



UNITED ARROWS LTD.

Integrated Report 2023





Here at United Arrows, we help you grow wings.

The moment people find great clothing is magical.
Voices rise with excitement. Faces light up.
Even attitudes and behaviors transform.
In these moments, a person's soul grows wings,
allowing them to take flight.

When we find great clothing, we grow lighter.
Brighter. More hopeful.
And this motivates us to explore
the world outside of ourselves.

Each day, United Arrows strives to weave
more of these miracles from clothing.
This starts with stepping beyond
our limits and borders.
We must continue to refine our
tastes and try new styles.
Stay true to what we love,
rather than drift with the world's tides and trends.

Our promise is to set forth and stay true.
Of course,
that's easier said than done.
But as lovers of clothing,
believers in its
power—we'll make that
promise a reality.
Because our biggest competition
today is who we were yesterday.

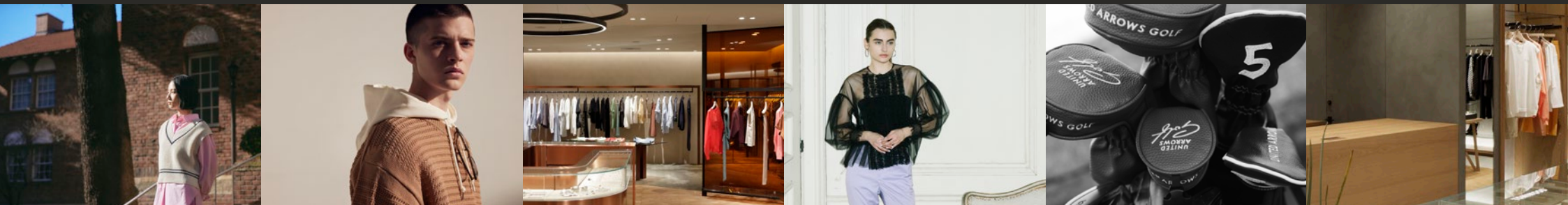
Step Beyond Yourself



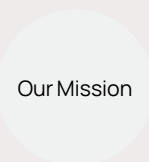
UNITED ARROWS LTD.

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Corporate Philosophy



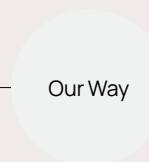
Our Mission

With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.

Through service, products, and places charged with sincerity and a sense of beauty, we help each of our customers dress for the lives they lead today and for richer lives tomorrow.

We believe that engaging daily in this way can create a richer, brighter world.

By banding together, firm in this conviction, and speeding forward like an arrow, we will continue to set an indispensable standard for lifestyle culture.



Our Way

All for the Customer

Our way describes the fundamental stance that all employees who work at United Arrows should bear in mind in order to achieve our mission.

We work to help our customers, to benefit our customers, and to fulfill our customers' needs. Making our customers happy is the essence of the United Arrows Group, and this must remain our fundamental stance.

Helping, benefiting, and fulfilling the needs of customers sometimes takes longer, involves a greater number of hands, and costs more than expected. This is why we pursue productivity, speed, and quality, looking beyond what is expected of us in our constant pursuit of customer service.

Everything we do must be for our customers. Only by providing proper service can we provide fair value for our customers' money. Our customers' happiness leads to our happiness. We are nothing without our customers.



Our Commitment

Creating Five Values

Value for Customers / Value for Employees / Value for Business Partners / Value for Society / Value for Shareholders

Five kinds of stakeholders sustain the United Arrows Group: customers, employees, business partners, society, and Shareholders.

We are committed to realizing our mission by increasing value for each of these stakeholder groups, creating value for customers, value for employees, value for business partners, value for society, and value for shareholders.

The most important of these is creating value for our customers; only by creating value for our customers can we create value for our other four stakeholder groups. In addition, we believe that balanced creation of the other four values also leads to improved value for our customers.

The Founder's Thoughts

Enrich your life with selected "authentic items"

Helping our customers live a richer life is what I want to do through UNITED ARROWS' activities. The absolute requirement for a "richer life" is to be stress-free. That means a situation that is full of satisfaction and free from displeasure.

Fashion has three roles. One of them is to make you feel comfortable when you wear something that you like. This leads to a stress-free situation, which is an absolute requirement for a richer life. The second role is self-expression, and the third is the uplifting emotion felt when dressing. Through our service, products, and places, we express the power that fashion has to enrich people's minds and lives and provide that power to our customers.

I often say to our members, "I want you to utilize your best qualities, make them stand out from others, and use them to solve problems in society."

For example, we hypothesize that every customer who comes to our store has some kind of problem. A customer may say "I don't want anything, but I have some free time, so I came to the store." We interpret that as a matter to solve. Since we in the retail business communicate directly with customers, we can get a real sense of "what problems does the customer have right now?" And we'll help the customer find something and make them feel happy. In other words, our role is to

solve problems and provide satisfaction. Solving problems leads to a stress-free and richer mind.

I grew up in an environment where I discovered the "authentic" things made in the U.S. in the 1950s and 1960s, a time known as the Golden Age. With the intention of bringing these "authentic" items to the Japanese market, I began to buy products directly in the U.S. and sell them in Japan. Then I broadened my procurement sources to a global scale, and this resulted in a select shop format. We earnestly pursue customer satisfaction with what we consider to be "authentic" items

at the stores we create. That's my idea of retailing.

Wearing and being surrounded by authentic items makes for a rich life indeed, because we know there is nothing better than them. Authentic items are comfortable, reassuring, and uplifting. I want people to see and know "authentic" items and incorporate them into their lives. Moreover, what we offer is not only high quality but also the emotional experience of discovering authentic items. We offer the greatest hospitality even if we never have a chance to see the customer again. That was the ambition behind the Company's establishment and is something that's still etched in our DNA.

We are in a very difficult time with many social issues. That is why we should make great use of the power of fashion to find comfort or lift our spirits through the act of dressing.



A handwritten signature in black ink that reads "Osamu Shigematsu".

Osamu Shigematsu
Founder and Honorary Chairman of UNITED ARROWS LTD.

Our History

The UNITED ARROWS Group has expanded its range of value offerings since its inception, based on its corporate philosophy of “setting the standard for lifestyle culture.”

We will continue to evolve in order to provide more customers with a richer life.

1

Set the standard for lifestyle culture in Japan

UNITED ARROWS LTD. was born with the ambition of “setting the standard for lifestyle culture in Japan.” It started as a fashion specialty store with top-notch attire in Japan and overseas under the keywords of “richness and quality,” and after developing various lines, it gained acceptance among fashion-conscious people and grew.

2

Standard only when delivering value to more customers

In order to realize our philosophy of “setting the standard,” we are also working to provide products that are affordable to more customers, such as UNITED ARROWS green label relaxing and coen. Our sales channels are expanding, as we have opened stores in outlets and fashion e-commerce malls and started our own e-commerce sites.

3

Relaying the standard of lifestyle culture to new customers in Japan and abroad

We want to convey to the world the standard of rich lifestyle culture cultivated in Japan. With this in mind, we have opened a store in Taiwan, our first store abroad, and will launch full-scale operations in mainland China as well. In Japan, we will expand the field of value offerings through business expansion, including the development of new brands for young people.

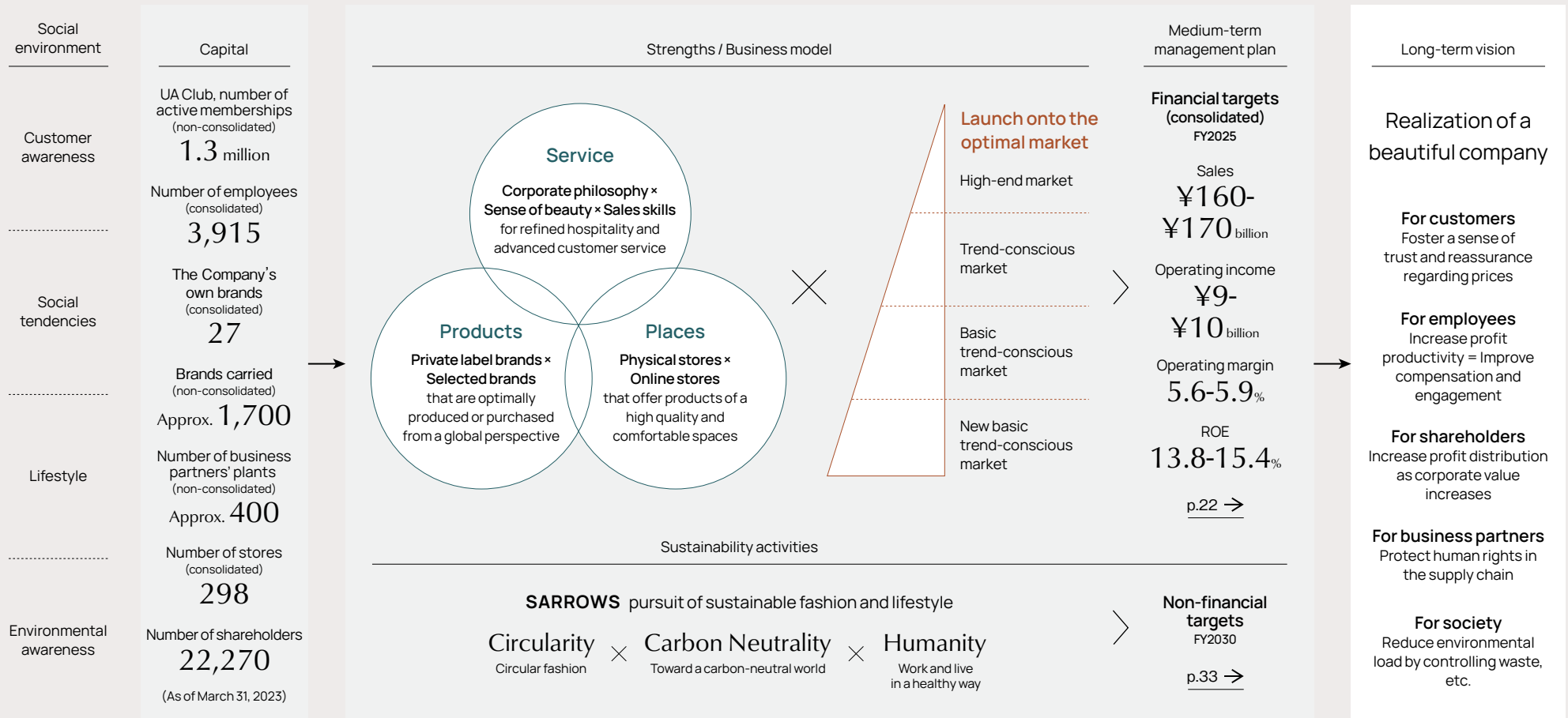


Note 1) The Company's accounts were presented on a consolidated basis beginning in FY2005. Note 2) From the beginning of FY2021, the "Accounting Standard for Revenue Recognition" has been applied.

Value Creation Process

Our mission

With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.



Our Operating Markets

The UNITED ARROWS Group classifies the apparel market into two broad categories: the trend-conscious market, which is for consumers who are highly sensitive to fashion trends, and the volume market, which mainly consists of relatively low-priced daily clothing. The Group targets the trend-conscious market and operates its business in the form of select shops.

A select shop is a retail store that carries products selected from around the world by buyers based on the brand concept. In Japan, select shops that offer both select products and private label brand products are widely available, and our company is one of those.

Our customer base is made up of consumers who have a strong interest in fashion and want to enrich their lives through it. Our operating activities are driven by an awareness of this customer segment.

*1 UNITED ARROWS General Merchandise Stores offer both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products in the same store.

*2 Others in trend-conscious market: DRAWER, Odette e Odile, STEVEN ALAN, ROKU, BLAMINK, H BEAUTY&YOUTH, District UNITED ARROWS, ASTRAET, California General Store

*3 Others in basic trend-conscious market: CITEN

Markets	Operating company	Core business and subsidiaries	Number of stores	
Trend-conscious market	UNITED ARROWS LTD.	High-end	UNITED ARROWS General Merchandise Store*1	14
		Trend-conscious	UNITED ARROWS	24
			BEAUTY&YOUTH UNITED ARROWS	37
			Others*2	29
Basic trend-conscious	UNITED ARROWS LTD.	UNITED ARROWS green label relaxing	84	
		Others*3	1	
New basic trend-conscious	COEN CO., LTD. (Subsidiary company)	COEN	75	
Volume market				
Outlet	UNITED ARROWS LTD.	UNITED ARROWS LTD. OUTLET	26	
Overseas	UNITED ARROWS TAIWAN LTD. (Subsidiary company)	UNITED ARROWS General Merchandise Store*1	3	
		UNITED ARROWS green label relaxing	1	
		COEN	3	
		UNITED ARROWS LTD. OUTLET	1	
The Group Total			298	
UNITED ARROWS LTD.			215	
COEN CO., LTD.			75	
UNITED ARROWS TAIWAN LTD.			8	

Sources of Value Creation

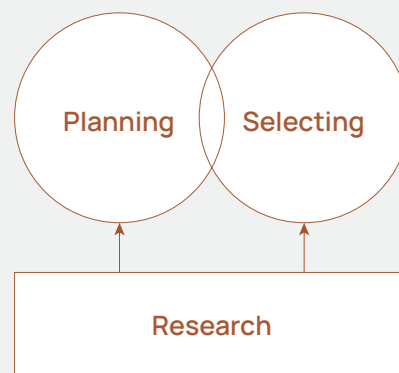
The sources of the Company's value creation are "power to create," which builds the personality of each brand, and "power to communicate" through three refined elements: service, products, and places.

By continuing to pursue these powers, we are helping customers to live a richer life.

Our Way

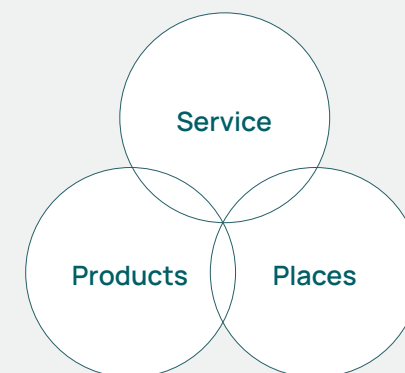
All for the customer

Power to create



The Company has established a creative system for each brand in the product department, which plans and selects products. The director of each brand takes in the information provided by the research department (social tendencies, trends, artistic and cultural development, customer needs, etc.) and sets a direction, based on which the merchandisers (MDs) and buyers plan and procure products.

Power to communicate



Service = Responsive customer service
 Products = Carefully made and selected products that incorporate a broad global perspective
 Places = Facilities, spaces, and environments that are genuinely comfortable and pleasant
 Through these three elements, we provide excitement for customers.

Sources of Value Creation | Power to create

Research

Making creative use of social tendencies and customer feedback

The Company's creative activities are supported by thorough research, incorporating social tendencies, trends, and artistic and cultural development. The key to research is not just to collect data, but to make use of the customer opinions gleaned through communications at physical stores to drive improvement in creative activities. With this approach, we create products that combine the latest trends with real needs.

Planning

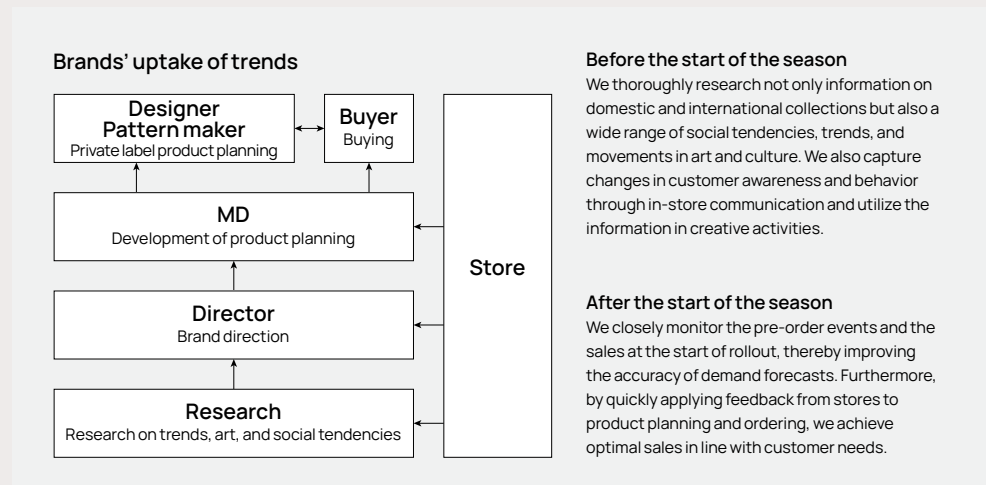
High-quality product planning that reflects the latest trends

Our buyers quickly share their on-the-spot information with MDs so that they can stay on top of the latest trends and market tendencies and utilize this information in creative activities. We also have an in-house atelier where we can create high-precision samples. We use the high-precision samples to instruct manufacturing plants about production plans, which leads to higher quality products. In addition, we regularly hold Quality Control (QC) meetings with major manufacturing plants to further improve quality.

Selecting

Finding and delivering high-quality products with a genuine sense of beauty

Over the years, the Company has accumulated excellent selection skills and a wealth of product knowledge as a pioneer in Japanese-style select shops. Our sense of beauty in selecting products is highly valued and has helped us earn trust from the business partners from whom we buy products. These insights and partnerships have borne fruit in terms of the breadth of products handled and advantages in collaboration, resulting in the customers' recognition that "if we go to UNITED ARROWS, we can get something genuine."



Sources of Value Creation | Power to communicate



To provide an exciting experience for our customers

We want to provide an exciting experience for our customers through interpersonal contact. For this reason, we continue to pursue “responsive customer service grounded in refined hospitality” while remaining close and attentive to our customers.

Value derived from person-to-person communication

In recent years, following the declaration of the state of emergency due to the COVID-19 pandemic, the composition ratio of online sales has increased rapidly. On the other hand, an increasing number of customers are finding value in customer service at physical stores, which they count as a rich shopping experience. Our goal is to offer service that makes customers happy. We hope that customers will not only purchase our products, but also experience discoveries and delights that come from sincere dialogue.

Thoroughly disseminate our philosophy

Our way: All for the customer. This is a basic attitude that every employee working in the Group must follow. In order to nurture human resources who put this idea into practice, we have established a variety of systems, including our in-house academy, the UNITED ARROWS University, a training program, and a sales master system that rewards outstanding sales staff. Through these opportunities of learning and awareness, we are developing people who can provide “quality customer service” rather than “good customer service.”

Deliver the power of people through the Internet

The power of people is also effective in online sales. One example is store salespeople’s styling proposal on the Company’s e-commerce sites. When shopping online, it can be difficult to imagine how you will look in the clothes and what items you should choose for coordination. This problem can be solved by providing realistic styling information from a salesperson of a similar style and age. Purchasing through a salesperson’s styling proposals accounts for approximately 28% of our e-commerce sales. In this way, the power of salespeople contributes greatly not only to the sales of the stores they belong to, but also to the sales of our e-commerce sites and other stores.



Sources of Value Creation | Power to communicate

Products

Products that inspire customers

We offer “carefully made and selected products that incorporate a broad global perspective and satisfy the five key criteria*.” For this reason, we strive every day to improve our sense of beauty and create products that inspire customers.

