



UNITED ARROWS LTD.





© Gianluigi Taccafondo

United Arrigato.

UA30

UNITED ARROWS LTD.  
30th ANNIVERSARY

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その気持ちをひとつに集め届けたい  
花束のように特別な Arrigato

The UNITED ARROWS Group defines its mission as “With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.” 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. In October 2019, we will celebrate the 30th anniversary of the founding of core Group company UNITED ARROWS LTD.

Based on our mission, we will continue to hone our service, products, and places—the three key sources of satisfaction for customers—while taking on the challenge of maximizing customer satisfaction.

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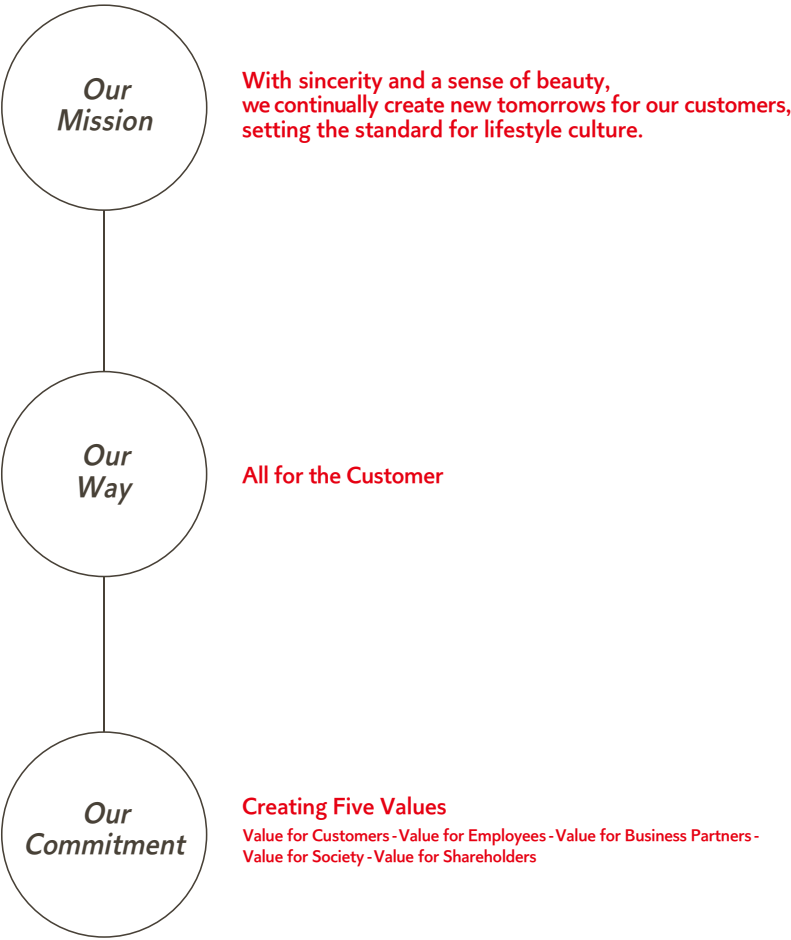
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Policy Structure

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.



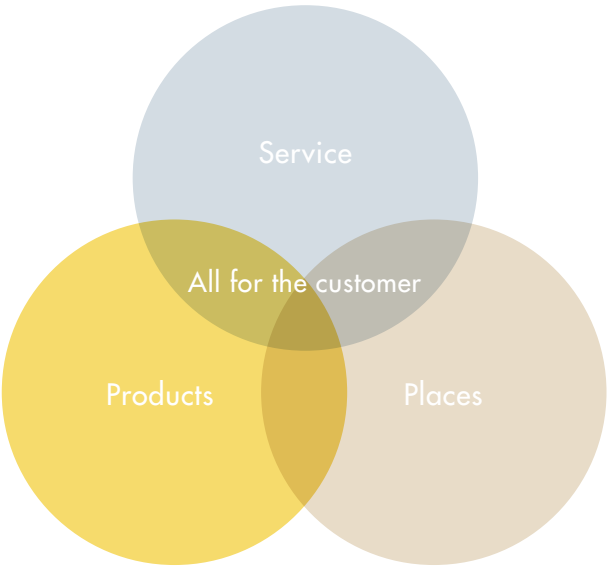
Three Key Sources of Satisfaction for Customers

We will continue to hone our service, products, and places—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 fulfill our mission: “With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.”

- Service Responsive customer service grounded in refined hospitality
- Products Carefully made and selected products that incorporate a broad global perspective and satisfy the five key criteria\*
- Places Facilities, spaces, and environments, including shops, e-commerce, and other customer touchpoints, that are genuinely comfortable and pleasant

\* 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

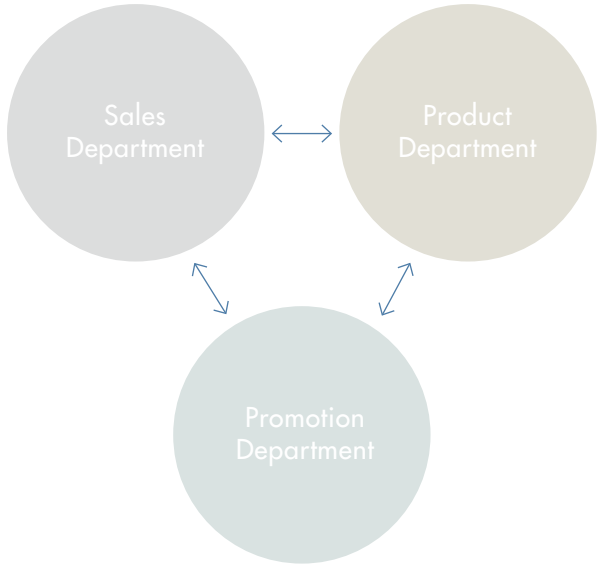


Cycle of Collaboration between Product, Sales, and Promotion Departments

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



Company Policy Book, Second Edition



Company Policy Book, Third Edition



Our corporate philosophy website for employees

The Ambition behind the Company's Establishment		The Writing of the Company Policy in Statutory Form		Taking a Systematic Approach to the Company Policy	
1989 Fly the “Japanese Standard” High  The Ambition behind the Company's Establishment <b>THE STANDARD OF JAPANESE STYLE</b> 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 <i>The Ambition behind the Company's Establishment</i>	1995 Understanding and Widespread Awareness of the Company Policy  Company Policy <b>Creation of long-established stores that evolve “It's All About The Customer”</b>  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.	2001 Widespread Awareness of “It's All About The Customer”  Company Policy <b>MAKE YOUR REAL STYLE</b> We are a group that continues to create values that will become the new “norms in Japanese lifestyle and culture.”  UA Rule It's All About The Customer  UA Spirit Professionalism  Our Five Core Values Customer value / Employee value / Business partner value / Local society value / Shareholder value	2005 Balance of Customer Satisfaction and Business Mindset  Company Policy <b>MAKE YOUR REAL STYLE</b> 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 <b>Creating a New Japanese Standard</b> 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	2019 Encouragement of Exercise of the Corporate Philosophy  Our Mission <b>With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.</b>  Our Way All for the Customer  Our Commitment Creating Five Values Value for Customers - Value for Employees - Value for Business Partners - Value for Society - Value for Shareholders
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	2001.3 Net sales: ¥19.3 billion Number of employees: 358	2005.3 Net sales: ¥46.3 billion Number of employees: 752	2012.3 Net sales: ¥102.0 billion Number of employees: 3,033	2019.3 Net sales: ¥158.9 billion Number of employees: 4,605
	1999.7 Sharp fall in business performance directly after over-the-counter (OTC) trading of stock  2000.4 Established Business Strategies Division to undertake comprehensive review, embarked on Company Policy revision	2003 • Organizational climate structural reform • Necessity arises of gaining an understanding with regard to balancing customer satisfaction and business mindset  2004 Company Policy revision project launched  2004.6 Tetsuya Iwaki appointed Representative Director and President	2009.4 Osamu Shigematsu appointed Representative Director, President and Executive Officer  2011 Necessity arises to add for “creativity mindset” to “CS mindset” and “business mindset” in Human Resources Policy	2012 • Aiming to be a company that remains in business for more than 100 years, global development considered • Company Policy / Code of Conduct applied to subsidiaries  2012.4 Mitsuhiro Takeda appointed Representative Director, President and Executive Officer  2016 Corporate culture reform project launched to realize ideal culture amid diversification of employee values in conjunction with growth in Group scale  2018 Corporate philosophy revision project established as part of corporate culture reforms	2019.10 Celebration of 30th anniversary of founding of UNITED ARROWS LTD.

**The Ambition behind the Company's Establishment**

UNITED ARROWS founder Osamu Shigematsu grew up in the 1950s, when Japan was just recovering from the aftermath of World War II. Living nearby the United States Fleet Activities Yokosuka naval base, he was able to observe U.S. lifestyles on a daily basis. The vision of affluence he saw in U.S. life and culture became the backdrop for his creation of UNITED ARROWS LTD.

The conviction and passion for developing the “Japanese Standard” described in The Ambition behind the Company's Establishment was born out of this backdrop. Shigematsu was committed to enriching all areas of Japanese lifestyles, not just in fashion but also food, housing, leisure, and intellectualism. The UNITED ARROWS Group exists to fulfill this purpose.

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.

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.

In April 2019, we revised our corporate philosophy for the first time in seven years in light of the upcoming 30th anniversary of our founding. As part of this revision, the expressions of the Policy Structure were made simpler and easier to understand to deepen the comprehension of employees and their feeling of connection toward these policies. The goal of this revision was to enable employees to feel encouraged to exercise the corporate philosophy so that they can better implement it in their daily work. The exercise of the philosophy will be promoted through efforts to disseminate it, including corporate philosophy training sessions targeting all employees as well as corporate philosophy rollout sessions in which sales staff engage in discussions regarding the philosophy with President Mitsuhiro Takeda.

The UNITED ARROWS Group is committed to establishing a robust management platform based on the corporate philosophy for supporting future growth.



History of the UNITED ARROWS Group

We are inspired to act in our way—“All for the Customer.” Accordingly, 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.

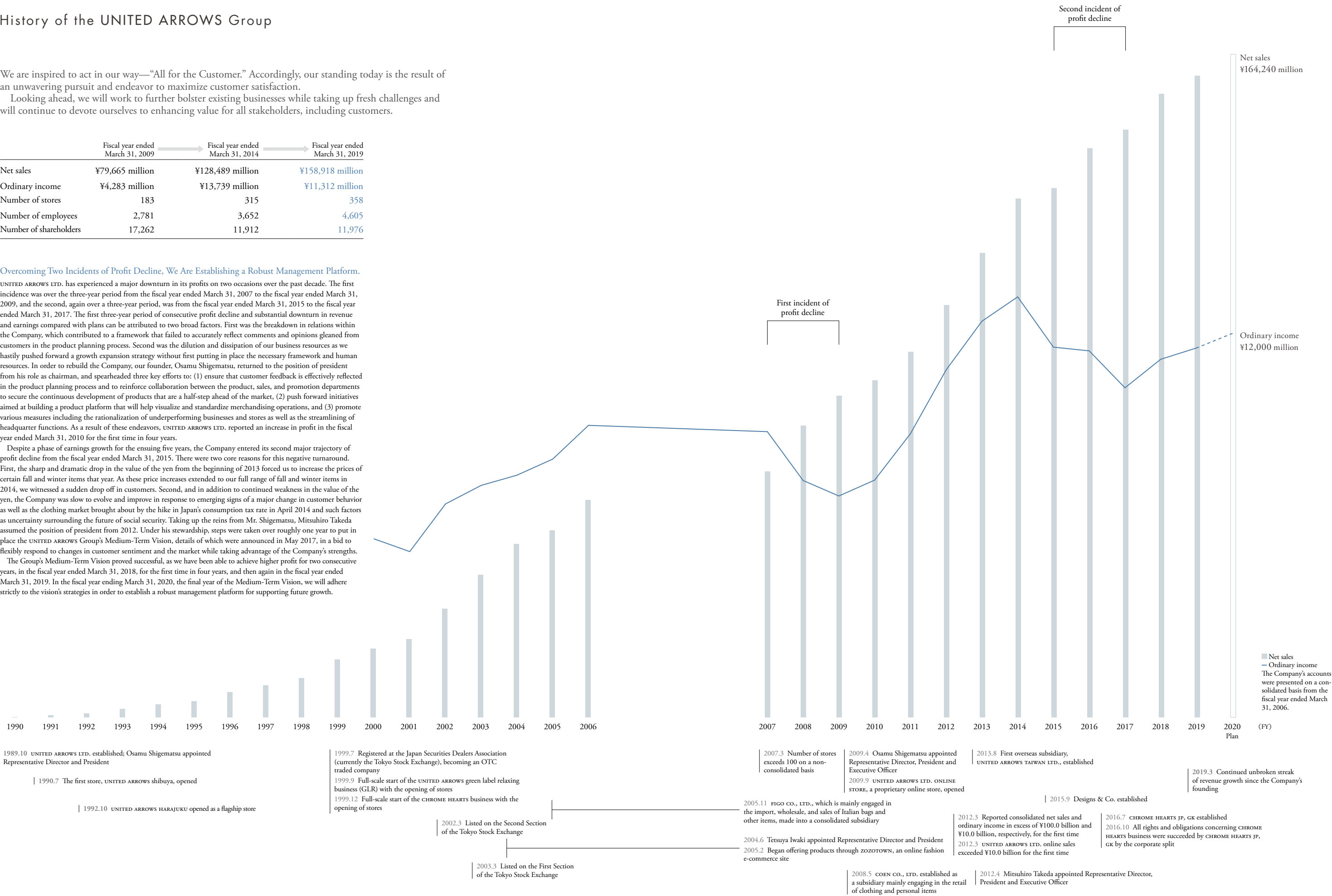
	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2019
Net sales	¥79,665 million	¥128,489 million	¥158,918 million
Ordinary income	¥4,283 million	¥13,739 million	¥11,312 million
Number of stores	183	315	358
Number of employees	2,781	3,652	4,605
Number of shareholders	17,262	11,912	11,976

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.

The Group’s Medium-Term Vision proved successful, as we have been able to achieve higher profit for two consecutive years, in the fiscal year ended March 31, 2018, for the first time in four years, and then again in the fiscal year ended March 31, 2019. In the fiscal year ending March 31, 2020, the final year of the Medium-Term Vision, we will adhere strictly to the vision’s strategies in order to establish a robust management platform for supporting future growth.





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, 2019, the second 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 were able to achieve higher profit for the second consecutive year. This accomplishment was attributable to the benefits of our efforts to establish a robust management platform and to achieve medium- to long-term growth. Guided by the revised corporate philosophy revealed in April 2019, we are committed to achieving the targets set forth for the fiscal year ending March 31, 2020, the final year of the vision.



How was progress under the Medium-Term Vision?

We are making process in establishing systems for formulating and executing business strategies from a medium- to long-term perspective.

