



UNITED ARROWS LTD.

Integrated Report 2018

Fiscal year ended March 31, 2018



UNITED ARROWS HARAJUKU

Based on the concept of UNITED ARROWS ONE, UNITED ARROWS HARAJUKU was renovated to feature both men's and women's apparel. At this store, we propose new value born out of the synergy of featuring both of these product categories through the unique lineup, atmosphere, and customer services offered as a flagship store.

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 services, products, and store environments—the three key sources of satisfaction for customers—while taking up the challenge of maximizing customer satisfaction.



Contents

Sources of Sustainable Value Creation

- 2 Policy Structure
- 3 Three Key Sources of Satisfaction for Customers / Cycle of Collaboration between Product, Sales, and Promotion Departments
- 4 Company Policy Transitions
- 6 History of the UNITED ARROWS Group

Management / Business Strategies toward Sustainable Value Creation

- 8 Interview with the President
- 12 The UNITED ARROWS Group's Medium-Term Vision
- 16 Special Feature 1:
Profit Structure Reforms at COEN CO., LTD.
- 18 Special Feature 2:
Online Sales Initiatives

Business Structure Underpinning Sustainable Growth

- 20 Our Business
- 22 Our Operating Markets
- 24 Business Overview
- 26 Value Chain and Product Platform

Management Platform Underpinning Sustainable Growth

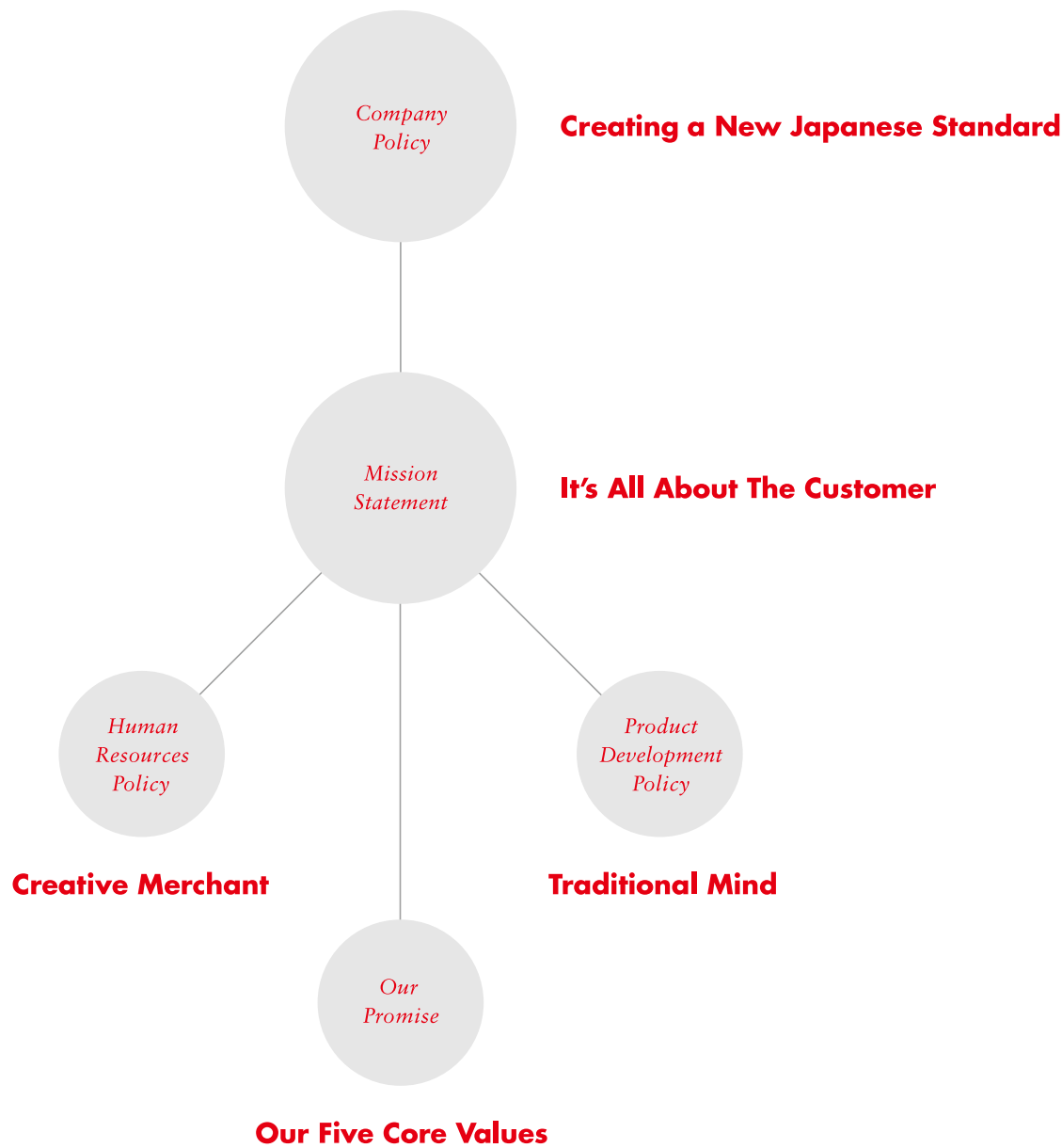
- 30 Board of Directors
- 32 Corporate Governance
- 38 Our Promise—Our Five Core Values

Data Section

- 44 Eleven-Year Summary
- 46 Corporate Data

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.



→ P38 Our Promise—Our Five Core Values

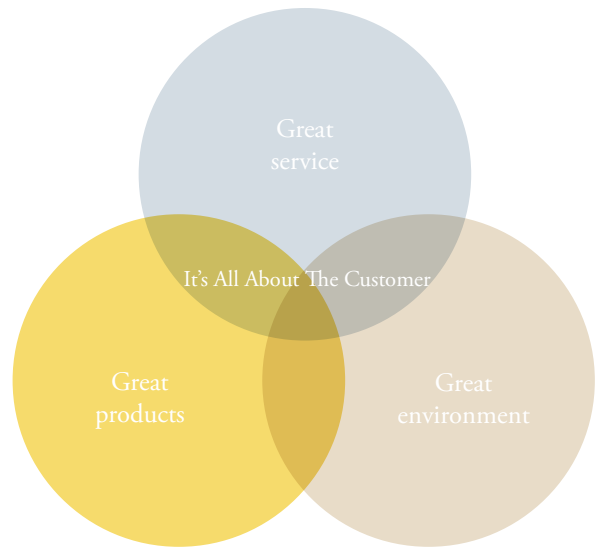
Three Key Sources of Satisfaction for Customers

We will continue to hone our services, products, and store environments—the three key sources of satisfaction for customers—to transform these elements of our business into our competitiveness.

Through ongoing evolution with regard to these three elements, we will create globally recognizable and accepted values that set new standards of Japanese lifestyle as described in our Company Policy.

- Great service Providing a level of hospitality and service that leaves a strong, lasting impression
- Great products Staying a half-step ahead of customer needs and fulfilling five key* criteria
- Great environment Delivering comfortable, sophisticated store environments that generate a sense of excitement

* 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.

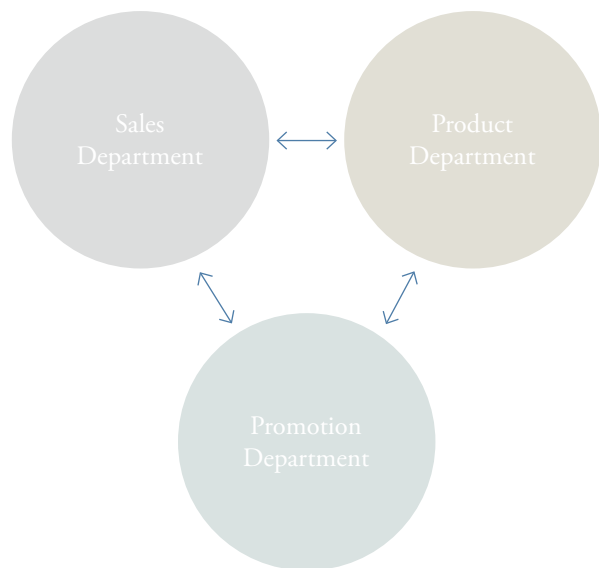


Cycle of Collaboration between Product, Sales, and Promotion Departments

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.

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.

- Product Department Lifting the ratio of regular priced sales through the development of appealing products
- Sales Department Increasing the number of purchasing customers through passionate customer service and styling proposals
- Promotion Department Increasing the number of store visitors by conveying to customers the creative force behind the Company's attractive products



Company Policy Transitions



Company Policy Book, First Edition

The Ambition behind the Company's Establishment

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*

The Writing of the Company Policy in Statutory Form

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 is wired to be flexible and agile in carrying out everything in a correct and courteous manner.

Taking a Systematic Approach to the Company Policy

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

1989.10

UNITED ARROWS LTD. established,
Osamu Shigematsu appointed Representative Director and President
Capital: ¥50 million
Number of founding members: 9

1995.3

Net sales: ¥3.9 billion / Return to profit /
Number of employees: 95
Embarked on writing the Company Policy in statutory form with the aim of spreading understanding and awareness of the policy among employees who had joined after establishment

2000.4

Established Business Strategies Division to undertake comprehensive review, embarked on Company Policy revision

1999.7

Sharp fall in business performance directly after over-the-counter (OTC) trading of stock

2001.3

Net sales: ¥19.3 billion
Number of employees: 358

2003

- Organizational climate structural reform
- Necessity arises of gaining an understanding with regard to balancing customer satisfaction and business mindset

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 standards 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.

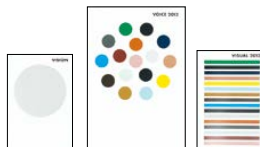
The Company Policy represents the direction in which the Company is permanently aiming, that is to say the business objective itself. Instilling an awareness of to what end the Company is in existence and to what end we are working,

the Company Policy forms the unified directive shared among employees who hold diverse values so that they move forward in the same direction. This sense of unity is the origin of our name: UNITED ARROWS.

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.



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; and VISUAL, comprising photographs contributed by employees on the theme of the essence of UNITED ARROWS

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 Resources 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

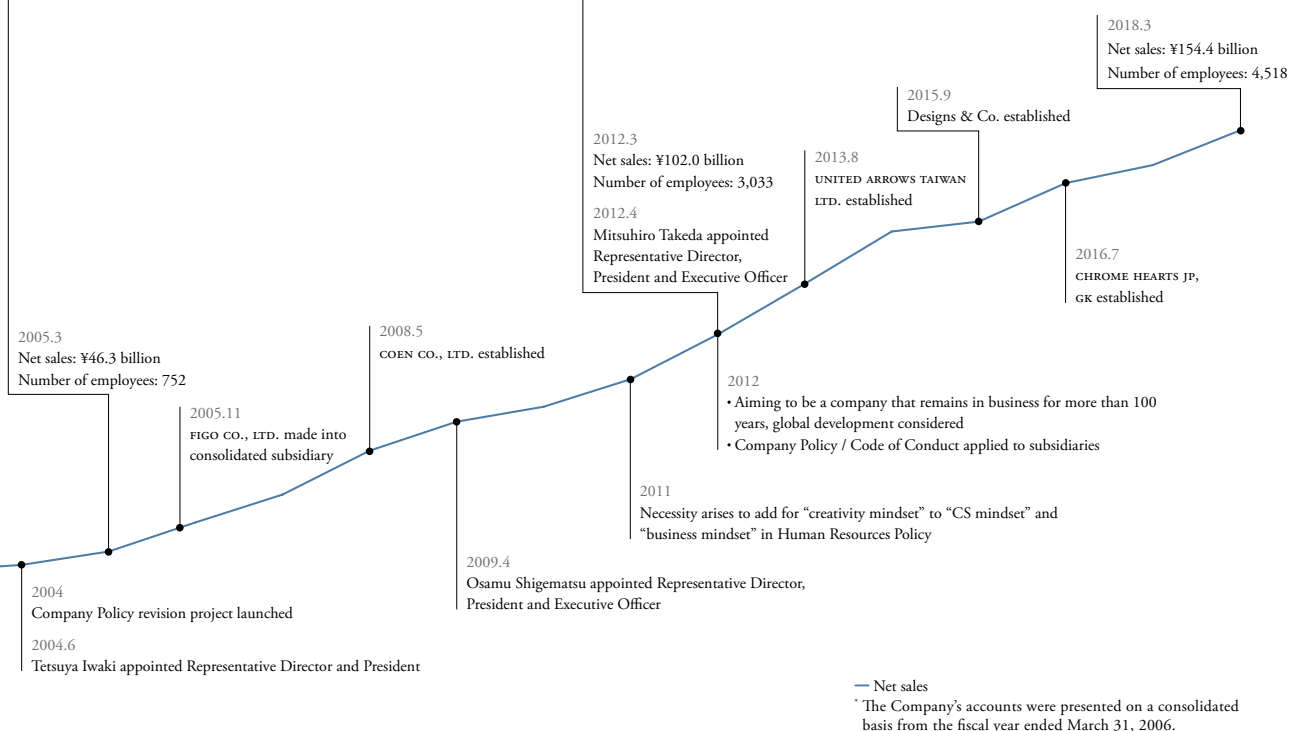
Product Development Philosophies

Traditional Mind

Our Promise

Our Five Core Values

Customer value / Employee value / Business partner value / Social value / Shareholder value



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 this policy is revised, we assemble a project team to foster awareness with regard to the revision among employees while also using the opportunity to reaffirm our commitment to the policy. We thereby endeavor to ensure that the Company Policy is always at the forefront of our minds. At the moment, we are moving ahead with a third revision of our *Company Policy Book* in a bid to establish a robust management platform—one of the strategies presented in our

Medium-Term Vision. This revision will involve a reorganization of the Policy Structure and review of our means of expressing the Company Policy aimed at heightening understanding of the policy among all employees. At the same time, we will implement measures to entrench understanding of the policy to encourage a wider range of employees to embody it in their work. In this manner, we will quickly establish a robust management platform founded on the Company Policy to support further growth.

History of the UNITED ARROWS Group

Since our foundation, we have been guided by our Mission Statement “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.

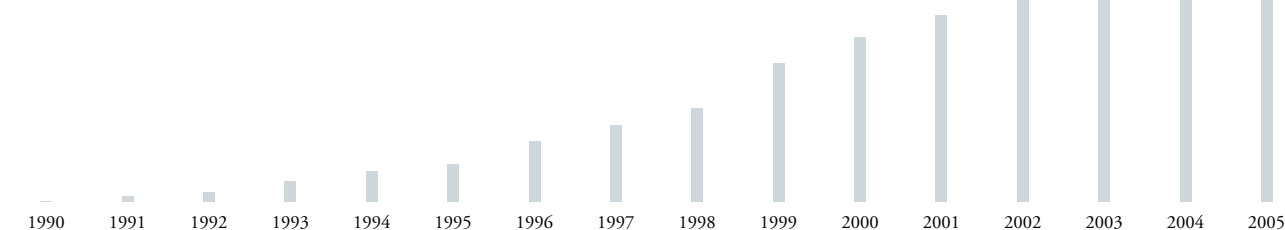
Looking ahead, we will work to further bolster existing businesses while taking up fresh challenges and will continue to devote ourselves to enhancing value for all stakeholders, including customers.

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2018
Net sales	¥72,221 million	¥115,041 million	¥154,409 million
Ordinary income	¥5,017 million	¥12,582 million	¥10,775 million
Number of stores	150	271	347
Number of employees	2,361	3,309	4,518
Number of shareholders	16,950	12,020	10,112

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 that year. 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. In the fiscal year ended March 31, 2018, we were able to achieve higher profit for the first time in four years as the strategies of the Group’s Medium-Term Vision proved successful in the vision’s first year. Going forward, we will forge ahead with the strategies for accomplishing the goals of the Medium-Term Vision in order to quickly establish a robust management platform and achieve long-term, sustainable growth.



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

| 1990.7 The first store, UNITED ARROWS shibuya, opened

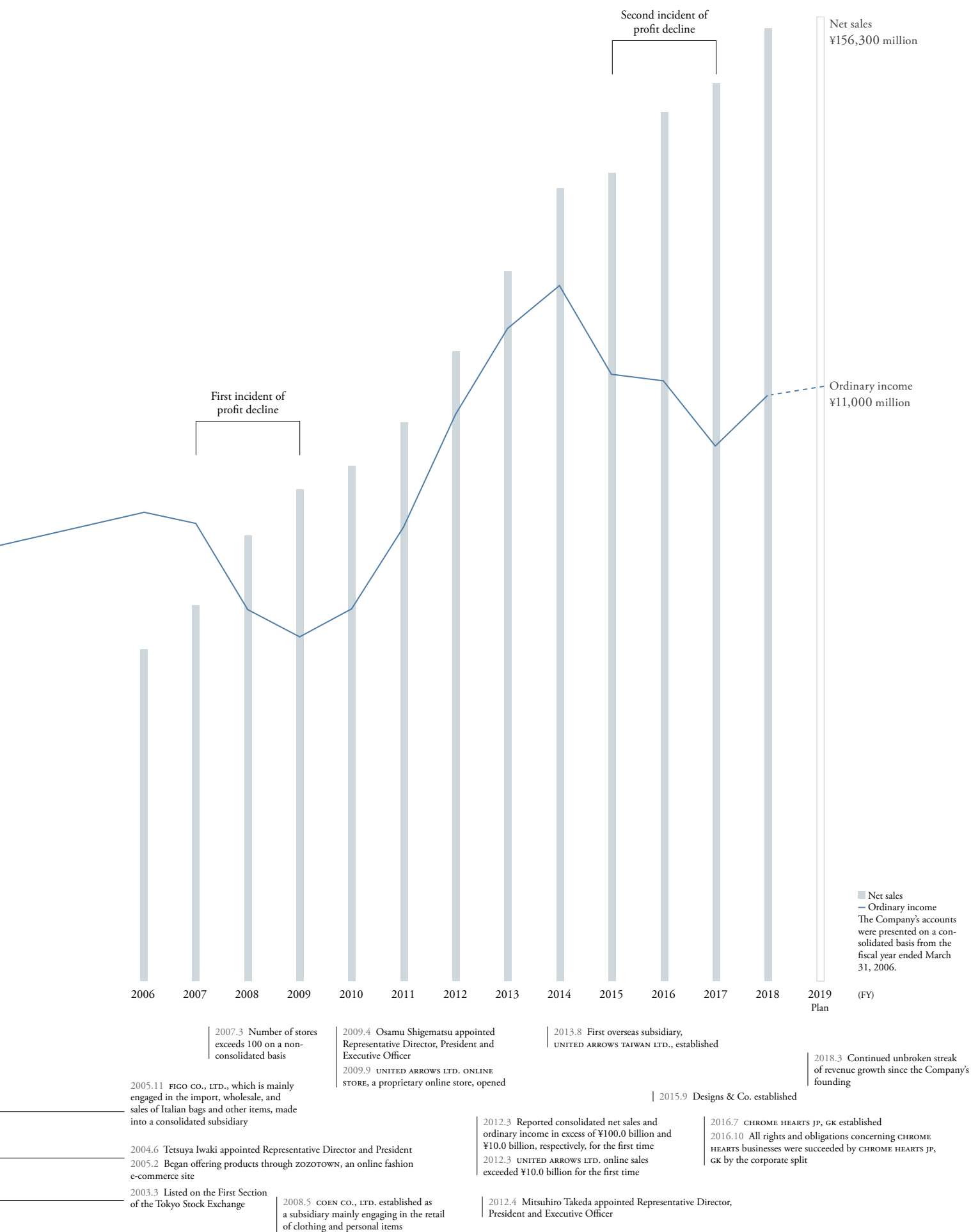
| 1992.10 UNITED ARROWS HARAJUKU opened as a flagship store

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

1999.9 Full-scale start of the UNITED ARROWS green label relaxing business (GLR) 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



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, 2018, the first year of the UNITED ARROWS Group's Medium-Term Vision, which covers the three-year period from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2020, we implemented drastic structural reforms in pursuit of improved profitability. These reforms included withdrawing from unprofitable businesses and closing underperforming stores. As a result, we are able to achieve higher income for the first time in four years.

