Fiscal 2016
Fiscal Year Ended March 2016
Earnings Announcement

May 9, 2016

UNITED ARROWS LTD.

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UNITED ARROWS LTD.

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

■ Abbreviations used throughout this report: The following abbreviations have been used for each Group business.
UA / UNITED ARROWS, BY / BEAUTY&YOUTH UNITED ARROWS, monkey time / monkey time BEAUTY&YOUTH UNITED ARROWS, District / District UNITED ARROWS, GLR / UNITED ARROWS green label relaxing, CH / CHROME HEARTS, ARCHIPELAGO / ARCHIPELAGO UNITED ARROWS LTD., THE AIRPORT STORE / THE AIRPORT STORE UNITED ARROWS LTD., THE STATION STORE / THE STATION STORE UNITED ARROWS LTD., SBU / Small Business Unit

■ 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, ROKU BEAUTY&YOUTH
SBU: Another Edition, Jewel Changes, Odette e Odile, Boisson Chocolat, DRAWER, ASTRAET, EN ROUTE, ARCHIPELAGO, THE AIRPORT STORE, THE STATION STORE

■ Overview of Business Results and Forecasts

UNITED ARROWS LTD.

Consolidated / Non-Consolidated P/L Overview for FY16 (For details see pages 4, 5, 8, 9 and 10)

- Both sales and earnings came in at slightly below plans on a consolidated basis; on a non-consolidated basis, sales were in line with plans; non-consolidated earnings, on the other hand, fell below plans
- The gross margin declined YoY owing mainly to the reduction of past inventories; the gross margin was also lower than plans due to delays in improving the cost of goods sold ratio
- The SGA expenses to sales ratio declined on a YoY basis and also compared with plans; this was mainly due to successful efforts aimed at reducing and controlling the fixed costs ratio

Non-Consolidated Sales (For details see pages 6 and 7)

- Despite difficult conditions in the 4Q, sales for the full fiscal year increased 7.8% YoY coming in at roughly around plans; by sales channel, trends in online sales were strong; by business, trends in GLR and CH operations were also robust
- Full fiscal year existing retail and online store sales were up 3.8% YoY

Inventory (For details see page 11)

- YoY increases in the balances of inventory as of March 31, 2016 on both a consolidated and non-consolidated basis of 2.1% and 1.6%, respectively; these increases were lower than the rates of YoY sales growth on both a consolidated and non-consolidated basis, which came in at 7.5% and 7.8%, respectively

Opening and Closing of Stores (For details see pages 13 to 16)

- Trends essentially in line with plans (Number of new stores opened: 35; number of stores closed: 12; number of stores as of FY16-end: 357)
- The number of stores as of the end of FY17 is projected to total 356; sales floor space as of the end of FY17 is expected to grow around 3.5% YoY; this will largely reflect steps by UNITED ARROWS LTD. to open large-scale stores while closing small stores that exhibit low profitability and the opening of stores by COEN CO., LTD.

Consolidated Subsidiaries (For details see page 17)

- Difficult conditions in the 4Q; FIGO CO., LTD. incurred a drop in revenue and earnings; COEN CO., LTD. recorded an increase in revenue and a decrease in earnings; overseas operations were in line with plans

Forecasts for FY17 (For details see pages 18 to 20)

- Consolidated sales are forecasts to climb 6.8% YoY; targeting an increase in the gross margin of 0.9 of a percentage point, to 51.7%
- Undertake costs after evaluating each opportunity in terms of medium- to long-term growth potential; target a YoY increase in ordinary income of 2.3%

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■ Overview of Business Results and Forecasts

(As detailed on this page)

■ Consolidated P/L Overview for FY16

UNITED ARROWS LTD.

