Fiscal 2013

Fiscal Year Ended March 2013

May 8, 2013

UNITED ARROWS LTD.

■ Contents

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 uncertainty. Actual earnings may differ materially from forecasts due to global economic trends, market conditions, exchange rate fluctuations 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 P/L Overview

UNITED ARROWS LTD.

Increase in revenue and earnings; second consecutive fiscal year of record earnings*; four consecutive fiscal years of ordinary income growth

- YoY increase in sales, ordinary income, and net income of 12.7%, 22.5%, and 45.9%, respectively, on a consolidated basis
- Gross margin: 0.1 of a percentage point YoY decrease to 54.4% due mainly to the priority placed on sales measures at UNITED ARROWS LTD. in the second half of the fiscal year
- SGA expenses to sales ratio: 1.1 percentage point YoY decrease to 43.5% owing primarily to decline in the 4Q SGA expenses to sales ratio at UNITED ARROWS LTD.

*Operating income, ordinary income, and net income

(Millions of yen)

	Consolidated Results FY13 (full fiscal year)									
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Revised Forecast	%	FY12 Results	vs. Sales	Revised Forecast	vs. Sales
Sales	**115,041**	100.0%	12,988	112.7%	2,412	102.1%	102,052	100.0%	112,629	100.0%
Gross Profit	**62,619**	54.4%	6,957	112.5%	926	101.5%	55,661	54.5%	61,692	54.8%
SGA Exp.	**50,056**	43.5%	4,588	110.1%	399	100.8%	45,468	44.6%	49,657	44.1%
Operating Inc.	**12,562**	10.9%	2,368	123.2%	526	104.4%	10,193	10.0%	12,035	10.7%
Non Op. P/L	**19**	0.0%	(59)	–	(34)	36.2%	79	0.1%	54	0.0%
Ordinary Inc.	**12,582**	10.9%	2,309	122.5%	491	104.1%	10,272	10.1%	12,090	10.7%
Extraordinary P/L	**(954)**	-0.8%	(45)	105.0%	(63)	107.1%	(908)	-0.9%	(891)	-0.8%
Net income	**7,316**	6.4%	2,300	145.9%	387	105.6%	5,016	4.9%	6,929	6.2%

■ Consolidated P/L/ Overview

In FY13, the Company reported an increase in both revenue and earnings. From a purely profit perspective, ordinary income increased for the fourth consecutive fiscal year and hit an historic high for the second year running. Turning to the Company's forecasts, sales exceeded recently revised estimates. This was also the case at each level of earnings.

Sales for the fiscal year under review climbed 12.7% compared with the previous fiscal year to ¥115,041 million on the back of revenue growth at UNITED ARROWS LTD. and two consolidated subsidiary companies.

The gross margin decreased 0.1 of a percentage point year on year to 54.4% due mainly to the priority placed on measures aimed at reducing inventory through product sales at UNITED ARROWS LTD throughout the second half of the fiscal year.

The SGA expenses to sales ratio decreased 1.1 percentage points to 43.5% owing primarily to a decline in the 4Q SGA expenses to sales ratio at UNITED ARROWS LTD.

Accounting for each of the aforementioned factors, operating income grew 23.2% compared with the previous fiscal year to ¥12,562 million, ordinary income improved 22.5% year on year to ¥12,582 million, and net income increased 45.9% to ¥7,316 million.

■ Reference: Non-Consolidated P/L Overview

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY13 (full fiscal year)						FY12		Revised	
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Revised Forecast	%	Results	vs. Sales	Forecast	vs. Sales
Sales	**106,605**	100.0%	11,198	111.7%	2,296	102.2%	95,406	100.0%	104,308	100.0%
Gross Profit	**57,499**	53.9%	5,863	111.4%	840	101.5%	51,636	54.1%	56,658	54.3%
SGA Exp.	**45,955**	43.1%	3,718	108.8%	252	100.6%	42,236	44.3%	45,702	43.8%
Operating Inc.	**11,544**	10.8%	2,145	122.8%	588	105.4%	9,399	9.9%	10,956	10.5%
Non Op. P/L	**37**	0.0%	(68)	−	(21)	64.3%	106	0.1%	58	0.1%
Ordinary Inc.	**11,582**	10.9%	2,076	121.8%	567	105.1%	9,505	10.0%	11,015	10.6%
Extraordinary P/L	**(931)**	-0.9%	(27)	103.0%	(40)	104.5%	(903)	-0.9%	(891)	-0.9%
Net income	**6,507**	6.1%	2,005	144.5%	409	106.7%	4,502	4.7%	6,098	5.8%

Fiscal 2013 Fiscal Year Ended March 2013 4

■ Reference: Non-Consolidated P/L Overview

An explanation has been omitted.

■ Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 11.7% YoY;
existing retail and online stores sales up 3.4% YoY

- Double-digit percentage growth in sales across all channels surpassing revised forecasts
- Sales composition: online store sales 11.2% (11.1% FY12); outlet store sales 13.0% (12.7% FY12)
- YoY increase in existing retail store sales and online store sales of 2.6% and 8.5%, respectively

(Millions of yen)

	Non-Consolidated Results FY13 (full fiscal year)								
	Results	Share	YoY Increase (Decrease)	%	vs. Revised Forecast	%	FY12 Results	Share	Revised Forecast
Non-Consolidated Sales	**106,605**	100.0%	11,198	111.7%	2,296	102.2%	95,406	100.0%	104,308
Total Business Unit Sales	**92,783**	87.0%	9,447	111.3%	1,207	101.3%	83,335	87.3%	91,575
Retail	**80,057**	75.1%	8,167	111.4%	1,162	101.5%	71,890	75.4%	78,895
Online	**11,948**	11.2%	1,349	112.7%	24	100.2%	10,599	11.1%	11,924
Outlet	**13,822**	13.0%	1,750	114.5%	1,089	108.6%	12,071	12.7%	12,733

	Existing Stores YoY		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	103.4%	—	—
Retail	102.6%	101.8%	100.8%
Online	108.5%	—	—

Fiscal 2013 Fiscal Year Ended March 2013 5

■ Non-Consolidated Sales Results by Sales Channel

For the full fiscal year under review, non-consolidated sales experienced double-digit percentage year-on-year growth at 11.7%. Existing retail and online store sales improved 3.4% compared with the previous fiscal year.