* 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

Create and find beautiful items and good items

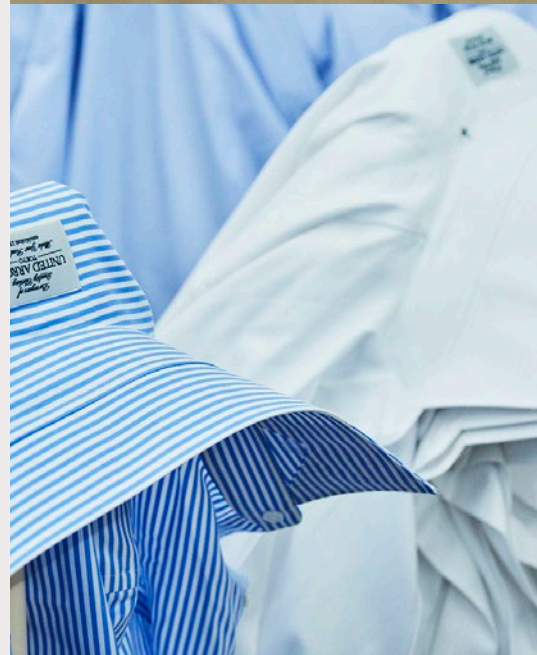
The special feature of Japanese-style select shops is that they produce private label brand products in addition to selected products that buyers have carefully purchased from Japan and around the world. It is difficult to maintain a high level of profitability with only purchased products, and with only private label brand products, the selection of items tends to be similar. However, by combining both, it is possible to achieve both a rich selection and high profitability. We hope to contribute to a richer life for customers by creating and finding “beautiful items” and “good items” based on our firm sense of beauty and our manufacturing philosophy.

Balanced configuration based on experience and data

Our products are classified into “products with originality” that are not influenced by trends, “products that capture the sense of the times” that reflect the trends of each season, and “cutting-edge products” that have the potential to become the next trend. By adjusting the composition ratio of these three types of products from season to season, we can not only change the appearance of our stores, but also create stores where customers can discover and enjoy.

Full lineup created by trust and achievements

What is important in the management of select shops is to offer seasonal brands ahead of other shops. Especially in the case of overseas brands that are planning to tap into Japan for the first time, they are careful in selecting a business partner to rollout their products. The reason we are chosen as their first business partner in Japan is because of the trust and brand strength we have built over the years. This is also evident in the fact that we have developed exclusive products with a number of well-known brands.



Sources of Value Creation | Power to communicate

Places

Enrich customers' minds

We place great importance on “facilities, spaces, and environments, including shops, e-commerce, and other customer touchpoints, that are genuinely comfortable and pleasant.” Our aim is to provide a place that can inspire customers.

It is not just a place to sell items

Our stores are not just places to sell items. We view our stores as “places where we communicate value and culture” and “places where customers can have an inspiring experience.” Aiming to ensure a valuable shopping experience at our stores, we strive to create a comfortable, aesthetically pleasing store environment suitable for a place where customers can experience stylish products and high-quality customer service.

As a place to feel the brand's philosophy

To communicate the philosophy of brands, our stores are designed by focusing on the concept of each brand and the taste of customers, while reflecting the trends in architecture and interiors and the sense of the times. For example, we produce a light luxury and classy atmosphere for UNITED ARROWS, and for BEAUTY&YOUTH, simplicity and intelligence in a casual style. However, a space with too strong a brand presentation is not a suitable place for customers to relax. We pay attention to every detail of the design, interiors, and display of each store so that it becomes a space where customers can choose and consider products in a natural way while enjoying the vision of the brand.

Creating a new value for customer experience through OMO*

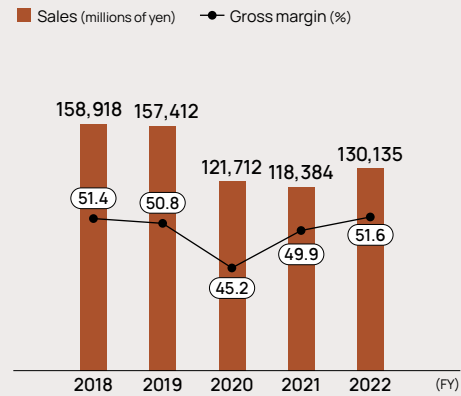
In March 2022, we renewed our e-commerce site. Accordingly, we have switched to a fulfillment system, where our own distribution center accepts orders, manages inventory, delivers and follows up, instead of an outsourced system. This laid the groundwork for an OMO service that integrates online and offline for more seamless shopping. In the future, we hope to provide a more optimal and accurate service that meets the changing behavior of each customer.

* OMO stands for Online Merges with Offline. It is a measure to provide the best possible customer experience by combining online and offline benefits.

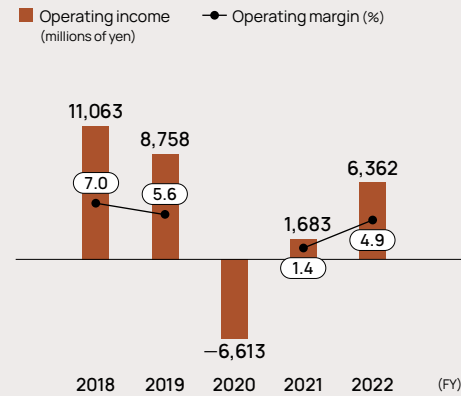


Financial and Non-Financial Highlights

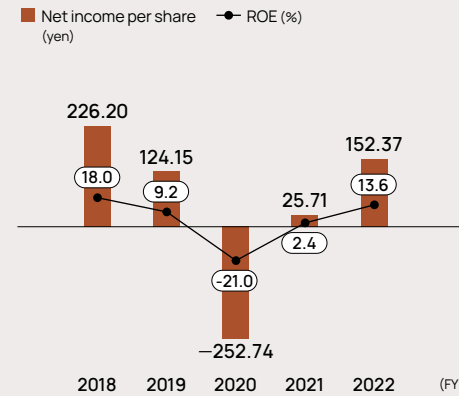
Sales and gross margin (consolidated)



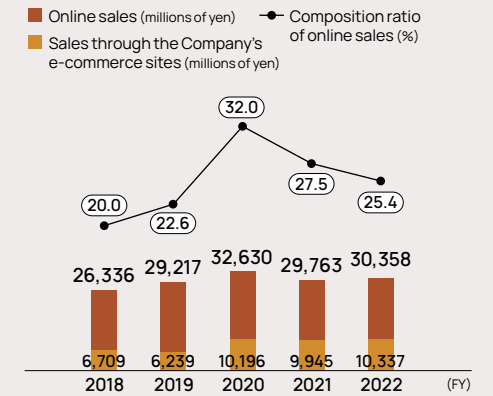
Operating income and operating margin (consolidated)



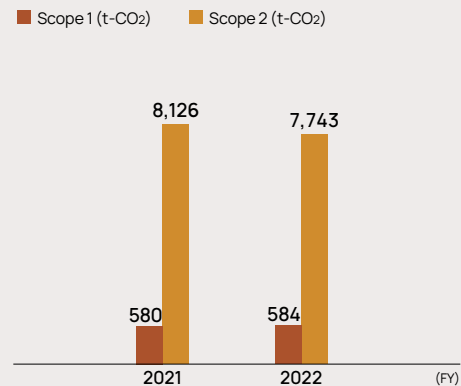
Net income per share and ROE



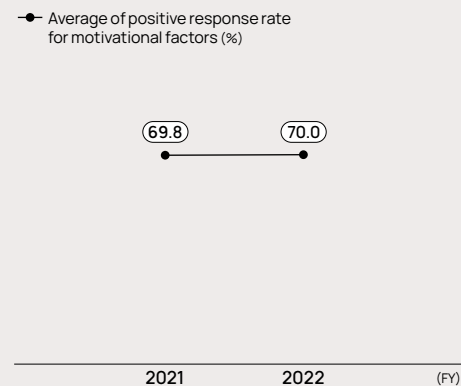
Online sales and the composition ratio of online sales (non-consolidated)



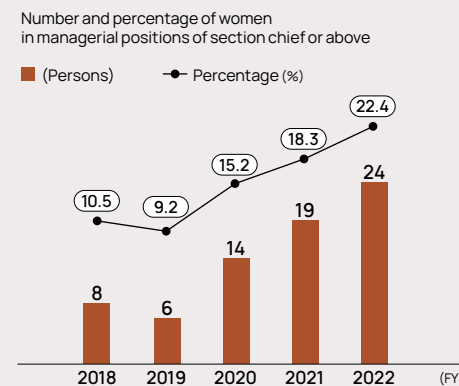
Greenhouse gas emissions (consolidated)



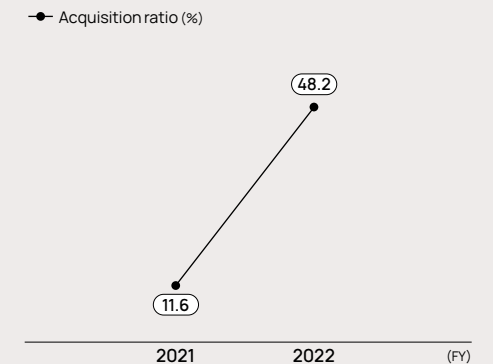
Employee engagement score (non-consolidated)




Ratio of female managers (non-consolidated)



Ratio of consent forms acquired regarding Code of Conduct for Business Partners (non-consolidated)





Message from the President

Becoming a “beautiful company” —Pride and strategy of UNITED ARROWS

Yoshinori Matsuzaki

Representative Director, President, and CEO

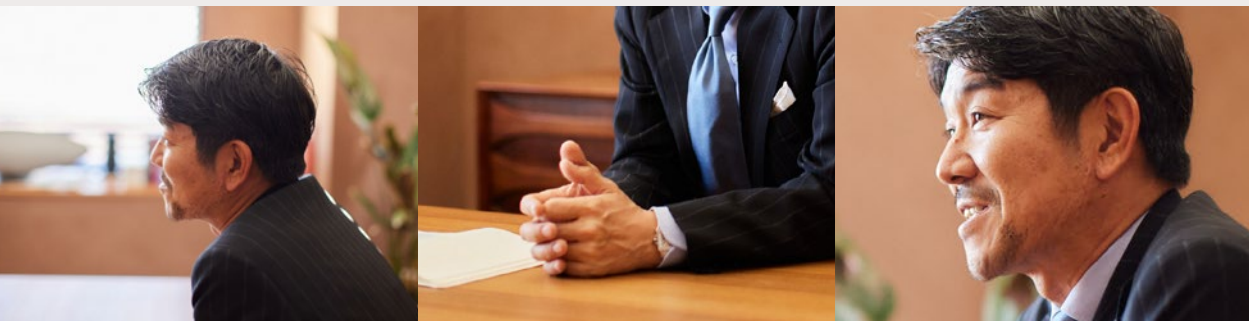
Message from the President

Continue to pursue truth, goodness, and beauty

Our mission is “With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.” Based on this mission, from our founding to the present, we have not wavered in our quest to promote the values that are the norm of Japanese life and culture, to provide our customers with the fullness of heart and life, and to pursue aesthetics ourselves.

In order to deliver our unique value to our customers through the pursuit of aesthetics, we value Service, Products, and Places. The trinity of highly specialized customer service (Service), products selected from all over the world that reflect the trends of each season, and that have the potential to become the next trend (Products), and comfortable and pleasant store spaces (Places) is how we help our customers dress comfortably, live comfortably, and lead comfortable lives. This is our *raison d’être*, and we aim to become an “indispensable and irreplaceable company” for our customers by continuing to refine our Service, Products, and Places.

In 2023, we formulated a long-term vision with a target of fiscal 2032 and declared our goal for UNITED ARROWS to be a “beautiful company. We will continue to pursue truth, goodness, and beauty in order to contribute to the realization of a sustainable society and become a high-value-added group that continues to be loved by customers.” As stated in our mission, which touts, “With sincerity and a sense of beauty,” “beauty” is something we are



always aware of. The word “beauty” is used for something unique and valuable that cannot be enjoyed anywhere else, such as art or scenery on a trip. The essence of this word encapsulates exactly the values that we want to express. In this vision, rather than comparing ourselves to others, we are committed to providing the best and the most unique by “doing good,” “making good things,” and “doing good business” in earnest pursuit of truth, goodness, and beauty.

The “beauty” we seek lies not only in our products, but also in our customer service, the way we sell, the way we interact with our business partners, and so on. A “beautiful company” can be seen when we build piece by piece, paying attention to details such as creating unique products based on communication with our customers and seeking a more comfortable store environment and selling methods. There is no shortcut to this. Each employee must express their own inherent inner “beauty” continually, day by day. We aspire for our customers to choose UNITED ARROWS because they feel it has a value that only UNITED ARROWS can provide, and we will continue striving toward that goal.

Lay the groundwork for our next growth

We are self-conscious about the fact that some of the growth and expansion that we have experienced to date has not been consistent with our values. In order to correct such misalignment, during the period of the “Medium-Term Management Plan 2020 -2022,” we conducted a review of unprofitable subsidiaries, businesses, and stores, as well as structural reforms of the headquarters organization. At the same time, we have laid the groundwork for our next growth by promoting OMO, including the renewal of our e-commerce site, and activities that are focused on improving productivity.

This coincided with the time of the COVID-19 pandemic, and OMO was driven by the desire to provide a shopping experience value that is close to the one customers would receive by actually visiting the stores.

By incorporating elements of a human touch such as chat-based customer service and linking stores with e-commerce, we aim to provide

Message from the President

satisfaction to more customers, including those who are not good at receiving physical customer service at the stores.

As our employees experienced the COVID-19 pandemic and were unable to open our stores at times, this served as an opportunity for each of us to think about how we could improve customer satisfaction and focus our attention on our customers.

The slogan of the new medium-term management plan, "providing excitement," was also born out of introspection during this period that what we offer to our customers is an inspiring experience of "feeling excited by good customer service" and "feeling energetic when wearing these clothes." In that sense, it was an important period in which we were able to gain a sense of unity and gain a foothold for our next growth by reviewing what we should do.

Refresh the overall image of the entire company

In drafting the new medium-term management plan, with our sights set on realizing our long-term vision, we have organized the issues we currently recognize into four categories: age axis, taste axis, business type, and DX/infrastructure. All of these are important, but we recognize that addressing the "age axis" is an urgent issue. While we are supported mainly by baby boomers' children who want high quality, including store environments and customer service, we are currently not appealing enough to those in their teens and 20s. The aging of customers is a big challenge for fashion companies. Once a brand or corporate image has deteriorated, it is not easy to recover. Therefore, we will refresh the image of the entire company by partially rejuvenating existing brands and developing new brands for young people.

On the other hand, it is also essential to expand the "taste axis" and the "business type" in line with changes in the lifestyles and values sought by baby boomers' children. In addition, in order to achieve this, the development of "DX/infrastructure" is essential to ensure steady profit generation. Since these four category issues are all connected, we believe it is necessary to balance the overall process.

Sales at fair prices on a routine basis

The new medium-term management plan, which begins in fiscal 2023, consists of three main strategies: "creativity," "multi," and "digital," based on four categories. Above all, I am focusing on strengthening sales at fair prices, or fixed-price sales. It is natural to sell products that we are confident in offering at a fair price. For example, if you see that a product you bought at a fixed price is on sale, you will feel disappointed. Of course, not having sales at all is not realistic at this point, but our aim is to be a "beautiful company" that ensures the same quality of services to everyone at any time. Over a long period of time, we will enhance the creativity of Service, Products, and Places one by one and steadily improve our corporate image. We believe that this will promote sales at fair prices, which in turn will lead to the realization of our long-term vision. Therefore, the new medium-term management plan will focus on strengthening fixed-price sales.

Communicate our unique value overseas

The strength of the select shop is the ability to combine items across brands and expand the range of coordination. In addition, we are highly capable of developing private label products, enabling us to catch up with our customers' real needs and provide trends that are half a step ahead. Striking the optimum balance between select and private label products not only increases our customers' choices, but also increases our profits.

To increase profit margins at all, sales expansion is essential. Overseas strategy becomes very important for that. In Europe, the United States, China, and other Asian countries, the polarization between expensive high brands and inexpensive fast fashion is increasing, and there is no established market for the middle class. That's where we have a chance to win. Although not in the price range of a high brand, we would like to convey our unique value as real clothes, something that can be used for a long time and make people feel rich. We will start by strengthening our business in the Asian region, where people are close in body shape to Japanese, and will



Message from the President

eventually consider expanding into Europe and the United States.

Toward the realization of a sustainable society

As stated in our long-term vision, sustainability initiatives are a must-have agenda. Critics have pointed out, especially in the fashion industry, the environmental impact of mass production and mass consumption, as well as child labor and human rights issues, etc. in some areas.

We are also tackling these issues head-on, setting targets from the three perspectives of “Circularity,” “Carbon neutrality,” and “Humanity” to promote initiatives. These are issues that need to be addressed throughout the supply chain. Therefore, we must deepen our communication with our customers and business partners even more than before. In particular, if a



serious and urgent matter that conflicts with human rights issues is discovered at our business partners, transactions may be suspended. However, our basic stance is that we will share our wisdom to solve problems and “reduce negativity in the world.” We believe that the path to sustainable growth is not to fall into self-righteous profit-making, but to co-exist and co-prosper, and to avoid distortions anywhere.

Beyond the challenge lies our future

The future is not a prediction or an extension of the past. The future is something that we create ourselves, something that we carve out with our own hands. That is why we are determined going forward to challenge ourselves more to new things for a better future.

Sometimes we need to be flexible enough to change our strategy in response to ever-changing circumstances. As long as the mission that forms the backbone of the company remains intact, I believe that the strategy can be revised as needed. Strategy is a methodology for promoting our ideal management, so it is rather natural to optimize it according to the situation. We will not only enhance the value of our brand, but also promote activities that lead to the realization of our mission of creating a standard of living culture everywhere. As a fashion company, we want to create exciting value and ways to provide it while our customers and we ourselves enjoy it.

Yoshinori Matsuzaki
Representative Director, President, and CEO

Review of Medium-Term Management Plan 2020-2022

Under Theme 1, "Fundamental review of profit structure" of the Medium-Term Management Plan 2020-2022, we conducted a fundamental review of the revenue structure, including reviewing unprofitable businesses, subsidiaries, and stores, restructuring the headquarters organization, changing personnel policies, and improving gross margin by improving inventory efficiency. We believe that we have generally achieved the expected results for each category. Theme 2, "Regain earning power," included measures to improve earnings in our core businesses, improving gross margins, developing new brands to seed the new medium-term management plan, and promoting OMO with a focus on revamping our own e-commerce site.

When it was announced in November 2020, the final year target of the medium-term management plan was consolidated operating income of ¥7.0 billion to ¥8.0 billion and ROE of 12.0% to 14.0%. In May 2022, we revised our financial target to operating income of ¥4.8 billion, ROE of 9.6%, and dividend payout ratio of 30.4% due to the longer than expected impact of the COVID-19 outbreak, especially in urban areas, which is the core of sales generation.

As a result of addressing each of the above themes, in fiscal 2022, operating income was ¥6.3 billion, ROE was 13.6%, and dividend payout ratio was 30.8%. Although we did not completely exceed the pre-COVID-19 pandemic level due to changes in our consolidation structure, etc., we were certainly able to return to a level close to our previous level and laid the groundwork for our next growth.

