
Consolidated Financial Summary
For the Second Quarter of Fiscal 2013, the Fiscal Year Ending March 31, 2013

Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)
English Translation of the Original Japanese-Language Report

Corporate Name:	UNITED ARROWS LTD.
Securities Traded:	Tokyo Stock Exchange, First Section
Code Number:	7606
URL:	http://www.united-arrows.co.jp
Representative:	Mitsuhiro Takeda, Representative Director, President and Executive Officer
Contact:	Takeo Nakazawa, Department Manager, Finance & Accounting Department
Telephone:	+81-3-5785-6325
Scheduled Date of Dividend Payment:	December 5, 2012
Scheduled Reporting Date:	November 12, 2012
Supplementary Information:	Yes

1. Consolidated Business Results for the Second Quarter of Fiscal 2013, the Fiscal Year Ending March 31, 2013 (April 1, 2012 to September 30, 2012)

(1) Consolidated Business Performance

(% indicates increase / decrease YoY)

	Total Sales		Operating Profit		Ordinary Profit		Net Income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2Q Fiscal 2013	50,582	11.5	4,890	19.0	4,961	19.5	2,733	21.7
2Q Fiscal 2012	45,361	9.6	4,108	54.6	4,152	61.8	2,246	788.0

Note: Comprehensive income 2Q Fiscal 2013: ¥2,657 million (21.4%) 2Q Fiscal 2012: ¥2,189 million (982.7%)

	Net Income per Share	Net Income per Share after Adjusting for Dilutive Effects
	yen	yen
2Q Fiscal 2013	86.33	85.77
2Q Fiscal 2012	71.14	70.71

(2) Consolidated Financial Conditions

	Total Assets	Net Assets	Equity Ratio
	¥ million	¥ million	%
September 30, 2012	50,925	21,175	41.6
March 31, 2012	51,278	19,291	37.6

Reference: Net worth September 30, 2012: ¥21,175million March 31, 2012: ¥19,291million

2. Conditions of Dividend Payment

	Annual Dividend				
	1Q End	Interim	3Q End	Fiscal Year End	Annual
	yen	yen	yen	yen	yen
Fiscal 2012	-	10.00	-	26.00	36.00
Fiscal 2013	-	15.00			
Fiscal 2013 (Forecast)			-	31.00	46.00

Note: Revision to recently disclosed projected dividend payment: None

3. Projected Consolidated Performance of the Fiscal Year Ending March 2013 (From April 1, 2012 to March 31, 2013)

(% indicates increase / decrease YoY)

	Total Sales		Operating Profit		Ordinary Profit		Net Income		Net Income per Share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	yen
Full Fiscal Year	112,629	10.4	12,035	18.1	12,090	17.7	6,929	38.1	216.40

Note: Revision to recently disclosed projected consolidated performance: None

4. Others

(1) Changes in Significant Subsidiaries during the Current Quarter: None

(Changes in special subsidiaries that caused a change in scope of consolidation)

(2) Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements: None

(3) Changes in Accounting Principles, Procedures, Methods of Presentation and Other Items

1. Changes due to revision of accounting standards: Yes
2. Changes other than 1: None
3. Changes in accounting estimates: Yes
4. Restatement of prior period financial statements after error corrections: None

(4) Number of Stocks Issued (Common Stocks)

1. Number of stocks issued at term end (including treasury stock)

2Q Fiscal 2013	42,800,000 stocks	Fiscal 2012	42,800,000 stocks
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2. Number of treasury stock

2Q Fiscal 2013	11,098,380 stocks	Fiscal 2012	11,156,780 stocks
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3. Average number of stocks issued and outstanding for the period

2Q Fiscal 2013	31,668,552 stocks	2Q Fiscal 2012	31,582,377 stocks
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*Note on the status of audit procedure implementation

This Financial Results Report is not subject to the audit procedures prescribed under the Financial Instruments and Exchange Act of Japan. As of the date this Financial Results Report was disclosed, however, audit procedures applicable to financial statements prescribed under the aforementioned Financial Instruments and Exchange Act were in the process of being carried out.

