

Fiscal 2015 Fiscal Year Ended March 2015 Earnings Announcement

May 8, 2015

UNITED ARROWS LTD.

I . Overview of Business Results for FY15 and Forecasts for FY16	P 3~19
II . Progress on Addressing Priority Issues and an Overview of Management and Other Policies for the New Fiscal Year	P 20~24

Note: In this earnings announcement, fractional sums of less than one million are rounded down and percentages are calculated from raw data.

Cautionary Statement

Earnings forecasts and objective views contained in this document are based on decisions made by UNITED ARROWS LTD. in light of information obtainable as of the date of this report, and therefore include risks and uncertainties. Actual earnings may differ materially from forecasts due to global economic trends, market conditions and other factors. Investors are asked to refrain from making investment decisions based solely on this document.

Abbreviations used throughout this report: The following abbreviations have been used for each Group business.

UA/UNITED ARROWS, BY/BEAUTY&YOUTH UNITED ARROWS, monkey time/monkey time BEAUTY&YOUTH UNITED ARROWS, District/District UNITED ARROWS, GLR/UNITED ARROWS green label relaxing, CH/CHROME HEARTS, Odette é Odile/Odette é Odile UNITED ARROWS, 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., SBUs/Small Business Units

Net sales by business: Net sales of the following businesses have been included in UA and SBU net sales.

UA: UA, District, THE SOVEREIGN HOUSE, BOW & ARROWS, BY, monkey time, STEVEN ALAN

SBUs: Another Edition, Jewel Changes, Odette é Odile, Boisson Chocolat, DRAWER, ASTRAET, EN ROUTE, ARCHIPELAGO, THE AIRPORT STORE, THE STATION STORE, THE HIGHWAY STORE

While revenue was up, earnings declined. This downturn in earnings was attributable to internal struggles during the fall and winter selling seasons; earnings at each level came in above revised forecasts

- Consolidated sales: YoY increase of 2.0% → Attributable to an increase in revenue at each Group company
- Gross Margin: 51.9%, down 1.4pt YoY → This decline is mainly due to the effects of the weak yen and an increase in the sale of markdown products from the 3Q
- SGA expense to sales ratio: 43.3%, up 0.6pt YoY → Due to the downturn in UNITED ARROWS LTD. existing store sales there was a relative upswing in the fixed costs ratio; moreover movement in the SGA expense to sales ratio was due to the rise in distribution expenses on the back of higher levels of inventory

(Millions of yen)

	Consolidated Results FY15 (full fiscal year)									
	Results	vs. Sales	YoY Increase (Decrease)		% Change vs. Revised Forecasts		FY14 Results		Revised Forecasts	
				%		%		vs. Sales		vs. Sales
Sales	131,029	100.0%	2,540	102.0%	1,029	100.8%	128,489	100.0%	130,000	100.0%
Gross Profit	68,046	51.9%	(445)	99.3%	246	100.4%	68,492	53.3%	67,800	52.2%
SGA Exp.	56,695	43.3%	1,852	103.4%	(304)	99.5%	54,842	42.7%	57,000	43.8%
Operating Inc.	11,351	8.7%	(2,298)	83.2%	551	105.1%	13,649	10.6%	10,800	8.3%
Non Op. P/L	191	0.1%	102	213.7%	(8)	95.9%	89	0.1%	200	0.2%
Ordinary Inc.	11,542	8.8%	(2,196)	84.0%	542	104.9%	13,739	10.7%	11,000	8.5%
Extraordinary P/L	(1,047)	-0.8%	(582)	-	52	-	(464)	-0.4%	(1,100)	-0.8%
Net Income	6,332	4.8%	(1,588)	79.9%	232	103.8%	7,920	6.2%	6,100	4.7%

3

■ Consolidated P/L Overview

In FY15 (April 1, 2014 to March 31, 2015), UNITED ARROWS LTD. reported an increase in revenue and a decrease in earnings. The downturn in earnings was largely attributable to internal struggles during the fall and winter selling seasons. On a positive note, each level of profit surpassed forecasts that were revised downward and announced on February 5, 2015.

Consolidated sales for the fiscal year under review climbed 2.0% compared with the previous fiscal year owing mainly to an increase in revenue at each Group company.

The gross margin declined 1.4 percentage points compared with the previous fiscal year to 51.9%. This decline is mainly due to the effects of ongoing weakness in the value of the yen, the higher proportion of purchased brands in the overall sales mix, and an increase in the sale of markdown products from the 3Q.

The selling, general and administrative (SGA) expense to sales ratio climbed 0.6 of a percentage point year on year to 43.3%. Due to the downturn in UNITED ARROWS LTD. existing store sales there was a relative upswing in the fixed costs ratio. Moreover movement in the SGA expense to sales ratio was due to the rise in distribution expenses on the back of higher levels of inventory.

Taking each of these factors into account, ordinary income fell 16.0% compared with the previous fiscal year to ¥11,542 million while net income decreased 20.1% year on year to ¥6,332 million. Compared with the revised forecasts, ordinary income was up 4.9%, or ¥542 million, while net income improved 3.8%, or ¥232 million.

(Millions of yen)

	Non-Consolidated Results FY15 (full fiscal year)									
	Results	vs. Sales	YoY Increase (Decrease)	%	% Change vs. Revised Forecasts	%	FY14 Results	vs. Sales	Revised Forecasts	vs. Sales
Sales	118,657	100.0%	444	100.4%	157	100.1%	118,212	100.0%	118,500	100.0%
Gross Profit	60,913	51.3%	(1,674)	97.3%	(86)	99.9%	62,588	52.9%	61,000	51.5%
SGA Exp.	50,121	42.2%	553	101.1%	(578)	98.9%	49,568	41.9%	50,700	42.8%
Operating Inc.	10,792	9.1%	(2,228)	82.9%	492	104.8%	13,020	11.0%	10,300	8.7%
Non Op. P/L	223	0.2%	98	178.8%	23	111.7%	124	0.1%	200	0.2%
Ordinary Inc.	11,015	9.3%	(2,129)	83.8%	515	104.9%	13,145	11.1%	10,500	8.9%
Extraordinary P/L	(786)	-0.7%	(424)	-	63	-	(361)	-0.3%	(850)	-0.7%
Net Income	6,285	5.3%	(1,394)	81.8%	285	104.8%	7,679	6.5%	6,000	5.1%

■ Non-Consolidated P/L Overview

An explanation has been omitted.

Non-consolidated sales up 0.4% YoY; existing retail and online store sales down 2.3% YoY

- Looking at total business unit sales, retail sales declined while online store sales increased; outlet store sales were also up year on year
- Turning to online sales, results for casual products were robust; trends were also strong in line with such factors as the consolidation of clearance sale merchandise
- Sales composition: online store sales 12.0% (11.0% in FY14); outlet store sales 12.4% (12.4% in FY14)

(Millions of yen)

Non-Consolidated Results FY15 (full fiscal year)									
	Results	Share	YoY Increase (Decrease)	%	% Change vs. Revised Forecasts	%	FY14 Results	Share	Revised Forecasts
Non-Consolidated Sales	118,657	100.0%	444	100.4%	157	100.1%	118,212	100.0%	118,500
Total Business Unit Sales	103,914	87.6%	402	100.4%	86	100.1%	103,511	87.6%	103,827
Retail	88,727	74.8%	(1,094)	98.8%	(290)	99.7%	89,822	76.0%	89,018
Online	14,244	12.0%	1,265	109.8%	232	101.7%	12,979	11.0%	14,011
Outlet	14,742	12.4%	42	100.3%	70	100.5%	14,700	12.4%	14,672

Existing Stores YoY			
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	97.7%	—	—
Retail	96.6%	90.0%	107.3%
Online	106.6%	—	—

■ Non-Consolidated Sales Results by Sales Channel

For the fiscal year under review, non-consolidated sales were up 0.4% compared with the previous fiscal year. Existing retail and online store sales, on the other hand, were down 2.3% year on year.

Looking at total business unit sales, retail sales declined while online store sales increased. Outlet store sales were also up year on year.

Turning to online sales, results for casual products were robust. Trends were also strong in line with such factors as the consolidation of clearance sale merchandise. Another reason for the sound performance was the increase in customers purchasing sneakers and other popular topical items online.

From a sales composition perspective, online store sales accounted for 12.0% of the total, up 1.0 percentage points compared with the previous fiscal year. Outlet sales made up 12.4% of the total, unchanged from the previous fiscal year.

