Fiscal 2013

Fiscal Year Ending March 2013

Third Quarter

Earnings Announcement

February 7, 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 / Non-Consolidated PL Overview

Revenue and earnings growth; achieved new 3Q cumulative highs at each level of earnings

- YoY increase in sales, ordinary income, and net income of 11.6%, 12.7%, and 20.3%, respectively, on a consolidated basis
- Gross margin: 0.2 of a percentage point YoY improvement due mainly to increases in gross margins at own outlet stores
- SGA expenses to sales ratio: 0.1 of a percentage point YoY increase owing largely to the higher store opening costs associated with the increase in new stores opened by COEN CO., LTD.
- Extraordinary loss: mainly reflecting impairment losses brought to account

(Millions of yen)

	Consolidated Results FY13 3Q Cumulative						Non-Consolidated Results FY13 3Q Cumulative					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY12 3Q Cumulative Results	vs. Sales	Results	vs. Sales	YoY Increase (Decrease)	%	FY12 3Q Cumulative Results	vs. Sales
Sales	**84,636**	100.0%	8,802	111.6%	75,833	100.0%	**78,999**	100.0%	7,753	110.9%	71,246	100.0%
Gross Profit	**47,413**	56.0%	5,110	112.1%	42,303	55.8%	**43,907**	55.6%	4,412	111.2%	39,495	55.4%
SGA Exp.	**35,802**	42.3%	3,766	111.8%	32,035	42.2%	**32,965**	41.7%	3,250	110.9%	29,714	41.7%
Operating Inc.	**11,611**	13.7%	1,343	113.1%	10,268	13.5%	**10,942**	13.9%	1,161	111.9%	9,780	13.7%
Non Op. P/L	**40**	0.0%	(31)	56.1%	71	0.1%	**55**	0.1%	(30)	64.7%	85	0.1%
Ordinary Inc.	**11,651**	13.8%	1,311	112.7%	10,340	13.6%	**10,997**	13.9%	1,131	111.5%	9,865	13.8%
Extraordinary P/L	**(750)**	-0.9%	(476)	–	(274)	-0.4%	**(744)**	-0.9%	(474)	–	(270)	-0.4%
Net Income	**6,763**	8.0%	1,143	120.3%	5,620	7.4%	**6,326**	8.0%	964	118.0%	5,361	7.5%

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■ PL Overview (Consolidated)

UNITED ARROWS LTD. reported revenue and earnings growth for the 3Q cumulative nine-month period from April 1, 2012 to December 31, 2012 of FY13, the fiscal year ending March 31, 2013. For the period under review, the Company in fact achieved new cumulative highs at each level of earnings from operating income to net income.

Sales came to ¥84,636 million, an increase of 11.6% year on year. This was largely attributable to revenue growth at UNITED ARROWS LTD. and two consolidated subsidiaries.

The gross margin improved 0.2 of a percentage point year on year to 56.0% on the back of increases in gross margins at UNITED ARROWS LTD. outlet stores.

The selling, general and administrative (SGA) expenses to total sales ratio increased 0.1 of a percentage point to 42.3% owing largely to such factors as the higher store opening costs associated with the increase in new stores opened by COEN CO., LTD..

Taking into account the aforementioned, operating income rose 13.1% year on year to ¥11,611 million. Ordinary income was ¥11,651 million, up 12.7%.

Further, while an impairment loss of ¥717 million was recorded during the 3Q cumulative nine-month period, resulting in a year-on-year increase in extraordinary loss, net income climbed 20.3% to ¥6,763 million due to a variety of factors including higher ordinary income.

Non-Consolidated Sales by Sales Channel

3Q cumulative non-consolidated sales up 10.9% YoY;
Existing retail and online stores sales up 2.4% YoY

- Double-digit percentage growth in sales across all channels
- Sales composition: online store sales 11.0% (10. 7% FY12 3Q cumulative); outlet store sales 13.0% (13.0% FY12 3Q cumulative)
- YoY increase in existing retail store sales and online store sales of 1.2% and 10.5%, respectively
- YoY increase in 3Q (three-month period) non-consolidated sales and existing retail and online stores sales of 11.1% and 3.7%, respectively

(Millions of yen)

