

Fiscal 2019 Fiscal Year Ended March 31, 2019 Earnings Announcement

May 9, 2019

UNITED ARROWS LTD.

I.	Overview of FY19 Business Results and FY20 Forecasts	pp. 3–20
II.	Overview of the 2nd Year of the Medium-Term Vision, Revision of the Corporate Philosophy and FY20 Management Policy, etc.	pp. 21–28
III.	Reference Materials	pp. 29–32

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.

(1) Abbreviations used throughout this report: The following abbreviations may be 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; WORK TRIP OUTFITS GLR = WORK TRIP OUTFITS GREEN LABEL RELAXING; Lurow GLR = Lurow GREEN LABEL RELAXING; THE AIRPORT STORE = THE AIRPORT STORE UNITED ARROWS LTD.; THE STATION STORE = THE STATION STORE UNITED ARROWS LTD.; CHJP = CHROME HEARTS JP, GK; CH = CHROME HEARTS

(2) The store brands contained within Business Unit I and Business Unit II are as follows.

Business Unit I : UA, District, THE SOVEREIGN HOUSE, ASTRAET, THE AIRPORT STORE, BY, monkey time, STEVEN ALAN, ROKU, H BEAUTY&YOUTH, Odette e Odile, and DRAWER

Business Unit II : GLR, WORK TRIP OUTFITS GLR, Lurow GLR, EMMEL REFINES (note), THE STATION STORE

Note: Jewel Changes changed the name of the store brand to EMMEL REFINES from March 1, 2019.

I. Overview of FY19 Business Results and FY20 Forecasts

Consolidated P&L (For details see slides 5, 8, and 9)

- Both revenue and income increased for the second consecutive year and achieved the plans; Ordinary income: increase of 2.8% compared with the plans to ¥11,312 million; dividend increase of ¥2 compared with the initial plans.
- Gross margin: YoY difference of down 0.0 percentage points and difference of down 0.5 percentage points compared with the plans to 51.4%; Markdowns increased but inventory efficiency improved
- SGA expenses to sales ratio: YoY decline of 0.2 percentage points and decrease of 0.6 percentage points compared with the plans to 44.5%; Attributable to such factors as decline in SGA expenses to sales ratio due to sales growth

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

- YoY increase of 6.2% in existing store sales (retail sales: up 1.6%; online store sales: up 21.7%)
- Online store sales comprised 20.0% of total sales; YoY increases in the number of customers of both existing retail and online stores.

Inventory (For details see slide 10)

- YoY increase of 0.8% in the balance of inventory compared with March 31, 2018; rate of inventory growth fell below the YoY sales growth (2.9%), showing improvement of inventory efficiency

Opening and Closing of Stores (For details see slides 12 to16)

- Results of FY19-end Group total: Number of new stores opened: 29; Number of stores closed: 18; Number of stores as of FY19-end: 358
- FY20 forecast Group total: Number of new stores to be opened: 19; Number of stores to be closed: 14; Number of stores as of FY20-end: 363

Group companies (For details see slide 17; Status of major consolidated subsidiaries is as outlined below)

- FIGO CO., LTD.: Decreases in both revenue and income; COEN CO., LTD.: Increases in both revenue and income; CHROME HEARTS JP, GK: Decreases in both revenue and income

Forecasts of Consolidated P&L for FY20 (For details see slides 18 and 19)

- Aim to achieve the profit target set in the Medium-Term Vision. Ordinary income target: YoY increase of 6.1% to ¥12,000 million.
- Based on the target dividend payout ratio, the annual dividend per share will be increased by ¥3 per share from FY19 to ¥83 per share.

■ Consolidated P&L Overview

Both revenue and income increased for the second consecutive year and achieved the plans.
Ordinary income: YoY increase of 5.0% and increase of 2.8% compared with the plans to ¥11,312 million; Dividend increase of ¥2 per share from the initial plans.

- Sales: Up 2.9% YoY and up 1.7% compared with the plans; mainly attributable to sales growth at UNITED ARROWS LTD. and COEN CO., LTD.
- Gross margin: YoY difference down 0.0 percentage points and difference down 0.5 percentage points compared with the plans to 51.4%; Markdowns on winter items increased but inventory efficiency improved
- SGA expenses to sales ratio: YoY decrease of 0.2 percentage points and decrease of 0.6 percentage points compared with the plans to 44.5%; attributable to such factors as a decline in SGA expenses to sales ratio due to sales growth
- Extraordinary loss: Declined due to a decrease in impairment loss; net income increased 22.3% YoY and 7.0% compared with the plans
- In accordance with the increase in net income, year-end dividend was raised by ¥2 from the initial plans to ¥60 per share (annual dividend: ¥80 per share).

(Millions of yen)

	Consolidated FY19 (full fiscal year)									
	Results	vs. Sales	YoY increase (decrease)	%	vs. Plans	%	FY18 Results	vs. Sales	Plans	vs. Sales
Sales	158,918	100.0%	4,509	102.9%	2,618	101.7%	154,409	100.0%	156,300	100.0%
Gross Profit	81,760	51.4%	2,252	102.8%	510	100.6%	79,507	51.5%	81,250	52.0%
SGA Expenses	70,696	44.5%	1,706	102.5%	296	100.4%	68,989	44.7%	70,400	45.0%
Operating Income	11,063	7.0%	545	105.2%	213	102.0%	10,518	6.8%	10,850	6.9%
Non Op. P&L	248	0.2%	(8)	96.6%	98	165.6%	257	0.2%	150	0.1%
Ordinary Income	11,312	7.1%	536	105.0%	312	102.8%	10,775	7.0%	11,000	7.0%
Extraordinary P&L	(588)	-0.4%	1,524	-	411	-	(2,113)	-1.4%	(1,000)	-0.6%
Net Income Attributable to Owners of Parent	6,417	4.0%	1,170	122.3%	417	107.0%	5,247	3.4%	6,000	3.8%

■ Non-Consolidated Sales Results by Sales Channel

Existing store sales: up 6.2% YoY (retail store sales: up 1.6% YoY; online store sales: up 21.7% YoY)

- Both retail and online store sales increased YoY and exceeded the plans.
- % of total sales: online sales 20.0%; outlet store sales: 14.2%
- YoY increases in the number of customers of both existing retail and online stores.

