



**UNITED ARROWS LTD.**

The UNITED ARROWS Group has positioned efforts to create globally recognizable and accepted values that set new standards of Japanese lifestyle as its overarching Company Policy. Our goal is to become a corporate brand that is capable of excelling on the world stage and enduring for over a century by creating and providing value to our customers through fashion.

Based on this Company Policy, we will continue to hone our service, products, and store environments, the three key sources of satisfaction for customers, while taking up the challenge of maximizing customer satisfaction.

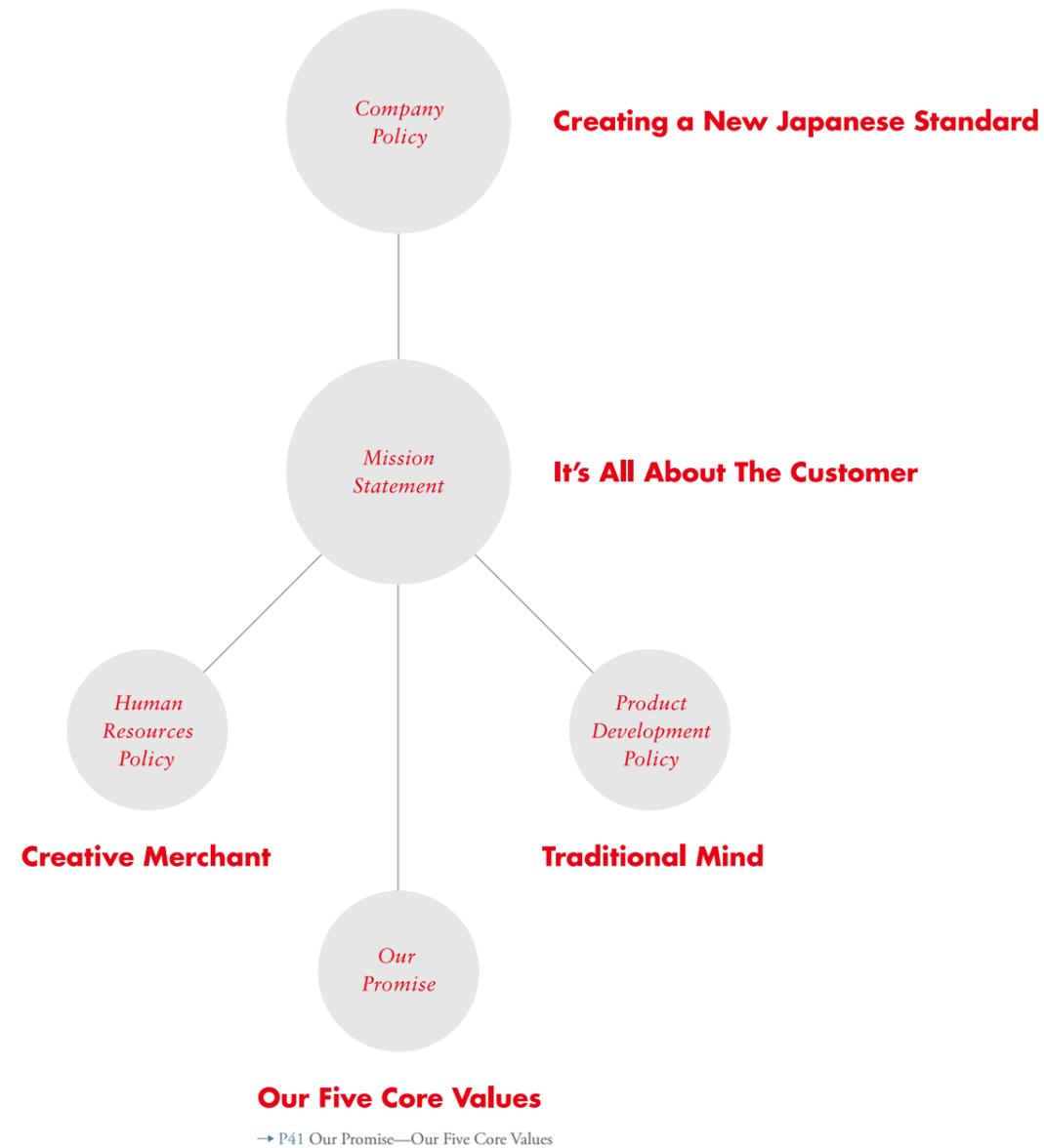
Website "great service, great products, and great environment"  
With a focus on those attributes that the Company holds most dear, we provide details of our "great service, great products, and great environment" to convey our deep desire to carry out our Company Policy.

[taisetsu.united-arrows.co.jp/en/](http://taisetsu.united-arrows.co.jp/en/)



## Policy Structure

UNITED ARROWS LTD.'s Company Policy provides the vision and purpose of its everyday activities. Its Policy Structure, in turn, outlines the elements required to realize this policy. As the path to which we consistently aspire, our Company Policy embodies the unwavering values that we have held since our foundation.



## Contents

### Sources of Sustainable Value Creation

- 2 Policy Structure
- 4 Company Policy Transitions
- 6 History of the UNITED ARROWS Group

### Management / Business Strategies toward Sustainable Value Creation

- 8 Interview with the President
- 14 Long-Term Vision: UA VISION 2022
- 16 Three Key Sources of Satisfaction for Customers
- 17 Cycle of Collaboration between Product, Sales, and Promotion Departments
- 18 Special Feature 1: Initiatives Aimed at Improving Our Product Development Capabilities (green label relaxing Case Study)
- 20 Special Feature 2: Initiatives Aimed at Expanding Online Sales

### Business Structure Underpinning Sustainable Growth

- 22 Our Business
- 24 Market and Business Structure
- 26 Business Overview
- 28 Product Flow (Value Chain)
- 30 Product Platform

### Management Platform Underpinning Sustainable Growth

- 32 Board of Directors and Executive Officers
- 34 Financial and Capital Policies
- 35 Corporate Governance
- 41 Our Promise—Our Five Core Values

### Data Section

- 44 Eleven-Year Summary
- 46 Corporate Data

### Editorial Policy

UNITED ARROWS LTD.'s Annual Report 2016 has been prepared to provide readers with details of the UNITED ARROWS Group. The report focuses mainly on non-financial information, including our stance toward promoting growth through the creation of sustainable value, details of our business structure that underpins our policies, strategies, and growth, and an outline of our management platform. By utilizing this report to provide readers with a deeper understanding of the Group's operations and business activities, we will promote constructive dialog with shareholders and directors.

The consolidated fiscal year of UNITED ARROWS Group is recognized as running from April 1 each year to March 31 the following year. This report has not been audited by an independent auditing firm. Please refer to the latest IR materials for details regarding our operating results and financial position.  
[www.united-arrows.co.jp/en/ir/lib/](http://www.united-arrows.co.jp/en/ir/lib/)

### Forward-looking Statements

This report contains information regarding future plans, strategies, business performance, and other matters not based on historical fact. Such forward-looking statements are based on the Company's judgment in consideration of the information available when this report was published. However, the Company cautions readers to be aware that actual performance could differ materially from these projections due to various factors, such as changes in economic circumstances, market trends, demand, and exchange rates.

# Company Policy Transitions



Company Policy Book, First Edition



Company Policy Book, Second Edition



Company Policy Book, Third Edition

From left: The VISION envisaged by the Company Policy; VOICE, compiled from the results of employee surveys; VISUAL, comprising photographs contributed by employees on the theme of the essence of UNITED ARROWS

The Ambition behind the Company's Establishment | The Writing of the Company Policy in Statutory Form | Taking a Systematic Approach to the Company Policy

1989  
Fly the "Japanese Standard" High

The Ambition behind the Company's Establishment  
**THE STANDARD OF JAPANESE STYLE**  
We shall have as our objective establishing and appealing to values that, through business, will become the norms in Japanese lifestyle and culture

Note: The above is extracted from part of *The Ambition behind the Company's Establishment*

1995  
Understanding and Widespread Awareness of the Company Policy

Company Policy  
**Creation of long-established stores that evolve "It's All About The Customer"**

Human Resources Policy  
UNITED ARROWS, the fashionable company that is full of spirit and ambition, loves customers, loves products and that is wired to be flexible and agile in carrying out everything in a correct and courteous manner.

2001  
Widespread Awareness of "It's All About The Customer"

Company Policy  
**MAKE YOUR REAL STYLE**  
We are a group that continues to create values that will become the new "norms in Japanese lifestyle and culture."

UA Rule  
It's All About The Customer

UA Spirit  
Professionalism

Our Five Core Values  
Customer value / Employee value / Business partner value / Local society value / Shareholder value

2005  
Balance of Customer Satisfaction and Business Mindset

Company Policy  
**MAKE YOUR REAL STYLE**  
We are a group that continues to create values that will become the new "norms in Japanese lifestyle and culture."

UA Rule  
It's All About The Customer

UA Spirit (Human Resource Policy)  
Creative Merchant = Customer Satisfaction (CS) Mindset / Sales Mindset

UA Policy (Product development philosophies)  
**BREAKTHROUGH OF TRAD MIND**

Our Five Core Values  
Customer value / Employee value / Business partner value / Social value / Shareholder value

2012  
CS Mindset / Business Mindset + Creativity Mindset

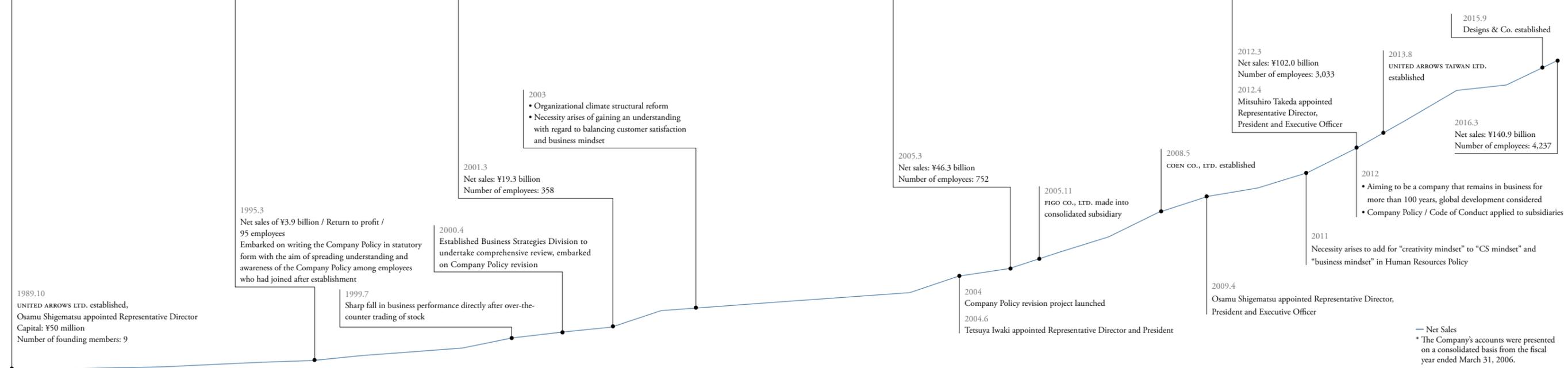
Company Policy  
**Creating a New Japanese Standard**  
We will continue to create values that will set new, globally recognizable standards of Japanese lifestyle and culture.

Mission Statement  
It's All About The Customer

Human Resources Policy  
Creative Merchant = CS Mindset / Business Mindset + Creativity Mindset

Product development philosophies  
Traditional Mind

Our Promise  
Our Five Core Values  
Customer value / Employee value / Business partner value / Social value / Shareholder value



At the time of the Company's establishment in 1989, the founding members adopted *The Ambition behind the Company's Establishment*, which forms the basis of the current Company Policy. Since that time, while aiming to "set new norms in Japanese lifestyle," an idea that forms the backbone of the Company Policy, "It's All About The Customer" has been regarded as the axis around which all corporate activities and decisions revolve.

A definition of the Company Policy would be the direction in which the Company is permanently aiming, that is to say the business objective itself. Instilling an awareness of to what end the Company is in existence

and to what end we are working, the Company Policy forms the guidelines shared among employees who hold diverse values so that they move forward in the same direction.

Through widespread awareness of the Company Policy, the aim of the entire management and all employees becomes clear. By having each and every person naturally considering, advancing, and making repeated improvements, while pushing on toward the realization of that aim, the Company is able as a result to advance in the direction of its goal. This policy management is underpinning the sustainable growth of the Company.

The fundamental parts of the Company Policy have remained unchanged since the Company's establishment. While remaining essentially the same, revisions are made in response to the operating environment and issues. Whenever that happens, the Company works toward resolving the issue at that time, but that has also given rise to new issues. On account of the new solutions to issues associated with changes in the operating environment and business expansion, the Company has gone back to the Company Policy in addition to working on a review and in this way is repeating processes. While redoubling its efforts to gain the understanding

of its employees by putting together projects each time there is a revision, and viewing these as an opportunity to reconfirm thoughts toward the Company Policy, the Company is continuing its efforts so that those thoughts do not fade from memory. In the fiscal year ended March 2016, the ratio of employees who showed empathy for the Company Policy was 95%<sup>\*1</sup>. In the years to come, we will conduct appropriate reviews and continue our efforts to spread awareness.

<sup>\*1</sup> From employee awareness survey conducted in fiscal 2016 (ratio of responses: 85%)

## History of the UNITED ARROWS Group

Since our foundation, we have been guided by our Mission Statement that, “It’s All About The Customer.” On this basis, our standing today is the result of an unwavering pursuit and endeavor to maximize customer satisfaction. Looking ahead, we will work to further bolster existing businesses while taking up fresh challenges and will continue to devote ourselves to enhancing value for all stakeholders, including customers.

	Year ended March 31, 2006	Year ended March 31, 2011	Year ended March 31, 2016
Net sales	¥53,813 million	¥90,571 million	¥140,919 million
Ordinary income	¥7,639 million	¥7,240 million	¥11,175 million
Number of stores	97	207	357
Number of purchasing customers <sup>1)</sup>	3.4 million	4.9 million	5.8 million
Number of employees	901	2,792	4,237
Number of shareholders	5,093	14,234	9,219

<sup>1)</sup> Calculated from retail sales (non-consolidated)

### Traveling a path of performance downturn, recovery, and regrowth since the fiscal year ended March 31, 2007

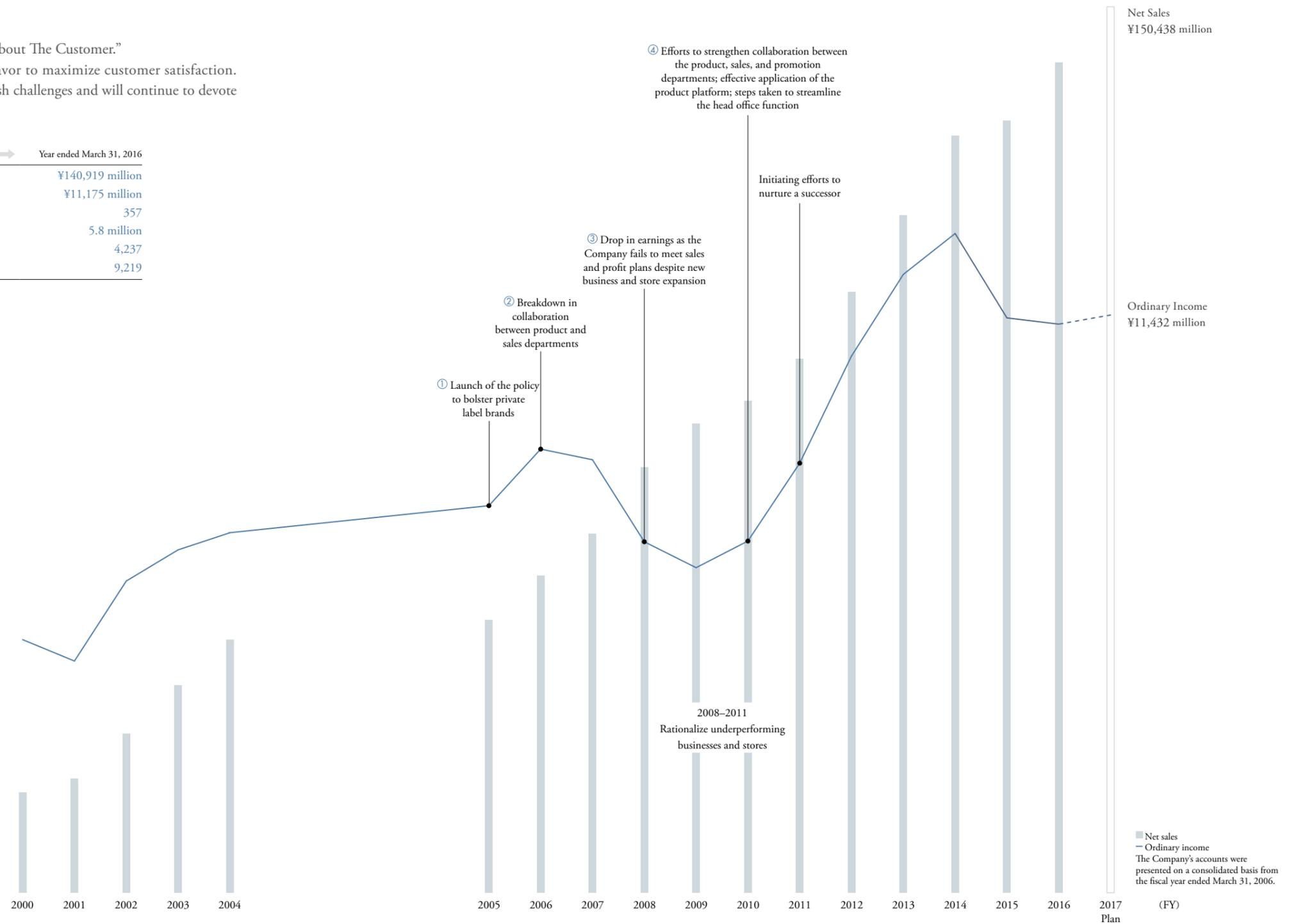
After reporting record-high profits in the fiscal year ended March 31, 2006, UNITED ARROWS LTD. incurred three consecutive fiscal years of deteriorating earnings.

Traditionally, UNITED ARROWS LTD.’s competitive advantage had been underpinned by the ability to promote a product policy that harnessed feedback from the sales department. This entailed optimally balancing the delivery of products that were in high demand with proposals that were a half-step ahead of consumer sentiment and the times. Unfortunately, as this policy adopted during the fiscal year ended March 31, 2005—to bolster private label brands—took root, it became distorted and misconstrued. ① The policy was implemented almost entirely on a UNITED ARROWS LTD. proposal “product out” basis as opposed to a “market in” approach, which reflects customer needs in the product development process. This in turn greatly strained the relationship between the product and sales departments. ②

From the fiscal year ended March 31, 2007, the Company worked diligently to expand its business. These efforts including the opening of new stores were undertaken, however, without putting fully in place the necessary human resources, product platform, and associated frameworks. As a result, UNITED ARROWS LTD. experienced significant deterioration in its earnings structure reflecting the Company’s failure to meet sales plans, a drop in gross margins, and an increasingly bloated head office function. ③

After returning to the position of President in April 2009, Osamu Shigematsu identified the need to quickly improve earnings. Steps were then taken to reestablish the UNITED ARROWS LTD. collaborative model between the product, sales, and promotion departments and to build the product platform. At the same time, the Company initiated measures to rationalize underperforming businesses and stores and to streamline the head office function. ④ As a result, UNITED ARROWS LTD. reported an increase in earnings in the fiscal year ended March 31, 2010, for the first time in four fiscal years, and continued to experience stable revenue and earnings growth. Subsequently appointed President in April 2012, Mitsuhiro Takeda successfully established a new management structure.

Reflecting on the decrease in earnings despite an increase in revenue during the fiscal year ended March 31, 2015, the Company recognizes that it did not respond with the speed required to properly address changes in its operating environment caused by such factors as the consumption tax rate hike and the weak yen as well as spending trends. As a result, UNITED ARROWS LTD. took steps to review its merchandising and product lineup policies, review its pricing strategies, and control increases in inventories in the fiscal year ended March 31, 2016. On a positive note, the Company was able to post an increase in revenue for the 27th consecutive period in the fiscal year under review. However, ordinary income declined owing mainly to the impact of lingering issues relating to the management of the cost of goods sold and efforts to address changes in the temperature during the fourth quarter. UNITED ARROWS LTD. has identified “reaching new levels of satisfaction by inspiring and amazing customers!” as its slogan for the fiscal year ending March 31, 2017. Guided by this slogan, the Company will work toward an increase in both revenue and earnings by improving its product and sales capabilities and upgrading and expanding its online sales services.



