RENOWN
INCORPORATED

Annual Report 2008

Profile

We were established as the 100% parent company of Renown Incorporated (established on 25th September 1947) and D'urban Incorporated (established on 24th July 1970) by share transfer on 1st March 2004 and we are listed on the Tokyo Stock Exchange. The economic environment, particularly employment and income trends, continue to be severe, and a recovery in consumer consumption is likely to take some time. The apparel industry is facing the powerful tide of continual restructuring and realignment. Under such circumstances, we have restarted management consolidation, aiming to integrate and redistribute the management resources of the two companies, as well as promote groupwide business and profit expansion in order to establish a strong business base as an apparel distributor at an early stage. While on the one hand each company in the group is developing in friendly competition with the other, the entire Group hopes to achieve further growth and develop as the Renown D'urban Group by making its presence clearly felt in the market.

Maintaining a permanently proactive attitude towards new developments and having "Sensibility-Creating Company" as a shared, group-wide concept in order to contribute to our customers' fulfillment of their lifestyles through fashion, our whole Group is committed to becoming a company that contributes to both society and to its stakeholders. We appreciate your support for the ongoing growth of the Renown D'urban Group.

Business Policies

The Group, as a comprehensive apparel manufacturer of men's and women's clothing, covers all distribution channels, including department stores, general merchandise stores and retail stores. We have structured the Group with an eye to our future development by reinforcing overall Group sales, enhancing management efficiency, and thereby building a corporate structure able to weather the difficult business environment.

(1) Basic Business Policies

We aim to be a "sensitivity-creating company" that uses fashion to help create a fresh and spiritually rewarding lifestyle for our customers as we constantly take on new challenges. Based on this philosophy, we strive to provide consumers with satisfying products and services while meeting the expectations of our shareholders for better performance.

(2) Medium- and Long-Term Management Strategies

In April 2007, we put in place a medium-term management plan, outlined below, with the objective of enhancing corporate value.

- *Actively pursue growth strategies*
  - *(a) Expand the Aquascutum business*
  - *(b) Cultivate business in the young career zone*
- *Fortify our management structure*
  - *(a) Strengthen marketing and merchandising*
  - *(b) Reform our cost structure*
  - *(c) Put in place a corporate governance system*

However, the Company's performance fell well short of its targets, owing to the worsening of the operating environment. Under these circumstances, we aim to take the following steps to reach the goals of the medium-term management plan that went into effect in April 2007 in the final year of this plan.

- *We will foster management innovation. We will also initiate a fundamental review of our concentration of management resources in business areas of future strategic focus, with the aim of achieving aggressive growth. Our core vision calls for us to lay a foundation for sales and profits, and to strengthen and further improve our management structure. We also will implement extensive changes to improve our business structure.*
- *Aquascutum London's performance has suffered from a falloff in consumption stemming from a lackluster U.S. housing market and a substantial downturn in the financial markets. We will address this company's situation by reviewing growth strategies for the U.S. and European retail businesses. We will also encourage innovative approaches that involve aggressive promotion of a superior corporate image.*

(3) Tasks Ahead

The Group's principal focus for the foreseeable future will be on achieving the objectives set forth above in "(2) Medium- and Long-Term Management Strategies." As part of these efforts, we will respond to the growing market and lifestyle diversity through thorough marketing management, by reviewing our brand portfolio and by pursuing new brand and channel strategies with a long-term perspective targeting future growth. As steppingstones of our growth strategies, we will also reform our cost and management structures.

To Our Shareholders

Minoru Nakamura, President

1. Business Results

(1) Analysis of Business Results

1) Overview of the fiscal year

During the fiscal year under review, the Japanese economy sustained its gradual recovery on the strength of improved corporate earnings and higher capital investments. However, the outlook remained uncertain, owing to sharply higher raw materials, as well a decline in stock prices stemming from the subprime loan issue.

Throughout the year, the apparel industry faced weather-related difficulties, including low temperatures after mid-March and lingering summer temperatures into September and October.

Under these circumstances, we sought to boost the Group's overall sales prowess and raise management efficiency through new future-oriented developments. For example, we now handle a full range of men's and women's apparel spanning the entire range of distribution channels—including department stores, general merchandise stores, retail stores and other channels.

On a consolidated basis, while Leilian and other subsidiaries performed well, Renown and Aquascutum London experienced difficulties that caused consolidated net sales, operating income and ordinary profit to fall below the previous fiscal year's figures. In response, we formulated a highly practical plan for drastic business restructuring, starting with the elimination and consolidation of underperforming brands. We posted as extraordinary losses the projected losses for such restructuring efforts, which resulted in a substantial net loss compared with the preceding year.

On a parent-only basis, net sales, operating income and ordinary profit also fell significantly below prior-year levels, despite strength in core men's brands. This situation was partly due to weak performance for men's casual brands and women's core brands. As on a consolidated basis, we recorded a net loss on a parent-only basis, which represented a major decline from the previous year. Contributing factors included losses posted for the scheduled implementation of the extensive restructuring plan mentioned above and a loss on the devaluation of Aquascutum London's shares.

As a result, consolidated net sales for the year under review totaled ¥175,613 million, down 0.4% from the preceding year. The operating loss was ¥2,143 million, compared with operating profit of ¥2,719 million in the previous year, and the ordinary loss amounted to ¥2,121 million, compared with ordinary profit of ¥1,626 million in the prior year. The net loss increased to ¥8,088 million, from ¥2,981 million in the previous year.

On a parent-only basis, we posted net sales of ¥89,768 million, an operating loss of ¥1,745 million, an ordinary loss of ¥1,673 million and a net loss of ¥8,744 million.

2) Outlook for the upcoming fiscal year

In the upcoming fiscal year, we expect consumer confidence to weaken further, as rising raw material costs push up prices of consumer goods and stock prices remain sluggish. We expect these factors to continue clouding the business environment.

