

The UNITED ARROWS Group’s Medium-Term Vision

The UNITED ARROWS Group has put in place a new Medium-Term Vision that will carry through to the fiscal year ending March 31, 2020. Recognizing that the market will also undergo a substantial change as a result of shifts in the value customers place on clothing as well as the manner in which purchases are conducted together with the ongoing development of the Group’s future portfolio following the transfer of the CHROME HEARTS business, the Vision lays out a three-year roadmap for establishing a robust management platform and working toward renewed growth.

Strengths and the Ideal Direction Ahead

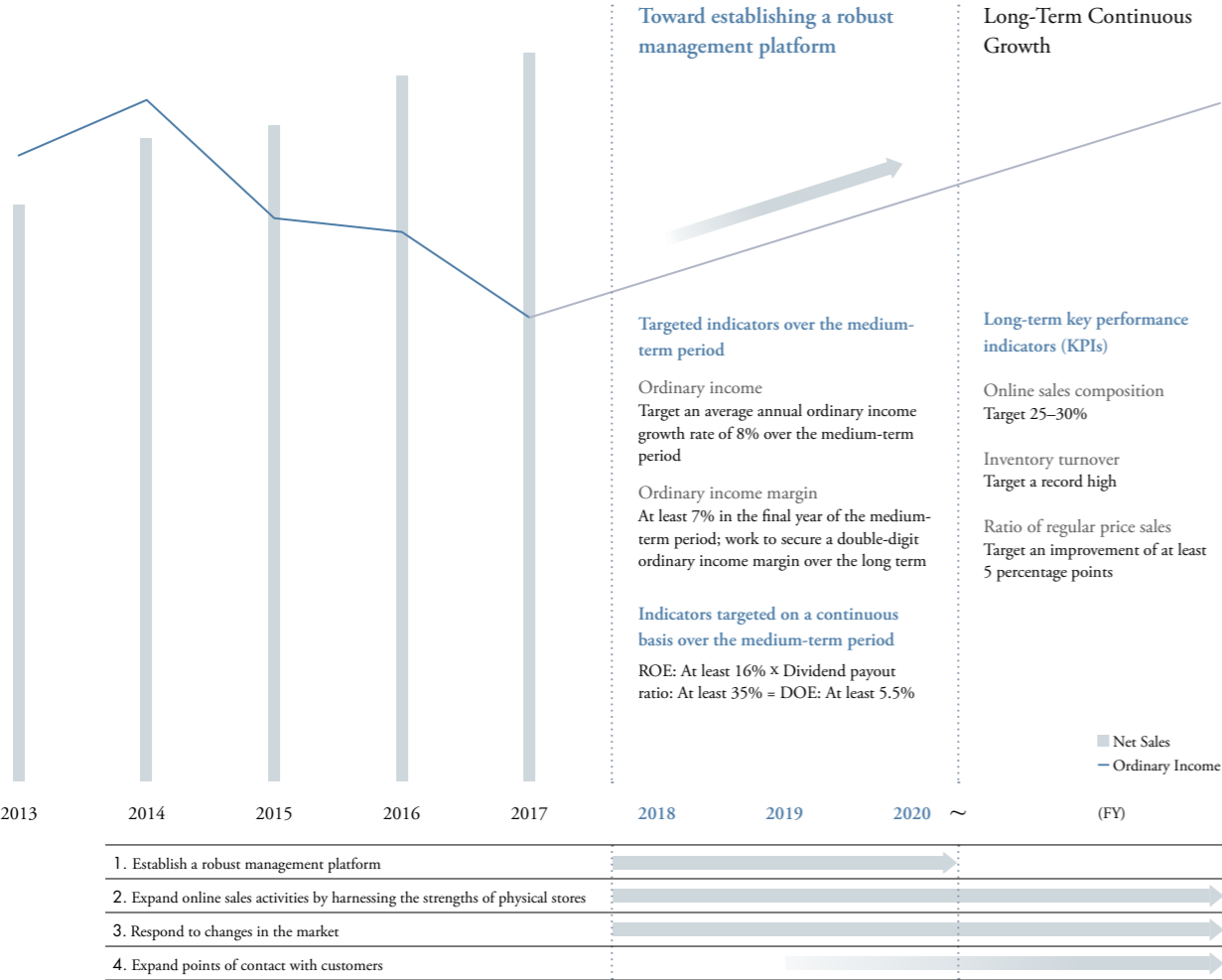
One of the Group’s leading strengths is the relationships of trust with customers it has nurtured over many years. Moving forward, the UNITED ARROWS Group will carry out four strategies in a bid to achieve its principal aspiration (Company Policy) by increasingly taking advantage of its strengths.

