Fiscal 2014
Fiscal Year Ended March 2014
Earnings Announcement

May 8, 2014

UNITED ARROWS LTD.

■Contents

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

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 SOCEREIGN 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

■Consolidated P/L Overview

UNITED ARROWS LTD.

Increase in revenue and earnings; plans achieved; three consecutive fiscal years of record results

- Consolidated sales: YoY increase of 11.7% → This increase in consolidated sales largely reflects higher revenues at each Group company
- Gross margin: 1.1 percentage point YoY decline to 53.3% → Decrease in the gross margin owing mainly to the weak yen; increase in the amount of gross profit due mainly to the increase in revenue
- SGA expenses: 0.8 of a percentage point decline in the SGA expenses to sales ratio to 42.7% → Reduction largely on the back of successful efforts to control operating overhead expenses during the period
- Operating income, ordinary income, and net income: Increase across each level of earnings; successfully cleared plans

(Millions of yen)

	Consolidated Results FY14 (full fiscal year)									
	Results	vs. Sales	YoY Increase (Decrease)	%	Increase (Decrease) vs. Plans	%	FY13 Results	vs. Sales	Plans	vs. Sales
Sales	**128,489**	100.0%	13,447	111.7%	2,944	102.3%	115,041	100.0%	125,545	100.0%
Gross Profit	**68,492**	53.3%	5,872	109.4%	172	100.3%	62,619	54.4%	68,319	54.4%
SGA Exp.	**54,842**	42.7%	4,785	109.6%	(14)	100.0%	50,056	43.5%	54,857	43.7%
Operating Inc.	**13,649**	10.6%	1,087	108.7%	187	101.4%	12,562	10.9%	13,462	10.7%
Non Op. P/L	**89**	0.1%	69	453.1%	67	408.1%	19	0.0%	21	0.0%
Ordinary Inc.	**13,739**	10.7%	1,157	109.2%	254	101.9%	12,582	10.9%	13,484	10.7%
Extraordinary P/L	**(464)**	(0.4)%	489	48.7%	(25)	105.7%	(954)	(0.8)%	(439)	(0.4)%
Net Income	**7,920**	6.2%	603	108.3%	166	102.1%	7,316	6.4%	7,754	6.2%

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■ Consolidated P/L Overview

In FY14 (April 1, 2013 to March 31, 2014), UNITED ARROWS LTD. reported an increase in both consolidated revenue and earnings. In addition to achieving plans, this represented a third consecutive fiscal year of record results.

Consolidated sales for the fiscal year under review climbed 11.7% compared with the previous fiscal year largely on the back of higher revenues at each Group company. Thanks to these robust trends, results exceeded plans by 2.3%.

While the gross margin declined 1.1 percentage points compared with the previous fiscal year, the amount of gross profit increased 9.4% year on year. This result represented a marginal increase of 0.3% compared with plans.

SGA expenses climbed 9.6% year on year. The SGA expenses to sales ratio, on the other hand, decreased 0.8 of a percentage point to 42.7% due mainly to successful efforts to control operating overhead expenses during the period.

Accounting for each of the aforementioned factors, ordinary income improved 9.2% compared with the previous fiscal year to ¥13,739 million. This was 1.9% above the Company's plans. Net income amounted to ¥7,920 million 8.3% and 2.1% higher than the level recorded in the previous fiscal year and plans, respectively.

■Reference: Non-Consolidated P/L Overview

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY14 (full fiscal year)						FY13			
	Results	vs. Sales	YoY Increase (Decrease)	%	Increase (Decrease) vs. Plans	%	FY13 Results	vs. Sales	Plans	vs. Sales
Sales	**118,212**	100.0%	11,607	110.9%	3,560	103.1%	106,605	100.0%	114,651	100.0%
Gross Profit	**62,588**	52.9%	5,088	108.8%	685	101.1%	57,499	53.9%	61,903	54.0%
SGA Exp.	**49,568**	41.9%	3,612	107.9%	188	100.4%	45,955	43.1%	49,379	43.1%
Operating Inc.	**13,020**	11.0%	1,475	112.8%	496	104.0%	11,544	10.8%	12,523	10.9%
Non Op. P/L	**124**	0.1%	87	—	84	306.3%	37	0.0%	40	0.0%
Ordinary Inc.	**13,145**	11.1%	1,562	113.5%	581	104.6%	11,582	10.9%	12,564	11.0%
Extraordinary P/L	**(361)**	(0.3)%	569	38.9%	62	85.3%	(931)	(0.9)%	(424)	(0.4)%
Net Income	**7,679**	6.5%	1,172	118.0%	394	105.4%	6,507	6.1%	7,285	6.4%

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■ Reference: Non-Consolidated P/L Overview

An explanation has been omitted.

■Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 10.9%YoY; existing retail and online stores sales up 4.0%YoY

- Growth in sales across all channels; YoY increase in both existing retail and online stores sales
- Sales composition: Online store sales 11.0% (11.2% in FY13); outlet store sales 12.4% (13.0% in FY13)

(Millions of yen)

	Non-Consolidated Results FY14 (full fiscal year)								
	Results	Share	YoY Increase (Decrease)	%	Increase (Decrease) vs. Plans	%	FY13 Results	Share	Plans
Non-Consolidated Sales	118,212	100.0%	11,607	110.9%	3,560	103.1%	106,605	100.0%	114,651
Total Business Unit Sales	103,511	87.6%	10,728	111.6%	3,492	103.5%	92,783	87.0%	100,019
Retail	89,822	76.0%	9,764	112.2%	2,944	103.4%	80,057	75.1%	86,877
Online	12,979	11.0%	1,030	108.6%	391	103.1%	11,948	11.2%	12,587
Outlet	14,700	12.4%	878	106.4%	68	100.5%	13,822	13.0%	14,632

	Existing Stores YoY		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	104.0%	–	–
Retail	103.4%	97.4%	106.2%
Online	109.8%	–	–

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■ Non-Consolidated Sales Results by Sales Channel

For the fiscal year under review, non-consolidated sales climbed 10.9% compared with the previous fiscal year. Existing retail and online store sales also grew 4.0% year on year.

In addition to growth in sales across all channels, the Company experienced year-on-year increases in both retail and online store sales.

Looking at the composition of sales, online sales accounted for 11.0% of total sales, down 0.2 of a percentage point compared with the previous fiscal year. The share of outlet store sales also declined 0.6 of a percentage point year on year to 12.4%.

■Non-Consolidated Sales Results by Business Type

UNITED ARROWS LTD.

Revenue up across all businesses;
YoY increase in existing retail and online store sales across all businesses

- UA: men's dressy items and women's casual
- GLR: men's and women's items generally
- CH: silver, gold, cut, and related items
- SBUs: Another Edition, Jewel Changes, DRAWER, and others

all exhibited robust trends

(Millions of yen)

	Non-Consolidated Results FY14 (full fiscal year)			
	Results	YoY Increase (Decrease)	%	FY13 Results
Total Business Unit Sales	**103,511**	10,728	111.6%	92,783
UA	**52,501**	4,741	109.9%	47,759
GLR	**26,672**	3,206	113.7%	23,465
CH	**9,329**	1,968	126.7%	7,360
SBUs	**15,009**	812	105.7%	14,196

	Existing Stores YoY		
	Retail + Online	Retail	Online
UA	103.2%	102.7%	111.3%
GLR	104.8%	104.7%	105.4%
CH	-	111.6%	-
SBUs	101.1%	98.6%	116.1%

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■ Non-Consolidated Sales Results by Business Type

UNITED ARROWS LTD. reported an increase in revenues across all businesses with a year-on-year upswing in existing retail and online store sales across all businesses.

