

Fiscal 2017

Fiscal Year Ending March 2017

Nine-Month period Ended December 31, 2016

Earnings Announcement

February 6, 2017

UNITED ARROWS LTD.

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

Cautionary Statement

Earnings forecasts and other 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 the information contained in this document.

■ **Abbreviations used throughout this report: The following abbreviations have been used for each Group business, store brand, and consolidated subsidiary.**

UA / UNITED ARROWS; BY / BEAUTY&YOUTH UNITED ARROWS; monkey time / monkey time BEAUTY&YOUTH UNITED ARROWS; District / District UNITED ARROWS; GLR / UNITED ARROWS green label relaxing; CH / CHROME HEARTS; THE AIRPORT STORE / THE AIRPORT STORE UNITED ARROWS LTD.; THE STATION STORE / THE STATION STORE UNITED ARROWS LTD.; SBU / Small Business Unit; CHJP / CHROME HEARTS JP, GK

■ **Sales by business: Sales of the following store brands have been included in UA and SBU sales.**

UA: UA, District, THE SOVEREIGN HOUSE, BOW & ARROWS, ASTRAET, BY, monkey time, STEVEN ALAN, ROKU BEAUTY&YOUTH, H BEAUTY&YOUTH
SBU: Another Edition, Jewel Changes, Odette e Odile, Boisson Chocolat, DRAWER, EN ROUTE, THE AIRPORT STORE, THE STATION STORE

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Consolidated P/L (For details see pages 4, 5, 8, and 9)

- An increase in revenue and a decrease in earnings; YoY increase in 3Q nine-month period sales of 2.7%; Ordinary income: YoY decrease of 16.0%
- Increases in revenue and earnings in the 3Q three-month period (sales up 4.6%, ordinary income up 3.9%)
- 3Q nine-month period gross margin: YoY difference up 0.2 of a percentage point (1H down 0.2 of a percentage point, up 0.8 of a percentage point for the 3Q three-month period)
- 3Q nine-month period SGA expenses to sales ratio: YoY difference up 2.1 percentage points (1H up 2.8 percentage points, up 1.0 percentage point for the 3Q three-month period)

Non-Consolidated Sales (For details see pages 6 and 7)

- 3Q nine-month period existing store sales up 1.3% YoY, up 3.7% for the 3Q three-month period
- By sales channel, online sales remained strong
- In the 3Q three-month period, all businesses exceeded existing store sales on a YoY basis

Inventory (For details see page 10)

- YoY increase in the balance of inventory on a consolidated basis of 10.3%, exceeding the growth in sales; This mainly reflected the upswing in current period products
- Working to quickly reduce slow-selling items while continuing to introduce inventory in robust fields such as online stores.

Opening and Closing of Stores (For details see pages 12 to 14)

- Group total 3Q nine-month period results: Number of new stores opened: 19; Number of stores closed: 9; Number of stores as of FY17 3Q-end: 364
- FY17 forecast Group total: Number of new stores opened: 22; Number of stores closed: 16; Forecast number of stores as of FY17-end: 360 (3 fewer than the previous forecast)

Group Companies (For details see page 15)

- FIGO CO., LTD.: Decrease in revenue and an increase in earnings; COEN CO., LTD.: Increase in revenue and a decrease in earnings; UNITED ARROWS TAIWAN LTD. and Designs & Co.: Operations generally in line with plans; CHROME HEARTS JP, GK: Improvement in the extent of decrease in revenue from business unit sales from 1H

Consolidated P/L Overview

3Q nine-month period consolidated ordinary income: ¥8,264 million, a YoY decrease of 16.0%

3Q three-month period: Increase of 3.9% to ¥6,461 million (please refer to page 5)

- Consolidated sales: YoY increase of 2.7%; Increases in revenue at UNITED ARROWS LTD.* and COEN CO., LTD. as well as from each company's online sales
- Gross margin: YoY difference up 0.2 of a percentage point (1H down 0.2 of a percentage point, up 0.8 of a percentage point for the 3Q three-month period)
- SGA expenses to sales ratio: YoY difference up 2.1 percentage points (1H up 2.8 percentage points, up 1.0 percentage point for the 3Q three-month period)
- Ordinary income: ¥8,264 million, a YoY decrease of 16.0% (down 17.7% YoY based on revised figures for the full fiscal year)

* Comparison excluding CH results from the 3Q of the previous period.

Consolidated Results 9-Month Period of FY17					(Millions of yen)	
Results	vs. Sales	YoY Increase (Decrease)	%		9-Month Period of FY16	vs. Sales
Sales	107,604	100.0%	2,844	102.7%	104,759	100.0%
Gross Profit	56,595	52.6%	1,738	103.2%	54,856	52.4%
SGA Exp.	48,486	45.1%	3,435	107.6%	45,051	43.0%
Operating Inc.	8,108	7.5%	(1,696)	82.7%	9,804	9.4%
Non Op. P/L	156	0.1%	123	476.5%	32	0.0%
Ordinary Inc.	8,264	7.7%	(1,573)	84.0%	9,837	9.4%
Extraordinary P/L	(468)	-0.4%	(167)	—	(301)	-0.3%
Net Income Attributable to Owners of Parent	5,175	4.8%	(938)	84.6%	6,114	5.8%

■ Reference: Consolidated 3Q Three-Month Period P/L Overview (October to December 2016)

(Millions of yen)