Four Strategies under the Medium-Term Vision

Harnessing the Company’s strengths, UNITED ARROWS LTD. will implement services that have been created in advance of customer changes while anticipating shifts in market trends.

- 1 Establish a robust management platform
- 2 Expand online sales activities by harnessing the strengths of physical stores
- 3 Respond to changes in the market
- 4 Expand points of contact with customers

Operating Results Trends and Positioning of the Medium-Term Vision



1 Establish a robust management platform

Raise the awareness of our human resources
As far as the Group’s organizational climate is concerned, every effort is being made to reinforce widespread awareness toward the Company Policy. Initially formulated in 2001, UNITED ARROWS LTD. has also revised its *Company Policy Book* on two occasions to better reflect its operating environment and major issues over the ensuing period. Plans are currently in place to again revise the *Company Policy Book* during the period of the Medium-Term Vision. In line with this revision, the Company will endeavor to reinforce widespread awareness toward the Company Policy by implementing measures that will help provide employees with a deeper understanding of the Policy’s purpose and purport.

Identify and evaluate underperforming businesses, stores, and activities; carry out appropriate countermeasures
In addition to identifying, and closing when considered necessary, underperforming stores, UNITED ARROWS LTD. will also look to identify underperforming businesses during the fiscal year ending March 31, 2018. Moreover, steps will be taken to pave the way for renewed growth during the period of the Medium-Term Vision.

Ensure a sound earnings structure
UNITED ARROWS LTD. will redefine and promote an optimal cost structure while advancing cost awareness reform. The Company has set up a project team that reports directly to the president. In taking stock of business operations across the Group as a whole, our goals are to drastically revise operations that exhibit low efficiency and to eliminate unnecessary costs.

2 Expand online sales activities by harnessing the strengths of physical stores

Balance both online and physical store activities
Recognizing that customers’ needs differ depending on the sales format and channel, it is vital that we balance both online and physical store activities. Leveraging the sense of confidence and integrity built up by physical stores, every effort will be made to implement a variety of measures in a bid to promote further online sales growth. Looking ahead, we will fine-tune our physical and online store activities in order to pursue customer satisfaction through both channels.

Future initiatives for expanding online sales
Aware of the considerable number of lost sales opportunities that continue to plague the Company, we will focus on expanding sales. To this end, we will proactively introduce inventory on an ongoing basis while increasing the precision of product planning. From an advertising and promotion perspective, we will endeavor to capture new customers by implementing a variety of initiatives. This includes broadly approaching potential customers mainly through the use of social networking sites (SNS) and similar media.

The effects of online sales expansion
Recognizing that online stores offer higher profitability compared with physical stores, we will strive to increase profitability by expanding online sales. At the same time, we will maintain the sales efficiency of physical stores. Building on this policy, we will reinvest a portion of the additional profits generated to enhance loyalty toward physical stores and to secure high-quality sales staff. Through these means, we will maintain and further improve our inherent strengths. In light of the close affinity that online sales have with the basic trend-conscious and new basic trend-conscious markets, online sales expansion will also link in with initiatives aimed at addressing changes in the market.

Long-term initiatives
UNITED ARROWS LTD. has identified the long-term objective of securing an online sales composition of between 25–30% on a consolidated basis.
In line with advances in digital technology, trends within the retail sector are projected to undergo further major change. As a result, we will put in place online customer service and sales methods that compare favorably with physical stores. We will embark on providing customers with a new shopping experience. Among a host of measures, we will consider opening new showroom / fitting room stores.

