



UNITED ARROWS LTD.

The UNITED ARROWS Group has positioned efforts to create globally recognizable and accepted values that set new standards of Japanese lifestyle as its overarching Company Policy. Our goal is to become a corporate brand that is capable of excelling on the world stage and enduring for over a century by creating and providing value to our customers through fashion.

Based on this Company Policy, we will continue to hone our service, products, and store environments, the three key sources of satisfaction for customers, while taking up the challenge of maximizing customer satisfaction.

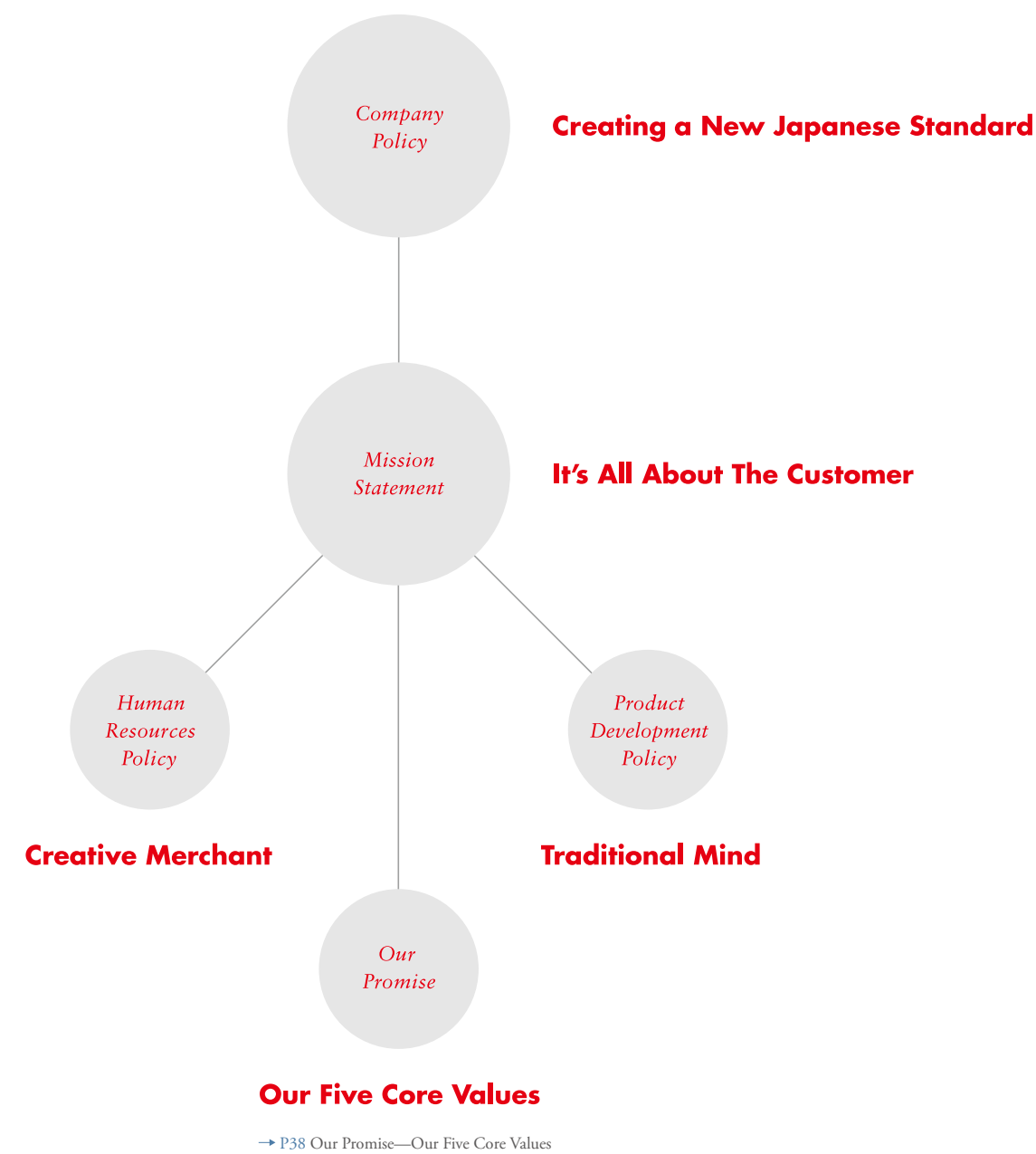
**UNITED ARROWS ROPPONGI HILLS**  
Embodying its next-generation spirit that has attracted the patronage of loyal customers for over a quarter of a century since the Company's foundation, ROPPONGI HILLS store is the UNITED ARROWS' flagship store. As a location where people from diverse cultures and with a wide range of values and lifestyles congregate, ROPPONGI HILLS store is a starting point from which we will create new lifestyle value and expand our brand value to the rest of the world. As we work toward becoming a century-old company, we will continue to evolve every facet of our operation from our service through our products to our store environments.





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.



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**Editorial Policy**  
UNITED ARROWS has adopted an integrated report format from 2017 as a means to further deepen its dialog with all stakeholders, including shareholders and investors.  
In addition to our stance toward promoting growth through the creation of sustainable value as well as details on the business structure that underpins our medium-to-long-term policies, strategies, and growth, Integrated Report 2017 provides a systematic summary and explanation of such non-financial information as corporate governance and our management approach toward society, the environment, and human resources in greater depth.  
In putting together this report, we have referred to the International Integrated Reporting Framework released by the International Integrated Reporting Council (IIRC).

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

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

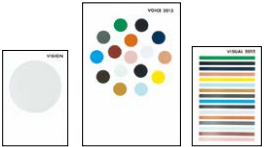
Company Policy Transitions



Company Policy Book, First Edition

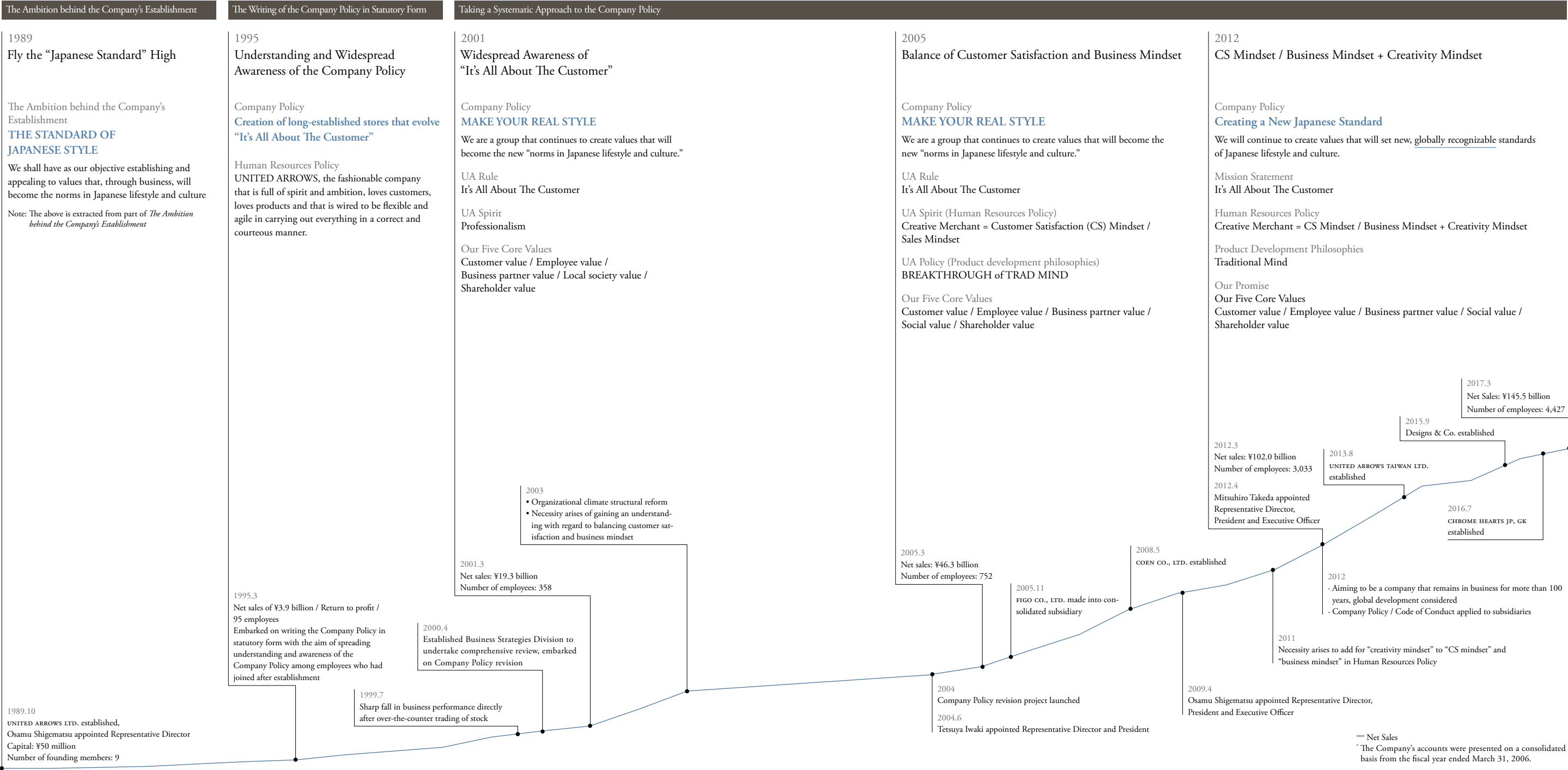


Company Policy Book, Second Edition



Company Policy Book, Third Edition

From left: The VISION envisaged by the Company Policy; VOICE, compiled from the results of employee surveys; VISUAL, comprising photographs contributed by employees on the theme of the essence of UNITED ARROWS



At the time of the Company's establishment in 1989, the founding members adopted The Ambition behind the Company's Establishment, which forms the basis of the current Company Policy. Since that time, while aiming to “set new norms in Japanese lifestyle,” an idea that forms the backbone of the Company Policy, “It's All About The Customer” has been regarded as the axis around which all corporate activities and decisions revolve.

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

guidelines shared among employees who hold diverse values so that they move forward in the same direction.

Through widespread awareness of the Company Policy, the aim of the entire management and all employees becomes clear. By having each and every person naturally considering, advancing, and making repeated improvements, while pushing on toward the realization of that aim, the Company is able as a result to advance in the direction of its goal. This policy management is underpinning the sustainable growth of the Company. The fundamental parts of the Company Policy have remained unchanged since the Company's establishment. While remaining essentially the same, revisions are made in response to the operating environment and issues. Whenever that

happens, the Company works toward resolving the issue at that time, but that has also given rise to new issues. On account of the new solutions to issues associated with changes in the operating environment and business expansion, the Company has gone back to the Company Policy in addition to working on a review and in this way is repeating processes. While redoubling its efforts to gain the understanding of its employees by putting together projects each time there is a revision, and viewing these as an opportunity to reconfirm thoughts toward the Company Policy, the Company is continuing its efforts so that those thoughts do not fade from memory. In the fiscal year ended March 31, 2017, the ratio of employees who showed empathy for the Company Policy was 94%<sup>\*1</sup>. We plan to

complete a third revision of our *Company Policy Book* by the fiscal year ending March 31, 2020, the final year of our Medium-Term Vision, in a bid to establish a robust management platform—one of the four strategies announced in May 2017. Bringing together the increasingly diverse values of more than 4,000 employees, we are embarking on the first steps toward putting in place a new policy through which to move forward in a uniform direction.

<sup>\*1</sup> From employee awareness survey conducted in fiscal 2017 (ratio of responses: 82%)

History of the UNITED ARROWS Group

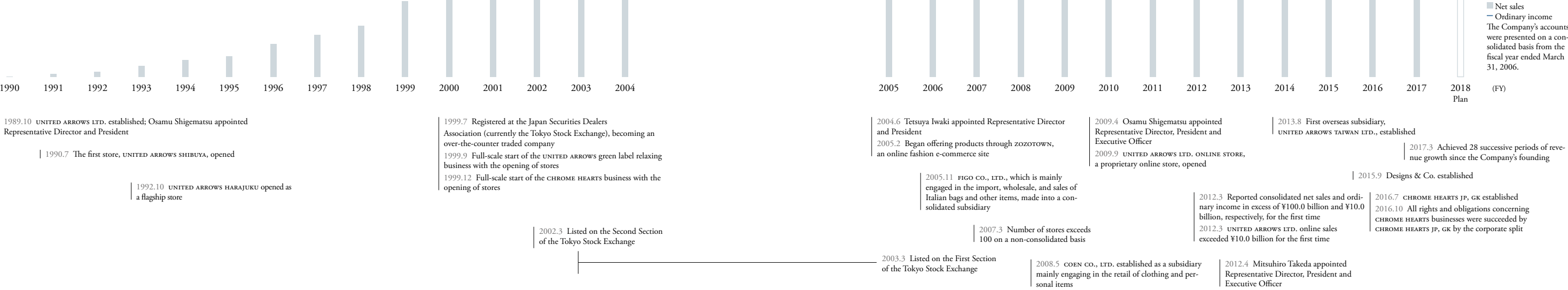
Since our foundation, we have been guided by our Mission Statement that, “It’s All About The Customer.” On this basis, our standing today is the result of an unwavering pursuit and endeavor to maximize customer satisfaction. Looking ahead, we will work to further bolster existing businesses while taking up fresh challenges and will continue to devote ourselves to enhancing value for all stakeholders, including customers.

|                        | Year ended March 31, 2007 | Year ended March 31, 2012 | Year ended March 31, 2017 |
|------------------------|---------------------------|---------------------------|---------------------------|
| Net sales              | ¥60,959 million           | ¥102,052 million          | ¥145,535 million          |
| Ordinary income        | ¥7,337 million            | ¥10,272 million           | ¥9,420 million            |
| Number of stores       | 124                       | 237                       | 360                       |
| Number of employees    | 1,166                     | 3,033                     | 4,427                     |
| Number of shareholders | 9,660                     | 13,878                    | 14,499                    |

Overcoming two incidents of profit decline, we are establishing a robust management platform

UNITED ARROWS LTD. has experienced a major downturn in its profits on two occasions over the past decade. The first incidence was over the three-year period from the fiscal year ended March 31, 2007 to the fiscal year ended March 31, 2009, and the second, again over a three-year period, was from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2017. The first three-year period of consecutive profit decline and substantial downturn in revenue and earnings compared with plans can be attributed to two broad factors. First was the breakdown in relations within the Company, which contributed to a framework that failed to accurately reflect comments and opinions gleaned from customers in the product planning process. Second was the dilution and dissipation of our business resources as we hastily pushed forward a growth expansion strategy without first putting in place the necessary framework and human resources. In order to rebuild the Company, our founder, Osamu Shigematsu, returned to the position of president from his role as chairman, and spearheaded three key efforts to: (1) ensure that customer feedback is effectively reflected in the product planning process and to reinforce collaboration between the product, sales, and promotion departments to secure the continuous development of products that are a half-step ahead of the market, (2) push forward initiatives aimed at building a product platform that will help visualize and standardize merchandising operations, and (3) promote various measures including the rationalization of underperforming businesses and stores as well as the streamlining of headquarter functions. As a result of these endeavors, UNITED ARROWS LTD. reported an increase in profit in the fiscal year ended March 31, 2010 for the first time in four years.

Despite a phase of earnings growth for the ensuing five years, the Company entered its second major trajectory of profit decline from the fiscal year ended March 31, 2015. There were two core reasons for this negative turnaround. First, the sharp and dramatic drop in the value of the yen from the beginning of 2013 forced us to increase the prices of certain fall and winter items in 2013. As these price increases extended to our full range of fall and winter items in 2014, we witnessed a sudden drop off in customers. Second, and in addition to continued weakness in the value of the yen, the Company was slow to evolve and improve in response to emerging signs of a major change in customer behavior as well as the clothing market brought about by the hike in Japan's consumption tax rate in April 2014 and such factors as uncertainty surrounding the future of social security. Taking up the reins from Mr. Shigematsu, Mitsuhiro Takeda assumed the position of president from 2012. Under his stewardship, steps were taken over roughly one year to put in place the UNITED ARROWS Group's Medium-Term Vision, details of which were announced in May 2017, in a bid to flexibly respond to changes in customer sentiment and the market while taking advantage of the Company's strengths. As far as our second phase of profit decline is concerned, we believe that trends bottomed out in the third fiscal year ended March 31, 2017. Moving forward, we will quickly establish a robust management platform and achieve long-term, sustainable growth.





I would like to take this opportunity to extend my sincere appreciation to all shareholders for their continued support and understanding.

In the fiscal year ended March 31, 2017, the UNITED ARROWS Group reported an increase in revenue and a decrease in earnings. Despite this downturn in earnings, we have become increasingly confident that the measures implemented during the fiscal year under review, including efforts to expand online sales and the opening of the new flagship store of UNITED ARROWS at ROPPONGI HILLS, will help us achieve our goal of next-generation growth. In the fiscal year ending March 31, 2018, we have put in place the UNITED ARROWS Group's Medium-Term Vision, which covers the three-year period from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020, taking into consideration changes in our business environment. Amid substantial changes in customer sentiment and the market, we will work to quickly improve profitability and establish a robust management platform that is capable of generating renewed growth.



Please provide us with an overview of the fiscal year ended March 31, 2017.

In the fiscal year under review, there were signs that new product and sales measures were helping to improve our performance. Despite these positive trends, we recognize that the internal improvements made were insufficient to fully address inclement weather conditions as well as changes in consumer spending patterns.

As far as our business performance is concerned, trends in online sales were robust. This was mainly due to the success of measures implemented including efforts to expand inventory and to integrate online and offline members to a new House Card program. While results in the UNITED ARROWS green label relaxing (GLR) and BEAUTY&YOUTH (BY) businesses were strong, in line with the shift to casual office wear and growing demand for functional clothing, the UNITED ARROWS (UA) and COEN CO., LTD. businesses struggled.

Accounting for these and other factors, the UNITED ARROWS Group reported an increase in revenue and a decrease in earnings. In specific terms, consolidated net sales amounted to ¥145.5 billion, up 3.3% compared with the previous fiscal year. Ordinary income, on the other hand, totaled ¥9.4 billion, a decrease of 15.7% year on year.

#### Store openings aimed at next-generation growth

In the fiscal year ended March 31, 2017, we opened stores that are designed to put forward new value proposals as a part of continuing evolution toward next-generation growth. Each of these stores are attracting wide acclaim from customers. Moving forward, we will look to further improve and fine-tune these newly opened stores and advance our brand image.



**UNITED ARROWS ROPPONGI HILLS**  
Embodying its next-generation spirit that has attracted the patronage of loyal customers for over a quarter of a century since the Company's foundation, ROPPONGI HILLS store is the UNITED ARROWS' flagship store.



**H BEAUTY&YOUTH**  
A new concept BY store that puts forward high-quality, high-end proposals while maintaining the taste of casual clothing.



**WORK TRIP OUTFITS GREEN LABEL RELAXING**  
A new concept GLR store that puts forward proposals that incorporate design and functionality focusing on men's and women's business wear.



Can you provide us with background information and what went into putting in place the new Medium-Term Vision?

Currently, we are seeing changes in the way customers value and purchase clothing in the domestic market. At the same time, the basic trend-conscious and new basic trend-conscious markets in which GLR and COEN are positioned are expanding. While historically a uniquely Japanese fashion market, today there is a sense that styles and trends are much the same as those found in global fashion advanced countries. From an internal perspective, and taking into consideration changes in the portfolio attributable to the future transfer of the CHROME HEARTS business, we recognize the need to build a new portfolio prior to completion of business transfer. We fully understand that our current focus must revolve around addressing these changes both in our internal and external environments.

Despite these changes in its environment, UNITED ARROWS LTD. remains buoyed by a raft of unwavering strengths. First and foremost, we draw on our relationships of trust with customers that we have nurtured over many years to guide us along the right path. In order to move forward, we acknowledge the importance of increasingly harnessing this inherent underlying strength to respond to changes in the market and to reestablish a robust management platform geared toward renewed growth.



Q Can you elaborate on the positioning of the new Medium-Term Vision and what you see as drivers of growth in the future?

We have positioned the three years of the new Medium-Term Vision as a period during which we will focus on establishing a robust management platform geared toward generating sustainable growth. Over the first half of this period, we will concentrate on reviewing underperforming businesses and brands as well as stores. From the second half, we will undertake investments with a view to renewed growth. This does not mean to say we are simply looking to streamline our operations. First, we will improve profitability, and then we will move on to new measures with a long-term perspective.

