RENOWN D'URBAN HOLDINGS INCORPORATED

REDU

Annual Report 2005

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 selection.
Under such circumstances, we have restarted management consolidation, aiming to integrate and redistribute the management resources of the two companies, as well as promote group-wide business and profit expansion in order to establish a strong business base as an apparel distributor at an early stage. While on one hand each company in the group is developing in friendly competition with the other, the entire group hopes to further grow 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 its stakeholders. We appreciate your support in fostering the further growth of the Renown D'urban Group.

Corporate Philosophy

Creation of Sensibility
Always having determination to take on new challenges, we aim to be a "Sensibility-Creating Company," helping our customers to create fresh and spiritually affluent lifestyles through fashion.

We believe,
Fashion represents novelty, affluence, and, at times, nostalgia reflecting the ever-changing nature of society, and eventually acquires universality with support from people.

We believe,
Sensibility generates joy and sorrow, and, at times, stimulation beyond time and space, and acquires objectivity only after it has matured in people's minds.

We believe,
Creation is the art of producing innovative values, and providing people with new impressions and opportunities without sticking to the past practice.

We continue to create innovative values and propose pleasant lifestyles for people through our delightful and worthwhile work.

We are a group that aims for creation of sensibility.

To Our Shareholders

Shozo Watanabe, Chairman

Yasuhisa Oka, President

1. Business results

(1) Overview of the business results for the year

Although the Japanese economy remained on a recovery path this year with corporate profit improvement across a wider range of industries and increased facility investments, exports and manufacturing, which had been supported by the economic growth in the US and China, slowed down in the latter half of the year. As a result, the economic recovery remained slow overall. Consumption has not fully recovered because there were no significant improvements in employment and earnings.

In the apparel industry, renovation of department stores and successive opening of buildings with apparel stores and shopping malls did not increase the overall consumption, so no significant improvement in consumer sentiment on apparel expenditure was seen. In addition, we were faced with weak consumption of seasonal clothing throughout the year due to heat waves during the summer, the subsequent, repeated landfall of typhoons, and the warm winter.

In this environment, Renown D'urban Holdings Incorporated, a holding company established 1st March, 2004 through a stock transfer involving D'urban Incorporated and Renown Incorporated, concentrated its management resources on expanding its businesses and improving profitability throughout the Group. In doing so, the Company aimed to build a corporate structure able to weather the difficult business environment and evolve into a comprehensive apparel firm selling men's and women's clothing. Specifically, we have revitalized our main brands, fostered strategic brands and developed new businesses. This led to robust sales of casual wear for married women bearing the Ensuite brand and men's casual wear bearing the brands Element of Simple Life, Intermezzo and Henry Cotton's. We also stepped up marketing, expansion and strengthening of new brands such as Henry Cotton's Ladies, Canali and Nabrud as well as brands for young career people such as Rebecca Taylor, Arnie Arnold Palmer, Arnold Palmer Timeless, Mano and Earl Archives. In addition, we took steps to improve the efficiency of in-store sales through the timely manufacture and introduction of appropriate merchandise in the proper quantities, as we had done before the integration of operations.

The women's clothes market lost its momentum after the holidays in May, and the sales of fall and winter clothes remained sluggish in the second and third quarters due to the hot summer and typhoon disasters, while sales of heavy clothes remained weak due to the warm winter in the fourth quarter. As a result, sales of Renown Inc., the wholly owned subsidiary, were slightly below the interim forecast. Ordinary income was at the level of the interim forecast on account of the reduced selling, general and administrative costs on an unconsolidated basis, but net income was below the forecast with a net loss due to the revaluation loss on shares of the subsidiary Renown Nextage Inc. (¥754 million), recorded as an extraordinary loss. On a consolidated basis, the group recorded an ordinary loss and net loss on account of the lower-than-expected sales of some of the subsidiaries, including Renown Nextage Inc.

With respect to D'urban Incorporated, the wholly owned subsidiary, although sales were slightly below our interim forecast, its efforts to discontinue loss-making brands and departments that were launched before the integration proved effective. On account of the improved profit margins, both operating income and net income exceeded the interim forecast. On a consolidated basis, the ordinary profit of D'urban largely exceeded the interim forecast because most of its subsidiaries achieved their goals. However, net income was below the forecast because a subsidiary of D'urban recorded a ¥564 million loss on the liquidation of D'urban Korea, a joint venture company in Korea, as an extraordinary loss.