In the UA business, robust trends were reported in men's dressy as well as women's casual items. These strong trends were also evident in GLR men's and women's items generally. Performance was healthy in the CH business across a broad range of products including silver, gold, cut, and relate items. In SBUs, Another Edition, Jewel Changes, and DRAWER all enjoyed firm conditions.

■Non-Consolidated Gross Margin Results

UNITED ARROWS LTD.

1.0 percentage point YoY decrease to 52.9% in the non-consolidated gross margin

- Total Business Units: 1.2 percentage point decrease to 56.6% largely reflecting the ongoing weakening of the yen
- Outlet: 1.1 percentage point decrease to 34.2% due mainly to efforts aimed at promoting the reduction of inventories at regular businesses
- Total Business Units gross margin is exhibiting an improvement trend after bottoming out in the 3Q (please refer to the next page)

	Non-Consolidated Results FY14 (full fiscal year)		
	Results	YoY Increase (Decrease)	FY13 Results
Gross Margin	**52.9%**	(1.0)%	53.9%
Total Business Units	**56.6%**	(1.2)%	57.8%
Outlet	**34.2%**	(1.1)%	35.3%
Other COGS Millions of yen	1,034	55	979

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

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■ Non-Consolidated Gross Margin Results

The non-consolidated gross margin decreased 1.0 percentage point compared with the previous fiscal year to 52.9%.

The gross margin for the Total Business Units segment declined 1.2 percentage points year on year to 56.6% largely on the back of the ongoing weakening of the yen. The outlet gross margin was 34.2%, down 1.1 percentage points due mainly to efforts aimed at promoting the reduction of inventories at regular businesses.

Last year's downturn in the gross margin compared with the previous period appears to have bottomed out in the 3Q thereafter entering an improvement trend.

The Total Business Units gross margin for three-month 3Q period declined 1.5 percentage points compared with the corresponding period of the previous fiscal year. This downturn narrowed to 0.5 of a percentage point for the three-month 4Q period. Buoyed the rush in demand during the 4Q in the lead-up to the increase in Japan's consumption tax rate, the share of Business Unit sales to total sales increased while the share of outlet store sales declined. This was a major contributing factor to the positive movement in the gross margin.

■Reference: Non-Consolidated Gross Margin Results by Quarter

UNITED ARROWS LTD.

	FY14 1Q (Three-Month Period) Results	YoY Increase (Decrease)	FY13 1Q Results	FY14 2Q (Three-Month Period) Results	YoY Increase (Decrease)	FY13 2Q Results
Gross Margin	**56.6%**	(1.2)%	57.8%	**48.8%**	(1.2)%	49.9%
Total Business Units	**59.8%**	(1.2)%	61.0%	**53.6%**	(1.3)%	54.9%
Outlet	**38.9%**	0.7%	38.2%	**30.0%**	(1.6)%	31.6%
Other COGS Millions of yen	87	61	25	463	(17)	481
Note: Reference: Ratio of outlet store sales	13.9%	0.1%	13.8%	12.5%	0.3%	12.1%

	FY14 3Q (Three-Month Period) Results	YoY Increase (Decrease)	FY13 3Q Results	FY14 4Q (Three-Month Period) Results	YoY Increase (Decrease)	FY13 4Q Results
Gross Margin	**56.4%**	(1.6)%	58.0%	**49.3%**	0.1%	49.2%
Total Business Units	**59.3%**	(1.5)%	60.8%	**53.3%**	(0.5)%	53.9%
Outlet	**36.6%**	(2.7)%	39.4%	**30.0%**	(0.7)%	30.7%
Other COGS Millions of yen	56	48	8	426	(37)	463
Note: Reference: Ratio of outlet store sales	12.2%	(1.0)%	13.1%	11.5%	(1.3)%	12.8%

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■ Reference: Non-Consolidated Gross Margin Results by Quarter

An explanation has been omitted.

■Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

Non-consolidated SGA expense to sales ratio declined 1.2 percentage points YoY to 41.9%

Note: Factors contributing to the YoY increase (decrease) in SGA expenses as a ratio to sales

- Decline in the ratio of advertising expenses to sale in line with successful efforts to control expenses during the period and other factors
- Decrease in the ratio of other SGA expenses to sales owing mainly to successful efforts to control furniture and fixtures as well as consumables expenditure

(Increase compared with plans: Approx. ¥200 million → increase in variable costs in line with the increase in sales: Approx. ¥700 million; cutbacks in fixed costs: Approx. ¥500 million)

(Millions of yen)

	Non-Consolidated Results FY14 (full fiscal year)				FY13	
	Results	vs. Sales	YoY Increase (Decrease)	%	Results	vs. Sales
Non-Consolidated Sales	**118,212**	**100.0%**	11,607	110.9%	106,605	100.0%
SGA Expenses	**49,568**	**41.9%**	3,612	107.9%	45,955	43.1%
Advertising Expenses	**2,600**	**2.2%**	(131)	95.2%	2,732	2.6%
Personnel Expenses	**18,030**	**15.3%**	1,550	109.4%	16,479	15.5%
Rent	**14,565**	**12.3%**	1,451	111.1%	13,114	12.3%
Depreciation	**1,446**	**1.2%**	124	109.4%	1,321	1.2%
Other	**12,924**	**10.9%**	617	105.0%	12,307	11.5%

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■ Non-Consolidated SGA Expenses

The non-consolidated SGA expenses to sales ratio declined 1.2 percentage points compared with the previous fiscal year to 41.9%.

The principal contributing factors to this decline are the lower ratios of advertising expenses to sales reflecting efforts to hold down expenditure during the period, and other SGA expenses to sales associated with cutbacks in the purchase of furniture and fixtures as well as consumables.

In contrast, non-consolidated SGA expenses were up approximately ¥200 million compared with plans. This is largely attributable to the increase in variable costs of around ¥700 million in line with the growth in sales, which exceeded reductions of about ¥500 million in fixed costs on the back of cutbacks and other initiatives.

■Consolidated / Non-Consolidated B/S Overview

UNITED ARROWS LTD.

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

- Current assets: Increase in the balances of mainly inventory and accounts receivable-other; decrease in the balance of cash and deposits
- Noncurrent assets: Increase in the balances of tangible noncurrent assets and guarantee deposits in line with the opening of new stores and other factors
- Current liabilities: Decrease in the balance of debt; increase in the balances of mainly accounts payable-trade as well as income taxes payable
- Noncurrent liabilities: Decrease in the balance of long-term loans payable

Note: The balance of consolidated short and long-term loans payable: Down 34.6% YoY to ¥5,081 million
Note: The balance of non-consolidated inventory: Up 14.0% YoY (higher than the rate of cumulative sales: Up 10.9% YoY)
(Increase in inventory: Increase in procurement costs attributable mainly to the weak yen; YoY increase in the number of inventory items of 8.7%)

(Millions of yen)

	Consolidated FY14-End				Consolidated FY14-End			
	Balance	Share	YoY Increase (Decrease)	%	Balance	Share	YoY Increase (Decrease)	%
Total Assets	59,296	100.0%	4,900	109.0%	55,299	100.0%	4,259	108.3%
Current Assets	38,791	65.4%	3,801	110.9%	34,491	62.4%	3,586	111.6%
(Inventory)	20,372	34.4%	2,891	116.5%	18,464	33.4%	2,262	114.0%
Noncurrent Assets	20,504	34.6%	1,098	105.7%	20,807	37.6%	672	103.3%
Current Liabilities	25,120	42.4%	(603)	97.7%	22,230	40.2%	(925)	96.0%
Noncurrent Liabilities	2,642	4.5%	(624)	80.9%	2,314	4.2%	(699)	76.8%
Total Net Assets	31,532	53.2%	6,128	124.1%	30,754	55.6%	5,884	123.7%
Reference: Balance of Short and Long-Term Loans Payable	5,081	8.6%	(2,691)	65.4%	3,581	6.5%	(3,091)	53.7%

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■ Consolidated / Non-Consolidated Balance Sheet Overview

Total assets stood at ¥59,296 million as of March 31, 2014, up 9.0% compared with the end of the previous fiscal year on a consolidated basis.