1989.10 UNITED ARROWS LTD. established; Osamu Shigematsu appointed Representative Director and President

1990.7 The first store, UNITED ARROWS SHIBUYA, opened

1992.10 UNITED ARROWS HARAJUKU opened as a flagship store

1999.7 Registered at the Japan Securities Dealers Association (currently the Tokyo Stock Exchange), becoming an over-the-counter traded company

1999.9 Full-scale start of the UNITED ARROWS green label relaxing business with the opening of stores

1999.12 Full-scale start of the CHROME HEARTS business with the opening of stores

2002.3 Listed on the Second Section of the Tokyo Stock Exchange

2004.6 Tetsuya Iwaki appointed Representative Director and President

2005.2 Began offering products through ZOZOTOWN, an online fashion e-commerce site

2005.11 FIGO CO., LTD., which is mainly engaged in the import, wholesale, and sales of Italian bags and other items, made into a consolidated subsidiary

2007.3 Number of stores exceeds 100 on a non-consolidated basis

2003.3 Listed on the First Section of the Tokyo Stock Exchange

2008.5 COEN CO., LTD. established as a subsidiary mainly engaging in the retail of clothing and personal items

2009.4 Osamu Shigematsu appointed Representative Director, President and Executive Officer

2009.9 UNITED ARROWS LTD. ONLINE STORE, a proprietary online store, opened

2013.8 First overseas subsidiary, UNITED ARROWS TAIWAN LTD., established

2012.3 Reported consolidated net sales and ordinary income in excess of ¥100.0 billion and ¥10.0 billion, respectively, for the first time

2012.3 UNITED ARROWS LTD. online sales exceeded ¥10.0 billion for the first time

2016.3 Achieved 27 successive periods of revenue growth since the Company’s founding

2015.9 Designs & Co. established

2012.4 Mitsuhiro Takeda appointed Representative Director, President and Executive Officer

Interview with the President



I would like to take this opportunity to extend my sincere appreciation to all shareholders for their continued support and understanding.

In the fiscal year ended March 31, 2016, the UNITED ARROWS Group achieved an increase in revenue on the success of various operating measures. Despite this upswing in sales, certain issues from a profit perspective, including the Group's gross margin, remained.

In the fiscal year ending March 31, 2017, we will continue to engage in activities that inspire customers and to push forward measures that will help to secure medium-to-long-term growth.

Q Please provide us with an overview of the fiscal year ended March 31, 2016.

Failing to properly incorporate customers' perspectives in our products and services in the fiscal year ended March 31, 2015, sales stalled. As a result, we undertook a comprehensive review, adopted a management policy that focused on maximum satisfaction to each customer on each occasion, and put in place various measures throughout the fiscal year under review.

At first, we revised our product policy. In order to ensure that our stores remain fresh and appealing, we have shifted to a product planning cycle that is finely attuned to weather conditions and temperatures and introduced products to stores accordingly. This product planning cycle was first implemented at UNITED ARROWS green label relaxing (GLR), where business operations closely track actual demand. Buoyed by the success of proposals that accurately matched customers' needs, GLR reported robust trends especially for women's items. Looking ahead, we will share this positive example with other businesses within the Group and work to improve our product-related initiatives.

We also revised our pricing policy. Reflecting on the drop in customers following the across-the-board increase in prices of 2014 fall and winter items, we have adopted a cautious approach toward prices while carefully examining each item to properly determine a balance between price and value. We are pricing products at levels that better reflect added value and shifts in fashion trends while putting in place a product lineup at affordable prices. By successfully addressing customers' various needs in this manner, we are witnessing a recovery in sales. By placing a priority on the cautious pricing of products, we failed to focus appropriately on the management of costs, which led to a decline in our gross margin.

From an inventory control perspective, we held down procurement volumes of products released at the start of the season and adopted a flexible approach toward mid-season additional purchases and adjustments. At the same time, we utilized events and online sales to reduce past inventories. As a result, the rate of inventory growth as of March 31, 2016 was lower than the rate of sales growth.

Accounting for each of these factors, consolidated net sales came in at ¥140,919 million, up 7.5% compared with the previous fiscal year, while ordinary income declined 3.2% year on year, to ¥11,175 million. As a result, the UNITED ARROWS Group recorded an increase in revenue and a decrease in ordinary income. While various measures helped to secure an increase in the top line, the Group continued to confront issues from a profit perspective beginning with its gross margin.

Q Could you please elaborate on the Group's management policy in the fiscal year ending March 31, 2017?

We are seeing notable changes in consumer spending patterns. Customers are alternating between actual and online stores at will and flexibly purchasing items whenever and wherever they want. Under these circumstances, we recognize the importance of going well beyond the simple delivery of products. Only by providing customers with items that move their hearts and leave a lasting impression can we hope to genuinely fulfill their needs. With this in mind, we will focus on "reaching new levels of satisfaction by inspiring and amazing customers!" as our management policy during the fiscal year ending March 31, 2017.

In order to carry out this management policy, we have identified three priority measures. First, we will create products that move customers' hearts. In addition to increasing the added value of private label products, we will lift our merchandising precision focusing

→ P31  
Product Platform  
8-season merchandising

mainly on the volume and timing of product procurement as well as the volumes of inventory distributed to both actual and online stores. In this manner, we will ensure that the delivery of products meets five key criteria<sup>1</sup>. Complementing these endeavors, we will provide a sense of value that far exceeds each product through services and fashion proposals that inspire and amaze. Second, we will deliver convenient and user-friendly e-commerce channels that exceed expectations. We will strive to increase sales by further strengthening the link between actual and online stores. In specific terms, we will endeavor to enhance customer convenience by integrating actual store House Card and e-commerce members. We will also minimize the opportunity loss attributable to inadequate inventory by expanding the allocation of products to online stores. Lastly, we will provide a shopping experience that inspires and amazes customers. Projecting the ability to preempt customers' needs and to take the appropriate action will help us to leave a lasting impression. To ensure that this process of taking notice and acting accordingly becomes second nature and part and parcel of the Company's culture, we will upgrade and expand our education and training programs for both staff with limited experience and management.

In addition to the aforementioned priority measures, we will undertake various initiatives in a bid to secure medium- and long-term growth. After holding down personnel expenses over the past two years, we will bolster the recruitment of full-time employees and review rates of promotion. By properly managing vacant position rates, we will increase the time available for customer service. This will also help maintain and improve employee motivation. Moreover, we will open large-scale stores in each of the UNITED ARROWS and BEAUTY&YOUTH businesses. By targeting next-generation growth through the pursuit of highly appealing products and high-quality customer service, we will take positive steps toward proposing new value.

Moving forward, we will steadfastly carry out these initiatives and aim for an increase in revenue and earnings in the fiscal year ending March 31, 2017. At the same time, we will undertake investments geared toward medium- and long-term growth.

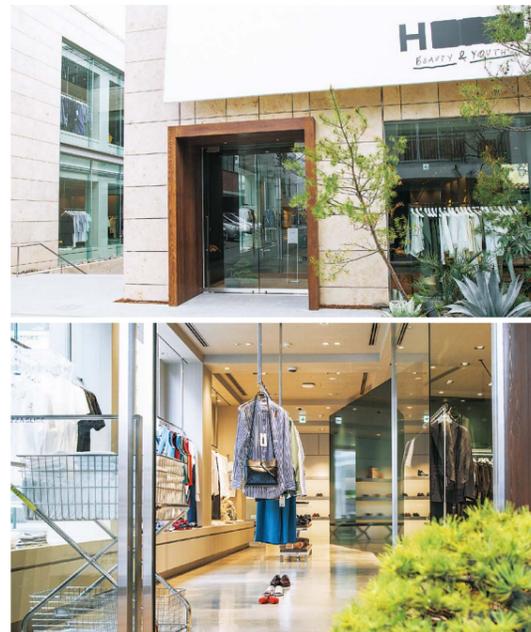
<sup>1</sup> Five key criteria: Customers can purchase (1) the products they want, (2) when they want, (3) where they want, (4) in the quantities they want, and (5) at the prices they want.

→ P20  
Special Feature 2:  
Initiatives Aimed at  
Expanding Online Sales

### Opening New Stores to Secure Medium- and Long-Term Growth

Unveiling a different type of BEAUTY&YOUTH concept, the H BEAUTY&YOUTH store was newly opened in the Aoyama district of Tokyo in April 2016. For those who have grown accustomed to existing stores, this different type of BEAUTY&YOUTH concept offers higher quality mixed with a casual feel. Appealing to the more discerning consumer, the goal is to broaden our customer base.

Plans are in place to open a large-scale UNITED ARROWS Roppongi Hills flagship store in Tokyo in September 2016. With a view to building on the established UNITED ARROWS brand nurtured over many years, we will forge an increasingly dominant presence by further enhancing the appeal of our products and delivering improved customer service.



H BEAUTY&YOUTH

### Q How do you intend to enhance the Company's corporate value over the medium to long term?

#### Company Policy

The greatest strength of the Company is its founding spirit encapsulated in its overarching Company Policy. Every facet of our business and operations is ultimately driven by the need to create globally recognizable and accepted values that set new standards of Japanese lifestyle. Guided by this Company Policy, our mission is grounded in the statement: "It's All About The Customer." With this in mind, UNITED ARROWS LTD. is committed to pursuing its Company Policy for eternity. Providing the platform for every decision and wellspring for each daily task, our commitment to rallying around a single commonly shared policy helps to set the Company's direction.

As an ultimate destination, our Company Policy is a goal that will never be fully attained. It remains, however, the most important principle of every member of the UNITED ARROWS Group and the platform from which every decision is made and action taken. Providing the underlying strength of this Company Policy are the many examples of appreciation and the simple "thank you" from customers. Amid continued growth in the scope of the Group's operations and the influx of new employees, each and every example of customer appreciation is a measure of how deeply the Company Policy has immersed itself within the organization.

#### Our Promise and Five Core Values

Our promise and five core values form one part of our overall policy structure. In this regard, UNITED ARROWS LTD. has adopted a CSR approach that focuses on creating and enhancing value for five distinct stakeholders: customers, employees, business partners, society, and shareholders. Of these five stakeholders, creating value for customers is the fountain from which all else follows. With this in mind, it is vital that we increase sales by delivering value that fulfills five key criteria and ultimately inspires and amazes customers. This is in fact an indicator of customer value. The next step is to generate an appropriate amount of profit. Our ability to secure this profit rests on the degree to which product prices and customer service reflect value and in how high a regard the Company is held by customers. These factors in turn determine our ability to create value for employees and business partners from both the physical and spiritual perspectives as well as the levels of return to society and shareholders. Continuing to create long-term value that is evenly balanced across all five stakeholders is key to enhancing corporate value.

→ P2  
Policy Structure  
→ P4  
Company Policy Transitions

→ P41  
Our Promise—Our Five Core Values

### Q Could you please explain the features of and efforts to strengthen the Company's corporate governance framework?

With a premium on efficiency, the scope and size of the Board of Directors is set at the minimum number required to ensure that the Board functions properly and that decisions are made in an agile and timely manner. Internal directors are assigned specific responsibilities. In this manner, positive steps are taken to clarify the executive duties as well as the accountability of each internal director. In a bid to incorporate objectivity and increase the transparency of the Board of Directors, UNITED ARROWS LTD. has appointed outside Audit and Supervisory Board members since its registration as an over-the-counter stock in 1999. UNITED ARROWS LTD. is currently structured as a company with an Audit and Supervisory Committee with three independent outside directors (Audit and Supervisory Committee members), who provide comments and advice from a third-party perspective. Under this

→ P35  
Corporate Governance

## Interview with the President

structure, efforts are made to reinforce the supervisory and oversight functions. By allowing outside directors to participate in the Company's management, UNITED ARROWS LTD. is better positioned to garner the understanding of stakeholders toward decisions made about its future direction. At the same time, outside directors help to invigorate the activities of the Board of Directors and to enhance its efficacy. In June 2016, Yukari Sakai was appointed as an independent outside director and Audit and Supervisory Committee member. Given that more than half of the Company's customers are women, the appointment of Ms. Sakai to the Board of Directors will bring a female perspective to proceedings. This is expected to further energize Board meetings and contribute to medium- and long-term growth.

In line with the introduction of the Corporate Governance Code in Japan, UNITED ARROWS LTD. formulated its Corporate Governance Policy in November 2015. In addition to confirming the Company's stance toward corporate governance and the corporate governance structure, ensuring the protection of shareholder rights and equality, and promoting proper cooperation with each stakeholder, this initiative was designed to increase the transparency and efficacy of the Company's operations and organizational management. Furthermore, steps were taken to introduce an evaluation of the effectiveness of the Board of Directors in line with the introduction of the Company's Corporate Governance Policy. Based on the results of this evaluation, the Board of Directors is deemed to be functioning effectively. However, we do recognize the need to ramp up deliberations on the Company's medium- and long-term strategies and plans as an issue.



What are your thoughts on the Company's medium- and long-term direction?

UNITED ARROWS LTD. announced details of its Long-Term Vision in May 2013. Based on the three core business strategies of expanding existing business growth, developing new businesses, and entering overseas markets, UNITED ARROWS LTD. is targeting consolidated net sales of ¥220.0 billion, an ordinary income margin of 12%, and ROE of 20% or more in the fiscal year ending March 31, 2022. Regrettably, the Company was late in taking the necessary remedial steps to address changes in its external environment, including the weak yen and hike in Japan's consumption tax rate, over the past two years. As a result, the ordinary income margin for the fiscal year ended March 31, 2016 declined to 7.9% compared with more than 10% in the fiscal year ended March 31, 2013. In order to increase value for its stakeholders while securing sound growth over the medium to long term, UNITED ARROWS LTD. recognizes the need to resolve pending issues and to bring about an improvement. Accordingly, we have decided to temporarily withdraw the quantitative targets set under the Long-Term Vision.

Turning to CHROME HEARTS, a mainstay business of the Company, we have been engaged in discussions with the brand holder. As a result of these discussions, the decision has been made to transfer the rights and obligations of this business to a newly established company. The Company's equity in this new company will be progressively transferred to CH Holding Company over the eight-year period from December 2016 to December 2024. During this period, operations will be conducted under a joint venture company structure.

→ P14  
Long-Term Vision: UA VISION 2022

In addition, the new company will remain a consolidated subsidiary of the Company through to 2020. Taking into consideration each of these factors, the impact on the Company's performance for the next several years is expected to be immaterial. From our perspective, we will continue to steadily increase the profitability of the existing businesses, pursue a best-mix actual and online store sales structure, develop new business, and promote a variety of initiatives throughout the eight-year period. Through these means, we are committed to enhancing corporate value over the medium to long term. Accounting for all of the aforementioned factors, UNITED ARROWS LTD. plans to announce details of its new Medium-Term Business Plan and Long-Term Vision in May 2017.

Moving forward, and as our first management priority, we will continue to lift the value of the Company's five stakeholders: customers, employees, business partners, society, and shareholders. In this regard, we ask for your continued understanding.



Is there any message that you would like to convey to shareholders?

Referring back to the three priority measures that underpin our management policy and our focus on "reaching new levels of satisfaction by inspiring and amazing customers!" in the fiscal year ending March 31, 2017, we will in particular undertake a fundamental review of initiatives aimed at creating products that move customers' hearts. As a group that handles a wide variety of businesses, we will reassess the needs of customers in a bid to match their requirements with the specific attributes of each business. Moving on to then establish a ranking within our portfolio, we will pursue product planning and styling proposals that are unique to each business. In this manner, we will gain a foothold and move forward to secure medium-to-long-term growth.

In order to promote sustainable growth and enhance shareholders' value, we will also work diligently to lift our profitability and in particular our margin. To this end, we will adhere to a stringent cost of goods sold policy, a major issue that continued to plague us throughout the fiscal year under review. Endeavoring to provide an appropriate return to shareholders, we will focus on building a sound financial position over the medium to long term. Based on our basic policy of providing a stable dividend and targeting a consolidated dividend payout ratio of 30%, we have set the annual dividend for the fiscal year ending March 31, 2017, at ¥78 per share, unchanged from the previous fiscal year. This comes to a consolidated dividend payout ratio of 34.2%.

As we work toward achieving our goals, we ask that you look forward to new developments in our business strategy and kindly request your continued support and understanding.

August 2016

Mitsuhiro Takeda  
Representative Director, President and CEO

## Special Feature 2:

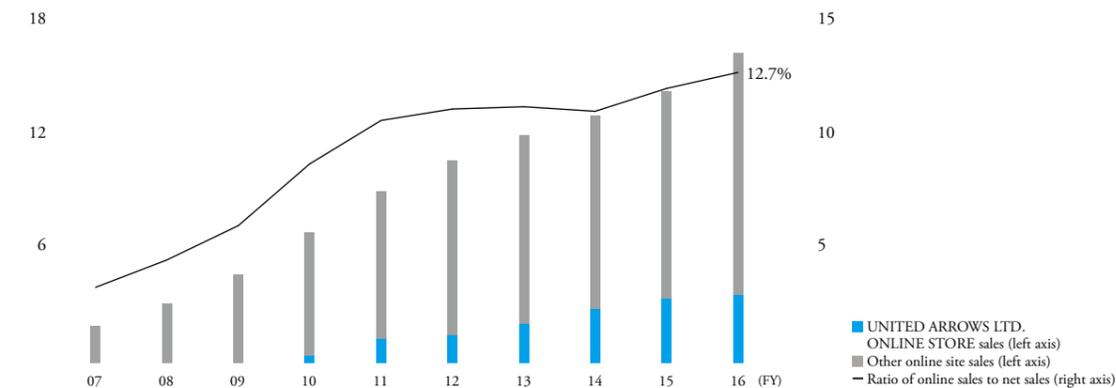
### Initiatives Aimed at Expanding Online Sales

Having paid close attention to the possibilities of online sales since its early days, the Company went ahead with the opening of a number of online stores with various fashion e-commerce sites following the opening of the ZOZOTOWN online store in 2005. The Company then launched its own proprietary UNITED ARROWS LTD. ONLINE STORE site in 2009. In addition to upgrading and expanding online functions and services, we are promoting an Omni Channel Retailing strategy in a bid to enhance collaboration with actual stores.

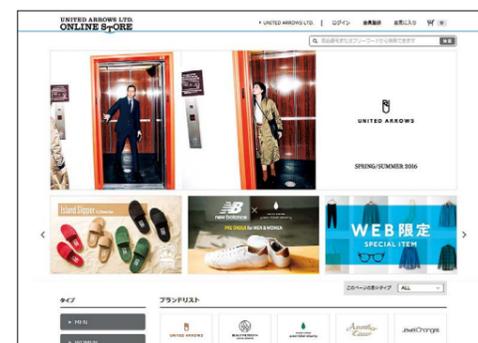
In the fiscal year ended March 31, 2016, online sales were ¥16.2 billion, climbing 14.3% compared with the previous fiscal year on a non-consolidated basis. From a sales composition perspective, online store sales accounted for 12.7% of net sales, up 0.7 of a percentage point year on year. This was largely attributable to successful efforts to upgrade and expand inventories and to boost advanced order activities. Turning to the Company's own UNITED ARROWS LTD. ONLINE STORE, sales grew 6.1% compared with the previous fiscal year on the back of ongoing steps to continuously improve functions. Over the past few years, UNITED ARROWS LTD. has launched a new online service that allows customers to compare the sizes of potential purchases and revised its online functions that recommend products to customers.

Online retail market sales have evolved beyond expectations over the past several years. This reflects the marked growth in the online market, the widespread use of smartphones, and collaboration between online sales sites and various SNS. Against the backdrop of an increase in customers who flexibly switch between actual and online stores and the ongoing shift to online sales, the Company has identified efforts to deliver convenient and user-friendly e-commerce channels that exceed expectations as a priority measure in the fiscal year ending March 31, 2017. In addition, energies are being channeled toward increasing the allocation of stock to online stores as one facet of our endeavors to upgrade and expand inventory in a bid to minimize opportunity loss. Moreover, we are integrating actual store House Card and e-commerce members while consolidating our point service program. All of these measures are geared toward delivering increased convenience when using actual and online stores.

Online store initiatives and trends in online sales (non-consolidated)  
billions of yen / %



- Major UNITED ARROWS LTD. Milestones
- 2005–
    - Began offering products through ZOZOTOWN, an online fashion e-commerce site
  - 2009–
    - Launched UNITED ARROWS LTD. ONLINE STORE
  - 2010–
    - Linked inventory information at distribution centers with online stores
  - 2014–
    - Released the UNITED ARROWS LTD. ONLINE STORE smartphone application
    - Added the virtusize function to UNITED ARROWS LTD. ONLINE STORE



UNITED ARROWS LTD. ONLINE STORE



Smartphone application

### Initiatives Aimed at Strengthening Online Sales

#### Strengthening measures aimed at upgrading and expanding inventories

In addition to UNITED ARROWS LTD. ONLINE STORE, inventory information at the Company's distribution centers is linked to most other e-commerce sites. As a result, an item that is in stock at one of our distribution centers can be delivered and sold on to customers even when it is out of stock at the fashion e-commerce site. This in turn helps to minimize sales opportunity loss. In addition, we post photographs of certain products on e-commerce sites without providing inventories. Items are then delivered after an order has been received.