By sales channel, retail, online, and outlet stores sales all saw double-digit percentage revenue growth while also surpassing revised forecasts.

Looking at the composition of sales, the share of online sales to total sales edged up 0.1 of a percentage point year on year to 11.2%. The share of outlet stores sales also improved 0.3 of a percentage point to 13.0%.

The increase in the share of outlet sales to total sales is attributable to such factors as the priority placed on measures aimed at reducing inventory through product sales from the 2H.

■ Non-Consolidated Sales Results by Business Type

UNITED ARROWS LTD.

Revenue up across all businesses; YoY increase in existing store sales across all businesses with growth in both retail and online results

Robust trends in:

- UA: women's casual and CHROME HEARTS products
- GLR: men's and women's business and dressy items
- CH: silver items and apparel products
- SBU: Another Edition, Jewel Changes, DRAWER businesses

(Millions of yen)

	Non-Consolidated Results FY13 (full fiscal year)			
	Results	YoY Increase (Decrease)	%	FY12 Results
Total Business Units	**92,783**	9,447	111.3%	83,335
UA	**47,759**	4,076	109.3%	43,683
GLR	**23,465**	2,521	112.0%	20,943
CH	**7,360**	1,291	121.3%	6,068
SBUs	**14,196**	1,557	112.3%	12,639

	Existing Store YoY		
	Retail + Online	Retail	Online
UA	102.0%	101.6%	105.3%
GLR	102.6%	100.8%	112.2%
CH	-	111.7%	-
SBUs	105.0%	103.6%	110.9%

■ Non-Consolidated Sales Results by Business Type

Non-consolidated revenue for FY13 was up across all businesses. Year-on-year existing store sales increased across all UNITED ARROWS (UA), green label relaxing (GLR), CHROME HEARTS (CH), and Small Business Unit (SBU) businesses with growth in both retail and online results.

Trends in UA women's casual items as well as in CH products were robust.

GLR men's and women's dressy items performed strongly as did online sales.

Beginning with CH silver items and apparel products, trends were firm across basically all domains with revenue improving more than 20%.

In SBU activities, measures included efforts to strengthen collaboration between the Product, Sales, and Promotion departments. As a result, the Another Edition, DRAWER, and Jewel Changes businesses were strong.

■ Non-Consolidated Gross Margin Results

UNITED ARROWS LTD.

0.2 of a percentage point decrease to 53.9%

- Total Business Unit: 0.5 of a percentage point decrease to 57.8% due mainly to the priority placed on sales measures in the second half of the fiscal year
- Outlet: 2.9 percentage points YoY increase to 35.3% largely reflecting an upswing in the shares of current season and outlet original products to total sales
- Other COGS: ¥160 million YoY increase owing primarily to an increase in the write-down of products

	Non-Consolidated Results FY13 (full fiscal year)			Reference: Non-Consolidated FY13 First Half			Reference: Non-Consolidated FY13 Second Half		
	Results	YoY Increase (Decrease)	FY12 Results	**Results**	YoY	FY12 Results	**Results**	YoY	FY12 Results
Gross Margin	**53.9%**	-0.2%	54.1%	**54.0%**	0.7%	53.2%	**53.9%**	-0.9%	54.8%
Total Business Units	**57.8%**	-0.5%	58.3%	**58.0%**	0.1%	57.9%	**57.6%**	-0.9%	58.5%
Outlet	**35.3%**	2.9%	32.4%	**35.2%**	3.8%	31.3%	**35.4%**	2.2%	33.2%
Other COGS Millions of yen	**979**	163	815	**507**	17	490	**472**	146	325

■ Non-Consolidated Gross Margin Results

The non-consolidated gross margin for the full fiscal year decreased 0.2 of a percentage point compared with the previous fiscal year to 53.9%.

The total business unit gross margin declined 0.5 of a percentage point to 57.8% due mainly to the priority placed on measures aimed at reducing inventory through product sales in the 2H of the fiscal year. In specific terms, the 2H gross margin was 57.6%, 0.9 of a percentage point lower year on year.

The outlet gross margin increased 2.9 percentage points to 35.3% largely reflecting an upswing in the share of products with high gross margins including current season and outlet-exclusive products to total sales.

Other COGS increased ¥163 million year on year owing primarily to an increase in the write-down of products in line with such factors as the increase in inventory.

■ Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

Non-consolidated SGA expenses to sales ratio declined 1.2 percentage points YoY from 44.3% to 43.1%

- Three-month 4Q: SGA expenses to sales ratio declined 4.8 percentage points YoY from 51.8% to 47.1%
  →Injection of promotion, repairs and maintenance, furniture and fixtures, and other costs in line with robust results in the 4Q of FY12
  Injection of costs in the 4Q of FY2013, however, on a more level basis YoY

(Millions of yen)

	Non-Consolidated FY13 (full fiscal year)			FY12		Reference: Non-Consolidated FY13 4Q (three-month period)			FY12 4Q	
	Results	vs. Sales	YoY	Results	vs. Sales	Results	vs. Sales	YoY	Results	vs. Sales
Non-Consolidated Sales	**106,605**	**100.0%**	111.7%	95,406	100.0%	**27,605**	**100.0%**	114.3%	24,160	100.0%
SGA Exp.	**45,955**	**43.1%**	108.8%	42,236	44.3%	**12,989**	**47.1%**	103.7%	12,522	51.8%
Advertising Expenses	**2,732**	**2.6%**	95.6%	2,857	3.0%	**870**	**3.2%**	66.2%	1,315	5.4%
Personnel Expenses	**16,479**	**15.5%**	109.1%	15,099	15.8%	**4,879**	**17.7%**	108.5%	4,495	18.6%
Rent	**13,114**	**12.3%**	112.8%	11,623	12.2%	**3,466**	**12.6%**	114.1%	3,037	12.6%
Depreciation	**1,321**	**1.2%**	106.0%	1,246	1.3%	**346**	**1.3%**	102.6%	337	1.4%
Other	**12,307**	**11.5%**	107.9%	11,408	12.0%	**3,426**	**12.4%**	102.7%	3,335	13.8%

Fiscal 2013 Fiscal Year Ended March 2013 8

■ Non-Consolidated SGA Expenses

The non-consolidated SGA expenses to sales ratio declined 1.2 percentage points year on year to 43.1%.

