



UNITED ARROWS LTD.

Since its foundation in 1989, UNITED ARROWS LTD. has continued to set new standards of Japanese lifestyle as espoused in its corporate philosophy. Through fashion, we have maintained an unwavering commitment to creating and providing value that helps enrich customers’ lives.

Moving forward, we have updated this philosophy to focus on the creation of globally recognizable value by seamlessly combining Japanese culture and traditions with those of the west. In this manner, we are nurturing a corporate brand that is capable of excelling on the world stage.

Looking ahead, we will broaden our perspective from a focus on Japan to a focus on the world and continue to hone our service, products, and store environment, the three key sources of satisfaction for customers, while taking up the challenge of maximizing customer satisfaction.

This report has not been audited by an independent auditing firm. Please refer to the latest IR materials for details regarding our operating results and financial position.
www.united-arrows.co.jp/en/ir/lib/

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



GREAT SERVICE

Providing a level of hospitality and service that leaves a strong, lasting impression

I place the utmost emphasis on greeting customers with a smile. Equal importance is placed on bringing a smile to the faces of customers, and to ensure that every shopping experience is filled with enjoyment and delight. In this manner, every effort is made to instill in customers a keen desire to return again and again. At the same time, it is easy to picture my own growth stage as I go about my day-to-day duties. Each and every day, I meet with customers and attend to their needs with an eye to the ideal career path from staff member to store manager and beyond.

—BEAUTY&YOUTH UNITED ARROWS' Sales Personnel (fifth year of employment)



GREAT PRODUCTS

Staying a half-step ahead of customer needs and fulfilling five key criteria^{*1}

Product planning that is conceived from universally basic ideas with an emphasis on original and established styles. By adding arrangements to the traditional, Ivy League, military, work, sporting, and other styles, BEAUTY&YOUTH maintains the fundamental approach to creating and selecting products of consistently updating its offerings to match the moment and mood at hand. The goal is very much to ensure that the BEAUTY&YOUTH brand is considered a long-standing casual favorite.

—BEAUTY&YOUTH UNITED ARROWS Men's Product General Manager

^{*1} 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.



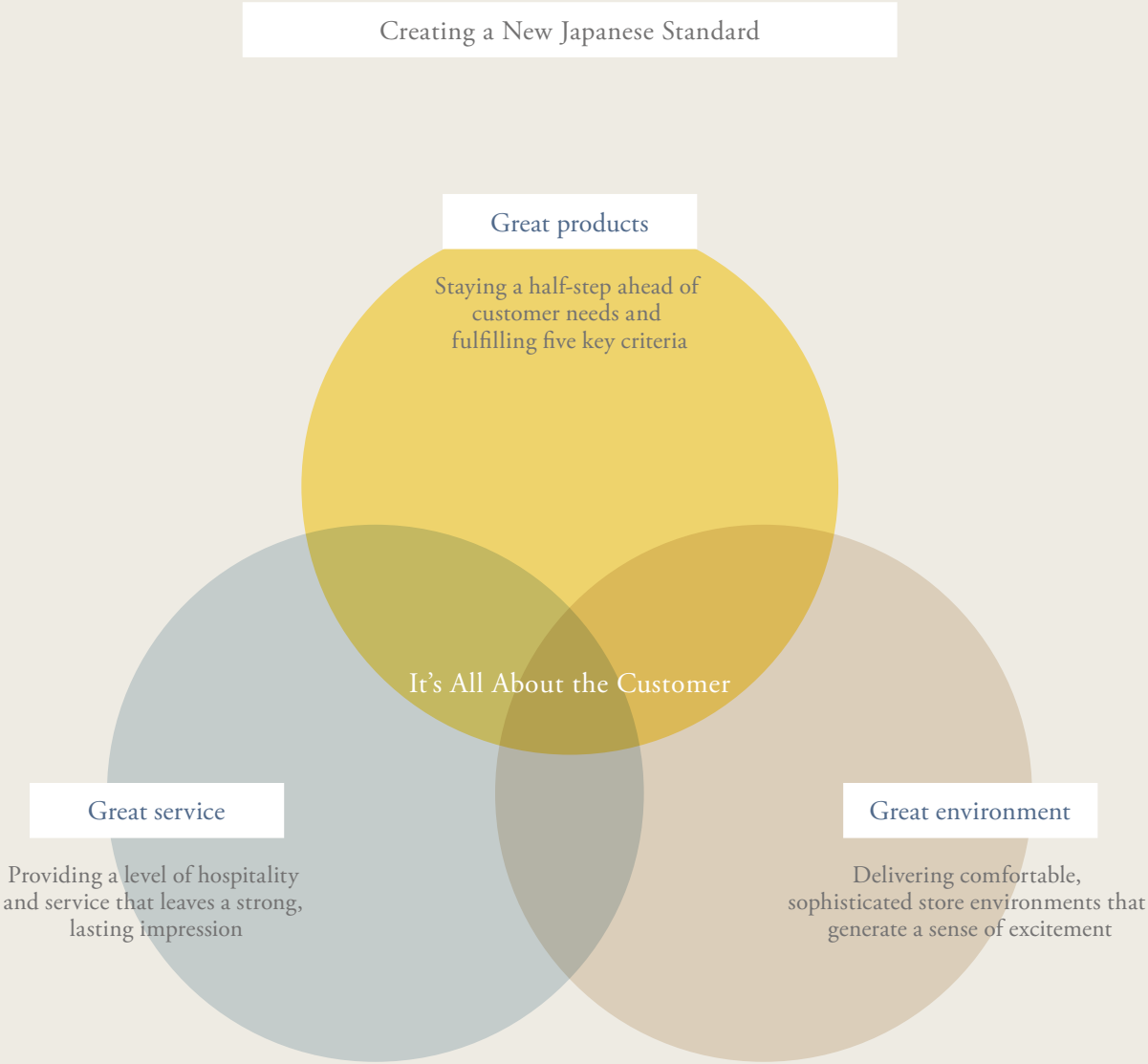
GREAT ENVIRONMENT

Delivering comfortable, sophisticated store environments that generate a sense of excitement

Every effort is made to genuinely express the worldliness of the BEAUTY&YOUTH brand image and to balance the needs to display products in an attractive and easy-to-purchase manner. These efforts underpin our goal of creating a great store environment. The challenges of maximizing the appeal of each product and providing an enjoyable shopping experience are a significant motivating force. Working to strengthen visual merchandising training, every effort will be made to create appealing stores based on a product, sales, and promotion collaboration strategy.

—BEAUTY&YOUTH UNITED ARROWS Men’s Product General Manager




















Three Key Sources of Satisfaction for Customers



UNITED ARROWS LTD. is guided by the Mission Statement that, “It’s All About the Customer.” With this in mind, we strive consistently to hone our service, products, and store environment, which we recognize as the three key sources of satisfaction for customers as well as the cornerstone of our competitive strength. We work to create an atmosphere that allows our service, products, and store environment to naturally evolve. As these three sources of satisfaction continue to flourish and grow, we move closer to realizing our Company Policy of creating globally recognizable and accepted values that set new standards of Japanese lifestyle.

UNITED ARROWS Group Business

year ended March 31, 2013

	Brands	Stores	Net sales (billions of yen)
Consolidated		271	115.0
UNITED ARROWS LTD.		208	106.6
UNITED ARROWS Business		67	47.7
UNITED ARROWS General Merchandise Store ^{*1} M W	 UNITED ARROWS	11	
UNITED ARROWS M W	 UNITED ARROWS	21	
BEAUTY&YOUTH UNITED ARROWS M W	 BEAUTY & YOUTH UNITED ARROWS	32	
monkey time BEAUTY&YOUTH UNITED ARROWS M	 monkey time BEAUTY & YOUTH UNITED ARROWS	1	
UNITED ARROWS Label Image Store		2	
THE SOVEREIGN HOUSE M		1	
District UNITED ARROWS M	 District UNITED ARROWS	1	
UNITED ARROWS green label relaxing Business M W	 UNITED ARROWS green label relaxing	56	23.4
CHROME HEARTS Business M W		8	7.3
SBU's and UA Labs (8 businesses)		59	14.1
Another Edition W		13	
Jewel Changes W		7	
Odette é Odile UNITED ARROWS W	 <i>Odette é Odile</i> UNITED ARROWS	23	
DRAWER W	 <i>Drawer</i>	6	
THE AIRPORT STORE UNITED ARROWS LTD. M W	 THE AIRPORT STORE UNITED ARROWS LTD.	3	
THE STATION STORE UNITED ARROWS LTD. M W	 THE STATION STORE UNITED ARROWS LTD.	4	
THE HIGHWAY STORE UNITED ARROWS LTD. M W	 THE HIGHWAY STORE UNITED ARROWS LTD.	2	
ARCHIPELAGO UNITED ARROWS LTD. W	 ARCHIPELAGO UNITED ARROWS LTD.	1	
UNITED ARROWS Outlet M W	 UNITED ARROWS Outlet	18	13.8
Group companies			
FIGO CO., LTD. Felisi M W	 <i>Felisi</i> MADE IN ITALY	12	2.9
COEN CO., LTD. ^{*2} COEN M W	 c o e n	51	5.7

M =Men's **W** =Women's
*¹ UNITED ARROWS General Merchandise Store operations offer both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products.
² As COEN CO., LTD. settles its accounts on January 31, figures displayed are as of January 31, 2013.

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Eleven-Year Summary

UNITED ARROWS LTD. and consolidated subsidiaries

	millions of yen										thousands of U.S. dollars	
year ended March 31	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
Consolidated												
Net sales	35,271	42,903	46,330	53,813	60,959	72,221	79,665	83,504	90,571	102,052	115,041	1,210,323
Operating income	4,824	5,241	6,080	7,663	7,350	4,930	4,319	4,942	7,384	10,193	12,562	132,164
Ordinary income	4,786	5,270	6,037	7,639	7,337	5,017	4,283	5,037	7,240	10,272	12,582	132,373
Net income	2,561	2,877	3,476	4,076	3,511	3,800	1,274	1,403	3,596	5,016	7,316	76,977
Cash flows from operating activities	740	1,876	4,122	6,596	1,801	456	1,286	7,933	6,923	12,081	5,238	55,108
Cash flows from investing activities	(1,116)	(2,311)	(738)	(3,423)	(4,198)	(946)	(4,373)	(1,992)	(2,069)	(2,711)	(3,528)	(37,120)
Cash flows from financing activities	(1,646)	589	(1,180)	648	(2,281)	493	3,434	(5,202)	(3,443)	(6,875)	(3,533)	(37,178)
Cash and cash equivalents	1,468	1,623	3,827	7,650	2,971	2,975	3,322	4,061	5,471	7,966	6,142	64,622
Capital expenditures ^{*1}	951	1,684	1,072	1,250	2,389	2,954	3,604	1,415	4,254	2,576	2,809	29,560
Depreciation	367	462	517	557	642	883	1,258	1,209	1,363	1,416	1,518	15,971
Return on equity (ROE) (%)	19.4	20.2	20.2	28.0	21.8	18.8	5.6	6.1	18.7	29.2	32.7	
Return on assets (ROA) (%)	23.6	23.4	23.3	21.6	20.0	12.3	9.5	10.8	15.8	21.2	23.8	
Dividend ratio (%)	10.7	10.2	10.3	11.0	11.8	27.6	82.8	84.2	29.9	22.7	23.0	
Dividends per share (DPS) (yen / dollar)	23.00	26.50	16.00	20.00	10.00	25.00	25.00	28.00	29.00	36.00	53.00	0.56
Earnings per share (EPS) (yen / dollar)	215.01	258.97	154.90	183.99	84.98	90.59	30.19	33.26	97.02	158.74	230.80	2.43
Book value per share (BPS) (yen / dollar)	1,178.30	1,416.68	851.00	702.65	426.33	538.09	545.02	552.68	478.39	609.66	799.65	8.41
Number of stores	—	—	—	97	124	150	183	196	207	237	271	
Number of employees	—	—	—	901	1,166	2,361	2,781	2,783	2,792	3,033	3,309	
Non-consolidated												
Number of stores	45	56	67	79	104	139	153	153	162	186	208	
Total retail sales floor space (m ²) ^{*2}	14,312.1	17,911.3	20,059.1	21,776.0	24,429.4	29,498.1	33,226.3	33,645.9	36,284.4	41,014.7	44,847.7	
Number of employees	581	685	752	862	1,114	2,303	2,630	2,617	2,647	2,855	3,092	

* 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, 2013, of ¥95.05=U.S.\$1.
* The Company's accounts were presented on a consolidated basis from the fiscal year ended March 31, 2006.
* In May 2004 and April 2006, 1:2 stock splits were conducted.
^{*1} In the year ended March 31, 2011, Capital expenditures includes change in asset retirement obligations fee of ¥1,619 million due to application of accounting standard regarding asset retirement obligations.
^{*2} Floor space of outlet stores is not included.



A History of the UNITED ARROWS Group over the Past 25 Years

UNITED ARROWS LTD. celebrates its 25th anniversary in 2014.

Since our foundation, we have been guided by the Company Policy and Mission Statement that, “It’s All About the Customer.” On this basis, our standing today is the result of an unwavering pursuit and endeavor to maximize customer satisfaction.

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

	2003 (non-consolidated)	2008 (consolidated)	2013 (consolidated)
Net sales	¥35,271 million	¥72,221 million	¥115,041 million
Ordinary income	¥4,786 million	¥5,017 million	¥12,582 million
Number of stores	45	150	271
Number of purchasing customers ¹⁾	2.5 million	4.0 million	6.0 million
Number of employees	581	2,361	3,309
Number of shareholders	2,729	16,950	12,020

¹⁾ Calculated from retail sales (non-consolidated)

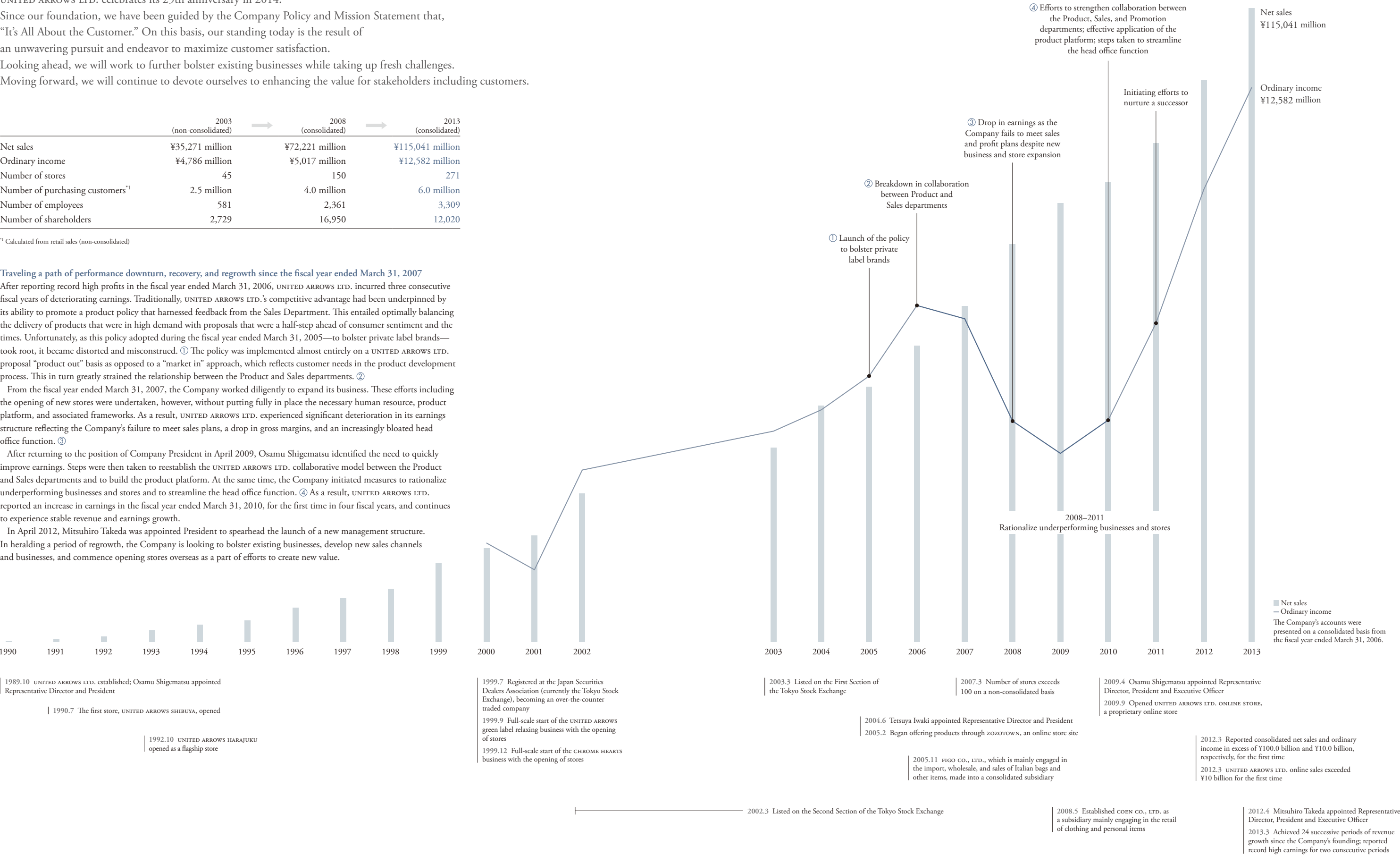
Traveling a path of performance downturn, recovery, and regrowth since the fiscal year ended March 31, 2007

After reporting record high profits in the fiscal year ended March 31, 2006, UNITED ARROWS LTD. incurred three consecutive fiscal years of deteriorating earnings. Traditionally, UNITED ARROWS LTD.’s competitive advantage had been underpinned by its ability to promote a product policy that harnessed feedback from the Sales Department. This entailed optimally balancing the delivery of products that were in high demand with proposals that were a half-step ahead of consumer sentiment and the times. Unfortunately, as this policy adopted during the fiscal year ended March 31, 2005—to bolster private label brands—took root, it became distorted and misconstrued. ① The policy was implemented almost entirely on a UNITED ARROWS LTD. proposal “product out” basis as opposed to a “market in” approach, which reflects customer needs in the product development process. This in turn greatly strained the relationship between the Product and Sales departments. ②

From the fiscal year ended March 31, 2007, the Company worked diligently to expand its business. These efforts including the opening of new stores were undertaken, however, without putting fully in place the necessary human resource, product platform, and associated frameworks. As a result, UNITED ARROWS LTD. experienced significant deterioration in its earnings structure reflecting the Company’s failure to meet sales plans, a drop in gross margins, and an increasingly bloated head office function. ③

After returning to the position of Company President in April 2009, Osamu Shigematsu identified the need to quickly improve earnings. Steps were then taken to reestablish the UNITED ARROWS LTD. collaborative model between the Product and Sales departments and to build the product platform. At the same time, the Company initiated measures to rationalize underperforming businesses and stores and to streamline the head office function. ④ As a result, UNITED ARROWS LTD. reported an increase in earnings in the fiscal year ended March 31, 2010, for the first time in four fiscal years, and continues to experience stable revenue and earnings growth.

In April 2012, Mitsuhiro Takeda was appointed President to spearhead the launch of a new management structure. In heralding a period of regrowth, the Company is looking to bolster existing businesses, develop new sales channels and businesses, and commence opening stores overseas as a part of efforts to create new value.



Long-Term Vision: UA VISION 2022

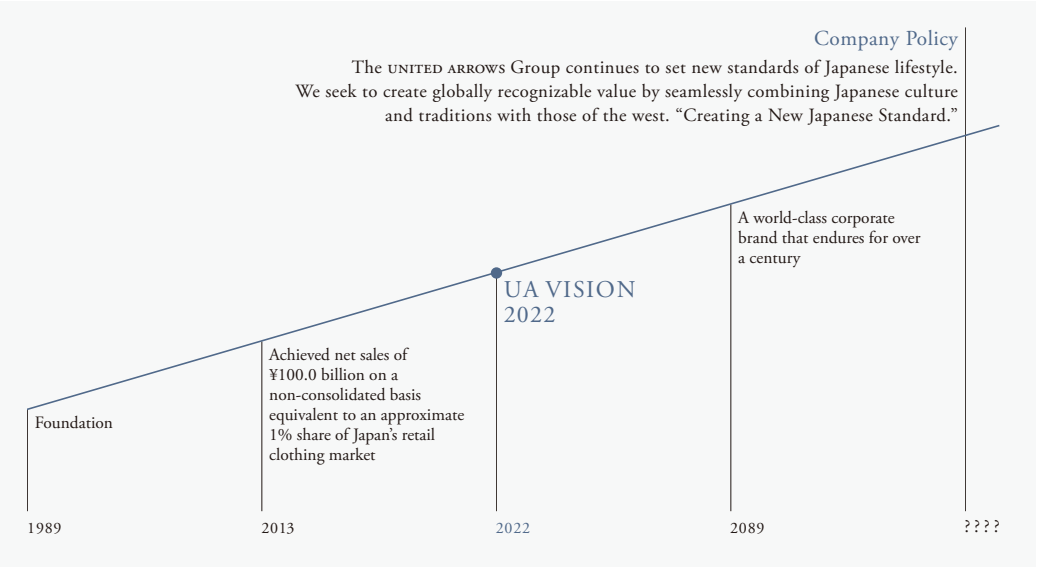
UNITED ARROWS LTD. has announced details of its long-term vision, which carries through to the fiscal year ending March 31, 2022. Moving forward, the Company will pursue business strategies and operating measures aimed at building a robust platform that is capable of fulfilling its new management slogan and ensuring that the UNITED ARROWS Group continues as a viable going concern for over a century and excels on the world stage.

The UA VISION 2022 slogan

In Japan, there is UNITED ARROWS LTD.
We are committed to becoming a retail fashion company that delivers unrivalled satisfaction to its customers in **Japan** and attracts the attention and loyalty of customers **worldwide**.

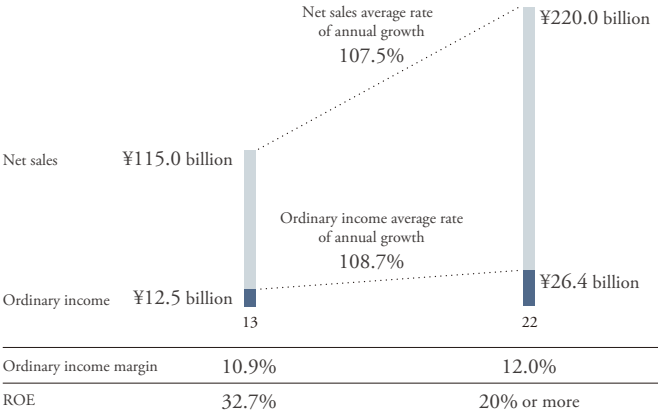
The UNITED ARROWS Group will continue as a viable concern for over a century and build the necessary platform to become a company that excels on the world stage by realizing this slogan. In order to become a corporate brand that excels on the world stage, we must first put in place a store network that satisfies customers in Japan like no other. In this manner, we will undoubtedly attract the attention of global customers and build a loyal international customer base.

Drawing up UA VISION 2022



Business targets under UA VISION 2022

By carrying out each of certain business strategies and operating measures, we will work toward achieving consolidated sales of ¥220.0 billion, an ordinary income margin of 12.0%, ordinary income of ¥26.4 billion, and an ROE of 20% or more by the fiscal year ending March 31, 2022. In addition to building a platform—which will provide the basis for both our continued existence as a viable going concern for over a century and a corporate brand that excels on the world stage—realizing our long-term vision will also help enhance the value for all stakeholders.



Three business strategies aimed at achieving UA VISION 2022

1. Expand existing business growth through a process of self-improvement and reform that is in tune with each era

With respect to our existing businesses, we will work to become a corporate group that attracts the attention of customers worldwide by ensuring that our service, products, and store environment continue to evolve. To this end, we will endeavor to adapt to each era and consistently pursue a process of self-improvement and reform. At the same time, we will set individual missions based on the attributes of each business to secure balanced high rates of growth and profitability while supporting the development of new businesses and entry into overseas markets from an earnings perspective.

