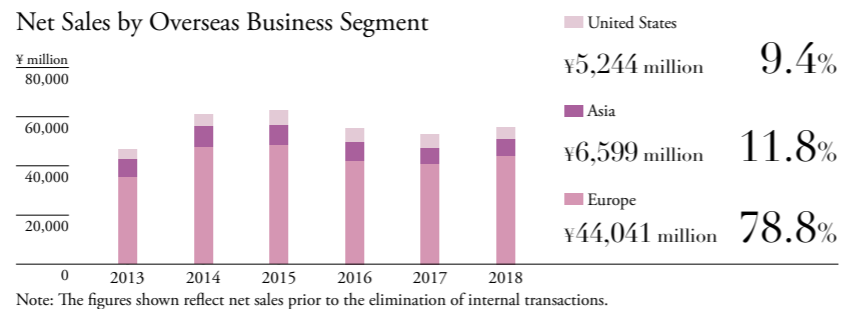
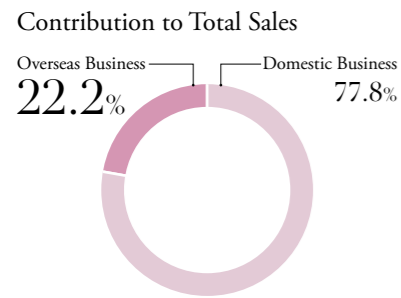


Overseas Business

The overseas business consists of operations in Europe, Asia, and the United States and accounts for 22.2% 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 high-end apparel and accessories.

By generating synergies in the European business, we will be able to leverage the strength of our manufacturing platform in Italy as well as the strengths of the



brand business of JIL SANDER and the retail business of JOSEPH. With this comprehensive range of functions, we will seek to become a unique presence in the European fashion industry.

Business Overview

Onward Luxury Group

Manufacturing

Onward Luxury Group's manufacturing divisions undertake 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, these divisions are constructing a manufacturing platform capable of providing the utmost levels of quality. In addition to the production of Group brands, manufacturing divisions conduct OEM and contract manufacturing and wholesale of outside brand products based on licensing agreements.

In March 2016, we acquired Moreau Paris, a luxury leather goods and luggage brand. We seek to generate even higher levels of synergies within the Group as we strengthen our fashion accessory business going forward.

JIL SANDER

We conduct the planning, manufacture, and wholesale of the JIL SANDER luxury menswear and womenswear collections and accessories and of the apparel and accessories from JIL SANDER Navy, and we are developing stores on a worldwide basis.



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

We will promote this new JIL SANDER to further its growth 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.

We will be more proactively communicating the message of the JOSEPH brand at storefronts while also expanding e-commerce sales of this brand's products going forward.

To accelerate the brand's global growth, Joseph is boosting planning and manufacturing efficiency and reinforcing its digital strategy.



Asia

In our Asian business, Nijyusanku, ICB, Nijyusanku GOLF, and other Onward Group's brands are sold in department stores and shopping centers in China—including Hong Kong—South Korea, Singapore, and Vietnam. In recent years, we have been working to expand our network of sales channels by forming franchise contracts and strengthening e-commerce businesses.

Furthermore, Asia is an incredibly important production site. To ensure reliable production capabilities in China, which is central to our Asian manufacturing platform, we are expanding the platform through capital alliances while stepping up collaboration with prominent partners. In addition, we have converted our menswear factory in Dalian, which is now Kashiya (Dalian) Co., Ltd., into a wholly owned subsidiary.

We are also improving efficiency and speed along the entire supply chain through logistics reforms, the establishment of a one-stop procurement system, and the use of RFID tags.

United States

U.S. operations comprise retail businesses in the United States as well as hotel and golf course management operations in Guam.

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

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

Performance and Outlook

In fiscal year 2018, revenues were up in Europe and Asia due to beneficial foreign exchange rates and growth in new businesses.

Profits, however, were down following alterations in contracts in manufacturing divisions as well as a persistently stagnant luxury market for the European business and volatile consumption trends in China.

In fiscal year 2019, our goals for the European business will be to grow JIL SANDER sales while instituting structural reforms.

At the same time, we will fortify our manufacturing platform in Asia.