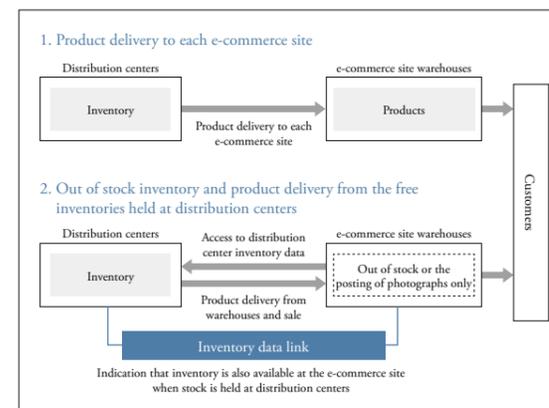
Despite promoting these initiatives, the Company failed to adequately meet reshipment requests from customers throughout the fiscal year ended March 31, 2016. Recognizing that there is ample room for online sales growth on the back of efforts to upgrade and expand inventories, we will increase the initial allocation of inventory to online sites in order to minimize opportunity loss and increase sales during the fiscal year ending March 31, 2017 ①.

#### Expanding advance order initiatives

Online sites hold advance order events prior to each season to gauge product demand. Drawing on the results of these events, steps are taken to arrange for the early additional production of popular items. Every effort is then made to expand sales by boosting inventory levels during hot-selling periods. The number of customers who use advance order events as a means to secure the purchase of popular topical brand items has been growing of late. To respond to this new purchasing pattern, UNITED ARROWS LTD. ONLINE STORE held 1,067 advance order events, a year-on-year increase of 26.6%, in the fiscal year ended March 31, 2016. Sales attributable to these advance order events accounted for around 9.8% of total sales, up 1.2 percentage points compared with the fiscal year ended March 31, 2015.

#### Shooting high-quality photographs in-house

All of the product photographs posted on e-commerce sites are taken in-house. UNITED ARROWS LTD. places considerable emphasis on conveying its unique brand and enhancing its overall image by overseeing every facet of the promotion process from the selection of colors, styling proposals, models, and posing. The Company maintains a detailed portfolio of photographs shot from every conceivable angle, including multiple close-ups that highlight the qualities of materials used. Photographs are chosen to ensure that the image portrayed is as close to the item at actual stores as possible.



① Link to e-commerce site inventory data

### Promoting Omni Channel Retailing

#### Displaying actual store inventory

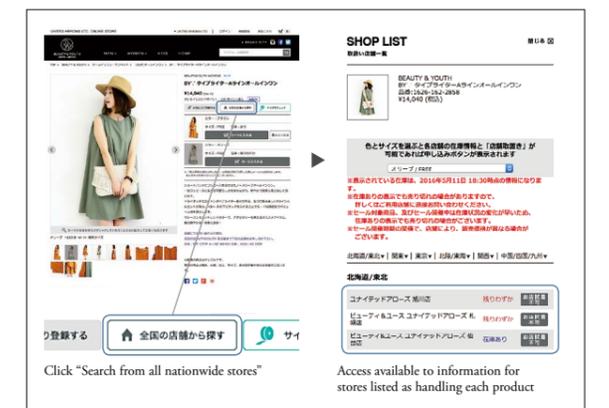
The number of customers who use online sites instead of browsing through catalogs and who call into actual stores after finding an item they like online is increasing. As a result, the status of actual store inventories for each product is posted on the product page of the UNITED ARROWS LTD. ONLINE STORE site together with a link to store information, including access maps and details of business hours. Inventory data is updated every 90 minutes, allowing customers to confirm the status of inventories on virtually a real-time basis ②.

#### Delivering products to actual stores

The Company provides a service that enables products selected via the UNITED ARROWS LTD. ONLINE STORE site to be delivered to an actual store. This allows customers to try on an item and to get a feel for the size, comfort, and detail of a product prior to purchase. Currently, the Company fields around 120 to 130 requests for this service each week. Thanks to this service, we are seeing cases where product explanations and styling proposals by sale staff have led to the purchase of multiple items.

#### Integrating actual store House Card and e-commerce members

The Company's House Card and UNITED ARROWS LTD. ONLINE STORE members will be integrated from August 2016. Using their existing ID, House Card members will now be able to use UNITED ARROWS LTD. ONLINE STORE. In an effort to further enhance the convenience of customers, steps are also being taken to integrate the Company's House Card with the e-commerce site applications. By also consolidating the Company's current points service, customers can accrue points irrespective of where or how the purchase was made and apply these points at either the Company's actual or e-commerce site stores. Integrating memberships will also deepen the Company's ability to analyze purchasing patterns. The information gained can then be used to bolster our Omni Channel Retailing initiatives.



② UNITED ARROWS LTD. ONLINE STORE store inventory display screen

## Long-Term Vision: UA VISION 2022

The UNITED ARROWS Group has identified its current Long-Term Vision, UA VISION 2022, which carries through to the fiscal year ending March 31, 2022. The Group will pursue business strategies and operating measures aimed at building a robust platform that is capable of supporting a corporate brand that can excel on the world stage and endure for over a century.

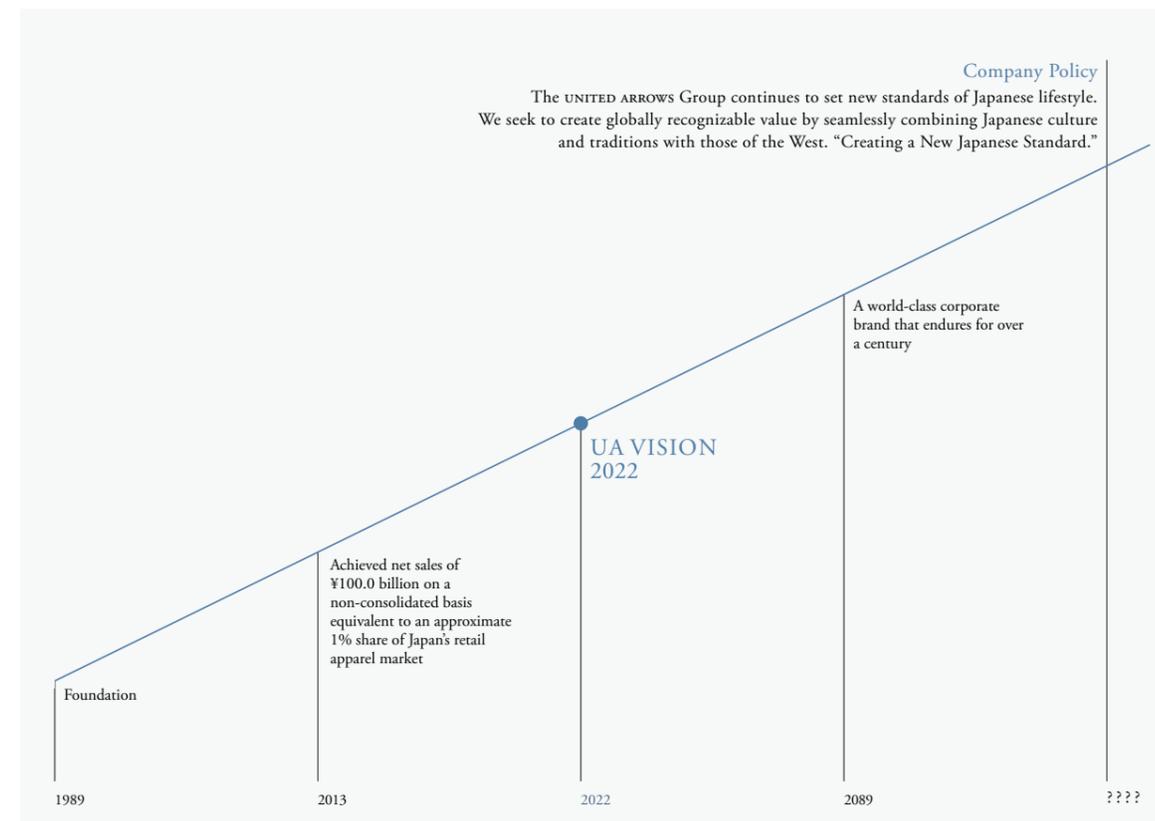
### UA VISION 2022 slogan

In Japan, there is UNITED ARROWS LTD.

We are committed to becoming a retail fashion company that delivers unrivaled satisfaction to its customers in **Japan** and attracts the attention and loyalty of customers **worldwide**.

The UNITED ARROWS Group will continue as a viable concern for over a century and build the necessary platform to become a company that excels on the world stage by realizing this slogan. In order to become a corporate brand that excels on the world stage, we must first put in place a store network that satisfies customers in Japan like no other. In this manner, we will undoubtedly attract the attention of customers worldwide and build a loyal international customer base.

### Drawing up UA VISION 2022



UNITED ARROWS LTD. has decided to temporarily withdraw the quantitative targets set under its UA VISION 2022 Long-Term Vision. Details of the factors that led to this decision as well as the Company's future policies are presented in the medium- and long-term direction section of the Interview with the President on page 12.

### Three business strategies aimed at achieving UA VISION 2022

#### 1. Expand existing business growth through a process of self-improvement and reform that is in tune with each era

With respect to our existing businesses, we will work to become a corporate group that attracts the attention of customers worldwide by ensuring that our service, products, and store environments continue to evolve. To this end, we will endeavor to adapt to each era and consistently pursue a process of self-improvement and reform. At the same time, we will set individual missions based on the attributes of each business to secure balanced high rates of growth and profitability while supporting the development of new businesses and entry into overseas markets from an earnings perspective.

#### 2. Put forward new value proposals by developing and fostering new businesses that will drive next-generation growth

It is inevitable that customer needs will further diversify in the future as the external environment and consumer sentiment change. In order to continuously meet these needs, we will put forward new value proposals by developing and fostering new businesses that will drive next-generation growth. We will continue to develop new channels and new business fields. While recognizing that there remains additional room for further growth within existing domains, we will prioritize the development of new businesses.

#### 3. Take steps to enter overseas markets with a view to strengthening future international capabilities

We will begin entering overseas markets as a part of efforts to strengthen our ability to meet international conditions and competition in the future. The priority issue is to build a business model that is capable of accumulating know-how and developing businesses in each country worldwide based on the precondition of improving profitability. In entering overseas markets, it is vital that we undertake thoroughgoing provisional calculations regarding profitability and put in place stringent withdrawal standards. This will contribute to the early realization of profit and swift decision making in the event of withdrawal.

### Three sales initiatives aimed at achieving UA VISION 2022

#### 1. Strengthen the collaboration cycle between the product, sales, and promotion departments

Moving forward, we will further strengthen the collaboration cycle between the product, sales, and promotion departments, which has been the backbone of our sales and marketing endeavors. From the sales department perspective, we will look to reinforce service and store-making capabilities. In the product department, we will focus on bolstering private label brand development skills. For both the sales and product departments, we will strive to enhance merchandising verification capabilities. Turning to the promotion department, we will advance promotions that will lead to increased loyalty among our existing customer base while capturing new customers. By strengthening collaboration, we will boost the sales and profitability of not only existing businesses but also new and overseas activities.

#### 2. Take a systematic approach toward business processes and operations

In order to further strengthen collaboration between the product, sales, and promotion departments, we will take a systematic approach toward each business process and operation, put in place strategic maps on the status of coordination between business processes and operations on a weekly, monthly, and seasonal basis, and monitor progress. At the same time, we will standardize business processes and operations that rely on individual skills by visualizing the entire value chain and establish a framework that is capable of steadfastly carrying out these processes and operations. By taking this systematic approach to the Company's processes and operations, the source of competitive advantage, we will fortify our platform, which provides the basis for our continued existence as a viable going concern for over a century.

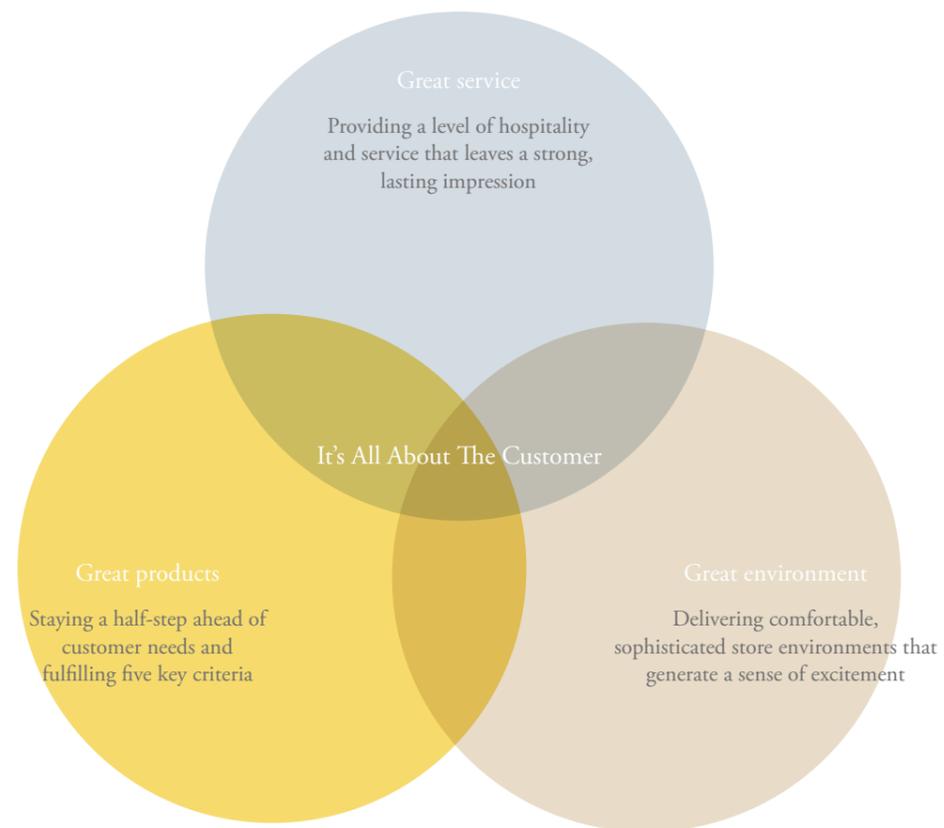
#### 3. Bolster creativity

By implementing the initiatives outlined in 1. and 2., we will take significant strides forward in strengthening our organizational management, standardizing mainstay business processes and operations, and bolstering activities from a tangible perspective, which includes successful efforts to increase visibility. Meanwhile, we will also bolster creativity in order to continue providing high value to customers through our fashion activities.

UNITED ARROWS LTD. put in place the Creative Resource Center as well as a UNITED ARROWS Group's business atelier during the fiscal year ended March 31, 2013, as a part of efforts to strengthen its private label brand product development capabilities and quality. In addition, we will bolster creativity and further enhance customer satisfaction by fostering creative human resources and ensuring that craftsmanship is passed on.

## Three Key Sources of Satisfaction for Customers

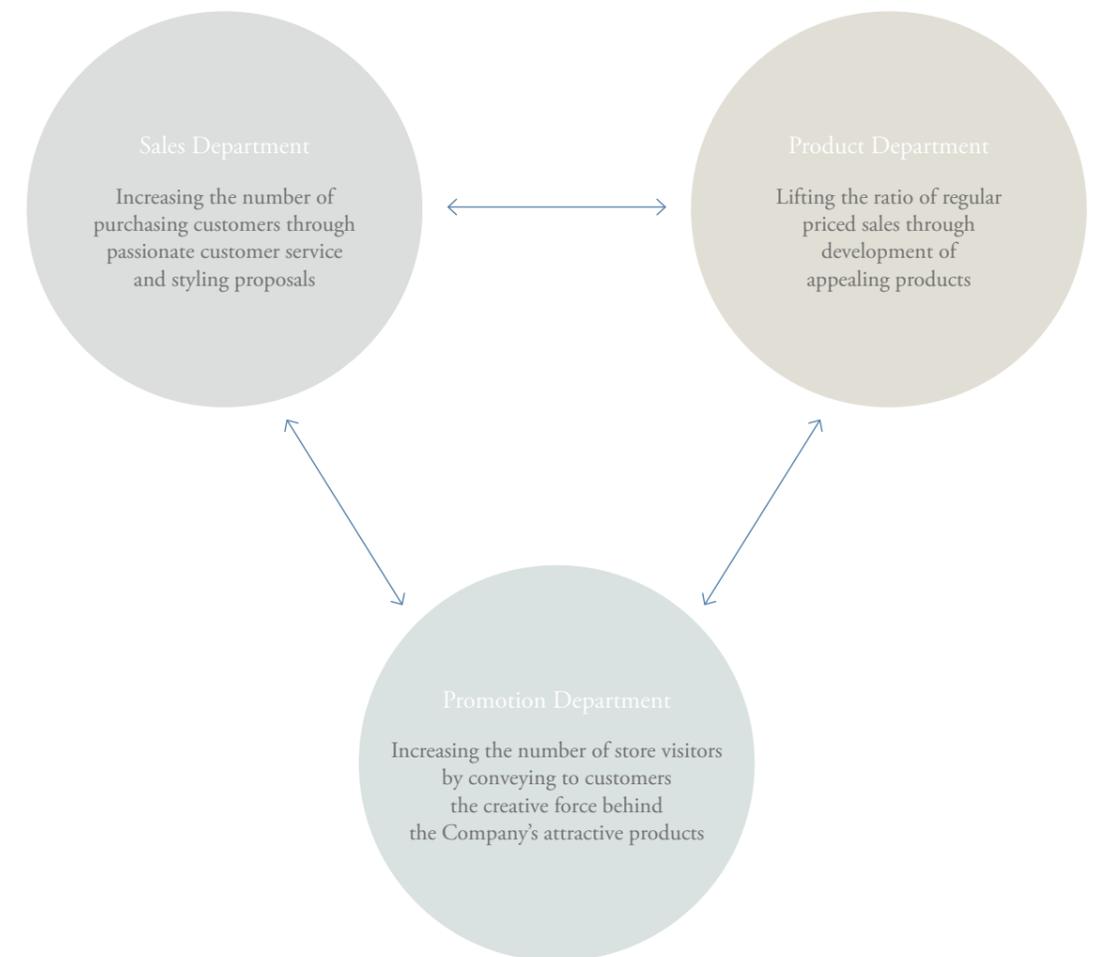
Creating a New Japanese Standard



UNITED ARROWS LTD. set a definite rule: "It's All About The Customer."

On the basis of that rule, we continue to hone the three key sources of satisfaction for customers—our service, products, and store environments—that are also the source of our competitive strength. The basic stance that all UNITED ARROWS LTD. employees have continued to unwaveringly adopt, from the time of our foundation to the present day, this way of thinking forms a fundamental part of the Company. By continuing to allow those three key sources of customer satisfaction to naturally evolve, we move closer to realizing our Company Policy of "creating globally recognizable and accepted values that set new standards of Japanese lifestyle."

## Cycle of Collaboration between Product, Sales, and Promotion Departments



To utilize customer feedback across its sales activities, UNITED ARROWS LTD. is bolstering the cycle of collaboration between its product, sales, and promotion departments, with its stores as the starting point.

The product department is drawing on the opinions of the sales department, which comes into direct contact with customers, and also taking the initiative to visit actual stores to develop products that strike a balance between fulfilling customer needs and keeping a half-step ahead of the times. Making the most of these strengths, the staff responsible for products will work to lift the ratio of regular priced sales by developing highly original and creative as well as appealing products. Serving as a bridge between the product and sales departments, the promotion department will continue to "encourage existing customers to visit a store again and

sales promotion activities designed to make customers become fans" and move forward with "promotional activities designed to attract new customers to visit stores" to increase the number of customers visiting actual and online stores. The sales department will endeavor to increase the number of purchasing customers through providing customer service that exceeds customers' expectations and coordinating proposals that are brimming with an innate sense and creativity. In addition, the sales department supports product development by accurately communicating the desires of customers to the product department.

Following the creation of a virtuous cycle of collaboration between these three departments, the Company will seek to maximize customer satisfaction by continuing to provide products and services that are unique to UNITED ARROWS LTD.

Special Feature 1:

Initiatives Aimed at Improving Our Product Development Capabilities (green label relaxing Case Study)



In the fiscal year ended March 31, 2016, women's category sales in the UNITED ARROWS green label relaxing (GLR) business were robust. This was largely due to collaboration between the product, sales, and promotion departments, which helped to underpin successful efforts aimed at developing products and improving the quality of proposals to better match customer needs. In this special feature, we provide details of a case study and our endeavors to promote the 2way no collar hood coat as a strategic product for the 2015 fall and winter seasons.



A "grege"-colored 2way no collar hood coat

The 2way no collar hood coat is a wool coat with a removable hood that can be worn for a variety of occasions. The hood can be affixed for the casual outdoor event. The no collar style leaves an exquisite line. Compared with GLR's lineup of standard coats, this particular offering is made from a heavier cloth and woven with a higher density. Providing considerable warmth, this coat can be worn in the middle of winter. GLR's 2way no collar hood coat comes in three colors (navy blue, grey, and grege<sup>1</sup>) and retails at ¥27,000 including tax.

<sup>1</sup> Grege: A mix of grey and beige to create a soft, feminine appeal. This color has proven extremely popular.



① Meeting to confirm the target customer base



② Co-creation project



③ Preparation of a sample at the atelier



④ Styling proposal at a front-line store

1 Merchandising Plan

Putting in place merchandising plans and quantitative goals by target

At GLR, steps are taken to divide products into category tastes that target the business's customer base in collaboration with the Fashion Marketing Department, which engages in such activities as the analysis of recent customer trends as well as the forecasting of upcoming trends ①. Prior to the purchase of products for the spring and summer as well as fall and winter seasons each year, GLR establishes product procurement plans based on its sales estimates in each of the "dress," "neat and sharp," and "casual" categories. Energies are then channeled into projecting the sales shares of heavy, standard, and light garments in each category, which is then incorporated into merchandising plans by item. In this manner, every effort is made to minimize the risk of an item excess or deficiency in each category while maintaining a broad product lineup and avoiding any duplication between tastes.

