Fiscal 2014
Fiscal Year Ending March 2014
First Quarter
Earnings Announcement

August 5, 2013

UNITED ARROWS LTD.

Contents

UNITED ARROWS LTD.

Note: In this earnings announcement, fractional sums less than one million are rounded down and percentages are calculated from raw data

Cautionary Statement

Earnings forecasts and objective views contained in this document are based on decisions made by UNITED ARROWS LTD. in light of information obtainable as of the date of this report, and therefore include risks and uncertainties. Actual earnings may differ materially from forecasts due to global economic trends, market conditions and other factors. Investors are asked to refrain from making investment decisions based solely on this document.

[Abbreviations]

UA/UNITED ARROWS, BY/BEAUTY&YOUTH UNITED ARROWS
GLR/UNITED ARROWS green label relaxing
CH/CHROME HEARTS
SBUs/Small Business Units
(Another Edition, Jewel Changes, Odette é Odile/Odette é Odile UNITED ARROWS, DRAWER, ARCHIPELAGO/ARCHIPELAGO UNITED ARROWS LTD., THE AIRPORT STORE/THE AIRPORT STORE UNITED ARROWS LTD., THE STATION STORE/THE STATION STORE UNITED ARROWS LTD., THE HIGHWAY STORE/THE HIGHWAY STORE UNITED ARROWS LTD.)
COEN/COEN CO., LTD

■ Consolidated / Non-Consolidated 1Q P/L Overview

UNITED ARROWS LTD.

While revenue was up and earnings down, sales and profits at each level were essentially progressing in line with plan (*1)

- Consolidated results: YoY increase in sales of 13.6%; YoY decrease in ordinary income and net income of 3.7% and 10.2%, respectively
- Gross margin: 1.2 percentage point YoY decrease to 56.8% due mainly to a change in the start of spring/summer clearance sales periods (July to June)
- SGA expense to sales ratio: 0.8 of a percentage point YoY increase to 44.6% owing primarily to an upswing in new stores opened (*2)

*1) Plan for ordinary income on a second quarter cumulative basis: ¥4,372 million (YoY decrease of ¥589 million, or 11.9%)
*2) Total number of stores opened on a Group-wide basis for the first quarter: 23 stores (15 stores for the corresponding period of the previous fiscal year)

Millions of yen

	Consolidated Results FY14 1Q						Non-Consolidated Results FY14 1Q					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY13 1Q Results	vs. Sales	Results	vs. Sales	YoY Increase (Decrease)	%	FY13 1Q Results	vs. Sales
Sales	**29,247**	100.0%	3,511	113.6%	25,736	100.0%	**27,258**	100.0%	3,164	113.1%	24,094	100.0%
Gross Profit	**16,620**	56.8%	1,684	111.3%	14,936	58.0%	**15,416**	56.6%	1,500	110.8%	13,915	57.8%
SGA Exp.	**13,047**	44.6%	1,776	115.8%	11,271	43.8%	**11,873**	43.6%	1,491	114.4%	10,381	43.1%
Operating Inc.	**3,572**	12.2%	(92)	97.5%	3,664	14.2%	**3,543**	13.0%	9	100.3%	3,533	14.7%
Non Op. P/L	**(11)**	0.0%	(45)	–	34	0.1%	**(7)**	0.0%	(37)	–	30	0.1%
Ordinary Inc.	**3,561**	12.2%	(137)	96.3%	3,698	14.4%	**3,535**	13.0%	(28)	99.2%	3,564	14.8%
Extraordinary P/L	**(114)**	-0.4%	10	–	(125)	-0.5%	**(105)**	-0.4%	19	–	(124)	-0.5%
Net Income	**2,067**	7.1%	(234)	89.8%	2,301	8.9%	**2,061**	7.6%	(170)	92.4%	2,231	9.3%

Consolidated revenues for the 1Q (April 1, 2013 to June 30, 2013) of FY14, the fiscal year ending March 31, 2014, increased across all UNITED ARROWS LTD. businesses and Group companies. In specific terms, sales climbed 13.6% compared with the corresponding period of the previous fiscal year to ¥29,247 million.

The gross profit margin, on the other hand, decreased 1.2 percentage points year on year to 56.8%. This decline was due mainly to a change in the start of spring/summer clearance sales periods.

The selling, general and administrative (SGA) expenses to total sales ratio increased 0.8 of a percentage point to 44.6% owing primarily to an upswing in new stores opened.

As a result, operating income was ¥3,572 million, down 2.5% compared with the corresponding period of the previous fiscal year. Ordinary income decreased 3.7% to ¥3,561 million and net income fell 10.2% to ¥2,067 million.

■ Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Sales up 13.1% YoY, an increase of 3.3% compared with plans; existing retail and online stores sales up 4.3% YoY

- High YoY comparison due to the impacts of such factors as growth in sales across all channels and changes in the start of clearance sales periods
- YoY increase in existing retail store sales and online store sales of 4.1% and 6.3%, respectively
- Sales composition: online store sales 9.8% (10.2% 1Q FY13); outlet store sales 13.9% (13.8% 1Q FY13)

Millions of yen

	Non-Consolidated Results FY14 1Q									
	Results	Share	YoY Increase (Decrease)	%	vs. Forecast	%	FY13 1Q Results	Share	Forecasts	Share
Non-Consolidated Sales	**27,258**	100.0%	3,164	113.1%	882	103.3%	24,094	100.0%	26,376	100.0%
Total Business Unit Sales	**23,476**	86.1%	2,698	113.0%	674	103.0%	20,777	86.2%	22,802	86.4%
Retail	**20,664**	75.8%	2,535	114.0%	676	103.4%	18,129	75.2%	19,988	75.8%
Online	**2,664**	9.8%	198	108.1%	(9)	99.6%	2,465	10.2%	2,673	10.1%
Outlet	**3,782**	13.9%	465	114.0%	208	105.8%	3,316	13.8%	3,574	13.6%

Trends in Existing Stores Sales

	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	104.3%	–	–
Retail	104.1%	99.3%	104.7%
Online	106.3%	–	–

Non-consolidated sales for the 1Q of FY14 rose 13.1% compared with the corresponding period of the previous fiscal year and 3.3% compared with plans. Existing retail and online stores sales climbed 4.3% year on year.

