



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.

Q 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.

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The UNITED ARROWS Group's
Medium-Term Vision

Q 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.

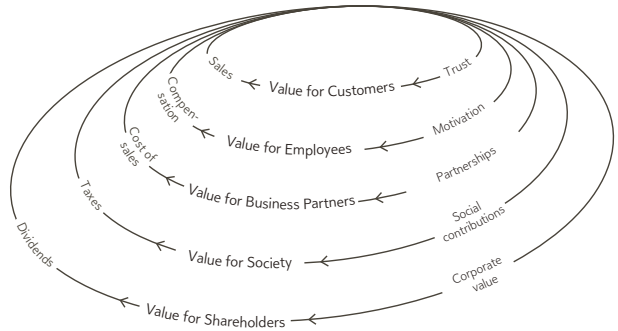
The UNITED ARROWS Group’s Code of Conduct lays out a policy of creating value for customers, employees, business partners, society, and shareholders. Satisfying our customers leads to sales. Recognizing this, employees constantly hone the service they provide to customers and thereby receive motivation 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.

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Company Policy Transitions

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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.

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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