2. Put forward new value proposals by developing and fostering new businesses that will drive next-generation growth

It is inevitable that customer needs will further diversify in the future as the external environment and consumer sentiment change. In order to continuously meet these demands, we will put forward new value proposals by developing and fostering new businesses that will drive next-generation growth. We will continue to develop new channels and new business fields. While recognizing that there remains additional room for further growth within existing domains, we will prioritize the development of new businesses.

3. Take steps to enter overseas markets with a view to strengthening future international capabilities

We will begin entering overseas markets as a part of efforts to strengthen our ability to meet international conditions and competition in the future. The priority issue is to build a business model that is capable of accumulating know-how and developing business in each country worldwide based on the precondition of improving profitability. In entering overseas markets, it is vital that we undertake thoroughgoing provisional calculations regarding profitability and put in place stringent withdrawal standards. This will contribute to the early realization of profit and swift decision-making in the event of withdrawal.

Three sales initiatives aimed at achieving UA VISION 2022

1. Strengthen the Product, Sales, and Promotion departments collaboration cycle

Moving forward, we will further strengthen the collaboration cycle between the Product, Sales, and Promotion departments, which has been a major factor in our robust business performance in recent years. From a Sales Department perspective, we will look to reinforce service and store-making capabilities. In the Product Department, we will focus on bolstering private-label brand development skills. For both the Sales and Product departments, we will strive to enhance merchandising verification capabilities. Turning to the Promotion Department, we will advance promotions that will lead to increased loyalty among our existing customer base while capturing new customers. By strengthening collaboration, we will boost the sales and profitability not only of existing businesses, but also new and overseas activities.

2. Take a systematic approach toward business processes and operations

In order to further strengthen collaboration between the Product, Sales, and Promotion departments, we will take a systematic approach toward each business process and operation, put in place strategic maps on the status of coordination between business processes and operations on a weekly, monthly, and seasonal basis, and monitor progress. At the same time, we will standardize business processes and operations that rely on individual skills by visualizing the entire value chain and establish a framework that is capable of steadfastly carrying out these processes and operations. By taking this systematic approach to the Company's processes and operations, the source of its competitive advantage, we will fortify our platform, which provides the basis for our continued existence as a viable going concern for over a century.

3. Bolster creativity

By implementing the initiatives outlined in 1 and 2, we will take significant strides forward in strengthening our organizational management, standardizing mainstay business processes and operations, and bolstering activities from a tangible perspective, which includes successful efforts to increase visibility. Meanwhile, we will also bolster creativity in order to continue providing high value to customers through our fashion activities.

UNITED ARROWS LTD. put in place a Creative Resource Center as well as a UNITED ARROWS business atelier during the fiscal year ended March 31, 2013, as a part of efforts to strengthen its private label brand product development capabilities and quality. In addition, we will bolster creativity and further enhance customer satisfaction by fostering creative human resources and ensuring that craftsmanship is passed on.



Before commenting on our performance for the fiscal year ended March 31, 2013, I would first like to extend my sincere appreciation to all shareholders for their continued support and understanding. In the period under review, the UNITED ARROWS Group reported a second consecutive year of record high earnings. Our results also represented 24 successive years of revenue growth since our foundation. Building on these achievements, and in an effort to continue as a viable going concern for over a century while evolving into an entity that excels on the world stage, we took steps to announce our long-term vision covering the period to fiscal 2022. Moving forward, we will position efforts to bolster existing businesses at the heart of our activities and develop new business while preparing to enter overseas markets.

Q What is your overall assessment of the fiscal year ended March 31, 2013?

External factors that influence purchasing trends changed substantially during the fiscal year under review. Specific examples of external factors include unstable weather as well as prolonged clearance sales periods at certain commercial facilities. Under these circumstances, we took steps to provide products and services of considerable value to our customers by maintaining our product platform focus and strengthening the precision of collaboration between Product, Sales, and Promotion departments. From an operating management perspective, we reorganized the structure and content of weekly and monthly meetings. Rather than focus on past operating results, our meetings now serve as a forum to deliberate on priority issues and forward-looking measures with our energies channeled more toward the Group's performance one week, one month, and one year in the future. In adhering strictly to the detailed management of progress in such key areas as sales, profits, and inventories, this reorganization provides the means to identify measures that best address changing circumstances in a timely manner as and when appropriate and to ensure that these measures are carried out. As one example, we have greatly enhanced the precision of inventory management. During the period under review, prolonged clearance sales periods forced apparel companies to follow product release and sales cycles that differed significantly from standard practice. From our perspective, we were quick to raise the alarm regarding burgeoning inventories. By promoting the early reduction of inventories and conversion to cash through close collaboration between businesses and outlet stores, inventory growth rates as of the end of the period were held below the rate of sales expansion.

On an individual business basis, operations that employ a virtuous product, sales, and promotion cycle, including CHROME HEARTS and Another Edition, continued to enjoy robust results. In the UNITED ARROWS green label relaxing business, the effective use of various media including television commercials and transit advertising caught the eye of a broad range of consumers. In addition to successfully promoting the brand's profile and attracting the interest of a new customer base, we are seeing a positive flow-on cycle take shape with an increasing number of visitors to stores and an upswing in sales. As one example of a successful business model, we are gaining increased confidence in the positive development of collaboration between product, sales, and promotion. As our promotional activities continue to bear fruit, we are witnessing improvements in the precision of our product planning efforts and ability to anticipate customer behavior. We are also seeing advances in our in-store proposal capabilities that link closely with advertising activities.

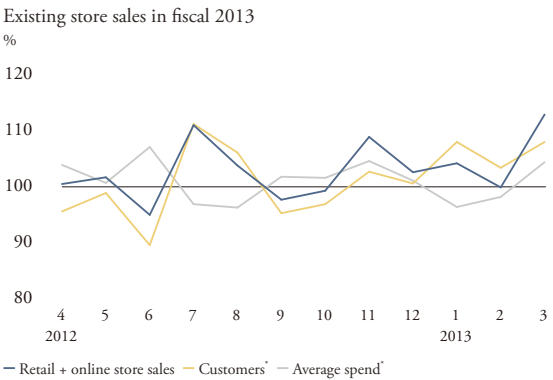
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Product Platform
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SPECIAL FEATURE 1:
An Example of Efforts to Bolster
the Collaboration Cycle between
the Product, Sales, and Promotion
Department at Another Edition

Trends in existing store sales

UNITED ARROWS LTD. existing retail and online store sales for the fiscal year ended March 31, 2013 climbed 3.4% compared with the previous fiscal year. Customer numbers and the average spend per customer* for existing stores also improved 1.8% and 0.8%, respectively, year on year.

Despite confronting a harsh external environment and such difficult conditions as prolonged summer and winter bargain sales periods and unsettled weather, successful steps were taken to secure stable sales and profits through the proper and timely control of inventory. Among a host of initiatives, the Group channeled its energies toward additional production in line with the status of sales together with the early reduction of inventory through product sales.

* Customer numbers and average spend per customer are calculated from retail store sales.



As a result, consolidated net sales came to ¥115.0 billion, up 12.7% compared with the previous fiscal year. From a profit perspective, ordinary income climbed 22.5% year on year to ¥12.5 billion, while net income grew 45.9% to¥7.3 billion. On a consolidated basis, these results represent 24 successive years of revenue growth since the Company’s foundation and a second consecutive year of record high earnings.

Q Please tell us about the Group’s targets and activities for the fiscal year ending March 31, 2014.

“Challenge” has been positioned as our Management Slogan for the fiscal year ending March 31, 2014. With the underlying assumption that we will secure stable growth by ensuring that existing businesses continue to evolve and grow, we will take up the challenge of developing new businesses and as well as our overseas activities.

As a part of its new business development activities, the Group launched “monkey time BEAUTY&YOUTH UNITED ARROWS,” an original label handled within the BEAUTY&YOUTH UNITED ARROWS business, in September 2012. Again as an off-shoot of the brands handled by BEAUTY&YOUTH UNITED ARROWS, three “STEVEN ALAN” stores were opened in Japan in April 2013. STEVEN ALAN is a U.S.-based select shop established in the state of New York. Moving forward, UNITED ARROWS LTD. will draw on its ability to appreciate fashion. This ability that the Company has nurtured over many years will form the basis for selecting and promoting products that match the needs of the market in Japan. In addition, the Group is taking all necessary preparatory steps toward developing several new businesses during the fiscal year ending March 31, 2014.

The UNITED ARROWS Group is also turning a keen eye toward opportunities outside Japan. We will open our first UNITED ARROWS store in Taipei, Taiwan in October 2013. In recent years, Taiwan has witnessed an influx of overseas SPA companies reflecting the deregulation of import activities. While a number of Japanese apparel companies have entered Taiwan, ventures that employ a select shop business model, such as ourselves, are yet to take up the challenge. Drawing on past results of test sales undertaken in Taiwan, and the growing number of visitors from Taiwan to our stores in Japan, we are growing increasingly confident in this market as a source of considerable potential. Looking ahead, our initial plans regarding the opening of new overseas stores will center on the UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS brands. This will then be followed by UNITED ARROWS green label relaxing. Collectively, we plan to open around 10 stores by the fiscal year ending March 31, 2022.

Management policy in fiscal 2014

Management Slogan — “Challenge”	
Take up the “challenge” of ensuring that existing stores continue to evolve and grow	Take up the “challenge” of developing new business
– Grasp customer needs in tune with social trends	– Foster monkey time BEAUTY&YOUTH UNITED ARROWS business activities; commence STEVEN ALAN operations
– Hone the Group’s service, products, and store environment	– Take preparatory steps to develop new businesses by newly establishing Small Business Unit Division I and II
– Secure year-on-year existing store sales growth on the back of ongoing developments in existing businesses	– Prepare to enter overseas markets (open stores in Taipei City, Taiwan)
Take up the “challenge” of becoming a leading O2O company	Take up the “challenge” of increasing profit by improving productivity
– Launch the Digital Marketing Department	– Undertake flexible cost management in line with the status of sales and profit
– Consider and introduce cooperative store and online initiatives	– Improve productivity by strengthening collaboration between departments and improving operations
– Create a new O2O-driven retail standard	– Secure revenue and earnings growth and achieve record high profit for a third consecutive fiscal year

In our online store sales endeavors, we will focus increasingly on an O2O strategy. In specific terms, we will strengthen market awareness toward the convenience of shopping using links between actual and online stores. Breaking through the barriers of traditional sales channels, we will work to create purchasing opportunities that best fit the needs of individual customers. Guided by these management policies, we will make every effort to achieve a 25th successive year of revenue growth and a third consecutive year of record high earnings in the fiscal year ending March 31, 2014, targeting net sales of ¥125.5 billion and ordinary income ¥13.4 billion.

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SPECIAL FEATURE 2:
O2O Strategy Initiatives

Q What measures do you intend to undertake in order to further increase corporate value?

Our Company Policy is the driving force behind every facet of our business activities. With the shift to a new management structure, we have taken steps to revise a portion of our Company Policy in an effort to unify all employees under a single aspiration and to re-clarify our course and destination. Since our foundation, we have maintained the Company Policy of “creating values that set new standards of Japanese lifestyle.” Looking ahead, we will continue to carry the spirit of this policy forward while broadening our focus to “create globally recognizable and accepted values that set new standards of Japanese lifestyle” in order to become a corporate brand that excels on the world stage.

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Policy Structure

Our ability to realize our policy rests on the degree of trust and confidence we are able to engender in our customers. With this in mind, we have repositioned the long-standing code that, “It’s All About the Customer” as our Mission Statement. Moving forward, we will maintain an unwavering commitment to this eternal Mission Statement as the basis of every facet of our business activities from our daily dealing with customers to major management decisions.

In order to standardize mainstay business processes and operations and strengthen organizational management, we are taking a systematic approach toward the collaboration cycle between the Product, Sales, and Promotion departments, as well as the product platform, each a wellspring of our competitive advantage. In specific terms, we are working to map out in a systematic and strategic manner the manner in which business processes and operations are coordinated while taking steps to visualize the entire value chain as a part of efforts to standardize business processes and operations rather than rely solely on individual skills and establish a framework that is capable of steadfastly carrying out these processes and operations. In this manner, we are setting in place a structure under which responsible officers can confirm their position within each strategic map. Steps are being taken to establish an environment in which officers can clarify what business processes and operations need to be carried out, who to coordinate with, and how to proceed on a daily basis. This structure allows any individual to carry out any and all activities in a proper manner and to make decisions without hesitation.

Turning to the intangible aspects of our policy initiatives, we will bolster creativity in an effort to continue providing high value and satisfaction to customers through our fashion activities. In the fiscal year ended March 31, 2013, we set up the Creative Resource Center to house the collection of materials that serve as a source of ideas for officers in charge of product planning. At the same time, we established an atelier where product samples can be made. Both facilities are located within the Company’s head office. Moving forward, we are confident that the Group’s private label brand product development capabilities will improve as a result of using these facilities. Each facility will also help foster creative human resources and ensure that craftsmanship is passed on.

→ P36
Product Flow (Value Chain)

From a corporate governance perspective, we took steps to bolster management transparency and objectivity by newly appointing Gaku Ishiwata, an outside director, to the UNITED ARROWS LTD. Board. In his position as an attorney-at-law, Mr. Ishiwata is well versed in corporate governance, capital policies, and M&As both in Japan and overseas. Drawing on his long-standing experience and wealth of knowledge, Mr. Ishiwata can be expected to provide us with valuable advice.

Looking ahead, UNITED ARROWS LTD. will continue to build a business and management base that is capable of ensuring its viability as a going concern and securing stable growth.

→ P49
Corporate Governance

Q In closing, can you please tell us about your stance toward returning profits to shareholders and any message that you have for shareholders.

UNITED ARROWS LTD. positions maximizing shareholder value as a key management priority. With this in mind, the Company works diligently to increase earnings per share by promoting further sustainable growth and increasing operating results. At the same time, UNITED ARROWS LTD. implements the stable payment of dividends linked to business performance, while carrying out such initiatives as stock splits as well as the buyback and retirement of its own shares. Through these and other means, we endeavor to maximize shareholder value.

From the fiscal year ending March 31, 2014, we have put forward the cash dividend policy of targeting a consolidated dividend payout ratio of around 25% and undertaking the payment of stable cash dividends while taking into consideration such factors as the retained earnings necessary for investment and the Company's financial position. In this manner, we will continuously work to boost the return of profit to shareholders.

Taking each of the aforementioned factors into consideration, UNITED ARROWS LTD. decided to pay a period-end cash dividend of ¥38 per share for an annual cash dividend of ¥53 per share for the fiscal year ended March 31, 2013. This equates to a consolidated dividend payout ratio of 23.0% and a ratio of dividends to shareholders' equity (DOE) of 6.6%. For the fiscal year ending March 31, 2014, UNITED ARROWS LTD. plans to pay an interim cash dividend of ¥20 per share and a period-end cash dividend of ¥41 per share for an annual cash dividend of ¥61 per share. This represents a forecast consolidated dividend payout ratio of 25.1%.

Return to shareholders policy

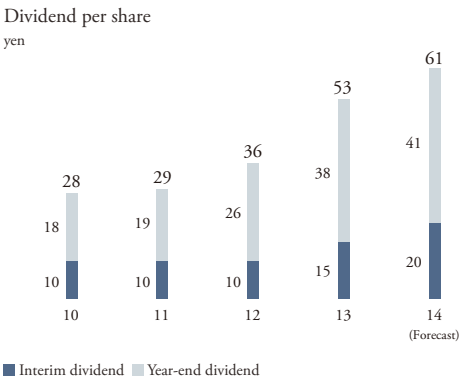
Implement the payment of stable cash dividends targeting a consolidated dividend payout ratio of around 25% while taking into consideration the retained earnings necessary for investments and the Company's financial position

→ **¥53 annual cash dividend per share**
for the fiscal year ended March 31, 2013:

(up ¥17 per share compared with the previous fiscal year and ¥7 per share compared with forecasts at the beginning of the period)

→ **¥61 annual cash dividend per share**
for the fiscal year ending March 31, 2014 (forecast):

(up ¥8 per share compared with the previous fiscal year)



UNITED ARROWS LTD. received the inaugural listed company Grand Prix “Corporate Value Improvement Award” presented by the Tokyo Stock Exchange. We believe that this award was presented in recognition of the Company’s long-standing efforts to engage in management and business activities that reflect its Mission Statement that, “It’s All About the Customer.” Rather than rest on our laurels and the distinction of this prestigious award, we will continue to pursue activities that fulfill the expectations of stakeholders while placing the utmost importance on dialog with shareholders and investors.

As we work toward achieving our established goals, we kindly ask for your continued support and understanding.

August 2013

Mitsuhiro Takeda
Representative Director, President and Executive Officer

UNITED ARROWS LTD. Receives the Grand Prix “Corporate Value Improvement Award”

UNITED ARROWS LTD. received the Grand Prix Corporate Value Improvement Award from the Tokyo Stock Exchange (TSE). This award was initiated for the purpose of spreading and promoting management aimed at improving corporate value deemed desirable by the TSE in its position as a market operator.

Chosen from among five selected finalists from the pool of TSE-listed companies, this Grand Prix award reflects the high standing in which UNITED ARROWS LTD. is held by investors in the stock market for its efforts to improve corporate value. The award is also an indication of the creativity and ingenuity that went into the development of the Company’s management framework and execution of its business activities. Key areas of evaluation include the Company’s target management system, which strives to improve customer value, the Company’s human resource initiatives and efforts to convert all part-time staff to permanent employees in 2007, which were and are directed toward enhancing employee value, and the Company’s policies regarding the return of profits to shareholders encompassing its quantitative investment decision and business withdrawal criteria targeting the efficient application of capital and the stable payment of cash dividends as well as the vigorous efforts by the Company to promote dialog with its shareholders and investors all designed to boost shareholder value.



Listed Company Corporate Value Improvement Award
Grand Prix: UNITED ARROWS LTD.
Excellence Awards: Eisai Co., Ltd., HOYA CORPORATION,
Marubeni Corporation, and Mitsubishi Corporation

Nikkei Inc. Special Feature site
ps.nikkei.co.jp/tseaward/01.html (Japanese only)

SPECIAL FEATURE 1

An Example of Efforts to Bolster the Collaboration Cycle between the Product, Sales, and Promotion Departments at Another Edition

Another Edition

Beginning with its in-store activities, UNITED ARROWS LTD. is working to bolster collaboration between the Product, Sales, and Promotion departments. As a part of these endeavors, product, sales, and promotion come together as a single unit at Another Edition to implement a strategic PDCA cycle. This initiative is then linked to the development of products that address the needs of customers and efforts to strengthen customer service and proposal capabilities.

Product strategies that make the most of feedback gleaned from customers

An all-encompassing meeting is held every Monday at Another Edition. In addition to a quantitative analysis of the previous week's sales trends, the meeting is an opportunity to discuss and share such in-store qualitative aspects as product trends and the behavior and feedback gleaned from customers. A review of any and all issues is undertaken from a wide variety of product, sales, and promotion perspectives. This helps to determine why a product was successful and why another was not. In formulating strategies for each coming week, store managers fully conversant with customer trends and personnel in charge of VMD^{*1} provide their comments from a sales perspective while also participating in merchandising decisions to help ensure the additional production of hit products as well as sales and the reduction of inventories of slow-selling products.

As a result, these meetings help clarify the week's strategies. Focusing on such key words as "new product arrivals," "strategic products," and "creating store environments," the details of weekly meetings are incorporated into VMD reports including products to post on store blogs and relayed throughout the store network.

Identifying store issues and undertaking immediate measures

Each Thursday, head office personnel responsible for products and sales visit Another Edition stores. Drawing on weekly strategies as a base, steps are taken to exchange opinions and thoughts with store staff. These discussions in turn provide the basis for identifying strategic products and for modifying store displays. On Friday, a VMD report based on the results of Thursday store visits is relayed and shared with all stores. Changes are then made to frontline environments taking into consideration the attributes of each individual store.

For issues that cannot easily be gleaned from sales summaries including anxieties surrounding a shortfall in inventories of strategic products, the appropriate personnel again visit stores to undertake a first-hand assessment. This goes a long way toward ensuring a quick and accurate response. For stores in remote locations, conditions are confirmed through photographs and video images of each store environment. Detailed care is provided through a variety of initiatives including VMD advice.

Collaboration with promotional activities

Periodic product, sales, and promotion meetings are held in order to coordinate promotional activities with products and sales strategies. Every effort is made to ensure that promotional activities have the maximum effect. This includes the promotion of strategic products in line with tie-in advertisements, the implementation of store events, and the use of blogs with a large committed fan base. Systems are in place where customers can easily visit stores, make inquiries, and purchase online items that they have been coordinated by sales personnel. This is helping to increase the number of store visitors and to boost sales.

By repeating this process, successful steps are being made to balance the proposals from Another Edition with the needs of customers. Moreover, this ongoing cycle is strengthening product development and promotion capabilities that match customers' feelings and sense of the times.

^{*1} VMD (Visual Merchandising): Enhancing the visual appeal of products through a combination of factors including in-store product lineups, such as through the use of window, mannequin, product zoning, and corner displays.



Mannequin coordination consulting
Store managers are confronted with a wide array of fashion issues: is this particular outerwear item right for the conditions as they are, or would it be better to look ahead to the next season? Discussions then revolve around VMD staff, who may recommend the better accent that lighter items provide, and product staff, who may recommend heavier items as a means to push sales and reduce inventories.

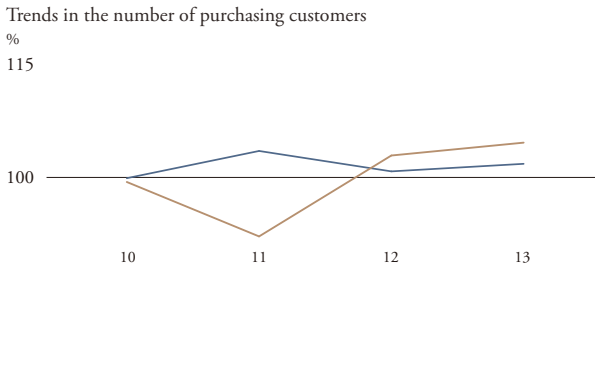
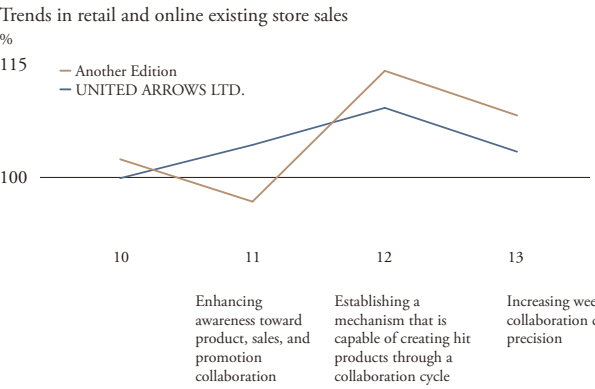


Creating store environments that take into consideration weekly strategies and individual store attributes
Store managers and VMD staff work in unison to create store displays and fashion corners while taking into consideration a host of concerns such as whether the store environment matches existing product strategies.



Attracting visitors to actual and online stores through blogs
Every effort is made to shine a light on strategic products through such avenues as brand sites and store blogs. Particular attention is also paid to strengthening the connections between sites as well as online and actual stores in order to boost the number of visitors. Items introduced through blogs are positioned in highly visible areas of actual stores. Energies are also channeled toward enticing members to try on specific items.

Another Edition product, sales, and promotion collaboration cycle



SPECIAL FEATURE 2

O2O Strategy Initiatives

UNITED ARROWS LTD. was quick to recognize the potential of online store sales and takes pride in standing at the forefront of new industry developments.

We are promoting an O2O strategy as part of our management policy in the fiscal year ending March 31, 2014, to further enhance collaboration between actual and online stores and to bolster shopping convenience.

UNITED ARROWS LTD. has for some time provided a free stock display function encompassing its actual and online stores. Among a host of initiatives, the Company has also set up a HOUSE CARD point collaboration system also covering actual and UNITED ARROWS LTD. ONLINE STORE formats.