In FY13, spring and summer sale periods, which normally commence from the second half of June, began from July at a significant number of commercial facilities. In FY14, spring and summer sales began essentially as generally expected from the latter half of June at a large number of commercial facilities. As a result, the rate of revenue growth for the 1Q of FY14 exceeded 10%, a considerably high performance.

Sales at existing retail stores and online store sales climbed 4.1% and 6.3%, respectively, compared with the corresponding period of the previous fiscal year.

Looking at the composition of sales, the ratio of online store sales fell slightly year on year to 9.8%. This contraction was largely attributable to the high rate of growth in retail sales on a relative comparative basis.

The ratio of outlet store sales to total sales climbed slightly to 13.9%. This increase mainly reflected active efforts to reduce inventory and promote sales of current season products.

■ Non-Consolidated Sales Results by Business Type

UNITED ARROWS LTD.

Revenue up across all businesses; YoY increase in existing retail and online store sales up across all businesses

Robust trends in items and businesses

- UA：men's dressy items and women's casual
- GLR：men's dressy items and women's items generally
- CH：silver, cut-and-sew, gold, and related items
- SBUs：Another Edition, DRAWER

Millions of yen

	Non-Consolidated Results FY14 1Q			
	Results	YoY Increase (Decrease)	%	FY13 1Q Results
Total Business Unit Sales	**23,476**	2,698	113.0%	20,777
UA	**11,757**	1,144	110.8%	10,613
GLR	**6,103**	837	115.9%	5,266
CH	**2,229**	530	131.2%	1,699
SBUs	**3,385**	187	105.8%	3,198

	Existing Store Sales YoY		
	Retail + Online	Retail	Online
UA	103.1%	103.4%	100.4%
GLR	104.3%	103.7%	108.1%
CH	-	114.3%	-
SBUs	102.7%	99.9%	122.4%

In the 1Q of FY14, UNITED ARROWS LTD. non-consolidated revenues increased across all businesses.

On a year-on-year basis, UNITED ARROWS (UA) men's dressy items and women's casual as well as green label relaxing (GLR) men's dressy items and women's items generally experienced robust trends.

The CHROME HEARTS (CH) business also witnessed firm trends across a wide range of products including silver, cut-and-sew, gold, and related items.

SBUs, and in particular Another Edition and DRAWER, enjoyed strong trends.

■ Non-Consolidated Gross Margin

UNITED ARROWS LTD.

1.2 percentage points YoY decrease to 56.6% in the gross margin

- Total Business Unit: 1.2 percentage point decrease to 59.8% owing mainly to the impacts of a change in the start of clearance sales periods and fluctuations in foreign currency exchange rates
- Outlet: 0.7 of a percentage point increase to 38.9% reflecting such factors as the increase in current season products as a proportion of total sales
- Other COGS: increase attributable largely to the loss on product devaluation and loss on foreign exchange

	Non-Consolidated Results FY14 1Q			
	Results	YoY Increase (Decrease)	FY13 1Q Results	Reference: FY12 1Q Results
Gross Margin	**56.6%**	-1.2%	57.8%	56.1%
Total Business Unit	**59.8%**	-1.2%	61.0%	59.4%
Outlet	**38.9%**	0.7%	38.2%	37.1%
Other COGS Millions of yen	87	61	25	69

Note: Other COGS = Loss on product devaluation, disposal costs, etc.

Fiscal 2014 Fiscal Year Ending March 2014 First Quarter 6

The non-consolidated gross margin for the 1Q of FY14 decreased 1.2 percentage points compared with the corresponding period of the previous fiscal year to 56.6%.

Total Business Unit gross margin declined 1.2 percentage points compared with the corresponding period of the previous fiscal year to 59.8% owing mainly to the impacts of a change in the start of spring and summer clearance sales periods and fluctuations in foreign currency exchange rates.

Particularly in the single month of June, the ratio of clearance sale sales to total sales was around the high 20s in percentage terms in 2012. This ratio climbed just under 10 percentage points to about 30% in June 2013 and reflected the change in the start of spring and summer clearance sales periods.

Turning to outlet stores, the gross margin increased 0.7 of a percentage point compared with the corresponding period of the previous fiscal year to 38.9%. This was largely attributable to the increase in current season products as a proportion of total sales.

Other COGS in the 1Q of FY14 increased approximately ¥60 million compared with the corresponding period of the previous fiscal year. This mainly reflected the increase in product devaluation commensurate with the upswing in inventory and the higher loss on foreign exchange.

The ratio of sale sales to total sales in June 2013 was relatively close to the level recorded in June 2011 when the gross margin was 56.1%.

Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

Non-consolidated SGA expense to sales ratio increased 0.5 of a percentage point YoY to 43.6%

Major factors contributing to the increase

- Advertising expenses: increase in new store promotional expenses, catalogs, expenses related to improving displays, provisions for HOUSE CARD points, and other
- Other SGA expenses: increase in costs relating to the increase in newly opened stores (interior expenses, furniture and fixtures, consumables, other)

Millions of yen

	Non-Consolidated Results FY14 1Q					
	Results	vs. Sales	YoY Increase (Decrease)	YoY	FY13 1Q Results	vs. Sales
Non-Consolidated Sales	**27,258**	**100.0%**	3,164	113.1%	24,094	100.0%
SGA Expenses	**11,873**	**43.6%**	1,491	114.4%	10,381	43.1%
Advertising Expenses	**561**	**2.1%**	133	131.3%	427	1.8%
Personnel Expenses	**4,389**	**16.1%**	512	113.2%	3,877	16.1%
Rent	**3,331**	**12.2%**	379	112.8%	2,952	12.3%
Depreciation	**348**	**1.3%**	33	110.7%	315	1.3%
Other	**3,241**	**11.9%**	432	115.4%	2,809	11.7%

In the 1Q of FY14, the non-consolidated SGA expenses to sales ratio increased 0.5 of a percentage point compared with the corresponding period of the previous fiscal year to 43.6%.

