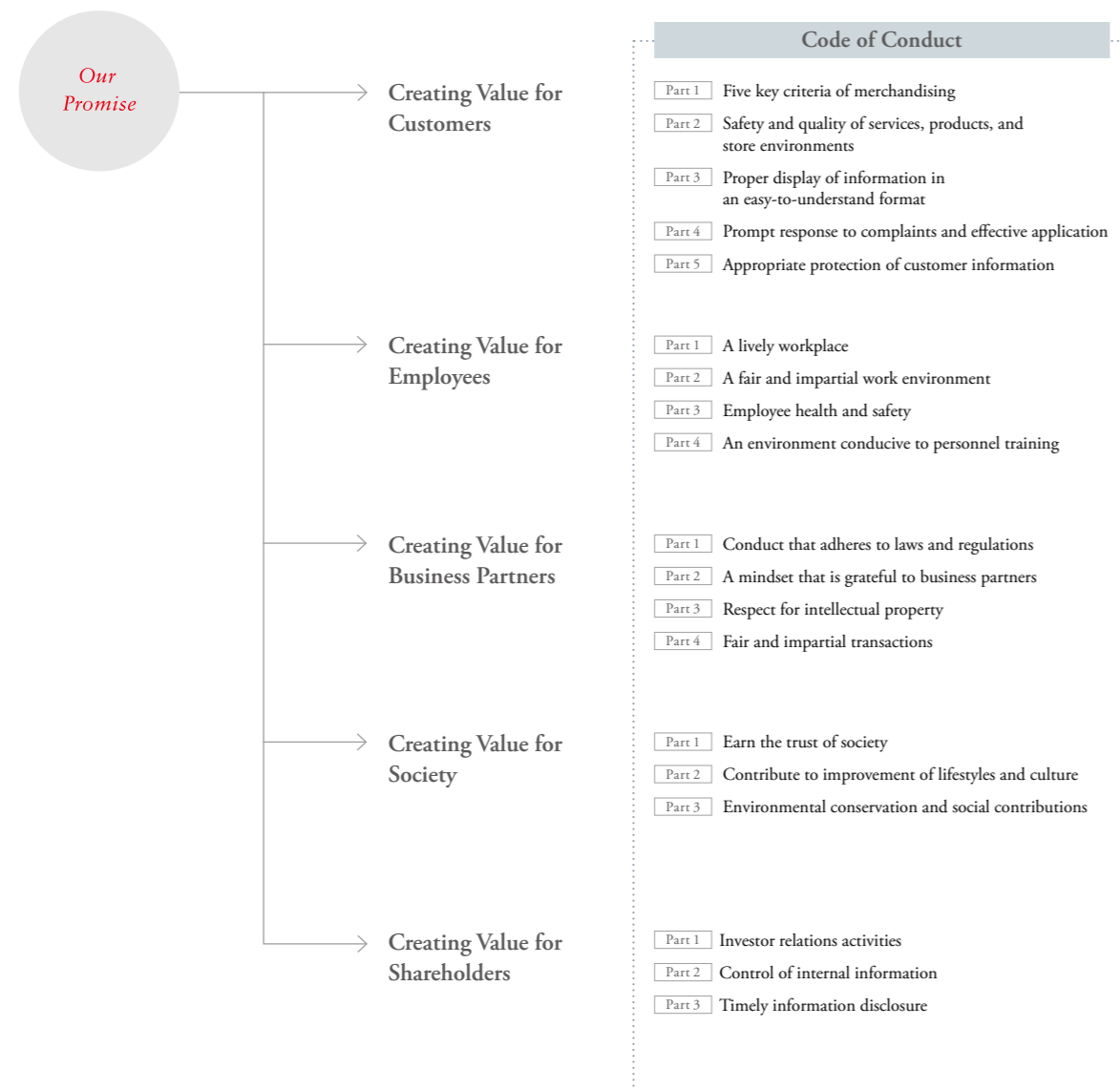


Our Promise—Our Five Core Values

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)

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.