(Millions of yen)

	Non-Consolidated FY19 (full fiscal year)						FY18 Results	Composition ratio	Plans
	Results	Composition ratio	YoY increase (decrease)	%	vs. Plans	%			
Non-Consolidated Sales	131,476	100.0%	3,120	102.4%	3,010	102.3%	128,356	100.0%	128,466
Total Business Unit Sales	112,779	85.8%	3,225	102.9%	3,269	103.0%	109,554	85.4%	109,510
Retail	85,658	65.2%	414	100.5%	1,200	101.4%	85,244	66.4%	84,458
Online	26,336	20.0%	2,811	112.0%	2,556	110.8%	23,525	18.3%	23,779
Other (wholesale, Other)	784	0.6%	0	99.9%	(488)	61.6%	784	0.6%	1,272
Outlet, Other	18,697	14.2%	(104)	99.4%	(258)	98.6%	18,802	14.6%	18,955

Existing Stores YoY
(Asterisk indicates reference data)

	Sales	Number of customers	Ave. Spend per Customer
Retail + Online	106.2%	103.6% *	101.1% *
Retail	101.6%	101.1%	100.5%
Online	121.7%	110.1% *	106.4% *

Note: Number of customers and average spend per customer data for existing retail and online stores as well as other online stores are calculated using data available to the Company through its own online stores and ZOZOTOWN stores (data accounts for approximately 80% of online sales through both venues).

Figures should be treated as references only. Year-on-year comparisons include sales data from other online stores. Accordingly, multiplying the year-on-year change in the number of customers by the year-on-year change in average spend per customer will not produce a figure approximately equal to the year-on-year change in sales.

■ Non-Consolidated Sales by Business

Higher sales in both business units; YoY increase in the total of retail and online sales at existing stores

- Business Unit I: Strong performance in men's casual and all women's categories
- Business Unit II: Strong performance in all women's categories

(Millions of yen)				
	Non-Consolidated FY19 (full fiscal year)			FY18 Results
	Results	YoY increase (decrease)	%	
Total Business Unit Sales	112,779	3,225	102.9%	109,554
Business Unit I	73,169	4,399	106.4%	68,769
Business Unit II	39,610	2,653	107.2%	36,957

	Existing Store Sales YoY		
	Retail + Online	Retail	Online
Business Unit I	107.3%	103.2%	121.0%
Business Unit II	104.1%	98.8%	123.2%

Notes: Total Business Unit Sales for FY18 include sales of businesses which the Company subsequently ceased to operate.
Please refer to slide 2 for the list of the store brands included in each business unit.

■ Consolidated Gross Margin

FY19 consolidated gross margin: Down 0.0 percentage point to 51.4%

Major factors that caused gross margin difference from FY18 (impact on the overall gross margin) are described below.

Gross margin for FY19	51.4% (51.45%)
Gross margin for FY18	51.5% (51.49%)
Difference	-0.0pt

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

		Remarks
Impact of movements in the gross margin of UNITED ARROWS LTD. total business units	0.0pt	Gross margin of the total business unit: Down 0.1 percentage point YoY Markdowns on winter items increased due to mild winter, but inventory efficiency improved.
Impact of movements in the gross margin of UNITED ARROWS LTD. OUTLET and other stores	0.1pt	YoY increase of 0.8 percentage points in the gross margins of UNITED ARROWS LTD. OUTLET and other stores Increase in percentage of sales from products for UNITED ARROWS LTD. OUTLET, etc.
Impact of movements in other costs at UNITED ARROWS LTD.	0.0pt	Little impact on the consolidated gross margin due to such factors as an increase in disposal of prior-year inventory and a decrease in loss on devaluation of products.
Other factors (subsidiary trends, consolidated adjustments, distribution of sales, etc.)	-0.1pt	Gross margin decreased due mainly to markdowns on winter items by some subsidiaries.

* Details of factors that impacted the consolidated gross margin on a 1H, 2H, and full-year basis in the past three fiscal years are included in the attachment at the end of this document.

■ Consolidated SGA Expenses

SGA expenses up 2.5% YoY; SGA expenses to sales ratio down 0.2 percentage points YoY, to 44.5%

(Comments mainly refer to individual expense items that increased or decreased as a percentage of sales.)

- Advertising expenses: Increase due mainly to broadcasting of television commercials for COEN CO., LTD. and decrease in allowance for sales incentives of UNITED ARROWS LTD. House Card
 - Ratio of personnel expenses to sales: Relative decrease in line with sales growth, decrease in payment of bonuses in acknowledgement of achievement of plans compared with FY18
 - Rent: Temporary increase due to relocation of distribution warehouses; increase due to the increase in sales composition of online store sales
 - Other: Expenses in 4Q decreased from 4Q of FY18 despite the unplanned expenses incurred. Expenses were reduced during FY19 in response to profit decrease in 3Q.
- * Breakdown of the ¥300 million increase in SGA expenses compared with the plans: Increase of slightly more than ¥400 million in variable costs in line with sales growth, cost reduction and unused expenses during FY19 of ¥600 million, and an unexpected cost increase in 4Q of about ¥500 million (Bonuses and cost of temporary staff, etc. are included in fixed costs.)

