Fiscal 2015
Fiscal Year Ending March 2015
Third Quarter
Earnings Announcement

February 5, 2015

UNITED ARROWS LTD.

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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, Boisson Chocolat, DRAWER, ASTRAET, EN ROUTE, ARCHIPELAGO, THE AIRPORT STORE, THE STATION STORE, THE HIGHWAY STORE

■Consolidated / Non-Consolidated 3Q PL Overview

UNITED ARROWS LTD.

While revenue was up, earnings declined. This downturn in earnings was largely attributable to difficult conditions (harsh competition) during the fall and winter selling seasons; full fiscal year business performance forecasts revised downward on February 5

- Consolidated sales: YoY increase of 2.9% → Despite an increase in revenue for the Group as a whole, results declined approximately ¥3,500 million compared with initial plans
- Gross Margin: 53.9%, down 0.6pt YoY → This decline is mainly due to the effects of the weak yen and an increase in the sale of markdown products from the 3Q
- SGA expense to sales ratio: 44.0%, up 1.1pt YoY → This increase largely reflects the upswing in personnel, distribution, and other expenses associated with the opening of new stores and launch of new businesses

Millions of yen

	Consolidated Results FY15 3Q Cumulative						Non-Consolidated Results FY15 3Q Cumulative					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY14 3Q Cumulative Results	vs. Sales	Results	vs. Sales	YoY Increase (Decrease)	%	FY14 3Q Cumulative Results	vs. Sales
Sales	**96,399**	100.0%	2,760	102.9%	93,638	100.0%	**88,120**	100.0%	1,105	101.3%	87,015	100.0%
Gross Profit	**52,003**	53.9%	931	101.8%	51,071	54.5%	**47,085**	53.4%	(123)	99.7%	47,209	54.3%
SGA Exp.	**42,425**	44.0%	2,281	105.7%	40,144	42.9%	**37,683**	42.8%	1,209	103.3%	36,473	41.9%
Operating Inc.	**9,577**	9.9%	(1,349)	87.6%	10,927	11.7%	**9,402**	10.7%	(1,333)	87.6%	10,735	12.3%
Non Op. P/L	**86**	0.1%	59	319.3%	27	0.0%	**115**	0.1%	55	191.8%	60	0.1%
Ordinary Inc.	**9,663**	10.0%	(1,290)	88.2%	10,954	11.7%	**9,518**	10.8%	(1,277)	88.2%	10,795	12.4%
Extraordinary P/L	**(371)**	-0.4%	(80)	–	(290)	-0.3%	**(346)**	-0.4%	(68)	–	(277)	-0.3%
Net Income	**5,760**	6.0%	(635)	90.1%	6,396	6.8%	**5,747**	6.5%	(599)	90.6%	6,346	7.3%

■ Consolidated / Non-Consolidated 3Q PL Overview

While revenue was up, earnings declined for the 3Q cumulative nine-month period from April 1, 2014 to December 31, 2014 of FY15, the fiscal year ending March 31, 2015. This downturn in earnings was largely attributable to difficult conditions (harsh competition) during the fall and winter selling seasons. Based on the aforementioned trends, full fiscal year business performance forecasts were revised downward on February 5, 2015.

Looking at consolidated sales, revenue was up on a Group companywide basis. Results were, however, down around ¥3,500 million compared with initial forecasts.

The gross margin for the period under review declined 0.6 of a percentage point compared with the corresponding period of the previous fiscal year to 53.9%. This decline is mainly due to the effects of ongoing weakness in the yen, the higher proportion of purchase brands in the overall sales mix, and an increase in the sale of markdown products from the 3Q.

The selling, general and administrative (SGA) expenses to sales ratio climbed 1.1 percentage points year on year to 44.0%. This increase largely reflects the upswing in personnel expenses associated with the opening of new stores and launch of new businesses as well as higher distribution and other expenses in line with the increase in inventory.

Taking each of these factors into consideration, operating income declined 12.4% to ¥9,577 million, ordinary income fell 11.8% to ¥9,663 million, and net income decreased 9.9% to ¥5,760 million compared with the corresponding period of the previous fiscal year for the 3Q cumulative period of FY15.

■Non-Consolidated Sales Results by Sales Channel

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Non-consolidated sales up 1.3% YoY; existing retail and online store sales down 1.2% YoY

- Increase in business unit retail and online sales; decrease in outlet store sales
- YoY downturn in existing retail and online store sales due mainly to difficult conditions (harsh competition) during the fall and winter selling seasons
- Substantial online sales growth across all stores as well as existing stores owing to a variety of factors including robust sales of casual products
- Sales composition: online store sales 11.5% (10.7% 3Q FY14); outlet store sales 12.4% (12.8% 3Q FY14)

Millions of yen

	Non-Consolidated Results FY15 3Q Cumulative					
	Results	Share	YoY Increase (Decrease)	%	FY14 3Q Results	Share
	88,120	100.0%	1,105	101.3%	87,015	100.0%
Total Business Unit Sales	**77,162**	87.6%	1,275	101.7%	75,887	87.2%
Retail	**66,429**	75.4%	442	100.7%	65,987	75.8%
Online	**10,126**	11.5%	777	108.3%	9,348	10.7%
Outlet	**10,957**	12.4%	(170)	98.5%	11,127	12.8%

	Trends in Existing Stores Sales		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	98.8%	–	–
Retail	98.2%	91.7%	107.2%
Online	104.2%	–	–

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■ Non-Consolidated Sales Results by Sales Channel

For the 3Q cumulative nine-month period of FY15, non-consolidated sales were up 1.3% compared with the corresponding period of the previous fiscal year. Existing retail and online store sales, on the other hand, declined 1.2% year on year.

For the period under review, business unit retail and online sales increased while outlet store sales decreased.

The year-on-year downturn in existing retail and online stores sales was mainly due to difficult conditions (harsh competition) during the fall and winter selling seasons.

Trends in online store sales were robust owing to a variety of factors including growth in sales of casual products,

Looking at the composition of sales, online store sales accounted for 11.5% of the total, up 0.7 of a percentage point year on year. Outlet store sales comprised 12.4%, a year-on-year decrease of 0.4 of a percentage point.

■Non-Consolidated Sales Results by Business Type

UNITED ARROWS LTD.

Revenue up across all businesses; YoY decrease in existing UA and SBU stores; YoY increase in existing GLR and CH stores

- UA : Decrease in both men's and women's dressy items and an increase in casual items on an existing retail store basis
- GLR : Decrease in women's items and an increase in men's items on an existing retail store basis
- CH : Robust trends in silver, gold, personal order, and other items
- SBUs: While SBUs struggled in overall terms, increase at DRAWER on an existing retail store basis

Millions of yen

	Non-Consolidated Results FY15 3Q Cumulative			
	Results	YoY Increase (Decrease)	%	FY14 3Q Cumulative
Total Business Unit Sales	**77,162**	1,275	101.7%	75,887
UA	**39,184**	484	101.3%	38,699
GLR	**19,582**	404	102.1%	19,177
CH	**7,383**	360	105.1%	7,023
SBUs	**11,011**	25	100.2%	10,986

	FY15 3Q Cumulative Existing Store YoY		
	Retail + Online	Retail	Online
UA	98.9%	97.9%	112.9%
GLR	100.8%	101.2%	98.9%
CH	-	101.4%	-
SBUs	93.5%	91.9%	100.5%

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■ Non-Consolidated Sales Results by Business Type

Revenue was up across all businesses. Existing store sales were down year on year in the UA and SBU businesses and up in the GLR and CH businesses.

In the UA business, year-on-year sales of both men's and women's dressy items decreased while casual items increased on an existing retail store basis.

In the GLR business, year-on-year sales of women's items decreased while men's items increased on an existing retail store basis.

In the CH business, trends in silver, gold, personal order, and other items were robust.

SBUs struggled in overall terms while year-on-year sales in the DRAWER business increased on an existing retail store basis.

■Non-Consolidated Gross Margin Results

UNITED ARROWS LTD.

0.8 of a percentage point YoY decrease to 53.4% in the non-consolidated gross margin

- Total Business Units: 0.8 of a percentage point decrease to 57.0% due largely to the impacts of an ongoing decline in the value of the yen, a higher composition of sales made up of procured products, and an increase in the sale of markdown products (1.1 percentage point decline in the three-month 3Q period; further decline in the gross margin attributable to the markdown of fall and winter items)
- Outlet: 2.2 percentage point decrease to 33.4% due mainly to efforts aimed at promoting the reduction of inventories at regular businesses (0.3 of a percentage point decline in the three-month 3Q period; narrowing of the decline due to a higher composition of sales made up of outlet-exclusive items and an improvement in the gross margin)

	Non-Consolidated Results FY15 3Q Cumulative			Reference: Non-Consolidated Results FY15 3Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	FY14 3Q Cumulative Results	Results	YoY Increase (Decrease)	FY14 3Q (Three-Month Period)
Gross Margin	**53.4%**	-0.8%	54.3%	**55.5%**	-0.9%	56.4%
Total Business Unit Sales	**57.0%**	-0.8%	57.8%	**58.2%**	-1.1%	59.3%
Outlet	**33.4%**	-2.2%	35.6%	**36.4%**	-0.3%	36.6%
Other COGS Millions of yen	568	(39)	608	**(30)**	(87)	56

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 0.8 of a percentage point compared with the corresponding period of the previous fiscal year to 53.4%.