The principal contributing factor was the drop in the SGA expenses to sales ratio in the 4Q. SGA expenses in the 4Q of FY12 largely reflected the injection of promotion, repairs and maintenance, furniture and fixtures, and other costs in line with robust results in the 4Q, resulting in the ratio to sales of 51.8%. This injection of expenses was outside forecasts. While expenses were again injected in the 4Q of FY13 matching strong operating results, the level of expenditure was on a more level basis year on year. As a result, the SGA expense to sales ratio for the 4Q of FY13 declined 4.8 percentage points year on year to 47.1%.

■ Consolidated / Non-Consolidated Balance Sheet Overview

UNITED ARROWS LTD.

(Major factors contributing to the year-on-year increase and decrease in financial position are essentially presented on a consolidated basis)

- Current assets: Increase in the balances of inventory and accounts receivable—other (commercial facilities, credit companies, other); decrease in the balance of cash and deposits
- Noncurrent assets: Increase in the balances of tangible noncurrent assets and guarantee deposits in line with the opening of new stores
- Liabilities: Decrease in the balance of long-term loans payable

Note: The balances of consolidated short- and long-term loans payable: ¥7,773 million, down 23.2% YoY
Note: Non-consolidated inventory: Up 9.0% YoY (lower than the rate of YoY non-consolidated sales growth of 11.7%)

(Millions of yen)

	Consolidated FY13-End				Non-Consolidated FY13-End			
	Balance	Share	YoY Increase (Decrease)	%	Balance	Share	YoY Increase (Decrease)	%
Total Assets	**54,395**	100.0%	3,116	106.1%	**51,040**	100.0%	894	101.8%
Current Assets	**34,989**	64.3%	1,781	105.4%	**30,905**	60.6%	(244)	99.2%
(Inventory)	**17,480**	32.1%	1,727	111.0%	**16,202**	31.7%	1,332	109.0%
Noncurrent Assets	**19,405**	35.7%	1,334	107.4%	**20,134**	39.4%	1,139	106.0%
Current Liabilities	**25,724**	47.3%	28	100.1%	**23,156**	45.4%	(1,379)	94.4%
Noncurrent Liabilities	**3,267**	6.0%	(3,023)	51.9%	**3,014**	5.9%	(3,026)	49.9%
Total Net Assets	**25,403**	46.7%	6,112	131.7%	**24,869**	48.7%	5,300	127.1%
Reference: Balance of Short- and Long-Term Loans Payable	**7,773**	14.3%	(2,341)	76.8%	**6,673**	13.1%	(3,141)	68.0%

Fiscal 2013 Fiscal Year Ended March 2013 9

■ Consolidated / Non-Consolidated Balance Sheet Overview

(Major factors contributing to the year-on-year increase and decrease in financial position are presented on a consolidated basis.)

Total assets stood at ¥54,395 million, up 6.1% compared with the end of the previous fiscal year.

Current assets totaled ¥34,989 million, a year-on-year increase of 5.4%. The principal factors contributing to the increase were higher balances of inventory reflecting expansion in the scope of operations as well as accounts receivable-trade relating to commercial facilities, credit companies, and other activities in line with sales growth.

Noncurrent assets climbed 7.4% compared with the end of the previous fiscal year to ¥19,405 million. This was largely attributable to the upswing in tangible noncurrent assets and guarantee deposits on the back of investments in operating facilities.

Current liabilities stood at ¥25,724 million as of March 31, 2013, a nominal increase of 0.1% year on year. Noncurrent liabilities, on the other hand, declined 48.1% compared with the previous fiscal year-end to ¥3,267 million. The major factor leading to this decrease was the repayment of debt.

The balance of short- and long-term loans payable was ¥7,773 million as of the end of the fiscal year under review. This was a year-on-year downturn of 23.2%.

On a non-consolidated basis, the balance of inventory was up 9.0% compared with the previous fiscal year-end. This was below the full fiscal year sales growth rate of 11.7%.

■ Consolidated Cash Flow Overview

UNITED ARROWS LTD.

- Cash flows from operating activities: (Factors contributing to an increase) Increase in income before income taxes; increase in notes and accounts payable—trade; (Factors contributing to a decrease) Increase in inventory; increase in income taxes paid
- Cash flows from investing activities: (Factors contributing to a decrease) Purchase of property, plant and equipment
- Cash flows from financing activities: (Factors contributing to an increase) Increase in short-term loans payable (Factors contributing to a decrease) Decrease in long-term loans payable; cash dividends paid

(Millions of yen)

	Consolidated FY13 Results	FY12 Results
Cash flows from operating activities (sub-total)	**11,317**	13,758
Cash flows from operating activities	**5,238**	12,081
Cash flows from investing activities	**(3,528)**	(2,711)
Cash flows from financing activities	**(3,533)**	(6,875)
Cash and cash equivalents at the end of the term	**6,142**	7,966

Fiscal 2013 Fiscal Year Ended March 2013 10

■ Consolidated Cash Flow Overview

For the fiscal year under review, cash flows from operating activities were net cash provided by operating activities of ¥11,317 million at a sub-total level. After accounting for income taxes paid, net cash provided by operating activities came to ¥5,238 million.

The major cash inflows for the period were an increase in income before income taxes and an increase in notes and accounts payable-trade. The principal cash outflows were an increase in inventory and an increase in income taxes paid.

Net cash used in investing activities was ¥3,528 million. This result was largely attributable to such cash outflows as the purchase of property, plant and equipment reflecting the opening of new stores and the renewal of existing stores as well as payment for guarantee deposits.