Looking ahead, we will work to expand sales in each of the basic trend-conscious and new basic trend-conscious markets. At the same time, we will grow online sales activities, which have a close affinity with each of these markets. We believe these two measures will help drive our business performance going forward. As an area of considerable strength in the past, UNITED ARROWS LTD. will continue to pursue quality over quantity in the trend-conscious market, and further enhance its brand power. Leveraging this brand power, we will expand operations in areas where we hold substantial competitive advantage in the basic trend-conscious and new basic trend-conscious markets. As far as our online sales activities are concerned, we will endeavor to raise the composition of online sales to total sales to between 25% and 30% by reinforcing our ability to deliver online services that come close to the levels provided at actual stores.

Q What major initiatives will you undertake in the fiscal year ending March 31, 2018?

We have identified “quickly improving profitability” as a key management goal in the fiscal year ending March 31, 2018. Despite our every effort, the speed at which we implemented measures over the past few years was insufficient to adequately address rapid changes in our external environment. Moreover, various other measures including steps to create new businesses placed continued downward pressure on profits from the fiscal year ended March 31, 2015. As a result, we are undertaking a review of the allocation of management resources while at the same time pursuing improvements in our profit structure.

In specific terms, we are working to improve the gross margin through a variety of initiatives. These initiatives include increasing the ratio of regular price sales and boosting business as well as ceremonial demand that is less susceptible to the weather. Furthermore, we are endeavoring to improve the efficiency of inventory by reducing the number of items and making positive adjustments to the timing and volume of each product launch. We are also conducting a drastic review of inefficient operations as well as unnecessary costs in a bid to improve the selling, general and administrative expenses to sales ratio. On top of these measures, we are expanding online sales activities by continuing to bolster the supply of inventory to online stores and are placing considerable emphasis on improving profitability. In the first year of the Medium-Term Vision, we will push forward each of these initiatives as a part of efforts to establish a robust management platform.

Q What is your approach toward addressing environmental, social, and governance (ESG) concerns?

Coexisting in harmony with society is critical to achieving long-term sustainable growth. As a part of its pledge to society and five core values, UNITED ARROWS LTD. has identified coexisting in harmony with society as a key element of its Policy Structure. Together with customers, the Company is currently striving to create value for society through its business activities. Among a host of measures, we are recycling down products and donating a portion of our product sales.

Moreover, we are placing considerable emphasis on the development of employees, who represent the source and driving force behind efforts to create customer value. In order to complement these efforts, we are also focusing on motivating employees and putting in place a workplace environment that they find rewarding. UNITED ARROWS LTD. is now in its 29th year

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The UNITED ARROWS Group's  
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Value Chain and Product Platform

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Our Promise—Our Five Core Values

of business. Over this period, we have witnessed various changes in employees' lifecycles. With this in mind, we recognize the hiring and development of human resources as an important management issue. From the fiscal year ended March 31, 2017, we have again vigorously focused on the Company's existing educator / student system as a part of efforts to promote the development of our human resources. At the same time, we are endeavoring to improve the quality of our customer service at frontline stores.

From a corporate governance perspective, and recognizing the importance of delegating the necessary authority to allow outside directors to properly monitor the Board of Directors and to ensure that decisions are made in a timely manner, UNITED ARROWS LTD. transitioned to a company structure with an Audit and Supervisory Committee from the previous fiscal year. After conducting an evaluation of the effectiveness of the Board of Directors in 2016, the Company recognized the need for proper and sufficient deliberation as an important issue. In the ensuing period, we have made every effort to review agenda items that go before the Board of Directors for resolution and implemented other measures to ensure that sufficient time is allocated for deliberation. Even in the formulation of the Medium-Term Vision, I am vigorously pressing outside directors for their opinions at each critical stage of deliberation. Based on the critical comments of outside directors, we have become newly aware of many issues and matters regarding what in the past was considered obvious. Currently, deliberations are conducted in an extremely active and lively manner. In addition, and in line with the move to a company structure with an Audit and Supervisory Committee, we established the Nomination and Compensation Committee. While ramping up efforts to ensure that value is properly shared between directors and shareholders, we spent many long hours discussing the need to put in place a compensation scheme that helps to increase corporate value over the medium to long term. Based on these discussions, UNITED ARROWS LTD. has adopted a restricted stock compensation plan effective from the fiscal year ending March 31, 2018.

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Corporate Governance  
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Message from an Outside Director

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

Rather than the pursuit of business scale, we intend to increase profitability and put in place a framework that shareholders will readily accept and feel confident about over the next three years. Our goals are to achieve an average annual ordinary income growth rate of 8% and an ordinary income margin of at least 7% in the fiscal year ending March 31, 2020. From the perspective of returning profits to shareholders, we are targeting ROE of 16% or more, a dividend payout ratio of 35% or more, and DOE of 5.5% or more. Through these means, we will work toward upgrading and expanding the return of profits to shareholders. UNITED ARROWS LTD. is committed to engaging in management that focuses equally on increasing profitability for the purpose of ensuring sustainable growth, undertaking growth investments, and paying stable dividends. In this manner, the Company places the utmost importance on balancing the need for growth with the return of profits to shareholders.

While operating results for the fiscal year ended March 31, 2017 fell below forecasts announced at the beginning of the period, UNITED ARROWS LTD. has set the annual dividend at ¥78 per share, unchanged from the previous fiscal year. This translates to a consolidated dividend payout ratio of 44.7% and DOE of 7.3%.

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

August 2017



Mitsuhiro Takeda  
Representative Director, President and CEO

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Approach to the Return of Profits to  
Shareholders over the Period of the  
Medium-Term Vision

The UNITED ARROWS Group’s Medium-Term Vision

The UNITED ARROWS Group has put in place a new Medium-Term Vision that will carry through to the fiscal year ending March 31, 2020. Recognizing that the market will also undergo a substantial change as a result of shifts in the value customers place on clothing as well as the manner in which purchases are conducted together with the ongoing development of the Group’s future portfolio following the transfer of the CHROME HEARTS business, the Vision lays out a three-year roadmap for establishing a robust management platform and working toward renewed growth.

Strengths and the Ideal Direction Ahead

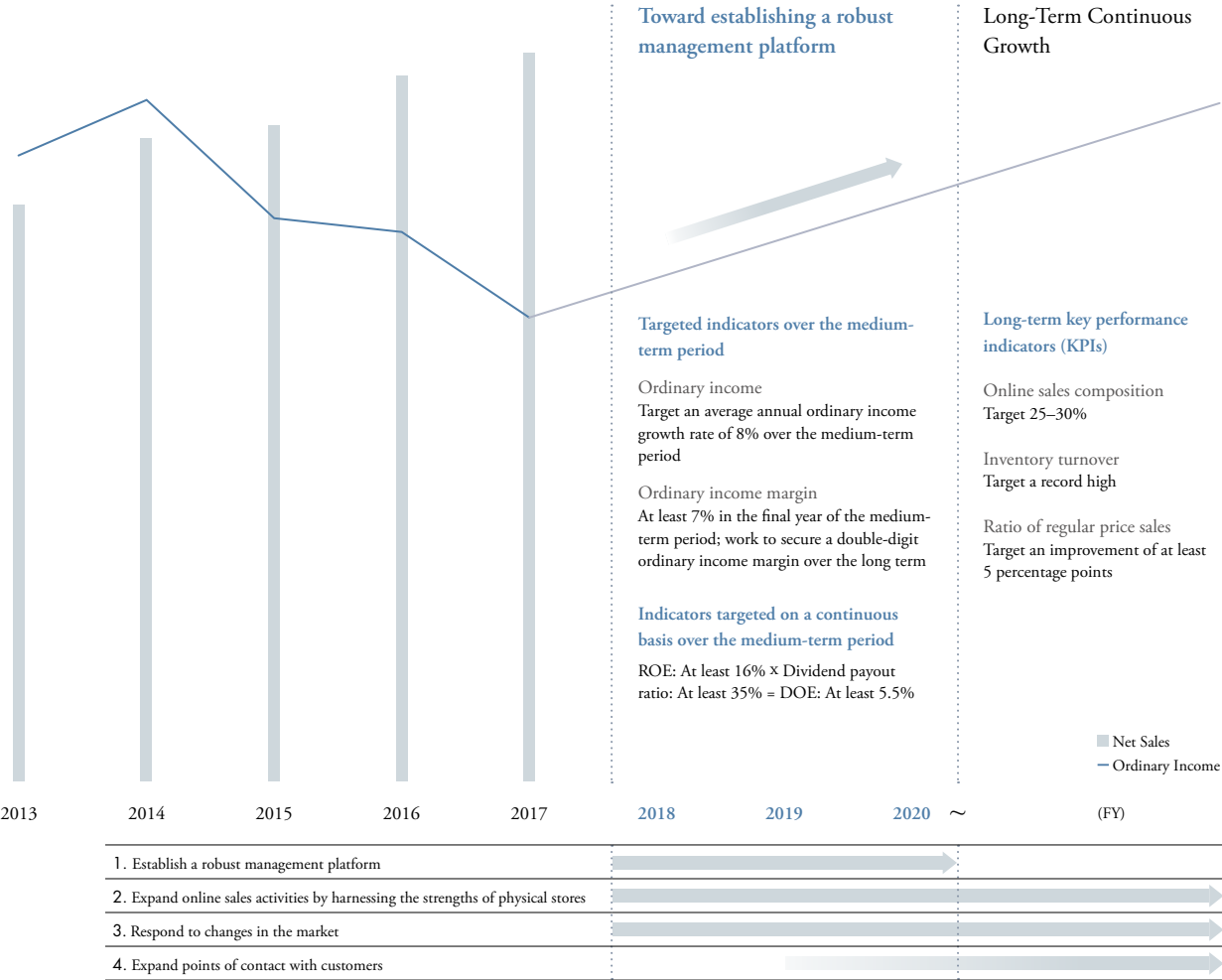
One of the Group’s leading strengths is the relationships of trust with customers it has nurtured over many years. Moving forward, the UNITED ARROWS Group will carry out four strategies in a bid to achieve its principal aspiration (Company Policy) by increasingly taking advantage of its strengths.

Four Strategies under the Medium-Term Vision

Harnessing the Company’s strengths, UNITED ARROWS LTD. will implement services that have been created in advance of customer changes while anticipating shifts in market trends.

- 1 Establish a robust management platform
- 2 Expand online sales activities by harnessing the strengths of physical stores
- 3 Respond to changes in the market
- 4 Expand points of contact with customers

Operating Results Trends and Positioning of the Medium-Term Vision



1 Establish a robust management platform

**Raise the awareness of our human resources**  
As far as the Group’s organizational climate is concerned, every effort is being made to reinforce widespread awareness toward the Company Policy. Initially formulated in 2001, UNITED ARROWS LTD. has also revised its *Company Policy Book* on two occasions to better reflect its operating environment and major issues over the ensuing period. Plans are currently in place to again revise the *Company Policy Book* during the period of the Medium-Term Vision. In line with this revision, the Company will endeavor to reinforce widespread awareness toward the Company Policy by implementing measures that will help provide employees with a deeper understanding of the Policy’s purpose and purport.

**Identify and evaluate underperforming businesses, stores, and activities; carry out appropriate countermeasures**  
In addition to identifying, and closing when considered necessary, underperforming stores, UNITED ARROWS LTD. will also look to identify underperforming businesses during the fiscal year ending March 31, 2018. Moreover, steps will be taken to pave the way for renewed growth during the period of the Medium-Term Vision.

**Ensure a sound earnings structure**  
UNITED ARROWS LTD. will redefine and promote an optimal cost structure while advancing cost awareness reform. The Company has set up a project team that reports directly to the president. In taking stock of business operations across the Group as a whole, our goals are to drastically revise operations that exhibit low efficiency and to eliminate unnecessary costs.

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

**Balance both online and physical store activities**  
Recognizing that customers’ needs differ depending on the sales format and channel, it is vital that we balance both online and physical store activities. Leveraging the sense of confidence and integrity built up by physical stores, every effort will be made to implement a variety of measures in a bid to promote further online sales growth. Looking ahead, we will fine-tune our physical and online store activities in order to pursue customer satisfaction through both channels.

**Future initiatives for expanding online sales**  
Aware of the considerable number of lost sales opportunities that continue to plague the Company, we will focus on expanding sales. To this end, we will proactively introduce inventory on an ongoing basis while increasing the precision of product planning. From an advertising and promotion perspective, we will endeavor to capture new customers by implementing a variety of initiatives. This includes broadly approaching potential customers mainly through the use of social networking sites (SNS) and similar media.

**The effects of online sales expansion**  
Recognizing that online stores offer higher profitability compared with physical stores, we will strive to increase profitability by expanding online sales. At the same time, we will maintain the sales efficiency of physical stores. Building on this policy, we will reinvest a portion of the additional profits generated to enhance loyalty toward physical stores and to secure high-quality sales staff. Through these means, we will maintain and further improve our inherent strengths. In light of the close affinity that online sales have with the basic trend-conscious and new basic trend-conscious markets, online sales expansion will also link in with initiatives aimed at addressing changes in the market.

**Long-term initiatives**  
UNITED ARROWS LTD. has identified the long-term objective of securing an online sales composition of between 25–30% on a consolidated basis.  
In line with advances in digital technology, trends within the retail sector are projected to undergo further major change. As a result, we will put in place online customer service and sales methods that compare favorably with physical stores. We will embark on providing customers with a new shopping experience. Among a host of measures, we will consider opening new showroom / fitting room stores.



The UNITED ARROWS Group’s Medium-Term Vision

3 Respond to changes in the market

Improve value and leave a distinctive mark on the trend-conscious market

For businesses positioned within the trend-conscious market, we will implement measures aimed at fostering overwhelming loyalty. We will make sweeping improvements from each of the product and sales perspectives. This includes rolling out the essence of UNITED ARROWS ROPPONGI HILLS, which underwent a complete renewal in 2016 with the next quarter-century in mind, as well as the H BEAUTY&YOUTH business, which boasts a lineup of highly impressive casual products, to existing stores.

Expansive growth in the basic trend-conscious market

In addition to placing the GLR business at the heart of our growth strategy in the basic trend-conscious market, and continuing to open GLR stores while expanding online sales activities, we will work to open independent stores and expand operations in the women's as well as business wear categories, where we have considerable competitive advantage. Turning especially to the business wear category, we will expand the WORK TRIP OUTFITS GREEN LABEL RELAXING concept already adopted at one store to other stores.

Promote a multi-business strategy in the new basic trend-conscious market

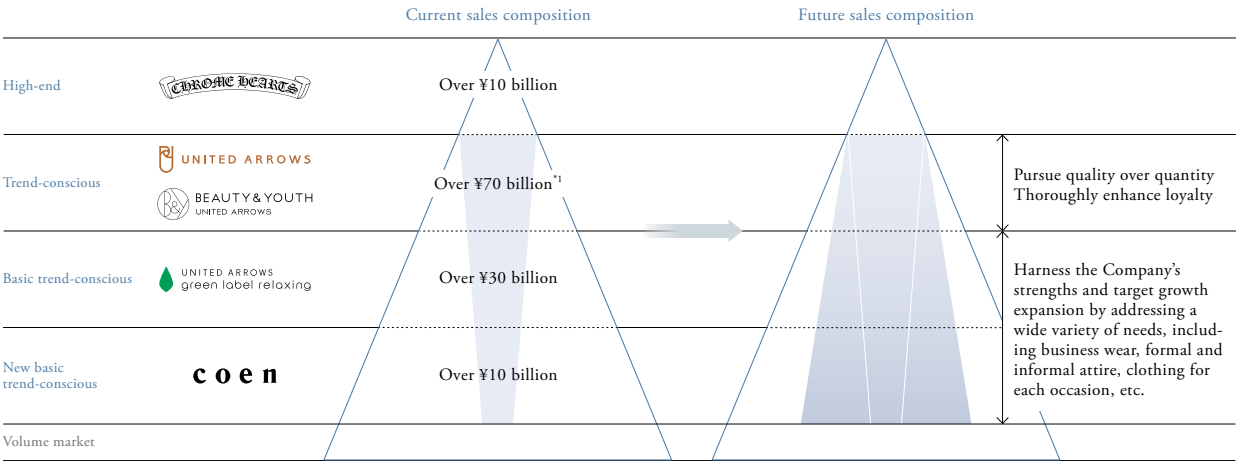
COEN CO., LTD. is the Group's major player in this market. As a result, we will strive to overhaul the company's management framework, reform its earnings structure, and improve its merchandising capabilities. In addition to reforming the existing COEN business, we will at the same time consider and implement the creation of new business categories where the company exhibits competitive advantage.

Further development in the product platform

To date, the product platform has evolved as a framework through which to support the product planning as well as progress and production management functions within the value chain. Moving forward, the product platform is expected to develop as a total management framework that covers the entire value chain.

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Value Chain and Product Platform

Sales Composition by Target Market over the Long Term



\*1 The total of UNITED ARROWS business and small business unit sales.

Target a Business Composition that is Compatible with Customers’ Values and Consumption Patterns while Making the Most of the Company’s Strengths

| Strengths | = | Brand power  | × | Sales capabilities   | × | Robust mechanisms  |
|-----------|---|--|---|--|---|--|
|           |   | <ul style="list-style-type: none"><li>Further fine-tune the depth of the UA brand</li><li>Promote shower effects through the UA brand</li><li>Target further growth expansion in the basic trend-conscious and new basic trend-conscious markets</li></ul> |   | <ul style="list-style-type: none"><li>Maintain strong customer service capabilities based on the Company Policy and Mission Statement</li><li>Maintain the ability to hypothesize, test, and make the necessary adjustments based on direct frontline feedback</li></ul> |   | <ul style="list-style-type: none"><li>A decade since setting up the product platform</li><li>Further advances in the mechanisms used to promote total management from the frameworks that support merchandising (MD) and production operations to the entire value chain</li></ul> |

4 Expand points of contact with customers

Expand domains

Energies will be channeled toward addressing changes in the way customers spend money. In specific terms, we will also consider entering fields other than clothing. Every effort will be made to develop products across a wide range of areas that encompass customers’ lifestyles in a bid to crystallize our Company Policy, “to create globally recognizable and accepted values that set new standards of Japanese lifestyle.”

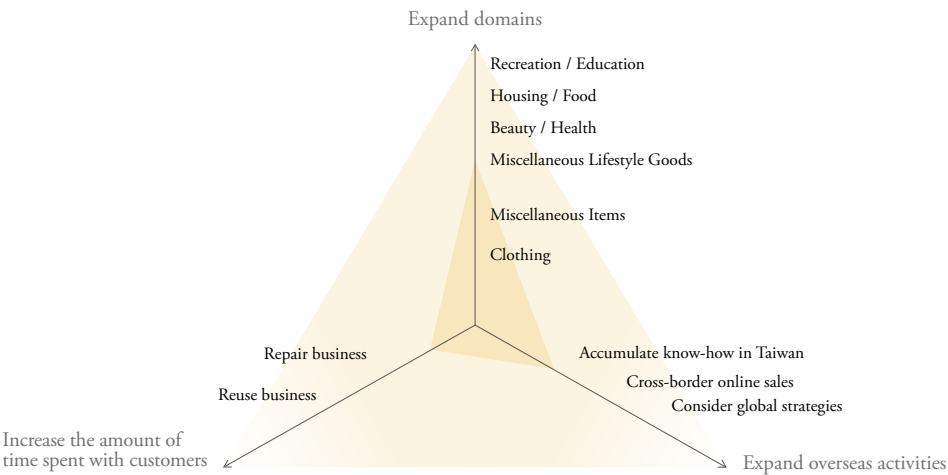
Increase the amount of time spent with customers

Particular emphasis will be placed on continuously enhancing customer value by increasing the amount of time spent with customers through products even after their sale. To this end, we are considering opportunities in the repair and reuse businesses. As a part of these efforts, H BEAUTY&YOUTH, which is also putting forward proposals that include second-hand clothes, is attracting acclaim from customers in Japan and overseas.

Expand overseas activities

Turning to business activities in Taiwan, the UNITED ARROWS Group will continue to accumulate knowledge by promoting both physical and online sales activities. At the same time, we will verify the potential for overseas development in cross-border online sales and consider next-generation global strategies in line with the above.

Image of Expand Points of Contact with Customers



Approach to the Return of Profits to Shareholders over the Period of the Medium-Term Vision

Balanced approach toward growth and the return of profits to shareholders

UNITED ARROWS LTD. will undertake operating investments geared toward sustainable growth utilizing the scope of cash flows from operating activities. In determining the implementation of operating investments, the Company will verify such key issues as recoverability within the set fiscal year after taking into consideration internally fixed capital costs (approximately 8%).

