



# **Fiscal Year Ending March 2010 Earnings Announcement**

**UNITED ARROWS LTD.**



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**\*In this material, a fractional sum less than one million yen is rounded down and percentage is 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 May 11, 2010, 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.

[Indication of business in this material]

\*Abbreviation of each business and composition of business;

UNITED ARROWS: UA, green label relaxing: GLR, CHROME HEARTS: CH

SBU: Small Business Units

UA Lab: TOKISHIRAZU

PERENNIAL UNITED ARROWS CO., LTD.: PERENNIAL UA, FRANQUEENSENSE: FRQ



## **I. Overview of business results in FYE March 2010 and forecasts for FYE March 2011**

**1. Consolidated P/L**

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# 1. Consolidated P/L

- Sales were higher than forecasts (101.0%) and previous results (104.8% YoY)
- Gross margin improved 0.3 points YoY and SGA expenses to sales declined by 0.2 points YoY
- Operating income were higher than forecasts (110.4%) and previous results (114.4% YoY)
- Impairment loss of ¥758 million and addition to loss provision for closure of PERENNIAL UA stores of ¥418 million were posted as extraordinary loss. As a result, net income fell short of forecasts (72.3%) but increased compared to the previous term to ¥1,403 million, 110.2% YoY

(million yen)

	Consolidated results FYE March 2010				<cf> Previous term		Forecast	
	Results	vs Sales	vs previous term		vs forecast		vs Sales	vs Sales
				%		%		
Sales	<b>83,504</b>	<b>100.0%</b>	3,839	104.8%	860	101.0%	79,665	100.0%
Gross Profit	<b>42,865</b>	<b>51.3%</b>	2,217	105.5%	657	101.6%	40,647	51.0%
SGA Exp.	<b>37,922</b>	<b>45.4%</b>	1,594	104.4%	194	100.5%	36,327	45.6%
Operating Inc.	<b>4,942</b>	<b>5.9%</b>	623	114.4%	463	110.4%	4,319	5.4%
Non Op. P/L	<b>94</b>	<b>0.1%</b>	131	-	273	-	(36)	0.0%
Ordinary Inc.	<b>5,037</b>	<b>6.0%</b>	754	117.6%	737	117.1%	4,283	5.4%
Extraordinary P/L	<b>(1,188)</b>	<b>-1.4%</b>	36	-	(711)	-	(1,224)	-1.5%
Net Income	<b>1,403</b>	<b>1.7%</b>	129	110.2%	(539)	72.3%	1,274	1.6%



## 2. Summary of Sales (consolidated/non-consolidated)

- Same store sales (retail and online) were 99.9% YoY
- Same store sales of online stores were 138.7% due to strong sales of ZOZOTOWN (operated by START TODAY CO., LTD.)
- Sales of outlet stores continued to be favourable (112.7% YoY)

	FYE March 2010					(million yen)	
	Results	vs previous term		vs forecast		<cf> Previous term	Forecast
		%		%			
Consolidated Total Sales	83,504	3,839	104.8%	860	101.0%	79,665	82,644
Non-consolidated Total Sales	78,657	2,075	102.7%	1,751	102.3%	76,582	76,906
Total Business Unit Sales	67,391	802	101.2%	1,106	101.7%	66,588	66,284
UA	36,820	17	100.0%	1,164	103.3%	36,802	35,655
GLR	14,466	43	100.3%	(292)	98.0%	14,422	14,758
CH	3,960	142	103.7%	86	102.2%	3,818	3,873
SBUs and UA Lab	12,143	598	105.2%	146	101.2%	11,544	11,996
Outlet	11,266	1,272	112.7%	645	106.1%	9,993	10,621
Same store sales (retail & online)	99.9%					-	98.3%
UA	98.6%					-	95.9%
GLR	99.5%					-	101.5%
CH	103.5%					-	101.1%
SBUs and UA Lab	103.6%					-	101.2%



