

**Fiscal Year Ending March 2012
Second Quarter
Earnings Announcement**

November 7, 2011

UNITED ARROWS LTD.

Contents



. Overview of 2Q Business Results	P3 ~ 14
. Progress in Addressing Priority Issues	P 15 ~ 16
. Medium-Term Business Strategies and Targets	P 17 ~ 21

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 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

SBU/Small Business Units

(Another Edition, Jewel Changes, 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.)

COEN/COEN CO., LTD.

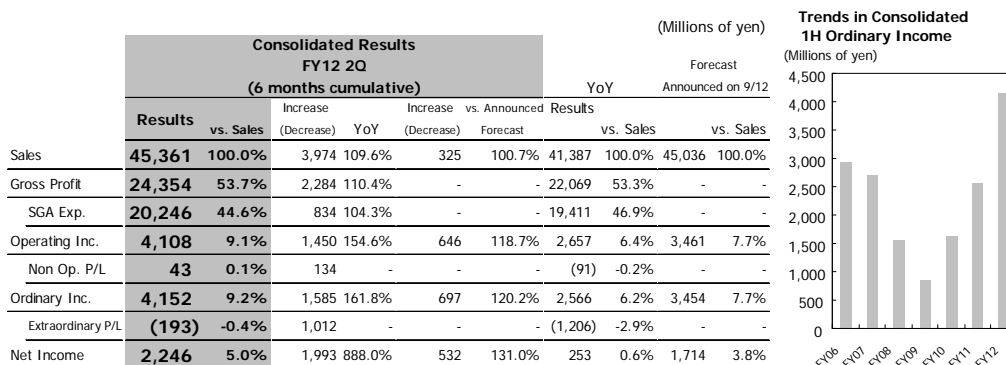
PL Overview (Consolidated)



Revenue and earnings growth; achieved a new high in ordinary income

- 0.4 of a percentage point YoY increase in the gross margin due mainly to an improvement in mark-down losses
- 2.3 percentage point YoY improvement in the SGA expenses to sales ratio through successful efforts to enhance cost efficiency

Note: Extraordinary loss: positive turnaround of ¥921 million reflecting the absence of amortization of previous periods' asset retirement obligations recorded in the corresponding period of the previous fiscal year



3

2Q FY2012 Consolidated Business Results

Consolidated sales for the 1H of FY12, the fiscal year ending March 31, 2012 amounted to ¥45,361 million, an increase of 9.6% compared with the corresponding period of the previous fiscal year. This largely reflected solid retail and online existing store non-consolidated contributions from the mainstay UNITED ARROWS and green label relaxing businesses.

The gross margin improved 0.4 of a percentage point year on year to 53.7%. Despite an increase in the disposal of merchandise including sample products, this improvement was mainly attributable to the decrease in total business unit mark-down losses on a non-consolidated basis.

The selling, general and administrative (SGA) expenses to total sales ratio declined 2.3 percentage points to 44.6%. While advertising expenses increased on the back of aggressive promotional measures including the placement of advertisements in magazines and other media as well as the publication of catalogues, this favorable result was mainly due to successful efforts to lift cost efficiency.

Operating income was ¥4,108 million, up 54.6% compared with the corresponding period of the previous fiscal year. Ordinary income hit a record high surging 61.8% year on year to ¥4,152 million.

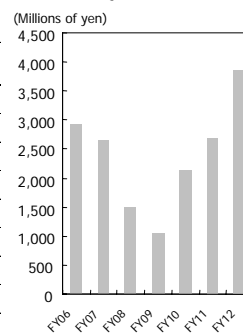
Despite incurring an extraordinary loss of ¥193 million, which included an impairment loss for the period of ¥162 million on the renewal and relocation of stores, net income jumped 788 % to ¥2,246 million for the period under review. This was mainly due to the absence of the extraordinary loss totaling ¥921 million representing amortization of previous periods' asset retirement obligations following the adoption of the relevant accounting standard.

Reference: PL Overview (Non-Consolidated)



	Non-Consolidated Results FY12 2Q (6 months cumulative)						(Millions of yen)			
	Results	vs. Sales	YoY		vs. Announced		YoY	Forecast		
			Increase (Decrease)	YoY	Increase (Decrease)	Forecast		Results	Announced on 9/12	
								vs. Sales	vs. Sales	
Sales	42,369	100.0%	3,526	109.1%	129	100.3%	38,843	100.0%	42,240	100.0%
Gross Profit	22,556	53.2%	1,998	109.7%	-	-	20,558	52.9%	-	-
SGA Exp.	18,757	44.3%	959	105.4%	-	-	17,798	45.8%	-	-
Operating Inc.	3,798	9.0%	1,038	137.6%	485	114.7%	2,759	7.1%	3,312	7.8%
Non Op. P/L	51	0.1%	110	-	-	-	(59)	-0.2%	-	-
Ordinary Inc.	3,849	9.1%	1,149	142.6%	533	116.1%	2,700	7.0%	3,316	7.9%
Extraordinary P/L	(190)	-0.4%	1,041	-	-	-	(1,231)	-3.2%	-	-
Net Income	2,073	4.9%	1,565	408.3%	381	122.6%	507	1.3%	1,691	4.0%