According to a survey concerning customers’ purchasing behavior^{*1} initiated by the Company, approximately 65% of respondents replied that they first referred to brand and online mail-order product information sites before calling into actual stores. In addition, around 76% commented that even when a purchase was not immediately made when visiting an actual store, respondents were likely to purchase through online sites several days later. Furthermore, survey results indicated that the total annual amount of purchases by customers who buy products at both actual stores and UNITED ARROWS LTD. ONLINE STORE was about three times higher than customers who only purchased products at actual stores.

Looking at these purchasing behavior trends, we will harness the functions of both actual and online stores and pursue activities that help provide shopping opportunities and services that match customer needs.

^{*1} Survey on customer purchasing behavior: UNITED ARROWS LTD. conducted a survey of HOUSE CARD members who met certain conditions, in September 2012. The total number of respondents was approximately 6,200 for a response rate of 4.1%.

UNITED ARROWS LTD. is keen to create a cycle that combines the respective merits and convenience of actual and online stores. It is no longer the case that actual and online stores compete for the same business. More to the point, the focus is on strengthening the complementary features and convenience of actual and online stores. Efforts to minimize differences between actual and online stores help to improve customer satisfaction. In this regard, the significance of enhancing the features of UNITED ARROWS LTD. ONLINE STORE through increased user friendliness and functionality while conducting unique promotions is becoming more and more important. These efforts help deliver online services and creativity that compare favorably with actual stores.

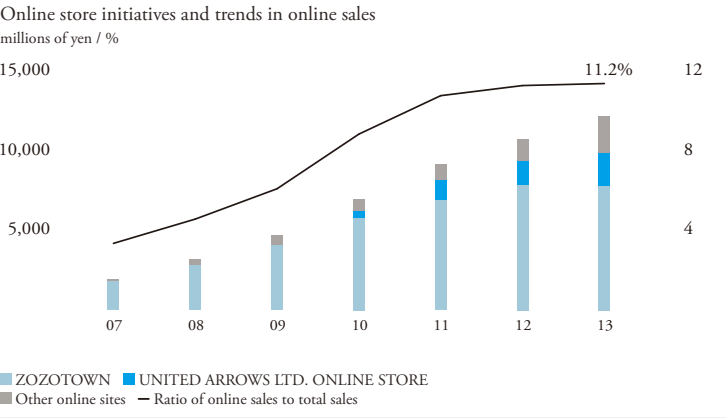
Looking ahead, we will promote a sales personnel evaluation system that properly recognizes the efforts of sales personnel, who introduce products to customers at actual stores, despite the later purchase of the subject item online. In addition, we will convey to commercial facilities where actual stores are opened and located the benefits of mutual collaboration between actual and online stores. To this end, and in order to ensure a better understanding of the Company’s O2O strategy, we will endeavor to put in place an appropriate working environment.

About O2O

O2O is the acronym for “Online to Offline.” O2O refers to the coordination of purchasing activities between online and offline (actual store) channels as well as the impact that online channel activities including sales promotion and marketing have on purchasing at actual and other stores. O2O strategies are attracting growing attention and interest.



Shintaro Aikawa
Department Manager
Digital Marketing Department
Business Support Division

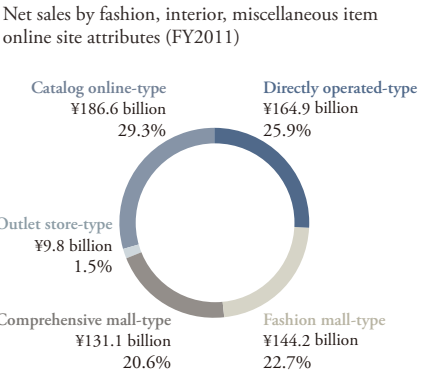


UNITED ARROWS LTD. trends

- 2005–

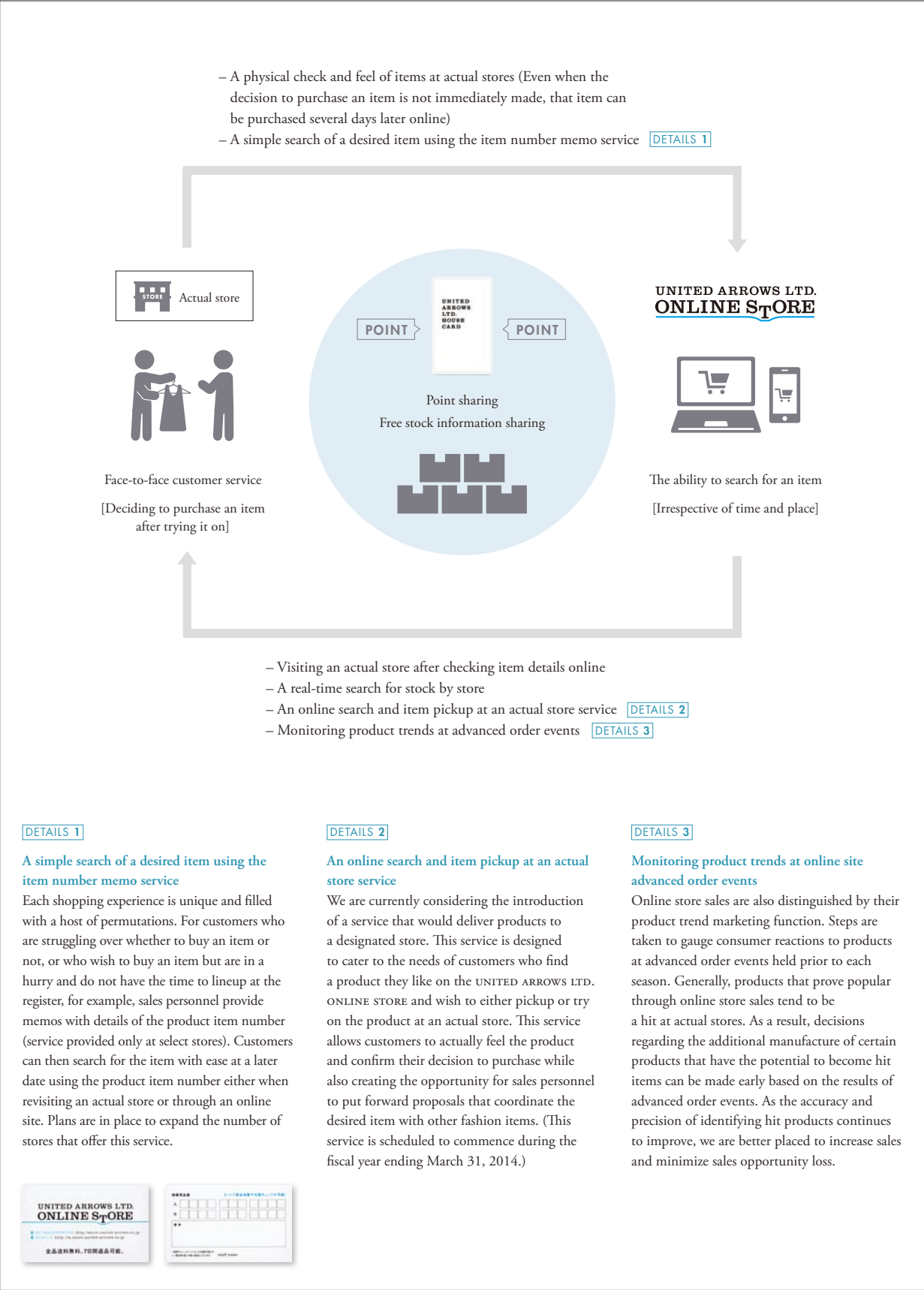
 - Commenced the opening of stores using the zozotown portal
- 2010–

 - Launched UNITED ARROWS LTD. ONLINE STORE
 - Commenced the development of proprietary services
 - Commenced the opening of stores using the Amazon.co.jp portal



^{*} Total net sales in fiscal 2011 amounted to ¥636.6 billion
^{*} Amounts on a retail basis
Source: Yano Research Institute Ltd. “EC Market for Fashion/Interiors/Sundries in Japan: Key Research Findings 2012,” modified by UNITED ARROWS LTD.

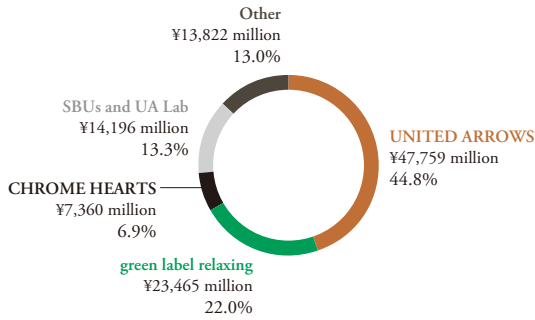
Collaboration between actual stores and UNITED ARROWS LTD. ONLINE STORE



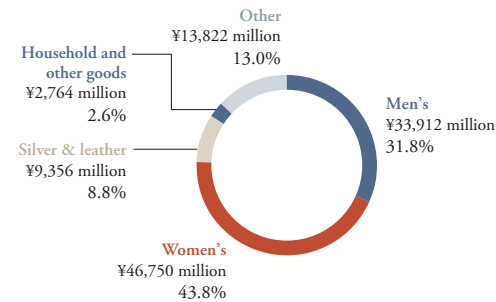
Business Overview

fiscal 2013

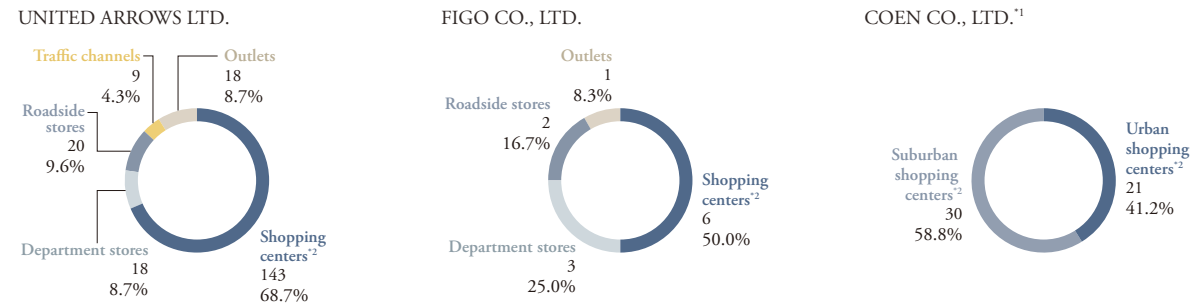
Net sales by business / Composition rate
(non-consolidated)



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

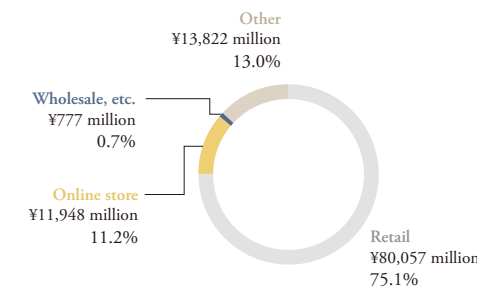


Net sales by sales channel (number of stores)

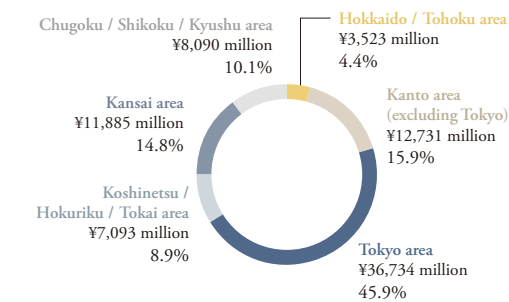


¹ As COEN CO., LTD. settles its accounts on January 31, figures displayed are as of January 31, 2013.
² Shopping centers refer to such commercial facilities as fashion buildings and railway station buildings and exclude department stores.

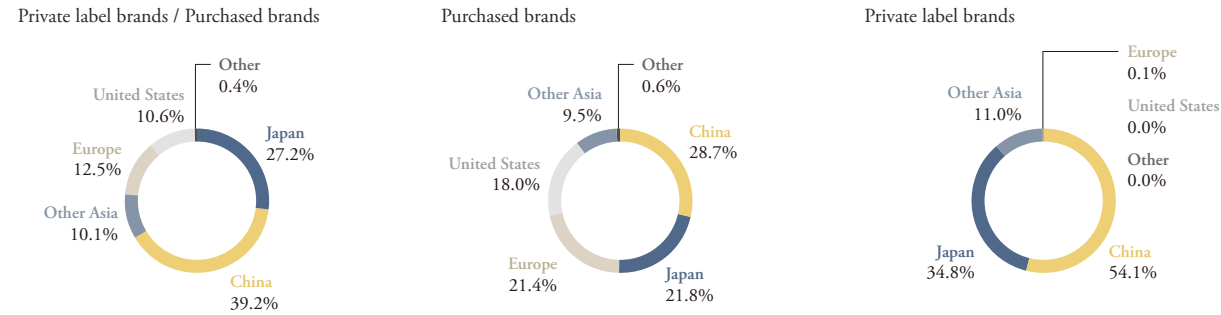
Net sales by sales channel / Composition rate
(non-consolidated)



Net sales by retail area / Composition rate
(non-consolidated)

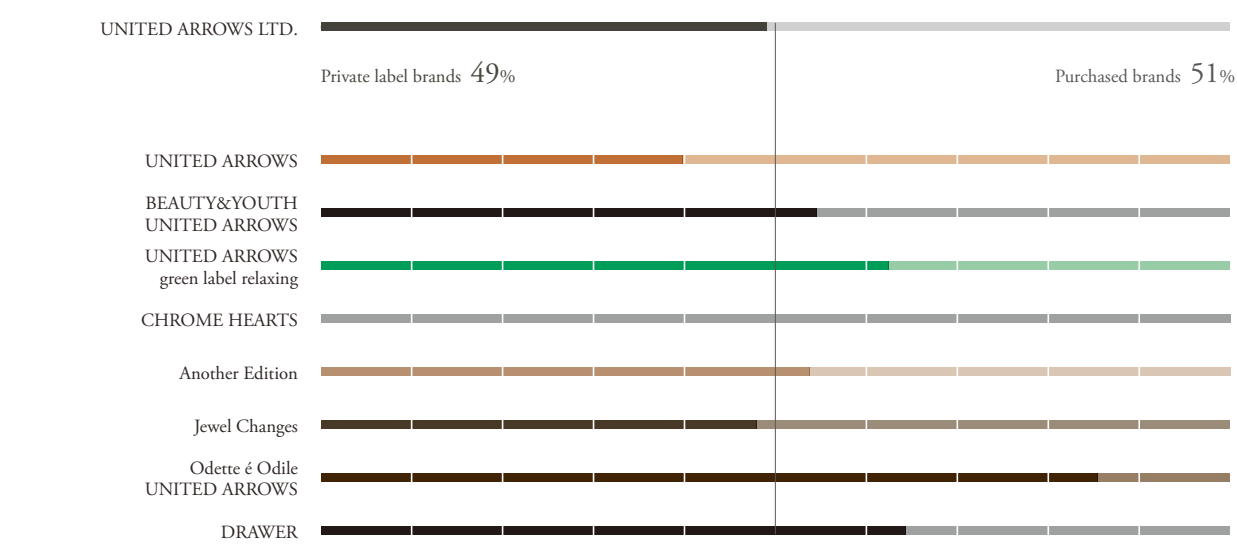


Breakdown by country of origin (non-consolidated Companywide / procurement cost basis)



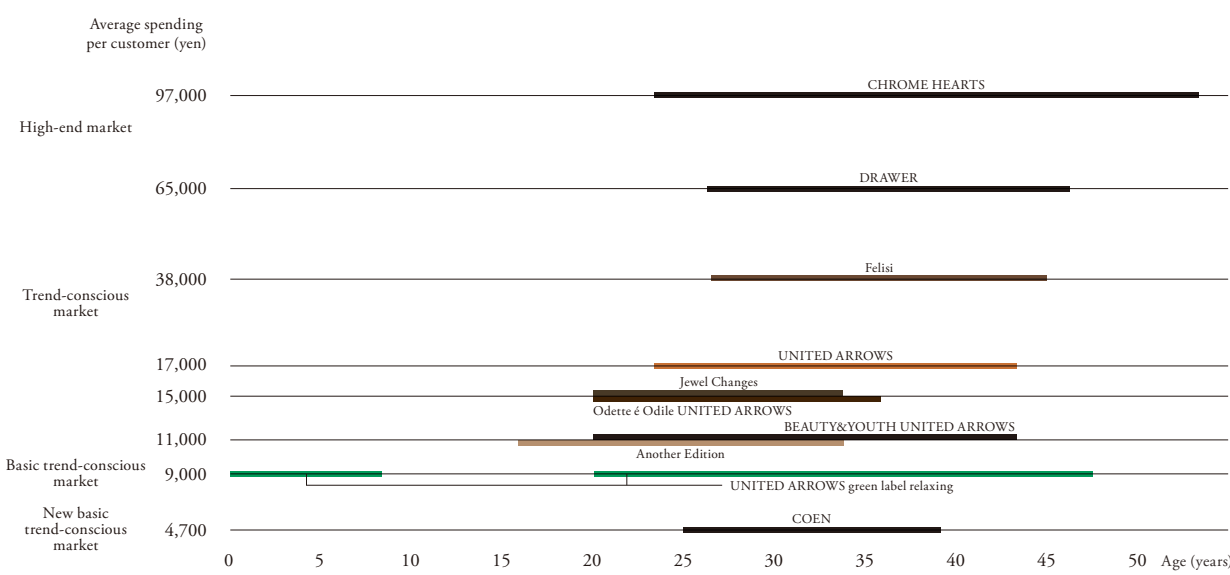
* Outlet stores not included

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



* CHROME HEARTS product lineup is entirely composed of purchased brands.
* OEM products (products manufactured by other companies and sold under our brand names) are included in purchased brands.

Positioning map of each business by average spending per customer and customer age





UNITED ARROWS KYOTO



UNITED ARROWS

A lifestyle store brand that imbues a spirit of richness while serving as an epicenter that spreads Japan’s sensibilities to the rest of the world

UNITED ARROWS offers a broad range of dressy clothing and miscellaneous lifestyle goods for men and women who take an active interest in fashion and appreciate classic, high-quality products.

UNITED ARROWS offers trendsetting designer brands from all over the world and also provides a range of mainstay products that are long-standing favorites of customers, as well as private label brands aligned to the latest trends. Our aim for this brand is to furnish our customers with a choice of classic clothing options provided by a sales staff that is distinguished by its finely tuned specialist knowledge and customer service expertise. Every effort is made to give our customers a sense of immense pleasure in wearing the UNITED ARROWS brand.

UNITED ARROWS serves as our flagship brand, playing a leading role in shaping our image as a trend-conscious specialty fashion group.



BEAUTY&YOUTH UNITED ARROWS IKEBUKURO WOMEN’S SOTRE

BEAUTY&YOUTH UNITED ARROWS KYOTO



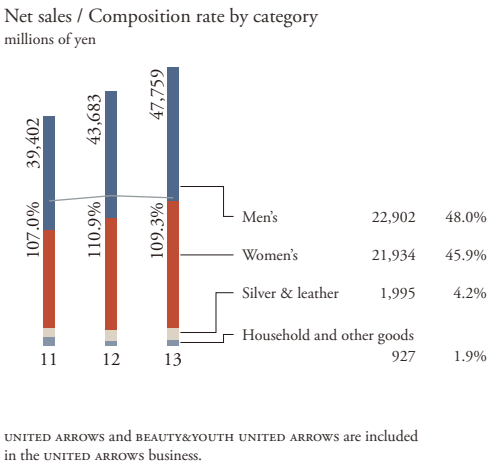
BEAUTY&YOUTH
UNITED ARROWS

Combining traditional values with a sense of fun based on the themes of spiritual beauty and eternal youth

Grounded in the themes of spiritual beauty and eternal youth, BEAUTY&YOUTH UNITED ARROWS offers a lineup of casual clothing and miscellaneous lifestyle goods targeting those men and women who maintain an acute sensitivity toward new ideas and trends, a flexible and creative approach toward fashion, and continue to seek the style that best complements their individuality.

We strive to combine traditional styles with the latest trends and a genuine sense of fun. Our aim is to showcase the subtle color and hue of each customer and to provide our clientele with the pleasure of choosing clothing that suits a variety of life’s scenes and circumstances.

With ample opportunity to open new stores and a significant proportion of its business taken up by private label products, BEAUTY&YOUTH UNITED ARROWS is confident in its ability to become a core UNITED ARROWS Group brand and to substantially boost sales and profitability as well as growth potential.



UNITED ARROWS green label relaxing Business



UNITED ARROWS green label relaxing hamamatsu may one

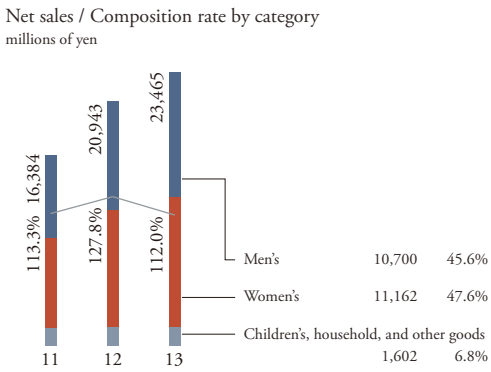
UNITED ARROWS green label relaxing shinshizuoka cenova



Stores where friendly sales staff offer a pleasant, fashionable way of life

The UNITED ARROWS green label relaxing business provides business attire, casual clothing, kids' clothing, and miscellaneous lifestyle goods for men and women who want to live happy and fashionable daily lives according to their own values.

UNITED ARROWS green label relaxing provides items based on UNITED ARROWS' sense of traditional value at more-affordable prices than products of the UNITED ARROWS brand. It offers styles that can help customers live comfortable daily lives in a way that is true to themselves through a network of conveniently located and pleasant stores with friendly sales staff. We expect UNITED ARROWS green label relaxing to serve as one of our key drivers of sales and profits, and looking ahead anticipate it will continue to actively grow the business moving forward.



CHROME HEARTS Business



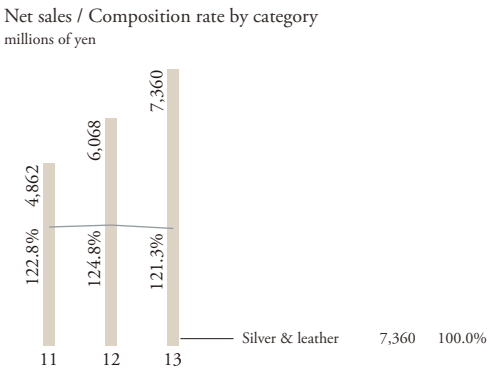
CHROME HEARTS GINZA



Brand business—Handling CHROME HEARTS products

CHROME HEARTS is a silver and leather brand established in 1988 by designer Richard Stark. In its leatherwear, silver accessories, jewelry, furniture, personal, and other items created based on the excellent craftsmanship of the designer and infused with the spirit of breaking free from tradition, CHROME HEARTS provides the essence of a world of luxury and continues to win acclaim for its all-encompassing designs and the perfection of its products.

UNITED ARROWS LTD. began handling CHROME HEARTS products at UNITED ARROWS stores in 1992. After a period of test marketing, business development began in earnest in 1999. Today, CHROME HEARTS is one of our main business pillars, and we continue to provide an opportunity for customers in Japan to experience the world of CHROME HEARTS based on our official licensing agreement with CHROME HEARTS JAPAN, LTD.



SBU's and UA Labs

Small Business Units (SBU's) and UA Labs are small business groups that actively strive to become the next core business pillars of our company. The Group's network comprised eight SBU's as of March 2013.

Another Edition

Another Edition targets women who want to express their own individuality and creativity through fashion without being overly influenced by the latest trends. The Another Edition brand aims to deliver to customers exactly what they are looking for, by offering a broad spectrum of products from eye-catching through to basic items.



