Fiscal 2014
Fiscal Year Ending March 2014
Third Quarter
Earnings Announcement

February 6, 2014

UNITED ARROWS LTD.

Contents

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

Cautionary Statement

Earnings forecasts and objective views contained in this document are based on decisions made by UNITED ARROWS LTD. in light of information obtainable as of the date of this report, and therefore include risks and 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, DRAWER, Boisson Chocolat, ASTRAET, ARCHIPELAGO, THE AIRPORT STORE, THE STATION STORE, THE HIGHWAY STORE

■ Consolidated / Non-Consolidated 3Q PL Overview

UNITED ARROWS LTD.

While revenue was up and earnings down, profits at each level were essentially progressing in line with plans

- Consolidated sales: YoY increase of 10.6% → This increase in consolidated sales largely reflects higher revenues at each Group company
- Gross Profit: YoY increase of 7.7% → Despite the drop in gross margins at each Group company on the back of the weak yen, this increase in gross profit is mainly attributable to the increase in revenue
- SGA expenses: YoY increase of 12.1% → This increase is primarily due to the upswing in personnel expenses in line with the opening of new stores by UNITED ARROWS LTD. and COEN CO., LTD.
- Extraordinary loss: YoY decrease of ¥460 million → This decrease is mainly the result of a drop in impairment loss

Millions of yen

	Consolidated Results FY14 3Q Cumulative						Non-Consolidated Results FY14 3Q Cumulative					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY13 3Q Results	vs. Sales	Results	vs. Sales	YoY Increase (Decrease)	%	FY13 3Q Results	vs. Sales
Sales	**93,638**	100.0%	9,002	110.6%	84,636	100.0%	**87,015**	100.0%	8,015	110.1%	78,999	100.0%
Gross Profit	**51,071**	54.5%	3,657	107.7%	47,413	56.0%	**47,209**	54.3%	3,301	107.5%	43,907	55.6%
SGA Exp	**40,144**	42.9%	4,342	112.1%	35,802	42.3%	**36,473**	41.9%	3,508	110.6%	32,965	41.7%
Operating Inc.	**10,927**	11.7%	(684)	94.1%	11,611	13.7%	**10,735**	12.3%	(206)	98.1%	10,942	13.9%
Non Op. P/L	**27**	0.0%	(13)	66.9%	40	0.0%	**60**	0.1%	5	109.5%	55	0.1%
Ordinary Inc.	**10,954**	11.7%	(697)	94.0%	11,651	13.8%	**10,795**	12.4%	(201)	98.2%	10,997	13.9%
Extraordinary P/L	**(290)**	-0.3%	460	–	(750)	-0.9%	**(277)**	-0.3%	467	–	(744)	-0.9%
Net Income	**6,396**	6.8%	(367)	94.6%	6,763	8.0%	**6,346**	7.3%	20	100.3%	6,326	8.0%

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■ Consolidated 3Q PL Overview

While revenue was up and earnings down for the 3Q cumulative nine-month period from April 1, 2013 to December 31, 2013 of FY14, the fiscal year ending March 31, 2014, profits at each level were essentially progressing in line with plans.

Consolidated sales were firm, increasing 10.6% compared with the corresponding period of the previous fiscal year. This largely reflected higher revenue at each Group company.

Gross profit for the period under review climbed 7.7% year on year. The gross margin declined 1.5 percentage points to 54.5%. This was primarily due to an upswing in the cost of sales ratio on the back of the weak yen.

Selling, general and administrative (SGA) expenses climbed 12.1% compared with the corresponding period of the previous fiscal year. This was primarily due to the upswing in personnel expenses in line with the opening of new stores by UNITED ARROWS LTD. and COEN CO., LTD.

On a year-on-year basis, operating income declined 5.9% to ¥10,927 million. Ordinary income fell 6.0% to ¥10,954 million and net income contracted 5.4% to ¥6,396 million.

■ Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 10.1% YoY,
Existing retail and online stores sales up 2.5% YoY

- Growth in sales across all channels; YoY increase in both existing retail and online stores sales
- Sales composition: online store sales 10.7% (11.0% 3Q FY13); outlet store sales 12.8% (13.0% 3Q FY13)

Millions of yen

	Non-Consolidated Results FY14 3Q Cumulative				Reference: FY13 3Q Cumulative Share	Reference: Non-Consolidated FY14 3Q (Three-Month Period)				Reference: FY13 3Q (Three-Month Period) Share
	Results	Share	YoY Increase (Decrease)	%		Results	Share	YoY Increase (Decrease)	%	
Non-Consolidated Sales	**87,015**	100.0%	8,015	110.1%	100.0%	**34,884**	100.0%	2,796	108.7%	100.0%
Total Business Unit Sales	**75,887**	87.2%	7,182	110.5%	87.0%	**30,642**	87.8%	2,762	109.9%	86.9%
Retail	**65,987**	75.8%	6,562	111.0%	75.2%	**26,413**	75.7%	2,367	109.8%	74.9%
Online	**9,348**	10.7%	629	107.2%	11.0%	**3,958**	11.3%	330	109.1%	11.3%
Outlet	**11,127**	12.8%	832	108.1%	13.0%	**4,241**	12.2%	33	100.8%	13.1%

	Trends in Existing Stores Sales			Existing Stores YoY		
	Sales	Number of Customers	Ave. Spending per Customer	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	102.5%	—	—	102.7%	—	—
Retail	101.8%	96.5%	105.5%	101.8%	95.3%	106.8%
Online	108.8%	—	—	112.0%	—	—

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■ Non-Consolidated Sales Results by Sales Channel

For the 3Q cumulative nine-month period of FY14, non-consolidated sales climbed 10.1% compared with the corresponding period of the previous fiscal year. While existing retail and online store sales increased 2.5% year on year.

For the period under review, sales improved across all channels with both existing retail and online stores sales surpassing levels recorded in the previous year.

Looking at the composition of sales, online store sales accounted for 10.7% of the total, down 0.3 of a percentage point year on year. Outlet store sales comprised 12.8%, a year-on-year decrease of 0.2 of a percentage point.