Customer Feedback

Customer Service Center Initiatives

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.

Since its establishment in 2005, the Customer Service Center has served as a point of contact for customers and through this role works to improve the quality of services provided throughout the Company. Analysis of customer feedback collected on a weekly, monthly, and yearly basis has helped solve various customer service-related issues. The Customer Service Center responded to around 34,000 telephone and email inquiries in the fiscal year ended March 31, 2017. In addition, when the same inquiries are received repeatedly, we post our replies as needed on the Company's "frequently asked questions" (Japanese only) web page, which is part of our efforts to find innovative ways whenever possible to avoid keeping customers waiting for answers. As part of customer service-related investigations solely at our stores performed to date by members of external organizations disguised as customers, the Customer Service Center has started from the fiscal year ended March 31, 2017 undertaking communication-oriented measures to identify issues related to telephone responses focusing on customer impressions and specific details. Such issues have been alleviated through role play and other approaches. In recent years, many people are disseminating information via SNS. Recognizing that a wide array of information on the Company is being disseminated mainly via SNS, steps are being taken to direct customers to the Customer Service Center based on information that has been identified in order to enhance customer value.

Thank You Notes and Rapidly Addressing Complaints

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. We share throughout the Company "thank you notes" received from customers expressing their appreciation, which has helped further boost customer satisfaction. During the fiscal year ended March 31, 2017, we received 911 "thank you notes."

In contrast, we received 4,413 customer opinions and complaints during the fiscal year under review. We view comments of dissatisfaction as important warning signs from customers, addressing each comment in a timely and sincere manner.

In the fiscal year ended March 31, 2017, there were year-on-year increases in inquiries, thank you notes, customer opinions, and complaints received by the Customer Service Center. These rises mainly reflect customer telephone calls to stores going unanswered

due to staff dealing with in-store customers, customers calling the Customer Service Center's toll-free line for information, and inquiries about the House Card renewal in August 2016. Customer feedback is shared throughout the Company, while issues and problems are clarified by analyzing them by business, store, and type. These efforts help improve product quality and customer service while preventing such issues from reoccurring.

	2015	2016	2017
Number of Customer Service Center inquiries	approx. 20,000	approx. 20,000	approx. 34,000
Thank you notes	824	798	911
Customer opinions and complaints	3,207	3,283	4,413

Product Safety Initiatives

The Company handles both private label brand products along with purchased brand products procured in Japan and overseas. We undertake production control initiatives in cooperation with our business partners in order to ensure that items sold to customers do not contain banned or regulated chemical substances.

One such chemical substance is specified aromatic amine, which has been already regulated overseas as well as in Japan in April 2016 as a preventive measure due to it being a suspected carcinogenic. We receive documentation from our business partners confirming that this substance is not used in our products, oversee on a weekly basis the progress of collecting this documentation by private label brand and purchased brands and by each business, and share this information with top executives and each relevant division. We are working to ensure that this substance is not contained especially in our private label brand items by receiving certificates of non-use from each fabric maker and individual upstream dyeing factories. As of June 2017, we have collected 100% of certificates of non-use for private label brands and nearly 100% for purchased brands.

In addition, we adhere to regulations on harmful substances included in household goods as a precaution when manufacturing items for infants (up to 24 months after birth) and ensure that infant items are safe. To this end, we strictly prevent the use of formaldehyde (which is particularly harmful to infants) in factories, raw materials, and products through inspections conducted by third-party organizations. For products containing buttons and other accessories, we have established usage standards for items expected to be worn by infants and conduct inspections of such items based on detachable testing of all pieces worn, carefully checking that there are no protrusions and easily removable pieces.

We will continue to pursue these measures to ensure that all UNITED ARROWS LTD. products are safe and comfortable for customers to use.

Our Promise—Our Five Core Values

Privacy Policy

Complying with the Act on the Protection of Personal Information, the Company formulated a basic approach toward the protection of personal information and Privacy Policy, which must be adhered to. We not only disseminate the Privacy Policy internally, but also take steps to make it available to the public. Adhering to internal rules on personal information protection and formulating in-house personal information handling guidelines to ensure effective procedures in this area, we are building, evaluating, and revamping our personal information management systems.