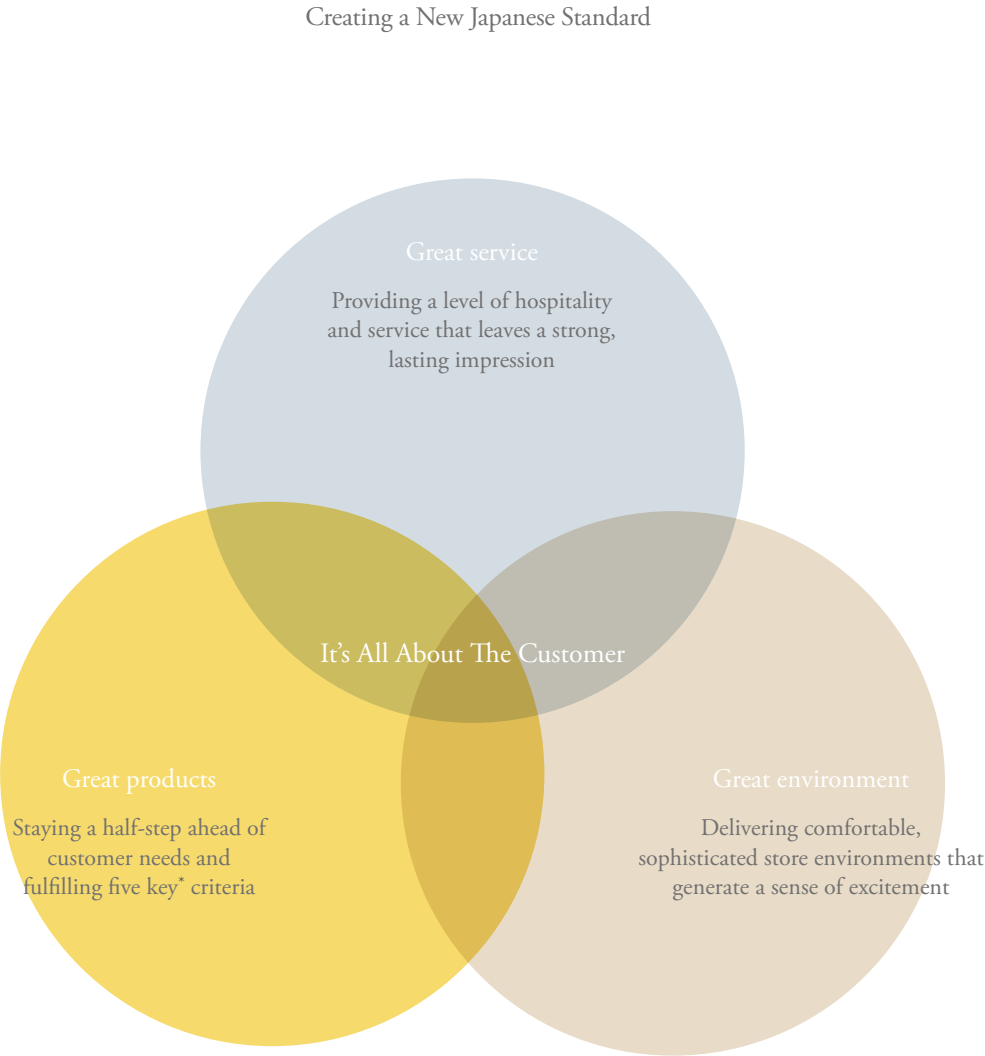
At the same time, we will practice management that emphasizes capital efficiency while working to balance the needs for growth and the return of profits to shareholders by providing stable dividends.

Consolidated indicators targeted on a continuous basis over the medium-term period  
ROE: At least 16%×Dividend payout ratio: At least 35% = DOE: At least 5.5%

Trends in the Dividend Payout Ratio, ROE, and DOE

| (FY)                  | 12    | 13    | 14    | 15    | 16    | 17    |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Dividend Payout Ratio | 22.7% | 23.0% | 26.9% | 39.1% | 36.3% | 44.7% |
| ROE                   | 29.2% | 32.7% | 27.8% | 20.2% | 20.0% | 16.1% |
| DOE                   | 5.9%  | 6.6%  | 6.8%  | 7.7%  | 7.0%  | 7.3%  |

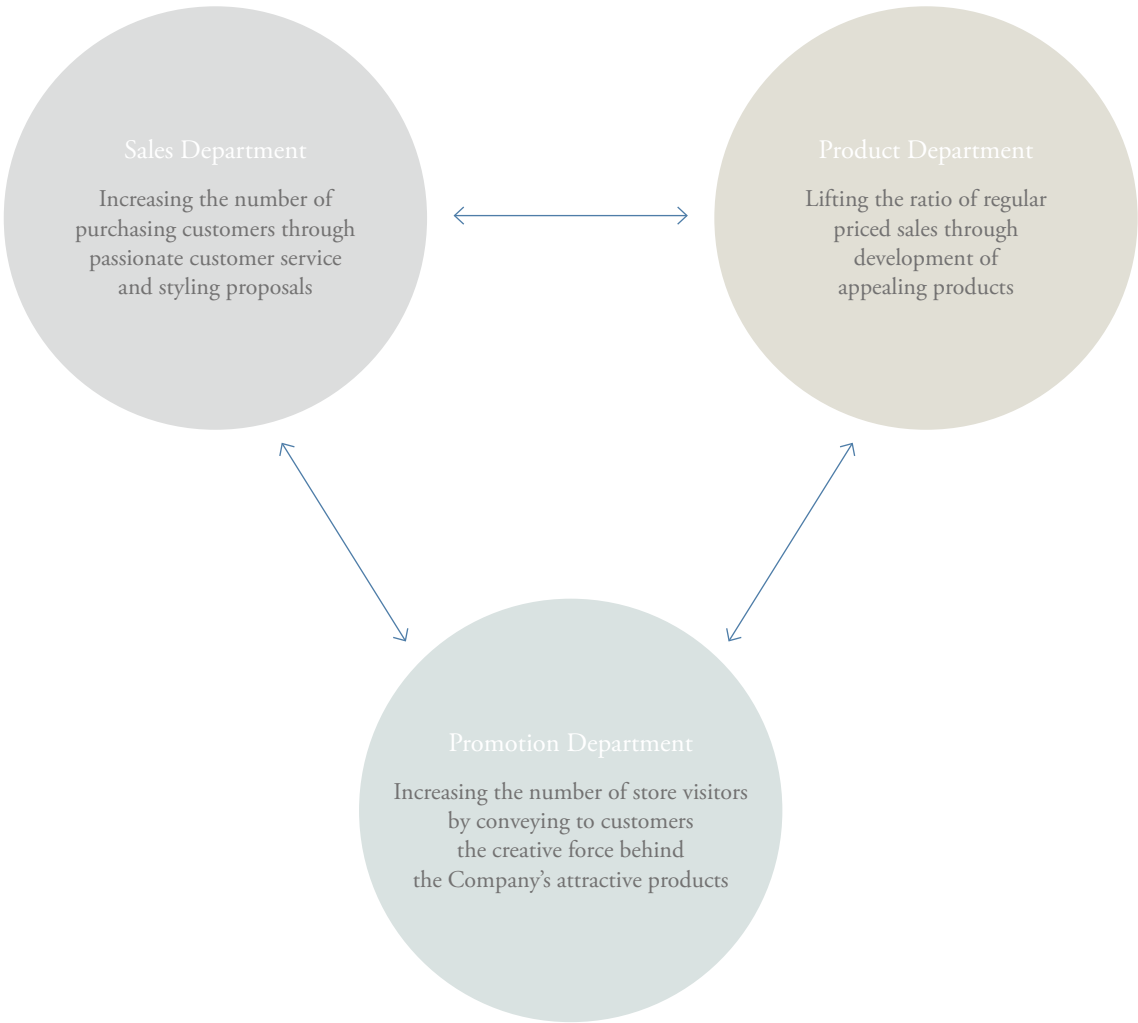
Three Key Sources of Satisfaction for Customers



UNITED ARROWS LTD. set a definite rule: “It’s All About The Customer.” On the basis of that rule, we continue to hone the three key sources of satisfaction for customers—our service, products, and store environments—that are also the source of our competitive strength. The basic stance that all UNITED ARROWS LTD. employees have continued to unwaveringly adopt, from the time of our foundation to the present day, this way of thinking forms a fundamental part of the Company. By continuing to allow those three key sources of customer satisfaction to naturally evolve, we move closer to realizing our Company Policy of “creating globally recognizable and accepted values that set new standards of Japanese lifestyle.”

\* Five key criteria: Customers can purchase (1) the products they want, (2) when they want, (3) where they want, (4) in the quantities they want, and (5) at the prices they want.

Cycle of Collaboration between Product, Sales, and Promotion Departments



To utilize customer feedback across its sales activities, UNITED ARROWS LTD. is bolstering the cycle of collaboration between its product, sales, and promotion departments, with its stores as the starting point.

The product department is drawing on the opinions of the sales department, which comes into direct contact with customers, and also taking the initiative to visit actual stores to develop products that strike a balance between fulfilling customer needs and keeping a half-step ahead of the times. Making the most of these strengths, the staff responsible for products will work to lift the ratio of regular priced sales by developing highly original and creative as well as appealing products. Serving as a bridge between the product and sales departments, the promotion department will continue to “encourage existing customers to visit a store again and sales

promotion activities designed to make customers become fans” and move forward with “promotional activities designed to attract new customers to visit stores” to increase the number of customers visiting actual and online stores. The sales department will endeavor to increase the number of purchasing customers through providing customer service that exceeds customers’ expectations and coordinating proposals that are brimming with an innate sense and creativity. In addition, the sales department supports product development by accurately communicating the desires of customers to the product department.

Following the creation of a virtuous cycle of collaboration between these three departments, the Company will seek to maximize customer satisfaction by continuing to provide products and services that are unique to UNITED ARROWS LTD.

Special Feature: Online Sales Initiatives

In recent years, trends in online sales have evolved in a manner that continues to amaze. This is mainly due to growth in the online market and the increasingly widespread use of smartphones. Customers today obtain product information using e-commerce sites in advance. Physical stores then serve as a location to confirm size as well as styling and to complete purchase including payment. As this trend gathers momentum, e-commerce sites are expanding beyond their traditional role of purchase settlement by fulfilling the more significant function of a medium through which to attract and direct customers to physical stores. Amid the growing number of customers who strategically utilize physical and online stores according to their specific needs, UNITED ARROWS LTD. has continued to position online sales as an important component within its medium- and long-term strategy in order to seamlessly link both channels.

Trends in Online Sales in the Fiscal Year Ended March 31, 2017

In the fiscal year ended March 31, 2017, online sales came to ¥20.2 billion on a non-consolidated basis. This was 24.2% higher than the level recorded in the previous fiscal year. The ratio of online sales climbed to 16.0%, up 3.3 percentage points compared with the previous fiscal year. Amid slightly weak retail existing store sales, which declined 2.2% year on year, existing online store sales grew substantially, climbing 23.6% compared with the previous fiscal year. In the fiscal year under review, the total of retail and online existing store sales improved 2.0% year on year. On this basis, an upswing in the number of customers utilizing e-commerce sites helped drive overall results forward.

Two core factors underpin the aforementioned trends. In addition to successful efforts to expand online inventories, the Company promoted the shift of clearance sale needs to online stores.

1. Expand online inventories

In addition to its own e-commerce site, UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE), inventory information at the Company's distribution centers is linked to most other e-commerce sites. As a result, an item that is in stock at one of our distribution centers can be delivered and sold on to customers even when it is out of stock at a particular e-commerce site. This in turn helps to minimize sales opportunity loss. In addition, we post photographs of certain products on e-commerce sites without providing inventories. Items are then delivered after an

order has been received. Despite promoting these initiatives, the Company continued to fall short of adequately meeting reshipment requests from customers. By increasing the initial allocation of inventory to online sites roughly 30%, we were able to minimize opportunity loss and increase sales during the fiscal year ended March 31, 2017. In the fiscal year ending March 31, 2018, we will vigorously introduce inventory focusing on strategic products that can be expected to generate high sales volumes as part of our efforts to further reduce sales opportunity loss while continuing to strengthen the allocation of inventory.

2. Shift clearance sale needs to online stores

The number of customers who purchase items through e-commerce sites to avoid the crowds that are part and parcel of most clearance sale periods at physical stores is increasing. Under these circumstances, and as stocks of items in the right color and size run out at actual stores toward the latter half of clearance sale periods, resulting in sales opportunity loss, steps are being taken to increase inventory efficiency by consolidating clearance sale products on e-commerce sites. In line with efforts to promote a segmented merchandising strategy in recent years, the need to quickly reduce inventories through the use of clearance sales is climbing. As an added benefit, the concentration of clearance sale products on e-commerce sites is helping to lift the ratio of online clearance sale sales and to strengthen new product proposals, which is in turn enhancing the fresh appeal of physical stores.

UA ONLINE STORE Initiatives

The strong sense of reliability and integrity held by customers toward UNITED ARROWS LTD. that has been nurtured through its network of physical stores is recognized as the source and driving force behind the Company's online sales. Based on this understanding, every effort is being made to implement measures that will help to further increase collaboration between UA ONLINE STORE and the Company's physical stores.

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

Previously run on a separate basis, the Company integrated its House Card member system with UA ONLINE STORE members in August 2016. Under this initiative, House Card members can use their existing ID to make purchases on UA ONLINE STORE. At the same time, steps have also been taken to consolidate the physical store and UA ONLINE STORE point service programs. With each purchase of ¥100 representing one point and one point equivalent to ¥1, customers can accrue points irrespective of where or how the purchase was made and apply these points at either the Company's physical or e-commerce site stores. Again, and in conjunction with this measure, UNITED ARROWS LTD. has integrated its House Card with e-commerce site applications. In addition to iOS, the Company has launched an Android version as part of its efforts to broaden access to users. These endeavors are serving to not only help capture new members but also to invigorate existing members, resulting in substantial improvements in a variety of indicators.

2. Introduce a marketing automation tool

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

3. Integrate and renew the Company's UA ONLINE STORE and brand sites

As the number of customers who undertake purchases through a combination of physical and online stores increases, we are seeing more and more media commerce sites that bring together in a single package media from which to obtain a variety of information and online sales stores that provide customers with an enjoyable shopping experience emerge. As far as UNITED ARROWS LTD. is concerned, the Company integrated its brand site, which posts information primarily about its physical stores, with UA ONLINE STORE in April 2017. This renewal entailed the opening of a completely new site. With a single point of entry to the site, we are

seeing the number of sessions increase by more than 40% compared with the number prior to renewal. UA ONLINE STORE sales have also increased substantially, climbing 24.2% as of the end of June 2017 compared with the corresponding period of the previous year. ①

4. Other

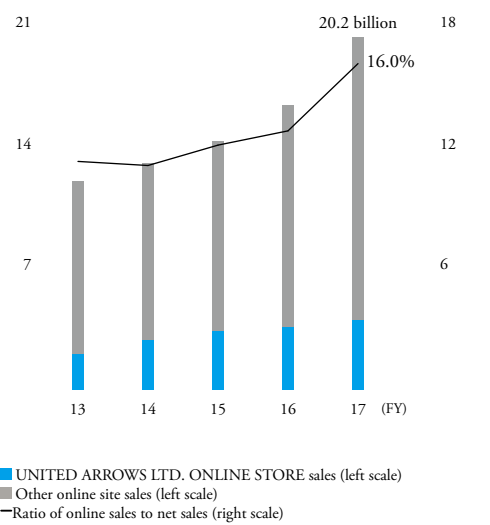
• Displaying actual store inventory  
The status of actual store inventories for each product is posted on the product page of the UA ONLINE STORE site. This initiative is aimed at attracting customers who use online sites instead of browsing through catalogs. Inventory data is updated every 90 minutes, allowing customers to confirm the status of inventories on virtually a real-time basis. We are currently witnessing a substantial number of days when customer inquiries regarding the status of inventories at physical stores exceeds 1,000. On this basis, we believe that this service goes a long way toward addressing the recent customer trend of viewing e-commerce sites prior to visiting physical stores.

• Posting staff styling information  
As a means for customers to gain an insight into the styles worn by staff at physical stores, the staff styling page is proving extremely popular. Styling proposals are displayed by brand, gender, casual as well as office wear, and height. ②

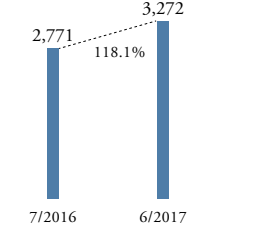
• Enabling customers to confirm the size of products online  
UNITED ARROWS LTD. has put forward the VIRTUSIZE function that allows customers to compare the size of merchandise they are thinking of buying with items in their wardrobe on an online virtual basis. It is now possible for customers to easily compare the size of a product they are looking to purchase by registering the size of items owned together with a history of purchases through UA ONLINE STORE. The VIRTUSIZE function is attracting wide acclaim for its added convenience from customers who are hesitant to make an online purchase due to anxieties regarding whether the size will fit as well as customers who wish to simplify the processes required to confirm the size of products. ③

• Adding various services  
In line with the renewal undertaken in April 2017, moves were made to increase the options available for settling online purchases. This includes mobile phone carrier billing, Rakuten Smartpay, and Guest Purchase. At the same time, we have added new services that allow, for example, customers to make adjustments to the hems of pants online. For the benefit of overseas customers, we have launched an automatic English and Chinese translation as well as cross-border e-commerce services from June 2017. Looking ahead, we will make every effort to provide online customers with the same services including gift wrapping that they are accustomed to receiving at physical stores. Drawing on each of the aforementioned, our goal is to deliver new value through functions and services that can only be achieved through online stores. ④

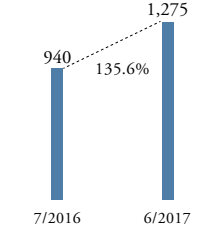
Online store initiatives and trends in online sales (non-consolidated)  
billions of yen / %



Total Number of House Card Members  
(Thousands of members)

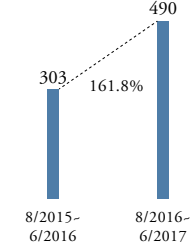


Number of Active Members\*  
(Thousands of members)

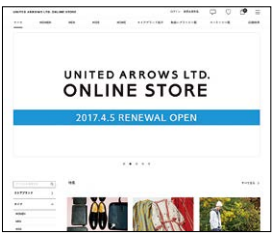
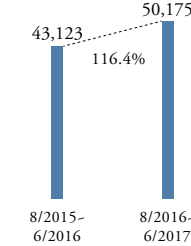


\* Members with a purchase history within the past year

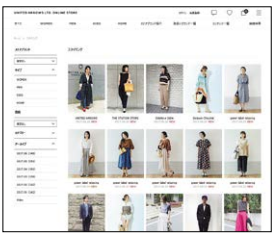
Number of New Members  
(Thousands of members)



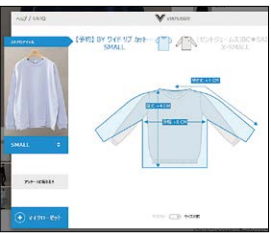
Members' Purchases  
(Millions of yen)