As a result, consolidated net sales were ¥124,731 million, with ordinary income of ¥1,018 million and a net loss of ¥957 million.

In addition, on a parent basis, net sales were ¥634 million, with ordinary income of ¥127 million and net income of ¥54 million.

(2) Outlook for the next year

For the next year, although the employment environment is improving, exports remain weak, and an immediate strong expansion of the economy cannot be expected. It is necessary to watch for the influence of future trends in raw material prices, such as the crude oil price, and the inventory adjustment on domestic and overseas economies. In addition, the full recovery of the consumer consumption is not yet expected.

In response to this situation, the Renown D'urban group established a new medium-term management plan to be completed in the fiscal year ending February 2008. The Group will work together to implement (1) business expansion by brand strategies, (2) diversification of sales channels to suit diversified consumer trends, (3) fundamental business reorganization of Renown Nextage, (4) improved organization through organizational and human resource reforms, (5) a review of cost structures and (6) functional reorganization and actualization of integration effects under the holding company.

With respect to specific brand and channel strategies for the next year, Renown Incorporated will improve its presence in shopping malls and business complexes with its brands J. Crew and Arnold Palmer Timeless, and promote retail business development for Ram and Earl Archive. At the same time, D'urban Incorporated will promote the development of directly-operated stores, namely, Canali started this year, the new brand Niblic to be started next year, and the GMS channel development with Nabrud. We will promote new business development, new brand development, and new channel development while bolstering the core brands, thus aiming to achieve our business plans. In addition, to establish a new profit-earning pillar, we will actively shift from the business domain of Renown, traditionally concentrating on clothing for married women, to a shop-type business for young career people.

Our estimates for consolidated results for the fiscal year ending February 2006 are sales of ¥124,000 million, ordinary income of ¥2,100 million and net income of ¥100 million, based on the expected extraordinary loss on account of the fundamental business reorganization of Renown Nextage Inc. in accordance with the new medium-term management plan mentioned above and the retooling of cost structures, including the reduction of personnel in the Renown group.

Please note that we plan to merge our fully owned subsidiaries Renown and D'urban into the Company on 1st March 1, 2006, pending approval by the general shareholders' meeting.

2. Financial position

At the end of this fiscal year, cash and cash equivalents on a consolidated basis were ¥1,091 million lower than the figure posted at the beginning of the period. Net cash provided by operating activities was ¥4,880 million, net cash used in investing activities totaled ¥1,760 million and net cash used in financing activities was ¥4,162 million.

(Cash flows from operating activities)

Net cash obtained from operating activities for this fiscal year increased by ¥4,880 million, as accounts receivable and inventory assets decreased despite the booking of a net loss (¥628 million) before taxes.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥1,760 million, primarily owing to capital spending.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,162 million, primarily because of the repayment of borrowings.

3. Mid-and long-term management strategies

Based on the medium-term management plan formulated when the Renown D'urban Group was established in March 2004, we have implemented various measures, including business expansion, elicitation of integrated effects by group reorganization, and restriction of interest-bearing liabilities. In light of the continuing tough market environment for the apparel industry and the pressing task of partial business reorganization in the Renown Group, we have reviewed the current medium-term management plan and formulated a new medium-term management plan to be completed by February 2008. The basic policies of the new plan are (1) stabilization of the profit-earning structure and reinforcement of the profit base, (2) improvement of corporate manpower by organizational and personnel reform, (3) reorganization of functions under the holding company and the elicitation of integrated effects and (4) restriction of interest-bearing liabilities. Specifically, the Group has the following six management strategies.

(1) Expansion of business size by brand strategy

In an effort of the Renown Group to expand its market share from the department-store-corner-type business for mature women to the shop-type business for young career women, Renown Incorporated acquired Makiris Inc. (business for the young generation) on 1st March, 2005 as a part of its core business domain shift. In addition, the Group intends to expand the Aquascutum business. On the other hand, the D'urban Group aims to expand the department store market share by establishing a men's ideal brand lineup through integration of the Renown men's apparel business and reinforcement of the GMS channel, whose future expansion is expected, with Nabrud and Hiroko Koshino Homme serving as strategy brands.

(2) Diversification of sales channels to match diversified consumer trends

The Group will expand new distribution channels for shop brands, develop retail businesses and strengthen the strategic brands for GMS channels.