Under such circumstances, we will focus management resources on future business strategy as part of a thorough overhaul based on the Group's aggressive expansion plan, targeting the income goals set for the final year of the three-year management plan we formulated in April 2007.

The Group companies will work in concert to implement extensive restructuring, based on the management vision of forging a solid revenue foundation and enhancing our business management structure.

Specific measures we will implement include the channeling of management resources into core brands by eliminating underperforming brands, selling currently held real estate, consolidating business sites and otherwise streamlining asset utilization, and fundamentally reviewing business operation methods.

For the year ending February 28, 2009, we forecast consolidated net sales of ¥169 billion, an operating loss of ¥1.1 billion, an ordinary loss of ¥1.5 billion and a net loss of ¥2.9 billion.

On a parent-only basis, we anticipate net sales of ¥85 billion, an operating loss of ¥1.7 billion, an ordinary loss of ¥1.9 billion and a net loss of ¥1.9 billion.

(2) Analysis of Financial Position

At the end of the period under review, cash and cash equivalents on a consolidated basis were ¥5,830 million lower than at the beginning of the term. Cash used in operating activities came to ¥3,458 million; investing activities used ¥1,291 million in cash; and financing activities used ¥1,069 million. In addition, ¥18 million of this cash derived from an increase in the scope of consolidation.

(Cash flows from operating activities)

On a consolidated basis, cash used in operating activities was ¥3,458 million. Although we recorded a ¥6,024 million loss before income taxes, cash was provided through the posting of an impairment loss and an increase in provision for structural reform expenses.

(Cash flows from investing activities)

Cash used in investing activities was ¥1,291 million, principally due to payments for loans.

(Cash flows from financing activities)

Cash used in financing activities was ¥1,069 million, primarily owing to repayments of debt.

(3) Policy Regarding Profit Sharing

We consider returning profits to shareholders a matter of vital management importance. Our basic policy goal is to pay dividends commensurate with Company profits, balanced by retention of sufficient funds to improve the Group's overall financial condition and reinforce our operating foundations. We are in the process of strengthening our profit base so that we can resume dividend payments as soon as possible.