In the fiscal year ending March 31, 2019, the second year of the vision, the Group's policy will be to "thoroughly promote medium-term strategies." Through this policy, we aim to establish a robust management platform to support us as we work toward the vision outlined for the fiscal year ending March 31, 2020.



Could you please provide us with an overview of the fiscal year ended March 31, 2018?

In the fiscal year under review, we sought to entrench our basic product policies, which are central to our product strategies, throughout the Company while also setting prices that struck the appropriate balance between price and value. At the same time, we took steps to stabilize sales by redoubling our efforts to address business demand and ceremonial demand that is less susceptible to temperature fluctuations.

As far as our business performance is concerned, the favorable trend in online sales continued. In addition, the men's casual line as well as all women's lines performed well at UNITED ARROWS LTD. while COEN CO., LTD. achieved substantial improvements in performance, thanks to the benefits of structural reforms.

Accounting for these and other factors, consolidated net sales increased 6.1% year on year, to ¥154.4 billion, while ordinary income was up 14.4%, to ¥10.7 billion.

→ P16

Profit Structure Reforms at
COEN CO., LTD.



How was progress under the Medium-Term Vision?

In the fiscal year under review, the first year under the Medium-Term Vision, we made progress guided by the Group policy of pursuing “an early improvement in profitability.” Our efforts prioritized improvements in the gross margin and inventory efficiency, reductions in the selling, general and administrative expenses to sales ratio, and income growth from higher online sales. Specific measures included withdrawing from unprofitable businesses and closing underperforming stores, expanding the application of eight-season merchandising to heighten inventory efficiency, and taking steps to reduce the amount of opportunities lost due to the proactive supply of inventories for online sales.

We achieved improvements in the gross margin as well as inventory efficiency. These improvements were accomplished by decreasing the volume of products supplied at the start of each season to adopt a product procurement cycle that allows for merchandising practices to be adjusted flexibly as the season progresses.

The selling, general and administrative expenses to sales ratio was relatively unchanged from the previous fiscal year as we moved ahead with strategic investments with an eye to the medium to long term. These investments counteracted the benefits of higher sales, improved balances of inventory assets, and increased inventory efficiency. At the same time, we revised various business processes. The benefits of these efforts are anticipated to appear in our performance going forward.

Meanwhile, growth in online sales is driving steady improvements in earnings. We recognize this growth as reflecting the favorable response from customers to the increased convenience facilitated through the integration of House Card program members with online store accounts and integration and renewal of the UNITED ARROWS ONLINE STORE and brand sites.

Due to these accomplishments, we were able to achieve all of the numerical targets set for the first year of the Medium-Term Vision. I therefore feel confident in the progress made under this vision.

→ P12

The UNITED ARROWS Group's
Medium-Term Vision

→ P18

Online Sales Initiatives



What major initiatives will you undertake in the fiscal year ending March 31, 2019?

The Group's policy for the fiscal year ending March 31, 2019 will be to “thoroughly promote medium-term strategies,” based on which we aim to further improve earnings and establish growth foundations. In addition, we will continue efforts to identify and evaluate underperforming businesses and stores and ensure a sound earnings structure as we simultaneously move forward with investment for medium- to long-term growth.

Interview with the President

Meanwhile, we have revised our organizational structure to bring the Company's business units in line with the strategies of the Medium-Term Vision. This reorganization entailed our moving away from the prior four business divisions, namely UNITED ARROWS, BEAUTY&YOUTH, green label relaxing, and small business units, to a structure comprising two business units. Specifically, we established Business Unit I, which is responsible for trend-conscious markets centered around UNITED ARROWS and BEAUTY&YOUTH, and Business Unit II, which is responsible for basic trend-conscious markets centered around green label relaxing. Store brands previously contained in small business units have been assigned to the appropriate business unit. Under this new organizational structure, we will enhance our efforts in trend-conscious markets while honing our strengths in areas spanning from product procurement and manufacturing to in-store customer service. Meanwhile, we will open additional stores in basic trend-conscious markets to address the growth anticipated in these markets.

Growth investments in the fiscal year ending March 31, 2019 will be directed toward introducing radio frequency identification, or RFID, systems¹ and toward reorganizing distribution centers to further medium- to long-term growth. RFID systems are already in place at green label relaxing and COEN, where they are contributing to reductions in the amount of labor associated with inventory- and shipment-related procedures. We plan to progressively introduce these systems in all businesses in order to boost efficiency in the operation of brick-and-mortar stores and thereby improve the work environment for sales staff. In the future, we will endeavor to maintain a more in-depth understanding of product trends so that we can take advantage of merchandising analyses. As for the reorganization of distribution centers, we have already opened a state-of-the-art distribution center equipped with a large-scale material handling system.² The introduction of this large-scale system has served to lower the amount of people required to operate this facility, effectively reducing distribution costs, while also enabling us to secure the distribution capacity needed to respond to future changes in the retail market and in the distribution industry. I believe these investments are guaranteed to produce returns that will support medium- to long-term growth.

¹ Systems that identify products when tags with embedded integrated circuit (IC) chips are scanned by a reading device

² Systems that support the conveyance of articles within warehouses as well as the processes of storing and shipping articles

→ P20
Our Business

→ P26
Value Chain and Product Platform



What steps has the Company been taking in terms of corporate governance?

We aim to realize ongoing, long-term improvements in corporate value through continuous effort to strengthen corporate governance. Initiatives to strengthen corporate governance to date have included steadily increasing the number of outside directors that are also designated as independent directors as well as initiatives based on Japan's Corporate Governance Code. In addition, we transitioned to the Company with Audit and Supervisory Committee structure described in the Companies Act and established the Nomination and Compensation Committee in 2016. Since since the establishment of this committee, we have continued to be proactive in these efforts. In 2017, for example, we revised our director remuneration system to better link remuneration to medium- to long-term performance.

Furthermore, the number of internal directors was increased by two in 2018. This step was taken to more closely link management and execution in order to facilitate swifter responses to the changing times. In conjunction with the recent change in organizational structure, we will have the representatives of business units participate in management so that we can identify and address issues in a timelier manner. We will also involve younger generations in management to make the Board of Directors more diverse and to encourage such generations to act while sharing a vision for medium- to long-term growth.

→ P32
Corporate Governance

→ P37
Message from an Outside Director

→ P30
Board of Directors



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

The Medium-Term Vision is generating clear benefits in terms of performance by guiding us to address the issues and challenges identified when formulating the vision. Looking ahead, we will advance reforms to our corporate culture and human resources systems through a concerted effort to build the foundations on which we will achieve medium- to long-term growth. These reforms will include re-disseminating the Company Policy, invigorating communication within the organization, examining the potential introduction of job rotation systems, and revising evaluation systems. In addition, we will conduct surveys and investigations to examine the possibility of expanding into non-apparel business domains and into overseas markets in pursuit of future growth. For example, COEN, which has been solidifying platforms for renewed growth through structural reforms, began serving Taiwan through the COEN online store in April 2018. In this manner, we are implementing measures for solidifying the foundations for accomplishing the goals of the Medium-Term Vision. We also plan to conduct forward-looking investment and take other steps to establish a robust management platform.

As we work toward achieving our goals, we welcome your high expectations of the Group's business strategies going forward and kindly request your continued support and understanding.

August 2018

Mitsuhiro Takeda
Representative Director, President and CEO

The UNITED ARROWS Group's Medium-Term Vision

In May 2017, the UNITED ARROWS Group 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 roadmap for establishing a robust management platform and for 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.

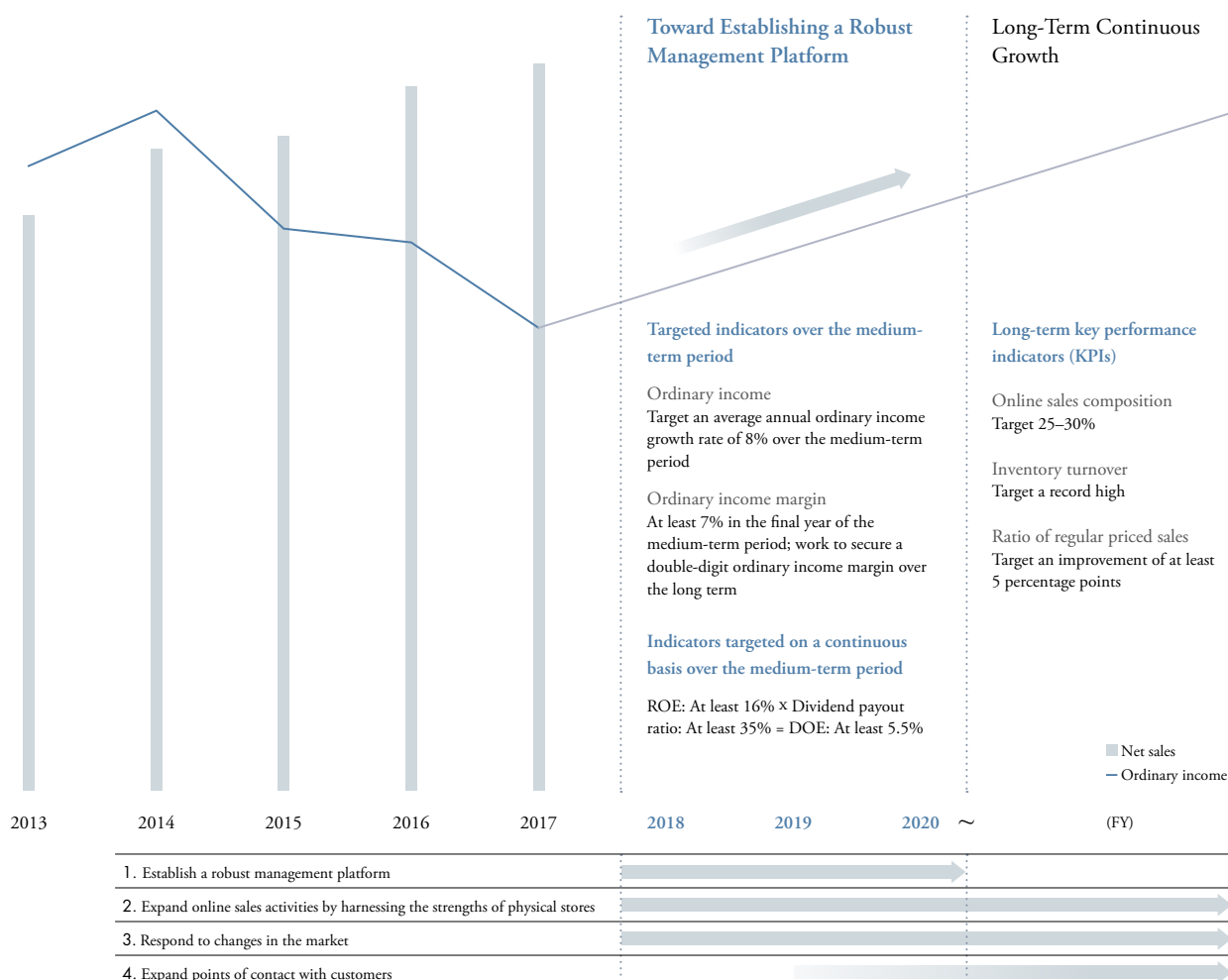
1 Establish a robust management platform

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 looked 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 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.

The UNITED ARROWS Group's Medium-Term Vision

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 green label relaxing (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.

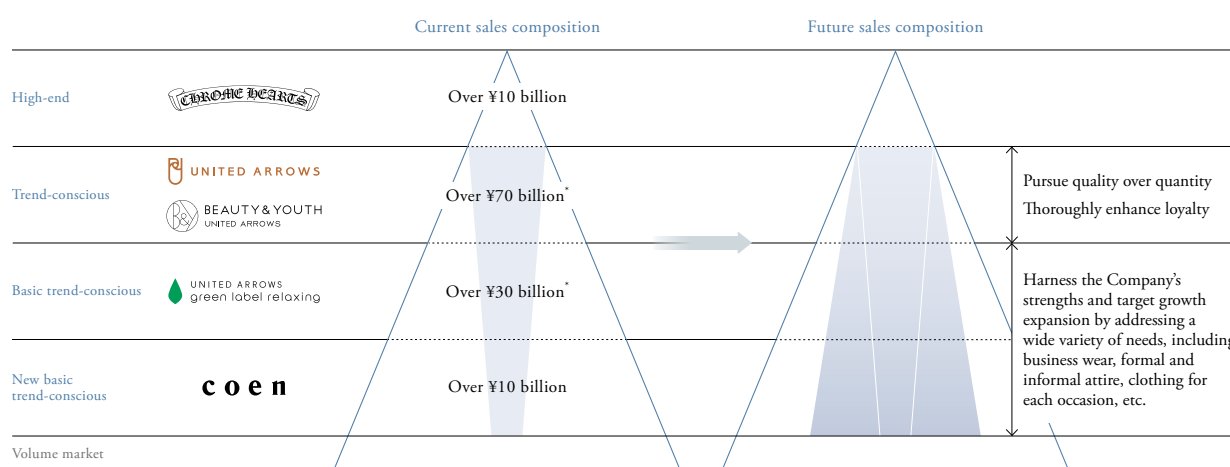
Further development in the product platform

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.

→ P26

Value Chain and Product Platform

Sales composition by target market over the long term



* Including sales of store brands other than the notation

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 brand Promote shower effects through the UA brand Target 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 Statement Maintain 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 platform Further 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."

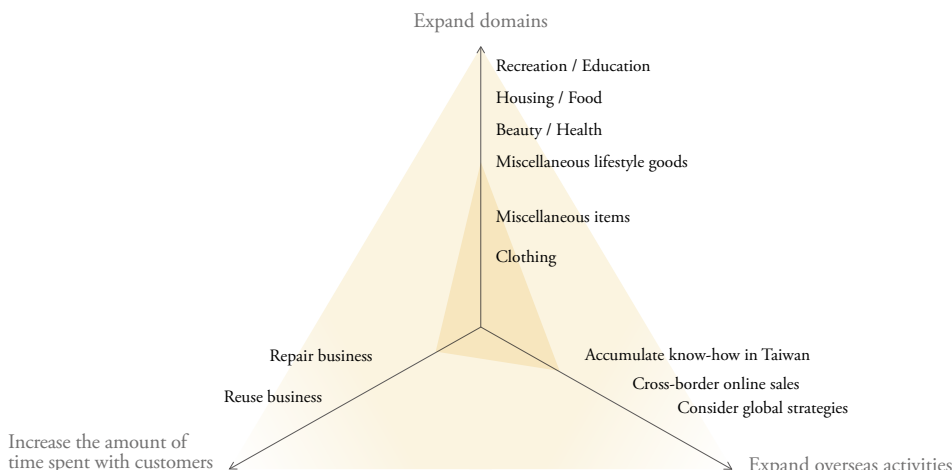
Increase the amount of time spent with customers

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.

Targeted indicators over the medium-term period

ROE: At least 16% x 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	18
Dividend payout ratio	22.7%	23.0%	26.9%	39.1%	36.3%	44.7%	42.1%
ROE	29.2%	32.7%	27.8%	20.2%	20.0%	16.1%	16.3%
DOE	5.9%	6.6%	6.8%	7.7%	7.0%	7.3%	6.6%

Special Feature 1: Profit Structure Reforms at COEN CO., LTD.

COEN CO., LTD. primarily develops operations in large-scale shopping centers located in commuter areas. This company achieved profitability only a few years after its establishment and continued to experience smooth growth in performance thereafter. However, this trend came to an end in the fiscal year ended January 31, 2016, when profits took a downturn. This was followed by a second year of lower profits in the fiscal year ended January 31, 2017.

To address this situation, Mitsunori Fujisawa, director and executive vice president of UNITED ARROWS LTD., was appointed president of COEN. Fujisawa led this company in advancing profit structure reforms that entailed clarifying targets and more precisely orienting operating procedures. As a result of these efforts, COEN saw profits grow for the first time in three years in the fiscal year ended January 31, 2018.

Position within the UNITED ARROWS Group

COEN was established in May 2008 as a wholly owned subsidiary of UNITED ARROWS LTD. With the new basic trend-conscious market as its main target, COEN primarily supplies its COEN brand of men's and women's casual wear in large-scale shopping centers located in commuter areas. Spending per consumer in the new basic trend-conscious market is between ¥4,000 and ¥5,000, indicating that this market is populated by customers that seek affordability while also being highly fashion conscious.