Major factors contributing to this increase were the upswing in the ratios of advertising expenses and other SGA expenses to total sales. In specific terms, advertising expenses climbed on the back of aggressive sales and promotional initiatives involving higher new store promotional expenses, catalogs, expenses related to improving store displays, provisions for HOUSE CARD points, and other items.

The increase in other SGA expenses largely comprised higher interior expenses, furniture and fixtures, consumables, and other items in line with the increase in newly opened stores.

The ratios for SGA expenses to sales for personnel expenses, rent, and depreciation were essentially unchanged compared with the corresponding period of the previous fiscal year.

■ Consolidated / Non-Consolidated B/S Overview

UNITED ARROWS LTD.

(Comparative analysis of consolidated balances as of the end of the 1Q FY14 and the end of the 1Q FY13)

- Current assets: Increase in the balances of inventory and accounts receivable—other in line with business expansion; decrease in the balance of cash and deposits
- Noncurrent assets: Increase in tangible noncurrent assets and guarantee deposits in line with the opening of new stores
- Current Liabilities: Increase in short-term loans payable, accounts payable—trade, and accounts payable—other
- Noncurrent Liabilities: Decrease in the balance of long-term loans payable

* The balance of consolidated short- and long-term loans payable: down 19.5% YoY to ¥10,329 million
* Non-consolidated inventory: up 10.6% YoY (lower than the rate of YoY non-consolidated sales growth of 13.1%)

Millions of yen

	Consolidated Results FY14 1Q				Non-Consolidated Results FY14 1Q			
	Results	Share	YoY	vs. FY13-End	**Results**	Share	YoY	vs. FY13-End
Total Assets	**55,421**	100.0%	109.4%	101.9%	**51,903**	100.0%	106.3%	101.7%
Current Assets	**35,156**	63.4%	108.1%	100.5%	**31,082**	59.9%	104.3%	100.6%
(Inventory)	**19,239**	34.7%	113.3%	110.1%	**17,511**	33.7%	110.6%	108.1%
Noncurrent Assets	**20,265**	36.6%	111.9%	104.4%	**20,821**	40.1%	109.6%	103.4%
Current Liabilities	**26,348**	47.5%	107.2%	102.4%	**23,646**	45.6%	103.7%	102.1%
Noncurrent Liabilities	**2,731**	4.9%	51.0%	83.6%	**2,461**	4.7%	48.3%	81.7%
Total Net Assets	**26,341**	47.5%	127.2%	103.7%	**25,796**	49.7%	123.3%	103.7%
Reference: Balance of Short- and Long-Term Loans Payable	**10,329**	18.6%	80.5%	132.9%	**8,829**	17.0%	73.4%	132.3%

Fiscal 2014 Fiscal Year Ending March 2014 First Quarter 8

The balance of total consolidated assets stood at ¥55,421 million as of June 30, 2013, 9.4% higher than the end of the corresponding period of the previous fiscal year and 1.9% higher than the balance as of the end of the previous fiscal year.

Principal factors contributing to the year-on-year difference in consolidated balance sheets are presented as follows.

Current assets as of June 30, 2013 increased 8.1% to ¥35,156 million. This was largely attributable to upswings in the balances of inventory and accounts receivable-other in line with business expansion. Noncurrent assets rose 11.9% to ¥20,265 million owing mainly to increases in property, plant and equipment as well as guarantee deposits on the back of the opening of new stores.

Current liabilities climbed 7.2% to ¥26,348 million primarily reflecting higher balances of short-term loans payable, accounts payable-trade, and accounts payable-other. Noncurrent liabilities, on the other hand, dropped 49.0% to ¥2,731 million due mainly to the decline in long-term loans payable.

The balance of short- and long-term loans payable contracted 19.5% compared with the end of the corresponding period of the previous fiscal year to ¥10,329 million.

While non-consolidated inventory climbed 10.6% compared with the end of the corresponding period of the previous fiscal year, this rate of increase was lower than the rate of year-on-year non-consolidated sales growth of 13.1%.

■ Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents at the end of the term came to ¥5,402 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥3,400 million , increase in notes and accounts payable—trade of ¥1,300 million; (major cash outflows) income taxes paid of ¥2,300 million, increase in inventory of ¥1,700 million, decrease in provision for bonuses of ¥1,400 million
- Cash flows from investing activities: (major cash outflows) purchase of property, plant and equipment of ¥900 million, purchase of long-term prepaid expenses of ¥300 million
- Cash flows from financing activities: (major cash inflows) net increase in short-term loans payable of ¥3,400 million, (major cash outflows) cash dividends paid of ¥1,000 million, repayment of long-term loans payable of ¥800 million

Millions of yen

	Consolidated Results FY14 1Q	FY13 1Q
	Results	Results
Cash flows from operating activities (sub-total)	**1,560**	1,060
Cash flows from operating activities	**(777)**	(2,725)
Cash flows from investing activities	**(1,517)**	(701)
Cash flows from financing activities	**1,556**	2,027
Cash and cash equivalents at the end of the term	**5,402**	6,567

Cash and cash equivalents as of the end of the 1Q of FY14 stood at ¥5,402 million, down ¥1,164 million compared with the end of the corresponding period of the previous fiscal year.

Net cash used in operating activities amounted to ¥777 million. Major cash inflows included income before income taxes of ¥3,446 million and an increase in notes and accounts payable-trade of ¥1,313 million. Principal cash outflows were income taxes paid of ¥2,322 million, increase in inventory of ¥1,758 million, and decrease in provision for bonuses of ¥1,451 million.

Net cash used in investing activities came to ¥1,517 million. The primary components were purchase of property, plant and equipment totaling ¥980 million representing payments in connection with the opening of new stores and purchase of long-term prepaid expenses of ¥326 million.

Net cash provided by financing activities was ¥1,556 million. Major cash inflow was the net increase in short-term loans payable of ¥3,400 million reflecting such factors as income taxes paid. Principal cash outflows included cash dividends paid of ¥1,062 million and the repayment of long-term loans payable of ¥843 million.

■ Results of FY14 1Q Opening and Closing of Stores and FY14 Forecasts

UNITED ARROWS LTD.