Opening stores in commercial spaces within airports, this business provides a mix of items selected from several different brands together with original goods offered only at airport stores. Based on the four themes of travel, business, daily use, and gifts, this business aims to support the enjoyment of travelers. In July 2010, the first airport stores opened in Narita International Airport Terminal 2 and Haneda Airport Terminal 2.



Jewel Changes

Jewel Changes offers sophisticated, glamorous styles to women who wish to celebrate their femininity. Jewel Changes clothing, accessories, and shoes tap into the latest fashion trends, but achieve distinction by being of very good quality, with superior materials and cuts.



The company opens stores using commercial space in railway station buildings. Products showcased are a mix of select items from several of the UNITED ARROWS LTD.'s businesses as well as items found only at station stores. With a focus on the key words "fashion," "convenience," and "gifts," a selection of women's apparel and accessories is on display to brighten the daily lives of customers. Operations were commenced at the ECHIKA OMOTESANDO store in Minato-ku, Tokyo from November 2011.



Odette é Odile
UNITED ARROWS

Odette é Odile UNITED ARROWS provides a variety of shoes and other items for women who appreciate shoes as an integral component of the fashion ensemble. Our private label brands, the main offering of this business, contain a perfect balance of style, appropriate pricing, and comfort, allowing us to provide high-class shoes that brighten up the overall coordinated look of customers.



THE HIGHWAY STORE UNITED ARROWS LTD. targets service and parking areas along expressways. Products are a mix of select items from several of the UNITED ARROWS LTD.'s businesses as well as items found only at highway stores. With a focus on the key words "fashion," "convenience," and "gifts," a selection of products is on display for making driving and travel more enjoyable. Operations were commenced at the EXPASA EBINA store in Ebina, Kanagawa Prefecture from December 2011.



Drawer

The DRAWER brand creates a special shopping experience for more-discerning women who can tune out the noise of fashion fads, through its distinctively sophisticated high-quality items and a supporting range of well-coordinated offerings that provide optimal balance between the basic and the high end, as well as its store ambiance.



ARCHIPELAGO
UNITED ARROWS LTD.

ARCHIPELAGO UNITED ARROWS LTD. has developed a combined stores business model encompassing brands that are rich in individuality including Another Edition, Jewel Changes, and Boisson Chocolat. While expressing the individual taste of each brand, the company puts forward proposals that rearrange and coordinate a mix of wide-ranging tastes to provide customers with the enjoyment of selecting from a broad selection of fashion options and fresh mixed styles.



Consolidated Subsidiaries

FIGO CO., LTD. / COEN CO., LTD. / UNITED ARROWS TAIWAN LTD.

FIGO CO., LTD.

FIGO CO., LTD. became part of the UNITED ARROWS Group in November 2005. FIGO has exclusive distribution rights in Japan for the Italian bag and accessories brand Felisi. The products are sold through 12 directly operated stores (as of March 31, 2013) as well as online and on a wholesale basis to specialty and department stores. Moving forward, the company will continue to strengthen its Felisi brand activities while proactively uncovering and handling new brands.



COEN CO., LTD.

Established in May 2008, COEN CO., LTD. operates the COEN brand of men’s and women’s casual clothing targeting the new basic trend-conscious market, which consists of customers who generally look for affordable prices but who also have a strong interest in fashion. COEN offers reasonably priced contemporary casual clothing based on the theme of easy chic.

As its product strategy, COEN aims to build a product supply structure that boasts competitive advantages in terms of both quality and price as well as a multi-store chain operation while realizing high productivity and profitability by using its unique American casual-based product development capabilities and availing itself of the production capabilities of business partners.



UNITED ARROWS TAIWAN LTD.

UNITED ARROWS TAIWAN LTD. was established in August 2013 as a first step toward developing business opportunities in Taiwan. Plans are in place to open a UNITED ARROWS Taipei branch in October 2013.

Location: Taipei City, Taiwan

Major Business Activities: The import, export, and sale of apparel products

Capital: NT\$60 million (Approximately ¥200 million; wholly owned by UNITED ARROWS LTD.)

Company name	FIGO CO., LTD.	COEN CO., LTD.
Brands	Felisi	COEN
Core target customer	Late 20s to mid 40s	Mid 20s to 30s
Store locations	Roadside stores, departments stores, urban shopping centers	Urban, regional, and suburban shopping centers
Average contracted floor space per store	Around 100m ²	Around 170m ²
Turnover per store	¥100 million	¥105 million
Number of new stores opened annually	Around 1–2 stores	Around 12–18 stores
Ratio of private label brands and purchased products	—	80:20
Ratio of wear and miscellaneous items	5:95 ^{*1}	80:20
Average spend per customer	¥38,000	¥4,700

^{*1} Calculated from retail sales results

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Overview of the UNITED ARROWS Group

The markets in which the UNITED ARROWS Group operates

The apparel market can be divided into two categories: the volume market, which mainly consists of relatively low-priced daily clothing, and the trend-conscious market for consumers who are highly sensitive to fashion trends. The UNITED ARROWS Group targets this trend-conscious market.

Our target customers are people who have a strong interest in fashion and want to enrich their lives through it. Specific operating activities are driven by an awareness of this customer segment.

Market positioning map



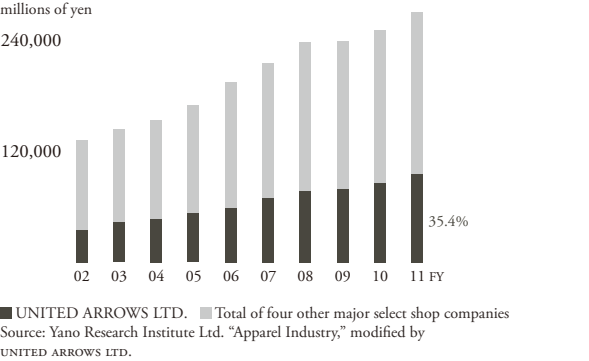
^{*1} GMS: General merchandise store

Select shops

Select shops are stores that provide customers with products based on unique brand concepts and the discerning judgment of their buyers. There are also a significant number of companies that adopt an SPA^{*2} (specialty store retailer of private label apparel) strategy under which they offer a mix of purchased and private label products. In handling products that offer the appeal of high-value-added attributes and a distinctive uniqueness, select shops are positioned between department and specialty stores at the mid to high-end price range. As such, they are relatively unaffected by trends in economic conditions.

UNITED ARROWS LTD. maintains a balance between attracting customers by carefully handpicking selected designer brands from Japan and overseas and ensuring high profitability by offering private label brands. The Company has the largest sales of any company adopting a select shop business model and is the only such company to have publicly listed its stock.

Trends in total sales of five major select shop companies and UNITED ARROWS LTD.'s market share



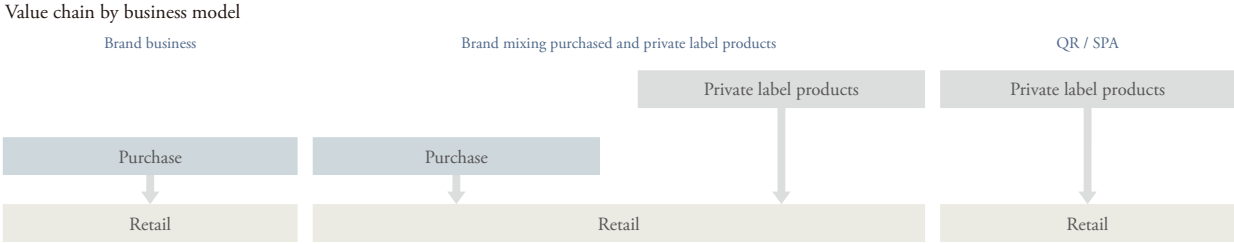
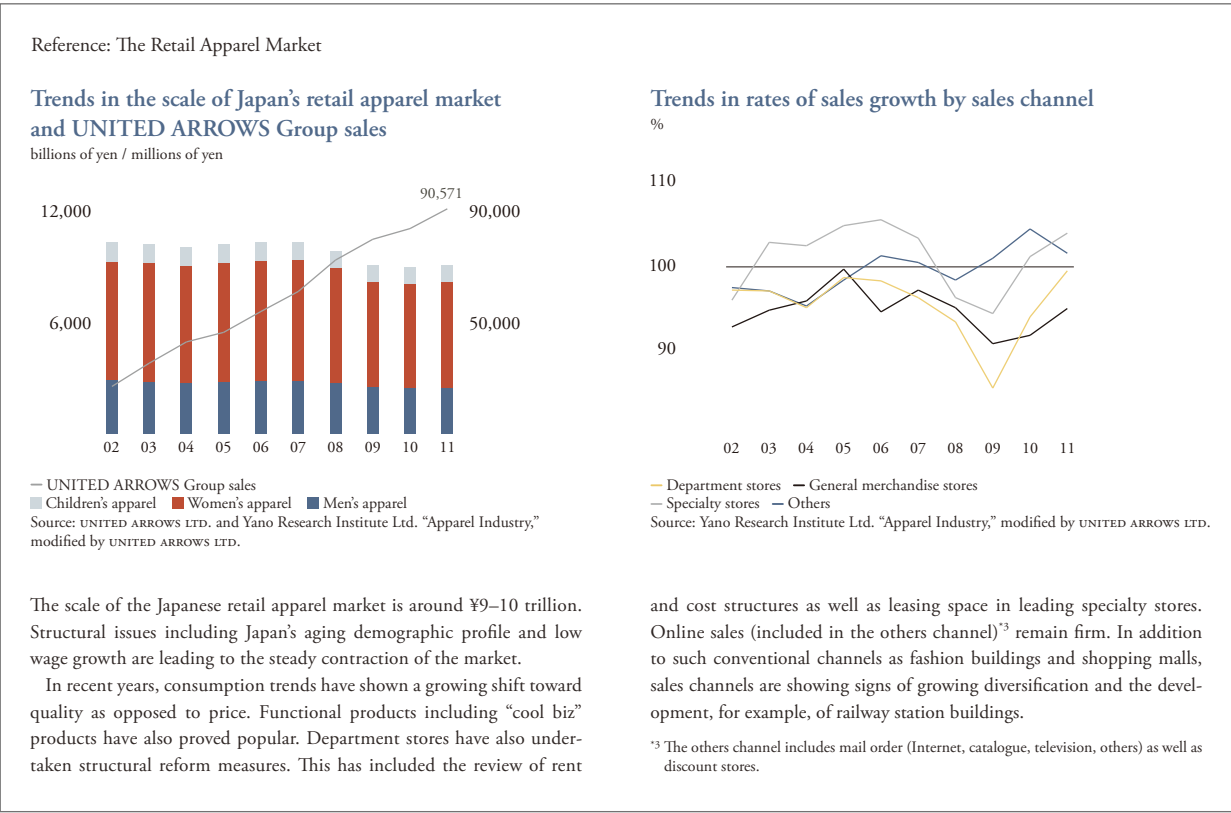
^{*2} SPA (specialty store retailer of private label apparel): A fashion company with comprehensive involvement from manufacturing through to retailing.

The UNITED ARROWS Group's business structure

UNITED ARROWS LTD. started out as a select shop handling men's business attire, focusing mainly on purchased brands. It has since evolved and adopted an SPA strategy that offers a mix of purchased products and private label products, offering men's and women's dressy and casual clothing and miscellaneous lifestyle goods.

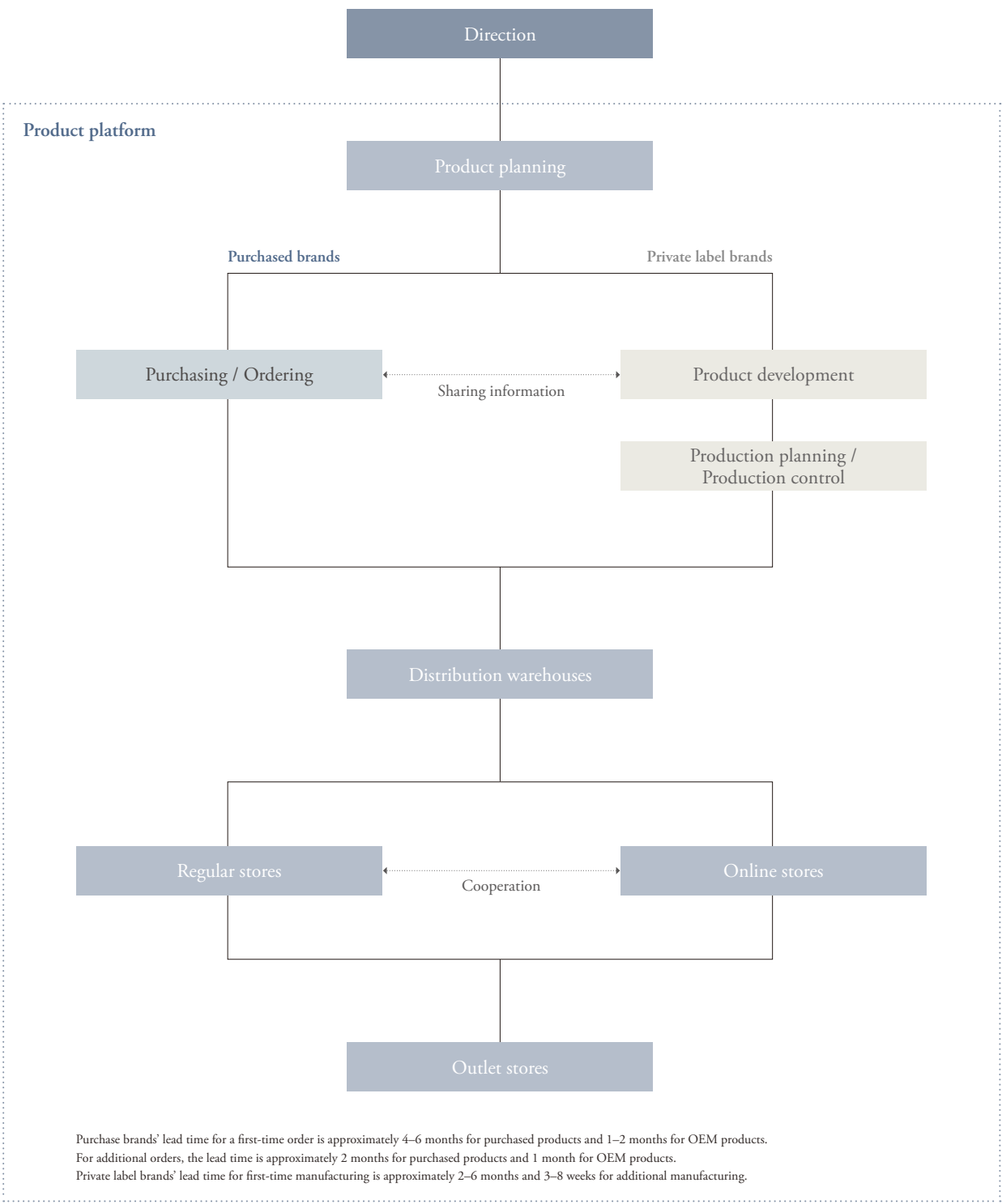
With UNITED ARROWS and UNITED ARROWS green label relaxing, our other full-line store that offers an SPA-type mix of both purchased and private label products, serving as our key

offerings, we now have numerous other businesses with different characteristics, including our brand business, CHROME HEARTS, and our quick response (QR) / SPA business, COEN. By handling a broad range of products for various tastes, we are aiming to expand our customer base and meet diversifying customer needs. In addition, we are also leveraging synergies between our various businesses and transforming into a sustainable group that achieves solid profits and is resilient to changes in the external environment.



Product Flow (Value Chain)

UNITED ARROWS LTD. has positioned its stores at the frontline of its operating activities. Every effort is made to reflect the comments and opinions gleaned from customers in every facet of the value chain. All initiatives including product development, inventory management, and customer service generate synergy benefits within the value chain. This is the source of the Company’s robust competitive advantage.



Direction

A feature that defines UNITED ARROWS LTD. is the direction that initiates all activities related to product development. Direction, which is based on shifts in social tastes, allows us to put in place a common theme across all businesses on a seasonal basis. In addition, the Marketing Department consistently undertakes research into the latest fashion trends, providing this information across the Company. Each business then draws on this information to establish specific themes that incorporate particular attributes.

Creative Resource Center

A Creative Resource Center has been established within the Company in order to strengthen its capabilities in the development of private label products. The center boasts an area of approximately 400m², which is made up of a material collection space and a reference area. The center houses samples of materials from as early as the 19th century both from in and outside Japan. It offers a treasure trove of around 6,000 types of valuable items including locally made pieces, pattern collections, samples, magazines, and books. In this regard, the center serves as a wellspring of ideas for individuals engaged in product development including designers and patterners. The center is also supported by a series of lively in-house seminars and workshops relating to the fashion business and the art of craftsmanship.



Product planning

Product planning entails dividing the year into 52 weeks and putting in place a process and lineup based on 52-week merchandising. Drawing on past customer trends and behavior as well as sales data, UNITED ARROWS LTD. puts in place a product strategy focusing on the most appropriate items, prices, and volumes for each season. During each season, the status of sales is closely monitored. This monitoring process helps to verify the validity of each strategy and to alert the Company of the need to make necessary adjustments through detailed modification, including moves to undertake additional production, plan new products during the season, and the early reduction of inventories through the effective use of outlet stores. In this manner, every effort is made to achieve the targets for sales and profits.

Staff Comment

Go Sato
BEAUTY&YOUTH UNITED ARROWS Men's Chief Merchandiser

Merchandising is a cornerstone of our product strategy. Decisions that are made on a daily basis are based on a firm understanding of current conditions and prospects regarding demand. With this in mind, we place considerable emphasis on our ability to visualize a clearly defined objective and result. In addition to an analysis of sales data, weekly conference calls between headquarters and stores, periodic store visits, and feedback gleaned from sales personnel and customers provide the basis for key decisions. My involvement in the entire process from planning and proposal to final product sale not only highlights the difficulties associated with overall merchandising, but also provides a strong sense of motivation.



Purchasing / Ordering

Under the Company's concepts with respect to direction and product planning, buyers attend exhibitions and view fashion collections in Japan and overseas. This is done while undertaking detailed purchasing negotiations about the item, volumes, purchase price, and delivery. Buyers are also involved in the development of exclusive items with popular brands. Through these means, steps are taken to further differentiate products from other companies. In addition to strengthening the integrity of existing brands, the Company's mission includes uncovering promising new brands ahead of its rivals. Accordingly, buyers take direct ownership in collecting information as well as cultivating a fresh and ever-expanding network.

Staff Comment

Kaoru Fukanuma
BEAUTY&YOUTH UNITED ARROWS Women's Director and Buyer

In undertaking the process of purchasing products, particular care is taken to determine whether a product fits the BEAUTY&YOUTH UNITED ARROWS image and direction that we are trying to project and take, and its level of contribution and importance to creating the ideal store environment. A broad spectrum of factors is considered before a decision is made. We look at the visual appeal of a product when it is displayed within our stores, how best to coordinate with other items, and our ability to put in place effective sales and promotion measures. My goal is to express through our stores the sense of fun and freshness of each brand thereby creating new fashion trends.



Product development

Under the Company's concepts with respect to direction and merchandising, steps are taken to develop designs and fabrics and to prepare patterns. While fully expressing the concept of each brand, samples are also shared with the Sales Department. At the same time, energies are channeled toward incorporating feedback gleaned from staff in their dealings with customers at stores with moves made to push forward product development while undertaking minor adjustments. Designers accompany buyers during their purchasing trips to better grasp 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 products and private label brands. This serves as the wellspring for differentiating the Company's products.

Atelier

UNITED ARROWS LTD.'s atelier serves as a workplace where product samples can be created in-house. Ordinarily, the making of samples is outsourced to sewing factories. In the case of a new line and design, frequent modifications are undertaken before signing off on the final product. As a result, it is not unusual for the process to take an inordinate amount of time. By using its atelier, UNITED ARROWS LTD. is able to significantly reduce the time required to create a final sample product while substantially improving precision and quality. Through a process of repeated minor adjustment, samples can be made to the full satisfaction of designers. This ensures a higher level of quality and a more complete final product.



Staff Comment

Kenji Sakashita
UNITED ARROWS green label relaxing Men's Fashion Director and Designer
Products from UNITED ARROWS green label relaxing provide quality and functionality as well as being comfortable to wear. We place the utmost importance on communication both internally and with business partners during the production process. I make it a point to call on concerned parties including clothing fabric makers and sewing factories in order to directly share and exchange thoughts and ideas. I am convinced that these discussions lead to increased quality. The emotion that goes into each item is extremely powerful. I find that the comments made by customers help motivate me on a daily basis.



Production planning / Production control

UNITED ARROWS LTD. formulates production strategies that encompass the selection of contract factories as well as procurement. 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.

Distribution warehouses

UNITED ARROWS LTD. engages in distribution warehouse operations in collaboration with distribution companies. The Company maintains a network of four distribution centers that operate on a 24-hour basis in Japan. Inventory control is conducted on a concentrated basis through various initiatives including price tagging and product inspection. While product deliveries to stores are maintained at an optimal minimum, a point of sale (POS) system is installed at all stores. With the exception of stores in certain regions, stores sales data up to 11:00pm is transmitted to the appropriate distribution center. Any shortfall at a particular store is then replenished before the store opens the following day. This serves to minimize sales opportunity loss as well as the transfer of products between stores. These measures also help to alleviate the burden placed on stores to monitor and manage inventory. This in turn allows stores to focus on enhancing customer service and expanding sales.

Wrapping truck

The Company's wrapping trucks transport products from distribution centers to stores, and from store to store, on a daily basis. In addition to the timely and precise delivery of items, wrapping trucks serve as an effective advertisement for the Company's as they move and park from one place to another. As of August 2013, UNITED ARROWS LTD. operates six types of wrapping trucks covering mainly the Kanto and Kansai areas.



Regular stores

Based on its Mission Statement — It's All About the Customer — UNITED ARROWS LTD. strives to meet the needs of each individual customer and to provide a level of satisfaction and inspiration that exceeds all expectations. Sales personnel are provided with a host of training programs including on-the-job training at stores as well as the UNITED ARROWS University. Through a series of award systems such as the Sales Master program and the UNITED ARROWS Grand Prix, the Company is quick to recognize outstanding personnel. Through these means, every effort is made to continuously enhance the knowledge, skills, and motivation of staff. In addition, energies are channeled toward choreographing the shopping experience to deliver maximum excitement and delight. A key aspect of this endeavor is the creation of stores and interior environments that express the worldliness of each brand in a visually appealing light.

Staff Comment

Akiyo Nogawa
UNITED ARROWS SHINJUKU
Sales Master and UNITED ARROWS Grand Prix Winner in the Fiscal Year Ended March 31, 2013
In dealing with customers, I look carefully at each individual in an effort to ascertain his or her needs. Even the smallest thing such as a simple gesture or that unspoken feeling can provide a helpful hint. For example, when I see a customer walking gingerly, I will offer a Band-Aid only to find that he or she had blisters on his or her feet. Our customer expect a lot of us, and it is important to keep a watchful eye in order to provide that extra enjoyment and surprise.

UNITED ARROW LTD. maintains the Mission Statement that, "It's All About the Customer." You can get a real sense that everyone is working toward fulfilling this mission. Of course, it is important to have the technical skills. It is equally important to convey to customers a strong desire to satisfy their needs. I am confident that a great many customers are left with a lasting impression when they realize the strength and depth of our desire to please. Enhancing customer satisfaction, however, is not the ultimate goal. Looking ahead, it will be my responsibility to foster new staff. I would also like to reconsider on a daily basis the things I need to do as a sales personnel to improve the manner in which I deal with customers.

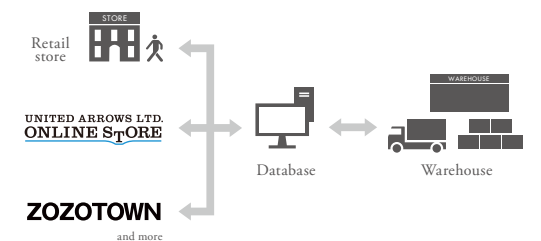


Online stores

In addition to opening stores on such online fashion sites as ZOZOTOWN and i LUMINE, the Company operates its own UNITED ARROWS LTD. ONLINE STORE. Every effort is made to continuously improve the ease with which this online store can be used and the quality and quantity of functions on offer. This includes the confirmation of products and purchasing process. In collaborating with actual stores, customers can check online the status of products handled at actual stores including products that have been identified as out of stock. Based on the sharing of stock information between actual stores and online stores, steps can be taken to order the required item.