Trends in Non-Consolidated
1H Ordinary Income

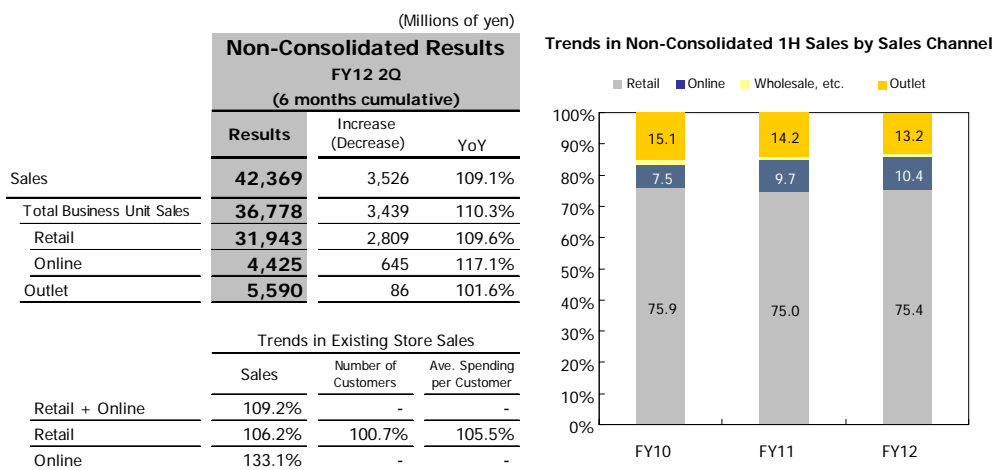


Non-Consolidated Sales by Sales Channel



Robust existing retail store and online sales

- Retail: increase in revenue at new and existing retail stores
- Online: increase in revenue from online ZOZOTOWN sales; online sales account for 10.4% of total sales
- Outlet: drop in the ratio of outlet sales to total sales due mainly to robust retail store and online results



5

2Q FY2012 Non-Consolidated Sales by Sales Channel

Reflecting the gradual let up of voluntary restraints on spending by consumers in the immediate aftermath of the earthquake disaster, 1H retail and online existing store sales climbed 9.2% compared with the corresponding period of the previous fiscal year. Total business unit sales grew 10.3% year on year due mainly to the positive effect of improved sales at new and existing stores.

While ZOZOTOWN and other existing online store sales were robust climbing 33.1%, overall online sales increased only 17.1 year on year due to the withdrawal from certain businesses at the end of the previous fiscal year.

At the end of FY11, the UNITED ARROWS Group withdrew from certain business including Cath Kidston and TOKISHIRAZU. The effect of thus withdrawal was to reduce retail, online and total business unit sales by ¥762 million, ¥563 million and ¥1,328 million, respectively.

In its outlet store activities, the Group closed two stores during the previous fiscal year. The ensuing drop in sales was offset by contributions from two new stores and robust activity at existing stores including those located in Karuizawa and Gotemba. As a result, outlet store sales increased 1.6% year on year.

Non-Consolidated Sales by Business Type



Increase in revenue due to robust existing store sales in each of the Group's three mainstay businesses

- Increase in revenue due to robust UA, new GLR retail store, other retail and existing online store sales
 - Increase in revenue due to strong existing CH retail store sales
 - Decrease in revenue due to the drop in sales following withdrawal from businesses during the previous fiscal year.
- This downturn in sales more than negated the robust performance of SBUs, new retail stores, other retail and existing online stores sales

(Millions of yen)			
Non-Consolidated Results			
FY12 2Q			
(6 months cumulative)			
	Results	Increase (Decrease)	YoY
Total Business Unit Sales	36,778	3,439	110.3%
UA	19,064	1,536	108.8%
GLR	9,058	1,730	123.6%
CH	2,936	713	132.1%
SBUs	5,718	(540)	91.4%

Existing Store YoY			
	Retail + Online	Retail	Online
UA	107.9%	104.5%	137.4%
GLR	108.1%	104.1%	134.5%
CH	-	131.1%	-
SBUs	104.9%	101.3%	122.6%

6

2Q FY2012 Non-Consolidated Sales by Business Type

Revenue increased due to robust existing store sales in each of the Group's three mainstay UNITED ARROWS (UA), green label relaxing (GLR) and CHROME HEARTS (CH) businesses.

In the UA and GLR businesses, revenue grew due to higher contributions from new retail stores and robust sales at retail and existing online stores.

CHROME HEARTS existing store sales were strong. In addition to the rush in demand mainly for gold and silver accessories in the lead up to the revision of retail prices at the beginning of May and stable sales of such merchandise as apparel and accessories thereafter, results were buoyed by contributions from new products.

While retail and existing online store sales in the SBUs business increased 4.9% compared with the corresponding period of the previous fiscal year, this was insufficient to cover the drop in sales due to the withdrawal from businesses at the end of FY11. As a result SBUs sales decreased 8.6% year on year.

Non-Consolidated Gross Margin



Improvement in the gross margin of 0.3 of a percentage point

- Positive factors : Improvement in total business unit sales mark-down losses; decline in the ratio of outlet sales to total sales
- Negative factors: Increase in product disposal; deterioration in outlet gross margin due to efforts aimed at promoting inventory reduction

	(Millions of yen)		
	FY12 2Q (6 months cumulative)		
	Results	YoY	Increase (Decrease)
Non-Consolidated Gross Margin	53.2%	52.9%	0.3%
Total Business Unit Sales	57.9%	57.3%	0.6%
Outlet	31.3%	32.1%	-0.8%
Other COGS	490	321	168

Note: Other COGS = loss on product devaluation, disposal costs, etc.

7

2Q FY2012 Non-Consolidated Gross Margin

For the period under review, the non-consolidated gross margin improved 0.3 of a percentage point year on year to 53.2%.

In addition to the increase merchandise disposal including sample products, efforts aimed at reducing outlet store inventories placed downward pressure on outlet gross margins. This was offset by an improvement in total business unit mark-down losses as well as robust business unit sales. As a result, the ratio of outlet sales to total sales declined. Accounting for the aforementioned factors, the non-consolidated gross margin steadily improved.