(3) Fundamental business reorganization of Renown Nextage Inc.

Office consolidation and product lineup selection and concentration will be implemented for some unprofitable subsidiaries.

(4) Improvement of corporate manpower through organizational and personnel reform

To further reinforce the performance-based disciplinary action and incentive principle, the Group will establish a new personnel system to be uniformly applied to the Group.

(5) Review of expense structure

(6) Functional restructuring under the holding company and materialization of integration effects

The Group is aiming at the early materialization of integration effects, including the reduction of selling, general and administrative costs through the integration of the administrative divisions of Renown and D'urban to the holding company implemented on 1st March, 2005, as well as the restructuring of both companies and affiliated companies that have overlapping business areas and functions, such as logistics and the event business.

4. Challenges to confront

Although the employment environment is improving in Japan, a full recovery in consumer consumption is still not expected, and the apparel industry remains in severe circumstances that permit no optimism.

Therefore, the Group recognizes that the promotion of further improvements in the operation and cost effectiveness in order to establish a stable profit base and financial position is the most challenging issue, in addition to the early elicitation of integrated effects. We are committed to operating our business with the aim of maximizing profits and pursuing the concerted implementation of the management strategies described in "3. Mid-and-Long term Management Strategies" above.

Furthermore, our new personnel system started on 1st March, 2005, will promote the recruitment and education of personnel according to our new structure as well as the efficient use of our human resources.

Shozo Watanabe — Yasuhisa Oka

Shozo Watanabe, Chairman — *Yasuhisa Oka, President*

INTERMEZZO

TOKUKO 1er VOL PREMIER VOL

D'URBAN

RENOWN D`URBAN HOLDINGS INCORPORATED


Fairfield


Aquascutum
LONDON


K&C
KENT&CURWEN
ENGLAND


Henry Cottons

Consolidated Balance Sheet

For the year ended 28th February, 2005

ASSETS	Yen (Millions) 2005	U.S. Dollars (Thousands) (Note 1) 2005
Current Assets:		
Cash and bank deposits *(Note 3)*	**¥ 19,869**	**$ 189,229**
Marketable securities *(Note 4)*	**221**	**2,105**
Notes and accounts receivable-trade *(Note 9)*	**18,556**	**176,724**
Less: Allowance for doubtful accounts	**(234)**	**(2,229)**
	18,322	**174,495**
Inventories	**17,703**	**168,600**
Other current assets	**2,574**	**24,514**
Total Current Assets	**58,689**	**558,943**
Property, Plant and Equipment		
Land *(Note 5)*	**16,113**	**153,457**
Buildings and structures *(Note 5)*	**45,347**	**431,876**
Machinery and equipment	**8,631**	**82,200**
	53,978	**514,076**
Less: Accumulated depreciation	**(34,776)**	**(331,200)**
	19,202	**182,876**
Total Property, Plant and Equipment	**35,315**	**336,333**
Investments and Other Assets:		
Unconsolidated subsidiaries and affiliates	**15,342**	**146,114**
Investment securities *(Note 4)*	**2,535**	**24,143**
Other assets	**7,313**	**69,648**
Total Investments and Other Assets	**25,190**	**239,905**
Deferred Assets	**64**	**609**
Total Assets	**¥119,258**	**$1,135,790**

The accompanying notes are an integral part of the statements.

LIABILITIES	Yen (Millions) 2005	U.S. Dollars (Thousands) (Note 1) 2005
Current Liabilities:		
Short-term bank loans *(Note 5)*	**¥ 3,922**	**$ 37,352**
Current portion of long-term debt *(Note 5)*	**25,706**	**244,819**
Notes and accounts payable-trade	**12,452**	**118,591**
Consumption tax payable	**1,687**	**16,067**
Other accrued expenses	**6,056**	**57,676**
Accrued income taxes *(Note 8)*	**442**	**4,210**
Other current liabilities	**2,887**	**27,495**
Total Current Liabilities	**53,152**	**506,210**
Long-term Liabilities:		
Long-term debt *(Note 5)*	**16,112**	**153,448**
Accrued retirement benefits *(Note 6)*	**5,037**	**47,972**
Accrued retirement benefits to directors and statutory auditors	**324**	**3,085**
Other non-current liabilities	**266**	**2,533**
Total Long-term Liabilities	**21,739**	**207,038**
Total Liabilities	**¥ 74,891**	**$ 713,248**
Minority Interests in Consolidated Subsidiaries	**¥ 310**	**$ 2,952**
Contingent Liabilities *(Note 9)*		