The principal factors contributing to movements in the Company's consolidated balance sheet are as follows.

Current assets totaled ¥38,791 million, a year-on-year increase of 10.9%. The major movements included an upswing in inventory on the back of business expansion as well as an increase in accounts receivable-other. Noncurrent assets climbed 5.7% compared with the previous fiscal year-end to ¥20,504 million. This largely reflected increases in property, plant and equipment as well as guarantee deposits in line with the opening of new stores.

Current liabilities declined 2.3% year on year to ¥25,120 million. While accounts payable-trade and income taxes payable increased, this overall decline was attributable to the drop in the balance of debt. Noncurrent liabilities stood at ¥2,642 million, down 19.1% compared with the end of the previous fiscal year. This was primarily due to the drop in long-term loans payable.

The balance of short- and long-term loans payable was ¥5,081 million as of the end of the fiscal year under review. This was a year-on-year downturn of 34.6%.

On a non-consolidated basis, the balance of inventory was up 14% compared with the previous fiscal year-end. This was higher than the full fiscal year growth rate in non-consolidated sales of 10.9%. The major factors contributing to this result was the increase in procurement costs as a result of the weak yen. The number of inventory items was also up 8.7% year on year.

■Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents at the end of the term came to ¥5,429 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥13,200 million, depreciation of ¥1,700 million; (major cash outflows) increase in inventories of ¥2,800 million, income taxes paid of ¥4,500 million
- Cash flows from investing activities: (major cash outflows) purchase of property, plant and equipment of ¥2,000 million, increase in guarantee deposits of ¥400 million
- Cash flows from financing activities: (major cash outflows) repayment of long-term loans payable of ¥3,000 million, cash dividends paid of ¥1,800 million

(Millions of yen)

	Consolidated FY14 Results	FY13 Results
Cash flows from operating activities (sub-total)	**11,398**	11,317
Cash flows from operating activities	**6,828**	5,238
Cash flows from investing activities	**(3,072)**	(3,528)
Cash flows from financing activities	**(4,472)**	(3,533)
Cash and cash equivalents at the end of the term	**5,429**	6,142

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■ Consolidated C/F Overview

Cash and cash equivalents as of March 31, 2014 stood at ¥5,429 million, down ¥712 million compared with the end of the previous fiscal year.

For the fiscal year under review, net cash provided by operating activities was ¥6,828 million. The major cash inflows were income before income taxes of ¥13,200 million as well as depreciation and amortization of ¥1,700 million, Principal cash outflows were the increase in inventories of ¥2,800 million and income taxes paid of ¥4,500 million.

Net cash used in investing activities came to ¥3,072 million. This result was largely attributable to such cash outflows as the purchase of property, plant and equipment totaling ¥2,000 million and the payment of guarantee deposits of ¥400 million reflecting the opening of new stores.

Net cash used in financing activities came to ¥4,472 million. The principal cash outflows were repayment of long-term loans payable amounting to ¥3,000 million and cash dividends paid totaling ¥1,800 million.

■Fiscal 2015 Consolidated / Non-Consolidated P/L Forecasts

UNITED ARROWS LTD.

Targeting a fourth consecutive fiscal year of both consolidated and non-consolidated record results

- Consolidated sales of ¥135,914 million (Up 5.8% YoY) based on the assumption that UNITED ARROWS LTD. existing retail and online store sales improve 1.1% YoY
- Gross margin of 53.5% → Targeting a YoY improvement of 0.2 of a percentage point
- SGA expenses to sales ratio of 43.1% → Projected increase of 0.4 of a percentage point on the back of such factors as an upswing in UNITED ARROWS LTD. new business costs
- Ordinary income of ¥14,200 million (Up 3.4% YoY); net income of ¥8,257 million (Up 4.3% YoY)
- Non-consolidated sales of ¥123,938 million (Up 4.8% YoY); ordinary income of ¥13,691 million (Up 4.2% YoY)

(Millions of yen)

	Consolidated FY15 (full fiscal year)			FY14		Non-Consolidated FY15 (full fiscal year)			FY14	
	Forecasts	vs. Sales	YoY	Results	vs. Sales	Forecasts	vs. Sales	YoY	Results	vs. Sales
Sales	**135,914**	**100.0%**	105.8%	128,489	100.0%	**123,938**	**100.0%**	104.8%	118,212	100.0%
Gross Profit	**72,715**	**53.5%**	106.2%	68,492	53.3%	**65,753**	**53.1%**	105.1%	62,588	52.9%
SGA Exp.	**58,595**	**43.1%**	106.8%	54,842	42.7%	**52,153**	**42.1%**	105.2%	49,568	41.9%
Operating Inc.	**14,119**	**10.4%**	103.4%	13,649	10.6%	**13,600**	**11.0%**	104.5%	13,020	11.0%
Non Op. P/L	**80**	**0.1%**	89.4%	89	0.1%	**90**	**0.1%**	72.8%	124	0.1%
Ordinary Inc.	**14,200**	**10.4%**	103.4%	13,739	10.7%	**13,691**	**11.0%**	104.2%	13,145	11.1%
Extraordinary P/L	**(705)**	**(0.5)%**	151.9%	(464)	(0.4)%	**(682)**	**(0.6)%**	188.6%	(361)	(0.3)%
Net Income	**8,257**	**6.1%**	104.3%	7,920	6.2%	**8,113**	**6.5%**	105.6%	7,679	6.5%

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■ Fiscal 2015 Consolidated / Non-Consolidated P/L Forecasts

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

On a consolidated basis, sales are forecast to increase 5.8% year on year to ¥135,914 million. From a profit perspective, gross profit is also projected to climb 6.2% year on year to ¥72,715 million on a gross margin of 53.5%, up 0.2 of a percentage point compared with the fiscal year ended March 31, 2014.

The SGA expenses to sales ratio is expected to edge up 0.4 of a percentage point year on year to 43.1% while SGA expenses in anticipated to climb 6.8% to ¥58,595 million. This is largely the result of a forecast increase in new business costs at UNITED ARROWS LTD. and other factors.

Ordinary income is anticipated to improve 3.4% year on year to ¥14,200 million while net income is estimated to reach ¥8,257 million, an increase of 4.3% year on year. The forecast increase in extraordinary loss is mainly due to the posting of an impairment loss for certain stores.

On a non-consolidated basis, sales are forecast to grow 4.8% year on year to ¥123,938 million. Ordinary income is anticipated to total ¥13,691 million, up 4.2% year on year.