(Millions of yen)							
Consolidated FY19							
	Results	vs. Sales	YoY increase (decrease)	%	Movement vs. Sales	FY18 Results	vs. Sales
Sales	158,918	100.0%	4,509	102.9%	0.0%	154,409	100.0%
SGA Expenses	70,696	44.5%	1,706	102.5%	-0.2%	68,989	44.7%
Advertising Expenses	3,543	2.2%	74	102.1%	0.0%	3,469	2.2%
Personnel Expenses	24,770	15.6%	383	101.6%	-0.2%	24,386	15.8%
Rent	22,607	14.2%	841	103.9%	0.1%	21,765	14.1%
Depreciation	1,859	1.2%	57	103.2%	0.0%	1,801	1.2%
Other	17,915	11.3%	349	102.0%	-0.1%	17,566	11.4%

Note: Details pertaining to consolidated SGA expenses to sales ratios by major expenditure item on a 1H, 2H, and full-year basis in the past three fiscal years are included in the attachment at the end of this document.

■ Consolidated B/S Overview

Consolidated total assets of ¥70,738 million on March 31, 2019, up 5.4% from March 31, 2018

- Current assets: Increase in accounts receivable-other; decrease in deferred tax assets*
- Noncurrent assets: Increases in property, plant and equipment and deferred tax assets*; decrease from depreciation
- Current liabilities: Increase in short-term loans payable; decrease in current portion of long-term loans payable and accrued consumption taxes
- Noncurrent liabilities: Decrease in long-term loans payable
- * Balance of short- and long-term loans payable: ¥3,600 million, down 28.0% YoY
- * Inventories: Up 0.8% YoY (Net sales: up 2.9% YoY)

Note: Changes in deferred tax assets are a result of a change in presentation method following a partial revision of tax effect accounting standards. FY-end results in the table below are not restated retroactively.

	Consolidated FY19-End				(Millions of yen)	
	Results	Composition ratio	YoY increase (decrease)		FY18-End	
				%	Results	Composition ratio
Total Assets	70,738	100.0%	3,631	105.4%	67,107	100.0%
Current Assets	44,533	63.0%	(1,345)	97.1%	45,878	68.4%
(Inventory)	24,988	35.3%	188	100.8%	24,799	37.0%
Noncurrent Assets	26,205	37.0%	4,977	123.4%	21,228	31.6%
Current Liabilities	27,082	38.3%	(131)	99.5%	27,213	40.6%
Noncurrent Liabilities	4,078	5.8%	(1,125)	78.4%	5,203	7.8%
Total Net Assets	39,578	55.9%	4,888	114.1%	34,690	51.7%
Reference: Balance of short- and long-term loans payable	3,600	5.1%	(1,400)	72.0%	5,000	7.5%

Cash and cash equivalents as of the end of FY19: ¥5,839 million

- Cash flows from operating activities
 (major cash inflows) : Income before income taxes of ¥10,723 million and depreciation of ¥1,859 million
 (major cash outflows) : Payment of income taxes of ¥3,031 million and decrease in other current liabilities of ¥1,348 million
- Cash flow from investing activities
 (major cash outflows) : Purchase of property, plant and equipment of ¥3,548 million and purchase of long-term prepaid expenses of ¥1,046million
- Cash flow from financing activities
 (major cash inflows) : Increase of short-term loans payable of ¥600 million
 (major cash outflows) : Repayment of long-term loans payable of ¥2,000 million and cash dividends paid of ¥2,212million

	(Millions of yen)	
	Consolidated FY19 Results	FY18 Results
Cash flows from operating activities (sub-total)	12,193	17,709
Cash flows from operating activities	9,140	13,938
Cash flows from investing activities	(5,926)	(2,442)
Cash flows from financing activities	(3,711)	(10,812)
Cash and cash equivalents at the end of the period	5,839	6,300

■ Group Total Opening and Closing of Stores in FY19

Group total in FY19: Number of new stores opened: 29; number of stores closed: 18; number of stores as of FY19-end: 358

	FY19 Results						Reference Increase (decrease) from the previous forecasts
	No. of stores as of FY18- end	Opened			Closed	No. of stores as of FY19-end	
		1H	2H	Full Fiscal Year			
Group Total	347	15	14	29	18	358	(1)
UNITED ARROWS LTD.	229	11	9	20	12	237	(1)
FIGO CO., LTD.	18	1	1	2		20	
COEN CO., LTD.	85	3	3	6	5	86	
UNITED ARROWS TAIWAN LTD.	4		1	1	1	4	
Designs & Co.	1					1	
CHROME HEARTS JP, GK	10					10	

Reference: Breakdown for UNITED ARROWS LTD.

Business Unit I	113	2	2	4	4	113	(1)
Business Unit II	90	7	7	14	6	98	
Outlet	26	2		2	2	26	

■ FY20 Forecasts of Group Total Opening and Closing of Stores

FY20 forecast Group total: Number of new stores to be opened: 19; number of stores to be closed: 14; number of stores as of FY20-end: 363

	FY20 Forecasts					No. of stores as of FY20-end
	No. of stores as of FY19- end	Opened			Closed	
		1H	2H	Full Fiscal Year		
Group Total	358	9	10	19	14	363
UNITED ARROWS LTD.	237	6	5	11	6	242
FIGO CO., LTD.	20				3	17
COEN CO., LTD.	86	1	2	3	5	84
UNITED ARROWS TAIWAN LTD.	4		3	3		7
Designs & Co.	1	2		2		3
CHROME HEARTS JP, GK	10					10

Reference: Breakdown for UNITED ARROWS LTD.

Business Unit I	113	4	1	5	6	112
Business Unit II	98	2	3	5		103
Outlet	26		1	1		27

Note: Store brands included in Business Unit I and Business Unit II are listed on slide 2 of this document.