Net cash used in financing activities came to ¥3,533 million. The principal cash inflow was an increase in short-term loans payable. The major cash outflow were the decrease in long-term loans payable and cash dividends paid.

Accounting for each of these activities, cash and cash equivalents as of the end of fiscal year under review was ¥6,142, a decline of ¥1,824 million compared with the end of the previous fiscal year.

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

UNITED ARROWS LTD.

Targeting a third consecutive fiscal year of both consolidated and non-consolidated earnings growth

- Consolidated sales of ¥125,545 million (109.1% YoY); ordinary income of ¥13,484 million (107.2% YoY); net income of ¥7,754 million (106.0% YoY)
- Non-Consolidated: sales of ¥114,651 million (107.5% YoY); ordinary income of ¥12,564 million (108.5% YoY)
- The difference between consolidated and non-consolidated earnings is expected to decline slightly YoY; this is largely attributable to the forecast downturn in earnings at FIGO CO., LTD. as a result of foreign current exchange rates and projected costs associated with overseas business development activities

(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%

Fiscal 2013 Fiscal Year Ended March 2013 11

■ Fiscal 2014 Consolidated / Non-Consolidated P/L Overview

UNITED ARROWS LTD. is targeting a third consecutive fiscal year of both consolidated and non-consolidated earnings growth.

On a consolidated basis, sales are forecast to increase 9.1% year on year to ¥125,545 million. From a profit perspective, gross profit is also projected to climb 9.1% year on year to ¥68,319 million on a gross margin of 54.4% around the same level as the previous fiscal year.

Ordinary income is anticipated to improve 7.2% year on year to ¥13,484 million while net income is estimated to reach ¥7,754 million, an increase of 6.0% year on year.

On a non-consolidated basis, sales are forecast to grow 7.5% year on year to ¥114,651 million. Ordinary income is anticipated to total ¥12,564 million, up 8.5% year on year.

The difference between consolidated and non-consolidated earnings is expected to decline slightly in FY14. This is largely attributable to the factoring in of a forecast downturn in earnings at FIGO CO., LTD. as a result of foreign currency exchange rates and projected costs associated with overseas business development activities.

■ 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%

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

Operating overhead expenses are forecast to climb on a temporary basis in the first half with respect to the opening of new stores at UNITED ARROWS LTD. Personnel expenses will carry through for the full fiscal year. Earnings are projected to climb in the second half.

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

(Millions of yen)

	Non-Consolidated Results FY2014 (full fiscal year)			Non-Consolidated Results FY14 First Half			Non-Consolidated Results FY14 Second Half		
	Forecasts	YoY Increase (Decrease)	%	Forecasts	YoY	%	Forecasts	YoY	%
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	100.9%			101.0%			100.8%		
Retail	100.5%			100.5%			100.4%		
Online	103.5%			104.6%			102.7%		

■ Details of Fiscal 2014 Non-Consolidated Sales Forecast

In FY14, total business unit sales are forecast to reach ¥100,019 million, up 7.8% year on year. Of this total, retail and online store sales are projected to climb 8.5% and 5.3%, respectively.

The rate of retail store growth is set higher than that for online store sales. The share of online store sales as a ratio of total non-consolidated sales is estimated to decline 0.2 of a percentage point to 11.0% year on year.

Outlet store sales are anticipated to climb 5.9% year on year to ¥14,632 million.

Existing retail and online store sales are forecast to climb 0.9% for the full fiscal year. In specific terms, retail and online store sales are forecast to increase 0.5% and 3.5%, respectively.

■ Fiscal 2014 Consolidated Store Opening / Closing Plan

UNITED ARROWS LTD.

• Full FY14 forecast Group total: Number of new stores opened: 49; Closed: 6; Number of stores as of FY14-end: 314
• Full FY14 forecast UNITED ARROWS LTD. total: Number of new stores opened: 28; Closed: 4;
Number of stores as of FY14-end: 232

	FY13 Results				FY14 Forecasts					
	Opened				No. of stores at the beginning of the period	Opened				No. of stores at the end of the period
	1H	2H	Full Fiscal Year	Closed		1H	2H	Full Fiscal Year	Closed	
Group Total	**25**	**16**	**41**	**6**	**271**	**31**	**18**	**49**	**6**	**314**
UNITED ARROWS LTD. Total	**19**	**9**	**28**	**5**	**208**	**22**	**6**	**28**	**4**	**232**
UNITED ARROWS Total	8	2	10	2	67	8		8	1	74
UNITED ARROWS (General Merchandise Store)				1	11					11
UNITED ARROWS	4	1	5		21	3		3		24
BEAUTY&YOUTH	4	1	5	1	33	5		5	1	37
UA Label Image Stores					2					2
green label relaxing	6	3	9	1	56	4	2	6	2	60
CHROME HEARTS		1	1		8	1		1		9
SBUs Total	4	2	6	2	59	8	4	12	1	70
Another Edition				1	13	2	1	3		16
Jewel Changes	1		1	1	7	2	1	3		10
Odette é Odile	1	1	2		23	2		2	1	24
DRAWER					6	1		1		7
New Businesses							2	2		2
ARCHIPELAGO					1					1
Cross Sales-Type: THE AIRPORT STORE					3					3
Cross Sales-Type: THE STATION STORE	1	1	2		4	1		1		5
Cross Sales-Type: THE HIGHWAY STORE	1		1		2					2
Outlet	1	1	2		18	1		1		19
FIGO CO., LTD.	**2**		**2**	**1**	**12**	**1**		**1**		**13**
COEN CO., LTD.	**4**	**7**	**11**		**51**	**8**	**12**	**20**	**2**	**69**

■ Fiscal 2014 Consolidated Store Opening / Closing Plan

For the full fiscal year, the Group is planning to open 49 new stores and close six stores for a FY14-end total of 314 stores.

UNITED ARROWS LTD. is looking to open 28 new stores and close four stores. On this basis, the number of stores as of the period-end is forecast at 232 stores.