- FY14 1Q Group total: Number of new stores opened: 23; Closed: 2; Number of stores as of FY14 1Q-end: 292
- Full FY14 forecast Group total: Number of new stores opened: 46; Closed: 6; Number of stores as of FY14-end: 311 (three stores less than the previous forecast)

	FY14 1Q Results				FY14 Forecasts					Reference
	No. of stores at the beginning of the period	Opened	Closed	No. of stores as of 1Q-end	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores at the end of the period	YOY previouse forecast
Group Total	271	23	2	292	30	16	46	6	311	▲3
UNITED ARROWS LTD. Total	208	14	1	221	19	8	27	4	231	-1
UNITED ARROWS Total	67	6	1	72	7		7	1	73	-1
UNITED ARROWS (General Merchandise Store)	11			11					11	
UNITED ARROWS	21	1		22	2		2		23	-1
BEAUTY&YOUTH	33	5	1	37	5		5	1	37	
UA Label Image Stores	2			2					2	
green labelrelaxing	56	3		59	3	3	6	2	60	
CHROME HEARTS	8	1		9	1		1		9	
SBUs Total	59	3		62	7	5	12	1	70	
Another Edition	13			13	2	1	3		16	
Jewel Changes	7	1		8	2	1	3		10	
Odette é Odile	23			23	1	1	2	1	24	
DRAWER	6	1		7	1		1		7	
New Businesses						2	2		2	
Cross Sales-Type: ARCHIPELAGO	1			1					1	
Cross Sales-Type: THE AIRPORT STORE	3			3					3	
Cross Sales-Type: THE STATION STORE	4	1		5	1		1		5	
Cross Sales-Type: THE HIGHWAY STORE	2			2					2	
Outlet	18	1		19	1		1		19	
FIGO CO., LTD	12	1		13	1		1		13	
COEN CO., LTD.	51	8	1	58	10	7	17	2	66	-3
UNITED ARROWS Taiwan LTD.						1	1		1	1

On a Group total basis, 23 stores were newly opened and two stores closed during the 1Q of FY14. The number of stores as of June 30, 2014 therefore stood at 292.

On a non-consolidated basis, 14 stores were newly opened and one store closed for a total balance of 221 stores as of the end of the period under review.

For the full fiscal year ending March 31, 2014, the UNITED ARROWS Group is projected to open 46 new stores and close six stores. This will bring the total number of stores to 311 as of March 31, 2014 on a consolidated basis. On a non-consolidated basis, forecasts call for 27 new stores to be opened and four stores to be closed for the full fiscal year under review. This will bring the total number of non-consolidated stores to 231 as of March 31, 2014.

Changes from the previous presentation announcement materials include the addition of one new store to be opened covering plans to open a store in Taiwan. Looking at newly revised forecasts regarding a drop in newly opened stores, projections indicate a decline of one and three stores in the UA business and COEN CO., LTD., respectively.

Turning specifically to COEN CO., LTD., slight revisions have been made to the number of stores opened for the fiscal year under review. Plans are to adopt a more stringent approach to the selection of new stores openings focusing on stores that offer higher benefits over the medium to long term.

■ Reference: FY14 1Q Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facilities / Address
June	Newly opened store	BY MINATOMIRAI	MARK IS minatomirai (Nishi-ku, Yokohama City)
May	Newly opened store	BY IKEBUKURO WOMEN'S STORE	LUMINE Ikebukuro (Toshima-ku, Tokyo)
April	Newly opened	UA ROPPONGI WOMEN's STORE	Roppongi Hills (Minato-ku, Tokyo)
	Newly opened	BY OSAKA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened	STEVEN ALAN SHINJUKU	LUMINE Shinjuku (Shinjuku-ku, Tokyo)
	Newly opened (*1)	STEVEN ALAN TOKYO	Roadside store (Shibuya-ku, Tokyo)
	Newly opened (*2)	STEVWN ALAN OSAKA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened	GLR HAMAMATSU MAY ONE	MAY ONE (Naka-ku, Hamamatu City)
	Newly opened	GLR lalaport kashiwanoha	LaLaport Kashiwanoha (Kashiwa City, Chiba Prefecture)
	Newly opened	GLR piole Himeji	piole Himeji (Himeji City, Hyogo Prefecture)
	Newly opened	Jewel Changes Shibuya Tokyu Toyoko	TOKYU DEPARTMENT STORE TOKYU TOYOKO Store (Shibuya-ku, Tokyo)
	Newly opened	THE STATION STORE Echika Ikebukuro	Echika Ikebukuro (Toshima-ku, Tokyo)
	Newly opened	CHROME HEARTS UMEDA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened	DRAWER UMEDA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened	UA Outlet SHISUI	Shisui Premium Outlets (Inba-gun, Chiba Prefecture)
	Closed (*3)	BY UMEDA	E-ma (Kita-ku, Osaka)
	Newly opened	BY UMEDA	E-ma (Kita-ku, Osaka)

*1 As an annex of the BEAUTY&YOUTH UNITED ARROWS SHIBUYA KOENDORI, the STEVEN ALAN TOKYO is not included separately in the number of stores.
*2 As an annex of the BEAUTY&YOUTH UNITED ARROWS OSAKA, the STEVEN ALAN OSAKA is not included separately in the number of stores.
*3 The BEAUTY&YOUTH UNITED ARROWS UMEDA has been recorded as both a closed and newly opened store for Opening and Closing of Stores results management purposes.
This reflects the decision to change merchandising strategies and suspend the sale of women's products as well as the substantial reduction in shop floor space.

FIGO CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
April	Newly opened	Felisi Umeda	GRAND FRONT OSAKA (Kita-ku, Osaka)

COEN CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
April	Newly opened	COEN Maebashi Store	Keyaki Walk Maebashi (Maebashi City, Gunma Prefecture)
	Newly opened	COEN GRAND FRONT Osaka Store	GRAND FRONT OSAKA (Kita-ku, Osaka)
March	Newly opened	COEN Kasukabe	IEON MALL Kasukabe (Kasukabe City, Saitama Prefecture)
	Newly opened	COEN Yao	Ario Yao (Yao City, Osaka Prefecture)
	Newly opened	COEN Sagamiono	BONO Sagamiono (Minami-ku, Sagamihara City)
	Newly opened	COEN Tsukuba	AEON MALL Tsukuba (Tsukuba City, Ibaraki Prefecture)
	Newly opened	COEN Kashiihama	AEON MALL Kashiihama (Higashi-ku, Fukuoka City)
	Newly opened	COEN Yahatahigashi	AEON MALL Yahatahigashi (Yahatahigashi-ku, Kitakyushu City)
February	Closed	COEN Sendai Natori	AEON MALL Natori (Natori City, Miyagi Prefecture)

Note: COEN CO., LTD. maintains a balance date of January 31 each year. Details of the opening of new stores for the first quarter cover the cumulative period from February to April.