Revenue up in the CH business; revenue down in other businesses due to internal struggles during the fall and winter selling seasons and corrections to the rush in demand in the lead-up to the consumption tax rate hike last year

- UA : Both men's and women's dressy items confronted a variety of circumstances; trends in casual items were firm
- GLR : Women's items struggled; conditions in men's items were robust
- CH : Strong results across various products including silver, gold, cut & sewn, and eyewear items
- SBUs: While SBUs struggled in overall terms, increase at DRAWER on an existing retail store basis

(Millions of yen)				
Non-Consolidated Results FY15 (full fiscal year)				
	Results	YoY Increase (Decrease)	%	FY14 Results
Total Business Unit Sales	103,914	402	100.4%	103,511
UA	52,489	(11)	100.0%	52,501
GLR	26,476	(195)	99.3%	26,672
CH	10,036	707	107.6%	9,329
SBUs	14,911	(97)	99.4%	15,009
Existing Stores YoY				
	Retail + Online	Retail	Online	
UA	97.7%	96.0%	115.4%	
GLR	97.8%	97.2%	101.1%	
CH	-	103.9%	-	
SBUs	93.3%	91.5%	100.7%	

■ Non-Consolidated Sales Results by Business Type

For the full fiscal year, revenue was up in the CH business. In contrast, revenue was down in other businesses due to internal struggles during the fall and winter selling seasons and corrections following the rush in demand in the lead-up to the consumption tax rate hike in March 2014.

In the UA business, both men's and women's dressy items confronted a variety of circumstances. Trends in casual items, however, were firm.

In the GLR business, women's items struggled while conditions in men's items were robust.

In the CH business, results were strong across various products including silver, gold, cut & sewn, and eyewear items. The proactive response toward inbound demand also proved to be successful.

SBUs struggled in overall terms throughout the fiscal year under review. As a notable exception, trends at existing DRAWER retail stores were positive year on year.

■ Non-Consolidated Gross Margin Results

1.6pt YoY decrease to 51.3% in the non-consolidated gross margin

- Total Business Units: 1.2pt decrease to 55.4% due largely to the impacts of an ongoing decline in the value of the yen, a higher composition of sales made up of procured products, and an increase in the sale of markdown products
- Outlet : 2.8pt decrease to 31.4% due mainly to efforts aimed at promoting the reduction of past inventories (including events held outside stores and other initiatives)

(Note) Please refer to "Non-Consolidated Gross Margin Results by Quarter" on the next page.

	Non-Consolidated Results FY15 (full fiscal year)		
	Results	YoY Increase (Decrease)	FY14 Results
	51.3%	-1.6%	52.9%
Total Business Units	55.4%	-1.2%	56.6%
Outlet	31.4%	-2.8%	34.2%
Other COGS Millions of yen	1,228	193	1,034

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

■ Non-Consolidated Gross Margin Results

In FY15, the non-consolidated gross margin decreased 1.6 percentage points compared with the previous fiscal year to 51.3%.

The total business unit gross margin decreased 1.2 percentage points year on year to 55.4% due largely to the impacts of an ongoing decline in the value of the yen resulting in an upswing in the cost of sales ratio, a higher composition of sales made up of procured products, and an increase in the sale of markdown products from the 3Q. Within procured products, there were also well-known and other brands with high cost of sales ratios and low gross margins that took up a higher share of the product mix throughout the fiscal year under review. This also contributed to the decrease in the total business unit gross margin.

As a rough approximation, the 1.2 percentage point decline in the total business unit gross margin is made up of an estimated 0.6 of a percentage point downturn linked to the upswing in markdown losses, with the remaining 0.6 of a percentage point attributable to an increase in the cost of goods purchased ratio as well as changes in the sales mix.

In FY15, the outlet store gross margin declined 2.8 percentage points compared with the previous fiscal year to 31.4%. This was mainly due to efforts aimed at promoting the reduction of past inventories at regular businesses as well as events held outside stores and other initiatives from the 4Q for the purpose of again reducing past inventories.

In the fiscal year under review, other costs climbed ¥193 million compared with the previous fiscal year. This was primarily due to the increase in royalties in line with CH sales growth as well as the increase in disposal of products.

Please refer to "Non-Consolidated Gross Margin Results by Quarter" on the next page.

■ Reference: Non-Consolidated Gross Margin Results by Quarter

	FY15 1Q (Three-Month Period)			FY15 2Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	FY14 1Q Results	Results	YoY Increase (Decrease)	FY14 2Q Results
Gross Margin	56.2%	-0.3%	56.6%	47.7%	-1.1%	48.8%
Total Business Units	59.3%	-0.5%	59.8%	53.1%	-0.5%	53.6%
Outlet	35.5%	-3.3%	38.9%	26.4%	-3.6%	30.0%
Other COGS Millions of yen	1	(85)	87	597	133	463
Note: Reference: Ratio of outlet store sales	12.9%	-1.0%	13.9%	11.7%	-0.8%	12.5%

	FY15 3Q (Three-Month Period)			FY15 4Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	FY14 1Q Results	Results	YoY Increase (Decrease)	FY14 2Q Results
Gross Margin	55.5%	-0.9%	56.4%	45.3%	-4.0%	49.3%
Total Business Units	58.2%	-1.1%	59.3%	50.6%	-2.7%	53.3%
Outlet	36.4%	-0.3%	36.6%	26.0%	-3.9%	30.0%
Other COGS Millions of yen	(30)	(87)	56	660	233	426
Note: Reference: Ratio of outlet store sales	12.7%	0.5%	12.2%	12.8%	1.4%	11.5%

■ Reference: Non-Consolidated Gross Margin Results by Quarter

An explanation has been omitted.

Non-consolidated SGA expense to sales ratio increased 0.3pt YoY to 42.2 %

- Factors contributing to the YoY increase (decrease) in SGA expenses as a ratio to sales
 - Advertising expenses: Decrease in line with such factors as the decline in the placement of advertisements as well as transit advertising
 - Other : Increase in line with such factors as the upswing in IT-related costs as well as outsourcing expenses related to distribution on the back of an increase in inventory

(Note) Reference: Breakdown of major items that contributed to a decrease of approximately ¥570 million compared with revised forecasts: Decrease in direct personnel, recruiting, and education and training expenses of ¥300 million mainly in line with vacant positions and efforts to limit hiring; drop in business trip, research and development, and other expenses of ¥60 million, and; downturn in advertising expenses of ¥40 million

(Millions of yen)

	Non-Consolidated Results FY15 (full fiscal year)				FY14 Results vs. Sales	
	Results	vs. Sales	YoY Increase (Decrease)	%		
Non-Consolidated Sales	118,657	100.0%	444	100.4%	118,212	100.0%
SGA Expenses	50,121	42.2%	553	101.1%	49,568	41.9%
Advertising Expenses	2,159	1.8%	(440)	83.0%	2,600	2.2%
Personnel Expenses	18,109	15.3%	78	100.4%	18,030	15.3%
Rent	14,819	12.5%	253	101.7%	14,565	12.3%
Depreciation	1,487	1.3%	41	102.8%	1,446	1.2%
Other	13,546	11.4%	621	104.8%	12,924	10.9%

■ Non-Consolidated SGA Expenses

The non-consolidated SGA expenses to sales ratio increased 0.3 of a percentage point compared with the previous fiscal year to 42.2%.

Looking at factors that contributed to movements in the SGA expenses to sales ratio compared with the previous fiscal year, advertising expenses decreased in line with a decline in the placement of advertisements as well as transit advertising while other SGA expenses increased reflecting the upswing in IT-related costs as well as outsourcing expenses related to distribution.

Compared with the revised forecasts, SGA expenses fell approximately ¥570 million. This downturn was mainly comprised of a decrease in direct personnel, recruiting as well as education and training expenses of ¥300 million essentially in line with vacant positions and an effort to limit hiring, a drop in business trips, research and development as well as other expenses of ¥60 million, and a decline in advertising expenses of ¥40 million. Accumulated reductions and cutbacks in other general expenses also came to around ¥170 million.