The Company's store opening activities will be directed largely toward the mainstay BEAUTY&YOUTH (BY) and GLR brands as well as the SBU domain. Group company, COEN CO., LTD., also plans to expand its store opening activities.

Looking at the first and second halves of the fiscal year, UNITED ARROWS LTD., in particular, is forecast to increase the opening of new stores in the first half in line with such factors as the opening of stores by several businesses in GRAND FRONT OSAKA in April.

■ Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.

Felisi

coen

Fiscal 2013 (March) closed on a positive note with an increase in revenue and earnings

- Fiscal 2013 (March) sales totaled ¥2,900 million, up 15% YoY
- Number of new stores opened: 2; Closed: 1
- Currently pursuing several negotiations in an effort to secure a new brand to follow Felisi guided by a new management structure

Note: Acquired rights to exclusively distribute Italian fashion brand Aspesi products in Japan → plans to commence business during spring / summer 2014

Fiscal 2013 (January) closed on a positive note with an increase in revenue and earnings

- Fiscal 2013 (January) sales totaled ¥5,700 million, up 29% YoY
- Improvement in the gross margin due mainly to cutbacks in the sale of markdown items
- Number of new stores opened: 11
- New fiscal year: Accelerate the pace of new store openings in line with stable improvements in business results through to the previous fiscal year; target the opening of 20 new stores in the current fiscal year

Commenced sales of a limited edition 40th anniversary commemorative Felisi brand tote bag

COEN Dainichi opened on November 9, 2012

■ Group Companies

・FIGO CO., LTD.

In FY13, FIGO CO., LTD. reported an increase in revenue and earnings. Sales for the fiscal year under review climbed 15% compared with the previous fiscal year to ¥2,900 million.

In addition to robust trends in wholesale sales due to successful efforts to stabilize delivery periods, the company's positive results were attributable to improved revenue at directly operated retail stores as well as online stores.

Under the guidance of a new management structure from April, negotiations are currently being pursued with several brands in an effort to secure a new brand to follow Felisi. On April 30, FIGI CO., LTD. issued a press release outlining the company's acquisition of rights to exclusively distribute Italian fashion brand Aspesi products in Japan. Plans are in place to commence sales of spring and summer items in 2014.

・COEN CO., LTD. (balance date: January)

In FY13, ended January 31, 2013, COEN CO., LTD. reported revenue and earnings growth. In specific terms, sales totaled ¥5,700 million, an increase of 29.0% compared with the previous fiscal year.

The gross margin improved due mainly to cutbacks in the sale of markdown items.

Building on the stable improvements in business results through to the previous fiscal year, the company is accelerating the pace of new store openings with the aim of opening 20 new stores annually in the current fiscal year.

■ Progress Report on Addressing Priority Issues in Fiscal 2013

UNITED ARROWS LTD.

Management Policy

Secure record high consolidated ordinary income by strengthening the precision of collaboration between Product, Sales, and Promotion departments, differentiating the Group from its competitors, and consistently pursuing sales and profits

(1) Establish a product, sales, and promotion collaboration cycle

- Took steps to incorporate customer feedback through the in-depth exchange of information between Product and Sales departments based on various meetings and discussions as well as store visits
- Strengthened the appeal of products based on MD planning and the use of VMD study workshops and VMD reference books
- Implemented a variety of promotional measures attuned to the attributes of each business

(2) Create new value that addresses market needs though the development of new businesses

- Commenced the opening of a monkey time BEAUTY&YOUTH UNITED ARROWS store from September 2012
- Took preparatory steps to open STEVEN ALAN stores; plan to commence opening stores from April 2013

(3) Increase profit by improving productivity

- Promoted the reduction of inventory through such measures as finely tuned adjustments to pricing and the use of outlet stores
- Commenced steps to better grasp the status of Group-wide weekly and monthly inventories and to undertake initiative deliberation

→Trends in non-consolidated inventory growth rates (+9.0%) falling below the rates of growth in sales (+11.7%)

Fiscal 2013 Fiscal Year Ended March 2013 16

■ Progress Report on Addressing Priority Issued In Fiscal 2013

In the previous period, UNITED ARROWS LTD. put forward the management policy of securing record high consolidated ordinary income by strengthening the precision of collaboration between Product, Sales, and Promotion departments, differentiating the Group from its competitors, and consistently pursuing sales and profits. Under this policy, the Company identified three priority issues.

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

The Product and Sales departments undertook to build an operating platform that would ensure that feedback gleaned from customers was relayed accurately to the Product Department. To this end, the two departments engaged in the in-depth exchange of information based on various meetings and discussions as well as store visits. For its part, the Sales Department worked diligently to strengthen the appeal of in-store products based on MD planning and the use of VMD study workshops and VMD reference books. The Promotion Department channeled its energies toward implementing a variety of promotional measures attuned to the attributes of each business in line with product plans. We are confident that the continuous implementation of these measures led to sales exceeding forecasts.

2.Create new value that addresses market needs through the development of new businesses

In addition to commencing the opening of a monkey time BEAUTY&YOUTH UNITED ARROWS stores from September 2012, preparatory steps were taken to open STEVEN ALAN stores from April 2013.

3.Increase profit by improving productivity

Recognizing the buildup in fall and winter item inventories, measures were taken to reduce inventory through such measures as finely tuned adjustments to pricing and the use of outlet stores. By commencing steps to better grasp the status of Group-wide weekly and monthly inventories and to deliberate on initiatives, successful efforts were made to hold down the rate of non-consolidated inventory growth to below the rate of growth in sales while taking into consideration final profits.

The aforementioned made up the main measures implemented in the previous fiscal year. By pursuing more detailed priority issues identified by each department and store, the Group was able to secure the record high consolidated ordinary income put forward under its management policy.

■ Fiscal 2014 Management Slogan and Non-Consolidated Management Policy

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 stores

(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

Fiscal 2013 Fiscal Year Ended March 2013 17

■ Fiscal 2014 Management Slogan and Non-Consolidated Management Policy

"Challenge" has been positioned as our Management Slogan for FY14. At the same time the following four management policies have been identified.