(An explanation has been omitted)

Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.

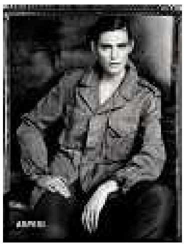
Increase in revenue and decrease in earnings for the 1Q FY14

- 1Q sales: ¥600 million; up 12% YoY
- Decrease in earnings owing mainly to the incidence of costs aimed at bolstering marketing and management structures as well as anticipatory costs aimed at acquiring new brands
- Took steps to promote and develop the eye wear AL e RO design brand following on from the ASPESI fashion brand; acquired the rights to exclusively distribute products in Japan from Italy-based COONCEPT srl

coen

Increase in revenue and decrease in earnings for the 1Q FY14

- 1Q sales: ¥1,300 million; up 27% YoY
- Decrease in earnings owing mainly to the increase in operating overhead expenses in line with the upswing in newly opened stores (1Q FY14: 8 stores; 1Q FY13: 3 stores)
- Targeting an increase in earnings for the full fiscal year on the back of successful efforts to improve product development capabilities and the control of operating overhead expenses



ASPESI

AL e RO design

COEN GRAND FRONT Osaka :Opened on April 26, 2013

Fiscal 2014 Fiscal Year Ending March 2014 First Quarter 12

FIGO CO., LTD.

In the 1Q of FY14, retail and online sales were robust, climbing 12% compared with the corresponding period of the previous fiscal year to ¥600 million. Earnings, on the other hand, decreased owing mainly to the incidence of costs aimed at bolstering the marketing and management structure as well as anticipatory costs aimed at acquiring new brands.

From a marketing perspective, steps were taken to promote and develop the eye wear AL e RO design brand following on from the Italian fashion brand ASPESI. FIGO CO., LTD. reaching an agreement with Italy-based COONCEPT srl to acquire the rights to exclusively distribute products in Japan.

COEN CO., LTD. (Fiscal Year-End: January)

In the 1Q of FY14, sales were up 27% compared with the corresponding period of the previous fiscal year to ¥1,300 million. In addition to the upswing in revenue attributable to the opening of new stores, the increase in sales reflected firm trends in existing store and online sales. In contrast, earnings declined year on year due mainly to the increase in SGA expenses in line with the opening of eight new stores as well as the upswing in the COGS ratio owing to movements in foreign currency exchange rates.

Looking ahead, COEN CO., LTD. is targeting an increase in earnings for the full fiscal year on the back of successful efforts to improve product development capabilities and the flexible control of costs.

■ Progress on Addressing Priority Issues

UNITED ARROWS LTD.

Management Slogan “Challenge”

(1) Take up the “challenge” of ensuring that existing stores continue to evolve and grow

- Grasp customer needs in tune with social trends
- Hone the Group's service, products, and store environment
- Secure year-on-year existing store sales growth on the back of ongoing developments in existing businesses

(2) Take up the “challenge” of developing new business

- Foster monkey time BEAUTY&YOUTH UNITED ARROWS business activities; commence STEVEN ALAN operations
- Take preparatory steps to develop new businesses by newly establishing Small Business Unit Division I and II
- Prepare to enter overseas markets

(3) Take up the “challenge” of becoming a leading O2O company

- Launch the Digital Marketing Department
- Consider and introduce cooperative store and online initiatives
- Create a new O2O-driven retail standard

(4) Take up the “challenge” of increasing profit by improving productivity

- Undertake flexible cost management in line with the status of sales and profit
- Improve productivity by strengthening collaboration between departments and improving operations
- Secure revenue and earnings growth and achieve record high profit for a third consecutive fiscal year

In the current fiscal year, UNITED ARROWS LTD. has put forward four management policies under the management slogan "Challenge."

An explanation of efforts to take up the "challenge" of ensuring that existing businesses continue to grow and evolve and to develop new business undertaken in the 1Q is presented in the following slides.

■ Progress on Addressing Priority Issues

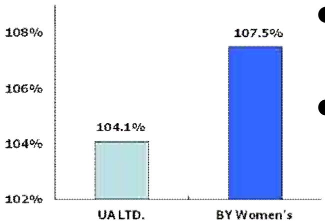
UNITED ARROWS LTD.

(1) Take up the “challenge” of ensuring that existing businesses continue to evolve and grow

BY Women’s: Took steps to evolve and grow through finely tuned product development by category and product, sales, and promotion collaboration

- Reanalyzed customer base while undertaking finely tuned product development by classified category
- Promoted the additional introduction of products that more precisely reflect market needs while developing variations on the basis of customer feedback and comments
- Strengthened the exposure of products that meet timely demand by better coordinating with sales and promotion activities

YoY existing retail store sales (1Q)



● YoY existing retail store sales (1Q)
UA LTD. 104.1%
BY Women’s* 107.5 %

●Level of product sales rate improvement
UA LTD. 1.7pt
BY Women’s* 2.8pt

* Spring and summer seasons apparel sales rate data

(Top) BY Women’s tabloid-type mini-catalogues
(Bottom) BY Women’s 2013 hit spring and summer items

Fiscal 2014 Fiscal Year Ending March 2014 First Quarter 14

In taking up the "challenge" of ensuring that existing businesses continue to evolve and grow , BY Women's initiatives are introduced as follows.

After reanalyzing its customer base, BY Women's reclassified its product lineup from two existing broad tastes into the four product categories of "basic casual," "sweet feminine," "mode casual," and "chic feminine." By combining "catch-up" trends with feedback gleaned from customers at stores into each product category, BY Women's successfully took steps to finely tune its product lineup to meet the needs of customers.