Aiming to enhance its corporate and brand images while engaging in marketing activities, the Company encourages employees to make use of social media. However, we fully explain to employees

when initially hired via guidelines on maintaining multiple SNS accounts that they must take steps to prevent inadvertently disclosing private customer information when using social media and be mindful about making sure their posts do not disclose private Company information or damage its corporate/brand image.

We have formulated an information security policy consisting of information security regulations and implementation procedures for customer and other important information, which we strictly control. Based on this information security policy, we have established highly secure IT systems and an information security framework that includes thorough risk management in order to prevent unauthorized access and information leaks, ascertaining and managing the status of the security compliance on a daily basis.

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.

Initiatives Geared toward Improvement of Employee Satisfaction Levels

We believe that the ability, possessed by our sales staff, to effectively communicate with customers, and the ability to respond to changing consumer demand for products, are essential strengths that are indispensable for the sustainable growth of a company. For this reason, we are actively working to create workplaces of the kind that improve the motivation of the employees and where they can sense that they are doing work that is worthwhile.

In Principle, Our Employees Hold Permanent Positions

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.

UNITED ARROWS University / Sales Masters / UNITED ARROWS Grand Prix

To improve the customer service and communication skills of its sales staff, the Company is working to enhance the training and education programs at which the skills of excellent employees are shared.

Open to all Company employees, the UNITED ARROWS University is a training initiative for the education of the Company as a whole. In the fiscal year under review, a total of 2,686 employees attended training conducted over an aggregate period of 170 days. Training included a total of 20 themes including “the ES system,” which supports the creation of a framework that nurtures people at frontline stores, “Strengthening the Level of Management,” to increase the motivation of subordinates, and “Initial Education Enrichment,”

which aims to improve the standard of employees within three years of having joined the Company. In overall terms, the goal is to realize the Human Resources Policy stated as part of the Company’s Policy Structure.



The UNITED ARROWS University training sessions target all employees.

Sales Master is a title bestowed on excellent sales specialists. On the basis of their personal attributes and charm, we accredit those who well satisfy the balance between both qualitative aspects, such as having the backing of multiple customers, and quantitative aspects, including sales performance. The term of office of a Sales Master is two years, during which time he or she receives preferential treatment in terms of remuneration aspects and is required to continue to set the standard in terms of behavior for other sales staff. We established a four-level (platinum, gold, silver, and bronze) system in April 2016 and revised the system to be recognized as a career path target for sales staff. As of March 2017, there were 40 people displaying their full potential as Sales Masters.

Held once a year, the UNITED ARROWS Grand Prix is a customer service contest in a role-playing format. Sales staff who have won through preliminary competitions increase their loyalty to the brands to which they have been assigned by pitting their high customer service skills against each other and sharing in the

excitement and inspiration. The Company places an emphasis on the sales frontline, which above all else generates customer satisfaction, and with these award systems presents opportunities to widely recognize and evaluate within the Company the value of the customer service conducted by its outstanding sales staff.



The UNITED ARROWS Grand Prix is a customer service contest held once a year.

Creating Workplaces that Facilitate Work Efforts to Improve Employee Retention Rate and Career Improvement Support

The Company carries out an “employee awareness survey” once a year for all employees, including part-time staff. We collect and analyze employee feedback relating to the working environment and the systems under which the employees work, including how worthwhile they believe their tasks to be, their sense of achievement, the educational system, and welfare benefits, which leads to improvements in a number of initiatives. In the past, we disseminated to all employees illustrated UNITED ARROWS career books, which summarized the work experience of and personal interviews with 20 employees who had a range of duties. By touching on diverse career paths, we hope to dispel any anxiety about the future and increase motivation for career advancement and expect that to lead to heightened customer satisfaction.