2 Product Development

Drawing on fashion trend information and co-creation projects to develop new products

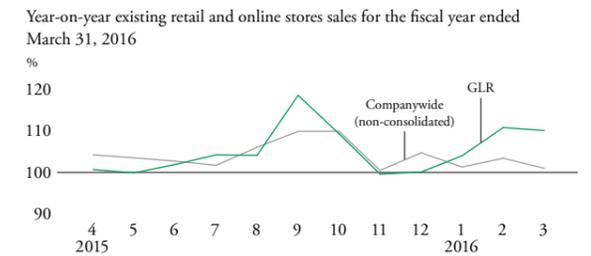
Information regarding various aspects of the next season, including item, color, and silhouette trends, is obtained from a wide range of sources, including information exchange meetings held by the Fashion Marketing Department. Based on this information, we look to create product designs that reflect a unique GLR flavor, draw out the originality of the brand, and incorporate prevailing and forecast trends. In the case of the 2way no collar hood coat, we set up a co-creation project together with customers ②. We asked those customers who participated in the project to try on product samples and through a process of repeated trial and error made the necessary modifications based on their feedback.

(Reference) Materials meeting

Materials meetings are held for strategic products that are projected to generate volume sales. These meetings are a cross-sectional forum that allows representatives from each of the design, production, and merchandising functions to engage in open discussion and determine such key parameters as quality and cost. By conducting these meetings at an early stage, positive steps are taken to quickly place material orders and to control the cost of goods sold.

In the fiscal year ended March 31, 2016, GLR's existing retail and online store sales climbed 4.6% year on year for the full fiscal year. This was higher than the Company's existing retail and online store sales on a non-consolidated basis of 3.8%.

Results in the women's category were robust. Beginning with this coat, this strong performance reflected the continuous popularity of top-selling products that addressed prevailing trends, including super long cardigans as well as coatigans, which combine the features of both cardigans and coats.



3 Production

Conducting guidance visits to factories

The volume manufacture of products focusing mainly on strategic items and heavy garments is outsourced. In this case, officers from the Company responsible for production call directly on contract factories for certain products. In addition to overseeing quality, these trips are an important opportunity to provide proper guidance. Through these means, every effort is made to ensure the stability of production as well as the quality of the finished product. Guidance visits to factories were conducted for roughly 30% of GLR's mainstay 2015 fall and winter products. Plans are in place to increase this proportion going forward.

(Reference) Using the Company's atelier

The UNITED ARROWS Group's business atelier, located within the Company's headquarters, was extensively used to prepare and modify product samples. Generally, external factories are contracted to produce samples based on specification as well as material confirmation sheets and patterns. With solid, 3-dimensional samples manufactured from 2-dimensional data, samples are not always prepared to the Company's requirements and satisfaction. Making the most of our atelier, we are able to more accurately reflect the designer's intention and the opinions of customers garnered through the co-creation project in the overall quality of the sample. In this manner, we are ample to provide a more complete sample to the external factory prior to volume production, thereby further raising the quality of the finished product ③.

4 Cooperation between the Product, Sales, and Promotion Departments

Strengthening launch activities by cooperating with the promotion department

We took steps to strengthen the launch of strategic products by promoting tie-ups with magazines. After selecting a color for publication in close collaboration with the promotion department, the product department focused on procuring larger amounts in that particular color. Moreover, the product, sales, and promotion departments decided to put forward styling proposals based on the selected color. Incorporating input from staff responsible for VMD, decisions were made about the way products were launched at stores and adjustments made to the targets of the sales department for each store.

(Reference) About VMD

VMD is the acronym for visual merchandising. The VMD concept is based on the merchandising of products and encompasses plans regarding the product lineups marketed at stores and the manner in which products are displayed. In specific terms, VMD entails the use of window and exclusive displays, mannequins, and store zones to maximum visual effect.

Cooperating with sales departments to increase sales volumes

The product department holds meetings to provide an explanation about various products for the benefit of sales departments each spring and summer season as well as fall and winter season. These meetings are an opportunity to provide sales staff with the necessary skills to more easily explain the features of products to customers. In addition to details of the way in which products are launched through tie-ups with magazines, sales staff gain a deeper understanding of sales strategies and product attributes through materials and other tools that help improve customer service capabilities. Adopting a VMD approach, the color grege was used to market GLR's 2way no collar hood coat in advance of the season. During hot selling periods, the range of colors was extended to include grey and navy blue. Adjustments were made as the season progressed ensuring that stores remained consistently fresh ④. Thanks to the flow of additional orders based on sales trend information from sales departments, we were able to increase the amount of purchases in line with demand and reported sales in excess of expectations.

As a result of the success of this process and cooperation between departments, GLR's 2way no collar hood coat was a hit in the 2015 fall and winter seasons.

GLR is distinguished by its products that offer an excellent balance between price and value. By incorporating just the right amount of prevailing trends, our product lineup is constantly in demand. The strength of GLR therefore lies in its ability to accurately grasp the needs of its customers. The 2way no collar hood coat epitomized our concept of value and blossomed into a hot-selling product during the 2015 fall and winter seasons. In successfully distinguishing its value from the wide range of competing cold weather coats, GLR's 2way no collar hood coat helped to secure stable heavy garment results despite the mild winter conditions.

Looking ahead, we will continue to promote this kind of initiative and further strengthen cooperation between the product, sales, and promotion departments. Working in unison, every effort will be made to increase value in the hope that our products will become the preferred choice among a host of competing products. At the same time, we will work to create strategic products that are brimming with originality and truly represent the GLR brand.



Tatsuya Kimura  
Executive Officer, General Manager,  
Green Label Relaxing Div.

## Our Business

Number of stores: at the beginning of the year ending March 31, 2017  
 Net sales: as of the year ended March 31, 2016

UNITED ARROWS Group<sup>1</sup> 354 stores Net sales ¥140.9 billion

	Number of stores	Net sales billions of yen
UNITED ARROWS LTD.	254	127.8
UNITED ARROWS Business	86	55.1
UNITED ARROWS General Merchandise Store <sup>2</sup> <b>M W</b> 	9	
UNITED ARROWS <b>M W</b> 	25	
THE SOVEREIGN HOUSE <b>M</b> 	1	
District UNITED ARROWS <b>M</b> 	1	
BOW & ARROWS <b>M</b> 	1	
ASTRAET <b>M W</b> 	2	
BEAUTY&YOUTH UNITED ARROWS <b>M W</b> 	41	
monkey time BEAUTY&YOUTH UNITED ARROWS <b>M</b> 	2	
STEVEN ALAN <b>M W</b> 	3	
ROKU BEAUTY&YOUTH <b>W</b> 	1	
H BEAUTY&YOUTH <sup>3</sup> <b>M W</b> 	—	
UNITED ARROWS green label relaxing Business <b>M W</b> 	69	29.3
CHROME HEARTS Business <b>M W</b> 	10	11.4



UNITED ARROWS



UNITED ARROWS green label relaxing

	Number of stores	Net sales billions of yen
Small Business Units (SBU) 8 businesses	66	15.1
Another Edition <b>W</b> 	15	
Jewel Changes <b>W</b> 	10	
Odette e Odile <b>W</b> 	21	
Boisson Chocolat <b>W</b> 	3	
DRAWER <sup>4</sup> <b>W</b> 	7	
EN ROUTE <b>M W</b> 	2	
THE AIRPORT STORE UNITED ARROWS LTD. <sup>4</sup> <b>M W</b> 	3	
THE STATION STORE UNITED ARROWS LTD. <b>W</b> 	5	
UNITED ARROWS LTD. OUTLET <b>M W</b> 	23	16.7
Group Companies	Number of stores	Net sales billions of yen
FIGO CO., LTD.	18	3.2
Felisi <b>M W</b> 	14	
ASPESI <b>M W</b> 	4	
COEN CO., LTD. <sup>5</sup> <b>M W</b> 	79	9.8
UNITED ARROWS TAIWAN LTD. <sup>5</sup> <sup>6</sup>	3	—
UNITED ARROWS <b>M W</b> 	1	
BEAUTY&YOUTH UNITED ARROWS <b>M W</b> 	1	
UNITED ARROWS LTD. OUTLET <b>M W</b> 	1	
Designs & Co. <sup>3</sup> <b>W</b>	—	—

**M** = Men's **W** = Women's

For more details, please refer to our IR website: [www.united-arrows.co.jp/en/ir/store/](http://www.united-arrows.co.jp/en/ir/store/)

<sup>1</sup> The total number of UNITED ARROWS Group stores stood at 357 as of March 31, 2016.

<sup>2</sup> UNITED ARROWS General Merchandise Store operations offer both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products.

<sup>3</sup> Details of the number of stores and net sales for stores handling the H BEAUTY&YOUTH and Designs & Co. brands have not been provided. This is because the opening of stores is to commence from April 2016.

<sup>4</sup> DRAWER and THE AIRPORT STORE UNITED ARROWS LTD. are included in the UNITED ARROWS business on an organizational basis.

<sup>5</sup> As COEN CO., LTD. and UNITED ARROWS TAIWAN LTD. settle their accounts on January 31, the figures displayed are as of January 31, 2016.

<sup>6</sup> As UNITED ARROWS TAIWAN LTD. is currently of only minor significance to the UNITED ARROWS Group's overall results, its net sales are not stated.

## Market and Business Structure

### Markets in which the UNITED ARROWS Group operates

The retail apparel market can be divided into two categories: the volume market, which mainly consists of relatively low-priced daily clothing, and the trend-conscious market, which is for consumers who are highly sensitive to fashion trends. The UNITED ARROWS Group targets this trend-conscious market.

Our target customers are people who have a strong interest in fashion and want to enrich their lives through it. Specific operating activities are driven by an awareness of this customer segment.

### Market positioning map



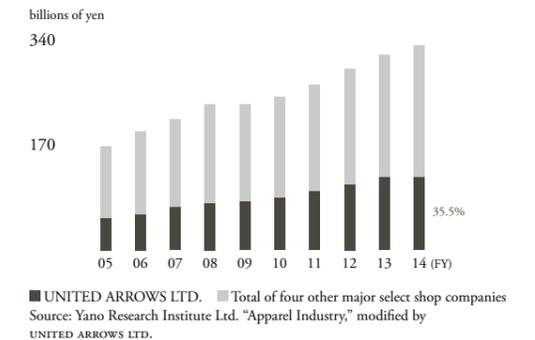
<sup>1</sup>GMS: General merchandise store

### Select shops

Select shops are stores that provide customers with products based on unique brand concepts and the discerning judgment of their buyers. There are also a significant number of companies that adopt an SPA<sup>2</sup> (specialty store retailer of private label apparel) strategy under which they offer a mix of purchased and private label products. In handling products that offer the appeal of high-value-added attributes and a distinctive uniqueness, select shops are positioned between department and specialty stores at the mid-to-high-end price range. UNITED ARROWS LTD. maintains a balance between attracting customers by carefully handpicking selected designer brands from Japan and overseas and ensuring high profitability by offering private label brands. The Company has the largest sales of any company adopting a select shop business model and is the only such company to have publicly listed its stock.

<sup>2</sup>SPA: A fashion company with comprehensive involvement from manufacturing through to retailing

Trends in total sales of five major select shop companies and UNITED ARROWS LTD.'s market share



### UNITED ARROWS Group's business structure

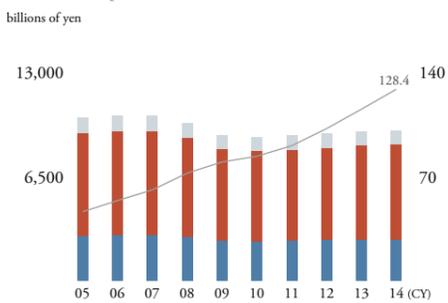
UNITED ARROWS LTD. started out as a select shop handling men's business attire, focusing mainly on purchased brands. It has since evolved and adopted an SPA strategy that offers a mix of purchased products and private label products, offering men's and women's dressy and casual clothing and miscellaneous lifestyle goods.

With UNITED ARROWS and UNITED ARROWS green label relaxing, our other full-line store that offers an SPA-type mix of both purchased and private label products, serving as our key

businesses, we now have numerous other businesses with different characteristics, including our brand business, CHROME HEARTS, and our SPA business, COEN. By handling a broad range of products for various tastes, we are aiming to expand our customer base and meet diversifying customer needs. In addition, we are also leveraging synergies between our various businesses and transforming into a sustainable group that achieves solid profits and is resilient to changes in the external environment.

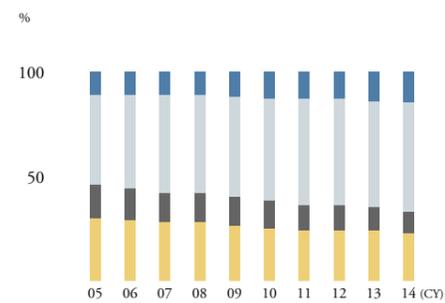
### Reference: Retail Apparel Market

#### Trends in the scale of Japan's retail apparel market and UNITED ARROWS Group sales



The scale of the Japanese retail apparel market is around ¥9–10 trillion per year. The market entered a period of contraction in the immediate aftermath of the collapse of Lehman Brothers in 2008, bottoming out in 2010. Thereafter, the market enjoyed four consecutive years of growth. In 2014, business conditions changed as a result of the hike in Japan's consumption tax rate. Buoyed more recently by such factors as lively consumption on the back of overseas visitors traveling to Japan, activity in the retail apparel market saw a slight upswing compared with the previous year.

#### Trends in sales composition ratio by sales channel



The market scale of other areas within the retail sector, including specialty and other stores,<sup>1</sup> also continues to grow. In recent years, major apparel retailers as well as select shops have ramped up their online sales activities and strengthened their omni channel retailing strategies. These initiatives have triggered an upswing mainly in online sales. The sale of basic casual clothing by specialty stores and the activities of select shops have been robust with sales also maintaining their year-on-year upward path in 2014.

<sup>1</sup>The others channel includes mail order / online (Internet, catalog, television, others) as well as discount stores.

### Business composition of main store brands



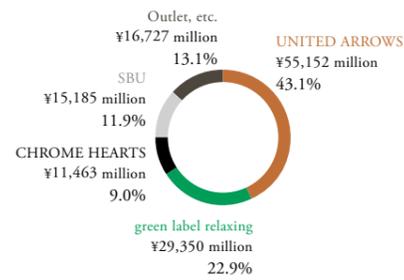
### Value chain by business model



# Business Overview

for the year ended March 31, 2016

## Net sales by business / Composition ratio (non-consolidated)



## Average annual store sales, sales area, and number of employees (directly operated stores)

	Average annual sales (millions of yen)	Average sales area (m <sup>2</sup> )	Average number of employees (people)
UNITED ARROWS General Merchandise Store	1,779	534	37
UNITED ARROWS <sup>1)</sup>	518	328	14
BEAUTY&YOUTH UNITED ARROWS <sup>2)</sup>	366	259	11
UNITED ARROWS green label relaxing	361	309	11
CHROME HEARTS	1,142	147	10
SBU	162	94	5

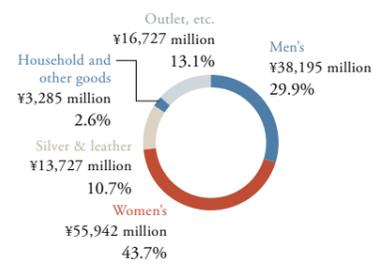
<sup>1)</sup> THE SOVEREIGN HOUSE, District UNITED ARROWS and BOW & ARROWS are included in the UNITED ARROWS business.  
<sup>2)</sup> monkey time BEAUTY&YOUTH UNITED ARROWS, STEVEN ALAN and ROKU BEAUTY&YOUTH are included in BEAUTY&YOUTH UNITED ARROWS.

## Number of stores by sales channel

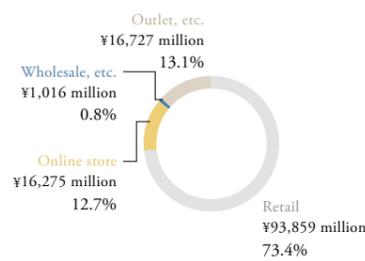


<sup>1)</sup> As COEN CO., LTD. settles its accounts on January 31, the figures displayed are as of January 31, 2016.  
<sup>2)</sup> Shopping centers refers to such commercial facilities as fashion buildings and railway station buildings (excludes department stores).  
<sup>3)</sup> Urban shopping centers refers to shopping centers located within the 23 wards of Tokyo and nationwide government-ordinance-designated cities.

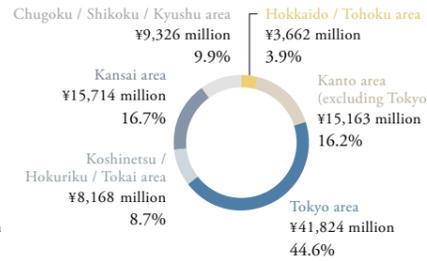
## Net sales by category / Composition ratio (non-consolidated)



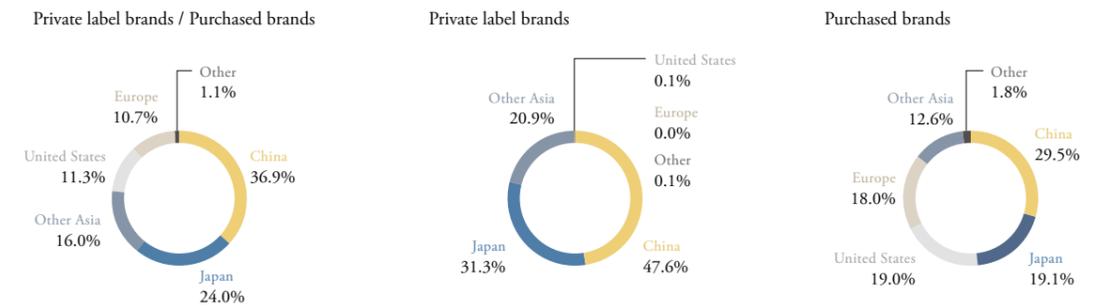
## Net sales by sales channel / Composition ratio (non-consolidated)



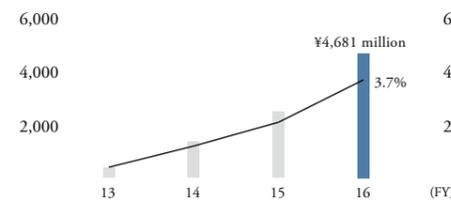
## Net sales by retail area / Composition ratio (non-consolidated)



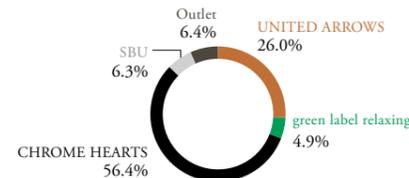
## Breakdown by country of origin (non-consolidated Companywide / procurement cost basis)



## Trends in sales of tax-free goods and sales composition ratio (non-consolidated)



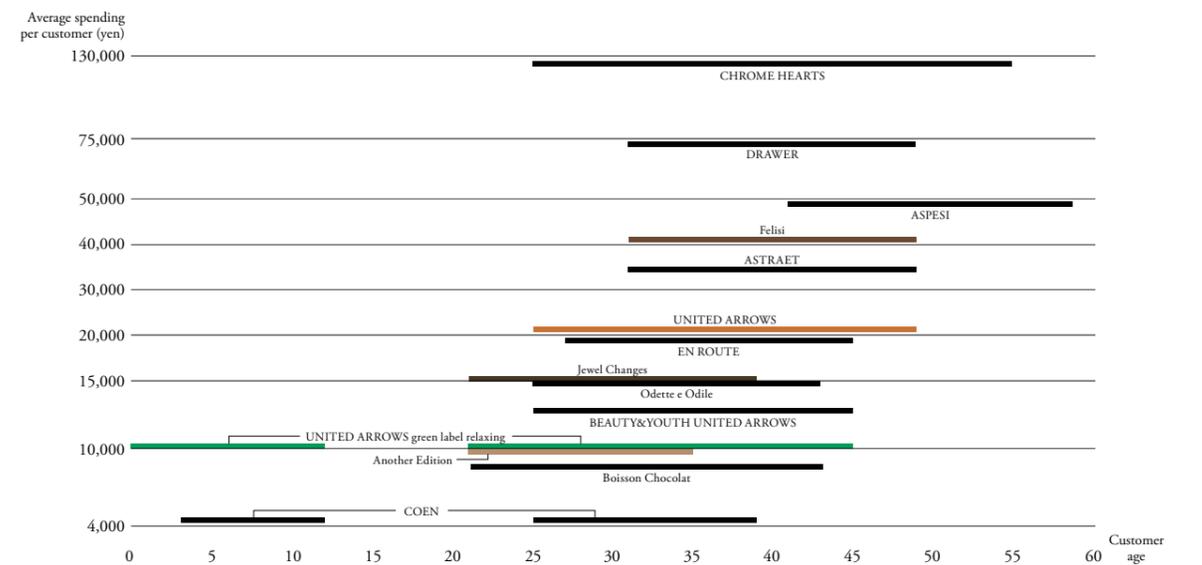
## Tax-free goods sales composition ratio by business (non-consolidated)



## Mix of private label brands and purchased brands (non-consolidated)



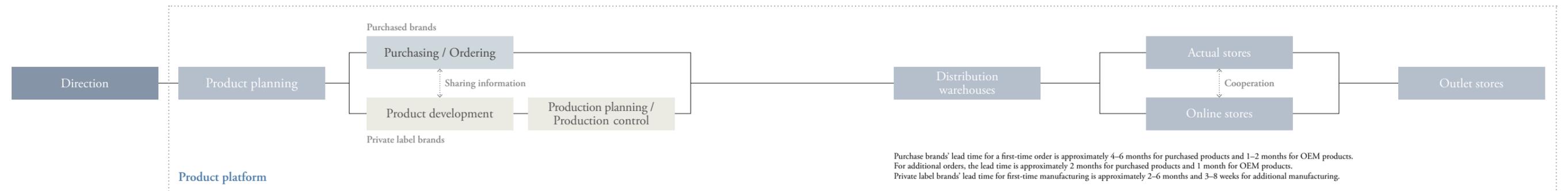
## Positioning map of each business (average spending per customer / customer age)



\* CHROME HEARTS product lineup is entirely composed of purchased brands.  
 \* OEM products (products manufactured by other companies and sold under our brand names) are included in purchased brands.