Through this reclassification, the Sales Department is now better able to flow through to the Products Department specific and detailed feedback regarding needs with respect to a particular category and product. This has in turn helped to improve precision in determining additional production while ensuring a greater level of freshness in the development and promotion of products with enhanced variations including color and fabrics.

For its part, the Promotion Department undertook sales and promotion activities that were better aligned to recent customer trends. Through such initiatives as the publication of tabloid-type mini catalogues and the online introduction of styling proposals, the Promotion Department strengthened the exposure of products that meet timely demand.

A number of hit products, including colored skinny pants, pastel-colored knitwear, and feminine-taste jackets, emerged thanks to these activities. In the 1Q of FY14, BY Women's existing store sales climbed 7.5% year on year, 3.4 percentage points higher than the Company average. The product sales rate increased 2.8 percentage points compared with previous spring and summer seasons and was again a substantial improvement over the Company average.

■ Progress on Addressing Priority Issues

(2) Take up the “challenge” of developing new business

- Overseas businesses: Established a subsidiary in Taiwan; plans to open the first overseas store in Daan District, Taipei City

Company name	UNITED ARROWS Taiwan Ltd.
Date established	August 1, 2013

Store name	UNITED ARROWS TAIPEI
Location	Daan District, Taipei City, Taiwan
Date of store opening	October 2013
Store floor space	67.5 *tsubo* (approx. 222 m^2)
Operating format	Directly operated roadside store
Product lineup	Lineup of private label brand and procured products
Product price	Approximately 1.25 times the level recorded in Japan

- New businesses in Japan: Businesses that can be expected to form core businesses in the future currently under development; targeting the opening of new stores as of the current period-end

Fiscal 2014 Fiscal Year Ending March 2014 First Quarter 15

In taking up the "challenge" of developing new business, an explanation of progress regarding entry into overseas markets is presented as follows.

In May, UNITED ARROWS LTD. announced details of its UA VISION 2022 long-term vision. At the same time, the Company identified specific management strategies including taking steps to enter overseas markets with a view to strengthening future international capabilities. For several years, test marketing has already been conducted in nearby Asian countries. After verifying a host of issues including the level of market maturity regarding fashion spending, import regulations, operating overhead expenses, and the performance of Japanese apparel companies, Taiwan was identified as offering the most potential.

From a Group perspective, BEAUTY& YOUTH operated a pop-up store for a period of one month within the WISTORE select shop in Taipei City in 2011. This limited-period shop was picked up by the local media and had a significant impact attracting customers with a keen interest in fashion in their mid-20s to early 40s.

UNITED ARROWS LTD. established a subsidiary in Taiwan on August 1 and is preparing to open an inaugural store in Taipei. The roadside UNITED ARROWS TAIPEI store is scheduled to debut in October 2013. Every effort will be made to ensure that the source of the Group's competitive advantage, namely its services, products, and store environment, imbue a unique brand image. From a service perspective, locally hired sales staff will be instructed in the Company's Policy and its "customer-first" stance. In this manner, particular emphasis will be placed in ensuring a level of service commensurate with that in Japan. Turning to products, plans are to deliver a lineup that is again equal to Japan through a combination of select global brands as well as an abundance of private label products. With an eye to a great store environment, the store interior will be based on a modern classic concept. Particular attention will be paid to providing a comfortable and sophisticated store environment. After establishing and increasing the UNITED ARROWS brand image through the opening of an inaugural store, energies will be channeled toward expanding the store network with the opening of a second and third store.

In succession, plans are in place for BEAUTY&YOUTH to follow UNITED ARROWS with the opening of new stores. Looking further ahead, the intention is to also include green label relaxing in the Group's overseas expansion endeavors. On this basis, the UNITED ARROWS Group is projecting around 10 stores and net sales of around ¥3.0 billion by FY22. During the period of the long-term vision, the UNITED ARROWS Group has identified several priority issues regarding its overseas business expansion. Positioning earnings growth as its underlying premise, considerable weight will be placed on accumulating know-how through the opening and operating of stores and building a business model that can be applied to countries throughout the world.

On the domestic front and the development of new business in Japan, the UNITED ARROWS Group is currently developing prospects that can be expected to form core businesses in the future. While setting average prices at levels higher than the UNITED ARROWS business, the goal is to develop businesses that satisfy discerning and highly sensitive adults. The target is to open an inaugural store during FY14.

■ TOPIC 1: Responding to the Weak Yen

UNITED ARROWS LTD.

- Review certain product prices based on an underlying assumption of an improvement in product planning capabilities
- Control any increase in the COGS ratio through the effective application of the production platform
- Maintain gross margins and secure gross profit by harnessing collaboration between product, sales, and promotion as well as the merchandising platform
- Implement flexible cost controls as required
- Expand foreign traveler demand

Fiscal 2014 Fiscal Year Ending March 2014 First Quarter 16

Procurement costs have shown a steady increase since last fall reflecting the weak yen. The effects of this trend are being seen in current fall and winter items with each business taking steps to consider appropriate countermeasures.

In responding to the increase in procurement costs as a result of the weak yen, it is important in the first instance to lift product planning capabilities and to ensure that customers fully understand and accept that they are getting value for their money. With this as an underlying prerequisite, the Group is considering reviewing the prices of certain products. However, products will be scrutinized on an individual basis and a cautious approach will be adopted in determining product prices. This takes into account current debate regarding an increase in the consumption tax rate in Japan in April 2014.

For products where prices remain unchanged, every effort will be made to control any increase in the COGS ratio by effectively applying the product platform. In specific terms, steps will be taken to review each location where products are manufactured, to promote low season production, and to modify material procurement routes.

At the same time, every emphasis will be placed on raising the fixed price sales ratio by promoting collaboration between product, sales, and promotion, while harnessing the product platform and ensuring the quick conversion of products into cash through the early reduction of inventory using outlet stores. These initiatives are aimed at securing an appropriate gross margin and gross profit. As much as is possible, energies will be channeled toward maintaining forecast gross margins and gross profit.

In addition, particular attention will be paid to achieving forecast profit by implementing flexible cost controls as required.