This market emerged between the prior trend-conscious market and volume market as a result of the maturity of fashion consumption trends in Japan. We view this market as demonstrating potential for growth, and it has thus been positioned as an important market for efforts to establish a robust management platform—one of the strategies presented in our Medium-Term Vision.

Initiatives for Improving Profitability

COEN caters to markets that UNITED ARROWS LTD. does not, and this company has thus proceeded to practice a high level of independence among Group companies, adopting product measures that differ from those of UNITED ARROWS LTD., for example. Immediately after its foundation, COEN primarily pursued sales growth through the expansion of its scale via store openings. It was thereby able to achieve profitability in only a few years and to continue improving performance thereafter, at least until the fiscal year ended January 31, 2016, the first of two consecutive years of profit decline. This deterioration in performance was due in part to an increase in product numbers, and consequently inventories, resulted from COEN's target becoming unclear as times changed. Another factor was a lack of sufficient cost management. COEN began implementing profit structure reforms in the second half of the fiscal year ended January 31, 2017 to rectify this situation.

Through these reforms, COEN clarified its previously unclear targets by analyzing past purchase data and the preferences of customers that had visited stores to determine the age groups and tastes on which it should focus. This information was used to improve product operations, based on which COEN also refined store operating procedures and corporate operating systems. The improved product operations entailed adapting the basic product measures of UNITED ARROWS LTD. to COEN and shifting from month-based timetables for introducing products at stores to week-based timetables to allow for more precise marketing. These initiatives increased the ratio of products that proved to be hits, contributing to an improved gross margin. COEN also curtailed the number of products in its men's and women's lines, reducing inventories and thereby lowering the workload of store operations.

Growing e-commerce operations was another focus of COEN's reforms. By actively allocating products to e-commerce inventories, taking steps to prevent the loss of sales opportunities, and improving sales timings, COEN worked to increase e-commerce sales. In the past, there had been delays of sometimes weeks between when products were placed on store shelves and when they were made available through e-commerce venues. This delay was a result of the additional steps required for e-commerce sales, such as photographing and measuring products and preparing writeups. COEN went about resolving this issue by arranging delivery schedules based on the aforementioned additional steps to ensure that products were made available at physical stores and online at the same time. These initiatives led to large increases in e-commerce sales of products immediately after their launch. Moreover, these initiatives allowed for a more ideal distribution of products to physical stores and online stores, preventing wasted logistics costs from being incurred to send products from stores back to e-commerce inventory stocks while also reducing the work that had to be performed in stores in relation to such procedures. In this manner, COEN has been pursuing improvements to profitability through sales growth achieved by addressing e-commerce needs and through revisions to inventory management practices.



coen LAZONA Kawasaki Plaza



coen official online store

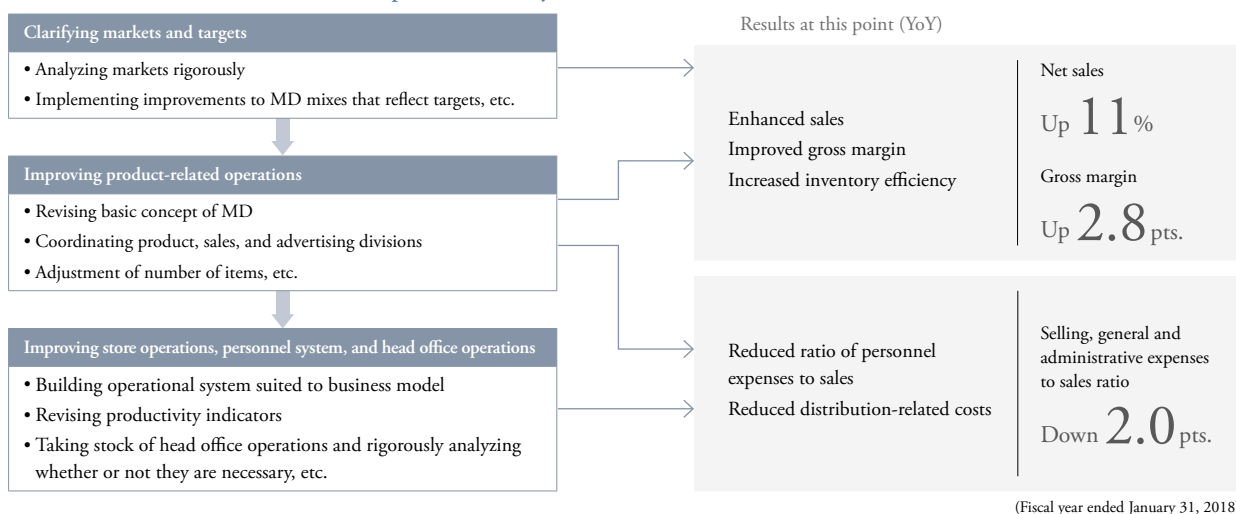


Television commercial

Reforms for Matching Organization to Business Model

Changes in the flow of products are being implemented, which are also resulting in changes in store operations. In comparison to the store brands of UNITED ARROWS LTD., COEN's stores often employ a business model in which customers are able to browse products themselves with limited involvement by sales staff. To better accommodate this business model, COEN moved away from its prior method of determining the ideal store staff numbers, which was based on the sales of each store, to adopt a method based on the total amount of labor hours required to operate the store. Human resources and evaluation systems will be reformed in the future based on the new method. Specifically, these systems at COEN will be adapted in accordance with the revision to the Company Policy currently being advanced by the UNITED ARROWS Group to strengthen the link between the policy and the actions of individual employees. COEN will thereby work to cement its foundations for medium- to long-term growth.

Details of Profit Structure Reforms and Improvement of Key Indicators



Mitsunori Fujisawa
 Director, Executive Vice President,
 UNITED ARROWS LTD.
 Representative Director and President,
 COEN CO., LTD.

Message from the President of COEN CO., LTD.

The benefits of the profit structure reforms at COEN are highly apparent. I aim to guide the COEN business in achieving medium- to long-term growth through unrelenting progress in these reforms.

The profit structure reforms followed a defined course, beginning with the clarification of targets, which informed the revision of basic product measures and subsequently the changes in product flow and operations. The results of these reforms are steadily appearing in sales and profits. Our approach toward the COEN business at the time of the Medium-Term Vision's formulation was to pursue growth through the diversification of operations. We now recognize that expanding our product lineup to include sportswear and clothing for various occasions will help grow this business, and our priorities during the period of the Medium-Term Vision will thus be business growth and profitability improvement.

Future growth strategies will be aimed at increasing sales at existing stores and through e-commerce venues while opening new stores. With regard to the latter, we plan to open around 10 stores each year. New store openings will primarily be conducted in prominent shopping centers as we carefully discern the performance levels of existing stores. Our medium- to long-term target for store openings is to increase the current number of 85 stores to around 120. As for existing stores, we will expand product lineups to improve efficiency in comparison to floor space.

We are also working to increase COEN's recognition. In March 2018, COEN's first television commercial began airing, and we also introduced the Rakuten point card with the aim of attracting new customers and improving satisfaction among existing customers. Our initiatives going forward will not be limited to television commercials, but will rather include Internet advertisements, outdoor advertisements, and other measures to increase recognition and improve service quality.

There are still several challenges we must overcome in order to achieve renewed growth. However, the benefits of the profit structure reforms implemented thus far have been highly apparent, and I am confident that we will continue growing in the future.

Special Feature 2: Online Sales Initiatives

In recent years, trends in online sales have evolved in a manner that continues to amaze. This is mainly due to growth in the online market and the increasingly widespread use of smartphones. Customers today obtain product information using e-commerce sites in advance. Physical stores then serve as a location to confirm size as well as styling and to complete purchase including payment. As this trend gathers momentum, e-commerce sites are expanding beyond their traditional role of purchase settlement by fulfilling the more significant function of a medium through which to attract and direct customers to physical stores.

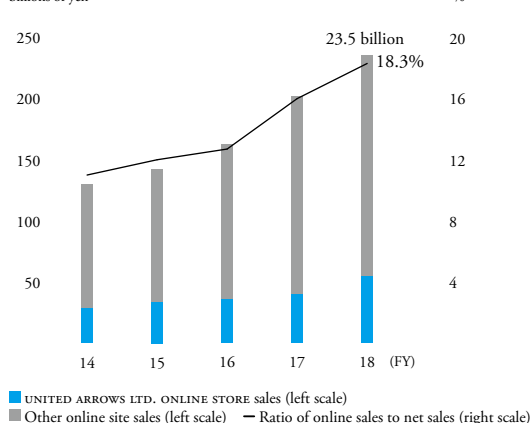
Amid the growing number of customers who strategically utilize physical and online stores according to their specific needs, UNITED ARROWS LTD. has continued to position online sales as an important component within its medium- and long-term strategy in order to seamlessly link both channels.

Trends in Online Sales in the Fiscal Year Ended March 31, 2018

In the fiscal year ended March 31, 2018, online sales came to ¥23.5 billion on a non-consolidated basis. This was 16.4% higher than the level recorded in the previous fiscal year. The ratio of online sales to net sales climbed to 18.3%, up 2.3 percentage points compared with the previous fiscal year. Compared to existing retail stores, which saw sales rise only 1.2% year on year, the 16.4% growth in sales of existing online stores was substantial, and these strong online sales drove the expansion of Companywide sales.

UNITED ARROWS LTD. seeks to continue growing its online sales through the expansion of online inventories and the establishment of in-house studios to increase the quality of product images.

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



1. Expansion of online inventories

UNITED ARROWS LTD. employs a basic inventory scheme in which products are allocated to distribution centers for each of its e-commerce sites, and products are shipped from distribution centers based on the site through which an order was placed. However, the rapid expansion of online sales has led to shortages in inventories at these warehouses, creating a situation in which we were frequently

unable to meet customers needs. The Company is working to address this situation by greatly increasing the amount of products allocated to warehouses for major e-commerce sites in order to prevent losses of sales opportunities. In addition, we have linked our distribution center inventory information for almost all outside e-commerce sites that offer our products. As a result, an item that is in stock at one of our distribution centers can be sold to customers even when it is out of stock at a particular e-commerce site. 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. These efforts are contributing to more efficient inventory management.

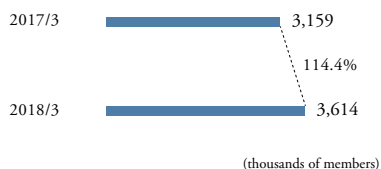
2. Improvement of product image quality through establishment of in-house studios

UNITED ARROWS LTD. takes product photographs for use on e-commerce sites itself so that styling, model, and other decisions can be made to ensure that products are introduced in a manner that is congruent with the Company's original intent. To facilitate these efforts, we began establishing in-house studios in the fiscal year ended March 31, 2018. These studios make it possible for brand directors and other staff responsible for products to directly confirm styling choices and image quality. Certain brands are already using such studios, and we aim expand their usage to all brands in the fiscal year ending March 31, 2019. We anticipate that the production of appealing product photographs that accurately communicate the image of their brand will contribute to increases in online sales while also encouraging customers to visit physical stores. ①

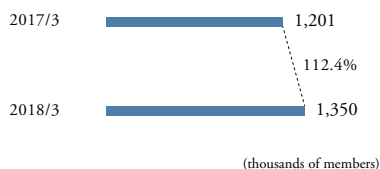
UA ONLINE STORE Initiatives

The UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE) was opened in September 2009. This store posted impressive year-on-year growth of 34.9% in the fiscal year ended March 31, 2018, and accounted for 23.2% of all online sales, 3.1 percentage points higher than in the previous fiscal year. This brisk growth in sales is the result of various efforts to increase coordination with physical stores.

Total number of House Card members



Number of active members*



* Members with a purchase history within the past year

Members' purchases



1. Integrate House Card and e-commerce members while consolidating the point service program

Previously run on a separate basis, the Company integrated its House Card member system with UA ONLINE STORE members in August 2016. Under this initiative, House Card members can use their existing ID to make purchases on the UA ONLINE STORE. At the same time, steps have also been taken to consolidate the point service programs of physical stores and the UA ONLINE STORE. With each purchase of ¥100 representing one point and one point equivalent to ¥1, customers can accrue points at both physical stores and the UA ONLINE STORE that can be applied to the future purchase at either venue. Similarly, customers' history of purchases through physical stores and the UA ONLINE STORE have been integrated to allow for the receipt of various services based on point acquisition and purchase amounts, a feature that is no doubt appealing to customers who use both physical and e-commerce venues. UNITED ARROWS LTD. has also integrated its House Card and UA ONLINE STORE applications. We provide applications for both iOS and Android terminals, and sales through these account for approximately 15% of all sales through the UA ONLINE STORE. These endeavors are serving not only to help increase member numbers but also to mobilize existing members, resulting in substantial improvements in a variety of indicators.

2. Integration and renewal of the Company's UA ONLINE STORE and brand sites

As the number of customers who undertake purchases through a combination of physical and online stores increases, we are seeing the emergence of more and more media commerce sites that bring together in a single package media from which to obtain a variety of information and online sales stores that provide customers with an enjoyable shopping experience. As far as UNITED ARROWS LTD. is concerned, the Company integrated its brand site, which posts information primarily about its physical stores, with the UA ONLINE STORE in April 2017. This renewal entailed the opening of a completely new site. With a single point of entry to the site, we have seen the numbers of sessions (visitors) and transactions (purchases) increase by approximately 50% and 20%, respectively, compared with the numbers prior to renewal. ②

3. Introduce a marketing automation tool

In conjunction with efforts to revise the UA House Card membership service, moves were also made to partially renew the mail magazine system and to introduce a marketing automation tool. Through the use of this tool, an electronic message is automatically sent to each customer in line with his or her purchasing history, drawing on multiple messages linked to customers' consumption patterns, depending on whether the purchase was made at a physical store or through the UA ONLINE STORE. Looking ahead, we will expand the scope of purchasing patterns and types of messages with a view to distributing the optimal information at the right time.

4. Provision of membership services linked to LINE IDs

In the fiscal year ended March 31, 2018, we commenced linkage of House Card membership IDs with IDs for the LINE messaging app. In Japan, LINE has become an extremely commonplace communication tool. By becoming "friends" with the Company's official LINE account, House Card members are able to display a virtual membership card through the app and confirm their balance of usage points. Moreover, they can receive messages regarding store brands and information on bargains, inventories, and other topics in a timely manner. UNITED ARROWS LTD. plans to link its membership service with marketing automation tools in the future to customize the delivery of information to each individual customer. ③

5. Other

• Displaying actual store inventory

The status of actual store inventories for each product is posted on the product page of the UA ONLINE STORE site. This initiative is aimed at attracting customers that use online sites as catalogs. Inventory data is updated every 90 minutes, allowing customers to confirm the status of inventories on virtually a real-time basis. The average number of customer inquiries regarding the status of inventories has exceeded 15,000 a day and is rapidly approaching the number of daily purchases at physical stores. These figures are indicative of the recent trend in customer purchasing behavior of researching products via e-commerce sites prior to visiting physical stores. This service clearly responds to this trend.

• Posting staff styling information

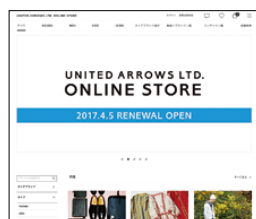
As a means for customers to gain an insight into the styles worn by staff at physical stores, the staff styling page is proving extremely popular. Styling proposals are displayed by brand, gender, casual as well as office wear, and height. ④

• Adding various services

In line with the renewal undertaken in April 2017, moves were made to increase the options available for settling online purchases. Options currently include mobile phone carrier billing, Rakuten Smartpay, Amazon Pay, and the option to purchase without registering with sites. This expanded range of options has attracted countless customers. In addition, we offer a service that allows customers to order adjustments to the hems of pants online, and monthly usage numbers for this service have exceeded 200 during peak periods. For the benefit of overseas customers, our sites feature automatic English and Chinese translation as well as cross-border e-commerce services. Looking ahead, we will make every effort to provide online customers with the same services that they are accustomed to receiving at physical stores. Drawing on each of the aforementioned, our goal is to deliver new value through functions and services that can only be achieved through online stores. ⑤



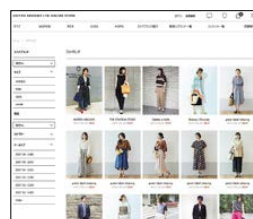
① Studio photo shoot



② Integrated site



③ LINE official account



④ Staff styling information










⑤ Adjusting the hems of pants

Our Business

as of April 1, 2018

UNITED ARROWS Group

347 stores

		Number of stores
UNITED ARROWS LTD.		229
Business Unit I		113
UNITED ARROWS General Merchandise Store ^{*1} M W	 UNITED ARROWS	9
UNITED ARROWS ^{*2} M W	 UNITED ARROWS	32
BEAUTY&YOUTH UNITED ARROWS ^{*3} M W	 BEAUTY & YOUTH UNITED ARROWS	51
Odette e Odile W	Odette e Odile	14
DRAWER W		7
Business Unit II		90
UNITED ARROWS green label relaxing ^{*4} M W	 UNITED ARROWS green label relaxing	74
Jewel Changes W	Jewel Changes	10
THE STATION STORE UNITED ARROWS LTD. W	 THE STATION STORE UNITED ARROWS LTD.	6
UNITED ARROWS LTD. OUTLET M W	 UNITED ARROWS LTD. OUTLET	26








UNITED ARROWS
Visuals for the spring-summer season of 2018



BEAUTY&YOUTH UNITED ARROWS
Visuals from LOOKS 2018 SUMMER

Group Companies

Number of stores

FIGO CO., LTD.			18
Felisi M W			13
ASPESI M W	ASPESI		5
COEN CO., LTD.			
coen M W	coen		85
UNITED ARROWS TAIWAN LTD.			4
UNITED ARROWS M W	 UNITED ARROWS		2
BEAUTY&YOUTH UNITED ARROWS M W	 BEAUTY & YOUTH UNITED ARROWS		1
UNITED ARROWS LTD. OUTLET M W	 UNITED ARROWS LTD. OUTLET		1
Designs & Co.			
BLAMINK W	BLAMINK		1
CHROME HEARTS JP, GK			
CHROME HEARTS M W			10

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

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

^{*1} UNITED ARROWS General Merchandise Store operations offer both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products in the same store.