SHAREHOLDERS' EQUITY

Common stock		
Authorized 140,000,000 shares, issued and outstanding		
37,315,801 shares at 28th February, 2005	**¥ 10,000**	**$ 95,238**
Additional paid-in capital	**30,430**	**289,810**
Retained earnings	**5,525**	**52,619**
Unrealized gain on investments	**602**	**5,733**
Foreign currency translation adjustments	**(242)**	**(2,305)**
Less: Treasury stock *(Note 5)*	**(2,258)**	**(21,505)**
Total Shareholders' Equity	**44,057**	**419,590**
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	**¥119,258**	**$1,135,790**

The accompanying notes are an integral part of the statements.

Consolidated Statement of Income

For the year ended 28th February, 2005

	Yen (Millions)	U.S. Dollars (Thousands) (Note 1)
	2005	**2005**
Net Sales	**¥124,732**	**$1,187,924**
Cost of Sales	**68,427**	**651,686**
Gross profit	**56,305**	**536,238**
Selling, General and Administrative Expenses	**54,354**	**517,657**
Operating income	**1,951**	**18,581**
Other Income (Expenses):		
Interest and dividend income	**234**	**2,229**
Interest expense	**(1,421)**	**(13,533)**
Loss on sale/disposal of property, plant and equipment, net	**(419)**	**(3,991)**
Loss on sale of investments in securities	**(14)**	**(133)**
Write down of investments in securities	**(102)**	**(972)**
Loss on liquidation of affiliated company *(Note 7)*	**(710)**	**(6,762)**
Retirement benefits	**(387)**	**(3,686)**
Equity in earnings of affiliates *(Note 2(2))*	**176**	**1,676**
Other, net	**63**	**600**
	(2,580)	**(24,572)**
Loss before income taxes and minority interests	**(629)**	**(5,991)**
Income Taxes (Note 8):		
Current	**(311)**	**(2,962)**
Deferred	**(8)**	**(76)**
	(948)	**(9,029)**
Minority Interests	**10**	**95**
Net Loss	**¥ (958)**	**$ (9,124)**

	Yen	U.S. Dollars (Note 1)
Per Share:		
Net loss	**¥ (27.61)**	**$ (0.26)**
Weighted Average Number of Shares (thousands)	**34,680**	**34,680**

The accompanying notes are an integral part of the statements.

Consolidated Statement of Shareholders' Equity

For the year ended 28th February, 2005

	Number of shares of common stock (thousands)	Yen (Millions)		
		Common stock	Additional paid-in capital	Retained earnings
Balance at 1st March, 2004	**37,316**	**¥10,000**	**¥ 34,157**	**¥(44,902)**
Net loss for the year ended 28th February, 2005	–	–	–	**(958)**
Increase due to capital reduction	–	–	**18,646**	**20,254**
Increase due to stock transfer	–	–	**8,813**	–
Income on buyback and retirement of treasury stock	–	–	**152**	–
Transfer to retained earnings	–	–	**(31,338)**	–
Transfer from additional paid-in capital	–	–	–	**31,338**
Increase due to inclusion of new consolidated subsidiaries	–	–	–	**4**
Decrease following changes in accounting standards in foreign consolidated subsidiaries	–	–	–	**(211)**
Balance at 28th February, 2005	**37,316**	**¥10,000**	**¥ 30,430**	**¥ 5,525**

	Number of shares of common stock (thousands)	U.S. Dollars (Thousands) (Note 1)		
		Common stock	Additional paid-in capital	Retained earnings
Balance at 1st March, 2004	**37,316**	**$95,238**	**$ 325,305**	**$(427,638)**
Net loss for the year ended 28th February, 2005	–	–	–	**(9,124)**
Increase due to capital reduction	–	–	**177,581**	**192,895**
Increase due to stock transfer	–	–	**83,933**	–
Income on buyback and retirement of treasury stock	–	–	**1,448**	–
Transfer to retained earnings	–	–	**(298,457)**	–
Transfer from additional paid-in capital	–	–	–	**298,457**
Increase due to inclusion of new consolidated subsidiaries	–	–	–	**38**
Decrease following changes in accounting standards in foreign consolidated subsidiaries	–	–	–	**(2,009)**
Balance at 28th February, 2005	**37,316**	**$95,238**	**$ 289,810**	**$ 52,619**

The accompanying notes are an integral part of the statements.