Under the Medium-Term Vision, we began by working to build a robust management platform through withdrawals from unprofitable businesses and reviews of store productivity in the first year of the vision. In the fiscal year under review, the second year of the plan, we reorganized the prior four business divisions that operated major business lines to form two business units while also investing in the distribution field to revise the operating system for the UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE).

Both sales and profit were up in the fiscal year under review, which thus marked the second consecutive year of higher profit. A major factor behind this accomplishment was our practicing management in line with the Medium-Term Vision. We are currently in the process of establishing systems that will enable us to constantly revise our organization and business from a medium- to long-term standpoint in order to identify the areas requiring investment and implement measures for facilitating future growth. These efforts created results in the form of our performance on a single-year basis.

→ P14  
The UNITED ARROWS Group's  
Medium-Term Vision



What is the corporate goal of UNITED ARROWS LTD.?

By resolving customers' issues through fashion, we aim to become an indispensable partner to our customers.

Fashion is not exactly necessary to our daily lives. Nevertheless, we believe that fashion has the power to help people adopt more positive outlooks and to enrich their lives. For this reason, we strive to understand the needs of customers through our service so that we can make ideal proposals based on their tastes and lifestyle to resolve their issues through fashion. UNITED ARROWS thereby aspires to become an indispensable partner to its customers. For this reason, it is important for us to have a mindset focused on the customer and their satisfaction as the lens through which we seek to identify what customers look for in fashion and how we can inspire them to choose UNITED ARROWS.

We therefore place emphasis on our corporate philosophy, as through it we can spread this mindset throughout the Group. Our corporate philosophy indicates that path we should take. When all employees examine how their daily work relates to the philosophy and act accordingly, we can satisfy our customers and grow corporate earnings as a result. Through this approach, we believe it will be possible to achieve sustainable growth and ongoing improvements in corporate value. Furthermore, embodying the corporate philosophy in everyday work and providing customers with satisfaction and excitement that exceeds expectations is a means of elevating the position of sales staff, a goal we have been pursuing since our founding.

→ P2  
Policy Structure



Q I understand that the corporate philosophy was revised for the first time in seven years in April 2019. What sentiments were incorporated into the new philosophy?

A corporate philosophy forms the foundation of a company—the basis by which employees confirm, assess, and understand what they are working toward.

We periodically update the expressions of our corporate philosophy based on changes in the times and market conditions as well as on employee awareness surveys. These updates are meant to ensure that employees never feel as though the philosophy does no relate to them. However, these updates do not alter the fundamental direction or meaning of the philosophy. The most recent update was decided through discussions that included frontline employees to choose expressions that were easy to understand and that enable all employees to feel a connection with the philosophy. The new corporate philosophy defines our mission as “With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.”

The “sincerity” stated in this mission is the sincerity and sense of hospitality that we extend to customers. The “sense of beauty” is the ability to act appropriately based on a refined eye and sense for beauty and a spirit of virtue and earnestness. We are thus committed to engaging in corporate activities that emphasize sincerity and sense of beauty in order to become an indispensable partner to our customers.

We aim to disseminate the new corporate philosophy throughout our organization. This process is already underway and is taking the forms of corporate philosophy training sessions targeting all employees and corporate philosophy rollout sessions in which I discuss the philosophy with sales staff. By visiting the frontlines of operations to explain the philosophy directly, I hope to gather examples of activities that have shaped the future of customers. I will share these examples with all employees to help them realize how they can exercise the philosophy.

Q What is the reason for your emphasis on the corporate philosophy?

I emphasize the corporate philosophy because its exercise contributes to the realization of our five values.

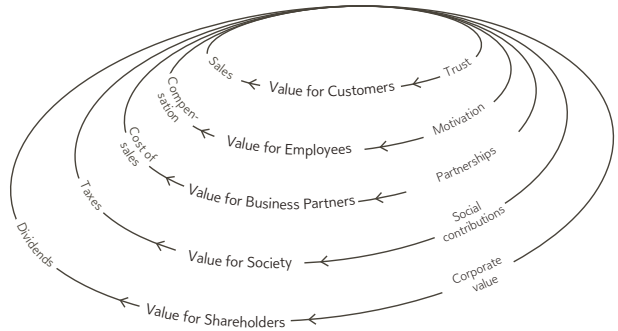
The UNITED ARROWS Group’s Code of Conduct lays out a policy of creating value for customers, employees, business partners, society, and shareholders. Satisfying our customers leads to sales. Recognizing this, employees constantly hone the service they provide to customers and thereby receive motivation from the gratitude of customers and earn compensation. As our sales grow, we pay business partners, including the factories that supply our products and the commercial facilities that implement measures to attract customers, for the services they provide. Meanwhile, appropriate increases in profit enable us to contribute to society through the payment of corporate taxes as well as other taxes on the individual level. Finally, we return our profits to shareholders in the form of dividends.

In this manner, the realization of our five values underpins our growth and the continuity of our business.

→ P4  
Company Policy Transitions

→ P38  
Our Commitment—  
Creating Five Values

Image of Creating Five Values



Q What do you see as being important to ongoing growth?

We are committed to evolving our service, products, and places in conjunction with the changing times.

If we are to continue growing, we will need to evolve as a company. The UNITED ARROWS group is a fashion retailer, and its business is thus supported by three elements: service, products, and places. It is therefore crucial that we continue to hone these elements.

In regard to our service, which is provided by our people, I think there is room for us to accommodate a diverse range of workstyles as the workforce shrinks and lifestyle circumstances change. We are thus developing frameworks that support employees in adopting workstyles that better match their lifestyles to realize higher levels of productivity. Changes have also been made to our human resource evaluation systems to shift toward frameworks that ensure employees can agree with compensation levels and the evaluation of their successes. We endeavored to make these frameworks easy to understand and clearly fair from all standpoints.

In terms of our products, we have segmented the market to provide customers in each of these segments with the products they desire. Under this approach, UNITED ARROWS (UA) and BEAUTY&YOUTH (BY) serve the trend-conscious market, green label relaxing (GLR) caters to the basic trend-conscious market, and COEN is responsible for the new basic trend-conscious.

The current era is one in which customers often visit stores after collecting information via social media or other online venues. For this reason, it is crucial for our businesses in all markets to solicit customer feedback in order to determine what their customers desire, always thinking to provide proposals that match the needs of their customers a half-step ahead of trends.

As for our places, the current market environment is characterized by a glut of products and stores. We, therefore, cannot expect success if we deploy the same product lineups at all stores. UNITED ARROWS LTD. operates select shops and specialty store retailers of private label apparel. In these venues, we are carefully adjusting merchandising measures and tailoring the product lineups of individual stores based on regional characteristics and changes in customer needs.

→ P3  
Three Key Sources of Satisfaction  
for Customers



Q What was the purpose of the new brand launches?

We aim to live up to customers' expectations for us by responding to their diverse needs.

Our core UA, BY, and GLR businesses have grown to a certain scale. The UA and BY businesses operate select shops and thus require new products and other offerings that respond to needs that cannot be addressed purely through the procurement of outside products. Here, we see a role to be played by new brands that are capable of providing customers with value differing from that of existing product lineups.

In 2019, we launched new brands including Pheeta, AEWEN MATOPH, and LOEFF. These brands will furnish a portion of the lineups at UA and BY stores, and some will even be offered on a wholesale basis. Our goal with these brands is to offer high-quality products with sufficient value as a stand-alone brand that will be appealing from the perspective of the buyers of our industry peers. In fact, we have already received orders for these brands from such peers.

Q What major initiatives will you undertake in the fiscal year ending March 31, 2020?

We will seek to achieve the numerical targets set in the Medium-Term Vision while formulating and implementing business strategies for creating new value.

The fiscal year ending March 31, 2020, will be the final year of the Medium-Term Vision and will therefore be a year during which we tie together all of the initiatives implemented thus far. The vision delineates the targets of an average annual ordinary income growth rate of 8% over the vision period and an ordinary income margin of at least 7% in the vision's final year. In the fiscal year under review, the second year of the vision, we were fortunate to achieve sales and profit growth that put us above all of our numerical targets.

We are committed to achieving the numerical targets described for the fiscal year ending March 31, 2020. To this end, we are working toward the introduction of a Company-operated system for the UA ONLINE STORE, which is scheduled to be introduced in fall 2019, and are also enhancing customer services to link e-commerce venues to sales in physical stores. As for physical stores themselves, reorganizations have led to an increase in general merchandise stores featuring both UA and BY products. We have also been bolstering our frameworks for delivering even-more finely tuned responses to customer needs in the fashion market, where we are seeing the ongoing integration of business and casual attire.

At the same time, we are aggressively advancing strategies overseas. In Taiwan, where we already have stores from our core UA business, we plan to open GLR and COEN stores going forward. Each of these businesses are capable of catering to the needs of their broad customer bases, and we intend to pursue growth in these businesses through both physical stores and e-commerce to win the support of local customers.

→ P14  
The UNITED ARROWS Group's  
Medium-Term Vision

The UNITED ARROWS Group's Code of Conduct dictates that we should create value for customers, employees, business partners, society, and shareholders. We look to contribute to society by fulfilling this obligation. Moreover, we believe that corporate actions based on our Code of Conduct will contribute to the sustainability of society as a whole, and have thus proceeded to advance various environmental, social, and governance (ESG) initiatives to date.

There has been a recent, global-level push for companies to implement measures to help realize the United Nations Sustainable Development Goals (SDGs). Recognizing this trend, the Company has defined the systematization of its knowledge regarding ESG and the SDGs as a major initiative for the fiscal year ending March 31, 2020. Through this initiative, we plan to prepare for proactive disclosure of information regarding these topics and to incorporate realization of the SDGs into our next medium-term vision.

Q In closing, is there any message that you would like to convey to shareholders?

Going forward, all of our employees will unite in their effort to respond to changes in the market and in the times to achieve further growth and create new value.

As I stated earlier, under the Medium-Term Vision, we have been revising our existing organizations and businesses, and we are making progress in establishing systems for formulating and executing business strategies from a medium- to long-term perspective and in step with the changing times.

We are seeing an increase in employees that are aware of the importance of feeling ownership for the directives of the Company and sharing the discoveries and insight gained through interactions with customers in their daily frontline work to address the challenges placed before them. While this transformation is not yet complete, we are definitely seeing the benefits already.

As we work toward achieving our goals, we welcome your high expectations of the Group's business strategies, our efforts to create value to the satisfaction of customers through these strategies, and the further corporate growth of UNITED ARROWS LTD., and we kindly request your continued support and understanding.

August 2019



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

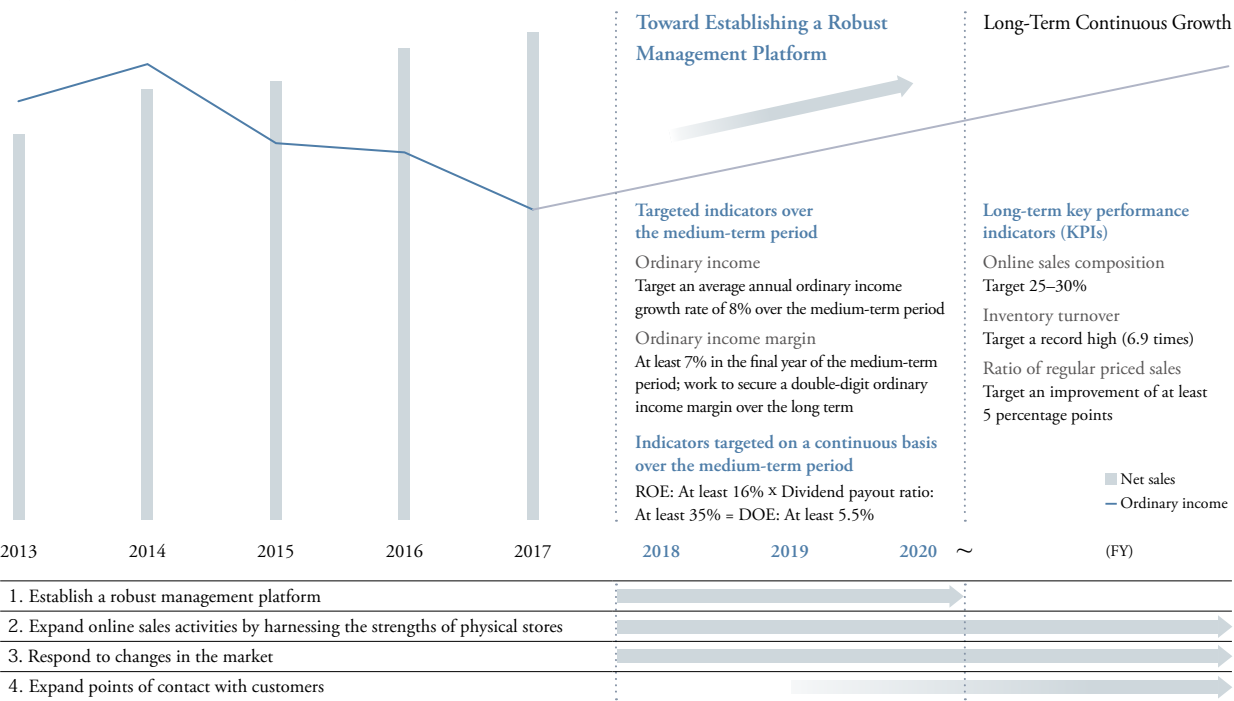
Establish a robust management platform
- 2

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



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.

Trends in the dividend payout ratio, ROE, and DOE

(FY)	13	14	15	16	17	18	19
Dividend payout ratio	23.0%	26.9%	39.1%	36.3%	44.7%	42.1%	35.4%
ROE	32.7%	27.8%	20.2%	20.0%	16.1%	16.3%	18.0%
DOE	6.6%	6.8%	7.7%	7.0%	7.3%	6.6%	6.0%

Overview of Four Strategies of the Medium-Term Vision and Summary of Vision’s Second Year

1 Establish a robust management platform

Overview of Strategy

Decreases in profit were seen for three consecutive years beginning with the fiscal year ended March 31, 2015, and ending with the fiscal year ended March 31, 2017. In response to this situation, the Medium-Term Vision launched in the fiscal year ended March 31, 2018, defined “establish a robust management platform” as its first strategy, based on which we sought to raise the awareness of our human resources; identify and evaluate underperforming businesses, stores, and activities and carry out appropriate countermeasures; and ensure a sound earnings structure.

Summary of Initiatives in the Second Year of the Medium-Term Vision

The UNITED ARROWS Group withdrew from two underperforming businesses (Another Edition and Boisson Chocolat) in the fiscal year under

review. In addition, we took step to identify the stores that should be closed in order to improve store productivity. A total of 51 stores were closed while 49 new stores were opened over the first two years of the Medium-Term Vision. As a result of these efforts, sales at existing retail stores rose for two consecutive years. We then turned our attention to projects for raising the awareness of our human resources, which culminated in the revision of our corporate culture and our human resource evaluation systems in April 2019. In addition, two executive directors were appointed to drive future enhancements to the Company’s management framework. These initiatives helped expedite the progress in efforts to respond to changes in the market, another strategy of the Medium-Term Vision, while contributing to improvements of 0.7 percentage point in the operating margin and 0.6 percentage point in the ordinary income margin in comparison to the fiscal year ended March 31, 2017, prior to the start of the vision.