■ 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: women's items generally
- CH: silver, gold, cut and sewn, and others
- SBUs: Another Edition, Jewel Changes, and others

all exhibit robust trends

Millions of yen

	Non-Consolidated Results FY14 3Q Cumulative			Reference: Non-Consolidated Results FY14 3Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	%	Results	YoY Increase (Decrease)	%
Total Business Unit Sales	**75,887**	7,182	110.5%	**30,642**	2,762	109.9%
UA	**38,699**	3,157	108.9%	**15,954**	1,306	108.9%
GLR	**19,177**	2,048	112.0%	**8,008**	688	109.4%
CH	**7,023**	1,550	128.3%	**2,677**	659	132.7%
SBUs	**10,986**	427	104.0%	**4,003**	108	102.8%

	FY14 3Q Cumulative Existing Store YoY			FY14 3Q (Three-Month Period) Existing Store YoY		
	Retail + Online	Retail	Online	Retail + Online	Retail	Online
UA	101.8%	101.3%	109.0%	102.3%	101.4%	130.0%
GLR	102.3%	102.0%	104.2%	102.3%	101.7%	104.8%
CH	—	110.7%	—	—	115.0%	—
SBUs	100.4%	97.6%	118.0%	97.9%	95.1%	115.3%

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■ Non-Consolidated Sales Results by Business Type

For the period under review, revenue increased across all businesses. Existing retail and online store sales were also up year on year in each type of business.

In the UA business, men's dressy and women's casual item trends were robust. Women's items generally were also firm in the GLR business.

In the CH business, results across a wide range of products including silver, gold, as well as cut and sewn items were strong. Performances by SBUs and in particular Another Edition and Jewel Changes were healthy.

■ Non-Consolidated Gross Margin

UNITED ARROWS LTD.

1.3 percentage points YoY decrease to 54.3% in the non-consolidated gross margin

- Total Business Units: 1.3 percentage point decrease to 57.8% largely reflecting the impact of the weak yen (1.5 percentage point decline for the 3Q three-month period)
- Outlet: 1.3 percentage point decrease to 35.6% due mainly to efforts aimed at promoting the reduction of inventories at regular businesses (2.7 percentage point decline for the 3Q three-month period)
- Other COGS: Increase due primarily to foreign currency adjustments in the CH business due to the downward trend in the yen

Note: Please refer to "Current Status and Measures Aimed at Improving the Gross Margin" on page 18 of this Earnings Announcement.

	Non-Consolidated Results FY14 3Q Cumulative			Reference: Non-Consolidated Results FY14 3Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	FY13 3Q Cumulative Results	Results	YoY Increase (Decrease)	FY13 3Q (Three-Month Period)
Gross Margin	**54.3%**	-1.3%	55.6%	**56.4%**	-1.6%	58.0%
Total Business Units	**57.8%**	-1.3%	59.1%	**59.3%**	-1.5%	60.8%
Outlet	**35.6%**	-1.3%	36.9%	**36.6%**	-2.7%	39.4%
Other COGS Millions of yen	608	92	515	**56**	48	8

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

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■ Non-Consolidated Gross Margin

The non-consolidated gross margin declined 1.3 percentage points compared with the corresponding period of the previous fiscal year to 54.3%.

The total business unit gross margin decreased 1.3 percentage points to 57.8% largely reflecting the impact of the weak yen. For the 3Q three-month period, the gross margin contracted 1.5 percentage points to 59.3% due mainly to the continued decline in the value of the yen.

The outlet store gross margin fell 1.3 percentage points to 35.6% and 2.7 percentage points to 36.6% for the 3Q cumulative nine-month and 3Q three-month periods, respectively. This was due mainly to efforts aimed at promoting the reduction of inventories at regular businesses.

For the 3Q cumulative nine-month period of FY14, other COGS increased ¥92 million compared with the corresponding period of the previous fiscal year. This increase was due primarily to foreign exchange adjustments in the CH business due to the downward trend in the yen.

Note: Details regarding the current status of gross margins and forecasts are presented in page 18 of this Earnings Announcement.

■ Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

Non-consolidated SGA expense to sales ratio increased 0.2 of a percentage point YoY to 41.9%

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

・Increase in personnel expenses attributable to the increase in staff as well as other factors including promotions

・Decrease in other operating overhead expenses owing mainly to the decline in furniture and fixtures as well as consumables

(Decrease compared with plans established at the beginning of the period: down approx. ¥400 million →
increase in variable costs in line with the increase in sales: approx. ¥300 million; cutbacks in fixed costs: approx. ¥700 million)

Millions of yen

	Non-Consolidated Results FY14 3Q Cumulative				FY13 3Q Cumulative	
	Results	vs. Sales	YoY Increase (Decrease)	%	Results	vs. Sales
Non-Consolidated Sales	**87,015**	**100.0%**	8,015	110.1%	78,999	100.0%
SGA Expenses	**36,473**	**41.9%**	3,508	110.6%	32,965	41.7%
Advertising Expenses	**2,050**	**2.4%**	189	110.2%	1,861	2.4%
Personnel Expenses	**13,097**	**15.1%**	1,497	112.9%	11,600	14.7%
Rent	**10,689**	**12.3%**	1,042	110.8%	9,647	12.2%
Depreciation	**1,078**	**1.2%**	102	110.5%	975	1.2%
Other	**9,557**	**11.0%**	676	107.6%	8,880	11.2%

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■ Non-Consolidated SGA Expenses

The Non-consolidated SGA expense to sales ratio increased 0.2 of a percentage point year on year to 41.9%.

Factors contributing to the year-on-year increase in SGA expenses as a ratio to sales included an increase in personnel expenses attributable to the increase in staff as well as other factors including promotions. Factors contributing to the year-on-year decrease included the decrease in other operating overhead expenses owing mainly to the decline in furniture and fixtures as well as consumables.

SGA expenses contracted approximately ¥400 million compared with plans. This largely represented the approximate ¥300 million increase in variable costs in line with the increase in sales, which was more than offset by the approximate ¥700 million decrease reflecting cutbacks in fixed costs.

■ 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
- Noncurrent assets: Increase in the balances of mainly tangible noncurrent assets, long-term prepaid expenses, and guarantee deposits in line with such factors as the opening of new stores
- Current Liabilities: Increase in the balances of mainly short-term loans payable and accounts payable—trade; decrease in current portion of long-term loans payable
- Noncurrent Liabilities: Decrease in the balance of long-term loans payable

Note: The balance of consolidated short and long-term loans payable: down 6.7% YoY to ¥11,531 million

Note: The balance of non-consolidated inventory: up 13.2% YoY
(non-consolidated sales for the 3Q cumulative period of FY14: up 10.1% YoY)
(Increase in inventory: increase in procurements costs attributable mainly to the weak yen; increase in the number of items of approx. 5%)