Leveraging shared use of online sales and distribution inventories

Information on the free stock stored at distribution warehouses for use by retail stores is posted on the web sites of UNITED ARROWS LTD. ONLINE STORE as well as certain fashion online sales sites including ZOZOTOWN. Even when inventories allocated to sites are sold out, requested products are displayed when particular items are in stock at the Company's distribution warehouses. These items can be delivered several days after the routine date of dispatch. This initiative helps to minimize the loss of sales opportunities and promote the efficient use of inventories.



Outlet stores

UNITED ARROWS Outlet plays the important role of continuously reducing residual inventories of slow-selling products as well as excess stock in each business category. Promoting the prompt transfer of stock to outlet stores helps maintain the fresh appeal of products at frontline stores. The swift reduction of inventories and conversion into cash from sales also serves to secure improvements in gross profits and cash flows. UNITED ARROWS Outlet stores are for the most part located in suburban and exurban areas. For this reason, these stores help raise brand awareness among residents who live outside the network of the Group's frontline stores.

Product Platform

Initiatives in transition

		fiscal 2007–fiscal 2009	fiscal 2010	fiscal 2011
		Introduction Period	Promotion Period	Stable Operating Period
Principal Achievements / Goals		– Increased awareness toward benchmarks	– Enhanced the precision of merchandise hypothesis testing – Improved the precision of inventory procurement and reduction control	– Improved the accuracy of budget performance management and revisions to merchandise during the period
Product platform	Merchandising platform	– Commenced monitoring based on important benchmarks – Commenced merchandising planning in accordance with season plans ¹	– Promoted efforts aimed at visualizing and structuring merchandising operations – Identified and addressed processing issues with respect to merchandising operations – Standardized new processes	– Strengthened the monitoring and analysis of principal benchmarks – Bolstered efforts to secure an early reduction in inventory – Shared information on successful merchandising initiatives between businesses
	Production platform	– Commenced steps to build a mechanism for sharing factory information held by each business throughout the Company as a whole	– Selected principal business partners – Commenced steps to organize production factories in Japan and China – Took stock of and standardized production operations with the aim of promoting optimal supply chain management (SCM)	– Initiated measures with principal factories – Regulated delivery, quality, and costs by strengthening management – Commenced measures to address issues relating to the manufacture of products in China in earnest

		fiscal 2012	fiscal 2013	fiscal 2014–(plan)
		Application Operating Period		
Principal Achievements / Goals		– Promoted the early reduction of inventories – Decreased outlet store inventories	– Improved the ability to address changes in such external factors as unstable weather conditions and changes in the timing of clearance sales	– Strengthen both analysis and judgment capabilities in connection with the ability to respond to changes in the external environment including fluctuations in foreign currency exchange rates
Product platform	Merchandising platform	– Strengthened manufacturing capabilities from a creative perspective including design and specification – Took steps to assess optimal inventories	– Commenced an analysis of product trends based on CRM ² – Strengthened the management of results and forecasts progress compared with plans	– Promote the sale and early conversion into cash of products by bolstering the outlet function while enhancing the fresh appeal of stores; record an increase in gross profit
	Production platform	– Evaluated principal factories – Reinforced the “China Plus One” strategy	– Evaluated production scenarios with an eye to medium-term growth	– Reorganize manufacturing capabilities in Japan and overseas

¹ Season plan: Procurement planning document to determine the amounts of procurement and inventory as well as the inventory reduction method that underpins sales, gross profit, and final sales rate targets.
² CRM: Customer Relations Management

What is the product platform?

The product platform, which is comprised of a merchandising platform and a production platform, is a framework that supports each of the procurement, production, product launch, and inventory reduction activities. This overarching framework is used to stabilize merchandising operations by standardizing and structuring activities that are susceptible to the experience and skills of employees.

The merchandising 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. As a result, UNITED ARROWS LTD. has witnessed increases in the rates of inventory reduction as well as final sales. This is in turn leading to improvements in gross profit, inventories, and cash flows.

The production platform works to formulate the product procurement and production strategies that take us from merchandising planning through to realization. While manufacturing is outsourced, the choice of external plant or factory for each item is based on Companywide information on procurement regarding raw materials as well as the manufacturing plant. Accordingly, this has led to positive adjustments in

procurement costs relating to purchases and production as well as lead times in a way that satisfies the five key criteria³.

UNITED ARROWS LTD. commenced the shift to a merchandising platform in earnest in the fiscal year ended March 31, 2007. In the ensuing period, the Company has reinforced a variety of initiatives aimed at better monitoring, analyzing, as well as visualizing and standardizing operating processes with respect to such important indicators as gross profit, the sales ratio, and the residual inventory ratio. Turning to the product platform, we have taken steps to share factory information held by each business, select and evaluate principal business partners, and bolster collaboration.

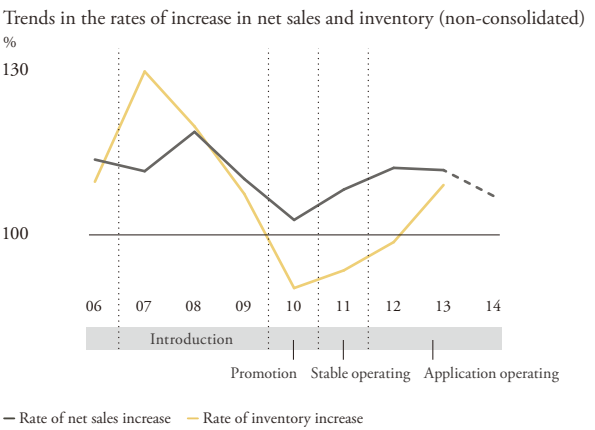
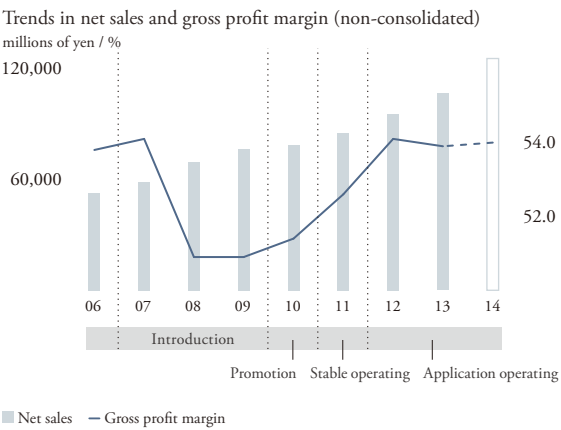
As a result, and with each passing year, we have successfully improved the precision of our planning proposal, verification, product procurement, and inventory reduction capabilities while better engaging in flexible inventory control in line with the status of sales. Moreover, there are clear indications that we are steadily fortifying an operating foundation that is relatively unaffected by such external factors as delays in seasonal sales attributable to inclement weather conditions and shifts in the timing of clearance sales. Furthermore, these efforts are generating surefooted results, with steady improvements in key benchmarks including gross profit margins and inventory efficiency.

³ 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.

Responding to changes in the external environment

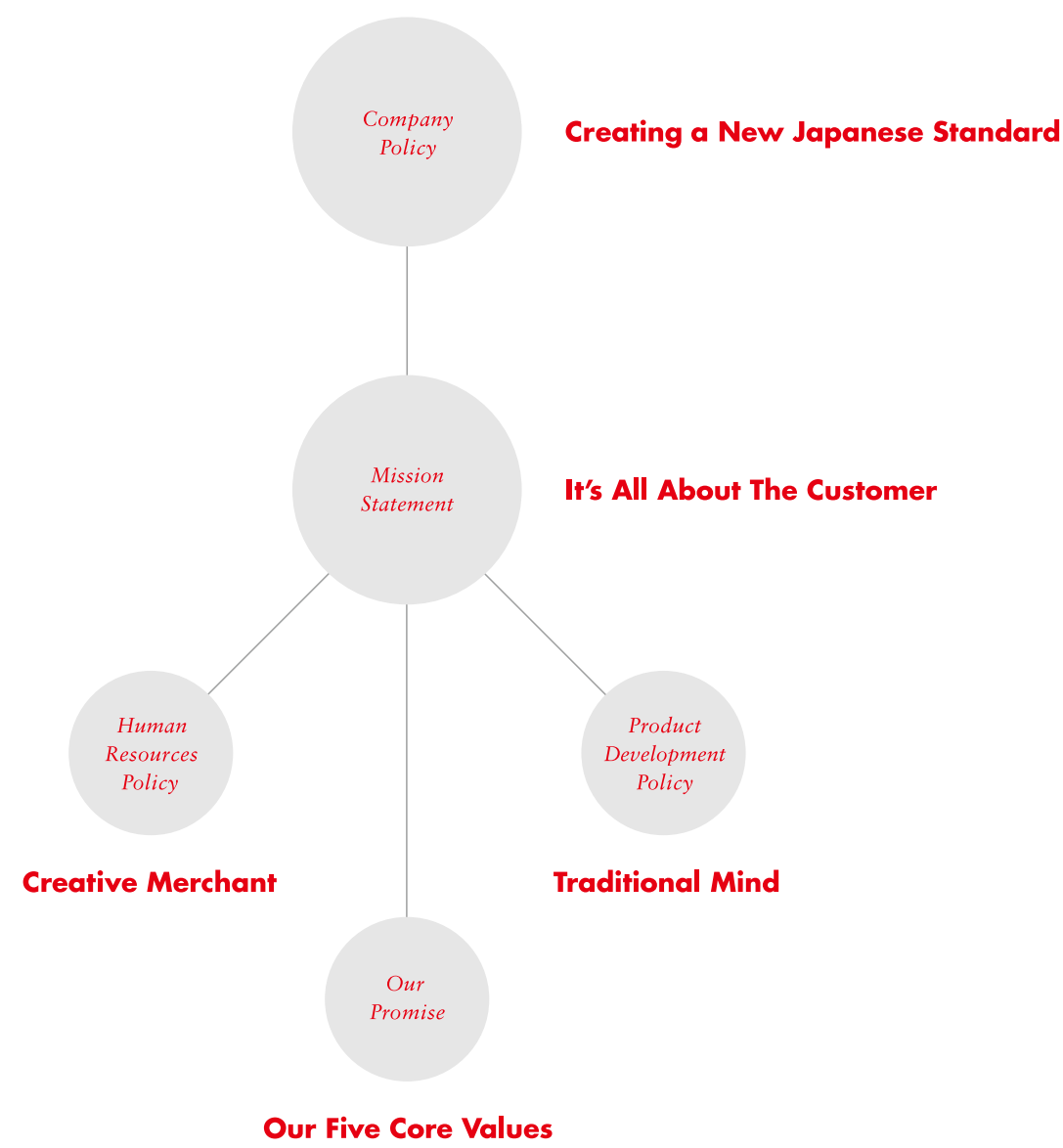
In the fiscal year ended March 31, 2013, net sales and profits were greatly affected by external factors. In addition to the staggering of spring and summer as well as fall and winter sales periods at certain commercial facilities, results were impacted by such factors as the lingering harsh summer heat, which delayed trends in fall items, and the severe winter, which brought forward demand for heavy clothing. Despite these difficult conditions, net sales climbed 11.7% compared with

the previous fiscal year and gross profit improved 11.4% year on year on a non-consolidated basis. This was largely attributable to successful efforts to bolster the collaboration cycle between Product, Sales, and Promotion departments and to place operations on the right track through flexible and timely merchandising activities based on a solid product platform. Furthermore, the rate of inventory growth as of the end of the fiscal year was held below the rate of growth for net sales.



Policy Structure

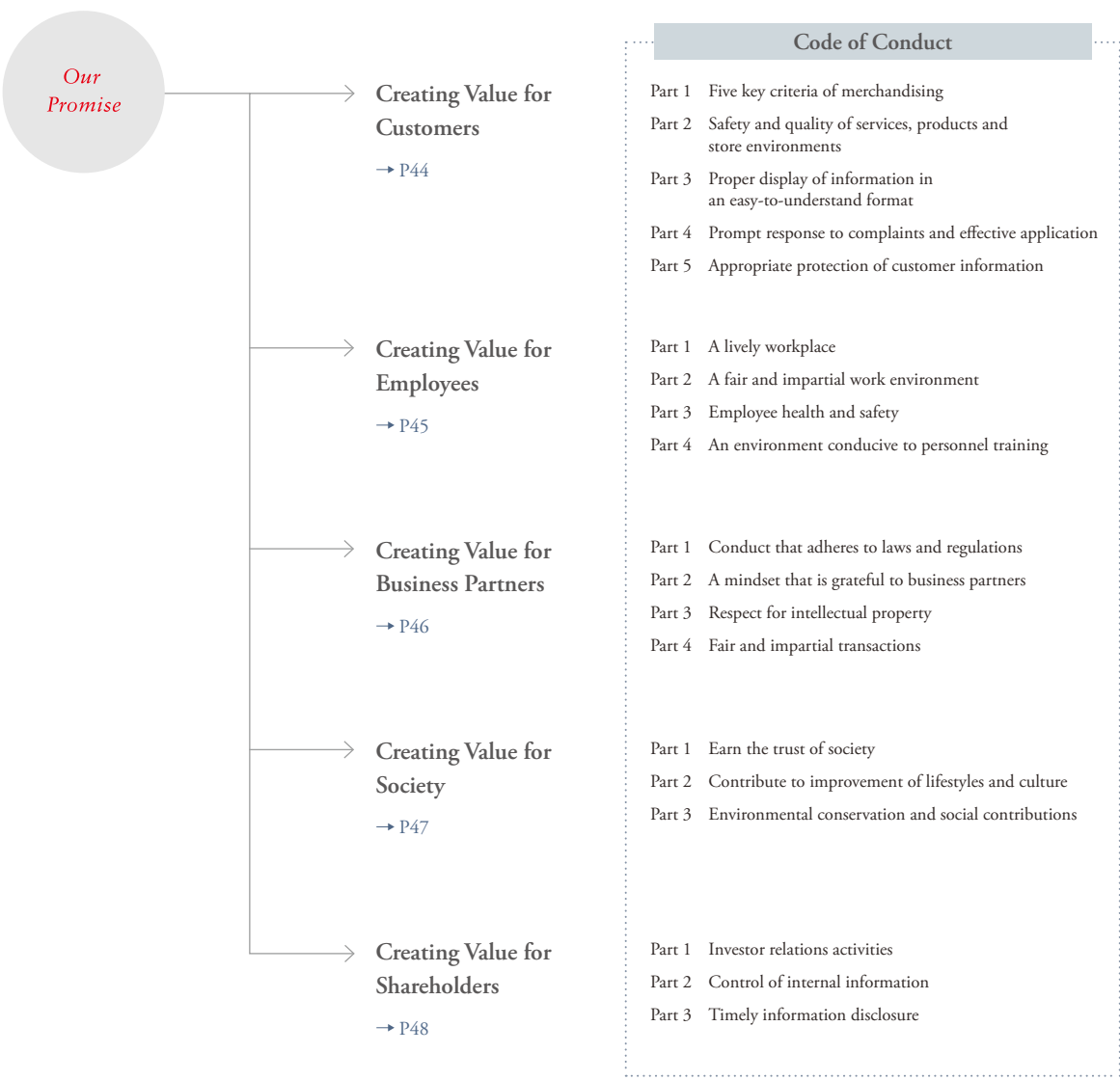
UNITED ARROWS LTD.'s Company Policy provides the vision and purpose of its everyday activities. Its Policy Structure, in turn, outlines the elements required to realize this policy. As the path to which we consistently aspire, our Company Policy embodies the unwavering values that we have held since our foundation.



Our Promise

The UNITED ARROWS Group will create value for five distinct stakeholders: customers, employees, business partners, society, and shareholders. Of these five core values, creating value for the customer is our principal priority. This reflects our understanding that the ability to create employee, business partner, social, and shareholder value rests entirely on securing customer value. The creation of value for these five stakeholders is at the heart of our approach to corporate social responsibility (CSR).

Our Five Core Values



* For more information about our CSR activities, please access our CSR web site below.
www.united-arrows.co.jp/csr/ (Japanese only)

Creating Value for Customers

We think of our customers as the people who express an interest in our stores. We strive to build trust in our relationships with customers by providing them with services that are both satisfying and moving, while seeking out mindfulness and aesthetics in our service, products, and store environment, the three key sources of satisfaction for customers.

Annual sales at retail stores Fiscal 2013	Annual sales online Fiscal 2013	UNITED ARROWS LTD. HOUSE CARD members March 31, 2013
¥80,057 million	¥11,948 million	About 1.7 million people

Activities of the Customer Service Center

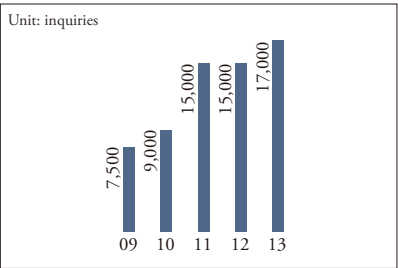
UNITED ARROWS LTD. established the Customer Service Center in 2005. In fiscal 2013, our specially trained staff responded to approximately 17,000 inquiries via telephone and email. We collate the feedback we receive from our customers, analyze it for trends, and create weekly, monthly, and yearly summaries. These activities lead to the resolution of various customer inquiries. In the event that the same inquiry is received repeatedly, the question is published on the frequently asked questions (FAQ) page of the corporate web site as a way to provide information to customers as quickly as possible. As the point of contact for the Company's customer response, the Customer Service Center has a bird's-eye view of all aspects of business operations, and is a key contributor to the overall improvement of service quality. ①

“Thank you” from our customers

Thank you notes

On occasion, we receive letters of thanks and gratitude from our customers for the services they receive at our stores. We cherish these letters because we stake our reputation on being able to please our customers.

UNITED ARROWS LTD. treasures these letters of gratitude from its customers as collections of “Thank you notes,” and shares them with all of its employees in a bid to further improve customer satisfaction. In fiscal 2013, UNITED ARROWS LTD. was fortunate to receive 1,079 letters saying “Thank you” from its customers. ②



① Number of inquiries received at the Customer Service Center



② Interacting with customers at our stores



③ UNITED ARROWS LTD. HOUSE CARD

Invaluable messages from our customers

Prompt responses to complaints

UNITED ARROWS LTD. regards the opinions and complaints it receives from its customers about its merchandise and services as messages that are invaluable to improving value for customers. As such, we respond to these messages promptly and with sincerity. Complaints received at stores are immediately forwarded to the head office, and this information is always shared among all sales personnel in the store to prevent a reoccurrence. In order to make the most of our customers' opinions, all of the complaints received at stores and the Customer Service Center are summarized into “Complaint notes,” and analyzed to improve the quality of our merchandise and customer service.

Protecting customer information

Building an effective information handling framework

The UNITED ARROWS LTD. HOUSE CARD had around 1.7 million members signed up as of March 31, 2013. This card can be used at any of our retail stores (excluding CHROME HEARTS stores) and also at UNITED ARROWS LTD. ONLINE STORE. Gift cards are awarded to members after accumulating a certain number of points. Our HOUSE CARD iPhone app is a convenient way for customers to check their shopping history and point totals on their smartphones.

This personal information is a valuable asset in the eyes of both the customer and UNITED ARROWS LTD. The Company therefore takes extensive precautions to protect customer information, and is building an information handling framework with emergency response rules, information security rules, and other measures based on its personal information protection policy. ③

Creating Value for Employees

We offer growth opportunities to employees who strive to attain our shared policy (ambition), and we aim to be a workplace where they can realize their full potential. UNITED ARROWS LTD. aims 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.

Number of employees March 31, 2013	Percentage of sales personnel to total employees March 31, 2013	Percentage of female employees March 31, 2013
3,092 people	About 75%	About 59%

Measures to improve employee motivation

UNITED ARROWS University,

Sales Master, UNITED ARROWS Grand Prix

UNITED ARROWS University is an internal training program for all employees. The curriculum is designed with effective teaching techniques. Training courses at UNITED ARROWS University are held about 190 days every year.

Sales Master is the title we give to sales specialists who display a highly distinguished level of performance. Employees with the Sales Master title are given a preferential consideration in their compensation, and serve as an inspiring example for other sales personnel to follow. As of August 2013, 27 employees were active as Sales Masters.

UNITED ARROWS Grand Prix is an annual sales contest that uses a role-playing format to simulate customer–sales personnel interaction. All Group brands take part in this contest, with one salesperson that won the semifinals for each brand competing to demonstrate their advanced customer service techniques. ①

Objective management system

Drawing out the best in our employees

UNITED ARROWS LTD. is a symbolic company name that represents a (United) group of people moving in a straight line (like an Arrow) toward a singular objective that is our Company Policy. Each and every employee has a different role to fulfill, but we all share this same objective. Since its founding, UNITED ARROWS LTD. has had an objective management system in place as a guide for its employees to achieve specific goals based on

highly detailed action plans and thorough management of their progress. By setting individual goals and working to increase productivity, we aim to bring out the best in each and every employee as they strive to achieve their objectives.

All of our employees are, in principle, permanent employees

All of our employees are hired as permanent employees in principle. Even when someone is hired as a part-time employee, they become permanent employees after a three-month trial period. Although personnel expenses rose as a result, we believe the move to permanent employees will reduce turnover and improve work motivation over the longer term, leading to higher employee value and ultimately more value for our customers.

Promoting work-life balance

Sixty percent of the Company's employees are women. We are therefore making every effort to create a workplace environment where women can work without hindrance after they marry or have children. By offering programs for maternity leave, child care and nursing leave, and shortened working hours, we encourage employees with children to maintain an appropriate work-life balance. In January 2009, our efforts were recognized by the Ministry of Health, Labour and Welfare, as a corporation that proactively supports child-rearing employees.

As of March 31, 2013, 72 employees were taking child care leave and 111 were working shortened hours. The average period an employee has stayed continuously employed with UNITED ARROWS LTD. is five years and one month. ②



① Role-playing at the UNITED ARROWS Grand Prix

② Employee data (non-consolidated)			
	2011	2012	2013
Number of employees	2,647	2,855	3,092
Of these, number of female employees / Composition rate	1,509/57.0%	1,676/58.7%	1,813/58.6%
Number of store managers	166	186	214
Of these, number of female store managers / Composition rate	71/42.8%	81/43.5%	93/43.5%
Average age of employees	30.0	30.1	30.2
Average employee years of service	4 years 7 months	4 years 10 months	5 years 1 month
Part-time staff (Not included in the number of employees)	274	309	428
Status of child-raising system utilization			
Number of individuals taking child-raising leave	70	69	72
Number of individuals using system for working shortened hours to spend more time raising children	64	93	111

To us, our suppliers are irreplaceable business partners. 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.

Percentage of private label products to total sales Fiscal 2013	Number of business partners that participated in quality control meetings Fiscal 2013	Number of internal study sessions held about fair and impartial transactions Fiscal 2013
About 49%	Cumulative total of 148 companies	7 times

Quality control meetings

Merchandise handled by UNITED ARROWS LTD. comprises purchased and private label products procured from suppliers inside and outside Japan. Since 2005, UNITED ARROWS LTD. has periodically held quality control meetings with its major business partners, such as production consignment factories in its main production area of Shanghai, China and its suburbs, inspection centers, and trading companies, with the goal of increasing the quality of its private label products. These meetings have been beneficial in reducing the ratio of damaged products on delivery.