## Product Flow (Value Chain)

UNITED ARROWS LTD. has positioned its stores at the front line of its operating activities. Every effort is made to reflect the comments and opinions gleaned from customers in every facet of the value chain. All initiatives, including product development, inventory management, and customer service, generate synergy benefits within the value chain. This is the source of the Company's robust competitive advantage.



### Direction

A feature that defines UNITED ARROWS LTD. is the direction that initiates all activities related to product development. Direction, which is based on shifts in social tastes, allows us to disseminate a common theme to all businesses on a seasonal basis. In addition, the marketing department consistently undertakes research into the latest fashion trends, providing this information across the Company. Each business then draws on this information to establish specific themes that incorporate particular attributes.

### Product planning

Product planning entails dividing the year into 52 weeks and putting in place a process and lineup based on 52-week merchandising. Drawing on past customer trends and behavior as well as sales data, UNITED ARROWS LTD. puts in place a product strategy focusing on the most-appropriate items, prices, and volumes for each season. During each season, the status of sales is closely monitored. This monitoring process helps to verify the validity of each strategy and to alert the Company of the need to make necessary adjustments through detailed modification. In this manner, every effort is made to achieve the targets for sales and profit.

### Purchasing / Ordering

Under the Company's concepts with respect to direction and product planning, buyers attend exhibitions and view fashion shows in Japan and overseas. This is done while undertaking detailed purchasing negotiations about the item, volumes, purchase price, and delivery. Buyers are also involved in the development of exclusive items with popular brands. Through these means, steps are taken to further differentiate products from other companies. In addition

to strengthening the integrity of existing brands, the Company's mission includes uncovering promising new brands ahead of rivals.

### Product development

Under the Company's concepts with respect to direction and merchandising, steps are taken to develop designs and fabrics and to prepare patterns. While fully expressing the concept of each brand, samples are also shared with the sales department. At the same time, energies are channeled toward incorporating feedback gleaned from staff in their dealings with customers at stores with moves made to push forward product development while undertaking minor adjustments. Designers accompany buyers during their purchasing trips to better grasp global fashion trends. Complemented by the mutual exchange of information, particular weight is placed on harnessing the merits of the business model that entails the combined development of purchased products and private label brands. This serves as the wellspring for differentiating the Company's products.

### Production planning / Production control

UNITED ARROWS LTD. formulates production strategies that encompass the selection of contract factories as well as the procurement of materials. This is in accordance with the specifications of each product, together with cost control initiatives. After placing an order, the Company collaborates closely with contract factories; controls delivery, quality, and costs; and oversees the entire process through to product completion. In addition to harnessing customer feedback to further enhance production planning, regular meetings are held with contract factories to improve the quality of finished products.

### Distribution warehouses

UNITED ARROWS LTD. engages in distribution warehouse operations in collaboration with distribution companies. The Company maintains a network of three distribution centers that operate on a 24-hour basis in Japan. Product inventory control is conducted on a concentrated basis through various initiatives, including price tagging and product inspection. While product deliveries to stores are maintained at an optimal minimum, a point-of-sale (POS) system is installed at all stores. With the exception of stores in certain regions, store sales data up to 11:00pm is transmitted to the appropriate distribution center. Any shortfall at a particular store is then replenished before the store opens the following day. This serves to minimize sales opportunity loss as well as the transfer of products between stores.

### Actual stores

Based on its Mission Statement—It's All About The Customer—UNITED ARROWS LTD. strives to meet the needs of each individual customer and to provide a level of satisfaction and inspiration that exceeds all expectations. Sales personnel are provided with a host of on-the-job, UNITED ARROWS University, and other training programs. Through a series of award systems, including the Sales Master and UNITED ARROWS Grand Prix initiatives, the Company is quick to recognize outstanding personnel. Through these means, every effort is made to continuously enhance the knowledge, skills, and motivation of sales personnel. In addition, energies are channeled toward choreographing the shopping experience to deliver maximum excitement and delight. A key aspect of this endeavor is the creation of stores and interior environments that express the worldliness of each brand in a visually appealing light.

### Online stores

In addition to operating UNITED ARROWS LTD. ONLINE STORE, the Company is opening stores on such fashion e-commerce sites as ZOZOTOWN. UNITED ARROWS LTD. ONLINE STORE is promoting initiatives to heighten collaboration between online stores and actual stores. In addition to a function that enables customers to check online the status of product inventories at actual stores, UNITED ARROWS LTD. ONLINE STORE provides a service where products can be delivered to a store chosen by the customer. The Company has also introduced an advance order initiative prior to each season. This initiative not only serves to satisfy customers with a strong interest in fashion but also helps to gauge product demand.

→ P20 Special Feature 2: Initiatives Aimed at Expanding Online Sales

### Outlet stores

UNITED ARROWS LTD. OUTLET plays the important role of continuously reducing residual inventories of slow-selling products as well as excess stock in each business category. Promoting the prompt transfer of stock to outlet stores helps maintain the fresh appeal of products at front-line stores. The swift reduction of inventories and conversion into cash from sales also serves to secure improvements in gross profit and cash flows. UNITED ARROWS LTD. OUTLET STORES are for the most part located in suburban and exurban areas. For this reason, these stores help raise brand awareness among residents who live outside the network of the Group's front-line stores.

Flow through to the Release of Private Label Products



Direction

Product planning

Material selection

Pattern making

Sample preparation



Sample checks

Factory production

Product inspection

Product inventory control

Consultative sales at stores

# Product Platform

Initiatives in transition

		fiscal 2007–fiscal 2009	fiscal 2010	fiscal 2011
		Introduction Period	Promotion Period	Stable Operating Period
Principal achievements / Goals		– Increased awareness toward benchmarks	– Enhanced the precision of merchandise hypothesis testing – Improved the precision control of product procurement / production and inventory reduction	– Improved the accuracy of budget performance management and revisions to merchandise during the period
Product platform	Merchandising platform	– Commenced monitoring based on important benchmarks – Commenced merchandising planning in accordance with season plan <sup>1)</sup>	– Promoted efforts aimed at visualizing and structuring merchandising operations – Identified and addressed processing issues with respect to merchandising operations – Standardized new processes	– Strengthened the monitoring and analysis of principal benchmarks – Bolstered efforts to secure an early reduction in inventory – Shared information on successful merchandising initiatives between businesses
	Production platform	– Commenced steps to build a mechanism for sharing factory information held by each business throughout the Company as a whole	– Selected principal business partners – Commenced steps to organize production factories in Japan and China – Took stock of and standardized production operations with the aim of promoting optimal supply chain management (SCM)	– Initiated measures with principal factories – Regulated delivery, quality, and costs by strengthening management – Commenced measures to address issues relating to the manufacture of products in China in earnest

<sup>1)</sup> Season plan: Procurement planning document to determine the amounts of procurement and inventory as well as the inventory reduction method that underpins sales, gross profit, and final sales rate targets.

## What is the product platform?

The product platform, which is comprised of a merchandising platform and a production platform, is a framework that supports each of the procurement, production, product launch, and inventory reduction activities. This overarching framework is used to stabilize merchandising operations by standardizing and structuring activities that are susceptible to the experience and skills of employees.

The merchandising platform provides the mechanism for determining the current status of merchandise flows and the basis for making decisions. Utilizing the progress management tables and indices consistent across all businesses, UNITED ARROWS LTD. has established a swift and easy-to-implement decision-making process that allows the Company to promote the additional production of top-selling items while reducing production and inventories of slow-selling items. As a result, UNITED ARROWS LTD. has witnessed increases in the rates of inventory reduction as well as final sales. This is in turn leading to improvements in gross profit, inventories, and cash flows.

The production platform works to formulate the product procurement and production strategies that take us from merchandising planning through to realization. While manufacturing is outsourced, the choice of external plant or factory for each item is based on Companywide information on procurement regarding materials as well as the manufacturing plant. Accordingly, this has led to positive adjustments in procurement costs relating to purchases and production as well as lead times in a way that satisfies the five key criteria.

## Production platform achievements and issues

UNITED ARROWS LTD. commenced the shift to a merchandising platform in earnest in the fiscal year ended March 31, 2007. In the ensuing period, the Company has reinforced a variety of initiatives aimed at better monitoring and analyzing as well as visualizing and standardizing operating processes with respect to such important indicators as gross profit, the sales ratio, and the residual inventory ratio. Turning to the production platform, we have taken steps to share factory information held by each business, select and evaluate principal business partners, and bolster collaboration.

As a result, we have progressively improved the precision of our merchandise planning proposal, verification, product procurement, and production as well as inventory reduction capabilities. It is now possible to flexibly control inventory in line with the status of sales. Moreover, we have put in place an operating foundation that is relatively unaffected by such external factors as delays in seasonal sales attributable to inclement weather conditions. Successful steps have also been taken to enhance our ability to respond to increased costs following exchange rate fluctuations. These include efforts to improve the ratio of regular priced sales by introducing a segmented 8-season merchandising strategy and expanding the number of countries that manufacture products.

Moving forward, we will incorporate qualitative information covering a wide range of topics, including fashion and market trends, in combination with quantitative information, including sales results in each business, and use this information in the product development process.

		fiscal 2012–fiscal 2015	fiscal 2016	fiscal 2017 (Plan)
		Application Operating Period		
Principal achievements / Goals		– Improved the ability to address changes in such external factors as unstable weather conditions and changes in the timing of clearance sales – Strengthened both analysis and judgment capabilities in connection with the ability to respond to changes in such factors as fluctuations in foreign currency exchange rates	– Improved sales rates at regular prices and optimized inventories by introducing 8-season merchandising	– Improve sales rates at regular prices and optimize inventories by building an optimal merchandising platform by business
Product platform	Merchandising platform	– Strengthened the management of results and forecasts progress compared with plans – Commenced analyses of the variable factors based on methods of product purchases and procurement period	– Improved sales rates at regular prices by procuring products at the right time and in the right quantities through efforts to operate, test, and improve 8-season merchandising – Reduced inventory in line with the aforementioned = improved turnover and the content of inventory	– Extend 8-season merchandising to other businesses and enhance operating precision – Reduce inventory in line with the aforementioned = improve turnover and the content of inventory – Improve the gross margin by adhering strictly to a policy of cost control
	Production platform	– Evaluated production scenarios with an eye to medium- and long-term growth – Expanded production countries through the promotion of an optimum location, optimum production strategy – Responded flexibly to trade agreements with countries where products are manufactured or from where materials are procured and to changes in tariff rates	– Expanded production countries through the promotion of an optimum location, optimum production strategy – Responded flexibly to trade agreements with countries where products are manufactured or from where materials are procured and to changes in tariff rates	– Expand production countries through the promotion of an optimum location, optimum production strategy – Respond flexibly to trade agreements with countries where products are manufactured or from where materials are procured and to changes in tariff rates

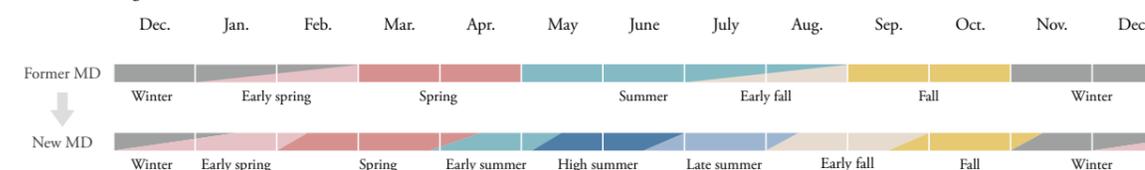
## 8-season merchandising

In recent years, we have seen longer transition times between seasons from summer to fall and from winter to spring due to changes in climate conditions, as well as the incidence of gaps between customers' sensory perceptions and in-store merchandise. At the same time, we are witnessing two distinct purchasing patterns running in tandem between customers who are willing to purchase forward-looking items that exhibit value and customers who desire items for immediate use. There are indications that consumption patterns are shifting from buying an item because it is reasonably priced to carefully purchasing an item only when genuinely needed even during clearance sales periods. Taking each of these factors into consideration, conventional merchandising plans are failing to properly address changes in the operating environment. The decision to introduce 8-season merchandising was designed to resolve this issue.

Under 8-season merchandising, each year is broken down into eight segments. The 8-season merchandising mechanism allows us to provide products that reflect the effective temperatures of each

season. Product plans that were previously classified into the six seasons of early spring, spring, summer, early fall, fall, and winter are now classified into, at most, the eight seasons of early spring, spring, early summer, high summer, late summer, early fall, fall, and winter and in accordance with the attributes of each business. By accurately assessing the number of items in line with each segmented season while identifying and introducing the right level of inventory, we are improving the ratio of regular priced sales and mitigating any unnecessary increase in inventory. This mechanism was first introduced at UNITED ARROWS green label relaxing in the spring and summer seasons of 2015. Looking especially at the changeover period from summer to fall, 8-season merchandising helped to generate a number of hot-selling women's cut, knitwear, and pants items culminating in a robust improvement in results. Plans are in place to extend this example of success into other businesses during the fiscal year ending March 31, 2017. We will endeavor to improve the turnover and content of inventories by evaluating and improving the implementation of the 8-season merchandising policy.

## Merchandise segmentation



Former MD: The six seasons of early spring, spring, summer, early fall, fall, and winter

New MD: The eight seasons of early spring, spring, early summer, high summer, late summer, early fall, fall, and winter

– Breakdown into segments in line with customers' feelings toward each season; clarify products and volumes in tune with each segment



Directors

**Mitsuhiro Takeda**  
 Representative Director,  
 President and CEO

Maintaining direct control of all businesses, President Takeda works diligently to realize the Company's management policy of "reaching new levels of satisfaction by inspiring and amazing customers!" and making rapid management decisions on business operations.

1986. 4  
 Joined Kanematsu-Gosho, Ltd.  
 (currently Forward Apparel Trading Limited)  
 2004. 4  
 General Manager, Europe and the U.S. Import Products  
 Department, KANEMATSU TEXTILE  
 CORPORATION  
 2005. 9  
 Joined the Company  
 2006. 7  
 Became General Manager, Brand Business Division /  
 Department Manager, Brand Business Department of  
 the Company  
 2010. 7  
 Became Senior Executive Officer / General Manager,  
 Business Development Division of the Company  
 2010. 4  
 Became Senior Executive Officer / General Manager,  
 Business Unit I / General Manager, Brand Business  
 Division of the Company  
 2010. 6  
 Became Director, Executive Managing Officer / General  
 Manager, Business Unit I / General Manager, Brand  
 Business Division of the Company  
 2011. 4  
 Became Director, Senior Executive Vice President /  
 General Manager, Business Unit I / General Manager,  
 Brand Business Division of the Company  
 2012. 4  
 Became Representative Director, President and Executive  
 Officer of the Company  
 2014. 6  
 Became Representative Director, President and CEO  
 of the Company (current)

**Mitsunori Fujisawa**  
 Director, Executive Vice President  
 In charge of the Supply Chain Man-  
 agement Division and the Business  
 Support Division

He is responsible for solving problems  
 within business divisions, upgrading  
 infrastructure, and supporting business  
 operations.

1990. 3  
 Joined the Company  
 2005. 10  
 Became General Manager, Green Label Relaxing  
 Division of the Company  
 2008. 7  
 Became Senior Executive Officer / General Manager,  
 Green Label Relaxing Division of the Company  
 2010. 4  
 Became Senior Executive Officer / General Manager,  
 Business Unit II / General Manager, Green Label  
 Relaxing Division of the Company  
 2010. 6  
 Became Director, Executive Managing Officer /  
 General Manager, Business Unit II / General Manager,  
 Green Label Relaxing Division of the Company  
 2011. 4  
 Became Director, Executive Vice President / General  
 Manager, Business Unit II, responsible for Channel  
 Development Division of the Company  
 2016. 4  
 Became Director, Executive Vice President, responsi-  
 ble for the Supply Chain Management Division and  
 the Business Support Division of the Company  
 (current)

**Masami Koizumi**  
 Director, Executive Vice President  
 In charge of the Administration Divi-  
 sion and the Investor Relations Office

He is responsible for business administra-  
 tion, corporate governance, and compli-  
 ance, and he is strengthening administrative  
 foundations Companywide.

1995. 7  
 Joined the Company  
 2000. 4  
 Became Department Manager, Finance and  
 Accounting Department of the Company  
 2004. 12  
 Became Auditor of Netprice, Ltd.  
 2006. 6  
 Became Director of the Company  
 2007. 7  
 Became Director / General Manager, Administration  
 Division / Department Manager, Finance and  
 Accounting Department of the Company  
 2008. 7  
 Became Director, Executive Managing Officer /  
 General Manager, Administration Division of the  
 Company  
 2012. 4  
 Became Director, Executive Vice President / General  
 Manager, Administration Division, responsible for  
 Plan Management Office of the Company  
 2015. 4  
 Became Director, Executive Vice President,  
 responsible for the Administration Division and the  
 Investor Relations Office of the Company (current)

**Hiroyuki Higashi**  
 Director and Executive  
 Managing Officer  
 In charge of the Corporate Strategy  
 Division

He is responsible for business planning  
 and development, overseas expansion,  
 and human resource organizational devel-  
 opment. He implements strategic,  
 medium-term initiatives.

1988. 4  
 Joined World Co., Ltd.  
 1996. 3  
 Joined the Company as Section Manager,  
 Human Resources Section, President's Office  
 2000. 4  
 Became Department Manager, Human Resources  
 Department / Department Manager, Corporate  
 Strategy Department of the Company  
 2004. 8  
 Became Deputy General Manager, Business  
 Management Division / Group Manager,  
 Corporate Strategy Group of the Company  
 2005. 10  
 Became Manager, President's Office / Section  
 Manager, Corporate Planning Section of the Company  
 2006. 7  
 Became Deputy General Manager, United Arrows  
 Division of the Company  
 2008. 4  
 Became General Manager, United Arrows Division  
 of the Company  
 2008. 7  
 Became Senior Executive Officer / General Manager,  
 United Arrows Division of the Company  
 2012. 6  
 Became Director, Executive Managing Officer /  
 General Manager, Business Unit I of the Company  
 2015. 7  
 Became Director, Executive Managing Officer,  
 responsible for the Corporate Strategy Division  
 of the Company (current)

**Yukari Sakai**  
 Outside Director (Audit and Supervisory  
 Committee member)

She has a wealth of finance-related knowl-  
 edge including expertise in financing and  
 accounting matters based on her experience  
 screening publicly listed companies as well  
 as extensive experience as a director and  
 audit and supervisory board member at  
 other companies. Leveraging this knowl-  
 edge and experience, Ms. Sakai will help  
 strengthen the supervisory and oversight  
 functions of management, increase trans-  
 parency and efficiency, and further invigo-  
 rate the Board of Directors from various  
 views from the viewpoint of diversity.

1991. 4  
 Joined Nomura Securities Co., Ltd.  
 (resigned in September 1997)  
 1999. 9  
 Participated in the establishment of capital.com  
 Co., Ltd. (currently e-Research JAPAN Inc.)  
 2001. 5  
 Participated in the establishment of Corporate Tune  
 Co., Ltd.  
 2005. 1  
 Became Director of Corporate Tune Co., Ltd.  
 2005. 6  
 Became Standing Outside Audit and Supervisory  
 Board Member of UNITED ARROWS LTD.  
 2008. 6  
 Became Outside Auditor of Reprocell Inc. (current)  
 2013. 9  
 Became Outside Auditor of Beauty Kadan Co., Ltd.  
 (current)  
 2016. 6  
 Became Outside Director of UNITED ARROWS LTD.  
 (and Audit and Supervisory Committee member)  
 (current)

**Gaku Ishiwata**  
 Outside Director (Audit and Supervisory  
 Committee member)

He is an attorney-at-law well-versed in  
 corporate governance, capital policies,  
 and M&A activities in Japan and over-  
 seas. We expect he will leverage his abun-  
 dant knowledge and experience to help  
 strengthen the Company's corporate gov-  
 ernance and compliance framework.