Millions of yen

	Consolidated Results FY14 3Q-End				Non-Consolidated Results FY14 3Q-End			
	Results	Share	YoY	vs. FY13 -End	Results	Share	YoY	vs. FY13 -End
Total Assets	**64,394**	100.0%	110.7%	118.4%	**60,600**	100.0%	110.1%	118.7%
Current Assets	**43,826**	68.1%	111.0%	125.3%	**39,619**	65.4%	111.3%	128.2%
(Inventory)	**24,116**	37.5%	116.5%	138.0%	**21,721**	35.8%	113.2%	134.1%
Noncurrent Assets	**20,567**	31.9%	110.2%	106.0%	**20,980**	34.6%	107.8%	104.2%
Current Liabilities	**31,429**	48.8%	107.1%	122.2%	**28,535**	47.1%	107.0%	123.2%
Noncurrent Liabilities	**2,921**	4.5%	72.7%	89.4%	**2,616**	4.3%	70.1%	86.8%
Total Net Assets	**30,043**	46.7%	121.1%	118.3%	**29,448**	48.6%	119.5%	118.4%
Reference: Balance of Short and Long-Term Loans Payable	**11,531**	17.9%	93.3%	148.3%	**10,131**	16.7%	90.8%	151.8%

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■ Consolidated / Non-Consolidated B/S Overview

On a consolidated basis, total assets stood at ¥64,394 million as of December 31, 2013, up 10.7 % and 18.4% compared with the balances as of December 31, 2012 and March 31, 2013, respectively.

Details of year-on-year movements in consolidated balance sheet items are presented as follows.

Current assets were up 11.0% year on year to ¥43,826 million. The principal movements included increases in inventory and accounts receivable—other in line with business expansion. Noncurrent assets also climbed 10.2% to ¥20,567 million. This largely reflected increases in the balances of tangible noncurrent assets, long-term prepaid expenses, and guarantee deposits on the back of the opening of new stores.

The balance of current liabilities stood at ¥31,429 million, up 7.1% compared with the end of the 3Q of the previous fiscal year. During the period under review, the balances of short-term loans payable and accounts payable—trade increased while the current portion of long-term loans payable balance decreased. Noncurrent liabilities declined 27.3% year on year to ¥2,921 million. This was largely attributable to the decrease in the balance of long-term loans payable.

The balance of consolidated short and long-term loans payable was down 6.7% year on year to ¥11,531 million.

The balance of non-consolidated inventory climbed 13.2% surpassing the year-on-year increase in non-consolidated sales for the 3Q cumulative period of FY14 of 10.1%. This was mainly due to the increase in procurement costs attributable to the weak yen and the increase in the number of inventory items of approximately 5%.

■ Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents at the end of the term came to ¥5,588 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥10,600 million, increase in notes and accounts payable—trade of ¥4,100 million; (major cash outflows) increase in inventories of ¥6,600 million, income taxes paid of ¥4,400 million
- Cash flows from investing activities: (major cash outflows) purchase of property, plant and equipment of ¥1,900 million, purchase of long-term prepaid expenses of ¥300 million
- Cash flows from financing activities: (major cash inflows) net increase in short-term loans payable of ¥6,100 million, (major cash outflows) repayment of long-term loans payable of ¥2,300 million, cash dividends paid of ¥1,700 million

Millions of yen

	Consolidated Results FY14 3Q	FY13 3Q
	Results	Results
Cash flows from operating activities (sub-total)	**4,823**	5,852
Cash flows from operating activities	**301**	(250)
Cash flows from investing activities	**(2,898)**	(2,426)
Cash flows from financing activities	**2,044**	1,100
Cash and cash equivalents at the end of the term	**5,588**	6,390

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■ Consolidated C/F Overview

Cash and cash equivalents at the end of the term came to ¥5,588 million, a decreased of ¥801 million compared with the end of the corresponding period of the previous fiscal year.

Net cash provided by operating activities totaled ¥301 million. Major cash inflows included income before income taxes of ¥10,600 million and an increase in notes and accounts payable—trade of ¥4,100 million. Principal cash outflows were the increase in inventory of ¥6,600 million and income taxes paid of ¥4,400 million.

Net cash used in investing activities came to ¥2,898 million. Major cash outflows comprised the purchase of property, plant and equipment of ¥1,900 million and the purchase of long-term prepaid expenses of ¥300 million.

Net cash provided by financing activities amounted to ¥2,044 million. Principal cash inflows included a net increase in short-term loans payable of ¥6,100 million. Major cash outflows comprised the repayment of long-term loans payable of ¥2,300 million and cash dividends paid of ¥1,700 million.

■ Results of FY14 3Q Cumulative Opening and Closing of Stores and FY14 Forecasts

UNITED ARROWS LTD.

- FY14 3Q cumulative Group total: Number of new stores opened: 38; Closed: 6; Number of stores as of FY14 3Q-end: 303
- Full FY14 forecast Group total: Number of new stores opened: 51; Closed: 7; Number of stores as of FY14-end: 315
  (5 stores more than the previous forecast)

	FY14 3Q Results				FY14 (forecasts)					Reference
	No. of stores at the beginning f the period	Opened	Closed	No. of stores as of the 3Q-end	1H	2H	Full Fiscal Year	Closed	No. of stores at the end of the period	Increase (decrease) Compared with the previous forecast
Group Total	**271**	**38**	**6**	**303**	**30**	**21**	**51**	**7**	**315**	5
UNITED ARROWS LTD. Total	**208**	**23**	**4**	**227**	**19**	**9**	**28**	**4**	**232**	2
UNITED ARROWS Total	67	7	1	73	7		7	1	73	
UNITED ARROWS (General Merchandise Store)	11			11					11	
UNITED ARROWS	21	2		23	2		2		23	
BEAUTY&YOUTH	33	5	1	37	5		5	1	37	
UA Label Image Stores	2			2					2	
green label relaxing	56	6	2	60	3	4	7	2	61	1
CHROME HEARTS	8	1		9	1		1		9	
SBUs Total	59	8	1	66	7	5	12	1	70	1
Another Edition	13	3		16	2	1	3		16	
Jewel Changes	7	2		9	2	1	3		10	
Odette é Odile	23	1	1	23	1		1	1	23	
DRAWER	6	1		7	1		1		7	
New Businesses						3	3		3	1
Cross Sales-Type: ARCHIPELAGO	1			1					1	
Cross Sales-Type: THE AIRPORT STORE	3			3					3	
Cross Sales-Type: THE STATION STORE	4	1		5	1		1		5	
Cross Sales-Type: THE HIGHWAY STORE	2			2					2	
Outlet	18	1		19	1		1		19	
FIGO CO., LTD.	12	1		**13**	1	4	5		**17**	4
COEN CO., LTD.	51	13	2	**62**	10	7	17	3	**65**	(1)
UNITED ARROWS Taiwan LTD.		1		**1**		1	1		**1**	

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■ Results of FY14 3Q Cumulative Opening and Closing of Stores and FY14 Forecasts

Looking at the Group total number of stores opened and closed during the 3Q cumulative nine-month period of FY14, there were 38 new stores opened and six stores closed. As a result, the number of stores as of the end of the 3Q of FY14 came to 303.