(YoY comparative analysis of consolidated balances as of the end of the previous period)

- Current assets: Increase in the balance of inventory
- Noncurrent assets: Increase in the balances of mainly tangible noncurrent assets and guarantee deposits in line with the opening of new stores and other factors
- Liabilities: Increase in the balance of debt due primarily to the acquisition of treasury stock; decrease in the balance of mainly income taxes payable
- Net assets: Increase in the balance of retained earnings; decrease owing to the acquisition of treasury stock

(Note) The balance of consolidated short- and long-term loans payable: up 106.6% YoY to ¥10.5 billion

(Note) The balance of non-consolidated inventory: up 15.3% YoY (net sales growth: 0.4%; YoY increase as of the end of the 3Q: 16.8%)

	Consolidated FY15-End				Non-Consolidated Results FY15-End			
	Balance	Share	YoY Increase (Decrease)	%	Balance	Share	YoY Increase (Decrease)	%
Total Assets	62,020	100.0%	2,724	104.6%	57,414	100.0%	2,115	103.8%
Current Assets	41,438	66.8%	2,646	106.8%	36,557	63.7%	2,065	106.0%
(Inventory)	23,474	37.8%	3,102	115.2%	21,292	37.1%	2,827	115.3%
Noncurrent Assets	20,582	33.2%	77	100.4%	20,857	36.3%	49	100.2%
Current Liabilities	24,101	38.9%	(1,018)	95.9%	20,661	36.0%	(1,569)	92.9%
Noncurrent Liabilities	6,731	10.9%	4,089	254.7%	6,390	11.1%	4,075	276.1%
Total Net Assets	31,186	50.3%	(345)	98.9%	30,363	52.9%	(391)	98.7%
Reference: Balance of Short and Long-Term Loans Payable	10,500	16.9%	5,418	206.6%	8,800	15.3%	5,218	245.7%

(Millions of yen)

10

■ Consolidated / Non-Consolidated B/S Overview

Total assets stood at ¥62,020 million as of March 31, 2015 on a consolidated basis. This was 4.6% higher than the balance as of the end of the previous fiscal year.

Factors contributing to the year-on-year movement in consolidated balance sheet items are presented as follows.

Current assets stood at ¥41,438 million as of March 31, 2015, up 6.8% compared with the balance as of the end of the previous fiscal year. The principal movements included an increase in inventory. Noncurrent assets edged up 0.4% year on year to ¥20,582 million. This largely reflected increases in the balances of tangible noncurrent assets and guarantee deposits in line with the opening of new stores.

Current liabilities declined 4.1% compared with the balance as of the previous fiscal year-end to ¥24,101 million. The major year-on-year movements in current liabilities included a decrease in income taxes payable. The balance of noncurrent liabilities jumped 154.7% compared with the balance as of March 31, 2014 to ¥6,731 million. This was primarily due to the increase in long-term loans payable to fund the purchase of treasury stock.

As of March 31, 2015, the balance of net assets stood at ¥31,186 million, down 1.1% compared with the balance as of the end of the previous fiscal year. Despite an increase in retained earnings, the year-on-year downturn in the balance of net assets was essentially in line with the purchase of treasury stock.

The balance of short- and long-term loans payable on a consolidated basis amounted to ¥10,500 million, up 106.6% compared with the balance as of the end of the previous fiscal year. This was mainly due to the increase in debt in line with the purchase of treasury stock.

On a non-consolidated basis, the balance of inventory was up 15.3% year on year. While this was substantially higher than the 0.4% year-on-year growth in non-consolidated sales, the upswing in inventory for the full fiscal year was lower than the 16.8% year-on-year increase recorded for the 3Q of FY15. Taking the aforementioned into consideration, the rate of inventory expansion is on a slight downward trend. Looking ahead, we will work to limit the increase in inventory through adjustments to procurement and sales activities.

Cash and cash equivalents as of the end of the term came to ¥5,585 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥10,495 million, depreciation of ¥1,801 million; (major cash outflows) income taxes paid of ¥5,871 million, increase in inventories of ¥3,102 million
- Cash flows from investing activities: (major cash outflows) purchase of property, plant and equipment of ¥2,299 million, payments for long-term guarantee deposits of ¥327 million
- Cash flows from financing activities: (major cash inflows) net increase in long-term loans payable of ¥6,000 million; (major cash outflows) acquisition of treasury stock of ¥4,614 million, cash dividends paid of ¥2,132 million

(Millions of yen)

	Consolidated FY15 Results	FY14 Results
Cash flows from operating activities (sub-total)	10,939	11,398
Cash flows from operating activities	4,730	6,828
Cash flows from investing activities	(3,249)	(3,072)
Cash flows from financing activities	(1,328)	(4,472)
Cash and cash equivalents at the end of the term	5,585	5,429

Consolidated C/F Overview

The balance of cash and cash equivalents as of the end of the fiscal year under review stood at ¥5,585 million.

Net cash provided by operating activities amounted to ¥4,730 million. The principal cash inflows were income before income taxes of ¥10,495 million and depreciation of ¥1,801 million. The major cash outflows included income taxes paid of ¥5,871 million and the increase in inventories of ¥3,102 million.

Net cash used in investing activities totaled ¥3,249 million. The principal cash outflows were the purchase of property, plant and equipment of ¥2,299 million and payments for long-term guarantee deposits of ¥327 million in line with the opening of new stores and other factors.

Net cash used in financing activities came to ¥1,328 million. The major cash inflow was the net increase in long-term loans payable in line with the purchase of treasury stock of ¥6,000 million. The principal cash outflows were the acquisition of treasury stock of ¥4,614 million and cash dividend paid of ¥2,132 million.

■ FY16 Group Total Store Opening / Closing Plan

- Full FY16 forecast Group total: Number of new stores opened: 32; Closed: 6; Number of stores as of FY16-end: 360
- Full FY16 forecast UNITED ARROWS LTD. total: Number of new stores opened: 23; Closed: 4; Number of stores as of FY16-end: 261
- The opening of new stores during the new fiscal year will revolve mainly around existing major businesses including BY, GLR, and COEN

	FY15 Results				FY16 Forecasts					
	Opened			Closed	No. of stores as of the beginning of the period	Opened			Closed	No. of stores as of the end of the period
	1H	2H	Full Fiscal Year			1H	2H	Full Fiscal Year		
Group Total	23	6	29	9	334	18	14	32	6	360
UNITED ARROWS LTD.	15	3	18	7	242	15	8	23	4	261
FIGO CO., LTD.	1		1	1	17	1	1	2		19
COEN CO., LTD.	6	3	9	1	73	2	4	6	2	77
UNITED ARROWS TAIWAN LTD.	1		1		2		1	1		3

■ FY16 Group Total Store Opening / Closing Plan

On a Group total basis, plans are in place to newly open 32 stores and close six stores during FY16. As a result, the total number of stores is projected to come in at 360 as of March 31, 2016.

UNITED ARROWS LTD. is looking to open 23 new stores and close four stores for a FY16-end total of 261 stores.

Turning to FY15, the openings of two stores that were scheduled as of the end of the fiscal year under review were delayed until the beginning of April 2015. As a result, the forecast number of stores as of the period-end announced during the 3Q FY15 briefing session has fallen by two stores.

Looking more closely at activities in FY16, the opening of new stores will revolve mainly around existing major businesses including BY, GLR, and COEN.

Furthermore, the total sales area as of the end of FY16 on a Group total basis is projected to climb around 9% compared with the end of FY15.

	FY15 Results				FY16 Plan					
	Opened			Closed	No. of stores as of the beginning of the period	Opened			Closed	No. of stores as of the end of the period
	1H	2H	Full Fiscal Year			1H	2H	Full Fiscal Year		
UNITED ARROWS LTD. Total	15	3	18	7	242	15	8	23	4	261
UNITED ARROWS Total	4		4	1	76	7	6	13	2	87
UNITED ARROWS (General Merchandise Store)					11				2	9
UNITED ARROWS					23	1	1	2		25
BOW & ARROWS	2		2		2					2
THE SOVEREIGN HOUSE					1					1
District					1					1
BEAUTY&YOUTH	2		2	1	36	4	4	8		44
monkey time					1	1		1		2
STEVEN ALAN					1	1	1	2		3
green label relaxing	3	2	5	3	62	5	2	7		69
CHROME HEARTS	1		1		10					10
SBU Total	6		6	3	73	1		1	2	72
Another Edition					16				1	15
Jewel Changes	1		1	1	10					10
Odette é Odile					23				1	22
Boisson Chocolat	2		2		3					3
DRAWER					7					7
ASTRAET	1		1		3					3
EN ROUTE	1		1		1	1		1		2
ARCHIPELAGO					1					1
Cross Sales- Type / Traffic Channels					3					3
THE AIRPORT STORE					6					6
THE STATION STORE	1		1							
THE HIGHWAY STORE				2						
Outlet	1	1	2		21	2		2		23

Note: STEVEN ALAN TOKYO, STEVEN ALAN OSAKA and STEVEN ALAN KOBE are recorded as annex-type stores and are not included in the number of stores listed above.