	Non-Consolidated Results FY13 3Q Cumulative				Reference:	Reference: Non-Consolidated FY13 3Q (Three-Month Period)				Reference:
	Results	Share	YoY Increase (Decrease)	%	FY12 3Q Cumulative Share	Results	Share	YoY Increase (Decrease)	%	FY12 3Q Share
Non-Consolidated Sales	**78,999**	100.0%	7,753	110.9%	100.0%	**32,088**	100.0%	3,211	111.1%	100.0%
Total Business Unit Sales	**68,704**	87.0%	6,701	110.8%	87.0%	**27,879**	86.9%	2,655	110.5%	87.4%
Retail	**59,424**	75.2%	5,698	110.6%	75.4%	**24,045**	74.9%	2,263	110.4%	75.4%
Online	**8,718**	11.0%	1,114	114.7%	10.7%	**3,627**	11.3%	449	114.1%	11.0%
Outlet	**10,294**	13.0%	1,052	111.4%	13.0%	**4,208**	13.1%	556	115.2%	12.6%

	Existing Stores YoY			Existing Stores YoY		
	Sales	Number of Customers	Ave. Spending per Customer	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	102.4%	–	–	103.7%	–	–
Retail	101.2%	99.9%	101.3%	102.6%	100.2%	102.4%
Online	110.5%	–	–	110.6%	–	–

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■ Non-Consolidated Sales by Channel

For the 3Q cumulative nine-month period of FY13, non-consolidated sales climbed 10.9% year on year while existing retail and online stores sales increased 2.4%.

For the period under review, sales improved across all retail, online, and outlet store channels.

Turning to the composition of sales, the share of online store sales rose 0.3 of a percentage point year on year to 11.0%. Outlet store sales accounted for 13.0% of total sales, which was around the same level for the corresponding period of the previous fiscal year.

For the 3Q three-month period of FY13, non-consolidated sales as well as existing retail and online stores sales increased 11.1% and 3.7%, respectively, year on year.

Despite weak fall item sales, 3Q FY13 trends were boosted by robust sales of winter products including outer garments and winter accessories.

Non-Consolidated Sales by Business Type

3Q cumulative revenues up across all businesses;
Existing retail and online stores sales up across all businesses YoY

- UA, GLR: Robust 3Q trends in outer garments and winter accessories
- CH, SBU: Continued robust results owing to a variety of factors including successful product and sales policies

(Millions of yen)

	Non-Consolidated Results FY13 3Q Cumulative			Reference: Non-Consolidated Results FY13 3Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	%	Results	YoY Increase (Decrease)	%
Total Business Unit Sales	**68,704**	6,701	110.8%	**27,879**	2,655	110.5%
UA	**35,542**	2,846	108.7%	**14,647**	1,016	107.5%
GLR	**17,129**	1,636	110.6%	**7,319**	885	113.8%
CH	**5,473**	888	119.4%	**2,018**	370	122.5%
SBUs	**10,559**	1,329	114.4%	**3,894**	382	110.9%

	FY13 3Q Cumulative Existing Store YoY			FY13 3Q (Three-Month Period) Existing Store YoY		
	Retail + Online	Retail	Online	Retail + Online	Retail	Online
UA	100.8%	99.9%	107.1%	101.4%	101.4%	101.7%
GLR	101.1%	98.6%	113.7%	104.4%	100.6%	122.9%
CH	-	110.7%	-	-	113.1%	-
SBUs	106.2%	104.6%	113.7%	106.5%	105.2%	112.4%

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■ Non-Consolidated Sales by Business Type

3Q cumulative FY13 revenues improved across all businesses. Retail and online stores sales were also up across all businesses.

In the UNITED ARROWS (UA) and green label relaxing (GLR) businesses, outer garment and winter accessory results were particularly robust during the 3Q of FY13 while existing retail store sales improved year on year.

CHROME HEARTS (CH) and Small Business Units (SBUs) reported high rates of revenue growth. Each business experienced a double-digit percentage year-on-year upswing in sales. This was largely attributable to successful product and sales policies carried forward from the 1H.