Consolidated Statement of Cash Flows

For the year ended 28th February, 2005

	Yen (Millions)	U.S. Dollars (Thousands) (Note 1)
	2005	2005
Cash Flows from Operating Activities:		
Loss before income taxes	¥ (629)	$ (5,991)
Depreciation and amortization	2,307	21,971
Decrease in reserve for doubtful accounts	(232)	(2,209)
Interest and dividend income	(234)	(2,229)
Interest expense	1,421	13,533
Loss on sale of property, plant and equipment	85	810
Loss on disposal of property, plant and equipment	163	1,552
Loss on sale of investments in securities	14	133
Write down of investments in securities	102	972
Decrease in accrued bonus	(4)	(38)
Increase in reserve for retirement benefits	802	7,638
Decrease in trade receivables	551	5,248
Decrease in inventories	570	5,429
Decrease in trade notes payable	(1,064)	(10,133)
Decrease in other current assets	77	733
Increase in other current liabilities	979	9,324
Equity in earnings of affiliates	(176)	(1,676)
Other	1,111	10,581
	5,843	55,648
Interest and dividends received	411	3,914
Interest paid	(1,368)	(13,028)
Income taxes paid	(87)	(829)
Proceeds from refund of income taxes	81	771
Net cash provided by operating activities	4,880	46,476
Cash Flows from Investing Activities:		
Increase in time deposits	(112)	(1,067)
Proceeds from matured time deposits	7	67
Payments for purchase of property, plant and equipment	(1,961)	(18,676)
Proceeds from sale of property, plant and equipment	417	3,972
Payments for loans	(448)	(4,267)
Collections of loans	693	6,600
Other	(357)	(3,400)
Net cash used in investing activities	(1,761)	(16,771)
Cash Flows from Financing Activities:		
Decrease in short-term bank loans	(459)	(4,372)
Proceeds from long-term bank loans	5,530	52,667
Repayments of long-term debt	(9,490)	(90,381)
Payments for purchases of treasury stock	(41)	(391)
Proceeds from sale of treasury stock	320	3,048
Dividends paid	(2)	(19)
Dividends paid to minority shareholders	(20)	(190)
Net cash used in financing activities	(4,162)	(39,638)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(50)	(476)
Increase in Cash and Cash Equivalents	(1,092)	(10,400)
Cash and Cash Equivalents at Beginning of Year	20,739	197,514
Cash and Cash Equivalents at End of Year (Note 3)	¥ 19,647	$ 187,114

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 D'URBAN HOLDINGS 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 Securities and Exchange Law of Japan. Certain items presented in the consolidated financial statements filed with the Director of Kanto Finance Bureau in Japan 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 28th February, 2005 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 subsidiaries at 28th February, 2005. In addition,the Company had 12 affiliates (whose equity is 20-50% owned by the Company) at the same date.

The accompanying consolidated financial statements include the accounts of 50 significant subsidiaries (which include 21 domestic subsidiaries, and 21 Aquascutum group companies, all 21 of which are incorporated in foreign countries, plus 2 subsidiaries in the United States, 3 subsidiaries in China, a subsidiary in Singapore, a subsidiary in Taiwan and a subsidiary in Italy). The Company and its consolidated subsidiaries are together further referred to as "the Companies" hereinafter.

The remaining 2 subsidiaries were not consolidated because their combined assets, net sales, net income, and retained earnings in the aggregate were not material compared with those of the consolidated financial statements of the Companies.

17 domestic consolidated subsidiaries have their fiscal year end on 28th February each year, which is the same as that of the Company. However, 7 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 significant intercompany transactions of these subsidiaries which may have taken place during the period between 1st January and 28th February.

(2) Investments in Unconsolidated Subsidiaries and Affiliates

The equity method of accounting has been applied to investments in 12 affiliates at 28th February, 2005. Investments in the remaining insignificant unconsolidated subsidiaries and insignificant affiliates are carried at cost. Major affiliates of the Company accounted for by the equity method are Leilian Ltd. and Tommy Hilfiger Japan Corporation.

See Note 6 below for further details of these investments.