Key Measures		Overview of the Second Year of the Medium-Term Vision
FY2018	FY2019	
Withdrawal from two underperforming businesses		• Withdrawal from two underperforming businesses
Store openings and closures to establish a robust management platform (20 store openings, 33 store closures)	Same as on the left (opened 29 stores and closed 18 stores)	• Two-year total of 49 store openings and 51 store closures → Two consecutive years of increases in sales of existing retail stores
Launch of projects for reforming our corporate culture and human resources	Advancement of projects for reforming our corporate culture and human resources	• Revision of corporate philosophy (April 2019–) • Revision of human resource evaluation systems (April 2019–) • Reorganization of business divisions (Response to market changes)
	Appointment of two executive directors to drive future management framework enhancements	• Improvements of 0.7 percentage point in operating margin and 0.6 percentage point in ordinary income margin (FY2019 vs FY2017)

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

Overview of Strategy

Smooth growth in e-commerce (online) sales as well as the portion of total sales that they represent has continued since even before the start of the Medium-Term Vision. The growth of e-commerce sales is a product of the sense of confidence and integrity cultivated at physical stores. Going forward, we will continue to ground our efforts on this sense of confidence and integrity to pursue customer satisfaction through both physical and online channels.

Summary of Initiatives in the Second Year of the Medium-Term Vision

In the fiscal year ended March 31, 2018, the UA ONLINE STORE was integrated with brand sites, online inventories were expanded, and preparations were made for the change in the operating system of the UA ONLINE STORE. The fiscal year under review saw the reorganization of distribution functions to accommodate the new system for the UA ONLINE STORE. In addition, photography studios were set up in the head office and in distribution centers to improve the quality of product photographs and to allow items to be listed on websites quicker. Furthermore, an integration

between physical stores and online stores was undertaken with regard to House Card services prior to the start of the Medium-Term Vision. These initiatives have contributed to four consecutive years of double-digit growth in the sales of existing online stores. Sales at physical stores were also brisk. The ability to achieve increases in stores at both physical and online stores represents a significant strength of the Company. Preparations for the change to the operating system for the UA ONLINE STORE scheduled for fall 2019 are progressing steadily. At the same time, we have been preparing to introduce radio frequency identification (RFID) systems<sup>1</sup> in the UA and BY businesses as well as in small business units since the fiscal year ended March 31, 2018, and the introduction of these systems in major Group businesses is scheduled to be completed within the fiscal year ending March 31, 2020. These systems are anticipated to contribute to further improvements in productivity.

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

Key Measures		Overview of the Second Year of the Medium-Term Vision
FY2018	FY2019	
Integration of the UA ONLINE STORE with brand sites	Reorganization of distribution functions	• Four consecutive years of double-digit growth in existing online store sales
Expansion of online inventories	Establishment of photography studios in the head office and distribution centers	• Brisk growth in existing physical store sales → Two consecutive years of growth in existing retail store sales
RFID system introduction preparation <sup>2</sup>	Same as on the left	• Start of RFID introduction in UA, BY, etc. (spring/summer 2019–)
Preparation for change to the operating system for the UA ONLINE STORE	Same as on the left	• Announcement of change to the operating system for the UA ONLINE STORE (February 2019)

<sup>2</sup> Introduced at GLR in 2014 and COEN in 2016



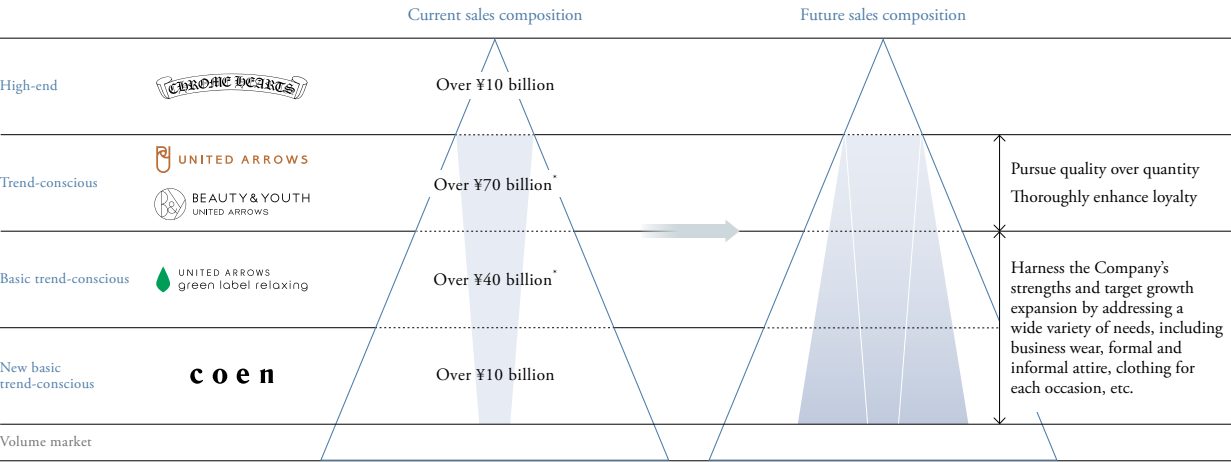
3 Respond to changes in the market

Overview of Strategy

The operating environment for the UNITED ARROWS Group has been undergoing substantial change in recent years (see “Our Operating Markets” on page 22 for details). In business targeting the trend-conscious

market, we intend to pursue quality over quantity and aim to thoroughly enhance loyalty. Business serving the basic trend-conscious market and the new basic trend-conscious market will broaden the scopes of their operations in light of the projected expansion of customer needs.

Sales composition by target market over the long term



\* Including sales of store brands other than the notation

Summary of Initiatives in the Second Year of the Medium-Term Vision

UNITED ARROWS LTD. began preparing to undergo a reorganization to better match organizations to the market in the fiscal year ended March 31, 2018, and this reorganization was executed in the fiscal year ended March 31, 2019. In Business Unit I, which targets the trend-conscious market, we began developing general merchandise stores featuring both UA and BY products to respond to customer needs arising from the recent trend toward blurring the line between business and casual attire. Business Unit II, a unit geared toward the basic trend-conscious market, moved forward with the development and opening of stores specializing in business needs spun off from GLR and stores

dedicated to women’s items that can be set up even in very narrow locations. At the same time, certain small business units were rebranded. We also continued to capitalize on the demand created in each market by the increased participation of women in the workforce. These initiatives were preceded by the revision of our value chain and product platform in the fiscal year ended March 31, 2018. This revision had the benefit of improving the precision of merchandising measures by clarifying the positioning and targets of each store brand. Meanwhile, consolidated subsidiary COEN CO., LTD., kicked off reforms to its profit structure in the second half of the fiscal year ended March 31, 2017, enabling this company to achieve a quick escape from its performance slump.

Key Measures		Overview of the Second Year of the Medium-Term Vision
FY2018	FY2019	
Preparation for market-based reorganization at UNITED ARROWS LTD.	Execution of market-based reorganization at UNITED ARROWS LTD.	• Steady sales growth in all markets
Revision of value chain and product platform	Development of general merchandise stores featuring both UA and BY products to respond to customer needs in the trend-conscious market	→ YoY growth in businesses targeting the trend-conscious market* +6.6% in FY2018; +6.4% in FY2019
	Opening of stores specializing in business needs and women’s items in the basic trend-conscious market	→ YoY growth in businesses targeting the basic trend-conscious market* +6.4% in FY2018; +7.2% in FY2019
	Rebranding of small business units	
Profit structure reforms at COEN CO., LTD.	Ongoing profit structure reforms and enhanced sales promotions for raising recognition at COEN CO., LTD.	→ YoY growth in businesses targeting the new basic trend-conscious market +11% in FY2018; +14% in FY2019

\* To reflect the reorganization, year-on-year comparisons use figures from the UA business for FY2018, and Business Unit I for FY2019, to represent businesses targeting the trend-conscious market and figures for the GLR business for FY2018, and Business Unit II for FY2019, to represent businesses targeting the basic trend-conscious market.

4 Expand points of contact with customers

Overview of Strategy

Customers have recently been diverting money previously used for clothing to various other goods and experiences. We have been responding to this trend by working to expand our points of contact with customers over the medium to long term. Specific efforts to this end have included expanding our domain to encompass fields other than clothing, increasing the amount of time spent with customers through reuse and other initiatives, and expanding overseas activities.

Summary of Initiatives in the Second Year of the Medium-Term Vision

As part of our efforts to expand overseas activities, we commenced test marketing measures in Taiwan in the trend-conscious, basic trend-conscious, and new basic trend-conscious markets. Also in this country, the foundations were laid for future openings of GLR and COEN stores in Taiwan through e-commerce initiatives and limited-time store openings. Initiatives for expanding our domain will be a topic of ongoing discussion and examination under the next medium-term vision.

Key Measures		Overview of the Second Year of the Medium-Term Vision
FY2018	FY2019	
—	Commencement of test marketing measures in Taiwan for the basic trend-conscious and new basic trend-conscious markets	• Start of e-commerce initiatives, opening of limited-time stores, and laying of foundations for future openings of GLR and COEN stores in Taiwan

Progress toward Quantitative Targets—Performance exceeding targets with regard to all indicators

Numerical Targets	FY2018	FY2019
Ordinary income Average annual growth rate of 8%	+14.4%	+9.6% (average of two fiscal years)
Ordinary income margin of 7% or above (in the final year of the Medium-Term Vision)	7.0%	7.1%
ROE of 16% or above	16.3%	18.0%
Dividend payout ratio of 35% or above	42.1%	35.4%
DOE of 5.5% or above	6.6%	6.0%



Special Feature: Online Sales Initiatives

In recent years, trends in online sales in the retail industry 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.

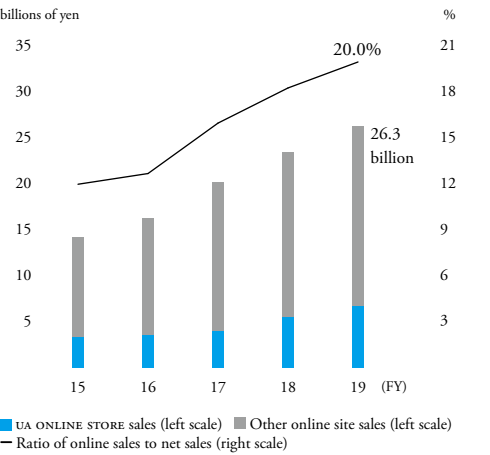
Amid the growing number of customers who strategically utilize physical and online stores according to their specific needs, UNITED ARROWS LTD. has continued to position online sales as an important component within its medium- and long-term strategy in order to seamlessly link both channels.

Trends in Online Sales in the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, online sales came to ¥26.3 billion on a non-consolidated basis. This was 12.0% higher than the level recorded in the previous fiscal year. The ratio of online sales to net sales climbed to 20.0%, up 1.7 percentage points compared with the previous fiscal year. Compared to existing retail stores, which saw sales rise only 1.6% year on year, the 21.7% 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)



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 have been establishing in-house studios to make it possible for brand directors and other staff responsible for products to directly confirm styling choices and image quality. 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.

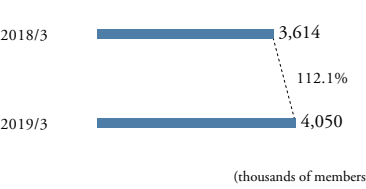
UA ONLINE STORE Initiatives

The UA ONLINE STORE was opened in September 2009. This store posted impressive year-on-year growth of 22.8% in the fiscal year ended March 31, 2019, and accounted for 25.5% of all online sales, 2.2 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.

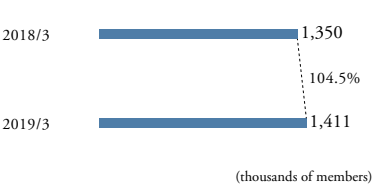
1. Integrate House Card and e-commerce members while consolidating the point service program

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.

Total number of House Card members

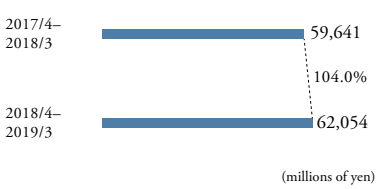


Number of active members\*



\* Members with a purchase history within the past year

Members' purchases



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) significantly increase.

Change in Development and Operating System for UA ONLINE STORE

UNITED ARROWS LTD. is targeting a fall 2019 launch for its reinvented development and operating system for the UA ONLINE STORE. In creating the new system, we partnered with prominent IT companies to receive aid in developing systems and in sculpting fulfillment procedures, ranging from order processing to product shipment. Also, products ordered through the new system will be dispatched from the Nagareyama Distribution Center. By dispatching products from a Company-owned facility, we hope to upgrade various function and services through the seamless linking of online and offline shopping experiences in order to initiate a phased approach toward realizing the level of service quality available at physical stores for online sales.

1. Provision of services that seamlessly link online and offline shopping experiences

By realizing the seamless integration of physical stores and online sales, we will make it possible for customers to freely choose their purchase location and the timing and method for receiving purchased items. Measures to this end will include expanding the range of products applicable for online reservation of trial fitting and allowing items to be delivered to customers' homes, convenience stores, and unmanned lockers in train stations and commercial facilities.

2. Provision of value experiences close to offline shopping experiences

UNITED ARROWS LTD. aims to provide services that are similar to those found at physical stores through means such as allowing for more clothing items to be shipped with alterations and offering gift wrapping services. In addition, we will improve packaging quality and take other steps to deliver value experiences that are close to offline shopping experiences.

3. Improvement of customer services

The previously outsourced customer support system used for the UA ONLINE STORE has been integrated into the Company's Customer Service Center. Meanwhile, we intend to develop a one-stop customer support system that seamlessly links online and offline shopping experiences and pursue further improvements in service quality.

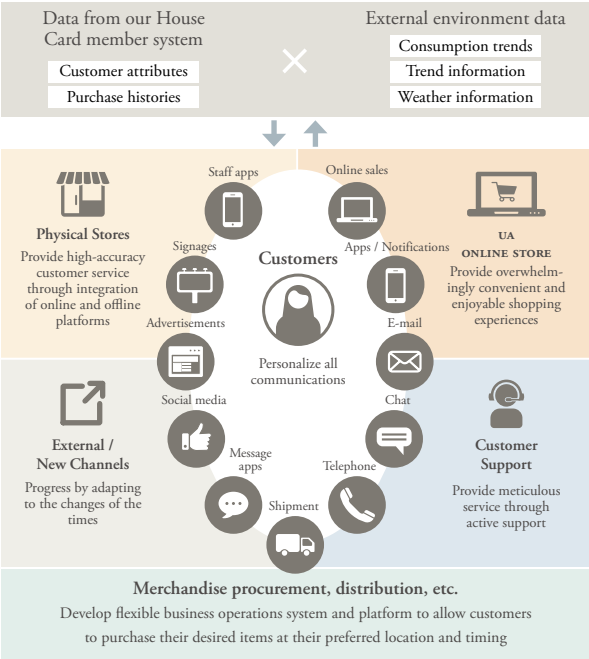
4. Reduction of operating costs

Under the new scheme, certain expenses, such as system usage fees, will be converted into fixed costs. In addition, the utilization of a Company-operated distribution center and the switch to in-house operation for customer support systems will allow for lower-cost operations. Moreover, the ratio of costs will be reduced through growth in sales, contributing to medium- to long-term improvements in profitability.