^{*2} UNITED ARROWS, the sovereign house, District UNITED ARROWS, THE AIRPORT STORE UNITED ARROWS LTD., and ASTRAET are included in the UNITED ARROWS business.

^{*3} BEAUTY&YOUTH UNITED ARROWS, monkey time BEAUTY&YOUTH UNITED ARROWS, STEVEN ALAN, ROKU, and H BEAUTY&YOUTH are included in BEAUTY&YOUTH UNITED ARROWS.

^{*4} UNITED ARROWS green label relaxing, WORK TRIP OUTFITS GREEN LABEL RELAXING, and Lufow GREEN LABEL RELAXING are included in UNITED ARROWS green label relaxing.



UNITED ARROWS green label relaxing
Visuals from THE GREENPAPER SPRING/SUMMER 2018



coen
Visuals from 2018 SUMMER

Our Operating Markets

Markets in which the UNITED ARROWS Group Operates

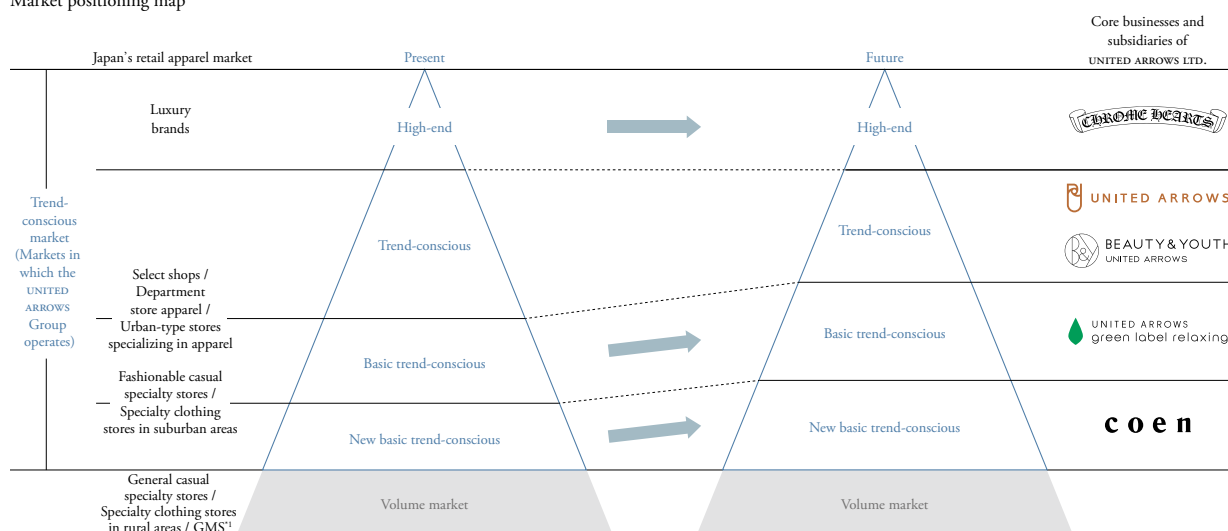
The UNITED ARROWS Group classifies the apparel market into two broad categories: the volume market, which mainly consists of relatively low-priced daily clothing, and the trend-conscious market, which is for consumers who are highly sensitive to fashion trends. The main thrust of the Group's business activities is directed toward the latter trend-conscious market. As such, our customer base is made up of consumers who have a strong interest in and want to enrich their lives through fashion. Specific operating activities are driven by an awareness of this customer segment.

It is said that the basic trend-conscious and new basic trend-conscious segments within the trend-conscious market have

expanded as the consumer societies in Europe and United States have matured and the trend toward digitization has gained momentum. In the future, Japan's market is also expected to mature and increasingly mirror the market structures of Europe and United States as a result of various factors including changes in consumer values. As far as UNITED ARROWS LTD. is concerned, the Company is promoting a medium-term strategy that is geared toward addressing these market structural changes as outlined in its Medium-Term Vision announced in May 2017.

→ P12 The UNITED ARROWS Group's Medium-Term Vision

Market positioning map



¹ GMS: General Merchandise Store

Changes in the Company's Customers

In addition to the market in which the Company operates, UNITED ARROWS LTD. has also witnessed a significant change in its customers over recent years. These changes have impacted the assumptions made when putting in place the Medium-Term Vision.

1. Changes in the value customers place on clothing

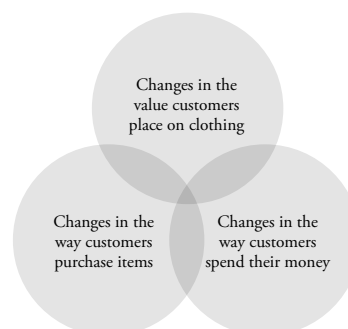
The marked polarization of consumption that is impacting a variety of fields is spilling over into the apparel market. There are signs that the value individual customers place on an item is growing increasingly diverse with a clear and astute distinction being made between favored and necessity goods.

2. Changes in the way customers purchase items

Online activities are also progressing at a rapid pace in the apparel industry. With a strong emphasis on convenience, customers are increasingly able to lay their hands on a desired item, in a shorter amount of time, thanks largely to innovative technologies and a growing distribution network. Meanwhile, the effective use of e-commerce channels is also helping to reaffirm the added-value of physical stores.

3. Changes in the way customers spend their money

The amount of money previously spent on clothes has declined in recent years as customers' purchasing patterns have expanded to include an increasingly diverse range of items and services. For its part, the UNITED ARROWS Group will enter into fields that extend beyond apparel in a bid to address the expectations of customers who hold the Company in high esteem.

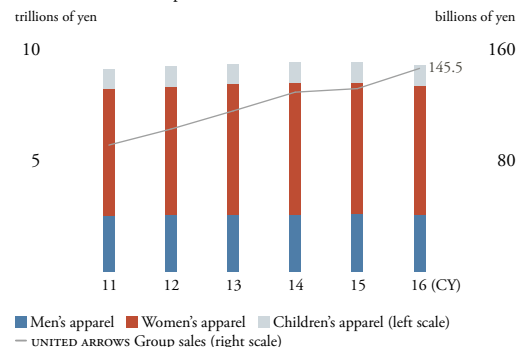


Scale of Japan's Retail Apparel Market and Trends in the UNITED ARROWS Group's Sales

Recently, the scale of Japan's retail apparel market has remained at roughly ¥9 trillion per year. While the market enjoyed four consecutive years of positive growth from 2011 to 2014, slight negative growth was seen in 2015 and 2016. A specific factor sparking negative growth in 2016 was the reorganization of brands and stores within the industry.

Conversely, the UNITED ARROWS Group's sales have continued to show steady growth, even as the market shrinks, due to the benefits of new store openings, high sales at existing stores, and increased online sales.

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

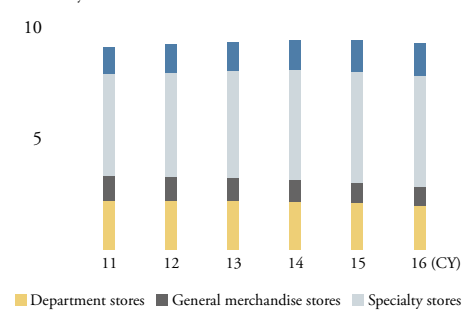


Prepared by UNITED ARROWS LTD. based on the "Apparel Market in Japan: Key Research Findings 2017" by Yano Research Institute Ltd. and Company data.

Trends in Sales by Channel in Japan's Retail Apparel Market

Sales in department stores and general merchandise stores declined year on year while the ongoing growth of the markets for specialty stores and the online store and other¹ segment markets continued to support Japan's retail apparel market as a whole. The positive growth of specialty stores was driven by major retailers. As for the online store and other segment, trends in online sales remained strong, and companies operating physical stores accelerated omni-channel retailing initiatives.

Trends in sales by sales channel



Prepared by UNITED ARROWS LTD. based on the "Apparel Market in Japan: Key Research Findings 2017" by Yano Research Institute Ltd.
¹ Online store and other channel includes mail order / online (Internet, catalog, television, others) as well as discount stores.

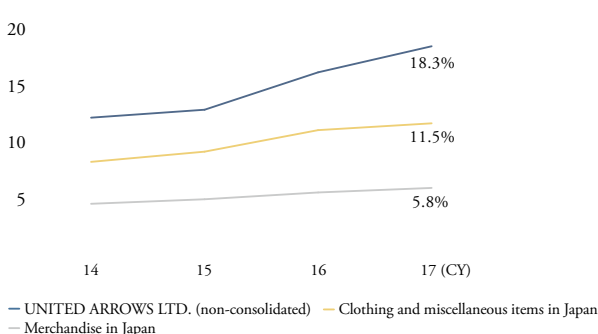
Trends in E-Commerce Sales in Japan (Merchandise, Clothing, and Miscellaneous Items)

According to a survey by Japan's Ministry of Economy, Trade and Industry, the scale of the e-commerce market as a portion of total merchandise sales in Japan came to ¥8.6 trillion in 2017 and accounted for 5.8% of total sales. This was 7.5% higher than the previous year. Of this total, e-commerce sales of clothing and miscellaneous items amounted to ¥1.6 trillion, up 7.6% year on year, and comprised 11.5% of total sales of these items. As shown by these figures, e-commerce sales of merchandise overall as well as clothing and miscellaneous items continue to expand and represent larger portions of total sales. Looking at a breakdown of e-commerce

activities within the merchandise category as a whole, clothing and miscellaneous items once again made up the largest share at 19%, reflecting high consumer interest. Prior to 2017, the growth of e-commerce activities in the merchandise category was primarily driven by women. However, we believe that the e-commerce market has the potential to continue to expand as online purchases become more common among men in the medium term.

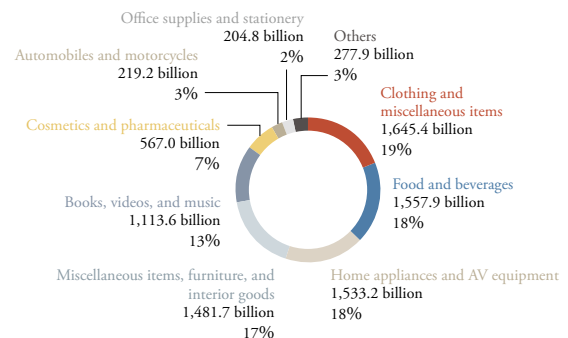
^{*} Details of Japan's apparel market as well as clothing and miscellaneous items are based on data provided by Yano Research Institute Ltd. and Japan's Ministry of Economy, Trade and Industry, respectively. Hence, the discrepancy in market scale.

Trends in the composition of e-commerce sales for merchandise, clothing, and miscellaneous items in Japan as well as for the Company overall %



Prepared by UNITED ARROWS LTD. based on the "FY2017 E-Commerce Market Survey" conducted by Japan's Ministry of Economy, Trade and Industry and Company data.

Composition rate by category within Japan's merchandise e-commerce market



Business Overview

for the fiscal year ended March 31, 2018

Trends in sales

	FY2016	FY2017	FY2018
UNITED ARROWS LTD.	127.8	126.0 ^{*1}	128.3
FIGO CO., LTD.	3.2	3.0	2.8
COEN CO., LTD.	9.8	10.7	11.8
CHROME HEARTS JP, GK	—	6.2 ^{*2}	12.0

billions of yen

^{*1} The CHROME HEARTS business was split from UNITED ARROWS LTD. in October 2016. Data includes CHROME HEARTS business sales for the pre-split six-month period from April to September 2016 of ¥5.3 billion.

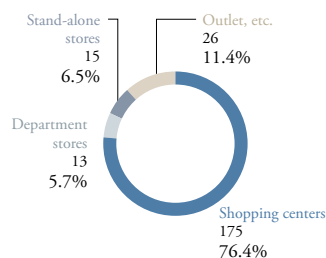
^{*2} Figures represent post-split sales for the six-month period from October 2016 to March 2017.

^{*} The account settlement date for CHROME HEARTS JP, GK is December 31, but the period for which performance is used for consolidated accounting is from April 1 to March 31.

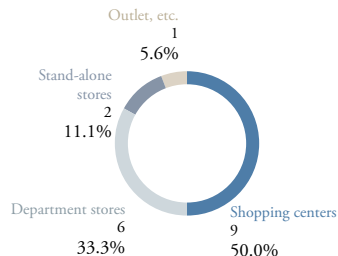
^{*} As UNITED ARROWS TAIWAN LTD. and Designs & Co. are currently of only minor significance to the UNITED ARROWS Group's overall results, their net sales are not stated.

Number of stores by sales channel

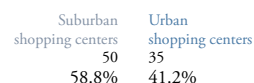
UNITED ARROWS LTD.



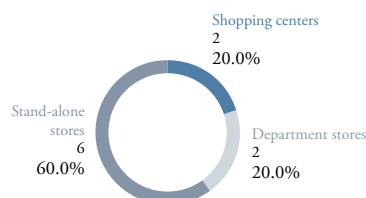
FIGO CO., LTD.



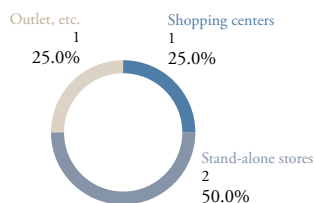
COEN CO., LTD.



CHROME HEARTS JP, GK



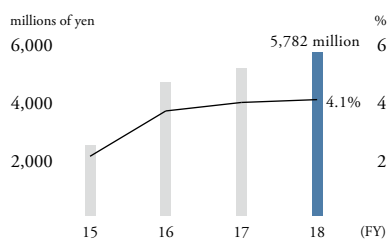
UNITED ARROWS TAIWAN LTD.



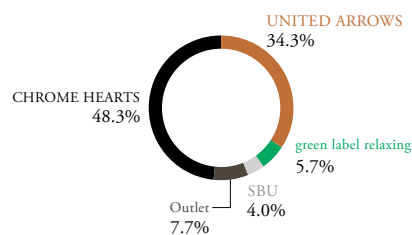
^{*} Shopping centers refers to such commercial facilities as fashion buildings and railway station buildings (excludes department stores).

^{*} Urban shopping centers refers to shopping centers located within the 23 wards of Tokyo and nationwide government-ordinance-designated cities.

Trends in sales of tax-free goods and sales composition ratio^{*3} (non-consolidated + CHROME HEARTS)

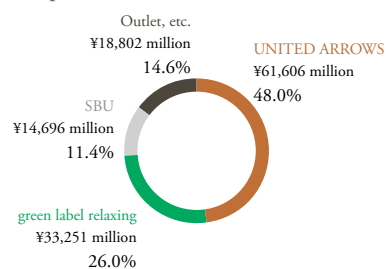


Tax-free goods sales composition ratio by business^{*3} (non-consolidated + CHROME HEARTS)

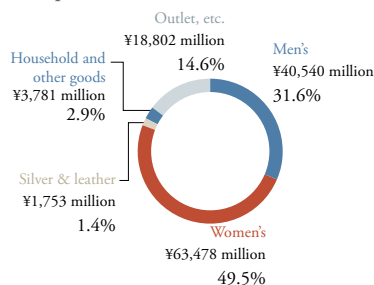


^{*3} Figures are combined data for non-consolidated and CHROME HEARTS JP, GK, effective from the fiscal year ended March 31, 2017. While CHROME HEARTS JP, GK maintains an account settlement date of December 31, data is calculated for the period from April 1 to March 31.