■ Reference: UNITED ARROWS LTD. Results of FY19 Opening and Closing of Retail Stores by Store Brand

	FY19 Results			No. of stores as of FY19- end
	No. of stores as of FY18- end	Opened	Closed	
UNITED ARROWS LTD. Total	229	20	12	237
Business Unit I Total	113	4	4	113
UNITED ARROWS (General Merchandise Store)	9	1		10
UNITED ARROWS	27		1	26
THE SOVEREIGN HOUSE	1			1
District	1			1
THE AIRPORT STORE	2			2
ASTRAET	1			1
BEAUTY&YOUTH	43	1	2	42
monkey time	3			3
STEVEN ALAN*	2			2
ROKU	2	1		3
H BEAUTY&YOUTH	1			1
DRAWER	7	1	1	7
Odette et Odile	14			14
Business Unit II Total	90	14	6	98
green label relaxing	70	7	3	74
WORK TRIP OUTFITS GLR	1	3		4
Lurow GLR	3	3		6
EMMEL REFINES	10	1	2	9
THE STATION STORE	6		1	5
Outlets	26	2	2	26

* STEVEN ALAN TOKYO and STEVEN ALAN OSAKA are recorded as annexes to BY stores and are not included in the number of stores listed above.

■ Reference: Details of FY19 Opening and Closing of Stores (1)

UNITED ARROWS LTD.

Month	Opening/Closure	Store Name	Commercial Facility and Location
Mar.	Opening	UNITED ARROWS green label relaxing lumine shinjuku	LUMINE SHINJUKU (Shinjuku-ku, Tokyo)
	Opening	UNITED ARROWS green label relaxing sun station terrace fukuyama	SUN STATION TERRACE FUKUYAMA (Fukuyama-shi, Hiroshima)
	Opening	Lurow GREEN LABEL RELAXING diamor osaka	DIAMOR OSAKA (Kita-ku, Osaka)
	Opening	Lurow GREEN LABEL RELAXING kyoto porta	KYOTO PORTA (Shimogyo-ku, Kyoto)
	Opening	EMMEL REFINES Diamor Osaka	DIAMOR OSAKA (Kita-ku, Osaka)
Jan.	Closure	UNITED ARROWS green label relaxing lumine shinjuku*	LUMINE SHINJUKU (Shinjuku-ku, Tokyo)
	Closure	Jewel Changes Roppongi Hills	ROPPONGI HILLS (Minato-ku, Tokyo)
	Closure	THE STATION STORE UNITED ARROWS LTD. Echika fit GINZA	Echika fit GINZA (Chuo-ku, Tokyo)
	Closure	UNITED ARROWS LTD. OUTLET OKINAWA OUTLET MALL ASHIBINAA	OKINAWA OUTLET MALL ASHIBINAA (Tomigusuku-shi, Okinawa)
Oct.	Opening	UNITED ARROWS KOBE SANNOMIYA	M-INT KOBE (Chuo-ku, Kobe-shi)
	Opening	ROKU OSAKA	LUCUA (Kita-ku, Osaka)
	Opening	WORK TRIP OUTFITS GREEN LABEL RELAXING sapporo pole town	Sapporo-Chikagai (Chuo-ku, Sapporo-shi)
	Opening	Lurow GREEN LABEL RELAXING shapo funabashi	Shapo Funabashi (Funabashi-shi, Chiba)
Sep.	Opening	BEAUTY&YOUTH UNITED ARROWS TAMAPLAZA WOMEN'S STORE	TAMA-PLAZA (Aoba-ku, Yokohama-shi)
	Opening	DRAWER NIHOMBASHI	Takashimaya Nihombashi S.C.(Chuo-ku, Tokyo)
	Opening	UNITED ARROWS green label relaxing lumine ikebukuro	LUMINE IKEBUKURO (Toshima-ku, Tokyo)
	Opening	UNITED ARROWS green label relaxing lumine yurakucho	LUMINE YURAKUCHO (Chiyoda-ku, Tokyo)
	Opening	UNITED ARROWS green label relaxing wing kamiooka	Wing KAMIOOKA (Konan-ku, Yokohama-shi)
	Opening	WORK TRIP OUTFITS GREEN LABEL RELAXING tenjin chikagai	Tenjin Chikagai (Chuo-ku, Fukuoka-shi)
	Opening	WORK TRIP OUTFITS GREEN LABEL RELAXING wing shimbashi	Wing SHIMBASHI (Minato-ku, Tokyo)
	Closure	UNITED ARROWS LTD. OUTLET YOKOHAMA	MITSUI OUTLET PARK YOKOHAMA BAYSIDE (Kanazawa-ku, Yokohama-shi)
Aug.	Closure	DRAWER NIHOMBASHI MITSUKOSHI	Nihombashi Mitsukoshi Main Store (Chuo-ku, Tokyo)
	Closure	Jewel Changes Yokohama	LUMINE YOKOHAMA (Nishi-ku, Yokohama-shi)
Jul.	Closure	UNITED ARROWS KOBE SANNOMIYA	M-INT KOBE (Chuo-ku, Kobe-shi)
	Closure	BEAUTY&YOUTH UNITED ARROWS TAMAPLAZA WOMEN'S STORE	TAMA-PLAZA (Aoba-ku, Yokohama-shi)
	Closure	UNITED ARROWS green label relaxing lumine ikebukuro	LUMINE IKEBUKURO (Toshima-ku, Tokyo)
	Closure	UNITED ARROWS green label relaxing lumine yurakucho	LUMINE YURAKUCHO (Chiyoda-ku, Tokyo)
Jun.	Opening	UNITED ARROWS LTD. OUTLET SHOE STOCK IRUMA	MITSUI OUTLET PARK IRUMA (Iruma-shi, Saitama)
	Closure	BEAUTY&YOUTH UNITED ARROWS KOBE SANNOMIYA	M-INT KOBE (Chuo-ku, Kobe-shi)
May	Opening	UNITED ARROWS LTD. green label relaxing mito excel	Mito Station Bldg. Main Building excel (Mito-shi, Ibaraki)
Apr.	Opening	UNITED ARROWS LTD. green label relaxing mi-ts kokubunji	mi-ts KOKUBUNJI (Kokubunji-shi, Tokyo)
	Opening	UNITED ARROWS LTD. OUTLET HIROSHIMA	THE OUTLET HIROSHIMA (Saeki-ku, Hiroshima-shi)

Note: Stores with a significant change of product lines upon reopening after renovation are recorded as stores closed and opened in the store opening results.