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3 Respond to changes in the market

Improve value and leave a distinctive mark on the trend-conscious market

For businesses positioned within the trend-conscious market, we will implement measures aimed at fostering overwhelming loyalty. We will make sweeping improvements from each of the product and sales perspectives. This includes rolling out the essence of UNITED ARROWS ROPPONGI HILLS, which underwent a complete renewal in 2016 with the next quarter-century in mind, as well as the H BEAUTY&YOUTH business, which boasts a lineup of highly impressive casual products, to existing stores.

Expansive growth in the basic trend-conscious market

In addition to placing the GLR business at the heart of our growth strategy in the basic trend-conscious market, and continuing to open GLR stores while expanding online sales activities, we will work to open independent stores and expand operations in the women's as well as business wear categories, where we have considerable competitive advantage. Turning especially to the business wear category, we will expand the WORK TRIP OUTFITS GREEN LABEL RELAXING concept already adopted at one store to other stores.

Promote a multi-business strategy in the new basic trend-conscious market

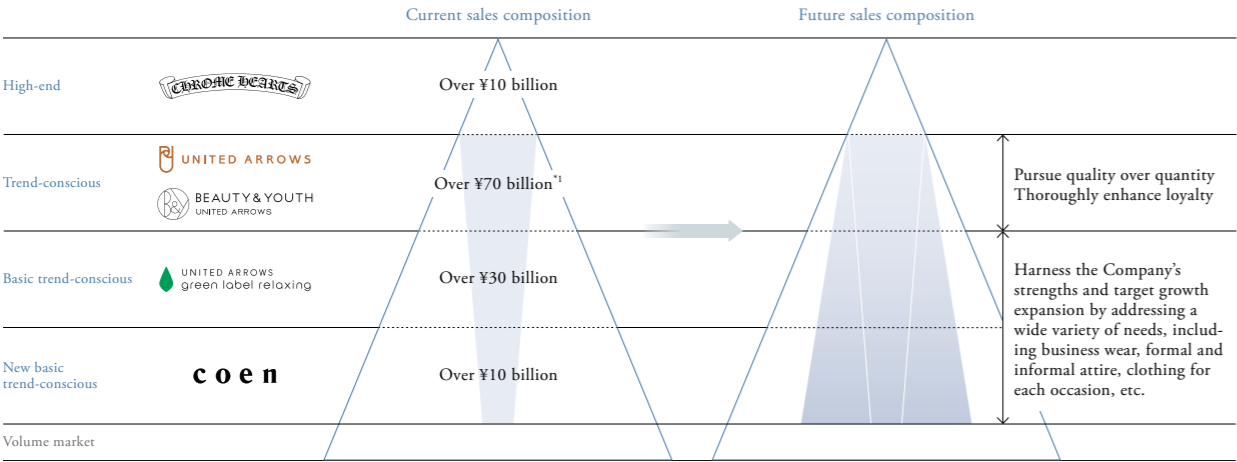
COEN CO., LTD. is the Group's major player in this market. As a result, we will strive to overhaul the company's management framework, reform its earnings structure, and improve its merchandising capabilities. In addition to reforming the existing COEN business, we will at the same time consider and implement the creation of new business categories where the company exhibits competitive advantage.

Further development in the product platform

To date, the product platform has evolved as a framework through which to support the product planning as well as progress and production management functions within the value chain. Moving forward, the product platform is expected to develop as a total management framework that covers the entire value chain.