# [For reference: Summary of non-consolidated sales]

	FYE March 2010			(million yen)
	Results	YoY		<cf>
		+/-	%	Previous term
Total Retail Sales	59,490	(1,443)	97.6%	60,934
UA	33,530	(874)	97.5%	34,405
GLR	12,686	(429)	96.7%	13,115
CH	3,960	149	103.9%	3,811
SBU's and UA Lab	9,312	(289)	97.0%	9,602
Same Store Retail Sales			96.8%	94.7%
UA			96.4%	93.3%
GLR			96.6%	99.2%
CH			103.5%	90.8%
SBU's and UA Lab			95.7%	94.3%

	FYE March 2010			<cf>
	Results	YoY		Previous term
		+/-	%	
Total Online Sales	6,831	2,216	148.0%	4,614
UA	2,756	830	143.1%	1,925
GLR	1,757	467	136.3%	1,289
CH	0	0		0
SBU's and UA Lab	2,317	918	165.6%	1,399
Same Store Online Sales			138.7%	-
UA			134.9%	-
GLR			127.7%	-
CH			-	-
SBU's and UA Lab			154.3%	-

### 3. Consolidated B/S

• Consolidated total assets were ¥46,163 million, 98.6% compared to previous term end

• Major increase or decrease in consolidated B/S

Current assets: decline in inventory (¥17. Bn), increase in cash and cash equivalents (¥0.7 Bn)

Noncurrent assets: decline in tangible noncurrent assets (¥0.2 Bn) and intangible noncurrent assets (¥0.4 Bn), increase in investment and other assets (¥0.4 Bn)

Current liabilities: decline in short-term borrowings ¥3.8 Bn

Noncurrent liabilities: decline in long-term borrowings ¥0.5 Bn

\* Balance of short and long-term borrowings: ¥7.7 Bn (65.1% YoY, decline of ¥4.1 Bn)

	Consolidated results end of FYE March 2010		(million yen)	
	<cf> end of previous term			
	% of total	vs previous term	% of total	
Results		%		
	100.0%		100.0%	
Total assets	46,163	(657) 98.6%	46,821	
	63.0%		62.9%	
Current assets	29,069	(390) 98.7%	29,460	
	37.0%		37.1%	
Noncurrent assets	17,094	(266) 98.5%	17,360	
	42.0%		42.4%	
Current liabilities	19,406	(448) 97.7%	19,854	
	7.5%		8.5%	
Noncurrent liabilities	3,429	(532) 86.6%	3,962	
	50.5%		49.1%	
Total net assets	23,327	323 101.4%	23,004	

## 4. Consolidated C/F

### • Major increase or decrease in consolidated C/F

**C/F from operating activities: decline in inventory ¥3.4 Bn, increase in net income before tax ¥0.7 Bn**

**C/F from investment activities: decline in purchase of tangible noncurrent assets ¥2.1 Bn**

**C/F from financing activities: decrease in short-term borrowings -¥6.0 Bn**

	(million yen)	
	Consolidated results (FYE March 2010)	<cf> Previous term
	Results	+/- YoY
Cash flows from operating activities	7,933	6,647 1,286
Cash flows from investment activities	(1,992)	2,381 (4,373)
Cash flows from financing activities	(5,202)	(8,636) 3,434
Increase/decrease in cash and cash equivalents	739	392 347
Cash and cash equivalents at beginning of term	3,322	347 2,975
Cash and cash equivalents at end of term	4,061	739 3,322



## 5. Consolidated forecasts for FYE March 2011

- Consolidated sales: ¥90,150 million, 108.0% YoY
- Consolidated gross profit: ¥46,551 million, 108.6% YoY (gross margin improved 0.3 points)
- Operating income: ¥5,971 million, 120.8% YoY
- Net income: ¥2,271 million, 161.8% YoY