■ Details of FY19 Opening and Closing of Stores (2)

FIGO CO., LTD.

	Opening/Closure	Store Name	Commercial Facility and Location
Oct.	Opening	Felisi OUTLET KISARAZU	mitsui OUTLET PARK KISARAZU (Kisarazu-shi, Chiba)
Sep.	Opening	Felisi NIHOMBASHI	Takashimaya Nihombashi S.C. (Chuo-ku, Tokyo)

COEN CO., LTD.

	Opening/Closure	Store Name	Commercial Facility and Location
Jan.	Closure	coen Musashi Murayama μ	AEON MALL Musashi Murayama μ (Musashimurayama-shi, Tokyo)
	Closure	coen Mitouchihara	AEON MALL Mitouchihara (Mito-shi, Ibaraki)
Nov.	Opening	coen Mark Is fukuoka-momochi	MARK IS fukuoka-momochi (Chuo-ku, Fukuoka-shi)
	Opening	coen Ario Kameari	Ario Kameari (Katsushika-ku, Tokyo)
Sep.	Opening	coen LaLaport NAGOYA minato AQUUS	LaLaport NAGOYA minato AQUUS (Minato-ku, Nagoya-shi)
Aug.	Closure	coen GRAND FRONT OSAKA	GRAND FRONT OSAKA (Kita-ku, Osaka-shi)
	Closure	coen Aeon Mall Dainichi	Aeon Mall Dainichi (Moriguchi-shi, Osaka)
Jul.	Closure	coen GRAND FRONT OSAKA	GRAND FRONT OSAKA (Kita-ku, Osaka-shi)
Apr.	Opening	coen JOINUS TERRACE futamatagawa	JOINUS TERRACE Futamatagawa (Asahi-ku, Yokohama-shi)
	Opening	coen outlet hiroshima	THE OUTLET HIROSHIMA (Saeki-ku, Hiroshima-shi)
	Opening	coen sapporo hiraoka	Aeon Mall hiraoka (Kiyota-ku, Sapporo-shi)

UNITED ARROWS TAIWAN LTD.

	Opening/Closure	Store Name	Commercial Facility and Location
Jan.	Opening	UNITED ARROWS Breeze NAN SHAN ATRE Women's Store	Breeze NAN SHAN ATRE (Taipei City, Taiwan)
Oct.	Closure	BEAUTY&YOUTH UNITED ARROWS TAIPEI	Roadside store (Taipei City, Taiwan)

* Designs & Co. and CHROME HEARTS JP, GK did not newly open or close any stores during FY19.

■ Group Companies

(Months in parentheses are consolidated periods)

FIGO Co., Ltd. (April - March)

Decrease in both revenue and income

- Sales of ¥2.7 billion, down 5% YoY
- Revenue and income decreased in FY19, despite strong online sales, reflecting lower wholesale sales. In FY20, three stores are planned for closure in line with the policy of identifying unprofitable initiatives toward achieving profit growth by maintaining strong online sales and strengthening sales of women's items.

COEN CO., LTD. (February - January)

Increase in both revenue and income

- Sales of ¥13.5 billion, up 14% YoY
- Performance remained robust in FY19; work toward further improving in-store productivity toward achieving increase in both revenue and income.

CHROME HEARTS JP, GK (April - March) *

Decrease in both revenue and income

- Sales of ¥11.3 billion, down 5% YoY
- Revenue decreased but operating income fell only slightly in FY19 due to improvement of gross margin; work to achieve increase in both revenue and income in FY20 by further strengthening the approach to reach domestic customers.

* CHROME HEARTS JP, GK, settles its accounts on December 31. However, given the impact on business performance, results from the period of April 1 to March 31 of the following year are used for consolidated accounting.

UNITED ARROWS TAIWAN LTD. (February - January)

Results in FY19 were roughly in line with targets; step up initiatives for the basic trend-conscious and new basic trend-conscious markets in FY20.

Designs & Co. (February–January)

Results in FY19 exceeded targets; work to accelerate growth by opening two stores and improve operating revenue in FY20.

■ FY20 Consolidated P&L Forecasts

Work toward achieving the profit target in the Medium-Term Vision and plan to raise dividend by ¥3 per share based on the target dividend payout ratio.

- Sales: ¥164,240 million (up 3.3% YoY) based on the assumption that UNITED ARROWS LTD. existing retail and online store sales improve 2.3% YoY.
 - Gross margin of 52.0% (YoY difference of up 0.5 percentage points), assuming the past trend of inventory reduction will continue and there will be a decrease in markdowns, including sales at outlet stores.
 - SGA expenses to sales ratio of 44.7% (YoY difference of up 0.2 percentage points), assuming decrease in logistics costs and increase in personnel expenses and advertising expenses, etc.
 - Ordinary income of ¥12,000 million (up 6.1% YoY); net income of ¥6,700 million (up 4.4% YoY)
 - Plan to raise the annual dividend by ¥3 per share to ¥83 per share based on the target dividend payout ratio (35% or above).
- * Capital investments are forecast to be around ¥3,600 million (¥5,800 million in FY19) and depreciation is forecast to be around ¥2,200 million (¥1,800 million in FY19).

(Millions of yen)

	Consolidated FY20 Full Fiscal Year			FY19	
	Forecast	vs. Sales	YoY	Results	YoY
Sales	164,240	100.0%	103.3%	158,918	100.0%
Gross Profit	85,330	52.0%	104.4%	81,760	51.4%
SGA Expenses	73,360	44.7%	103.8%	70,696	44.5%
Operating Income	11,970	7.3%	108.2%	11,063	7.0%
Non OP. P/L	30	0.0%	12.1%	248	0.2%
Ordinary Income	12,000	7.3%	106.1%	11,312	7.1%
Extraordinary P/L	(720)	-0.4%	-	(588)	-0.4%
Net Income Attributable to Owners of Parent	6,700	4.1%	104.4%	6,417	4.0%

* Beginning from FY20, only full-year earnings forecasts are released, because 1H profits normally account for slightly less than 30% of full-year profits and the impact of occurrence of a certain level of deviation between 1H results and forecasts on full-year earnings will be limited.