(3) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income for the period.

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the rate prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are included in "Foreign currency translation adjustments" as a separate component of shareholders' equity.

(4) Cash and Cash Equivalents

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

(5) Inventories

Inventories are stated at cost, with cost being determined by the first-in first-out method.
When the net realizable value of certain classes of inventories is substantially less than the carrying value,and the decline of value is not expected to be recovered in the near future,appropriate write-downs are recorded on such items.

(6) 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 shareholders' equity 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, such 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 their exposure to changes in fair values 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 values of derivatives designated as "hedging instruments" are deferred as an asset or liability 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 values of the hedging instruments and those of the related hedged items.

(7) 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 by the declining-balance method, at rates based on the estimated useful lives of assets prescribed by Japanese income tax laws. Exceptionally, buildings and structures of Renown Logistics Inc. are depreciated by the straight-line method over their estimated useful lives, as prescribed by Japanese income tax law. The range of useful lives is summarized as follows:

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

Depreciation of assets held by foreign subsidiaries is computed by the straight-line method over the estimated useful lives of the assets.

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

(8) Income Taxes

Deferred income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the 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.

(9) Net Loss 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.

(10) Accounting for Consumption Tax

Japanese consumption tax is imposed at a flat rate of 5 per cent on all domestic consumption of goods and services (with certain exceptions). Consumption tax imposed on the Company’s sales to customers is withheld by the Company at the time of sale and is paid to the national government subsequently. Consumption tax withheld upon sale and consumption tax paid by the Company on the purchase of products, merchandise and services from vendors are not included in the amounts of net sales or costs and expenses in the accompanying consolidated statements of income. The consumption tax withheld is offset against that paid by the Company, and the net balance is shown as “Consumption tax payable” in the consolidated balance sheets.

(11) Reserve for Retirement Benefits

The reserve for retirement benefits represents 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 a new accounting standard is amortized on a straight-line basis over 15 years, and that unrecognized actuarial differences are amortized on a straight-line basis from the period next to the year in which they arise.

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

Actuarial differences are amortized following the year in which the differences are recognized using the straight-line method over the eligible employees’ average remaining period of service.

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) Finance Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets are accounted for as capital leases, but leases that do not transfer ownership of the leased assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(13) Reclassification of Accounts

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

(14) Accounting Standard for Impairment of Fixed Assets

On 9th August, 2002, the Business Accounting Council in Japan issued the Accounting Standard for Impairment of Fixed Assets (the "Standard"). The Standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impairment assets or a group of assets to the recoverable amount, which is the higher of the net selling price or the value in use.

The Standard shall be effective for fiscal years beginning 1st April, 2005. However, earlier adoption is permitted for fiscal years beginning on or after 1st April, 2004 and for fiscal years ending between 31st March, 2004 and 31st March, 2005.

The Company has not yet applied this new standard nor has determined the effect of applying it on the Company's consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents at 28th February, 2005 consisted of:

	Yen (Millions)	U.S. Dollars (Thousands)
28th February	**2005**	**2005**
Cash and bank deposits	**¥19,869**	**$189,229**
Time deposits with a deposit term of over 3 months	**222**	**2,115**
Cash and Cash Equivalents	**¥19,647**	**$187,114**

4. SECURITIES

Securities consisting 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, 2005 is summarized by type of security as follows:

(a) Other securities with determinable market value

	Yen (Millions)			U.S. Dollars (Thousands)		
Year ending on 28th February	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
(1) Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥1,063**	**¥1,856**	**¥ 793**	**$10,124**	**$17,676**	**$ 7,552**
Subtotal	**¥1,063**	**¥1,856**	**¥ 793**	**$10,124**	**$17,676**	**$ 7,552**
(2) Securities whose carrying value does not exceed their acquisition cost:						
Stocks	**¥ 711**	**¥ 567**	**¥ (144)**	**$ 6,771**	**$ 5,400**	**$ (1,371)**
Subtotal	**¥ 711**	**¥ 567**	**¥ (144)**	**$ 6,771**	**$ 5,400**	**$ (1,371)**
Total	**¥1,773**	**¥2,423**	**¥ 649**	**$16,895**	**$23,076**	**$ 6,181**

(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 year ended 28th February, 2005 are summarized as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
	2005	**2005**
Sales proceeds	**¥24**	**$229**
Gain	**¥ 3**	**$ 29**
Loss	**¥16**	**$152**