The difference between consolidated and non-consolidated ordinary income is expected to temporarily narrow owing mainly to a year-on-year increase in the operating loss for overseas businesses. This difference is, however, expected to witness a positive turnaround from the fiscal year ending March 31, 2016 and beyond.

■Reference: Fiscal 2015 First and Second Half Consolidated / Non-Consolidated P/L Forecasts

UNITED ARROWS LTD.

■ Consolidated

(Millions of yen)

	Consolidated FY15 First Half			FY14 First Half		Consolidated FY15 Second Half			FY14 Second Half	
	Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**59,754**	**100.0%**	105.4%	56,670	100.0%	**76,159**	**100.0%**	106.0%	71,819	100.0%
Gross Profit	**31,698**	**53.0%**	105.2%	30,135	53.2%	**41,017**	**53.9%**	106.9%	38,356	53.4%
SGA Exp.	**28,034**	**46.9%**	109.0%	25,719	45.4%	**30,561**	**40.1%**	104.9%	29,123	40.6%
Operating Inc.	**3,663**	**6.1%**	83.0%	4,416	7.8%	**10,455**	**13.7%**	113.2%	9,233	12.9%
Non Op. P/L	**38**	**0.1%**	130.5%	29	0.1%	**41**	**0.1%**	69.2%	60	0.1%
Ordinary Inc.	**3,702**	**6.2%**	83.3%	4,445	7.8%	**10,497**	**13.8%**	113.0%	9,293	12.9%
Extraordinary P/L	**(532)**	**(0.9)%**	185.1%	(287)	(0.5)%	**(173)**	**(0.2)%**	98.0%	(177)	(0.2)%
Net Income	**1,819**	**3.0%**	74.7%	2,435	4.3%	**6,437**	**8.5%**	117.4%	5,484	7.6%

■ Non-Consolidated

	Non-Consolidated FY15 First Half			FY14 First Half		Non-Consolidated FY15 Second Half			FY14 Second Half	
	Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**54,298**	**100.0%**	104.2%	52,130	100.0%	**69,639**	**100.0%**	105.4%	66,081	100.0%
Gross Profit	**28,522**	**52.5%**	103.6%	27,544	52.8%	**37,231**	**53.5%**	106.2%	35,043	53.0%
SGA Exp.	**24,900**	**45.9%**	106.7%	23,333	44.8%	**27,253**	**39.1%**	103.9%	26,234	39.7%
Operating Inc.	**3,622**	**6.7%**	86.0%	4,210	8.1%	**9,978**	**14.3%**	113.3%	8,809	13.3%
Non Op. P/L	**43**	**0.1%**	117.0%	37	0.1%	**46**	**0.1%**	53.8%	87	0.1%
Ordinary Inc.	**3,665**	**6.8%**	86.3%	4,247	8.1%	**10,025**	**14.4%**	112.7%	8,897	13.5%
Extraordinary P/L	**(511)**	**(0.9)%**	185.1%	(276)	(0.5)%	**(171)**	**(0.2)%**	199.8%	(85)	(0.1)%
Net Income	**1,904**	**3.5%**	81.6%	2,333	4.5%	**6,209**	**8.9%**	116.1%	5,346	8.1%

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■ Reference: Fiscal 2015 First and Second Half Consolidated / Non-Consolidated P/L Forecasts

Earnings are expected to decline in the 1H for the following reasons:

Sales: There are expectations of a negative correction in the 1Q following the earlier rush in demand in the lead-up to the increase in Japan’s consumption tax rate.

Gross margin: The gross margin for the 1H of FY15 will fall short of the corresponding period of FY14. This reflects the sale of certain products purchased when the value of the yen was high in the 1H of FY14.

SGA expenses: The Company commenced measures including cutbacks in fixed costs during the previous period in an effort to achieve its profit targets. This portion where fixed costs were held down during the previous period will appear high during the current period.

Other: An overseas subsidiary operating loss that was incurred from the 2H of FY14 has been factored into consolidated 1H plans for the fiscal year ending March 31, 2015.

In the 2H, the Company is anticipating an end to the negative correction. Coupled with an improvement in the gross margin and other factors, earnings are projected to increase.

■Reference: Details of Fiscal 2015 Non-Consolidated Sales Forecast

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY15 (full fiscal year)				Non-Consolidated Results FY15 First Half			Non-Consolidated Results FY15 Second Half		
	Forecasts	Share	YoY Increase (Decrease)	%	Forecasts	YoY	%	Forecasts	YoY	%
Sales	**123,938**	100.0%	5,725	104.8%	**54,298**	2,167	104.2%	**69,639**	3,557	105.4%
Total Business Units	**108,503**	87.5%	4,991	104.8%	**47,223**	1,978	104.4%	**61,280**	3,013	105.2%
Retail	**93,847**	75.7%	4,025	104.5%	**41,138**	1,564	104.0%	**52,709**	2,461	104.9%
Online	**13,960**	11.3%	980	107.6%	**5,790**	401	107.4%	**8,169**	579	107.6%
Outlet	**15,434**	12.5%	733	105.0%	**7,075**	189	102.8%	**8,359**	544	107.0%
Existing Store Sales YoY										
Retail + Online	101.1%				100.8%			101.2%		
Retail	100.5%				100.4%			100.6%		
Online	105.7%				105.7%			105.7%		

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■ Details of Fiscal 2015 Non-Consolidated Sales Forecast

In FY15, total business unit sales are forecast to reach ¥108,503 million, up 4.8% year on year.

Of this total, online store sales are projected to climb 7.6% and account for 11.3% of total sales, 0.3 of a percentage point higher than the level of 11.0% recorded in the fiscal year ended March 31, 2014.

Outlet store sales are anticipated to grow 5.0% year on year to ¥15,434 million.

Existing retail and online store sales are estimated to improve 1.1% for the full fiscal year. In specific terms, retail and online store sales are forecast to increased 0.8% and 1.2% in the 1H and 2H, respectively.

■Fiscal 2015 Consolidated Store Opening / Closing Plan

UNITED ARROWS LTD.

- Full FY15 forecast Group total: Number of new stores opened: 35; Closed: 6; Number of stores as of FY15-end: 343
- Full FY15 forecast UNITED ARROWS LTD. total: Number of new stores opened: 26; Closed: 3; Number of stores as of FY15-end: 254

	FY14 Results				FY15 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	**30**	**21**	**51**	**7**	**314**	**28**	**7**	**35**	**6**	**343**
UNITED ARROWS LTD.	19	9	28	4	231	20	6	26	3	254
FIGO CO., LTD.	1	4	5		17	1		1		18
COEN CO., LTD.	10	7	17	3	65	6	1	7	3	69
UNITED ARROWS Taiwan LTD.		1	1		1	1		1		2

Note: The UNITED ARROWS green label relaxing Shinagawa store that closed on March 31, 2014 is included in the number of stores as of the end of fiscal 2014. This store has, however, been excluded from the number of stores as of the beginning of fiscal 2015.

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■ Fiscal 2015 Consolidated Store Opening / Closing Plan

For the full fiscal year, the Group is planning to open 35 new stores and close six stores for a FY15-end total of 343 stores.

UNITED ARROWS LTD. is looking to open 26 new stores and close three stores. On this basis, the number of stores as of the period-end is forecast at 254.

Looking at consolidated subsidiaries, COEN CO., LTD. in particular is expected to hold down the opening of new stores compared with FY14. The company will alternatively focus on bolstering sales and customer service at existing stores.