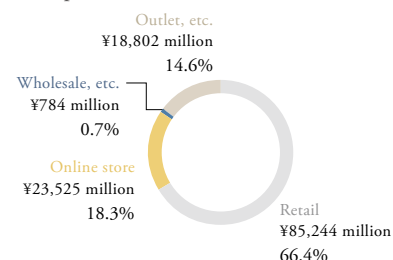
Net sales by business /
Composition ratio (non-consolidated)



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

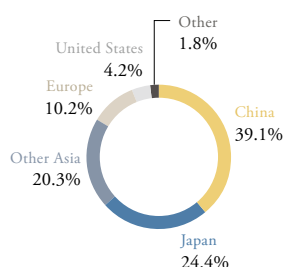


Net sales by sales channel /
Composition ratio (non-consolidated)

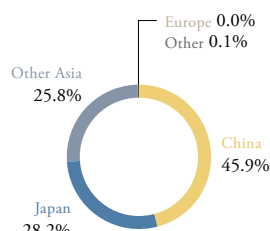


Breakdown by country of origin (non-consolidated / procurement cost basis)

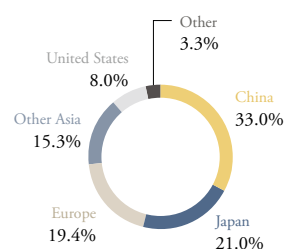
Private label brands / Purchased brands



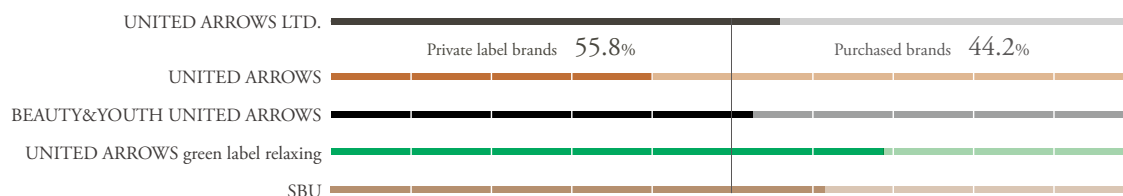
Private label brands



Purchased brands

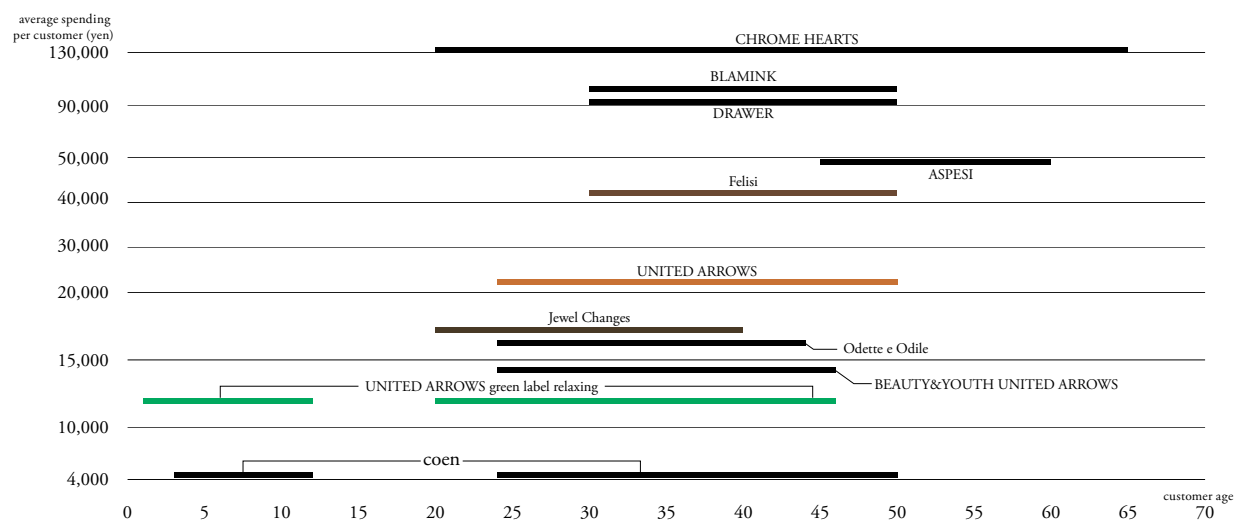


Mix of private label brands and purchased brands (non-consolidated)



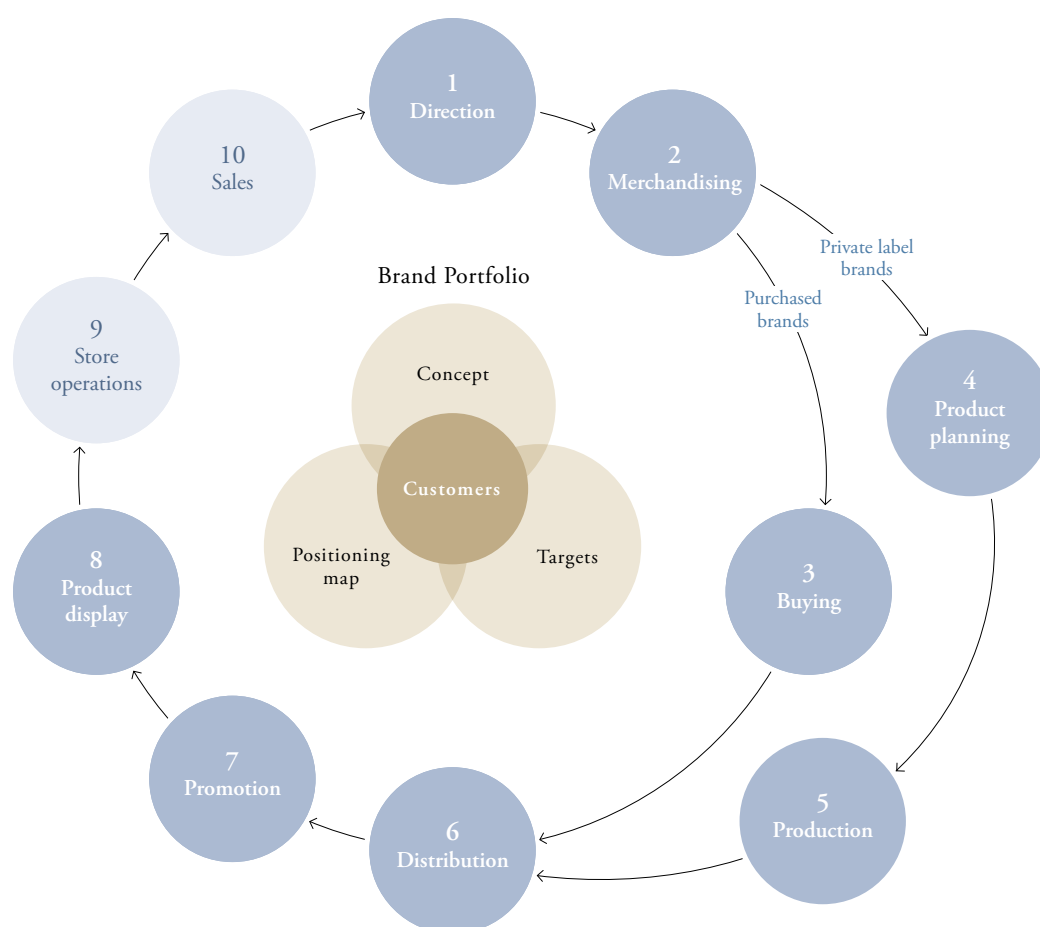
* OEM products (products manufactured by other companies and sold under our brand names) are included in purchased brands.

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



Value Chain and Product Platform

UNITED ARROWS LTD. positions its frontline activities at the heart of its operations. As a result, the comments and opinions gleaned directly from customers are reflected in every facet of the value chain. In specific terms, this includes the product development capabilities that draw on the Group's strengths with respect to both purchased brands and private label brands, the product platform that oversees activities from the brand portfolio to the creation of product displays, and customer service and store environments that help provide customers with an enjoyable shopping experience. By implementing a variety of initiatives across the value chain, we are working to generate synergies that form the basis of the Company's competitive advantage.



	Until the fiscal year ended March 31, 2017	From the fiscal year ended March 31, 2018
Brand positioning	Brand positioning and the identification of targets left to each business	Brand portfolio managed by the Company as a whole; positioning and targets for each brand clearly defined
Product platform	Management limited to product platform merchandising to production (2–5) as well as key performance indicators (KPIs)*	Management expanded to cover from the brand portfolio through advertising and promotion to product display (1–8) as well as KPIs*

* Gross margin, sales ratio, residual inventory ratio, etc.

Value Chain

Brand Portfolio

UNITED ARROWS LTD. manages its brand portfolio based on a matrix that positions each brand according to its price as the vertical axis and fashion tastes as the horizontal axis in line with each brand concept. By clarifying positions that are capable of expressing the concept of each brand, we are defining each target customer base. On this basis, we will then provide products that match each need. Placing this brand portfolio at the center of the entire value chain, we are optimizing the whole process from product development to sales activities in line with target customers.

(1) Direction

Direction refers to the direction of each spring–summer and fall–winter season. Based on the Companywide direction that the Fashion Marketing Department disseminates as background to the latest fashion information (on colors, materials, collections, etc.) and social trends, each of the businesses sets a direction that fits each position and target group.

(2) Merchandising

Merchandising (MD) is planned based on the direction of each business. In order to respond to changes in the climate that have occurred in recent years and also to changes in fashion purchasing patterns, we classify a year into up to eight seasons and in stages introduced eight-season MD to conduct product planning from the spring–summer season of 2015. Replacing the product planning approach under which the year had previously been divided into six seasons, we divide the year into a maximum of eight seasons—early spring, spring, early summer, high summer, late summer, early fall, fall, and winter—and provide products corresponding to the temperature and customer trends of each segmented season. In addition, we aim to improve the ratio of regular priced sales and control increases in inventories by launching products after having evaluated the number of items and identified the necessary amount of inventory. Repeating weekly and monthly verifications and adjustments depending on the sales situation, we make finely tuned adjustments, such as additional production, the planning of new products during the course of the season, and early reductions of inventories utilizing outlets, to keep us on the right track.

(3) Buying

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. In addition to developing exclusive items with popular brands, buyers are involved right up to the completion of private brand products and supply differentiated products from other companies. Besides strengthening the integrity of existing brands and being charged with the mission of uncovering promising new brands that differentiate the Company from other companies, buyers are racing around every day to gather information and cultivate new personal connections with their own eyes and feet.

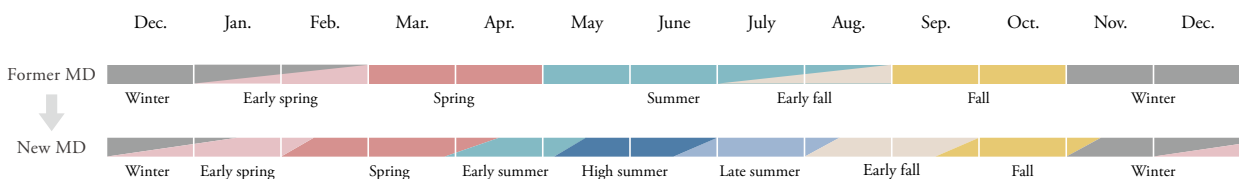
(4) Product planning

Under the concepts with respect to the direction and MD of each business, steps are taken to develop designs and fabrics and to prepare patterns. Product samples are shared with the sales department, and product development is pushed forward while incorporating feedback gleaned from staff in their dealings with customers at stores. Designers accompany buyers during their purchasing trips to better determine 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 brands and private label brands. This serves as the wellspring for differentiating the Company's products.

(5) Production

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. As part of our initiatives for securing workers' safety, prior to selecting factories, we take steps to confirm that they are not in violation of child labor, compulsory labor, or other laws and that they offer fair working environments in terms of considerations such as compensation and working hours.

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

Value Chain and Product Platform

(6) Distribution

In collaboration with distribution companies, the Group undertakes product inventory control on a concentrated basis at a total of six distribution centers in Japan. In May 2018, we commenced operation at the Nagareyama Distribution Center. By equipping this facility with large-scale distribution equipment and realizing high-efficiency, low-staff operations, we will seek to reduce distribution costs while realizing greater stability in distribution activities at this center.

(7) Promotion

Promotion departments implement MD-based sales promotion activities. The departments draft and advance sales promotion strategies that combine sales promotion channels such as catalogs and magazine advertisements with web-based SNS, according to the target customer's hobbies and preferences.

(8) Product display

In the case of actual stores, we are creating stores according to their locations and the characteristics of their customers. We attract customers to products by means of MD calendar-based window displays, product displays, and the installation of point of purchase (POP) displays tied to sales promotion strategies.

(9) Store operations to (10) Sales

In actual stores, we aim to respond to the needs of each and every customer and aim for customer service in such a way as to provide satisfaction and excitement that exceeds expectations. Through training programs, such as Educator-Student (ES) and the UNITED ARROWS University, to encourage independent development of sales staff, and award systems, such as Sales Master and the UNITED ARROWS Grand Prix for outstanding sales staff, we are maintaining and improving the knowledge, skills, and motivation of our sales staff. In online stores, we operate our own UNITED ARROWS ONLINE STORE and are also setting up stores on e-commerce sites such as ZOZOTOWN. On the UNITED ARROWS ONLINE STORE, we are promoting efforts to raise cooperation between physical and online stores by unifying membership with the UA House Card system and sharing common point services. UNITED ARROWS LTD. OUTLET plays the role of continuously reducing the residual inventories and slow-selling products during a season at each business. The early reduction of inventories at outlet stores helps maintain the fresh appeal of products at frontline stores while also securing gross profit and the improvement of cash flow through the conversion of cash.

Seasonal Reviews

After the end of each spring–summer and fall–winter season, the Company conducts reviews of MD and product planning. We verify, for example, whether the MD was appropriate, whether the distribution of products to actual stores was optimal, and whether any products had been slightly off the targeted customer base, and reflect our review findings in the following season's MD.

Product Platform

It is the product platform that plays a major role in the Company's value chain. A framework that comprises an MD platform and a production platform, which supports each of the procurement, production, product launch, and inventory reduction activities, the product platform was introduced in the fiscal year ended March 31, 2007. This overarching framework is used to stabilize MD operations by standardizing and structuring activities that are susceptible to the experience and skills of employees.

The MD 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, thereby leading to increased rates of inventory reduction as well as final sales.

The production platform works to formulate the product procurement and production strategies that take us from MD planning through to realization. Having gathered information on a Companywide basis on the procurement of materials and manufacturing plants by business, the Company selects the optimal manufacturing plant according to the characteristics of the business and product. This has given rise to positive adjustments in procurement costs relating to purchasing and production as well as lead times in a way that satisfies the five key criteria.

Product Platform Transition

Since its introduction in the fiscal year ended March 31, 2007, the Company has brought about the phased evolution of its product platform. During the space of the first four years, the platform was installed at each business. With the MD platform, we had made advances in the monitoring and analysis of KPIs, such as gross margin, sales ratio, residual inventory ratio, and in the visualization and standardization of business processes. In the case of the production platform, we promoted the sharing of factory information for each business, the selection and evaluation of principal business partners, and the strengthening of cooperation. Over the following five years, we strengthened efforts toward stable operations, enhancing the monitoring and analysis of KPIs to increase the accuracy of budget performance management of the MD platform, and strengthening the production control frameworks of major factories and promoting positive adjustments to delivery dates, quality, and costs with the production platform. In the fiscal years ended March 31, 2016 and 2017, we implemented initiatives in response to changes related to customers.

On the MD platform, we are aiming to improve the regular sales ratio, connected to timely and appropriate volumes from our product lineups according to each season by introducing eight-season MD with regard to changes in climate and fashion purchasing patterns. Turning to the production platform, we are promoting optimum location and optimum production in line with the segmented MD seasons and are working to develop production scenarios compatible with finely tuned product launches.

Current Product Platform Operation

Up to now, product platforms have supported product planning and managed progress as far as production control operations in the Company's value chain. However, with the aim of conducting the accurate supply of products to meet diversifying customer needs, we began evolving our product platform into a framework that encompasses the entire value chain, including brand concepts and targets, in the fiscal year ended March 31, 2018.

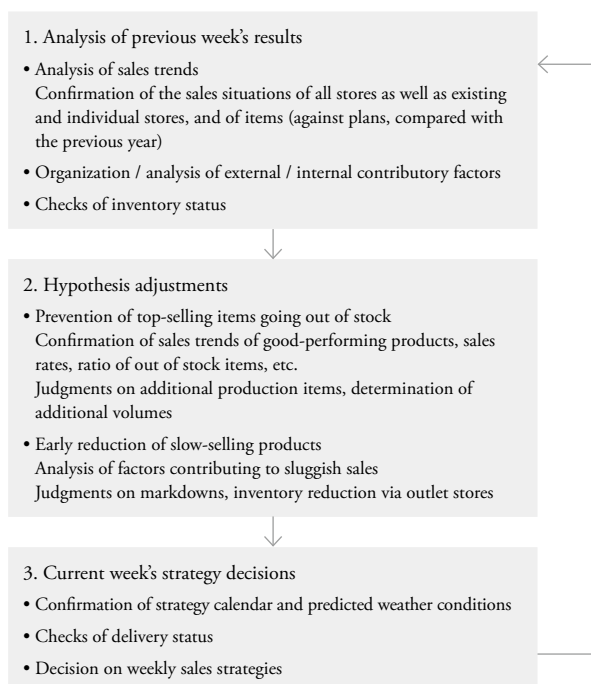
On the MD platform, we have added attribute codes, indicating for example the taste of feminine fashion or standard or casual fashion, to the product code, which is classified by elements such as brand, color, and size. Attaching the attribute codes has enabled us to reach the point at which we can manage to what extent products with specific attribute codes are deployed in a given business by using indices. We have thus succeeded in quantitatively verifying

taste in products, despite these verifications previously being biased toward the qualitative aspect. This is in turn leading to improved precision in product planning. At the same time, we are operating the MD platform in a manner that is not influenced by business characteristics by standardizing the weekly and monthly business process flows.

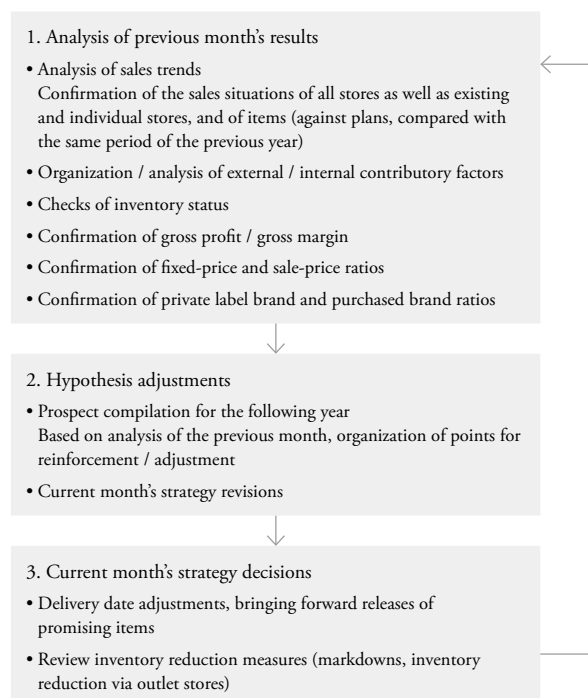
Turning again to the production platform, we will select the production scenarios that can respond to the concepts and targets of each business accurately at an early stage in order to support the MD plan. From now on, we will utilize the functions of our business atelier* to enhance the quality of our private label brands and lead us to product optimization for targeted customers.

* Atelier: A studio for creating in-house product samples. Creates high-precision samples in a short time and enhances the quality finish and quality of products by using the samples when placing production orders with factories. Currently being used for some mainstay products.

Weekly business process flow



Monthly business process flow



Product platform initiatives in transition

	Fiscal 2007–Fiscal 2010	Fiscal 2011–Fiscal 2015	Fiscal 2016–Fiscal 2017	Fiscal 2018–
Initiatives	Initiatives intended to be introduced across all businesses	Initiatives toward stable operations	Initiatives toward customer variations	Evolve into a framework to totally control the entire value chain
MD platform	Visualization of MD operations / Promotion of standardization	Strengthening of budget performance management	MD segmentation	In line with the concept, position, and targets based on the business portfolio, operate the MD platform for the season, month, and week (combining qualitative and quantitative aspects, improving hypothesis accuracy).
Production platform	Take stock of production control business processes / Promote standardization	Delivery / quality / cost management	Promote optimum location, optimum production strategy	Based on the above, selection of early stage, accurate production scenarios

Board of Directors

as of June 22, 2018



Mitsuhiro Takeda (55 / 8)

Representative Director, President and CEO
Nomination and Compensation Committee member

He is responsible for promoting the Company Policy by overseeing Groupwide reforms centered on the Medium-Term Vision.