Vision for Future Sales Model

One of the four strategies of the Medium-Term Vision is to expand online sales activities by harnessing the strengths of physical stores. As part of the implementation of this strategy, UNITED ARROWS LTD. has formulated a vision for its future sales model entailing the provision of services that have been optimized to individual customers with a high degree of accuracy in a manner that seamlessly links various channels. This will be accomplished by effectively utilizing external data, including that pertaining to consumption and other trends and to the weather, as well as the information on customer attributes and purchase histories gained through our House Card member system. In terms of merchandise procurement, distribution, and other infrastructure, we will develop a flexible business operations system and a platform for supporting this system to allow customers to purchase their desired items at their preferred location and timing. By linking this infrastructure to various services that enhance the value experience for customers and to improved convenience, UNITED ARROWS LTD. will aspire to become a lifestyle navigator that, focused on fashion, resolves the issues faced by customers and forges stronger ties of trust with them.








Vision for Future Sales Model



Positioning of UA ONLINE STORE and External Online Shopping Malls

Customers using the UA ONLINE STORE are thought to be highly loyal fans of the Company's brand that use physical stores and the UA ONLINE STORE in accordance with their needs. Conversely, customers of ZOZOTOWN, Rakuten, Amazon, and other external online shopping malls are thought to be those seeking to compare various brands and those who have little experience shopping at our stores. We view external online shopping malls as important points of contact through which customers can form a connection with UNITED ARROWS LTD., and we therefore believe that such channels function as a gateway to ongoing use of the Company's products. For this reason, the Company will adopt an approach that promotes coexistence between these two online channels by enhancing the UA ONLINE STORE while continuing to work with external online shopping malls.



UNITED ARROWS Group		358 stores
		Number of stores
UNITED ARROWS LTD.		237
Business Unit I		113
UNITED ARROWS General Merchandise Store <sup>*1</sup> <b>M W</b>	 UNITED ARROWS	10
UNITED ARROWS <sup>*2</sup> <b>M W</b>	 UNITED ARROWS	31
BEAUTY&YOUTH UNITED ARROWS <sup>*3</sup> <b>M W</b>	 BEAUTY&YOUTH UNITED ARROWS	51
Odette e Odile <b>W</b>	<b>Odette e Odile</b>	14
DRAWER <b>W</b>		7
Business Unit II		98
UNITED ARROWS green label relaxing <sup>*4</sup> <b>M W</b>	 UNITED ARROWS green label relaxing	84
EMMEL REFINES <b>W</b>	<b>EMMEL REFINES</b>	9
THE STATION STORE UNITED ARROWS LTD. <b>W</b>	 THE STATION STORE UNITED ARROWS LTD.	5
UNITED ARROWS LTD. OUTLET <b>M W</b>	 UNITED ARROWS LTD. OUTLET	26




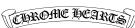


UNITED ARROWS



BEAUTY&YOUTH UNITED ARROWS



Group Companies		Number of stores
FIGO CO., LTD.		20
Felisi <b>M W</b>		15
ASPESI <b>M W</b>	<b>ASPESI</b>	5
COEN CO., LTD.		
coen <b>M W</b>	<b>c o e n</b>	86
UNITED ARROWS TAIWAN LTD.		4
UNITED ARROWS General Merchandise Store <sup>*1</sup> <b>M W</b>	 UNITED ARROWS	3
UNITED ARROWS LTD. OUTLET <b>M W</b>	 UNITED ARROWS LTD. OUTLET	1
Designs & Co.		
BLAMINK <b>W</b>	<b>BLAMINK</b>	1
CHROME HEARTS JP, GK		
CHROME HEARTS <b>M W</b>		10

**M** = Men's **W** = Women's  
For more details, please refer to our IR website: [www.united-arrows.co.jp/en/ir/store/](http://www.united-arrows.co.jp/en/ir/store/)  
<sup>\*1</sup> UNITED ARROWS General Merchandise Store operations offer both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products in the same store.  
<sup>\*2</sup> UNITED ARROWS, THE SOVEREIGN HOUSE, District UNITED ARROWS, THE AIRPORT STORE UNITED ARROWS LTD., and ASTRAET are included in the UNITED ARROWS.  
<sup>\*3</sup> BEAUTY&YOUTH UNITED ARROWS, monkey time BEAUTY&YOUTH UNITED ARROWS, STEVEN ALAN, ROKU, and H BEAUTY&YOUTH are included in BEAUTY&YOUTH UNITED ARROWS.  
<sup>\*4</sup> 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



coen



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 have expanded as the consumer markets in Europe and the United States have matured and the trend toward

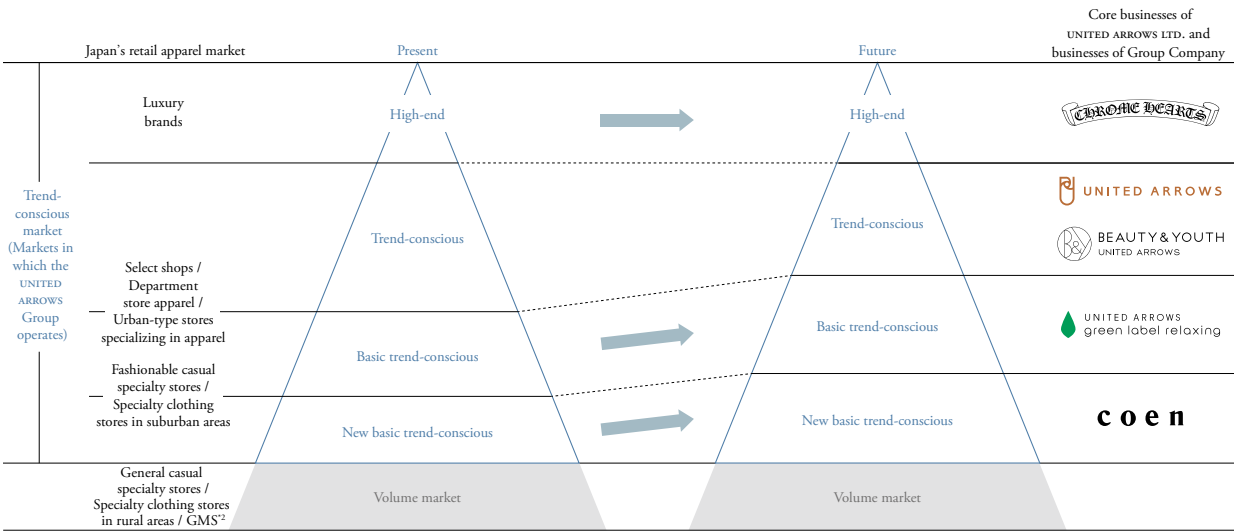
digitization has gained momentum. Japan's market may also follow this path in the future.

Under the Medium-Term Vision announced in May 2017, UNITED ARROWS LTD. is advancing medium-term strategies to address such trends. However, the diversification of workstyles and other trends are further transforming the market, resulting, for example, in sales in the trend-conscious market that exceed our forecasts.

Such changes will be considered as we formulate strategies for the next medium-term vision.

→ P14 The UNITED ARROWS Group's Medium-Term Vision

Market positioning map <sup>\*1</sup>



<sup>\*1</sup> The market positioning map reflects market forecasts at the time of the formulation of the Medium-Term Vision (2016–2017).  
<sup>\*2</sup> 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.

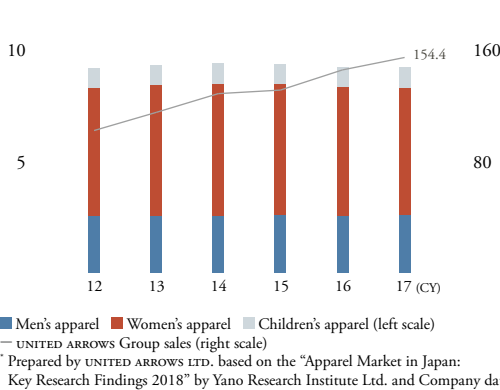


Scale of Japan's Retail Apparel Market and Trends in the UNITED ARROWS Group's Sales

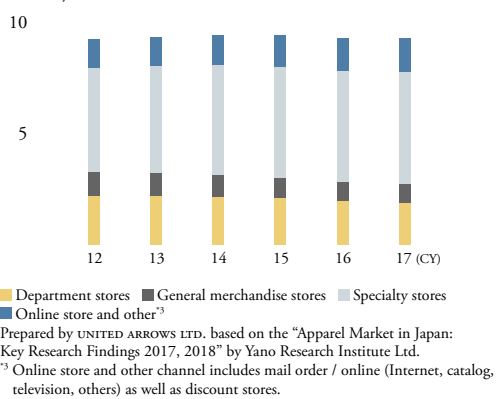
Recently, the scale of Japan's retail apparel market has remained at roughly ¥9.0 trillion per year. In 2017, the overall scale of Japan's retail apparel market was around ¥9.2 trillion, unchanged from the previous year. This year thus brought an end to the negative growth trend that had continued for two years prior. By product type, a small decline was seen in the market for women's apparel while a slight increase was witnessed in the men's apparel and children's and baby clothing markets.

Even amid the faltering apparel market, the UNITED ARROWS Group's sales have continued to show steady growth due to the benefits of new store openings, higher 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



Trends in sales by sales channel



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

Looking at sales by channel in Japan's retail apparel market in 2017, sales at department stores and general merchandise stores were lower than in the previous year while ongoing growth was seen in sales at specialty stores and in the online store and other<sup>\*3</sup> segment. In regard to specialty stores, impressive performance continued at those stores featuring lineups of affordable items with an ideal balance between product quality and price.

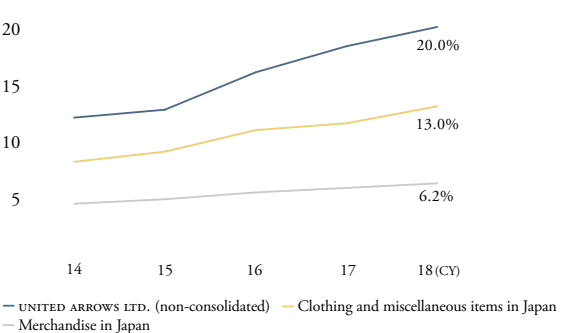
Trends in E-Commerce Sales in Japan (Merchandise, Clothing, and Miscellaneous Items)

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 ¥9.2 trillion in 2018 and accounted for 6.2% of total sales. This was 8.1% higher than the previous year. Of this total, e-commerce sales of clothing and miscellaneous items amounted to ¥1.7 trillion, up 7.7% year on year, and comprised 13.0% of total sales of these items. As shown by these figures, e-commerce sales of merchandise overall as well as of 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%, continuing the trend seen in the previous two years and indicating high consumer interest. The growth of e-commerce activities in the merchandise category is primarily driven by women, and the merchandise category e-commerce market for women is estimated to be more than twice the size of the market for men. However, we believe that e-commerce purchases by men will grow over the medium to long term.

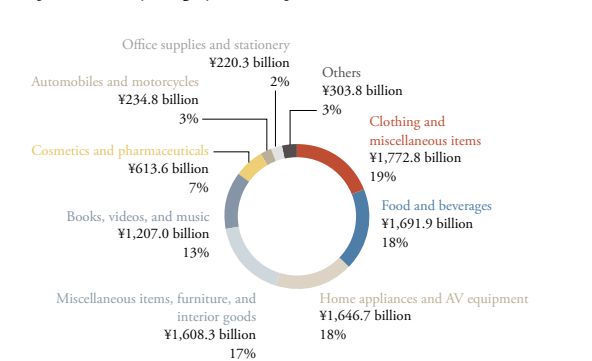
<sup>\*</sup>Details of Japan's apparel market as well as clothing and miscellaneous items are based on data provided by Yano Research Institute Ltd. and Japan's Ministry of Economy, Trade and Industry, respectively. Hence, the discrepancy in market scale.

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 "FY2018 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

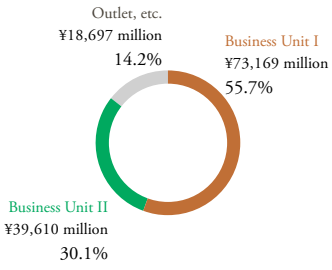
for the fiscal year ended March 31, 2019

Trends in sales

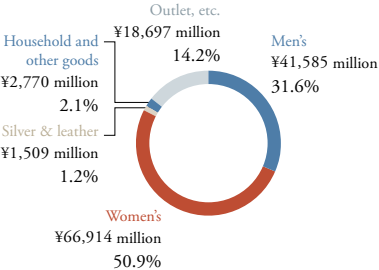
	billions of yen		
	FY2017	FY2018	FY2019
UNITED ARROWS LTD.	126.0 <sup>*1</sup>	128.3	131.4
FIGO CO., LTD.	3.0	2.8	2.7
COEN CO., LTD.	10.7	11.8	13.5
CHROME HEARTS JP, GK	6.2 <sup>*2</sup>	12.0	11.3

<sup>\*1</sup> 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.  
<sup>\*2</sup> Figures represent post-split sales for the six-month period from October 2016 to March 2017.  
<sup>\*</sup> 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.  
<sup>\*</sup> 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.

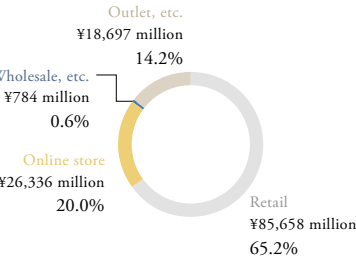
Net sales by business / Composition ratio (non-consolidated)



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

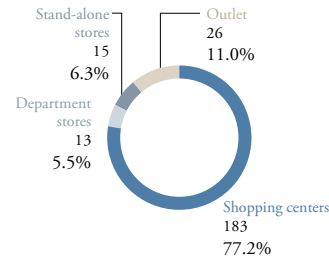


Net sales by sales channel / Composition ratio (non-consolidated)

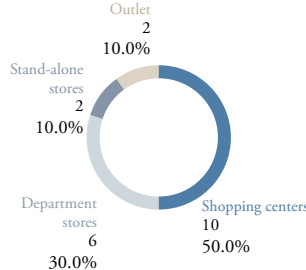


Number of stores by sales channel

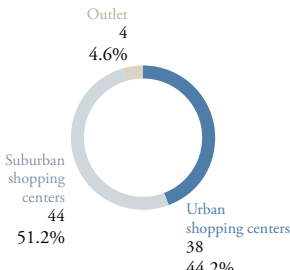
UNITED ARROWS LTD.