Note: STEVEN ALAN TOKYO, STEVEN ALAN OSAKA and STEVEN ALAN KOBE are recorded as annex-type stores and are not included in the number of stores listed above.

■ Reference: Details of UNITED ARROWS LTD. Store Opening and Closing Plan for FY16

An explanation has been omitted.

■Reference: FY15 Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facilities / Address
Feb.	Closed store	THE HIGHWAY STORE UNITED ARROWS EXPASA EBINA	EXPASA EBINA (Ebina City, Kanagawa Prefecture)
	Closed store	THE HIGHWAY STORE UNITED ARROWS NEOPASA SHIMIZU	NEOPASA SHIMIZU (Shimizu-ku, Shizuoka City)
Jan.	Closed store	BEAUTY&YOUTH UNITED ARROWS UMEDA	E-MA (Kita-ku, Osaka City)
Nov.	Newly opened store	green label relaxing nagano	MIDORI NAGANO (Nagano City, Nagano Prefecture)
	Newly opened store	UNITED ARROWS LTD. OUTLET TOKI	Toki Premium Outlets (Toki City, Gifu Prefecture)
Oct.	Newly opened store	green label relaxing lalaport izumi	LaLaport Izumi (Izumi City, Osaka)
	Closed store	green label relaxing rinku sennan	AEONMALL RINKU SENNAN (Sennan City, Osaka)
Sep.	Newly opened store	BEAUTY&YOUTH UNITED ARROWS NAGASAKI	AMU PLAZA NAGASAKI (Nagasaki City, Nagasaki Prefecture)
	Newly opened store	Jewel Changes Omiya	LUMINE OMIYA (Omiya City, Saitama Prefecture)
	Newly opened store	EN ROUTE GINZA	Stand-alone store (Chuo-ku, Tokyo)
	Closed store ^(*)	green label relaxing shibuya mark city	SHIBUYA MARK CITY (Shibuya-ku, Tokyo)
	Newly opened store	green label relaxing shibuya mark city	SHIBUYA MARK CITY (Shibuya-ku, Tokyo)
	Closed store	Jewel Changes Shibuya Tokyu Toyoko	TOKYU DEPARTMENT STORE TOYOKO (Shibuya-ku, Tokyo)
Jul.	Closed store	green label relaxing yokohama sotetsu joinus	SOTETSU JOINUS (Nishi-ku, Yokohama City)
May	Newly opened store	green label relaxing atré ueno	atré Ueno (Taito-ku, Tokyo)
	Newly opened store	CHROME HEARTS FUKUOKA	Stand-alone store (Chuo-ku, Fukuoka City)
	Newly opened store	ASTRAET AOYAMA	Stand-alone store (Minato-ku, Tokyo)
	Newly opened store	THE STATION STORE UNITED ARROWS LTD. OTEMACHI	Otemachi-tower (Chiyoda-ku, Tokyo)
Apr.	Newly opened store	BOW & ARROWS DAIMARU SAPPORO STORE	Daimaru Sapporo Store (Chuo-ku, Sapporo City)
	Newly opened store	BOW & ARROWS DAIMARU UMEDA STORE	Daimaru Umeda Store (Kita-ku, Osaka City)
	Newly opened store	BEAUTY&YOUTH UNITED ARROWS KYOTO WOMEN'S STORE	KYOTO PORTA (Shimogyo-ku, Kyoto City)
	Newly opened store	green label relaxing musashi-kosugi	LaLa terrace MUSASHIKOSUGI (Nakahara-ku, Kawasaki City)
	Newly opened store	Boisson Chocolat Kichijouji	atré Kichijoji (Musashino City, Tokyo)
	Newly opened store	Boisson Chocolat Marunouchi	Marunouchi Building (Chiyoda-ku, Tokyo)
	Newly opened store	UNITED ARROWS LTD. OUTLET KURASHIKI	ITSUI OUTLET PARK KURASHIKI (Kurashiki City, Okayama Prefecture)

*1 Based on our store counting management policy, the green label relaxing shibuya mark city store is recorded as a closed and newly opened store.

This reflects the dramatic change in product lineups at the store in line with renovations.

■ Reference: FY15 Results of the Opening and Closing of Stores

An explanation has been omitted.

FIGO CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
Apr.	Newly opened store	Felisi FUKUOKA MITSUKOSHI	FUKUOKA MITSUKOSHI (Chuo-ku, Fukuoka City)

COEN CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
Dec.	Newly opened store	Okayama	AEONMALL OKAYAMA (Kita-ku, Okayama City)
Nov.	Newly opened store	Okegawa	BENIBANA WALK OKEGAWA (Okegawa City, Saitama Prefecture)
Oct.	Newly opened store	IZUMI	LaLaport IZUMI (Izumi City, Osaka)
Sep.	Closed store	MALera GIFU	MALera GIFU (Motosu City, Gifu Prefecture)
Jul.	Newly opened store	FIND GOOD LUCK MARINE PIA KOBE	mitsui OUTLET PARK MARINPIA KOBE (Tarumi-ku, Kobe City)
	Newly opened store	FIND GOOD LUCK KISARAZU	mitsui OUTLET PARK KISARAZU (Kisarazu City, Chiba Prefecture)
Apr.	Newly opened store	Musashikosugi	LaLa terrace MUSASHIKOSUGI (Nakahara-ku, Kawasaki City)
Mar.	Newly opened store	GENERAL STORE Nishinomiya	HANKYU NISHINOMIYA GARDENS (Nishinomiya City, Hyogo Prefecture)
	Newly opened store	GENERAL STORE KUZUHA MALL	KUZUHA MALL (Hirakata City, Osaka Prefecture)
	Newly opened store	FIND GOOD LUCK IRUMA	mitsui OUTLET PARK IRUMA (Iruma City, Saitama Prefecture)

UNITED ARROWS TAIWAN LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
May	Newly opened store	BEAUTY&YOUTH UNITED ARROWS TAIPEI	Stand-alone store (Taipei City, Taiwan)

Note: COEN CO., LTD. and UNITED ARROWS TAIWAN LTD. maintain a balance date of January 31 each year.
Details of the opening and closing of new stores cover the period from February 1, 2014 to January 31, 2015.

■ Reference: FY15 Results of the Opening and Closing of Stores

An explanation has been omitted.

FIGO CO., LTD.

Increase in revenue and decrease in earnings in FY15

- Sales: ¥3,400 million; up 4% YoY
- Major factors resulting in a decrease in earnings include increases in advertising as well as store personnel expenses in connection with such new brands as ASPESI
- Targeting revenue and earnings growth in the new fiscal year by upgrading and boosting product planning that incorporates customers' needs and strengthening sales capabilities through training exchange programs with UNITED ARROWS LTD.



Felisi and La Gazzetta 1987 commemorative products to celebrate the 1st anniversary of the Aoyama store

COEN CO., LTD.

Increase in revenue and earnings in FY15

- Sales: ¥9,100 million; up 26% YoY
- Both sales and profits trending above initial plans
- Successful efforts to revise prices and strengthen sales and customer service capabilities
- Targeting an increase in revenue and earnings in the new fiscal year by further strengthening product development, customer management, and store operating capabilities



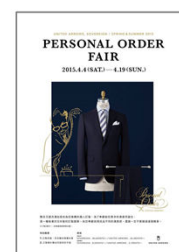
COEN OKEGAWA store:
Opened in November 2014

UNITED ARROWS TAIWAN LTD.

FY15 ordinary loss within the parameter of initial plans

- Stores visited mainly by well-to-do, highly fashion-conscious customers; working to expand product lineups that accurately capture fashion trends
- Implementing a system where products are delivered directly to the Taipei store from the factory in China in an effort to ensure the timely display of merchandise
- Strengthening sales through a variety of initiatives including the use of SNS and introduction of a stamp card system
- Targeting sale growth in the new fiscal year through a variety of measures including efforts to improve merchandising as well as visibility and awareness

UA TAIWAN Personal Order Fair
held in April 2015



■ Group Companies

• FIGO CO., LTD.