Mitsunori Fujisawa (52 / 8)

Director, Executive Vice President
In charge of Business Infrastructure of the Company
Representative Director and President, COEN CO., LTD.

He is responsible for the continued medium- to long-term growth of COEN CO., LTD. as the company's representative director, while promoting Companywide e-commerce, distribution, marketing, and other strategies.



Masami Koizumi (56 / 12)

Director, Executive Vice President
In charge of Finance, Investor Relations, and Compliance

He is responsible for finances, investor relations, legal affairs, and compliance and is strengthening administrative foundations Groupwide.



Hiroyuki Higashi (52 / 6)

Director, Executive Managing Officer
In charge of Corporate Strategy and Human Resources

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



Yoshinori Matsuzaki (44 / New)

Director, Executive Managing Officer
General Manager, Business Unit I

He is responsible for improving customer loyalty and profitability in the businesses overseen by Business Unit I, which primarily targets trend-conscious markets, as the director in charge of this unit.



Tatsuya Kimura (41 / New)

Director, Executive Managing Officer
General Manager, Business Unit II

He is responsible for expanding the scope and growing the earnings of the businesses advanced by Business Unit II, which mainly caters to basic trend-conscious markets, as the director in charge of this unit.


Yukari Sakai (49 / 2)

Outside Director
Standing Audit and Supervisory Committee member (Chairperson)
Nomination and Compensation Committee member (Chairperson)

She has a wealth of finance-related knowledge including expertise in financing and accounting matters as well as extensive experience as a director and an audit and supervisory board member at other companies. Leveraging this knowledge and experience, she will help strengthen the supervisory and oversight functions of management, increase transparency, and efficiency.


Gaku Ishiwata (47 / 5)

Outside Director
Audit and Supervisory Committee member
Nomination and Compensation Committee member

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


Hidehiko Nishikawa (55 / 3)

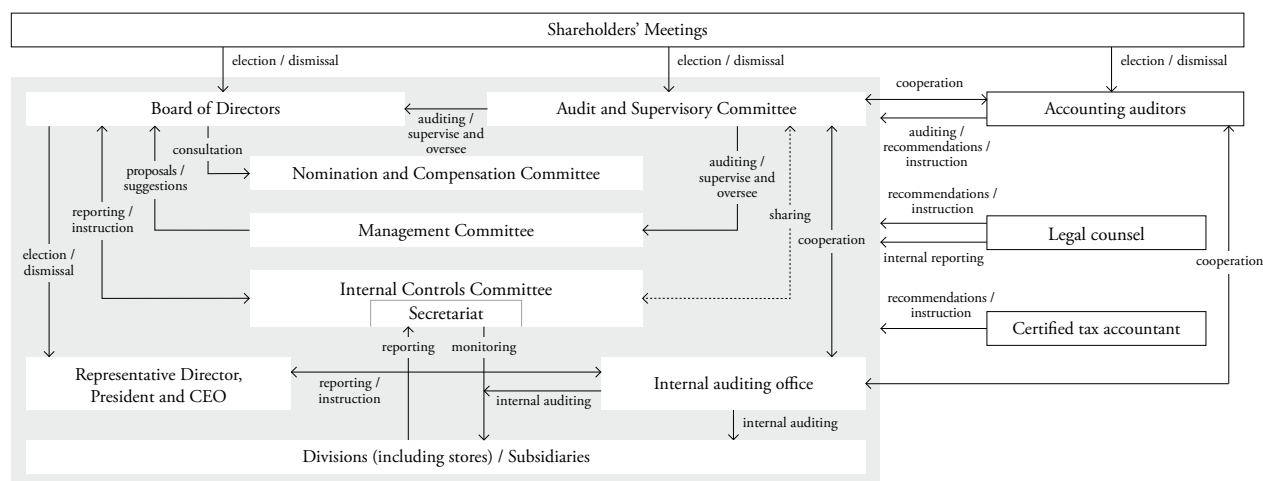
Outside Director
Audit and Supervisory Committee member
Nomination and Compensation Committee member

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.

Attendance at meetings of the Board of Directors and committees in the fiscal year ended March 31, 2018 / Chairpersons

	A	B	C	D	E	F	G	H	I
Board of Directors	18 / 18 (Chairperson)	18 / 18	18 / 18	18 / 18	—	—	18 / 18	18 / 18	18 / 18
Audit and Supervisory Committee							14 / 14 (Chairperson)	14 / 14	14 / 14
Nomination and Compensation Committee	5 / 5						5 / 5 (Chairperson)	5 / 5	5 / 5

Corporate governance framework



→ Professional History of Directors

<http://www.united-arrows.co.jp/en/ir/strategy/executive.html>

Corporate Governance

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

2007	• Abolished retirement benefits for officers
2008	• Adopted an executive officer system
2013	• Appointed one outside director (four internal directors, one outside director)
2015	• Appointed a second outside director (four internal directors, two outside directors) • Formulated and disclosed the Corporate Governance Policy • Sold all cross-shareholdings
2016	• Transitioned to the Company with an Audit and Supervisory Committee structure • Established the Nomination and Compensation Committee • Appointed a third outside director (four internal directors, three outside directors) • Undertook an evaluation of the effectiveness of the Board of Directors and disclosed results
2017	• Adopted a restricted stock compensation plan • Abandoned measures to prevent hostile takeovers

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 nine 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 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 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, 2018, 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.

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 Committee is comprised of three independent outside directors and one representative director.

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 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.

Outline of the corporate governance framework as of June 22, 2018	
Organizational format	Company with an Audit and Supervisory Committee
Chairman of the Board of Directors	Representative Director, President and CEO
Directors (excluding directors who are Audit and Supervisory Committee members)	Six (none of whom are outside directors)
Directors who are Audit and Supervisory Committee members	Three (all of whom are outside directors)
Independent officers*	Three outside directors
Average age	50.1 years
Number of Board of Directors' meetings held during the fiscal year ended March 31, 2018	18
Number of Audit and Supervisory Board meetings held during the fiscal year ended March 31, 2018	14
Number of Nomination and Compensation Committee meetings held during the fiscal year ended March 31, 2018	5

* 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/en/corporate/governance.html

Policies and Procedures for Nominating Directors

Nomination policies

The policy for the nomination of internal directors ("Policy 1" hereinafter) is to nominate individuals with a strong commitment to accomplishing goals and exceptional management skills, which should be founded on their experience, exceptional insight, and sophisticated expertise. The goal of this policy is to nominate individuals that can help realize sustainable growth and increase corporate value over the medium to long term in accordance with the Company Policy.

The policy for the nomination of outside directors ("Policy 2" hereinafter) is to nominate individuals with a wealth of experience, exceptional insight, and sophisticated expertise. The goal of this policy is to nominate individuals that can help realize sustainable growth and increase corporate value over the medium to long term in accordance with the Company Policy while monitoring and supervising management from an independent standpoint.

Nomination procedures

In accordance with Policy 1 and Policy 2 above, the procedure for nominating directors who are not Audit and Supervisory Committee members entails nominations being decided through resolution of the Board of Directors after consultation with the Nomination and Compensation Committee. Attributes of candidates such as gender and nationality will be not be considered in this process.

In accordance with Policy 1 and Policy 2 above, the procedure for nominating directors who are Audit and Supervisory Committee members entails nominations being decided through resolution by the Board of Directors after receiving consent from the Audit and Supervisory Committee. Attributes of candidates such as gender and nationality will be not be considered in this process.

The Nomination and Compensation Committee is comprised of all outside directors as well as the representative director (president and CEO), with the chairperson being selected from among the outside directors through discussion by the Committee.

Cultivation and Selection of Director Candidates and Succession Plan for Chief Executive Officer

As one facet of its efforts to create frameworks for ensuring it can always respond to the desires for society, the Company has defined the following policies for selecting and cultivating candidates for positions in senior management.

The executive officers of the Company and the directors of affiliates are viewed as potential candidates for positions as directors or, eventually, as the chief executive officer. Candidates for positions as executive officers are first selected by the president, the director in charge of human resources, and human resources divisions. Individuals selected are to be comprehensively evaluated based on their strategic vision formulation skills, which should be of the degree required of business division general manager-level officer, as well as their business execution, leadership, and other skills. After consultation with the Nomination and Compensation Committee, the final selection of candidates is performed by the Board of Directors. The initial selection of successors for senior management positions will be carried out by the committees comprised of executive directors from among executive directors, executive officers with sufficient experience addressing Companywide management tasks, and directors of affiliates. The final decision regarding the nomination of successors for senior management positions will then be made the Board of Directors, after consultation with the Nomination and Compensation Committee, based on the Company Policy and management strategies. Formal standards for the nomination

of directors have been established with regard to the values, skills, commitment, and insight of candidates to ensure clearer and more objective decisions related to the cultivation and selection of directors.

From among the directors selected based on the aforementioned policies, individuals are identified as candidates for the position of chief executive officer based on their performance as directors, the strong commitment to the realization of the Company Policy, their exceptional leadership skills, their vast interpersonal networks inside and outside of the Company, and their superior management skills founded on their experience, exceptional insight, and sophisticated expertise. Candidates for the position of chief executive officer are assigned to more critical positions and will be appointed the next chief effective officer should they be deemed suitable to this role by the Board of Directors based on their performance in those positions and consultation with the Nomination and Compensation Committee.

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, a bonus that is linked to the Company's performance over a single fiscal year period, and stock-based compensation that is set in line with the degree to which the targets under the Medium-Term Business Plan are met.

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.

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.

Stock-based compensation

UNITED ARROWS LTD. has adopted a Restricted-Share Remuneration Plan in order to ramp up efforts aimed at sharing value with all shareholders and putting in place a compensation structure and system that is designed to enhance corporate value over the medium to long term. Under this plan, restricted share remuneration that lifts

Corporate Governance

transfer restrictions is granted to executive directors who achieve the targets set out under the Medium-Term Business Plan within the fixed transfer restriction period. The amount of restricted share remuneration reflects the degree to which targets are achieved.

Bonuses and stock-based compensation 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.

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.

Risk Management

Recognizing that the Company continues to confront a wide variety of risk factors, UNITED ARROWS LTD. is putting in place a management framework in accordance with its basic rules regarding internal control and crisis management. The Internal Control Committee considers all important matters concerning operational risks. This includes the establishment of rules and regulations, manuals, and guidelines as well as an emergency headquarters to respond to a crisis situation by gathering and managing information. In line with changes in the environment in which the Company operates, each department constantly reviews all pertinent risk factors, continues to upgrade and expand rules and regulations as well as manuals, and puts in place the structure and systems required to prevent risks before they arise and to properly respond at the time of a crisis.

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.

Corporate Governance
www.united-arrows.co.jp/en/corporate/governance.html

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.

Total amount of compensation and other benefits paid to directors and Audit and Supervisory Board members for the fiscal year ended March 31, 2018

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	Restricted stock compensation	Bonus	Retirement benefit allowance
Directors (excluding outside directors)	4	226	126	25	75	—
Independent officers	3	30	30	—	—	—

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 dialogue 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 has introduced an electronic platform for exercising voting rights to ensure that shareholders who are unable to attend shareholders' meetings are able to exercise their voting rights. 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 the 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 dialogue 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 dialogue 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 Directors' 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: Dialogue 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 dialogue 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 dialogue 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 KPI Management

The Company conducts the profit and loss management of all its directly operated stores on an individual basis and manages aggregate profit and loss on a business unit level to clarify the revenue responsibility of each business.

Moreover the Company sets numerical targets for such KPIs as net sales, product sales rate, and product return of investment (ROI); 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 ROI fiscal year, which takes into account the capital cost (approximately 8%) 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. Over a three-year period of struggling performance that began in the fiscal year ended March 31, 2007, the Company withdrew from 10 underperforming brands out of the 22 brands deployed at the time. Furthermore, the Company withdrew from an additional two brands while ceasing store operations for another brand during the fiscal year ended March 31, 2018, in accordance with the policy to “identify and evaluate underperforming businesses, stores, and activities; carry out appropriate countermeasures” described under the strategy of establish a robust management platform presented in the Medium-Term Vision.

6. Investor relations

Proactive Approach to IR

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 IR 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

Operation of Shareholders' Meetings to Facilitate Constructive Dialogue with Shareholders and Investors

The Company seeks to provide frameworks at shareholders' meetings that allow for the appropriate exercise of voting rights. To ensure that sufficient time is provided to consider proposals, convocation notices are posted on the Company's IR website and on the Tokyo Stock Exchange's website four week prior to the date of the meeting.

Physical notices are mailed three weeks prior. In addition, abbreviated convocation notices and reference materials are provided on our IR website in English to accommodate the rise in the portion of shareholders overseas. The Company also participates in electronic voting platforms to improve convenience in exercising voting rights. Furthermore, the times and dates of shareholders' meetings are purposely set to avoid coinciding with days that have a concentration of other meetings, and meetings are held at times that are more accessible to individual shareholders. Discussion forums are also organized to facilitate interaction between shareholders and the Company's directors as a part of efforts to facilitate constructive dialogue and to hold open-ended shareholders' meetings.

The 29th Ordinary General Meeting of Shareholders, held on June 22, 2018, was attended by 448 people and lasted 52 minutes, and four individuals asked a total of seven questions.

External Appraisal of Corporate and IR Activities

UNITED ARROWS LTD. is continuously enhancing its corporate governance system in order to put in place a transparent and fair management framework and to ensure its ability to make timely and bold decisions. To create value for shareholders, UNITED ARROWS LTD. has positioned efforts to voluntarily provide impartial information on a constant, timely, and continuous basis at the heart of its basic policy on IR activities. As a result of proactively engaging in corporate and IR activities based on this policy, the Company has received various commendations from external evaluation agencies.

Going forward, UNITED ARROWS LTD. will strive to continuously evolve and improve its corporate and IR 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 JIRA
2005	Awarded the Best IR Award by JIRA
2012	Awarded the Nikkei Annual Report Special Award for its abridged version 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 JIRA
2014	Awarded the IR Grand Prix Award by JIRA
2017	Awarded the highest evaluation under the ISS Quality Score
2018	Maintained the highest evaluation under the ISS Quality Score (Please refer to the column below for details.)



UNITED ARROWS LTD. Maintains an ISS Quality Score of “1”

Based in the United States, Institutional Shareholder Services Inc. (ISS) is a global company that delivers proxy research and vote recommendations. ISS has a major impact on the decisions made by worldwide institutional investors when exercising their voting rights as well as the reputations of a wide range of global companies. In addition to delivering proxy research and vote recommendations, ISS evaluates the corporate governance framework and systems of various companies including the structure of each Board of Directors, executive

compensation systems, and policies regarding the return of profits to shareholders using a scale from 1 to 10 (ISS Quality Score). UNITED ARROWS LTD. received the highest ISS Quality Score of “1” in 2017 and then again in 2018. Looking ahead, the Company will work diligently to improve its corporate governance in a bid to secure a sound reputation and the confidence of all stakeholders.

ISS QualityScore

Message from an Outside Director



We will promote reciprocal communication with both internal and outside stakeholders to improve corporate value over the medium to long term.

Yukari Sakai

Outside Director

Standing Audit and Supervisory Committee member (Chairperson)

Nomination and Compensation Committee member (Chairperson)

Efforts as an Audit and Supervisory Committee Member

The fiscal year ended March 31, 2018 was the second year since UNITED ARROWS LTD. transitioned to the Company with Audit and Supervisory Committee described in Japan's Companies Act. In the fiscal year under review, we sought to enhance oversight functions to allow for more accurate auditing, oversight, and suggestions. The Company continued to hold regular forums for discussing individual proposals together with the president of the Company, executive directors, executive officers, and the presidents of major consolidated subsidiaries, as was also done in the previous fiscal year. These forums serve as an opportunity to deepen understanding of management, business operations, issues faced by the Company, and other topics, which helps me make more effective suggestions. In addition, we also held regular meetings with internal audit divisions, which have been positioned as an important activity for strengthening internal control. These meetings help me better stay abreast of the circumstances at the Company while facilitating strong oversight by allowing me to make suggestions based on the issues faced by executive directors and to propose solutions to these issues.

Activities of the Nomination and Compensation Committee

The fiscal year ended March 31, 2017 was the first year during which the Nomination and Compensation Committee was in place. At that time, we introduced a restricted stock compensation plan to build a compensation structure that contributes to further improvements in corporate value over the medium to long term. In the fiscal year ended March 31, 2018, a major theme was succession plans for the chief executive officer. We therefore devoted discussions to examining the process and conditions for selecting individuals that would be suited to becoming president in the future and deciding the training methods to be used for cultivating these individuals. Particularly vigorous discussions on the ideal president for the Company and the aptitudes and character of such an individual are being held at forums arranged with executive directors and outside directors. We are still in the process of examining this matter, but I feel that this discussion process will no doubt contribute to the transparency and impartiality of the final decision made.

Appointment of Two Additional Directors

At the shareholders' meeting held in June 2018, two new directors were appointed. The first was Yoshinori Matsuzaki of Business Unit I, which primarily oversees business targeting trend-conscious markets, and the second was Tatsuya Kimura of Business Unit II, which mainly develops businesses catering to basic trend-conscious markets. In the wake of three consecutive years of lower profit leading up to the fiscal year ended March 31, 2017, the executive directors became aware of a gap between the frontlines and management. This recognition led them to appoint two individuals that were closely linked to frontline operations to

positions with responsibility for management decision making. This move increased the diversity of the Board of Directors and contributed to livelier discussions while also incorporating new sensibilities into the Board. I suspect that these changes will be most beneficial when it comes to making decisions related to medium- to long-term growth.

Corporate Governance Briefings and Shareholder Relations Activities

In the fiscal year ended March 31, 2018, I personally held a corporate governance briefing for institutional investors. This event, which was a first for the Company, was arranged out of my desire for more engagement with shareholders and other investors. The Q&A session as well as the survey conducted on the day of the briefing indicated a much greater degree of interest in the corporate governance of UNITED ARROWS LTD. than I had expected. The Company is also conducting shareholder relations activities aimed at those major shareholders that are inclined to exercise their voting rights based on environmental, social, and governance (ESG) concerns. These activities have proven to be prime opportunities to clarify the expectations that shareholders have for the UNITED ARROWS Group and for me to reaffirm my ideal role as an outside director. I look forward to increasing my opportunities for dialogue with shareholders and other investors so that I can discuss how best to improve the Company's corporate value with both internal and external stakeholders.