The total business unit gross margin decreased 0.8 of a percentage point year on year to 57.0% due largely to the impacts of an increase in costs associated with the weak yen and the higher composition of sales made up of procured products.

For the 3Q three-month period, the gross margin declined 1.1 percentage points to 58.2%. In addition to the factors mentioned above, this decline mainly reflected an increase in the sale of markdown items.

The outlet store gross margin decreased 2.2 percentage points to 33.4% due mainly to efforts aimed at promoting the reduction of inventories at regular businesses.

Turning to the three month 3Q period, the decline in the outlet store gross margin narrowed due to a higher composition of sales made up of outlet-exclusive items and an improvement in the gross margin.

■Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

Non-consolidated SGA expense to sales ratio increased 0.8 of a percentage point YoY to 42.8 %

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

Advertising expenses: decrease in line with such factors as a decline in the placement of advertisements as well as transit advertising

Personnel expenses : Increase in line with such factors as the increase in new store staff and promotions

Other : Increase in line with such factors as the increase in IT-related costs as well as outsourcing expenses related to distribution on the back of an increase in inventory

(Note) Reference: Breakdown of major items that contributed to a decrease of approximately ¥1,300 million compared with initial plans: decrease in personnel expenses of ¥650 million mainly in line with vacant positions and efforts to limit hiring; drop in temporary store opening overhead expenses of ¥140 million; downturn in advertising expenses of ¥110 million, and; decline in variable costs of ¥350 million

Millions of yen

	Non-Consolidated Results FY15 3Q Cumulative				FY14 3Q Cumulative	
	Results	**vs. Sales**	YoY Increase (Decrease)	%	Results	vs. Sales
Non-Consolidated Sales	**88,120**	**100.0%**	1,105	101.3%	87,015	100.0%
SGA Expenses	**37,683**	**42.8%**	1,209	103.3%	36,473	41.9%
Advertising Expenses	**1,714**	**1.9%**	(336)	83.6%	2,050	2.4%
Personnel Expenses	**13,657**	**15.5%**	560	104.3%	13,097	15.1%
Rent	**10,990**	**12.5%**	301	102.8%	10,689	12.3%
Depreciation	**1,102**	**1.3%**	24	102.2%	1,078	1.2%
Other	**10,217**	**11.6%**	660	106.9%	9,557	11.0%

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■ Non-Consolidated SGA Expenses

The non-consolidated SGA expense to sales ratio increased 0.8 of a percentage point year on year to 42.8%.

Factors contributing to this year-on-year increase and decrease in SGA expenses as a ratio to sales included advertising expenses, which decreased in line with such factors as the decline in the placement of advertisements as well as transit advertising, personnel expenses, which increased in line with such factors as the increase in new store staff and promotions, and other expenses, which increased in line with the increase in IT-related costs as well as outsourcing expenses related to distribution on the back of an increase in inventory.

SGA expenses declined approximately ¥1,300 million compared with initial plans. The principal causes of this decline included the decrease in personnel expenses of around ¥650 million in line with vacant positions and efforts to limit hiring, the drop in temporary store opening overhead expenses of about ¥140 million, the downturn in advertising expenses of approximately ¥110 million, and the decline in variable costs of around ¥350 million.

■Consolidated / Non-Consolidated B/S Overview

UNITED ARROWS LTD.

(Comparative analysis of consolidated balances as of the end of the 3Q FY15 and the end of the 3Q FY14)

- Current assets: Increase in the balances of mainly inventory and accounts receivable—other
- 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: Increase in short-term loans payable; decrease in the current portion of long-term loans payable; decrease in the balance of income taxes payable

Note: The balance of consolidated short- and long-term loans payable: up 8.8% YoY to ¥12,550 million

Note: The balance of non-consolidated inventory: up 16.8% YoY (higher than the rate of 3Q cumulative sales: up 1.3% YoY)
(Increase in the number of non-consolidated inventory items of approximately 4%)

Millions of yen

	Consolidated Results FY15 3Q-End				Non-Consolidated Results FY15 3Q-End			
	Results	Share	YoY	vs. FY14-End	Results	Share	YoY	vs. FY14-End
Total Assets	**70,004**	100.0%	108.7%	118.1%	**64,919**	100.0%	107.1%	117.4%
Current Assets	**48,786**	69.7%	111.3%	125.8%	**43,578**	67.1%	110.0%	126.3%
(Inventory)	**28,306**	40.4%	117.4%	138.9%	**25,372**	39.1%	116.8%	137.4%
Noncurrent Assets	**21,217**	30.3%	103.2%	103.5%	**21,340**	32.9%	101.7%	102.6%
Current Liabilities	**32,020**	45.7%	101.9%	127.5%	**28,095**	43.3%	98.5%	126.4%
Noncurrent Liabilities	**2,807**	4.0%	96.1%	106.2%	**2,445**	3.8%	93.5%	105.7%
Total Net Assets	**35,176**	50.2%	117.1%	111.6%	**34,377**	53.0%	116.7%	111.8%
Reference: Balance of Short and Long-Term Loans Payable	**12,550**	17.9%	108.8%	247.0%	**10,400**	16.0%	102.7%	290.4%

■ Consolidated / Non-Consolidated B/S Overview

Total assets stood at ¥70,004 million as of December 31, 2014 on a consolidated basis. This was 8.7% and 18.1% higher than the balances as of December 31, 2013 and March 31, 2014, respectively.

Factors contributing to the year-on-year movement in consolidated balance sheet items are presented as follows. Current assets stood at ¥48,786 million as of December 31, 2014, up 11.3% compared with the balance as of the end of the corresponding period of the previous fiscal year. The principal movements included increase in inventory and accounts receivable—other. Noncurrent assets also climbed 3.2% year on year to ¥21,217 million. This largely reflected increases in the balances of tangible noncurrent assets and guarantee deposits in line with the opening of new stores and other factors.

Current liabilities grew 1.9% compared with the end of the corresponding period of the previous fiscal year to ¥32,020 million. Major year-on-year movements in current liabilities included an increase in short-term loans payable as well as decreases in the balances of current portion of long-term loans payable and income taxes payable.

As of December 31, 2014, the balance of short and long-term loans payable climbed 8.8% compared with the end of the corresponding period of the previous fiscal year to ¥12,550 million.

On a non-consolidated basis, the balance of inventory was up 16.8% year on year, which was higher than the 1.3% year-on-year growth in non-consolidated sales for the 3Q cumulative period of FY15 compared with the corresponding period of the previous fiscal year. In the future, the Company will engage in a variety of activities including the advance of sales initiatives in an effort to enhance the efficiency of inventories. During the second half of this presentation, we will provide details of progress made regarding efforts to advance sales initiatives aimed at enhancing inventory efficiency as well as forecasts going forward.

■Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents at the end of the term came to ¥5,766 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥9,292 million, increase in notes and accounts payable—trade of ¥4,036 million; (major cash outflows) increase in inventories of ¥7,934 million, income taxes paid of ¥5,797million
- Cash flows from investing activities: (major cash outflows) purchase of property, plant and equipment of ¥2,177 million, purchase of long-term prepaid expenses of ¥408 million
- Cash flows from financing activities: (major cash inflows) net increase in short-term loans payable of ¥8,150 million; (major cash outflows) cash dividends paid of ¥2,061 million, repayment of long-term loans payable of ¥681 million

Millions of yen

	Consolidated Results FY15 3Q Cumulative Results	FY14 3Q Cumulative Results
Cash flows from operating activities (sub-total)	**4,034**	4,823
Cash flows from operating activities	**(2,089)**	301
Cash flows from investing activities	**(2,982)**	(2,898)
Cash flows from financing activities	**5,407**	2,044
Cash and cash equivalents at the end of the term	**5,766**	5,588

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■ Consolidated C/F Overview

Cash and cash equivalents as of the end of the 3Q of FY15 stood at ¥5,766 million.

Net cash used in operating activities amounted to ¥2,089 million. The major cash inflows were income before income taxes of ¥9,292 million and the increase in notes and accounts payable—trade of ¥4,036 million. The major cash outflows were the increase in inventories of ¥7,934 million and income taxes paid of ¥5,797 million.