Non-Consolidated SGA Expenses



SGA expenses to sales ratio declined 1.5 percentage points due to improvements in cost efficiency

- Advertising expenses : Increase attributable to the placement of magazine and television commercial advertising, the publication of catalogues and other activities
- Personnel expenses : Increase in line with the increase in personnel resulting from the opening of stores
- Rent : Increase commensurate with new and existing store sales growth; decrease owing to the withdrawal from stores; decrease of 0.5 of a percentage point to sales
- Depreciation : Increase attributable to the opening of new stores and the renovation of existing stores; decrease due to the withdrawal from stores
- Increase in donation in kind; decrease in outsourcing expenses related to wide-ranging business processes including distribution; decrease in utilities and other costs

(Millions of yen)

	Non-Consolidated Result FY12 2Q (6 months cumulative)				YoY	
	Results		YoY Increase (Decrease)		Results	
	vs. Sales		YoY		vs. Sales	
Non-Consolidated Sales	42,369	100.0%	3,526	109.1%	38,843	100.0%
SGA Expenses	18,757	44.3%	959	105.4%	17,798	45.8%
Advertising Expenses	776	1.8%	59	108.2%	717	1.8%
Personnel Expenses	6,956	16.4%	581	109.1%	6,374	16.4%
Rent	5,275	12.5%	227	104.5%	5,048	13.0%
Depreciation	586	1.4%	4	100.8%	581	1.5%
Other	5,162	12.2%	85	101.7%	5,076	13.1%

8

2Q FY2012 Non-Consolidated SGA Expenses

The SGA expenses to sales ratio declined 1.5 percentage points compared with the corresponding period of the previous fiscal year to 44.3% due to improvement in cost efficiency.

Advertising expenses climbed 8.2% year on year owing mainly to aggressive promotional activities including the placement of magazine, television and other media advertising as well as the issue of catalogues and other publications.

Personnel expenses were 9.1% higher than the expenditure outlaid over the same period a year earlier reflecting the increase in staff numbers commensurate with the opening of new stores. The ratio of personnel expenses to total sales was essentially unchanged at 16.4% year on year.

Despite such factors as the decrease attributable to the closing of stores, rent rose 4.5% year on year due mainly to increases in line with new and existing store sales growth. As a ratio to total sales, rent contracted 0.5 of a percentage point.

Depreciation edged up 0.8% compared with the corresponding period of the previous fiscal year. This reflected higher depreciation attributable to the opening of new stores and the renovation of existing stores, which offset the drop in depreciation following the closure of stores.

During the period under review, donations in kind and consumables increased. Distribution outsourcing expenses, on the other hand, declined in line with the decrease in inventory, as did other expenses including utilities on the back of LED lighting installation and the implementation of electric power-saving initiatives. Taking each of the aforementioned into consideration, other expenses increased 1.7% compared with the corresponding period of the previous fiscal year.

B/S Overview

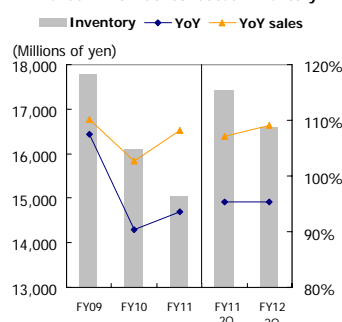


- Current assets: Increase in inventory; decrease in cash and deposits
- Noncurrent assets: Increase in buildings and structures commensurate with the opening of new stores; decrease in intangible concurrent assets
- Liabilities: Decrease in short-term loans payable due to debt refinancing with respect to a takeover bid involving treasury stock; increase in long-term loans payable
- Interest bearing debt: 84.7% YoY
- Total net assets: Increase in retained earnings

Note: Non-consolidated inventory: 95.3% YoY (Please refer to the graph)

	Consolidated FY12 2Q-End			Non-Consolidated FY12 2Q-End		
	Balance	Share	vs. FY11 -End	Balance	Share	vs. FY11 -End
Total Assets	47,612	100.0%	104.1%	47,333	100.0%	104.7%
Current Assets	30,191	63.4%	106.5%	28,937	61.1%	107.8%
Noncurrent Assets	17,421	36.6%	100.3%	18,395	38.9%	100.3%
Current Liabilities	23,330	49.0%	84.9%	22,668	47.9%	86.0%
Noncurrent Liabilities	7,562	15.9%	241.7%	7,326	15.5%	249.4%
Total Net Assets	16,719	35.1%	110.7%	17,337	36.6%	109.1%
Interest Bearing Debt	13,669	28.7%	84.7%	13,669	28.9%	86.3%

Trends in Non-Consolidated Inventory



9

2Q FY2012 Balance Sheet Overview

Compared with the end of the previous fiscal year, current assets increased 6.5%. While the balance of cash and deposits decreased ¥974 million, this increase in current assets was mainly attributable to the jump in inventory, which rose ¥1,537 million.

Noncurrent assets edged up 0.3% compared with March 31, 2011. Principal movements were the increase of ¥146 million in buildings and structures in line with the opening of new stores and the decrease of ¥109 million in intangible noncurrent assets.

Current liabilities contracted 15.1% compared with the previous fiscal year-end, while noncurrent liabilities jumped 141.7%. Short-term loans payable undertaken during the previous fiscal year to fund the acquisition of treasury stock were refinanced using long-term loans payable. As a result, short-term loans payable decreased ¥8,800 million. Long-term loans payable and the current portion of long-term loans payable increased ¥4,306 million and ¥2,031 million, respectively. Accounting for each of the aforementioned, interest bearing debt stood at ¥13,669 million as of September 30, 2011, down 15.3% compared with March 31, 2011.

Net assets climbed 10.7% compared with the previous fiscal year-end. Buoyed by the net income for the period, retained earnings increased ¥2,246 million. On the other hand, retained earnings contracted ¥599 million due to the payment of cash dividends.

On a non-consolidated basis, the Company continued to show progress in improving efficiency. The balance of inventory decreased 4.7% compared with the corresponding period of the previous fiscal year.