Profits for the full fiscal year were down YoY and compared with plans; this was mainly due to difficult conditions in the 4Q (coats struggled during the spring season; other factors included delays in gross margin improvement)

- Consolidated sales: YoY increase of 7.5% → Increase in revenue on the back of contributions from UNITED ARROWS LTD. and COEN CO., LTD.; down 0.3% compared with plans → Downturn due largely to the failure of consolidated subsidiaries to achieve plans
- Gross margin: YoY decrease of 1.1 percentage points → Decrease largely attributable to efforts aimed at reducing past inventories mainly at UNITED ARROWS LTD. and the setting of prices; down 0.9 of a percentage point compared with plans → downturn due largely to delays in improving the cost of goods sold ratio mainly at UNITED ARROWS LTD. and an increase in the sale of markdown items at COEN CO., LTD.
- SGA expenses to sales ratio: YoY decrease of 0.3 of a percentage point and a downturn of 0.5 of a percentage point compared with plans → Decrease due largely to successful efforts aimed at reducing and controlling fixed costs at UNITED ARROWS LTD.
- Extraordinary loss: Increase compared with plans due to the higher impairment loss; YoY downturn owing to a decline in the same accounting line item

(Millions of yen)

	Consolidated Results FY16 (full fiscal year)									
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Plans	%	FY15 Results	vs. Sales	Plans	vs. Sales
Sales	**140,919**	100.0%	9,889	107.5%	(482)	99.7%	131,029	100.0%	141,401	100.0%
Gross Profit	**71,573**	50.8%	3,526	105.2%	(1,495)	98.0%	68,046	51.9%	73,069	51.7%
SGA Exp.	**60,501**	42.9%	3,805	106.7%	(881)	98.6%	56,695	43.3%	61,382	43.4%
Operating Inc.	**11,071**	7.9%	(279)	97.5%	(614)	94.7%	11,351	8.7%	11,686	8.3%
Non Op. P/L	**103**	0.1%	(87)	54.2%	120	-	191	0.1%	(16)	0.0%
Ordinary Inc.	**11,175**	7.9%	(366)	96.8%	(493)	95.8%	11,542	8.8%	11,669	8.3%
Extraordinary P/L	**(725)**	-0.5%	321	-	(398)	-	(1,047)	-0.8%	(327)	-0.2%
Net Income Attributable to Owners of Parent	**6,494**	4.6%	162	102.6%	(609)	91.4%	6,332	4.8%	7,103	5.0%

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■ Consolidated and Non-Consolidated P/L Overview for FY16

In FY16 (April 1, 2015 to March 31, 2016), UNITED ARROWS LTD. reported an increase in revenue and decrease in ordinary income. Both sales and profits were down compared with plans. This was mainly due to difficult conditions in the 4Q.

Consolidated sales increased 7.5% YoY, to ¥140,919 million. Compared with plans, however, consolidated sales were down 0.3%. Despite growth at UNITED ARROWS LTD. and COEN CO., LTD., this downturn was largely due to the failure of other consolidated subsidiaries to achieve plans.

The gross margin decreased 1.1 percentage points compared with FY15, to 50.8%. This was mainly due to the priority placed on reducing past inventories at UNITED ARROWS LTD. and on setting prices and putting in place a product lineup that would attract customers. The gross margin was also down 0.9 of a percentage point compared with plans. This largely reflected delays in improving the cost of goods sold ratio at UNITED ARROWS LTD. and an increase in the sale of markdown items at COEN CO., LTD.

The selling, general and administrative (SGA) expenses to sales ratio decreased 0.3 of a percentage point compared with FY15 and 0.5 of a percentage point compared with plans, to 42.9%. These decreases were due largely to successful efforts aimed reducing and controlling fixed costs at UNITED ARROWS LTD.

In FY16, UNITED ARROWS LTD. incurred an extraordinary loss of ¥725 million. The amount of extraordinary loss was more than initially planned due to the higher impairment loss. On a positive note, the amount of extraordinary loss was down YoY, owing to the larger amount posted in FY15.

Accounting for each of these factors, operating and ordinary income declined while net income attributable to owner of parent increased.