(c) Securities without determinable market value

	Yen (Millions)	U.S. Dollars (Thousands)
Other securities:	**2005**	**2005**
Unlisted securities	**¥126**	**$1,200**
Unlisted foreign stock	**¥221**	**$2,105**

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

Short-term bank loans at 28th February, 2005 consisted of:

28th February	Yen (Millions) 2005	U.S. Dollars (Thousands) 2005
Loans from banks with a weighted average interest rate of 3.06% for the year ended 28th February, 2005	¥3,922	$37,352

Long-term debt at 28th February, 2005 consisted of:

28th February	Yen (Millions) 2005	U.S. Dollars (Thousands) 2005
Loans from banks with a weighted average interest rate of 2.87% for the year ended 28th February, 2005	¥ 41,278	$ 393,124
Other long-term debt	540	5,143
	41,818	398,267
Current portion of long-term debt	(25,706)	(244,819)
Total Long-Term Debt	¥ 16,112	$ 153,448

The aggregate annual maturities of long-term debt as at 28th February, 2005 were as follows:

Year ending on 28th February	Yen (Millions)	U.S. Dollars (Thousands)
2006	¥26,170	$249,238
2007	9,915	94,429
2008	5,614	53,467
2009	12	114
2010	–	–
2011	13	124
2012	–	–
2013	18	171
	¥41,742	$397,543

The Company's assets pledged as collateral for the bank loans shown above at 28th February, 2005 were as follows:

28th February	Yen (Millions) 2005	U.S. Dollars (Thousands) 2005
Net book value of property		
Buildings	¥11,517	$109,686
Land	¥12,486	$118,914
Investments in and advances to unconsolidated subsidiaries and affiliates	¥14,261	$135,819
Treasury stock	¥ 2,126	$ 20,248

6. ACCRUED RETIREMENT BENEFITS AND PENSION PLANS

The Company and most Japanese consolidated subsidiaries have defined benefit pension plans, including contributory funded pension plans, which are pursuant to the Japanese Welfare Pension Insurance Law, tax-qualified 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, 2005 is analyzed as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
28th February	**2005**	**2005**
Projected benefit obligations	**¥7,996**	**$76,152**
Unrecognized prior service obligations	**754**	**7,181**
Unrecognized actuarial differences	**(1,568)**	**(14,933)**
Unrecognized transition amount	**(2,009)**	**(19,133)**
Fair value of plan assets	**(136)**	**(1,295)**
Accrued retirement benefits	**¥5,037**	**$47,972**

Components of net periodic pension cost for the year ended 28th February, 2005 were as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
28th February	**2005**	**2005**
Service costs	**¥ 794**	**$ 7,562**
Interest costs	**118**	**1,124**
Amortization of unrecognized prior service costs	**(119)**	**(1,133)**
Amortization of actuarial differences	**283**	**2,695**
Amortization of net transition amount	**283**	**2,695**
Additional lump-sum retirement benefits paid	**–**	**–**
Net pension costs	**¥1,359**	**$12,943**

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

Discount rate	**2.0%**
Expected rate of return on plan assets	**–**
Method of attributing the projected benefits to periods of service	**straight-line basis**
Amortization of unrecognized prior service costs	**10 Years**
Amortization of unrecognized actuarial differences	**9–12 Years**
Amortization of net transition amount	**15 Years**

In addition,the Company had a reserve for retirement benefits to directors and statutory auditors amounting to ¥324 million ($3,085 thousand), at 28th February, 2005.

7. LOSS ON LIQUIDATION OF AFFILIATED COMPANY

The Company recorded a loss on the liquidation of D'urban Korea, a joint venture company in Korea.

8. INCOME TAXES

Japanese income taxes applicable to the Company and its domestic consolidated subsidiaries consisted of corporate income tax (national), enterprise tax (local) and resident income taxes (local). The approximate aggregate statutory tax rate was 40.5% for the year ended 28th February, 2005. Disclosure of a reconciliation of statutory and effective tax rate for the year ended 28th February, 2005 has been omitted as the posting of a loss before income taxes.