In FY15, FIGO reported an increase in revenue and a decrease in earnings. While sales were up 4% compared with the previous fiscal year to ¥3,400 million owing to a variety of factors including growth in retail and online sales, earnings decreased mainly due to increases in advertising expenses in connection with such new brands as ASPESI as well as store personnel expenses. In FY16, the Company is targeting revenue and earnings growth by upgrading and boosting product planning that incorporates customers' needs and strengthening sales capabilities through training exchange programs with UNITED ARROWS LTD.

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

In FY15, ended January 2015, both revenue and earnings increased. Sales climbed 26% compared with the previous fiscal year to ¥9,100 million. In addition to the increase in revenue attributable to the opening of new stores, the growth in sales was mainly due to robust trends in existing and online store sales. Results came in above forecasts set at the beginning of the period. This reflected a variety of factors including the strong performance of products for which COEN adopted a balanced approach toward price. In specific terms, the company restored product prices from the spring and summer of 2014 following a temporary increase in the fall and winter of 2013. Moreover, the better-than-projected results were due to efforts aimed at strengthening store management. In FY16, COEN will continue to reinforce product development capabilities, bolster customer relationship management, and enhance store operations. Through these and other means, the company is targeting continued growth in both revenue and earnings.

(Continued on the following page)

FIGO CO., LTD.

Increase in revenue and decrease in earnings in FY15

- Sales: ¥3,400 million; up 4% YoY
- Major factors resulting in a decrease in earnings include increases in advertising as well as store personnel expenses in connection with such new brands as ASPESI
- Targeting revenue and earnings growth in the new fiscal year by upgrading and boosting product planning that incorporates customers' needs and strengthening sales capabilities through training exchange programs with UNITED ARROWS LTD.



Felisi and La Gazzetta 1987 commemorative products to celebrate the 1st anniversary of the Aoyama store

COEN CO., LTD.

Increase in revenue and earnings in FY15

- Sales: ¥9,100 million; up 26% YoY
- Both sales and profits trending above initial plans
- Successful efforts to revise prices and strengthen sales and customer service capabilities
- Targeting an increase in revenue and earnings in the new fiscal year by further strengthening product development, customer management, and store operating capabilities



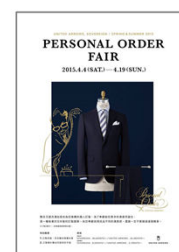
COEN OKEGAWA store:
Opened in November 2014

UNITED ARROWS TAIWAN LTD.

FY15 ordinary loss within the parameter of initial plans

- Stores visited mainly by well-to-do, highly fashion-conscious customers; working to expand product lineups that accurately capture fashion trends
- Implementing a system where products are delivered directly to the Taipei store from the factory in China in an effort to ensure the timely display of merchandise
- Strengthening sales through a variety of initiatives including the use of SNS and introduction of a stamp card system
- Targeting sale growth in the new fiscal year through a variety of measures including efforts to improve merchandising as well as visibility and awareness

UA TAIWAN Personal Order Fair
held in April 2015



■ Group Companies

(Continued from the previous page)

• UNITED ARROWS TAIWAN LTD. (Account settlement: January)

In FY15, ended January 2015, the company incurred an ordinary loss that came within plans. UNITED ARROWS TAIWAN LTD. stores continue to be visited mainly by well-to-do, highly fashion-conscious customers. Accordingly, the company will continue to expand its lineup of trend-setting products. UNITED ARROWS TAIWAN LTD. is implementing a system where products are delivered directly to the Taipei store from the factory in China in an effort to ensure the timely display of merchandise. This initiative is consistent with the company's decision to adopt a season merchandising approach in the future. At the same time, UNITED ARROWS TAIWAN LTD. is strengthening sales through a variety of measures including the use of SNS and the introduction of a stamp card service. In FY16, steps will be taken to further improve merchandising and to increase sales by heightening visibility and awareness.

Targeting an increase in revenue and earnings on both a consolidated and non-consolidated basis

- Consolidated sales of ¥141,401 million (Up 7.9% YoY) based on the assumption that UNITED ARROWS LTD. existing retail and online store sales improve 3.3% YoY
- Gross margin of 51.7% → Projected decrease of 0.3pt YoY due mainly to the increase in inventory reduction costs in line with higher discount rates
- SGA expenses to sales ratio of 43.4% → Plan to cutback costs as a part of operating overhead expense forecasts in accordance with previous period results
- Operating income of ¥11,686 million (Up 3.0% YoY); ordinary income of ¥11,669 million (Up 1.1% YoY)
- YoY increase of 12.2% in net income to ¥7,103 million due to such factors as the forecast decline in impairment loss

(Note) Consolidated EPS expected to climb 17.8% YoY to ¥235.05 owing mainly to the decrease in extraordinary losses and the acquisition of treasury stock

(Millions of yen)

	Consolidated FY16 (full fiscal year)			FY15 Results		Non-Consolidated FY16 (full fiscal year)			FY15 Results	
	Forecasts	vs. Sales	YoY			Forecasts	vs. Sales	YoY		
Sales	141,401	100.0%	107.9%	131,029	100.0%	127,727	100.0%	107.6%	118,657	100.0%
Gross Profit	73,069	51.7%	107.4%	68,046	51.9%	65,242	51.1%	107.1%	60,913	51.3%
SGA Exp.	61,382	43.4%	108.3%	56,695	43.3%	54,191	42.4%	108.1%	50,121	42.2%
Operating Inc.	11,686	8.3%	103.0%	11,351	8.7%	11,051	8.7%	102.4%	10,792	9.1%
Non Op. P/L	(16)	0.0%	-	191	0.1%	20	0.0%	9.2%	223	0.2%
Ordinary Inc.	11,669	8.3%	101.1%	11,542	8.8%	11,071	8.7%	100.5%	11,015	9.3%
Extraordinary P/L	(327)	-0.2%	-	(1,047)	-0.8%	(311)	-0.2%	-	(786)	-0.7%
Net Income	7,103	5.0%	112.2%	6,332	4.8%	6,827	5.3%	108.6%	6,285	5.3%

■ FY16 Consolidated / Non-Consolidated P/L Forecasts

UNITED ARROWS LTD. is targeting an increase in revenue and earnings on both a consolidated and non-consolidated basis.

Consolidated sales for FY16 are forecast to reach ¥141,401 million, a year-on-year increase of 7.9%. This forecast is based on the assumption that UNITED ARROWS LTD. existing retail and online store sales will climb 3.3% compared with the fiscal year ended March 31, 2015.

Compared with FY15, the gross margin is expected to decline 0.3 of a percentage point to 51.7%. This decline is due mainly to the increase in inventory reduction costs in line with higher discount rates .

The SGA expenses to sales ratio is anticipated to come in at 43.4% in FY16, up 0.1 of a percentage point compared with the fiscal year under review. In FY15, we were successful in significantly holding down costs in line with the slump in performance. In FY16, we will look to cover any downturn in the gross margin and secure increased profits by again limiting costs to similar levels.

Taking into account these endeavors, operating income is forecast to improve 3.0% year on year coming in at ¥11,686 million. Ordinary income is also projected to climb 1.1% year on year to ¥11,669 million.

Due to such factors as the forecast decline in impairment loss, net income is anticipated to total ¥7,103 million, an increase of 12.2% compared with FY15.

Consolidated EPS is expected to climb 17.8% year on year to ¥235.05 owing mainly to the decrease in extraordinary losses and the acquisition of treasury stock.