Net cash used in investing activities totaled ¥2,982 million. The principal cash outflows were the purchase of property, plant and equipment of ¥2,177 million in line with such factors as the opening of new stores as well as the purchase of long-term prepaid expenses of ¥408 million.

Net cash provided by financing activities came to ¥5,407 million. The major cash inflow was the ¥8,150 million net increase in short-term loans payable. Major cash outflows comprised cash dividends paid of ¥2,061 million and the repayment of long-term loans payable totaling ¥681 million.

■Results of FY15 3Q Group Total Opening and Closing of Stores and FY15 Forecasts

UNITED ARROWS LTD.

- FY15 3Q Group total: Number of new stores opened: 27; Closed: 5; Number of stores as of FY15 3Q-end: 336
- Full FY15 forecast Group total: Number of new stores opened: 31; Closed: 9; Number of stores as of FY15-end: 336 (Two stores less than the previous forecast)

	FY15 3Q Results				FY15 forecasts						Reference
	No. of stores at the beginning of the period	Opened	Closed	No. of stores as of the 3Q-end	No. of stores as of the beginning of the period	Opened			Closed	No. of stores at the end of the period	Increase (decrease) from the previous period
						1H	2H	Full Fiscal Year			
Group Total	**314**	**27**	**5**	**336**	**314**	**23**	**8**	**31**	**9**	**336**	(2)
UNITED ARROWS LTD.	**231**	**18**	**4**	**245**	**231**	**15**	**5**	**20**	**7**	**244**	(2)
FIGO CO., LTD.	**17**	**1**		**18**	**17**	**1**		**1**	**1**	**17**	
COEN CO., LTD.	**65**	**7**	**1**	**71**	**65**	**6**	**3**	**9**	**1**	**73**	
UNITED ARROWS TAIWAN LTD.	**1**	**1**		**2**	**1**	**1**		**1**		**2**	

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

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■ Results of FY15 3Q Group Total Opening and Closing of Stores and FY15 Forecasts

On a Group total basis, 27 stores were newly opened and five stores closed during the 3Q cumulative period of FY15. The number of stores as of December 31, 2014 stood at 336.

For the full fiscal year ending March 31, 2015, the UNITED ARROWS Group is looking to open 31 new stores and close nine stores. This will bring the total number of stores to 336 as of March 31, 2015.

Compared with the previously announced forecast, the number of projected stores as of the end of FY15 has fallen by two stores.

This change from the previously announced forecast is attributable to the closure of two stores of THE HIGHWAY STORE.

There is no change in consolidated subsidiary forecasts.

■Reference: UNITED ARROWS LTD. Results of FY15 3Q Opening and Closing of Stores and FY15 Forecasts

UNITED ARROWS LTD.

	FY15 3Q Results				FY15 Forecasts						Reference
	No. of stores at the beginning of the period	Opened	Closed	No. of stores as of 3Q-end	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores at the end of the period	Increase (decrease) from the previous period
UNITED ARROWS LTD. Total	**231**	**18**	**4**	**245**	**231**	**15**	**5**	**20**	**7**	**244**	(2)
UNITED ARROWS Total	73	4		77	73	4	1	5	1	77	
UNITED ARROWS (General Merchandise Store)	11			11	11					11	
UNITED ARROWS	23			23	23					23	
BOW & ARROWS		2		2		2		2		2	
THE SOVEREIGN HOUSE	1			1	1					1	
District	1			1	1					1	
BEAUTY&YOUTH	35	2		37	35	2	1	3	1	37	
monkey time	1			1	1					1	
STEVEN ALAN	1			1	1					1	
green label relaxing	60	5	3	62	60	3	3	6	3	63	
CHROME HEARTS	9	1		10	9	1		1		10	
SBUs Total	70	6	1	75	70	6		6	3	73	(2)
Another Edition	16			16	16					16	
Jewel Changes	10	1	1	10	10	1		1	1	10	
Odette e Odile	23			23	23					23	
Boisson Chocolat	1	2		3	1	2		2		3	
DRAWER	7			7	7					7	
ASTRAET	2	1		3	2	1		1		3	
EN ROUTE		1		1		1		1		1	
Cross Sales-Type / Traffic Channels: ARCHIPELAGO	1			1	1					1	
Cross Sales-Type / Traffic Channels: THE AIRPORT STORE	3			3	3					3	
Cross Sales-Type / Traffic Channels: THE STATION STORE	5	1		6	5	1		1		6	
Cross Sales-Type / Traffic Channels: THE HIGHWAY STORE	2			2	2				2		(2)
Outlet	19	2		21	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: UNITED ARROWS LTD. Results of FY15 3Q Opening and Closing of Stores and FY15 Forecasts

An explanation has been omitted.

■Reference: FY15 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	green label relaxing nagano	MIDORI NAGANO (Nagano Cigy, Nagano Prefecture)
	Newly opened store	UNITED ARROWS LTD. OUTOLET TOKI	Toki Premium Outlets（Toki Cigy, Gifu Prefecture)
	Relocated store	UNITED ARROWS SHINSAIBASHI	DAIMARU SHINSAIBASHI (Chuo-ku, Osaka)
	Relocated store	green label relaxing fukuoka parco	Fukuoka PARCO (Chuo-ku, Fukuoka Prefecture)
October	Newly opened store	green label relaxing lalaport izumi	LaLaport Izumi（Izumi City, Osaka）
	Renovated store	UNITED ARROWS HARAJUKU FOR MEN	Stand-alone store (Shibuya-ku, Tokyo)
	Renovated store	UNITED ARROWS TACHIKAWA	LUMINE TACHIKAWA (Tachikawa City, Tokyo)
	Renovated store	BEAUTY&YOUTH UNITED ARROWS SHINSAIBASHI	DAIMARU SHINSAIBASHI (Chuo-ku, Osaka)
	Closed store	green label relaxing rinku sennan	AEON MALL RINKU SENNAN (Sennan City, Osaka)
September	Newly opened store	BEAUTY&YOUTH UNITED ARROWS NAGASAKI	AMU PLAZA NAGASAKI (Nagasaki City, Nagasaki Prefecture)
	Newly opened store	Jewel Changes Omiya	LUMINE OMIYA (Omiya City, Saitama Prefecture)
	Newly opened store	EN ROUTE GINZA	Stand-alone store (Chuo-ku, Tokyo)
	Renovated store	UNITED ARROWS NIHONBASHI	COREDO Nihonbashi (Chuo-ku, Tokyo)
	Renovated store	green label relaxing sapporo stellar place	STELLAR PLACE SAPPORO (Chuo-ku, Sapporo City)
	Renovated store	green label relaxing lalaport yokohama	LaLaport YOKOHAMA (Tsuzuki-ku, Yokohama City)
	Relocated store	green label relaxing amu plaza kagoshima	AMU PLAZA KAGOSHIMA (Kagoshima City, Kagoshima Prefecture)
	Relocated store	Another Edition Kyoto	FUJII DAIMARU (Shimogyo-ku, Kyoto City)
	Closed store (*1)	green label relaxing shibuya mark city	SHIBUYA MARK CITY (Shibuya-ku, Tokyo)
	Newly opened store	green label relaxing shibuya mark city	SHIBUYA MARK CITY (Shibuya-ku, Tokyo)
	Closed store	Jewel Changes Shibuya Tokyu Toyoko	TOKYU DEPARTMENT STORE TOKYO (Shibuya-ku, Tokyo)
July	Closed store	green label relaxing yokohama sotetsu joinus	SOTETSU JOINUS (Nishi-ku, Yokohama City)
May	Newly opened store	green label relaxing atré ueno	atré Ueno (Taito-ku, Tokyo)
	Newly opened store	CHROME HEARTS FUKUOKA	Stand-alone store (Chuo-ku, Fukuoka City)
	Newly opened store	ASTRAET AOYAMA	Stand-alone store (Minato-ku, Tokyo)
	Newly opened store	THE STATION STORE UNITED ARROWS LTD. OTEMACHI	Otemachi-tower (Chiyoda-ku, Tokyo)
April	Newly opened store	BOW & ARROWS DAIMARU SAPPORO STORE	Daimaru Sapporo Store (Chuo-ku, Sapporo City)
	Newly opened store	BOW & ARROWS DAIMARU UMEDA STORE	Daimaru Umeda Store (Kita-ku, Osaka)
	Newly opened store	BEAUTY&YOUTH UNITED ARROWS KYOTO WOMEN'S STORE	KYOTO PORTA (Shimogyo-ku, Kyoto City)
	Newly opened store	green label relaxing musashi-kosugi	LaLa terrace MUSASHIKOSUGI (Nakahara-ku, Kawasaki City)
	Newly opened store	Boisson Chocolat Kichijoji	atré Kichijouji (Musashino City, Tokyo)
	Newly opened store	Boisson Chocolat Marunouchi	Marunouchi Building (Chiyoda-ku, Tokyo)
	Newly opened store	UNITED ARROWS LTD. OUTLET KURASHIKI	MITSUI OUTLET PARK KURASHIKI (Kurashiki City, Okayama Prefecture)
	Renovated store	Odette é Odile UNITED ARROWS hakata	AMU PLAZA HAKATA（Hakata-ku, Fukuoka City）

*1 The items handled by the green label relaxing shibuya mark city have changed dramatically in line with the stores renovation.
From a store opening results management perspective, this store is treated as a closed store and a newly opened store.