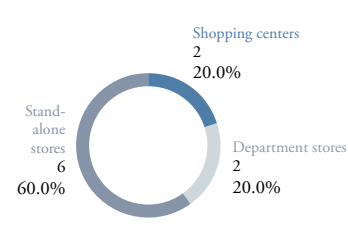
FIGO CO., LTD.



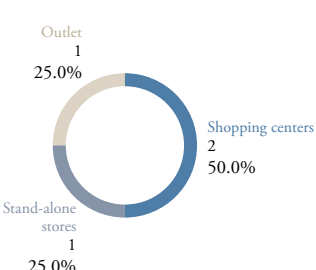
COEN CO., LTD.



CHROME HEARTS JP, GK



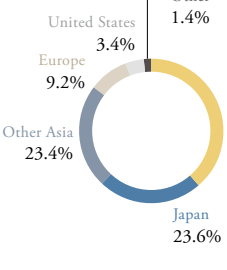
UNITED ARROWS TAIWAN LTD.



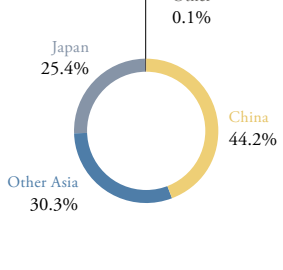
<sup>\*</sup> Shopping centers refers to such commercial facilities as fashion buildings and railway station buildings (excludes department stores).  
<sup>\*</sup> Urban shopping centers refers to shopping centers located within the 23 wards of Tokyo and nationwide government-ordinance-designated cities.

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

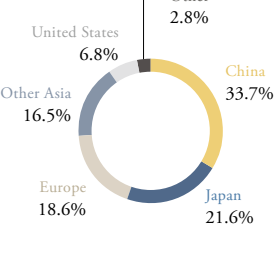
Private label brands / Purchased brands



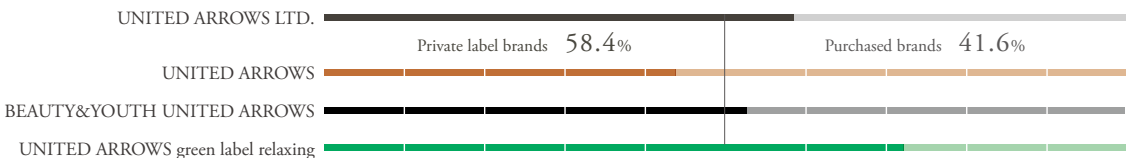
Private label brands



Purchased brands

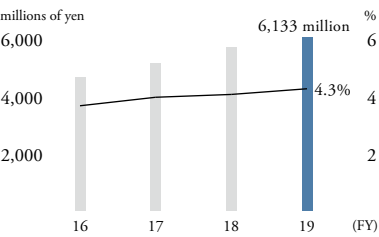


Mix of private label brands and purchased brands (non-consolidated)

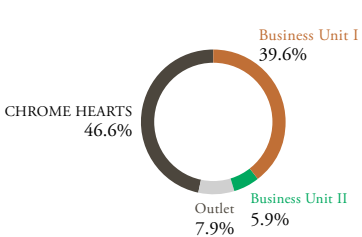


<sup>\*</sup> OEM products (products manufactured by other companies and sold under our brand names) are included in purchased brands.

Trends in sales of tax-free goods and sales composition ratio<sup>\*3</sup> (non-consolidated + CHROME HEARTS)

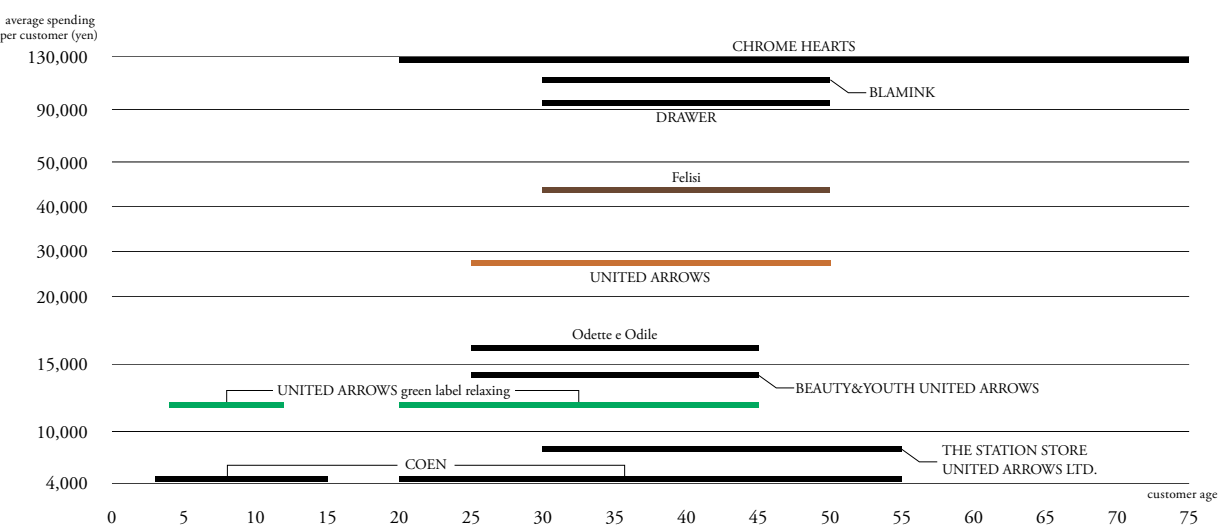


Tax-free goods sales composition ratio by business<sup>\*3</sup> (non-consolidated + CHROME HEARTS)



<sup>\*3</sup> 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.

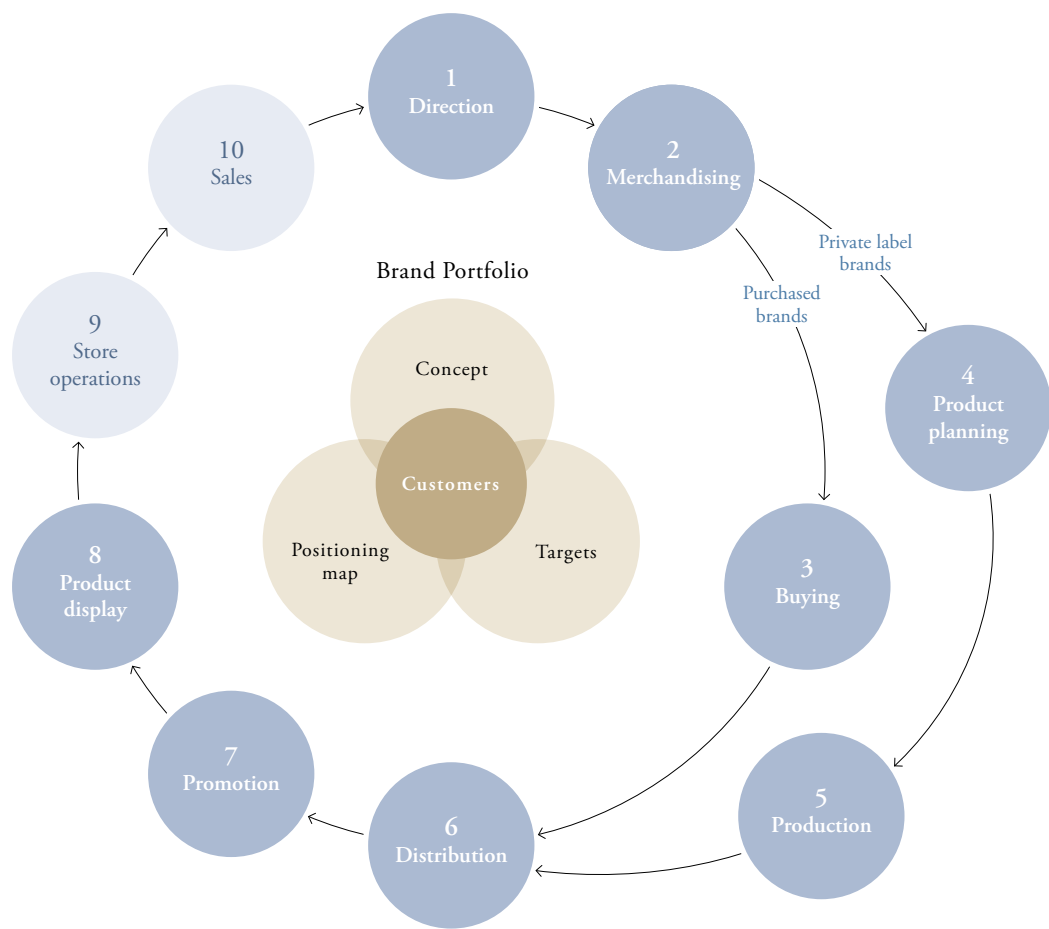
Positioning map of each business (average spending per customer / customer age)





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 segment-ed 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.

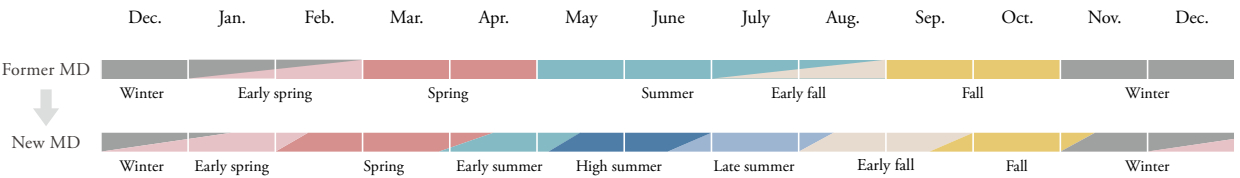
(4) Product planning

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



(6) Distribution

In collaboration with distribution companies, the Group undertakes product inventory control on a concentrated basis at two large-scale 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 RFID readers and realizing low-staff operations, we will seek to reduce distribution costs while realizing greater stability in distribution activities at this center. In addition, distribution operations pertaining to the Company-operated UA ONLINE STORE will be conducted in-house from fall 2019 to seamlessly integrate physical stores and online sales.

(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 the Educator-Student (ES) system 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 UA ONLINE STORE and are also setting up stores on e-commerce sites such as ZOZOTOWN. On the UA 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

Customer needs are growing more diverse in conjunction with changes in social trends. With the aim of conducting the accurate supply of products in response to these changes, 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.

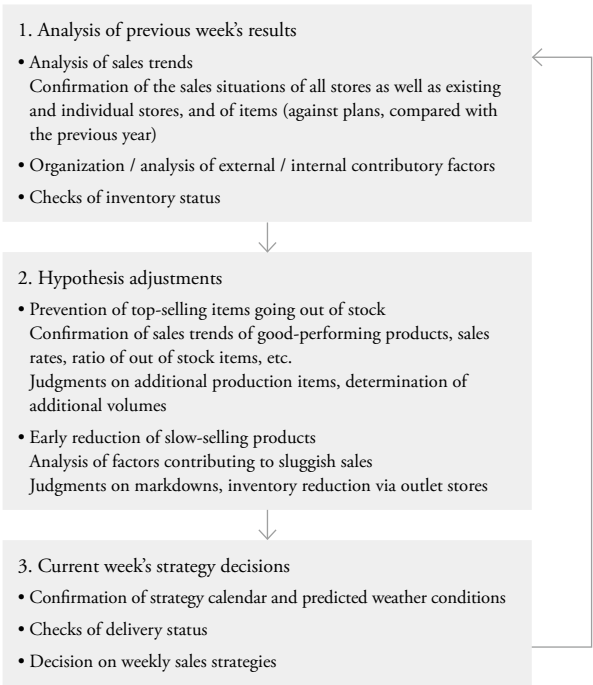
On the MD platform, we have added attribute codes, indicating for example the taste of feminine fashion or standard or casual fashion, to the product code, which is classified by elements such as brand, color, and size. Attaching the attribute codes has enabled us to reach the point at which we can manage to what extent products with specific attribute codes are deployed in a given business by using indices. By combining data on sales trends by attribute code and other quantitative data with qualitative data pertaining to

social and fashion trends, we aim to formulate highly accurate MD plans that effectively balance logic with feeling. At the time, we are standardizing workflow process on a weekly and monthly basis to operate our MD platform in manner that is not overly influenced by business characteristics.

Turning again to the production platform, we will select 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<sup>\*</sup> to enhance the quality of our private label brands and lead us to product optimization for targeted customers.

<sup>\*</sup> 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 21, 2019

(Age) / Incumbency



Mitsuhiro Takeda (56) / 9

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 (53) / 9

Director, Executive Vice President  
In charge of Overseas Business 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 Groupwide overseas business strategies.



Masami Koizumi (57) / 13

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

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



Yukari Sakai (50) / 3

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 (48) / 6

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 (56) / 4

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.



Hiroyuki Higashi (53) / 7

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

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



Yoshinori Matsuzaki (45) / 1

Director, Executive Managing Officer  
General Manager, Business Unit I of the Company

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 (42) / 1

Director, Executive Managing Officer  
General Manager, Business Unit II of the Company

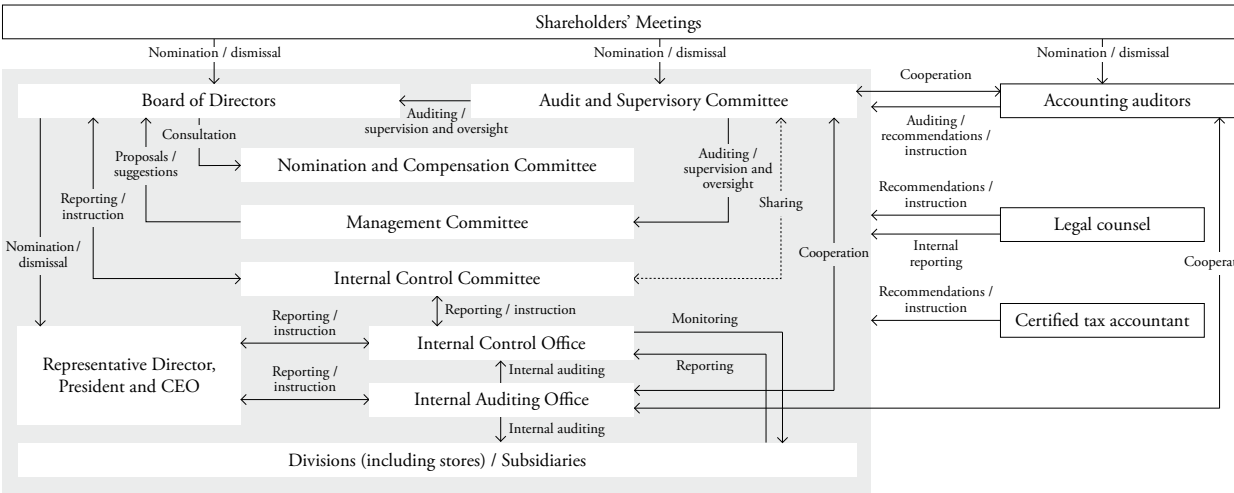
He is responsible for expanding the scope and growing the earnings of the businesses advanced by Business Unit II, which mainly caters to basic trend-conscious markets, as the director in charge of this unit.