■Reference: Details of UNITED ARROWS LTD. Store Opening and Closing Plan for Fiscal 2015

UNITED ARROWS LTD.

		FY14 Results				FY15 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		**19**	**9**	**28**	**4**	**231**	**20**	**6**	**26**	**3**	**254**
UNITED ARROWS Total		7		7	1	73	7	1	8	1	80
UNITED ARROWS (General Merchandise Store)						11					11
UNITED ARROWS		2		2		23					23
BOW & ARROWS							5		5		5
THE SOVEREIGN HOUSE						1					1
District						1					1
BEAUTY&YOUTH		4		4	1	35	2	1	3	1	37
monkey time						1					1
STEVEN ALAN		1		1		1					1
green label relaxing		3	4	7	2	60	2	3	5	2	63
CHROME HEARTS		1		1		9	1		1		10
SBUs Total		7	5	12	1	70	9	1	10		80
Another Edition		2	1	3		16					16
Jewel Changes		2	1	3		10		1	1		11
Odette é Odile		1		1	1	23					23
Boisson Chocolat			1	1		1	5		5		6
DRAWER		1		1		7					7
ASTRAET			2	2		2	2		2		4
EN ROUTE							1		1		1
Cross Sales-Type / Traffic Channels	ARCHIPELAGO					1					1
	THE AIRPORT STORE					3					3
	THE STATION STORE	1		1		5	1		1		6
	THE HIGHWAY STORE					2					2
Outlet		1		1		19	1	1	2		21

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

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■ Reference: Details of UNITED ARROWS LTD. Store Opening and Closing Plan for Fiscal 2015

An explanation has been omitted.

■Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.

Increase in revenue and decrease in earnings in FY14

- Sales: ¥3,300 million (Up 15% YoY)
- Despite a downturn in earnings, results were in line with plans
- Decrease in the gross margin owing mainly to the weak yen; decrease in earnings due largely to the incidence of anticipatory costs aimed at acquiring new brands
- Acquired exclusive distribution rights in Japan from four overseas brand companies during the full fiscal year period
- Targeting an increase in both revenue and earnings in the new fiscal year

Top row: Felisi Kobe store opened in March 2014
Bottom row: ASPESI Kobe store opened in March 2014

coen

Increase in revenue and decrease in earnings in FY14

- Sales: ¥7,200 million (Up 26% YoY)
- Decrease in the gross margin due mainly to the weak yen and higher mark-down losses; decrease in earnings owing largely to higher costs associated with the opening of new stores and other factors
- Targeting an increase in both revenue and earnings in the new fiscal year
- Trends in the new fiscal year are exceeding plans thanks to a variety of factors including the review of prices and successful efforts to strengthen sales capabilities

COEN General Store Funabashi opened in November 2013

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■ Group Companies

・FIGO CO., LTD.

The company experienced firm trends in wholesale, retail, and online store sales. In specific terms, sales grew 15% compared with the previous fiscal year to ¥3,300 million. While earnings declined on the back of a downturn in the gross margin reflecting the weak yen as well as the incidence of anticipatory costs aimed at acquiring new brands and other factors, results were in line with initial plans. FIGO CO., LTD. is projecting an increase in both revenue and earnings in the new fiscal year.

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

In FY14, revenue increased on the back of contributions from new stores. In particular, results benefitted from robust trends in online store sales. As a result, sales climbed 26% compared with the previous fiscal year to ¥7,200 million. From a profit perspective, however, earnings declined year on year. This was largely attributable to the decrease in the gross margin due mainly to the weak yen as well as higher mark-down losses and an upswing in costs associated with the opening of new stores. In the new fiscal year, the company is targeting an increase in both revenue and earnings. For the new fiscal year that began in February 2014, trends are slightly exceeding plans. This is thanks to a variety of factors including the review of prices and successful efforts to strengthen sales capabilities.

■Group Companies

UNITED ARROWS LTD.

UNITED ARROWS TAIWAN LTD.

Inaugural fiscal year (the fiscal year ended January 31, 2014): Operations in line with expectations

- Company established in August 2013 as a wholly owned subsidiary of UNITED ARROWS LTD.
- Opened UA Taipei store, the first directly operated store, in October 2013
- Visitors to the store mainly comprise the well-to-do, highly fashion-conscious customer; ample potential for expansion
- In addition to opening a second directly operated overseas store (BY Taipei store) in May 2014, plans are in place to increase sales by enhancing the company's presence and visibility, a longstanding pending issue, adjusting merchandising to better match each season in Taiwan, and implementing various other initiatives.

Image of the BY Taipei store: scheduled to open in May 2014

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■ Group Companies

・UNITED ARROWS TAIWAN LTD.

Operations are in line with expectations.

The UA Taipei store, which opened in October 2013, is the first overseas directly operated store. Visitors to the store mainly comprise the well-to-do, highly fashion-conscious customer. Looking ahead, there is ample potential for expansion.

In the new fiscal year, plans are in place to open a second directly operated store (BY Taipei store) in May 2014. Every effort will be made to overcome such issues as the need to enhance the company's presence and visibility while adjusting merchandise to better match each season in Taiwan in order to expand sales.

■Progress on Addressing Priority Issues

UNITED ARROWS LTD.

Management Slogan "Challenge"

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

- Grasp customer needs in tune with social trends
- Hone the Group's service, products, and store environment
- Secure year-on-year existing store sales growth on the back of ongoing developments in existing stores

(2) Take up the "challenge" of developing new business

- Foster monkey time BEAUTY&YOUTH UNITED ARROWS business activities; commence STEVEN ALAN operations
- Take preparatory steps to develop new businesses by newly establishing Small Business Unit Division I and II
- Prepare to enter overseas markets

(3) Take up the "challenge" of becoming a leading O2O company

- Launch the Digital Marketing Department
- Consider and introduce cooperative store and online initiatives
- Create a new O2O-driven retail standard

(4) Take up the "challenge" of increasing profit by improving productivity

- Undertake flexible cost management in line with the status of sales and profit
- Improve productivity by strengthening collaboration between departments and improving operations
- Secure revenue and earnings growth and achieve record high profit for a third consecutive fiscal year

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■ Progress on Addressing Priority Issues in Fiscal 2014

"Challenge" has been positioned as the Company's Management Slogan from the fiscal year ended March 31, 2014.

An explanation of the Company's efforts to take up the "challenge" of developing new businesses and to take up the "challenge" of becoming a leading O2O company is presented as follows. An explanation of efforts to take up the "challenge" of ensuring that existing stores continue to evolve and grow and to take up the "challenge" of increasing profit by improving productivity can be found in the first half covering the overview of business performance.

■Progress on Addressing Priority Issues

UNITED ARROWS LTD.

(2) Take up the "challenge" of developing new businesses

Commence steps to establish and develop actual stores in the Boisson Chocolat women's shoes business

- Concept : SHOES MAKE YOUR DAYS SPECIAL
- Target market : Women who enjoy fashion focusing mainly on working women and housewives in their late 20s and 30s
- Store expansion : Progressively opening stores — the Funabashi store on March 14, 2014, the Kichijoji store on April 3, 2014, and the Marunouchi store on April 26, 2014; thereafter, plan to open stores in a variety of location and channels including fashion buildings in metropolitan areas, shopping centers, and underground shopping arcades
- Principal price range (tax excluded)

Pumps	¥9,500	Short boots	¥12,000
Flat shoes	¥8,500	Long boots	¥15,000
Sandals	¥8,500		

Visual image for the opening of Boisson Chocolat stores

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■ Progress on Addressing Priority Issues

Steps are being taken to establish and develop actual stores in the Boisson Chocolat women's shoes business.