Significant components of deferred tax assets at 28th February, 2005 were as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
28th February	**2005**	**2005**
Deferred tax assets:		
Inventory write-downs	**¥ 803**	**$ 7,648**
Write down of property, plant and equipment	**6,137**	**58,448**
Allowance for bad debt	**287**	**2,733**
Accrued retirement benefits	**1,635**	**15,571**
Net operating loss carry forwards	**11,460**	**109,143**
Unrealized income	**644**	**6,133**
Others	**1,521**	**14,486**
	22,487	**214,162**
Valuation allowance	**(21,855)**	**(208,143)**
Net deferred tax assets	**¥ 632**	**$ 6,019**
Deferred tax liabilities:		
Unrealized gains on investments	**266**	**2,533**
	266	**2,533**
Valuation allowance	**–**	**–**
Net deferred tax liabilities	**¥ 266**	**$ 2,533**

9. CONTINGENT LIABILITIES

At 28th February, 2005 the Companies were contingently liable in aggregate amounts of ¥1,905 million ($18,143 thousand) for guarantees of indebtedness, principally of unconsolidated subsidiaries and affiliates.

The Companies were contingently liable with respect to discounted trade notes receivable. The amounts of notes discounted with recourse at banks at 28th February, 2005 was ¥15 million ($143 thousand).

10. ACCOUNTING FOR LEASES

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

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)	U.S. Dollars (Thousands)
28th February	**2005**	**2005**
Finance Lease Contracts:		
The scheduled maturities of future lease rental payments on such lease contracts:		
Due within one year	**¥ 529**	**$ 5,038**
Due after more than one year	**671**	**6,390**
	¥1,200	**$11,428**
Lease rental expenses for the year	**¥1,088**	**$10,362**
Accumulated amortization	**¥ 983**	**$ 9,362**
Amount representing interest	**¥ 65**	**$ 619**
Leased Assets (Buildings):		
Assumed acquisition cost	**¥ 541**	**$ 5,152**
Assumed accumulated depreciation	**(143)**	**(1,362)**
Assumed net book value	**¥ 398**	**$ 3,790**
Leased Assets (Machinery and Equipment):		
Assumed acquisition cost	**¥2,594**	**$24,705**
Assumed accumulated depreciation	**(1,832)**	**(17,448)**
Assumed net book value	**¥ 762**	**$ 7,257**

	Yen (Millions)	U.S. Dollars (Thousands)
28th February	**2005**	**2005**
Operating Lease Contracts:		
The scheduled maturities of future lease rental payments on such lease contracts:		
Due within one year	**¥ 681**	**$ 6,486**
Due after more than one year	**7,834**	**74,609**
	¥8,515	**$81,095**

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

Report of Independent Auditors

To the Board of Directors and Shareholders
of RENOWN D'URBAN HOLDINGS INCORPORATED

We have audited the accompanying consolidated balance sheet of RENOWN D'URBAN HOLDINGS INCORPORATED and its consolidated subsidiaries as of February 28, 2005, and the related consolidated statement of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RENOWN D'URBAN HOLDINGS INCORPORATED and its consolidated subsidiaries as of February 28, 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
May 26, 2005

Corporate Data

RENOWN D'URBAN HOLDINGS INCORPORATED
8-8-20, Nishi-gotanda, Shinagawa-ku, Tokyo, 141-8520 Japan
Telephone: +81(3)5496-8485
Facsimile: +81(3)5496-8681

Capital
¥10,000million

Common Stock
Authorized: 140,000,000shares
Issued: 37,315,801
Number of shareholders: 74,237

Stock Exchange Listings
Tokyo stock exchanges

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

Domestic Subsidiaries and Affiliates
Renown Incorporated
Renown Inx Inc.
Renown Nextage Inc.
Aquascutum Group PLC
D'urban Incorporated

BOARD OF DIRECTORS AND AUDITORS

Chairman
Shozo Watanabe*
President
Yasuhisa Oka*
Senior Managing Director*
Susumu Shimadzu
Senior Managing Director*
Tadamasa Kitoku
Directors
Akihiro Mutou
Masahiro Shibata

Standing Corporate Auditor
Takeshi Kimura
Corporate Auditors
Akira Wakamatsu
Yoshio Iwasaki
Yoshimichi Hirai

*Representative Director

RENOWN D'URBAN HOLDINGS INCORPORATED

8-8-20, Nishi-gotanda, Shinagawa-ku, Tokyo, 141-8520 Japan
tel. +81(3)5496-8485 Fax. +81(3)5496-8681
www.redu-hd.com

Printed in Japan