Non-Consolidated Gross Margin

0.1 of a percentage point improvement to 55.6%
in the non-consolidated FY13 3Q cumulative gross margin

- Improvement largely attributable to an increase in outlet gross margins
  → Increased sales share of this season's items to total outlet sales due to the swift transfer of slow-selling products from frontline stores to outlet stores and robust trends in outlet store specialty items
- 0.7 of a percentage point decrease to 58.0% YoY in the FY13 3Q (three-month period) gross margin
  →Attributable to the priority placed on sales in both business unit and outlet store operations while taking into consideration full fiscal year profit forecasts

	Non-Consolidated Results FY13 3Q Cumulative			Reference: Non-Consolidated Results FY13 3Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	FY12 3Q Cumulative Results	Results	YoY Increase (Decrease)	FY12 3Q (Three-Month Period)
Gross Margin	**55.6%**	0.1%	55.4%	**58.0%**	-0.7%	58.7%
Total Business Unit Sales	**59.1%**	-0.2%	59.4%	**60.8%**	-0.7%	61.5%
Outlet	**36.9%**	2.5%	34.4%	**39.4%**	0.3%	39.1%
Other COGS Millions of yen	515	15	500	**8**	(1)	10

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■ Non-Consolidated Gross Margin

On a non-consolidated basis, the gross margin improved 0.1 of a percentage point year on year to 55.6%.

For outlet stores, the gross margin increased 2.5 percentage points to 36.9%. This largely reflected the increased sales share of this season's items to total outlet sales due to the swift transfer of slow-selling products from frontline stores to outlet stores and robust trends in outlet store specialty items.

The gross margins in the total business units segment declined 0.2 of a percentage point to 59.1%.This was mainly attributable to the priority placed on sales policies, which will be outlined in more detail later.

In the 3Q of FY13, the gross margin fell 0.7 of a percentage point year on year to 58.0%. This was primarily due to the priority placed on the sale of slow-selling products in both business unit and outlet store operations owing to the upward trend in inventory, while taking into consideration full fiscal year profits.

Non-Consolidated SGA Expenses

SGA expenses to sales ratio unchanged YoY; Upswing in strategic costs (advertising expenses); Decrease in other SGA expenses to sales ratio

- Advertising expenses: Increase attributable to the active implementation of promotions including the placement of magazine advertisements and television commercials as well as improvements in the display, décor, and overall interior quality of stores (Ratio of advertising expenses to sales: 2.4%; 2.2% in FY12 3Q cumulative; Increase of 0.2 of a percentage point)
- Other costs: Despite an increase in the absolute amount of other costs largely reflecting sales growth, decrease in the ratio of other costs to sales (Ratio of SGA expenses excluding advertising expenses to sales: Decrease of 0.2 of a percentage point)

(Millions of yen)

	Non-Consolidated Results FY13 3Q Cumulative				FY12 3Q Cumulative	
	Results	**vs. Sales**	YoY Increase (Decrease)	%	Results	vs. Sales
Non-Consolidated Sales	**78,999**	**100.0%**	7,753	110.9%	71,246	100.0%
SGA Expenses	**32,965**	**41.7%**	3,250	110.9%	29,714	41.7%
Advertising Expenses	**1,861**	**2.4%**	319	120.7%	1,542	2.2%
Personnel Expenses	**11,600**	**14.7%**	996	109.4%	10,604	14.9%
Rent	**9,647**	**12.2%**	1,061	112.4%	8,586	12.1%
Depreciation	**975**	**1.2%**	65	107.2%	909	1.3%
Other	**8,880**	**11.2%**	807	110.0%	8,072	11.3%

*Reference

Ratio of advertising expenses to sales	2.4%	0.2%	2.2%
Ratio of SGA expenses excluding advertising expenses to sales	39.4%	-0.2%	39.5%
Total ratio of SGA expense to sales	41.7%	0.0%	41.7%

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■ Non-Consolidated SGA Expenses

For the 3Q cumulative nine-month period of FY13, the SGA expenses to sales ratio was 41.7%, unchanged from the corresponding period of the previous fiscal year.

During the period under review, the ratio of advertising expenses to sales was 2.4%, a year-on-year increase of 0.2 of a percentage point. This largely reflected the strategic implementation of promotions including the placement of magazine advertisement and television commercials. The ratio of SGA expenses excluding advertising expenses to sales was 39.4%, down 0.2 of a percentage point year on year.

Turning to large-scale promotions undertaken during the 3Q of FY13, a campaign was held mainly involving UA business customers and sales personnel. In the GLR business, steps were taken to conduct major cross-media promotions focusing on outer garments.