On a positive note, the weak yen raises the potential for an increase in foreign traveler sales. In the Group's mainstay businesses, sales to foreign travelers are improving steadily. On a non-consolidated basis, duty-free sales for the 1Q of FY14 jumped approximately 3.6 times compared with the corresponding period of the previous fiscal year. With expectations that the opening of a new store in Taiwan in the fall will raise the profile of the brand in Asia, foreign traveler demand is forecast to climb going forward. Looking ahead, UNITED ARROWS LTD. will expand its network of duty-free stores and undertake wide-ranging measures as a part of efforts to continuously capture inbound demand.

■ TOPIC 2: COEN CO., LTD. Initiatives

UNITED ARROWS LTD.

(1) Reflecting on the 1Q

- Expansion of new store openings
- An increase in the COGS ratio owing to the weak yen
- A drop in the fresh appeal of stores due to an over-emphasis on products that generated positive results in the previous fiscal year

(2) Initiatives going forward

- Review the prices of certain products and secure gross profit
- Expand the “China Plus One” strategy and maintain prices of longstanding favorites as we; as gross margins
- Develop a fresh product line-up by introducing new brands

(Left and center) New “Market” brand products; (right) New “MBC” brand products

Fiscal 2014 Fiscal Year Ending March 2014 First Quarter 17

COEN CO., LTD. reported an increase in revenue and a decrease in earnings for the 1Q of FY14. This is mainly attributable to the increase in costs owing to the expansion of new store openings as well as a drop in the gross margin.

COEN CO., LTD. was also impacted by the weak yen, which is contributing to an increase in the COGS ratio. In addition, there was a drop in the fresh appeal of stores due to an over-emphasis on products that generated positive results in the previous fiscal year. At the same time, the ratio of markdown item sales increased. Taking these factors into account, the gross margin declined in the 1Q of FY14.

In order to address this downturn, steps will be taken to review the prices of certain products with plans to raise prices by around 10%. For longstanding favorites, prices will be maintained at their current levels. Efforts will also be made to control increases in the COGS ratio by expanding the "China Plus One" strategy. Through these means, every effort will be made to maintain gross margins.

Complementing these initiatives, COEN CO., LTD. will launch sales of new original brands from this fall and winter. In addition to the ethnic taste MARKET brand and the marine taste MBC brand, the company will release new brands in home wear, bags, and miscellaneous items.

By adding new tastes to the basic COEN CO., LTD. American casual lineup, significant progress is being made to promote a fresh appeal. The price range of both brands has been set slightly higher than COEN original products. This is expected to contribute to earnings.

Reference Materials

■ Reference: Fiscal 2014 Consolidated / Non-Consolidated P/L Forecasts

Millions of yen

	Consolidated FY14 (full fiscal year)			FY13		Non-Consolidated FY14 (full fiscal year)			FY13	
	Forecasts	vs. Sales	YoY	Results	vs. Sales	Forecasts	vs. Sales	YoY	Results	vs. Sales
Sales	**125,545**	**100.0%**	109.1%	115,041	100.0%	**114,651**	**100.0%**	107.5%	106,605	100.0%
Gross Profit	**68,319**	**54.4%**	109.1%	62,619	54.4%	**61,903**	**54.0%**	107.7%	57,499	53.9%
SGA Exp.	**54,857**	**43.7%**	109.6%	50,056	43.5%	**49,379**	**43.1%**	107.5%	45,955	43.1%
Operating Inc.	**13,462**	**10.7%**	107.2%	12,562	10.9%	**12,523**	**10.9%**	108.5%	11,544	10.8%
Non Op. P/L	**21**	**0.0%**	111.0%	19	0.0%	**40**	**0.0%**	107.5%	37	0.0%
Ordinary Inc.	**13,484**	**10.7%**	107.2%	12,582	10.9%	**12,564**	**11.0%**	108.5%	11,582	10.9%
Extraordinary P/L	**(439)**	**-0.4%**	–	(954)	-0.8%	**(424)**	**-0.4%**	–	(931)	-0.9%
Net Income	**7,754**	**6.2%**	106.0%	7,316	6.4%	**7,285**	**6.4%**	112.0%	6,507	6.1%

■ Reference: Fiscal 2014 First and Second Half Consolidated / Non-Consolidated P/L Forecasts

UNITED ARROWS LTD.

■Consolidated

Millions of yen

	Consolidated FY14 First Half			FY13 First Half		Consolidated FY14 Second Half			FY13 Second Half	
	Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**55,996**	**100.0%**	110.7%	50,582	100.0%	**69,548**	**100.0%**	107.9%	64,458	100.0%
Gross Profit	**30,424**	**54.3%**	110.4%	27,553	54.5%	**37,895**	**54.5%**	108.1%	35,065	54.4%
SGA Exp.	**26,058**	**46.5%**	115.0%	22,663	44.8%	**28,799**	**41.4%**	105.1%	27,393	42.5%
Operating Inc.	**4,366**	**7.8%**	89.3%	4,890	9.7%	**9,095**	**13.1%**	118.6%	7,671	11.9%
Non Op. P/L	**6**	**0.0%**	8.8%	71	0.1%	**15**	**0.0%**	–	(51)	-0.1%
Ordinary Inc.	**4,372**	**7.8%**	88.1%	4,961	9.8%	**9,111**	**13.1%**	119.6%	7,620	11.8%
Extraordinary P/L	**(302)**	**-0.5%**	–	(687)	-1.4%	**(136)**	**-0.2%**	–	(267)	-0.4%
Net Income	**2,328**	**4.2%**	85.2%	2,733	5.4%	**5,425**	**7.8%**	118.4%	4,582	7.1%

■Non-Consolidated

	Non-Consolidated FY14 First Half			FY13 First Half		Non-Consolidated FY14 Second Half			FY13 Second Half	
	Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**51,274**	**100.0%**	109.3%	46,911	100.0%	**63,377**	**100.0%**	106.2%	59,694	100.0%
Gross Profit	**27,632**	**53.9%**	109.2%	25,308	54.0%	**34,270**	**54.1%**	106.5%	32,190	53.9%
SGA Exp.	**23,540**	**45.9%**	113.1%	20,817	44.4%	**25,839**	**40.8%**	102.8%	25,137	42.1%
Operating Inc.	**4,091**	**8.0%**	91.1%	4,491	9.6%	**8,431**	**13.3%**	119.5%	7,053	11.8%
Non Op. P/L	**16**	**0.0%**	24.2%	68	0.1%	**24**	**0.0%**	–	(30)	-0.1%
Ordinary Inc.	**4,108**	**8.0%**	90.1%	4,559	9.7%	**8,455**	**13.3%**	120.4%	7,022	11.8%
Extraordinary P/L	**(287)**	**-0.6%**	–	(682)	-1.5%	**(136)**	**-0.2%**	–	(249)	-0.4%
Net Income	**2,216**	**4.3%**	90.5%	2,448	5.2%	**5,069**	**8.0%**	124.9%	4,058	6.8%

■ Reference: Details of Fiscal 2014 Non-Consolidated Sales Forecast

UNITED ARROWS LTD.