	Consolidated Results FY17 3Q (3-Months)				FY16 3Q Results vs. Sales	
	Results	vs. Sales	YoY Increase (Decrease)	%		
Sales	42,521	100.0%	1,864	104.6%	40,657	100.0%
Gross Profit	23,564	55.4%	1,375	106.2%	22,189	54.6%
SGA Exp.	17,170	40.4%	1,171	107.3%	15,999	39.4%
Operating Inc.	6,393	15.0%	204	103.3%	6,189	15.2%
Non Op. P/L	67	0.2%	38	231.1%	29	0.1%
Ordinary Inc.	6,461	15.2%	242	103.9%	6,218	15.3%
Extraordinary P/L	(132)	-0.3%	19	—	(152)	-0.4%
Net Income Attributable to Owners of Parent	4,304	10.1%	327	108.2%	3,977	9.8%

■ Non-Consolidated Sales Results by Sales Channel

YoY 3Q nine-month period non-consolidated sales (excluding the CH business from the 2H of the previous period) up 2.6% *

YoY 3Q nine-month period existing store sales: Up 1.3%; 3Q three-month period: Up 3.7% (up 1.2% YoY based on revised plans for 2H)

- 3Q three-month period retail, online store, and OUTLET sales increased YoY compared with 1H
- Sales composition (3Q three-month period): Online store sales 15.3%; OUTLET store sales 14.4%

* YoY non-consolidated 3Q nine-month period sales including the CH business in the 2H of previous period, down 0.7 of a percentage point.

(Millions of yen)

	Non-Consolidated Results								
	FY17 1H			FY17 3Q (3-Month Period) (Comparison Excl. CH Results from the 3Q (3-Month Period) of FY16)			9-Month Period of FY17 (Comparison Excl. CH Results from the 2H of FY16)		
	Results	Share	YoY	Results	Share	YoY	Results	Share	YoY
Non-Consolidated Sales	58,825	100.0%	101.1%	36,388	100.0%	105.1%	95,214	100.0%	102.6%
Total Business Unit Sales	51,167	87.0%	101.5%	31,152	85.6%	105.4%	82,320	86.5%	102.9%
Retail	42,177	71.7%	98.0%	25,347	69.7%	101.9%	67,524	70.9%	99.4%
Online	8,539	14.5%	123.8%	5,570	15.3%	124.9%	14,110	14.8%	124.2%
Other (Wholesale, Other)	451	0.8%	97.9%	234	0.6%	102.1%	685	0.7%	99.3%
Outlet, Other	7,657	13.0%	98.6%	5,236	14.4%	103.4%	12,894	13.5%	100.5%
Existing Stores YoY									
	Sales	Number of Customers*	Ave. Spending per Customer*	Sales	Number of Customers*	Ave. Spending per Customer*	Sales	Number of Customers*	Ave. Spending per Customer*
Retail + Online	99.9%	101.2%	98.1%	103.7%	103.0%	100.7%	101.3%	101.8%	99.2%
Retail	96.2%	95.6%	100.6%	99.8%	97.3%	102.6%	97.5%	96.1%	101.4%
Online	122.6%	125.1%	98.7%	124.3%	128.4%	102.3%	123.3%	126.1%	100.3%

Note: Number of customer and average spending per customer data for existing retail and online as well as online stores is calculated using data available to the Company through its own online and ZOZOTOWN stores. (Approximately 80% of online sales are generated through the two malls.) This information is provided for reference purposes only. YoY sales data is inclusive of other online malls and accordingly the YoY number of customer x YoY average spending per customer does not reconcile with YoY sales.

■ Non-Consolidated Sales Results by Business

For 3Q three-month period, all businesses exceeded existing store sales on a YoY basis

(3Q Three-Month Period Trends)

- UA : Men's and women's casual items
- GLR : Men's dressy items and women's items in general
- SBU : Steady trends in DRAWER, Boisson Chocolat, and THE STATION STORE businesses

(Millions of yen)									
Non-Consolidated Results									
	FY17 1H			FY17 3Q (3-Months) (Comparison Excl. CH Results from the 3Q (3-Month Period) of FY16)			9-Month Period of FY17 (Comparison Excl. CH Results from the 2H of FY16)		
	Results	YoY Increase (Decrease)	%	Results	YoY Increase (Decrease)	%	Results	YoY Increase (Decrease)	%
Total Business Unit Sales	51,167	754	101.5%	31,152	1,587	105.4%	82,320	2,341	102.9%
UA Business	25,088	226	100.9%	17,826	1,012	106.0%	42,914	1,239	103.0%
GLR Business	13,869	1,058	108.3%	9,350	661	107.6%	23,220	1,720	108.0%
CH Business	5,305	(498)	91.4%	0	-	-	5,305	(498)	-
SBU	6,905	(32)	99.5%	3,975	(87)	97.9%	10,880	(119)	98.9%

Existing Store Sales YoY									
	FY17 1H			FY17 3Q (3-Months)			9-Month Period of FY17		
	Retail + Online	Retail	Online	Retail + Online	Retail	Online	Retail + Online	Retail	Online
UA Business	98.6%	94.2%	124.6%	102.5%	98.1%	129.2%	100.2%	95.8%	126.5%
GLR Business	105.1%	101.1%	129.1%	107.0%	103.9%	125.1%	105.9%	102.3%	127.4%
CH Business	-	91.9%	-	-	-	-	-	-	-
SBU	101.6%	98.5%	111.2%	101.0%	97.2%	111.9%	101.4%	98.0%	111.5%

Note: Effective from the fiscal year under review, control of the ASTRAET business transferred from the SBU to the UA business. Accordingly, results data for the corresponding period of the previous fiscal year has been retroactively adjusted for comparative purposes.

Note: Details of abbreviations for each business are listed on page 2 of this document.