	Consolidated forecast FYE March 2011				<cf> Previous term	
	Forecast		vs previous term		vs Sales	
	vs Sales		%			
Sales	<b>90,150</b>	<b>100.0%</b>	6,645	108.0%	83,504	100.0%
Gross Profit	<b>46,551</b>	<b>51.6%</b>	3,686	108.6%	42,865	51.3%
SGA Exp.	<b>40,580</b>	<b>45.0%</b>	2,658	107.0%	37,922	45.4%
Operating Inc.	<b>5,971</b>	<b>6.6%</b>	1,028	120.8%	4,942	5.9%
Non Op. P/L	<b>(71)</b>	<b>-0.1%</b>	(165)	-	94	0.1%
Ordinary Inc.	<b>5,900</b>	<b>6.5%</b>	862	117.1%	5,037	6.0%
Extraordinary P/L	<b>(1,448)</b>	<b>-1.6%</b>	(259)	-	(1,188)	-1.4%
Net Income	<b>2,271</b>	<b>2.5%</b>	867	161.8%	1,403	1.7%

## 6. Details of sales forecasts for FYE March 2011

- Non-consolidated business unit sales: 107.8% YoY, outlet sales: 103.7% YoY
- Same store sales (retail and online): 103.2% YoY
- Same store sales (retail): 100.7% YoY, same store sales (online) 124.1% YoY

	FYE March 2011		<cf>
	Forecast	vs previous term %	Previous term
<b>Consolidated Total Sales</b>	<b>90,150</b>	<b>6,645 108.0%</b>	<b>83,504</b>
<b>Non-consolidated Total Sales</b>	<b>84,326</b>	<b>5,669 107.2%</b>	<b>78,657</b>
Total Business Unit Sales	<b>72,640</b>	5,248 107.8%	67,391
UA	<b>37,828</b>	1,007 102.7%	36,820
GLR	<b>15,850</b>	1,383 109.6%	14,466
CH	<b>4,955</b>	994 125.1%	3,960
SBU's and UA Lab	<b>14,006</b>	1,863 115.3%	12,143
Outlet	<b>11,686</b>	420 103.7%	11,266
Same store sales (retail & online)	103.2%		99.9%
Retail	100.7%		96.8%
Online	124.1%		138.7%



## 7. Store opening/closing plans for FYE March 2011

### Store openings by business (non-consolidated)

- Number of store openings/closings expected in FYE March 2011 (non-consolidated)

Open 18

Close 3

Term end 152

- Number of store openings expected during each season

SS 2010 7

FW 2010 5

SS 2011 6

			April 1, 2010	New stores			March 31, 2011 (est)	
				Full term	1H	2H	Close	
Total			137	18	10	8	3	152
Main Business	UA	Total	48	2	1	1	3	47
		Original UA	13					13
		New UA	13				1	12
		B&Y	20	2	1	1	2	20
		Label Image Store	2					2
	GLR	36	6	2	4		42	
	CH	5	1	1			6	
Total			48	9	6	3		57
SBUs and UALab	SBUs	Another Edition	14					14
		Jewel Changes	6	1	1			7
		Odette é Odile	17	2	1	1		19
		DRAWER	5					5
		Cath Kidston	5	3	2	1		8
		New retail network		3	2	1		3
	UALab	TOKISHIRAZU	1					1
Outlet			15	3	2	1	2	16

## **II. Additional information on business results and forecasts**

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**1. Trend of inventories (non-consolidated)**