Minoru Nakamura, President


D'URBAN


INTERMEZZO

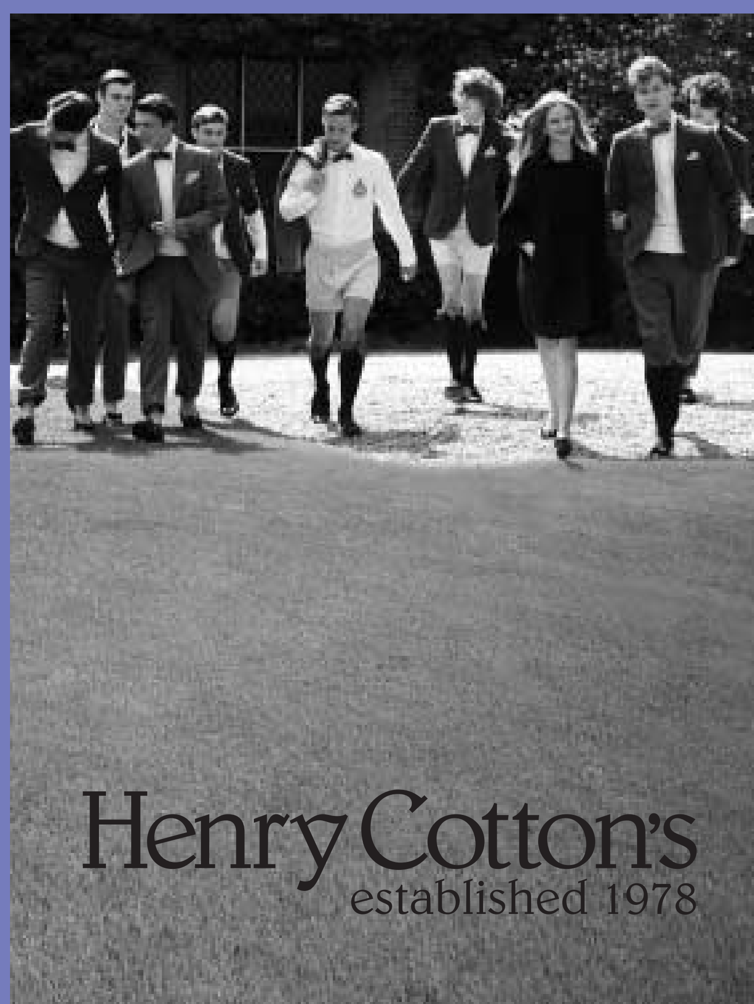

Aquascutum
LONDON


ensuite


aPrimary


rebecca taylor


arnold palmer


Henry Cotton's
established 1978

Consolidated Balance Sheet

For the years ended 28th February 2007 and 29th February 2008

ASSETS	Yen (Millions) 2007	Yen (Millions) 2008	U.S. dollars (Thousands) (Note 1) 2008
Current Assets:			
Cash and bank deposits (Note 3)	¥ 31,834	¥ 25,217	$ 240,164
Marketable securities (Note 4)	189	202	1,921
Notes and accounts receivable-trade	19,804	19,729	187,893
Less: Allowance for doubtful accounts	(642)	(1,720)	(16,378)
	19,162	18,009	171,515
Inventories	22,807	22,824	217,371
Deferred tax assets (Note 7)	1,603	1,612	15,351
Other current assets	4,412	5,137	48,922
Total Current Assets	80,007	73,001	695,244
Property, Plant and Equipment: (Note 9)			
Land (Note 5)	10,303	10,241	97,532
Buildings and structures (Note 5)	31,425	31,586	300,822
Machinery and equipment	3,429	3,275	31,194
Other	5,856	5,492	52,301
	40,710	40,353	384,317
Less: Accumulated depreciation	(28,225)	(28,970)	(275,906)
	12,485	11,383	108,411
Total Property, Plant and Equipment	22,788	21,624	205,943
Intangible Assets			
Goodwill	510	394	3,758
Other intangible assets	1,902	1,877	17,873
Total Intangible Assets	2,412	2,271	21,631
Investments and Other Assets:			
Unconsolidated subsidiaries and affiliates	2,290	276	2,633
Investment securities (Notes 4, 5)	6,484	5,907	56,256
Investment in partnership	107	18	171
Deferred tax assets (Note 7)	718	1,030	9,809
Other assets	8,225	8,401	80,008
Less: Allowance for doubtful accounts	(360)	(335)	(3,196)
Total Investments and Other Assets	17,464	15,297	145,681
Total Assets	¥122,671	¥112,193	$1,068,499

The accompanying notes are an integral part of the statements.

LIABILITIES	Yen (Millions) 2007	Yen (Millions) 2008	U.S. dollars (Thousands) (Note 1) 2008
Current Liabilities:			
Short-term bank loans (Note 5)	¥ 2,546	**¥ 1,718**	**$ 16,364**
Current portion of long-term debt (Note 5)	4,810	**11,894**	**113,278**
Notes and accounts payable-trade	17,924	**17,463**	**166,317**
Accrued expenses	5,899	**5,621**	**53,533**
Accrued income taxes (Note 7)	1,802	**936**	**8,911**
Accrued bonus	636	**543**	**5,173**
Provision for loss on guarantees	1,000	**—**	**—**
Provision for restructuring charges	—	**2,564**	**24,413**
Other current liabilities	2,986	**3,377**	**32,163**
Total Current Liabilities	37,603	**44,116**	**420,152**
Long-term Liabilities:			
Long-term debt (Note 5)	12,042	**4,787**	**45,592**
Accrued retirement benefits (Note 6)	8,625	**8,682**	**82,691**
Accrued retirement benefits to directors and statutory auditors	670	**815**	**7,758**
Deferred tax liabilities (Note 7)	557	**139**	**1,323**
Other non-current liabilities	926	**659**	**6,273**
Total Long-term Liabilities	22,820	**15,082**	**143,637**
Total Liabilities	¥60,423	**¥59,198**	**$563,789**
Contingent Liabilities (Note 8)			
NET ASSETS			
Shareholders' Equity:			
Common stock			
Authorized 140,000,000 shares, issued and outstanding			
47,614,501 shares at 28th February 2007 and 29th February 2008	¥ 15,005	**¥ 15,005**	**$ 142,906**
Capital surplus	35,438	**19,515**	**185,853**
Earned surplus	1,201	**9,530**	**90,765**
Less: Treasury stock	(95)	**(110)**	**(1,051)**
Total Shareholders' Equity	51,549	**43,940**	**418,473**
Valuation and Translation Adjustments:			
Unrealized gain on investments	592	**(298)**	**(2,835)**
Deferred gain (loss) on hedges	(55)	**(298)**	**(2,841)**
Foreign currency translation adjustments	374	**(454)**	**(4,323)**
Total Valuation and Translation Adjustments	911	**(1,050)**	**(9,999)**
Minority Interests:	9,788	**10,105**	**96,236**
Total Net Assets	62,248	**52,995**	**504,710**
Total Liabilities and Net Assets	¥122,671	**¥112,193**	**$1,068,499**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Income

For the years ended 28th February 2007 and 29th February 2008

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands) (Note 1)
	2007	2008	2008
Net Sales	¥176,281	**¥175,613**	**$1,672,506**
Cost of Sales (Note 2(4))	96,642	**99,538**	**947,977**
Gross profit	79,639	**76,075**	**724,529**
Selling, General and Administrative Expenses:			
Advertising	6,517	**7,305**	**69,573**
Salaries	30,875	**31,081**	**296,012**
Welfare expenses	6,638	**6,718**	**63,982**
Other	32,890	**33,114**	**315,371**
	76,920	**78,218**	**744,938**
Operating income (loss)	2,719	**(2,143)**	**(20,409)**
Other Income (Expenses):			
Interest income	217	**332**	**3,165**
Dividend income	36	**180**	**1,717**
Rental income	498	**486**	**4,629**
Exchange loss	(16)	**(67)**	**(642)**
Interest expense	(745)	**(630)**	**(6,003)**
Write-down of inventories	(180)	**—**	**—**
Gain on sale/disposal of property, plant and equipment, net	1,530	**2,063**	**19,650**
Impairment loss (Note 9)	(1,415)	**(1,020)**	**(9,711)**
Gain on investments in securities	107	**390**	**3,719**
Write-down of investments in securities	(16)	**—**	**—**
Write-down of investments in affiliates	(310)	**—**	**—**
Reserve for allowance for doubtful accounts	(333)	**(777)**	**(7,396)**
Reserve for provision for loss on guarantees	(1,000)	**—**	**—**
Restructuring charges	—	**(4,617)**	**(43,976)**
Retirement benefits	(303)	**(256)**	**(2,439)**
Equity in earnings (loss) of affiliates (Note 2(2))	(352)	**3**	**25**
Other, net	(1,158)	**32**	**299**
	(3,440)	**(3,881)**	**(36,963)**
Loss before income taxes and minority interests	(721)	**(6,024)**	**(57,372)**
Income Taxes (Note 7):			
Current	(1,895)	**(1,421)**	**(13,529)**
Deferred	19	**(24)**	**(227)**
	(2,597)	**(7,469)**	**(71,128)**
Minority Interests	384	**619**	**5,899**
Net Loss	¥ (2,981)	**¥ (8,088)**	**$ (77,027)**

	Yen	Yen	U.S. dollars (Note 1)
Per Share (Note 14):			
Net loss	¥ (62.74)	**¥ (170.15)**	**$ (1.62)**
Weighted Average Number of Shares (thousands)	47,516	**47,535**	**47,535**

The accompanying notes are an integral part of the statements.