Comparing plans and results

	Targets	Results
	May 2022 forecast	
Operating income	¥4.8 billion	→ ¥6.3 billion
ROE	9.6%	→ 13.6%
Dividend payout ratio	30.4%	→ 30.8%

1. Drastically review the revenue structure

Scrutinized unprofitable subsidiaries, businesses, and stores	<ul style="list-style-type: none"> Number of stores down 17.0% from the end of March 2020, including those due to changes in the consolidation structure
Structural reform of the headquarters organization	<ul style="list-style-type: none"> Changed the organizational structure from business headquarters to functional headquarters
Changes in personnel measures	<ul style="list-style-type: none"> Changes in the consolidation structure and reduction in the number of employees due to natural attrition: Decreased by 19.2% from the end of March 2020 Corrected downward rigidity of personnel expenses: Decreased by 3.6 billion yen (down 14.5%) from FY2019
Improvement of gross margin through improved inventory efficiency	<ul style="list-style-type: none"> Controlled inventory procurement: Inventory turnover 6.3 (+0.4pt from FY2019) Strengthened regular price sales: Consolidated gross margin of 51.6% (+0.8 pt from FY2019)

2. Regain our earnings power

Improved the revenue of core businesses	<ul style="list-style-type: none"> Product development fit for "with Coronavirus": Developed new brands for outdoor activities, yoga, and golf, etc. Business development in line with the new era: Launched CITEN, a new brand with an eye on younger customers
Promoted OMO	<ul style="list-style-type: none"> Renewal of UNITED ARROWS (UA) ONLINE: Sales: 10.3 billion yen, 34.0% of total sales (vs. FY2019 165.7%, +12.7pt) Number of cross users* Approximately 170,000 (vs. FY2019 153.9%) Strengthened staff content to digitalize the strengths of retail stores: Sales via styling: about 28% of UA ONLINE sales

* Customers who use both retail stores and UA ONLINE

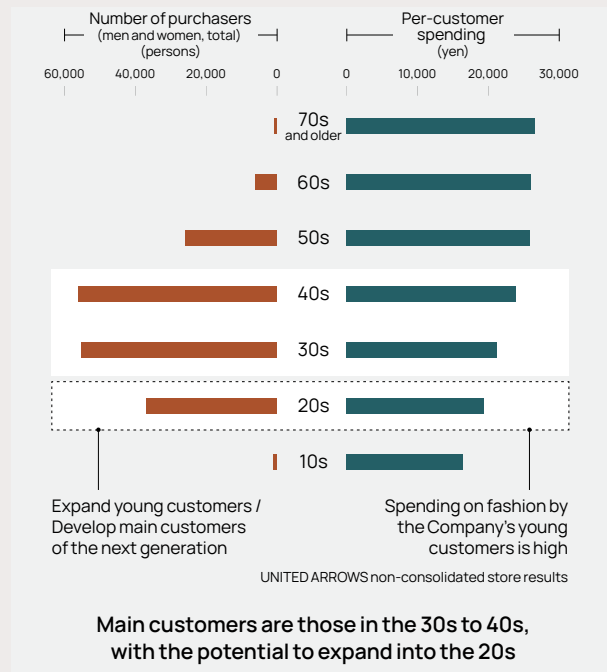
Review of Medium-Term Management Plan 2020-2022

Current Situation and Issues

1. Issue along the Age Axis

The Company is supported by those who have relatively high sensitivity and want service of high quality, including the store environment and customer service. While our main customers are in their 30s and 40s, our appeal to those in their teens and 20s is insufficient.

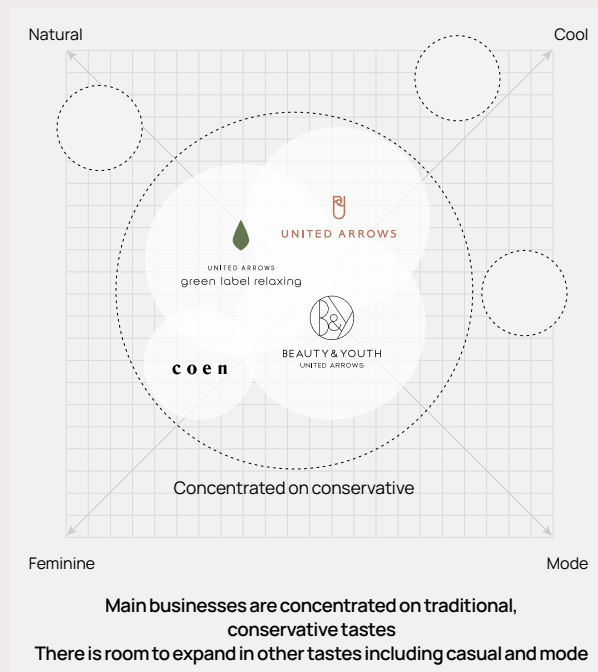
On the other hand, even for those in their teens and 20s, per-customer spending is at a high level, ranging from the mid-10,000 yen range to the mid-20,000 yen range. By expanding this age segment, we believe we can expand our business while maintaining high sensitivity and high added value.



2. Issue along the Brand Axis

The Company's main brands are concentrated on traditional and conservative tastes, and there are still domains that we haven't fully captured, such as casual, mode, street, and feminine.

We see the two issues of age and fashion tastes as evidence that the Company has plenty of room to grow even within the domestic apparel market.



3. Issue in terms of business

The third is the issue in terms of business. In offering lifestyles with high sensitivity, the area in which the Company has been able to make proposals is still limited to fashion. In recent years, we have been working on outdoor activities, golf, wellness, living environment, corporate services, and others; however we have yet to reach the point where we can offer complete lifestyles.

Our overseas business is also limited to the Taiwan area, and partly due to the COVID-19 pandemic, we are only now about to begin our efforts in mainland China on a full scale. This is another area of potential growth in the future.

4. Issue of efficiency improvement through digital technology and infrastructure development

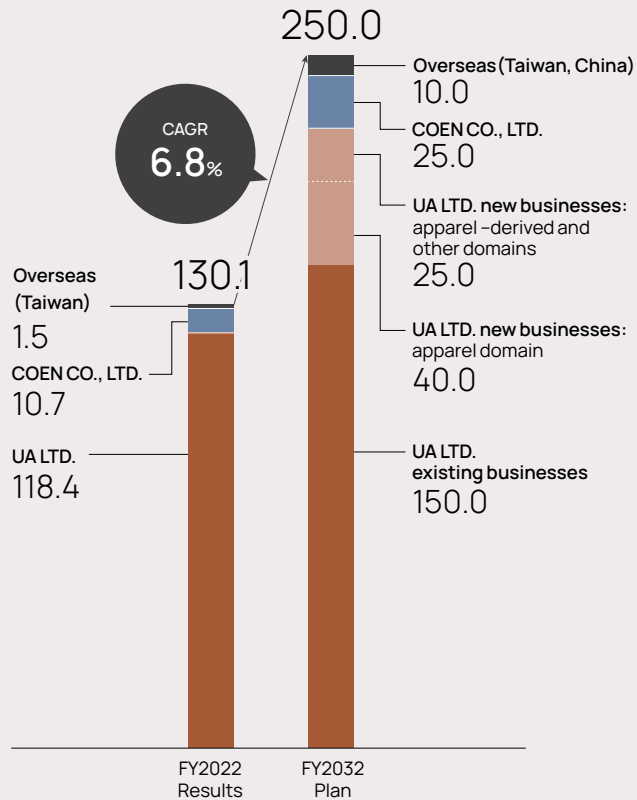
There is still work to be done that involves a variety of infrastructure investments, including review of the core product management system with a view to the medium to long term, digitalization of product procurement, capital expenditure to promote OMO, and reorganization of distribution with an eye on future business expansion.

To achieve our long-term vision, we must make appropriate investments under the new Medium-Term Management Plan.

Long-Term Vision 2032

Long-Term Financial Targets

Sales (billions of yen)



UNITED ARROWS, a Beautiful Company

We will continue to pursue truth, goodness, and beauty in order to contribute to the realization of a sustainable society and become a high-value-added group that continues to be loved by customers.

What we aspire to be when we achieve the long-term vision	<p>A group that offers high-value-added lifestyles with high sensitivity</p> <p>We wish to be indispensable to living a life with high sensitivity in Japan</p>
Values to be held toward the long-term vision	<p>Departure from an orientation toward sales expansion on the premise of mass production and mass consumption, and switching to an orientation toward broadening the customer base and expanding the scope of value provision</p> <p>We aspire to be a high-value-added group with high sensitivity that can propose standards for lifestyle culture by expanding our business and broadening our customer base.</p>
Approach to sustainability in the long-term vision	<p>“Creating the maximum corporate value with limited resources” = Procuring appropriate amounts of products properly and selling them without waste</p> <ul style="list-style-type: none"> • For customers: Foster a sense of trust and reassurance in prices • For employees: Increase profit productivity = Improve compensation and engagement • For shareholders: Increase profit distribution as the corporate value increases • For business partners: Protect human rights in the supply chain • For society: Reduce environmental load by controlling disposal, etc. <p>In addition, the use of environmentally conscious materials, switching to renewable energy, and recycling of waste will be promoted to achieve sustainability goals</p>

Medium-Term Management Plan 2023-2025

The slogan of the Medium-Term Management Plan, which serves as a starting to achieving the long-term vision, is "Providing excitement: connecting with customers widely and deeply." While deepening relationships with the existing customers centered on the OMO initiatives, we will expand our business and customer base through new business development.

Our financial targets for fiscal 2025, the last fiscal year of the Medium-Term Management Plan, are consolidated sales of 160 billion yen to 170 billion yen, consolidated operating income of 9 billion yen to 10 billion yen, consolidated operating income margin of 5.6% to 5.9%, and ROE of 13.8% to 15.4%. These represent the highest profit level since the exclusion of CHROME HEARTS JP, GK from the scope of consolidation, and this is the level we aim to achieve.

The Medium-Term Management Plan consists of three main strategies. The UA CREATIVITY strategy aims to strengthen brand appeal while continuing to work on the growth and expansion of existing businesses. The UA MULTI strategy is an effort to expand our business and customer base through new business development, while the UA DIGITAL strategy is an effort to streamline corporate operation by making capital expenditure in anticipation of future growth.

The slogan of the Medium-Term Management Plan

提供 感動
KANDOU TEIKYO

ENGAGEMENT WITH CUSTOMERS

providing excitement - connecting with customers widely and deeply

Financial Targets(consolidated)

Sales
160-170
Billions of yen

Operating income **9-10**
Billions of yen

Operating income margin **5.6-5.9%**

ROE **13.8-15.4%**

Three Key Strategies

UA
CREATIVITY
Strategy

Grow and expand existing businesses

- Top-line growth
- Improvement of gross margin

Strengthen brand appeal

- Expansion of investment in human capital
- Rebranding of the corporate brand

Re-grow COEN

UA
MULTI
Strategy

Develop non-apparel businesses

Global expansion

UA
DIGITAL
Strategy

Promote OMO

Optimize the supply chain

Medium-Term Management Plan 2023-2025



UA
CREATIVITY
Strategy

Grow and expand existing businesses

Top-line growth

- Expand sales through the promotion of OMO
- Resume new store openings

Improvement of gross margin

- Control costs
- Control inventory procurement and improve the ratio of items sold at regular prices*
- Improve gross margin of online sales

* Ratio of sales at regular prices to total purchases

Strengthen brand appeal

Expansion of investment in human capital

- Improve employee engagement
Investment in employee education
Assignment of the right talented people in the right positions through talent management
- Strengthen recruitment

Rebranding of the corporate brand

- Develop new brands that create a new UA image

Re-grow COEN

Grow and expand existing businesses

We will strive to expand sales through OMO promotion and to resume new store openings. In March 2022, UA ONLINE was renewed to lay the groundwork to promote OMO measures. Since then, we have been working on various initiatives, such as linking with retail stores' inventory and digitalizing customer service skills, including styling and online customer service. While evolving these initiatives, we will renovate the membership program and renew the app for UA ONLINE to increase sales of both physical stores and online.

In terms of improving gross margin, we will continue to control cost of sales, ensure the procurement of inventory in appropriate quantities, improve the ratio of items sold at regular prices, and improve gross margin of online. In the face of rising costs, we will continue to carefully set prices and implement cost control measures to maintain the cost ratio at an appropriate level. We will ensure procurement in appropriate quantities, strengthen regular price sales, and improve gross margin. Moreover, we are curbing sales at discount prices and promoting sales of private label products in order to increase the gross margin of online sales.

Strengthen brand appeal

We recognize that the Company's competitiveness comes from the power of service with refined customer service skills, the power of attractive products, and the power of places to provide customers with an uplifting shopping experience. It is our employees, the human capital of the Company, that support these and build the brand value. Under the Medium-Term Management Plan, we plan to enhance the Company's brand appeal by improving employee engagement. In order to encourage employees to learn and develop their capabilities on their own initiative, we will enhance our educational system, including support for business school attendance and the acquisition of certifications. We will make active use of our talent management system to visualize the experience, skills, and vision of each and every employee, and promote the assignment of the right talented people in the right positions for various future initiatives, creating an environment in which employees are highly motivated to carry out their tasks. At the same time, we will strengthen new recruitment.

Rebranding of the corporate brand is an effort to reinvent the corporate entity itself by developing new brands that create a new corporate image. We will maintain our existing positive image of being strong in business and formal, traditional, conservative, reliable, and reassuring, while rebuilding the corporate brand to one that is even more active and appealing to a wide range of generations.

Re-grow COEN

As for the consolidated subsidiary COEN LTD., we will strive for growth and expansion to secure a solid position in the new basic trend-conscious market.

Medium-Term Management Plan 2023-2025

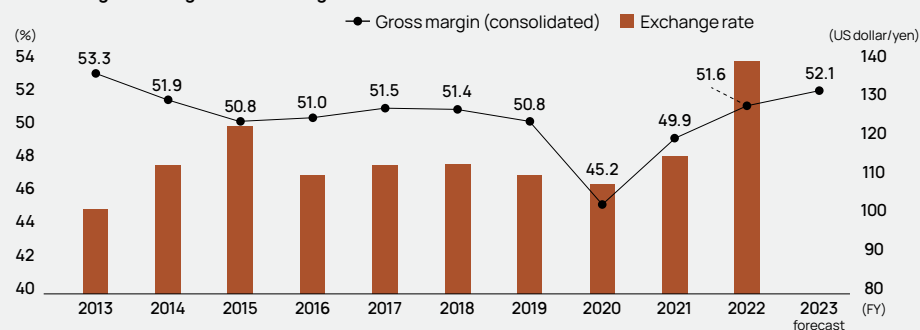


Improvement in gross margin by an increase in the full-price sales ratio and a decrease in the cost ratio

Improvement of gross margin

The improvement of gross margin is a major contributor to higher profitability. Approximately 80% of our merchandise is imported from overseas, and currency fluctuations inevitably affect costs. However, although the yen continued to weaken in fiscal 2022, gross margin increased 1.7 pt. to 51.6% due to price revisions and curbing of discount price sales. This is close to the level of fiscal 2014, when the dollar was around 110 yen. In fiscal 2023, gross margin is planned to be 52.1%, an improvement of 0.5 pt. YoY, and expected to increase to 53% during the period of the current Medium-Term Management Plan. To improve the gross profit margin, we will improve the percentage of total purchases that are full-price sales and curb the cost of sales ratio.

Trends in gross margin and exchange rates



Increase in the full-price sales ratio

The Company is moving away from a sales-expansion approach based on mass production and mass consumption and switching to a strategy of increasing the full-price sales ratio by selling inventory procured in appropriate quantities at appropriate prices.

The full-price sales ratio in fiscal 2022 improved significantly from the previous fiscal year, but there is room for improvement of about 5 pt. to reach the target. We are planning to further improve the ratio during the current Medium-Term Management Plan. The increase in the full-price sales ratio will not only improve the gross margin of the regular business and curb the size and markdown ratio of discount sales, but also improve the gross margin of outlet stores in the following fiscal year by reducing the remaining inventory as well as reducing the risk of write-downs on merchandise.

It is essential to strengthen product appeal and sales capabilities. The company will enhance its product appeal through concerted efforts by the product and sales departments to develop products that reflect the needs of customers, and by improving the accuracy of demand forecasts using pre-order events for online sales. In terms of sales, we are promoting digitalization of customer service skills at physical stores, such as posting sales staff's comments and recommended styling on online stores, and expanding chat services, thereby spreading our influence nationwide. Employee evaluations include not only face-to-face customer service, but also sales contributions in online stores, which helps motivate sales staff.

In addition to these efforts, we will revamp the current core product management system, which covers everything from product planning to sales. Using the system will enable us to optimize inventory distribution and centralize inventory information of physical stores, online stores, and distribution centers. Through the evolution of the OMO initiatives, we aim to reduce sales opportunity losses and establish infrastructure to improve inventory efficiency.

Decrease of the cost ratio

Currency fluctuations, raw materials, manufacturing costs, and import costs are putting upward pressure on production costs. We have raised prices to a certain extent while strengthening our brand power and guaranteeing the product quality to reduce the cost ratio. As a result of the price policy and the curbing of discount sales, the average spend per customer increased by double digits in fiscal 2022, while the number of purchasing customers remained at the same level as the previous year. Going forward, we will continue to enhance the brand power and product appeal to fine-tune pricing and reduce cost ratios.

As stated in the UA DIGITAL strategy, we will also digitalize product procurement and centrally manage material information, product order information, and business partner information that had previously been individually managed, thereby enabling the Group companies to grasp the entire production process. Visualizing data on cost structure and collecting and analyzing them across the entire Group will help to reduce procurement costs.

Medium-Term Management Plan 2023-2025



Business development for business expansion

- Develop new brands with an eye on younger customers
- Strengthen apparel-derived brands
- Explore and implement domains other than apparel
- Expand B to B business

Global expansion

- Expand Taiwan business
- Launch initiatives for the Chinese market
- Strengthen cross-border EC and wholesale

Brand development for business expansion

The Company's coverage is still limited along the age and fashion tastes axes. To expand this, we will develop new brands, mainly with an eye on younger customers. In recent years, we embarked on a variety of initiatives, including yoga, golf, and outdoor activities. During the period of this Medium-Term Management Plan, we will also step up the initiatives for these apparel-derived brands. At the same time, we will explore initiatives in domains other than apparel and proceed to implement them. We will further expand our efforts in B to B business that leverages the Company's brand appeal and product development capabilities.

Global expansion

In addition to growing our Taiwan business through new store openings, we will advance our China strategy, which was temporarily suspended due to the COVID-19 pandemic. Moreover, we will also promote wholesale to other countries, as well as strengthening cross-border E-commerce by making UA ONLINE multilingual.



UNITED ARROWS opens its first pop-up store in Shanghai, China



We opened a pop-up store in Shanghai, China, for about 2 months beginning in May 2023. This was the first UNITED ARROWS store in mainland China. Grand Gateway 66, the location of the new store, is a leading commercial facility in the western part of Shanghai, with stores in a wide range of categories, from luxury to outdoor. This pop-up store featured a well-balanced assortment of men's and women's products, with a focus on private label products from brands such as UNITED ARROWS.

In December 2019, we established UNITED ARROWS SHANGHAI LTD., a Chinese corporation, as an overseas subsidiary. However, due to the COVID-19 pandemic, we had to suspend the opening of physical stores in mainland China. Meanwhile, in March 2021, we opened a store on Tmall Global, China's largest cross-border e-commerce platform. We have earned touchpoints with Chinese customers and have worked to expand our visibility in the local market.

The opening of the recent pop-up store is aimed at capturing the needs of customers in mainland China, which is experiencing rapid growth in the fashion market. Going forward, we will further increase our brand recognition and expand our overseas operation in conjunction with the expansion of our Taiwan business.