① Integrated site



② Staff styling information

















③ VIRTUSIZE function



④ Adjusting the hems of pants



|  |   |                  |                           |
|--|---|------------------|---------------------------|
| UNITED ARROWS Group                                    |   | 360 stores       | Net sales ¥145.5 billion  |
|  |   | Number of Stores | Net sales billions of yen |
| UNITED ARROWS LTD.                                     |   | 242              | 126.0 <sup>*1</sup>       |
| UNITED ARROWS Business                                 |   | 88               | 57.8                      |
| UNITED ARROWS General Merchandise Store <sup>**2</sup> |  UNITED ARROWS                             | 9                |                           |
| UNITED ARROWS  |  UNITED ARROWS                             | 26               |                           |
| THE SOVEREIGN HOUSE                                    |    | 1                |                           |
| District UNITED ARROWS                                 |  District UNITED ARROWS                   | 1                |                           |
| ASTRAET  | ASTRET  | 2                |                           |
| BEAUTY&YOUTH UNITED ARROWS                             |  BEAUTY&YOUTH UNITED ARROWS                | 41               |                           |
| monkey time BEAUTY&YOUTH UNITED ARROWS                 |  monkey time BEAUTY&YOUTH UNITED ARROWS   | 2                |                           |
| STEVEN ALAN  | steven alan   | 3                |                           |
| ROKU BEAUTY&YOUTH                                      |  6 BEAUTY&YOUTH UNITED ARROWS            | 2                |                           |
| H BEAUTY&YOUTH   |  H BEAUTY&YOUTH                         | 1                |                           |
| UNITED ARROWS green label relaxing Business            |   | 69               | 31.2                      |
| UNITED ARROWS green label relaxing                     |  UNITED ARROWS green label relaxing      | 68               |                           |
| WORK TRIP OUTFITS GREEN LABEL RELAXING                 |  WORK TRIP OUTFITS GREEN LABEL RELAXING | 1                |                           |
| Small Business Units (SBU)                             |   | 61               | 14.6                      |
| Another Edition  | Another Edition   | 13               |                           |
| Jewel Changes  | Jewel Changes   | 9                |                           |
| Odette e Odile   | Odette e Odile  | 17               |                           |
| Boisson Chocolat                                       | Boisson Chocolat  | 6                |                           |
| DRAWER   |  Drawer                                 | 7                |                           |
| EN ROUTE   | EN ROUTE  | 1                |                           |
| THE AIRPORT STORE UNITED ARROWS LTD.                   |  THE AIRPORT STORE UNITED ARROWS LTD.    | 2                |                           |
| THE STATION STORE UNITED ARROWS LTD.                   |  THE STATION STORE UNITED ARROWS LTD.    | 6                |                           |
| UNITED ARROWS LTD. OUTLET                              |  UNITED ARROWS LTD. OUTLET               | 24               | 17.0                      |

|                            |  |                  |                           |
|----------------------------|--|------------------|---------------------------|
| Group Companies            |  | Number of Stores | Net sales billions of yen |
| FIGO CO., LTD.             |  | 17               | 3.0                       |
| Felisi                     |  Felisi                     | 12               |                           |
| ASPESI                     | ASPESI   | 5                |                           |
| COEN CO., LTD.             | c o e n  | 87               | 10.7                      |
| UNITED ARROWS TAIWAN LTD.  |  | 3                | — <sup>*3</sup>           |
| UNITED ARROWS              |  UNITED ARROWS              | 1                |                           |
| BEAUTY&YOUTH UNITED ARROWS |  BEAUTY&YOUTH UNITED ARROWS | 1                |                           |
| UNITED ARROWS LTD. OUTLET  |  UNITED ARROWS LTD. OUTLET  | 1                |                           |
| Designs & Co.              |  | 1                | — <sup>*3</sup>           |
| BLAMINK                    | BLAMINK  | 1                |                           |
| CHROME HEARTS JP, GK       |  CHROME HEARTS              | 10               | 6.2 <sup>*4</sup>         |

M = Men's W = Women's  
For more details, please refer to our IR website: [www.united-arrows.co.jp/en/ir/store/](http://www.united-arrows.co.jp/en/ir/store/)  
<sup>\*1</sup> The CHROME HEARTS business was split from UNITED ARROWS LTD. in October 2016. Data includes CHROME HEARTS business sales for the pre-split six-month period from April to September 2016 of ¥5.3 billion.  
<sup>\*2</sup> UNITED ARROWS General Merchandise Store operations offer both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products.  
<sup>\*3</sup> As UNITED ARROWS TAIWAN LTD. and Designs & Co. are currently of only minor significance to the UNITED ARROWS Group's overall results, their net sales are not stated.  
<sup>\*4</sup> Post-split sales for the six-month period from October 2016 to March 2017.



UNITED ARROWS



UNITED ARROWS green label relaxing

Our Operating Markets

Markets in which the UNITED ARROWS Group operates

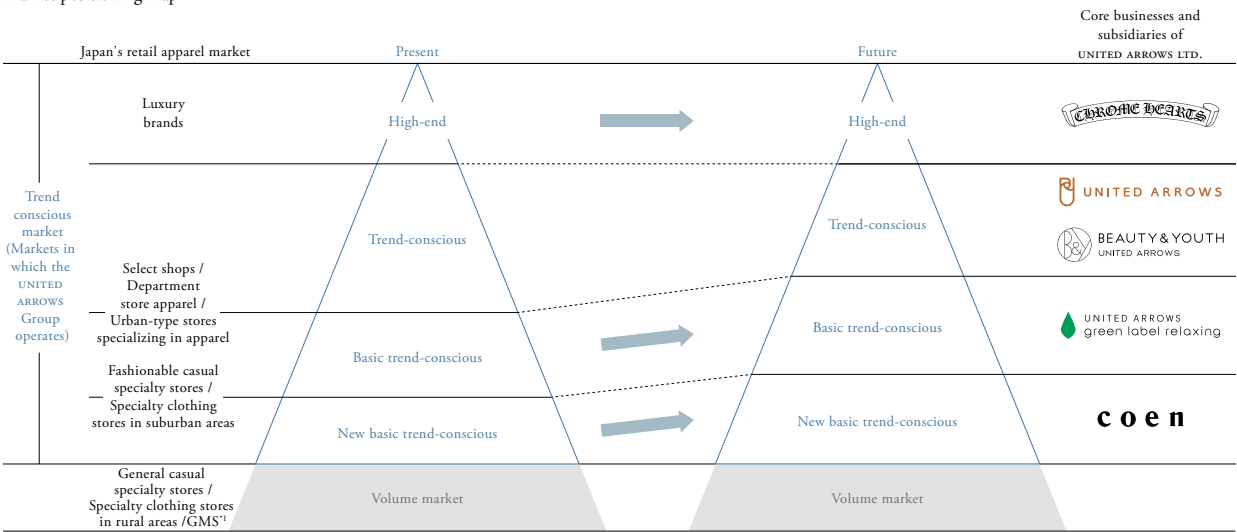
The UNITED ARROWS Group classifies the apparel market into two broad categories: the volume market, which mainly consists of relatively low-priced daily clothing, and the trend-conscious market, which is for consumers who are highly sensitive to fashion trends. The main thrust of the Group's business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

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

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

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

Market positioning map



<sup>1</sup> GMS: General Merchandise Store

Changes in the Company's customers

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

1. Changes in the value customers place on clothing

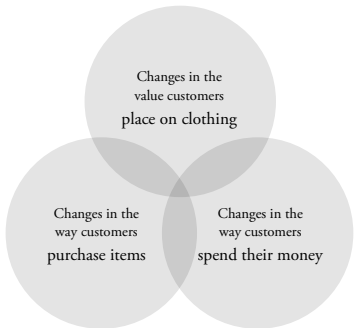
The marked polarization of consumption that is impacting a variety of fields is spilling over into the apparel market. There are signs that the value individual customers place on an item is growing increasingly diverse with a clear and astute distinction being made between favored and necessity goods.

2. Changes in the way customers purchase items

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

3. Changes in the way customers spend their money

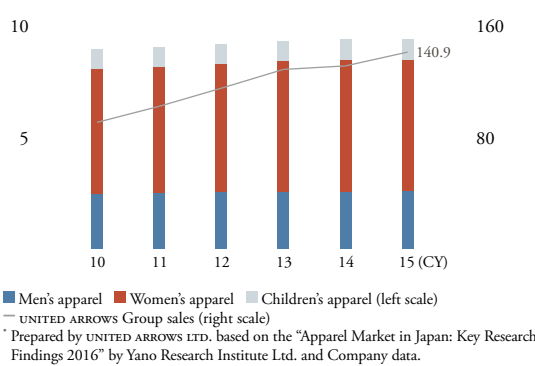
The amount of money previously spent on clothes has declined in recent years as customers' purchasing patterns have expanded to include an increasingly diverse range of items and services. For its part, the UNITED ARROWS Group will enter into fields that extend beyond apparel in a bid to address the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



Scale of Japan's retail apparel market and trends in the UNITED ARROWS Group's sales

The scale of Japan's retail apparel market is roughly ¥9–10 trillion per year. While the market enjoyed four consecutive years of growth from 2011 to 2014, trends declined ever so slightly in 2015. In addition to the slump in winter items due mainly to the mild winter, this downturn in clothing expenditure for the first time in three years as indicated in a survey by Japan's Ministry of Internal Affairs and Communications was also evident in data regarding restrained consumer spending.

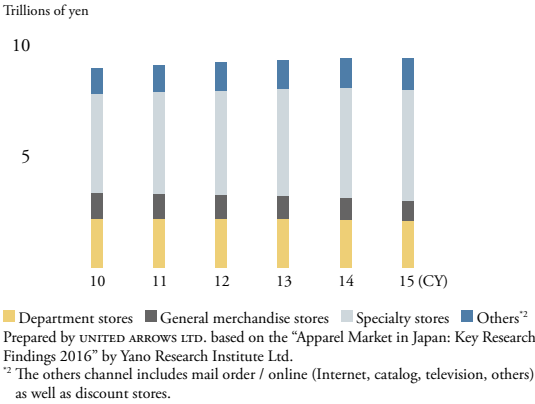
Trends in the scale of Japan's retail apparel market and UNITED ARROWS Group sales



Trends in sales by sales channel in Japan's retail apparel market

The scale of the specialty store as well as the online store and other<sup>2</sup> segment markets continues to expand. While we are seeing specialty store success and failure depending on the company, in overall terms this segment remains robust thanks largely to the outstanding ability to balance product and price. Trends in online and other stores are also strong. This mainly reflects the initiatives of each company's online activities as well as changes in the way consumers purchase goods.

Trends in sales by sales channel



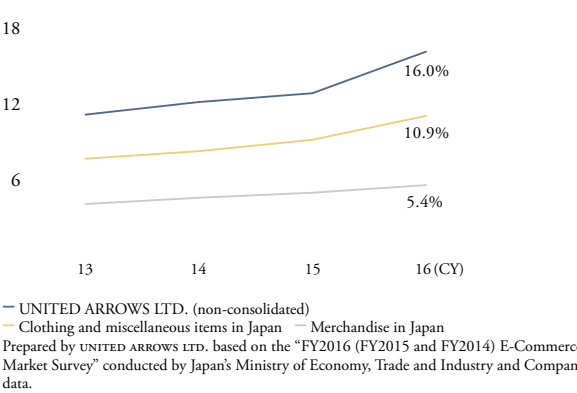
Trends in e-commerce sales in Japan (merchandise, clothing, fashion goods)

According to a survey by Japan's Ministry of Economy, Trade and Industry, the scale of the e-commerce market as a portion of total merchandise sales in Japan came to ¥8 trillion in 2016 and accounted for 5.4% of total sales. This was 10.6% higher than the previous year. Of this total, clothing and miscellaneous items amounted to ¥1.5 trillion, up 10.5% year on year, and comprised 10.9% of total e-commerce sales. Based on these figures,

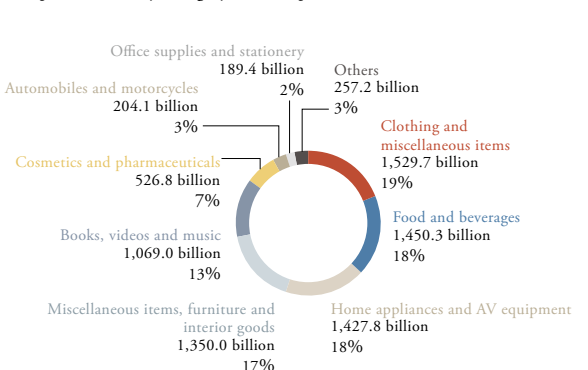
merchandise overall as well as clothing and miscellaneous items both continue to expand. Looking at a breakdown of e-commerce activities within the merchandise category as a whole, clothing and miscellaneous items make up the largest share at 19%, which reflects the high interest by consumers.

<sup>1</sup> Details of Japan's apparel market as well as clothing and miscellaneous items are based on data provided by Yano Research Institute Ltd. and Japan's Ministry of Economy, Trade and Industry, respectively. Hence, the discrepancy in market scale.

Trends in the Composition of E-Commerce Sales for Merchandise, Clothing, and Miscellaneous Items in Japan as well as for the Company overall



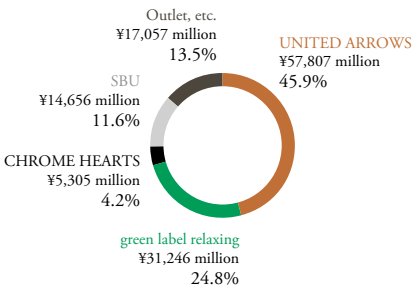
Composition Rate by Category within Japan's Merchandise E-Commerce Market



Business Overview

for the year ended March 31, 2017

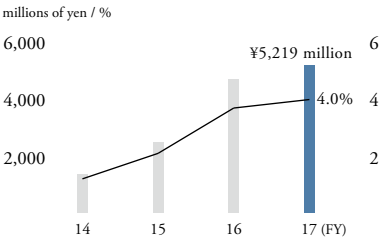
Net sales by business / Composition ratio (non-consolidated)\*1



Average annual store sales, sales area, and number of employees (directly operated stores)

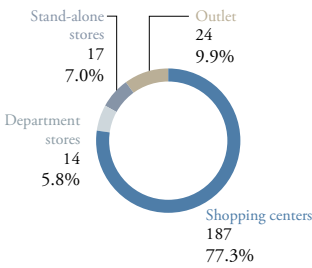
|   | Average annual sales<br>millions of yen | Average sales area<br>m <sup>2</sup> | Average number of<br>employees<br>people |
|---|---|--------------------------------------|--|
| UNITED ARROWS General Merchandise Store | 1,566                                   | 544                                  | 37                                       |
| UNITED ARROWS                           | 501                                     | 348                                  | 14                                       |
| BEAUTY&YOUTH UNITED ARROWS              | 392                                     | 271                                  | 12                                       |
| UNITED ARROWS green label relaxing      | 373                                     | 308                                  | 12                                       |
| SBU                                     | 167                                     | 86                                   | 5  |

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

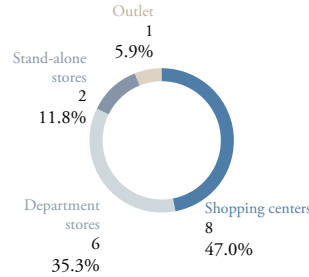


Number of stores by sales channel

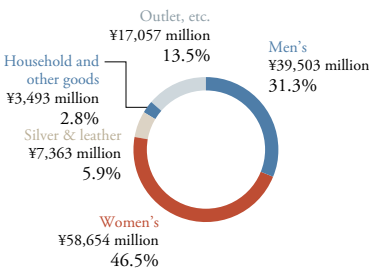
UNITED ARROWS LTD.



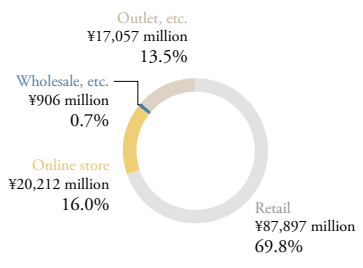
FIGO CO., LTD.



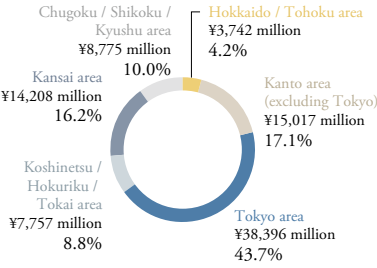
Net sales by category / Composition ratio (non-consolidated)\*1



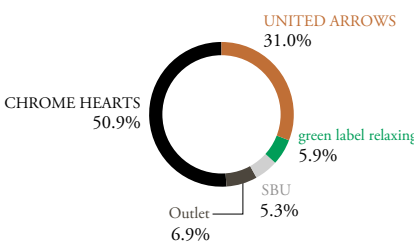
Net sales by sales channel / Composition ratio (non-consolidated)\*1



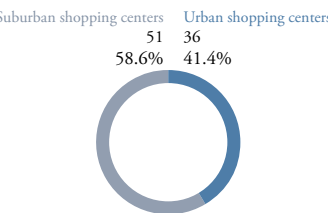
Net sales by retail area / Composition ratio (non-consolidated)\*1



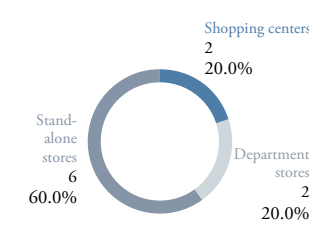
Tax-free goods sales composition ratio by business\*3 (non-consolidated + CHROME HEARTS)



COEN CO., LTD.



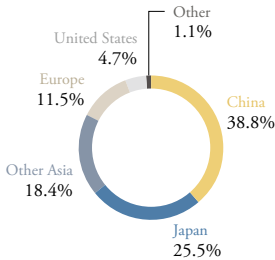
CHROME HEARTS JP, GK



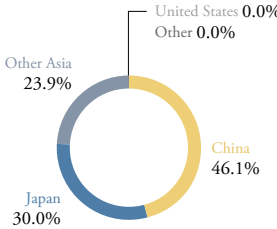
\* Shopping centers refers to such commercial facilities as fashion buildings and railway station buildings (excludes department stores).  
\* Urban shopping centers refers to shopping centers located within the 23 wards of Tokyo and nationwide government-ordinance-designated cities.

Breakdown by country of origin (non-consolidated Companywide / procurement cost basis)\*2