Future Challenges

As indicated by the evaluation of the Board of Directors' effectiveness carried out in the fiscal year ended March 31, 2018, there is a rising need for discussions to be held regarding the directives and strategies that will be instituted in pursuit of long-term growth after we have solidified foundations for future growth under the current Medium-Term Vision. When looking at long-term growth strategies, it is important to consider factors such as the distinctive character of the UNITED ARROWS Group, its principles, and its culture. That being said, I also hope to make suggestion that balance this perspective with options such as undertaking aggressive strategies that allow for preemptive action and transformation when necessary. Another area that will need to be considered going forward is the stance that the Company will adopt toward ESG investment. One aspect of the Policy Structure of the UNITED ARROWS Group is its five core values, which are indicative of its commitment to continuous, long-term improvement in the value its provides to customers, employees, business partners, society, and shareholders. I plan to engage in ESG-minded discussions to help guide the Group in creating such value.

Going forward, I will continue to fulfill my role in contributing to the medium- to long-term growth of the Company as an outside director.

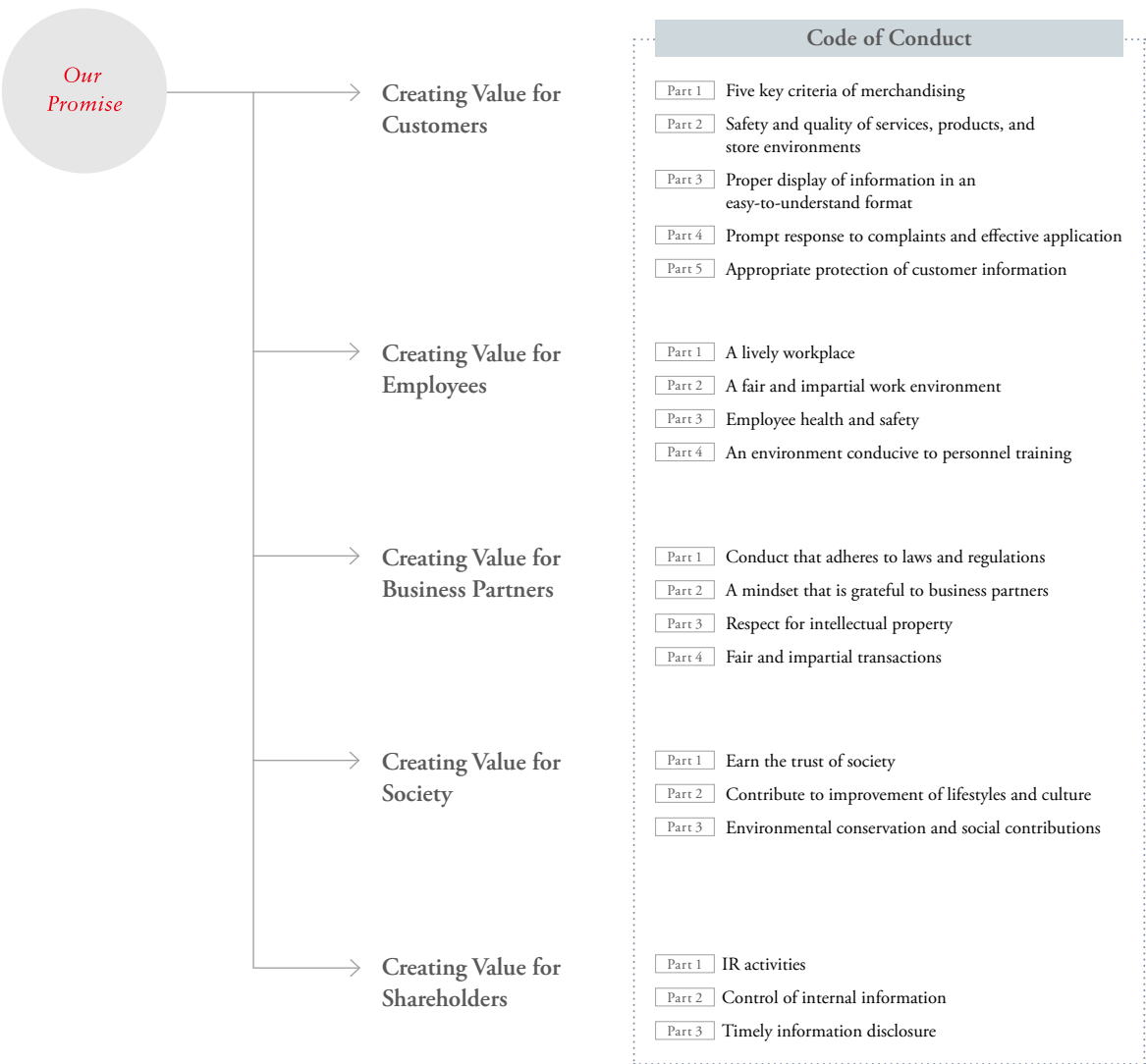
Our Promise—Our Five Core Values

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](http://www.united-arrows.co.jp/csr/)
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 services, products, and store environments—the three key sources of satisfaction for customers.

Initiatives based on customer feedback

Customer service center initiatives

UNITED ARROWS LTD. believes that the greatest value it can provide to customers comes from in-store and online sales activities that fully satisfy customers. Accordingly, we aim to further increase value for customers by leveraging customer feedback received at stores and through 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 resolve various customer service-related issues while also enabling us to determine whether or not we are living up to customer expectations from a Companywide perspective.

The Customer Service Center responded to approximately 33,000 telephone and email inquiries in the fiscal year ended March 31, 2018. The center also collected customer input through a wide variety of other means. For example, we have researched our net promoter score, which measures customer loyalty. As part of these activities, surveys are distributed at all stores four times a year, and email surveys are sent to House Card members. These initiatives have enabled us to better track customer opinions for use in identifying and addressing customer service and other issues and in raising employee motivation. In addition, House Card members at the premium stage are provided access to an exclusive inquiry response venue to enable us to provide services and proposals based on individual customer needs. Furthermore, we have introduced an FAQ chatbot on our corporate website on a trial basis. This service allows users to receive swift response to their inquiries in a format similar to a chatroom. These are just some of the UNITED ARROWS Group's wide-ranging initiatives for improving customer value based on customer feedback.

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, 2018, we received 887 thank you notes. In contrast, we received 3,365 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, 2018, the total number of inquiries was relatively unchanged year on year. However, the number of customer opinions and complaints was 1,000 lower than in the previous fiscal year. We take this to be a sign that sales initiatives and product measures aimed at improving customer satisfaction have

been successful. Many thank you notes received during the fiscal year ended March 31, 2018 praised behaviors by employees that could be seen as fundamental parts of retail, such as employees' kindness, politeness, swift responses, and consideration. We also received several thank you notes expressing gratitude for moving experiences that customers have had at our stores. The following is an account of one such letter.

This thank you note was received from a customer that was searching for something for their child to wear at a wedding through the Internet. Concerned that the clothes they had ordered online might not be appropriate, they called a UNITED ARROWS green label relaxing store. The staff member that picked up the phone first asked the customer about the wedding and, based on this information, notified the customer that the clothes they had ordered would not be appropriate. This prompted the customer to cancel their order. Later, the same customer called again to receive recommendations of other products. This time, a different staff member answered. Despite not being involved in the original call, this staff member was aware of what had transpired during the previous interaction. They selected a dress that would be appropriate for the occasion and suggested it to the customer after confirming that it was in stock at a store nearby the customer's home. The trustworthiness we had demonstrated through this sincere service inspired the customer to seek consultation on clothes for themselves that they had not initially been looking for. Our staff suggested several items for the customer and their children, all of which were purchased. The following is the thank you note received.

"I had felt down because I didn't know what to wear at the wedding, but now I look forward to the event. I have never experienced such superb customer service. Both my husband and I are incredibly thankful."

(FY)	2016	2017	2018
Number of Customer Service Center inquiries	approx. 20,000	approx. 34,000	approx. 33,000
Thank you notes	798	911	887
Customer opinions and complaints	3,283	4,413	3,365

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 was regulated overseas prior to being regulated 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 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 all dyeing factories which are even higher upstream than fabric makers. As of June 2018, we had collected 100% of certificates of non-use for private label brands and nearly 100% for purchased brands.

Our Promise—Our Five Core Values

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

Hiring of Employees to Permanent Positions

Steps have been taken to change the status of all part-time employees seeking to take up permanent positions since 2007. For this fiscal year onward, all new employees have been, in principle, hired on a permanent basis. Although personnel expenses rose as a result, we believe the move to permanent employees will reduce turnover and improve motivation over the medium to long term, leading to higher employee satisfaction and ultimately more satisfaction for our customers.

In addition, we are examining various human resources measures in response to the recent rise in the need for diverse workstyles. One such measure was the creation of part-time positions at stores that only require back-office work. In addition to offering a broader range of workstyles to choose from, we allow sales staff to focus more on customer service and to thereby realize increased work efficiency and higher sales capacities.

Training and Systems for Supporting Career Development and Improving Motivation

The Company provides an expanding range of training and education programs and systems for sharing superior techniques among employees with the primary goal of improving customer service skills among sales staff.

- ES system

The ES (Educator-Student) system is designed to support the development of frameworks for training sales staff. Under this system, each member of our sales staff is assigned an educator that provides on-the-job training at stores and periodically sits down for meetings with their charges to help facilitate their growth. In addition, we offer opportunities for cross-business exchanges of opinions and information with the aim of generating synergies between businesses.

- UNITED ARROWS University

The UNITED ARROWS University is a Companywide training institution open to all employees. In the fiscal year ending March 31, 2019, the UNITED ARROWS University will play an integral part in efforts to quickly foster new staff members as we seek to improve sales capabilities through the ES system and thereby establish a robust management platform as called for in the Medium-Term Vision. For this reason, we will enhance the lineup of basic customer service and sales education programs we offer while also training educators so that they can offer more effective guidance. By helping new staff members immediately begin making contributions, we hope to boost sales capabilities while simultaneously increasing employee motivation.

- Sales Master

Sales Master is a title bestowed on excellent sales specialists. We accredit those who exhibit a good balance between qualitative

attributes, such as winning the endorsement of multiple customers with their personal charm, and quantitative attributes, such as sales performance. The Sales Master title is applicable for two years, during which the titleholder receives preferential treatment in terms of remuneration and is required to continue acting as a role model for other employees. We established a four-level system in April 2016 and revised the system to be recognized as a career path target for sales staff. As of June 2018, there were 65 people acting as Sales Masters.



Sales Master

- UNITED ARROWS Grand Prix

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. These award systems offer opportunities to widely recognize and evaluate within the Company the value of the customer service conducted by its outstanding sales staff.



UNITED ARROWS Grand Prix 2018

Creation of comfortable workplaces

Efforts to Improve Employee Retention Rate

The Company carries out an employee awareness survey of all employees once a year. We collect feedback from employees regarding their motivation and sense of achievement as well as the Company's training systems and workplace environment and use this input in improvement activities.

The survey instituted in the fiscal year ended March 31, 2017, sought input regarding our corporate culture. The results of this survey were entrusted to the corporate culture reform project team, which had been assembled to drive efforts to implement the Medium-Term Vision strategy of establish a robust management platform. This team used these results to analyze the current situation regarding the corporate culture, identify issues, and discuss measures for invigorating this culture. A portion of the measures for promoting communication with the organization proposed by the project team have already been put in place.

Initiatives for Improving Work Efficiency and Realizing Greater Ease of Work

RFID systems* are being introduced at stores as one facet of our initiatives for improving productivity. These systems have already been introduced in certain businesses, and those businesses have seen

benefits including lower workloads and increased precision in inventory-related tasks, higher efficiency when shipping items from stores, and quicker checkout at registers. By reducing the amount of incidental work needing to be performed by sales staff, we are targeting reductions in overtime and other labor environment improvements along with the creation of a situation in which sales staff are better able to focus on serving customers. We anticipate that these initiatives will contribute to improved customer service, shorter checkout lines, and ultimately higher customer satisfaction.

^{*} Systems that identify products when tags with embedded integrated circuit IC chips are scanned by a reading device

Cultivation of Workplaces Where Diverse Human Resources Can Excel

The Company works to create a working environment that is equal and fair to employees of all ages, genders, nationalities, and religions. With a focus on women, who account for approximately 60% of our employees, we are fostering comfortable workplaces through means such offering childcare leave, special days of leave to look after

children when they are ill, and a short-time work system, to ensure that women can continue working long even after marriage and childbirth. In the fiscal year ended March 31, 2018, the ratio of women returning to work after taking childcare leave was approximately 96%, while the ratio of women in management positions, of store manager and higher, was 36%. In response to the enactment of the Act on Promotion of Women's Participation and Advancement in the Workplace in 2016, we have formulated an action plan aimed at raising the ratio of women in management positions, of section manager and higher, to 20% or above by March 31, 2021.

We are also actively engaged in recruiting differently abled individuals, and in recent years have been able to realize the employment of people who had previously thought employment would be beset with problems by establishing barrier-free environments at several of our offices. We are also promoting the employment of non-Japanese nationals with the aim of responding to demand from inbound travelers to Japan. These employees are making full use of their language skills and contributing in trading and other operations.

Creating Value for Business Partners

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.

Quality Control (QC) meetings

UNITED ARROWS LTD. holds QC meetings with domestic and overseas contract production factories, trading companies, and other principal business partners in relation to private label brands with the goal of stabilizing and improving quality. These meetings provide an opportunity to share information on cases of high incidences of defective products and to explain measures for preventing such occurrences. In addition, meetings are also forums for building consensus regarding efforts to improve quality and techniques and exchanging other information and opinions to ensure we can provide customers with safe and reliable products. In the fiscal year ended March 31, 2018, QC meetings for apparel products were held on a total of three occasions in Japan, China, and Vietnam and were attended by a total of 40 companies. Also, a total of 25 companies participated in a QC meeting in Japan that was organized by Odette e Odile, a brand offering women's shoes.

The ongoing discussion and sharing of information on preventing product defects and improving quality and techniques have been generating results in recent years. Going forward, we will continue to strengthen relationships with our business partners as well as increase our quality control capabilities with these partners.



Odette e Odile-organized QC meeting

Measures concerning products with materials made from animals

There is growing concern and interest in traceability to manage what kind of materials were used in a product, where those products are manufactured, and by whom.

Since the fiscal year ended March 31, 2016, we have been asking our business partners—such as those at spinning, raw material, and garment factories—to submit reports on matters including their methods of collecting materials and their manufacturing processes with regard to private label products using specific animal materials, namely Angora rabbit fur, feathers, and furs. The rate of report submission was high in the fall–winter season of 2017. We similarly take steps to confirm the situation at the suppliers of manufacturers from which we procure purchased brands. Many such suppliers have been understanding and cooperative of our requests. From the fall–winter season of 2018, we plan to expand the scope of reporting to include products using Angora goat wool (mohair).

As the seller, we will monitor animal material usage conditions and, should an issue be found, make improvements while creating products that are more reliable and providing products that can be worn with peace of mind.

Fair trade initiatives

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

Since 2017, we have required major overseas factories to which we outsource the production of private label brands to submit written notice of consent to adhere to the UNITED ARROW Group's CSR Guideline prior to commencing new transactions. We have also been collecting such statements from factories with which transactions have been ongoing. This guideline states that there is to be no hiring in contravention of laws and regulations covering, for example, child labor, forced labor, and discrimination. The guideline also includes provisions pertaining to working environments with stipulations regarding proper compensation and working hours and measures for

Our Promise—Our Five Core Values

ensuring worker safety in the event of a disaster. Likewise, at domestic factories we ask for reports on whether non-Japanese nationals working as technical interns are being provided with fair working environments to be submitted when commencing transactions with new business partners. We have also collected such reports from almost all existing business partners.

UNITED ARROWS LTD. emphasizes fair and impartial business transactions. To ensure such conduct, a compliance consultation venue for business partners has been made available on the Company's corporate website. Through this venue, business partners can report on illegal, unjust, and unethical behavior on the part of our employees. We have also set up boxes for business partner questionnaire surveys in business meeting rooms for the same purpose. For use by individuals within the Group, we have established an internal whistleblower system and are spreading awareness regarding this system.

Education activities based on compliance manuals are also conducted as another facet of our efforts to prevent, detect, and correct fair trade violations. Any information provided through consultation venues and the internal whistleblower system is securely handled so that the whistleblower will not suffer any disadvantageous repercussions.



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.

Social contributions through our business

041 Project

UNITED ARROWS LTD. collaborated with the social unit known as Social WEnnovators¹ to launch a new label—UNITED CREATIONS 041 with UNITED ARROWS LTD.—as part of this unit's 041 (read "oh four one") Project.²

The 041 Project is engaged in the unprecedented undertaking of designing products and services based on the needs of a single individual. As its first line of products developed for this project, UNITED ARROWS LTD. produced six items specially designed to address the needs of differently abled individuals. These items fulfill the necessary functionality requirements regarding such factors as ease of wearing and removing and elasticity while allowing individuals to enjoy fashion regardless of their physical characteristics. By participating in this project, we hope to contribute to the realization of a society in which everyone is free to enjoy fashion and feel empowered in their life.

¹ Social WEnnovators is a social unit and the team behind the 041 Project. Assembled in 2016, this unit is comprised of social entrepreneurs from Nippon Television Network Corporation, DENTSU INC., and Japan Giving that seek to go beyond the boundaries of their industries to face social issues as a united "we."

² The 041 Project is aimed at developing products and services that address the unresolved issues of specific individuals. The name of "041" is a transliteration of the phrase "all for one."



Zippered skirt that can be made to be flared or tight

RE (Reuse) Project

In the fiscal year ending March 31, 2019, UNITED ARROWS LTD. launched a new initiative in which it sells repaired clothing and accessories as well as the furniture and fixtures used in its stores. This initiative is part of our efforts to expand points of contact with customers—one of the strategies of the Medium-Term Vision. On a trial basis, we have been selling damaged clothing items and accessories that have been repaired as well as certain store equipment at external events under the label of RE: Store & Flea UNITED ARROWS LTD. Meanwhile, used store furniture and fixtures are being made available on FLYMEe, one of Japan's largest furniture and interior sites, as part of the RE: Store & Fixture UNITED ARROWS LTD. initiative.