In fiscal 2013, UNITED ARROWS LTD. held quality control meetings for the first time with its major business partners in Japan, and around 80 representatives from 50 companies attended. The meetings were an invaluable opportunity for partner companies to come together and exchange opinions about manufacturing, as well as share ideas on preventing damage to merchandise, such as maintenance techniques for sewing machines, and improving the accuracy of data on order forms and apparel manufacturing specifications. ① ②

Eliminating erroneous labeling and contact with hazardous objects

Most of the products we sell to customers are procured from suppliers all over the world. These products are manufactured in a myriad of different regions using a variety of processes, which creates a risk of errors appearing in the labeling of the country of origin, for example, that is written on the tags or on the care instruction labels of these products. UNITED ARROWS LTD. has had problems in the past with mistakes in the labeling of the country of origin and the material composition of products.

As a result, we now require that related documentation is received in advance, periodically hold study sessions about quality labeling for product procurement staff, and take other measures to eliminate erroneous labeling, in addition to working more closely with our business partners on production issues.

UNITED ARROWS LTD. implements a range of measures through store management and product management to prevent customers from coming into contact with hazardous objects that may end up in our merchandise. At our stores, we have strict rules on how needles are handled and stored. We undertake a visual inspection of merchandise to ensure that needles are not mixed in or misplaced with items when delivered from factories, when received and handled, and when put out and displayed in stores. We adhere strictly to a hand-checking process when alterations are completed and also use needle detectors to double check merchandise. At the product procurement department, we hold study sessions on how to use needle detectors and techniques for finding needles, and bring the attention of our business partners any specific issues in each product line. ③

Conducting fair transactions

Since 2012, UNITED ARROWS LTD. has held study sessions for managers in operations related to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, a key law governing interactions between companies and their suppliers. In fiscal 2014, UNITED ARROWS LTD. will continue to update its framework for preventing violations of this law, such as by upgrading some of its internal systems. The Company will continue to implement measures to ensure fair transactions with its business partners.



① Quality control meeting held in March 2013



② Quality control meeting held in Shanghai, China



③ Defective product on display as a reminder in the office reception area

UNITED ARROWS LTD. believes it can create value for society through the ongoing creation of globally recognizable value by setting new standards for Japanese lifestyle. Through this process, we contribute to the development of society and build on our relationship of trust with society by strictly adhering to laws and regulations and working to conserve the environment.

Total donations for “MOVING ON TOGETHER!” Cumulative total as of March 31, 2013	Number of annual participants in “REDUCE SHOPPING BAG ACTION” Fiscal 2013	Number of cardboard boxes reduced in merchandise deliveries Fiscal 2013
About ¥300 million	150,030 people	About 100 thousand boxes

Providing support through the “MOVING ON TOGETHER!” initiative with our customers

Through its marketing activities, the UNITED ARROWS Group will continue to promote the “MOVING ON TOGETHER!” Great East Japan Earthquake Charity Project in concert with its customers in fiscal 2014, the third year since the earthquake. In this project, each brand designs its own charity goods and a portion of the proceeds from the sale of these products during the campaign period are donated to the charity.

On a cumulative basis, the project has raised a total of ¥311,322,441 in donations as of March 31, 2013. Most of these donations were given to groups that provide relief and assistance, such as the Central Community Chest of Japan’s Akaihane (Red Feather) Disaster Relief Volunteer & NPO Support Fund. ①

Growing healthy forests with help from our customers “REDUCE SHOPPING BAG ACTION”

Every time a customer declines a paper shopping bag and brings their own reusable shopping bag, UNITED ARROWS LTD. donates ¥10 toward afforestation projects. The Company has run this program since November 2008, and is now available at eleven store brands.

In fiscal 2013, UNITED ARROWS LTD. commenced campaigns to collect donations via Twitter and Facebook, raising a total of ¥1,368,765 in donations from 150,030 people, which were then given to the “LIFE 311” project being undertaken by the forest preservation group more trees Intermediary Organization, as well as to other projects. “LIFE 311” is a project led by “more trees” that assists with construction costs for wooden temporary housing built using local timber in the town of Sumida, Iwate Prefecture, and that also donates pellet stoves for the temporary housing.

Assisting cotton producers alongside our customers “TOHOKU COTTON PROJECT”

Around 60 companies and groups are working together to help cotton producer farmers recover from the damages suffered from the tsunami after the Great East Japan Earthquake.

This “TOHOKU COTTON PROJECT” is an initiative that entails the cultivation of cotton as a raw material, which is then spun into yarn, made into cloth, and sold as a product to customers, involving them as a partner and team member in supporting disaster-stricken areas.

In 2013, which saw an increase in the volume harvested compared with the previous year, companies participating in the project produced and marketed a wide variety of products.

UNITED ARROWS green label relaxing launched an original cardigan made from Tohoku Cotton in April 2013. ②

Reducing cardboard box usage by 100,000 boxes a year

In accordance with the expansion of operations and the number of stores, the amount of disposable corrugated cardboard boxes used in shipping and delivering products has climbed every year, posing a burden on the environment and pushing up purchasing costs. For this reason, UNITED ARROWS LTD. introduced Eco-Boxes capable of being reused approximately 300 times in April 2012.

In fiscal 2013, a total of 7,500 Eco-Boxes in the two most frequently used sizes were deployed, saving approximately 100,000 corrugated cardboard boxes. Retail staff that handled the boxes commented that it took less time to assemble and disassemble the boxes, and that they were easier to carry around thanks to the built-in handles. The Company expects cost savings of at least ¥44 million over a three-year period. ③



① Charity Monkey (50% of sales proceeds donated)



② Cardigans made from cotton cultivated in Tohoku



③ Eco-Box

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.

Number of shareholders As of March 31, 2013	Percentage of individual shareholders to total shareholders As of March 31, 2013	Number of meetings with investors in one year Fiscal 2013
12,020 shareholders	About 97%	Around 250 times

Publication of investor relations tools

Conveying a complete picture of our value as a company
Investor relations tools are the principal medium for conveying to shareholders and other investors an overall picture of corporate value. Twice a year, we issue the Japanese-language UNITED ARROWS Business Report for our shareholders to communicate our management and operating performance during the fiscal year. We also publish an annual report containing extensive information once a year in both Japanese and English for primarily analysts and institutional investors. The annual report features a message from the president, talks extensively about our management strategy, covers in detail our strengths and business model, and discusses the activities of our employees while also serving as a symbol of our brand. We primarily distribute information related to investor relations via our web site in order to ensure the timely disclosure of this information and facilitate an understanding of our activities as broadly as possible among stakeholders inside and outside of Japan. The investor relations section of our web site has results briefing materials, the minutes of question and answer sessions, videos of earnings announcements (Japanese only), and a wealth of other financial information. We make concerted efforts to communicate information with great detail while aiming to disclose information equitably to our audiences. ① ②

Setting management targets from a shareholder value perspective

Aiming for ROE of 20% and a dividend payout ratio of 25%
UNITED ARROWS LTD. has set a medium-term target to achieve return on equity (ROE) of 20% or higher in order to create value for its shareholders that exceeds the cost of capital invested



① Annual Report / UNITED ARROWS Business Report

by its shareholders. We think ROE of 20% is a level of performance that would warrant us recognition as a global corporation by international investors, in addition to taking us one step closer to turning UNITED ARROWS LTD. into a globally accepted corporate brand. In returning profits to shareholders, we emphasize dividend payments and have set a target dividend payout ratio of 25%. Management will also continue to consider the feasibility of stock splits as well as the buyback and retirement of shares as other means to maximize shareholder value.

Shareholder surveys

Framework for reflecting opinions of shareholders in management

Individual shareholders account for 97% of our shareholders. UNITED ARROWS LTD. conducts a survey of shareholders every year as a component of its shareholder communications program in Japan. This survey has revealed that most of the Company’s shareholders are in their 20s, 30s, or 40s, and that they own the stock because they are “fans of the stores and merchandise” or “like the shareholder incentive system.” The survey asks for shareholders’ opinions of UNITED ARROWS Business Report, their comments about management policy, shareholder returns and investor relations activities, and their view of the shareholder incentive system. The results of the survey are fed back to the management team, as well as published in UNITED ARROWS Business Report and on the investor relations section of our web site. In these ways, the opinions of our shareholders benefit our management and marketing activities, and help improve our investor relations activities and the shareholder incentive system.



② Video of an earnings announcement

Corporate Governance

Our basic approach to corporate governance

In its Company Policy of creating globally recognizable value by setting new standards for Japanese lifestyle, UNITED ARROWS LTD. has made a promise to society to create value for its customers, employees, business partners, society, and shareholders.

Based on this Company Policy, UNITED ARROWS LTD. is building a framework to improve management efficiency and soundness. At the same time, UNITED ARROWS LTD. is focusing efforts on improving the transparency of corporate management through proactive investor relations based on a basic information disclosure policy of constantly and freely providing information in a fair and timely fashion.

1. The corporate governance framework

As a corporate entity, UNITED ARROWS LTD. conducts shareholders’ meetings and has established a Board of Directors and the Audit & Supervisory Board. To allow directors to focus on decision making with respect to important matters as well as supervise and oversee the execution of business activities, UNITED ARROWS LTD. has adopted an executive officer system. Under this system, executive officers are appointed to assume responsibility for the executive function.

As a company that has adopted a corporate auditor system, Audit & Supervisory Board members are appointed to ensure management transparency and to supervise and audit the Company as a whole.

The board of directors

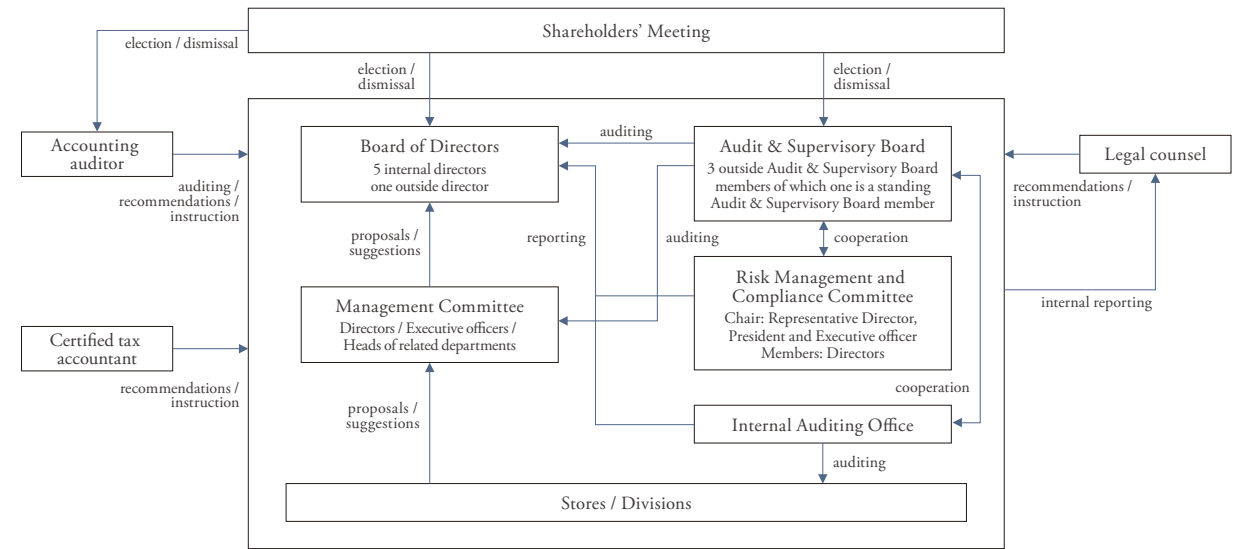
The Board of Directors is comprised of six directors that meet once a month in principle. Meetings of the Board of Directors are attended by directors and Audit & Supervisory Board member, who make decisions on legal and regulatory matters as well as important matters set forth in the by laws governing the Board of Directors. The Board of Directors 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.

In June 2013, Gaku Ishiwata joined the Board of Directors as an outside director. He is an attorney-at-law that specializes in corporate governance, capital policies, and M&A inside and outside of Japan. We believe Mr. Ishiwata’s formidable experience and expertise in these fields will be invaluable to improving our corporate governance and compliance systems.

The audit & supervisory board

The Audit & Supervisory Board is comprised of three externally appointed Audit & Supervisory Board members. All Audit & Supervisory Board members are designated as independent officers. In principle, the Audit & Supervisory Board meets once a month to determine auditing policies in accordance with the regulations of the Audit & Supervisory Board. The Audit & Supervisory Board serves as a forum to which reports prepared by Audit & Supervisory Board members, directors, and the accounting auditor are submitted. Drawing from these reports,

Corporate governance framework
as of June 26, 2013



the Audit & Supervisory Board compiles audit reports. Each Audit & Supervisory Board member attends meetings of the Board of Directors as well as all other important meetings. Audit & Supervisory Board members also collaborate closely with the Internal Auditing Office, which reports directly to the president, placing particular emphasis on ensuring business process efficiency and the integrity of the Company’s risk management. Audit & Supervisory Board members serve as the conduit that facilitates the common sharing of audit results between stores, departments, and Group companies.

Audit & Supervisory Board member Yukari Sakai and Yoshiyuki Yamakawa, who come from a corporate governance background, and Audit & Supervisory Board member Hironari Hashioka, an attorney-at-law specializing in corporate legal affairs, audit and supervise operations to ensure the fairness and integrity of decision making by the Board of Directors.

Outline of the corporate governance framework	
Organizational format	Company with a corporate auditor system
Chairman of the Board of Directors	Representative Director, President and Executive Officer
Number of directors	Six (including one outside director)
Number of Audit & Supervisory Board members	Three (comprising three outside Audit & Supervisory Board members)
Independent officer	Three outside Audit & Supervisory Board members
Average age	49.6 years
Number of Board of Directors’ meetings held during the fiscal year ended March 31, 2013	18
Number of Audit & Supervisory Board’s meetings held during the fiscal year ended March 31, 2013	15

The 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 of Directors 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.

Policy on determining directors’ compensation

Directors’ compensation consists of basic compensation in the form of a fixed monthly salary and a bonus linked to performance in any given fiscal year. The Board of Directors decides the total amount of bonuses and sets a director compensation table based on managerial ranking.

The total amounts of compensation and other benefits paid to directors and Audit & Supervisory Board members for the fiscal year ended March 31, 2013

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	Stock options	Bonus	Retirement benefit allowance
Directors (including Outside Directors)	7 (—)	301 (—)	199 (—)	—	102 (—)	—
Audit & Supervisory Board members (including Outside Audit & Supervisory Board members)	3 (3)	24 (24)	24 (24)	—	—	—
Total	10	325	223		102	

In addition to the aforementioned compensation, a provision for directors’ retirement benefits of ¥207 million was paid to one retiring director in accordance with a resolution of the General Meeting of Shareholders held in June 2012.

Basic compensation

Basic compensation is determined in reference to industry levels and the outcome of a survey of director compensation conducted by an external survey organization. Basic compensation includes a treasury stock acquisition-type compensation system that entails contributions covering a portion of compensation payable to the officer stock ownership association. The rationale for strengthening the link between directors’ compensation and the share price is to raise their awareness of actions that lead to higher corporate value.

Bonuses

The total amount of bonuses is determined following a comprehensive evaluation of management indicators such as operating cash flow and ROE, in addition to progress made toward achieving initial earnings forecasts in any given fiscal year, with a particular emphasis placed on consolidated ordinary income. Bonuses paid to directors comprise a preset standard amount

for each managerial rank plus a performance-based amount. It is set up so that a higher ranking on the director compensation table receives a higher bonus coefficient (ratio of bonus to the total amount of basic compensation and bonus), with the objective of strengthening the commitment of the directors to achieving business targets in any given fiscal year. In principle, bonuses are forfeited if consolidated ordinary income falls below the initial forecast by a certain amount.

Long-term incentives

UNITED ARROWS LTD. may implement long-term incentives with the aim of increasing the commitment of management to achieving long-term success, such as goals in its long-term vision.

2. Internal control system

UNITED ARROWS LTD. is fully aware of the importance of nurturing a corporate culture in which all employees are encouraged to offer their opinions irrespective of individual



Gaku Ishiwata
Outside Director
Attorney-at-Law
Appointed as an Outside Director in June 2013

Message from the newly appointed outside director

My primary duty is to instill in the organization corporate governance that strives for higher management efficiency and strict adherence to compliance.

As an attorney-at-law, I advise on mergers, acquisitions, and corporate tie-ups inside and outside of Japan, and as a member of various committees at the Financial Services Agency and the Ministry of Economy, Trade and Industry, I am involved in the planning of legal systems related to capital markets. In these roles, I have always been face-to-face with capital markets and shareholders. In these engagements, I have been especially interested in relationships between shareholders and management, especially with regard to how to maintain a healthy and optimal relationship.

I believe my responsibilities as an outside director of UNITED ARROWS LTD. are threefold. The first responsibility is to build a corporate governance framework that does not depend on the qualities of any one individual, in order to facilitate the transition toward a new stage of growth that is worthy of a company that will last more than one hundred years. In other words, my duty is to instill in the organization corporate governance that strives for higher management efficiency and strict adherence to compliance, and the practical means to achieve these objectives. The second responsibility is to incorporate the opinions and impressions of shareholders in the management of UNITED ARROWS LTD. The third responsibility is to provide optimal advice from strategic and legal viewpoints to UNITED ARROWS LTD. on future mergers, acquisitions, capital tie-ups, and business alliances.

As growth accelerates at UNITED ARROWS LTD., with an increasing number of employees and stores, a corporate governance framework needs to be in place that is mature enough to handle this growth. In this regard, I will do the best I can to help improve corporate value and returns to shareholders.

Message from an outside audit & supervisory board member

Our Mission Statement that, “It’s All About the Customer” is also the cornerstone of corporate governance.

I have served as an Audit & Supervisory Board Member for UNITED ARROWS LTD. for eight years. I strongly believe that the Mission Statement that, “It’s All About the Customer,” which has held true since the Company’s foundation, is also the cornerstone of its corporate governance framework. In all of the meetings I have attended, I am astonished that every single decision has been made from the viewpoint of the customer.

UNITED ARROWS LTD. has grown spectacularly from a single company into a consolidated group comprising three subsidiaries, with double the net sales of eight years ago and greater diversity in its operations. In the fiscal year ended March 31, 2013, the founder handed over the reins to a management team operating under a new framework. UNITED ARROWS LTD. also crafted UA VISION 2022, its long-term vision through fiscal 2022, as it embarked on a new phase of growth. For UNITED ARROWS LTD. to achieve the objectives of its long-term vision and take surefooted steps along the path to growth, it must deal with new auditing challenges, such as the supervision of overseas stores and subsidiaries, while strictly adhering to various laws and regulations including Intellectual Property Law and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors.

From my position as an outside Audit & Supervisory Board member and a representative of shareholders, I will lend all of my support to UNITED ARROWS LTD. as it progresses toward attaining its long-term vision and Company Policy, with the aim of building a better corporate governance framework.



Yukari Sakai
Standing Audit & Supervisory Board Member
Appointed as Standing Outside Audit & Supervisory Board Member in 2005

responsibilities and roles. It is equally vital that these opinions be reflected in the Company’s activities as appropriate. With this in mind, every effort is made to provide all directors and employees with the positive motivation to go about their assigned tasks and duties with ambition and pride.

UNITED ARROWS LTD. has established the Risk Management and Compliance Committee, chaired by the president, as an organization charged to deliberate about the risks and important compliance issues faced by the Company and to consider appropriate countermeasures based on information compiled by the General Affairs & Legal Department on the status of activities of each division. In carrying out assigned tasks, a system has been put in place to clarify the scope of responsibility and settlement authority for each department and duty. This also entails appropriate supervision and requirements regarding reporting. In addition, the Internal Auditing Office, comprised of five members reporting directly to the president, regularly conducts audits of stores and departments to assess whether business execution is being carried out in compliance with laws and regulations and the Articles of Incorporation, as well as in accordance with internal Company rules.

Compliance
Code of conduct and compliance manual

In order to fulfill its Company Policy, UNITED ARROWS LTD. clarifies how it expects its employees to behave while executing their duties in the UNITED ARROWS LTD. Code of Conduct. The Company has also created the Compliance Manual featuring a compilation of scenarios and solutions to compliance issues that may arise as employees perform their daily duties.

Compliance education

Along with the expansion of business scope in recent years, the number of brands handled and suppliers has been on the rise, leading to an increase in the frequency of inquiries made from each department to the Administration & Legal Department for advice about trademarks and other aspects of intellectual property law. We have therefore been holding study sessions on topics of interest, including the Act against Unjustifiable Premiums and Misleading Representations, Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, Intellectual Property Law, and Product Liability Law. Moreover, the Customer Service Center and the Quality Control Office take the lead in efforts to reduce the number of defective products by providing feedback to upstream manufacturers about the opinions and complaints received concerning merchandise. Training is also given to staff responsible for products to enlighten them of the situation. Sharing specific

examples of how staff at the Customer Service Center interacts with customers also helps improve awareness of quality issues that can arise.

→ P46 Our Promise “Creating Value for Business Partners”

Internal whistleblower system

UNITED ARROWS LTD. has an internal whistleblower system whereby an employee can anonymously contact an external organization if they discover suspect behavior from a compliance standpoint. The Internal Auditing Office serves as the contact point for the system, and designates an individual responsible for the investigation depending on the particulars of each case to perform any necessary investigations. The whistleblower is treated anonymously to preclude any repercussions.

Risk management

The secretariat for the Risk Management and Compliance Committee is responsible for formulating action plans for risk management, seeking approval for the action plans from the committee, and reporting the results of the action plans to the committee. To identify specific risks, a risk management survey is completed once a year by deputy general managers and higher-level managers. The results of the survey are reported to the general managers of the business unit control divisions and other divisions, and meetings are held about the analysis of the results. The information is then shared with the Corporate Planning Office for mutual consultation on ways to reinforce responsiveness to various risks. A PDCA cycle for managing risk is then implemented, such as by breaking down risks to the department level and working to come up with solutions to issues.

The following risks have been identified as potentially having a significant impact on the business performance and financial condition of the Company.

- 1. Product planning and product development
- 2. Quality control
- 3. Human resources
- 4. Relationships with business partners
- 5. Change in business environment and customer demand
- 6. Customer information
- 7. Natural disasters, accidents, etc.

As countermeasures to the risk of natural disasters, accidents, etc., UNITED ARROWS LTD. is improving its disaster training and reconfirming escape routes in order to guide its customers to safety in the event of a natural disaster or a major accident. Fire prevention managers in each store receive training to refresh their knowledge of the important aspects of fire prevention.

In fiscal 2013, UNITED ARROWS LTD. began to formulate a business continuity plan in the event of a major earthquake directly beneath the Tokyo metropolitan area, updating procedures to follow immediately following a disaster, stockpiling emergency items, and looking into the feasibility of working from home and alternative office locations. In addition, an employee safety confirmation system has been installed and was tested successfully with an extremely high response rate.

3. Investor relations

Proactive approach to investor relations

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 investor relations 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 relations meetings each year for investors in Japan and overseas, arranges around ten small meetings with the president, and gives tours of its facilities.

UNITED ARROWS LTD. makes concerted efforts to ensure management transparency by setting a disclosure policy and maintaining a framework for the timely disclosure of information.

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

Aiming for open-ended shareholders’ meetings

UNITED ARROWS LTD. strives to send out convocation notices as quickly as possible for the purpose of having livelier shareholders’ meetings. For the 24th General Meeting of Shareholders held on June 26, 2013, convocation notices were mailed on June 6, approximately three weeks before the meeting was held.

The times and dates of shareholders’ meetings are purposely set to avoid coinciding with days that have a concentration of other meetings and held during the evening hours on weekdays to be more accessible to individual shareholders. Social gatherings are also organized to facilitate interaction between shareholders and the Company’s directors as a part of efforts to hold open-ended shareholders’ meetings.

External appraisal of our corporate activities and investor relations

In 2012, UNITED ARROWS LTD. was chosen as the Grand Prix winner by the Tokyo Stock Exchange for its Corporate Value Improvement Award as a part of its Listed Company Awards. This award was created in fiscal 2012 with the objective of encouraging management to improve corporate value, a desirable behavior from the perspective of a market operator such as



Awards ceremony for the Corporate Value Improvement Award

the Tokyo Stock Exchange. UNITED ARROWS LTD. was praised for establishing a business execution framework that is ingeniously geared toward improving corporate value, and its stellar reputation among investors for its efforts to increase corporate value.