Consolidated / Non-Consolidated B/S Overview

(Comparative analysis of consolidated balances as of the end of the 3Q FY12)

- Current assets: Increase in the balances of cash and deposits, inventory and accounts receivable—other (commercial facilities, credit companies, other)
- Noncurrent assets: Increase in tangible noncurrent assets and guarantee deposits in line with the opening of new stores
- Liabilities: Increase in accounts payable—trade and accounts payable—other; Decrease in long-term loans payable
- Balance of short and long-term loans payable: ¥12,358 million (95.5% compared with the balance as of the end of FY12 3Q)
- Non-consolidated inventory: ¥19,180 million (115.6% compared with the balance as of the end of FY12 3Q)

(Millions of yen)

	Consolidated Results FY13 3Q-end				Non-Consolidated Results FY13 3Q-end			
	Results	Share	YoY	vs. FY12-End	Results	Share	YoY	vs. FY12-End
Total Assets	58,158	100.0%	111.1%	113.4%	55,049	100.0%	106.6%	109.8%
Current Assets	39,495	67.9%	114.9%	118.9%	35,581	64.6%	108.7%	114.2%
(Inventory)	20,697	35.6%	116.7%	131.4%	19,180	34.8%	115.6%	129.0%
Noncurrent Assets	18,662	32.1%	103.9%	103.3%	19,468	35.4%	103.0%	102.5%
Current Liabilities	29,339	50.4%	114.1%	114.2%	26,677	48.5%	107.9%	108.7%
Noncurrent Liabilities	4,018	6.9%	59.1%	63.9%	3,733	6.8%	57.0%	61.8%
Total Net Assets	24,800	42.6%	125.0%	128.6%	24,639	44.8%	121.0%	125.9%
Reference: Balance of Short and Long-Term Loans Payable	12,358	21.2%	95.5%	122.2%	11,158	20.3%	86.3%	113.7%

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■ B/S Overview

On a consolidated basis, total assets stood at ¥58,158 million on December 31, 2012, up 11.1% from a year earlier.

Current assets totaled ¥39,495 million, up 14.9%, primarily due to increase in the balances of inventories and accounts receivable—other. Noncurrent assets amounted to ¥18,662 million, up 3.9%. This rise was largely attributable to increases in tangible noncurrent assets and guarantee deposits in line with the opening of new stores.

Current liabilities came to ¥29,339 million, up 14.1%, mainly as the result of increases in accounts payable—trade and accounts payable—other. Noncurrent liabilities declined 40.9% to ¥4,018 million owing mainly to the decrease in long-term loans payable.

On a consolidated basis, the balance of short and long-term loans payable contracted 4.5% to ¥12,358 million year on year.

On a non-consolidated basis, inventory climbed 15.6% compared with the balance as of the 3Q-end of the previous fiscal year. This was higher than the growth rate for sales seen during the same period. (For background details leading to the increase in inventory and an outline of countermeasures, please refer to page 16.)

Consolidated C/F Overview

- 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) Net increase in short-term loans payable; (Factors contributing to a decrease) Decrease in long-term loans payable, cash dividends paid

(Millions of yen)

	Consolidated Results FY13 3Q	FY12 3Q
	Results	Results
Cash flows from operating activities (sub-total)	**5,852**	7,809
Cash flows from operating activities	**(250)**	6,031
Cash flows from investing activities	**(2,426)**	(2,087)
Cash flows from financing activities	**1,100**	(4,017)
Cash and cash equivalents at the end of the term	**6,390**	5,398

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■ C/F Overview

Looking at cash flows from operating activities at the sub-total level, we recorded cash provided by operating activities of ¥5,852 million. However, the final total resulted in the recording of net cash used in operating activities of ¥250 million. Factors contributing to the increase in cash included income before income taxes and the increase in notes and accounts payable—trade. Meanwhile, factors contributing to the decrease in cash included the increase in inventory and income taxes paid.

Net cash used in investing activities was ¥2,426 million. Factors decreasing cash included the purchase of property, plant and equipment associated with the opening of new stores.

Net cash provided by financing activities was ¥1,100 million. Factors contributing to the increase in cash included the net increase in short-term loans payable. Conversely, factors contributing to decreased cash included repayment of long-term loans payable and cash dividends paid.

Due to the above, cash and cash equivalents at the end of the term totaled ¥6,390 million.