Take up the "challenge" of ensuring that existing stores continue to evolve and grow

Existing businesses have raised the goal of continuously providing new value by grasping customer needs in tune with social trends and honing the Company's service, products, and store environment that are the source of competitive advantage. By taking up this challenge, we are looking to secure year-on-year existing store growth across all businesses.

Take up the "challenge" of developing new businesses

After a period of temporary inactivity, UNITED ARROWS LTD. reignited efforts to develop new businesses from the previous fiscal year. Small Business Unit Division I and II were established and placed under Business Unit I and II, respectively, in order to actively promote the development of new businesses from the current fiscal year. In FY14, plans are also in place to take specific preparatory steps to enter overseas markets. We undertake to provide an explanation in a timely manner when we are in the position to make an announcement.

Take up the "challenge" of becoming a leading O2O company

O2O is now an essential key word in the fashion industry on the back of such recent trends as the widespread use of smart phones and the evolution of recommendation functions that target individual customers. In positioning the development of O2O initiatives as an important issue for attention in FY14, UNITED ARROWS LTD. launched the Digital Marketing Department. In addition, we will focus on furthering developing O2O opportunities, encourage collaboration between all channels with an eye fixed firmly on customers, and promote an "Omni Channel" to realize purchases in the form most desired by customers.

Take up the "challenge" of increasing profit by improving productivity

While strengthening existing businesses and developing new businesses, UNITED ARROWS LTD. will target ongoing diversified cost control measures and improvement in operating efficiency from a management perspective. At the same time, we will take up the challenge of increasing profit by improving productivity through efforts to enhance each employee's mindset toward revenues and expenditure, reinforce collaboration between related departments, and improve operations.

Under these three management policies, UNITED ARROS LTD. will endeavor to achieve record high profit for a third consecutive fiscal year.

■ Returning Profits to Shareholders

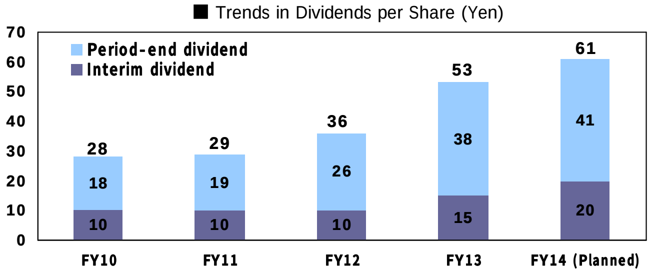
UNITED ARROWS LTD.

- Implementing the stable payment of cash dividends based on a consolidated dividend payout ratio of 25% taking into consideration the retained earnings required to fund investments and financial position

→ Fiscal 2013 Annual ¥53 (**Up ¥17 YoY**; up ¥7 from the forecast at the beginning of the period)

→ Fiscal 2014 Annual ¥61 (**Up ¥8 YoY**) Planned

■ Trends in Dividends per Share (Yen)



	FY10	FY11	FY12	FY13	FY14 (Planned)
Cash dividend per share (Yen)	**28**	**29**	**36**	**53**	**61**
Interim dividend	10	10	10	15	20
Period-end dividend	18	19	26	38	41
Consolidated dividend payout ratio	84.2%	29.9%	22.7%	23.0%	25.1%
Consolidated DOE	5.1%	6.8%	5.9%	6.6%	–
Net income per share (Yen)	33.26	97.02	158.74	230.80	243.19

Fiscal 2013 Fiscal Year Ended March 2013 18

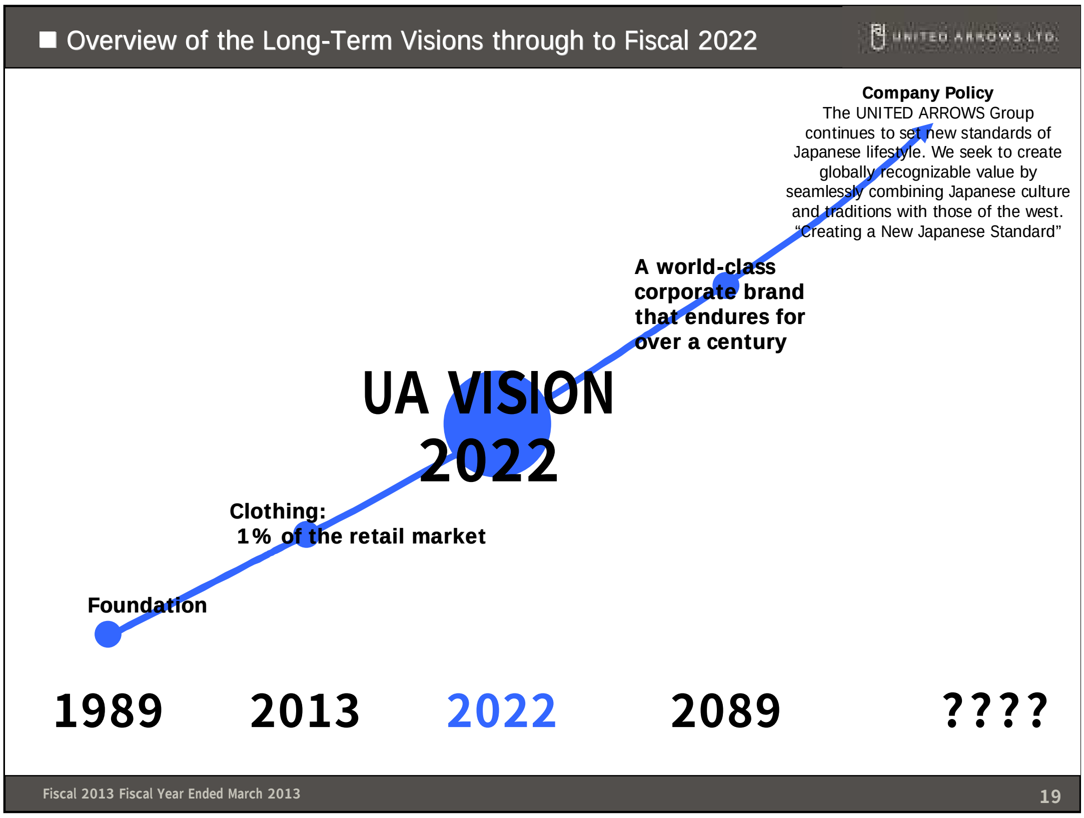
■ Returning Profits to Shareholders

Under its basic shareholder returns policy, UNITED ARROWS LTD. strives to maximize shareholder value. To this end, the Company works diligently to increase earnings per share by promoting further sustainable growth and increasing operating results. At the same time, UNITED ARROWS LTD. implements the stable payment of dividends linked to its business performance.