Consolidated Statement of Changes in Net Assets

For the years ended 28th February 2007 and 29th February 2008

		Yen (Millions)										
		Shareholders' equity					Valuation and translation adjustments					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Earned surplus	Treasury stock	Total Shareholders' equity	Unrealized gain on investments	Deferred gain(loss) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at 28th February 2006	47,615	¥15,005	¥ 35,367	¥ 8,920	¥(116)	¥59,176	¥ 1,698	¥ —	¥ 9	¥ 1,707	¥ 249	¥61,132
Net loss for the year ended 28th February 2007	—	—	—	(2,981)	—	(2,981)	—	—	—	—	—	(2,981)
Decrease in merger	—	—	—	(3,836)	—	(3,836)	—	—	—	—	—	(3,836)
Decrease following changes in scope of consolidation	—	—	—	(902)	—	(902)	—	—	—	—	—	(902)
Acquisition of treasury stock	—	—	—	—	(30)	(30)	—	—	—	—	—	(30)
Sale of treasury stock	—	—	71	—	51	122	—	—	—	—	—	122
Items other than changes in shareholders' equity	—	—	—	—	—	—	(1,106)	(55)	365	(796)	9,539	8,743
Balance at 28th February 2007	47,615	¥15,005	¥ 35,438	¥ 1,201	¥ (95)	¥51,549	¥ 592	¥ (55)	¥ 374	¥ 911	¥ 9,788	¥62,248
Net loss for the year ended 29th February 2008	—	—	—	(8,088)	—	(8,088)	—	—	—	—	—	(8,088)
Transfer from additional paid-in capital to retained earnings	—	—	(15,923)	15,923	—	0	—	—	—	—	—	0
Bonus to directors and statutory auditors	—	—	—	(0)	—	(0)	—	—	—	—	—	(0)
Prior period adjustment of reserve on a foreign affiliated company	—	—	—	528	—	528	—	—	(528)	(528)	—	—
Decrease following changes in scope of consolidation	—	—	—	(34)	—	(34)	—	—	—	—	—	(34)
Acquisition of treasury stock	—	—	—	—	(15)	(15)	—	—	—	—	—	(15)
Items other than changes in shareholders' equity	—	—	—	—	—	—	(890)	(243)	(300)	(1,433)	317	(1,116)
Balance at 29th February 2008	47,615	¥15,005	¥ 19,515	¥ 9,530	¥(110)	¥43,940	¥ (298)	¥(298)	¥(454)	¥(1,050)	¥10,105	¥52,995

		U.S. dollars (Thousands) (Note 1)										
		Shareholders' equity					Valuation and translation adjustments					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Earned surplus	Treasury stock	Total Shareholders' equity	Unrealized gain on investments	Deferred gain(loss) on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at 28th February 2007	47,615	$142,906	$337,504	$ 11,443	$ (907)	$490,946	$ 5,636	$ (526)	$ 3,564	$ 8,674	$93,222	$592,842
Net loss for the year ended 29th February 2008	—	—	—	(77,027)	—	(77,027)	—	—	—	—	—	(77,027)
Transfer from additional paid-in capital to retained earnings	—	—	(151,651)	151,651	—	0	—	—	—	—	—	0
Bonus to directors and statutory auditors	—	—	—	(7)	—	(7)	—	—	—	—	—	(7)
Prior period adjustment of reserve on a foreign affiliated company	—	—	—	5,028	—	5,028	—	—	(5,028)	(5,028)	—	—
Decrease following changes in scope of consolidation	—	—	—	(323)	—	(323)	—	—	—	—	—	(323)
Acquisition of treasury stock	—	—	—	—	(144)	(144)	—	—	—	—	—	(144)
Items other than changes in shareholders' equity	—	—	—	—	—	—	(8,471)	(2,315)	(2,859)	(13,645)	3,014	(10,631)
Balance at 29th February 2008	47,615	$142,906	$185,853	$ 90,765	$(1,051)	$418,473	$(2,835)	$(2,841)	$(4,323)	$ (9,999)	$96,236	$504,710

The accompanying notes are an integral part of the statements.