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■ Reference: FY15 3Q-end Results of the Opening and Closing of Stores

An explanation has been omitted.

■Reference: FY15 3Q-end Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

FIGO CO., LTD.

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

COEN CO., LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facilities / Address
October	Newly opened store	IZUMI	LaLaport IZUMI（Izumi City, Osaka）
September	Closed store	MALera GIFU	MALera GIFU（Motosu City, Gifu Prefecture）
July	Newly opened store	FIND GOOD LUCK MARINE PIA KOBE(*)	MITSUI OUTLET PARK MARINPIA KOBE (Tarumi-ku, Kobe City)
	Newly opened store	FIND GOOD LUCK KISARAZU(*)	MITSUI OUTLET PARK KISARAZU (Kisarazu City, Chiba Prefecture)
April	Newly opened store	Musashikosugi	LaLa terrace MUSASHIKOSUGI (Nakahara-ku, Kawasaki City)
March	Newly opened store	GENERAL STORE Nishinomiya	HANKYU NISHINOMIYA GARDENS (Nishinomiya City, Hyogo Prefecture)
	Newly opened store	GENERAL STORE KUZUHA MALL	KUZUHA MALL (Hirakata City, Osaka Prefecture)
	Newly opened store	FIND GOOD LUCK IRUMA (*)	MITSUI OUTLET PARK IRUMA (Iruma City, Saitama Prefecture)

Note: The names of three "Surplus" stores were changed to "FIND GOOD LUCK" effective January 31, 2015.

UNITED ARROWS TAIWAN LTD.

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

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

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■ Reference: FY15 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 of FY15

- 3Q sales: ¥2,400 million; up 6% YoY
- Major factors resulting in a decrease in earnings include increases in advertising as well as store personnel expenses in connection with such new brands as ASPESI
- Working to expand sales through a variety of measures including efforts to upgrade and boost product planning that incorporates customers' needs and to strengthen women's items

Felisi brand "Piccolo Prezzo" (affordably priced) pouch launched on January 9

COEN CO., LTD.

Increase in revenue and earnings for the 3Q FY15

- 3Q sales: ¥6,000 million; up 32% YoY
- Sales and profits trending above initial plans
- Successful efforts to revise prices and strengthen sales and customer service
- Targeting an increase in revenue and earnings for the full fiscal year

COEN Izumi store: Opened in October 2014

UNITED ARROWS TAIWAN LTD.

3Q FY15 ordinary loss within the parameter of initial plans

- Stores visited mainly by well-to-do, highly fashion-conscious customers; working to expand the development of products that accurately capture fashion trends
- Implementing measures aimed at revising prices and reviewing the balance of product sizes
- Implementing a system where products are delivered directly to the Taipei store from the factory in China in an effort to ensure the timely display of merchandise
- Strengthening sales through a variety of initiatives including the use of SNS and introduction of a stamp card service

UA TAIWAN LTD.
Stamp card site

■ Group Companies

・FIGO CO., LTD.

In the 3Q of FY15, revenue increased while earnings decreased. While sales were up 6% compared with the corresponding period of the previous fiscal year to ¥2,400 million due to such factors as the growth in retail sales, earnings decreased due mainly to the increase in advertising expenses as well as store personnel expenses in connection with such new brands as ASPESI. Moving forward, FIGO CO., LTD. will endeavor to expand sales through a variety of measures including efforts to upgrade and boost product planning that incorporate customers' needs and to strengthen women's items.

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

In the 3Q of FY15, both revenue and earnings increased. Sales climbed 32% compared with the corresponding period of the previous fiscal year to ¥6,000 million. In addition to the increase in revenue attributable to the opening of new stores, the growth in sales was mainly due to robust trends in existing and online store sales. COEN received the support of customers after restoring product prices from spring and summer 2014 following a temporary increase in fall and winter 2013. Thanks largely to these factors, operating results exceeded plans. Moving ahead, COEN is targeting an increase in both revenue and earnings for the full fiscal year.

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

In the 3Q of FY15, the company incurred an ordinary loss. The level of ordinary loss recorded was however within the parameter of initial plans. UNITED ARROWS TAIWAN LTD. stores continue to be visited by mainly well-to-do, highly fashion-conscious customers. Efforts remain channeled toward expanding the development of products that accurately capture fashion trends. While retail prices have been set at around 1.25 times the level found in Japan, steps have been taken to slightly reduce the prices of certain products after taking into consideration such factors as customer trends. In addition to initiating measures aimed at increasing sales rates at regular prices, UNITED ARROWS TAIWAN LTD. is aligning products to match the needs of domestic customer and shifting its balance to slightly larger sizes. Moreover, UNITED ARROWS TAIWAN LTD. is implementing a system where products are delivered directly to the Taipei store from the factory in China in an effort to ensure the timely display of merchandise while strengthening sales through a variety of initiatives including the use of SNS and the introduction of a stamp card service.

■Revised Consolidated P/L Forecasts for the FY15 Full Fiscal Year

UNITED ARROWS LTD.

Downward revision of FY15 full fiscal year business performance forecasts as a result of the difficult conditions (harsh competition) from the 2014 fall and winter selling seasons

- Consolidated sales: Down ¥5,914 million compared with initial plans to ¥130,000 million
  → Downturn attributable to the difficult conditions (harsh competition) from the 2014 fall and winter selling seasons
- Gross profit: Down ¥4,915 million compared with initial plans to ¥67,800 million
  → Decrease attributable to a variety of factors including the decline in sales, weak yen, and increase in markdown items
- SGA expenses: Down ¥1,595 million compared with initial plans to ¥57,000 million
  → Reduction and decrease in personnel and promotion expenses as well as variable and other costs
- Ordinary income: Down ¥3,200 million compared with initial plans to ¥11,000 million
- Net income: Down ¥2,157 million compared with initial plans to ¥6,100 million
- No change in the period-end dividend forecast (interim: ¥20; period-end: ¥58; annual: ¥78)

Millions of yen

	Consolidated Revised Forecasts for the Full FY15 Fiscal Year									
	Revised Forecasts	vs. Sales	vs. Previous Period	%	vs. Initial Plans	%	FY14 Results	vs. Sales	Initial Plans	vs. Sales
Sales	**130,000**	100.0%	1,510	101.2%	(5,914)	95.6%	128,489	100.0%	135,914	100.0%
Gross Profit	**67,800**	52.2%	(692)	99.0%	(4,915)	93.2%	68,492	53.3%	72,715	53.5%
SGA Exp.	**57,000**	43.8%	2,157	103.9%	(1,595)	97.3%	54,842	42.7%	58,595	43.1%
Operating Inc.	**10,800**	8.3%	(2,849)	79.1%	(3,319)	76.5%	13,649	10.6%	14,119	10.4%
Non Op. P/L	**200**	0.2%	110	222.9%	119	249.3%	89	0.1%	80	0.1%
Ordinary Inc.	**11,000**	8.5%	(2,739)	80.1%	(3,200)	77.5%	13,739	10.7%	14,200	10.4%
Extraordinary P/L	**(1,100)**	-0.8%	(635)	236.8%	(394)	155.8%	(464)	-0.4%	(705)	-0.5%
Net Income	**6,100**	4.7%	(1,820)	77.0%	(2,157)	73.9%	7,920	6.2%	8,257	6.1%

■ Revised Consolidated P/L Forecasts for the FY15 Full Fiscal Year

UNITED ARROWS LTD. revised downward its FY15 full fiscal year business performance forecasts as a result of the difficult conditions (harsh competition) encountered from the 2014 fall and winter selling seasons.

Consolidated sales for the FY15 full fiscal year have been revised downward by around ¥5,914 million compared with initial plans to ¥130,000 million due mainly to the difficult conditions (harsh competition) from the start of the 2014 fall and winter selling seasons.

The Company has revised downward its FY15 full fiscal year forecast for gross profit by around ¥4,915 million compared with initial plans to ¥67,800 million. This largely reflects the effects of the downturn in sales, the increase in costs associated with the weak yen, and other factors including an increase in the sale of markdown products.

The FY15 full fiscal year forecast for SGA expenses has been revised downward by around ¥1,595 million compared with initial plans to ¥57,000 million. This takes into account such factors as the reduction and decrease in personnel and promotion expenses as well as variable and other costs.