Under the concept, "SHOES MAKE YOUR DAYS SPECIAL," the Boisson Chocolat brand strives to put forward footwear proposals that combine a level of comfort that allows customers to walk both with a light step and peace of mind with a feminine and fashionable design. The principal target is working women and housewives in their late 20s and 30s generally who enjoy fashion.

After an initial launch as a limited online store sales label under Odette é Odile UNITED ARROWS in the fall of 2010, products were also taken up by THE STATION STORE UNITED ARROWS at railway station stores and continue to attract wide acclaim. From the fall of last year, steps were taken to begin sales as an independent online store. Moving forward, stores have been opened in Funabashi, Kichijoji, and Marunouchi from this spring.

Boisson Chocolat's price range has been held below Odette é Odile. Plans are in place to expand store development beyond the scope of Odette é Odile. Potential locations include fashion buildings in metropolitan areas , shopping centers, and underground shopping arcades.

■Progress on Addressing Priority Issues

UNITED ARROWS LTD.

(2) Take up the "challenge" of developing new business

Commence the new EN ROUTE business, a mix of fashionable and sporty items

- Concept : Wearable Tokyo
  Provide a product lineup that instills a new sense of EN ROUTE value through mainly simple and city-casual as well as contemporary running wear; put forward fresh city lifestyle proposals

- Target market:
  Creative men and women who reside in and enjoy life in the city with an equal emphasis on fashion and sport

- Scheduled opening: Fall 2014

- Principal price range (tax excluded)

	Men's	Women's
Outer wear	¥60,000	¥50,000
Jackets	¥50,000	¥38,000
Shirts	¥13,000	¥14,000
Pants	¥18,000	¥18,000

EN ROUTE

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■ Progress on Addressing Priority Issues

The new EN ROUTE business

With the vision of "creating a new metropolitan life, the new EN ROUTE business is a mix of fashionable and sporty items. Based also on a concept of "wearable Tokyo," this business puts forward fresh city lifestyle proposals focusing mainly on simple and city-casual as well as contemporary city running wear. EN ROUTE targets creative men and women in their 30s, who reside in and enjoy life in the city while placing equal emphasis on fashion and sport. The launch of this business drew on the skills and unique talents of a number of well-known creators. Tamotsu Yagi, who contributed to setting up the ASTRAET business, collaborated in the EN ROUTE brand name and logo design. Schemata Architects helped in the area of interior design and PARTY Inc. assisted mainly in WEB-based advertising and promotion.

Product lines are comprised of the three categories of city-casual wear, city running wear, and decorative art. The EN ROUTE business brings together a blend of private label brands and purchased products focusing mainly on mode brands. The inaugural store will open this fall with plans thereafter to open a succession of roadside stores as well as stores in highly sensitive fashion buildings.

In taking up the "challenge" of becoming a leading O2O company (no slide presentation material), an android version of the UA online store application has been released. At the same time, steps were taken to commence an innovative service through which products can be ordered and delivered to actual stores from UA online at the end of March. This service is currently conducted across five GLR stores. In the future, we will reevaluate this service with a view to expanding to other stores.

■Fiscal 2015 Management Slogan and Non-Consolidated Management Policy

UNITED ARROWS LTD.

Management Slogan "The Spirit of a Creative Merchant"

Working diligently to surprise and excite customers, employees make full use of their originality and ingenuity to consistently create new and unique value. In this manner, we will increase the value of our brands and secure a fourth consecutive fiscal year of record result.

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

Sales Department

<u>Increase the number of purchasing customers</u> though passionate customer service and styling proposals

Product Department

<u>Lift the ratio of regular price sales</u> through appealing product development

Promotion Department

<u>Increase the number of store visitors</u> by conveying to customers the creative force behind the Company's attractive products

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■ Fiscal 2015 Management Slogan and Non-Consolidated Management Policy

In FY15, we have identified "the spirit of a creative merchant" as our management slogan. Rallying under this slogan, we will first and foremost work diligently to surprise and excite customers. Each and every employee will then make use of their originality and ingenuity to consistently create new and unique value. As a result of these endeavors, we will increase the value of our brands and secure a fourth consecutive fiscal year of record results.

In order to carry out this slogan, we will position efforts to bolster the cycle of collaboration between the product, sales, and promotion departments as an important management priority, and undertake all necessary measures.

The product department will develop products that offer overwhelming competitive advantage . Staff responsible for products will take the initiative in lifting the ratio of regular prices sales by developing highly original and creative as well as appealing products.

The promotion department will engage in activities that attract as many customers to stores as possible. Staff in the promotion department will take great pains to fully understand the appeal of each products as well as the passion and intentions of craftsmen and designers . Energies will then be channeled toward conveying this understanding to as many customers as possible through a broad network and using fresh and innovative means. In this manner, we will look to increase the number of customers visiting stores.

The sales department will surprise and excite customers through passionate customer service and styling proposals. Through growing awareness toward and use of smart phones as well as increased collaboration between actual and online stores, the application of Omni Channel Retailing is expanding. Against this backdrop, the value of actual stores is rising as a medium that allows direct communicate with customers through customer service. Working to instill in customers a sense of surprise and excitement through conversations with sales personnel, we will endeavor to increase the number of purchasing customers through customer service that exceeds customers' expectations as well as coordinating proposals that are brimming with an innate sense and creativity.

■Returning Profits to Shareholders

UNITED ARROWS LTD.

■ Fiscal 2014

→ Increase in the dividend per share payment in accordance with Company's dividend payout ratio criteria: ¥1 per share

→ Increase in the dividend per share payment to reflect the 25th anniversary commemorative dividend: ¥5 per share

→ Full fiscal year dividend per share payment of ¥67
(Up ¥6 compared with the initial forecast and up ¥14 YoY)
(Dividend payout ratio: 26.9%; DOE: 6.8%)

■ Fiscal 2015

→ Revise the targeted dividend payout ratio from 25% to 30%

→ Taking into consideration the aforementioned factors, forecast full fiscal year dividend per share payment of ¥78 (Up ¥11 YoY)

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

	FY11 (Results)	FY12 (Results)	FY13 (Results)	FY14 (Results)	FY15 (Forecasts)
Annual dividend per share (Yen)	29.0	36.0	53.0	67.0	78.0
Dividend payout ratio	29.9%	22.7%	23.0%	26.9%	30.1%
Consolidated DOE	6.8%	5.9%	6.6%	6.8%	—
Net income per share (Yen)	97.02	158.74	230.80	248.80	259.31

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■ Returning Profits to Shareholders