Consolidated Statement of Cash Flows

For the years ended 28th February 2007 and 29th February 2008

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands) (Note 1)
	2007	2008	2008
Cash Flows from Operating Activities:			
Loss before income taxes	¥ (721)	¥ (6,024)	$ (57,372)
Depreciation and amortization	2,345	2,954	28,129
Impairment loss	1,415	1,020	9,711
Increase in reserve for doubtful accounts	175	1,054	10,043
Interest and dividend income	(253)	(513)	(4,881)
Interest expense	745	630	6,003
Gain on sale/disposal of property, plant and equipment, net	(1,530)	(2,063)	(19,650)
Gain on sale of investments in securities	(107)	(390)	(3,719)
Write down of investments in securities	16	—	—
Write down of investments in affiliates	310	—	—
Decrease in accrued bonuses	(57)	(90)	(861)
Increase in provision for restructuring charges	—	2,563	24,413
Increase in accrued retirement benefits	743	59	563
Decrease (increase) in trade receivables	2,767	(113)	(1,073)
Increase in inventories	(948)	(166)	(1,578)
Decrease in trade notes payable	(1,608)	(667)	(6,354)
Decrease (increase) in other current assets	(630)	322	3,065
Increase (decrease) in other current liabilities	1,813	(739)	(7,040)
Equity in (earnings) loss of affiliates	352	(3)	(25)
Other	(364)	961	9,154
	4,463	(1,205)	(11,472)
Interest and dividends received	774	594	5,660
Interest paid	(760)	(630)	(6,003)
Income taxes paid	(864)	(2,217)	(21,118)
Net cash provided by (used in) operating activities	3,613	(3,458)	(32,933)
Cash Flows from Investing Activities:			
Increase in time deposits	(135)	(370)	(3,528)
Proceeds from matured time deposits	82	56	535
Payments for purchase of property, plant and equipment	(1,814)	(2,391)	(22,776)
Proceeds from sale of property, plant and equipment	3,319	1,243	11,841
Payments for purchase of intangible assets	(925)	(532)	(5,072)
Proceeds from sale of intangible assets	—	1,251	11,915
Payments for investments in securities	(59)	(20)	(195)
Proceeds from sale of investments in securities	60	859	8,180
Payments for investments in subsidiary	(725)	(40)	(377)
Payments for loans	(713)	(1,853)	(17,646)
Collections of loans	2,704	460	4,384
Other	(38)	46	440
Net cash provided by (used in) investing activities	1,756	(1,291)	(12,299)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term bank loans	881	(828)	(7,884)
Proceeds from long-term bank loans	720	4,755	45,292
Repayments of long-term debt	(5,635)	(4,926)	(46,917)
Proceeds from minority shareholders resulted from establishment of consolidated subsidiaries	—	4	37
Payments for purchases of treasury stock	(30)	(15)	(144)
Proceeds from sale of treasury stock	654	—	—
Dividends paid to minority shareholders	(109)	(59)	(563)
Net cash used in financing activities	(3,519)	(1,069)	(10,179)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	89	(29)	(281)
Increase (decrease) in Cash and Cash Equivalents	1,939	(5,848)	(55,692)
Cash and Cash Equivalents at Beginning of Year	23,628	30,781	293,156
Increase due to new consolidated subsidiary	5,214	18	166
Cash and Cash Equivalents at End of Year (Note 3)	¥30,781	¥24,951	$ 237,630

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

1. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of RENOWN INCORPORATED (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.
Certain items presented in the consolidated financial statements have been reclassified for the convenience of readers outside Japan.
Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105=U.S.$1, the rate of exchange on 29th February 2008 has been used in translation. The inclusion of such amounts is not intended to imply that the Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of Consolidation

The Company had 52 (51 for 2007) subsidiaries as at 29th February 2008. In addition, the Company had 6 (8 for 2007) affiliates (whose equity is 20-50% owned by the Company) at the same date.
The accompanying consolidated financial statements include the accounts of 51 (49 for 2007) significant subsidiaries (which include 20 domestic subsidiaries, and 21 Aquascutum group companies, all 21 of which are incorporated in foreign countries, plus 2 subsidiaries each in the United States and Taiwan, 3 subsidiaries in China, and 1 subsidiary each in Singapore, Italy and England). The Company and its consolidated subsidiaries are together referred to as "the Companies".
A major subsidiary is Leilian Ltd.
The remaining a subsidiary was not consolidated due to immateriality of total assets, net sales, net income and retained earnings in the aggregate compared with the consolidated financial statements of the Companies.
10 domestic consolidated subsidiaries have their fiscal year end of the last day of February each year, which is the same as that of the Company. However, 10 domestic consolidated subsidiaries and all foreign consolidated subsidiaries have their fiscal year end on 31st December of each year. The consolidation of the accounts of such companies has been done using the balances or amounts as of and for the year ended 31st December each year. Necessary adjustments for consolidation have been made on any significant intercompany transactions of these subsidiaries which may have taken place during the period between 1st January and the last day of February.

(2) Investments in Unconsolidated Subsidiaries and Affiliates

The equity method of accounting has been applied to investments in 6 (8 for 2007) affiliates at 29th February 2008. Investments in the remaining insignificant unconsolidated subsidiaries are carried at cost. A major affiliate of the Company accounted for by the equity method is French Connection Japan Inc.
An affiliate has its fiscal year end on 31st March of each year.
Other affiliates have their fiscal year end on 31st December of each year.

(3) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash in hand, bank deposits which can be withdrawn on demand and short-term investments with an original maturity of three months or less which represent a minor risk of fluctuation in value.

(4) Inventories

Inventories are stated at cost, with cost being determined by the first-in first-out method.
Certain seasonal merchandise remained unsold was written down to its net realizable value.
The recorded write-down was ¥4,506 million and ¥5,088 million ($48,454) as of years ended 28th February 2007 and 29th February 2008.

(5) Financial Instruments

Securities with market prices held by the company and its domestic subsidiaries are marked to market and those without market prices are stated at cost, with cost being determined using the moving-average method. Unrealized holding gains or losses are recognized as a separate component of net assets at a net-of-tax amount.

In cases where securities have declined significantly in fair values and such declines in fair values are not deemed temporary, the securities are written down to the fair values and the resulting losses are included in net income for the period.

The company has adopted a policy of hedging its exposure to changes in fair value and cash flows associated with trade receivables, payables denominated in foreign currencies and bank loans. The Company does not hold or issue derivative transactions for speculative purposes.

All derivatives are stated at fair value, with changes in fair value included in net income in the period in which they arise, except for derivatives designated and which qualify as "hedging instruments". Gains or losses arising from changes in the fair value of derivatives designated as "hedging instruments" are deferred and included in net income in the same period in which the gains and losses on the hedged items or transactions are recognized.

The management evaluates the effectiveness of its hedging activities by reference to the relationship between the changes in fair value of the hedging instruments and those of the related hedged items.