1997. 4  
 Registered with the Daini Tokyo Bar Association  
 as an attorney-at-law; Joined Mori Sogo Law Offices  
 (currently, Mori Hamada & Matsumoto)  
 2001. 9 — 2002. 8  
 Worked at Davis Polk & Wardwell, New York  
 2002. 6  
 Registered with the New York State Bar Association  
 2004. 9  
 Became member of the Corporate Value Study Group  
 organized by Japan's Ministry of Economy, Trade and  
 Industry  
 2005. 1  
 Became partner at Mori Hamada & Matsumoto  
 (current)  
 2005. 7  
 Became member of the First Subcommittee of  
 Sectional Committee on Financial System of Financial  
 System Council  
 2007. 4  
 Became part-time lecturer at Kyoto University  
 Law School (current)  
 2008. 6  
 Became External Board Member of XEBIO CO.,  
 LTD. (currently XEBIO HOLDINGS CO., LTD.)  
 (current)  
 2010. 4  
 Became member of the Liaison Conference on  
 Corporate Governance organized by Financial  
 Services Agency  
 2011. 9  
 Became member of the Disclosure System Working  
 Group, Specialized Legal System Study Group,  
 Financial Services Agency  
 2013. 6  
 Became Outside Director of UNITED ARROWS  
 LTD.  
 2016. 6  
 Became Outside Director of UNITED ARROWS  
 LTD. (and Audit and Supervisory Committee  
 member) (current)

**Hidehiko Nishikawa**  
 Outside Director (Audit and Supervisory  
 Committee member)

He has a wealth of experience in the  
 fashion and retailing industries, and as a  
 university professor he will leverage his  
 abundant experience and knowledge to  
 promote sound and efficient operations.

1985. 4  
 Joined World Co., Ltd.  
 2000. 7  
 Became Manager, Business and Operation divisions  
 of MUJI.net Co., Ltd.  
 2001. 4  
 Became Director of MUJI.net Co., Ltd.  
 2005. 4  
 Became Assistant Professor, College of Business  
 Administration, Ritsumeikan University  
 2007. 4  
 Became Associate Professor, College of Business  
 Administration, Ritsumeikan University  
 2008. 4  
 Became Professor, College of Business Administration,  
 Ritsumeikan University  
 2010. 4  
 Became Professor, Faculty of Business Administration,  
 Hosei University (current)  
 2012. 8  
 Became Vice President of Japan Marketing Academy  
 (current)  
 2015. 4  
 Became Director, Graduate School of Business  
 Administration, Hosei University (current)  
 2015. 6  
 Became Outside Director of UNITED ARROWS  
 LTD.  
 2015. 10  
 Became Representative Director, Sekigakusha  
 Co., Ltd. (current)  
 2016. 6  
 Became Outside Director of UNITED ARROWS  
 LTD. (and Audit and Supervisory Committee  
 member) (current)

Executive Officers

Senior Executive Officer  
 Yoshinori Matsuzaki

Senior Executive Officer  
 Yoichi Yasuoka

Senior Executive Officer  
 Yasuo Uno

Senior Executive Officer  
 Yatsuhiko Sagawa

Senior Executive Officer  
 Naoki Ota

Executive Officer  
 Kazuyasu Tanaka

Executive Officer  
 Mariko Yamasaki

Executive Officer  
 Yasuto Kamoshita

Executive Officer  
 Tatsuya Kimura

Executive Officer  
 Hisashi Takayama

Executive Officer  
 Naoki Tanigawa

Executive Officer  
 Kenji Takata

Executive Officer  
 Yuko Sajima

## Financial and Capital Policies

UNITED ARROWS LTD. is currently taking steps to draw up a medium-term business plan and a long-term vision. Based on these efforts, we are working to put in place and carry out new financial and capital policies in order to increase stakeholders' value over the medium to long term.

### Putting in place new financial and capital policies

In recent years, UNITED ARROWS LTD. has been slow to address the effects of the weak yen and to respond to the impact on spending patterns of the consumption tax rate hike. As a result, the Company has incurred a drop in profitability and has been forced to withdraw the quantitative targets identified under its Medium-Term Business Plan and Long-Term Vision. Currently, we are endeavoring to address and resolve those issues that are immediately before us. At the same time, we are drawing up a new medium-term business plan and long-term vision in a bid to enhance our medium- and long-term corporate value. With respect to the ROE target set under our Long-Term Vision, we have identified a level of around 20% for the fiscal year ending March 31, 2017. Drawing on the growth strategies of the medium-term business plan and long-term vision that we are currently formulating, we plan to reset our medium- and long-term financial and capital policies as well as our approach toward the return of profit to shareholders. Our goal is to make a formal announcement and provide details in conjunction with the disclosure of our new Medium-Term Business Plan and Long-Term Vision in May 2017.

As one component of our Policy Structure, we have made the promise to society to significantly increase customer, employee, business partner, social, and shareholder value. Just as with all other stakeholders, UNITED ARROWS LTD. is cognizant of the need to constantly increase shareholders' value when carrying out its business activities. Moving forward, this understanding and the Company's overall direction remain unchanged. In addition to steadily targeting growth in accordance with the new Medium-Term Business Plan and Long-Term Vision, we will continue to bolster the payment of dividends as well as our capital policies by undertaking a variety of initiatives, including the acquisition of treasury stock. Through these means, we will maintain our focus on consistently improving our capital efficiency.

As we put in place new financial and capital policies while reviewing our approach toward the return of profits to shareholders and setting new quantitative targets, we are also taking steps to identify and determine the most suitable business management indicator. In doing so, we are placing ourselves in a better position to measure both corporate and business value and to draw up and carry out balanced policies.

Working to promote each of these endeavors, we will make every effort to increase the medium- and long-term value for all stakeholders.

### Improving operating cash flows

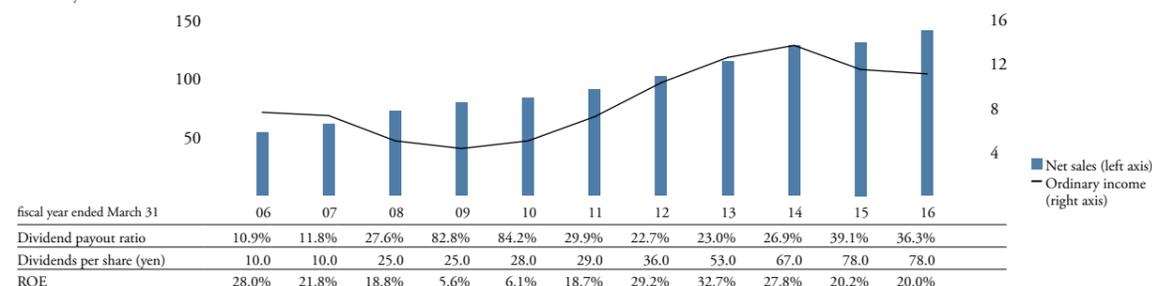
UNITED ARROWS LTD. was unable to resolve certain earnings-related issues during the fiscal year ended March 31, 2016. However, positive steps were taken to improve cash flows.

Net cash provided by operating activities came to ¥11.6 billion in the fiscal year ended March 31, 2016. This was ¥6.9 billion higher than the ¥4.7 billion reported for the previous fiscal year. The principal factor behind this increase in operating cash flows was the successful effort to curtail increases in inventories. In the fiscal year ended March 31, 2015, consolidated net sales climbed ¥2.5 billion, or 2.0%, year on year. The balance of inventories (products + supplies), on the other hand, increased ¥3.1 billion, or 15.2%. By comparison, consolidated net sales for the fiscal year ended March 31, 2016 saw a substantial increase of ¥9.8 billion, or 7.5%. Against this, the upswing in inventory was held to ¥0.4 billion, or 2.1%, well below the rate of sales growth. This is consistent with our management policy to control increases in inventory. This result is also a measure of our ability to put in place a procurement plan that carefully and prudently determines the appropriate volume of inventory for each new product launch and carry out our operations in an efficient manner. During the fiscal year under review, UNITED ARROWS LTD. took steps to reduce past inventories and increase inventory efficiency by opening new outlet stores and promoting sales through various events. Looking at the Company's operations in more detail, however, inventory turnover for the fiscal year ended March 31, 2016 came in at 5.9 times. This remains below the 6.9 times recorded in the fiscal year ended March 31, 2013. In the future, we will continue to increase asset efficiency and work to increase cash flows while improving the efficiency of our operations.

### Masami Koizumi

Director, Executive Vice President  
In charge of the Administration Division and the Investor Relations Office

Trends in net sales and ordinary income  
billions of yen



\* The amount of dividends per share for the fiscal year ended March 31, 2006, takes into account a stock split.

## Corporate Governance

### Message from an Outside Director



Maintaining an awareness toward medium- and long-term challenges while responding appropriately to a new business environment is becoming increasingly important against the backdrop of an operating environment that is undergoing dramatic change.

Gaku Ishiwata  
Outside Director and Audit and Supervisory Committee Member  
Attorney-at-Law

### Features of the Company's corporate governance structure and systems, their performance, and pending issues

One feature of the Company's Board of Directors is its size. UNITED ARROWS LTD. maintains fewer directors compared with other publicly listed companies. Maintaining smaller numbers in relative terms is believed to enhance the Company's ability to make important management decisions in a timely manner. The chairman of the Board has created an atmosphere in which all members are free to express their opinions. Directors who do not hold an executive portfolio are also encouraged to offer their comments and advice. The manner in which meetings are conducted in a vigorous and lively manner is most impressive. In this sense, the responsibility of outside directors to oversee the operations of the Board of Directors is functioning properly. I am confident that all appropriate steps have been taken to ensure that the Board operates effectively in overall terms.

Meanwhile, operating conditions have undergone considerable change in recent years. It has become increasingly important for companies to engage in management that has a clearly defined storyline over the medium to long term. In this context, I see the pressing need to actively deliberate on medium- and long-term issues. UNITED ARROWS LTD. is itself experiencing significant change. The reins of the Company are being passed down from the founder to the next generation. Steps are also being taken to expand the scope of business as it transitions from individual-based management to management that is driven by the organization. Under these circumstances, it is vital that the Company puts in place and executes the necessary medium- and long-term strategies as well as the proper blueprint and business plan that will carry it forward into the future. It is here that I believe there is room for improvement.

### Responding to the Corporate Governance Code and transition to a company with an Audit and Supervisory Committee structure

UNITED ARROWS LTD. has continued to strengthen its corporate governance structure and systems over recent years. While I am confident that the Company has taken appropriate measures to address the introduction of the Corporate Governance Code in Japan, I still see the need to make further improvements going forward. For example, steps should be taken to reconsider the process for determining directors' compensation, the compensation framework, and the manner in which directors are nominated. In addition, more thought should be given to how the Company can better achieve its business strategies.

After receiving the approval of shareholders at the Company's General Meeting of Shareholders held in June 2016, UNITED ARROWS LTD. transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee. In this manner, and in order to increase the pace at which management is conducted, the Company has further clarified the division between the executive and supervisory functions while reinforcing the monitoring function of the Board of Directors. The Board of Directors is now better positioned to formulate medium- and long-term management strategies and business plans and monitor efforts to achieve the required level of performance.

### Operating results for the fiscal year ended March 31, 2016 and the withdrawal of quantitative targets put forward under the Long-Term Vision

Ordinary income declined on a year-on-year basis for a second consecutive business term in the fiscal year ended March 31, 2016. This downturn in earnings is largely attributable to customers' spending trends, the substantial change in our operating environment, and the hint of a shift in the Company's business structure. In order to return to a growth trajectory, it is critical that we accurately grasp these changes from a medium-to-long-term perspective and to put in place and execute strategies that address the new environment in a flexible manner.

Taking into consideration these changes in our operating environment and business structure, we believe that it is prudent to temporarily withdraw current quantitative targets. Under the current circumstances, we recognize that putting forward quantitative estimates is riddled with difficulty. The decision has therefore been made to temporarily withdraw quantitative targets so as not to confuse and mislead investors or run the risk of losing credibility. Despite this decision, we still recognize the importance of periodically setting management targets based on our understanding of prevailing operating conditions. With this knowledge, we are therefore cognizant of the need to consider how appropriate management targets can be set.

As an outside director, I see my roles as a bridge that connects shareholders with management. It is also my duty to oversee management as it carries out various tasks. I will do my utmost to support management in its efforts to undertake proactive and bold measures while properly managing risk. Cognizant of my role, I plan to help the Company enhance its medium- and long-term corporate value and to maximize the return of profits to shareholders.

### 1. Basic Stance

UNITED ARROWS LTD. has positioned efforts to create globally recognizable and accepted values that set new standards of Japanese lifestyle as its overarching Company Policy. In addition, we have identified the creation of value for five distinct stakeholders—customers, employees, business partners, society, and shareholders—as one element of our overall Policy Structure and a key feature of our promise to society. In this regard, the Company’s mission is to increase value for all stakeholders.

In order to maintain the proper mindset that will allow us to realize our Company Policy, we put in place the Code of Conduct. This code expresses how we should think and act to achieve our stated goals.

Recognizing the critical need to build a transparent and fair management framework, along with a structure under which we are capable of making timely and bold decisions, we are committed to continuously strengthening and expanding our corporate governance capabilities and functions in order to realize our Company Policy and fulfill our promise to society. Through these means, we are working to enhance our corporate value on a long-term and continuous basis.

(Reference) Major Initiatives to Strengthen Corporate Governance Undertaken over Recent Years

UNITED ARROWS LTD. is working to enhance both stakeholder and corporate value by continuously upgrading and expanding its corporate governance structure and systems. In recent years, the Company has paid particular attention to further strengthening its corporate governance with the aims of accelerating the pace of its decision making, increasing the transparency and soundness of its management, and bolstering the oversight function.

2008	Adopted an executive officer system
2009	Put in place the disclosure policy
2013	Appointed a director from outside the Company
2014	Announced details of the Company’s policy to institutional investors that have expressed their acceptance of the Stewardship Code
2015	Increased the number of outside directors from one to two Put in place the Corporate Governance Policy Transitioned to a Company with an Audit and Supervisory Committee structure and appointed three outside directors
2016	(Audit and Supervisory Committee members) Established the Nomination and Compensation Committee Undertook an evaluation of the effectiveness of the Board of Directors

### 2. Corporate Governance Framework

Guided by the aforementioned basic stance, UNITED ARROWS LTD. decided to adopt an Audit and Supervisory Committee structure as its corporate governance framework. The purposes for adopting this structure is to bolster the monitoring function of the Board of Directors and to accelerate the pace of decision making by utilizing outside directors, who do not directly engage in the execution of business, and properly delegating authority.

In addition, the Company established the Nomination and Compensation Committee, which is mainly comprised of independent outside directors. This structure is designed to reinforce the independence, objectivity, and accountability of the Board of Directors by ensuring the integrity of the nominating process and compensation paid.

#### Board of Directors

The Board of Directors is comprised of seven directors (three of whom are independent outside directors) who in principle meet once a month. Meetings of the Board of Directors are attended by directors who are not Audit and Supervisory Committee members as well as directors who are Audit and Supervisory Committee members. The Board makes decisions on legal and regulatory matters as well as important matters set forth in the bylaws governing the Board of Directors. The Board of Directors is also responsible for supervising and overseeing business execution. UNITED ARROWS LTD. has developed a framework conducive to efficient business execution, with the Board of Directors holding extraordinary meetings whenever necessary and directors meeting individually to discuss matters when required.

#### Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three directors who are Audit and Supervisory Committee members. The Committee determines policies relating to audits and related activities in accordance with the regulations of the Audit and Supervisory Committee. Moreover, the Audit and Supervisory Committee prepares audit reports based on explanations provided by each Audit and Supervisory Committee member, directors who are not members of the Audit and Supervisory Committee, and the accounting auditor. By ensuring that all three Audit and Supervisory Committee members are outside directors, positive steps are being taken to secure the transparency of management and to ensure that a proper structure is in place to oversee and audit the Company as a whole. As of March 31, 2016, Audit and Supervisory Committee members did not hold shares in the Company. Accordingly, UNITED ARROWS LTD. is confident that there are no conflicts of interest from a personal, business, or any other perspective.

#### Executive Officer System

UNITED ARROWS LTD. adopted an executive officer system in July 2008. To allow the Board of Directors to concentrate on decision making with respect to important matters relating to business operations and to supervise and oversee the execution of business activities, executive officers are appointed to assume responsibility for the executive function. Substantial authority is delegated by the Board of Directors to allow executive officers to carry out their duties in a timely fashion. At the same time, steps are being taken to bolster the decision making and supervisory functions of the Board of Directors.

#### Nomination and Compensation Committee

UNITED ARROWS LTD. has established the Nomination and Compensation Committee. In order to reinforce the independence, objectivity, and accountability of the Board of Directors and to ensure the integrity of the nominating process and compensation paid, the Nomination and Compensation Committee is comprised of three independent outside directors and one representative director.

#### Outline of the Corporate Governance Framework

Organizational format	Company with an Audit and Supervisory Committee*1
Chairman of the Board of Directors	Representative Director, President and CEO
Directors (excluding directors who are Audit and Supervisory Committee members)	Four (none of whom are outside directors)
Directors who are Audit and Supervisory Committee members	Three (all of whom are outside directors)
Independent officers*2	Three outside directors
Average age	50.4 years
Number of Board of Directors’ meetings held during the fiscal year ended March 31, 2016	17
Number of Audit and Supervisory Board meetings held during the fiscal year ended March 31, 2016*1	14

\*1 UNITED ARROWS LTD. transitioned to a Company with an Audit and Supervisory Committee in accordance with a resolution at the Company’s 27th Ordinary General Meeting of Shareholders held on June 23, 2016.

\*2 Yukari Sakai, Gaku Ishiwata, and Hidehiko Nishikawa satisfy the qualifications for independent officers stipulated by Tokyo Stock Exchange, Inc. as well as the “Independence Determination Standards for Independent Officers” of the Company. Although the Company registered Yukari Sakai and Hidehiko Nishikawa as independent officers with the Tokyo Stock Exchange, Gaku Ishiwata has not been registered as such due to the internal regulations of the law firm to which he belongs.

Please refer to the Company’s Corporate Governance Policy (Japanese only) for details regarding its “Independence Determination Standards for Independent Officers.” [www.united-arrows.co.jp/corporate/governance.html](http://www.united-arrows.co.jp/corporate/governance.html)

#### Policy on Determining Directors’ Compensation

UNITED ARROWS LTD. has positioned the payment of compensation to directors as an incentive to help realize sustainable growth and increase corporate value over the medium to long term in accordance with its Company Policy. The compensation paid to executive directors is comprised of a basic fixed monthly component and a bonus that is linked to the Company’s performance over a single fiscal year period.

#### Basic Compensation

UNITED ARROWS LTD. has put in place a directors’ compensation table based on the position of each director. In putting together this table, the Company also took into consideration industry-wide compensation payment levels as well as the results of executive compensation surveys conducted by external research agencies. Recommendations for the payment of compensation are put forward within the range identified in the table based on the role and responsibilities of each director. In addition, the basic compensation paid to each director by the Company includes an own stock acquisition-type compensation system that entails contributions covering a portion of compensation payable to the stock ownership association. UNITED ARROWS LTD. has positioned this own stock acquisition-type compensation system as an incentive to help realize sustainable growth and increase corporate value over the medium to long term.

#### Bonuses

After putting forward a proposal for the total bonus amount to be paid, UNITED ARROWS LTD. advances an additional proposal for the allocation of bonuses to each executive director. The Company’s proposal for total bonuses paid is determined following a comprehensive evaluation of such management indicators as consolidated operating cash flow and ROE, in addition to the degree to which initial earnings forecasts in any given fiscal year were achieved, with a particular emphasis on consolidated ordinary income. The amount of bonus allocated and paid to each director is determined on the basis of each director’s managerial rank. It is set up this way so that a higher ranking on the director compensation table receives a higher bonus coefficient (the ratio of bonus paid to the total amount of basic compensation and bonus paid), with the objective of strengthening the commitment of directors to achieving business targets in any given fiscal year. In principle, bonuses are not paid if consolidated ordinary income falls below the initial forecast by a certain amount.

Bonuses are not paid to non-executive directors. Payments made to non-executive directors comprise a basic compensation payment only in line with the role and responsibilities of each non-executive director.

#### Procedure for Determining Individual Compensation

The procedure for determining the amount of compensation paid to individual directors who are not Audit and Supervisory Committee members is based on the aforementioned policy. Accordingly, each amount is determined based on a resolution of the Board of Directors and falls within an established range authorized by shareholders. As a part of the procedure for determining individual compensation, steps are also taken to obtain the advice of the Nomination and Compensation Committee.

The procedure for determining the amount of compensation paid to individual directors who are Audit and Supervisory Committee members is also based on the aforementioned policy. In this instance, each amount is determined based on a resolution of the Audit and Supervisory Committee and falls within an established range authorized by shareholders.

In addition to the preceding, the Nomination and Compensation Committee verifies the validity of the policies relating to and composition of directors’ compensation as well as the compensation table and associated computation rules. Among other activities, the Nomination and Compensation Committee also puts forward revised proposals.