■ Consolidated Gross Margin Results

**3Q nine-month period consolidated gross margin came in at 52.6%, up 0.2 of a percentage point YoY
(50.8% in 1H, down 0.2 of a percentage point; for the 3Q three-month period, up 0.8 of a percentage point, to 55.4%)**

	1H	3Q (3-Months)	9-Month Period of FY17	
Consolidated gross margin for FY17	50.8%	55.4%	52.6%	
Gross margin for the corresponding period of the previous fiscal year	51.0%	54.6%	52.4%	
Difference	(0.2)pt	0.8pt	0.2pt	

	1H	3Q (3-Months)	9-Month Period of FY17	Remarks
Impact of movements in the gross margin of UNITED ARROWS LTD. total business units	(0.5)pt	0.6pt	—	YoY decrease of 0.6 of a percentage point in the gross margin of total business units in the 1H due mainly to the increase in discount sales; Up 0.8 of a percentage point in the 3Q owing to such factors as the impact of movements in foreign currency exchange rates
Impact of movements on the gross margin of UNITED ARROWS LTD. OUTLET and other stores	0.1pt	0.1pt	—	Upswing of 0.7 of a percentage point in the gross margins of UNITED ARROWS LTD. OUTLET and other stores in the 1H due mainly to an increase in the share of exclusive products sales as a percentage of total sales; Up 0.5 of a percentage point in the 3Q owing to improvements in the gross margins of both exclusive and regular business products
Impact of movements on UNITED ARROWS LTD. other costs	0.1pt	0.2pt	—	(Cumulative) Positive impact due largely to the absence of the negative effects of movements in foreign currency exchange rates on results in the previous year
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	0.1pt	(0.1)pt	—	(Cumulative) Sales differ from subsidiary to subsidiary; Despite the impact of such factors as movements in foreign currency exchange rates, results for the cumulative 3Q period were generally flat

• Breakdown details have not been provided. This reflects the difficulties involved in analyzing data attributable to the spin-off of CHROME HEARTS (October 2016) during the 3Q cumulative period.

• In the 3Q, any impact attributable to CHROME HEARTS has been excluded from UNITED ARROWS LTD. total business units for both the period under review and previous period and included in other

Note: Similar information pertaining to factors that impacted the consolidated gross margins for the 1H, 2H, and full fiscal years of FY15 and FY16 is presented on page 27.

■ Consolidated SGA Expenses to Sales Ratio

3Q nine-month period consolidated SGA expenses to sales ratio increased 2.1 percentage points YoY, to 45.1% (48.1% in 1H, up 2.8 percentage points; for the 3Q three-month period, up 1.0 percentage point, to 40.4%)

- Advertising expenses: Increase in promotional and other expenses largely in line with the opening of new large-scale stores in 1H; successful steps to hold down the rate of increase in 3Q
- Personnel expenses, rent: Relative decrease in the fixed cost ratio in line with the increase in sales in 3Q and other factors
- Other: Successful steps to control the rate of increase due mainly to reductions in fixed costs including consumables in 3Q

	Consolidated Results								
	FY17 1H			FY17 3Q (3-Months)			9-Month Period of FY17		
	Results	YoY	Difference	Results	YoY	Difference	Results	YoY	Difference
Ratio of SGA Expenses to Sales	48.1%	45.3%	2.8pt	40.4%	39.4%	1.0pt	45.1%	43.0%	2.1pt
Advertising Expenses	2.2%	1.7%	0.5pt	2.3%	2.0%	0.3pt	2.2%	1.8%	0.4pt
Personnel Expenses	17.4%	16.6%	0.8pt	13.8%	13.5%	0.3pt	16.0%	15.4%	0.6pt
Rent	14.4%	13.6%	0.8pt	13.1%	12.7%	0.4pt	13.9%	13.3%	0.6pt
Depreciation	1.4%	1.4%	0.0pt	1.1%	1.1%	0.0pt	1.3%	1.3%	0.0pt
Other	12.7%	12.0%	0.8pt	10.1%	10.0%	0.0pt	11.7%	11.2%	0.5pt

Note: Similar information pertaining to the ratio of consolidated SGA expenses to sales by major expenditure items for the 1H, 2H, and full fiscal years of FY15 and FY16 is presented on page 28.

■ Consolidated B/S Overview

The balance of total assets as of the end of 3Q FY17 was ¥78.4 billion, 12.1% higher than the balance as of the end of the corresponding period of FY16

(YoY comparative analysis of consolidated balances as of the end of 3Q FY17 and the end of 3Q FY16)

- Current assets : Increases in the balances of cash and deposits and inventory
- Noncurrent assets : Increases in the balances of tangible noncurrent assets and guarantee deposits in line with the opening of new stores
- Current liabilities : Increases in the balances of short-term loans payable and current portion of long-term loans payable
- Noncurrent liabilities : Increase in the balance of long-term loans payable

Note 1: The balance of short- and long-term loans payable: Up 71.5% YoY, to ¥18.9 billion

Note 2: The balance of inventory: Up 10.3% YoY (net sales YoY growth: 2.7%, due mainly to the increase in the current period's fall and winter products)

(Millions of yen)

	Consolidated FY17 3Q-End				FY16 3Q-End Results		FY16-End Results	
	Results	Share	YoY Increase	VS. FY16-End				
Total Assets	78,406	100.0%	112.1%	122.7%	69,946	100.0%	63,877	100.0%
Current Assets	55,345	70.6%	113.6%	130.6%	48,697	69.6%	42,367	66.3%
(Inventory)	30,687	39.1%	110.3%	128.0%	27,824	39.8%	23,966	37.5%
Noncurrent Assets	23,061	29.4%	108.5%	107.2%	21,248	30.4%	21,510	33.7%
Current Liabilities	36,459	46.5%	117.5%	146.0%	31,020	44.3%	24,964	39.1%
Noncurrent Liabilities	7,947	10.1%	145.7%	154.2%	5,455	7.8%	5,152	8.1%
Total Net Assets	33,999	43.4%	101.6%	100.7%	33,469	47.9%	33,760	52.9%
Reference: Balance of Short and Long-Term Loans Payable	18,943	24.2%	171.5%	308.2%	11,047	15.8%	6,146	9.6%