Actual and Forecast Store Opening / Closing

- FY13 3Q cumulative Group total: Number of new stores opened: 38; Closed: 6; Number of stores as of FY13 3Q-end: 268
- Full FY13 forecast Group total: Number of new stores opened: 41; Closed: 6; Number of stores as of FY13-end: 271

Note: Amendments to forecasts regarding the number of stores to be opened for the full FY13 since the previous FY13 2Q presentation material.
Decrease in the number of stores to be opened: UA: 2; Odette é Odile: 1
(owing to such factors as delays in and suspension of stores to be opened)

	FY13 3Q Cumulative Results				FY13 (forecasts)				
	No. of stores at the beginning of the period	Opened	Closed	No. of stores as of 3Q-end	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed Full Fiscal Year	No. of stores at the end of the period
Group Total	**236**	**38**	**6**	**268**	**25**	**16**	**41**	**6**	**271**
UNITED ARROWS LTD. Total	**185**	**26**	**5**	**206**	**19**	**9**	**28**	**5**	**208**
UNITED ARROWS Total	59	10	2	67	8	2	10	2	67
UNITED ARROWS (General Merchandise Store)	12		1	11				1	11
UNITED ARROWS	16	5		21	4	1	5		21
BEAUTY&YOUTH	29	5	1	33	4	1	5	1	33
UNITED ARROWS Label Image Stores	2			2					2
green label relaxing	48	8	1	55	6	3	9	1	56
CHROME HEARTS	7	1		8		1	1		8
SBUs Total	55	5	2	58	4	2	6	2	59
Another Edition	14		1	13				1	13
Jewel Changes	7	1	1	7	1		1	1	7
Odette é Odile	21	1		22	1	1	2		23
DRAWER	6			6					6
Cross Sales-Type: ARCHIPELAGO	1			1					1
Cross Sales-Type: THE AIRPORT STORE	3			3					3
Cross Sales-Type: THE STATION STORE	2	2		4	1	1	2		4
Cross Sales-Type: THE HIGHWAY STORE	1	1		2	1		1		2
Outlet	16	2		18	1	1	2		18
FIGO CO., LTD.	**11**	**2**	**1**	**12**	**2**		**2**	**1**	**12**
COEN CO., LTD.	**40**	**10**		**50**	**4**	**7**	**11**		**51**

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■ Store Opening / Closing Plan

During the 3Q cumulative nine-month period of FY13, 38 new stores were opened and six were closed on a consolidated basis, making for a consolidated total of 268 stores as of December 31, 2012.

On a non-consolidated basis, 26 stores were opened and five were closed with the total number of stores as of the end of the period coming to 206.

Our full fiscal year forecast for store numbers calls for the opening of 41 stores and closure of six stores, making for a total of 271 stores on a consolidated basis. On a non-consolidated basis, we are looking to open 28 stores and close five stores for the full fiscal year for a total of 208 stores.

The numbers of UA and Odette é Odile business stores to be opened are projected to fall by two and one, respectively, compared with data presented in previous announcement presentation materials. This reflects delays and suspensions in the forecast number of store opening as of the period-end.

Group Companies

FIGO CO., LTD.

Revenue and earnings growth

- FY13 3Q cumulative sales: ¥2,100 million; Up 12% YoY
- Revenue growth across all wholesale, retail, and online sales channels
- FY13 3Q cumulative: Number of new stores opened: 2; Closed: 1

New product
Felisi camouflage-print nylon series

coen

Revenue and earnings growth

- FY13 3Q cumulative sales: ¥3,600 million; Up 25% YoY
- Improvement in the gross margin due mainly to cutbacks in the sale of markdown items
- FY13 3Q cumulative: Number of new stores opened: 10

coen LAZONA Kawasaki Plaza store
Opened on October 19

■ Group Companies

・FIGO CO., LTD.

The company reported an increase in both revenue and earnings for the 3Q cumulative nine-month period of FY13. Sales climbed 12% year on year to ¥2,100 million.

We saw robust trends in wholesale sales due mainly to successful efforts to stabilize delivery periods as well as increases in directly operated retail store and online store sales.

・ COEN CO., LTD. (Account settlement: January)

COEN also reported an increase in both revenue and earnings for the 3Q cumulative nine-month period of FY13. Sales increased 25% year on year to ¥3,600 million.

In addition to the upswing in revenue, such factors as cutbacks in the sale of markdown items contributed to steady improvement in the gross margin resulting in higher earnings.