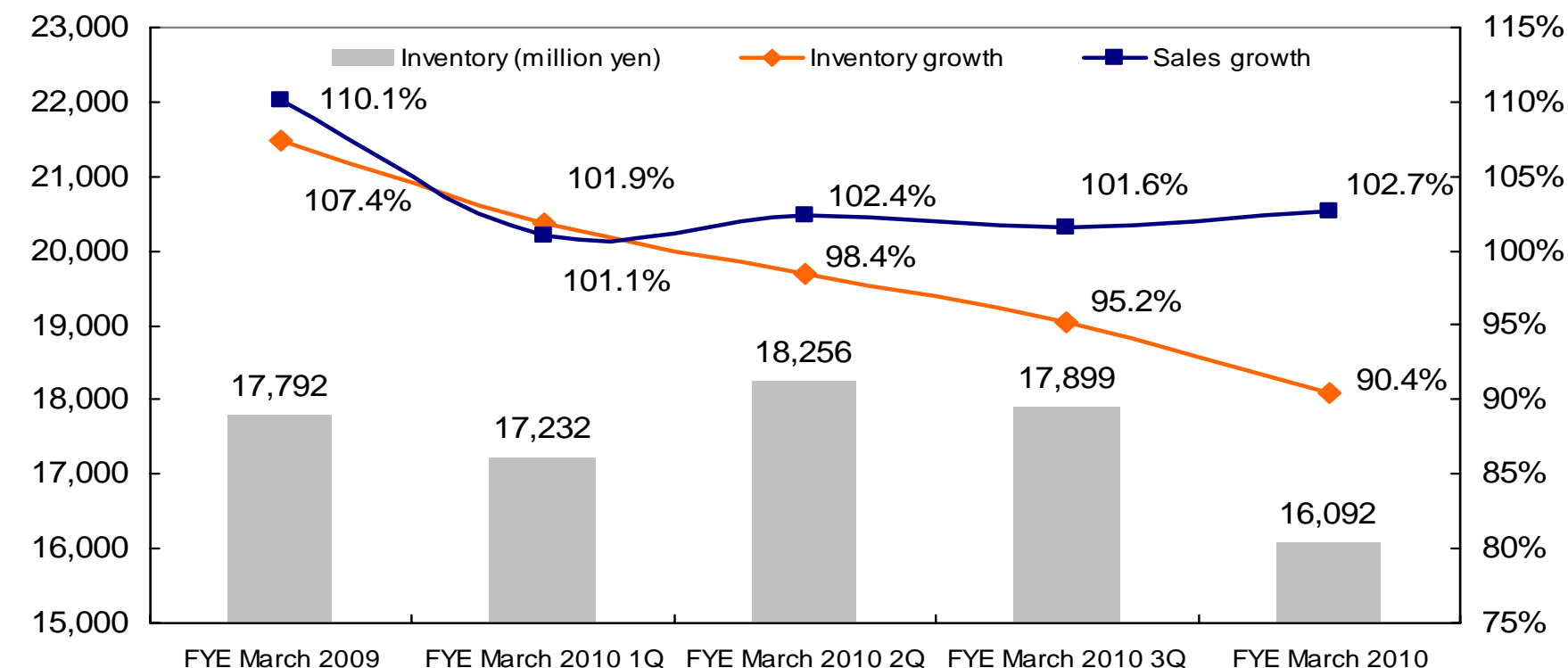
**2. Trend of gross margin (non-consolidated)**

**3. Trend of SGA expenses (non-consolidated)**

# 1. Trend of inventories (non-consolidated)

- Inventory as of end of FYE March 2010: ¥16,092 million, 90.4% YoY
- Inventory at optimal level due to better control of inflow/outflow of inventory
- Inventory level at the end of FYE March 2011 is expected to be lower than FYE March 2010

(¥MM) Trend of inventory and sales



## 2. Trend of gross margin (non-consolidated)

- Gross margin of total company (business units and outlets) for FYE March 2010 was 51.4%, 0.2 points higher than forecasts, 0.5 points higher than previous term
- Gross margin for business units were lower than forecasts and previous results due to increase in bargain sales and mark downs, but gross margin of total company improved as gross margin of outlets rose sharply
- For FYE March 2011, we estimate gross margin of 51.7%, an increase of 0.3 points compared to the previous term as we are conservatively forecasting disposals, but we intend to improve gross margin of both business units and outlets