Cash and cash equivalents as of the end of the term came to ¥6,617 million
While cash outflows from operating activities exceeded inflows in the 3Q nine-month period,
cash inflows from operating activities are forecast to exceed outflows for the full fiscal year

- Cash flows from operating activities (Major cash inflows): Income before income taxes of ¥7,795 million and increase in purchase liabilities of ¥3,477 million
(Major cash outflows): Increase in inventories of ¥6,721 million and income taxes paid of ¥4,021 million
- Cash flows from investing activities (Major cash outflow): Purchase of property, plant and equipment of ¥2,914 million
- Cash flows from financing activities (Major cash inflows): Net increase in short-term loans payable of ¥8,300 million and proceeds from long-term loans payable of ¥6,000 million
(Major cash outflows): Purchase of treasury stock of ¥3,095 million and cash dividends paid of ¥2,294 million

		(Millions of yen)	
		Consolidated Results 9-Month Period of FY17	9-Month Period of FY16
		Results	Results
Cash flows from operating activities (sub-total)		1,524	7,467
Cash flows from operating activities		(2,526)	4,536
Cash flows from investing activities		(4,077)	(2,164)
Cash flows from financing activities		7,407	(3,179)
Cash and cash equivalents at the end of the term		6,617	4,781

Results of FY17 3Q-End Group Total Opening and Closing of Stores and FY17 Forecasts

- FY17 3Q-end Group total: Number of new stores opened: 19; Closed: 9; Number of stores as of FY17 3Q-end: 364
 - Full FY17 forecast Group total: Number of new stores opened: 22; Closed: 16; Number of stores as of FY17-end: 360
(3 stores fewer than the previous forecast)
- Note: Factors contributing to changes from the previous earnings announcement: UNITED ARROWS LTD.: Increase in the number of new stores opened: 2; increase in the number of stores closed: 5

	9-Month Period of FY17 Results				FY17 Forecasts			Reference Forecast No. of Opened and Closed Stores for the Full Fiscal Year	
	No. of stores as of the beginning of the period	Opened	Closed	Transfer attributable to company split	No. of stores as of 3Q-end	4Q Opened	4Q Closed	No. of stores as of the end of the period	
Group Total	354	19	9		364	3	7	360	22 16
UNITED ARROWS LTD.	254	10	8	(10)	246	2	6	242	12 14
FIGO CO., LTD.	18		1		17	1	1	17	1 2
COEN CO., LTD.	79	8			87			87	8
UNITED ARROWS TAIWAN LTD.	3				3			3	
Designs & Co.		1			1			1	1
CHROME HEARTS JP, GK				10	10			10	

Reference: Breakdown for UNITED ARROWS LTD.

UNITED ARROWS Business	86	5	2		89		1	88	5 3
green label relaxing Business	69	1	1		69			69	1 1
CHROME HEARTS Business	10			(10)					
SBU	66	2	4		64	2	5	61	4 9
Outlet	23	2	1		24			24	2 1

■ Reference: UNITED ARROWS LTD. Results of FY17 3Q-End Opening and Closing of Stores

		9-Month Period of FY17 Results			
		No. of stores as of the beginning of the period	Opened	Closed	Transfer attributable to company split
UNITED ARROWS LTD. Total		254	10	8	(10)
UNITED ARROWS Business Total		86	5	2	
UNITED ARROWS (General Merchandise Store)		9			
UNITED ARROWS		25	3	2	
BOW & ARROWS		1			
THE SOVEREIGN HOUSE		1			
District		1			
ASTRAET		2			
BEAUTY&YOUTH		41			
monkey time		2			
STEVEN ALAN *		3			
ROKU BEAUTY&YOUTH		1	1		
H BEAUTY&YOUTH			1		
green label relaxing Business		69	1	1	
CHROME HEARTS Business		10			(10)
SBU Total		66	2	4	
Another Edition		15		2	
Jewel Changes		10			
Odette e Odile		21		2	
Boisson Chocolat		3	1		
DRAWER		7			
EN ROUTE		2			
Traffic channels		3			
THE AIRPORT STORE		5	1		
THE STATION STORE					
Outlet		23	2	1	
No. of stores as of 3Q-end		246			

* STEVEN ALAN TOKYO, STEVEN ALAN OSAKA, and STEVEN ALAN KOBE are recorded as annex-type stores and are not included in the number of stores listed above.