Reference: Full FY13 Results Forecasts (Revised Forecasts Announced on September 28)

(Millions of yen)

	Consolidated Results FY13 (full fiscal year)			FY12		Non-Consolidated Results FY13 (full fiscal year)			FY12	
	Revised Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Revised Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**112,629**	100.0%	110.4%	102,052	100.0%	**104,308**	100.0%	109.3%	95,406	100.0%
Gross Profit	**61,692**	54.8%	110.8%	55,661	54.5%	**56,658**	54.3%	109.7%	51,636	54.1%
SGA Exp.	**49,657**	44.1%	109.2%	45,468	44.6%	**45,702**	43.8%	108.2%	42,236	44.3%
Operating Inc.	**12,035**	10.7%	118.1%	10,193	10.0%	**10,956**	10.5%	116.6%	9,399	9.9%
Non Op. P/L	**54**	0.0%	69.0%	79	0.1%	**58**	0.1%	55.2%	106	0.1%
Ordinary Inc.	**12,090**	10.7%	117.7%	10,272	10.1%	**11,015**	10.6%	115.9%	9,505	10.0%
Extraordinary P/L	**(891)**	-0.8%	–	(908)	-0.9%	**(891)**	-0.9%	–	(903)	-0.9%
Net Income	**6,929**	6.2%	138.1%	5,016	4.9%	**6,098**	5.8%	135.5%	4,502	4.7%

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■ Reference: Full FY13 Results Forecasts (Revised Forecasts Announced on September 28)

An explanation has been omitted.

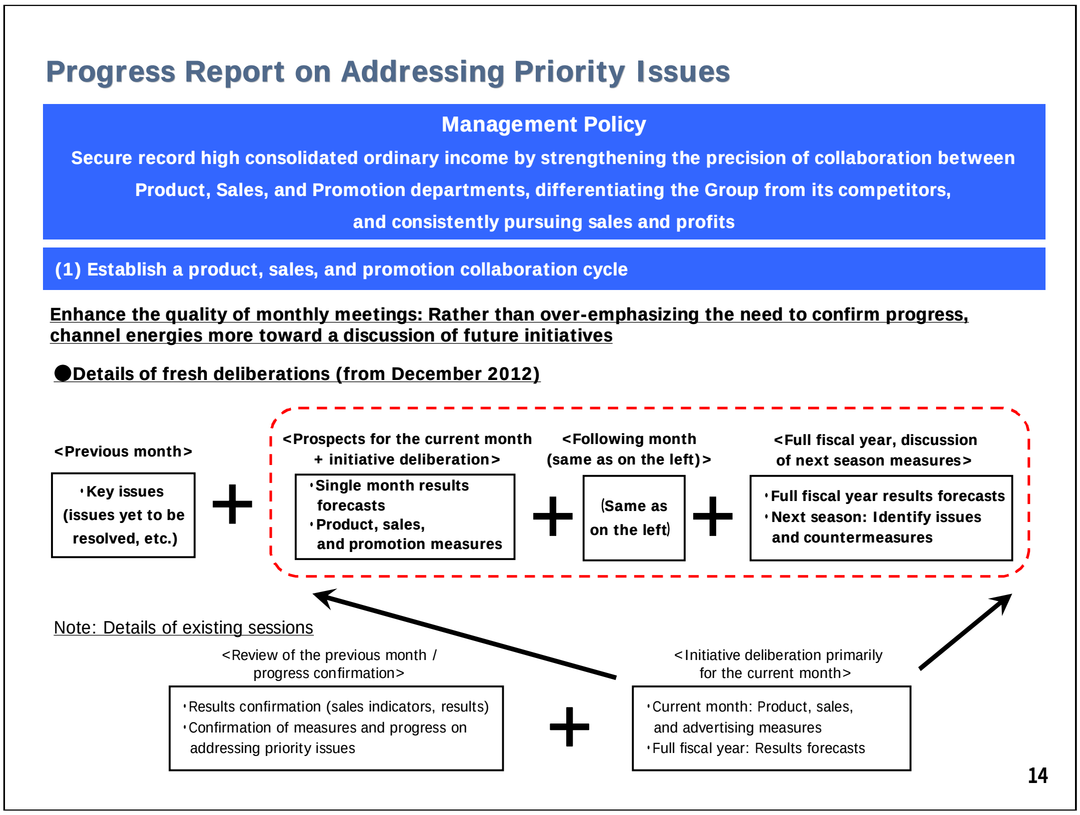
Reference: 1H, 2H, Full FY13 Sales Forecasts (Revised Forecasts Announced on September 28)

(Millions of yen)