C/F Overview



- Cash flows from operating activities: (Factors contributing to an increase) Increase in income before income taxes;
(Factors contributing to a decrease) Increase in inventory; increase in notes and accounts receivable - trade
- 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 long-term loans payable;
(Factors contributing to a decrease) Decrease in short-term loans payable; repayment of long-term loans payable

	(Millions of yen)	
	Consolidated Results	
	FY12 2Q	FY11 2Q
	Results	Results
Cash flows from operating activities	3,112	1,148
Cash flows from investing activities	(1,058)	(1,054)
Cash flows from financing activities	(3,034)	(432)
Increase / decrease in cash and cash equivalents	(980)	(338)
Cash and cash equivalents at the beginning of the term	5,471	4,061
Cash and cash equivalents at the end of the term	4,491	3,723

10

2Q FY2012 Cash Flow Overview

The balance of cash and cash equivalents at the end of the term decreased ¥980 million compared with the previous fiscal year-end to ¥4,491 million.

Net cash provided by operating activities was ¥3,112 million. The principal cash inflow was income before income taxes totaling ¥3,958 million. The major cash outflows were increase in inventories of ¥1,537 million and increase in notes and accounts receivable-trade of ¥1,135 million.

Net cash used in investing activities amounted to ¥1,058 million. This largely represented the purchase of property, plant and equipment of ¥735 million in line with such activities as the opening of new stores and renovation of existing stores.

Net cash used in financing activities came to ¥3,034 million. During the period under review, long-term loans payable increased ¥6,800 million. Principal cash outflows, on the other hand, included a net decrease in short-term loans payable of ¥8,800 million and the repayment of long-term loans payable of ¥544 million.

Store Opening / Closing Plan



- FY12 1H consolidated number of stores: Opened: 16; Closed: 4; Total number of stores at the end of the period: 218
- FY12 (full fiscal year) consolidated number of stores (planned): Opened: 39; Closed: 5; Total number of stores at the end of the period: 240

	FY12 1H				FY12 (Planned for the Full Term)			
	No. of stores at the beginning of the period	Opened	Closed	No. of stores at the end of the period	Opened		Closed	No. of stores at the end of the
					Full Term	2H		
Total Consolidated	206	16	4	218	39	23	5	240
Total Non-Consolidated	161	13	3	171	32	19	4	189
UNITED ARROWS Total	50	4		54	12	8		62
UNITES ARROWS (General Merchandise Store)	11			11	1	1		12
UNITED ARROWS	15	1		16	4	3		19
BEAUTY & YOUTH	22	3		25	7	4		29
UA label Image Stores	2			2				2
green label relaxing	42	4	1	45	8	4	2	48
CHROME HEARTS	6			6	1	1		7
SBU's Total	48	4	1	51	9	5	1	56
Another Edition	14			14				14
Jewel Changes	6	2	1	7	2		1	7
Odette é Odile	19	1		20	2	1		21
DRAWER	5	1		6	1			6
ARCHIPELAGO	1			1				1
Cross-Sales	3			3				3
Type	0			0	1	1		1
Train Stations, Service Areas on Expressways, etc.	0			0	3	3		3
Outlet	15	1	1	15	2	1	1	16
FIGO CO., LTD.	11	1	1	11	1		1	11
COEN CO., LTD.	34	2		36	6	4		40

11

Store Opening and Closing Plans for FY2012

In the first half of FY12, the UNITED ARROWS Group opened 16 new stores while closing four stores for a consolidated total of 218 stores as of September 30, 2011.

For the full fiscal year, plans are in place to open 39 new stores and close five stores for a total of 240 stores as of March 31, 2012 on a consolidated basis.

Group Companies



FIGO
CO., LTD.



COEN CO., LTD. **coen**

Increase in revenue and ordinary income

- Despite the impact of delays in delivery, increase in directly operated retail store and online sales due mainly to promotional initiatives
- Steps taken to rebuild the supply chain as a part of efforts to resolve issues relating to delays in delivery under the guidance of newly appointed president Iwaki



Felisi women's bags

Return to the black on an ordinary income come

- Steady sales growth on the back of successful efforts to fine-tune product planning
- Stable sales reflecting successful efforts to minimize opportunity loss by bringing forward the changeover from autumn / winter to spring / summer items and upgrading and expanding midsummer products



COEN YOKOHAMA MARUI CITY

12

Group Company Progress

·FIGO CO., LTD.

FIGO CO., LTD. faced an uphill battle with respect to its wholesale sales due mainly to delays in the delivery of products. Directly operated retail store and online sales, on the other hand, were strong reflecting successful sales promotion initiatives encompassing mail magazines and a point card campaign. As a result, the company reported an increase in revenue and ordinary income for the first half of the fiscal year under review. In June 2011, Tetsuya Iwaki was newly appointed as company president. Under his guidance, we have embarked on a process of sales and marketing reform while at the same time rebuilding our supply chain as a part of efforts to resolve the problem of delivery delay.

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

COEN CO., LTD. took steps to improve its merchandising accuracy in order to ensure growth. Buoyed by these efforts, the company returned to the black on an ordinary income basis. Responding to customer calls for the early release of new products, COEN CO., LTD. brought forward the changeover from fall and winter items to spring and summer merchandise. At the same time, the company took steps to upgrade and expand its inventory including summer shirts and cut items. By minimizing the impact of lost sales opportunities due to the suspension of operations at three stores in Miyagi prefecture in April 2011 due to the Great East Japan Earthquake through these and other means, COEN CO., LTD. secured a steady stream of sales.