■ Reference: FY17 3Q-End Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Dec.	Newly opened store	THE STATION STORE UNITED ARROWS LTD. ECUTE SHINAGAWA SOUTH	ecute Shinagawa (Minato-ku, Tokyo)
Nov.	Closed store	UNITED ARROWS LTD. OUTLET WOMEN'S STORE ODAIBA	Venus Fort (Kouto-ku, Tokyo)
Sep.	Newly opened store	UNITED ARROWS ROPPONGI HILLS	ROPPONGI HILLS (Minato-ku, Tokyo)
	Newly opened store	ROKU BEAUTY&YOUTH SHIBUYA CAT STREET	Stand-alone store (Shibuya-ku, Tokyo)
	Newly opened store	WORK TRIP OUTFITS green label relaxing yaesu	YAESU SHOPPING MALL (Chuo-ku, Tokyo)
	Newly opened store	Boisson Chocolat Lumine Shinjuku	LUMINE SHINJUKU (Shinjuku-ku, Tokyo)
Aug.	Closed store	Another Edition Shibuya	SHIBUYA PARCO (Shibuya-ku, Tokyo)
July	Newly opened store	UNITED ARROWS LTD. OUTLET RINKU	Rinku Premium Outlets (Izumisano-shi, Osaka)
	Closed store	UNITED ARROWS ROPPONGI MEN'S STORE	ROPPONGI HILLS (Minato-ku, Tokyo)
	Closed store	UNITED ARROWS ROPPONGI WOMEN'S STORE	ROPPONGI HILLS (Minato-ku, Tokyo)
	Closed store	green label relaxing celeo kokubunji	CELEO KOKUBUNJI (Kokubunji-shi, Tokyo)
	Closed store	Another Edition Machida	Machida modi (Machida-shi, Tokyo)
	Closed store	Odette e Odile hakata	AMUPLAZA HAKATA (Hakata-ku, Fukuoka-shi)
	Closed store	Odette e Odile atré Kawasaki	atré Kawasaki (Kawasaki-ku, Kawasaki-shi)
Apr.	Newly opened store	UNITED ARROWS ATRÉ EBISU WOMEN'S STORE	atré Ebisu (Shibuya-ku, Tokyo)
	Newly opened store	UNITED ARROWS KANAZAWA	KORINBO TOKYU SQUARE (Kanazawa-shi, Ishikawa)
	Newly opened store	H BEAUTY&YOUTH	Stand-alone store (Minato-ku, Tokyo)
	Newly opened store	UNITED ARROWS LTD. OUTLET YATSUGATAKE	RESORT OUTLETS YATSUGATAKE (Hokuto-shi, Yamanashi)

FIGO CO., LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Oct.	Closed store	Felisi KICHJOJI	coppice KICHJOJI (Musashino-shi, Tokyo)

COEN CO., LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Nov.	Newly opened store	coen LaLaport SHONAN HIRATSUKA Store	LaLaport SHONAN HIRATSUKA (Hiratsuka-shi, Kanagawa)
Oct.	Newly opened store	coen General Store SAPPORO ESTA	ESTA (Chuo-ku, Sapporo-shi)
	Newly opened store	coen TRESSA YOKOHAMA Store	TRESSA YOKOHAMA (Kohoku-ku, Yokohama-shi)
July	Newly opened store	coen General Store Sendai PARCO 2	Sendai PARCO 2 (Aoba-ku, Sendai-shi)
	Newly opened store	coen Grand Store Odawara Dynacity	Dynacity West (Odawara-shi, Kanagawa)
Apr.	Newly opened store	coen Seven Park Ario Kashiwa	SEVEN PARK ARIO KASHIWA (Kashiwa-shi, Chiba)
	Newly opened store	coen General Store Abeno Q's Mall	Abeno Q's MALL (Abeno-ku, Osaka)
Mar.	Newly opened store	coen Higashi Matsuyama Store	Peonywalk Higashi Matsuyama (Higashi-matsuyama-shi, Saitama)

Designs & CO.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Oct.	Newly opened store	BLAMINK TOKYO	Stand-alone store (Minato-ku, Tokyo)

* There were no stores opened or closed by UNITED ARROWS TAIWAN LTD. or CHROME HEARTS JP, GK during the 3Q cumulative period.

FIGO CO., LTD.

Decrease in revenue and increase in earnings in the 3Q nine-month period of FY17

- Sales: ¥2.1 billion, down 3% YoY
- Even though sales were slightly down YoY, gross margin improved owing mainly to the impact of movements in foreign currency exchange rates, contributing to an increase in earnings

COEN CO., LTD.

Increase in revenue and decrease in earnings in the 3Q nine-month period of FY17

- Sales: ¥7.2 billion, up 9% YoY. Decrease in earnings due mainly to a downturn in the gross margin brought about by an increase in discount sales and other factors
- Aiming to increase the ratio of regular price sales, largely by conducting a review of the number of items and developing hot-selling items through strengthened collaboration between product and sales departments

UNITED ARROWS TAIWAN LTD.

3Q nine-month period of FY17 results: Performance trends essentially in line with plans

- As is the case in Japan, even though fall items struggled due to persistently high temperatures, robust trends in topical and other products emerged
- Working to increase visibility and awareness, thanks largely to the increasing frequency of posts on SNS; Also a gradual increase in the level of awareness toward the company's e-commerce site, which opened in July 2016

Designs & Co.

3Q nine-month period of FY17 of results: Performance trends essentially in line with plans

- BLAMINK TOKYO, the company's inaugural store (stand-alone store) opened in Minami-Aoyama, Minato Ward, in October 2016
- High store traffic volume by customers with a high appreciation of fashion; private brand goods are becoming top-selling items

CHROME HEARTS JP, GK

October to December quarter of the fiscal year ended December 2016*1: Improvement over the depth of sales decline in the previous year compared with 1H

- (Post split-off) Companywide sales: ¥3.2 billion; Business unit (BU) sales down 4.2% YoY*2
- Even though BU October to December quarter sales were down from the previous year, results exhibited a recovery trend from 1H (down 8.6%)

*1 While CHROME HEARTS settles its accounts in December, results up to the following March are included in the scope of consolidation after taking into consideration the impact on business performance.

*2 Data after the split-off is not provided due to the incidence of wholesale and other sales to UNITED ARROWS LTD. and difficulties in comparing companywide sales with the previous period.