*Explanation regarding appropriate use of projected business performance

The above projection was made based on information available at present. Please note in advance that potential risks and uncertainties are included. The actual figures might differ from the figures stated above due to any possible factor. Please refer to the attached documents starting from the next page for the preconditions and further information for the projected figures.

Qualitative Information, Financial Results

1. Business Performance

(1) Qualitative Information on Consolidated Business Performance

During the first half, the six-month period from April 1, 2012 to September 30, 2012, of fiscal 2013, uncertainty surrounding future operating conditions continued to cloud the Japanese economy. Despite a gradual recovery from the Great East Japan Earthquake, this uncertainty was largely attributable to a variety of factors including anxiety about overseas market derived from Europe's debt problem, and weaker domestic productions and exports reflecting a stagnation of economic growth in emerging countries such as China.

In the apparel retail industry, a positive turnaround in consumer spending provided bright spots. However, harsh operating conditions continued through the period under the review. Sales of fall items were delayed; the dispersed commencement of the summer clearance sales prolonged the sales period and summer heat continued historically long this year.

Under these circumstances, the UNITED ARROWS Group has established the management policy for the fiscal year March 31, 2013. The policy is to secure record high consolidated ordinary income by strengthening the precision of collaboration between Products, Sales, and Promotion Departments, differentiate the Group from its competitors, and consistently pursue sales and profits. Guided by this policy, UNITED ARROWS LTD. advanced the following three key management policies.

i. Establish a product, sales, and promotion collaboration cycle

The Company channeled all of its energies into further enhancing the precision of collaboration between its core business Product, Sales and Promotion Departments. Putting information gained by the Sales Department through communication with customers to the Product Department and delivering products that accurately match customer needs. In addition to reinforcing its sales capabilities on improved store management, the Sales Department took steps to prevent customer complaints and improve the product display skills. The Promotion Department commenced advertising activities that appropriately reflected the each business' attributes as well as the social and market trends. Efforts were aimed at reaching potential customers and securing the loyalty of a growing customer base.

ii. Create new value through the development of new businesses

It is considered that a necessary framework is in place to take up the challenge of forging a path toward regrowth. The Company opened monkey time BEAUTY&YOUTH UNITED ARROWS SHINJUKU in September 2012 as a new business development, which handling a private label brand, monkey time.

iii. Increase profits by improving productivity

From a management perspective, UNITED ARROWS LTD. continued adopting a flexible cost control approach commensurate with the status of sales and earnings. Moreover, the Company worked on boosting productivity by enhancing each employee's mindset toward revenues and expenditure, reinforcing collaboration between related departments, and improving operations. During the period under review, the

selling, general and administrative (SG&A) expenses to total sales ratio increased 0.1 of a percentage point to 44.4% compared with the corresponding period of the previous fiscal year. This increase was mainly due to increase in Advertising expenses which rose 0.3 of a percentage point to 2.1% as a result of aggressive promotional measures including the placement of television commercial and magazines. On the other hand, SG&A expenses excluding Advertising expenses decreased 0.2 of a percentage point to 42.3%.

In the opening and closing of stores, UNITED ARROWS LTD. opened eight, six, four, one stores in its UNITED ARROWS, green label relaxing, small business unit and outlet businesses, respectively, while closing two, one, and two stores in its UNITED ARROWS, green label relaxing, and small business unit businesses, respectively. As a result, the number of retail stores as of September 30, 2012 stood at 182 stores, and 199 stores when including outlet stores.

Turning to consolidated subsidiaries, strong wholesale boosted revenues and profit at FIGO CO., LTD. The number of directly operated retail stores stood at 12, including two newly opened stores and one closed store during the period under review.

At consolidated subsidiary COEN CO., LTD. (an account settlement date: January), results were buoyed by robust sales of newly opened stores and online stores, thus revenue were increased during the period under review. COEN CO., LTD. opened four new stores. This brought the total number of stores to 44 as of July 31, 2012.