■ Reference: FY20 Consolidated Gross Margin Forecast

Consolidated gross margin forecast: YoY difference of up 0.5 percentage points to 52.0%

Factors that will impact the consolidated gross margin compared with FY19 and the levels of overall impact are as follows.

FY20 gross margin forecast	52.0%
FY19 gross margin forecast	51.4%
Difference	0.5pt

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

		Remarks
Impact on the gross margin of UNITED ARROWS LTD. total business units	0.2pt	Gross margin of total business units: Up 0.3 percentage points YoY Losses from markdowns are expected to decline especially in 2H.
Impact on the gross margin of UNITED ARROWS LTD. OUTLET and other	0.2pt	Gross margin of UNITED ARROWS LTD. OUTLET and other stores: up 1.3 percentage points YoY Gross margin is expected to increase due to inventory reduction compared with the previous year.
Impact on UNITED ARROWS LTD. other costs	0.0pt	Gross margin is expected to remain on the same level as FY19.
Other factors (trends in subsidiaries, consolidated adjustment, composition of sales, etc.)	0.1pt	Rebound from the increase in losses from markdowns due to promotion of sale of winter items in FY19 is expected. Reduction in the sales composition of OUTLET is also expected.

■ Reference: Details of FY20 Non-Consolidated Sales Forecasts

(Millions of yen)

	Non-Consolidated FY20 Full Fiscal Year				FY19 Results	Composition ratio
	Forecast	Composition ratio	YoY increase (decrease)	%		
Sales	135,423	100.0%	3,946	103.0%	131,476	100.0%
Total Business Unit Sales	116,944	86.4%	4,164	103.7%	112,779	85.8%
Retail	87,921	64.9%	2,263	102.6%	85,658	65.2%
Online	28,341	20.9%	2,005	107.6%	26,336	20.0%
Other (Wholesale, Other)	680	0.5%	(103)	86.8%	784	0.6%
Outlet	18,479	13.6%	(218)	98.8%	18,697	14.2%
Existing stores sales YoY						
Retail + Online	102.3%					
Retail	100.5%					
Online	107.7%					

II. Overview of the 2nd Year of the Medium-Term Vision, Revision of the Corporate Philosophy and FY2020 Management Policy, etc.

■ Overview of the Second Year of the Medium-Term Vision

**We steadily implemented four strategies under the Medium-Term Vision.
All the quantitative target indicators have exceeded the plans.
Our business results show that results have been achieved steadily and sustainably.**

	Key measures		Overview of the second year
	FY18	FY19	
1. Establish a robust management platform	Withdraw from two underperforming businesses		<ul style="list-style-type: none"> • Withdrew from two underperforming businesses.
	Carry out opening and closing of stores toward establishing a robust management platform (opened 20 stores and closed 33 stores)	Same as on the left (opened 29 stores and closed 18 stores)	<ul style="list-style-type: none"> • Opened 49 stores and closed 51 stores in total over the two fiscal years → Achieved YoY growth in existing retail store sales for the second consecutive year
	Launch various projects toward reform of the culture of the organization and human resources	<p>Proceeded with various projects toward reform of the culture of the organization and human resources.</p> <p>Appointment of two executive directors toward strengthening the next generation of management platform.</p>	<ul style="list-style-type: none"> • Revised the Corporate Philosophy (from April 2019) • Reviewed the personnel evaluation system (from April 2019) • Implemented the organizational restructuring of business units (responded to changes in the market) • Operating margin improved by 0.7 percentage points and ordinary margin improved by 0.6 percentage points (comparison of FY19 figures over FY17 figures)
2. Expand online sales activities by harnessing the strengths of physical stores	Integration of the Company's brand website and UA ONLINE STORE website	Restructuring of the logistics function	<ul style="list-style-type: none"> • Achieved a double-digit YoY growth in existing online store sales for the fourth consecutive year
	Enhancement of online store inventory	Set up filming studios in the Headquarters Office and the Logistics Center.	<ul style="list-style-type: none"> • Physical store sales also achieved solid growth → Achieved a YoY existing retail store sales for the second consecutive year
	Preparation for the introduction of RFID (already introduced to GLR and COEN)	Same as on the left	<ul style="list-style-type: none"> • Started introducing RFID to UA and BY, etc. (from spring/summer of 2019)
	Preparation for change of UA ONLINE STORE operating system	Same as on the left	<ul style="list-style-type: none"> • Announced change of the UA ONLINE STORE operating system (February 2019)

*An outline of the UNITED ARROWS Group Medium-Term Vision is included in the attachment at the end of this document.

■ Overview of the Second Year of the Medium-Term Vision

	Key measures		Overview of the second year
	FY18	FY19	
3. Respond to changes in the market	UNITED ARROWS LTD.: Prepared for organizational restructuring to respond to changes in the market ("MKT") Developed the value chain and product platform	UNITED ARROWS LTD.: Implemented organizational restructuring Trend-conscious MKT: Promoted shift to the comprehensive store platform of UNITED ARROWS/BEAUTY&YOUTH to respond to changes in customer needs Basic trend-conscious MKT: Opened specialized stores to meet business needs/women's stores Rebranded the Small Business Unit	Achieved steady sales growth in each market Trend-conscious MKT category*: YoY sales growth of business in the FY18: up 6.6%; FY19: up 6.4% Basic trend-conscious MKT category*: YoY sales growth of business in the FY18: up 6.4%; FY19: up 7.2%
	COEN: Promoted reform of revenue structure	COEN: Continued with reform of revenue structure and enhanced sales promotion toward improving the recognition	New basic trend-conscious MKT category: YoY sales growth of business in the FY18: up 11%; FY19: up 14%
4. Expand points of contact with customers	—	Overseas: Launched test marketing targeting the Basic trend-conscious and New basic trend-conscious MKT	Overseas: Launched COEN and GLR online stores in Taiwan; operated limited-time-only stores as preparatory steps for opening physical stores.