(6) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of assets held by the Company and its domestic subsidiaries is generally computed using the declining-balance method, at rates based on the estimated useful lives of assets prescribed by Japanese corporate income tax laws. The range of useful lives is as follows:

	Years
Buildings and structures	3–60
Machinery and equipment	3–20

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(Accounting change)

Effective the year ended 29th February 2008, the Company and its domestic consolidated subsidiaries have changed their method of depreciation for all tangible fixed assets acquired on or after 1st April 2007 to reflect the revisions to the Corporation Tax Law.

The impact of this change on profits or losses was insignificant.

(7) Income Taxes

Deferred income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses carried forward.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net income in the period of enactment.

(8) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible bad debt at the amount estimated based on the past bad debt experience for normal receivables plus uncollectible amounts determined by reference to the collectibility of individual accounts for doubtful receivables.

(9) Provision for Loss on Guarantees

The provision for loss on guarantees is provided for payments related to guaranteed obligations. The amount is estimated based on the financial condition of the guaranteed companies.

(10) Provision for restructuring charges

The provision for restructuring charges is provided for possible losses on the restructuring charges primarily derived from scrap and build plan of brand.

(11) Accrued Retirement Benefits

The accrued retirement benefits for employees represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. The unrecognized transition amount arising from adopting the new accounting standard is amortized on a straight-line basis over 15 years.

Prior service costs are amortized as incurred using the straight-line method over the estimated years of the service of the eligible employees.

Actuarial differences are amortized using the straight-line method over the eligible employees' average remaining period of the service starting from the beginning of the subsequent year.

The Company also provides for retirement benefits to its directors and statutory auditors based on the estimated amounts to be paid pursuant to its internal regulations.

(12) Leases

Non-cancelable lease transactions are primarily accounted for as operating leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(13) Reclassification of Accounts

Certain prior year amounts have been reclassified to conform with the current year's presentation.

(14) Remeasurement of the Assets and Liabilities of Subsidiaries

The Company adopts the "full fair value method", which provides that the full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of the control.

3. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents at 28th February 2007 and 29th February 2008 consisted of:

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
28th February 2007 and 29th February 2008	2007	**2008**	**2008**
Cash and bank deposits	¥31,834	**¥25,217**	**$240,164**
Time deposits with a deposit term of over 3 months	(1,052)	**(266)**	**(2,534)**
Cash and Cash Equivalents	¥30,782	**¥24,951**	**$237,630**

4. SECURITIES

Securities consist of marketable securities and non-marketable securities classified as other securities. The acquisition costs, carrying value and unrealized gain(loss) on marketable securities at 28th February 2007 and 29th February 2008 are summarized by type of security as follows:

(a) Other securities with determinable market value

	Yen (Millions)		
Year ended on 28th February 2007	Acquisition cost	Carrying value	Unrealized gain(loss)
(1) Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥2,186	¥5,731	¥3,545
Subtotal	¥2,186	¥5,731	¥3,545
(2) Securities whose carrying value does not exceed their acquisition cost:			
Stocks	¥ 431	¥ 357	¥ (74)
Subtotal	¥ 431	¥ 357	¥ (74)
Total	¥2,617	¥6,088	¥3,471

	Yen (Millions)			U.S. dollars (Thousands)		
Year ended on 29th February 2008	Acquisition cost	Carrying value	Unrealized gain(loss)	Acquisition cost	Carrying value	Unrealized gain(loss)
(1) Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥1,890**	**¥3,695**	**¥1,805**	**$18,000**	**$35,186**	**$17,186**
Subtotal	**¥1,890**	**¥3,695**	**¥1,805**	**$18,000**	**$35,186**	**$17,186**
(2) Securities whose carrying value does not exceed their acquisition cost:						
Stocks	**¥ 722**	**¥ 519**	**¥ (203)**	**$ 6,873**	**$ 4,944**	**$ (1,929)**
Subtotal	**¥ 722**	**¥ 519**	**¥ (203)**	**$ 6,873**	**$ 4,944**	**$ (1,929)**
Total	**¥2,612**	**¥4,214**	**¥1,602**	**$24,873**	**$40,130**	**$15,257**

(b) Sales of securities classified as other securities

The sales and aggregate gain and loss on sales of securities classified as other securities for the years ended 28th February 2007 and 29th February 2008 are summarized as follows:

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
	2007	**2008**	**2008**
Sales proceeds	¥33	**¥4**	**$39**
Gain	¥14	**¥0**	**$ 0**
Loss	¥—	**¥1**	**$ 6**

(C) Securities without determinable market value

	Yen (Millions) 2007	Yen (Millions) **2008**	U.S. dollars (Thousands) **2008**
Other securities:			
Unlisted stock	¥369	**¥1,693**	**$16,127**
Unlisted foreign securities	¥189	**¥ 202**	**$ 1,921**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at 28th February 2007 and 29th February 2008 consisted of:

28th February 2007 and 29th February 2008	Yen (Millions) 2007	Yen (Millions) **2008**	U.S. dollars (Thousands) **2008**
Loans from banks with a weighted average interest rate of 1.98% for the year ended 29th February 2008	¥2,546	**¥1,718**	**$16,364**

Long-term debt at 28th February 2007 and 29th February 2008 consisted of:

28th February 2007 and 29th February 2008	Yen (Millions) 2007	Yen (Millions) **2008**	U.S. dollars (Thousands) **2008**
Loans from banks with weighted average interest rate of 3.33% for the year ended 29th February 2008	¥16,852	**¥ 16,681**	**$ 158,870**
Current portion of long-term debt	(4,810)	**(11,894)**	**(113,278)**
Total Long-Term Debt	¥12,042	**¥ 4,787**	**$ 45,592**

The aggregate annual maturities of long-term debt as at 29th February 2008 were as follows:

Year ended on 29th February	Yen (Millions)	U.S. dollars (Thousands)
2009	¥11,894	$113,278
2010	792	7,540
2011	3,790	36,095
2012	128	1,221
2013	77	736
	¥16,681	$158,870

The Company's assets pledged as collateral for the bank loans shown above at 28th February 2007 and 29th February 2008 were as follows:

28th February 2007 and 29th February 2008	Yen (Millions) 2007	Yen (Millions) **2008**	U.S. dollars (Thousands) **2008**
Net book value of property			
Buildings	¥4,225	**¥4,066**	**$38,721**
Land	¥6,590	**¥6,558**	**$62,457**
Investments in unconsolidated subsidiaries and affiliates	¥ 529	**¥ 337**	**$ 3,206**

6. ACCRUED RETIREMENT BENEFITS AND PENSION PLANS

The Company and its main domestic consolidated subsidiaries have defined benefit pension plans, and internal-funded lump-sum retirement benefit plans for their employees.