### 3. Maintaining an Environment That Facilitates the Proper Taking of Risks

UNITED ARROWS LTD. continues to put in place an environment that enables the Company to properly take risks. In specific terms, we have established an internal control system as well as a risk management structure that allows us to make important decisions regarding a wide range of activities, including the expansion of business into new domains.

Total amount of compensation and other benefits paid to directors and Audit and Supervisory Board members for the fiscal year ended March 31, 2016

Officer category	Number of officers to whom compensation and other benefits were paid	Total amount of compensation and other benefits paid (millions of yen)	Total amount of compensation and other benefits paid by type of payment (millions of yen)			
			Basic compensation	Stock options	Bonus	Retirement benefit allowance
Directors (excluding outside directors)	4	151	151	—	—	—
Independent officers	5	36	36	—	—	—

## Corporate Governance

### Internal Control System

UNITED ARROWS LTD. has put in place an appropriate internal control system in an effort to ensure that directors and employees perform their duties in accordance with laws, regulations, and the Articles of Incorporation and that directors carry out their duties in an efficient manner and maintain risk management systems for the Group as a whole. Through its internal control system, the Company maintains a framework that enables all directors and employees to consistently carry out their duties with a strong sense of ambition and the desire to improve themselves in order for them to realize the Company Policy.

### Internal Whistleblower System

UNITED ARROWS LTD. has an internal whistleblower system whereby employees can anonymously contact an external organization if they discover suspect behavior from a compliance standpoint. Law offices and other external organizations serve as the contact point for the system and designate an individual who is responsible for the investigation depending on the particulars of each case and performs any necessary investigations. The whistleblower is treated anonymously to preclude any repercussions.

### (Reference) Enlightened Compliance

Along with the expansion of business scope in recent years, the number of brands handled and suppliers has been on the rise, leading to an increase in the frequency of inquiries made from each department to the General Affairs & Legal Department for advice about trademarks and other aspects of intellectual property law.

We have therefore been holding study sessions on topics of interest, including the Act against Unjustifiable Premiums and Misleading Representations, the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, Intellectual Property Law, and Product Liability Law. Moreover, the Customer Service Center and the Quality Control Department take the lead in efforts to reduce the number of defective products by providing feedback to upstream manufacturers about the opinions and complaints received concerning merchandise. Training is also given to staff responsible for products to enlighten them of the situation.

Sharing specific examples of how staff at the Customer Service Center interact with customers also helps improve awareness of quality issues that can arise.

### Risk Management

UNITED ARROWS LTD. has established the Risk Management and Compliance Committee, chaired by the President, as an organization that is charged with deliberating on the risks and important compliance issues faced by the Company and considers appropriate countermeasures based on information compiled on the status of activities of each division. The Risk Management and Compliance Committee conducts an annual risk survey targeting employees who are department managers or above with supervisory responsibilities, and survey results concerning risks deemed to be highly important are analyzed and then reflected in the formulation of next year's management policy (key initiatives/issues) as well as in the business and other risks sections of disclosed documents. In addition, the Risk and Compliance Committee regularly reports on its activities to the Audit and Supervisory Committee. Of note, the Company establishes an emergency headquarters to respond to a crisis situation by gathering and managing information.

## 4. Corporate Governance Policy Formulation and Corporate Governance Code Compliance

### Corporate Governance Policy Formulation

UNITED ARROWS LTD. formulated and disclosed the Corporate Governance Policy in November 2015 based on the Corporate Governance Code. The Corporate Governance Policy outlines policies on such matters as the Company's basic approach to corporate governance, measures for ensuring shareholder rights and equality, appropriate cooperation with stakeholders, and the corporate governance framework in order to improve the transparency of management and organizational operations.

The Company works to continuously enhance its corporate governance in a bid to improve both stakeholder and corporate value.

[www.united-arrows.co.jp/corporate/governance.html](http://www.united-arrows.co.jp/corporate/governance.html) (Japanese only)

### Corporate Governance Code Compliance

The status of the Company's compliance with each of the Corporate Governance Code's fundamental principles is as follows.

#### Fundamental Principle 1: Securing the Rights and Equal Treatment of Shareholders

The Company will take appropriate measures to fully secure shareholder rights, including the effective exercise of voting rights at shareholders' meetings.

To ensure that shareholders have sufficient time to review shareholder meeting agenda items, convocation notices are announced to the Tokyo Stock Exchange and on the official Company website four weeks prior as well as mailed out three weeks prior to the shareholders' meeting. In addition, an abridged English-language convocation notice is released to the Tokyo Stock Exchange and on the official Company website. The Company works to enhance constructive dialog with shareholders by avoiding holding shareholders' meetings on days when many other companies are also holding shareholders' meetings and by selecting times and venues that facilitate shareholder participation. The Company engages in optimal information disclosure aimed at ensuring that shareholders are treated equally by establishing an IR website for individual shareholders and investors, broadcasting videos of earnings results briefings, and promptly posting Q&A sessions related to earnings results briefings and the status of monthly sales.

#### Fundamental Principle 2: Ensuring Appropriate Cooperation with Stakeholders Other Than Shareholders

In its Company Policy, UNITED ARROWS LTD. has made a promise to society to create value for its customers, its employees, its business partners, society, and its shareholders. Moreover, the Company formulates and discloses a code of conduct that illustrates what types of attitudes and actions must be taken in order to realize the Company Policy.

The Company continuously revises this code of conduct to reflect social changes and needs as well as takes action based on this code with the aim of remaining an organization that contributes to society.

Furthermore, UNITED ARROWS LTD. maintains an internal whistleblower system whereby employees can anonymously contact an external organization if they discover suspect behavior from a compliance standpoint.

#### Fundamental Principle 3: Ensuring Appropriate Information Disclosure and Transparency

The Company aims to increase management transparency by proactively promoting IR activities, improve corporate management soundness by engaging in communications with shareholders and investors, and create shareholder value. The Company formulates and makes available its disclosure policy in order to enhance constructive dialog with shareholders and investors as well as information disclosure. This disclosure policy lists policies on timely disclosure prescribed in the Companies Act, the Financial Instruments and Exchange Act, and other legal regulations as well as policies intended to facilitate constructive dialog with shareholders and investors.

#### Fundamental Principle 4: Responsibilities of the Board of Directors

Established as an organization entrusted by shareholders to manage the Company, the Board of Directors undertakes management decisions always aimed at realizing the Company Policy and Our Promise—Our Five Core Values. The Board also sets the medium-to-long-term direction of the Company and is responsible for maintaining sustainable growth and improving corporate value by following this direction.

Based on the Board's roles and responsibilities listed above, the Company takes steps to strengthen Board of Director monitoring functions and accelerate decision making by utilizing and delegating appropriate authority to outside directors who are not involved in business execution. To this end, the Company has adopted an audit and other committee governance structure to serve as its corporate governance system. Limiting the number of directors not serving as corporate audit committee members to eight and the number of directors who do to six, it is the policy of the Company to maintain the minimum number of directors necessary to preserve the functions of the Board.

Furthermore, the Company has established the Nomination and Compensation Committee consisting mainly of independent outside directors to enhance the independence and objectivity of the Board of Directors' functions as well as accountability with regard to director nominations and compensation.

#### Fundamental Principle 5: Dialog with Shareholders

Recognizing that investor relations (IR) activities are an important management initiative, the Company has established regulations for IR activities overseen by the President. In addition, the director in charge of administration has been made responsible for IR in order to ensure enhanced IR activities and strict internal information control as well as maintain organic links between financial and capital measures. The President and the director in charge of IR attend earnings results briefings held quarterly to explain the medium-to-long-term direction of the Company and the progress of management policies and key initiatives for each fiscal year and to hold Q&A sessions.

The Company established an IR department under the direction of the director in charge of IR to enhance information disclosure as well as maintain systems to facilitate constructive dialog with shareholders and investors. In addition, the President and the director in charge of IR attend small meetings and individual interviews as needed in an effort to engage in constructive dialog with shareholders and investors. The Company aims to improve corporate value by providing feedback to management and throughout the Company about opinions, requests, and concerns received through IR activities based on the amount of information available.

## 5. Management Control System

### Clarification of Revenue Responsibility and Key Performance Indicator Management

The Company conducts the profit and loss management of all its directly operated stores on an individual basis and clarifies the revenue responsibility of each business. The latter is undertaken by controlling the actual profit and loss that each business (store brand) has built up against forecasts. The Company sets numerical targets for such key performance indicators (KPIs) as net sales, product sales rate, product ROI, and purchase rate; numerical targets are also set for divisions and stores as well as for employees to achieve the KPI targets. In addition, the Company undertakes progress management on a daily, weekly, monthly, seasonal, and annual basis against achievement status and other benchmarks. UNITED ARROWS LTD. is building a framework to achieve Companywide business targets by having individuals, stores, and divisions achieve their respective targets.

### Clarification of Investment Criteria, Store Closure Criteria

When making new investments in sales facilities or undertaking large-scale renovations with a view to beneficially utilizing the cash obtained as a result of its business activities, the Company calculates the return of investment fiscal year, which takes into account the capital cost set by the Company, the net present value (NPV) of expected net cash flows, and the internal rate of return (IRR). The Company makes its investment decisions on the condition that Company-set hurdle rates are exceeded.

In cases where it is expected to be impossible for a new business to turn a single fiscal year profit in three years and cover all accumulated losses in five years, Companywide backup is provided toward an improvement in profitability. Should there be no possibility of an improvement, an assessment is made regarding withdrawal from that business. The Company has worked to improve its profitability by withdrawing 10 underperforming brands out of the 22 brands deployed over a four-year period that began from the fiscal year ended March 31, 2008.

## 6. Investor Relations

### Proactive Approach to Investor Relations

Since its founding, UNITED ARROWS LTD. has aimed to be a publicly held company that is open to society. Since the time of its initial public offering to today, the Company has proactively engaged in investor relations activities for shareholders and investors inside and outside of Japan. UNITED ARROWS LTD. holds earnings announcement meetings every quarter for analysts and institutional investors, holds an average of 300 or so separate investor meetings each year for investors in Japan and overseas, arranges around 10 small meetings with the President, and gives tours of its facilities.

UNITED ARROWS LTD. makes concerted efforts to ensure management transparency by setting a disclosure policy and maintaining a framework for the timely disclosure of information.

Disclosure Policy  
[www.united-arrows.co.jp/en/ir/strategy/disclosure.html](http://www.united-arrows.co.jp/en/ir/strategy/disclosure.html)

Open-Ended Shareholders' Meetings

UNITED ARROWS LTD. strives to send out convocation notices as quickly as possible for the purpose of having livelier shareholders' meetings. For the 27th Ordinary General Meeting of Shareholders, held on June 23, 2016, convocation notices were mailed on June 1, approximately three weeks before the meeting was held. Moreover, a convocation notice was posted on the Company's IR and the Tokyo Stock Exchange websites approximately four weeks prior to the meeting with the aim of making this information available as early as possible.

The times and dates of shareholders' meetings are purposely set to avoid coinciding with days that have a concentration of other meetings and held during the evening hours on weekdays to be more accessible to individual shareholders. Social gatherings are also organized to facilitate interaction between shareholders and the Company's directors as a part of efforts to hold open-ended shareholders' meetings. This year's meeting was attended by 407 people and lasted 65 minutes, and six individuals asked a total of seven questions.

External Appraisal of Our Investor Relations Activities

To fulfill one of its promises to create value for shareholders, one aspect of its Company Policy structure, UNITED ARROWS LTD. has established an information disclosure policy of constantly and freely providing information in a fair and timely fashion. As a result of proactively engaging in investment relations activities as a leading aspect of its management approach based on this policy, the Company has received various commendations from external evaluation agencies.

Going forward, the Company will work to continuously evolve and improve its investor relations activities to realize the Company Policy while receiving the enduring trust of capital markets.

- 2002 Awarded the IR Grand Prix Award by the Japan Investor Relations Association (JIRA)
- 2003 Awarded the Best IR Award by the Japan Investor Relations Association (JIRA)
- 2005 Awarded the Best IR Award by the Japan Investor Relations Association (JIRA)
- Awarded the Nikkei Annual Report Special Award for its abridged version
- 2012 Awarded the Tokyo Stock Exchange's Corporate Value Improvement Award, Grand Prize
- Awarded the Porter Prize, Hitotsubashi University's Graduate School of International Corporate Strategy (ICS)
- 2013 Awarded the Nikkei Annual Report Special Award for its abridged version
- Awarded the IR Special Award by the Japan Investor Relations Association (JIRA)
- 2014 Awarded the IR Grand Prix Award by the Japan Investor Relations Association (JIRA)



Awards ceremony for the Tokyo Stock Exchange's Corporate Value Improvement Award (2012)

7. Measures to Prevent a Hostile Takeover

UNITED ARROWS LTD. has adopted measures to prevent hostile takeovers for the dual purpose of protecting and enhancing corporate value as well as returns to shareholders. Under the plan adopted, entities seeking to acquire 20% or more of the Company's issued and outstanding stock are required to provide certain information in advance and to follow a defined set of prerequisite procedures to ensure the protection outlined above. After completing all appropriate and necessary steps, the entity seeking to acquire the Company's shares may proceed only when the Company's Board of Directors decides not to invoke the plan. To avoid the possibility of an arbitrary decision by the Board of Directors to put in place counter-measures to prevent an entity from acquiring the Company's shares, the Independent Committee, comprised solely of outside Audit and Supervisory Committee members and other independent parties, is established to examine the decision from an objective perspective.

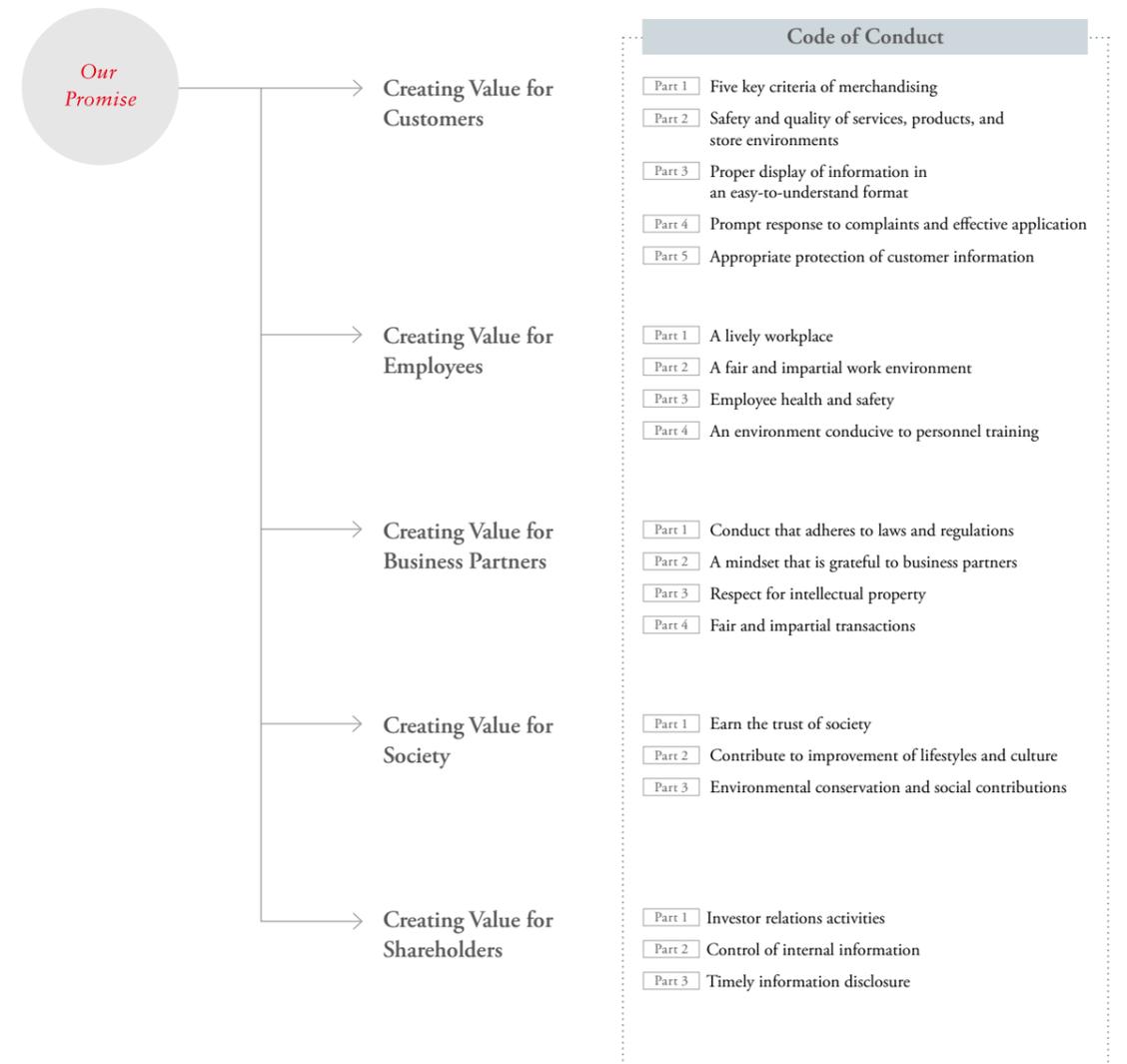
The purpose and role of the Independent Committee is not to impair profits attributable to shareholders or to protect the status and standing of directors. Its sole function is to ensure the fairness and integrity of decisions and by extension to protect the Company's corporate value and returns to shareholders.

Our Promise—Our Five Core Values

The UNITED ARROWS Group will create value for five distinct stakeholders: customers, employees, business partners, society, and shareholders. Of these five core values, creating value for customers is our principal priority. This reflects our understanding that the ability to create employee, business partner, social, and shareholder value rests entirely on creating customer value.

The Five Core Values we will continue to create

Our Promise  
Our Five Core Values



→ Our CSR website  
www.united-arrows.co.jp/csr/ (Japanese only)

Number of Customer Service Center inquiries  
fiscal year ended March 31, 2016

21,252  
inquiries

Ratio of full-time employees  
as of March 31, 2016

91.3%

Ratio of women in managerial positions  
(Store manager and above;  
employees who oversee the work of subordinates)  
as of March 31, 2016

35.7%

Number of business partners that participated in  
quality control (QC) meetings  
fiscal year ended March 31, 2016

67 companies

Total donations for  
“MOVING ON TOGETHER!”  
cumulative total as of March 31, 2016

Approximately  
¥350 million

Number of investor meetings held for the year  
fiscal year ended March 31, 2016

Approximately  
300 times

The aforementioned data is presented on a non-consolidated basis.

### Creating Value for Customers

We think of our customers as the people who express an interest in our stores. We strive to build trust in our relationships with customers by providing them with services that are both satisfying and moving, while seeking out mindfulness and aesthetics in our service, products, and store environments, the three key sources of satisfaction for customers.

Generating a maximum level of value for customers through in-store sales activities that fully satisfy the customer, UNITED ARROWS LTD. aims to further increase value for customers by leveraging customer feedback received at its stores and the Customer Service Center.

The Customer Service Center serves as a point of customer contact and undertakes measures to improve the overall quality of our products and services. As a company with the basic stance to bring pleasure to its customers, kind words of appreciation toward our customer service and products are a source of the utmost joy. Over the course of the year, the number of “thank you note” entries, an initiative through which the Company shares letters of appreciation from customers with all of its employees, totaled 798.

In contrast, we received 3,283 customer opinions and complaints for the fiscal year under review. We view comments of dissatisfaction as important warning signs from customers. In addition to addressing each comment in a timely and sincere manner, we undertake an analysis of the nature of the complaint by business, store, and type on a weekly, monthly, and yearly basis. After clarifying the issue and root of the problem, we move quickly and sincerely to improve the quality of our products and customer service and put in place preventive measures.



Consultative sales at stores

### Creating Value for Employees

We offer growth opportunities to employees, who strive to attain our shared policy, and aim to put in place a workplace where they can realize their full potential. UNITED ARROWS LTD. strives to be a company that pays its employees generously in accordance with their performance and a company that brings happiness and fulfillment to all of its employees as they discover their true selves through work.

Steps have been taken to change the status of all part-time employees seeking to take up a permanent position since 2007. Although personnel expenses rose as a result, we believe the move to permanent employees will reduce turnover and improve work motivation over the longer term, leading to higher employee satisfaction and ultimately more satisfaction for our customers.

The Company works to create a working environment that is equal and fair regardless of age, gender, nationality, and religion. UNITED ARROWS LTD. was selected as a “Nadeshiko Brand” by the Tokyo Stock Exchange for a second straight year in recognition of its measures as an outstanding company to support women’s career development and work-family balance as well as maintain its financial standing. As of March 31, 2016, the ratio of women in management positions was 35.7%, while the ratio of women returning to work after taking childcare leave has exceeded 95% in recent years owing to our efforts to maintain an environment conducive for women to continue working over the long term. Looking ahead, we will continue improving our systems and corporate culture to enable women and all other employees to display their talents to an even greater extent.



An employee excelling back at work after giving birth and caring for her child

### Creating Value for Business Partners

To us, our suppliers are irreplaceable business partners. Aligning our ambitions with our business partners, we aim to grow alongside each other without forgetting for even a moment the gratitude we feel when selling, buying, and collaborating with them.