■ Consolidated

(Millions of yen)

	Consolidated FY16 First Half			FY15 First Half		Consolidated FY16 Second Half			FY15 Second Half	
	Forecasts	vs. Sales	YoY	Results	vs. Sales	Forecasts	vs. Sales	YoY	Half Results	vs. Sales
Sales	63,024	100.0%	106.9%	58,953	100.0%	78,377	100.0%	108.7%	72,076	100.0%
Gross Profit	32,444	51.5%	104.4%	31,079	52.7%	40,624	51.8%	109.9%	36,967	51.3%
SGA Exp.	29,447	46.7%	106.7%	27,588	46.8%	31,934	40.7%	109.7%	29,107	40.4%
Operating Inc.	2,996	4.8%	85.8%	3,491	5.9%	8,690	11.1%	110.6%	7,859	10.9%
Non Op. P/L	(28)	0.0%	-	62	0.1%	12	0.0%	9.3%	129	0.2%
Ordinary Inc.	2,967	4.7%	83.5%	3,553	6.0%	8,702	11.1%	108.9%	7,988	11.1%
Extraordinary P/L	(227)	-0.4%	-	(262)	-0.4%	(100)	-0.1%	-	(785)	-1.1%
Net Income	1,701	2.7%	86.9%	1,958	3.3%	5,402	6.9%	123.5%	4,373	6.1%

■ Non-Consolidated

	Non-Consolidated FY16 First Half			FY15 First Half		Non-Consolidated FY16 Second Half			FY15 Second Half	
	Forecasts	vs. Sales	YoY	Results	vs. Sales	Forecasts	vs. Sales	YoY	Half Results	vs. Sales
Sales	57,018	100.0%	106.7%	53,418	100.0%	70,709	100.0%	108.4%	65,239	100.0%
Gross Profit	28,960	50.8%	104.1%	27,830	52.1%	36,282	51.3%	109.7%	33,083	50.7%
SGA Exp.	26,001	45.6%	106.5%	24,408	45.7%	28,189	39.9%	109.6%	25,712	39.4%
Operating Inc.	2,958	5.2%	86.5%	3,421	6.4%	8,092	11.4%	109.8%	7,370	11.3%
Non Op. P/L	(5)	0.0%	-	83	0.2%	26	0.0%	19.1%	139	0.2%
Ordinary Inc.	2,952	5.2%	84.2%	3,505	6.6%	8,119	11.5%	108.1%	7,510	11.5%
Extraordinary P/L	(211)	-0.4%	-	(242)	-0.5%	(100)	-0.1%	-	(544)	-0.8%
Net Income	1,722	3.0%	86.8%	1,985	3.7%	5,104	7.2%	118.7%	4,300	6.6%

■ Reference: FY16 1H and 2H Consolidated / Non-Consolidated P/L Forecasts

Earnings are forecast to decline in the 1H, increase in the 2H, and improve over the full fiscal year on both a consolidated and non-consolidated basis.

The main reason for the decline in 1H earnings is the anticipated downturn in the gross margin.

Measures aimed at reducing past inventories will be implemented throughout the full fiscal year. As a result, any negative impact will also be felt throughout the period as a whole. Meanwhile, trends during the 1H of FY15 were relatively steady. In the 2H, however, sales were weak with an increase in the sale of markdown items. On this basis, the 1H gross margin is expected to fall below the level recorded in the corresponding period of FY15. Due to the lower hurdle set during the 2H of FY15, the gross margin in the 2H of FY16 is forecast to improve.

Efforts to reduce past inventories that exceed the scale undertaken each year will be conducted throughout FY16 only. As a result, we anticipate any negative impact on gross profit attributable to the reduction of past inventories to be less in FY17 compared with other years.

(Millions of yen)

	Non-Consolidated Results FY16 (full fiscal year)				Non-Consolidated Results FY16 First Half			Non-Consolidated Results FY16 Second Half		
	Forecasts	Share	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%
Sales	127,727	100.0%	9,069	107.6%	57,018	3,600	106.7%	70,709	5,469	108.4%
Total Business Units	111,381	87.2%	7,467	107.2%	49,615	2,758	105.9%	61,766	4,709	108.3%
Retail	95,077	74.4%	6,349	107.2%	42,583	2,058	105.1%	52,493	4,291	108.9%
Online	15,533	12.2%	1,288	109.0%	6,637	642	110.7%	8,895	645	107.8%
Outlet	16,345	12.8%	1,602	110.9%	7,402	842	112.8%	8,942	760	109.3%
Existing Store Sales YoY										
Retail + Online	103.3%				102.6%			103.9%		
Retail	102.5%				101.5%			103.3%		
Online	108.4%				109.6%			107.6%		

■ Reference: Details of FY16 Non-Consolidated Sales Forecasts

An explanation has been omitted.

Increase in revenue and decrease in earnings

— Failed to achieve forecasts established at the beginning of the period —

- Decrease in the gross margin
- Increase in inventory
- Decrease in the number of purchasing customers

Background — Stemming from internal factors —

Insufficient adjustments to awareness and behavior in response to changes in society, customers and competing companies

Reflections on measures and policies:

- Pricing policy : The setting of prices has not sufficiently taken into consideration customers' perceptions and reactions
- New businesses : Efforts to simultaneously establish three new businesses while developing operations overseas has decentralized and diluted management and human resources
- Existing businesses : Initial forecasts overreached capabilities in a bid to offset the losses of new businesses
- Inventory Management: Incidence of a delay in cutbacks amid such external factors as the weak yen and an increase in taxes

All of the aforementioned factors
attributable to the Company's lack of understanding of customers

■ Overview of FY15

UNITED ARROWS LTD. reported an increase in revenue and a decrease in earnings in FY15. In addition to its failure to achieve forecasts established at the beginning of the period, the Company was confronted by a number of notable issues that required attention including a drop in the gross margin, an increase in inventories, and a downturn in the number of purchasing customers all in line with the slump in operating results.

Internal factors underpin all of these issues, most notably the inability by management and all employees to make sufficient adjustments in their awareness and behavior in response to changes in society, customers, and competing companies.

Taking the aforementioned into consideration, UNITED ARROWS LTD. is reflecting on individual measures and policies as follows.

Pricing policy: Sales declined substantially due to the Company's failure to adequately take into consideration customers' perceptions and reactions when pricing products. This was particularly evident for fall and winter items last year. The decline in sales therefore reflects a product lineup that has failed to properly balance price and value.

New business development: Over the two-year period from FY13 to FY14, we undertook efforts to simultaneously set up three new businesses while developing overseas operations. This has decentralized and diluted management as well as human resources.

(Continued on the following page)

Increase in revenue and decrease in earnings

— Failed to achieve forecasts established at the beginning of the period —

- Decrease in the gross margin
- Increase in inventory
- Decrease in the number of purchasing customers

Background — Stemming from internal factors —

Insufficient adjustments to awareness and behavior in response to changes in society, customers and competing companies

Reflections on measures and policies:

- Pricing policy : The setting of prices has not sufficiently taken into consideration customers' perceptions and reactions
- New businesses : Efforts to simultaneously establish three new businesses while developing operations overseas has decentralized and diluted management and human resources
- Existing businesses : Initial forecasts overreached capabilities in a bid to offset the losses of new businesses
- Inventory Management: Incidence of a delay in cutbacks amid such external factors as the weak yen and an increase in taxes

All of the aforementioned factors
attributable to the Company's lack of understanding of customers

■ Overview of FY15

(Continued from the previous page)

Existing businesses: UNITED ARROWS LTD. overreached its capabilities when setting its initial forecasts in a bid to offset the losses of multiple new businesses. Overstretching sales forecasts especially for mainstay existing businesses was the principal reason behind falling substantially short of FY15 plans.

Inventory: Despite recognizing that the amounts of purchases and inventories would exceed forecasts due to external factors including the upswing in procurement prices as a result of the weak yen and efforts to address the rush in demand in the lead-up to the consumption tax rate hike, the Company was unable to effectively cutback inventory.

The paramount reason behind each of the aforementioned issues is the lack of our understanding of customers, who are the most important consideration for a company that operates in the retail sector. Both sales and profits are a product of customer satisfaction and joy. In FY15, we focused too heavily on financial results and not nearly enough on the joy of our customers.

Taking these issues into consideration, we put forward management policies for FY16.

Management Slogan "Maximum satisfaction to each customer on each occasion"

Returning to the fundamental concept that "It's All About The Customer," each and every employee of the Company will think carefully about what he or she can do to maximize customer satisfaction and act accordingly. This process of consideration and action will form the basis of generating "maximum satisfaction to each customer on each occasion."

[Addressing Priority Issues]

1. Bolster the cycle of collaboration between the product, sales, and promotion departments

- Product department — Engage in product development that balances the need to give customers what they want with putting forward proposals that are a half-step ahead of the time
- Sales department — Provide a level of customer services that exceeds expectations and leaves a lasting impression
- Promotion department — Disseminate information and put forward sales and promotional proposals that match a "search and sharing" era

2. Control increases in inventories

- Put in place and carry out appropriate purchasing plans based on a review of merchandising policies
- Promote a reduction in inventory through the proper use of events and online sales

■ FY16 Management Policy and Addressing Priority Issues

Reflecting on our lack of awareness and attention to customers from the last period, we identified the management slogan of "maximum satisfaction to each customer on each occasion" for FY15. Returning to the fundamental concept that "It's All About The Customers," each and every employee of the Company is committed to thinking carefully about what he or she can do to maximize customer satisfaction and to act accordingly. This process of consideration and action will form the basis of generating "maximum satisfaction to each customer on each occasion."