According to the Company's rules, employees may, in the event of involuntary retirement, be entitled to additional payments of retirement benefits, which are not reflected in the actuarial calculation of the projected benefit obligations.

The reserve for retirement benefits to employees as at 28th February 2007 and 29th February 2008 is analyzed as follows:

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
28th February 2007 and 29th February 2008	2007	**2008**	**2008**
Projected benefit obligations	¥13,841	**¥14,159**	**$134,853**
Unrecognized prior service costs	957	**836**	**7,963**
Unrecognized actuarial differences	(924)	**(1,327)**	**(12,638)**
Unrecognized transition amount	(1,625)	**(1,443)**	**(13,743)**
Fair value of plan assets	(3,624)	**(3,543)**	**(33,744)**
Accrued retirement benefits	¥ 8,625	**¥ 8,682**	**$ 82,691**

Components of net periodic pension costs for the year ended 28th February 2007 and 29th February 2008 were as follows:

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
28th February 2007 and 29th February 2008	2007	**2008**	**2008**
Service costs	¥1,020	**¥ 817**	**$ 7,783**
Interest costs	244	**268**	**2,556**
Expected return on plan assets	(65)	**(69)**	**(662)**
Amortization of prior service costs	(121)	**(121)**	**(1,154)**
Amortization of actuarial differences	273	**245**	**2,327**
Amortization of net transition amount	181	**181**	**1,726**
Additional lump-sum retirement benefits paid	—	**—**	**—**
Net pension costs	¥1,532	**¥1,321**	**$12,576**

Assumptions used in calculation of the above information were as follows:

28th February 2007 and 29th February 2008	2007	**2008**
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	—	**2.0%**
Method of attributing the projected benefits to periods of services	straight-line basis	**straight-line basis**
Amortization of prior service costs	10 Years	**10 Years**
Amortization of actuarial differences	9~12 Years	**9~12 Years**
Amortization of net transition amount	15 Years	**15 Years**

In addition, the Company had a reserve for retirement benefits to directors and statutory auditors amounting to ¥670 million and ¥815 million ($7,758 thousand), at 28th February 2007 and 29th February 2008.

7. INCOME TAXES

Japanese income taxes applicable to the Company and its domestic consolidated subsidiaries consisted of corporate income tax (national), enterprise tax (local) and inhabitants' taxes (local). Disclosure of a reconciliation of the statutory and effective tax rate for the year ended 28th February 2007 and 29th February 2008 have been omitted because the Company recorded loss before income taxes. Significant components of deferred tax assets at 28th February 2007 and 29th February 2008 were as follows:

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
28th February 2007 and 29th February 2008	2007	**2008**	**2008**
Deferred tax assets:			
Inventory write-downs	¥ 2,233	**¥ 2,267**	**$ 21,595**
Allowance for doubtful accounts	491	**1,321**	**12,577**
Provision for restructuring charges	—	**2,221**	**21,157**
Accrued retirement benefits	3,179	**3,259**	**31,039**
Net operating loss carry forwards	8,263	**13,841**	**131,817**
Unrealized income	10	**10**	**92**
Others	3,774	**3,594**	**34,230**
	17,950	**26,513**	**252,507**
Valuation allowance	(15,628)	**(23,871)**	**(227,347)**
Net deferred tax assets	¥ 2,322	**¥ 2,642**	**$ 25,160**
Deferred tax liabilities:			
Unrealized gains on investments	557	**139**	**1,323**
Net deferred tax liabilities	¥ 557	**¥ 139**	**$ 1,323**

8. CONTINGENT LIABILITIES

At 28th February 2007 and 29th February 2008 the Companies were contingently liable in aggregate amounts of ¥614 million and ¥346 million ($3,294 thousand) for guarantees of indebtedness, principally of an affiliate.

9. IMPAIRMENT LOSS

The Company and its domestic subsidiaries recorded impairment loss on the following asset groups for the year ended 28th 2007 and 29th February 2008 were as follows:

			Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
28th February 2007 and 29th February 2008			2007	**2008**	**2008**
Location	Use	Classification			
Hyogo prefecture and other	Lease assets and other	Land, buildings	¥980	**—**	**—**
Tokyo metropolitan area and other	Retail stores	Buildings, furniture and fixtures, other assets	¥434	**¥909**	**$8,655**
Tokyo metropolitan area and other	Offices	Buildings, furniture and fixtures, other assets	—	**¥111**	**$1,056**

The Company and its consolidated domestic subsidiaries group their assets based on business unit which they constantly measure their profit and loss.

The Company and its consolidated domestic subsidiaries reviewed certain asset groups for impairment as those asset groups have continuously marked operating loss. Asset groups with aggregate estimated future net cash flow less than the book value or with a significant decline in market value were written down to their recoverable value.

The recoverable value of these asset groups was calculated using the net sale value method, for leased assets and the use value for stores. The value of critical asset groups was determined by a real estate appraiser based on Japanese real estate appraisal standards. The use value was calculated based on future net cash flows.