* Due to the organizational restructuring, YoY sales growth figures for the business in the Trend-conscious MKT category indicate FY18 figure for the UNITED ARROWS Business and FY19 figure for Business Unit I; YoY sales growth figures for the Basic trend-conscious MKT indicate FY18 figure for the GLR Business and FY19 figure for Business Unit II.

■ Progress in quantitative targets

Ordinary income		+ 9.6%
Average annual growth rate of 8%	14.4%	(average of two fiscal years)
Ordinary margin of 7% or above (final year target)	7.0%	7.1%
ROE of 16% or above	16.3%	18.0%
Dividend payout ratio of 35% or above	42.1%	35.4%
DOE of 5.5% or above	6.6%	6.0%

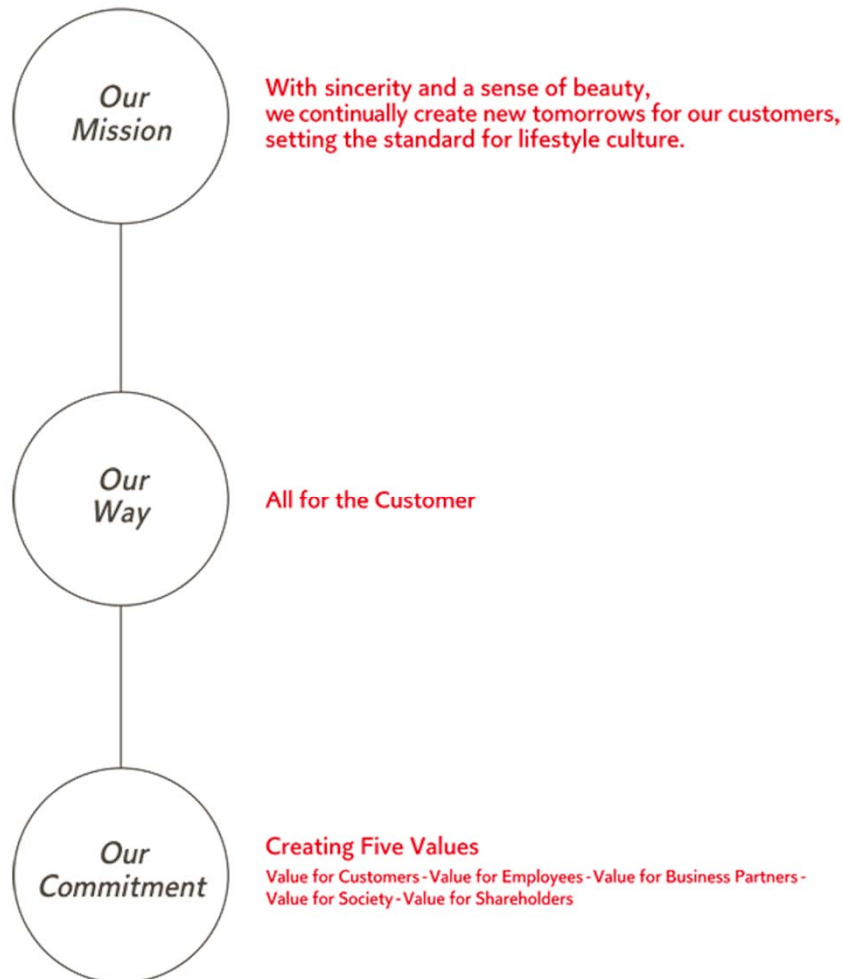
All the targeted indicators have exceeded the plans

■ Reference: Overview of the 2nd year of the Medium-Term Vision – Presentation Materials That Contain Explanations on the Vision

Strategies under the Medium-Term Vision	Measures	Presentation Material of Earnings Announcement that contain explanations
The overall Medium-Term Vision	Details of the four strategies	Fiscal Year Ended March 31, 2017
1. Establish a robust management platform	Withdrawal from two underperforming businesses	the First Quarter Ended June 30, 2017
	Details of store opening/closing in the previous two fiscal years	Fiscal Year Ended March 31, 2018 Fiscal Year Ended March 31, 2019 (this document)
	Appointment of two executive directors	Fiscal Year Ended March 31, 2018
	Revision of the Corporate Philosophy	Fiscal Year Ended March 31, 2019 (this document)
	Review of the personnel evaluation system	*To be explained in the Integrated Report 2019
2. Expand online sales activities by harnessing the strengths of physical stores	Integration of the Company's Brand website and the UA ONLINE STORE website	the Nine-Month Period Ended December 31, 2016
	Enhancement of the online store inventory	
	Preparation for the introduction of RFID	the Nine-Month Period Ended December 31, 2017
	Restructuring of the logistics function	the Fiscal Year Ended March 31, 2018
	Change of UA ONLINE STORE operating system	the Nine-Month Period Ended December 31, 2018
3. Respond to changes in the market	Organizational restructuring to respond to changes in the market	the Fiscal Year Ended March 31, 2018
	Development of the value chain and product platform	the First Quarter Ended June 30, 2017
	Initiatives of business (UA) in the Trend-conscious MKT category	the First Quarter Ended June 30, 2018
	Initiatives of business (GLR) in the Basic trend-conscious MKT category	the First Half Ended September 30, 2018
	Reform of COEN's revenue structure	the First Half Ended September 30, 2017

* Please note that explanations are not available regarding some measures.