Creating Value for Business Partners

Holding of Quality Control (QC) Meetings

The products developed by the Company consist of purchased brands, procured from Japan and overseas, and private label brands. With regard to private label brand clothing, QC meetings are held on a regular basis—for domestic and overseas contract production factories and inspection centers, trading companies, and principal business partners—primarily as a part of production management operations and efforts to improve product quality. By sharing cases of high incidences of defective products, information on countermeasures to prevent such occurrences, progress toward resolving issues to be addressed as a Company, the QC meetings serve as a forum for sharing information and exchanging ideas and opinions to provide safe and secure products to our customers. In the fiscal year ended March 31, 2017, QC meetings for apparel products were held on a total of two occasions in Tokyo and Vietnam and attended by a total of 28 companies. Also, a total of

We have also established an internal recruitment system to seek applications from within the Company before commencing any external hiring process. By enhancing the system by which employees form diverse careers, such as by a self-declaration system through which they nominate the desired department for the purpose of advancing their career outside the department to which they are currently assigned, and by combining various training programs centered on the UNITED ARROWS University, we are raising the retention rate through the improvement of employee career prospects.

Toward Workplaces Where Diverse Human Resources Can Realize Their Full Potential

The Company works to create a working environment that is equal and fair, regardless of age, gender, nationality, and religion. Centered on women, who account for approximately 60% of our employees, we are focusing on creating workplaces that facilitate work, such as by offering childcare leave, vacations to look after children, and a short-time work system, to ensure that women can continue working long even after marriage and childbirth. As of March 31, 2017, the ratio of women returning to work after taking childcare leave was approximately 90%, while the ratio of women in management positions, of store manager and higher, was 36%.

We are also actively engaged in recruiting people with disabilities, and in recent years we have been able to realize the employment of people who had previously thought that employment would be beset with problems by improving the barrier-free environments at some offices. We are also promoting the employment of non-Japanese nationals who anticipate inbound demand and are making full use of their language skills and realizing their full potential in trading and other operations.

To us, our business partners are irreplaceable. 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.

37 companies participated in two QC meetings, organized by Odette e Odile, for small business units (SBU) handling women’s shoes in Japan. At any meeting in recent years, we have been aiming to improve product quality together with our business partners. In addition to discussions on, for example, measures to prevent the occurrence of product defects, active discussions have been held on improving techniques, such as by the introduction of best practices for product grade improvements.



An Odette e Odile-organized QC meeting

Our Promise—Our Five Core Values

Measures Concerning Products with Materials Made from Animals

There is growing concern and interest in what is called traceability, what kind of materials were used in a product, where those products are manufactured and by whom. First of all, from the fiscal year ended March 31, 2016, we began an operation to ask our business partners—such as those at spinning, raw materials, and garment factories—to submit reports on, for example, their methods of collecting materials and their manufacturing processes with regard to, from among the materials made from animals, items using Angora rabbit fur, feathers, and furs. As the seller, we will ascertain the situation and, should an issue be found, make improvements while creating products that are more reliable and providing products that can be worn with ease.

Efforts toward Fair Trade

In our dealings with business partners, we regard fair trade and efforts such as the securing of workers' safety as important initiatives.

At our main overseas factories, to which we have been outsourcing the production of private label brands, there is no hiring in contravention of laws and regulations covering, for example, child labor, forced labor, and discrimination. With regard to whether there are issues in the working environments, such as in proper

compensation and working hours or in ensuring worker safety in the event of an accident, we have started checking and evaluating more than 30 items from 2016. Likewise, at domestic factories, steps have been initiated to ensure that business partners submit reports on whether non-Japanese nationals working as technical interns are being provided with fair working environments. In emphasizing the conduct of fair and impartial business dealings, with regard to violations of laws and regulations, fraud, and anti-ethical conduct by our staff, we are encouraging advance prevention or its discovery and correction by having opened, in addition to an internal whistleblower system, a consultation point of contact for the exclusive use of our business partners. Any information passed to the point of contact is securely handled so that the whistleblower will not suffer any disadvantageous repercussions.