■ Reference: Non-Consolidated P/L Overview for FY16

(Millions of yen)

	Non-Consolidated Results FY16 (full fiscal year)									
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Plans	%	FY15 Results	vs. Sales	Plans	vs. Sales
Sales	**127,879**	100.0%	9,222	107.8%	152	100.1%	118,657	100.0%	127,727	100.0%
Gross Profit	**64,193**	50.2%	3,279	105.4%	(1,049)	98.4%	60,913	51.3%	65,242	51.1%
SGA Exp.	**53,435**	41.8%	3,313	106.6%	(756)	98.6%	50,121	42.2%	54,191	42.4%
Operating Inc.	**10,758**	8.4%	(33)	99.7%	(292)	97.4%	10,792	9.1%	11,051	8.7%
Non Op. P/L	**122**	0.1%	(100)	54.9%	102	593.4%	223	0.2%	20	0.0%
Ordinary Inc.	**10,881**	8.5%	(134)	98.8%	(190)	98.3%	11,015	9.3%	11,071	8.7%
Extraordinary P/L	**(1,015)**	-0.8%	(228)	-	(704)	-	(786)	-0.7%	(311)	-0.2%
Net Income	**6,084**	4.8%	(201)	96.8%	(742)	89.1%	6,285	5.3%	6,827	5.3%

■ Reference: Non-Consolidated P/L Overview for FY16

(An explanation has been omitted)

■ Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 7.8% YoY; existing retail and online store sales up 3.8% YoY

- YoY increase in revenue across all channels; retail sales fell below plans; online, outlet and other sales exceeded plans
- Sales composition: Online store sales 12.7% (12.0% in FY15); outlet store and other sales 13.1% (12.4% in FY15)

(Millions of yen)

	Non-Consolidated Results FY16 (full fiscal year)								
	Results	Share	YoY Increase (Decrease)	%	vs. Plans	%	FY15 Results	Share	Plans
Non-Consolidated Sales	127,879	100.0%	9,222	107.8%	152	100.1%	118,657	100.0%	127,727
Total Business Unit Sales	111,152	86.9%	7,237	107.0%	(229)	99.8%	103,914	87.6%	111,381
Retail	93,859	73.4%	5,132	105.8%	(1,217)	98.7%	88,727	74.8%	95,077
Online	16,275	12.7%	2,030	114.3%	742	104.8%	14,244	12.0%	15,533
Other (Wholesale, Other)	1,016	0.8%	74	107.9%	245	131.9%	942	0.8%	771
Outlet, Other	16,727	13.1%	1,984	113.5%	382	102.3%	14,742	12.4%	16,345

Existing Stores YoY (Note: Reference Data)

	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	103.8%	98.5%*	104.9%*
Retail	102.3%	95.8%	106.7%
Online	112.8%	109.8%*	101.1%*

* Number of customer and average spending per customer data for existing retail and online as well as online stores is calculated using data available to the Company through its own online and ZOZOTOWN stores. (Approximately 80% of online sales are generated through the two malls.)

This information is provided for reference purposes only. YoY sales data includes other online malls and accordingly does not reconcile with YoY number of customer x YoY average spending per customer ≒ YoY sales.

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■ Non-Consolidated Sales Results by Sales Channel

Non-consolidated sales were up 7.8% compared with FY15. Existing retail and online store sales also climbed 3.8% YoY.

While retail sales fell below plans, online, outlet, and other sales all exceeded plans.

From a sales composition perspective, online store sales accounted for 12.7% of the total, up 0.7 of a percentage point compared with FY15. Outlet store and other sales made up 13.1% of the total, an increase of 0.7 of a percentage point YoY.

The number of purchasing customers at retail stores declined 4.2% compared with FY15. After taking into account the number of customers that can be acquired through UNITED ARROWS LTD. ONLINE STORE and ZOZOTOWN, however, the decline in the number of customers at existing retail and online stores narrows to 1.5% YoY. These two sites account for around 80% of online sales. Factoring in growth at other e-commerce sites, we estimate that the number of customers at existing retail and online stores has returned to roughly the FY15 level.

■ Non-Consolidated Sales Results by Business

UNITED ARROWS LTD.