Medium-Term Management Plan 2023-2025



Promote OMO

- Overhaul membership program
- Change to a program that increases customer lifetime value

Redevelop the app for UNITED ARROWS ONLINE

- Steer more customers to retail stores and online stores using the app as a touchpoint

Optimize the supply chain

Upgrade the core product management system

- Build infrastructure for future business expansion
- Curtail lost sales opportunities and improve inventory efficiency by centralizing inventory information
- Strengthen cybersecurity measures

Digitalization of product procurement

- Visualize status information from order to delivery
- Enhance efficiency in inventory management by improving the precision of inventory procurement

Reorganize distribution centers

- Build infrastructure for future business expansion

Promote OMO

The Company will invest in an overhaul of the membership program and the Company's e-commerce application, which are part of the UA CREATIVITY strategy.

Optimize the supply chain

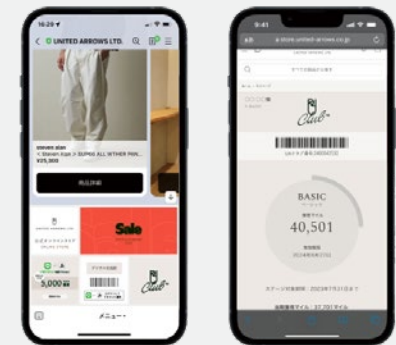
We will invest in infrastructure with a view to future business expansion. We will revamp our existing product management core system, which covers everything from product planning to sales, to one that can handle long-term business expansion, including non-apparel businesses.

In parallel, the company will also digitalize product procurement, visualizing the status of products from order to delivery and improving the accuracy of inventory procurement, thereby enhancing operational efficiency. The distribution center will be reorganized with a view to future business expansion. In addition, we will strengthen center facilities and develop a system optimized for OMO.



Launched a new program to increase lifetime value

In August 2023, we launched the UA Club, a new membership program. The aim is to increase the number of contacts between our customers and us and to build deep and long relationships with each customer, thereby increasing their lifetime value. With the UA Club, we will switch from the previous system where points were rewarded to a miles and coupons system based on contact with customers. Miles are also earned for non-shopping actions like adding items to favorites, posting a review, or declining a shopping bag. Customers can exchange those miles for coupons that can be used for shopping. This will encourage our customers to take voluntary action, raise their awareness of saving and spending miles, increase the frequency of contact and purchase, and build continuous relationships. The key to making this program work effectively is the smartphone application (app), which is responsible for many of the actions that connect us to our customers. In addition to the revision of the membership program, we will also revamp the smartphone app to strengthen contact points with our customers.



Message from the CFO



Aim to maximize shareholder value by building a foundation for medium- to long-term growth through efficient investment

Takeo Nakazawa

Director, Executive Managing Officer, CFO

We recognize that maximizing shareholder value is an important management issue. To achieve this goal, we aim to achieve sustainable corporate value by expanding our management base and enhancing shareholder equity through the balanced promotion of capital efficiency, strategic investment for sustainable growth, and stable shareholder returns.

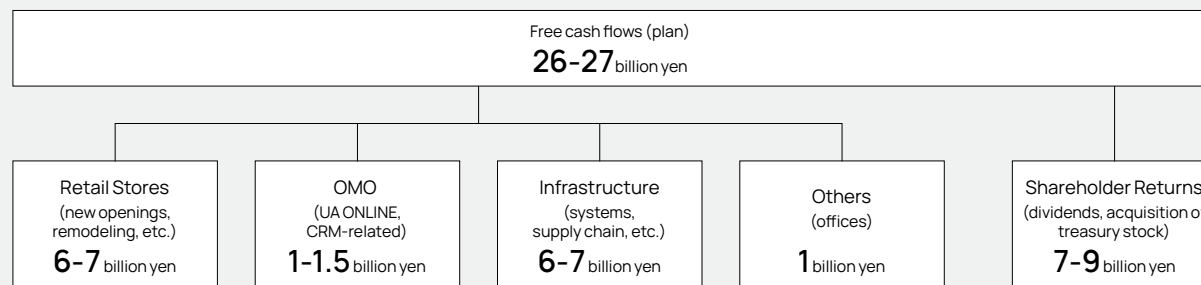
During the previous medium-term management plan, although the effects of COVID-19 were felt for a long time, we improved our gross margin, operating income margin, and net income margin by improving inventory efficiency and reviewing unprofitable stores. We also believe that the reduction in inventories and the improvement in cash flows from operating activities have enabled us to improve our financial position for future regrowth, including the repayment of loans, which temporarily increased due to the COVID-19 pandemic. We recognize that the recovery of the performance of our domestic Group subsidiaries has been slower than that of their parent company and that we need to continue to work on it. As one of the categories for the UA CREATIVITY key strategy in the new medium-term management plan, which ends in fiscal

2025, we will work toward an early recovery and regrowth of our business performance.

We recognize that the targets for consolidated sales, consolidated operating income, and ROE set forth in the new medium-term plan are not easy targets to achieve. However, we believe that it is possible to achieve these targets through the various reforms we have undertaken during the COVID-19 pandemic and by taking appropriate steps toward future growth.

Free cash flow for the term of this medium-term management plan is assumed to be ¥26.0 billion to ¥27.0 billion. Based on this self-financing, in accordance with the strategies and issues addressed in the medium-term management plan, we plan to use ¥6.0 billion to ¥7.0 billion in strategic investments for top-line growth in existing businesses, opening new businesses, and investments in brick-and-mortar stores including refurbishing; ¥1.0 billion to ¥1.5 billion in improvements to our own e-commerce site for OMO promotion and investments in CRM-related businesses; ¥6.0 billion to ¥7.0 billion in various infrastructure investments for digitalization of the supply chain; and approximately ¥1.0 billion in office capital investments.

Capital allocation



Message from the CFO

In order to maximize shareholder value, our basic policy is to pay stable dividends linked to business performance, conduct share splits, and acquire and cancel treasury shares. Therefore, as a shareholder return, we plan to allocate ¥7.0 billion to ¥9.0 billion to dividends and share acquisition, with a dividend payout ratio of approximately 30.0% during the term of this medium-term management plan. As of the end of July 2023, we had already acquired approximately ¥2.0 billion (831,200 shares) in stock.

In addition, we will actively invest in human capital and strengthen employee training, talent management, and recruitment, etc.

Changes in the business environment surrounding us have also accelerated significantly, with rapid and drastic changes in customer purchasing behavior due to the COVID-19 pandemic and the evolution of digital technology. In addition, it is important to maintain and ensure financial soundness in order to firmly support further growth of the business amid

rising risks such as foreign exchange fluctuations and inflation. Therefore, we will steadily implement each plan while monitoring and verifying the return on investment.

We hope that our shareholders and investors will gain a better understanding of our future growth strategy in light of living with COVID-19, as well as our initiatives in new fields, and have a sense of hope for our growth potential.

Return on investment matrix

		Top-line growth				Improvement of gross margin				
		Sales expansion through the promotion of OMO	Resumption of new store opening	Development of new brands	Development of new businesses other than apparel	Global expansion	Cost control	Improvement in ratio of full-price sales	Enhancement of inventory efficiency	Improvement of EC gross margin
Store opening	Existing businesses		○			○				
	New brands		○	○	○					
OMO	Overhaul the membership program	○								
	Redevelop the app for UA ONLINE	○								
Infrastructure	Upgrade the product management system	○		○	○				○	
	Digitalization of product procurement						○		○	
	Reorganize distribution centers	○	○	○					○	
Human capital	Investment in education, talent management	○	○	○	○	○		○	○	

Dialogue

Our Sustainability

What SARROWS aims for



Tetsuya Yamashita

Deputy Head chief,
ifs Future Design
Laboratory

In 1998, joined World Co., Ltd. He held positions in brand business, company-wide strategic development, and new business type development. In 2017, joined itochu fashion system co., ltd. Assumed the position of Head of Marketing. In 2022, became the Deputy Head chief of ifs Future Design Laboratory, a think tank division of the company.



Nao Tamai

Department Manager,
Sustainability Department,
UNITED ARROWS LTD.

In 1999, joined UNITED ARROWS LTD. After being in charge of planning and operating communication tools in the Information Systems Division, she has been engaged in promoting the social and environmental activities of the company since 2004. In 2021, she assumed the post of Department Manager of the Sustainability Department.

Increasing transparency is the first step in solving problems

Yamashita The most important and globally discussed challenge for the fashion industry is to improve transparency. One factor may be that the supply chains are long and complex. In Japan, in particular, it is more difficult to ensure transparency, as 98% of production is overseas.

For example, at the time of expansion of production areas from China to Southeast Asia in the 2000s, attention was focused on the benefits of the sewing industry as an effective means of solving poverty. However, as the economic development of production areas and cost competition heated up, problems with work environments and employment ethics became apparent. To determine whether a business is healthy or not, it is necessary to review supply chains anew and examine the business from multiple perspectives. I think the fashion industry is at a turning point right now.



Fashion has the power to change the world

Tetsuya Yamashita

Tamai We also recognize that increasing transparency and understanding the entire supply chain is the first step in solving various issues. About 80% of our company's production is overseas, making it difficult to grasp the actual situation.

In order to continue to enjoy abundant fashion, it is an urgent issue to increase transparency and link it to actual action. I believe that the fashion industry as a whole is beginning to move in that direction. We also identified material issues in 2020 and began to work on them in the form of SARROWS in 2022.

The key to changing behavior is to have a sense of ownership

Yamashita There is also a unique Japanese background that differs from that of Western countries. For example, there is a survey showing that Japanese awareness of the terms decarbonization and SDGs tends to be very high, at about 80%. However, the percentage of those taking action remains low compared to other countries. It is noteworthy, on the other hand, that most people who recognize the terms decarbonization and SDGs are willing to act in the near future.

In other words, one more push and the whole situation changes. I think Japan is on the brink of that now.

Tamai What do you think are the barriers that prevent people from taking action?

Yamashita The survey results included responses such as "I don't know where to buy such items" and "It's expensive." I feel that consumers need a more substantial approach to "sustainable consumption."

I don't think we can encourage behavior change if we don't convey the reasons for creating a given product, why the materials it's made of were chosen, and what the intentions are for sustainability.

Another point of view is that Japanese companies tend to be very good at dealing with environmental issues compared to other countries, while their awareness of social issues and initiatives tend to be somewhat weak. I think the reason behind this is that there is a lack of awareness that what is happening in the world right now is directly connected to our own communities, and people think it has nothing to do with them personally. But the environment and society are inseparable. It is important to seriously address social issues as well as environmental issues.

Tamai Certainly, environmental awareness is growing and spreading, but from listening to our sales staff, I get the impression that awareness has yet to be reflected in the consumption behavior of many of our customers. As you pointed out, the reason for this is that we, as providers, are not able to fully convey our thoughts to our customers, and the root cause of this may be a lack of our own sense of ownership.

Yamashita It is said that the age at which children first have the right to make their own consumption decisions is around 18 years old. I think fashion is one of the first trials, like buying clothes with money from a part-time job. If a salesperson at your favorite shop casually says, "This item is made from organic cotton that doesn't use pesticides that can contaminate soil in the production area and harm the health of the producers," that alone will bring you closer to the issues that occur in other parts of the world. I believe that there is such strength and value in fashion. And I think your company employees have the words and the power to speak to those customers. I hope they will change the world from fashion.

Issues emerging through materiality identification and the birth of SARROWS

Tamai In promoting sustainability, we rely on the material issues identified in 2020. First, important social issues were selected based on international frameworks such as the SDGs and ISO 26000, the goals set by the domestic and international fashion industry, and items of ESG evaluation organizations. This was followed by an evaluation of materiality importance by 93 executives and managers of our company as well as interviews with outside experts, identifying 5 themes and 16 material issues.

We went through a thorough process, asked many people inside and outside the company for their opinions, and held many discussions to create the report, but we were surprised when we were told that “if you hide the company name, no one will know whose it is” and “the content is the same as every other company.” In retrospect, it was our first time, so we may have been too conscious of trying to make it perfect. Also, only qualitative goals were set, and the issues were not things that could be resolved overnight, making it difficult to make and measure progress.

Yamashita It seems that in the pursuit of perfection, you prioritized completeness, and so were unable to convey the essential part of what sustainability activities are for UNITED ARROWS and why you are doing them.

Tamai Can we carry on the founder’s belief that we will set a new standard for life culture and set a unique direction for UNITED ARROWS in which the values of sustainability will naturally be included in the new life culture we are advancing? With this question in mind, “SARROWS” was born as a new message to stakeholders. With a logo typical of a fashion

brand, this item has a gentle, friendly feeling. However, in terms of content, we aim to raise the accuracy of our activities by firmly setting numerical targets.

Integrating our original DNA and strengths with sustainability

Yamashita When I first read the SARROWS book, it struck me that your company’s approach to sustainability is an extension of its history. As I mentioned at the beginning, it is time for companies to rethink their past approaches, such as increasing transparency and integrating the concept of resource recycling into the core of their business, and it is especially good that they are not leaving verification of these things to others, but rather are trying to do it themselves. It shows that the company is not taking a grandiose stance, but rather is truly sincere about what kind of value it can deliver, with the customer at the center.

[The SARROWS Book \(in Japanese\) →](#)

Tamai That is the most wonderful thing for us to hear. Our fundamental principle is to make all decisions with the customer as the absolute central axis, and we place the utmost importance on not wavering from this principle.

We constantly remind ourselves that we must not become so involved in specific measures and numerical targets that we forget or leave behind the original purpose of what we are doing and why we are doing it.

Yamashita I think it is important to firmly link your original DNA and strengths with sustainability. Rather than conducting

special campaigns or other small steps, I believe that the most effective way for your message to get through to consumers is through your usual forms of communication, so that the message slowly seeps out, even if it takes some time.

Tamai The elements of value we provide to our customers are “service, products, and places,” or the people who serve them, the products, and the store environments. I believe that our approach of infusing each of these with sustainability as a matter of course is the right approach. I hope that SARROWS will become a part of the value we have been providing, and that both customers who are aware and those who are unaware of sustainability will be able to naturally connect with sustainable consumption and clothing choices.

Yamashita I agree. For example, in the case of circularity, if it is just a circular system, anyone could do it if the social system is in place. However, not creating waste in the first place causes the least burden on the environment. Providing things

Subtly hiding sustainability
in value provided

Nao Tamai



Dialogue | Our Sustainability

that can be used for a long time such as your company does is not something that everyone can do. That strength is valued, and I think it is recognized by consumers and has become a shared value.

Tamai We want to make it a shared value. In fact, the other day, we calculated the carbon footprint (the greenhouse gases emitted throughout the entire life cycle, from raw material procurement to production, use, and disposal, converted into carbon dioxide) of one of our standard products, a T-shirt. And we displayed the results in our shops. This was an attempt to visualize greenhouse gas emissions, including the actions of customers themselves. It is also a way to show the relationship between fashion and climate change, which some may not have been aware of until then.

Yamashita In addition to functionality, when you also display how environmentally friendly the product is, consumers' mindsets should change, such as their wanting to wear the product for as long as possible.

Tamai In order to influence people enough to change behaviors, it is important to communicate information and also to tell it as a story. In order to achieve this, we believe that SARROWS must first be firmly rooted in our employees. Therefore, we have created educational videos, which are included in the training curriculum for new store managers, and added the SARROWS logo to the trash receptacles we use every day. We also include SARROWS in every part of our company.

What we had prior to the launch of SARROWS was more of an action guideline explaining the themes and material issues of

our sustainability activities, but we feel that the launch of SARROWS has broadened the circle of activities. Now when we conduct business, our customers engage in consumption activities, and our business partners conduct their business as business partners, it is based on the common desire to aim for a sustainable society. I believe that we can create something like a community that isn't limited to just one company.

Just like a fashion brand spreads around the world when people who sympathize with the brand's philosophy buy it or begin to like it. I also see the possibility that the number of people who sympathize with SARROWS will increase and it will become a movement that goes beyond the framework of the company.

Expectation of expanding sustainable business models overseas

Yamashita I feel that your company has taken leadership in the Japanese fashion industry in the area of sustainability as well. As Japan's population continues to decline, sustainable growth cannot be achieved using traditional methods. I hope that by expanding the sustainability system you will build over the next five years to South Asia, you will contribute to the world as one of Japan's leading fashion companies.

For example, I think there are ways to commercialize intangible asset value, not only in the form of store openings, but also by transplanting manufacturing mechanisms and ways to build relationships with customers to growing markets.

Tamai I see. When a local company comes up that wants to do a highly sensitive fashion business, we can team up and support them.

Yamashita Yes. In particular, in the outbound market, opportunities for monetization will expand beyond product sales. South Asia is an area where fashion culture is about to grow significantly, so partnerships should be formed with local companies to realize a circular economy system. This will strengthen Japan's international competitiveness, and I think it is a great opportunity.

Tamai Your thought-provoking comments on the subject of sustainability were very helpful. Thank you very much for today.



Our Sustainability

UNITED ARROWS Sustainability Activities

SARROWS is an original word coined by combining ARROWS, the nickname of UNITED ARROWS, with the “S” of Sustainability. We have made SARROWS the watchword for our sustainability activities as we want to promote sustainability activities together with our customers and business partners and to give a sense of familiarity with the activities. In 2022, we established three activity themes and related numerical targets.

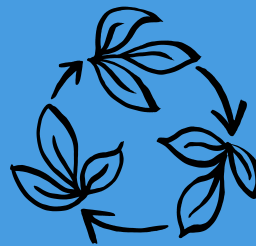
Our themes are Circularity, which pursues circular fashion, Carbon Neutrality, which aims for a beautiful earth forever, and Humanity, which supports these activities in a healthy manner. These are topics of great interest to customers and other stakeholders, which the Company and the fashion industry must focus on.

We will promote the SARROWS initiative together with everyone related to the Company, aiming for a future where people live with a richer mind.

[UNITED ARROWS Sustainability Activities](#) →

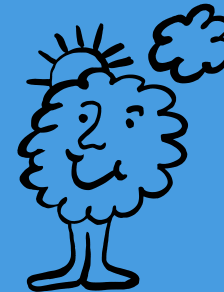


SARROWS™



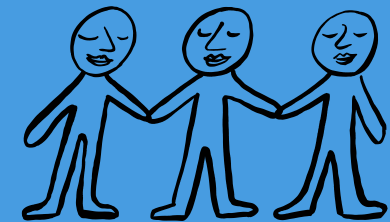
Circularity

Circular fashion



Carbon Neutrality

Toward a carbon-neutral world



Humanity

Work and live in a healthy way

Our Sustainability

Identification of material issues and development of promotion system

In 2020, the Company identified five themes and 16 material issues based on international frameworks and industry targets. Based on these material issues, under SARROWS, the Company has selected three items that are of particular interest to customers and society and has defined them as activity themes.

To promote engagement with material issues, the Sustainability Committee was established in April 2020 as an organization subordinate to the Management Committee. The Committee is chaired by the Representative Director, President, and Executive Officer and consists of executive directors and executive officers. Standing Outside Directors also participate as observers. The committee holds regular meetings to discuss policies and measures and review progress. With this committee as a pillar, each division within the Company collaborates cross-sectionally to promote related sustainability activities throughout the Company.