Attendance at meetings of the Board of Directors and committees in the fiscal year ended March 31, 2019 / Chairpersons

	Mitsuhiro Takeda	Mitsunori Fujisawa	Masami Koizumi	Hiroyuki Higashi	Yoshinori Matsuzaki	Tatsuya Kimura	Yukari Sakai	Gaku Ishiwata	Hidehiko Nishikawa
Board of Directors	18/18 (Chairperson)	18/18	18/18	18/18	18/18	18/18	18/18	18/18	18/18
Audit and Supervisory Committee							13/13 (Chairperson)	13/13	13/13
Nomination and Compensation Committee	4/4						4/4 (Chairperson)	4/4	4/4

Note: Yoshinori Matsuzaki and Tatsuya Kimura were appointed at the 29th Ordinary General Meeting of Shareholders, held on June 22, 2018. For this reason, the number of Board of Directors' meetings held differs for these two individuals.

Corporate Governance Framework



→ Professional History of Directors  
<http://www.united-arrows.co.jp/en/ir/strategy/executive.html>



Corporate Governance

1. Basic stance

At the time of its founding in October 1989, UNITED ARROWS LTD. defined its founding spirit as “contributing to society by setting new standards of Japanese lifestyle.” The essence of this spirit has been maintained and its expressions updated to better match the times so that it can continue to function as the basis for the actions of all directors and employees as our corporate philosophy. In addition, we have defined our promise to society and the creation of value for five distinct stakeholders as key features of our Policy Structure. The five distinct stakeholders for which value is to be created are customers, employees, business partners, society, and shareholders. 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 corporate philosophy, 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 corporate philosophy, fulfill our promise to society, and create value for the five distinct stakeholders. 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, 2019, 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 to allow executive officers to carry out their duties in a timely fashion. At the same time, steps are being taken to bolster the decision making and supervisory functions of the Board of Directors.

Outline of the corporate governance framework	as of June 21, 2019
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 <sup>*</sup>	Three outside directors
Average age	51.1 years
Number of Board of Directors' meetings held during the fiscal year ended March 31, 2019	18
Number of Audit and Supervisory Committee meetings held during the fiscal year ended March 31, 2019	13
Number of Nomination and Compensation Committee meetings held during the fiscal year ended March 31, 2019	4

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

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

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 Vision 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 transfer restrictions is granted to executive directors who achieve the



targets set out under the Medium-Term Vision 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. 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 Investor Relations (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.

Disclosure Policy  
www.united-arrows.co.jp/en/ir/strategy/disclosure.html

Director Workshop Led by ESG Investor

The Company invites external specialists to hold workshops for directors as part of its efforts to fulfill the obligations described in "Principle 4.14 Director and Kansayaku Training" of Japan's Corporate Governance Code. In the fiscal year ended March 31, 2019, three such workshops were held. One of these was a lecture on ESG investment led by Megumi Sakuramoto, chief ESG analyst of the Responsible Investment Department of the Investment Division at Asset Management One Co., Ltd. From the perspective of an ESG investor, Mr. Sakuramoto explained overarching themes, such as the importance of ESG, the concept of ESG investment, and expectations for corporate information disclosure. He also evaluated UNITED ARROWS LTD., offered information on his expectations for the Company, and provided an assessment of the Company along with some advice for improvement from this perspective. During the Q&A session in the second half of the workshop, discussions delved into topics such as materiality policies, engagement measures, and industry-level initiatives. This workshop thus served as an invaluable opportunity to reaffirm the importance of ESG. The advice and suggestions received during this workshop will be utilized when drafting medium- to long-term strategies and in improving disclosure practices.



Megumi Sakuramoto  
Asset Management One Co., Ltd.

**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 its corporate philosophy and Our Commitment—Creating Five 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. To this end, the Company has adopted the Company with Audit and Supervisory Committee structure described in the Companies Act to serve as its corporate governance system. Limiting the number of directors not serving as Audit and Supervisory 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.

In addition, the Company takes steps to maintain and improve the effectiveness of the Board of Directors. Annual analyses and evaluations of the overall effectiveness of the Board of Directors are performed and overviews of the results are disclosed. In addition, director training policies are formulated and enacted.

**Fundamental Principle 5: Dialogue with Shareholders**

Recognizing that 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. 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.

Total amount of compensation and other benefits paid to directors and Audit and Supervisory Committee members for the fiscal year ended March 31, 2019

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)	6	290	149	42	98	—
Independent officers	3	30	30	—	—	—



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 and 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 250 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. Engagement with shareholders and other investors helps management make new discoveries, including means of utilizing capital with greater efficiency.

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
2013	Awarded the Porter Prize, Hitotsubashi University's Graduate School of International Corporate Strategy (ICS) 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
2017-2019	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. has received the highest ISS Quality Score of “1” for three consecutive years beginning with 2017. 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.



Corporate Governance-Related Initiatives

The Company’s corporate governance-related initiatives in the fiscal year ended March 31, 2019, are as follows.

1. Board of Directors

In June 2016, UNITED ARROWS LTD. transitioned from the Company with Board of Company Auditors structure described in the Companies Act to the Company with Audit and Supervisory Committee. In conjunction with this change, the range of items brought to the Board of Directors for resolution was reduced, thereby securing sufficient time for discussion of management policies, medium- to long-term strategies, and other important management matters.

Major Activities (18 meetings held in the fiscal year ended March 31, 2019, principal discussion topics and resolutions are as follows)

First Quarter	<ul style="list-style-type: none"><li>• Discussion on reorganizing logistics processes and resolution on relevant contracts</li><li>• Discussion on evaluation of effectiveness of the Board of Directors</li><li>• Resolution on director compensation, bonuses, and restricted share remuneration</li><li>• Internal control report and approval</li></ul>	Third Quarter	<ul style="list-style-type: none"><li>• Discussion and resolution on revision of Policy Structure</li><li>• Discussion and resolution on revision of Corporate Governance Policy</li><li>• Discussion on revision of important personnel systems</li><li>• Ongoing discussion on framework for next medium-term vision</li></ul>
Second Quarter	<ul style="list-style-type: none"><li>• Discussion on change in operating system for UA ONLINE STORE and resolution on relevant contracts</li><li>• Discussion and resolution on partial revision of basic internal control system policies</li><li>• Discussion on process for formulating next Medium-Term Vision</li></ul>	Fourth Quarter	<ul style="list-style-type: none"><li>• Discussion and resolution on establishment of strategic joint venture company fitom Inc.</li><li>• Discussion on enhancement of internal control and compliance</li><li>• Discussion on M&amp;A activities and business alliances for expanding business domains</li></ul>

2. Audit and Supervisory Committee

The Audit and Supervisory Committee is responsible for evaluating and confirming the effectiveness of the operational execution of directors and auditing compliance and adequacy. The Committee also holds regular meeting with executive team representatives to maintain an understanding of the issues faced and the progress of improvement measures in order to ensure effective audits, oversight, and guidance.

Major Activities (13 meetings held in the fiscal year ended March 31, 2019)

First Quarter	<ul style="list-style-type: none"><li>• Discussion on implementation and operation of internal control systems</li><li>• Reports from internal audit divisions and exchanges of opinions</li><li>• Reports from the accounting auditor and exchanges of opinions</li></ul>	Third Quarter	<ul style="list-style-type: none"><li>• Reports from internal audit divisions and exchanges of opinions</li><li>• Individual discussions with three executive directors regarding their areas of responsibility</li></ul>
Second Quarter	<ul style="list-style-type: none"><li>• Discussions with the representative director (human resources strategies, compliance, new business strategies)</li><li>• Discussions with executive officers (management strategies, organizational strategies, personnel system reforms)</li></ul>	Fourth Quarter	<ul style="list-style-type: none"><li>• Discussions with the representative director (succession plans, Group governance, medium- to long-term strategies)</li><li>• Individual discussions with two executive directors regarding their areas of responsibility</li><li>• Discussions with executive officers (overseas strategies)</li></ul>

3. Nomination and Compensation Committee

The Nomination and Compensation Committee is tasked with reinforcing the independence, objectivity, and accountability of the Board of Directors and ensuring the integrity of the nominating process and compensation paid. Comprised of three independent outside directors and one representative director, this Committee meets at least once a quarter and informs the Board of Directors of its opinions regarding nominations and dismissals of individual directors and of members of senior management, matters related to the compensation of directors who are not Audit and Supervisory Committee members, and issues regarding succession plans for the chief executive officer.

Major Activities (4 meetings held in the fiscal year ended March 31, 2019)

First Quarter	<ul style="list-style-type: none"><li>• Consultation on nomination of candidates for positions (reappointment) as directors who are not Audit and Supervisory Committee members</li><li>• Consultation on the distribution of compensation and performance-linked bonuses for directors who are not Audit and Supervisory Committee members</li></ul>	Third Quarter	<ul style="list-style-type: none"><li>• Exchanges of opinions regarding revisions and updates to the Company's Corporate Governance Policy and Corporate Governance Reports to reflect amendments to Japan's Corporate Governance Code</li></ul>
Second Quarter	<ul style="list-style-type: none"><li>• Exchanges of opinions regarding succession plans (qualitative conditions, evaluation standards, evaluation process)</li></ul>	Fourth Quarter	<ul style="list-style-type: none"><li>• Consultation on nomination of directors to serve at UNITED ARROWS LTD. and associates in the fiscal year ending March 31, 2020</li></ul>



Our Commitment—Creating Five Values

The UNITED ARROWS Group will create value for five distinct stakeholders: customers, employees, business partners, society, and shareholders.

Of these five stakeholders, 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.

We are thus committed to contributing to society by exercising our corporate philosophy and continuing to create value for the five distinct stakeholders.

Creating Value for Customers

We think of our customers as the people who express an interest in our stores or in other extensions of the UNITED ARROWS Group. We strive to build trust in our relationships with customers by providing them earnest hospitality, while seeking out mindfulness and aesthetics in our service, products, and places—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 30,000 telephone and email inquiries in the fiscal year ended March 31, 2019. There was double-digit growth in the number of inquiries related to inventories, product information, and events such as VIP clearance sales. Meanwhile, customer opinions and complaints were down 21%, decreasing for the second consecutive year. These favorable trends are thought to be a result of the improvement of services in stores.

In addition, we researched our net promoter score, which measures customer loyalty, for the second consecutive year. As part of these activities, surveys were distributed at stores a total of nine times in the fiscal year ended March 31, 2019, when accounting for all businesses, and email surveys were sent to House Card members. Our scores showed year-on-year improvements in surveys through both venues. Net promoter score is becoming an entrenched part of efforts to reflect customer input into sales measures as seen in the use of customer opinions and complaints to drive improvements in store services and in communicating praise from customers to sales staff to boost their motivation.

In preparation for the upcoming change to the operating system for the directly operated UA ONLINE STORE scheduled for fall 2019, we are expanding the number of staff at the Customer Service Center. Specifically, the customer service venue for the UA ONLINE STORE, which was previously operated by subcontractors, will be

integrated into the Company's Customer Service Center to expedite customer service and issue resolution.

Thank You Notes

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, 2019, we received 514 thank you notes. Many of these comments included praise indicating that the kindness, courteousness, speed, and consideration of the customer service we offer naturally as a retailer was creating moving experiences for our customers. We also received several expressions of gratitude for the experience value that can only be provided at our stores. As customers increasingly use both online sales and physical stores, customers have submitted comments describing the value they feel when store sales staff propose an item that suits their needs, when they discover something new, and even just when they interact with sales staff and otherwise spend time in stores.

The president reads every thank you note, selecting from among them individuals to be recognized as monthly MVPs as well as annual division awards. These recognitions are another source of increased motivation for employees.

	2017	2018	2019
Number of Customer Service Center inquiries	approx. 34,000	approx. 33,000	approx. 30,000
Thank you notes	911	887	514
Customer opinions and complaints	4,413	3,353	2,633



Recipients of thank you note annual awards 2019

Update to basic sales guidelines

UNITED ARROWS LTD. has established basic sales guidelines for sales activities. These guidelines define the basics of customer service at

UNITED ARROWS LTD., the stance that individuals should take in sales activities, and the cycle of building trust with customers. Seeking to spread understanding regarding these guidelines and promote their implementation, we undertook a revision of the guidelines. After holding meetings with several top-class sales personnel, we condensed their input into five capabilities that are crucial to be exercised by individual members of our sales staff in their sales activities. These five capabilities will be reflected in the basic sales guidelines in the fiscal year ending March 31, 2020, and utilized in sales education and daily customer service activities to improve the skills of our sales staff and thereby heighten customer satisfaction.

Product safety initiatives

The Company handles both private label brand products along with purchased brand products procured in Japan and overseas.

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. Thereafter, 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 and introducing various human resources measures in response to the recent diversification of workstyle needs. One such measure is the establishment and utilization of part-time positions at stores that only require back-office work. By limiting the scope of duties one will be expected to perform and the days and times they must work, these positions have helped us recruit homemakers and secure other human resources. Hiring individuals for such positions simultaneously creates an environment in which sales staff can focus more on customer service and 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.

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 a specified aromatic amine, which was regulated overseas prior to being regulated in Japan in April 2016 as a preventive measure due to it being a suspected carcinogenic. We receive documentation from our business partners confirming that this substance is not used in our products, oversee on a weekly basis the progress of collecting this documentation, 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 2019, we had collected 100% of certificates of non-use for private label brands and nearly 100% for purchased brands.

• 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. As educators observe the daily actions of their charges, they are able to build trust by offering praise to encourage growth as well as by providing introductions on how to improve customer service techniques. The Company is also enhancing its range of training for both educators and new sales personnel to help cultivate the appropriate mindsets for both parties and to heighten their respective skills. These initiatives are producing results as seen in the swift improvement of the skills of our sales staff and reduced turnover.

• UNITED ARROWS University

The UNITED ARROWS University is a Companywide training institution open to all employees. In the fiscal year ended March 31, 2019, we enhanced the lineup of basic customer service and sales education programs offered through the UNITED ARROWS University to catalyze the swift growth of new sales personnel while also providing training to educators to help them offer more effective guidance. These programs contributed to improved sales capabilities largely through the ES system. We will continue such efforts in the fiscal year ending March 31, 2020. At the same time, corporate philosophy training for all employees will be held with the aim of disseminating the new corporate philosophy in order to establish a robust management platform as called for in the Medium-Term Vision.

• 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, with the aim of elevating the position of sales staff. 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. In April 2016,



Our Commitment—Creating Five Values

we established four levels to revise the system so that it would come to be viewed as a career path target for sales staff, and its recognition increased as a result. As of June 2016, 100 people, or between 2% and 3% of all sales personnel, were 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 designed with the purpose of transmitting customer service techniques. 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 techniques of its outstanding sales staff.