Revenue up across all businesses; existing store sales up YoY

Robust trends across all of the UA, GLR, and CH business. Especially for:
- UA : Men's sports, women's dress and CH items
- GLR : Women's items generally
- CH : Silver accessory, apparel and gold accessory items
- SBU : While SBU struggled in overall terms, steady trends at Jewel Changes and THE STATION STORE

(Millions of yen)

	Non-Consolidated Results FY16 (full fiscal year)			
	Results	YoY Increase (Decrease)	%	FY15 Results
Total Business Unit Sales	**111,152**	7,237	107.0%	103,914
UA	**55,152**	2,691	105.1%	52,461
GLR	**29,350**	2,873	110.9%	26,476
CH	**11,463**	1,427	114.2%	10,036
SBU	**15,185**	245	101.6%	14,940

	Existing Stores YoY		
	Retail + Online	Retail	Online
UA	102.3%	100.1%	116.0%
GLR	104.6%	103.1%	112.4%
CH	-	114.9%	-
SBU	100.3%	98.4%	106.4%

Note: Details of abbreviations for each business are listed on page 2 of this document.

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■ Non-Consolidated Sales Results by Business

Revenue was up across all businesses. Existing stores sales also improved YoY.

Robust trends in men's sports, women's dress, and CH items in the UA business. Trends were also strong for women's items generally in the GLR business. Silver and gold accessories as well as apparel exhibited healthy trends in the CH business. While the SBU struggled in overall terms, Jewel Changes and THE STATION STORE witnessed steady trends.

■ Non-Consolidated Gross Margin Results

UNITED ARROWS LTD.

1.1 percentage point YoY decrease to 50.2% in the non-consolidated gross margin
Slight improvement compared with the corresponding period of the previous fiscal year in the 4Q (Please refer to the next page)

- Total Business Units: Reflecting on the previous period's results, priorities placed on price setting and a product lineup that would attract customers; despite a delay in improving the cost of goods sold ratio as initially planned, the degree of decline is steadily narrowing (Please refer to the next page)
- Outlet, Other: Pushed forward the reduction of past inventories; in addition to actual stores, took steps to use outlet e-commerce malls while actively holding sales events; despite a downturn in the gross margin, inventories contracted steadily; improvement in the 4Q (Please refer to the next page)

Note: Other costs: YoY decrease of ¥325 million → Decrease due largely to a decline in the devaluation of products in line with the reduction in inventories

	Non-Consolidated Results FY16 (full fiscal year)		
	Results	YoY Increase (Decrease)	FY15 Results
Gross Margin	**50.2%**	-1.1%	51.3%
Total Business Units	**54.1%**	-1.3%	55.4%
Outlet	**30.1%**	-1.3%	31.4%
Other COGS Millions of yen	903	(325)	1,228

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

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■ Non-Consolidated Gross Margin Results

In FY16, the non-consolidated gross margin decreased 1.1 percentage points compared with FY15, to 50.2%.

Reflecting on the previous period's results, priorities were placed on price setting and a product lineup that would attract customers. Despite these endeavors, the Total Business Units gross margin came in at 54.1%, down 1.3 percentage points YoY. While there were delays in improving the cost of goods sold ratio as initially planned, the degree of gross margin YoY decline is steadily narrowing.

In addition to sales at outlet stores, special efforts were also made to actively hold sales events and to undertake other initiatives in FY16. While the gross margin for outlet and other stores declined, successful steps were taken as a result to reduce past inventories. Furthermore, the gross margin for outlet and other stores improved in the 4Q compared with the corresponding period of FY15.

Other costs decreased ¥ 325 million compared with FY15. This was due largely to a decline in the devaluation of products in line with the reduction in inventories.

■ Reference: Non-Consolidated Gross Margin Results by Quarter

UNITED ARROWS LTD.

	FY16 1Q (Three-Month Period) Results	YoY Increase (Decrease)	FY15 1Q Results	FY16 2Q (Three-Month Period) Results	YoY Increase (Decrease)	FY15 2Q Results
Gross Margin	**53.9%**	-2.3%	56.2%	**46.5%**	-1.2%	47.7%
Total Business Units	**57.4%**	-1.9%	59.3%	**51.9%**	-1.2%	53.1%
Outlet, Other	**33.6%**	-1.9%	35.5%	**23.9%**	-2.4%	26.4%
Other COGS Millions of yen	81	79	1	494	(102)	597