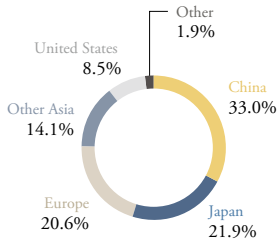
Private label brands / Purchased brands



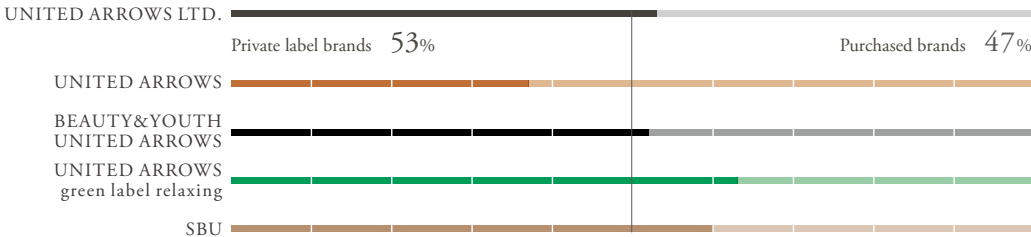
Private label brands



Purchased brands

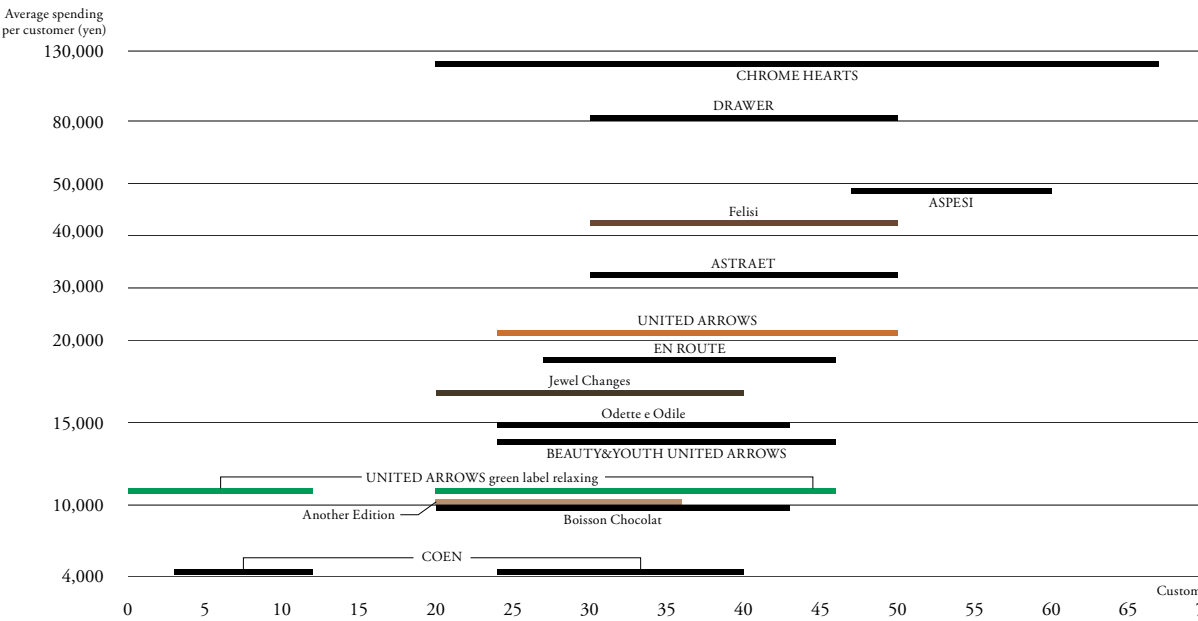


Mix of private label brands and purchased brands (non-consolidated)\*2



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

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

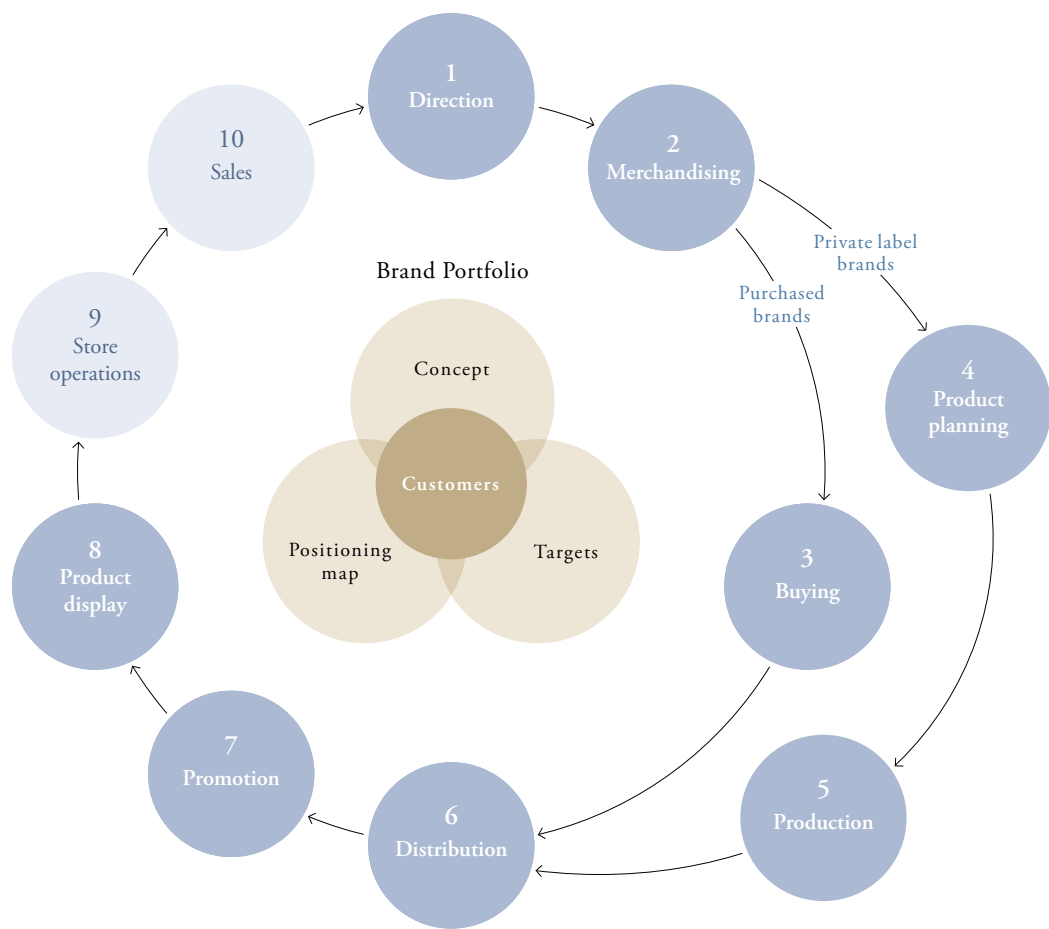


\*1 UNITED ARROWS LTD. took steps to spin off the CHROME HEARTS business in October 2016. As a result, CHROME HEARTS business sales are not included in the Company's non-consolidated net sales effective from 2H of FY2017.  
\*2 Data is calculated after excluding the CHROME HEARTS business from operating results for the fiscal year ended March 31, 2017 in line with the split of the CHROME HEARTS business from UNITED ARROWS LTD.  
\*3 Non-consolidated and CHROME HEARTS JP, GK combined data effective from the fiscal year ended March 31, 2017. While CHROME HEARTS JP, GK maintains an account settlement date of December 31, data is calculated inclusive of the period up to March 31, 2017.



Value Chain and Product Platform

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



|                   | Existing   | Future  |
|-------------------|--|---|
| Brand positioning | Brand positioning and the identification of targets left to each business  | Brand portfolio managed by the Company as a whole; positioning and targets for each brand clearly defined                         |
| Product platform  | Management limited to product platform merchandising to production (2–5) as well as key performance indicators (KPIs)* | Management expanded to cover from the brand portfolio through advertising and promotion to product display (1–8) as well as KPIs* |

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

Value Chain

Brand portfolio

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

(1) Direction

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

(2) Merchandising

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

(3) Buying

Buyers attend exhibitions and view fashion shows in Japan and overseas. This is done while undertaking detailed purchasing negotiations about the item, volumes, purchase price, and delivery. In addition to developing exclusive items with popular brands, buyers are involved right up to the completion of private brand products and supply differentiated products from other companies. Besides strengthening the integrity of existing brands and being charged with the mission of uncovering promising new brands that differentiate the Company from other companies, buyers are racing around every day to gather information and cultivate new personal connections with their own eyes and feet.

(4) Product planning

Under the concepts with respect to the direction and MD of each business, steps are taken to develop designs and fabrics and to prepare patterns. Product samples are shared with the sales department, and product development is pushed forward while incorporating feedback gleaned from staff in their dealings with customers at stores. Designers accompany buyers during their purchasing trips to better determine global fashion trends. Complemented by the mutual exchange of information, particular weight is placed on harnessing the merits of the business model that entails the combined development of purchased brands and private label brands. This serves as the wellspring for differentiating the Company’s products.

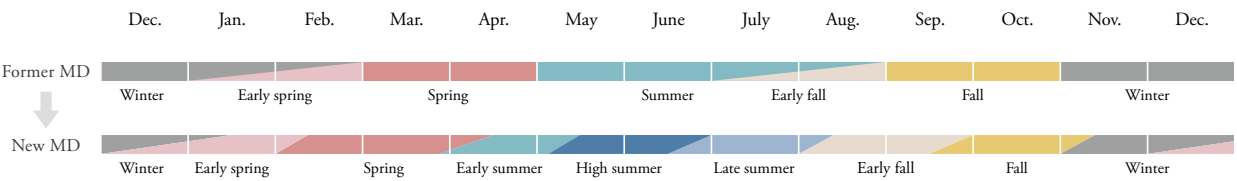
(5) Production

UNITED ARROWS LTD. formulates production strategies that encompass the selection of contract factories as well as the procurement of materials. This is in accordance with the specifications of each product, together with cost control initiatives. After placing an order, the Company collaborates closely with contract factories; controls delivery, quality, and costs; and oversees the entire process through to product completion. In addition to harnessing customer feedback to further enhance production planning, regular meetings are held with contract factories to improve the quality of finished products.

(6) Distribution

In collaboration with distribution companies, the Company undertakes product inventory control on a concentrated basis at three distribution centers that operate on a 24-hour basis in Japan. At the distribution warehouses, efforts are made to conduct product inspections, check material notations, and improve quality.

Merchandise segmentation



Former MD: The six seasons of early spring, spring, summer, early fall, fall, and winter  
New MD: The eight seasons of early spring, spring, early summer, high summer, late summer, early fall, fall, and winter  
— Breakdown into segments in line with customers’ feelings toward each season; clarify products and volumes in tune with each segment

(7) Promotion

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

(8) Product display

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

(9) Store operations to (10) Sales

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

Seasonal reviews

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

Product Platform

It is the product platform that plays a major role in the Company’s value chain. A framework that comprises an MD platform and a production platform, which supports each of the procurement, production, product launch, and inventory reduction activities, the product platform was introduced in the fiscal year ended March 31, 2007. This overarching framework is used to stabilize 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, thereby leading to increased rates of inventory reduction as well as final sales.

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

Product platform transition

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

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

Product platform from now on

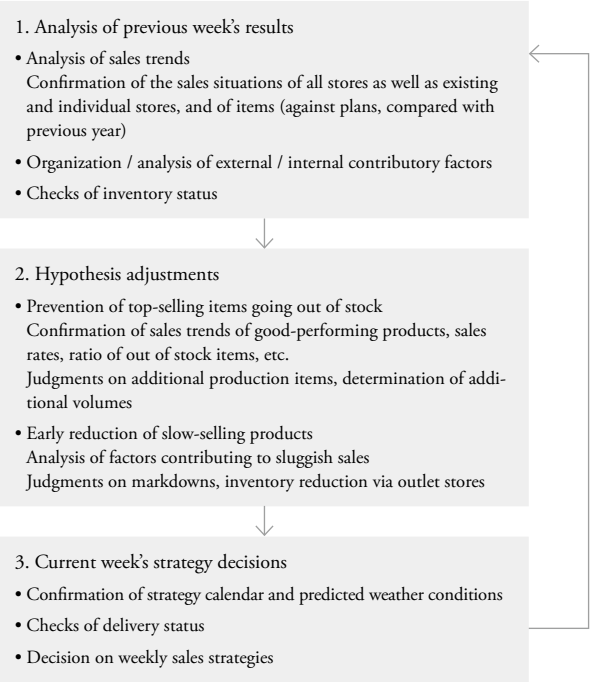
Up to now, product platforms have supported product planning and managed progress as far as production control operations in the Company’s value chain. However, with the aim of conducting the accurate supply of products to meet diversifying customer needs, in the years to come the product platform will evolve into a framework that encompasses the entire value chain, including brand concepts and targets.

On the MD platform, we are adding attribute codes, indicating for example the taste of feminine fashion, such as standard or casual, to the product code, which is classified by elements such as brand, color, and size. Attaching the attribute codes is enabling us to reach the point at which we can manage every attributed product in every business, and to what extent they are deployed, by

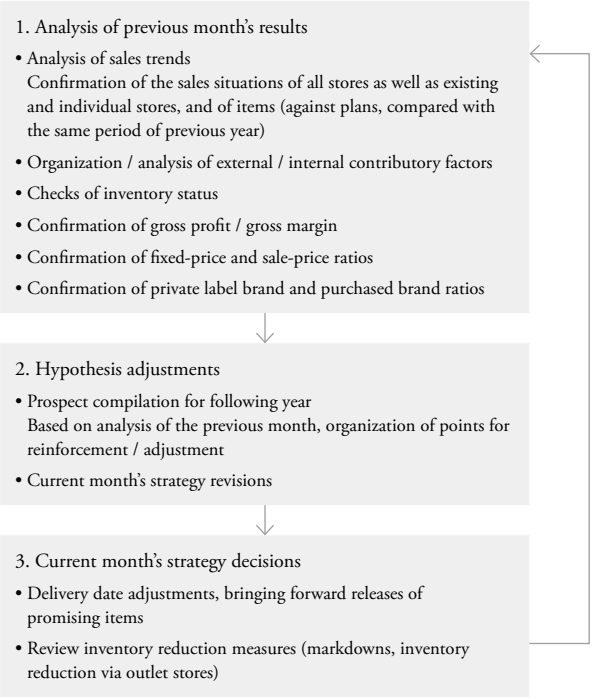
using indices. Thus far, we have quantitatively verified taste in products, which tends to be biased toward the qualitative aspect. This is in turn leading to improved precision in product planning. At the same time, we are operating the MD platform, which is not influenced by business characteristics, by standardizing the weekly and monthly business process flows. Turning again to the production platform, we will select the production scenarios that can respond to the concepts and targets of each business accurately at an early stage and support the MD plan. From now on, we will utilize the functions of our business atelier\* to enhance the quality finish of our private label brands and lead us to product optimization for targeted customers.

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

Weekly Business Process Flow



Monthly Business Process Flow



Product Platform Initiatives in Transition

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





**Mitsuhiro Takeda**  
Representative Director,  
President and CEO  
Nomination and Compensation  
Committee member

He is responsible for the Company Policy of setting new standards of Japanese lifestyle by ensuring the direct reporting of all business divisions and overseeing Companywide product strategies.

1986. 4  
Joined Kanematsu-Gosho, Ltd.

2004. 4  
Became General Manager, Europe and the U.S. Import Products Department, KANEMATSU TEXTILE CORPORATION

2005. 9  
Joined the Company

2006. 7  
Became General Manager, Brand Business Division / Department Manager, Brand Business Department of the Company

2008. 7  
Became Senior Executive Officer / General Manager, Business Development Division of 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, Executive Managing 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

2017. 4  
Became Representative Director, President and CEO, responsible for Supply Chain Management Division of the Company (current)



**Mitsunori Fujisawa**  
Director, Executive Vice President  
In charge of Business Support  
Division of the Company  
Representative Director and President,  
COEN CO., LTD.

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

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, Executive Managing Officer / General Manager, Business Unit II / General Manager, Green Label Relaxing Division of the Company

2011. 4  
Became Director, Executive Vice President / General Manager, Business Unit II, responsible for Channel Development Division of the Company

2017.4  
Became Director, Executive Vice President, responsible for Business Support Division of the Company (current)

Representative Director and President, COEN CO., LTD. (current)



**Masami Koizumi**  
Director, Executive Vice President  
In charge of the Administration  
Division and the Investor Relations  
Office

He is responsible for business administration, corporate governance, and compliance, and is strengthening administrative foundations Companywide.

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. 7  
Became Director, Executive Managing Officer / General Manager, Administration Division of the Company

2012. 4  
Became Director, Executive Vice President / General Manager, Administration Division, responsible for Plan Management Office of the Company

2015. 4  
Became Director, Executive Vice President, responsible for the Administration Division and the Investor Relations Office of the Company (current)



**Hiroyuki Higashi**  
Director, Executive Managing Officer  
In charge of the Corporate Strategy  
Division

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

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. 4  
Became General Manager, United Arrows Division of the Company

2008. 7  
Became Senior Executive Officer / General Manager, United Arrows Division of the Company

2012. 6  
Became Director, Executive Managing Officer / General Manager, Business Unit I of the Company

2015. 7  
Became Director, Executive Managing Officer, responsible for the Corporate Strategy Division of the Company (current)



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

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

1991. 4  
Joined Nomura Securities Co., Ltd. (resigned in September 1997)

2005. 6  
Became Standing Outside Audit and Supervisory Board Member of UNITED ARROWS LTD.

2013. 9  
Became Outside Auditor of Beauty Kadan Co., Ltd. (current)

2016. 6  
Became Outside Director of UNITED ARROWS LTD. (and Standing Audit and Supervisory Committee member) (current)



**Gaku Ishiwata**  
Outside Director  
Audit and Supervisory Committee  
member  
Nomination and Compensation  
Committee member

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

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 (current)

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

2008. 6  
Became External Board Member of XEBIO CO., LTD. (currently XEBIO HOLDINGS CO., LTD.) (current)

2010. 4  
Became member of the Liaison Conference on Corporate Governance organized by Financial Services Agency

2011. 9  
Became member of the Disclosure System Working Group, Specialized Legal System Study Group, Financial Services Agency

2013. 6  
Became Outside Director of UNITED ARROWS LTD.

2016. 6  
Became Outside Director of UNITED ARROWS LTD. (and Audit and Supervisory Committee member) (current)



**Hidehiko Nishikawa**  
Outside Director  
Audit and Supervisory Committee  
member  
Nomination and Compensation  
Committee member

He has a wealth of experience in the fashion and retailing industries, and as a university professor he will leverage his abundant experience and knowledge to promote sound and efficient operations.

1985. 4  
Joined World Co., Ltd.

2000. 7  
Became Manager, Business and Operation divisions of MUJI.net Co., Ltd.

2001. 4  
Became Director of MUJI.net Co., Ltd.

2005. 4  
Became Assistant Professor, College of Business Administration, Ritsumeikan University

2007. 4  
Became Associate Professor, College of Business Administration, Ritsumeikan University

2008. 4  
Became Professor, College of Business Administration, Ritsumeikan University

2010. 4  
Became Professor, Faculty of Business Administration, Hosei University (current)

2012. 8  
Became Vice President of Japan Marketing Academy

2015. 4  
Became Director, Graduate School of Business Administration, Hosei University

2015. 6  
Became Outside Director of UNITED ARROWS LTD.

2015. 10  
Became Representative Director, Sekigakusha Co., Ltd. (current)

2016. 6  
Became Outside Director of UNITED ARROWS LTD. (and Audit and Supervisory Committee member) (current)

2017.4  
Became Vice president of Japan Marketing Academy (current)



Corporate Governance

1. Basic Stance

UNITED ARROWS LTD. has positioned efforts to create globally recognizable and accepted values that set new standards of Japanese life-style as its overarching Company Policy. In addition, we have identified the creation of value for five distinct stakeholders—customers, employees, business partners, society, and shareholders—as one element of our overall Policy Structure and a key feature of our promise to society. In this regard, the Company’s mission is to increase value for all stakeholders. In order to maintain the proper mindset that will allow us to realize our Company Policy, we put in place the Code of Conduct. This code expresses how we should think and act to achieve our stated goals. Recognizing the critical need to build a transparent and fair management framework, along with a structure under which we are capable of making timely and bold decisions, we are committed to continuously strengthening and expanding our corporate governance capabilities and functions in order to realize our Company Policy and fulfill our promise to society. Through these means, we are working to enhance our corporate value on a long-term and continuous basis.

(Reference) Major Initiatives to Strengthen Corporate Governance Undertaken over Recent Years

UNITED ARROWS LTD. is working to enhance both stakeholder and corporate value by continuously upgrading and expanding its corporate governance structure and systems. In recent years, the Company has paid particular attention to further strengthening its corporate governance with the aims of accelerating the pace of its decision making, increasing the transparency and soundness of its management, and bolstering the oversight function.

|      |  |
|------|--|
| 2008 | Adopted an executive officer system  |
| 2009 | Put in place the disclosure policy   |
| 2013 | Appointed a director from outside the Company  |
| 2014 | Announced details of the Company's policy to institutional investors that have expressed their acceptance of the Stewardship Code  |
| 2015 | Increased the number of outside directors from one to two<br>Put in place the Corporate Governance Policy  |
| 2016 | Transitioned to a Company with an Audit and Supervisory Committee structure and appointed three outside directors (Audit and Supervisory Committee members)<br>Established the Nomination and Compensation Committee<br>Undertook an evaluation of the effectiveness of the Board of Directors |
| 2017 | Adapted a Restricted-Share Remuneration Plan   |

2. Corporate Governance Framework

Guided by the aforementioned basic stance, UNITED ARROWS LTD. decided to adopt an Audit and Supervisory Committee structure as its corporate governance framework. The purposes for adopting this structure is to bolster the monitoring function of the Board of Directors and to accelerate the pace of decision making by utilizing outside directors, who do not directly engage in the execution of business, and properly delegating authority. In addition, the Company established the Nomination and Compensation Committee, which is mainly comprised of independent outside directors. This structure is designed to reinforce the independence, objectivity, and accountability of the Board of Directors by ensuring the integrity of the nominating process and compensation paid.

Board of Directors

The Board of Directors is comprised of seven directors (three of whom are independent outside directors) who in principle meet once a month. Meetings of the Board of Directors are attended by directors who are not Audit and Supervisory Committee members as well as directors who are Audit and Supervisory Committee members. The

Board makes decisions on legal and regulatory matters as well as important matters set forth in the bylaws governing the Board of Directors. The Board 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.

Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three directors who are Audit and Supervisory Committee members. The Committee determines policies relating to audits and related activities in accordance with the regulations of the Audit and Supervisory Committee. Moreover, the Audit and Supervisory Committee prepares audit reports based on explanations provided by each Audit and Supervisory Committee member, directors who are not members of the Audit and Supervisory Committee, and the accounting auditor. By ensuring that all three Audit and Supervisory Committee members are outside directors, positive steps are being taken to secure the transparency of management and to ensure that a proper structure is in place to oversee and audit the Company as a whole. As of March 31, 2017, Audit and Supervisory Committee members did not hold shares in the Company. Accordingly, UNITED ARROWS LTD. is confident that there are no conflicts of interest from a personal, business, or any other perspective.

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.