Taking into consideration each of these factors, and compared with plans, ordinary income is projected to fall around ¥3,200 million to ¥11,000 million while net income is expected to decline approximately ¥2,157 million to ¥6,100 million. There is no change in the period-end dividend forecast.

■Reference: Revised Non-Consolidated P/L Forecasts

UNITED ARROWS LTD.

Millions of yen

	Non-Consolidated Revised Forecasts for the Full FY15 Fiscal Year									
	Revised Forecasts	vs. Sales	vs. Previous Period	%	vs. Initial Plans	%	FY14 Results	vs. Sales	Initial Plans	vs. Sales
Sales	**118,500**	100.0%	287	100.2%	(5,438)	95.6%	118,212	100.0%	123,938	100.0%
Gross Profit	**61,000**	51.5%	(1,588)	97.5%	(4,753)	92.8%	62,588	52.9%	65,753	53.1%
SGA Exp.	**50,700**	42.8%	1,131	102.3%	(1,453)	97.2%	49,568	41.9%	52,153	42.1%
Operating Inc.	**10,300**	8.7%	(2,720)	79.1%	(3,300)	75.7%	13,020	11.0%	13,600	11.0%
Non Op. P/L	**200**	0.2%	75	–	109	219.9%	124	0.1%	90	0.1%
Ordinary Inc.	**10,500**	8.9%	(2,645)	79.9%	(3,191)	76.7%	13,145	11.1%	13,691	11.0%
Extraordinary P/L	**(850)**	-0.7%	(488)	234.8%	(167)	124.5%	(361)	-0.3%	(682)	-0.6%
Net Income	**6,000**	5.1%	(1,679)	78.1%	(2,113)	73.9%	7,679	6.5%	8,113	6.5%

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■ Reference: Revised Non-Consolidated P/L Forecasts

An explanation has been omitted.

■Reference: Revised Non-Consolidated Net Sales Forecasts for the FY15 Full Fiscal Year (Revised forecasts for existing store net sales have not been prepared)

UNITED ARROWS LTD.

Millions of yen

	Non-Consolidated Revised Forecasts for the Full FY15 Fiscal Year						FY14 Results		Initial Plans	
	Revised Forecasts	vs. Share	vs. Previous Period	%	vs. Initial Plans	%		vs. Share		vs. Share
Non-Consolidated Sales	118,500	100.0%	287	100.2%	(5,438)	95.6%	118,212	100.0%	123,938	100.0%
Total Business Unit Sales	103,827	87.6%	316	100.3%	(4,675)	95.7%	103,511	87.6%	108,503	87.5%
Retail	89,018	75.1%	(803)	99.1%	(4,829)	94.9%	89,822	76.0%	93,847	75.7%
Online	14,011	11.8%	1,032	108.0%	51	100.4%	12,979	11.0%	13,960	11.3%
Outlet	14,672	12.4%	(28)	99.8%	(762)	95.1%	14,700	12.4%	15,434	12.5%

Reference:
Existing retail store sales YoY estimates (data does not refer to retail + online store sales)
Full fiscal year: 96-97% (initial plan: 100.5%)
Three-month 4Q period: 92-93% (initial plan: 97.1%)

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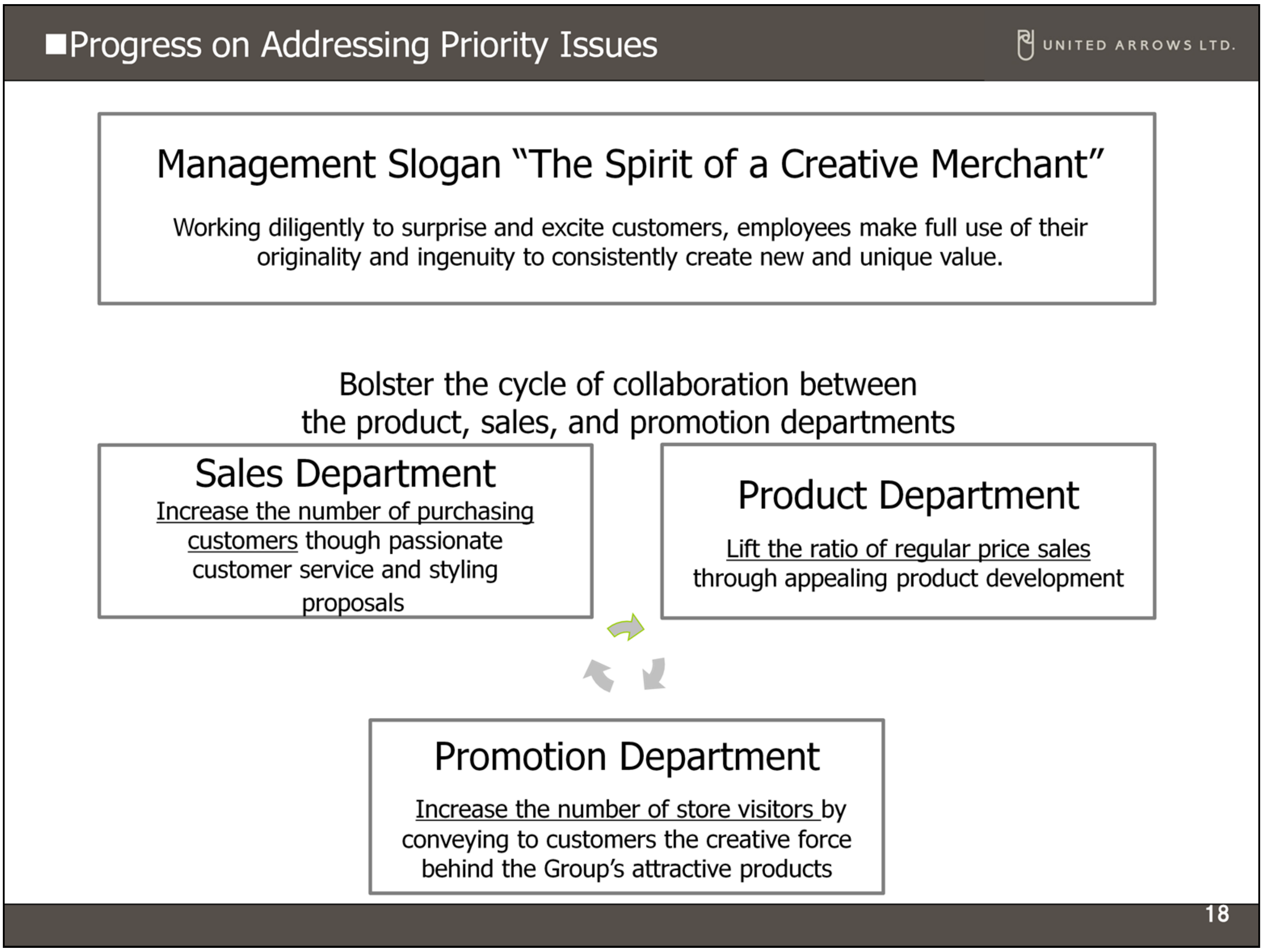
■ Reference: Revised Non-Consolidated Net Sales Forecasts for the FY15 Full Fiscal Year

An explanation has been omitted.



■ Progress on Addressing Priority Issues

UNITED ARROWS LTD. has identified the single-year management slogan of "spirit of a creative merchant" for the fiscal year ending March 31, 2015. Guided by this slogan, we established the priority issue of bolstering the cycle of collaboration between the product, sales, and promotion departments and have worked diligently to carry out a variety of initiatives.

In addition to these efforts, we have taken steps to address new issues that have arisen mainly from the 2H.

■Reference: Areas of Focus from the Second Half of FY15 and Beyond Outlined in the 2Q Earnings Announcement

UNITED ARROWS LTD.

- Bolster the cycle of collaboration between the product, sales, and promotion departments
- Review merchandising policies
- Promote a reduction in inventory
- Shore up new businesses
- Implement operating overhead cost control

+

- Review pricing strategies (an issue that arose from October)

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■ Reference: Areas of Focus from the Second Half of FY15 and Beyond

The five lines from the top of page 19 of the presentation material outline the areas of focus from the second half of FY15.

In addition to these focus areas, we are also currently reviewing pricing strategies.

■An Update on Progress regarding the Implementation of Important 3Q Measures

UNITED ARROWS LTD.