In addition, UNITED ARROWS LTD.’s Annual Report 2012 was recognized by Nikkei, Inc. with a Special Prize (abridged edition category) in the Nikkei Annual Report Awards 2012, boosting the reputation of the Company’s investor relations activities.

→ P19 UNITED ARROWS LTD. Receives the Grand Prix “Corporate Value Improvement Award”

→ P48 Our Promise “Creating Value for Shareholders”

4. Measures to prevent a hostile takeover

UNITED ARROWS LTD. has adopted measures to prevent hostile takeovers for the dual purpose of protecting and enhancing corporate value as well as returns to shareholders. Under the plan adopted, entities seeking to acquire 20% or more of the Company’s issued and outstanding stock are required to provide certain information in advance and to follow a defined set of prerequisite procedures to ensure the protection outlined above. After completing all appropriate and necessary steps, the entity seeking to acquire the Company’s shares may proceed only when the Company’s Board of Directors decides not to invoke the plan. To avoid the possibility of an arbitrary decision by the Board of Directors to put in place countermeasures to prevent an entity from acquiring the Company’s shares, the Independent Committee, comprised solely of outside Audit & Supervisory Board members and other independent parties, is established to examine the decision from an objective perspective.

The purpose and role of the Independent Committee is not to impair profits attributable to shareholders or to protect the status and standing of directors. Its sole function is to ensure the fairness and integrity of decisions and by extension to protect the Company’s corporate value and returns to shareholders.

Board of Directors and Audit & Supervisory Board Members

as of June 26, 2013



Front row, from the left:
Shigematsu, Takeda

Back row, from the left:
Higashi, Fujisawa, Koizumi, Ishiwata

Osamu Shigematsu
Chairman and Director

The founder of UNITED ARROWS LTD. He resigned from the position of Representative Director and President to take up the position of Chairman and Director in April 2012. He offers advice on improving brand loyalty and promotes efforts aimed at strengthening creativity in order to provide customers with high value through fashion.

- 1989. 10 Founded the Company, became Representative Director, President of the Company
- 2004. 6 Became Chairman and Representative Director of the Company
- 2009. 4 Resigned as Chairman and Representative Director; became Representative Director, President and Executive Officer of the Company
- 2011. 4 Became Representative Director, President of the Company
- 2012. 4 Became Chairman and Director of the Company (current)

Mitsunori Fujisawa
Director and Executive Vice President
General Manager, Business Unit II, Outlet Department

He is the director responsible for green label relaxing, Small Business Unit Division II, and outlets. In addition to overseeing the operations of each business, he is actively engaged in strengthening the sales capabilities of the Company as a whole and strives to provide a level of service that offers increased value to customers.

- 1990. 3 Joined the Company
- 2005. 10 Became General Manager, Green Label Relaxing Division of the Company
- 2008. 7 Became Senior Executive Officer / General Manager, Green Label Relaxing Division of the Company
- 2010. 4 Became Senior Executive Officer / General Manager, Business Unit II / General Manager, Green Label Relaxing Division of the Company
- 2010. 6 Became Director, Managing Executive Officer / General Manager, Business Unit II / General Manager, Green Label Relaxing Division of the Company
- 2013. 4 Became Director, Executive Vice President / General Manager, Business Unit II, Outlet Department (current)

Hiroyuki Higashi
Director and Managing Executive Officer
General Manager, Business Unit I

He is the director responsible for the UNITED ARROWS, BEAUTY&YOUTH, CHROME HEARTS, Small Business Unit Division I. In addition to overseeing business operations aimed at further enhancing value and promoting Companywide product management, he spearheads a project that is looking at the opening of stores in Taiwan as a part of the Company's overseas business development activities.

- 1988. 4 Joined World Co., Ltd.
- 1996. 3 Joined the Company as Section Manager, Human Resources Section, President's Office
- 2000. 4 Became Department Manager, Human Resources Department / Department Manager, Corporate Strategy Department of the Company
- 2004. 8 Became Deputy General Manager, Business Management Division / Group Manager, Corporate Strategy Group of the Company
- 2005. 10 Became Manager, President's Office / Section Manager, Corporate Planning Section of the Company
- 2006. 7 Became Deputy General Manager, United Arrows Division of the Company
- 2008. 7 Became Senior Executive Officer / General Manager, United Arrows Division of the Company
- 2012. 4 Became Senior Executive Officer / General Manager, Business Unit I of the Company
- 2012. 6 Became Director, Managing Executive Officer / General Manager, Business Unit I of the Company (current)



Yukari Sakai
Standing Outside Audit & Supervisory Board Member

- 1991. 4 Joined Nomura Securities Co., Ltd.
- 1999. 9 Participated in the establishment of capital.com Co., Ltd. (currently e-Research JAPAN Inc.)
- 2001. 5 Participated in the establishment of Corporate Tune Co., Ltd.
- 2005. 1 Became Director of Corporate Tune Co., Ltd.
- 2005. 6 Became Standing Outside Audit & Supervisory Board Member of UNITED ARROWS LTD. (current)
- 2008. 6 Became Outside Auditor of Reprocell Inc. (current)

Mitsuhiro Takeda
Representative Director, President and Executive Officer

As representative director, he oversees the Company's annual as well as medium- and long-term management policies. Moreover, he presides over management, sales, and CSR activities. He is also active in building a robust management platform and a framework that is capable of generating stable growth. Through these efforts, he aims to ensure the Company's viability as a going concern for a century and more and to foster a corporate brand that is capable of excelling on the world stage.

- 1986. 4 Joined Kanematsu-Gosho, Ltd. (currently KANEMATSU TEXTILE CORPORATION)
- 2004. 4 General Manager, Europe and the U.S. Import Products Department, KANEMATSU TEXTILE CORPORATION
- 2005. 9 Joined the Company
- 2010. 4 Became Senior Executive Officer / General Manager, Business Unit I / General Manager, Brand Business Division of the Company
- 2010. 6 Became Director, Managing Executive Officer / General Manager, Business Unit I / General Manager, Brand Business Division of the Company
- 2011. 4 Became Director, Senior Executive Vice President / General Manager, Business Unit I / General Manager, Brand Business Division of the Company
- 2012. 4 Became Representative Director, President and Executive Officer of the Company (current)

Masami Koizumi
Director and Executive Vice President
General Manager, Administration Division, Plan Management Office

He is the director responsible for human resources, finance, accounting, administration, legal affairs, and investor relations. In addition to promoting IR activities, he works to reinforce governance in such areas as compliance, risk management, and internal control systems while overseeing the management of capital policies and long-term financial indicators.

- 1995. 7 Joined the Company
- 2000. 4 Became Department Manager, Finance and Accounting Department of the Company
- 2004. 12 Became Auditor of Netprice, Ltd.
- 2006. 6 Became Director of the Company
- 2007. 7 Became Director / General Manager, Administration Division / Department Manager, Finance and Accounting Department of the Company
- 2008. 4 Became Director / General Manager, Administration Division of the Company
- 2008. 7 Became Director, Managing Executive Officer / General Manager, Administration Division of the Company
- 2012. 4 Became Director, Executive Vice President / General Manager, Administration Division, Plan Management Office of the Company (current)

Gaku Ishiwata
Outside Director

Appointed as an outside director in June 2013. 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.

- 1997. 4 Registered with the Daini Tokyo Bar Association as an attorney-at-law
Joined Mori Sogo Law Offices (currently, Mori Hamada & Matsumoto)
- 2001. 9 – 2002. 8 Worked at Davis Polk & Wardwell, New York
- 2002. 6 Registered with the New York State Bar Association
- 2004. 9 Became member of the Corporate Value Study Group organized by Japan's Ministry of Economy, Trade and Industry
- 2005. 1 Became partner at Mori Hamada & Matsumoto
- 2005. 7 Became member of the First Subcommittee of Sectional Committee on Financial System of Financial System Council
- 2007. 4 Became part-time lecturer at Kyoto University Law School (current)
- 2008. 6 Became External Board Member of XERO CO., LTD. (current)
- 2010. 4 Became member of the Liaison Conference on Corporate Governance organized by Financial Services Agency
- 2013. 6 Became Outside Director of UNITED ARROWS LTD. (current)



Yoshiyuki Yamakawa
Outside Audit & Supervisory Board Member

- 1986. 4 Joined Nippon Life Insurance Company
- 2004. 9 Joined Sasei Co., Ltd.; appointed as Representative Director and Vice President
- 2006. 12 Established HIRUKI Partners Co., Ltd.; appointed as Representative Director, CEO (current)
- 2007. 6 Became Outside Audit & Supervisory Board Member of UNITED ARROWS LTD. (current)
- 2008. 6 Became Outside Director of Reprocell Inc. (current)
- 2010. 3 Became Director of D. Western Therapeutics Institute, Inc. (current)



Hironari Hashioka
Outside Audit & Supervisory Board Member

- 1991. 4 Joined Sumitomo Bank Co., Ltd. (currently Sumitomo Mitsui Banking Corporation)
- 1998. 4 Registered as an attorney-at-law
- 2004. 9 Became Outside Director of Golf Digest Online Inc. (current)
- 2007. 6 Became Outside Audit & Supervisory Board Member of UNITED ARROWS LTD. (current)
- 2011. 6 Became Outside Auditor of AP company; became Outside Auditor of TRENDERS, Inc.

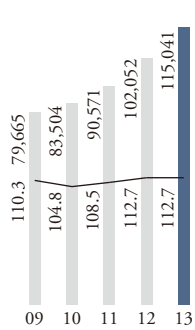
Management Indexes

UNITED ARROWS LTD. and consolidated subsidiaries

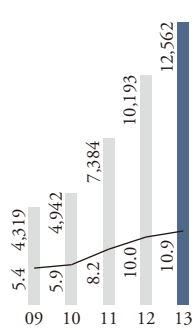
											millions of yen	thousands of U.S. dollars
years ended March 31	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
Performance												
Net sales	35,271	42,903	46,330	53,813	60,959	72,221	79,665	83,504	90,571	102,052	115,041	1,210,323
YOY (%)	130.9	121.6	108.0	116.2	113.3	118.5	110.3	104.8	108.5	112.7	112.7	
Gross profit	18,854	22,722	24,636	29,018	33,072	36,891	40,647	42,865	48,001	55,661	62,619	658,802
Composition ratio (%)	53.5	53.0	53.2	53.9	54.3	51.1	51.0	51.3	53.0	54.5	54.4	
Selling, general and administrative expenses	14,030	17,481	18,555	21,355	25,721	31,960	36,327	37,922	40,617	45,468	50,056	526,637
Composition ratio (%)	39.8	40.8	40.1	39.7	42.2	44.3	45.6	45.4	44.8	44.6	43.5	
Operating income	4,824	5,241	6,080	7,663	7,350	4,930	4,319	4,942	7,384	10,193	12,562	132,164
Composition ratio (%)	13.7	12.2	13.1	14.2	12.1	6.8	5.4	5.9	8.2	10.0	10.9	
Ordinary income	4,786	5,270	6,037	7,639	7,337	5,017	4,283	5,037	7,240	10,272	12,582	132,373
Composition ratio (%)	13.6	12.3	13.0	14.2	12.0	6.9	5.4	6.0	8.0	10.1	10.9	
Net income	2,561	2,877	3,476	4,076	3,511	3,800	1,274	1,403	3,596	5,016	7,316	76,977
Composition ratio (%)	7.3	6.7	7.5	7.6	5.8	5.2	1.6	1.7	4.0	4.9	6.4	
Financial condition												
Total assets	20,836	24,125	27,648	35,334	38,132	43,362	46,821	46,163	45,716	51,278	54,395	572,281
Total net assets	12,924	15,603	18,812	14,565	17,635	22,711	23,004	23,327	15,103	19,291	25,403	267,266
Inventory	7,679	9,594	10,216	10,959	14,258	17,043	18,681	16,903	15,867	15,753	17,480	183,911
Interest-bearing debt	1,400	2,136	1,180	10,183	8,246	7,416	11,899	7,748	16,132	10,114	7,773	81,780
Efficiency												
Total asset turnover (times)	1.7	1.8	1.7	1.5	1.6	1.7	1.7	1.8	2.0	2.0	2.1	
Inventory turnover (times) ^{*1}	5.4	5.0	4.7	5.1	4.8	4.6	4.5	4.7	5.5	6.5	6.9	
Return on investment (ROI) (%) ^{*2}	32.8	32.2	32.9	31.0	30.5	18.4	12.6	16.8	20.9	38.1	42.1	
Security												
Equity ratio (%)	62.0	64.7	68.0	41.2	46.2	52.4	49.1	50.5	33.0	37.6	46.7	
Debt equity ratio (%) ^{*3}	61.2	54.6	47.0	142.6	116.2	90.9	103.5	97.9	202.7	165.8	114.1	

* 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, 2013, of ¥95.05=U.S.\$1.
* The Company's accounts were presented on a consolidated basis from the fiscal year ended March 31, 2006.
* In May 2004 and April 2006, 1:2 stock splits were conducted.
^{*1} Inventory turnover = Net sales ÷ Inventory (yearly average)
^{*2} Return on investment = (Ordinary income ÷ Interest expenses) ÷ (Interest-bearing debt ÷ Shareholders' equity (yearly average)) × 100
^{*3} Debt equity ratio = (Current liabilities ÷ Noncurrent liabilities) ÷ Shareholders' equity × 100

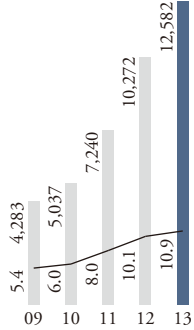
Net sales /
Net sales growth ratio
millions of yen / %



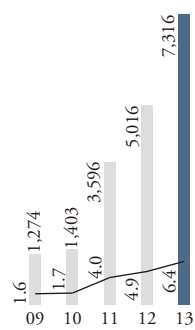
Operating income /
Composition rate
millions of yen / %



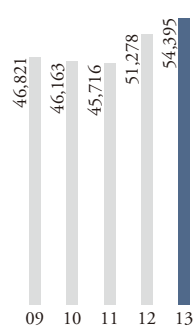
Ordinary income /
Composition rate
millions of yen / %



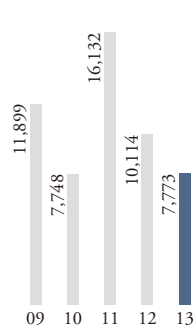
Net income /
Composition rate
millions of yen / %



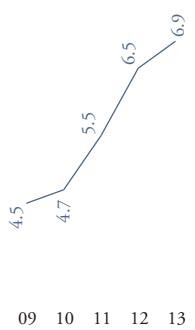
Total assets
millions of yen



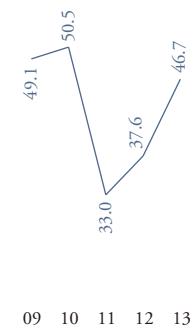
Interest-bearing debt
millions of yen



Inventory turnover^{*1}
times



Equity ratio
%



Consolidated Balance Sheets

UNITED ARROWS LTD. and consolidated subsidiaries
for the years ended March 31, 2012 and 2013

	millions of yen		thousands of U.S. dollars
Assets	2012	2013	2013
Current assets			
Cash and deposits	8,146	6,334	66,645
Notes and accounts receivable–trade	179	166	1,752
Merchandise	15,548	17,251	181,496
Supplies	204	229	2,414
Accounts receivable–other	7,156	8,940	94,061
Deferred tax assets	1,552	1,620	17,053
Other	423	448	4,720
Allowance for doubtful accounts	(3)	(2)	(28)
Total current assets	33,207	34,989	368,116
Noncurrent assets			
Tangible noncurrent assets			
Buildings and structures	13,696	14,977	157,569
Accumulated depreciation and accumulated impairment loss	(6,727)	(7,962)	(83,775)
Buildings and structures (net)	6,969	7,014	73,794
Land	569	569	5,996
Construction in progress	137	343	3,617
Other	3,448	3,744	39,399
Accumulated depreciation and accumulated impairment loss	(2,439)	(2,699)	(28,401)
Other (net)	1,009	1,045	10,998
Total tangible noncurrent assets	8,685	8,973	94,407
Intangible noncurrent assets			
Other	1,725	1,589	16,717
Total intangible noncurrent assets	1,725	1,589	16,717
Investments and other assets			
Investment securities	129	142	1,494
Guarantee deposits	6,478	7,001	73,659
Deferred tax assets	494	665	7,004
Other	583	1,060	11,161
Allowance for doubtful accounts	(26)	(26)	(280)
Total investments and other assets	7,659	8,843	93,040
Total noncurrent assets	18,071	19,405	204,164
Total assets	51,278	54,395	572,281

	millions of yen		thousands of U.S. dollars
Liabilities	2012	2013	2013
Current liabilities			
Notes and accounts payable–trade	7,983	8,496	89,392
Short-term loans payable	2,800	4,000	42,083
Current portion of long-term loans payable	3,541	3,091	32,526
Accounts payable–other	4,381	4,566	48,044
Income taxes payable	3,866	2,422	25,488
Provision for bonuses	1,993	2,070	21,783
Provision for directors’ bonuses	99	113	1,194
Asset retirement obligations	91	26	277
Other	939	936	9,850
Total current liabilities	25,696	25,724	270,640
Noncurrent liabilities			
Long-term loans payable	3,773	681	7,170
Provision for directors’ retirement benefits	521	313	3,302
Asset retirement obligations	1,954	2,264	23,821
Deferred tax liabilities	33	—	—
Other	7	7	79
Total noncurrent liabilities	6,290	3,267	34,374
Total liabilities	31,987	28,991	305,015
Net assets			
Shareholders’ equity			
Capital stock	3,030	3,030	31,877
Capital surplus	4,095	4,095	43,088
Retained earnings	23,600	24,456	257,302
Treasury stock	(11,463)	(6,197)	(65,201)
Total shareholders’ equity	19,262	25,384	267,068
Accumulated other comprehensive income			
Other valuation adjustments on securities	(21)	(12)	(136)
Deferred gains or losses on hedges	49	31	334
Total accumulated other comprehensive income	28	18	197
Total net assets	19,291	25,403	267,266
Total liabilities and net assets	51,278	54,395	572,281

Consolidated Statements of Income

UNITED ARROWS LTD. and consolidated subsidiaries
for the years ended March 31, 2012 and 2013

	millions of yen		thousands of U.S. dollars
	2012	2013	2013
Net sales	102,052	115,041	1,210,323
Cost of sales	46,390	52,422	551,520
Gross profit	55,661	62,619	658,802
Selling, general and administrative expenses	45,468	50,056	526,637
Operating income	10,193	12,562	132,164
Non-operating income			
Interest income	1	1	15
Dividend income	4	4	44
Rent income	14	56	592
Foreign exchange gains	38	—	—
Purchase discounts	39	46	484
Other	167	94	994
Total non-operating income	265	202	2,131
Non-operating expenses			
Interest expenses	133	84	885
Foreign exchange loss	—	31	331
Rent expenses	11	30	319
Commission fees	1	0	10
Other	40	35	375
Total non-operating expenses	186	182	1,922
Ordinary income	10,272	12,582	132,373
Extraordinary income			
Gain on sales of noncurrent assets	0	—	—
Total extraordinary income	0	—	—
Extraordinary loss			
Impairment loss	433	873	9,190
Provision for directors' retirement benefits	430	—	—
Other	45	80	852
Total extraordinary loss	908	954	10,042
Income before income taxes	9,364	11,627	122,330
Income taxes—current	4,776	4,577	48,161
Income taxes—deferred	(428)	(266)	(2,808)
Total income taxes	4,347	4,310	45,352
Income before minority interests	5,016	7,316	76,977
Net income	5,016	7,316	76,977

Consolidated Statements of Comprehensive Income

UNITED ARROWS LTD. and consolidated subsidiaries
for the years ended March 31, 2012 and 2013

	millions of yen		thousands of U.S. dollars
	2012	2013	2013
Income before minority interests	5,016	7,316	76,977
Other comprehensive income			
Other valuation adjustments on securities	(10)	8	87
Deferred gains or losses on hedges	37	(18)	(191)
Total other comprehensive income	27	(9)	(103)
Comprehensive income	5,044	7,306	76,874
(Breakdown)			
Comprehensive income attributable to owners of the parent	5,044	7,306	76,874
Comprehensive income attributable to minority interests	—	—	—

Consolidated Statements of Changes in Net Assets

UNITED ARROWS LTD. and consolidated subsidiaries
for the years ended March 31, 2012 and 2013

	millions of yen									
	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Other valuation adjustments on securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income	Total net assets	
Balance as of March 31, 2011	3,030	4,095	19,514	(11,537)	15,102	(11)	12	0	15,103	
Cash dividends paid by distribution of retained earnings			(915)		(915)				(915)	
Net income			5,016		5,016				5,016	
Disposal of treasury stock			(14)	74	59				59	
Cancellation of treasury stock			—	—						
Net changes in items other than shareholders' equity						(10)	37	27	27	
Net change during the year	—	—	4,086	74	4,160	(10)	37	27	4,188	
Balance as of March 31, 2012	3,030	4,095	23,600	(11,463)	19,262	(21)	49	28	19,291	
Cash dividends paid by distribution of retained earnings			(1,298)		(1,298)				(1,298)	
Net income			7,316		7,316				7,316	
Disposal of treasury stock			(25)	128	103				103	
Cancellation of treasury stock			(5,137)	5,137						
Net changes in items other than shareholders' equity						8	(18)	(9)	(9)	
Net change during the year	—	—	855	5,266	6,121	8	(18)	(9)	6,112	
Balance as of March 31, 2013	3,030	4,095	24,456	(6,197)	25,384	(12)	31	18	25,403	

	thousands of U.S. dollars									
	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Other valuation adjustments on securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income	Total net assets	
Balance as of March 31, 2012	31,877	43,088	248,298	(120,604)	202,661	(223)	525	301	202,962	
Cash dividends paid by distribution of retained earnings			(13,658)		(13,658)				(13,658)	
Net income			76,977		76,977				76,977	
Disposal of treasury stock			(265)	1,353	1,088				1,088	
Cancellation of treasury stock			(54,049)	54,049						
Net changes in items other than shareholders' equity						87	(191)	(103)	(103)	
Net change during the year	—	—	9,003	55,403	64,407	87	(191)	(103)	64,303	
Balance as of March 31, 2013	31,877	43,088	257,302	(65,201)	267,068	(136)	334	197	267,266	

Consolidated Statements of Cash Flows

UNITED ARROWS LTD. and consolidated subsidiaries
for the years ended March 31, 2012 and 2013

	millions of yen		thousands of U.S. dollars
	2012	2013	2013
Cash flows from operating activities			
Income before income taxes	9,364	11,627	122,330
Depreciation	1,417	1,519	15,987
Depreciation of intangible assets	304	237	2,499
Amortization of long-term prepaid expenses	95	111	1,167
Impairment loss	433	873	9,190
Increase (decrease) in provision for bonuses	760	76	807
Increase (decrease) in provision for directors' bonuses	39	14	153
Increase (decrease) in provision for directors' retirement benefits	430	(207)	(2,183)
Increase (decrease) in allowance for doubtful accounts	(14)	(1)	(11)
Interest and dividends income	(5)	(5)	(59)
Interest expenses	133	84	885
Loss (gain) on sales of property, plant and equipment	(0)	—	—
Increase in notes receivable	(1,948)	(1,745)	(18,368)
Increase in inventories	114	(1,727)	(18,174)
Increase in other current assets	(59)	(80)	(842)
Increase in purchase liabilities	789	513	5,400
Increase (decrease) in other current liabilities	1,883	3	38
Increase (decrease) in other noncurrent liabilities	2	0	7
Other	17	22	235
Subtotal	13,758	11,317	119,064
Interest and dividends income received	5	5	59
Interest expenses paid	(132)	(85)	(899)
Income taxes paid	(1,549)	(5,999)	(63,116)
Net cash provided by operating activities	12,081	5,238	55,108
Cash flows from investment activities			
Payments into time deposits	(12)	(12)	(126)
Purchase of property, plant and equipment	(2,012)	(2,187)	(23,017)
Payments for asset retirement obligations	(95)	(82)	(867)
Proceeds from sales of property, plant and equipment	1	—	—
Purchase of intangible assets	(158)	(166)	(1,747)
Purchase of long-term prepaid expenses	(184)	(555)	(5,840)
Payment for guarantee deposits	(624)	(757)	(7,971)
Proceeds from collection of guarantee deposits	369	235	2,473
Other	4	(2)	(22)
Net cash provided by investment activities	(2,711)	(3,528)	(37,120)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(10,000)	1,200	12,624
Proceeds from increase in long-term loans payable	8,000	—	—
Repayment of long-term loans payable	(4,017)	(3,541)	(37,260)
Proceeds from disposal of treasury stock	59	103	1,088
Cash dividends paid	(917)	(1,295)	(13,630)
Net cash provided by financing activities	(6,875)	(3,533)	(37,178)
Effect of exchange rate change on cash and cash equivalents	0	0	0
Increase (decrease) in cash and cash equivalents	2,494	(1,824)	(19,190)
Cash and cash equivalents at beginning of term	5,471	7,966	83,813
Cash and cash equivalents at end of term	7,966	6,142	64,622

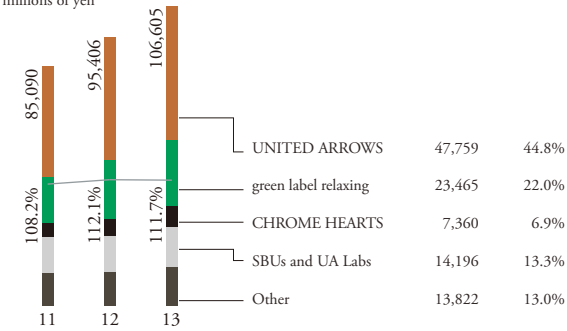
Data by Business and Category

Net Sales by Business and Category (non-consolidated)

Net sales by business and YoY / Composition rate

UNITED ARROWS LTD.