• **Progress Following HOUSE CARD Members Service Renewal***

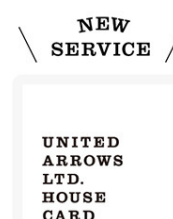
* Renewed in August 2016

• **Initiatives Aimed at Strengthening the UNITED ARROWS LTD. ONLINE STORE**

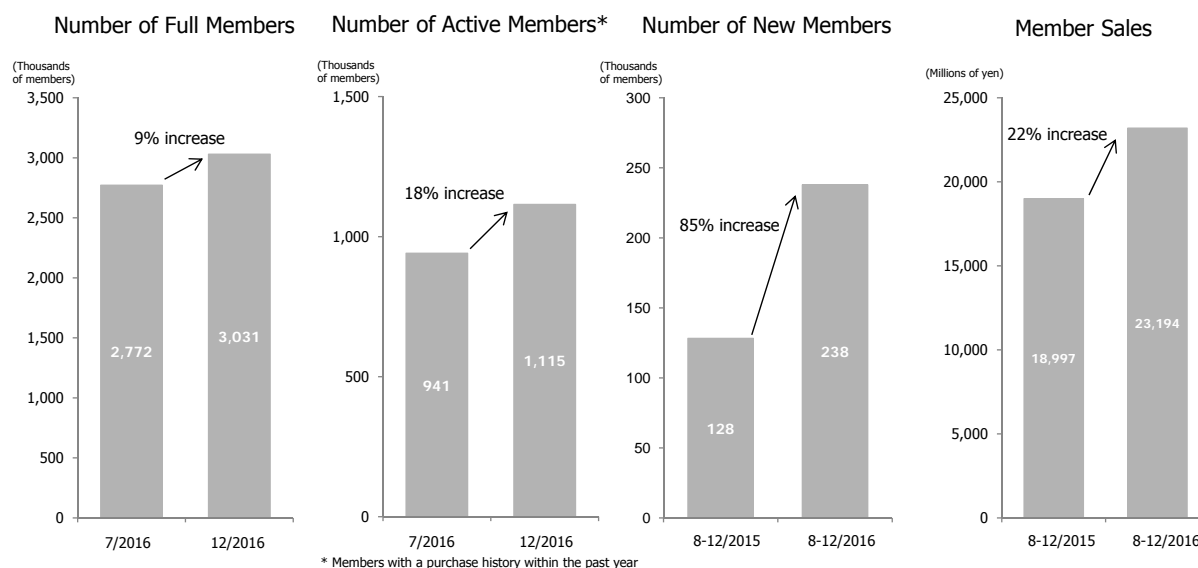
Overview of Service Renewal

- Integrated HOUSE CARD and UNITED ARROWS LTD. ONLINE STORE memberships, consolidated respective point service programs
- Offering one point for each 100 yen (before tax) spent on purchases; Changed to a point service that enables use from the next purchase, with one point equaling 1 yen
- Companywide common upgrade benefits in accordance with annual points accumulated and purchase amounts; Steps being taken to put in place extra services in line with purchase amounts by business
- Integrated HOUSE CARD and UNITED ARROWS LTD. ONLINE STORE apps; In addition to an iOS version, launched an Android version

Members services underwent a total renewal on August 1, 2016



Membership service renewal is directly linked to efforts aimed at gaining new members and helping invigorate existing members



■ Initiatives Aimed at Strengthening the UNITED ARROWS LTD. ONLINE STORE

FY17 3Q Nine-Month Period

Non-consolidated online store sales: Up 24.2% YoY
UNITED ARROWS LTD. ONLINE STORE sales: Up 10.6% YoY

→ Recognition that online store sales can be further expanded by strengthening UNITED ARROWS LTD. ONLINE STORE



Initiatives Aimed at Strengthening the UNITED ARROWS LTD. ONLINE STORE

1. Initiatives to attract more customers
2. Initiatives to reduce sales opportunity loss
3. Improvement of a range of functions

■ Initiatives Aimed at Strengthening the UNITED ARROWS LTD. ONLINE STORE

1. Initiatives to Attract More Customers

Expand online advertising

Work toward capturing new customers by expanding UNITED ARROWS LTD. ONLINE STORE advertising

Listing Advertising
Retargeting Advertising*



Listing Advertising
Retargeting Advertising

SNS Advertising
Advertising in Articles
Banner Advertising

Measures aimed at those who are aware of or who exhibit strong intentions to use UNITED ARROWS LTD. ONLINE STORE

Initiatives Aimed at Capturing New Customers

Integration and Renewal of Brand Sites and UNITED ARROWS LTD. ONLINE STORE (Planned for this spring)



Brand Site



Site Integration



UNITED ARROWS LTD.
ONLINE STORE



Increase access to online stores by unifying site entry

* An explanation of the specialist terms "listing advertising" and "retargeting advertising" appears in the Appendix on page 30.

2. Initiatives to Reduce Sales Opportunity Loss

Increase inventory supply to UNITED ARROWS LTD. ONLINE STORE

- Despite having increased the initial allocation of inventory, sales opportunity loss is still continuing
- Implement a host of initiatives to increase the supply of inventories also during the next period

Accelerate the commencement of sales by shortening the lead times associated with the work required to post product details

- Shorten lead times associated with the work required to post product details (photography, product measurements, product descriptions)
- Bring the commencement of online store product sales closer to the commencement of actual store product sales

3. Improvement of a Range of Functions

- Improve various functions such as gift wrapping and size alterations
- Expand payment services (including carrier settlement, deferred payment, account settlement of other companies' mail order sites)
- Promote multilingual customer services and commence overseas deliveries

■ Reference Materials

Management Policy

Reaching new levels of satisfaction by inspiring and amazing customers!