A box for business partner questionnaire surveys set up in a business meeting room

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.

Contributing to Society through Our Business

Through its business activities, the Company conducts a number of support activities together with its customers. In the spring and summer seasons of 2014, we launched the new TÉGÊ UNITED ARROWS label at UNITED ARROWS. A project of the International Trade Centre (ITC), we are collaborating with the Ethical Fashion Initiative (EFI)* and proposing new value through making things that are a fusion of craftsmanship rooted in African culture and UNITED ARROWS design ideas.

* EFI was launched by ITC, a joint institution of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO), for the empowerment of women under the Millennium Development Goals.



TÉGÊ UNITED ARROWS products

Contributing to the Environment through Our Business

We are actively promoting the adoption of LED lighting at stores with the aim of reducing the amount of electricity used. Having started its installation primarily in the UNITED ARROWS green label relaxing (GLR) business in the fiscal year ended March 31, 2011, approximately 96% of the Company's stores currently utilize LED lighting. The LED lighting the Company has installed does not distort the original colors of products and provides a light environment sufficient for customers to view them. We will continue to actively adopt LED lighting at newly opened stores and stores undergoing renovation.

In addition, as a measure to reduce global warming and the burden we place on the environment, we changed from the cardboard used during distribution to an eco-box that can be used repeatedly, leading to a reduction in resources and costs. Having introduced the eco-box in 2012, in the fiscal year ended March 31,

2017, we were able to avoid the use of 128,000 cardboard boxes by repeatedly using about 4,000 eco-boxes. The feedback from shop staff who actually use the boxes included "the time it takes to assemble and disassemble the boxes has been shortened" and "the box has handles that have improved convenience during transportation," which has led to a reduction in the amount of ancillary work at stores.



The eco-box

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.

Proactive Undertaking of IR Activities

UNITED ARROWS LTD. emphasizes the ongoing evolution and improvement of its IR activities based on the opinions of shareholders and investors as well as the direction of IR 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 IR website earnings results briefing materials immediately after results announcements along with Q&A transcripts and briefing videos soon after the results briefings are held. From the fiscal year ended March 31, 2017, we have enhanced the environmental, social, and governance (ESG) information contained in conventional annual reports and published as an integrated report. We regard the integrated report 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.

Enhancement of Return of Profits to Shareholders

In addition to working to expand earnings per share by sustained growth expansion and improvements in business performance, the Company looks for ways to maximize its shareholder value as a basic policy of its profit distribution by, for example, stable dividends linked to performance, the carrying out of stock splits, and the acquisition and cancellation of treasury stock. In recent years, we have been continuing to pay stable dividends and, by actively acquiring treasury stock, we are working to enhance the return of profits to shareholders and improve capital efficiency. In the years ahead, as stated in the UNITED ARROWS Group's Medium-Term Vision, we are aiming to further improve shareholder value by achieving both growth and the return of profits to shareholders.

Performance benchmark trends related to enhancement of return of profits to shareholders

(fiscal year ended March 31)	11	12	13	14	15	16	17	18 (Plan)
Earnings per share (yen)	97.02	158.74	230.80	248.80	199.53	214.87	174.57	194.06
Dividends per share (DPS) (yen)	29.0	36.0	53.0	67.0	78.0	78.0	78.0	78.0
Dividend payout ratio	29.9%	22.7%	23.0%	26.9%	39.1%	36.3%	44.7%	40.2%
Total return ratio	325.9%	22.7%	23.0%	26.9%	110.9%	57.6%	158.9%	—
Number of treasury stock acquired (thousands)	10,700				1,259	371	1,890	—
Ratio of treasury stock acquired to total number of common shares issued	25.0%				3.3%	1.0%	6.3%	—
Number of treasury stock cancelled (thousands)			–5,000			–7,586		—
Ratio of treasury stock cancelled to total number of common shares issued			11.7%			20.1%		—

* The amount of treasury stock cancelled is shown as a minus figure.