Nomination and Compensation Committee

UNITED ARROWS LTD. has established the Nomination and Compensation Committee. In order to reinforce the independence, objectivity, and accountability of the Board of Directors and to ensure the integrity of the nominating process and compensation paid, the Nomination and Compensation Committee is comprised of three independent outside directors and one representative director.

| Outline of the Corporate Governance Framework  |   |
|--|---|
| Organizational format  | Company with an Audit and Supervisory Committee*1 |
| Chairman of the Board of Directors   | Representative Director, President and CEO        |
| Directors (excluding directors who are Audit and Supervisory Committee members)                    | Four (none of whom are outside directors)         |
| Directors who are Audit and Supervisory Committee members  | Three (all of whom are outside directors)         |
| Independent officers*2   | Three outside directors                           |
| Average age  | 51.4 years  |
| Number of Board of Directors' meetings held during the fiscal year ended March 31, 2017            | 17  |
| Number of Audit and Supervisory Board meetings held during the fiscal year ended March 31, 2017*1  | 10  |
| Number of Nomination and Compensation Committee held during the fiscal year ended March 31, 2017*1 | 4   |

\*1 UNITED ARROWS LTD. transitioned to a Company with an Audit and Supervisory Committee in accordance with a resolution at the Company's 27th Ordinary General Meeting of Shareholders held on June 23, 2016.

\*2 Yukari Sakai, Gaku Ishiwata, and Hidehiko Nishikawa satisfy the qualifications for independent officers stipulated by Tokyo Stock Exchange, Inc. as well as the "Independence Determination Standards for Independent Officers" of the Company. Although the Company registered Yukari Sakai and Hidehiko Nishikawa as independent officers with the Tokyo Stock Exchange, Gaku Ishiwata has not been registered as such due to the internal regulations of the law firm to which he belongs. Please refer to the Company's Corporate Governance Policy (Japanese only) for details regarding its "Independence Determination Standards for Independent Officers." [www.united-arrows.co.jp/en/corporate/governance.html](http://www.united-arrows.co.jp/en/corporate/governance.html)

Policy on Determining Directors' Compensation

UNITED ARROWS LTD. has positioned the payment of compensation to directors as an incentive to help realize sustainable growth and increase corporate value over the medium to long term in accordance with its Company Policy. The compensation paid to executive directors is comprised of a basic fixed monthly component, a bonus that is linked to the Company's performance over a single fiscal year period, and stock-based compensation that is set in line with the degree to which the targets under the Medium-Term Business Plan are met.

Basic Compensation

UNITED ARROWS LTD. has put in place a directors' compensation table based on the position of each director. In putting together this table, the Company also took into consideration industry-wide compensation payment levels as well as the results of executive compensation surveys conducted by external research agencies. Recommendations for the payment of compensation are put forward within the range identified in the table based on the role and responsibilities of each director.

Stock-Based Compensation

UNITED ARROWS LTD. has adopted a Restricted-Share Remuneration Plan in order to ramp up efforts aimed at sharing value with all shareholders and putting in place a compensation structure and system that is designed to enhance corporate value over the medium to long term. Under this plan, restricted share remuneration that lifts transfer restrictions is granted to executive directors who achieve the targets set out under the Medium-Term Business Plan within the fixed transfer restriction period. The amount of restricted share remuneration reflects the degree to which targets are achieved.

Bonuses

After putting forward a proposal for the total bonus amount to be paid, UNITED ARROWS LTD advances an additional proposal for the allocation of bonuses to each executive director. The Company's proposal for total bonuses paid is determined following a comprehensive evaluation of such management indicators as consolidated operating cash flow and ROE, in addition to the degree to which initial earnings forecasts in any given fiscal year were achieved, with a particular emphasis on consolidated ordinary income. The amount of bonus allocated and paid to each director is determined on the basis of each director's managerial rank. It is set up this way so that a higher ranking on the director compensation table receives a higher bonus

Total amount of compensation and other benefits paid to directors and Audit and Supervisory Board members for the fiscal year ended March 31, 2017

| 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 (excluding outside directors) | 4  | 151  | 151   | —             | —     | —                            |
| Independent officers                    | 5  | 32   | 32  | —             | —     | —                            |

coefficient (the ratio of bonus paid to the total amount of basic compensation and bonus paid), with the objective of strengthening the commitment of directors to achieving business targets in any given fiscal year. In principle, bonuses are not paid if consolidated ordinary income falls below the initial forecast by a certain amount.

Bonuses are not paid to non-executive directors. Payments made to non-executive directors comprise a basic compensation payment only in line with the role and responsibilities of each non-executive director.

Procedure for Determining Individual Compensation

The procedure for determining the amount of compensation paid to individual directors who are not Audit and Supervisory Committee members is based on the aforementioned policy. Accordingly, each amount is determined based on a resolution of the Board of Directors and falls within an established range authorized by shareholders. As a part of the procedure for determining individual compensation, steps are also taken to obtain the advice of the Nomination and Compensation Committee.

The procedure for determining the amount of compensation paid to individual directors who are Audit and Supervisory Committee members is also based on the aforementioned policy. In this instance, each amount is determined based on a resolution of the Audit and Supervisory Committee and falls within an established range authorized by shareholders.

In addition to the preceding, the Nomination and Compensation Committee verifies the validity of the policies relating to and composition of directors' compensation as well as the compensation table and associated computation rules. Among other activities, the Nomination and Compensation Committee also puts forward revised proposals.

3. Maintaining an Environment That Facilitates the Proper Taking of Risks

UNITED ARROWS LTD. continues to put in place an environment that enables the Company to properly take risks. In specific terms, we have established an internal control system as well as a risk management structure that allows us to make important decisions regarding a wide range of activities, including the expansion of business into new domains.

Internal Control System

UNITED ARROWS LTD. has put in place an appropriate internal control system in an effort to ensure that directors and employees perform their duties in accordance with laws, regulations, and the Articles of Incorporation and that directors carry out their duties in an efficient manner and maintain risk management systems for the Group as a whole. Through its internal control system, the Company maintains a framework that enables all directors and employees to consistently carry out their duties with a strong sense of ambition and the desire to improve themselves in order for them to realize the Company Policy.

**Internal Whistleblower System**  
UNITED ARROWS LTD. has an internal whistleblower system whereby employees can anonymously contact an external organization if they discover suspect behavior from a compliance standpoint. Law offices and other external organizations serve as the contact point for the system and designate an individual who is responsible for the investigation depending on the particulars of each case and performs any necessary investigations. The whistleblower is treated anonymously to preclude any repercussions.

(Reference) Enlightened Compliance  
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 General Affairs & 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, the 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 Department 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 interact with customers also helps improve awareness of quality issues that can arise.

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

**4. Corporate Governance Policy Formulation and Corporate Governance Code Compliance**  
**Corporate Governance Policy Formulation**  
UNITED ARROWS LTD. formulated and disclosed the Corporate Governance Policy in November 2015 based on the Corporate Governance Code. The Corporate Governance Policy outlines policies on such matters as the Company's basic approach to corporate governance, measures for ensuring shareholder rights and equality, appropriate cooperation with stakeholders, and the corporate governance framework in order to improve the transparency of management and organizational operations.

The Company works to continuously enhance its corporate governance in a bid to improve both stakeholder and corporate value.

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

**Corporate Governance Code Compliance**  
The status of the Company's compliance with each of the Corporate Governance Code's fundamental principles is as follows.

**Fundamental Principle 1: Securing the Rights and Equal Treatment of Shareholders**  
The Company will take appropriate measures to fully secure shareholder rights, including the effective exercise of voting rights at shareholders' meetings.  
To ensure that shareholders have sufficient time to review shareholder meeting agenda items, convocation notices are announced to the Tokyo Stock Exchange and on the official Company website four weeks prior as well as mailed out three weeks prior to the shareholders' meeting. In addition, an abridged English-language convocation notice is released to the Tokyo Stock Exchange and on the official Company website. The Company works to enhance constructive dialog with shareholders by avoiding holding shareholders' meetings on days when many other companies are also holding shareholders' meetings and by selecting times and venues that facilitate shareholder participation. The Company engages in optimal information disclosure aimed at ensuring that shareholders are treated equally by establishing an IR website for individual shareholders and investors, broadcasting videos of earnings results briefings, and promptly posting Q&A sessions related to earnings results briefings and the status of monthly sales.

**Fundamental Principle 2: Ensuring Appropriate Cooperation with Stakeholders Other Than Shareholders**  
In its Company Policy, UNITED ARROWS LTD. has made a promise to society to create value for its customers, its employees, its business partners, society, and its shareholders. Moreover, the Company formulates and discloses a code of conduct that illustrates what types of attitudes and actions must be taken in order to realize the Company Policy.  
The Company continuously revises this code of conduct to reflect social changes and needs as well as takes action based on this code with the aim of remaining an organization that contributes to society.  
Furthermore, UNITED ARROWS LTD. maintains an internal whistleblower system whereby employees can anonymously contact an external organization if they discover suspect behavior from a compliance standpoint.

**Fundamental Principle 3: Ensuring Appropriate Information Disclosure and Transparency**  
The Company aims to increase management transparency by proactively promoting IR activities, improve corporate management soundness by engaging in communications with shareholders and investors, and create shareholder value. The Company formulates and makes available its disclosure policy in order to enhance constructive dialog with shareholders and investors as well as information disclosure. This disclosure policy lists policies on timely disclosure prescribed in the Companies Act, the Financial Instruments and Exchange Act, and other legal regulations as well as policies intended to facilitate constructive dialog with shareholders and investors.

**Fundamental Principle 4: Responsibilities of the Board of Directors**  
Established as an organization entrusted by shareholders to manage the Company, the Board of Directors undertakes management decisions always aimed at realizing the Company Policy and Our Promise—Our Five Core Values. The Board also sets the medium-to-long-term direction of the Company and is responsible for maintaining sustainable growth and improving corporate value by following this direction.

Based on the Board's roles and responsibilities listed above, the Company takes steps to strengthen Board of Directors' monitoring functions and accelerate decision making by utilizing and delegating appropriate authority to outside directors who are not involved in business execution. To this end, the Company has adopted an audit and other committee governance structure to serve as its corporate governance system. Limiting the number of directors not serving as corporate audit committee members to eight and the number of directors who do to six, it is the policy of the Company to maintain the minimum number of directors necessary to preserve the functions of the Board.  
Furthermore, the Company has established the Nomination and Compensation Committee consisting mainly of independent outside directors to enhance the independence and objectivity of the Board of Directors' functions as well as accountability with regard to director nominations and compensation.

**Fundamental Principle 5: Dialog with Shareholders**  
Recognizing that investor relations (IR) activities are an important management initiative, the Company has established regulations for IR activities overseen by the President. In addition, the director in charge of administration has been made responsible for IR in order to ensure enhanced IR activities and strict internal information control as well as maintain organic links between financial and capital measures. The President and the director in charge of IR attend earnings results briefings held quarterly to explain the medium-to-long-term direction of the Company and the progress of management policies and key initiatives for each fiscal year and to hold Q&A sessions.  
The Company established an IR department under the direction of the director in charge of IR to enhance information disclosure as well as maintain systems to facilitate constructive dialog with shareholders and investors. In addition, the President and the director in charge of IR attend small meetings and individual interviews as needed in an effort to engage in constructive dialog with shareholders and investors. The Company aims to improve corporate value by providing feedback to management and throughout the Company about opinions, requests, and concerns received through IR activities based on the amount of information available.

**5. Management Control System**  
**Clarification of Revenue Responsibility and Key Performance Indicator Management**  
The Company conducts the profit and loss management of all its directly operated stores on an individual basis and clarifies the revenue responsibility of each business. The latter is undertaken by controlling the actual profit and loss that each business (store brand) has built up against forecasts. The Company sets numerical targets for such key

performance indicators (KPIs) as net sales, product sales rate, product ROI, and purchase rate; numerical targets are also set for divisions and stores as well as for employees to achieve the KPI targets. In addition, the Company undertakes progress management on a daily, weekly, monthly, seasonal, and annual basis against achievement status and other benchmarks. UNITED ARROWS LTD. is building a framework to achieve Companywide business targets by having individuals, stores, and divisions achieve their respective targets.

**Clarification of Investment Criteria, Store Closure Criteria**  
When making new investments in sales facilities or undertaking large-scale renovations with a view to beneficially utilizing the cash obtained as a result of its business activities, the Company calculates the return of investment fiscal year, which takes into account the capital cost (approximately 8%) set by the Company, the net present value (NPV) of expected net cash flows, and the internal rate of return (IRR). The Company makes its investment decisions on the condition that Company-set hurdle rates are exceeded.  
In cases where it is expected to be impossible for a new business to turn a single fiscal year profit in three years and cover all accumulated losses in five years, Companywide backup is provided toward an improvement in profitability. Should there be no possibility of an improvement, an assessment is made regarding withdrawal from that business. The Company has worked to improve its profitability by withdrawing 10 underperforming brands out of the 22 brands deployed over a three-year period that began from the fiscal year ended March 31, 2007.

**6. Abandoning Measures to Prevent a Hostile Takeover**  
UNITED ARROWS LTD. adopted measures to prevent hostile takeovers in June 2011. After lengthy consideration, the Company decided to abandon these measures in June 2017.  
In addition to further strengthening corporate governance, UNITED ARROWS LTD. is steadily promoting the newly established UNITED ARROWS Group's Medium-Term Vision. Through these means, the Company is creating the five core values identified under its Policy Structure and working to enhance its corporate value while increasing profits both for the Company and its shareholders.

Under these circumstances, UNITED ARROWS LTD. carefully considered the merits or otherwise of continuing or abandoning its measures to prevent a hostile takeover. At the same time, the Company listened closely to the comments of institutional investors with whom it maintains deep ties and other shareholders. The decision to abandon the measures in June 2017 was based on a variety of factors. In addition to changes in the external and internal environments in which UNITED ARROWS LTD. operates, the Company realized that the widespread nature of legislation relating to the large-scale purchase of shares and related matters helped to secure its status against hostile takeovers to a certain degree and diminished the need to maintain measures in relative terms.  
Looking ahead, UNITED ARROWS LTD. will endeavor to enhance corporate value and increase profits both for the benefit of the Company and its shareholders. Despite abandoning measures to prevent a hostile takeover, should a third party attempt a large-scale purchase of the Company's shares, UNITED ARROWS LTD. will continue to provide all relevant information for shareholders to properly



decide whether or not to accept any offer, disclose all pertinent opinions including those of the Board of Directors, and ensure that shareholders receive sufficient time and data to make an informed decision. In this regard, the Company will take appropriate measures within the scope provided in Japan’s Financial Instruments and Exchange Act, Companies Act, and other related legislation.

7. 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 300 or so separate investor meetings each year for investors in Japan and overseas, arranges around 10 small meetings with the President, and gives tours of its facilities.

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

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

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 28th Ordinary General Meeting of Shareholders, held on June 22, 2017, convocation notices were mailed on May 31, approximately three weeks before the meeting was held. Moreover, a convocation notice was posted on the Company’s IR and the Tokyo Stock Exchange websites approximately four weeks prior to the meeting with the aim of making this information available as early as possible.

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. This year’s meeting was attended by 587 people and lasted 79 minutes, and six individuals asked a total of 11 questions.

External Appraisal of Our Corporate Investor Relations Activities

As indicated in its basic policy on corporate governance, UNITED ARROWS LTD. is working diligently to put in place a transparent and fair management framework while at the same time continuously upgrading and expanding its corporate governance in order to ensure its ability to make timely and bold decisions. In this manner, the Company is endeavoring to fulfill the Company Policy and promise to society and to create five core values. To fulfill one of its promises to create value for shareholders, UNITED ARROWS LTD. has positioned efforts to voluntarily provide fair information on a constant, timely, and continuous basis at the heart of its basic policy on investor relations (IR) activities. As a result of proactively engaging in corporate and IR activities based on this policy, the Company has received various commendations from external evaluation agencies.

Going forward, UNITED ARROWS LTD. will strive to continuously evolve and improve its corporate and IR activities to realize the Company Policy while receiving the enduring trust of capital markets.

|      |  |
|------|--|
| 2002 | Awarded the IR Grand Prix Award by the Japan Investor Relations Association (JIRA)   |
| 2003 | Awarded the Best IR Award by the Japan Investor Relations Association (JIRA)   |
| 2005 | Awarded the Best IR Award by the Japan Investor Relations Association (JIRA)   |
| 2012 | Awarded the Nikkei Annual Report Special Award for its abridged version  |
|      | Awarded the Tokyo Stock Exchange’s Corporate Value Improvement Award, Grand Prize  |
| 2013 | Awarded the Porter Prize, Hitotsubashi University’s Graduate School of International Corporate Strategy (ICS)  |
|      | Awarded the Nikkei Annual Report Special Award for its abridged version  |
|      | Awarded the IR Special Award by the Japan Investor Relations Association (JIRA)  |
| 2014 | Awarded the IR Grand Prix Award by the Japan Investor Relations Association (JIRA)   |
| 2016 | Awarded the top IR ranking in the domestic retail sector category of the 2016 All-Japan Executive Team Rankings by Institutional Investor, a North American financial information magazine                               |
| 2017 | Awarded the top IR ranking in the domestic retail sector category of the 2017 All-Japan Executive Team Rankings by Institutional Investor, a North American financial information magazine for a second consecutive year |
|      | Awarded the highest evaluation under the ISS Quality Score (Please refer to the Topics column below for details.)  |



UNITED ARROWS LTD. Receives a Quality Score of “1” from ISS  
Based in the United States, Institutional Shareholder Services Inc. (ISS) is a global company that delivers proxy research and vote recommendations. ISS has a major impact on the decisions made by worldwide institutional investors when exercising their voting rights as well as the reputations of a wide range of global companies. In addition to delivering proxy research and vote recommendations, ISS evaluates the corporate governance framework and systems of various companies including the structure of each Board of Directors, executive compensation systems, and policies regarding the return of profits to

shareholders using a scale from 1 to 10 (ISS Quality Score). As one of around 50 reported companies in Japan, UNITED ARROWS LTD. received the highest ISS Quality Score of “1” in 2017. Looking ahead, the Company will work diligently to improve its corporate governance in a bid to secure a sound reputation and the confidence of all stakeholders.



Message from an Outside Director



We will do our utmost to steadily pursue our Medium-Term Vision in spite of significantly changing market conditions.

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

Transitioning to a company with an Audit and Supervisory Committee structure and evaluating the effectiveness of the Board of Directors

In terms of corporate governance, the fiscal year ended March 31, 2017 was a year of significant progress for UNITED ARROWS LTD. This progress began in June 2016 with UNITED ARROWS LTD. transitioning from being a company with an Audit and Supervisory Board to one with an Audit and Supervisory Committee as well as establishing a Nomination and Compensation Committee. In addition, the Company began evaluating the effectiveness of the Board of Directors. Regarding the operations of the Board of Directors, the Company has taken steps to streamline resolutions by delegating authority to the president and executive officers in charge with the aim of ensuring sufficient time for deliberations, which is a key issue for evaluating the Board’s effectiveness. Moreover, the Company has provided sufficient time to deliberate important proposals by newly establishing mechanisms for reporting, resolutions, and deliberations as part of the Board’s agenda. As a result of these actions, I believe that the Board of Directors thoroughly deliberated numerous proposals during the previous fiscal year, including medium- to long-term strategies, whether to continue measures that prevent hostile takeovers, and M&A prospect considerations. On the other hand, the Board faced issues such as deliberation time for certain matters going well beyond their scheduled limits, which kept the process from moving forward. I think the Board of Directors can become more effective by taking appropriate measures to address this issue, which includes trying to further clarify key deliberation points presented at Board meetings.

Enhancing outside director oversight functions

Having previously served as a member of the Audit and Supervisory Board and currently serving as an outside director and Audit and Supervisory Committee member after the Company adopted an Audit and Supervisory Committee structure, I believe that its oversight functions have been steadily improving since this change in organizational structure. Examples of this are the Company increasing the amount of information it provides for facilitating thorough deliberations, which in turn further deepens understanding of these issues. The Audit and Supervisory Committee (which is comprised of outside directors) is working to bring to light managerial and operational issues by regularly setting aside time for discussions with the president, executive directors, and presidents of important consolidated subsidiaries. In addition, with every outside director being a member of the Nomination and Compensation Committee, they are provided with detailed information on the progress of operations in areas overseen by each executive director in order to make decisions about nominations and compensation. These

actions help consolidate sufficient information provided to outside directors and, in turn, invigorate deliberations on these issues as well as improve the transparency and fairness of director nominations and compensation, which has led to a steady enhancement of the Company’s oversight functions.

Introducing a restricted stock compensation plan

Serving as the chair, I oversee the operations of the Nomination and Compensation Committee, which was established in June 2016. In fiscal 2017, Nomination and Compensation Committee meetings were held four times following its establishment, during which discussions were held about what type of executive officer compensation and succession plan should be instituted. Against this backdrop, ongoing discussions were held about the necessity of building an executive officer compensation structure that contributes to further increasing corporate value over the medium to long term, which resulted in the introduction of a restricted stock compensation plan in the fiscal year ending March 31, 2018. Based on this plan, the Company’s executive director compensation will be composed of a (1) fixed monthly salary as basic compensation, (2) bonus linked to performance in a single fiscal year, and (3) stock-based compensation linked to the progress of the Medium-Term Business Plan. I think this has created a more balanced compensation structure for achieving sustainable growth and improving corporate value over the medium to long term.