On a non-consolidated basis, 23 new stores were opened and four were closed with the total number of stores as of the end of the period coming to 227.

Our full fiscal year forecast for total Group store numbers calls for the opening of 51 new stores and the closure of seven stores. This will bring the Group total to 315 stores as of the end of FY14. On a non-consolidated basis, we are looking to open 28 new stores and close four stores for the full fiscal year for a fiscal year-end total of 232 stores.

Changes from the previous earnings announcement:

UNITED ARROWS LTD.: Plans are in place to postpone the closure of one GLR store into or after the next period and to open an additional new business store.

FIGO CO., LTD.: In addition to taking over and directly operating three ASPESI stores from ASPESI JAPAN, plans are in place to open one new Felisi store.

COEN CO., LTD.: One store was closed in January in the lead up to relocation and renewal during the next period.

■ Reference: FY14 3Q-End Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facilities / Address
November	Newly opened store	GLR Lovela 2 Niigata	Lovela 2 Niigata (Chuo-ku, Niigata City)
	Closed store	GLR atre Ueno	atre Ueno (Taito-ku, Tokyo)
October	Newly opened store	GLR Aqua City Odaiba	Aqua City Odaiba (Minato-ku, Tokyo)
	Closed store (*4)	GLR Nagoya LACHIC	LACHIC (Naka-ku, Nagoya City)
	Newly opened store	GLR Nagoya LACHIC	LACHIC (Naka-ku, Nagoya City)
	Newly opened store	Another Edition Kashiwa	Kashiwa Takashimaya Station Mall (Kashiwa City, Chiba Prefecture)
September	Newly opened store	Another Edition Ikebukuro	Ikebukuro PARCO (Toshima-ku, Tokyo)
	Newly opened store	Another Edition Fukuoka	SOLARIA PLAZA (Chuo-ku, Fukuoka City)
	Newly opened store	Jewel Changes Fukuoka	SOLARIA PLAZA (Chuo-ku, Fukuoka City)
August	Newly opened store	UA NAMBA	NAMBA PARKS (Naniwa-ku, Osaka City)
	Newly opened store	Odette é Odile atre Kawasaki	atre Kawasaki (Kawasaki-ku, Kawasaki City)
July	Closed store	Odette é Odile Nishiumeda	BREEZE BREEZE (Kita-ku, Osaka City)
June	Newly opened store	BY MINATOMIRAI	MARK IS minatomirai (Nishi-ku, Yokohama City)
May	Newly opened store	BY IKEBUKURO WOMEN'S STORE	LUMINE Ikebukuro (Toshima-ku, Tokyo)
April	Newly opened store	UA ROPPONGI WOMEN'S STORE	Roppongi Hills (Minato-ku, Tokyo)
	Newly opened store	BY OSAKA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened store	STEVEN ALAN SHINJUKU	LUMINE Shinjuku (Shinjuku-ku, Tokyo)
	Newly opened store (*1)	STEVEN ALAN TOKYO	Roadside store (Shibuya-ku, Tokyo)
	Newly opened store (*2)	STEVEN ALAN OSAKA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened store	GLR HAMAMATSU MAY ONE	MAY ONE (Naka-ku, Hamamatsu City)
	Newly opened store	GLR LaLaport Kashiwanoha	LaLaport Kashiwanoha (Kashiwa City, Chiba Prefecture)
	Newly opened store	GLR piole Himeji	piole Himeji (Himeji City, Hyogo Prefecture)
	Newly opened store	Jewel Changes Shibuya Tokyu Toyoko	TOKYU DEPARTMENT STORE TOYOKO Store (Shibuya-ku, Tokyo)
	Newly opened store	THE STATION STORE Echika Ikebukuro	Echika Ikebukuro (Toshima-ku, Tokyo)
	Newly opened store	CHROME HEARTS UMEDA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened store	DRAWER UMEDA	GRAND FRONT OSAKA (Kita-ku, Osaka)
	Newly opened store	UA LTD. Outlet SHISUI	Shisui Premium Outlets' (Inba-gun, Chiba Prefecture)
	Closed store (*3)	BY UMEDA	E-ma (Kita-ku, Osaka)
	Newly opened store	BY UMEDA	E-ma (Kita-ku, Osaka)

*1 As an annex of the BEAUTY&YOUTH UNITED ARROWS SHIBUYA KOENDORI store, STEVEN ALAN TOKYO is not included separately in the number of stores.

*2 As an annex of the BEAUTY&YOUTH UNITED ARROWS OSAKA store, STEVEN ALAN OSAKA is not included separately in the number of stores.

*3 The BEAUTY&YOUTH UNITED ARROWS UMEDA store has been recorded as both a closed and newly opened store for Opening and Closing of Stores management results purposes. This reflects the decision to change merchandising strategies and suspend the sale of women's products as well as the substantial reduction in shop floor space.

*4 The GLR Nagoya LACHIC store has been recorded as both a closed and newly opened store for Opening and Closing of Stores management results purposes. This reflects substantial changes in items handled and shop floor space.

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■ Reference: FY14 3Q-End Results of the Opening and Closing of Stores

An explanation has been omitted.

■ Reference: FY14 3Q-End Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

FIGO CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
April	Newly opened store	Felisi Umeda	GRAND FRONT OSAKA (Kita-ku, Osaka)

COEN CO. LTD.

October	Newly opened store	COEN Kanayama	Asunal Kanayama (Naka-ku, Nagoya City)
September	Newly opened store	COEN FKD Inter Park	FKD Inter Park (Utsunomiya City, Tochigi Prefecture)
	Newly opened store	COEN General Store Shinjuku PePe	Shinjuku PePe (Shinjuku-ku, Tokyo)
July	Closed store	COEN Kinshicho	TERMINA (Sumida-ku, Tokyo)
June	Newly opened store	COEN Tokushima	Youme Town Tokushima (Itano-gun, Tokushima Prefecture)
	Newly opened store	COEN Minatomirai	MARK IS minatomirai (Nishi-ku, Yokohama City)
April	Newly opened store	COEN Maebashi	Keyaki Walk Maebashi (Maebashi City, Gunma Prefecture)
	Newly opened store	COEN GRAND FRONT OSAKA	GRAND FRONT OSAKA (Kita-ku, Osaka)
March	Newly opened store	COEN Kasukabe	AEON MALL Kasukabe (Kasukabe City, Saitama Prefecture)
	Newly opened store	COEN Yao	Ario Yao (Yao City, Osaka Prefecture)
	Newly opened store	COEN Sagamiono	BONO Sagamiono (Minami-ku, Sagamihara City)
	Newly opened store	COEN Tsukuba	AEON MALL Tsukuba (Tsukuba City, Ibaraki Prefecture)
	Newly opened store	COEN Kashiihama	AEON MALL Kashiihama (Higashi-ku, Fukuoka City)
	Newly opened store	COEN Yahatahigashi	AEON MALL Yahatahigashi (Yahatahigashi-ku, Kitakyushu City)
February	Closed store	COEN Sendai Natori	AEON MALL Natori (Natori City, Miyagi Prefecture)

Note: COEN CO., LTD. maintains a balance date of January 31 each year.
Details of the opening of new stores for the third quarter cover the cumulative period from February to October.