1. Review merchandising policies
2. Review pricing strategies
3. Promote a reduction in inventory

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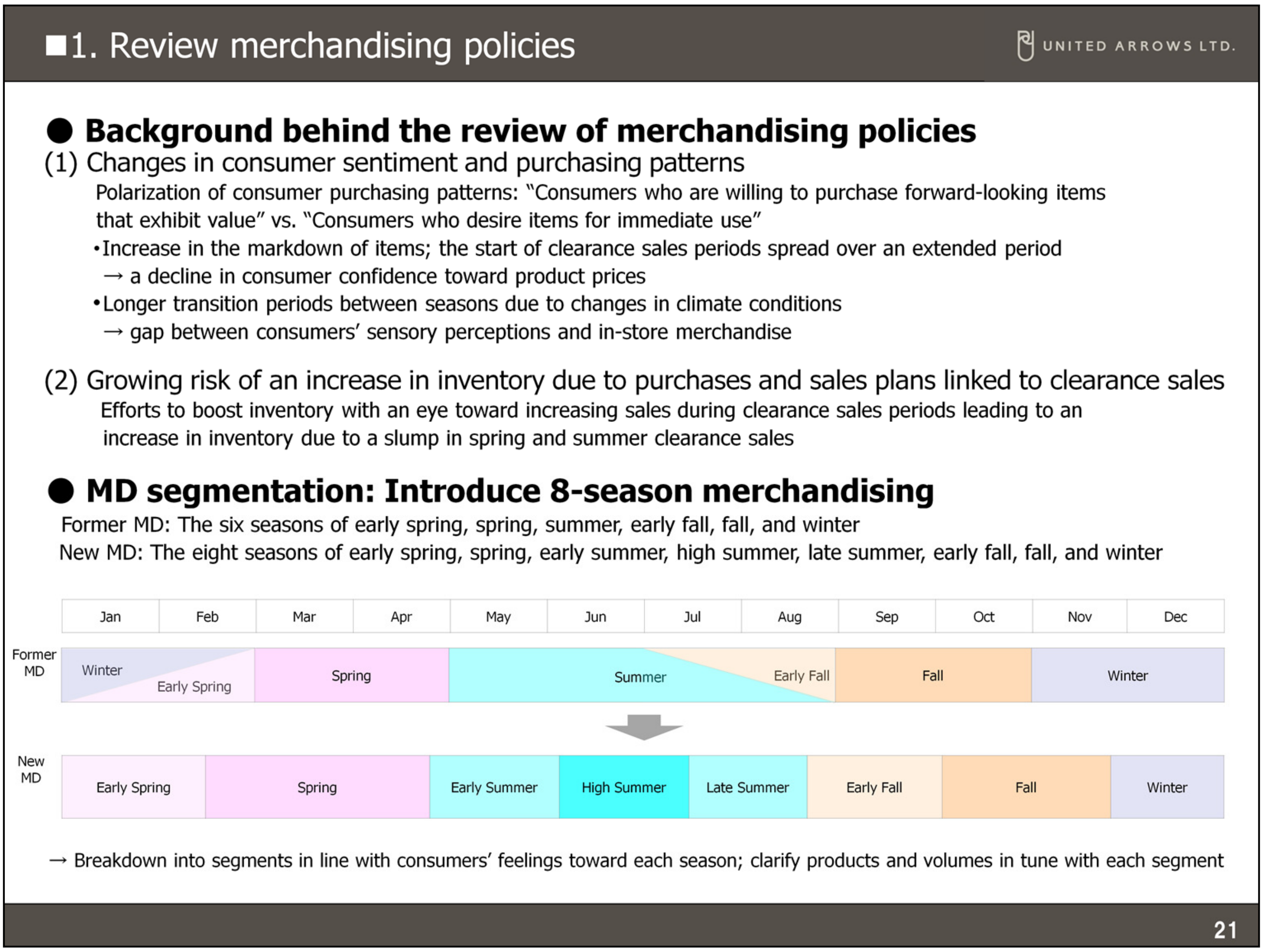
■ An Update on Progress regarding the Implementation of Important 3Q Measures

In this instance, we will provide an explanation of efforts to review merchandising policies, to review pricing strategies, and to promote a reduction in inventory as well as an update regarding progress.



■ 1. Review Merchandising Policies

Looking at the reasons behind our decision to review merchandising policies, we took into consideration changes in consumer sentiment and purchasing patterns. Running in tandem, consumer purchasing patterns are polarized between "consumers who are willing to purchase forward-looking items that exhibit value" and "consumer who desire items for immediate use." At the same time, we are seeing a decline in consumer confidence toward product prices. One reason for this is the increase in sale of markdown items during the season, the start of clearance sale periods spread over an extended period, and gradual increase in clearance sale discount rates. Another factor is the longer transition period between seasons from summer to fall and from winter to spring due to changes in climate conditions, as well as the incidence of gaps between consumers' sensory perceptions and in-store merchandise. This phenomenon was particularly evident during the spring and summer clearance sales of 2014, which resulted in a year-on-year decline in existing store sales in June and July.

Another underlying factor is the growing risk of an increase in inventory due to purchasing and sales plans that are linked to clearance sales. While steps were taken to bolster inventories of summer items in the lead-up to expanded clearance sales from the end of June to August, this led to an increase in inventory due to the previously mentioned difficult conditions (harsh competition) confronted during clearance sales periods.

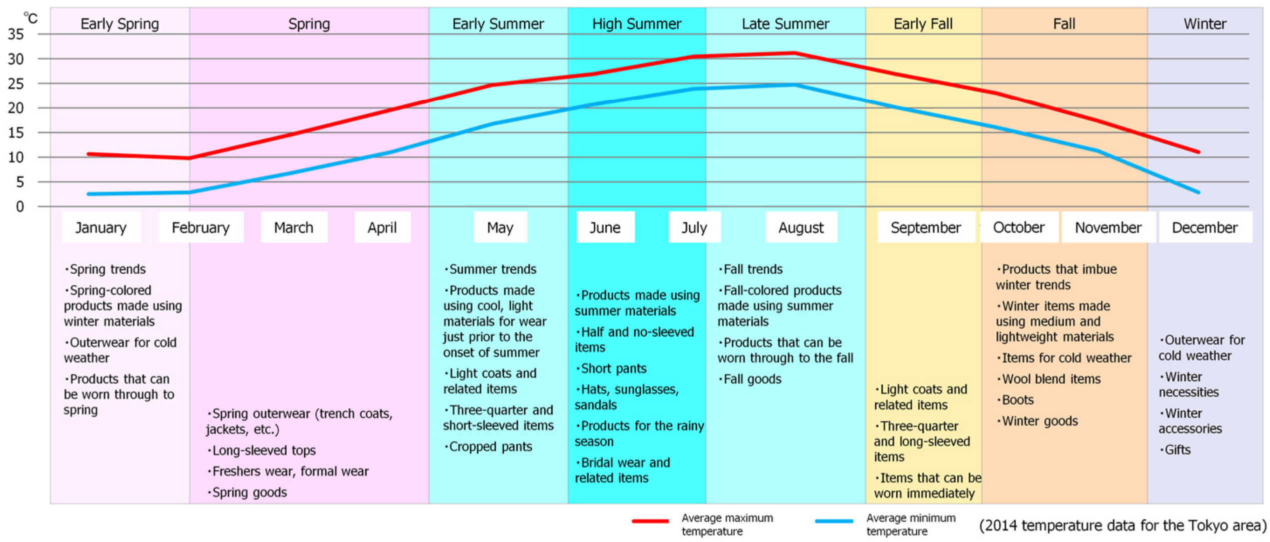
In working to address and improve these issues, we are adopting an MD segmentation approach and introducing 8-season merchandising. To date, we have classified product merchandising into the six seasons of early spring, spring, summer, early fall, fall, and winter. Moving forward, we will further segment these seasons into the maximum eight seasons of early spring, spring, early summer, high summer, late summer, early fall, fall, and winter. In this manner, we will breakdown product merchandising into segments in line with consumers' feelings toward each season and clarify products and volumes accordingly. We will make further minor adjustments to incorporate the attributes of each business and to better match each type of customer.

■1. Review merchandising policies

UNITED ARROWS LTD.

● What is 8 season merchandising?