Reference: Earnings Forecasts for Full Fiscal 2012



(Millions of yen)

	Consolidated Results			FY11		Non-Consolidated Results			FY11	
	Full FY12					Full FY12				
	Forecasts	vs. Sales	YoY	Results	vs. Sales	Forecasts	vs. Sales	YoY	Results	vs. Sales
Sales	98,512	100.0%	108.8%	90,571	100.0%	92,076	100.0%	108.2%	85,090	100.0%
Gross Profit	52,838	53.6%	110.1%	48,001	53.0%	48,999	53.2%	109.6%	44,726	52.6%
SGA Exp.	44,340	45.0%	109.2%	40,617	44.8%	41,100	44.6%	109.3%	37,599	44.2%
Operating Inc.	8,497	8.6%	115.1%	7,384	8.2%	7,898	8.6%	110.8%	7,126	8.4%
Non Op. P/L	(11)	0.0%	-	(143)	-0.2%	9	0.0%	-	(65)	-0.1%
Ordinary Inc.	8,486	8.6%	117.2%	7,240	8.0%	7,908	8.6%	112.0%	7,061	8.3%
Extraordinary P/L	(374)	-0.4%	-	(1,312)	-1.4%	(371)	-0.4%	-	(1,325)	-1.6%
Net Income	4,608	4.7%	128.1%	3,596	4.0%	4,296	4.7%	147.2%	2,919	3.4%

13

Earnings Forecasts for the Full 2012 Fiscal Year

Taking into consideration uncertainty surrounding future trends in consumer spending, consolidated business results forecasts for the full fiscal year ending March 31, 2012 announced on September 12, 2011 remain unchanged. In the event that a revision of business performance forecasts is considered necessary, details will be newly announced.

Reference: Fiscal 2012 Non-Consolidated Sales Forecasts by Sales Channel and Business Type



(Millions or yen)

	Full FY12		YoY
	Forecasts	YoY	Results
Non-Consolidated Sales	92,076	108.2%	85,090
Total Business Unit Sales	80,953	110.1%	73,552
Retail	70,511	110.9%	63,595
Online	9,695	107.7%	8,997
Outlet	11,123	96.4%	11,538
UA	42,627	108.2%	39,402
GLR	20,518	125.2%	16,384
CH	5,691	117.0%	4,862
SBU's	12,117	93.9%	12,903

	Existing Stores YoY		
	Retail + Online	Retail	Online
Total Business Unit Sales	105.8%	103.9%	119.4%
UA	104.2%	102.2%	120.7%
GLR	108.3%	106.2%	121.0%
CH	-	111.3%	-
SBU's	104.7%	102.8%	114.0%

14

Non-Consolidated FY2012 Sales Forecasts by Sales Channel and Business Type
An explanation will not be provided in this instance.

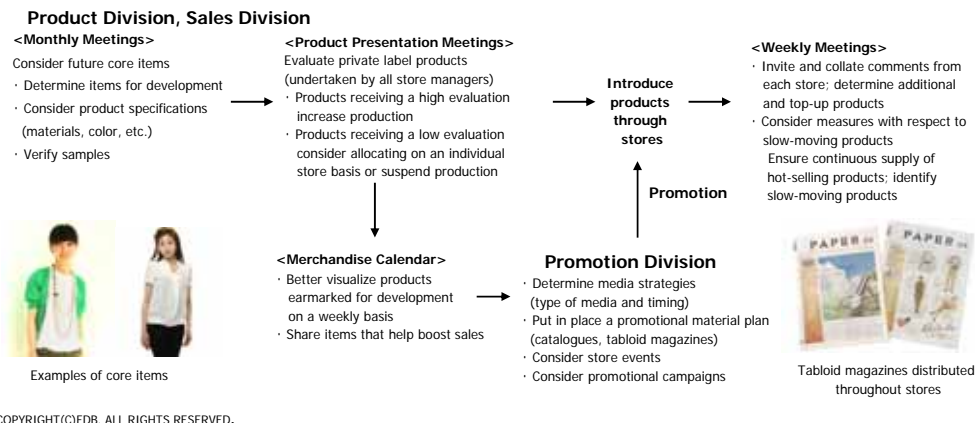
Progress in Addressing Priority Issues (1)

Non-consolidated priority issues (1):

Bolster the collaboration cycle between the product, sales and promotion divisions

- Products: Enhance original product (private-label) development capabilities incorporating input from the sales division
- Sales: Strengthen store management and enhance products planning verification capabilities
- Promotion: Implement various promotional initiatives in collaboration with product planning; undertake new initiatives utilizing social media

Example: UA business (women's) collaboration cycle between the product, sales and promotion divisions



15

Progress in Addressing Priority Issues in FY2012

Measures relating to priority issues are incorporated into the action plans of each business. Progress reports and subsequent action to be taken are discussed during regular monthly meetings.

The first priority issue covers efforts to bolster the collaboration cycle between each of the product, sales and promotion divisions.

In the Product Division, we continue to enhance development capabilities with respect to private-label products that incorporate input from the Sales Division. Weekly sales data is used to determine product mix accuracy and precision. Decisions on the need for additional inventory and measures aimed at minimizing opportunity loss are channeled toward maximizing sales.

In the Sales Division, efforts to strengthen store management have been linked to improving product planning verification capabilities. By conveying to the Product Division increasingly accurate information with respect to merchandise in high demand, we are raising the quality and level of our products.

For its part, the Promotion Division has implemented various initiatives in collaboration with product planning. These initiatives entail the use of various publications as well as media. While television commercials serve to attract customers, the green label relaxing business has achieved considerable success using transit advertising and other social media.

Drawing from among these promotional initiatives, this slide provides a more detailed explanation of the product, sales and promotion collaboration cycle employed by UNITED ARROWS women's business.

The UA women's business has built a structure and system that relies heavily on input from stores when determining core items.