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■ Reference: FY14 3Q-End Results of the Opening and Closing of Stores

An explanation has been omitted.

■ Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.

Increase in revenue and decrease in earnings for the 3Q cumulative period of FY14

- 3Q cumulative sales: ¥2,200 million; up 9% YoY
- 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
- Following on from ASPESI and COONCEPT SRL, both based in Italy, acquired exclusive distribution rights to market U.K.-based Thomas Hancock & Co. Ltd. outer wear products in Japan
- Plans to progressively manage three directly operated ASPESI stores from the 4Q of FY14

A selection of HANCOCK brand 2013 fall and winter items

coen

Increase in revenue and decrease in earnings for the 3Q cumulative period of FY14

- 3Q cumulative sales: ¥4,500 million; up 24% YoY
- Decrease in earnings due mainly to the decline in the gross margin as a result of the weak yen and higher mark-down losses as well as the increase in costs associated with the opening of new stores (3Q cumulative period of FY14: 13 stores; 3Q cumulative period of FY13: 10 stores) and other factors

Note: For details of initiatives please refer to page 19.

COEN General Store Shinjuku PePe opened in September 2013

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■ Group Companies

・FIGO CO., LTD.

Both retail and online store sales were robust. As a result, net sales for the period under review climbed 9% year on year to ¥2,200 million. Earnings, on the other hand, declined. This was largely attributable to a drop in the gross margin owing mainly to the weak yen and the incidence of anticipatory costs aimed at acquiring new brands.

Following on from ASPESI and COONCEPT SRL, FIGO took steps to boost its operations by acquiring the rights to exclusively distribute in Japan the products of U.K.-based Thomas Hancock & Co., Ltd., a company that handles outer wear items.

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

In the 3Q cumulative period of FY14, net sales grew 24% compared with the corresponding period of the previous fiscal year to ¥4,500 million. This largely reflected the upswing in revenue attributable to the opening of new stores and in particular robust trends in online store sales. Owing mainly to the weak yen and higher mark-down losses, which triggered a downturn in the gross margin, as well as the increase in costs associated with the opening of new stores, earnings declined.

(For details of initiatives please refer to page 19.)

■ 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 the fiscal year under review, ending March 31, 2014, UNITED ARROWS LTD. has put forward four management policies under the management slogan "Challenge."

In this 3Q earnings announcement, we explain how the Company has taken up the challenges of ensuring that existing stores continue to evolve and grow, developing new business, and becoming a leading O2O company, while at the same time outlining details of progress.

■ Progress on Addressing Priority Issues

UNITED ARROWS LTD.

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

Relocate the press room within the Company's head office

- Enhance private label product capabilities
  Enable closer-knit communication by reducing the physical distance between officers responsible for products, sales, and promotion
- Enhance product display capabilities
  Construct model showcases for product displays within the press room and ensure common access by all stores
- Utilize as an exhibition hall
  Utilize as a product exhibition hall for the benefit of the mass media as well as store development-related parties

Reference: Individual business photos

UA	UA	UA	UA	SBUs
UA	BY	BY	SBUs	SBUs

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■ Take up the "challenge" of ensuring that existing stores continue to evolve and grow

As a part of efforts to take up the "challenge" of ensuring that existing stores continue to evolve and grow, UNITED ARROWS LTD. relocated its press room from its Harajuku headquarters to the Company's Akasaka head office in August 20

Historically, the Company's core Product and Sales departments and staff had been assigned to its Akasaka head office while the Promotion Department and staff had been located with the press room at UNITED ARROWS LTD.'s Harajuku headquarters. Through the relocation and consolidation of departments and functions, interaction between the Product, Sales, and Promotion departments is now much simpler. Discussions can now be conducted with sample products in front of all participants. This has in turn triggered expectations that the Company's product planning capabilities will continue to improve.

The press room has been set up to exhibit the Company's lineup by store brand with the interior designed to showcase each brand's unique image. Model showcases have also been constructed in the press room with image photographs shared among all stores. With this initiative, expectations are that the development of individual stores will follow a uniform pattern and quality, and that UNITD ARROWS LTD. as a whole will take successful steps to enhancing its overall appeal to customers.

The press room also serves as a product exhibition hall for the benefit of the mass media as well as store development-related parties. This allows the Company to enhance its brand image by casting each product in its most appealing light in combination with the well-colored interiors of each store brand.

We believe that the effects of these initiatives will increasingly take hold in the future.

■ Progress on Addressing Priority Issues

UNITED ARROWS LTD.

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

Launch BOW & ARROWS

- Launch as a business within the UA business from April 2014
- Market as a brand targeting mainly male department store users in between the ages of 30 and 59
- Work toward a profit in the first year of operations by making the most of the UA business' resources

Brand concept: modern relaxing

A brand that caters to the modern traditional tastes of the well-to-do mature adult

Planned opening of stores	・Daimaru Umeda ・Daimaru Sapporo ・UA Online Store, ZOZOTOWN ＊Plans to open stores mainly in department stores	
Product mix	・Essentially private label products excluding certain miscellaneous items ・Sports lineup 70: business lineup 30	
Price range (private label products)	<Sportswear lineup> Jackets ¥ 49,000～ Shirts ¥ 9,800～ Pants ¥ 12,000～ Coats ¥ 49,000～ Knitwear ¥ 12,000～	<Business wear lineup> Jackets ¥ 69,000～ Shirts ¥ 12,000～ Pants ¥ 16,000～ Coats ¥ 59,000～ Knitwear ¥ 39,000～ Suits ¥ 78,000～

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■Take up the "challenge" of developing new business

Launch the new men's BOW & ARROWS business in April 2014.