"Toward Establishing a Robust Management Platform to Serve as the Driving Force for the Future"



(1) Background

- Establish a robust management platform
- Unwavering values we have held since our founding

(2) Process

- Launch a cross-departmental project made up mainly of staff members engaged in store sales
- Apply the Corporate Philosophy to each individual employee's work

(3) Penetration measures

- Launch the "Our Mission" website for employees
- Start a visiting session on "Our Mission" at stores across the country
- Provide training on Our Mission to all employees

“The First Corporate Philosophy Rollout Session” was held

Purpose

- Sharing of thoughts put into the new Corporate Philosophy
- Promoting understanding of the Corporate Philosophy
- Reaffirm the idea of “Our work = Company Objectives”



Comments from participating staff members

- I felt the Corporate Philosophy became more familiar.
- I think we can use the Corporate Philosophy as the basis of decision-making.
- The keywords of the Corporate Philosophy, “Sincerity” and “For the customer,” made me more motivated.

“Work toward definitely achieving the final-year targets of the Medium-Term Vision based on the new Corporate Philosophy”

1. Establish a robust management platform

- (1) Promote thorough penetration of the philosophy
- (2) Improve the employees' value through workstyle reform

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

- (1) Promote the omnichannel retail platform by rebuilding the online store platform
- (2) Improve the store productivity through an increase in part-timers who perform limited duties

3. Adapt existing businesses to respond to changes in the market

Trend-conscious market

- (1) Promote merging of businesses within business units
- (2) Expand online stores
- (3) Boost growth through the launch of new brands
- (4) Rebuild UNITED ARROWS Men's

Basic trend-conscious market

- (1) Expand online stores
- (2) Reform of GLR Men's dress
- (3) Strengthen the small stores and the Small Business Unit

New basic trend-conscious market

- Promote structural reform
Improve the store operation efficiency

4. Initiatives for future growth

Open overseas stores and expand online stores in the Basic trend-conscious and New basic trend-conscious markets

“Work to address social issues by promoting the creation of five values”

Continuing with efforts for the “creation of five values” leads to social contribution

Aim for sustainable management toward the “establishment of a robust management platform”

Initiatives for the current fiscal year

- Systematically organize knowledge about ESG and SDGs
- Work out specific measures based on the perspective of ESG assessment
- Make preparations for proactive information disclosure
- Formulate the next Medium-Term Management Plan with an eye toward the achievement of SDGs

III. Reference Materials

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

	FY17			FY18			FY19		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Gross margin for the fiscal year	50.8%	51.1%	51.0%	51.2%	51.7%	51.5%	51.5%	51.4%	51.4%
Gross margin for the corresponding period of the previous fiscal year	51.0%	50.6%	50.8%	50.8%	51.1%	51.0%	51.2%	51.7%	51.5%
Difference	▲0.2pt	0.5pt	0.2pt	0.4pt	0.6pt	0.5pt	0.3pt	▲0.3pt	▲0.0pt

■ 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	▲0.5pt	0.7pt	—	0.1pt	0.3pt	0.2pt	0.3pt	▲0.3pt	0.0pt
Impact on the gross margin of UNITED ARROWS LTD. outlet and other stores	0.1pt	0.0pt	—	0.1pt	0.1pt	0.1pt	0.1pt	0.1pt	0.1pt
Impact on UNITED ARROWS LTD. other costs	0.1pt	▲0.2pt	—	0.2pt	0.2pt	0.2pt	▲0.1pt	0.1pt	0.0pt
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	0.1pt	▲0.1pt	—	0.0pt	0.0pt	0.0pt	0.1pt	▲0.2pt	▲0.1pt

Note: Breakdown details for the full fiscal year (FY17) have not been provided. This reflects the difficulties involved in analyzing data attributable to the spin-off of CHROME HEARTS (October 2016) over the full fiscal year cumulative period.

■ Trends in the Consolidated SGA Expenses to Sales Ratio

	FY17			FY18			FY19		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Total of SGA Expenses to Sales	48.1%	41.9%	44.7%	46.9%	42.9%	44.7%	47.3%	42.2%	44.5%
Advertising Expenses	2.2%	2.2%	2.2%	2.1%	2.4%	2.2%	2.4%	2.1%	2.2%
Personnel Expenses	17.4%	14.2%	15.6%	17.0%	14.8%	15.8%	17.0%	14.4%	15.6%
Rent	14.4%	13.7%	14.0%	14.6%	13.7%	14.1%	14.7%	13.9%	14.2%
Depreciation	1.4%	1.2%	1.3%	1.3%	1.1%	1.2%	1.3%	1.1%	1.2%
Other	12.7%	10.6%	11.6%	11.9%	10.9%	11.4%	12.0%	10.7%	11.3%

■ Overview of the UNITED ARROWS Group's Medium-Term Vision (FY18-FY20)

- Promote the following four strategies while harnessing the strength of the Group's relationships of trust with customers

1. Establish a robust management platform

- Reform the culture of the organization and human resources
- Identify underperforming businesses
- Ensure a sound earnings structure

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

- Pursue customer satisfaction from both channels
- Medium-term: Upgrade and expand inventory; strengthen advertising and promotions; review evaluation systems
- Long-term: Create new customer experiences

3. Respond to changes in the market

- Trend-conscious market → Pursue quality over quantity
- Basic trend-conscious and new basic trend-conscious markets → Expand domains with high competitive advantage

4. Expand points of contact with customers

- Expand domains (Miscellaneous Lifestyle Goods, Beauty & Health, etc.)
- Increase the amount of time spent with customers (Reuse, Repair businesses)
- Expand overseas activities (Taiwan: ongoing, cross-border online sales, etc.)

■ Medium-term quantitative targets

- Ordinary income: Target average annual growth of 8% over the medium-term period
- Ordinary income margin: At least 7% in the final fiscal year of the medium-term period; work to secure a double-digit ordinary income margin over the long term
- Target ROE of at least 16%, a dividend payout ratio of at least 35%, and DOE of at least 5.5% on a continuous basis over the medium-term period

■ Long-term objectives

- Online sales composition: Target 25–30%
- Inventory turnover: Target a record high
- Ratio of regular price sales: Target an improvement of at least 5 percentage points