[Sustainability management information](#) →

Identified material issues

Theme		Materiality
Supply chains	Responsible product procurement and supply chain development	<ul style="list-style-type: none"> • Traceability management of product procurement • Respect for human rights and the working environment in the supply chain • Promotion of use of environmentally conscious materials • Procurement of raw materials with consideration given to biodiversity and animal welfare • Promotion of low carbonization • Promotion of energy conservation and use of renewable energy
Resources	Realizing a waste reduction and recycling-based model	<ul style="list-style-type: none"> • Reduction of waste from business activities • Promotion of collection, reuse, and recycling of unnecessary products
Communities	Continuing with activities aimed at the development of local communities	<ul style="list-style-type: none"> • Support for local societies, communities, and disaster-stricken areas
Human resources	Creating an environment that fosters respect for individuals and work motivation	<ul style="list-style-type: none"> • Promotion of diversity and inclusion • Work style reform • Human resource development • Appropriate evaluation and compensation
Governance	Establishing a management platform aimed at becoming a company that will last 100 years	<ul style="list-style-type: none"> • Corporate governance • Risk management/compliance • Personal information protection and information security

Circularity

Circular Fashion



Striving to make a positive impact on the earth with fashion, UNITED ARROWS LTD. aims to create fashion that is in harmony with nature and is continually reborn.

KPI	2022 Results	2030 Targets	Ratio of environmentally conscious products	2022 Results	2030 Targets
Disposal rate of textile products	0.3%	0.0%		16.2%	50.0%
Disposal rate of all products	0.4%	0.1%			

Minimization of product waste

Waste-free production and sales

In the fashion industry, mass production based on the premise of mass consumption has become a major issue. To minimize the number of products that need to be disposed of, we will employ appropriate product plans in an effort to achieve production and sales that generate no waste.

In planning and development, we are pushing ahead with the development of products that can be used across seasons to meet diversifying customer needs. Seasonless products do not need to be replaced for each season, which leads not only to an increase in sales opportunities but also to minimization of product disposal.

In the production process, it is important to prevent a mismatch between supply and demand. With production control based on precise sales forecasts, we are focusing on preventing the generation of inventory surplus that leads to product disposal.

In sales, Digital Transformation (DX) has been applied to manage online and offline sales in an integrated manner in order to sell products at the right opportunity. We are also building and utilizing inventory management and distribution systems, which are essential for making sales at the right opportunity. Another important theme is to move away from a sales expansion approach based on mass production and mass consumption. We are working actively on selling durable and high-quality products at reasonable prices, as this will not only minimize product disposal but also improve the sustainability of the entire supply chain.

[p.21 Long-term vision 2032 →](#)

Thorough quality control

To minimize product waste, it is also important to reduce the number of substandard products that do not meet the quality requirements. In order to ensure product quality, we regularly hold quality control (QC) meetings with overseas contract factories that manufacture our private label brands. Through such communication, we will continue to advance mutual understanding between the Company and business partners to improve product quality. In fiscal 2022, a total of 10 companies participated in 10 online meetings. The QC meetings are to be held in the same manner in fiscal 2023.

Contents of the fiscal 2022 QC meetings

- Alerts to prevent product defects
- Sharing good practices for product upgrades
- Sharing information on future manufacturing

Utilization of in-stock and substandard products

Setting the key performance indicators (KPIs) for product disposal rates at two levels, one for textiles and the other for overall products, we have established precise targets and are managing our progress closely. In fiscal 2022, the product disposal rate was 0.3% for textiles and 0.4% for overall products. With the target of zero for textiles and 0.1% for overall products in fiscal 2030, we will continue to decrease the product disposal rate. Considering, however, that it is virtually impossible to prevent the occurrence of a small percentage of products that cannot be sold, reused, or recycled, we are working in cooperation with other companies not to waste such defective products.

Participated in KISARAZU CONCEPT STORE (Mitsui Fudosan Co., Ltd.)



This site was opened in June 2023 as a testing ground that spotlights substandard and in-stock products that could not be delivered to customers in the past and introduces new manufacturing based on upcycling and new technologies. We support this idea and are participating as a partner. We will create new opportunities for customers to encounter products, while minimizing product disposal and reducing CO₂ emissions.

[KISARAZU CONCEPT STORE \(external site, in Japanese\) →](#)

Circularity | Circular Fashion

Environmentally friendly product development and recycling

Product development using environmentally friendly materials

We are engaged in the planning and production of eco-friendly products. We actively use a variety of eco-friendly materials, such as organic cotton that has a reduced environmental impact during production and materials recycled from plastic bottle waste.

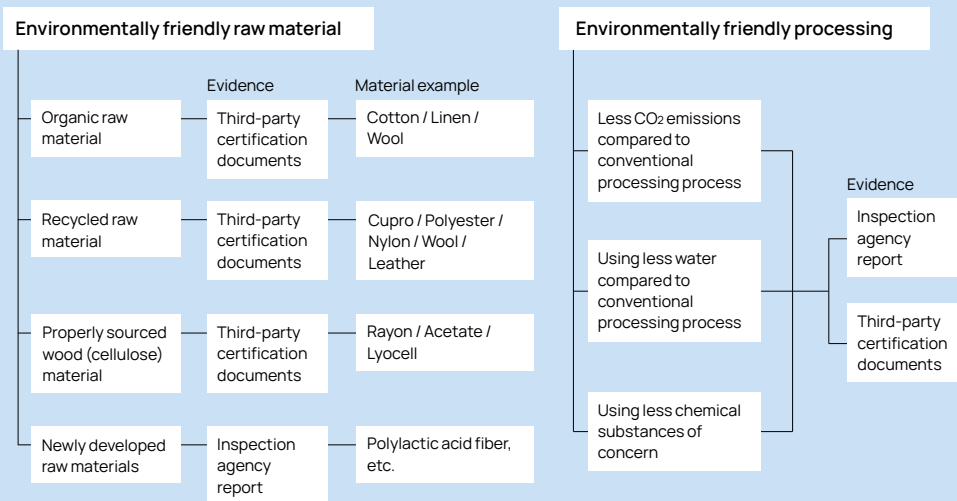
In fiscal 2022, 16.2% of our products used eco-friendly materials. We will continue to make various efforts to increase the rate to 50% in fiscal 2030. These initiatives are an important theme in sustainable management, and at the same time, we believe they provide an opportunity to create value that generates new demand for our business activities.

Eco-friendly products as defined by UNITED ARROWS

In principle, those that satisfy one or more of the following three categories.

- Body material: Using at least 20% eco-friendly material in outer fabric, or at least 20% in inner fabric
- Submaterial: Using one or more eco-friendly materials
- Processing process: Environmentally friendly processing

The SARROWS tree



Collection, reuse/recycling, and circulation of unwanted clothing

As part of our activities promoted together with customers, we collect and reuse/recycle unwanted garments. Collected garments are recycled as clothing or used as materials for other products by the Company or in cooperation with its partner companies.

Examples

- Support for the Green Down Project to collect and recycle feather products
Since 2015, old feather products have been collected at all GLR stores throughout the year.
- UA RECYCLE ACTION, a clothing collection project
For a total of four weeks in February and August 2022, a clothing collection project UA RECYCLE ACTION was implemented with the aim of raising awareness of recycling and cultivating recycling habits among customers. During the event, we collected a variety of clothing items, including garments of other companies at the stores of all UNITED ARROWS' brands. A total of 26,116 kg of collected items will be reused by new users or sorted into materials and parts for recycling through JEPLAN INC.'s recycling platform BRING.

Providing products and services that are loved and used for a long time

Providing products that will be loved and used for a long time is one of the elements that make up our proposal of "high-quality living" and "rich lifestyle culture."

In product development, we are conscientious about maintaining high standards of quality and function while seeking originality and creativity. In terms of design, our focus is to create products that will be loved and used for a long time.

In addition, we actively promote an after-sale repair service. To ensure convenience for a variety of customers, an order for repair services can be placed at our physical stores or through our website.

Through these efforts, we are enhancing the value of using our products and contributing to the establishment of a lifestyle of "using things carefully for a long time."

Circularity | Circular Fashion



Recycling-based denim of BEAUTY&YOUTH created in collaboration with L∞PLUS

L∞PLUS is a product combining high environmental awareness with solid technological capabilities

In the 1870s, denim pants originated as workwear for coal miners in the U.S., and now they have become a staple item for many people. As a massive amount of denim products are manufactured, cutting waste is generated in bulk, and this caught the eye of Kurabo (Kurabo Industries Ltd.). Having been environmentally conscious from an early age, Kurabo developed a technology to recycle cutting waste into yarn. L∞PLUS is a fabric woven using this yarn.

In response to Kurabo's high awareness of the environment and advanced technology, BEAUTY&YOUTH UNITED ARROWS (hereinafter, "BY") decided to create denim pants featuring L∞PLUS.

With the texture and color of the original fabric

L∞PLUS is produced through material recycling that makes effective use of cutting waste and collected products, rather than commonly used chemical recycling, which generally involves the chemical decomposition of used resources into raw materials. Material recycling requires advanced silk-reeling technology that reclaims wool and fine-spins it while ensuring the quality of the original cutting waste.

In cooperation with Kurabo, BY experimented with various techniques such as adjusting the yarn mixing ratio to create a product that will be loved and used by customers for a long time. After many trials and errors, we succeeded in creating products that combine quality, design, durability, and sustainability while taking advantage of the L∞PLUS texture.

To promote circular fashion

The denim products using L∞PLUS were launched in the spring/summer season of 2023. The response from customers has been good, and we are producing more. Production is also scheduled to continue in the fall/winter season of 2023.

We will continue to expand the products that are made from recycled raw materials in collaboration with business partners, thereby promoting circular fashion.



① Denim cutting waste used as raw material ② Process to form L∞PLUS yarn

Kurabo (Kurabo Industries Ltd.)



Kurabo is a major Japanese manufacturer founded in 1888 as a textile company. Since the development of Japan's first denim fabric, KD8, in 1973, it has consistently proved popular among famous denim brands in Japan and overseas.

See other stories related to UNITED ARROWS' Service, Products, and Places including examples of the use of environmentally friendly materials.

[Service, Products, and Places](#) →

Carbon Neutrality

Toward a Carbon-Neutral World

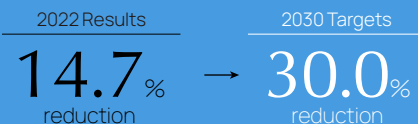


To preserve our beautiful earth, UNITED ARROWS LTD. works to create a carbon-neutral world in line with the Paris Agreement, an international framework.

KPI

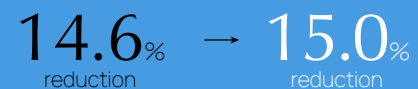
Reduction rate of CO2 emissions

Scope: Stores and offices (Scope 1 & Scope 2) vs. FY2019



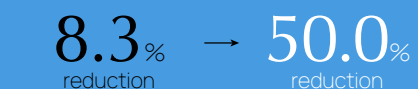
Reduction rate of CO2 emissions

Scope: Supply chain (Scope 3) vs. FY2019



Ratio of renewable energy

Scope: Stores and offices (Scope 1 & Scope 2)
Number of locations using renewable energy /
Number of locations



Obtained SBTi approval for greenhouse gas emission reduction targets

Science Based Targets (SBT) are greenhouse gas emission reduction targets set by companies with a target of 5 to 15 years ahead, consistent with the levels required by the Paris Agreement. Under Carbon Neutrality, one of the themes of our SARROWS activities, we formulated targets for reducing greenhouse gas emissions (Scopes 1, 2, and 3) in line with the standard and submitted them to an international initiative, the Science Based Targets initiative (SBTi), for target validation. We obtained SBTi approval in April 2023. The target for Scopes 1 and 2 was assessed as a level well below 2°C, and that for Scope 3 as a level below 2°C.



Proactive introduction of renewable energy

The rate of renewable energy use in buildings where our stores or offices operate was 8.3% in fiscal 2022, an increase of 5.1 percentage points from the previous fiscal year. Our target is to increase the rate of renewable energy use to 50% by fiscal 2030. Since we are a tenant at 99% of our business locations, we have begun to exchange opinions with developers on the proactive introduction of renewable energy.

Renewable energy introduction rate: 8.3% (as of March 31, 2023)

16 stores: UNITED ARROWS HARAJUKU, MARUNOUCHI, DAIMARU KOBE WOMEN'S STORE, DAIMARU KOBE MEN'S STORE, SHINSAIBASHI, OSAKA MEN'S STORE, BEAUTY&YOUTH MARUNOUCHI, MINATOMIRAI, MACHIDA, OSAKA, green label relaxing lumine machida, marunouchi, mark is minatomirai, grand front osaka, DRAWER UMEDA, STEVEN ALAN OSAKA

2 offices: Nippon Life Akasaka Building, Akasaka Park Building

Creating a rich forest together with customers

As part of our efforts to reduce CO2 emissions and create a sustainable environment, we are implementing the SARROWS Reduce Action, an effort to grow rich forests together with our customers. If a customer brings his/her own bag when shopping, the Company will donate ¥10 per instance of shopping to the Creating Diverse Forest Project carried out by the General Incorporated Association More Trees. We also offer benefits through our membership program to customers who take part in the action.

In fiscal 2022, 110,754 customers participated, and donations totaled ¥1,107,540. Information on these activities is available at our stores and on our website.



Carbon Neutrality | Toward a Carbon-Neutral World

Support for the TCFD recommendations and information disclosure

Climate change is an important management issue in our business activities. In order to tackle the issue in a company-wide effort, the Sustainability Committee sets policies and targets related to climate change, deliberates on initiatives, and reviews progress.

In 2022, UNITED ARROWS endorsed recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board, and analyzed the impact of climate change on

our business. We will continue to proactively disclose information on climate change in order to realize a sustainable society and environment and to ensure the sustainable growth of UNITED ARROWS.

UNITED ARROWS has set targets for reducing greenhouse gas (GHG) emissions in fiscal 2030: 30% for Scope 1 and Scope 2, and 15% for Scope 3 (consolidated, compared to fiscal 2019). In fiscal 2022, Scope 1 was 584 t-CO₂, Scope 2 was 7,743 t-CO₂, and Scope 3 was 260,250 t-CO₂ (each on a consolidated basis).

We will continue working to reduce GHG emissions to achieve the targets.

Disclosures based on the TCFD recommendations →

Scenario analysis

Scenario assumption for 2030	No.	Risks and opportunities	Risk category	Impact	Response strategies
4°C scenario Temperature increase cannot be kept under control, precipitation and weather patterns are changing significantly, and damage from natural disasters is increasing. Farm crops and livestock products are also greatly affected. Customers are becoming more mindful about disaster prevention, and demand is increasing for functional products that respond to changes in the living environment such as heat waves and hot weather.	1	Decrease in sales due to damage to product manufacturing sites, interruption of distribution, and closing of stores resulting from abnormal weather	Physical risks (acute)	400 million yen	On-going BCP
	2	Increase in costs due to impact on production of product raw materials resulting from abnormal weather and average temperature increases	Physical risks (acute and chronic)	Large	Diversification of procurement risks and verification of alternative materials
	3	Decrease in sales due to late response to change in customer needs resulting from abnormal weather and average temperature increases	Transition risk (market)	Small	On-going marketing and verification of measures
	4	Creation of demand for related products that accommodate environmental changes in everyday life; enhancement of reputation	Market (*opportunities)	Large	On-going marketing and verification of measures
Below 1.5 to 2°C scenario Regulations on carbon emissions, introduction of a carbon tax, policies on emission reduction targets, and energy conservation policies have been strengthened. Product procurement costs and store operation costs are affected by taxation. Although temperature increase is kept under control, precipitation and weather patterns are undergoing certain change. Customers are becoming more environmentally conscious, and demand for sustainable products is increasing.	1	Increase in operational costs resulting from introduction of greenhouse gas emission reduction policies, such as carbon tax and carbon pricing	Transition risk (policy and regulation)	2,410 million yen	Promotion of CO ₂ emission reduction
	2	Decrease in sales due to damage to product manufacturing sites, interruption of distribution, and closing of stores resulting from abnormal weather	Physical risks (acute)	Medium	On-going BCP
	3	Increase in costs due to impact on production of product raw materials resulting from abnormal weather and average temperature increases	Physical risks (acute and chronic)	Medium	Diversification of procurement risks and verification of alternative materials
	4	Decrease in sales, deterioration of corporate image and reputation due to late response to change in customer needs such as increasing demand for sustainable products arising from heightened environmental consciousness	Transition risk (market)	Small	On-going marketing and verification of measures
	5	Creation of new demand by offering sustainable products and conducting sustainable activities that involve customers; enhancement of reputation	Market (*opportunities)	2,839 million yen	On-going marketing and verification of measures

Carbon Neutrality | Toward a Carbon-Neutral World



Calculating carbon footprint of products

In 2022, as the first step toward reducing GHG emissions (Scope 3) and contributing to decarbonization of customer lifestyles, we participated in the Ministry of the Environment's initiative Model Projects for Carbon Footprint of Products and Services.

Carbon Footprint (CFP) is a system that converts GHG emissions from the entire process of a product's life into CO₂ and displays them clearly on products and services. Visualizing these figures enables us to identify the amount of CO₂ emissions in each process and to take measures to reduce them.

For example, in the production and sales processes, we can implement measures to reduce GHG emissions by selecting materials that emit fewer GHG from the product planning stage and by switching to using renewable energy in manufacturing plants and stores. In the process of use, there are no GHG emissions from wearing the product, but water and energy are consumed in washing the product and operating the washing machine and dryer. Therefore, customers can join the effort to reduce CO₂ emissions with their efforts such as washing their clothes fewer times and recycling bathwater.

For this initiative, we implemented a project to quantify and visualize CO₂ emissions of a crewneck short-sleeved cut-and-sew t-shirt, one of the standard products of UNITED ARROWS green label relaxing (Men's). The survey covers its entire life cycle, from raw material procurement to disposal. The results show the carbon footprint of a crewneck short-sleeved cut-and-sew t-shirt to be 10.6476 kg CO₂-eq. Based on the issues identified in this project, we will consider calculating the actual value of emissions and acquire data for more items. Recognizing the amount of emissions in each process will make it easier to plan and implement measures to reduce emissions in each process. In addition, in order to share information with customers, we posted a point-of-purchase (POP) advertisement to introduce this initiative in our stores at the launch of this product. We hope our initiatives will serve as a springboard for our customers to consider environmental issues and encourage them to use CO₂ emissions as a new indicator for selecting and purchasing products and to take proper care of products. These efforts, we believe, will eventually lead to maximizing the value of use.

[Carbon Footprint Report \(in Japanese\) →](#)



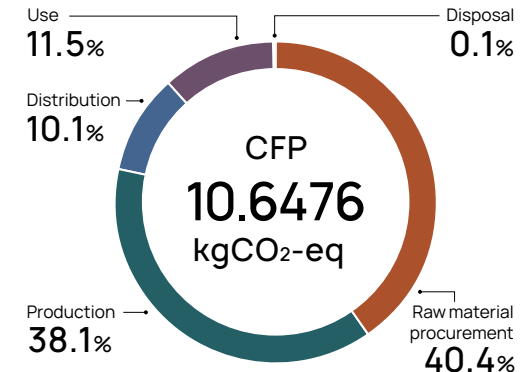
Brand
UNITED ARROWS green label relaxing (Men's)

Item
Crewneck short-sleeved cut-and-sew t-shirt

Material
100% cotton

Target component
Cut-and-sew body:
Brand name tag, Laundry tag, Hanging tag, etc.
Packaging and packing materials: Plastic bag attached to the body, etc.
Transportation materials: Cardboard boxes used to transport goods, etc.