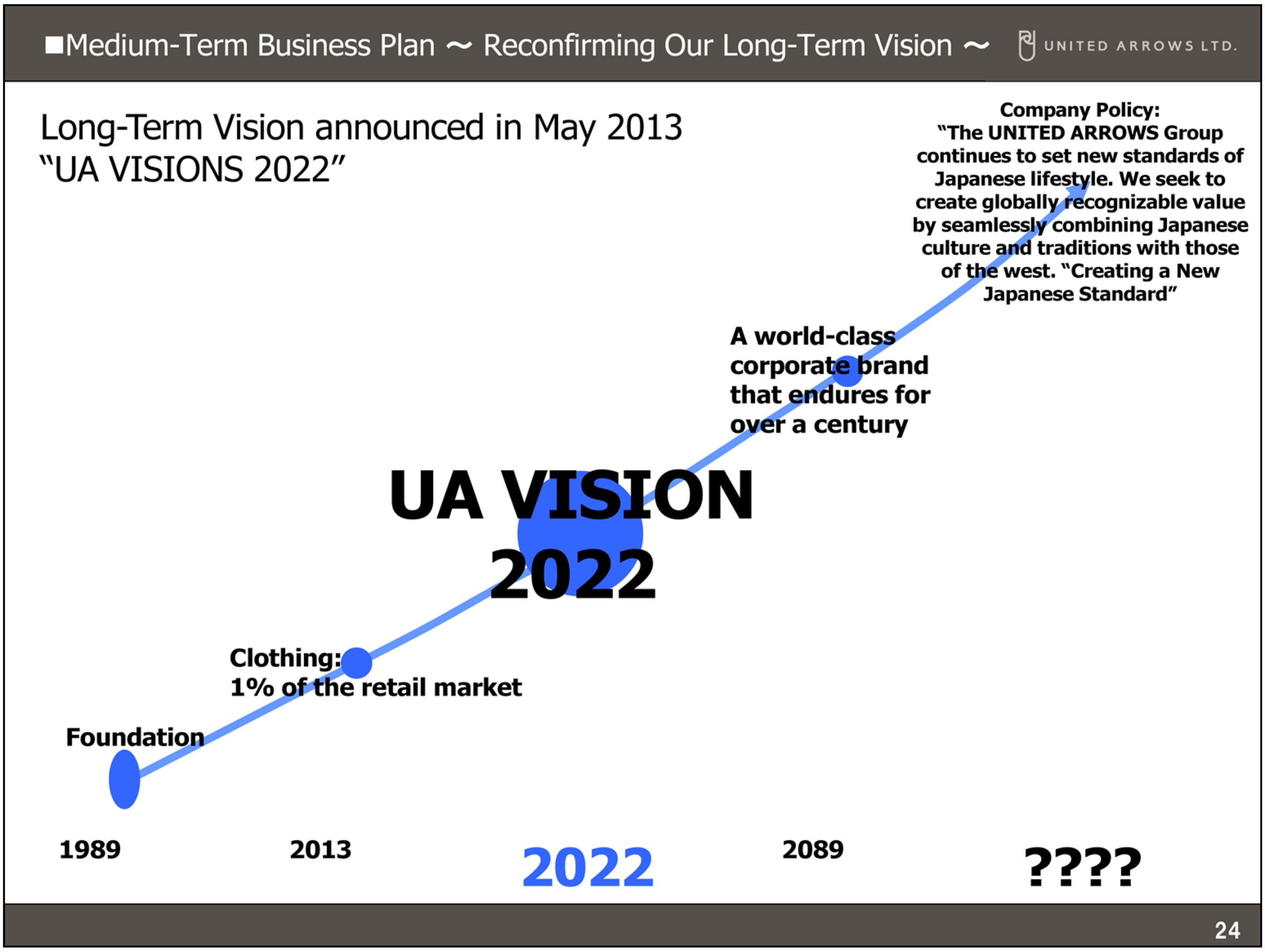
Under its basic shareholders return policy, UNITED ARROWS LTD. strives to maximize shareholder value. To this end, the Company works diligently to increase earnings per share by promoting further sustainable growth and increasing operating results. At the same time, UNITED ARROWS LTD. implements the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

In FY14, results surpassed initial forecasts. As a result, UNITED ARROWS LTD. increased its dividend per share payment by ¥1 in accordance with the Company's dividend payout ratio criteria. In addition, UNITED ARROWS LTD. plans to pay a 25th anniversary commemorative dividend of ¥5 per share. Accounting for each of these factors, the full fiscal year dividend will climb ¥6 per share compared with forecasts at the beginning of the period for a total annual dividend of ¥67 per share. This is ¥14 per share higher than the previous fiscal year.

In setting its dividend policy for the new fiscal year, UNITED ARROWS LTD. has again taken into consideration a variety of factors including the Company's financial position. On this basis, UNITED ARROWS LTD. has revised its dividend payout ratio from 25 to 30%.

Accounting for each of the aforementioned factors, the forecast full fiscal year dividend per share for FY15 is ¥78 per share, up ¥11 per share year on year.

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



■ Medium-Term Business Plan — Reconfirming Our Long-Term Vision —

The assumptions underpinning the Long-Term Visions are as follows.

I n May 2013, UNITED ARROWS LTD. announced details of its Long-Term Vision which closes in the fiscal year ending March 31, 2022.

In 2013, the Company finally achieved a goal it had held for a long period with non-consolidated sales finally exceeding ¥100 billion.

Having achieved this milestone, UNITED ARROWS LTD. under a new management framework then put in place its Long-Term Vision and the new goal of becoming a world-class corporate brand that endures for over a century.

Details of our long-term vision, UA VISION 2022, announced in May 2013

■ 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 UA VISION 2022

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 UA VISION 2022

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
(Average rate of annual growth based on fiscal 2013 results: 107.5%)
Consolidated ordinary income: ¥26.4 billion; Ordinary income margin: 12.0%
(Average rate of annual growth based on fiscal 2013 results: 108.7%)
Consolidated ROE: 20.0%

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■ Medium-Term Business Plan — Reconfirming Our Long-Term Vision —

Under its Long-Term Vision, UNITED ARROWS LTD. has established a slogan that outlines the Company's commitment to becoming a retail fashion company that delivers unrivalled satisfaction to its customers in Japan and attracts the attention and loyalty of customers worldwide. At the same time, we identified three management strategies as well as three sales initiatives aimed at achieving the Long-Term Vision.

Quantitative targets for the final year of the Vision are sales of ¥220 billion, an ordinary income margin of 12%, ordinary income of ¥26.4 billion, and ROE of 20% or more.

We have taken the first step to achieving these targets through a variety of initiatives including the development of multiple new businesses during the previous period and the opening of the Group's first overseas directly operated store.

■Medium-Term Business Plan
～ Lead Up to and Background Behind Formulating the Plan ～

UNITED ARROWS LTD.

Medium-Term Business Plan

(Fiscal 2015 to Fiscal 2017)

Activities following formulation of the long-term vision

→ Further change and diversification in consumptions patterns

→ Intensifying competition in the fashion industry particularly in the mid- and high-price ranges

→ Increase in costs as a result of the weak yen; concerns surrounding a decline in consumer sentiment following the increase in Japan’s consumption tax rate

While responding flexibly to changes in the external environment, put in place a medium-term business plan aimed at achieving UA VISION 2022.

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■ Medium-Term Business Plan — Lead Up to and Background Behind Formulating the Plan —

The background behind formulating the Medium-Term Business Plan is as follows.

In 2011, UNITED ARROWS LTD. put in place a medium-term business plan that closed in the fiscal year ended March 31, 2014. Under this plan, the Company set the ordinary income target of ¥11.5 billion or more in the final year of the plan. Thanks largely to the support of all involved, we were able to achieve this target one year in advance.

Paying particular attention to recent changes in the external environment, UNITED ARROWS LTD. initiated steps to put in place a medium-term business plan that begins from the current fiscal year from the 2H of last year.

Since formulating the Long-Term Vision, customers’ consumption patterns have been in constant state of flux. Due to such factors as developments in Omni Channel Retailing, purchasing behavior for any and all products has continued to diversify.

