

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, 2007 | Year ended March 31, 2012 | Year ended March 31, 2017 |
|------------------------|---------------------------|---------------------------|---------------------------|
| Net sales              | ¥60,959 million           | ¥102,052 million          | ¥145,535 million          |
| Ordinary income        | ¥7,337 million            | ¥10,272 million           | ¥9,420 million            |
| Number of stores       | 124                       | 237                       | 360                       |
| Number of employees    | 1,166                     | 3,033                     | 4,427                     |
| Number of shareholders | 9,660                     | 13,878                    | 14,499                    |

Overcoming two incidents of profit decline, we are establishing a robust management platform

UNITED ARROWS LTD. has experienced a major downturn in its profits on two occasions over the past decade. The first incidence was over the three-year period from the fiscal year ended March 31, 2007 to the fiscal year ended March 31, 2009, and the second, again over a three-year period, was from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2017. The first three-year period of consecutive profit decline and substantial downturn in revenue and earnings compared with plans can be attributed to two broad factors. First was the breakdown in relations within the Company, which contributed to a framework that failed to accurately reflect comments and opinions gleaned from customers in the product planning process. Second was the dilution and dissipation of our business resources as we hastily pushed forward a growth expansion strategy without first putting in place the necessary framework and human resources. In order to rebuild the Company, our founder, Osamu Shigematsu, returned to the position of president from his role as chairman, and spearheaded three key efforts to: (1) ensure that customer feedback is effectively reflected in the product planning process and to reinforce collaboration between the product, sales, and promotion departments to secure the continuous development of products that are a half-step ahead of the market, (2) push forward initiatives aimed at building a product platform that will help visualize and standardize merchandising operations, and (3) promote various measures including the rationalization of underperforming businesses and stores as well as the streamlining of headquarter functions. As a result of these endeavors, UNITED ARROWS LTD. reported an increase in profit in the fiscal year ended March 31, 2010 for the first time in four years.

Despite a phase of earnings growth for the ensuing five years, the Company entered its second major trajectory of profit decline from the fiscal year ended March 31, 2015. There were two core reasons for this negative turnaround. First, the sharp and dramatic drop in the value of the yen from the beginning of 2013 forced us to increase the prices of certain fall and winter items in 2013. As these price increases extended to our full range of fall and winter items in 2014, we witnessed a sudden drop off in customers. Second, and in addition to continued weakness in the value of the yen, the Company was slow to evolve and improve in response to emerging signs of a major change in customer behavior as well as the clothing market brought about by the hike in Japan's consumption tax rate in April 2014 and such factors as uncertainty surrounding the future of social security. Taking up the reins from Mr. Shigematsu, Mitsuhiro Takeda assumed the position of president from 2012. Under his stewardship, steps were taken over roughly one year to put in place the UNITED ARROWS Group's Medium-Term Vision, details of which were announced in May 2017, in a bid to flexibly respond to changes in customer sentiment and the market while taking advantage of the Company's strengths. As far as our second phase of profit decline is concerned, we believe that trends bottomed out in the third fiscal year ended March 31, 2017. Moving forward, we will quickly establish a robust management platform and achieve long-term, sustainable growth.