### Trend in Gross Margin

	FYE March 2010			cf. FYE March 2010 4Q		FYE March 2011	
	Results	vs forecast	YoY	Results	YoY	Forecast	YoY
Total Company	<b>51.4%</b>	0.2%	0.5%	<b>46.7%</b>	1.8%	<b>51.7%</b>	0.3%
Total Business Units	<b>56.5%</b>	-0.9%	-0.1%	<b>53.5%</b>	0.8%	<b>56.8%</b>	0.3%
Outlet	<b>28.6%</b>	4.5%	6.6%	<b>21.2%</b>	7.4%	<b>30.2%</b>	1.6%
Other COGS (Mn yen)	<b>894</b>	(349)	(17)	519	(50)	<b>1,229</b>	335

\*Total Business Units: retail, w wholesale, mail order, etc.

\*Other COGS: product valuation loss and abolition loss, etc.

### 3. Trend of SGA expenses (non-consolidated)

- Difference between FYE March 2010 results and forecasts
  - Advertisements: decrease in sales promotion and interior costs
  - Personnel: increase in term end bonuses
  - Rent: increase due to expansion of online sales
  - Others: decrease in distribution outsourcing costs and shipping costs due to reduction of inventory, decrease in business trip costs
- Difference between FYE March 2011 forecasts and previous results
  - Advertisements: increase due to more promotion activities
  - Personnel: increase due to headcount for new stores
  - Depreciation: increase due to store openings, increase due to asset retirement obligations
  - Others: increase due to temporary costs for store openings

#### Details of SGA expenses

	FYE March 2010		FYE March 2010		vs forecast		FYE March 2011		vs previous term	
	Results	vs Sales	Forecast	vs Sales		%	Forecast	vs Sales		%
Total sales	78,657	100.0%	76,906	100.0%	1,751	102.3%	84,326	100.0%	5,669	107.2%
SGA expenses	34,627	44.0%	34,380	44.7%	246	100.7%	37,427	44.4%	2,799	108.1%
Advertisement	1,016	1.3%	1,098	1.4%	(81)	92.5%	1,351	1.6%	334	132.9%
Personnel	12,767	16.2%	12,619	16.4%	148	101.2%	13,489	16.0%	721	105.6%
Rent	9,971	12.7%	9,622	12.5%	349	103.6%	10,706	12.7%	734	107.4%
Depreciation	1,039	1.3%	1,143	1.5%	(103)	91.0%	1,369	1.6%	330	131.7%
Others	9,831	12.5%	9,897	12.9%	(66)	99.3%	10,510	12.5%	678	106.9%

### **III. Management policies for FYE March 2011 and mid-term strategies**

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**1. Management policies for FYE March 2011**

**2. Key challenges for FYE March 2011 (non-consolidated)**

**3. Mid-term business direction and targets**



## 1. Management policies for FYE March 2011

### **Management Policy**

**Continue to achieve sustainable growth  
Strengthen foothold for next stage**

• Improve gross profit, strengthen online sales and increase sales and profits in all businesses

• Driving force in mid-term: GLR and COEN

• Start new business in new retail network, increase brand equity and expand business overseas

## 2. Key Challenges for FYE March 2011 (non-consolidated)

### Key Challenges

**Reinforce the basic sales policy and strengthen cooperation between the merchandise division and sales division to create a strong store operation system and maximize customer service**

**Improve profitability by completing and utilizing the product planning platform and reinforce the basic merchandise policy for optimal merchandising balance**

