

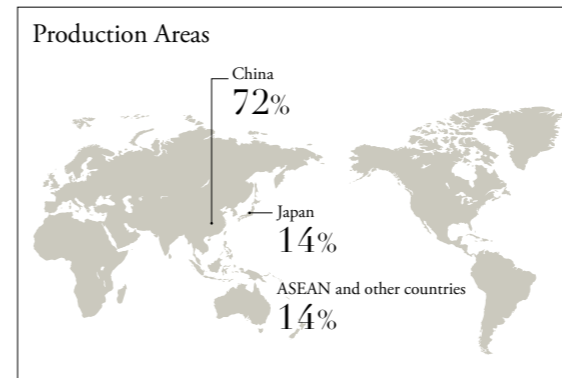
Our Value Chain

As a leader in the apparel industry, the Onward Group is guided by a mission of continually 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 Onward 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.

Our Value Chain



Production Network

Of Onward Kashiya's products, 71% are manufactured in cooperation with trading companies or delegated to factories in Japan or overseas. Recently, however, we have been expanding our own production network by strengthening partnerships with highly capable Japanese factories and expanding our low-cost production and sourcing networks in China and Vietnam. Currently, about 72% of Onward Kashiya's products are manufactured in China, 14% in Japan, and 14% in the ASEAN region. We are developing our procurement and production networks in the ASEAN region and reinforcing production in Japan to ensure that we can always manufacture products in the most suitable location.

Product Flow (primarily used by Onward Kashiya)



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.



Onward Quality Center

The Onward Group established the Onward Quality Center in March 2017. The Onward Quality Center offers quality control guidance and proxy services in the four areas of quality control management, quality merchandising, test analyses, 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 business both inside and outside of the Group.

Moreover, the Onward 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.



Our Value Chain



Department Store Transactions

The majority of transactions between department stores and apparel manufacturers are made under the consignment system, a transaction scheme indigenous to Japan with the following characteristics.

1. The apparel company owns the inventory and some shop fixtures and provides their own sales personnel. When a product is sold, it is then considered to have been procured by the department store.
2. The apparel company pays an agreed percentage of its sales to the department store as a tenant fee. Rent and other costs generally do not apply. (Profit margins are linked to sales.)
3. The apparel company records a sale as the amount of the wholesale price of the item sold less the margin paid to the department store.

07 2 Months Before

Production

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



08 1-2 Weeks Before

Final Check

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



Delivery and Sales

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Delivery

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

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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 both at target stores with the Group and on the Onward Crosset directly managed e-commerce website. Through this system, Onward Members users not only receive points based on purchase amounts, but they are also able to receive various perks, including brand information distributed through email magazines and member-exclusive services.

In April 2016, this system had 1.2 million members. Aiming to increase this number to 2.1 million by fiscal year 2018 and to 3.0 million by fiscal year 2019, we will seek to expand our customer base.