Monthly product meetings serve as a forum for determining items for development as well as product specifications including materials and color. Meetings are also used to verify product samples. Meetings are attended by the managers of major urban stores to ensure regular input from the Sales Division.

At product presentation meetings, which are held four times each year, all store managers come together to evaluate private label products. Production is increased for products that receive a high evaluation. Steps are taken to reallocate products that attract a low evaluation on an individual store basis or to suspend production. By incorporating the comments of the Sales Division, we are better positioned to predict the appropriate level of inventory required for product materials and merchandise in advance. This system also helps to reduce the level of unnecessary products.

Harnessing this process, steps are taken to better visualize products that are earmarked for development on a weekly basis. Data is then incorporated into a merchandise calendar, which is commonly shared. With this as a base, decisions are made on the appropriate media strategy. The Promotion Division accordingly determines the type of media to be used as well as the details of each sales publication, store events and promotional campaigns. Advertising activities are also used to link top-up items at stores with promotional endeavors.

Each store provides a weekly report regarding products on display. Together with feedback on product trends, stores submit requests for additional production. All such requests are considered at weekly meetings at which time the appropriate decision is made.

As a result of the aforementioned initiatives, the UA business has improved its final sales ratio by 1.7 percentage points compared with the corresponding period of the previous fiscal year.

Progress in Addressing Priority Issues (2)



Non-consolidated priority issues (2):

Enhance productivity and ensure diversified cost control

- Increase productivity by strengthening collaboration between related divisions and improving operating processes and practices
 - UA : Increase productivity by strengthening head office management (eliminate inventory discrepancies and reduce overtime)
 - BY : Improve the precision of estimated demand taking into consideration requests from stores, response by industry and other participants as well as online advanced order results
 - GLR: Increase store productivity (raise the level of trainers, personnel responsible for visual merchandising (VMD) and other staff as well as store instructions)
- Implement cost control finely tuned to earnings
 - Reduction in SGA expenses to sales ratio by 1.5 percentage points due to improvements in cost efficiency
- Improve inventory efficiency by improving the planning accuracy of sales initiatives
 - Adhere strictly to a policy of proper pricing as well as sale and outlet sales ratio weekly management
 - 2.1 percentage point year-on-year improvement in the final sales ratio including outlet sales

16

Progress in Addressing Priority Issues in FY2012

The second priority issue revolves around efforts to enhance productivity and ensure diversified cost control.

Progress with respect to this issue is classified into three principal areas.

The first entails initiatives in mainstay businesses aimed at increasing productivity by strengthening collaboration between related divisions and improving operating processes and practices.

In the UA business, head office management has been strengthened in an effort to increase productivity. In specific terms, this entails eliminating inventory discrepancies as well as erroneous product labeling and reducing overtime.

In the BY business, steps have been taken to improve the precision of estimated demand by taking into consideration requests from stores, the response from industry participants in product exhibitions and the results of advance online orders. By steadfastly containing manufacturing and raw materials, we are promoting stable delivery.

In the GLR business, we have worked to increase store productivity, implemented seminars and workshops to lift the level of visual merchandising at each store and are currently issuing instructions on an individual store basis. As a part of efforts to extend the amount of time directly servicing customers, we have also introduced a smart phone inventory search tool at select stores.

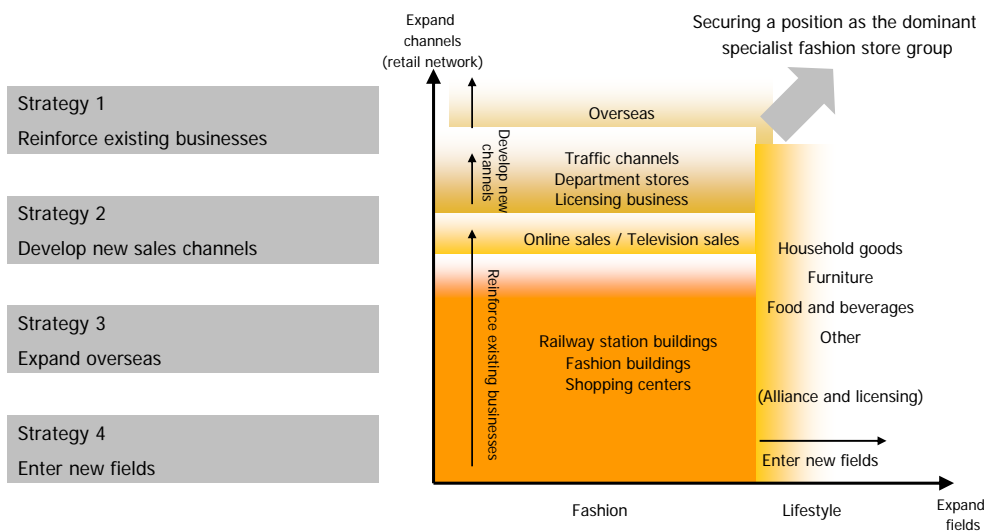
Each month forecasts are issued taking into account the implementation of cost controls finely tuned to earnings. This has helped in improving cost efficiency in the 2Q. As a result, the SGA expenses to sales ratio declined 1.5 percentage points year on year on a non-consolidated basis.

Turning to initiatives aimed at enhancing inventory efficiency by improving the planning accuracy of sales, weekly meetings based on the merchandising platform are held. As a result of adhering strictly to a policy of proper pricing in each business and product category, as well as carefully managing the sales and outlet store sales ratios, the final sales ratio including outlet sales for the spring and summer seasons of 2011 improved 2.1 percentage points compared with the corresponding period of the previous fiscal year.

Medium-Term Business Strategies

UNITED ARROWS LTD.