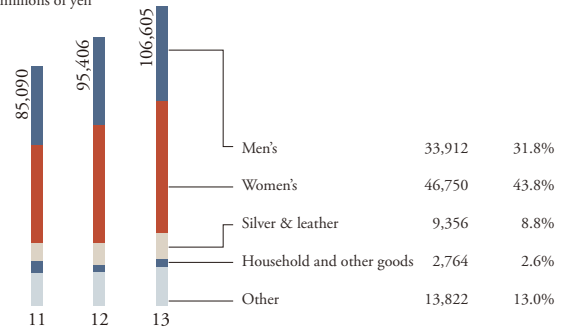
millions of yen



Net sales by category and YoY / Composition rate

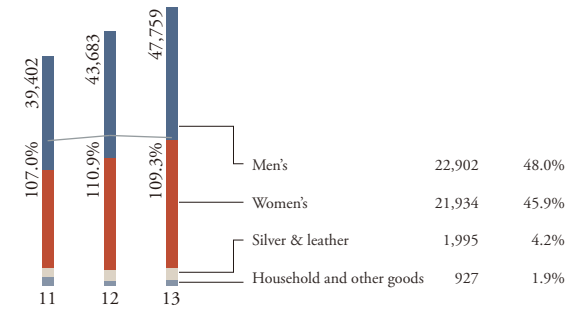
UNITED ARROWS LTD.

millions of yen



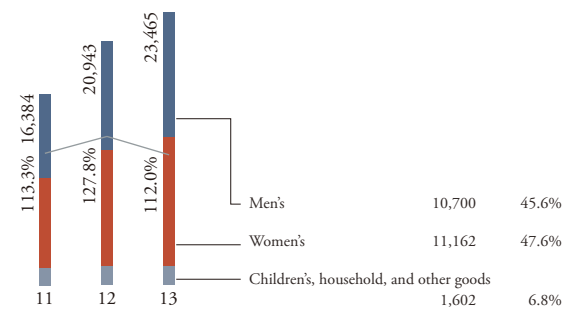
UNITED ARROWS

millions of yen



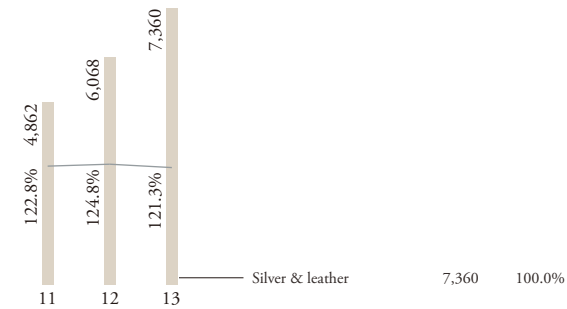
green label relaxing

millions of yen



CHROME HEARTS

millions of yen



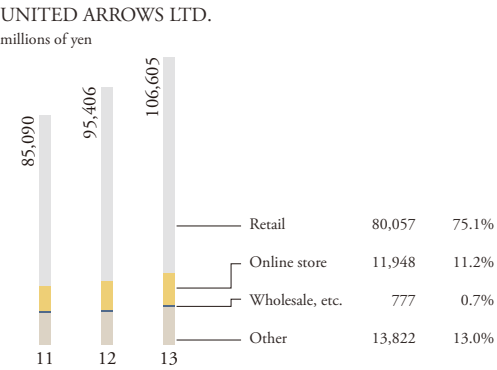
SBUs and UA Labs

millions of yen

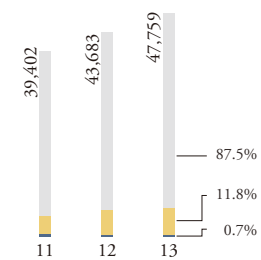


Net Sales by Sales Channel and Retail Area (non-consolidated)

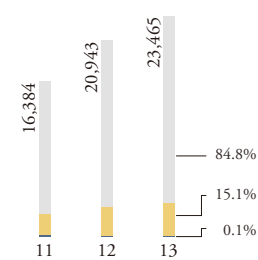
Net sales by sales channel / Composition rate (non-consolidated)



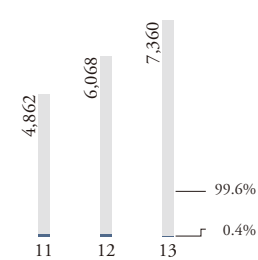
UNITED ARROWS
millions of yen



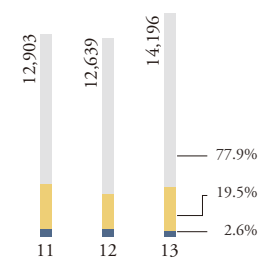
green label relaxing
millions of yen



CHROME HEARTS
millions of yen

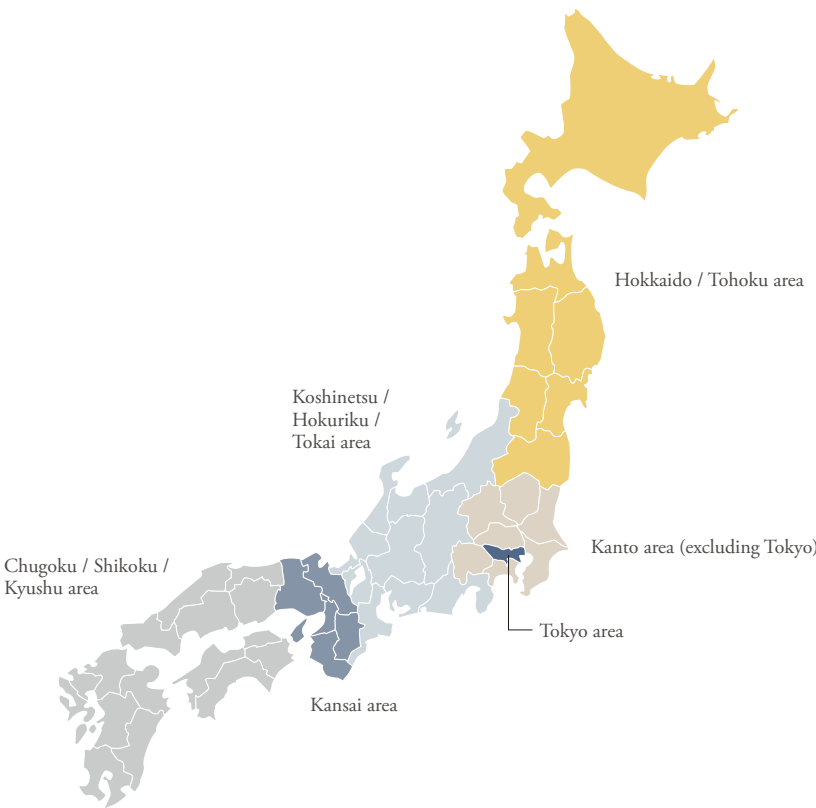


SBU's and UA Labs
millions of yen

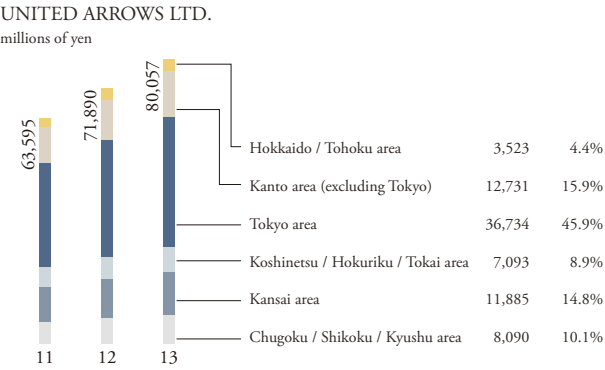


Store Network by Retail Area

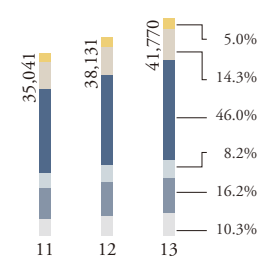
as of March 31, 2013



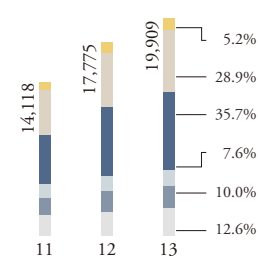
Net sales by retail area / Composition rate (non-consolidated)



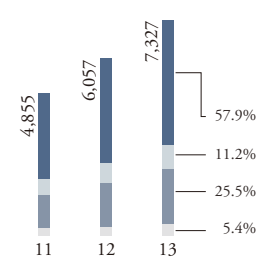
UNITED ARROWS
millions of yen



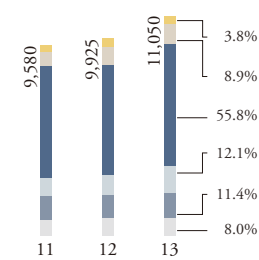
green label relaxing
millions of yen



CHROME HEARTS
millions of yen



SBU's and UA Labs
millions of yen



	Hokkaido / Tohoku area	Kanto area (excluding Tokyo)	Tokyo area	Koshinetsu / Hokuriku / Tokai area	Kansai area	Chugoku / Shikoku / Kyushu area	Total
UNITED ARROWS General Merchandise Store	2	1	5	1	—	2	11
UNITED ARROWS	1	3	7	1	7	2	21
BEAUTY&YOUTH UNITED ARROWS	1	6	11	3	5	7	33
UNITED ARROWS Label Image Store	—	—	2	—	—	—	2
UNITED ARROWS green label relaxing	2	17	16	5	7	9	56
CHROME HEARTS	—	—	4	1	2	1	8
SBU's and UA Labs	3	6	28	7	11	4	59
UNITED ARROWS Outlet	2	7	1	3	3	2	18
FIGO CO., LTD.	—	1	5	2	2	2	12
COEN CO., LTD.* ¹⁾	4	13	8	8	10	8	51
Total	15	54	87	31	47	37	271
Composition ratio of stores (consolidated)	5.5%	19.9%	32.1%	11.4%	17.4%	13.7%	100%

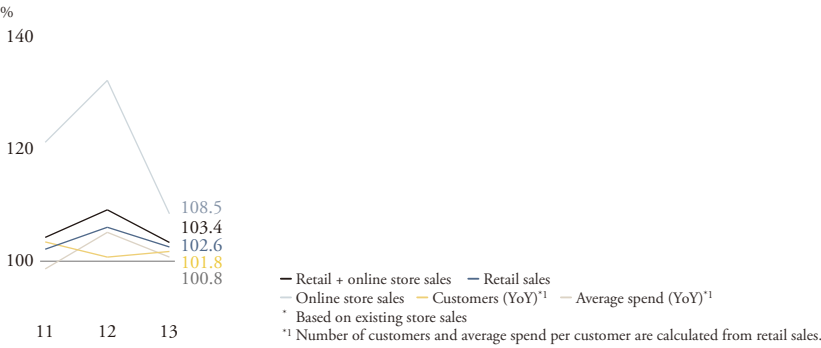
* monkey time BEAUTY&YOUTH UNITED ARROWS is included in the BEAUTY&YOUTH UNITED ARROWS business.

¹⁾ As COEN CO., LTD. settles its accounts on January 31, figures displayed are as of January 31, 2013.

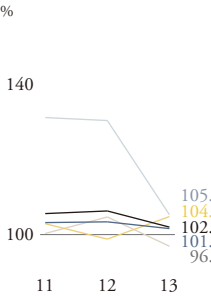
Data by Business and Store (non-consolidated)

Sales trends

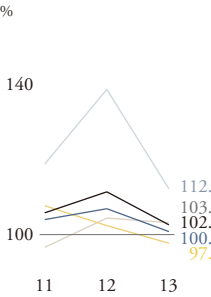
UNITED ARROWS LTD.



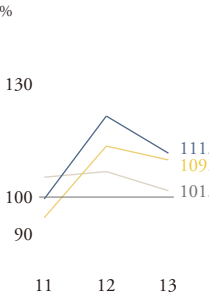
UNITED ARROWS



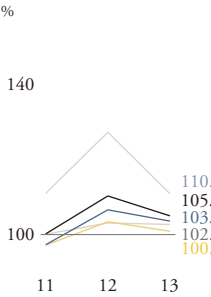
green label relaxing



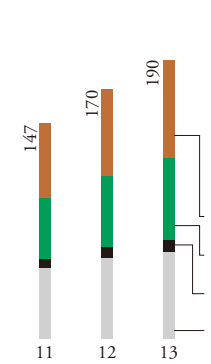
CHROME HEARTS



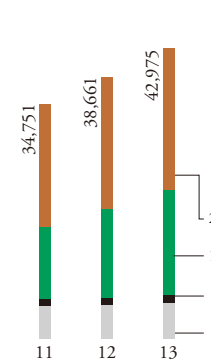
SBU's and UA Labs



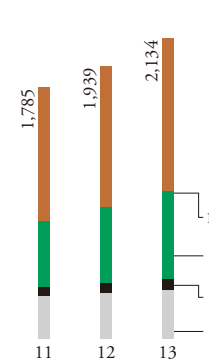
Number of stores
stores



Average sales area
m²



Average number of employees
people



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SBU's and UA Labs

Average annual sales, sales area, and number of employees per store

	UNITED ARROWS General Merchandise Store	UNITED ARROWS	BEAUTY&YOUTH UNITED ARROWS	UNITED ARROWS green label relaxing	CHROME HEARTS	SBU's and UA Labs
Average annual sales millions of yen	1,660	585	430	355	915	190
Average sales area m ²	550	240	290	300	150	90
Average number of employees people	37	16	19	12	10	6

History

- 1989.10 UNITED ARROWS LTD. founded in Jingumae, Shibuya-ku, Tokyo (capital: ¥50 million)
Osamu Shigematsu appointed Representative Director and President
- 1990. 7 First store, UNITED ARROWS SHIBUYA, opened in Jingumae, Shibuya-ku, Tokyo
- 1992.10 Main flagship store, UNITED ARROWS HARAJUKU, opened in Shibuya-ku, Tokyo, and
head office moved to the same location
- 1999. 7 Registered at the Japan Securities Dealers Association (currently the Tokyo Stock Exchange),
becoming an over-the-counter traded company
- 1999. 9 Full-scale start of UNITED ARROWS green label relaxing business with the opening of
UNITED ARROWS green label relaxing shinjuku in shinjuku LUMINE 2, Shinjuku-ku, Tokyo
- 1999.12 Full-scale start of CHROME HEARTS business with the opening of CHROME HEARTS TOKYO
in Aoyama, Minato-ku, Tokyo
- 2002. 3 Listed on the Second Section of the Tokyo Stock Exchange
- 2003. 3 Listed on the First Section of the Tokyo Stock Exchange
- 2003. 9 Renovated and renewed flagship UNITED ARROWS HARAJUKU store, increasing store area
- 2004. 6 Tetsuya Iwaki appointed Representative Director and President
- 2005. 2 Began offering products through ZOZOTOWN, an online store operated by START TODAY CO., LTD.
- 2005.11 Acquired all shares of FIGO CO., LTD., which mainly engages in the import, wholesale, and sale of
Italian bags and other accessories, and made it a fully consolidated subsidiary
- 2007. 3 Number of stores exceeds 100
- 2007. 8 Established PERENNIAL UNITED ARROWS CO., LTD. as a subsidiary mainly engaging
in planning and retailing of women's clothing and personal items
Agreed capital and business alliance with Mitsubishi Corporation
- 2008. 5 Established COEN CO., LTD. as a subsidiary mainly engaging in retailing of clothing and
personal items
- 2009. 4 Osamu Shigematsu appointed Representative Director, President and Executive Officer
- 2009. 9 Opened UNITED ARROWS LTD. ONLINE STORE, a proprietary online store
- 2010.12 Completed liquidation of PERENNIAL UNITED ARROWS CO., LTD.
- 2012. 3 Reported consolidated net sales and ordinary income in excess of ¥100 billion and ¥10 billion for
the first time
UNITED ARROWS LTD. online sales exceeded ¥10 billion for the first time
- 2012. 4 Mitsuhiro Takeda appointed Representative Director, President and Executive Officer
- 2012. 9 Capital and business alliance with Mitsubishi Corporation terminated
- 2013. 3 Non-consolidated sales exceed ¥100 billion for the first time
Achieved 24 successive periods of revenue growth since foundation; reported a second consecutive
fiscal year of historic high operating, ordinary, and net income
The total number of UNITED ARROWS LTD., FIGO CO., LTD., and COEN CO., LTD. stores stood at
208, 12, and 51, respectively, as of the end of the fiscal year

Corporate Data

as of March 31, 2013

Corporate profile

Trade name	UNITED ARROWS LTD.
Address	2-31-12 Jingumae, Shibuya-ku, Tokyo 150-0001, 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

Main banks	
1. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	
2. SUMITOMO MITSUI BANKING CORPORATION	
3. Mizuho Bank, Ltd.	
Accounting auditors	Deloitte Touche Tohmatsu LLC
Number of employees	3,092
Consolidated subsidiaries	FIGO CO., LTD. COEN CO., LTD.

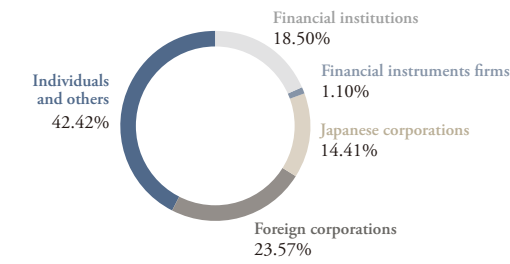
Stock information

Stock listing	Tokyo Stock Exchange, First Section
Securities code	7606
Number of authorized shares	190,800,000
Number of common shares issued ^{*1}	37,800,000
Number of shareholders	12,020

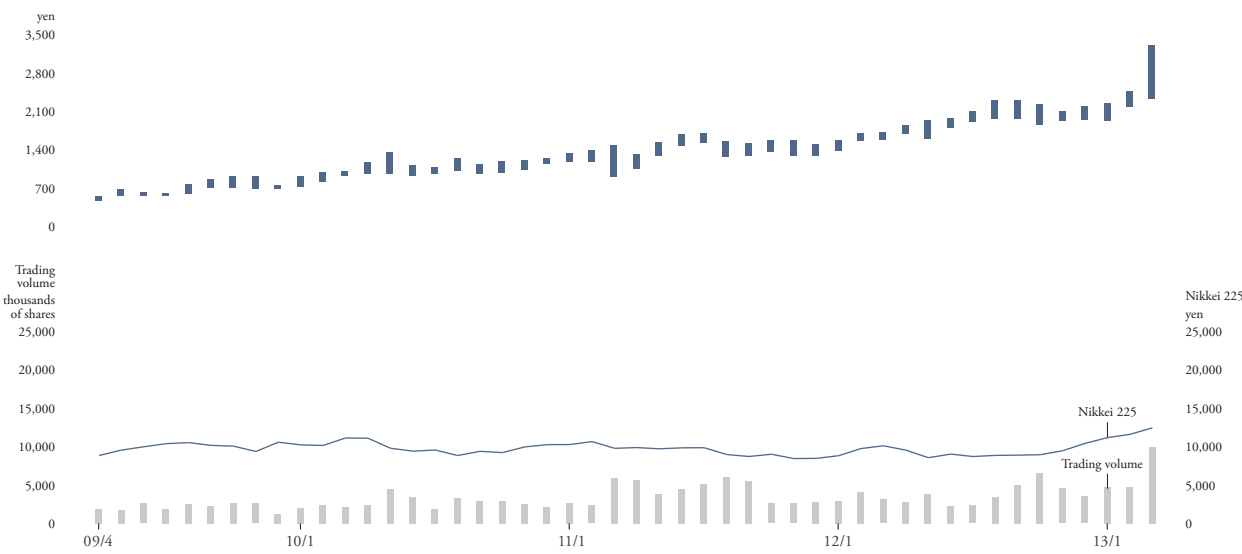
^{*1} Total number of shares of common stock issued includes 6,031,580 shares of treasury stock, equivalent to 15.95% of the total number of shares of common stock issued.

Major shareholders		
Name	Number of shares	Percent of total shares issued
Osamu Shigematsu	3,015,200	7.97
Japan Trustee Services Bank, Ltd. (Trust Account)	2,374,200	6.28
A.D.S Co., Ltd.	2,000,000	5.29
State Street Bank And Trust Company (Standing Agent: Hongkong and Shanghai Banking Corporation, Tokyo branch)	1,192,691	3.15
Rinzaw Co., Ltd.	1,148,400	3.03
Hirofumi Kurino	1,118,600	2.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,064,900	2.81
Tetsuya Iwaki	1,014,400	2.68
State Street Bank And Trust Company (Standing Agent: Mizuho Corporate Bank, Ltd., Settlement division)	953,188	2.52
Le Cottage Ltd.	800,000	2.11

Shareholder composition (by number of shareholders)



Stock price



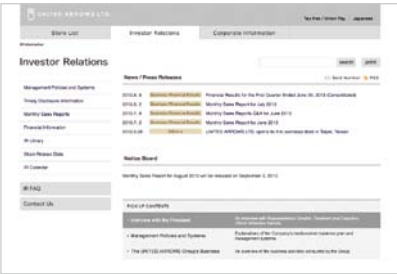
Editorial Policy

In addition to reporting on the Group's performance and management strategies, the UNITED ARROWS Annual Report 2013 has been prepared with a focus on conveying to readers details of the Group's past, present, and future as well as such non-financial values as human resources and the value chain.

About other IR tools and the Company's web site

Investor relations web site

www.united-arrows.co.jp/en/ir/ UNITED ARROWS LTD. posts a host of information on its web site. Data includes an overview of the company, its management policy, its business model, its financial results, frequently asked questions, and useful terminology. From the fiscal year ended March 31, 2013, UNITED ARROWS LTD. has uploaded a video allowing users to view the Company's earnings announcements (Japanese only) to analysts and institutional investors.



CSR web site (launched in August 2013)

www.united-arrows.co.jp/csr/ (Japanese only) Through its CSR site, UNITED ARROWS LTD. introduces details of its policy structure focusing on its promise to create value for customers, employees, business partners, society, and shareholders.



Individual business brand sites

In addition to an overview of each business and a list of stores, individual business brand sites introduce the latest products.

Contact us

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