In FY13, results surpassed both initial and revised forecasts. As a result, UNITED ARROWS LTD. has decided to increase its cash dividend per share by ¥7 compared with the forecast at the beginning of the period. This translates to an annual cash dividend of ¥53 per share and a dividend payout ratio of 23%.

In FY14, we have put forward the cash dividend policy of targeting a consolidated dividend payout ratio of around 25% and undertaking the payment of stable cash dividends while taking into consideration such factors as the retained earnings necessary for investments and the Company's financial position. On this basis, we plan to pay an annual cash dividend of ¥61 per share for FY14. This represents an increase of ¥8 per share compared with FY13.

Over the medium to long term, UNITED ARROWS LTD. will endeavor to upgrade and expand returns to shareholders. In addition to the payment of stable cash dividends, we will therefore carry out a variety of initiatives including stock splits as well as the buyback and retirement of our own shares.



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

Drawing Up UA VISION 2022

In November 2011, UNITED ARROWS LTD. announced details of its medium-term business plan, which carried through to the fiscal year ending March 31, 2014. Under the plan, we set the quantitative targets of consolidated sales of ¥120,000 million, consolidated ordinary income of ¥11,500 million or more, and a consolidated ROE of 20% or more. To achieve these targets, we identified the core strategies of reinforcing existing businesses, developing new sales channels, and entering new fields.

Turning to our progress to date, we achieved the target for ordinary income one year in advance and expect to reach our target for sales in the current fiscal year. At present, trends indicate that we will exceed our target for ROE.

In addition, “creating values that set new standards of Japanese lifestyle” has been established as our Company Policy. In order to achieve this Policy, we put forward the critical need to secure a market share in Japan of at least 1%. Recognizing that the current scale of the domestic apparel market stands at around ¥10 trillion, this translates to sales of ¥100,000 million. We broke through this ¥100,000 million in sales barrier on a non-consolidated basis for the first time in FY13 finally clearing our long-standing target.

Having achieved the aforementioned targets, and in line with the shift to a new management structure, we recognized the important need to identify a new set of long-term objectives. With our next-generation executives taking a central role, we have undertaken lengthy deliberations over the past two years.

In line with these deliberations, and taking into consideration our Company Policy, we see the following roadmap as the basis for our long-term vision.

24 years have now passed since our foundation in 1989. In 2013, we secured a 1% share of Japan’s retail clothing market on a non-consolidated basis.

Last year, UNITED ARROWS LTD. introduced the overarching slogan and aspiration “to continue as a viable going concern for over a century and evolving into an entity that excels on the world stage” as a part of its new management framework.

As one step in realizing this ideal scenario one hundred years from inauguration in 2089, we have put in place the long-term vision, UA VISION 2022, and identified a point nine years hence as a critical juncture.

In order to further expand stable growth going forward, it is vital that we adapt flexibly to change and shifts in our external environment and consumer sentiment. Of equal importance are the ability to meet international conditions and competition in an increasingly borderless era, and to evolve by addressing the needs of the times in our pursuit of absolute customer satisfaction. Taking each of the aforementioned into consideration, we have established the following as the slogan for UA VISION 2022.

■ Overview of the Long-Term Visions through to Fiscal 2022

UNITED ARROWS LTD.

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.

Fiscal 2013 Fiscal Year Ended March 2013 20

The UA VISION 2022 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.

In order to prevail as a world-class company that endures for over a century from our foundation, we must first put in place a store network that satisfies customers in Japan like no other.

In this manner, we will undoubtedly attract the attention of global customers and build a loyal international customer base.

Furthermore, the UNITED ARROWS Group will continue as a viable going concern for over a century and build the necessary platform to become a company that excels on the world stage by realizing this slogan.

■ Overview of the Long-Term Visions through to Fiscal 2022

UNITED ARROWS LTD.

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

Fiscal 2013 Fiscal Year Ended March 2013 21

Three Business Strategies Aimed at Achieving UA VISION 2022

Grow and Expand existing business growth through a process of self-improvement and reform that is in tune with each era

With respect to all of our existing businesses, we will work to become a corporate group that attracts the attention of customers worldwide by ensuring that our inherent strengths of service, products, and store environment continue to evolve. To this end, we will endeavor to adapt to each era and consistently pursue a process of self-improvement and reform. At the same time, we will set individual missions based on the attributes of each business to secure high rates of growth and profitability while supporting the development of the following new businesses and entry into overseas markets from an earnings perspective.

Put forward new value proposals by developing an fostering new businesses that will drive next-generation growth

It is inevitable that customer needs will further diversify in the future as the external environment and consumer sentiment change. In order to continuously meet these demands we will put forward new value proposals by developing and fostering new businesses that will drive next-generation growth.

Since formulating the medium-term business plan, we have expanded growth within existing domains focusing mainly on clothing while contemplating and implementing measures aimed at developing new channels and entering new business fields. Looking ahead, we will continue to take up the challenge of developing new channels and entering new business fields from a variety of perspectives including profitability and market share. Recognizing that there remains additional room for further growth within existing domains, we will maximize the evolution and development of our inherent strengths going forward. Against this backdrop, we will prioritize the development of new businesses.

Take steps to enter overseas markets with a view to strengthening future international capabilities

We will enter overseas markets as a part of efforts to strengthen our ability to meet international conditions and competition in the future. The priority issue of entering overseas markets during the period of our long-term vision is based on the precondition of improving profitability and entails accumulating know-how through the opening and operation of new stores and building a business model that is capable of promoting growth and development in each country worldwide. We see the pursuit of global business scale as an issue for the next long-term vision period. In entering overseas markets, it is vital that we undertake thoroughgoing provisional calculations regarding profitability and put in place stringent withdrawal standards. This will contribute to the early realization of profit and swift decision-making in the event of withdrawal.