- Breaking down the seasons into eight segments to better reflect effective temperatures and fine-tuning products to match each segment
- Bringing fresh appeal to stores in an effort to better surprise and excite customers and lifting the ratio of regular price sales
- Focusing on the shortening lifecycles of products, identifying the product volumes required for each season, and promoting the reduction of inventories within each season
- Ensuring that MD activities lift the ratio of regular price sales and control increases in inventories



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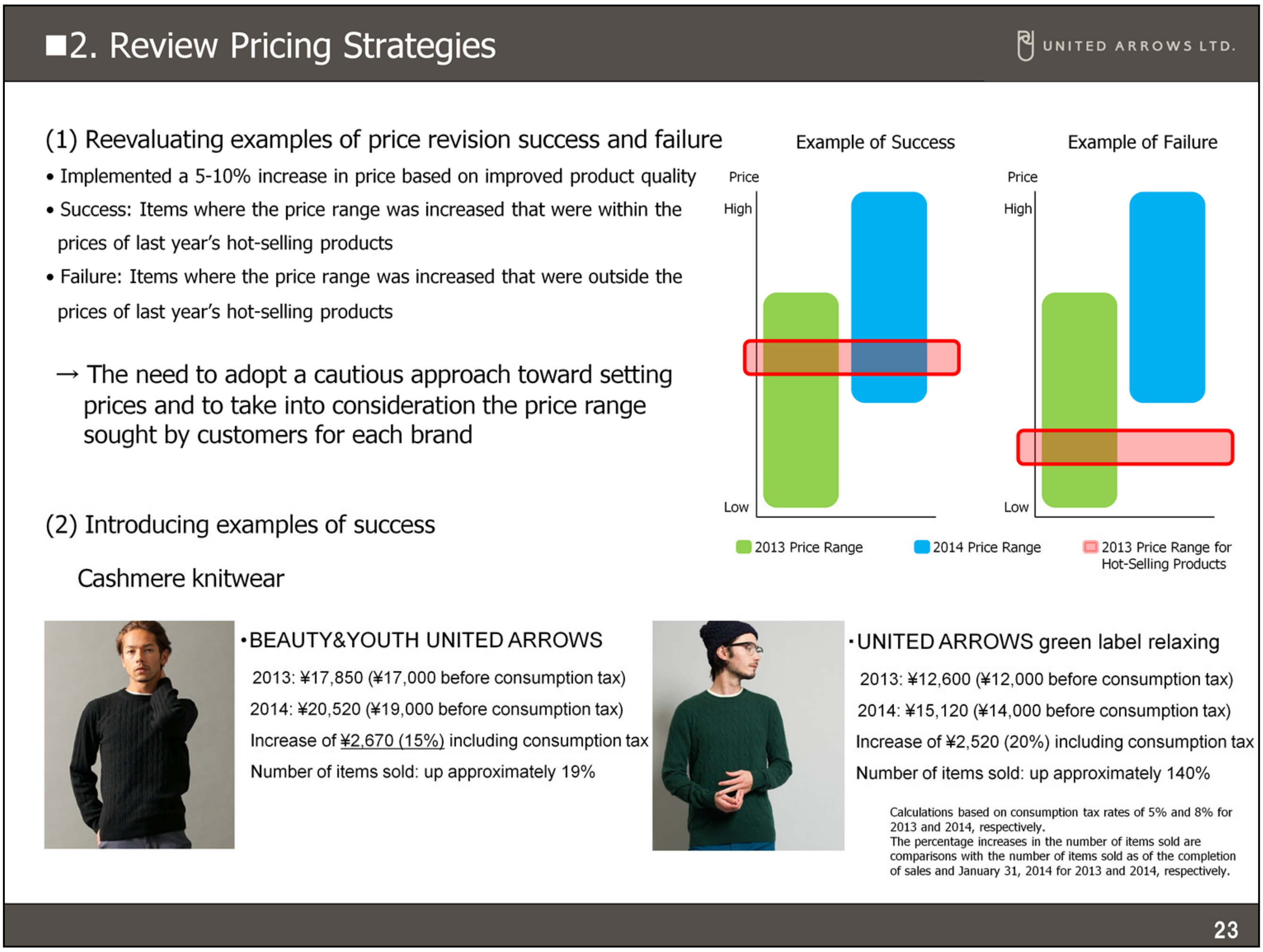
■ 1. Review Merchandising Policies (continued)

Under 8-season merchandising, we are linking changes in temperatures with season classifications. We are taking steps to define those products that are essential for each season while identifying what motivates customers.

By breaking down seasons into finely tuned segments, we are better placed to match products to the transition between seasons and to replace products in a more detailed manner. Our goals are to bring fresh appeal to stores in an effort to better surprise and excite customers and to lift the ratio of regular price sales.

The shortening of product lifecycles through 8-season merchandising allows us to identify the product volumes required. By promoting sales within each season, we are controlling increases in inventory.

Implementing 8-season merchandising helps us to build purchasing and sales plans that do not depend on clearance sales, to lift the ratio of regular price sales, and ultimately to control increases in inventory.



■ 2. Review Pricing Strategies

As one measure aimed at addressing the rise in procurement costs attributable to the recent decline in the value of the yen, we implemented a 5-10% increase in prices on the underlying basis of improved product quality from the fall and winter seasons of 2013. This price revision had a negative impact on sales of fall and winter items in 2014. In particular, we believe that the revision of prices caused actual selling period sales to struggle from October.

In setting prices for fall and winter items, we undertook a comparative analysis of price ranges employed in 2013 and 2014 by business and item. This analysis revealed a significant trend. In a large number of cases, value-added items where prices were increased within the price ranges of last year's hot-selling products were successful. In contrast, value-added items where prices were increased and product mixes fell outside the price ranges of last year's hot-selling products were unable to cover sales of last year's hot-selling items. In assessing this trend, we recognize that our awareness toward those price ranges that customers expect for each brand has waned despite efforts to focus on levels of quality that will satisfy customers. Moving forward, we will take steps to definitively raise our awareness and to adopt a cautious approach toward setting prices for spring and summer items in 2015.

Examples of successful efforts to add value and raise products prices are the cashmere knitwear products marketed by BEAUTY & YOUTH UNITED ARROWS and UNITED ARROWS green label relaxing. After undertaking a review of materials and production processes as a part of efforts to raise product quality, the prices of products were increased 15% and 20% inclusive of the consumption tax rate hike. As of the end of January 2015, the number of items sold increased 19% and 140%, respectively, compared with the previous year. While also acknowledging the underlying effect of ensuring sufficient quantities of inventory to address the pullover-type knitwear trend, we believe that these examples are indications of success in convincing customers of each product's value. In addition to securing the price ranges of hot-selling items, we will continue to generate items with this kind of value.

■2. Review Pricing Strategies

UNITED ARROWS LTD.

● 2015 Spring and Summer Product and Pricing Policies

(1) Review prices by item for each brand

- Look back over the spring and summer as well as fall and winter seasons of 2014 and assess items where the potential exists for a price increase as well as items where a review is required
- Restore prices to levels prior to the consumption tax increase for those items where a review is required

(2) Recognize prices that can be expected to form the focus of net sales by item and set prices accordingly

- Identify price ranges that customers expect by item for each brand
- Upgrade and expand products that customers can be expected to support even where prices are high through improved quality

(3) Generate a fresh in-store appeal based on the 8 MD strategy

- Provide a lineup of products with immediate customer appeal at optimal volume and pricing levels in line with effective temperatures
- Lift the ratio of regular price sales by putting forward fresh product proposals and not relying on clearance sales

(4) Control increases in costs

- Control to the maximum level feasible increases in costs attributable to fluctuations in foreign currency exchange rates through such measures as expanding Japan and China Plus One producing countries and increasing own company imports

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■ 2. Review Pricing Strategies (continued)

Taking into consideration the aforementioned background, we present our basic approach toward 2015 spring and summer products and pricing as follows.

First, we will review prices by item for each brand. Looking back over 2014, we will assess items where the potential exists for a price increase through steps to raise quality and value as well as items where a review is required to bring price ranges within the expectations of customers.

We will recognize prices that can be expected to form the focus of sales for each item and set price ranges accordingly. After accurately identifying prices of hot-selling items, we will focus on the development of products that customers can be expected to support even when prices are high through improved quality.

Based on 8-season merchandising, we will provide a lineup of these products at optimal volume and pricing levels by season segmentation. We will lift the ratio of regular price sales by consistently putting forward fresh product proposals and promote sales that do not rely on clearance sales.

We will strengthen measures aimed at reducing costs through a variety of initiatives including efforts to expand Japan and China Plus One producing countries and to increase own company imports in tandem with the aforementioned activities. Through these means, we will limit any increase in costs to the maximum extent possible.

■3. Promote a reduction in inventory

UNITED ARROWS LTD.

● Background leading up to inventory growth

- Increase in the amount of procurement costs due to such factors as the rapid decline in the value of the yen

→ laxity in management and control

- Inventory accumulation in response to the rush in demand immediately prior to the consumption tax rate hike
- Slump in 2014 spring and summer clearance sales

→ Approximate 17% YoY increase in inventory on a non-consolidated basis as of the end of the 3Q of FY15

→ The vast majority of the increase made up of 2014 spring and summer items and inventory prior to this period

→ Additional reduction of ¥2,000 million mainly comprising past inventory

● Next fiscal year reduction measures

- Expand reduction capacity through new outlet facilities (three stores) in the 2H of FY15 and FY16
- Additional reductions (starting from the 4Q of FY15) through large-scale retail and online events

→Minimize as much as possible the negative impact on P/L;

target an increase in earnings after taking into account the additional costs associated with reduction of inventory

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■ 3. Promote a Reduction in Inventory

Due mainly to the rapid ongoing decline in the value of the yen from 2013, UNITED ARROWS LTD. witnessed an increase in the amount of procurement costs in order to secure lots comparable to previous levels. This is seen as a major underlying factor in the upswing in inventory. In order to ensure sales, the Company was forced to tolerate this rapid increase in inventory, which contributed to a lax approach toward management and control. Taking these factors into consideration, UNITED ARROWS LTD. witnessed a buildup of excess inventory.