In addressing priority issues, we will bolster the cycle of collaboration between the product, sales, and promotion departments and control increases in inventories.

The product department will take the initiative and work closely with the sale department in its efforts to undertake an analysis of the market. Based on its findings and information on current customer needs as well as future fashion trends, the department will engage in product development that balances the need to give customers what they want with putting forward proposals that are a half-step ahead of the times.

The sales department will work diligently to provide a level of customer service that exceeds expectations and leaves a lasting impression. At the same time, the department will relay any and all information obtained from customers in support of the product department's endeavors.

The promotion department will take up the challenge of disseminating information and putting forward promotional proposals in innovative new ways that are aligned to current customers in the "search and sharing" era . These innovative new ways will take into account the manner in which customers search for and share information.

(Continued on the following page)

Management Slogan "Maximum satisfaction to each customer on each occasion"

Returning to the fundamental concept that "It's All About The Customer," each and every employee of the Company will think carefully about what he or she can do to maximize customer satisfaction and act accordingly. This process of consideration and action will form the basis of generating "maximum satisfaction to each customer on each occasion."

[Addressing Priority Issues]

1. Bolster the cycle of collaboration between the product, sales, and promotion departments

- Product department — Engage in product development that balances the need to give customers what they want with putting forward proposals that are a half-step ahead of the time
- Sales department — Provide a level of customer services that exceeds expectations and leaves a lasting impression
- Promotion department — Disseminate information and put forward sales and promotional proposals that match a "search and sharing" era

2. Control increases in inventories

- Put in place and carry out appropriate purchasing plans based on a review of merchandising policies
- Promote a reduction in inventory through the proper use of events and online sales

■ FY16 Management Policy and Addressing Priority Issues

(Continued from the previous page)

In order to control increases in inventory, our goal is to hold the rate of inventory growth as of the end of the period to below the rate of sales growth. By reviewing merchandising policies, we will put in place and carry out appropriate purchasing plans. We will also increase the product sales rate by promoting attractive product lineups to customers. Looking at past inventories, we will limit the amount of period-end inventory through outlet store sales and the effective use of events outside store and online sales. Complementing these initiatives, we have introduced an inventory indicator in our assessment of each business from the current fiscal year. In this manner, we are increasing the awareness toward inventory reduction of each business.

At the same time, inbound demand and online sales were identified as Company-wide promotion items. In order to address the recent increase in visitors to Japan from overseas and the subsequent upswing in inbound demand, we are strengthening the language skills of sales personnel and sales promotion initiatives targeting foreign travelers. From an online store sales perspective, we will continue to promote Omni Channel Retailing initiatives. In this way, we will work to enhance the convenience of customers. In FY16, we will focus on bringing joy to customer through each of the aforementioned measures. On this basis, we will work to increase sales and profits and to achieve all established forecasts.

1. Review merchandising policies

- Introduced initial through the GLR and SBU businesses which exhibit a higher proportion of SPA activities

2. Review pricing strategies

- Confirmed the core price range and secured a price range for hot-selling products
- Adopted a flexible pricing approach after introducing products

3. Promote a reduction in inventory

- Held events (four during the 4Q)
- Reduction of clearance sale products using online stores (Existing online stores + Outlet online sites)

■ Reference: Progress regarding Important Measures

Following a review of the Company's merchandising policies, the decision was made to introduce 8-season merchandising initially through the GLR business and certain SBUs that exhibit a higher proportion of SPA activities. Still in the early days of implementation, it is difficult to comment on specific results at this stage. Moving forward, we will look to increase the precision of implementation while repeatedly testing the premises that underpin the 8-season merchandising policy. For businesses where the 8-season merchandising policy has not been introduced, we will limit the volume of products launched at the start of each season and secure the necessary budget to additionally introduce top-selling products during the period. We will also lift the fixed price sales ratio by introducing fresh merchandise. Meanwhile, energies will be channeled toward holding down the volume of residual inventory while securing gross profit.

As a part of efforts to review pricing strategies, we will cast an eye over the prices of items that were not adequately accepted by customers following a revision of prices during fall and winter last year. We are also working to accurately identify and secure a price range for hot-selling products. For products that exhibit poor sales after introduction, we will look to generate movement by quickly marking down those items. By implementing a variety of measures, we will strive to promote sales while adopting a flexible approach toward product pricing.

(Continued on the following page)

1. Review merchandising policies

- Introduced initial through the GLR and SBU businesses which exhibit a higher proportion of SPA activities

2. Review pricing strategies

- Confirmed the core price range and secured a price range for hot-selling products
- Adopted a flexible pricing approach after introducing products

3. Promote a reduction in inventory

- Held events (four during the 4Q)
- Reduction of clearance sale products using online stores (Existing online stores + Outlet online sites)

■ Reference: Progress regarding Important Measures

(Continued from the previous page)

As we have often mentioned, we are committed to promoting a reduction in inventory. In order to reduce past inventories, for example, we held four external events during the 4Q. At the same time, we consolidated clearance sale inventories to online stores while working diligently to reduce inventories of products introduced during the period together with past inventories by opening new stores for a limited period through outlet online sites. In the fiscal year under review, we continued to implement the aforementioned measures. We also opened two new outlet stores, increased the sales floor space of one store in order to promote the reduction of inventories while minimizing any negative impact on profits.

In FY16, the number of existing store customers is down year on year. Looking at activities by business, there are also signs of strong and weak businesses. Taking these factors into account, there is clearly little room for complacency. Meanwhile, against the backdrop of the aforementioned conditions, trends in Company-wide sales of spring and summer items in 2015 are essentially in line with plans.

Moving forward, we will endeavor to provide products and services that attract the support of customers while carrying out tests on the premises that underpin our policies.

Withdrawing sales and profit targets

- Withdrew targets for sales and ordinary income while maintaining the target for ROE for FY17, ending March 31, 2017, the final year of the Medium-Term Management Plan

(Note) Targets for the final fiscal year of the Plan: Consolidated sales: ¥155.0 billion; Ordinary income ¥17.0 billion, and; ROE: 20.0% or more

Background

- Greater than expected changes in the external environment; delays in internal response
- Gain a firm foothold; focus on improving loyalty and creativity while targeting sound growth in a bid to secure medium- to long-term sustainable growth
- Continue the target for ROE which focuses on maintaining and enhancing stakeholder value

Development outlook going forward

- Focus on gaining a firm foothold in FY16
- Put in place policies during FY17; plans to announce details at the beginning of FY18
- No change in quantitative targets of the long-term vision

23

■Withdrawing Sales and Profit Targets under the Medium-Term Management Plan

UNITED ARROWS LTD. announced details of its Medium-Term Management Plan, which ends at the close of the fiscal year ending March 31, 2017, in May 2014. Under this plan, the Company identified several consolidated quantitative targets for the final year of the plan including net sales of ¥155.0 billion, ordinary income of ¥17.0 billion, and a ROE of 20% or more. UNITED ARROWS LTD. has subsequently withdrawn its targets for net sales and ordinary income while maintaining its target for ROE.

Over the period of the plan, the Company has fallen short in its efforts to respond to greater than expected changes in its external environment in a timely manner. As a result, significant discrepancies with regard to progress in generating profits have arisen between the time the plan was first formulated and the present. Based on current earnings levels, profit growth of approximately 50% is required to achieve our consolidated ordinary income target for FY17, the final year of the Medium-Term Management Plan. If we are to force the issue, and position efforts to achieve this ordinary income target as our only priority, we believe that a drop in earnings will result causing considerable inconvenience to stakeholders. Taking into consideration the importance of securing long-term sustainable growth, we have therefore identified the need to enhance customer satisfaction as our most important priority at this time. Accordingly, we will implement measures aimed at improving store loyalty and creativity in order to gain a firm foothold and secure sound growth. However, in the event that there is a short-term shift in our business performance, we will maintain our ROE target of 20% or more as a part of efforts to sustain and increase stakeholder value. In specific terms, we will endeavor to achieve a ROE that exceeds the established target each fiscal year wherever possible.