Note) Transportation materials used for transportation of raw materials are not included.



Note) Percentages are rounded to one decimal place, so the total exceeds 100%.

Humanity

Work and Live in a Healthy Way



For every stakeholder of UNITED ARROWS LTD. to smile, we will protect everyone's rights and create a healthy living environment.

KPI

	2022 Results	2030 Targets
Ratio of consent forms acquired regarding Code of Conduct for Business Partners Number of companies consenting/Number of companies with which we have transaction records	48.2%	100.0%
Employee engagement scores Average positive response rate for motivational factors (feelings of accomplishment, approval, work itself, delegation of authority, satisfaction with the evaluation, and development)	70.0%	80.0%
Percentage of females in managerial positions of section chief or above Targets based on the Act on the Promotion of Women's Active Engagement in Professional Life	22.4%	30.0% or more
Percentage of females in managerial positions of store manager or above Targets based on the Act on the Promotion of Women's Active Engagement in Professional Life	29.2%	40.0% or more

Formulation of UNITED ARROWS Group Human Rights Policy

In 2023, we formulated the UNITED ARROWS Group Human Rights Policy based on the Universal Declaration of Human Rights, the International Labour Organization (ILO) core labor standards, and the United Nations Guiding Principles on Business and Human Rights. We encourage each officer and each employee of the Group to understand and comply with this policy, respect the human rights of all stakeholders involved in our business activities, and take the initiative in acting for human rights.

[UNITED ARROWS Group Human Rights Policy →](#)

Respect for human rights in the supply chain

Aiming to "set the standard for lifestyle culture," we are striving to realize a sustainable society and environment through the "creation of five values." To achieve this goal, it is necessary to share our philosophy across the entire supply chain, including our business partners, and to cooperate to implement it.

We have established the Code of Conduct for Business Partners in Goods Procurement as a guideline to share our philosophy and sought to obtain consent. We also conduct field audits of domestic plants and survey foreign technical interns.

Formulation of Code of Conduct for Business Partners and acquisition of consent forms

Following the formulation of UNITED ARROWS LTD.'s CSR Guideline in 2017, which includes provisions pertaining to child labor, discrimination, and legal compliance, we have obtained consent forms from contract factories that manufacture our private label brands.

In 2021, the Code of Conduct for Business Partners in Goods Procurement was newly formulated to enhance transparency in the supply chain and prevent human rights violations. We aim to obtain consent forms from all domestic and overseas business partners to whom we outsource the production of our private label brands.

[Code of Conduct for Business Partners →](#)

Field audits on business partners' factories in Japan

In line with the CSR Factory Audit Requirements announced by the Japan Apparel Fashion Industry Council, we commission a third-party organization to conduct field audits on human rights. In 2022, we audited two domestic garment factories to which we outsource the production of private label brands. We plan to audit five companies in 2023.

Questionnaire for foreign technical intern trainees

One of the issues to be addressed by Japanese society is the protection of human rights of non-Japanese nationals working as technical interns in Japan. We recognize it as an important issue for UNITED ARROWS LTD. because many foreign technical interns are enrolled at our business partners' factories. Therefore, we conduct annual surveys in the form of questionnaires on the acceptance and working status of foreign technical interns to prevent human rights violations and ensure a fair work environment. In 2022, the survey was implemented at 413 locations, including companies and factories of domestic business partners. We will continue to conduct field audits to monitor the workplace environment.

Humanity | Work and Live in a Healthy Way

Creating a workplace where employees are engaged and thrive

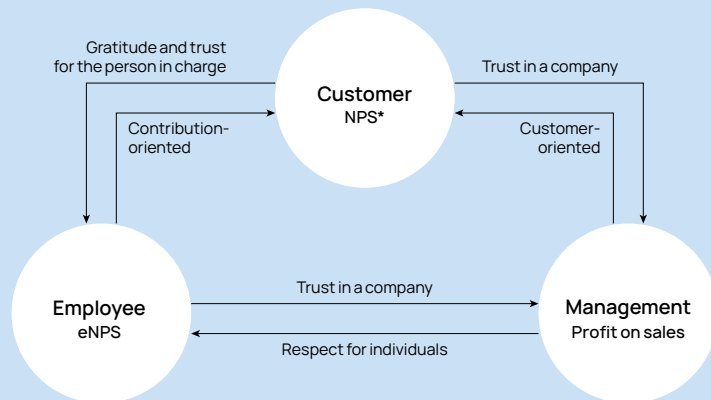
We view our employees as “associates who agree with our corporate philosophy and work with us to realize it.” Our corporate name, UNITED ARROWS, embodies arrows that fly straight toward the same target together. UNITED ARROWS represents a group of individual members with various personalities working together to realize the same corporate philosophy (goal). With this policy in mind, we aim to manage our human resources well.

For the Group, creating value for employees is also an important theme. That means making sure that our employees improve their abilities, reach their full potential, and feel happy in their work at our Group. To achieve this goal, we believe that it is important to provide our employees with opportunities to upgrade their abilities and to reward them according to their performance. As specific guidelines for incorporating these ideas into the corporate system, we have established resources such as the Handbook for a Management System for Human Resources and the Compliance Manual.

Improve employee engagement

In human capital management, employees’ understanding of the company, their trust in the company, and their sense of satisfaction at work are important factors, and we believe that employee engagement cycles through customer loyalty and business performance.

Cycle of employee engagement, customer loyalty, and performance



* NPS stands for Net Promoter Score
Source: beBit, Inc. “What drives eNPS?—16 industry eNPS survey results” (released in 2017)

In order to properly grasp employee engagement as the starting point of this cycle, we have conducted an employee awareness survey since 2012 as well as an engagement survey since 2019. We apply the employee engagement score as the KPI for this initiative. The survey result in fiscal 2022 was 70%. The target is 80% by fiscal 2030.

We have also introduced the Employee Net Promoter Score (eNPS) to further refine our research and ensure an objective perspective. The eNPS refers to the employee version of the Net Promoter Score (NPS), which quantitatively measures how much affection and trust the employees have for the workplace.

By combining the employee awareness survey and eNPS, we will focus our personnel policies on items that have a high correlation with engagement, thereby further sophisticating human capital management.

Operation and improvement of personnel evaluation system

We have established various personnel evaluation systems aiming to foster a corporate culture in which all employees are empowered to exercise their talents. To ensure appropriate career path designing and personnel allocation, we have a Target Management System, which serves as the basis of the personnel appraisal; a Talent Management System for the centralized management of records of personnel assessment, changes, and future career aspirations; and a 360-Degree Assessment “Multifaceted Observations” where several relevant parties assess the speech and behavior of managers above a certain class.

Furthermore, we examine and review the personnel evaluation system based on the results of the employee awareness surveys to reflect the opinions of employees in our management. The result of the 2021 employee awareness survey showed low scores on items related to salary increases and the promotion system. To improve these items, we reviewed the operation of the system based on the correlation between past measures and results.

With regard to salary increases, we intend to increase the degree of return to employees who contribute to achieving our goals and creating customer satisfaction. For promotion, in addition to conventional quantitative items such as sales achievement, we now refer to multifaceted information such as thank-you notes from customers and styling proposal records when selecting candidates for promotion, and we certify promotion after rigorous screening.

Humanity | Work and Live in a Healthy Way

Incorporating employee engagement survey results in human resource strategy

The employee awareness surveys carried out show that employee engagement changes over time and depending on the business environment. In recent years, the COVID-19 pandemic has had significant impacts on employee engagement.

Prior to the pandemic, employees tended to be more interested in the content of work, workload, and compensation, while since the pandemic, they have been more concerned with job satisfaction, educational opportunities, and dialogue with the Company and their superiors.

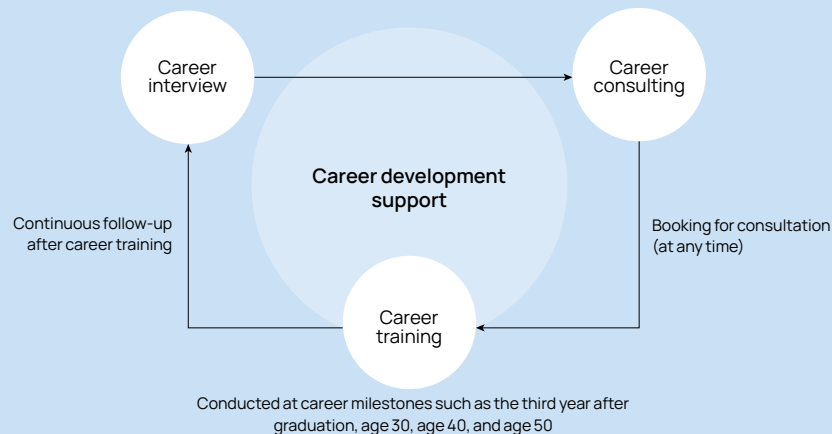
These results have been flexibly reflected in our human resource strategies, as we are focusing on the creation of more opportunities for mutual communication after the pandemic, including clarifying company policies, providing educational opportunities, and holding online meetings between management and employees.

Promoting and supporting self-driven career development

To improve employee engagement, it is important for employees to have a clear idea of what career path they want to pursue and to acquire the skills necessary for it. We provide career consulting to help employees develop their career.

To ensure that everyone has fair access to career consulting opportunities, appointments are available via the intranet, which is easily accessible wherever employees are and whenever they like. The Company's own employees who have obtained national qualifications provide consultation as a counselor. Since they understand the front-line services and operations, appropriate and personalized advice can be expected.

Providing a set of career development and educational opportunities



We believe that our career consulting will inspire and motivate our employees and foster their self-driven career mindset.

In 2022, we also introduced a career self-checkup system. In the first year of implementation, the employees in their third year of employment were the targets, as the third-year employees tend to experience significant changes in engagement. Clarifying individual career visions in the Company is expected to have positive effects on employee retention.

In addition, in order to promote self-motivated career development, we have renewed the system to support qualification acquisition and expanded eligibility and financial incentives. Going forward, we plan to present samples of career models by job type, thereby creating an environment in which individuals can create their own career visions in detail, resolve concerns, and pursue self-driven career development.

Providing educational programs for skill improvement

All of our business activities are based on the foundation of our corporate philosophy. To promote understanding, dissemination, and implementation of our mission, we have actively introduced various educational programs.

Within the Company, we have established our own educational institution called the UNITED ARROWS University, which offers a variety of programs to employees working at the head office or the stores across Japan in the most appropriate formats, including in-person and online. The programs cover a wide range of topics, including training to improve customer service skills and product knowledge, new employee onboarding for new hires, and management training for managers. New employee onboarding, on which we place special emphasis for human resource development, is designed to help new hires understand and internalize our mission through lectures and group work.

Achieving work-life balance

We have established short working hours and various types of leave, including maternity and postpartum leave, parental leave, nursing leave to care for children, and family care leave, so that our employees can enrich their life events and work and strike a balance between them.

In fiscal 2022, 100% of women and 29.9% of men took parental leave. As a company that actively promotes child-rearing support, we have received "Kurumin Certification" from the Ministry of Health, Labour and Welfare.

Humanity | Work and Live in a Healthy Way

Creating a diverse work environment

UNITED ARROWS Group is committed to creating a working environment where everyone can work fairly and equitably, regardless of age, gender, nationality, religion, or gender identity, and offers every employee opportunities to grow and realize their full potential.

In creating a society where everyone is empowered to play an equal and active role, one of the major issues is women's career break due to life events such as childbirth and childcare. In order to resolve this issue, we began working early on to improve our working systems, such as with short working hours. Because of our efforts, the career break for caring responsibilities is limited, and the percentage of women who return to work after parental leave remains close to 100%. At the same time, we have established a system in which men can take paternity leave and divide leave into separate terms so that men can actively participate in childcare and other life events. As a result, the percentage of men taking parental leave in fiscal 2022 increased by 16.5

percentage points from the previous fiscal year.

We are also working to increase the number of women in management. In fiscal 2022, the ratio of women in management positions of section chief or above was 22.4%, an increase of 4.1 percentage points from the previous fiscal year. The target is to reach 30% or more by the end of March 2026. Factors contributing to the increase include a growing awareness of career development among women and an increase in the proportion of women in the middle grade and the top grade, who are candidates for management positions.

In terms of the gender wage gap in fiscal 2022, if men's salaries are equated to 100%, women's stand at 75.3%*. We will continue to promote personnel management in an objective, fair, and equitable manner through the creation of career development awareness and the review of systems, and work to create a diverse work environment.

* The gender wage gap also includes the effect that about one-fourth of female full-time employees use the short working hours system for childcare.



Listening to employees and developing individual strengths to increase value

In planning of our human resource policies, we identify the sources of employee engagement through surveys, set high-impact items as strategic issues, and formulate investment plans. UNITED ARROWS LTD. has more than 3,500 employees, including minorities and the silent majority. In order not to be biased by opinions that have surfaced, we emphasize decision-making based on quantitative verification, taking into consideration the insights of all employees and those subject to being rewarded. We apply data-driven decision-making for major strategies and measures, but at the same time, we focus on communication with employees to respond to individual concerns. For this reason, we have expanded our consultation service for career, health, and labor.

We had no choice but to reduce the number of staff and personnel expenses during the hard time of COVID-19 and the subsequent rebuilding period. As a result, although short-term cost savings were realized, employee engagement decreased and the number of people quitting increased. Though business has recovered and compensation levels are almost back to the pre-COVID levels, there are still challenges. We recognize that what we have lost in exchange for costs is not manpower but trust. On the other hand, our surveys suggested that there are employees who want to learn at the Company,

develop their own professional abilities, and contribute to the Company's reconstruction and regrowth, and that many of these employees want to know management's true feelings, not a facade. In response to their desire, we are currently focusing on two strategic issues: "sending messages and dialogue from management" and "providing educational opportunities that lead to functional development." In fiscal 2023 in particular, we will focus on enhancing education and training programs that enable employees to learn what they are interested in and develop the job skills required for their desired job, regardless of their current duties.

Respecting employees as individuals who have their own interests, not as a workforce, I, as a Chief Human Resource Officer (CHRO), will pursue the right business, the right management, and the right human resource management. Based on our corporate philosophy of Creating Five Values, we will increase employee value by continuing to invest in human capital. With a mission of translating that into value creation for customers, business partners, society, and shareholders, we will engage in compassionate human resource management.

Mariko Yamasaki

Executive Officer, CHRO, General Manager of Human Resources Division



Corporate Governance

Our basic stance on corporate governance

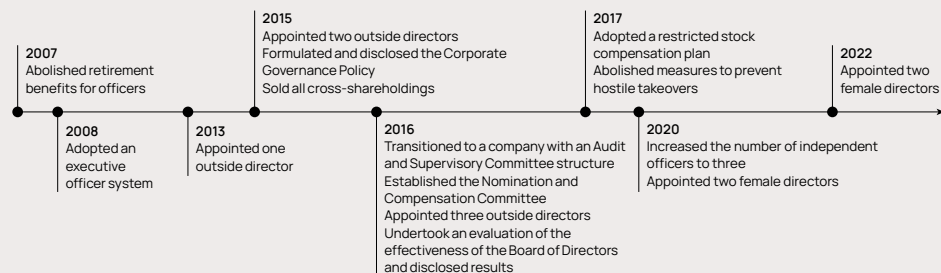
At the time of its founding in October 1989, UNITED ARROWS LTD. defined its founding spirit as "contributing to society by setting the standard for lifestyle culture in Japan." The essence of this spirit has been maintained and its expressions updated to better match the times so that it can continue to function as the basis for the actions of all directors and employees as our Company Policy. In addition, we have defined our promise to society and the creation of value for five distinct stakeholders as key features of our Policy Structure. The five distinct stakeholders for which value is to be created are customers, employees, business partners, society, and shareholders. In this regard, the Company's mission is to increase value for all stakeholders.

In order to maintain the proper mindset that will allow us to realize our 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 corporate philosophy, fulfill our promise to society, and create value for the five distinct stakeholders. Through these means, we are working to enhance our corporate value on a long-term and continuous basis.

[Corporate Philosophy](#) → [Our Values](#) → [Corporate Governance Report](#) →

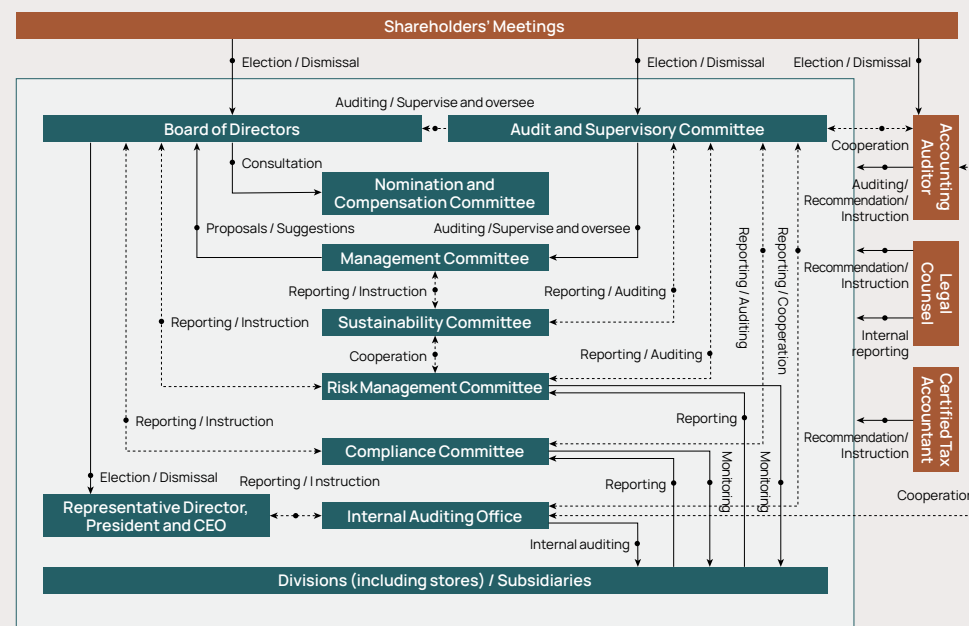
Trends in strengthening governance



Outline of the corporate governance framework as of June 26, 2023

Organizational format	Company with an Audit and Supervisory Committee
Chairman of the Board of Directors	Representative Director, President, and CEO
Directors (excluding directors who are Audit and Supervisory Committee members)	Four (none of whom are outside directors)
Directors who are Audit and Supervisory Committee members	Three (all of whom are outside directors)
Independent officers	Three outside directors (including two females)
Average age	51.3 years old
Number of Board of Directors' meetings held during fiscal 2022	17
Number of Audit and Supervisory Board meetings held during fiscal 2022	13
Number of Nomination and Compensation Committee meetings held during fiscal 2022	5

Corporate governance framework



Corporate Governance

Board of Directors (As of June 26, 2023)

Directors



Yoshinori Matsuzaki

Representative Director, President, Chief Executive Officer (CEO)

- Apr. 1998: Joined the Company
- Oct. 2005: Department Manager, Sales Department, UA Division of the Company
- Apr. 2008: Deputy General Manager, BY Division and Department Manager, Business Strategy Department, BY Division of the Company
- Apr. 2012: General Manager, BY Division, Business Unit I of the Company
- Jul. 2012: Executive Officer and General Manager, BY Division, Business Unit I of the Company
- Apr. 2014: Senior Executive Officer and General Manager, BY Division, Business Unit I of the Company
- Apr. 2018: Senior Executive Officer and General Manager, Business Unit I of the Company
- Jun. 2018: Director, Executive Managing Officer, General Manager, Business Unit I of the Company
- Nov. 2020: Director, Senior Executive Vice President, General Manager, Business Unit I of the Company
- Apr. 2021: Representative Director, President, and CEO of the Company (current)

Yoshinori Matsuzaki built his career as Store Manager and contributed to the development of the BY business. Subsequently, he led the Company's mainstay business and supervised all businesses targeting the trend-consciousness market. He assumed the position of Representative Director and President in April 2021. As Chief Executive Officer (CEO) since then, he has been playing the role of the highest level decision-maker and supervisor of business execution within the Group's management. Demonstrating strong leadership, he executed the divestiture of unprofitable businesses and stores, which led to an improvement in gross margin due to higher inventory efficiency, thereby achieving a recovery of the Group's performance, which had been sluggish during the COVID-19 pandemic. He is in charge of the overall management of the Group for the achievement of the medium-term management plan.