Based on the each of the aforementioned measures and factors, consolidated net sales for the first half of the fiscal year under review amounted to ¥50,582 million, an increase of 11.5% compared with the corresponding period of the previous fiscal year. This largely reflected solid sales of both new and existing stores and online store sales. Same store sales of retail and online stores increased by 1.6 percentage points at UNITED ARROWS LTD. From a profit perspective, the gross margin jumped 13.1 percentage points to ¥27,553 million year on year. The gross profit margin rose 0.8 of a percentage point to 54.5% year on year as a result of improvement in outlet and total business unit gross profit margin at UNITED ARROWS LTD. The SG&A expenses to total sales ratio increased 0.2 of a percentage point to 44.8%; up 11.9% to ¥22,663 million year on year. This increase was mainly attributable to increase in advertising expenses as a result of active implementation of promotions.

On this basis, operating profit for the period under review totaled ¥4,890 million, up 19.0% year on year. Ordinary profit surged 19.5% to ¥4,961 million year on year. Impairment loss of some stores' fixed assets were posted in extraordinary loss of ¥654 million during the period under review based on the Accounting Standards for Impairment of Fixed Assets. Despite the fact, net income increased 21.7% to ¥2,733 million year on year as a result of increase of ordinary profit and so forth. Both operating and ordinary profit were the highest-ever records in the first half period.

2. Consolidated Financial Results

(1) Quarterly Consolidated Balance Sheet

(millions of yen)

	Fiscal 2012 (as of March 31, 2012)	2Q Fiscal 2013 (as of September 30, 2012)
Assets		
Current assets		
Cash and deposits	8,146	4,991
Notes and accounts receivable-trade	179	129
Merchandise	15,548	18,647
Supplies	204	191
Accounts receivable-other	7,156	6,924
Other	1,975	1,587
Allowance for doubtful accounts	(3)	(2)
Total current assets	33,207	32,469
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	6,969	6,905
Other (net)	1,716	1,783
Total property, plant and equipment	8,685	8,688
Intangible noncurrent assets		
Other	1,725	1,663
Total intangible noncurrent assets	1,725	1,663
Investments and other assets		
Guarantee deposits	6,478	6,730
Other	1,207	1,398
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	7,659	8,102
Total noncurrent assets	18,071	18,455
Total assets	51,278	50,925

(millions of yen)

	Fiscal 2012 (as of March 31, 2012)	2Q Fiscal 2013 (as of September 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,983	10,249
Short-term loans payable	2,800	4,200
Current portion of long-term loans payable	3,541	3,363
Income taxes payable	3,866	1,443
Provision for bonuses	1,993	1,312
Provision for directors' bonuses	99	—
Other	5,412	4,530
Total current liabilities	25,696	25,099
Noncurrent liabilities		
Long-term loans payable	3,773	2,180
Provision for directors' retirement benefits	521	313
Asset retirement obligations	1,954	2,117
Other	41	37
Total noncurrent liabilities	6,290	4,650
Total liabilities	31,987	29,750
Net assets		
Shareholders' equity		
Capital stock	3,030	3,030
Capital surplus	4,095	4,095
Retained earnings	23,600	25,500
Treasury stock	(11,463)	(11,403)
Total shareholders' equity	19,262	21,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(21)	(23)
Deferred gains or losses on hedges	49	(23)
Total accumulated other comprehensive income	28	(47)
Total net assets	19,291	21,175
Total liabilities and net assets	51,278	50,925

(2) Statements of Consolidated Income and Comprehensive Income

Quarterly Statements of Consolidated Income

Second Quarter (Six Months Aggregate)

(millions of yen)

	Previous 2Q (6 months aggregate) (from April 1, 2011 to September 30, 2011)	Current 2Q (6 months aggregate) (from April 1, 2012 to September 30, 2012)
Net sales	45,361	50,582
Cost of sales	21,006	23,028
Gross profit	24,354	27,553
Selling, general and administrative expenses	20,246	22,663
Operating income	4,108	4,890
Non-operating income		
Interest income	0	0
Dividends income	3	3
Foreign exchange gains	33	48
Purchase discounts	19	23
Rent income	7	36
Other	72	40
Total non-operating income	136	153
Non-operating expenses		
Interest expenses	75	45
Commission fee	0	0
Rent expenses	5	18
Other	11	16
Total non-operating expenses	93	81
Ordinary income	4,152	4,961
Extraordinary income		
Gain on sales of noncurrent assets	0	—
Total extraordinary income	0	—
Extraordinary loss		
Loss on retirement of noncurrent assets	24	29
Impairment loss	162	654
Other	6	3
Total extraordinary loss	193	687
Income before income taxes	3,958	4,274
Income taxes-current	1,614	1,295
Income taxes-deferred	97	245
Total income taxes	1,711	1,540
Income before minority interests	2,246	2,733
Net income	2,246	2,733