10. ACCOUNTING FOR LEASES

The Company and its domestic subsidiaries have various lease agreements whereby the Company and its domestic subsidiaries act as a lessee.

Finance lease contracts other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
28th February 2007 and 29th February 2008	2007	**2008**	**2008**
Finance Lease Contracts:			
The scheduled maturities of future lease rental payments on such lease contracts:			
Due within one year	¥ 732	**¥ 722**	**$ 6,880**
Due after more than one year	1,249	**1,481**	**14,103**
	¥1,981	**¥ 2,203**	**$ 20,983**
Allowance for impairment loss on leased property	¥ 89	**¥ 59**	**$ 564**
Lease rental expenses for the year	¥ 878	**¥ 937**	**$ 8,928**
Reverse of allowance for impairment loss on leased property	¥ 47	**¥ 43**	**$ 413**
Accumulated depreciation	¥ 756	**¥ 814**	**$ 7,751**
Amount representing interest	¥ 81	**¥ 77**	**$ 735**
Impairment loss	¥ 136	**¥ 40**	**$ 379**
Leased Assets (Buildings):			
Assumed acquisition cost	¥ 566	**¥ 408**	**$ 3,888**
Assumed accumulated depreciation	(251)	**(267)**	**(2,541)**
Assumed accumulated impairment loss	(136)	**(133)**	**(1,268)**
Assumed net book value	¥ 179	**¥ 8**	**$ 79**
Leased Assets (Machinery and Equipment):			
Assumed acquisition cost	¥1,095	**¥ 1,161**	**$ 11,053**
Assumed accumulated depreciation	(689)	**(729)**	**(6,941)**
Assumed accumulated impairment loss	—	**(5)**	**(43)**
Assumed net book value	¥ 406	**¥ 427**	**$ 4,069**
Leased Assets (Other):			
Assumed acquisition cost	¥2,216	**¥ 2,874**	**$ 27,375**
Assumed accumulated depreciation	(978)	**(1,271)**	**(12,107)**
Assumed net book value	¥1,238	**¥ 1,603**	**$ 15,268**

	Yen (Millions)	Yen (Millions)	U.S. dollars (Thousands)
28th February 2007 and 29th February 2008	2007	**2008**	**2008**
Operating Lease Contracts:			
The scheduled maturities of future lease rental payments on such lease contracts:			
Due within one year	¥ 1,685	**¥ 1,564**	**$ 14,900**
Due after more than one year	15,718	**14,150**	**134,761**
	¥17,403	**¥15,714**	**$149,661**

11.BUSINESS OPERATIONS AND RELATED PARTY TRANSACTIONS

Major transactions of the director for the year ended 28th February 2007 and 29th February 2008 were as follows:

							Transactions			Resulting account balances			
Relationship	Name	Address	Paid-in capital Yen (Millions)	Principal business or occupation	Percentage of direct equity ownership (%)	Description of transactions	Yen (Millions) 2007	Yen (Millions) 2008	U.S. dollars (Thousands) 2008	Account	Yen (Millions) 2007	Yen (Millions) 2008	U.S. dollars (Thousands) 2008
director	Takaaki Kawashima	—	—	director	—	Payments for advisory fees	¥100	**¥100**	**$952**	—	—	—	—
						Payments for transportation fees	—	**¥ 13**	**$123**	—	—	—	—

12. RESTRUCTURING CHARGES

Restructuring charges for the year ended 29th February 2008 were as follows:

	Yen (Millions)	U.S. dollars (Thousands)
29th February 2008	**2008**	**2008**
Reserve for provision for restructuring charges	**¥2,563**	**$24,413**
The recorded write-down of inventories	**1,756**	**16,724**
Depreciation expenses resulting from revision of estimated useful lives	**158**	**1,506**
Other	**140**	**1,333**
	¥4,617	**$43,976**

13. SHAREHOLDERS' EQUITY

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock accounts. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

14. AMOUNTS PER SHARE

Net loss per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

	Yen	Yen	U.S. dollars
28th February 2007 and 29th February 2008	2007	**2008**	**2008**
Net loss	¥ (62.74)	**¥(170.15)**	**$(1.62)**
Net assets	¥1,103.40	**¥ 902.43**	**$ 8.59**

15. SEGMENT INFORMATION

(a) Business segments

As net sales, operating income (loss) and total assets of the apparel business constituted more than 90% of the consolidated totals, the disclosure of business segment information has been omitted for the years ended 28th February 2007 and 29th February 2008.

(b) Geographical segments

As net sales and total assets in Japan accounted for more than 90% of the consolidated totals, the disclosure of geographical segment information has been omitted for the years ended 28th February 2007 and 29th February 2008.

(c) Overseas sales

Overseas sales amounted less than 10% of the consolidated net sales, the disclosure of overseas sales information has been omitted for the years ended 28th February 2007 and 29th February 2008.

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
RENOWN INCORPORATED

We have audited the accompanying consolidated balance sheets of RENOWN INCORPORATED and consolidated subsidiaries as of February 29, 2008 and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of RENOWN INCORPORATED and consolidated subsidiaries for the year ended February 28, 2007 were audited by other auditors whose report dated May 24, 2007, expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RENOWN INCORPORATED and consolidated subsidiaries at February 29, 2008 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

May 26, 2008

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Capital
¥15,005 million

Common Stock
Authorized: 140,000,000 shares
Issued: 47,614,501
Number of shareholders: 69,691

Stock Exchange Listings
Tokyo stock exchanges

Transfer Agent of Common Stock
The Sumitomo Trust & Banking Co., Ltd.

Subsidiaries and Affiliates
Renown Inx Incorporated
Aquascutum Group PLC
REDU Interface Incorporated
Leilian Co., Ltd.

BOARD OF DIRECTORS AND AUDITORS

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Minoru Nakamura*
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