	FY16 3Q (Three-Month Period) Results	YoY Increase (Decrease)	FY15 3Q Results	FY16 4Q (Three-Month Period) Results	YoY Increase (Decrease)	FY15 4Q Results
Gross Margin	**54.1%**	-1.4%	55.5%	**45.5%**	0.3%	45.3%
Total Business Units	**56.8%**	-1.4%	58.2%	**49.8%**	-0.8%	50.6%
Outle, Other	**33.8%**	-2.6%	36.4%	**27.7%**	1.6%	26.0%
Other COGS Millions of yen	(145)	(114)	(30)	472	(187)	660

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

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■ Reference: Non-Consolidated Gross Margin Results by Quarter

(An explanation has been omitted)

■ Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

Decrease in the non-consolidated SGA expenses to sales ratio of 0.5 of a percentage point YoY to 41.8 %; down 0.6 of a percentage point, or ¥750 million, compared with plans

- YoY (vs. Sales): Decrease in the SGA expenses to sales ratio owing mainly to a downturn the personnel expenses ratio
- Compared with plans (amount): Down ¥750 million (successful efforts to reduce and control distribution, packaging supply, promotion, personnel and other expenses)

(Millions of yen)

	Non-Consolidated Results FY16 (full fiscal year)					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY15 Results	vs. Sales
Non-Consolidated Sales	**127,879**	**100.0%**	9,222	107.8%	118,657	100.0%
SGA Expenses	**53,435**	**41.8%**	3,313	106.6%	50,121	42.2%
Advertising Expenses	**2,334**	**1.8%**	174	108.1%	2,159	1.8%
Personnel Expenses	**19,010**	**14.9%**	900	105.0%	18,109	15.3%
Rent	**16,801**	**13.1%**	1,220	107.8%	15,581	13.1%
Depreciation	**1,515**	**1.2%**	28	101.9%	1,487	1.3%
Other	**13,773**	**10.8%**	990	107.7%	12,783	10.8%

Note: A portion of warehouse rent has been posted from other to rent. Data for the corresponding period of the previous fiscal year has been restated accordingly.

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■ Non-Consolidated SGA Expenses

The non-consolidated SGA expenses to sales ratio decreased 0.5 of a percentage point compared with FY15, and 0.6 of percentage point compared with plans, to 41.8%.

The YoY downturn in the SGA expenses to sales ratio largely reflects a decrease in the ratio of personnel expenses.

Compared with plans, the SGA expenses to sales ratio decreased 0.6 of a percentage point, or ¥750 million. This was mainly attributable to successful efforts to reduce and control distribution, packaging supply, promotion, personnel, and other expenses.

■ Consolidated / Non-Consolidated B/S Overview

UNITED ARROWS LTD.

The balance of total assets as of the end of FY16 was 3.0% higher than the balance as of the end of FY15 on a consolidated basis; growth in the balance of inventory was lower than the growth in sales (on both a consolidated and non-consolidated basis)

- Current assets : Increases in the balances of inventory as well as cash and deposits
- Noncurrent assets : Increase in the balance of tangible noncurrent assets owing to investments in sales facilities; increase in the balance of long-term guarantee deposits; decrease in the balance of investment securities
- Current liabilities : Increases in the balances of accounts payable-trade and income taxes payable; decrease in the balance of short-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 41.5% YoY to ¥6.1 billion

Note: The balance of non-consolidated inventory: Up 1.6% YoY (less than the rate of non-consolidated sales growth: 7.8%)

(Millions of yen)

	Consolidated Results FY16-End				Non-Consolidated Results FY16-End			
	Results	Share	YoY Increase (Decrease)	%	Results	Share	YoY Increase (Decrease)	%
Total Assets	**63,877**	100.0%	1,857	103.0%	**58,589**	100.0%	1,174	102.0%
Current Assets	**42,367**	66.3%	929	102.2%	**36,721**	62.7%	163	100.4%
(Inventory)	**23,966**	37.5%	491	102.1%	**21,643**	36.9%	350	101.6%
Noncurrent Assets	**21,510**	33.7%	928	104.5%	**21,867**	37.3%	1,010	104.8%
Current Liabilities	**24,964**	39.1%	862	103.6%	**21,308**	36.4%	647	103.1%
Noncurrent Liabilities	**5,152**	8.1%	(1,579)	76.5%	**4,776**	8.2%	(1,613)	74.8%
Total Net Assets	**33,760**	52.9%	2,573	108.3%	**32,504**	55.5%	2,140	107.1%
Reference: Balance of Short and Long-Term Loans Payable	**6,146**	9.6%	(4,354)	58.5%	**3,996**	6.8%	(4,804)	45.4%