The driving force behind the Company’s corporate governance improvements

A year has passed since UNITED ARROWS LTD. became a company with an Audit and Supervisory Committee structure, and I can actually see the improvement in the Company’s organizational structure in my managerial role as an outside director and member of the Audit and Supervisory as well as Nomination and Compensation committees. This has been a year in which reforms have moved forward, including enhancing the effectiveness of the Board of Directors, improving outside director oversight functions, and increasing the transparency and fairness of director nominations and compensation. I believe the driving force behind these corporate governance improvements is undertaking corporate management with the strong conviction that the Company’s top executives should always aim to keep UNITED ARROWS LTD.’s doors open to the public and value all stakeholders. Going forward, I will work in my role as outside director to steadily realize the Company’s Medium-Term Vision based on a highly transparent corporate governance framework.

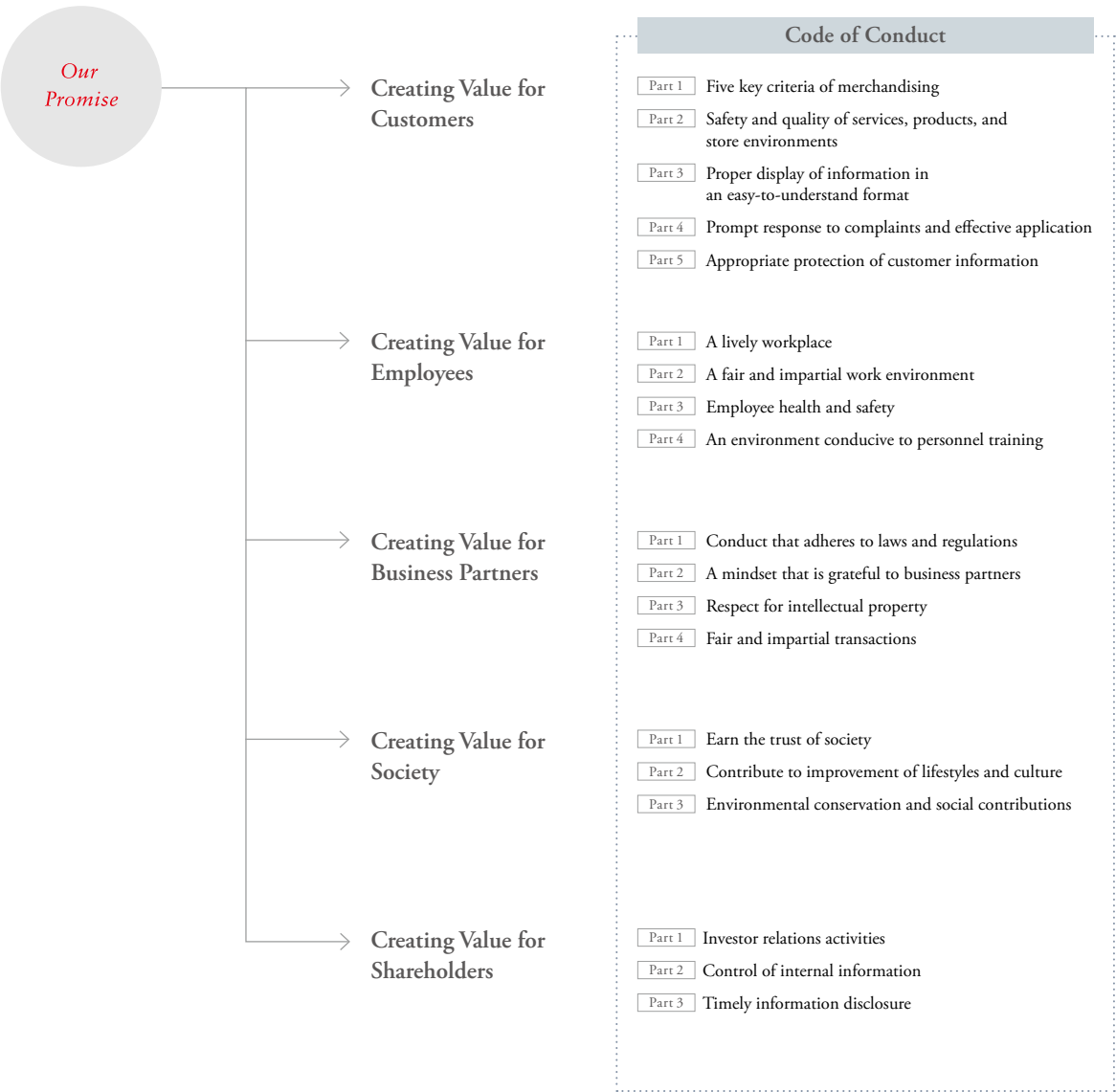


Our Promise—Our Five Core Values

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

The Five Core Values we will continue to create

Our Promise  
Our Five Core Values



→ Our CSR website  
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 environments, the three key sources of satisfaction for customers.

Customer Feedback

Customer Service Center Initiatives

Generating a maximum level of value for customers through in-store sales activities that fully satisfy the customer, UNITED ARROWS LTD. aims to further increase value for customers by leveraging customer feedback received at its stores and the Customer Service Center.

Since its establishment in 2005, the Customer Service Center has served as a point of contact for customers and through this role works to improve the quality of services provided throughout the Company. Analysis of customer feedback collected on a weekly, monthly, and yearly basis has helped solve various customer service-related issues. The Customer Service Center responded to around 34,000 telephone and email inquiries in the fiscal year ended March 31, 2017. In addition, when the same inquiries are received repeatedly, we post our replies as needed on the Company’s “frequently asked questions” (Japanese only) web page, which is part of our efforts to find innovative ways whenever possible to avoid keeping customers waiting for answers. As part of customer service-related investigations solely at our stores performed to date by members of external organizations disguised as customers, the Customer Service Center has started from the fiscal year ended March 31, 2017 undertaking communication-oriented measures to identify issues related to telephone responses focusing on customer impressions and specific details. Such issues have been alleviated through role play and other approaches. In recent years, many people are disseminating information via SNS. Recognizing that a wide array of information on the Company is being disseminated mainly via SNS, steps are being taken to direct customers to the Customer Service Center based on information that has been identified in order to enhance customer value.

Thank You Notes and Rapidly Addressing Complaints

As a company with the basic stance to bring pleasure to its customers, kind words of appreciation toward our customer service and products are a source of the utmost joy. We share throughout the Company “thank you notes” received from customers expressing their appreciation, which has helped further boost customer satisfaction. During the fiscal year ended March 31, 2017, we received 911 “thank you notes.”

In contrast, we received 4,413 customer opinions and complaints during the fiscal year under review. We view comments of dissatisfaction as important warning signs from customers, addressing each comment in a timely and sincere manner.

In the fiscal year ended March 31, 2017, there were year-on-year increases in inquiries, thank you notes, customer opinions, and complaints received by the Customer Service Center. These rises mainly reflect customer telephone calls to stores going unanswered

due to staff dealing with in-store customers, customers calling the Customer Service Center’s toll-free line for information, and inquiries about the House Card renewal in August 2016. Customer feedback is shared throughout the Company, while issues and problems are clarified by analyzing them by business, store, and type. These efforts help improve product quality and customer service while preventing such issues from reoccurring.

|   | 2015           | 2016           | 2017           |
|---|----------------|----------------|----------------|
| Number of Customer Service Center inquiries | approx. 20,000 | approx. 20,000 | approx. 34,000 |
| Thank you notes                             | 824            | 798            | 911            |
| Customer opinions and complaints            | 3,207          | 3,283          | 4,413          |

Product Safety Initiatives

The Company handles both private label brand products along with purchased brand products procured in Japan and overseas. We undertake production control initiatives in cooperation with our business partners in order to ensure that items sold to customers do not contain banned or regulated chemical substances.

One such chemical substance is specified aromatic amine, which has been already regulated overseas as well as in Japan in April 2016 as a preventive measure due to it being a suspected carcinogenic. We receive documentation from our business partners confirming that this substance is not used in our products, oversee on a weekly basis the progress of collecting this documentation by private label brand and purchased brands and by each business, and share this information with top executives and each relevant division. We are working to ensure that this substance is not contained especially in our private label brand items by receiving certificates of non-use from each fabric maker and individual upstream dyeing factories. As of June 2017, we have collected 100% of certificates of non-use for private label brands and nearly 100% for purchased brands.

In addition, we adhere to regulations on harmful substances included in household goods as a precaution when manufacturing items for infants (up to 24 months after birth) and ensure that infant items are safe. To this end, we strictly prevent the use of formaldehyde (which is particularly harmful to infants) in factories, raw materials, and products through inspections conducted by third-party organizations. For products containing buttons and other accessories, we have established usage standards for items expected to be worn by infants and conduct inspections of such items based on detachable testing of all pieces worn, carefully checking that there are no protrusions and easily removable pieces.

We will continue to pursue these measures to ensure that all UNITED ARROWS LTD. products are safe and comfortable for customers to use.

Our Promise—Our Five Core Values

Privacy Policy

Complying with the Act on the Protection of Personal Information, the Company formulated a basic approach toward the protection of personal information and Privacy Policy, which must be adhered to. We not only disseminate the Privacy Policy internally, but also take steps to make it available to the public. Adhering to internal rules on personal information protection and formulating in-house personal information handling guidelines to ensure effective procedures in this area, we are building, evaluating, and revamping our personal information management systems.

Aiming to enhance its corporate and brand images while engaging in marketing activities, the Company encourages employees to make use of social media. However, we fully explain to employees

when initially hired via guidelines on maintaining multiple SNS accounts that they must take steps to prevent inadvertently disclosing private customer information when using social media and be mindful about making sure their posts do not disclose private Company information or damage its corporate/brand image.

We have formulated an information security policy consisting of information security regulations and implementation procedures for customer and other important information, which we strictly control. Based on this information security policy, we have established highly secure IT systems and an information security framework that includes thorough risk management in order to prevent unauthorized access and information leaks, ascertaining and managing the status of the security compliance on a daily basis.

Creating Value for Employees

We offer growth opportunities to employees, who strive to attain our shared policy, and aim to put in place a workplace where they can realize their full potential. UNITED ARROWS LTD. strives to be a company that pays its employees generously in accordance with their performance and a company that brings happiness and fulfillment to all of its employees as they discover their true selves through work.

Initiatives Geared toward Improvement of Employee Satisfaction Levels

We believe that the ability, possessed by our sales staff, to effectively communicate with customers, and the ability to respond to changing consumer demand for products, are essential strengths that are indispensable for the sustainable growth of a company. For this reason, we are actively working to create workplaces of the kind that improve the motivation of the employees and where they can sense that they are doing work that is worthwhile.

**In Principle, Our Employees Hold Permanent Positions**  
Steps have been taken to change the status of all part-time employees seeking to take up a permanent position since 2007. 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 satisfaction and ultimately more satisfaction for our customers.

UNITED ARROWS University / Sales Masters / UNITED ARROWS Grand Prix

To improve the customer service and communication skills of its sales staff, the Company is working to enhance the training and education programs at which the skills of excellent employees are shared.

Open to all Company employees, the UNITED ARROWS University is a training initiative for the education of the Company as a whole. In the fiscal year under review, a total of 2,686 employees attended training conducted over an aggregate period of 170 days. Training included a total of 20 themes including “the ES system,” which supports the creation of a framework that nurtures people at frontline stores, “Strengthening the Level of Management,” to increase the motivation of subordinates, and “Initial Education Enrichment,”

which aims to improve the standard of employees within three years of having joined the Company. In overall terms, the goal is to realize the Human Resources Policy stated as part of the Company’s Policy Structure.



The UNITED ARROWS University training sessions target all employees.

Sales Master is a title bestowed on excellent sales specialists. On the basis of their personal attributes and charm, we accredit those who well satisfy the balance between both qualitative aspects, such as having the backing of multiple customers, and quantitative aspects, including sales performance. The term of office of a Sales Master is two years, during which time he or she receives preferential treatment in terms of remuneration aspects and is required to continue to set the standard in terms of behavior for other sales staff. We established a four-level (platinum, gold, silver, and bronze) system in April 2016 and revised the system to be recognized as a career path target for sales staff. As of March 2017, there were 40 people displaying their full potential as Sales Masters.

Held once a year, the UNITED ARROWS Grand Prix is a customer service contest in a role-playing format. Sales staff who have won through preliminary competitions increase their loyalty to the brands to which they have been assigned by pitting their high customer service skills against each other and sharing in the

excitement and inspiration. The Company places an emphasis on the sales frontline, which above all else generates customer satisfaction, and with these award systems presents opportunities to widely recognize and evaluate within the Company the value of the customer service conducted by its outstanding sales staff.



The UNITED ARROWS Grand Prix is a customer service contest held once a year.

Creating Workplaces that Facilitate Work Efforts to Improve Employee Retention Rate and Career Improvement Support

The Company carries out an “employee awareness survey” once a year for all employees, including part-time staff. We collect and analyze employee feedback relating to the working environment and the systems under which the employees work, including how worthwhile they believe their tasks to be, their sense of achievement, the educational system, and welfare benefits, which leads to improvements in a number of initiatives. In the past, we disseminated to all employees illustrated UNITED ARROWS career books, which summarized the work experience of and personal interviews with 20 employees who had a range of duties. By touching on diverse career paths, we hope to dispel any anxiety about the future and increase motivation for career advancement and expect that to lead to heightened customer satisfaction.

Creating Value for Business Partners

We have also established an internal recruitment system to seek applications from within the Company before commencing any external hiring process. By enhancing the system by which employees form diverse careers, such as by a self-declaration system through which they nominate the desired department for the purpose of advancing their career outside the department to which they are currently assigned, and by combining various training programs centered on the UNITED ARROWS University, we are raising the retention rate through the improvement of employee career prospects.

Toward Workplaces Where Diverse Human Resources Can Realize Their Full Potential

The Company works to create a working environment that is equal and fair, regardless of age, gender, nationality, and religion. Centered on women, who account for approximately 60% of our employees, we are focusing on creating workplaces that facilitate work, such as by offering childcare leave, vacations to look after children, and a short-time work system, to ensure that women can continue working long even after marriage and childbirth. As of March 31, 2017, the ratio of women returning to work after taking childcare leave was approximately 90%, while the ratio of women in management positions, of store manager and higher, was 36%.

We are also actively engaged in recruiting people with disabilities, and in recent years we have been able to realize the employment of people who had previously thought that employment would be beset with problems by improving the barrier-free environments at some offices. We are also promoting the employment of non-Japanese nationals who anticipate inbound demand and are making full use of their language skills and realizing their full potential in trading and other operations.

Holding of Quality Control (QC) Meetings

The products developed by the Company consist of purchased brands, procured from Japan and overseas, and private label brands. With regard to private label brand clothing, QC meetings are held on a regular basis—for domestic and overseas contract production factories and inspection centers, trading companies, and principal business partners—primarily as a part of production management operations and efforts to improve product quality. By sharing cases of high incidences of defective products, information on countermeasures to prevent such occurrences, progress toward resolving issues to be addressed as a Company, the QC meetings serve as a forum for sharing information and exchanging ideas and opinions to provide safe and secure products to our customers. In the fiscal year ended March 31, 2017, QC meetings for apparel products were held on a total of two occasions in Tokyo and Vietnam and attended by a total of 28 companies. Also, a total of

37 companies participated in two QC meetings, organized by Odette e Odile, for small business units (SBU) handling women’s shoes in Japan. At any meeting in recent years, we have been aiming to improve product quality together with our business partners. In addition to discussions on, for example, measures to prevent the occurrence of product defects, active discussions have been held on improving techniques, such as by the introduction of best practices for product grade improvements.



An Odette e Odile-organized QC meeting

Our Promise—Our Five Core Values

Measures Concerning Products with Materials Made from Animals

There is growing concern and interest in what is called traceability, what kind of materials were used in a product, where those products are manufactured and by whom. First of all, from the fiscal year ended March 31, 2016, we began an operation to ask our business partners—such as those at spinning, raw materials, and garment factories—to submit reports on, for example, their methods of collecting materials and their manufacturing processes with regard to, from among the materials made from animals, items using Angora rabbit fur, feathers, and furs. As the seller, we will ascertain the situation and, should an issue be found, make improvements while creating products that are more reliable and providing products that can be worn with ease.

Efforts toward Fair Trade

In our dealings with business partners, we regard fair trade and efforts such as the securing of workers' safety as important initiatives. At our main overseas factories, to which we have been outsourcing the production of private label brands, there is no hiring in contravention of laws and regulations covering, for example, child labor, forced labor, and discrimination. With regard to whether there are issues in the working environments, such as in proper

compensation and working hours or in ensuring worker safety in the event of an accident, we have started checking and evaluating more than 30 items from 2016. Likewise, at domestic factories, steps have been initiated to ensure that business partners submit reports on whether non-Japanese nationals working as technical interns are being provided with fair working environments. In emphasizing the conduct of fair and impartial business dealings, with regard to violations of laws and regulations, fraud, and anti-ethical conduct by our staff, we are encouraging advance prevention or its discovery and correction by having opened, in addition to an internal whistleblower system, a consultation point of contact for the exclusive use of our business partners. Any information passed to the point of contact is securely handled so that the whistleblower will not suffer any disadvantageous repercussions.



A box for business partner questionnaire surveys set up in a business meeting room

Creating Value for Society

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

Contributing to Society through Our Business

Through its business activities, the Company conducts a number of support activities together with its customers. In the spring and summer seasons of 2014, we launched the new TÉGÊ UNITED ARROWS label at UNITED ARROWS. A project of the International Trade Centre (ITC), we are collaborating with the Ethical Fashion Initiative (EFI)\* and proposing new value through making things that are a fusion of craftsmanship rooted in African culture and UNITED ARROWS design ideas.

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



TÉGÊ UNITED ARROWS products

Contributing to the Environment through Our Business

We are actively promoting the adoption of LED lighting at stores with the aim of reducing the amount of electricity used. Having started its installation primarily in the UNITED ARROWS green label relaxing (GLR) business in the fiscal year ended March 31, 2011, approximately 96% of the Company's stores currently utilize LED lighting. The LED lighting the Company has installed does not distort the original colors of products and provides a light environment sufficient for customers to view them. We will continue to actively adopt LED lighting at newly opened stores and stores undergoing renovation. In addition, as a measure to reduce global warming and the burden we place on the environment, we changed from the cardboard used during distribution to an eco-box that can be used repeatedly, leading to a reduction in resources and costs. Having introduced the eco-box in 2012, in the fiscal year ended March 31,

2017, we were able to avoid the use of 128,000 cardboard boxes by repeatedly using about 4,000 eco-boxes. The feedback from shop staff who actually use the boxes included "the time it takes to assemble and disassemble the boxes has been shortened" and "the box has handles that have improved convenience during transportation," which has led to a reduction in the amount of ancillary work at stores.



The 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.

Proactive Undertaking of IR Activities

UNITED ARROWS LTD. emphasizes the ongoing evolution and improvement of its IR activities based on the opinions of shareholders and investors as well as the direction of IR trends illustrated in Japan's Corporate Governance Code. In recent years, we have been working to eliminate information gaps by providing useful information to individual shareholders along with institutional investors, from which we do not receive direct inquiries. We list on the Company IR website earnings results briefing materials immediately after results announcements along with Q&A transcripts and briefing videos soon after the results briefings are held. From the fiscal year ended March 31, 2017, we have enhanced the environmental, social, and governance (ESG) information contained in conventional annual reports and published as an integrated report. We regard the integrated report as a tool to deepen understanding of the Company's approach to and strategies for medium- to

long-term growth as well as initiatives to improve corporate governance and raise corporate value.

Enhancement of Return of Profits to Shareholders

In addition to working to expand earnings per share by sustained growth expansion and improvements in business performance, the Company looks for ways to maximize its shareholder value as a basic policy of its profit distribution by, for example, stable dividends linked to performance, the carrying out of stock splits, and the acquisition and cancellation of treasury stock. In recent years, we have been continuing to pay stable dividends and, by actively acquiring treasury stock, we are working to enhance the return of profits to shareholders and improve capital efficiency. In the years ahead, as stated in the UNITED ARROWS Group's Medium-Term Vision, we are aiming to further improve shareholder value by achieving both growth and the return of profits to shareholders.