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Value Chain and Product Platform

Sales Composition by Target Market over the Long Term



Target a Business Composition that is Compatible with Customers’ Values and Consumption Patterns while Making the Most of the Company’s Strengths

Strengths	=	Brand power	×	Sales capabilities	×	Robust mechanisms
		<ul style="list-style-type: none">Further fine-tune the depth of the UA brandPromote shower effects through the UA brandTarget further growth expansion in the basic trend-conscious and new basic trend-conscious markets		<ul style="list-style-type: none">Maintain strong customer service capabilities based on the Company Policy and Mission StatementMaintain the ability to hypothesize, test, and make the necessary adjustments based on direct frontline feedback		<ul style="list-style-type: none">A decade since setting up the product platformFurther advances in the mechanisms used to promote total management from the frameworks that support merchandising (MD) and production operations to the entire value chain

4 Expand points of contact with customers

Expand domains

Energies will be channeled toward addressing changes in the way customers spend money. In specific terms, we will also consider entering fields other than clothing. Every effort will be made to develop products across a wide range of areas that encompass customers’ lifestyles in a bid to crystallize our Company Policy, “to create globally recognizable and accepted values that set new standards of Japanese lifestyle.”

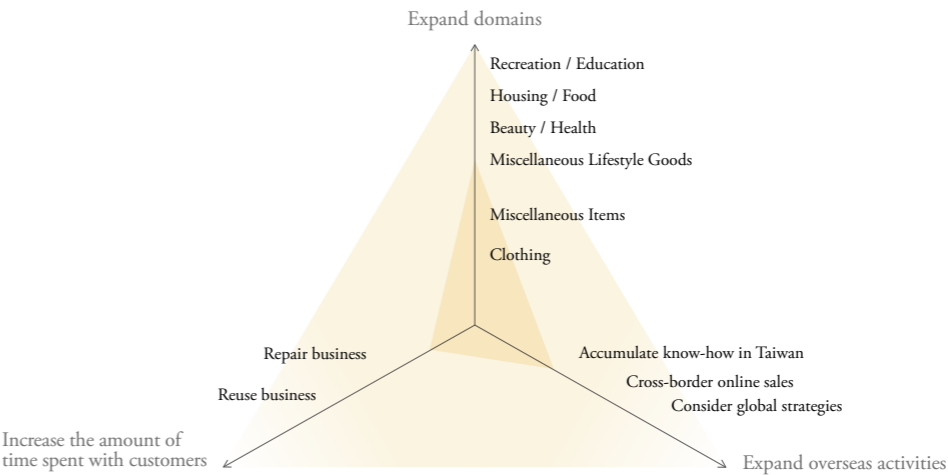
Increase the amount of time spent with customers

Particular emphasis will be placed on continuously enhancing customer value by increasing the amount of time spent with customers through products even after their sale. To this end, we are considering opportunities in the repair and reuse businesses. As a part of these efforts, H BEAUTY&YOUTH, which is also putting forward proposals that include second-hand clothes, is attracting acclaim from customers in Japan and overseas.

Expand overseas activities

Turning to business activities in Taiwan, the UNITED ARROWS Group will continue to accumulate knowledge by promoting both physical and online sales activities. At the same time, we will verify the potential for overseas development in cross-border online sales and consider next-generation global strategies in line with the above.

Image of Expand Points of Contact with Customers



Approach to the Return of Profits to Shareholders over the Period of the Medium-Term Vision

Balanced approach toward growth and the return of profits to shareholders

UNITED ARROWS LTD. will undertake operating investments geared toward sustainable growth utilizing the scope of cash flows from operating activities. In determining the implementation of operating investments, the Company will verify such key issues as recoverability within the set fiscal year after taking into consideration internally fixed capital costs (approximately 8%).

At the same time, we will practice management that emphasizes capital efficiency while working to balance the needs for growth and the return of profits to shareholders by providing stable dividends.

Consolidated indicators targeted on a continuous basis over the medium-term period
ROE: At least 16%×Dividend payout ratio: At least 35% = DOE: At least 5.5%

Trends in the Dividend Payout Ratio, ROE, and DOE

(FY)	12	13	14	15	16	17
Dividend Payout Ratio	22.7%	23.0%	26.9%	39.1%	36.3%	44.7%
ROE	29.2%	32.7%	27.8%	20.2%	20.0%	16.1%
DOE	5.9%	6.6%	6.8%	7.7%	7.0%	7.3%