■ Overview of the Long-Term Visions through to Fiscal 2022

UNITED ARROWS LTD.

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**

Fiscal 2013 Fiscal Year Ended March 2013 22

Three Sales Initiatives Aimed at Achieving UA VISION 2022

Strengthen collaboration between the Product, Sales, and Promotion departments

Moving forward, we will further strengthen collaboration between the Product, Sales, and Promotion departments, which has been a major factor in our business performance recovery in recent years. From a Sales Department perspective, we will look to reinforce service and store making capabilities. In the Product Department, we will focus on bolstering private-label brand development skills. For both the Sales and Product departments, we will strive to enhance MD verification capabilities. Turning to the Promotion Department, we will advance promotions that will lead to increased loyalty among our existing customer base while capturing new customers and make every effort to further strengthen collaboration.

By strengthening collaboration, we will boost the sales and profitability not only of existing businesses, but also new and overseas activities.

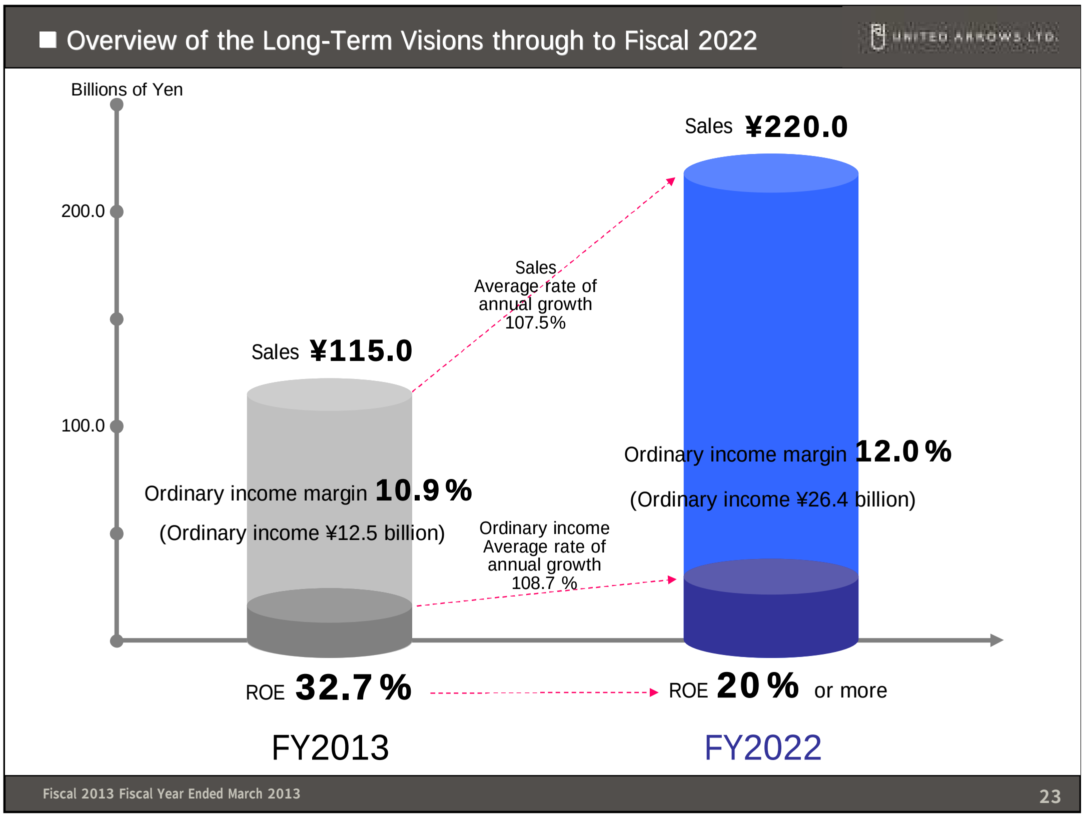
Take a systematic approach toward business processes and operations

In order the further strengthen collaboration between the Product, Sales, and Promotion departments, we will take a systematic approach toward each business process and operation, put in place strategic maps on the status of coordination between business processes and operations on a weekly, monthly, and season basis, and monitor progress. At the same time, we will standardize business processes and operations that rely on individual skills by visualizing the entire value chain and establish a framework that is capable of steadfastly carrying out these processes and operations. By taking this systematic approach to the Company's strengths and record of success, we will fortify our platform, which provides the basis for our continued existence as a viable going concern for over a century.

Bolster creativity

By implementing the initiatives outlined in (1) and (2) above, we will take significant strides forward in strengthening our organizational management, standardizing mainstay business processes and operations, and bolstering activities from a tangible perspective which includes successful efforts to increase visibility. Meanwhile, we will also bolster creativity in order to continue providing high value and satisfaction to customers through our fashion activities.

UNITED ARROWS LTD. put in place a creative resource center as well as a UNITED ARROWS business atelier during the previous fiscal year as a part of efforts to strengthen its private label brand product development capabilities. In addition to improving the accuracy of these initiatives, we will bolster creativity and further enhance customer satisfaction by fostering creative human resources and ensuring that craftsmanship is passed on.



Quantitative Targets under UA VISION 2022

By carrying out each of the aforementioned business strategies and operating measures, we will work toward achieving consolidated sales of ¥220,000 million, an ordinary income margin of 12.0%, ordinary income of ¥26,400 million, and an ROE of 20% or more by FY22, the final year of our long-term vision.

Based on FY13 results, this represents an average rate of annual growth in consolidated sales and ordinary income of 7.5% and 8.7%, respectively.

In addition to building a platform, which provides the basis for our continued existence as a viable going concern for over a century and the ability to become a company that excels on the world stage, realizing our long-term vision will help enhance the value of all stakeholders.

Appendix: Explanation of Frequently Occurring Terms

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.