The BOW & ARROWS business will essentially target male department store users between the ages of 30 and 59. UNITED ARROWS LTD. undertook a study of the men's department store market. This study uncovered the lack of traditional taste proposals that offer just the right touch of casual for men in their 40s in the mid-to-high-end price range. Looking ahead, we will endeavor to promote stores that are capable of capturing customers that the Company has previously failed to serve.

The BOW & ARROWS brand is based on a "modern relaxing" concept. The goal is to cater to the modern traditional tastes of the well-to-do mature adult. Targeting the adult male who insists on maintaining a fashionable look, this brand is the culmination of UNITED ARROWS LTD.'s sensitivities and creative capabilities nurtured over many years. Except for certain miscellaneous items, the products range will essentially comprise private label products. Focusing on the Company's stylish jackets, an area in which it excels, proposals will comprise a 70:30 mix of sports and business lines. Compared with the existing UA business, this new brand will offer a wider size range with product planning snugly fitting the target generation. In addition to the scheduled opening of Daimaru Umeda and Daimaru Sapporo stores in April 2014, plans are in place to expand the brand into the UA online store and ZOZOTOWN.

BOW & ARROWS will be launched within the UA business. From the product, sales, and related perspectives, steps will be taken to employ the existing framework. Despite being a new business, every effort will be made to secure a profit in the first year of operations.

■ Progress on Addressing Priority Issues

UNITED ARROWS LTD.

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

- Overseas businesses：Open a BY Taipei store in the Songshan District of Taipei City in May 2014

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

- Released a UA Online Store smart phone application (January 2014)
  - Browse products
    Browse products and confirm the status of inventories at actual stores
  - Browse styling proposals
    Browse photos of staff styling proposals and move to each subject product page
  - Search by product item number
    Search by the item number on product tags to confirm color, size, and other details
  - Register personal lists
    Register readily identifiable personal lists of products and styling proposals
  - Search for stores
    Search by business and region; search for the nearest store utilizing a GPS-linked function

Images of UA Online Store screens
Top left: Product screen; Top right: Styling screen
Bottom left: Product item number search screen;
Bottom right: List of stores screen

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■ Take up the "challenge" of developing new business

Overseas business:

Following the opening of the UNITED ARROWS TAIPEI store in October 2013, preparations are underway to open a BY Taipei store in May 2014.

The three UA, BY, and GLR businesses plan to open around 10 stores in Taiwan by 2022 in a bid to expand their overseas businesses. The opening of this store is one step in achieving this plan.

■ Take up the "challenge" of becoming a leading O2O company

In January 2014, announcements were made regarding the release of an innovative UA Online Store smart phone application. This application allows users to browse products and styling proposals in an easy manner.

Put simply, this application is an O2O tool that helps customers freely separate their online (online store) and offline (actual store) activities according to their needs. Among a host of functions, customers that have seen a product that they like at an actual store, but are undecided whether or not to purchase, can now input the item number on product tags to search online for the product. This product can then be registered on a personalized "my list" of items, viewed at a later date, and purchased through the UA Online Store. Details of the status of inventories at actual stores are also displayed. With this application, customers, who wish to check and try on products at actual stores, can find details of the nearest store where products are in stock using a GPS function.

Looking ahead, plans are in place to further enhance this application. Enhancements will include a function that allows customers to order products online and have them sent to an actuals store for purchase.

■ TOPIC 1: Current Status and Measures Aimed at Improving the Gross Margin UNITED ARROWS LTD.

The consolidated gross margin for the 3Q cumulative period of FY14 fell 1.5 percentage points year on year

	Current Status	Measures Going Forward
Negative factors	• Increase in procurement costs due to the continued decline in the value of the yen • Decrease in private label brand sales as a result of lower actual demand for fall and winter items due to irregular weather conditions; increase purchased product sales on the back of an upswing in future purchase demand • Increase in mark-down losses (COEN) • Higher sales composition of products with low gross margins including gold items and high-priced accessories at CH	• Increase the share of products with newly revised prices from the spring and summer of 2014 • Reduce mark-down losses by improving the merchandising of products that address recent irregular weather conditions • Increase sales through continued collaboration between product, sales, and promotion departments • Strengthen measures in response to inbound demand ↓ Work toward increasing sales and gross profit while improving the gross margin through the aforementioned measures
Positive factors (including sales growth)	• Improvement in mark-down losses at certain businesses (BY, other) • Reduction in the cost of goods purchased ratio owing to the revision of prices • Secured a solid gross profit on the back of robust sales (each business and especially CH) • Growth in inbound demand in line with the weak yen (CH, other)	
→ Positive factors unable to offset negative factors. As a result, the gross margin declined. (From a profit perspective, able to secure a solid gross profit amount on the back of robust sales; results essentially in line with plans thanks to successful efforts to cutback SGA expenses and other factors)		

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■ TOPIC 1: Responding to the Weak Yen

The consolidated gross margin for the 3Q cumulative nine-month period of FY14 fell 1.5 percentage points compared with the corresponding period of the previous fiscal year.

Factors contributing to this fall include the decline in the value of the yen. Procurement costs including expenses attributable to the purchase and manufacture of products overseas have exceeded initial projections as the value of the yen has continued to decline throughout the period. A second factor in the decline was the slump in actual demand mainly for private label brand items with high gross margins. This reflects the impact of irregular weather conditions. Moreover, gross profit was affected by brisk sales of purchased products with relatively high cost of sales margins. This was largely due to the preference toward purchased products by customers undertaking future purchases. As a result, profit margins declined. Thirdly, mark-down losses increased due largely to internal factors, particularly at COEN, and such external factors as competitive conditions. Finally, a fourth factor contributing to the decline in consolidated gross margin was the higher sales composition of products with low gross margins including gold items and high-priced accessories at CH. This reflects the growth in inbound demand as well as demand from well-to-do customers.

Factors contributing to improvements in the consolidated gross margin include lower mark-down losses at certain businesses. Mark-down losses at UNITED ARROWS LTD. fell below levels recorded in the previous year. A second factor can be attributed to reduction in the cost of goods purchased ratio owing to the revision of prices. This suggests that customers generally accepted the revision of prices owing to successful efforts to enhance product quality. A third factor was the ability of businesses to secure solid gross profits on the back of robust sales. In particular, sales and gross profit were significantly higher than plans at CH owing to a variety of factors including the growth in inbound demand in line with the weak yen.

To summarize, the aforementioned positive factors were unable to offset the negative factors. As a result, the gross margin declined. From a profit perspective, successful steps were taken to secure a solid gross profit in terms of amount on the back of robust sales. Furthermore, results were essentially in line with plans thanks to cutbacks in costs.