First booth opened in RAW TOKYO, a flea market that attracts vintage stores from throughout Tokyo

Environmental contributions through our business

We are actively promoting the adoption of LED lighting at stores with the aim of reducing the amount of electricity used. Currently, approximately 96% of the Company's stores utilize LED lighting. The LED lighting the Company has installed does not distort the original colors of products and provides sufficient lighting for customers to view products. Looking ahead, we will continue to actively adopt LED lighting at newly opened stores and stores undergoing renovation.

Information security management and protection of customer information

UNITED ARROWS LTD. is implementing measures to improve its level of information security in order to meet all requirements and ensure that it can continue to provide consistent and reliable service while maintaining the trust of its customers. We have established comprehensive information security regulations based on which we work to guarantee security with regard to customer information and other information assets and to the services we provide customers. All employees are expected to act in accordance with the regulations. The Company also conducts education activities with the goal of fostering improved information security awareness. In the event of an information security incident, we respond through a rigorous security system that prescribes for the individuals in charge of information

security to collect information and coordinate with the relevant divisions and business partners to address the incident.

We recognize the extreme importance of our responsibility to manage customer and other personal information. Complying with the Act on the Protection of Personal Information, the Company formulated the Privacy Policy, which delineates its basic approach toward the protection of personal information along with provisions that we expect employees to adhere to. We not only disseminate the Privacy Policy internally but have also made 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.

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 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 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

(FY)	12	13	14	15	16	17	18	19 (Plan)
Earnings per share (EPS) (yen)	158.74	230.80	248.80	199.53	214.87	174.57	185.08	211.52
Dividends per share (DPS) (yen)	36.0	53.0	67.0	78.0	78.0	78.0	78.0	78.0
Dividend payout ratio	22.7%	23.0%	26.9%	39.1%	36.3%	44.7%	42.1%	36.9%
Total return ratio	22.7%	23.0%	26.9%	110.9%	57.6%	158.9%	42.1%	—
Number of treasury stock acquired (thousands)				1,259	371	1,890		—
Ratio of treasury stock acquired to total number of common shares issued				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.

Eleven-Year Summary

UNITED ARROWS LTD. and consolidated subsidiaries

	2008	2009	2010	2011	2012
Net sales / YOY (%)	72,221 / 118.5	79,665 / 110.3	83,504 / 104.8	90,571 / 108.5	102,052 / 112.7
Gross profit / Composition ratio (%)	36,891 / 51.1	40,647 / 51.0	42,865 / 51.3	48,001 / 53.0	55,661 / 54.5
Selling, general and administrative expenses / Composition ratio (%)	31,960 / 44.3	36,327 / 45.6	37,922 / 45.4	40,617 / 44.8	45,468 / 44.6
Operating income / Composition ratio (%)	4,930 / 6.8	4,319 / 5.4	4,942 / 5.9	7,384 / 8.2	10,193 / 10.0
Ordinary income / Composition ratio (%)	5,017 / 6.9	4,283 / 5.4	5,037 / 6.0	7,240 / 8.0	10,272 / 10.1
Net income attributable to owners of parent / Composition ratio (%)	3,800 / 5.2	1,274 / 1.6	1,403 / 1.7	3,596 / 4.0	5,016 / 4.9
Total assets / Turnover (times)	43,362 / 1.7	46,821 / 1.7	46,163 / 1.8	45,716 / 2.0	51,278 / 2.0
Total net assets	22,711	23,004	23,327	15,103	19,291
Inventory / Turnover (times) ^{*1}	17,043 / 4.6	18,681 / 4.5	16,903 / 4.7	15,867 / 5.5	15,753 / 6.5
Interest-bearing debt	7,416	11,899	7,748	16,132	10,114
Cash flows from operating activities	456	1,286	7,933	6,923	12,081
Cash flows from investing activities	-946	-4,373	-1,992	-2,069	-2,711
Cash flows from financing activities	493	3,434	-5,202	-3,443	-6,875
Cash and cash equivalents	2,975	3,322	4,061	5,471	7,966
Capital expenditures ^{*2}	2,954	3,604	1,415	4,254	2,576
Depreciation	883	1,258	1,209	1,363	1,416
Return on investment (ROI) (%) ^{*3}	18.4	12.6	16.8	20.9	38.1
Equity ratio (%)	52.4	49.1	50.5	33.0	37.6
Debt equity ratio (%) ^{*4}	90.9	103.5	97.9	202.7	165.8
Return on equity (ROE) (%)	18.8	5.6	6.1	18.7	29.2
Return on assets (ROA) (%)	12.3	9.5	10.8	15.8	21.2
Dividend payout ratio (%)	27.6	82.8	84.2	29.9	22.7
Dividends per share (DPS) (yen / U.S. dollars)	25.00	25.00	28.00	29.00	36.00
Earnings per share (EPS) (yen / U.S. dollars)	90.59	30.19	33.26	97.02	158.74
Book value per share (BPS) (yen / U.S. dollars)	538.09	545.02	552.68	478.39	609.66
Number of stores	150	183	196	207	237
Number of employees	2,361	2,781	2,783	2,792	3,033

* 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 30, 2018, of ¥107.24 = U.S.\$1.

^{*1} Inventory turnover = Net sales ÷ Inventory (yearly average)

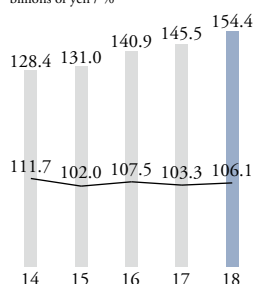
^{*2} In the fiscal year ended March 31, 2011, capital expenditures includes change in asset retirement obligations fee of ¥1,619 million due to application of a new accounting standard regarding asset retirement obligations.

^{*3} Return on investment = (Ordinary income + Interest expenses) ÷ (Interest-bearing debt + Shareholders' equity (yearly average)) × 100

^{*4} Debt equity ratio = (Current liabilities + Noncurrent liabilities) ÷ Shareholders' equity × 100

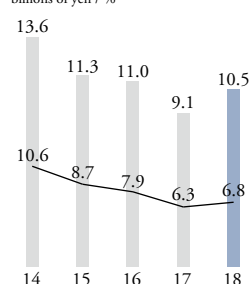
Net sales / YOY

billions of yen / %



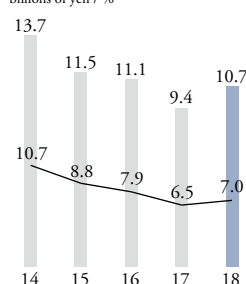
Operating income / Composition ratio

billions of yen / %



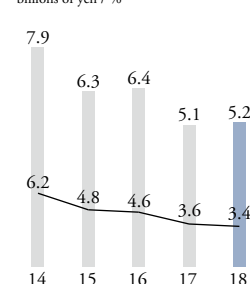
Ordinary income / Composition ratio

billions of yen / %



Net income attributable to owners of parent / Composition ratio

billions of yen / %

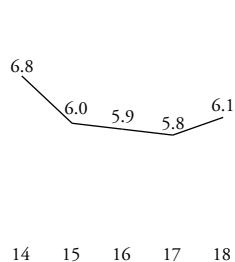


(FY)

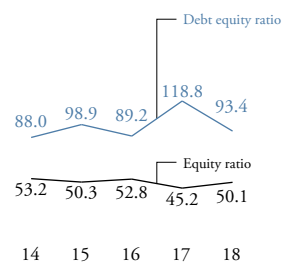
												millions of yen	thousands of U.S. dollars
2013		2014		2015		2016		2017		2018		2018	
115,041 /	112.7	128,489 /	111.7	131,029 /	102.0	140,919 /	107.5	145,535 /	103.3	154,409 /	106.1	1,439,849	
62,619 /	54.4	68,492 /	53.3	68,046 /	51.9	71,573 /	50.8	74,155 /	51.0	79,507 /	51.5	741,401	
50,056 /	43.5	54,842 /	42.7	56,695 /	43.3	60,501 /	42.9	64,990 /	44.7	68,989 /	44.7	643,320	
12,562 /	10.9	13,649 /	10.6	11,351 /	8.7	11,071 /	7.9	9,165 /	6.3	10,518 /	6.8	98,080	
12,582 /	10.9	13,739 /	10.7	11,542 /	8.8	11,175 /	7.9	9,420 /	6.5	10,775 /	7.0	100,477	
7,316 /	6.4	7,920 /	6.2	6,332 /	4.8	6,494 /	4.6	5,191 /	3.6	5,247 /	3.4	48,932	
54,395 /	2.1	59,296 /	2.2	62,020 /	2.1	63,877 /	2.2	67,799 /	2.1	67,107 /	2.3	625,767	
25,403		31,532		31,186		33,760		30,980		34,690		323,481	
17,480 /	6.9	20,372 /	6.8	23,474 /	6.0	23,966 /	5.9	26,210 /	5.8	24,799 /	6.1	231,256	
7,773		5,081		10,500		6,146		13,792		5,000		46,624	
5,238		6,828		4,730		11,689		4,868		13,938		129,972	
-3,528		-3,072		-3,249		-3,351		-4,511		-2,442		-22,773	
-3,533		-4,472		-1,328		-8,139		-508		-10,812		-100,827	
6,142		5,429		5,585		5,799		5,630		6,300		58,751	
2,809		3,419		2,453		3,479		4,445		3,053		28,475	
1,518		1,711		1,801		1,795		1,863		1,801		16,800	
42.1		41.1		27.7		29.0		20.5		28.6			
46.7		53.2		50.3		52.8		45.2		50.1			
114.1		88.0		98.9		89.2		118.8		93.4			
32.7		27.8		20.2		20.0		16.1		16.3			
23.8		24.2		19.0		17.8		14.3		16.0			
23.0		26.9		39.1		36.3		44.7		42.1			
53.00		67.00		78.00		78.00		78.00		78.00		0.73	
230.80		248.80		199.53		214.87		174.57		185.08		1.73	
799.65		990.22		1,019.68		1,117.23		1,081.49		1,186.01		11.06	
271		315		334		357		360		347			
3,309		3,652		3,863		4,237		4,427		4,518			

Inventory turnover^{*1}

times

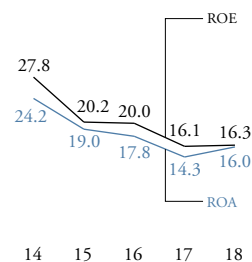
Equity ratio /
Debt equity ratio^{*4}

%

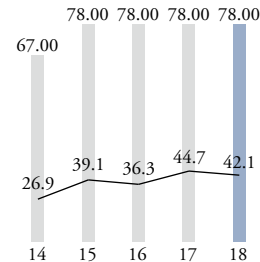


ROE / ROA

%

DPS /
Dividend payout ratio

yen / %



fiscal year ended March 31

Corporate Data

as of March 31, 2018

Corporate Profile

Trade name	UNITED ARROWS LTD.
Address	3-28-1 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	347 (consolidated)
Main banks	1. The Bank of Tokyo-Mitsubishi UFJ, Ltd. 2. SUMITOMO MITSUI BANKING CORPORATION 3. Mizuho Bank, Ltd.
	* The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd., effective as of April 1, 2018.
Accounting auditors	Deloitte Touche Tohmatsu LLC
Number of employees	4,518 (consolidated)
Consolidated subsidiaries	FIGO CO., LTD. COEN CO., LTD. UNITED ARROWS TAIWAN LTD. Designs & Co. CHROME HEARTS JP, GK

Board of Directors and Executive Officers

as of June 22, 2018

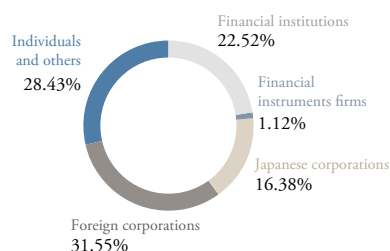
Representative Director, President and CEO	Mitsuhiro Takeda	Senior Executive Officer	Hisashi Takayama
Director, Executive Vice President	Mitsunori Fujisawa	Senior Executive Officer	Yatsuhiko Sagawa
Director, Executive Vice President	Masami Koizumi	Executive Officer	Kazuyasu Tanaka
Director, Executive Managing Officer	Hiroyuki Higashi	Executive Officer	Naoki Tanigawa
Director, Executive Managing Officer	Yoshinori Matsuzaki	Executive Officer	Shinya Matsumoto
Director, Executive Managing Officer	Tatsuya Kimura	Executive Officer	Noriyuki Miyao
Outside Director (Standing Audit and Supervisory Committee member)	Yukari Sakai	Executive Officer	Mariko Yamasaki
Outside Director (Audit and Supervisory Committee member)	Gaku Ishiwata	Executive Officer	Kenji Takata
Outside Director (Audit and Supervisory Committee member)	Hidehiko Nishikawa	Executive Officer	Yuko Sajima
		Executive Officer	Satoshi Tan

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	10,112

* Total number of shares of common stock issued includes 1,846,972 shares of treasury stock, equivalent to 6.11% of the total number of shares of common stock issued.

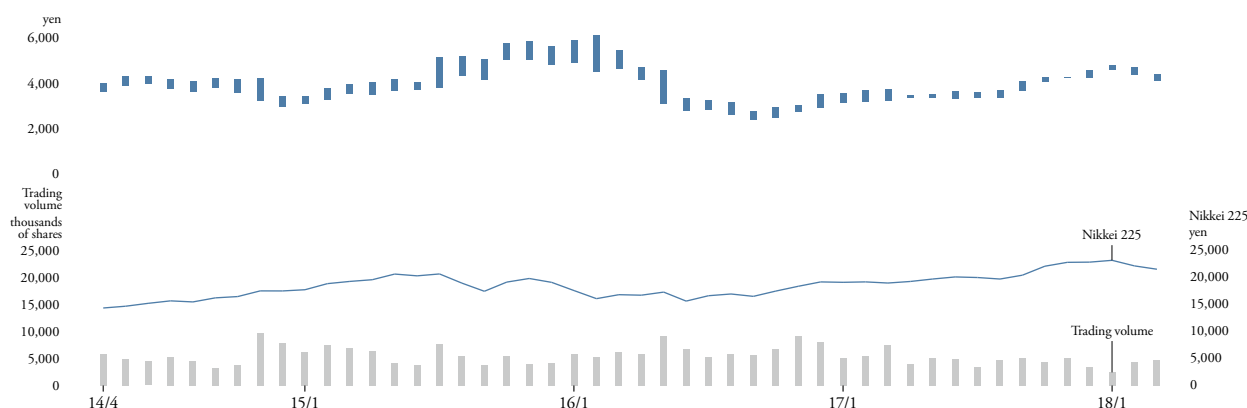
Shareholder composition (by number of shareholders)



Major shareholders

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
Japan Trustee Services Bank, Ltd. (Trust Account)	1,666,300	5.51
Rinzaw Co., Ltd.	1,511,400	5.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,435,700	4.75
STATE STREET BANK AND TRUST COMPANY 505001 Standing proxy: Mizuho Bank, Ltd., Settlement division	813,252	2.69
STATE STREET BANK AND TRUST COMPANY 505225 Standing proxy: Mizuho Bank, Ltd., Settlement division	800,924	2.65
Hirofumi Kurino	770,000	2.54
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)	654,900	2.16
Japan Trustee Services Bank, Ltd. (Trust Account 5)	466,000	1.54

Stock price



Store Network by Retail Area

as of April 1, 2018

	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	2	4	12	3	8	3	2	34
BEAUTY&YOUTH UNITED ARROWS	2	9	18	4	9	9	1	52
Odette e Odile	1	1	8	2	1	1	0	14
DRAWER	0	0	3	1	2	1	0	7
UNITED ARROWS green label relaxing	3	21	21	9	10	10	0	74
Jewel Changes	0	2	4	2	1	1	0	10
THE STATION STORE UNITED ARROWS LTD.	0	1	5	0	0	0	0	6
UNITED ARROWS LTD. OUTLET	3	8	1	6	4	4	1	27
Felisi	0	1	6	2	2	2	0	13
ASPESI	0	0	1	1	1	2	0	5
coen	5	30	10	9	17	14	0	85
BLAMINK	0	0	1	0	0	0	0	1
CHROME HEARTS	0	0	4	1	3	2	0	10
Total	17	78	99	41	58	50	4	347
Composition ratio of stores (consolidated)	4.9%	22.5%	28.5%	11.8%	16.7%	14.4%	1.2%	100.0%

* UNITED ARROWS handles THE SOVEREIGN HOUSE, District UNITED ARROWS, ASTRAET and THE AIRPORT STORE UNITED ARROWS LTD. store brands.

* BEAUTY&YOUTH UNITED ARROWS handles the monkey time BEAUTY&YOUTH UNITED ARROWS, STEVEN ALAN, ROKU and H BEAUTY&YOUTH store brands.

* UNITED ARROWS green label relaxing handles WORK TRIP OUTFITS GREEN LABEL RELAXING and Lurow GREEN LABEL RELAXING store brand.

About other IR tools and the Company's corporate website

IR website 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, FAQ, 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/ (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.

Great Service, Great Products, Great Environment website

<http://taisetsu.united-arrows.co.jp/en/>

UNITED ARROWS LTD. is engaged in various activities that embody its Company Policy. 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 this policy.

Contact us

UNITED ARROWS LTD. IR and PR Department
Nihonseimei Akasaka Bldg., 8-1-19 Akasaka, Minato-ku,
Tokyo 107-0052, Japan

www.united-arrows.co.jp/en/ir/contact/

Editorial Policy

UNITED ARROWS has adopted an integrated report format from 2017 as a means to further deepen its dialogue with all stakeholders, including shareholders and investors.

In addition to our stance toward promoting growth through the creation of sustainable value as well as details on the business structure that underpins our medium- to long-term policies, strategies, and growth, Integrated Report 2018 provides a systematic summary and explanation of such non-financial information as corporate governance and our management approach toward society, the environment, and human resources in greater depth.

In putting together this report, we have referred to the International Integrated Reporting Framework released by the International Integrated Reporting Council (IIRC).

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/

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.