In the fashion industry, further global SPA growth, brisk activity in luxury brands due mainly to the economic recovery, and other factors including proactive steps by department stores to implement strategic reforms have all served to intensify competition in the mid and high-price range markets.

Looking at operating conditions, there remains little room for complacency. This is largely attributable to the increase in costs as a result of the weak yen and concerns surrounding a decline in consumer sentiment following repeated revisions to Japan’s consumption tax rate.

Under these circumstances, UNITED ARROWS LTD. will respond flexibly to changes in the external environment and continue to deliver high added-value while putting in place a medium-term business plan aimed at achieving its Long-Term Vision.

■Medium-Term Business Plan
〜 Management Strategies Aimed at Achieving UA VISION 2022 〜

UNITED ARROWS LTD.

■ Management Strategies Aimed at Achieving the Medium-Term Business Plan

1. Grow and expand existing businesses through a process of self-improvement and reform that is in tune with each era
   → Promote the stable growth of existing businesses and stores commensurate with efforts to further strengthen private-label brand development capabilities
   → Secure a positive turnaround from the deterioration in profitability attributable to the weak yen
2. Put forward new value proposals by developing and fostering new businesses that will drive next-generation growth
   → Swiftly generate profits by placing new businesses on the right track as quickly as possible
3. Take steps to enter overseas markets with a view to strengthening future international capabilities
   → While flexibly making corrections to product, sales, and promotion strategies based on feedback gathered through store operations, strengthen the ability to accurately address future conditions and situations

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■ Medium-Term Business Plan — Management Strategies Aimed at Achieving UA VISION 2022 —

UNITED ARROWS LTD. will work to achieve its objectives throughout the period of the Medium-Term Business Plan by carrying out specific business strategies.

Grow and expand existing businesses

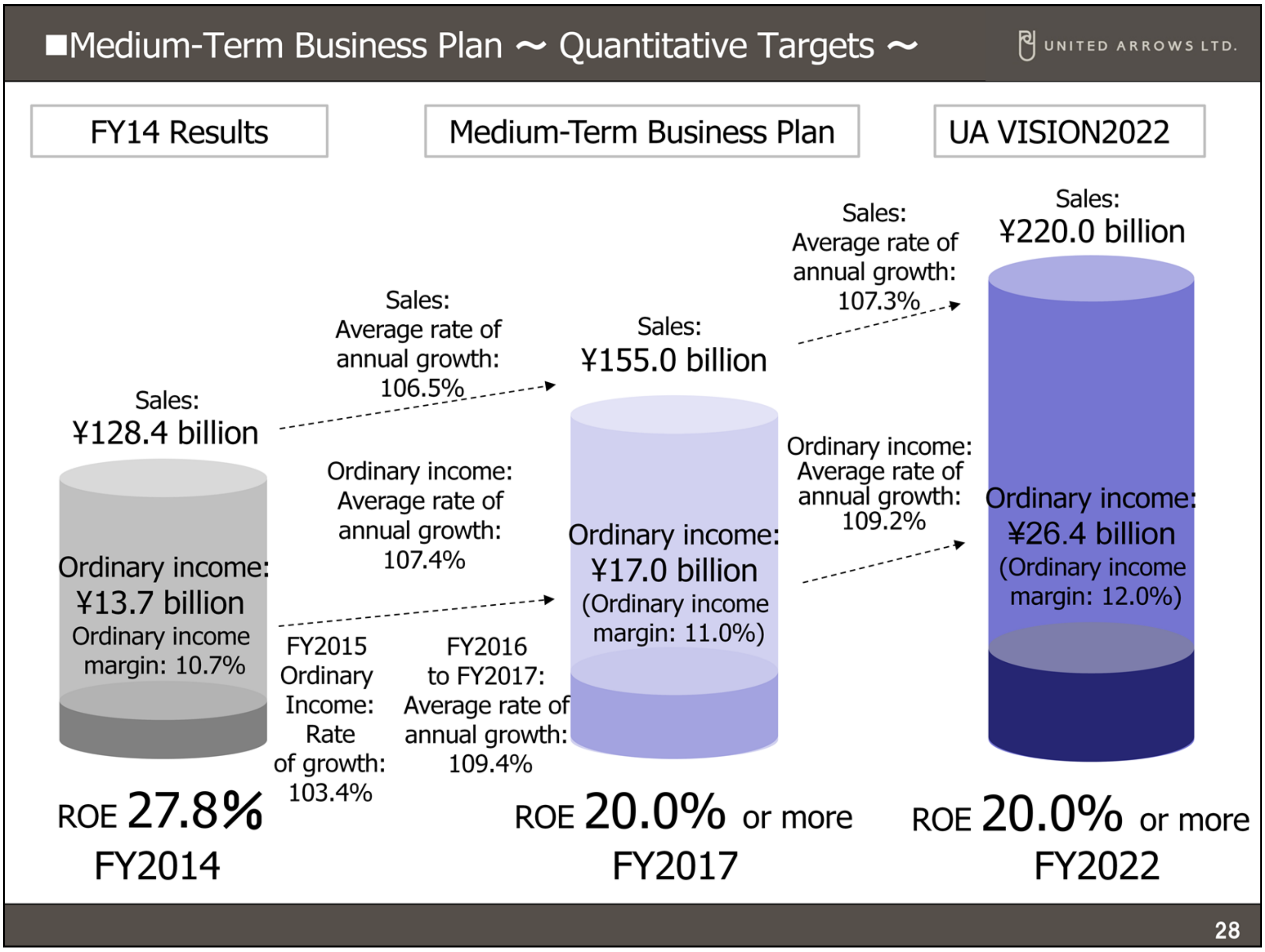
In addition to the business strategies identified under the Long-Term Vision, energies will be channeled toward promoting the sales initiative of strengthening collaboration between the Product, Sales, and Promotion departments. These efforts are designed to further enhance the development of original products and to ensure the stable growth of existing businesses and stores. Moreover, the aforementioned measures will allow us to continuously provide high added-value, which is consistent with our goals of arresting the decline in profitability attributable to the weak yen.

Develop new businesses

Again, under the Long-Term Vision, we have identified the need to develop and foster new businesses that will drive next-generation growth. While this initiative is seen as a means to deliver new value, it also allows us to quickly generate profits by swiftly placing new businesses on the right track during the period of the Medium-Term Business Plan. In specific terms, this includes recent efforts to start up the ASTRAET, EN ROUTE, and Boisson Chocolat businesses.

Enter overseas markets

Under the Long-Term Vision, UNITED ARROWS LTD. has placed a priority on accumulating store opening and operating know-how to drive forward its overseas business development activities which are underpinned by the goal of generating profits. By flexibly making corrections to product, sales, and promotion strategies based on feedback gathered through store operations, we will build a business model that allows us actively develop our business in Taiwan during the period of the Medium-Term Business Plan.



■ **Medium-Term Business Plan — Quantitative Targets —**

By pushing forward the aforementioned business strategies, we will strive to achieve the quantitative targets of consolidated sales of ¥155 billion, an ordinary income margin of 11%, ordinary income of ¥17 billion, and ROE of 20% or more in the final fiscal year of the Medium-Term Business Plan.

During the period of the plan, we are looking at average rates of annual growth for sales and ordinary income of 6.5% and 7.4%.

In particular, we are planning to eliminate operating losses in new businesses and projecting an increase in growth rates during the second half.

The quantitative targets of the Long-Term Visions remain unchanged.

In achieving these Long-Term Vision targets, we will first look to achieve the targets of the Medium-Term Business Plan.