Statements of Consolidated Comprehensive Income

Second Quarter (Six Months Aggregate)

(millions of yen)

	Previous 2Q (6 months aggregate) (from April 1, 2011 to September 30, 2011)	Current 2Q (6 months aggregate) (from April 1, 2012 to September 30, 2012)
Income before minority interests	2,246	2,733
Other comprehensive income		
Other valuation adjustments on securities	(19)	(2)
Deferred gains or loss on hedges	(37)	(73)
Total other comprehensive income	(57)	(76)
Quarterly comprehensive income	2,189	2,657
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	2,189	2,657
Quarterly comprehensive income attributable to minority interests	—	—

(3) Consolidated Cash Flows

(millions of yen)

	Previous 2Q (6 months aggregate) (from April 1, 2011 to September 30, 2011)	Current 2Q (6 months aggregate) (from April 1, 2012 to September 30, 2012)
Cash flows from operating activities		
Income before income taxes	3,958	4,274
Depreciation and amortization	667	728
Depreciation of intangible assets	163	123
Amortization of long-term prepaid expenses	45	54
Impairment loss	162	654
Increase (decrease) in provision for bonuses	(82)	(680)
Increase (decrease) in provision for directors' bonuses	(60)	(99)
Increase (decrease) in provision for directors' retirement benefits	—	(207)
Increase (decrease) in allowance for doubtful accounts	(1)	(1)
Interest and dividends income	(3)	(4)
Interest expenses	75	45
Loss on retirement of property, plant and equipment	7	3
Gain on sales of property, plant and equipment	(0)	—
Decrease (increase) in notes and accounts receivable-trade	(1,135)	368
Decrease (increase) in inventories	(1,537)	(3,085)
Decrease (increase) in other current assets	(143)	(138)
Increase (decrease) in notes and accounts payable-trade	2,068	2,265
Increase (decrease) in other current liabilities	(343)	(1,378)
Increase (decrease) in other noncurrent liabilities	1	6
Other	—	0
Subtotal	3,841	2,930
Interest and dividends income received	3	4
Interest expenses paid	(74)	(46)
Income taxed paid	(657)	(3,696)
Net cash provided by operating activities	3,112	(808)

(millions of yen)

	Previous 2Q (6 months aggregate) (from April 1, 2011 to September 30, 2011)	Current 2Q (6 months aggregate) (from April 1, 2012 to September 30, 2012)
Cash flows from investment activities		
Payments into time deposits	(6)	(6)
Purchase of property, plant and equipment	(735)	(746)
Payments for fulfillment of asset retirement obligations	(76)	(28)
Purchase of intangible assets	(90)	(85)
Purchase of long-term prepaid expenses	(87)	(91)
Payment for guarantee deposits	(341)	(354)
Proceeds from collection of guarantee deposits	276	101
Proceeds from sales of property, plant and equipment	1	—
Other	—	(2)
Net cash provided by investment activities	(1,058)	(1,212)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(8,800)	1,400
Proceeds from long-term loans	8,000	—
Repayment of long-term loans payable	(1,662)	(1,770)
Proceeds from disposal of treasury stock	26	48
Cash dividends paid	(598)	(818)
Net cash provided by financing activities	(3,034)	(1,140)
Effect of exchange rate change on cash and cash equivalents	—	—
Increase (decrease) in cash and cash equivalents	(980)	(3,161)
Cash and cash equivalents at beginning of term	5,471	7,966
Cash and cash equivalents at end of the quarterly term	4,491	4,805