(Continued on the following page)

Withdrawing sales and profit targets

- Withdrew targets for sales and ordinary income while maintaining the target for ROE for FY17, ending March 31, 2017, the final year of the Medium-Term Management Plan

(Note) Targets for the final fiscal year of the Plan: Consolidated sales: ¥155.0 billion; Ordinary income ¥17.0 billion, and; ROE: 20.0% or more

Background

- Greater than expected changes in the external environment; delays in internal response
- Gain a firm foothold; focus on improving loyalty and creativity while targeting sound growth in a bid to secure medium- to long-term sustainable growth
- Continue the target for ROE which focuses on maintaining and enhancing stakeholder value

Development outlook going forward

- Focus on gaining a firm foothold in FY16
- Put in place policies during FY17; plans to announce details at the beginning of FY18
- No change in quantitative targets of the long-term vision

23

■Withdrawing Sales and Profit Targets under the Medium-Term Management Plan

(Continued from the previous page)

In the lead-up to formulating the next medium-term management plan, UNITED ARROWS LTD. will focus on gaining a firm foothold during FY16. With plans to ensure stable operations including the implementation of 8-season merchandising, we will take preparatory steps to put in place a new medium-term management plan during FY17 and announce details at the beginning of FY18.

The quantitative targets for our long-term vision, which covers the period up to the fiscal year ending March 31, 2022, remain unchanged. We are, however, re-evaluating our various strategies and policies with a view to better achieving established plans.

Profit distribution policy

- Policy: Undertake the stable payment of dividends based on a dividend payout ratio target of around 30%
- Place priority on the payment of stable dividends for FY15 and FY16; maintain the dividend amount per share

■ Trends in Dividends per Share, Dividend Payout Ratio, DOE, and Net Income per Share

	FY11 (Results)	FY12 (Results)	FY13 (Results)	FY14 (Results)	FY15 (Results)	FY16 (Forecasts)
Annual dividend per share (Yen)	29.0	36.0	53.0	67.0	78.0	78.0
Dividend payout ratio	29.9%	22.7%	23.0%	26.9%	39.1%	33.2%
Consolidated DOE	6.8%	5.9%	6.6%	6.8%	7.7%	-
Net income per share (Yen)	97.02	158.74	230.80	248.80	199.53	235.05

Bolstering the management structure and systems

- Plans to appoint one independent outside director following approval at the Company's Annual Shareholders' Meeting in June
- Hidehiko Nishikawa (current status): Professor of Faculty of Business Administration, Department of Markets and Management of Hosei University; Professor of Hosei University Graduate School, Hosei University Graduate School of Business Administration (concurrent position); after a stint at World Co., Ltd. appointed director of MUJI.net Co., Ltd.; received his Ph.D in commerce in 2004
- Structure includes two independent outside directors; strengthening the management and audit functions with the participation of two outside directors (Gaku Ishiwata, a specialist well-versed in governance, and Hidehiko Nishikawa, a specialist well-versed in retail business generally); structure comprising four internal directors and two outside directors for a total of six directors

24

■ Profit Distribution Policy; Bolstering the Management Structure and Systems

Profit distribution policy

UNITED ARROWS LTD. maintains the basic profit distribution policy of undertaking the stable payment of dividends based on a dividend payout ratio target of around 30% while also balancing the need for sufficient internal reserves to fund growth investments.

While operating results for FY15 fell short of initial forecasts, we have placed a priority on carrying out our profit distribution policy and the payment of stable dividends. Accordingly, our initial dividend per share amount forecast remains unchanged bringing our dividend payout ratio to 39.1%. We will also prioritize the stable payment of dividends in FY16 and are therefore projecting a dividend per share of ¥78, the same level as FY15. On this basis, our dividend payout ratio is expected to come in at 33.2%.

Bolstering the management structure and systems

Subject to the approval of shareholders at the Company's Annual Shareholders' Meeting scheduled to be held in June 2015, UNITED ARROWS LTD. will appoint one independent outside director. Hidehiko Nishikawa, Professor of the Faculty of Business Administration, the Department of Markets and Management of Hosei University, has been identified as the candidate for this position. After a stint at World Co., Ltd., Mr. Nishikawa was appointed as a director of MUJI.net Co., Ltd. He received his Ph.D in commerce in 2004. Currently, Mr. Nishikawa serves as a professor at Hosei University Graduate School. Our request to accept a position as outside director stems from our confidence that Mr. Nishikawa will contribute to the sound and efficient management of the Company based on his wealth of experience in retail business and his broad knowledge gained as a university professor.

With the appointment of Mr. Nishikawa, UNITED ARROWS LTD. will maintain a structure that includes two independent outside directors. In addition to Gaku Ishiwata, a legal counsel and specialist well-versed in corporate governance, Mr. Nishikawa's participation and his expertise in retail business are expected to strengthen the Company's management and oversight functions.

Reference Materials

■ Long-Term Vision Slogan

In Japan there is UNITED ARROWS LTD.

We are committed to becoming a retail fashion company that delivers unrivalled satisfaction to its customers in [Japan](#) and attracts the attention and loyalty of customers [worldwide](#).

■ Management strategies aimed at achieving the long-term vision

1. Grow and expand existing businesses through a process of self-improvement and reform that is in tune with each era
2. Put forward new value proposals by developing and fostering new businesses that will drive next-generation growth
3. Take steps to enter overseas markets with a view to strengthening future international Capabilities

■ Sales initiatives aimed at achieving the long-term vision

1. Strengthen collaboration between the Product, Sales, and Promotion departments
2. Take a systematic approach toward business processes and operations
3. Bolster creativity

■ Quantitative targets for the final fiscal year of the long-term vision (Fiscal 2022)

Consolidated sales : ¥220.0 billion
Consolidated ordinary income: ¥26.4 billion
Ordinary income margin: 12.0%
Consolidated ROE : 20.0% or more

About the Company's product platform

UNITED ARROWS LTD.'s product platform is a mechanism that is made up of a merchandising (MD) and production platform and supports such wide-ranging activities as product procurement, production, product launch, and inventory reduction. By standardizing operations that are easily affected by the experience and skills of responsible staff, and building the appropriate framework, the Company is promoting stable merchandising processes.

About the Company's merchandising platform

The merchandising platform is a mechanism for determining the current status of merchandise flows while at the same time supporting the next phase of decision-making. Utilizing the progress management tables and indices consistent across all businesses, the merchandising platform allows any individual to swiftly make decisions that allow the Group to promote the additional manufacture of top-selling items while reducing production and inventories of 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 works to formulate the product procurement and production strategies that take the Company from merchandising planning through to realization. While manufacturing is outsourced, steps are taken to consolidate on a Group-wide basis the raw materials held by each business, the procurement of materials, and manufacturing plant information. At the same time, energies are channeled toward selecting the optimal outsourcing contractor by business and item. Through these means, the Company has established a process through which it optimizes procurement costs relating to purchases and production while targeting the supply of products that satisfy 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 2014 Annual Report posted on the "IR Library" section of the Company's IR homepage, and specifically to the "Product Platform" section on pages 28-29 for details. <http://www.united-arrows.co.jp/en/ir/lib/data/enar14.pdf>)

About the cycle of collaboration between the Product, Sales, and Promotion departments

To utilize customer feedback across its sales activities, UNITED ARROWS LTD. is bolstering the cycle of collaboration between its Product, Sales, and Promotion departments, with its stores as the starting point. Incorporating into product development policy the opinions gleaned by the Sales department, which comes into direct contact with customers, and striking a balance between products that fulfill customer needs and products that put forward proposals that are a half-step ahead of the times; these are regarded as the strengths of the Product department. The staff responsible for products will take the initiative in lifting the ratio of regular priced sales by developing highly original and creative as well as appealing products. Serving as a bridge between the Product and Sales departments, the Promotion department will continue to "encourage existing customers to visit a store again and sales promotions activities designed to make customers become fans" and move forward with "promotional activities designed to attract new customers to visit stores" that will lead to an increase in the number of customers visiting stores. In aiming to increase the number of purchasing customers, the Sales department will work to instill in customers a sense of surprise and excitement through conversations with sales personnel and endeavor to increase the number of purchasing customers through customer service that exceeds customers' expectations and coordinating proposals that are brimming with an innate sense and creativity. Following the creation of a virtuous cycle of collaboration between these three departments, the Company will seek to maximize customer satisfaction by continuing to provide products and services that are unique to UNITED ARROWS LTD.