	Non-Consolidated Results FY13 1H			Non-Consolidated Results FY13 2H			Non-Consolidated Results FY13 (full fiscal year)		
	Results	YoY Increase (Decrease)	%	Revised Forecasts	YoY Increase (Decrease)	%	Revised Forecasts	YoY Increase (Decrease)	%
Sales	**46,911**	4,541	110.7%	**57,397**	4,359	108.2%	**104,308**	8,901	109.3%
Total Business Unit Sales	**40,824**	4,046	111.0%	**50,750**	4,193	109.0%	**91,575**	8,239	109.9%
Retail	**35,378**	3,435	110.8%	**43,516**	3,569	108.9%	**78,895**	7,005	109.7%
Online	**5,090**	665	115.0%	**6,833**	659	110.7%	**11,924**	1,325	112.5%
Outlet	**6,086**	495	108.9%	**6,647**	166	102.6%	**12,733**	661	105.5%
Existing Retail + Online Stores YoY	101.6%			102.2%			101.9%		
Existing Retail Stores YoY	100.3%			101.3%			100.9%		
Existing Online Stores YoY	110.3%			107.7%			108.8%		

■ Reference: 1H, 2H, Full FY13 Sales Forecasts (Revised Forecasts Announced on September 28)

An explanation has been omitted.



■ Progress Report on Addressing Priority Issues (1)

For FY13, we have identified 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." Based on this policy, we have identified three priority issues to be addressed from a non-consolidated perspective.

The first priority issue is to "establish a product, sales, and promotion collaboration cycle." Since December 2012, we have worked diligently to enhance the quality of monthly meetings from each business as a part of efforts to establish an operating platform that is capable of success and improving the accuracy of operating management.

Previously, emphasis was placed on operating results through to the previous month as well as efforts to confirm the progress of ongoing measures. The issue at hand was therefore the insufficient emphasis placed on discussing initiatives for the future.

Under the new system of meetings, a considerable amount of time is allocated to discussing future initiatives. To kick off each meeting, a brief summary of the previous month's results and key points pertaining to existing measures is shared among participants. Turning to the period from the current month and beyond, steps are also taken to share details of operating results forecasts for the current and following months on an individual monthly basis. Thereafter, meeting participants deliberate on the measures of the Product, Sales, and Promotion departments that form the basis for formulating future forecasts. Thereafter, and in addition to an outline of full fiscal year forecasts, deliberations are made on initiatives for the next season taking into consideration results.

Through these efforts to enhance the quality of meetings, we are working to establish a robust operating platform that is capable of success and to improve the accuracy of operating management.

Progress Report on Addressing Priority Issues

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

— Launch and ensure the early stability of new businesses that will generate a new source of earnings —

New "steven alan" business launched within BEUTY&YOUTH

- A U.S.-based select shop established in the state of New York in 1994
- A selection of simple and comfortable items and styles based on an American traditional and casual concept
- Plan to open stores in Shibuya, Shinjuku, and the Umeda area of Osaka in April 2013

steven alan

steven alan: 2012 fall and winter products

(3) Increase profit by improving productivity

—Adhere strictly to a policy of diversified cost control; increase productivity by improving operating efficiency—

Implementing cost control finely tuned to earnings

- Increase in promotion and other strategic costs; YoY decrease in other costs compared with sales

Improving inventory efficiency by enhancing the accuracy of sales initiatives

- The percentage YoY increase (15.6%) in non-consolidated inventory higher than the percentage YoY increase (10.9%) in sales

→ Contributing factors and countermeasures outlined of the following page

The second priority issue is to "create new vale that addresses market needs through the development of new businesses."

Carrying on from the launch of "monkey time" in September 2012 , we are taking steps to open a number of stores under the "steven alan" brand name as a new business within the Group's BY operations from the fiscal year ending March 31, 2014. Details were initially announced on January 16, 2013.

"steven alan" is a U.S.-based select shop established in the state of New York. The brand offers a selection of simple and comfortable items and styles based on a traditional American as well as casual concept. UNITED ARROWS LTD. has concluded contracts to open and operate stores in Japan. Plans are in place to develop a network that encompasses Shibuya, Shinjuku, and the Umeda area of Osaka from April 2013.

The third priority issue is to "increase profit by improving productivity." Looking at SGA expenses in the 3Q cumulative nine-month period of FY13, strategic costs including advertising expenses increased year on year. On the other hand, other costs declined compared to sales.