The production management department takes the lead in overseeing the Company’s private label brand clothing. As a part of its activities, the department regularly holds quality control (QC) meetings in Tokyo and Shanghai for major business partners, including production factories in Japan and overseas, inspection centers, and trading companies, and takes steps to improve product quality. Particular emphasis is placed on sharing information and exchanging ideas and opinions on such matters as the status of progress toward solving problems that must be addressed in an effort to help continue to provide safe and reliable products to customers. QC meetings are a forum to push forward a number of initiatives and allow us to present details of commonly occurring product defects together with preventive countermeasures.

In Vietnam, where the percentage of private label brands being produced is rising, we hold QC meetings to improve product quality and convened for the first time a study session in May 2016 aimed at improving the level of our clothing lines in terms of wearing comfort and silhouette beauty. During the study session, we proposed bringing samples produced by the UNITED ARROWS Group’s business atelier and sewing points in an effort to help improve the technical capabilities of business partners. Looking ahead, we will deepen cooperation with business partners while working together to increase product value.



A study session held in Vietnam to improve the quality of products

### Creating Value for Society

UNITED ARROWS LTD. believes it can create value for society through the ongoing creation of globally recognizable value by setting new standards for Japanese lifestyle. Through this process, we contribute to the development of society and build on our relationship of trust with society by strictly adhering to laws and regulations and working to conserve the environment.

We extended our support activities to areas in Kyushu affected by the Kumamoto earthquake in 2016 through the “MOVING ON TOGETHER!” Charity Project, which was launched to provide reconstruction assistance following the Great East Japan Earthquake.

In the fiscal year ending in March 31, 2017, a portion of proceeds provided by product sales and charity events will be donated to the Central Community Chest of Japan’s Disaster Relief Volunteer & NPO Support Fund and other groups to provide relief assistance for those affected by the Great East Japan Earthquake and the Kumamoto earthquake. These monetary donations will be used to support mutual assistance activities being provided by citizens groups in disaster-affected regions.

As a means of providing reconstruction assistance to those affected by the Great East Japan Earthquake, REDUCE SHOPPING BAG ACTION is an initiative that involves donating to the public organization “more trees” ¥10 saved each time customers do not accept bags for their in-store purchases. These monetary donations are used for “LIFE311,” a project that provides assistance in the form of wooden temporary housing in Sumita Town, Iwate Prefecture. In an effort to make our customers aware of these support activities, which are now in their fifth year, we report from local areas and showcase these activities on the Company’s website.

With a focus on those attributes that the Company holds most dear, “great service, great products, and great environment”  
taisetsu.united-arrows.co.jp/1304/ (Japanese only)



Activities undertaken by “more trees” and “LIFE311” in Iwate Prefecture’s Kesen District

### Creating Value for Shareholders

Our shareholders are the Company’s investors—its owners. They entrust the management and daily operations of the Company to its directors and employees. It is our responsibility to manage and run the Company in a way that expands profits and to communicate the Company’s state of affairs in a timely and appropriate fashion to our shareholders.

UNITED ARROWS LTD. has proactively undertaken investor relations activities as a leading aspect of its management approach since opening its shares to the public in order to realize one of its five core values, “creating value for shareholders.” The Company emphasizes the ongoing evolution and improvement of its investor relations activities based on the opinions of shareholders and investors as well as the direction of investor relations trends illustrated in Japan’s Corporate Governance Code. In recent years, we have been working to eliminate information gaps by providing useful information to individual shareholders along with institutional investors from which we do not receive direct inquiries. We list on the Company investor relations website earnings results briefing materials (featuring scenario analysis) immediately after results announcements along with Q&A transcripts and briefing videos soon after results briefings are held. We work to improve communications with shareholders based on the results of shareholder questionnaires. UNITED ARROWS LTD. annual reports serve as a tool to deepen understanding of the Company’s approach to and strategies for medium-to-long-term growth as well as initiatives to improve corporate governance and raise corporate value.



Annual Report, Shareholders’ Report

# Eleven-Year Summary

UNITED ARROWS LTD. and consolidated subsidiaries

fiscal year ended March 31	millions of yen										thousands of U.S. dollars	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016
Net sales / YOY (%)	53,813 / —	60,959 / 113.3	72,221 / 118.5	79,665 / 110.3	83,504 / 104.8	90,571 / 108.5	102,052 / 112.7	115,041 / 112.7	128,489 / 111.7	131,029 / 102.0	140,919 / 107.5	1,239,611
Gross profit / Composition ratio (%)	29,018 / 53.9	33,072 / 54.3	36,891 / 51.1	40,647 / 51.0	42,865 / 51.3	48,001 / 53.0	55,661 / 54.5	62,619 / 54.4	68,492 / 53.3	68,046 / 51.9	71,573 / 50.8	629,605
Selling, general and administrative expenses / Composition ratio (%)	21,355 / 39.7	25,721 / 42.2	31,960 / 44.3	36,327 / 45.6	37,922 / 45.4	40,617 / 44.8	45,468 / 44.6	50,056 / 43.5	54,842 / 42.7	56,695 / 43.3	60,501 / 42.9	532,209
Operating income / Composition ratio (%)	7,663 / 14.2	7,350 / 12.1	4,930 / 6.8	4,319 / 5.4	4,942 / 5.9	7,384 / 8.2	10,193 / 10.0	12,562 / 10.9	13,649 / 10.6	11,351 / 8.7	11,071 / 7.9	97,395
Ordinary income / Composition ratio (%)	7,639 / 14.2	7,337 / 12.0	5,017 / 6.9	4,283 / 5.4	5,037 / 6.0	7,240 / 8.0	10,272 / 10.1	12,582 / 10.9	13,739 / 10.7	11,542 / 8.8	11,175 / 7.9	98,310
Net income attributable to owners of parent / Composition ratio (%)	4,076 / 7.6	3,511 / 5.8	3,800 / 5.2	1,274 / 1.6	1,403 / 1.7	3,596 / 4.0	5,016 / 4.9	7,316 / 6.4	7,920 / 6.2	6,332 / 4.8	6,494 / 4.6	57,128
Total assets / Turnover (times)	35,334 / 1.5	38,132 / 1.6	43,362 / 1.7	46,821 / 1.7	46,163 / 1.8	45,716 / 2.0	51,278 / 2.0	54,395 / 2.1	59,296 / 2.2	62,020 / 2.1	63,877 / 2.2	561,909
Total net assets	14,565	17,635	22,711	23,004	23,327	15,103	19,291	25,403	31,532	31,186	33,760	296,976
Inventory / Turnover (times) <sup>1</sup>	10,959 / 5.1	14,258 / 4.8	17,043 / 4.6	18,681 / 4.5	16,903 / 4.7	15,867 / 5.5	15,753 / 6.5	17,480 / 6.9	20,372 / 6.8	23,474 / 6.0	23,966 / 5.9	210,820
Interest-bearing debt	10,183	8,246	7,416	11,899	7,748	16,132	10,114	7,773	5,081	10,500	6,146	54,064
Cash flows from operating activities	6,596	1,801	456	1,286	7,933	6,923	12,081	5,238	6,828	4,730	11,689	102,826
Cash flows from investing activities	(3,423)	(4,198)	(946)	(4,373)	(1,992)	(2,069)	(2,711)	(3,528)	(3,072)	(3,249)	(3,351)	(29,483)
Cash flows from financing activities	648	(2,281)	493	3,434	(5,202)	(3,443)	(6,875)	(3,533)	(4,472)	(1,328)	(8,139)	(71,599)
Cash and cash equivalents	7,650	2,971	2,975	3,322	4,061	5,471	7,966	6,142	5,429	5,585	5,799	51,015
Capital expenditures <sup>2</sup>	1,250	2,389	2,954	3,604	1,415	4,254	2,576	2,809	3,419	2,453	3,479	30,608
Depreciation	557	642	883	1,258	1,209	1,363	1,416	1,518	1,711	1,801	1,794	15,781
Return on investment (ROI) (%) <sup>3</sup>	31.0	30.5	18.4	12.6	16.8	20.9	38.1	42.1	41.1	27.7	29.0	
Equity ratio (%)	41.2	46.2	52.4	49.1	50.5	33.0	37.6	46.7	53.2	50.3	52.8	
Debt equity ratio (%) <sup>4</sup>	142.6	116.2	90.9	103.5	97.9	202.7	165.8	114.1	88.0	98.9	89.2	
Return on equity (ROE) (%)	28.0	21.8	18.8	5.6	6.1	18.7	29.2	32.7	27.8	20.2	20.0	
Return on assets (ROA) (%)	21.6	20.0	12.3	9.5	10.8	15.8	21.2	23.8	24.2	19.0	17.8	
Dividend payout ratio (%)	10.9	11.8	27.6	82.8	84.2	29.9	22.7	23.0	26.9	39.1	36.3	
Dividends per share (DPS) (yen / dollar)	20.00	10.00	25.00	25.00	28.00	29.00	36.00	53.00	67.00	78.00	78.00	0.69
Earnings per share (EPS) (yen / dollar)	183.99	84.98	90.59	30.19	33.26	97.02	158.74	230.80	248.80	199.53	214.87	1.89
Book value per share (BPS) (yen / dollar)	702.65	426.33	538.09	545.02	552.68	478.39	609.66	799.65	990.22	1,019.68	1,117.23	9.83
Number of stores	97	124	150	183	196	207	237	271	315	334	357	
Number of employees	901	1,166	2,361	2,781	2,783	2,792	3,033	3,309	3,652	3,863	4,237	

<sup>1</sup> Figures are shown in terms of millions of yen with amounts less than this unit omitted. For convenience only, U.S. dollar figures have been calculated at the rate of exchange on March 31, 2016, of ¥113.68 = U.S.\$1.

<sup>2</sup> The Company's accounts were presented on a consolidated basis from the fiscal year ended March 31, 2006.

<sup>3</sup> In April 2006, a 1:2 stock split was conducted.

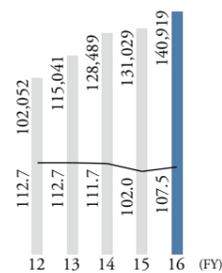
<sup>4</sup> Inventory turnover = Net sales ÷ Inventory (yearly average)

<sup>5</sup> In the year ended March 31, 2011, Capital expenditures includes change in asset retirement obligations fee of ¥1,619 million due to application of a new accounting standard regarding asset retirement obligations.

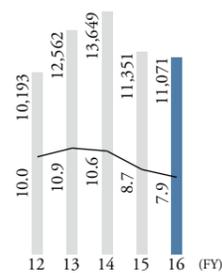
<sup>6</sup> Return on investment = (Ordinary income + Interest expenses) ÷ (Interest-bearing debt + Shareholders' equity (yearly average)) × 100

<sup>7</sup> Debt equity ratio = (Current liabilities + Noncurrent liabilities) ÷ Shareholders' equity × 100

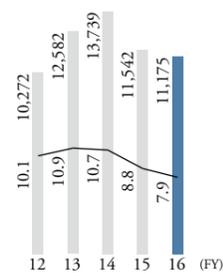
Net sales / YOY  
millions of yen / %



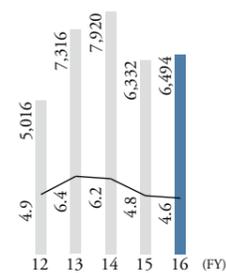
Operating income / Composition ratio  
millions of yen / %



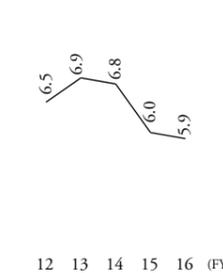
Ordinary income / Composition ratio  
millions of yen / %



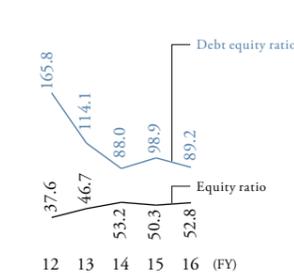
Net income attributable to owners of parent / Composition ratio  
millions of yen / %



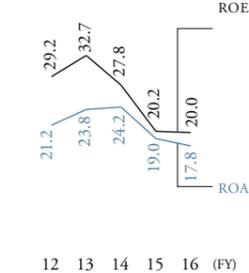
Inventory turnover<sup>1</sup>  
times



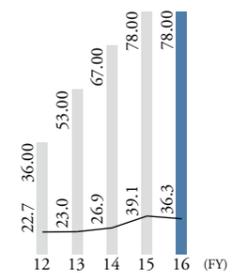
Equity ratio / Debt equity ratio<sup>4</sup>  
%



ROE / ROA  
%



DPS / Dividend payout ratio  
yen / %



# Corporate Data

as of March 31, 2016

## Corporate profile

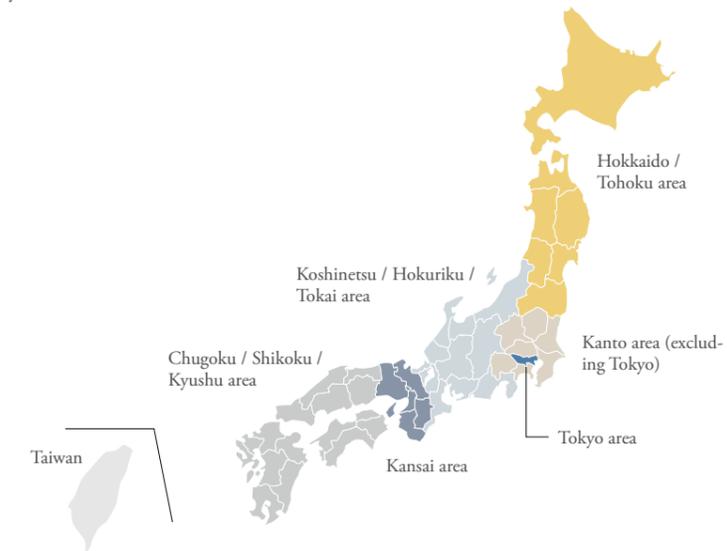
Trade name	UNITED ARROWS LTD.
Address	2-31-12 Jingumae, Shibuya-ku, Tokyo, Japan
Date of establishment	October 2, 1989
Paid-in capital	¥3,030 million
Business description	Planning and sales of products such as men's and women's clothing and miscellaneous items
Number of stores	357 (consolidated)
Main banks	1. The Bank of Tokyo-Mitsubishi UFJ, Ltd. 2. SUMITOMO MITSUI BANKING CORPORATION 3. Mizuho Bank, Ltd.
Accounting auditors	Deloitte Touche Tohmatsu LLC
Number of employees	4,237 (consolidated)
Consolidated subsidiaries	FIGO CO., LTD. COEN CO., LTD. UNITED ARROWS TAIWAN LTD. Designs & Co.

**Establishment of Consolidated Subsidiary Designs & Co.**  
The Company has established a consolidated subsidiary, Designs & Co. Launched as a highly original women's brand that pursues quality rather than quantity, the brand is targeting new value proposals at customers who are dissatisfied with the quality products that are already on the market.  
Having been director and designer at the Company's DRAWER business since its establishment, Misako Yoshitake has been appointed to fulfill the roles of both creative director and chief designer. The plan is for the opening of one store in the 2016 fall/winter season.

<b>Company Information</b>	
Name of the company	Designs & Co.
Representatives	Chairman and Representative Director Mitsuhiro Takeda Representative Director, President and CEO, UNITED ARROWS LTD. President and Representative Director Kazuyasu Tanaka Executive Officer, UNITED ARROWS LTD.
Capital	¥100 million

## Store network by retail area

as of March 31, 2016

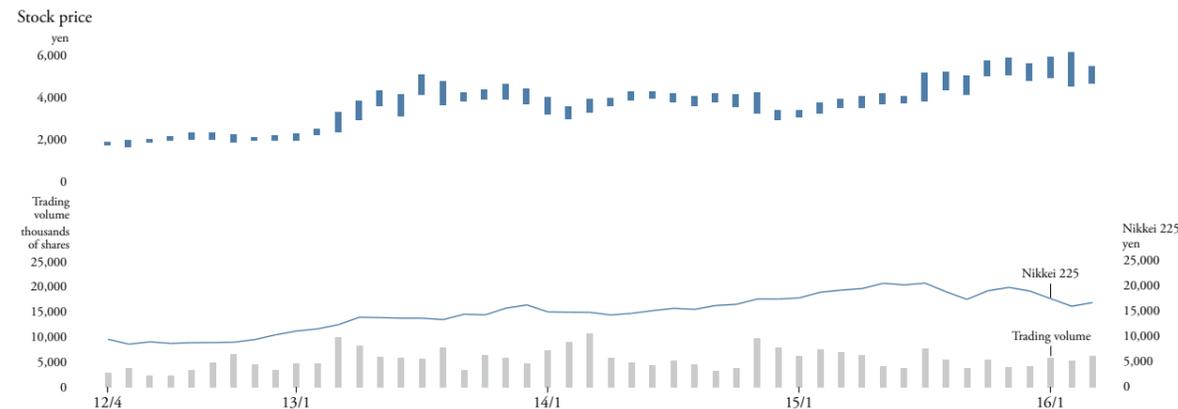
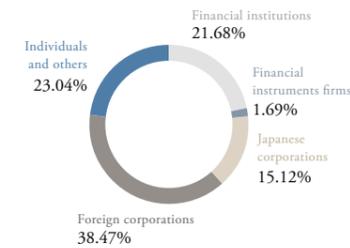


## Stock information

Stock listing	Tokyo Stock Exchange, First Section
Securities code	7606
Number of authorized shares	190,800,000
Number of common shares issued	30,213,676
Number of shareholders	9,219

<b>Major shareholders</b>		
Name	Number of shares	Percent of total shares issued
Osamu Shigematsu	2,498,400	8.26
A.D.S Co., Ltd.	2,000,000	6.61
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,328,000	4.39
Japan Trustee Services Bank, Ltd. (Trust Account)	1,250,800	4.13
Rinzaw Co., Ltd.	1,148,400	3.80
Hirofumi Kurino	1,133,000	3.74
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS		
Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)	997,100	3.30
STATE STREET BANK AND TRUST COMPANY 505225		
Standing proxy: Mizuho Bank, Ltd., Settlement division	958,998	3.17
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION		
Standing proxy: Mizuho Bank, Ltd., Settlement division	578,700	1.91
BBH FOR MATTHEWS JAPAN FUND		
Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Settlement division	569,900	1.88

## Shareholder composition (by number of shareholders)



	Hokkaido / Tohoku area	Kanto area (excluding Tokyo)	Tokyo area	Koshinetsu / Hokuriku / Tokai area	Kansai area	Chugoku / Shikoku / Kyushu area	Taiwan	Total
UNITED ARROWS General Merchandise Store	1	1	5	1	0	1	0	9
UNITED ARROWS	3	3	10	1	8	3	1	29
BEAUTY&YOUTH UNITED ARROWS	2	9	18	3	8	9	1	50
UNITED ARROWS green label relaxing	2	20	19	8	10	10	0	69
CHROME HEARTS	0	0	4	1	3	2	0	10
SBU	3	10	36	5	9	6	0	69
OUTLET	2	8	2	5	3	3	1	24
Felisi	0	1	6	2	3	2	0	14
ASPESI	0	0	0	1	1	2	0	4
coen	3	27	9	10	16	14	0	79
<b>Total</b>	<b>16</b>	<b>79</b>	<b>109</b>	<b>37</b>	<b>61</b>	<b>52</b>	<b>3</b>	<b>357</b>
Composition ratio of stores (consolidated)	4.5%	22.1%	30.5%	10.4%	17.1%	14.6%	0.8%	100.0%

\* THE SOVEREIGN HOUSE, District UNITED ARROWS, and BOW & ARROWS are included in the UNITED ARROWS business.  
\* monkey time BEAUTY&YOUTH UNITED ARROWS, STEVEN ALAN and ROKU BEAUTY&YOUTH are included in BEAUTY&YOUTH UNITED ARROWS.  
\* As COEN CO., LTD. and UNITED ARROWS TAIWAN LTD. settle their accounts on January 31, the figures displayed are as of January 31, 2016.

About other IR tools and the Company's website

**Investor Relations website**  
[www.united-arrows.co.jp/en/ir/](http://www.united-arrows.co.jp/en/ir/)

UNITED ARROWS LTD. posts a host of information on its website. Information includes an overview of the Company, its management policy, its business model, its financial results, frequently asked questions, and useful terminology. Users of our website can also access a video of the Company's results briefing to analysts and institutional investors (Japanese only).

**CSR website**  
[www.united-arrows.co.jp/csr/](http://www.united-arrows.co.jp/csr/) (Japanese only)

Through its CSR website, UNITED ARROWS LTD. introduces details of its Policy Structure focusing on its promise to create value for customers, employees, business partners, society, and shareholders.

**Store List website**  
[www.united-arrows.co.jp/en/shop/](http://www.united-arrows.co.jp/en/shop/)

**Individual business brand websites**  
[www.united-arrows.co.jp/brand/](http://www.united-arrows.co.jp/brand/) (Japanese only)

In addition to an overview of each business and a list of stores, individual business brand websites introduce the latest products.

Contact us

Investor Relations Office Tel: +81-3-5785-6637 Fax: +81-3-5785-6638