The following table provides details of revisions to existing store sales forecasts for FY14 compared with the corresponding period of the previous fiscal year.
(Rationale: figures have been recalculated to accommodate changes to the terms of existing online store sales for one SBU business)

Millions of yen

	Non-Consolidated Results FY14 (full fiscal year)			Non-Consolidated Results FY14 First Half			Non-Consolidated Results FY14 Second Half		
	Forecasts	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%
Sales	**114,651**	8,046	107.5%	**51,274**	4,362	109.3%	**63,377**	3,683	106.2%
Total Business Unit Sales	**100,019**	7,236	107.8%	**44,677**	3,853	109.4%	**55,341**	3,383	106.5%
Retail	**86,877**	6,820	108.5%	**38,956**	3,578	110.1%	**47,920**	3,241	107.3%
Online	**12,587**	638	105.3%	**5,453**	363	107.1%	**7,133**	275	104.0%
Outlet	**14,632**	810	105.9%	**6,596**	509	108.4%	**8,036**	300	103.9%
Existing store sales YoY									
Retail + Online	101.2%			101.3%			101.1%		
Retail	100.5%			100.5%			100.4%		
Online	106.1%			107.2%			105.2%		
Reference: Forecasts announced on May 8									
Existing store sales YoY									
Retail + Online	100.9%			101.0%			100.8%		
Retail	100.5%			100.5%			100.4%		
Online	103.5%			104.6%			102.7%		

■ Reference: Overview of the Long-Term Vision through to Fiscal 2022

UNITED ARROWS LTD.

■ Slogan

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

■ Management strategies aimed at achieving UA VISION2022

1. Grow and expand existing businesses through a process of self-improvement and reform that is in tune with each era
2. Put forward new value proposals by developing and fostering new businesses that will drive next-generation growth
3. Take steps to enter overseas markets with a view to strengthening future international capabilities

■ Sales initiatives aimed at achieving UA VISION2022

1. Strengthen collaboration between the Product, Sales, and Promotion departments
2. Take a systematic approach toward business processes and operations
3. Bolster creativity

■ Quantitative targets for the fiscal year of the long-term vision (Fiscal 2022)

Consolidated sales: ¥220.0 billion (Average rate of annual growth: 107.5%)
Consolidated ordinary income: ¥26.4 billion; Ordinary income margin: 12.0%
(Average rate of annual growth: 108.7%)
Consolidated ROE: 20.0%

■ Appendix: Explanation of Frequently Occurring Terms

UNITED ARROWS LTD.

About the Company's product platform

UNITED ARROWS LTD.'s product platform is comprised of its merchandising (MD) and production platforms. It entails wide-ranging activities including product procurement, production, product launch, and inventory reduction. The platform itself was designed to break free from a business process and practice that overly relies on the skills and experience of individual artisans. Emphasis is therefore placed on a common and consistent set of forms and benchmarks that all appropriate parties can quickly master and perform with a high degree of accuracy. Information that underpins the selection of factories and raw materials procured is collated and shared throughout the Group. By applying the product platform, the Company is better positioned to promote stable merchandising processes and to improve gross profit and cash flows.

About the Company's merchandising platform

The merchandising platform forms a part of the product platform. This is a mechanism for determining the current status of merchandise flows and the basis for making decisions. Utilizing the progress management tables and indices consistent across all businesses, UNITED ARROWS LTD. has established a swift and easy-to-implement decision-making process that allows the Group to promote the additional manufacture of top-selling items while reducing production and inventories or slow-selling items. As a result, UNITED ARROWS LTD. is increasing the rates of inventory reduction as well as final sales. This in turn is leading to improvements in gross profit, inventories, and cash flows.

About the Company's production platform

The production platform forms a part of the product platform. This platform works to formulate the product procurement and production strategies that take the Company from merchandising planning through to realization. While manufacturing is outsourced, the choice of external plant or factory for each item is based on a Companywide consolidation of the raw materials procured by each business as well as manufacturing plant information. Through these means, the Company has benefitted from positive adjustments in procurement costs relating to purchases and production as well as lead times in a way that satisfies UNITED ARROWS LTD.'s five key criteria*.

•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 prices they want.

(Please refer to UNITED ARROWS LTD.'s 2012 Annual Report posted on the "IR Library" section of the Company's IR homepage, and specifically to the "Product Flow (Value Chain)" and "Transition to a Product Platform" sections on pages 32-22 and 34-35, respectively, for details.
http://www.united-arrows.co.jp/ir/lib/index.html)

About O2O and Omni Channel Retailing

O2O is the acronym for "Online to Offline." It refers to the coordination of purchasing activities between online and offline (actual stores) channels as well as the impact that online channels have on purchasing at actual and other stores. UNITED ARROWS LTD.'s proprietary in-store inventory display function, UNITED ARROWS LTD. House Card points collaboration, and the item number memo service, which allows customers calling on actual stores to quickly and easily search for a product using an EC site (not available at all actual stores), are a few of the Company's specific examples.

Omni Channel Retailing is a customer-centric strategy that integrates a wide variety of sales channels and media including actual stores, online sales, catalog sales, DM, and social media networks to build the optimal purchasing experience on an individual customer basis. In particular, "Omni Channel Retailing" is attracting considerable interest in North America as a key next-generation retailing concept. Cutting-edge Omni Channel Retailing strategies are currently being practiced by the established department store chain Macy's.