Attendance at Board of Directors meetings: 17/17 times (100%)



Tatsuya Kimura

Director, Executive Vice President, Chief Operating Officer (COO)

- Jan. 2002: Joined the Company
- Apr. 2008: Department Manager, Sales Supervising Department, GLR Division of the Company
- Jul. 2011: Deputy General Manager, Business Unit II and GLR Division and Department Manager, Sales Supervising Department of the Company
- Apr. 2016: Executive Officer and General Manager, GLR Division of the Company
- Apr. 2017: Senior Executive Officer and General Manager, GLR Division of the Company
- Apr. 2018: Senior Executive Officer and General Manager, Business Unit II of the Company
- Jun. 2018: Director, Executive Managing Officer, General Manager, Business Unit II of the Company
- Nov. 2020: Director, Executive Vice President, General Manager, Business Unit II of the Company
- Apr. 2021: Director, Executive Vice President, and COO of the Company (current)

Tatsuya Kimura built his career as Store Manager and contributed to the development of the GLR business. He led the Company's mainstay business and supervised all businesses targeting the basic trend-conscious market. As Chief Operating Officer (COO), he has been responsible for the supervision of business execution related to the Company's supply chain. He has been promoting digital transformation (DX) of the Company's infrastructure, including the construction of a new e-commerce site, digitalization of product procurement, and modification of the core system for product control, and contributing to improved operational efficiency and business productivity. He is in charge of building the value chain of the Group for the achievement of the medium-term management plan.

Attendance at Board of Directors meetings: 17/17 times (100%)



Takeo Nakazawa

Director, Executive Managing Officer, Chief Financial Officer (CFO)

- Jul. 2004: Joined the Company
- Apr. 2010: Department Manager, Finance and Accounting Department, Administration Division of the Company
- Apr. 2020: Executive Officer responsible for Finance and Accounting Department, and Planning and Management Department of the Company
- Apr. 2021: Executive Officer, CFO, General Manager, Administration Division of the Company
- Jun. 2023: Director, Executive Managing Officer, and CFO of the Company (current)

After joining the Company, Takeo Nakazawa built his career in the Finance and Accounting Department and contributed to the improvement of the Company's financial infrastructure, including accurate investment decision-making and risk control. Subsequently, he has contributed to the enhancement of the corporate value of the entire Group through the accurate allocation of investment in growth engines as Executive Officer responsible for the Finance and Accounting Department and the Planning and Management Department. Since his appointment as Chief Financial Officer (CFO), he has been responsible for the supervision of the administrative functions throughout the Company, including the Company's risk management and business accounting. Based on his experience and expertise in finance, he was instrumental in maintaining the Company's financial stability and overcoming the deterioration of its financial performance caused by the COVID-19 pandemic. He is in charge of finance and governance throughout the Group for the achievement of the medium-term management plan.

Attendance at Board of Directors meetings: -



Kazuyasu Tanaka

Director, Executive Managing Officer, Chief Merchandising Officer (CMO)

- Nov. 2008: Joined the Company, Deputy General Manager, UA Division, and Department Manager, Women's Merchandising Department, UA Division of the Company
- Apr. 2013: Executive Officer, General Manager, SBU Division I, Business Unit I of the Company
- Apr. 2015: Executive Officer, General Manager, SBU Division I, Business Unit I and Deputy General Manager, UA Division of the Company
- Apr. 2016: Executive Officer, General Manager, UA Division of the Company
- Apr. 2018: Executive Officer, Deputy General Manager, Business Unit I of the Company
- Apr. 2019: Senior Executive Officer, Deputy General Manager, Business Unit I of the Company
- Apr. 2021: Executive Officer, General Manager, Sales Management Division of the Company
- Apr. 2022: Executive Officer, CMO of the Company
- Jun. 2023: Director, Executive Managing Officer, and CMO of the Company (current)

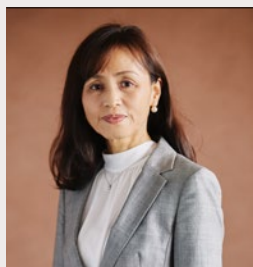
Kazuyasu Tanaka has greatly contributed to the development of the Company's women's label, utilizing his experience as general manager at other companies in the industry and managerial experience at an affiliate of the Company. In 2021, he assumed the position of Executive Officer, General Manager, Sales Management Division, and he led the Company's mainstay business by improving the supply chain and pursuing organizational reform and other measures. Since 2022, as Chief Merchandising Officer (CMO), he has been responsible for the supervision of merchandising functions and shown leadership in product procurement. He is in charge of merchandising throughout the Group for the achievement of the medium-term management plan.

Attendance at Board of Directors meetings: -

Corporate Governance

Board of Directors (As of June 26, 2023)

Directors (Audit and Supervisory Committee Members)



**Yukari
Sakai**

Outside Director

Apr. 1991: Joined Nomura Securities Co., Ltd.
Jan. 2005: Director of Corporate Tune Co., Ltd.
Jun. 2005: Standing Outside Audit and Supervisory Board Member of the Company
Jun. 2008: Outside Audit & Supervisory Board Member of REPROCELL Inc.
Jun. 2016: Outside Director (Standing Audit and Supervisory Committee Member) of the Company (current)
Mar. 2019: Outside Director (Audit and Supervisory Committee Member) of Uzabase, Inc.
Jun. 2021: Outside Director of Pacific Metals Co., Ltd. (current)
Jun. 2022: Outside Director of TOYO KANETSU K.K. (current)

Yukari Sakai has experience as director and audit and supervisory board member at other companies, abundant finance-related knowledge, including expertise in financing and accounting matters, and various viewpoints from the perspective of diversity. The Company appointed her as outside director (Audit and Supervisory Committee members) in the belief that she would leverage her abundant experience and knowledge to execute the Company's business and fulfill the function of control and oversight over management. She satisfies the Independence Determination Standards for Independent Officers set forth by the Company.

Attendance at Board of Directors meetings: 17/17 times (100%)
Attendance at Audit and Supervisory Committee meetings: 13/13 times (100%)
Attendance at Nomination and Compensation Committee meetings: 5/5 times (100%)



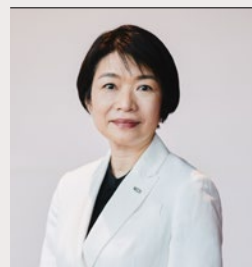
**Yusaku
Kurahashi**

Outside Director

Dec. 2007: Registered as an attorney at law and joined Nakamura, Tsunoda & Matsumoto Law Office
Oct. 2013: Graduated from University of Oxford (Masters in Law and Finance)
Jan. 2015: Partner of Nakamura, Tsunoda & Matsumoto Law Office
Jun. 2019: Outside Audit & Supervisory Board Member of Kanematsu Corporation (current)
Jun. 2020: Outside Director (Audit and Supervisory Committee Member) of the Company (current)
Apr. 2023: Representative Partner, Kurahashi Law Office (current)

Yusaku Kurahashi has been engaged in lawsuits and other dispute cases, M&A, corporate restructuring, and corporate legal affairs as a lawyer and has broad experience, including participating in third-party committees in corporate scandal cases. The Company appointed him as outside director (Audit and Supervisory Committee member) in the belief that he would leverage his extensive specialized knowledge to enhance the Company's corporate governance and other matters. He satisfies the Independence Determination Standards for Independent Officers set forth by the Company.

Attendance at Board of Directors meetings: 17/17 times (100%)
Attendance at Audit and Supervisory Committee meetings: 13/13 times (100%)
Attendance at Nomination and Compensation Committee meetings: 5/5 times (100%)



**Shiho
Takano**

Outside Director

Apr. 1987: Joined Meiji Dairies Corporation (current Meiji Co., Ltd.)
Sep. 1990: Joined Parfums Yves Saint Laurent Japan Ltd.
Sep. 1996: Joined Coca-Cola (Japan) Company, Limited
Apr. 1998: Joined Boots MC Company Limited.
Feb. 2001: General Manager and Head of Japan operations of L'OCCITANE JAPON K.K.
Jan. 2004: Representative Director and President of L'OCCITANE JAPON K.K.
Apr. 2015: Representative Director and Chairman of L'OCCITANE JAPON K.K.
Apr. 2016: Senior Advisor of L'OCCITANE JAPON K.K.
Mar. 2017: Representative Director and President of Etowa Co., Ltd. (current)
Jun. 2018: Outside Director of MORINAGA & CO., LTD.
Mar. 2019: Outside Director of FUJITA KANKO INC. (current)
Jul. 2021: Senior Advisor of Carlyle Japan LLC (current)
Jun. 2022: Outside Director (Audit and Supervisory Committee Member) of the Company (current)

Shiho Takano has a wealth of experience in marketing, branding, new product development and more, as well as extensive knowledge as a management executive for many years, acquired through her tenure in several operating companies in the food and cosmetics industries. The Company appointed her as outside director (Audit and Supervisory Committee member) in the belief that she would leverage her extensive experience and knowledge to offer objective and neutral advice, etc. on overall corporate management from a broad range of viewpoints that are not bound by the industry in which the Company operates and that she would help further strengthen the sound and effective management of the Company. She satisfies the Independence Determination Standards for Independent Officers set forth by the Company.

Attendance at Board of Directors meetings: 13/13 times (100%)
Attendance at Audit and Supervisory Committee meetings: 10/10 times (100%)
Attendance at Nomination and Compensation Committee meetings: 4/4 times (100%)

Note) This is the attendance status after assuming office as a Director on June 27, 2022.

Corporate Governance

Board of Directors (As of November 1, 2023)

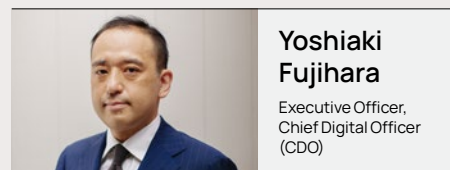
Executive Officers



Shinya Matsumoto

Executive Officer,
Chief Creative Officer
(CCO)

- Apr. 1996: Joined the Company
- Apr. 2018: Executive Officer, Creative Director, Business Unit I of the Company
- Apr. 2021: Executive Officer, CCO responsible for all creative efforts of the Company
- Apr. 2022: Executive Officer, CCO of the Company (current)



Yoshiaki Fujihara

Executive Officer,
Chief Digital Officer
(CDO)

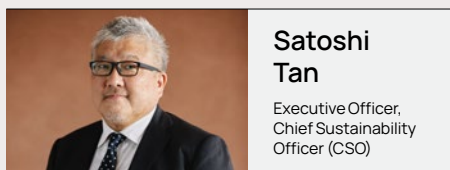
- Apr. 2021: Joined the Company, Executive Officer, General Manager, Digital Transformation Promotion Center, and Department Manager, Digital Marketing Department of the Company
- Apr. 2022: Executive Officer, CDO, General Manager, Marketing Division of the Company
- Apr. 2023: Executive Officer, CDO, General Manager, OMO Division of the Company (current)



Yuji Suzumura

Executive Officer,
Chief Information
Officer (CIO)

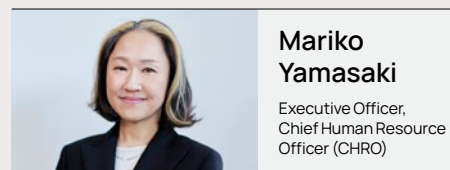
- Jan. 2021: Joined the Company
- Apr. 2021: Deputy General Manager, Digital Transformation Promotion Center, and Department Manager, Information System Department of the Company
- Apr. 2022: General Manager, IT Solution Division, and IT Service Platform Department of the Company
- Apr. 2023: Executive Officer, CIO, General Manager, IT Solution Division, and IT Service Platform Department of the Company
- Oct. 2023: Executive Officer, CIO, General Manager, IT Solution Division of the Company (current)



Satoshi Tan

Executive Officer,
Chief Sustainability
Officer (CSO)

- Dec. 1998: Joined the Company
- Feb. 2003: Department Manager, IR/PR Department of the Company
- Apr. 2009: Manager, Planning and Management Office of the Company
- Apr. 2014: Manager, IR Office of the Company
- Apr. 2018: Executive Officer, Department Manager, IR/PR Department, and responsible for Planning and Management Department of the Company
- Apr. 2020: Executive Officer responsible for IR/PR Department, Administration and Legal Department, Corporate Planning Department, Sustainability Promotion Department, and Department Manager of Sustainability Promotion Department of the Company
- Apr. 2021: Executive Officer, General Manager, CEO's Office, and Department Manager, IR and Corporate Planning Department of the Company
- Apr. 2022: Executive Officer, CSO, General Manager, Corporate Strategy Division of the Company (current)



Mariko Yamasaki

Executive Officer,
Chief Human Resource
Officer (CHRO)

- Apr. 1996: Joined the Company
- Jul. 2006: Department Manager, Public Relations Department of the Company
- Apr. 2008: Department Manager, Corporate Planning Department of the Company
- Apr. 2012: Manager, Fashion Marketing Office of the Company
- Apr. 2014: Deputy General Manager, Corporate Strategy Division, and Department Manager, Corporate Planning Department of the Company
- Apr. 2016: Deputy General Manager, United Arrows Division of the Company
- Apr. 2018: Department Manager, Human Resources Department of the Company
- Apr. 2021: General Manager, Human Resources Division, and Department Manager, Human Resources Department of the Company
- Apr. 2023: Executive Officer, CHRO, General Manager, Human Resources Division of the Company (current)

Corporate Governance

Composition of Officers and Committees and skills matrix

Role	Name	Composition			Committees (● Committee members ● Observers)					Skills (◎ Main areas of responsibility ○ Areas with knowledge)													
		Outside Director	Female	Male	Audit and Supervisory Committee	Nomination and Compensation Committee	Sustainability Committee	Risk Management Committee	Compliance Committee	Corporate management	Store operation/ Customer relations	Procurement/ SCM	Branding/ Marketing	R&D/ New business development	E-commerce	Logistics	ICT/DX	Human resources development	Personnel/ Governance	Risk compliance/ Legal affairs/ Taxation	Finance/ Accounting/ Taxation	Global	Sustainability
Directors	CEO	Yoshinori Matsuzaki		●		●	Chairperson	Chairperson	Chairperson	◎	○	○	○	◎					○		◎	○	
	COO	Tatsuya Kimura		●			●	●	●	◎	○	○		○	◎	◎					○		
	CFO	Takeo Nakazawa		●			●	●	●	◎									◎	◎			
	CMO	Kazuyasu Tanaka		●			●	●	●	◎	○	◎	○	◎		○							
		Yukari Sakai	●	●		Chairperson	Chairperson	○	○	○										○	○		
		Yusaku Kurahashi	●		●	●	●	○	○											○			
		Shiho Takano	●	●		●	●	○	○	○			○										
Executive Officers	CCO	Shinya Matsumoto		●			●				○	◎	◎	○								◎	
	CDO	Yoshiaki Fujihara		●			●					◎	○	◎		○							
	CIO	Yuji Suzumura		●			●							○	○	◎							
	CSO	Satoshi Tan		●			●												○	○		◎	
	CHRO	Mariko Yamasaki		●			●					○					◎						

Reasons for skill selection

Based on discussions for the formulation of the long-term vision and the medium-term management plan, we took inventory of the necessary skill items. As a result, in June 2023, we reselected skills that will be particularly important in our future management. We narrowed down the number of items and changed some of the skill descriptions. In the development of the skills matrix, items of particular importance, such as store operations, product procurement, branding, and new business development, are placed on the left.

We also reviewed and re-evaluated our skill evaluation methods. The previous evaluation method based on the number of years of experience as a responsible person was changed to a role as a CXO (main area of

responsibility; presented as "◎" in the table) and one with high experience (area with knowledge; presented as "○" in the table).

We will maintain a balance of 12 officers, including executive officers, and strive to fulfill their skills as the medium-term management plan progresses.

* The above table does not represent all the knowledge and experience of each individual.

Corporate Governance

Board of Directors

By streamlining matters for resolution at the Board of Directors meetings, we have established a system to ensure that discussion time is available for important management issues such as management policies and medium- to long-term strategies.

FY2022 Deliberation summary

First half	Second half
<ul style="list-style-type: none"> • Discussion on the new customer membership program, resolution on related contracts, etc. • Report and approval on annual conflict-of-interest transactions • Discussion on the Board of Directors' effectiveness evaluation • Discussion on interviews with ESG-related institutional investors • Report and approval on internal control • Discussion on setting sustainability goals • Report on audit plan of internal audit and Audit and Supervisory Committee • Discussion on the new medium-term management plan 	<ul style="list-style-type: none"> • Discussion on the new medium-term management plan • Approval for the disclosure of results of the Board of Directors' effectiveness evaluation • Discussion on the development of the next core system and resolution on related contracts, etc. • Discussion on management of the FY2022 Annual General Meeting of Shareholders • Discussion on FY2023 management policy • Discussion on FY2023 Group management structure • Summary report on the Board of Directors' effectiveness evaluation questionnaire

Audit and Supervisory Committee

The effectiveness of the execution of duties by Directors is confirmed and evaluated, and the legality and appropriateness are audited.

In addition, in order to carry out and provide accurate audits, supervision, and advice, the Committee meetings are held regularly with each officer in charge of execution to identify issues and grasp the progress of initiatives for improvement.

FY2022 Deliberation summary

First half	Second half
<ul style="list-style-type: none"> • Discussion on the status of development and operation of internal control systems • Report and exchange of opinions from the internal audit division • Discussion on evaluation of accounting auditors • Discussion with Representative Director (new medium-term management plan, motivation, and governance) • Discussion with executive directors (logistics, DX, SCM, subsidiary-related) 	<ul style="list-style-type: none"> • Report and exchange of opinions from the internal audit division • Discussion with executive directors (human resource issues, organizational issues, overseas subsidiaries) • Discussion with executive officers (sustainability initiatives, disclosure, etc.) • Discussion with the risk management division (risk interview evaluation) • Discussion with Representative Director (issues in the implementation of the new medium-term management plan and new business investment)

Nomination and Compensation Committee

In order to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors in relation to the nomination and compensation of Directors, the Nomination and Compensation Committee has been established, and it consists of all independent outside directors and the Representative Director, President, and CEO, with the majority of members being independent outside directors. In principle, this meeting is held once a quarter, and opinions are expressed to the Board of Directors regarding the individual nomination and dismissal of Director candidates, the appointment and dismissal of senior management, the compensation of Directors excluding Audit and Supervisory Committee members, and the succession plan.