Turning to inventory, where we are working to promote increased efficiency, the year-on-year non-consolidated increase as of the 3Q-end was higher than the year-on-year increase in sales. Details of contributing factors and countermeasures are outlined in the following page.

Reference: Background behind the Increase in Inventory and Countermeasures

1．Background behind the increase in inventory

- The staggering of spring and summer clearance sales as well as their prolonged duration weakened the appeal of fall and winter products due to their concurrent sale with clearance items
- Product lineups were excessively similar to products that sold well during the previous year impacting negatively on the fresh appeal of stores
- Sudden shift in demand for winter items following the drop in temperatures from November and the shortening of the sales period for fall items led to a buildup in winter products
- As a result, inventory increased as of the 3Q-end particularly for fall and winter items

(Non-consolidated inventory: Up 15.6% YoY; of this increase, fall and winter items: Up approximately 22%)

2．Countermeasures and measures for the next season and beyond

● **Took steps to grasp the status of Company-wide inventory and pursue initiative deliberations on a weekly and monthly basis from the 3Q**

- Undertake to share future inventory forecasts (month-end, period-end) by individual business at weekly meetings
- Deliberate on specific initiatives including inventory sales measures at monthly meetings

● **Measures for the next season and beyond**

- Create more appealing points of sale by accurately allocating products according to their features and attributes taking into consideration the timing of each season (launch, actual selling periods)

→ Ensure the sale of products with a high fresh appeal at the time of each season launch; strengthen the allocation of contemporary and unique products that will form the cornerstone of sales during actual selling periods

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1. Background behind the increase in inventory

The staggering of spring and summer clearance sales as well as their prolonged duration weakened the appeal of fall and winter products due to their concurrent sale at fixed prices with clearance items. Particularly at the start of the season, product lineups were also excessively similar to products that sold well during the previous year. This had a negative impact on the fresh appeal of stores.

While sales of winter items improved due to the drop in temperatures from November, inventories of fall and winter products increased owing mainly to the limited demand for fall items and increased production to meet the growing needs for winter items.

2. Countermeasures and measures for the next season and beyond

● Most recent measures

We have taken steps to share details of individual business sales, purchases, and inventory results as well as the latest period-end forecasts at weekly and monthly meetings while deliberating on and implementing specific initiatives from the 3Q of FY13.

Looking ahead, we will promote sales initiatives on an individual business basis. From a Companywide perspective, we will pursue a variety of sales measures including the fine-tuning of prices at outlet stores. To this end, we will lower prices on a gradual basis through in-store clearance sales. Moreover, every effort will be made to promote sales while taking into consideration final profits through such measures as the consolidation of clearance sale items within our own e-commerce site.

● Measures for the next season and beyond

Internal factors contributing to the increase in inventory included the lack of fresh appeal at our network of stores. This was largely attributable to product lineups that were excessively similar to products that sold well during the previous year particularly at the start of the season. UNITED ARROWS LTD. recognizes that efforts to take full advantage of customer needs by bolstering collaboration between the Product and Sales departments and promoting measures aimed at developing products that are a half-step ahead of each era have gone a long way to bringing about a recovery in recent results. In contrast, our over-emphasis on addressing the needs of customers particularly during the fall and winter seasons led us to placing too great a priority on the procurement of products that sold well during the previous year. This had a negative impact on the quality of new proposals and our ability to steadily advance forward-looking ideas weakening the fresh appeal of our stores.

Taking the aforementioned into consideration, we will endeavor to increase the composition of new, fresh and novel products at the start of each season from the next season and beyond in order to boost the attractiveness of stores. At the same time, we will expand the product composition of products that form the nucleus of sales during actual selling periods. Through these means, we will develop and maintain points of sale that satisfy and balance the need to put forward customer proposals while addressing customer requirements. Ultimately, these initiatives can be expected to increase sales while ensuring the appropriate level inventory and boosting efficiency.

Appendix: Explanation of Frequently Occurring Terms

About the Company's product platform

designed to break free from a business process and practice that overly relies on tUNITED 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 he 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

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 stores. There are several specific examples of the Company's own online store activities: a display function to show the status of stock at retail stores; common use of membership points both at retail as well as the Company's own online store; and an item number memo (not available at all actual stores), which entails a card for customers calling on actual stores to make a note of product numbers so that they can search for the products quickly and easily online.