Looking ahead, several measures will be taken going forward. First, energies will be channeled toward further enhancing product planning capabilities and implementing additional price revisions with respect to 2014 spring and summer items, which will account for over 50% of total private label products. Plans are in place to lift this proportion to 50% or more. Second, considerable emphasis will be placed on reducing mark-down losses by improving the merchandising of products in response to recent irregular weather conditions and the extremely short spring and fall seasons. Moving forward, attention will also be given to improving merchandise verification capabilities through ongoing measures aimed at bolstering collaboration between Product and Sales departments, and increasing the number of customers visiting stores by strengthening Promotion department collaboration. In a bid to strengthen measures in response to inbound demand, several initiatives will be taken including steps to upgrade and expand duty free stores as well as language seminars and workshops.

■ TOPIC 2: COEN CO., LTD. Initiatives

UNITED ARROWS LTD.

1. Strengthen product supply systems

(1) Commence regular meetings with the Supply Chain Management Division of UNITED ARROWS LTD.
- to identify supply chain commonalities and differences between COEN CO., LTD. and each UNITED ARROWS LTD. business
- to put forward tentative proposals regarding an ideal COEN CO., LTD. supply chain and commence verification testing from mid spring and summer 2014
- to put in place a repetitive process of tentative planning and verification while establishing a unique COEN CO., LTD. product platform

(2) Conduct a price range review
- recognizing the difficulty in revising prices for the new trend market
- maintain existing product prices, pursue a "China Plus One" strategy, and increase sales and profits by enhancing product development and sales capabilities

2. Strengthen sales systems

(1) Strengthen sales capabilities by upgrading and expanding personnel systems as well as education and training
- introduce a system of shorter working hours and an internship program
- commence a program for the education and training of store managers
- reinforce product briefing sessions and provide customer service guidance through sales department store visits

(2) Introduce a COEN CO., LTD. House Card
- put in place a system for handling customer information
- cultivate COEN enthusiasts based on such pertinent information as the names of stores where purchases are undertaken, the amount of each purchase, and frequency
- promote O2O initiatives that link closely with own online site sales

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■ TOPIC 2: COEN CO., LTD. Initiatives

From a product perspective, steps will be taken to commence regular meetings with the Supply Chain Management Division of UNITED ARROWS LTD. in order to establish a distinct COEN product platform. Currently, energies are being channeled toward identifying commonalities and differences between COEN and UNITED ARROWS LTD. with respect to the supply chain from product planning through manufacturing to sales. Based on these findings, tentative proposals regarding an ideal COEN supply chain will be put forward and verification tests commenced. This verification will begin from mid spring and summer 2014 and involve a repetitive process over several seasons. Through these means, the company will establish a unique COEN product platform.

At the same time, the company is witnessing progress in its review of price ranges. Taking into consideration the increase in costs attributable to movements in foreign currency exchange rates over fall and winter 2013, steps were taken to lift the prices of certain products. In the new trend market in which COEN operates, however, the company recognizes the extreme sensitivity of customers to price revisions and acknowledges the difficulty in gaining acceptance. COEN will return price ranges to their existing levels from spring and summer 2014 while pursuing a variety of measures aimed at increasing sales and profits. These measures will include adopting a "China Plus One" strategy and lifting the ratio of regular price sales by enhancing product development and sales capabilities.

From a sales perspective, COEN will pursue initiatives in each of the personnel systems, education and training, and systems fields. In a bid to improve its human resource programs and secure talented sales personnel, the company will introduce a system of shorter working hours as well as an internship and other programs. COEN will also bolster its sales framework to prevent the loss and outflow of experienced personnel. With an eye to education and training, the company will commence a program for store managers and work to lift store operation capabilities. Among a host of initiatives, the time spent on product briefing sessions will be doubled. Considerable weight will also be placed on improving sales capabilities by pushing forward several measures including customer service guidance through Sales department store visits. Turning to COEN's systems, a company House Card will be introduced from August 2014. A House Card system will therefore be established to manage customer information that has to date been managed on an individual store basis. The ability to conduct sales promotion initiatives based on such pertinent information as the names of stores where purchases were undertaken, the amount of each purchase, and frequency is expected to help cultivate a growing number of COEN enthusiasts. The House Card system will be progressively upgraded and eventually linked to O2O initiatives that work closely with the company's own online site.

■ Reference Materials

■ Reference: Fiscal 2014 Consolidated / Non-Consolidated P/L Forecasts

UNITED ARROWS LTD.

Millions of yen

	Consolidated FY14 (full fiscal year)			FY13		Non-Consolidated FY14 (full fiscal year)			FY13	
	Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**125,545**	**100.0%**	109.1%	115,041	100.0%	**114,651**	**100.0%**	107.5%	106,605	100.0%
Gross Profit	**68,319**	**54.4%**	109.1%	62,619	54.4%	**61,903**	**54.0%**	107.7%	57,499	53.9%
SGA Exp.	**54,857**	**43.7%**	109.6%	50,056	43.5%	**49,379**	**43.1%**	107.5%	45,955	43.1%
Operating Inc.	**13,462**	**10.7%**	107.2%	12,562	10.9%	**12,523**	**10.9%**	108.5%	11,544	10.8%
Non Op. P/L	**21**	**0.0%**	111.0%	19	0.0%	**40**	**0.0%**	107.5%	37	0.0%
Ordinary Inc.	**13,484**	**10.7%**	107.2%	12,582	10.9%	**12,564**	**11.0%**	108.5%	11,582	10.9%
Extraordinary	**(439)**	**-0.4%**	–	(954)	-0.8%	**(424)**	**-0.4%**	–	(931)	-0.9%
Net Income	**7,754**	**6.2%**	106.0%	7,316	6.4%	**7,285**	**6.4%**	112.0%	6,507	6.1%

■ Reference: Fiscal 2014 Consolidated / Non-Consolidated P/L First Half Results and Second Half Forecasts

UNITED ARROWS LTD.