FY2022 Deliberation summary

First half	Second half
<ul style="list-style-type: none"> • Consultation on Director candidates who are not Audit and Supervisory Committee members (reappointment) • Consultation on Director candidates who are Audit and Supervisory Committee members (new and reappointment) • Consultation on allocation of compensation to Directors other than Audit and Supervisory Committee members • Consultation on performance-linked bonuses • Exchange of opinions on the consideration of the new stock compensation system • Exchange of opinions on the FY2023 UNITED ARROWS Group management structure 	<ul style="list-style-type: none"> • Exchange of opinions on evaluation of Directors and executive officers • Exchange of opinions on the consideration of the new stock compensation system • Consultation on FY2023 group management structure • Consultation on the FY2023 election of executive officers

Training for Directors

As appropriate, we provide training to Directors and other members of the management team by experts on economic, financial, and legal matters necessary for our business operations.

In fiscal 2022, we invited external experts to give lectures to Directors and executive officers on "expectations and unrest from the perspective of capital markets," "business and human rights: sustainability in the age of globalization," "current status and future prospects of sustainability in the fashion industry," and "legal issues to keep in mind now as an executive of the Company."

Corporate Governance

Executive compensation

Our basic policy for executive compensation is to contribute to sustainable growth and medium- to long-term improvement in corporate value through improved business performance. The compensation standard and compensation structure are designed to match roles, duties, and positions. Compensation for executive directors, including the Representative Director, among Directors excluding Audit and Supervisory Committee members, consists of fixed compensation established based on compensation standards for roles, duties, and positions, executive bonuses reflecting short-term performance such as company performance for each business year and achievement of individual business goals, and stock compensation reflecting medium- to long-term performance.

In June 2023, we introduced a new performance-linked stock compensation plan, the "Board Benefit Trust (BBT-RS)," in addition to the existing restricted stock compensation. By introducing this system, the link between the compensation of Directors and our performance and stock value is made clearer, and Directors can share not only the benefits of rising stock prices but also the risks of falling stock prices with shareholders. We believe this will raise awareness of the need for good medium- to long-term business performance and corporate value improvement.

Compensation for directors in FY2022

Group	Number of Directors	Amount of compensation by type			
		Fixed compensation	Executive bonuses	Stock compensation	Total
Directors (excluding Directors who are Audit and Supervisory Committee members)	3	¥90 million	¥48 million	¥21 million	¥160 million
Directors (who are Audit and Supervisory Committee members)	4	¥34 million	—	—	¥34 million

Note 1) The number of Directors (who are Audit and Supervisory Committee members) includes one Director (who is an Audit and Supervisory Committee member) who retired at the 33rd Annual General Meeting of Shareholders held on June 27, 2022.

Note 2) The amount of compensation for Directors does not include employee compensation for Directors who also serve as employees.

Overview of the executive compensation system (revised in fiscal 2023)*1

	Type	Percentage*2	Summary	Timing
Fixed compensation	Monetary compensation	48-58%	<ul style="list-style-type: none"> Determined based on compensation standards for roles, duties, and positions, taking into account business performance and employee salary levels 	<ul style="list-style-type: none"> Monthly payment of a fixed amount
Executive bonuses		20-22%	<ul style="list-style-type: none"> Calculated by multiplying the basic bonus amount specified in the compensation table by the degree of achievement of planned consolidated operating income for the target business year*3 Taking into account the individual evaluation of each executive director 	<ul style="list-style-type: none"> Paid within a certain period after the last day of the business year following consultation by the Nomination and Compensation Committee
Restricted stock compensation	Stock compensation	11-15%	<ul style="list-style-type: none"> The number of shares to be granted will be determined based on the compensation standards for roles, duties, and positions Restrictions on transfer pending retirement as a Director and executive officer of our Group If certain illegal or improper acts have caused damage, the Board of Directors may request a refund in shares or money by resolution 	<ul style="list-style-type: none"> Granted every time they are elected at the annual general meeting of shareholders
Performance-linked stock compensation		11-15%	<ul style="list-style-type: none"> Points are granted based on the degree of achievement of the medium-term management plan, in accordance with the compensation standards for roles, duties, and positions stipulated in the Directors' Share Benefit Regulations (may not be granted depending on the status of achievement of the medium-term management plan) Calculate the number of shares to be granted according to the number of points granted Shares are granted in line with the term of office during the target period of the medium-term management plan If certain illegal or improper acts have caused damage, the Board of Directors may request a refund in shares or money by resolution 	<ul style="list-style-type: none"> Granted within a certain period after the end of the target period of the medium-term management plan

*1 The compensation for Directors (who are Audit and Supervisory Committee members) is fixed monthly compensation only and is not presented in the table.

*2 Percentage of executive compensation and stock compensation in the standard amount.

*3 If consolidated operating income falls below a certain level relative to the initial forecast, it will not be paid in principle.

Corporate Governance

Analysis and evaluation of the effectiveness of the board as a whole

The Company annually conducts a questionnaire on the effectiveness of the Board of Directors that includes the composition of the Board, deliberations, the quality of the information provided to the Board, and other aspects. Through this self-evaluation by directors, the Company periodically verifies the effectiveness of the Board and take measures to improve issues and reinforce the operation. An overview of the results is disclosed.

First, based on the outcome of the questionnaire concerning fiscal 2021, the Board of Directors positioned the following as tasks to undertake: (i) continuously review necessary skills and update the skill matrix in light of the business environment, (ii) deepen discussions on formulation of new medium-term management plans, and (iii) consider measures for effectively implementing a succession plan for senior management members, including executive officers, in order to realize the management strategy. In response, during fiscal 2022, the Committee for Formulation of the Medium-term Management Plan, which consists mainly of executive directors, gave a report to the Board of Directors each time progress was made during the review phase, and the opinions of outside directors with diverse perspectives served to deepen discussions aimed at developing a new medium-term management plan. At the same time, the need for the succession of directors and executive officers was confirmed, and although there is still a sense that more discussion is needed on specific implementation methods and measures, two new directors were elected to examine the skills needed to steadily implement the medium- to long-term management plan and to build a management structure that will realize solid growth.

Subsequently, in a questionnaire concerning fiscal 2022 conducted in April 2023, although no major problems were pointed out with regard to the operation and effectiveness of the Board of Directors, an opinion was expressed that the skills required of members should continue to be examined and measures to fulfill them should be considered and discussed in the execution phase of the newly established medium-term management plan. In addition, in order to achieve the medium- to long-term management plan and to make the management system more robust, opinions were expressed on the need for a plan to appoint members who will lead the next generation of management and to develop target members, and on how to utilize the "agenda items" of the Board of Directors as an opportunity to discuss these important management issues.

In the future, based on the opinions submitted, the Company will consider and implement initiatives to further enhance the effectiveness of the system.

Consideration of sustainability themes

In April 2020, we established the Sustainability Committee as a subsidiary body of the Management Committee, and it establishes policies and goals on overall sustainability, deliberates initiatives and other matters, and reviews progress.

In fiscal 2022, we set targets for our sustainability activities, "SARROWS." In order to achieve our goals, we set three themes for our activities, and deliberations were held on the following themes: under "Circularity," we set our own standards for environmentally friendly products, under "Carbon Neutrality," we formulated a policy to respond to climate change based on TCFD recommendations and applied for SBT certification, and under "Humanity," we formulated a human rights policy.

[p. 34 Sustainability Committee →](#)

Message from Outside Directors



Greater organizational strength to support growth strategy is important in these unpredictable times

Yukari Sakai
Outside Director

I recognize that it is my role to develop an environment that supports appropriate risk-taking while providing a broad direction for corporate strategy, which is the responsibility of the Board of Directors, and to contribute to the establishment of a system and governance that enables decision-making in line with the times.

Our Board of Directors has been devising deliberation matters year by year, and active discussions are under way under the chairpersonship of CEO Matsuzaki. In May 2023, we announced our long-term vision and new medium-term management plan. In this era of rapid change and difficult forecasting, we need to make increasingly sophisticated decisions. I believe it is important to promote diversity not only among board members but also throughout the company, and to further promote the organizational foundation that supports our growth strategy by enhancing discussions on the CEOs' and CXOs' succession plans.

Since our founding, we have maintained our unchanging aspirations and values, aiming to "provide our customers with richness in their hearts and richness in their lives" and "continue to be an indispensable part of living a refined life in Japan." We believe that the ultimate sustainable management for us is to continue to enhance our brand and gain support from our customers. I hope that we will continue to work tirelessly to improve our management and that we will work together as one.

Corporate Governance

Message from Outside Directors

Support sustainable growth with an optimal skills matrix and “good discussions”



Yusaku Kurahashi
Outside Director

I recognize that a solid structure for governance is in place, and plenty of internal discussion is taking place. In order to enhance the effectiveness of the Board of Directors, CEO Matsuzaki, as the Board's chairperson, has encouraged open discussion and made use of it in management. In addition, all those concerned are working hard, with the secretariat improving deliberation matters as well as the business and administration divisions carefully analyzing proposals, for example. The results of these efforts are steadily becoming apparent. In our case, in particular, the philosophy that “providing value to our customers and enhancing employee well-being leads to increased corporate value, which in turn leads to meeting the expectations of shareholders” is pervasive, and I feel that this is the basis for governance.

As the apparel market matures, management challenges such as how to meet the expectations of various stakeholders, how to utilize DX in business, and how to address sustainability issues themselves are important governance issues for us. To address them, it is essential to continue optimizing the skills matrix of the Board of Directors members and to have good discussions of management issues for sustainable growth. I anticipate that, as a company where all the employees understand that and work hard every day, we will be uniquely able to create the cutting edge of that value.

Promoting diversity for growth by leveraging the environment for free and open discussion



Shiho Takano
Outside Director

Based on my many years of experience in corporate management and consumer-facing marketing, I am involved in the management of UNITED ARROWS LTD. from both a consumer perspective and a management perspective. As customer satisfaction increases, business performance will naturally improve, and this is the essence of “providing excitement” as stated in our medium-term management plan.

Looking at the stores, I had the impression that the corporate culture is free and frank, but governance as a company is also very solid, and there is no problem regarding the effectiveness of the Board of Directors. Furthermore, I believe that if we take advantage of an environment where not only the Board of Directors but also people from diverse positions can discuss matters freely and openly, we will be able to accelerate growth. Innovation comes from a clash of different opinions, and I hope to improve this environment. The biggest challenge now is to create an environment and implement specific strategies so that all employees can fully engage in the medium-term management plan, but we will also do our best to promote diversity for growth in the long term.

Living and dressing beautifully is very important for people. I think our mission is to create that new value. I expect that we will be able to create the cutting edge of this value because all employees understand it and work hard every day.

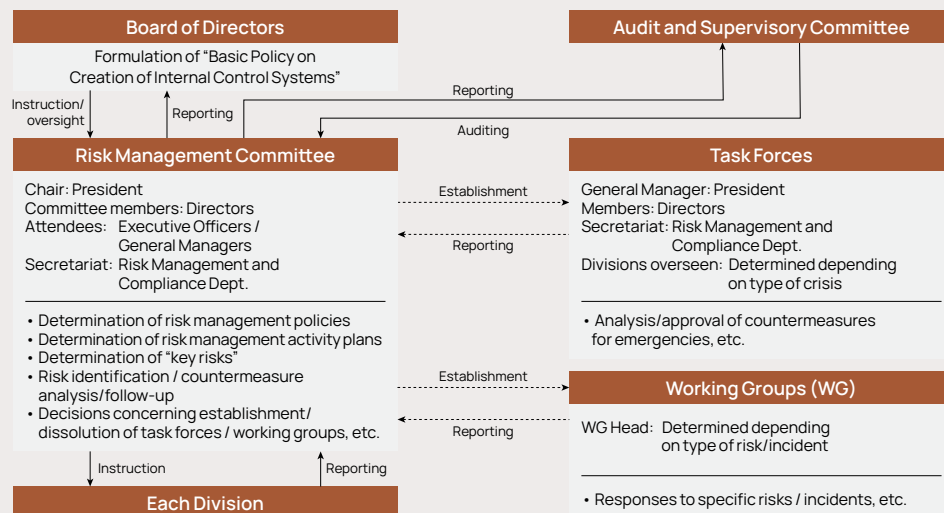
Internal Control

Risk management

We have established a Risk Management Committee to identify risks associated with business activities on a regular basis, as well as to evaluate and select important risks every year to be considered for management issues in the coming fiscal year. We are actively studying and implementing measures to address risks in each division.

The foundation of our business is to maintain customer satisfaction, and the ultimate risk is not being able to continue to respond to the changing social environment and customer needs over time—in other words, an “inability to respond to the times.” Therefore, in the process of risk identification, we are considering measures to respond to the following risks, which we consider particularly important: human resources, ability to respond to changes in customer preferences and propensity to consume, digital transformation, and sustainability, as well as the following, which we consider important risks: changes in economic conditions and the business environment, store development, distribution and logistics, political instability in the countries where we operate, climate change, quality, information management, and business infrastructure.

In fiscal 2022, in addition to identifying internal incidents and formulating measures to prevent recurrence, we discussed sustainability issues that are of particular public interest and potential downside risks.



Compliance

We have established the Compliance Regulations to ensure the soundness of our operations, thereby enhancing our Group's social trust and contributing to the realization of our management philosophy. We adhere to the UNITED ARROWS Group's Code of Conduct when ensuring compliance.

To promote compliance, the Compliance Committee has been established to review and approve policies, activity plans, and educational plans, and to review compliance issues. In addition, for compliance purposes, we have established an internal reporting system that allows us to anonymously report suspicious activities to external organizations.

In fiscal 2022, compliance education and testing were conducted for all employees, and the Internal Reporting Regulations were revised in accordance with the revised Whistleblower Protection Act.

Information security

We take measures to maintain and improve the required level of security in order to continuously and stably provide services based on our customers' trust. To respond to a case of information leakage due to computer viruses, cyber terrorism, or the like, we have built highly secure systems and implemented risk management with security companies in accordance with the Information Security Regulations revised in 2021. In addition, we have established the Basic Policy on Information Security, which is disclosed on our website, and we are providing Information Security Training to employees. Further, since fiscal 2021, the Information Security Subcommittee established within the Risk Management Committee has been working to reduce risks related to information management by establishing a system for making decisions on early planning and implementation of countermeasures through discussions with management.

In fiscal 2022, we continued to take measures to prevent unauthorized access to our internal business systems and our e-commerce sites from outside the company, and we implemented technical security measures, including measures to prevent information leakage from the Web and cloud services. At the same time, we promoted security education for employees, such as information security training and targeted attack email training, and security measures, such as changing the login password of business PCs.

We are also fully aware that the Company handles a lot of sensitive information, including personal information, and that managing it is a serious responsibility. In addition, the Management Committee has established the Personal Information Protection Regulations in accordance with the Act on the Protection of Personal Information, and we have established, evaluated and reviewed the management system for personal information. Furthermore, we have formulated a Privacy Policy, which defines the basic concept of personal information protection and the content to be observed, and disclosed it externally.

[Basic Policy on Information Security](#) → [Privacy Policy](#) →

Corporate Information

(as of March 31, 2023)

Name of the Company	UNITED ARROWS LTD.
Head Office	8-1-19 Akasaka, Minato-ku, Tokyo, Japan
Registered Office	3-28-1 Jingumae, Shibuya-ku, Tokyo Japan
Established	October 2, 1989
Capital	¥3.03 billion
Representative Director, President, and CEO	Yoshinori Matsuzaki
Business Outline	Plan, buy, and sell men's and women's apparel, accessories, and other products
Number of Stores (consolidated)	298
Number of Employees (consolidated)	3,915
Subsidiary Companies	COEN CO., LTD. UNITED ARROWS TAIWAN LTD. UNITED ARROWS SHANGHAI LTD.
Affiliated Company	CHROME HEARTS JP, GK

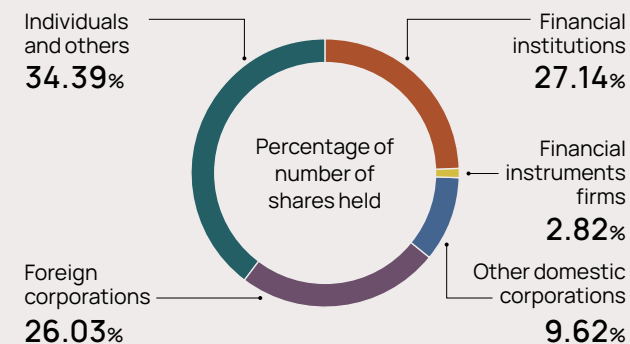
Stock Information

(as of March 31, 2023)

Stock listing	The Prime Market of the Tokyo Stock Exchange
Type of business	Retail sales
Securities code	7606
Number of shares per unit	100
Number of authorized shares	190,800,000
Number of common shares issued	30,213,676
Number of shareholders	22,270
Share registrar	Mitsubishi UFJ Trust and Banking Corporation

Major shareholders	Number of Shares
Custody Bank of Japan, Ltd. (Trust Account)	4,390,600
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,695,800
Osamu Shigematsu	2,488,400
ADS Co., Ltd.	2,000,000
NORTHERN TRUST CO. (AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)	946,600
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)	765,000
STATE STREET BANK AND TRUST COMPANY 505001 Standing proxy: Mizuho Bank, Ltd.	471,050
Mitsubishi UFJ Trust and Banking Corporation	428,000
TAKISADA-NAGOYA CO., LTD.	428,000
JP MORGAN CHASE BANK 385781 Standing proxy: Mizuho Bank, Ltd.	282,478

Shareholder composition





Editorial Policy	This report systematically summarizes and explains business strategies and sustainability activities, such as the Long-Term Vision 2032 and the Medium-Term Management Plan 2023-2025, based on the management philosophy that is the foundation of our activities. Our aim is for this to encourage our stakeholders to understand our value creation story and to lead to better dialogue. In putting together this report, we have referred to the International Integrated Reporting Framework released by the IFRS Foundation as well as the Guidance for Integrated Corporate Disclosures and Company-Investor Dialogues for Collaborative Value Creation, released by the Ministry of Economy, Trade and Industry.
Period covered	In principle, the period is from April 1, 2022, to March 31, 2023 (fiscal 2022).
Scope	UNITED ARROWS LTD. and UNITED ARROWS Group
Date of issue	August 2023 * Updated in November 2023
About notations	Company names and brand abbreviations <ul style="list-style-type: none"> • UA: UNITED ARROWS LTD. or UNITED ARROWS • BY: BEAUTY&YOUTH UNITED ARROWS • GLR: UNITED ARROWS green label relaxing
Forward-looking disclaimer	The forecasts and other forward-looking statements presented in this report are based on information currently available to us and certain assumptions deemed reasonable. Actual results may differ materially from those anticipated in this report due to a variety of factors and are not guarantees of the future.
External evaluation	UNITED ARROWS LTD. has been selected as one of the following: <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;"> <div style="text-align: center;">  <p>FTSE Blossom Japan Index</p> </div> <div style="text-align: center;">  <p>FTSE Blossom Japan Sector Relative Index</p> </div> <div style="text-align: center;">  <p>S&P/JPX Carbon Efficient Index</p> </div> </div>
Related information	UNITED ARROWS LTD. : https://www.united-arrows.co.jp/en/ IR site : https://www.united-arrows.co.jp/en/ir/ Sustainability site : https://www.united-arrows.co.jp/en/sustainability/ <div style="float: right; margin-top: 10px;">  <p>Click here for Shared Research Inc. research report.</p> </div>