Performance benchmark trends related to enhancement of return of profits to shareholders

| (fiscal year ended March 31)  | 11     | 12     | 13     | 14     | 15     | 16     | 17     | 18 (Plan) |
|---|--------|--------|--------|--------|--------|--------|--------|-----------|
| Earnings per share (yen)  | 97.02  | 158.74 | 230.80 | 248.80 | 199.53 | 214.87 | 174.57 | 194.06    |
| Dividends per share (DPS) (yen)   | 29.0   | 36.0   | 53.0   | 67.0   | 78.0   | 78.0   | 78.0   | 78.0      |
| Dividend payout ratio   | 29.9%  | 22.7%  | 23.0%  | 26.9%  | 39.1%  | 36.3%  | 44.7%  | 40.2%     |
| Total return ratio  | 325.9% | 22.7%  | 23.0%  | 26.9%  | 110.9% | 57.6%  | 158.9% | —         |
| Number of treasury stock acquired (thousands)                             | 10,700 |        |        |        | 1,259  | 371    | 1,890  | —         |
| Ratio of treasury stock acquired to total number of common shares issued  | 25.0%  |        |        |        | 3.3%   | 1.0%   | 6.3%   | —         |
| Number of treasury stock cancelled (thousands)                            |        |        | –5,000 |        |        | –7,586 |        | —         |
| Ratio of treasury stock cancelled to total number of common shares issued |        |        | 11.7%  |        |        | 20.1%  |        | —         |

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



|  | (FY)            |       |          |       |          |       |          |       |          |       |           |       |           |       |           |       |           |       |           |       |                           |       |           |
|--|-----------------|-------|----------|-------|----------|-------|----------|-------|----------|-------|-----------|-------|-----------|-------|-----------|-------|-----------|-------|-----------|-------|---------------------------|-------|-----------|
|  | millions of yen |       |          |       |          |       |          |       |          |       |           |       |           |       |           |       |           |       |           |       | thousands of U.S. dollars |       |           |
|  | 2007            |       | 2008     |       | 2009     |       | 2010     |       | 2011     |       | 2012      |       | 2013      |       | 2014      |       | 2015      |       | 2016      |       | 2017                      |       |           |
| Net sales / YOY (%)  | 60,959 /        | 113.3 | 72,221 / | 118.5 | 79,665 / | 110.3 | 83,504 / | 104.8 | 90,571 / | 108.5 | 102,052 / | 112.7 | 115,041 / | 112.7 | 128,489 / | 111.7 | 131,029 / | 102.0 | 140,919 / | 107.5 | 145,535 /                 | 103.3 | 1,285,764 |
| Gross profit / Composition ratio (%)                                 | 33,072 /        | 54.3  | 36,891 / | 51.1  | 40,647 / | 51.0  | 42,865 / | 51.3  | 48,001 / | 53.0  | 55,661 /  | 54.5  | 62,619 /  | 54.4  | 68,492 /  | 53.3  | 68,046 /  | 51.9  | 71,573 /  | 50.8  | 74,155 /                  | 51.0  | 655,145   |
| Selling, general and administrative expenses / Composition ratio (%) | 25,721 /        | 42.2  | 31,960 / | 44.3  | 36,327 / | 45.6  | 37,922 / | 45.4  | 40,617 / | 44.8  | 45,468 /  | 44.6  | 50,056 /  | 43.5  | 54,842 /  | 42.7  | 56,695 /  | 43.3  | 60,501 /  | 42.9  | 64,990 /                  | 44.7  | 574,172   |
| Operating income / Composition ratio (%)                             | 7,350 /         | 12.1  | 4,930 /  | 6.8   | 4,319 /  | 5.4   | 4,942 /  | 5.9   | 7,384 /  | 8.2   | 10,193 /  | 10.0  | 12,562 /  | 10.9  | 13,649 /  | 10.6  | 11,351 /  | 8.7   | 11,071 /  | 7.9   | 9,165 /                   | 6.3   | 80,973    |
| Ordinary income / Composition ratio (%)                              | 7,337 /         | 12.0  | 5,017 /  | 6.9   | 4,283 /  | 5.4   | 5,037 /  | 6.0   | 7,240 /  | 8.0   | 10,272 /  | 10.1  | 12,582 /  | 10.9  | 13,739 /  | 10.7  | 11,542 /  | 8.8   | 11,175 /  | 7.9   | 9,420 /                   | 6.5   | 83,227    |
| Net income attributable to owners of parent / Composition ratio (%)  | 3,511 /         | 5.8   | 3,800 /  | 5.2   | 1,274 /  | 1.6   | 1,403 /  | 1.7   | 3,596 /  | 4.0   | 5,016 /   | 4.9   | 7,316 /   | 6.4   | 7,920 /   | 6.2   | 6,332 /   | 4.8   | 6,494 /   | 4.6   | 5,191 /                   | 3.6   | 45,862    |
| Total assets / Turnover (times)                                      | 38,132 /        | 1.6   | 43,362 / | 1.7   | 46,821 / | 1.7   | 46,163 / | 1.8   | 45,716 / | 2.0   | 51,278 /  | 2.0   | 54,395 /  | 2.1   | 59,296 /  | 2.2   | 62,020 /  | 2.1   | 63,877 /  | 2.2   | 67,799 /                  | 2.1   | 598,986   |
| Total net assets   | 17,635          |       | 22,711   |       | 23,004   |       | 23,327   |       | 15,103   |       | 19,291    |       | 25,403    |       | 31,532    |       | 31,186    |       | 33,760    |       | 30,980                    |       | 273,706   |
| Inventory / Turnover (times)* <sup>1</sup>                           | 14,258 /        | 4.8   | 17,043 / | 4.6   | 18,681 / | 4.5   | 16,903 / | 4.7   | 15,867 / | 5.5   | 15,753 /  | 6.5   | 17,480 /  | 6.9   | 20,372 /  | 6.8   | 23,474 /  | 6.0   | 23,966 /  | 5.9   | 26,210 /                  | 5.8   | 231,561   |
| Interest-bearing debt  | 8,246           |       | 7,416    |       | 11,899   |       | 7,748    |       | 16,132   |       | 10,114    |       | 7,773     |       | 5,081     |       | 10,500    |       | 6,146     |       | 13,792                    |       | 121,848   |
| Cash flows from operating activities                                 | 1,801           |       | 456      |       | 1,286    |       | 7,933    |       | 6,923    |       | 12,081    |       | 5,238     |       | 6,828     |       | 4,730     |       | 11,689    |       | 4,868                     |       | 43,013    |
| Cash flows from investing activities                                 | -4,198          |       | -946     |       | -4,373   |       | -1,992   |       | -2,069   |       | -2,711    |       | -3,528    |       | -3,072    |       | -3,249    |       | -3,351    |       | -4,511                    |       | -39,855   |
| Cash flows from financing activities                                 | -2,281          |       | 493      |       | 3,434    |       | -5,202   |       | -3,443   |       | -6,875    |       | -3,533    |       | -4,472    |       | -1,328    |       | -8,139    |       | -508                      |       | -4,491    |
| Cash and cash equivalents  | 2,971           |       | 2,975    |       | 3,322    |       | 4,061    |       | 5,471    |       | 7,966     |       | 6,142     |       | 5,429     |       | 5,585     |       | 5,799     |       | 5,630                     |       | 49,744    |
| Capital expenditures* <sup>2</sup>                                   | 2,389           |       | 2,954    |       | 3,604    |       | 1,415    |       | 4,254    |       | 2,576     |       | 2,809     |       | 3,419     |       | 2,453     |       | 3,479     |       | 4,445                     |       | 39,273    |
| Depreciation   | 642             |       | 883      |       | 1,258    |       | 1,209    |       | 1,363    |       | 1,416     |       | 1,518     |       | 1,711     |       | 1,801     |       | 1,794     |       | 1,865                     |       | 16,482    |
| Return on investment (ROI) (%)* <sup>3</sup>                         | 30.5            |       | 18.4     |       | 12.6     |       | 16.8     |       | 20.9     |       | 38.1      |       | 42.1      |       | 41.1      |       | 27.7      |       | 29.0      |       | 20.5                      |       |           |
| Equity ratio (%)   | 46.2            |       | 52.4     |       | 49.1     |       | 50.5     |       | 33.0     |       | 37.6      |       | 46.7      |       | 53.2      |       | 50.3      |       | 52.8      |       | 45.2                      |       |           |
| Debt equity ratio (%)* <sup>4</sup>                                  | 116.2           |       | 90.9     |       | 103.5    |       | 97.9     |       | 202.7    |       | 165.8     |       | 114.1     |       | 88.0      |       | 98.9      |       | 89.2      |       | 118.8                     |       |           |
| Return on equity (ROE) (%)   | 21.8            |       | 18.8     |       | 5.6      |       | 6.1      |       | 18.7     |       | 29.2      |       | 32.7      |       | 27.8      |       | 20.2      |       | 20.0      |       | 16.1                      |       |           |
| Return on assets (ROA) (%)   | 20.0            |       | 12.3     |       | 9.5      |       | 10.8     |       | 15.8     |       | 21.2      |       | 23.8      |       | 24.2      |       | 19.0      |       | 17.8      |       | 14.3                      |       |           |
| Dividend payout ratio (%)  | 11.8            |       | 27.6     |       | 82.8     |       | 84.2     |       | 29.9     |       | 22.7      |       | 23.0      |       | 26.9      |       | 39.1      |       | 36.3      |       | 44.7                      |       |           |
| Dividends per share (DPS) (yen / dollar)                             | 10.00           |       | 25.00    |       | 25.00    |       | 28.00    |       | 29.00    |       | 36.00     |       | 53.00     |       | 67.00     |       | 78.00     |       | 78.00     |       | 78.00                     |       | 0.69      |
| Earnings per share (EPS) (yen / dollar)                              | 84.98           |       | 90.59    |       | 30.19    |       | 33.26    |       | 97.02    |       | 158.74    |       | 230.80    |       | 248.80    |       | 199.53    |       | 214.87    |       | 174.57                    |       | 1.54      |
| Book value per share (BPS) (yen / dollar)                            | 426.33          |       | 538.09   |       | 545.02   |       | 552.68   |       | 478.39   |       | 609.66    |       | 799.65    |       | 990.22    |       | 1,019.68  |       | 1,117.23  |       | 1,081.49                  |       | 9.55      |
| Number of stores   | 124             |       | 150      |       | 183      |       | 196      |       | 207      |       | 237       |       | 271       |       | 315       |       | 334       |       | 357       |       | 360                       |       |           |
| Number of employees  | 1,166           |       | 2,361    |       | 2,781    |       | 2,783    |       | 2,792    |       | 3,033     |       | 3,309     |       | 3,652     |       | 3,863     |       | 4,237     |       | 4,427                     |       |           |

\* 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, 2017, of ¥113.19 = U.S.\$1.

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

<sup>2</sup> In the fiscal year ended March 31, 2011, Capital expenditures includes change in asset retirement obligations fee of ¥1,619 million due to application of a new accounting standard regarding asset retirement obligations.

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

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



Corporate Data

as of March 31, 2017

Corporate Profile

|                           |   |
|---------------------------|---|
| Trade name                | UNITED ARROWS LTD.  |
| Address                   | 3-28-1 Jingumae, Shibuya-ku, Tokyo, Japan   |
| Date of establishment     | October 2, 1989   |
| Paid-in capital           | ¥3,030 million  |
| Business description      | Planning and sales of products such as men's and women's clothing and miscellaneous items                   |
| Number of stores          | 360 (consolidated)  |
| Main banks                | 1. The Bank of Tokyo-Mitsubishi UFJ, Ltd.<br>2. SUMITOMO MITSUI BANKING CORPORATION<br>3. Mizuho Bank, Ltd. |
| Accounting auditors       | Deloitte Touche Tohmatsu LLC  |
| Number of employees       | 4,427 (consolidated)  |
| Consolidated subsidiaries | FIGO CO., LTD.<br>COEN CO., LTD.<br>UNITED ARROWS TAIWAN LTD.<br>Designs & Co.<br>CHROME HEARTS JP, GK      |

\* The Company's headquarters was relocated to the above address on May 12, 2017.

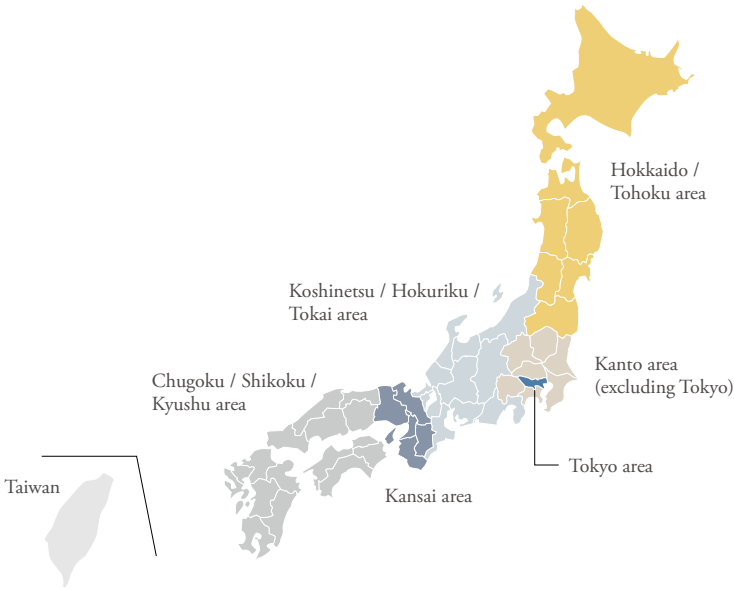
Board of Directors and Executive Officers

as of October 1, 2017

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

Store Network by Retail Area

as of March 31, 2017



|   | Hokkaido / Tohoku area | Kanto area (excluding Tokyo) | Tokyo area | Koshinetsu / Hokuriku / Tokai area | Kansai area | Chugoku / Shikoku / Kyushu area | Taiwan | Total |
|---|------------------------|------------------------------|------------|------------------------------------|-------------|---------------------------------|--------|-------|
| UNITED ARROWS General Merchandise Store | 1                      | 1                            | 5          | 1                                  | 0           | 1                               | 0      | 9     |
| UNITED ARROWS                           | 2                      | 3                            | 12         | 2                                  | 8           | 3                               | 1      | 31    |
| BEAUTY&YOUTH UNITED ARROWS              | 2                      | 9                            | 18         | 3                                  | 8           | 9                               | 1      | 50    |
| UNITED ARROWS green label relaxing      | 2                      | 20                           | 19         | 8                                  | 10          | 10                              | 0      | 69    |
| SBU                                     | 3                      | 9                            | 33         | 5                                  | 7           | 4                               | 0      | 61    |
| OUTLET                                  | 2                      | 8                            | 1          | 6                                  | 4           | 3                               | 1      | 25    |
| Felisi                                  | 0                      | 1                            | 5          | 2                                  | 2           | 2                               | 0      | 12    |
| ASPESI                                  | 0                      | 0                            | 1          | 1                                  | 1           | 2                               | 0      | 5     |
| coen                                    | 5                      | 32                           | 9          | 10                                 | 17          | 14                              | 0      | 87    |
| BLAMINK                                 | 0                      | 0                            | 1          | 0                                  | 0           | 0                               | 0      | 1     |
| CHROME HEARTS                           | 0                      | 0                            | 4          | 1                                  | 3           | 2                               | 0      | 10    |
| Total                                   | 17                     | 83                           | 108        | 39                                 | 60          | 50                              | 3      | 360   |

|  |      |       |       |       |       |       |      |        |
|--|------|-------|-------|-------|-------|-------|------|--------|
| Composition ratio of stores (consolidated) | 4.7% | 23.1% | 30.0% | 10.8% | 16.7% | 13.9% | 0.8% | 100.0% |
|--|------|-------|-------|-------|-------|-------|------|--------|

\* The sovereign house, District UNITED ARROWS, and ASTRAET are included in the UNITED ARROWS business.  
\* Monkey time BEAUTY&YOUTH UNITED ARROWS, STEVEN ALAN, ROKU BEAUTY&YOUTH and H BEAUTY&YOUTH are included in BEAUTY&YOUTH UNITED ARROWS.

About other IR tools and the Company's website

Investor Relations website

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

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

CSR website

www.united-arrows.co.jp/csr/ (Japanese only)

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

Store List website

www.united-arrows.co.jp/en/shop/

Individual business brand websites

store.united-arrows.co.jp/storelist/

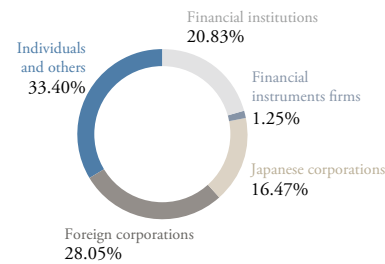
In addition to an overview of each business and a list of stores, individual business brand websites introduce the latest products.

Stock Information

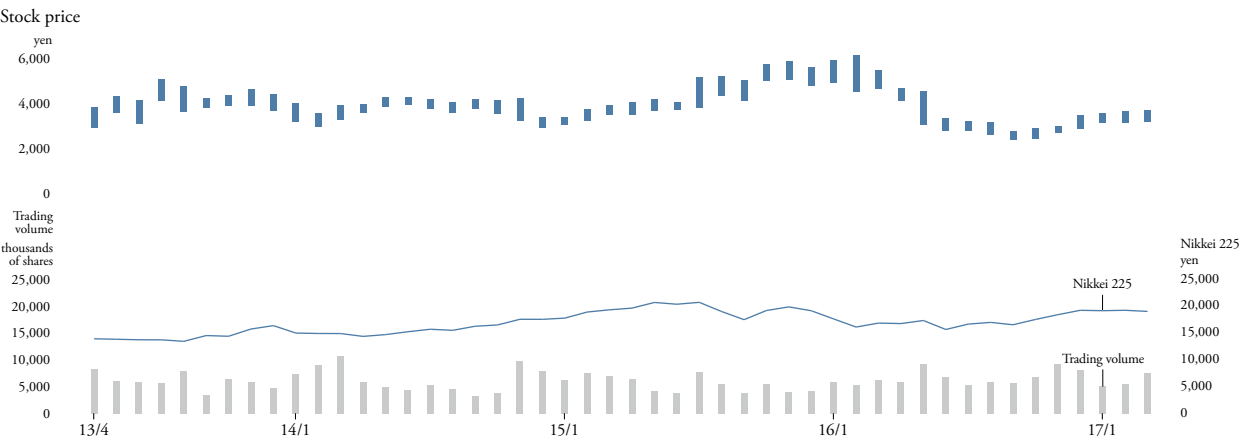
|                                |                                     |
|--------------------------------|-------------------------------------|
| Stock listing                  | Tokyo Stock Exchange, First Section |
| Securities code                | 7606                                |
| Number of authorized shares    | 190,800,000                         |
| Number of common shares issued | 30,213,676                          |
| Number of shareholders         | 14,499                              |

\* Total number of shares of common stock issued includes 1,890,835 shares of treasury stock, equivalent to 6.25% of the total number of shares of common stock issued.

Shareholder Composition (by Number of Shareholders)



|  |                  |                                |
|--|------------------|--------------------------------|
| Major Shareholders   |                  |                                |
| Name   | Number of shares | Percent of total shares issued |
| Osamu Shigematsu   | 2,498,400        | 8.26                           |
| A.D.S Co., Ltd.  | 2,000,000        | 6.61                           |
| Rinzaw Co., Ltd.   | 1,511,400        | 5.00                           |
| The Master Trust Bank of Japan, Ltd. (Trust Account)   | 1,376,900        | 4.55                           |
| Japan Trustee Services Bank, Ltd. (Trust Account)  | 1,013,400        | 3.35                           |
| STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM | 827,300          | 2.73                           |
| Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)                         |                  |                                |
| STATE STREET BANK AND TRUST COMPANY 505001   | 791,237          | 2.61                           |
| Standing proxy: Mizuho Bank, Ltd., Settlement division   |                  |                                |
| STATE STREET BANK AND TRUST COMPANY 505225   | 787,050          | 2.60                           |
| Standing proxy: Mizuho Bank, Ltd., Settlement division   |                  |                                |
| Hirofumi Kurino  | 770,000          | 2.54                           |
| NORTHERN TRUST CO. (AVFC) RE IEDUC UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT                                 | 499,200          | 1.65                           |
| Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)                         |                  |                                |



Contact us

UNITED ARROWS LTD.

Investor Relations Office

Nihonseimei Akasaka Bldg., 8-1-19 Akasaka, Minato-ku, Tokyo 107-0052, Japan

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