■Consolidated

Millions of yen

	Consolidated FY14 First Half				Consolidated FY14 Second Half		
	Results	vs. Sales	YoY	vs. Forecasts	Forecasts	vs. Sales	YoY
Sales	**56,670**	**100.0%**	112.0%	101.2%	**69,548**	**100.0%**	107.9%
Gross Profit	**30,135**	**53.2%**	109.4%	99.0%	**37,895**	**54.5%**	108.1%
SGA Exp.	**25,719**	**45.4%**	113.5%	98.7%	**28,799**	**41.4%**	105.1%
Operating Inc.	**4,416**	**7.8%**	90.3%	101.1%	**9,095**	**13.1%**	118.6%
Non Op. P/L	**29**	**0.1%**	41.3%	467.1%	**15**	**0.0%**	–
Ordinary Inc.	**4,445**	**7.8%**	89.6%	101.7%	**9,111**	**13.1%**	119.6%
Extraordinary P/L	**(287)**	**-0.5%**	–	–	**(136)**	**-0.2%**	–
Net Income	**2,435**	**4.3%**	89.1%	104.6%	**5,425**	**7.8%**	118.4%

■ Non-Consolidated

	Non-Consolidated FY14 First Half				Non-Consolidated FY14 Second Half		
	Results	vs. Sales	YoY	vs. Forecasts	Forecasts	vs. Sales	YoY
Sales	**52,130**	**100.0%**	111.1%	101.7%	**63,377**	**100.0%**	106.2%
Gross Profit	**27,544**	**52.8%**	108.8%	99.7%	**34,270**	**54.1%**	106.5%
SGA Exp.	**23,333**	**44.8%**	112.1%	99.1%	**25,839**	**40.8%**	102.8%
Operating Inc.	**4,210**	**8.1%**	93.7%	102.9%	**8,431**	**13.3%**	119.5%
Non Op. P/L	**37**	**0.1%**	55.0%	226.8%	**24**	**0.0%**	–
Ordinary Inc.	**4,247**	**8.1%**	93.2%	103.4%	**8,455**	**13.3%**	120.4%
Extraordinary P/L	**(276)**	**-0.5%**	–	–	**(136)**	**-0.2%**	–
Net Income	**2,333**	**4.5%**	95.3%	105.3%	**5,069**	**8.0%**	124.9%

*There are no changes in second half data from forecasts identified at the beginning of the period. The total of first half results and second half forecasts does not equate to full fiscal year forecasts.

■ Reference: Fiscal 2014 Non-Consolidated Sales First Half Results and Second Half Forecasts

UNITED ARROWS LTD.

Millions of yen

	Non-Consolidated FY14 First Half			Non-Consolidated FY14 Second Half		Non-Consolidated FY14 (full fiscal year)	
	Results	YoY	vs. Forecasts	Forecasts	YoY	Forecasts	YoY
Sales	**52,130**	111.1%	101.7%	**63,377**	106.2%	**114,651**	107.5%
Total Business Unit Sales	**45,244**	110.8%	101.3%	**55,341**	106.5%	**100,019**	107.8%
Retail	**39,573**	111.9%	101.6%	**47,920**	107.3%	**86,877**	108.5%
Online	**5,389**	105.9%	98.8%	**7,133**	104.0%	**12,587**	105.3%
Outlet	**6,885**	113.1%	104.4%	**8,036**	103.9%	**14,632**	105.9%
Existing store sales YoY							
Retail + Online	102.4%			101.1%		101.2%	
Retail	101.8%			100.4%		100.5%	
Online	107.0%			105.2%		106.1%	

* There are no changes in second half data from forecasts identified at the beginning of the period.
The total of first half results and second half forecasts does not equate to full fiscal year forecasts.

■ 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: 107.5%)
Consolidated ordinary income: ¥26.4 billion; Ordinary income margin: 12.0%
(Average rate of annual growth: 108.7%)
Consolidated ROE: 20.0%

About the Company's product platform

UNITED ARROWS LTD.'s product platform is comprised of its merchandising (MD) and production platforms. It entails wide-ranging activities including product procurement, production, product launch, and inventory reduction. The platform itself was designed to break free from a business process and practice that overly relies on the skills and experience of individual artisans. Emphasis is therefore placed on a common and consistent set of forms and benchmarks that all appropriate parties can quickly master and perform with a high degree of accuracy. Information that underpins the selection of factories and raw materials procured is collated and shared throughout the Group. By applying the product platform, the Company is better positioned to promote stable merchandising processes and to improve gross profit and cash flows.

About the Company's merchandising platform

The merchandising platform forms a part of the product platform. This is a mechanism for determining the current status of merchandise flows and the basis for making decisions. Utilizing the progress management tables and indices consistent across all businesses, UNITED ARROWS LTD. has established a swift and easy-to-implement decision-making process that allows the Group to promote the additional manufacture of top-selling items while reducing production and inventories or slow-selling items. As a result, UNITED ARROWS LTD. is increasing the rates of inventory reduction as well as final sales. This in turn is leading to improvements in gross profit, inventories, and cash flows.

About the Company's production platform

The production platform forms a part of the product platform. This platform works to formulate the product procurement and production strategies that take the Company from merchandising planning through to realization. While manufacturing is outsourced, the choice of external plant or factory for each item is based on a Companywide consolidation of the raw materials procured by each business as well as manufacturing plant information. Through these means, the Company has benefitted from positive adjustments in procurement costs relating to purchases and production as well as lead times in a way that satisfies UNITED ARROWS LTD.'s five key criteria*.

*Five key criteria: Customers can purchase (1) the products they want, (2) when they want, (3) where they want, (4) in the quantities they want, and (5) at prices they want.

(Please refer to UNITED ARROWS LTD.'s 2013 Annual Report posted on the "IR Library" section of the Company's IR homepage, and specifically to the "Product Flow (Value Chain)" and "Product Platform" sections on pages 36-39 and 40-41, respectively, for details. http://www.united-arrows.co.jp/ir/lib/index.html)

About O2O and Omni Channel Retailing

O2O is the acronym for "Online to Offline." It refers to the coordination of purchasing activities between online and offline (actual stores) channels as well as the impact that online channels have on purchasing at actual and other stores. UNITED ARROWS LTD.'s proprietary in-store inventory display function and UNITED ARROWS LTD. House Card points collaboration are a few of the Company's specific examples. Moreover, through the launch of a smart phone application in January 2014, users can search for details of products that they are contemplating purchasing and register their preferences as well as items of interest by accessing GPS-based proximity store inventory, product item number, and other search functions.

Omni Channel Retailing is a customer-centric strategy that integrates a wide variety of sales channels and media including actual stores, online sales, catalog sales, DM, and social media networks to build the optimal purchasing experience on an individual customer basis. In particular, "Omni Channel Retailing" is attracting considerable interest in North America as a key next-generation retailing concept. Cutting-edge Omni Channel Retailing strategies are currently being practiced by the established department store chain Macy's.

(Please refer to UNITED ARROWS LTD.'s 2013 Annual Report posted on the "IR Library" section of the Company's IR homepage, and specifically to the "O2O Strategy Initiatives" section on pages 22-23, respectively, for details. http://www.united-arrows.co.jp/ir/lib/index.html)