—Instilling in customers a genuine sense of benefit and increased value—

Priority Measures

1. Create products that move customers' hearts
—Enhance merchandise planning capabilities by carrying out basic product policies—
2. Deliver convenient and user-friendly e-commerce channels that exceed expectations
—Deliver e-commerce services that only the Company can provide—
3. Provide a shopping experience that inspires and amazes customers
—Put in place a culture that nurtures creative merchants—

■ Reference: Overview of Revisions to Results Forecast

(Full Fiscal Year: Released on October 28, 2016)

(Millions of yen)

	Consolidated FY17 Revised Data									
	Revised Data	vs. Sales	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%	FY16 Results	vs. Sales	Initial Plans	vs. Sales
Sales	145,000	100.0%	4,080	102.9%	(5,438)	96.4%	140,919	100.0%	150,438	100.0%
Gross Profit	73,967	51.0%	2,394	103.3%	(3,778)	95.1%	71,573	50.8%	77,746	51.7%
SGA Exp.	64,875	44.7%	4,374	107.2%	(1,506)	97.7%	60,501	42.9%	66,382	44.1%
Operating Inc.	9,092	6.3%	(1,979)	82.1%	(2,272)	80.0%	11,071	7.9%	11,364	7.6%
Non Op. P/L	107	0.1%	3	103.6%	39	157.8%	103	0.1%	68	0.0%
Ordinary Inc.	9,200	6.3%	(1,975)	82.3%	(2,232)	80.5%	11,175	7.9%	11,432	7.6%
Extraordinary P/L	(805)	-0.6%	(79)	-	(148)	-	(725)	-0.5%	(656)	-0.4%
Net Income Attributable to Owners of Parent	5,200	3.6%	(1,294)	80.1%	(1,690)	75.5%	6,494	4.6%	6,890	4.6%
Reference: Consolidated EPS (Yen)	172.11	-	(42.76)	80.1%	(55.95)	75.5%	214.87	-	228.06	-

■ Reference: Revisions to Results Forecast
(Revisions for 2H Only)

(Millions of yen)

	Consolidated FY17 Revised Data (2H Only)									
	Revised Data	vs. Sales	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%	FY16 Results	vs. Sales	Initial Plans	vs. Sales
Sales	79,916	100.0%	3,100	104.0%	(2,840)	96.6%	76,816	100.0%	82,757	100.0%
Gross Profit	40,936	51.2%	2,030	105.2%	(1,739)	95.9%	38,906	50.6%	42,675	51.6%
SGA Exp.	33,559	42.0%	2,109	106.7%	(327)	99.0%	31,449	40.9%	33,886	40.9%
Operating Inc.	7,377	9.2%	(79)	98.9%	(1,411)	83.9%	7,456	9.7%	8,789	10.6%
Non Op. P/L	19	0.0%	(81)	19.2%	(35)	35.5%	100	0.1%	54	0.1%
Ordinary Inc.	7,396	9.3%	(160)	97.9%	(1,447)	83.6%	7,557	9.8%	8,843	10.7%
Extraordinary P/L	(468)	-0.6%	107	-	(92)	-	(576)	-0.8%	(376)	-0.5%
Net Income Attributable to Owners of Parent	4,329	5.4%	(27)	99.4%	(1,126)	79.3%	4,357	5.7%	5,456	6.6%

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■ Reference: Revised UNITED ARROWS LTD. Sales Forecast
(2H and Full Fiscal Year)

(Millions of yen)

	Non-Consolidated FY17 2H Revised Data						Non-Consolidated FY17 Full Fiscal Year Revised Data					
	2H	Share	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%	Full Fiscal Year	Share	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%
Sales	66,170	100.0%	2,133	103.3%	(2,435)	96.5%	124,996	100.0%	2,777	102.3%	(4,687)	96.4%
Total Business Unit Sales	56,910	86.0%	1,831	103.3%	(2,448)	95.9%	108,078	86.5%	2,585	102.5%	(4,461)	96.0%
Retail	44,789	67.7%	(369)	99.2%	(2,460)	94.8%	86,966	69.6%	(1,248)	98.6%	(4,882)	94.7%
Online	11,494	17.4%	2,115	122.6%	0	100.0%	20,033	16.0%	3,758	123.1%	459	102.3%
Other (Wholesale, Other)	626	0.9%	85	115.8%	12	102.0%	1,077	0.9%	75	107.6%	(39)	96.5%
Outlet	9,260	14.0%	302	103.4%	13	100.1%	16,918	13.5%	191	101.1%	(225)	98.7%
Existing Store Sales YoY												
Retail + Online	101.2%						100.6%					
Retail	96.5%						96.3%					
Online	122.4%						122.5%					

Note: Sales of the CHROME HEARTS business, which was split off from the operations of the UNITED ARROWS LTD. Group effective from the 2H of FY17, have not been included in results data for the 2H of FY16 or initial 2H plans.