Secure a position as the dominant specialist fashion store group and identify the next step required to ensure business growth and expansion by Fiscal 2014



17

Medium-Term Business Strategies

The UNITED ARROWS Group has identified four core medium-term strategies. By reinforcing existing businesses, developing new sales channels, expanding overseas and entering new fields, the UNITED ARROWS Group will secure a position as the dominant specialist fashion store group while identifying the next step required to ensure business growth and expansion by FY14.

Put simply, the UNITED ARROWS Group will look to promote stable sales and profit growth by reinforcing its existing businesses. At the same time, the Group will develop new sales channels including traffic channels, department stores and licensing businesses while expanding overseas in order to grow its business.

Directing its energies toward licensing, alliance and other opportunities, steps will also be taken to enter new fields peripheral to the fashion industry. Such fields include household goods and furniture as well as food and beverages. Over the long-term, the UNITED ARROWS Group will work diligently to become the dominant specialist store group by extending its business to encompass high fashion as well as lifestyle items.

Medium-Term Business Strategies



Strategy 1 Reinforce existing businesses

Against the backdrop of robust existing business activity

- Optimize merchandise balance (product mix) by strengthening collaboration between product and sales divisions and enhancing the operating precision of the product platform

Existing business medium-term priority measures

- Enhance the precision of operations which serve as the source of competitive advantage
= systemize and put in place a manualized technology program
- Enhance private label product development capabilities
- Improve sales, marketing and operating skills focusing on store manager education and training
- Broaden the customer base utilizing both social and mass media
- Focus in businesses that are capable of driving growth
 - Position BY, GLR and COEN as drivers of future business growth
 - Strengthen efforts to open new stores mainly in railway station and fashion buildings as well as shopping centers located in urban and surrounding areas
- Continue to boost online store sales
 - Strengthen existing and own sites
 - Target a ratio of online sales to total sales of 12 to 13% over the medium term and 15% over the long term
- Develop new businesses that entail the cultivation of new markets

18

Strategy 1: Reinforce Existing Businesses

Adhering strictly to a business strategy that entails reinforcing existing businesses lies at the heart of the Group's efforts to secure medium-term stable growth.

Against the backdrop of robust existing business activity, we have increased our lineup of products that attract high customer demand by strengthening collaboration between the product and sales divisions. We have also enhanced the precision of our product procurement, production, product launch and inventory reduction activities by increasing the operating accuracy of our product platform. Working to optimize our product mix and merchandise balance in each business, we are ensuring the additional inventory top-up of hot-selling items in an effort to minimize opportunity loss while promoting the early inventory reduction of slow-moving products.

Enhancing the precision of our operations, which serve as the source of our competitive advantage, is also essential to securing stable existing business growth. To this end, we will put in place a systematic manual-based technology program as a medium-term priority issues. Ensuring that each and every employee is capable of carrying out the necessary operations is vital to maintaining a stable growth trajectory in our existing businesses. Building on these efforts to put in place a systematic manual-based technology program, we will then work to enhance our ability to develop private label products that distinguish us from other companies.

From a sales perspective, we will build our sales, marketing and operating skills development endeavors around a training program for store managers. In this manner, we will continue to meet the expectations of customers.

Recognizing significant recent advances in social media, we will address the growing diversity of communication methods with customers. Through the strategic use of both social and mass media, the UNITED ARROWS Group will broaden its customer base and increase the high esteem in which its products are held.

In the opening of new stores, BY, GLR and COEN have been positioned as key drivers of future growth. In each of these businesses, we will strengthen efforts to open new stores mainly in railway station and fashion buildings as well as shopping centers located in urban and surrounding areas. Each of these businesses has the high ratio of private label products, which characterize its high profitability. Increasing these businesses, the UNITED ARROWS Group will boost both revenues and profits.

In our online store sales activities, we will continue to bolster existing sites. We will place particular emphasis on reinforcing Company-owned online store sites. We plan to secure a ratio of online sales to total sales of between 12 and 13% by FY14. Our long-term goal is a ratio of 15%.

In an effort to cultivate new markets, we will again take up the challenge of developing new businesses. To date, UNITED ARROWS LTD. has adopted one of two methods when establishing a new business. The first has been to test the overall scale of the market by starting up UA Lab-type experimental businesses. If successful, we have then worked to steadily expand. The second method entails initial strategic investment for businesses where we believe that potential to be extremely high. In the case of the former, inconsistencies in marketing accuracy led to delays in turning a profit. Moving forward, we will make effective use of external resources in the development of new businesses in order to raise the level of marketing accuracy. While current market conditions are not favorable to the startup of new businesses, we are of the opinion that niche opportunities exist. In this regard, we see strong demand for the development of new businesses from leading commercial facilities that possess a high level of customer and accurate marketing information. Our duty is then to fulfill the expectations of this market niche. In addition to reinforcing existing businesses, the UNITED ARROWS Group will therefore cultivate new markets by developing new businesses as an important initiative in its efforts to secure medium- to long-term business growth.

Medium-Term Business Strategies



Strategy 2 Develop new sales channels

Traffic channels

- Establish a successful business model during the current fiscal year; apply this business model to the Group's store opening strategy in the FY13 and beyond
 - Airport: Opened three new stores in the FYE March 2011
 - Railway station: THE STATION STORE UNITED ARROWS LTD. to open Echika Omotesando, the company's first store at Omotesando Station (Tokyo Metropolitan Subway Line) in November 2011
 - Service areas on expressways: Planned opening of stores in the 2H of FY12



Department stores

- Consider a flexible store model that takes into account the specific characteristics of each market including women's stand-alone and other stores

Licensing business

- Promote new business development in collaboration with other companies
- Broaden the scope of ties with collaborating manufacturers; upgrade and expand license product development; promote continued development of department store activities
- "itoya WITH UNITED ARROWS" opened in collaboration with established stationery store Ginza itoya in Hankyu MEN'S TOKYO in October 2011
 - Steps taken by UNITED ARROWS in conjunction with license manufacturers to jointly set up a clothing and related products corner

19

Strategy 2: Develop New Sales Channels

In its infancy, UNITED ARROWS LTD. began its operations out of roadside stores. Thereafter, the Company explored a variety of opportunities taking full advantage of such new sales channels as urban shopping centers, railway station buildings, outlet stores and the Internet. With each new step, its overall business grew from strength to strength. Looking ahead, the UNITED ARROWS Group will actively cultivate new channels in an effort to expand points of customer contact and grow even further.