UNITED ARROWS Grand Prix 2019

Revision of Personnel Systems

Since its founding, UNITED ARROWS LTD. has adopted goal-oriented management systems for its personnel systems. These systems entailed each individual employee setting ambitious goals for their performance that are linked to the Company's management policies and managing their progress toward these goals to accomplish them. The result was a framework in which employees enacted the Company's management policies by achieving their individual goals.

However, the Company chose to revise its personnel systems in reflection of the diversification of employees' views on work and the corporate culture issues brought to light in employee awareness surveys targeting all employees in recent years. Maintaining the results-based principles and goal-oriented management systems that have been a core part of UNITED ARROWS LTD. since its founding, we sought to make the link between evaluations and compensation clearer and more understandable. Through the new personnel systems, which were introduced in April 2019, we will strive to foster a corporate culture in which all employees are empowered to exercise their talents.

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. In the fiscal year ended March 31, 2019, in addition to instituting this survey we also researched our employee net promoter

score, which measures the loyalty of employees to the Company's products, services, and corporate culture. While scores were high for products and services, issues were identified with regard to the Company's corporate culture. The newly revised personnel systems will be utilized as a central component of our efforts to remedy this issue by revitalizing our corporate culture.

UNITED ARROWS LTD. is also implementing various measures to make it an easier place at which to work. In office work divisions, a slide work system was introduced in April 2019 to allow individual employees to adjust the start and end times of their workday based on their workstyle or lifestyle. In addition, we have commenced test implementation of remote work systems that allow employees to work from home, and we are examining other measures in response to employee needs and changes in the times.

Initiatives for Improving Work Efficiency and  
Realizing Greater Ease of Work

RFID systems\* are being introduced at stores to improve productivity. In the fiscal year ending March 31, 2020, we plan to complete the introduction of these systems in all businesses, with the exception of the outlet store business. The introduction of RFID systems contributes to improved efficiency in store operation through reduced worktime 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 IC chips are scanned by a reading device

Cultivation of Workplaces Where Diverse Human Resources Can Excel

The Company works to create a work 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 as 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 after marriage and childbirth. In the fiscal year ended March 31, 2019, the ratio of women returning to work after taking childcare leave was approximately 93%, while the ratio of women in management positions, of store manager or higher, was 33%. 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 or 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.

Going forward, we will continue to step up hiring practices aimed at increasing the diversity of our employee base with the goal of incorporating new perspectives and values into the operation of the Company.

Quantitative information on initiatives for creating value for employees (Japanese only): [https://www.united-arrows.co.jp/csr/about/value\\_02.html](https://www.united-arrows.co.jp/csr/about/value_02.html)



Executive Officer  
In charge of  
Human Resources

Mariko Yamasaki

Creation of Value for Employees

To create value for employees means to raise the market value of all employees in order to foster high-value-added human resources that produce superior results with superb productivity. By increasing corporate value through the creation of value for employees, I hope to do my part in transforming UNITED ARROWS LTD. into a company that leads the market.

Our medium-term goal with this regard is to simultaneously improve employee satisfaction and set the standard for lifestyle culture as described in our mission. By raising employee satisfaction with regard to our personnel systems, education programs, workplace environments, and other personnel-related factors, I hope to foster human resources capable of fulfilling our mission. When such human resources can fully exercise their skills, the result will be growth of the Company and the accomplishment of our mission.

Major Initiatives in the Fiscal Year Ending March 31, 2020

To accomplish this goal, we revised our personnel evaluation systems in the fiscal year ended March 31, 2019, and these systems will be implemented beginning in the fiscal year ending March 31, 2020. Employees' views toward work are becoming more diverse, with some focused on growth while others value stability and still others place emphasis on balancing their work with their family. Moreover, our staff features employees in various positions, ranging from the junior employees that will support the future of UNITED ARROWS LTD. to the senior employees that guide us with their extensive experience. The aim of the personnel evaluation systems was to cultivate a corporate culture in which all employees are empowered in their work. To this

end, we clarified the mechanism through which pay raises are instituted based on appropriately set targets and evaluations, making for a framework that will allow us to more effectively practice the results-based principles that we have held since our founding. We also adapted the evaluation items assessing the degree to which employees exercise our corporate philosophy that were used in the prior system to the new system in order to promote the development of employees that are adept at contributing to the realization of said philosophy.

In addition to the personnel evaluation systems, a number of other personnel systems have been put in place in the fiscal year ending March 31, 2020. In terms of training, we have begun supporting recurrent education. This support is designed to assist highly motivated employees seeking to acquire skills that cannot be gained on the job in partaking in learning opportunities at external educational institutions to acquire these skills. The decision to begin offering this support was prefaced on the recognition that education is indispensable to improving employee productivity and to fostering human resources with high market value. As for welfare programs, based on the SDGs and other social trends, we introduced systems for employees that have acquired same-sex partnership certificates to offer them benefits similar to those available to individuals in legally recognized marriages. We also plan to hold educational seminars on empowering female employees from the perspective of diversity. Although women account for approximately 60% of the net sales of UNITED ARROWS LTD. on a non-consolidated basis, important decision-making bodies are dominated by men. We recognize the issue this situation represents, and are promoting awareness reforms as our first step toward addressing it.

Human resources are the driving force behind the growth of UNITED ARROWS LTD. As the select shop business model becomes more entrenched and products are increasingly treated as commodities, human resources are becoming the main propellant behind the differentiation of companies. The proposals that can be made by diverse individuals are as varied as the values of the customers to which these proposals are made. By fostering a corporate culture in which diversity is respected and in which every employee is able to exercise their individuality and feel empowered in their work, we will create value for employees.

Creating Value for Business Partners

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 meetings

UNITED ARROWS LTD. holds Quality Control (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 consensuses 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, 2019, QC meetings for apparel products were held on a total of one occasion in Japan and one occasion in Vietnam and were attended by a total of 38 companies. Also, a total of 22 companies participated in the two QC meetings in Japan that were organized by Odette e Odile, a brand offering women's shoes.



Our Commitment—Creating Five Values

Since holding the first QC meeting in 2009, we have continued to organize such meetings, thereby contributing to increased awareness among business partners with regard to our expectations for the quality of our products, which is fundamental to earning the trust of customers. In the fiscal year ending March 31, 2020, we will evolve our QC meetings. While maintaining quality as the central focus, the evolved meetings will also serve as forums for sharing information and recognizing issues in reflection of changes in the industry and the manufacturing climate brought about by factors such as the advancement of digital technologies.



QC meeting held at Vietnam in 2019

Fair trade initiatives  
CSR Guideline

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 UNITED ARROWS LTD.'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 work environments with stipulations regarding proper compensation and working hours and measures for 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 work environments to be submitted when commencing transactions with new business partners. We have also collected such reports from almost all existing business partners. In addition, production management representatives perform non-regular confirmations of the labor environment at certain business partners producing private label brands during on-site factory inspections to confirm compliance with the CSR Guideline. Through the implementation of this guideline, we are working together with business partners to construct a responsible value chain as a retailer.

desire to prevent business partners from delivering defective products. These meetings have since evolved, and today these meetings have also become opportunities to look at means of improving quality in addition to measures for preventing defects. The Company's quality control is rigorous, and if products do not meet our standards we will reject deliveries, which places a burden on business partners. Furthermore, the technical team at UNITED ARROWS LTD. is researching means of improving product quality through enhanced appearance and comfort by only applying additional effort, as opposed to additional costs. This information is shared with business partners through QC meetings. With each new meeting, I am able to more strongly feel the passion of the business partners in attendance and their understanding of our stance toward product creation. Furthermore, there have been instances in which business partners have stated that their ongoing transactions with UNITED ARROWS LTD., which is known for rigorous quality control, have given them a reputation for reliability and led to new transactions with other companies.

UNITED ARROWS LTD. is responsible for the sale of finished products at the end of the value chain. Naturally, our stance is thus that we have a responsibility to protect the human rights of all workers at every stage of production. For this reason, we ask business partners contracted to produce our private label brands to submit written notice of consent to adhere to our CSR Guideline, and production management representatives perform factory inspections on a non-regular basis to discourage violations. When violations are detected and judged to have malicious intent, transactions with the offending business partner will be ceased. Conversely, if we sense room for improvement at violators, transactions will be initially halted, but they may be resumed if improvements are seen.

Going forward, I hope to build upon our mutual understanding and cooperation with business partners to forge relationships in which we grow together.

Compliance Education Activities Targeting 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 at the front reception desk of the headquarters office in an effort to prevent, detect, and correct fair trade violations. Provisions are in place to ensure that whistleblowers will not suffer any disadvantageous repercussions due to reporting.

Measures concerning products with materials made from animals

Importance is growing in relation to traceability for managing what kind of materials were used in a product, where those products are manufactured, and by whom.

Creating Value for Society

UNITED ARROWS LTD. believes it can create value for society by continuing to set the standard for lifestyle culture. At the same time, we contribute to the development of society and build on our relationship of trust with society by valuing strict legal compliance and environmental preservation in this process.

Social contributions through our business

TÉGÊ UNITED ARROWS

TÉGÊ UNITED ARROWS is a label launched in 2014 through collaboration with the Ethical Fashion Initiative (EFI),<sup>1</sup> a project of the International Trade Centre (ITC). This label features products that are a fusion of craftsmanship rooted in African culture and UNITED ARROWS design ideas. The initiative is designed to support the independence of economically or socially disadvantaged women in countries such as Kenya and Burkina Faso through economic aid via employment, as opposed to monetary donations.

<sup>1</sup> EFI was launched by ITC, a joint institution of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO), for the empowerment of women under the Millennium Development Goals.



African craftswoman at work  
© International Trade Centre /  
Ethical Fashion Initiative



Tailored jacket made of handwoven  
material

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 2018. 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 expanded the scope of reporting to include products using Angora goat wool (mohair), and report submission rates were high with regard to both private label products and purchased brands.

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.

041 Project

UNITED CREATIONS 041 with UNITED ARROWS LTD.<sup>2</sup> is a collaboration label meant to create clothing for the purpose of seeking to resolve the concerns of customers. We thus strive to provide clothing designed to meet the needs of single individuals to help everyone enjoy comfortable and fashionable clothing. The first items in the line were sold in April 2018 in response to an order for clothing designed based on the concerns of differently abled individuals or those suffering from certain diseases. A total of four items, including the well-received first offering, were posted on the UA ONLINE STORE in February 2019 with an expanded range of colors and sizes.



Apron dress doubling as a bib

We designed a functional and fashionable apron dress that doubles as a bib based on a request by a 10-year girl who, born with muscle weakness, was forced to use a baby bib because of her uncontrollable drooling.

<sup>2</sup> UNITED CREATIONS 041 with UNITED ARROWS LTD. is a collaboration label with the 041 Project spearheaded by Social WEnnovators, a social unit that seeks to face social issues as a united "we." Launched in 2016, 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."



Our Commitment—Creating Five Values

Reduction of environmental impact of store operations

We are actively promoting the adoption of LED lighting at stores with the aim of reducing the amount of electricity used. Currently, approximately 80% of all of the light bulbs used in our stores are LED. The LED lighting the Company has installed does not distort the original colors of products and provides sufficient lighting for customers to view products. In addition, we took our first step toward using electricity generated from renewable power sources in May 2018 by switching the power company that provided electricity to UNITED ARROWS HARAJUKU.

Minimization of product waste

In the retail apparel industry, various versions of the same item are produced, in different sizes and colors, and lineups are often replaced in conjunction with the spring–summer and fall–winter seasons. These characteristics often lead to surplus inventories, making product waste a serious issue for the entire industry.

At UNITED ARROWS LTD., we aspire to maintain appropriate inventory levels based on customer needs by fulfilling the five key criteria for addressing customer desires. We are also implementing various initiatives for reducing product waste.

Reduction of inventories through improved accuracy in product planning

UNITED ARROWS LTD. prepares position maps in which businesses are assigned positions in accordance with their fashion taste and price range, and based on their concepts and target customer groups. This process provides clear visual representation regarding the tastes and price ranges to be emphasized in the offerings of each business, thereby enabling them to plan products in the way most ideal for their target customer groups. The contemporary customer is highly sensitive to changes in temperature. For this reason, we plan products by subdividing the year into eight seasons. Through this subdivided approach, we are endeavoring to practice efficient inventory management by deploying the products planned for each season after determining the necessary inventories and managing sales on a weekly basis to encourage the depletion of these inventories.

Inventory depletion function of outlet stores

UNITED ARROWS LTD. began developing outlet stores a step ahead of other companies operating select shops. By faithfully adhering to the traditional function of outlet stores—depleting inventories of slow-selling products or products from prior years—we have been able to sell around 99% of items that can be offered in outlet stores. These efforts have been incredibly helpful in minimizing waste.



UNITED ARROWS LTD. Outlet Hiroshima

Measures for preventing waste from defective products

Defective products are a source of waste. Accordingly, UNITED ARROWS LTD. is implementing various measures to prevent the manufacture of defective products and to address those that are produced. These measures include (1) awareness raising and education regarding

defective products at QC meetings, (2) reinforcement of inspection systems that make it possible to quickly identify defective products and address these products through repairs or other methods, and (3) raising awareness among sales staff for how to handle products in stores. We are also carrying out the RE (Reuse) Project, which entails repairing defective clothing, accessories, and furniture to be sold through different channels.

Promotion of recycling of waste products

In March 2019, UNITED ARROWS LTD. launched a material recycling\* project on a trial basis targeting waste products made from wool and down. For other waste products, we are examining means of disposal that are eco-friendlier than incineration.

\* Material recycling is a recycling method that entails reusing waste articles as materials.

Information security management and protection of personal information

Information Security Management

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. The Management Committee, a discussion and decision-making body ranked below the Board of Directors that is comprised of executive directors, has approved information security regulations. We seek to ensure security for our information assets and services through compliance with these regulations. In addition, 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. For example, we have established information security procedure manuals that define specific procedures for adhering to the information system usage rules described in the regulations, for using e-mail, and for managing user IDs and passwords. These manuals are utilized to improve security levels and in training for new hires when they join the Company. In terms of our systems, we are always examining the possibility of introducing security solutions or improving implementation procedures. Protocols for responding in the event of an information security incident stipulate that the individuals in charge of information security are to collect information and coordinate with the relevant divisions and business partners to address the incident.

Protection of Personal Information

We recognize the extreme importance of our responsibility to manage customer and other personal information. In reference to the Act on the Protection of Personal Information, the Management Committee has formulated internal rules on personal information protection, based on which we are building, evaluating, and revamping our personal information management systems. In addition, these rules have been used to shape the Privacy Policy, which delineates the Company's basic approach toward the protection of personal information along with provisions that we expect employees to adhere to. This policy is publicly disclosed.

Information Management Initiatives by Internal Audit Divisions

Each year, the Company's internal audit divisions assess IT governance systems from the following three perspectives.

- 1. Companywide IT governance: The status of governance of IT with the potential to impact the entire Company, which forms the basis for IT governance, is confirmed. Company governance infrastructure and risk assessments are audited as part of this process.