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■ Reference: Trends in Movements in the Consolidated Gross Margin (Degree of Impact)

	FY15			FY16			FY17
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H
Gross margin	52.7%	51.3%	51.9%	51.0%	50.6%	50.8%	50.8%
Gross margin for the corresponding period of the previous fiscal year	53.2%	53.4%	53.3%	52.7%	51.3%	51.9%	51.0%
Difference	(0.5)pt	(2.1)pt	(1.4)pt	(1.8)pt	(0.6)pt	(1.1)pt	(0.2)pt

■ Factors that impacted the consolidated gross margin and the levels of overall impact

Impact on the gross margin of UNITED ARROWS LTD. total business units	(0.4)pt	(1.5)pt	(1.0)pt	(1.2)pt	(0.8)pt	(1.0)pt	(0.5)pt
Impact on the gross margin of UNITED ARROWS LTD. outlet and other stores	(0.4)pt	(0.2)pt	(0.3)pt	(0.3)pt	0.0pt	(0.2)pt	0.1pt
Impact on UNITED ARROWS LTD. other costs	(0.1)pt	(0.2)pt	(0.1)pt	0.0pt	0.4pt	0.2pt	0.1pt
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	0.4pt	(0.2)pt	0.1pt	(0.4)pt	(0.2)pt	(0.2)pt	0.1pt

Note: Details regarding the impact of changes in the sales composition ratio shown in previous materials have been included in other factors due to difficulties in future YoY comparisons as a result of the split-off of CHROME HEARTS.

■ Reference: Trends in the Consolidated SGA Expenses to Sales Ratio

	FY15			FY16			FY17
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H
SGA Expenses Total	46.8%	40.4%	43.3%	45.3%	40.9%	42.9%	48.1%
Advertising Expenses	2.1%	1.7%	1.9%	1.7%	2.0%	1.9%	2.2%
Personnel Expenses	17.2%	14.1%	15.5%	16.6%	14.0%	15.2%	17.4%
Rent	13.8%	13.0%	13.4%	13.6%	13.2%	13.4%	14.4%
Depreciation	1.5%	1.3%	1.4%	1.4%	1.2%	1.3%	1.4%
Other	12.3%	10.2%	11.2%	12.0%	10.6%	11.2%	12.7%

■ The cycle of collaboration between the product, sales, and promotion departments

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

The product department's strengths lie in its ability to incorporate into product development policy the opinions gleaned by the sales department, which comes into direct contact with customers, and strike a balance between products that fulfill customer needs and products that stay a half-step ahead of the times. The product department also takes the initiative in visiting retail stores. The staff responsible for products works to increase the ratio of regular priced sales by developing highly original and creative as well as appealing products.

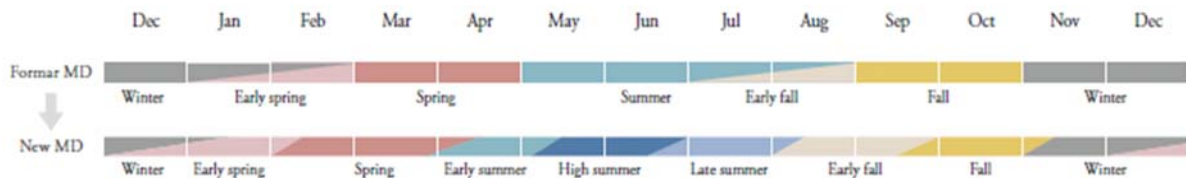
Serving as a bridge between the product and sales departments, the promotion department will continue to "encourage existing customers to visit a store again and undertake sales promotion activities designed to make customers become fans" and move forward with "promotional activities designed to attract new customers to visit stores" to increase the number of customers visiting stores. The sales department will endeavor to increase the number of purchasing customers through providing customer service that exceeds customers' expectations and coordinating proposals that are brimming with an innate sense of flair and creativity. In addition, the sales department supports product development by accurately communicating the desires of customers to the product department.

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

■ 8-season merchandising

In recent years, we have seen longer transition times between seasons from summer to fall and from winter to spring due to changes in climate conditions, as well as the incidence of gaps between customers' sensory perceptions and in-store merchandise. At the same time, we are witnessing two distinct purchasing patterns running in tandem between customers who are willing to purchase forward-looking items that exhibit value, and customers who desire items for immediate use. There are indications that consumption patterns are shifting from buying an item because it is reasonably priced to carefully purchasing an item only when genuinely needed even during clearance sales periods. Taking each of these factors into consideration, conventional merchandising plans are failing to properly address changes in the operating environment. The decision to introduce 8-season merchandising was designed to resolve this issue.

Under 8-season merchandising, each year is broken down into eight segments. The 8-season merchandising mechanism allows us to provide products that reflect the effective temperatures of each season. Product plans that were previously classified into the six seasons of early spring, spring, summer, early fall, fall, and winter are now classified into the eight seasons of early spring, spring, early summer, high summer, late summer, early fall, fall, and winter and in accordance with the attributes of each business. By accurately assessing the number of items in line with each segmented season while identifying and introducing the right level of inventory, we are improving the ratio of regular price sales and mitigating any unnecessary increase in inventory. This mechanism was first introduced at UNITED ARROWS green label relaxing in the spring and summer seasons of 2015. Looking especially at the changeover period from summer to fall, 8-season merchandising helped to generate a number of hot-selling women's cut, knitwear, and pants items culminating in a robust improvement in results. Plans are in place to extend this example of success into other businesses during the fiscal year ending March 31, 2017. We will endeavor to improve the turnover and content of inventories by evaluating and improving implementation of the 8-season merchandising policy.



For more details on both terms, please refer to UNITED ARROWS LTD.'s *Annual Report 2016* (http://www.united-arrows.co.jp/en/ir/lib/data/annual_report.html).

■ Appendix: Explanation of Specialist Terms Regarding Initiatives on Page 20

■ Listing Advertising

A service that displays advertising related to keywords searched by users on the search result pages of the search engines provided by Google, Yahoo! and others

Enables the effective display of advertising of areas in which the user is interested



■ Retargeting Advertising

A form of "action targeting advertising" that utilizes the Internet

An advertising method by which cookies are issued to people who have visited a specific website; when visiting another site, these people are shown advertising displays that urge them to revisit the original site