During FY11, the new THE AIRPORT STORE UNITED ARROWS LTD. business opened three new stores with airport commercial facilities. Making the shift to merchandise mainly from the UA business format as a part of ongoing revisions to its business model, THE AIRPORT STORE UNITED ARROWS LTD. achieved its 1H sales targets. This has gone a long way in instilling a sense of confidence in this business model.

In its railway station building operations, THE STATION STORE UNITED ARROWS LTD. opened Echika Omotesando, the company's first store at Omotesando Station on the Tokyo Metropolitan Subway Line on November 9, 2011. Plans are also in place to open stores at service areas on expressways from the 2H of FY12. The intention is to market a mix of products from the Company's multiple store brands to select merchandise as well as private label brand products that can only be found at a particular store. Based on a process of theoretical analysis, verification and review, we will work diligently to quickly establish a successful model for each channel. These models will then be incorporated into the Group's overall store opening strategy.

In its department store development activities, the UNITED ARROWS Group launched a new UNITED ARROWS women's stand-alone business. As a part of this initiative, steps were taken to open the UNITED ARROWS DAIMARU KOBE WOMEN'S STORE. Moving forward, the UNITED ARROWS Group will ensure flexibility in developing new store business models taking into careful consideration the specific characteristics of each market.

In its licensing business, UNITED ARROWS LTD. will harness its brand equity nurtured over a lengthy period. Every effort will be made to develop new businesses in collaboration with other companies. As a prime example of these endeavors, "itoya WITH UNITED ARROWS" was opened in collaboration with established stationery store Ginza ITO-YA in Hankyu MEN'S TOKYO in October 2011. The store features a clothing and related products corner set up jointly with license manufacturers. Looking ahead, UNITED ARROWS LTD. will work to augment the products of collaborating license manufacturers and develop business opportunities across major nationwide department stores.

Medium-Term Business Strategies



Strategy 3 Expand overseas

- Carefully determine business development timing based on the global economy and market trends
- Engage in ongoing marketing encompassing wholesale sales in Hong Kong and other activities including test sales in such countries as Singapore

Strategy 4 Enter new fields

- Consider entering new areas outside the fashion industry including the household goods, furniture, food and beverages as well as related fields
- Develop collaborative ties with other companies utilizing alliance, licensing and other methods

20

Strategy 3: Expand Overseas

In its overseas business development activities, UNITED ARROWS LTD. is already engaging in ongoing marketing encompassing wholesale sales in Hong Kong and test sales in such countries as Singapore. After identifying a clearly defined business development direction during the current fiscal year, our initial thoughts were to begin opening new stores from FY13. In determining the most appropriate timing for a full-fledged entry into the overseas arena, we will now adopt a more cautious approach taking into consideration the global economy and market trends.

Strategy 4: Enter New Fields

UNITED ARROWS LTD. will consider entering new areas outside the fashion industry including household goods and furniture as well as food and beverages. To this end, the Company will collaborate with other companies through alliance, licensing and other arrangements.

Medium-Term Management Targets

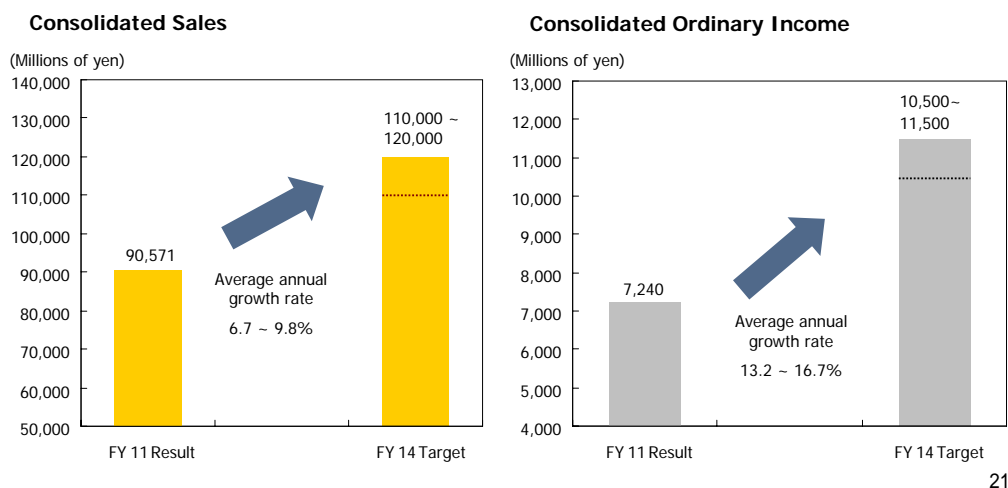


Management targets for the FY14

Consolidated sales: ¥110 to ¥120 billion

Consolidated ordinary income: ¥10.5 to ¥11.5 billion

Consolidated ROE: 20% or more



Medium-Term Management Targets

Guided by each of the aforementioned business strategies, the UNITED ARROWS Group is targeting consolidated sales of between ¥110 to ¥120 billion and consolidated ordinary income of between ¥10.5 and ¥11.5 billion for FY14. These management targets apply to existing businesses only and do not include new channel, overseas and new domain businesses, where uncertainty is high. On the assumption that the Company will continue to hold treasury stock, the Group's target for consolidated ROE is set at 20% or more.