

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,

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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



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 consensus regarding efforts to improve quality and techniques and exchanging other information and opinions to ensure we can provide customers with safe and reliable products. In the fiscal year ended March 31, 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.

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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.



Executive Officer
In charge of Trading
Department,
Production Management
Department, and Quality
Control Department

Naoki Tanigawa

Creation of Value for Business Partners

In 2007, UNITED ARROWS LTD. received a cease and desist order from the Japan Fair Trade Commission claiming that cashmere stoles it had procured and sold were in violation of the Act against Unjustifiable Premiums and Misleading Representations (for being mislabeled as significantly superior). This case drew a great amount of media attention, and we were flooded with complaints from customers. One customer even went as far as to send us a box that contained every product she had ever bought from us, each folded neatly. The anger and disappointment of our customers was painfully clear. The cashmere stoles were only one of many products we sold. However, we cannot forget that, for customers, the stole was the only one they had bought. This regrettable experience reinforced our dedication to quality control.

Strong relationships with our business partners are crucial to supplying our customers with highly reliable products. For example, we ask that our business partners submit documentation of content of products as well as inspection reports when they make deliveries in a bid to eliminate defective products, mislabeled products, and products containing dangerous substances. In addition to these basic precautions, it is also important for UNITED ARROWS LTD. to continue displaying its serious and earnest stance toward quality control.

QC meetings were an initiative originally started out of our

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

TÉGÈ UNITED ARROWS

TÉGÈ UNITED ARROWS is a label launched in 2014 through collaboration with the Ethical Fashion Initiative (EFI),¹⁾ 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.

¹⁾ 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.²⁾ 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.

²⁾ 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."

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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)	—	—	—	—	—	—	—	—
Ratio of treasury stock cancelled to total number of common shares issued	—	—	—	—	—	—	—	—

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