In addition, steps taken to boost inventory in the lead up to the rush in demand immediately prior to the consumption tax rate hike also led to a higher than usual level of unsold stock. Furthermore, and as previously outlined, changes in customers' awareness toward clearance sales has had a negative effect on efforts to reduce inventory.

Due to the aforementioned circumstances, the balance of inventory as of the end of the 3Q of FY15 increased approximately 17% compared with the corresponding period of the previous fiscal year on a non-consolidated basis. The majority of this increase was made up of 2014 spring and summer as well as earlier items. Moving forward, we will reduce inventory by an additional ¥2,000 million comprising mainly this past balance.

Looking at sales initiatives and measures aimed at reducing inventory, we will first take steps to open three new outlet stores, which are recognized as playing a primary role, from the 2H of FY15 and over FY16. In November 2014, we opened an outlet store with a leased area exceeding 562m^2 at the Toki Premium Outlet complex in Gifu Prefecture. In addition, we plan to open another outlet store with a leased area of 529m^2 in Oyabeshi, Toyama Prefecture. Complementing these initiatives, plans to open another outlet store during FY16 have been approved in-house. As all three stores operate at full capacity, we believe there will be the potential to reduce inventory by around ¥1,000 million without negatively impacting profit and loss. Moreover, we intend to minimize as much as possible any negative impact on profit and loss through additional efforts aimed at reducing inventory including large-scale retail and online events. By undertaking these endeavors, we will target an increase in earnings across the Group as a whole after taking into account the costs associated with additional reductions in inventory amounting to around ¥2,000 million in FY16.

In connection with large-scale events and clearance sales outside the outlet field, we will take care to avoid any dilution of each brand's value by basically adopting measures that are limited to the single FY16 period.

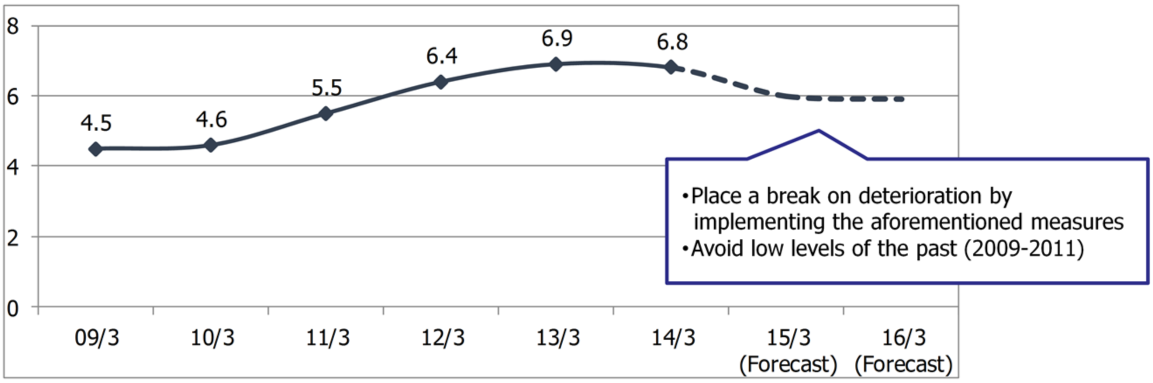
● Inventory efficiency improvement measures going forward

- Promote the reduction of carryover inventory in earnest
- Increase sales rates at regular prices by improving the balance between price and value
- Increase the inventory efficiency of progressive seasons by breaking down season MD into segments and improving the precision of inventories

→ Place a break on inventory turnover deterioration by implementing the aforementioned measures

Note: YoY increase in 2014 fall and winter products as of the end of the 3Q exceeding 5% due mainly to limit the launch of products

Reference: Non-consolidated inventory turnover target on a sales basis



■ 3. Promote a Reduction in Inventory (continued)

Turning to inventory efficiency improvement measures going forward, we will first, as previously mentioned, adhere strictly to a policy carryover inventory reduction. In doing so, we plan to improve the content of inventory. In addition, we will place a brake on inventory turnover deterioration through a variety of measures. We will increase sales rates at regular prices through efforts to improve the balance between prices and value, and increase inventory efficiency in line with the segmentation of season merchandising and improvements in the precision of inventories.

On a non-consolidated basis, the balance of inventory as of the end of the 3Q of FY15 increased approximately 17% compared with the corresponding period of the previous fiscal year. Of this increase, 2014 fall and winter products accounted for around 5%. Moving forward, we are promoting cutbacks in the launch of new products.

The graph running along the bottom half of the page outlines trends in inventory turnover on a sales basis. While turnover for FY15 is forecast to come in at around six times, we will avoid the low turnover levels experienced between 2009 and 2011 by carrying out the previously identified measures.

From FY15 and over FY16, we will target stable growth by adopting a variety of measures that are more than capable of addressing dramatic changes in the external and consumption environments.

■Supplementary Comment: About Capital Policies

UNITED ARROWS LTD.

- Set a consolidated ROE target of 20% or more under the medium-term plan and long-term vision
- Undertake the acquisition of treasury stock to a maximum amount of ¥6,000 million (upper limit of 2,400,000 shares) in order to improve capital efficiency in line with the aforementioned policy (Period: February 6, 2015 to April 30, 2015)
- Forecast benchmarks for FY15 after the aforementioned acquisition of treasury stock

  Consolidated ROE: 20%
  Dividend payout ratio: 38.9%
  Total return ratio: 137.3%

- Work toward continuously improving capital efficiency going forward

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■ Supplementary Comment: About Capital Policies

Under its Medium-Term Business Plan and Long-Term Vision, UNITED ARROWS LTD. has set a consolidated ROE target of 20% or more.

In line with this target, the Company will undertake the acquisition of treasury stock to a maximum amount of ¥6,000 million during the period from February 6, 2015 to April 30, 2015 in order to improve capital efficiency. In addition, and while UNITED ARROWS LTD. announced details of revisions to its operating results, plans are to leave the period-end dividend per share amount unchanged.

Taking each of the aforementioned into consideration, forecasts for FY15 consolidated ROE, the dividend payout ratio, and total return ratio are around 20%, 38.9%, and 137.3%, respectively.

Looking ahead, UNITED ARROWS LTD. is committed to improving value for all of the Company's stakeholders and to continuously improve capital efficiency going forward.

■Reference Materials

■ Long-Term Vision Slogan

In Japan there is UNITED ARROWS LTD.
We are committed to becoming a retail fashion company that delivers unrivalled satisfaction to its customers in Japan and attracts the attention and loyalty of customers worldwide.

■ Management strategies aimed at achieving the long-term vision

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

■ Sales initiatives aimed at achieving the long-term vision

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

■ Quantitative targets for the final fiscal year of the medium-term management plan (Fiscal 2017)

Consolidated sales: ¥155,000 million
Consolidated ordinary income: ¥17,000 million
Ordinary income margin: 11.0%
Consolidated ROE: 20.0% or more

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

Consolidated sales: ¥220,000 million
Consolidated ordinary income: ¥26,400 million
Ordinary income margin: 12.0%
Consolidated ROE: 20.0% or more

Note: The potential exists for a review of net sales and ordinary income medium- and long-term plans going forward due to the revision of earnings forecasts for the full fiscal year ending March 31, 2015.

About the Company's product platform

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

About the Company's merchandising platform

The merchandising platform is a mechanism for determining the current status of merchandise flows while at the same time supporting the next phase of decision-making. Utilizing the progress management tables and indices consistent across all businesses, the merchandising platform allows any individual to swiftly make decisions that allow the Group to promote the additional manufacture of top-selling items while reducing production and inventories of slow-selling items. As a result, UNITED ARROWS LTD. is increasing the rates of inventory reduction as well as final sales. This in turn is leading to improvements in gross profit, inventories, and cash flows.

About the Company's production platform

The production platform works to formulate the product procurement and production strategies that take the Company from merchandising planning through to realization. While manufacturing is outsourced, steps are taken to consolidate on a Group-wide basis the raw materials held by each business, the procurement of materials, and manufacturing plant information. At the same time, energies are channeled toward selecting the optimal outsourcing contractor by business and item. Through these means, the Company has established a process through which it optimizes procurement costs relating to purchases and production while targeting the supply of products that satisfy five key criteria*.

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

(Please refer to UNITED ARROWS LTD.'s 2014 Annual Report posted on the "IR Library" section of the Company's IR homepage, and specifically to the "Product Platform" section on pages 28-29 for details. http://www.united-arrows.co.jp/en/ir/lib/data/enar14.pdf)

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

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