- 2. General IT governance: Through an internal control framework meant to assure that systems used in operations are functioning as intended, the statuses of systems development, maintenance, and operation; management and safety of access from inside and outside the Company; and management of subcontractors is confirmed in accordance with the COBIT (Control Objectives for Information and Related Technologies) global IT governance standard.
- 3. IT business processing governance: Confirmation is performed to verify that systems used for business processing related to financial

reports are delivering processing and calculation results congruent with their design intent.

In addition, internal audit divisions perform audits once every one to two years on personal information protection systems, an area that is increasing in importance in recent years, to confirm safety and whether these systems are being operated in accordance with the regulations and guidelines formulated by the Company.

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 after results announcements along with Q&A transcripts, and briefing videos 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 to publish these reports as integrated reports. We regard integrated reports as tools 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.

Active participation in IR activities by outside directors

As one facet of the Company's proactive IR activities, outside directors have recently been actively participating in such activities. Outside directors took part in a corporate governance briefing for institutional investors in the fiscal year ended March 31, 2018, and in small meetings with ESG investors in the fiscal year ended March 31, 2019. In these small meetings, outside directors were joined by the president and director responsible for IR in engaging in lively discussion with ESG investors. Furthermore, outside directors have visited several ESG investors on an individual basis. The discussions held with these investors and input received are shared with the Board of Directors to be incorporated into management decisions aimed at improving medium- to long-term corporate value.

Enhancement of return of profits to shareholders

In addition to working to expand earnings per share (EPS) through 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, 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)	13	14	15	16	17	18	19	20 (Plan)
Earnings per share (EPS) (yen)	230.80	248.80	199.53	214.87	174.57	185.08	226.20	236.12
Dividends per share (DPS) (yen)	53.0	67.0	78.0	78.0	78.0	78.0	80.0	83.0
Dividend payout ratio	23.0%	26.9%	39.1%	36.3%	44.7%	42.1%	35.4%	35.2%
Total return ratio	23.0%	26.9%	110.9%	57.6%	158.9%	42.1%	35.4%	—
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.



Data Section

Eleven-Year Summary

	(FY)																						
	millions of yen																				millions of U.S. dollars		
	2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		
Net sales / YOY (%)	79,665 /	110.3	83,504 /	104.8	90,571 /	108.5	102,052 /	112.7	115,041 /	112.7	128,489 /	111.7	131,029 /	102.0	140,919 /	107.5	145,535 /	103.3	154,409 /	106.1	158,918 /	102.9	1,431
Gross profit / Composition ratio (%)	40,647 /	51.0	42,865 /	51.3	48,001 /	53.0	55,661 /	54.5	62,619 /	54.4	68,492 /	53.3	68,046 /	51.9	71,573 /	50.8	74,155 /	51.0	79,507 /	51.5	81,760 /	51.4	736
Selling, general and administrative expenses / Composition ratio (%)	36,327 /	45.6	37,922 /	45.4	40,617 /	44.8	45,468 /	44.6	50,056 /	43.5	54,842 /	42.7	56,695 /	43.3	60,501 /	42.9	64,990 /	44.7	68,989 /	44.7	70,696 /	44.5	636
Operating income / Composition ratio (%)	4,319 /	5.4	4,942 /	5.9	7,384 /	8.2	10,193 /	10.0	12,562 /	10.9	13,649 /	10.6	11,351 /	8.7	11,071 /	7.9	9,165 /	6.3	10,518 /	6.8	11,063 /	7.0	99
Ordinary income / Composition ratio (%)	4,283 /	5.4	5,037 /	6.0	7,240 /	8.0	10,272 /	10.1	12,582 /	10.9	13,739 /	10.7	11,542 /	8.8	11,175 /	7.9	9,420 /	6.5	10,775 /	7.0	11,312 /	7.1	101
Net income attributable to owners of parent / Composition ratio (%)	1,274 /	1.6	1,403 /	1.7	3,596 /	4.0	5,016 /	4.9	7,316 /	6.4	7,920 /	6.2	6,332 /	4.8	6,494 /	4.6	5,191 /	3.6	5,247 /	3.4	6,417 /	4.0	57
Total assets / Turnover (times)	46,821 /	1.7	46,163 /	1.8	45,716 /	2.0	51,278 /	2.0	54,395 /	2.1	59,296 /	2.2	62,020 /	2.1	63,877 /	2.2	67,799 /	2.1	67,107 /	2.3	70,738 /	2.2	637
Total net assets	23,004		23,327		15,103		19,291		25,403		31,532		31,186		33,760		30,980		34,690		39,578		356
Inventory / Turnover (times) <sup>1)</sup>	18,681 /	4.5	16,903 /	4.7	15,867 /	5.5	15,753 /	6.5	17,480 /	6.9	20,372 /	6.8	23,474 /	6.0	23,966 /	5.9	26,210 /	5.8	24,799 /	6.1	24,988 /	6.4	225
Interest-bearing debt	11,899		7,748		16,132		10,114		7,773		5,081		10,500		6,146		13,792		5,000		3,600		32
Cash flows from operating activities	1,286		7,933		6,923		12,081		5,238		6,828		4,730		11,689		4,868		13,938		9,140		82
Cash flows from investing activities	−4,373		−1,992		−2,069		−2,711		−3,528		−3,072		−3,249		−3,351		−4,511		−2,442		−5,926		−53
Cash flows from financing activities	3,434		−5,202		−3,443		−6,875		−3,533		−4,472		−1,328		−8,139		−508		−10,812		−3,711		−33
Cash and cash equivalents	3,322		4,061		5,471		7,966		6,142		5,429		5,585		5,799		5,630		6,300		5,839		52
Capital expenditures <sup>2)</sup>	3,604		1,415		4,254		2,576		2,809		3,419		2,453		3,479		4,445		3,053		5,833		52
Depreciation	1,258		1,209		1,363		1,416		1,518		1,711		1,801		1,795		1,863		1,801		1,859		16
Return on investment (ROI) (%) <sup>3)</sup>	12.6		16.8		20.9		38.1		42.1		41.1		27.7		29.0		20.5		28.6		27.8		—
Equity ratio (%)	49.1		50.5		33.0		37.6		46.7		53.2		50.3		52.8		45.2		50.1		53.5		—
Debt equity ratio (%) <sup>4)</sup>	103.5		97.9		202.7		165.8		114.1		88.0		98.9		89.2		118.8		93.4		78.7		—
Return on equity (ROE) (%)	5.6		6.1		18.7		29.2		32.7		27.8		20.2		20.0		16.1		16.3		18.0		—
Return on assets (ROA) (%)	9.5		10.8		15.8		21.2		23.8		24.2		19.0		17.8		14.3		16.0		16.4		—
Dividend payout ratio (%)	82.8		84.2		29.9		22.7		23.0		26.9		39.1		36.3		44.7		42.1		35.4		—
Dividends per share (DPS) (yen / U.S. dollars)	25.00		28.00		29.00		36.00		53.00		67.00		78.00		78.00		78.00		78.00		80.00		0.72
Earnings per share (EPS) (yen / U.S. dollars)	30.19		33.26		97.02		158.74		230.80		248.80		199.53		214.87		174.57		185.08		226.20		2.04
Book value per share (BPS) (yen / U.S. dollars)	545.02		552.68		478.39		609.66		799.65		990.22		1,019.68		1,117.23		1,081.49		1,186.01		1,333.16		12.01
Number of stores	183		196		207		237		271		315		334		357		360		347		358		—
Number of employees	2,781		2,783		2,792		3,033		3,309		3,652		3,863		4,237		4,427		4,518		4,605		—

<sup>\*</sup> Figures are shown in terms of millions of yen with amounts less than this unit omitted. For convenience only, U.S. dollar figures have been calculated at the rate of exchange on March 31, 2019, of ¥110.99= U.S.\$1.

<sup>1</sup> Inventory turnover = Net sales ÷ Inventory (yearly average)

<sup>2</sup> 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.

<sup>3</sup> Return on investment = (Ordinary income + Interest expenses) ÷ (Interest-bearing debt + Shareholders' equity (yearly average)) × 100

<sup>4</sup> Debt equity ratio = (Current liabilities + Noncurrent liabilities) ÷ Shareholders' equity × 100



fiscal years ended March 31



Corporate Data

as of March 31, 2019

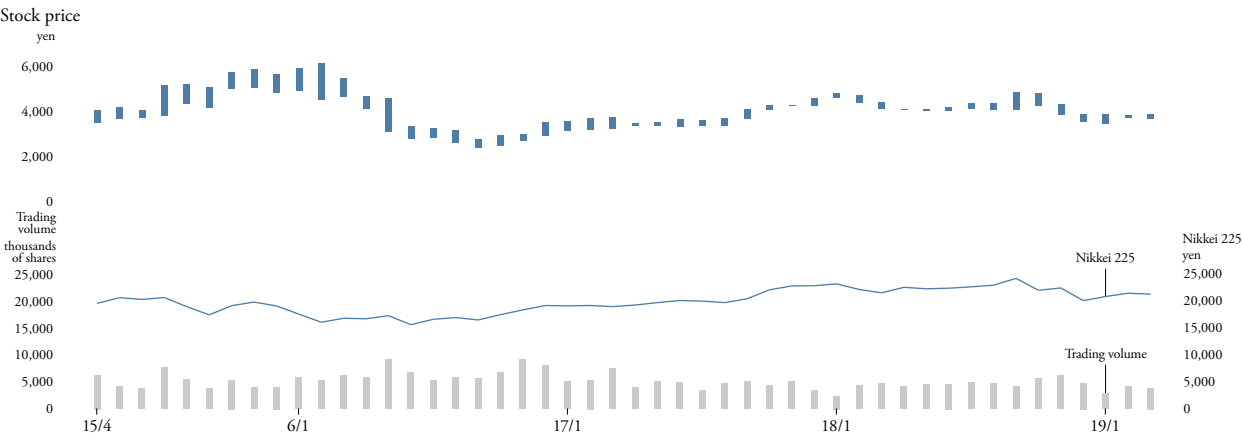
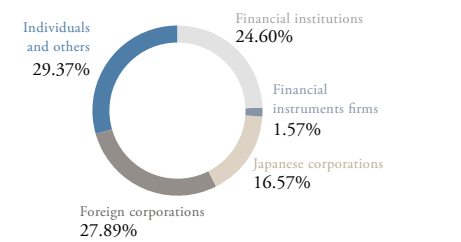
Corporate Profile

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	358 (consolidated)
Main banks	1. The Bank of Mitsubishi UFJ, Ltd. 2. Sumitomo Mitsui Banking Corporation 3. Mizuho Bank, Ltd.
Accounting auditors	Deloitte Touche Tohmatsu LLC
Number of employees	4,605 (consolidated)
Consolidated subsidiaries	FIGO CO., LTD. COEN CO., LTD. UNITED ARROWS TAIWAN LTD. Designs & Co. CHROME HEARTS JP, GK
Equity method affiliate	fitom Inc.

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	11,976
* Total number of shares of common stock issued includes 1,838,256 shares of treasury stock, equivalent to 6.08% of the total number of shares of common stock issued.	

Shareholder composition (by number of shares)



Board of Directors and Executive Officers

as of June 21, 2019				
Representative Director, President and CEO	Mitsuhiro Takeda	Senior Executive Officer	Kazuyasu Tanaka	
		Senior Executive Officer	Hisashi Takayama	
Director, Executive Vice President	Mitsunori Fujisawa	Senior Executive Officer	Yatsuhiro Sagawa	
		Executive Officer	Naoki Tanigawa	
Director, Executive Vice President	Masami Koizumi	Executive Officer	Shinya Matsumoto	
		Executive Officer	Noriyuki Miyao	
Director, Executive Managing Officer	Hiroyuki Higashi	Executive Officer	Mariko Yamasaki	
		Executive Officer	Kenji Takata	
Director, Executive Managing Officer	Yoshinori Matsuzaki	Executive Officer	Yuko Sajima	
		Executive Officer	Satoshi Tan	
Director, Executive Managing Officer	Tatsuya Kimura	Executive Officer	Yoichi Endo	
		Executive Officer		
Outside Director (Standing Audit and Supervisory Committee member)	Yukari Sakai			
Outside Director (Audit and Supervisory Committee member)	Gaku Ishiwata			
Outside Director (Audit and Supervisory Committee member)	Hidehiko Nishikawa			

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
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,751,100	5.79
Japan Trustee Services Bank, Ltd. (Trust Account)	1,746,400	5.78
Rinzaw Co., Ltd.	1,568,200	5.19
Hirofumi Kurino	713,200	2.36
SSBTC CLIENT OMNIBUS ACCOUNT		
Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)	550,424	1.82
Japan Trustee Services Bank, Ltd. (Trust Account 9)	453,100	1.49
Japan Trustee Services Bank, Ltd. (Trust Account 5)	443,800	1.46
Mitsubishi UFJ Trust and Banking Corporation		
Standing proxy: The Master Trust Bank of Japan, Ltd.	428,000	1.41
TAKISADA-NAGOYA Co., Ltd.	428,000	1.41

Store Network by Retail Area

	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	1	1	3	13
UNITED ARROWS	2	4	12	3	7	3	0	31
BEAUTY&YOUTH UNITED ARROWS	2	9	18	4	9	9	0	51
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	5	23	24	9	12	11	0	84
EMMEL REFINES	0	1	3	2	2	1	0	9
THE STATION STORE UNITED ARROWS LTD.	0	1	4	0	0	0	0	5
UNITED ARROWS LTD. OUTLET	3	8	1	6	4	4	1	27
Felisi	0	2	7	2	2	2	0	15
ASPESI	0	0	1	1	1	2	0	5
coen	6	30	10	9	15	16	0	86
BLAMINK	0	0	1	0	0	0	0	1
CHROME HEARTS	0	0	4	1	3	2	0	10
Total	20	80	101	41	59	53	4	358
Composition ratio of stores (consolidated)	5.6%	22.3%	28.2%	11.5%	16.5%	14.8%	1.1%	100.0%

\* UNITED ARROWS General Merchandise Store operations offer both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products in the same store.  
\* UNITED ARROWS, THE SOVEREIGN HOUSE, District UNITED ARROWS, THE AIRPORT STORE UNITED ARROWS LTD., and ASTRAET are included in the UNITED ARROWS.  
\* BEAUTY&YOUTH UNITED ARROWS, monkey time BEAUTY&YOUTH UNITED ARROWS, STEVEN ALAN, ROKU, and H BEAUTY&YOUTH are included in BEAUTY&YOUTH UNITED ARROWS.  
\* UNITED ARROWS green label relaxing, WORK TRIP OUTFITS GREEN LABEL RELAXING, and LUNOW GREEN LABEL RELAXING are included in UNITED ARROWS green label relaxing.

About other IR tools and the Company's corporate website

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

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

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

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

Great Service, Great Products, Great Places 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 places" 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/](http://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 2019 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) as well as the Guidance for Integrated Corporate Disclosures and Company-Investor Dialogues for Collaborative Value Creation, released by the Ministry of Economy, Trade and Industry.



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

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