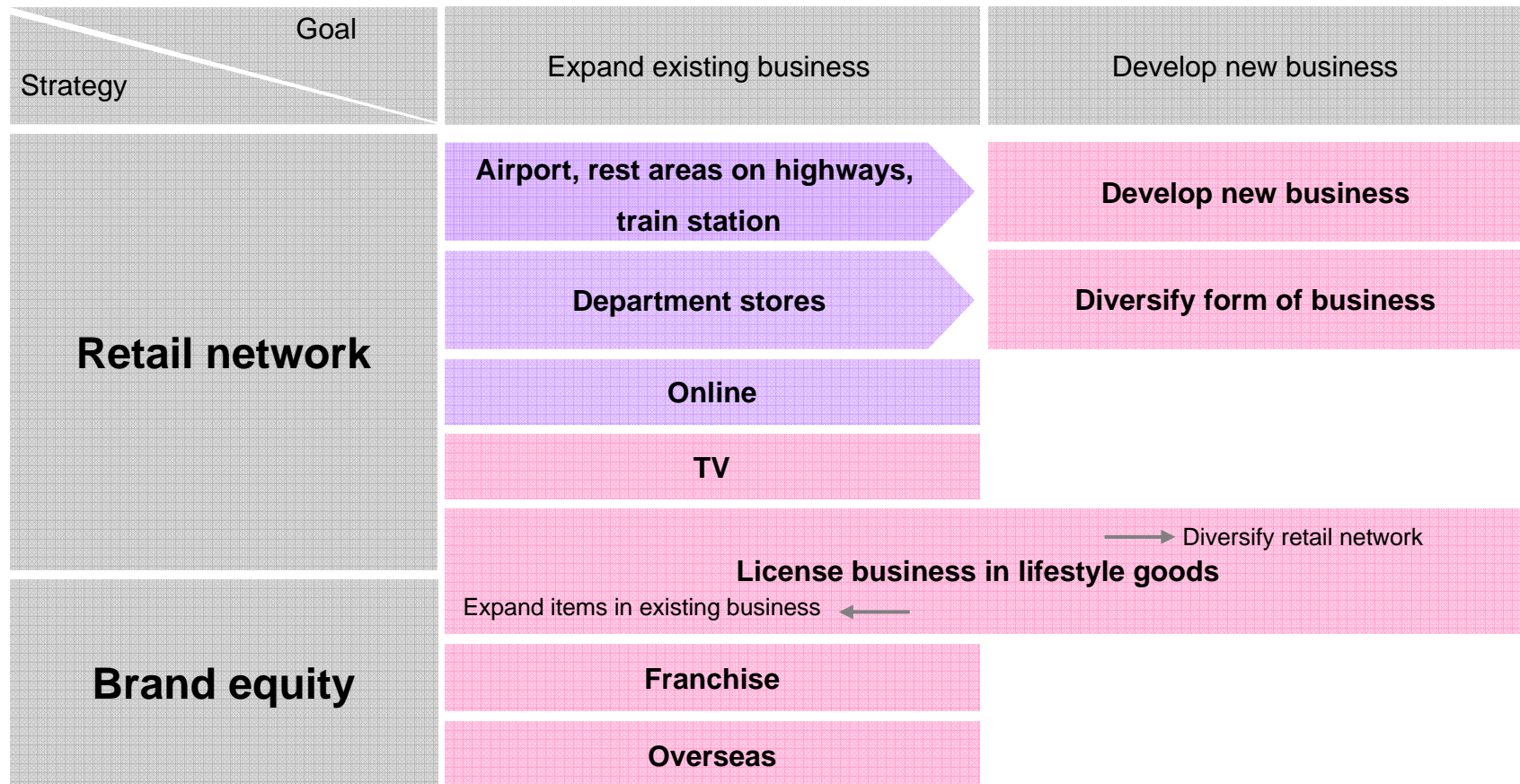
**Reform and stabilize operation of HR system and challenge new measures, and evolve as a exciting and attractive group**

**Reform and stabilize operation of HR system and challenge new measures, and evolve as a exciting and attractive group**

**Maximize value of each brand and its business by strengthening operation of business management control cycle**

### 3. Mid-term business direction and targets

UA group moves a step ahead from stereotype businesses



**Mid-term business targets**

**ROE of at least 12% by FYE March 2013**