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■ Consolidated / Non-Consolidated B/S Overview

The balance of total assets stood at ¥63,877 million as of March 31, 2016 on a consolidated basis. This figure was 3.0% higher than the balance as of the end of FY15.

Factors contributing to the YoY movements in consolidated balance sheet items are presented as follows.

Current assets stood at ¥42,367 million as of March 31, 2016, up 2.2% compared with the balance as of the end of FY15. The principal movements included increases in the balances of inventory as well as cash and deposits. Noncurrent assets came to ¥21,510 million, an increase of 4.5% YoY. The major movements were increases in the balances of tangible noncurrent assets owing to investments in sales facilities as well as long-term guarantee deposits and a decrease in the balance of investment securities. Meanwhile, all of the Company's policy shareholdings have been sold after taking into consideration application of the Corporate Governance Code and other factors.

The balance of current liabilities stood at ¥24,964 million, up 3.6% compared with the balance as of the end of FY15. Despite a decrease in the balance of short-term loans payable, this increase is largely attributable to higher balances of accounts payable-trade and income taxes payable.

Noncurrent liabilities amounted to ¥5,152 million, down 23.5% compared with the balance as of March 31, 2015. This was mainly due to a decrease in the balance of long-term loans payable.

The balance of short- and long-term loans payable stood at ¥6,146 million as of March 31, 2016. This was 41.5% lower than the balance as of the end of FY15.

The balance of inventory on a non-consolidated basis increased 1.6% YoY. This rate came in at a lower level than the rate of non-consolidate sales growth, which was 7.8% compared with FY15.

■ Consolidated C/F Overview

UNITED ARROWS LTD.

Net cash provided by operating activities came to ¥11,689 million
(¥4,730 million net cash provided by operating activities for the previous fiscal year)

Factors contributing to the YoY increase in net cash provided by operating activities: Downturn in the increase in inventories of ¥2,611 million and a decrease in income taxes paid of ¥2,924 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥10,450 million, depreciation of ¥1,794 million;
  (major cash outflow) increase in inventories of ¥491 million
- Cash flows from investing activities: (major cash outflows) purchase of property, plant and equipment of ¥2,090 million, payments for guarantee deposits of ¥753 million
- Cash flows from financing activities: (major cash outflows) cash dividends paid of ¥2,376 million, repayment of short-term loans payable of ¥2,350 million, repayment of long-term loans payable of ¥2,004 million, acquisition of treasury stock of ¥1,418 million

(Millions of yen)

	Consolidated FY16 Results	FY15 Results
Cash flows from operating activities (sub-total)	**14,674**	10,939
Cash flows from operating activities	**11,689**	4,730
Cash flows from investing activities	**(3,351)**	(3,249)
Cash flows from financing activities	**(8,139)**	(1,328)
Cash and cash equivalents at the end of the term	**5,799**	5,585

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■ Consolidated C/F Overview

The balance of cash and cash equivalents stood at ¥5,799 million as of March 31, 2016.

Net cash provided by operating activities amounted to ¥11,689 million. This was a substantial increase over the net cash provided by operating activities of ¥4,730 million for FY15. During the fiscal year under review, the major movements in cash flows from operating activities included an increase in inventories, which declined ¥2,611 million compared with FY15 (increase in inventories came to ¥3,102 million in FY15 and ¥491 million in FY16) and a YoY decrease in income taxes paid of ¥2,924 million.

As just mentioned, net cash provided by operating activities amounted to ¥11,689 million for FY16. The principal cash inflows were income before income taxes of ¥10,450 million and depreciation of ¥1,794 million. The major cash outflow was the increase in inventories of ¥491 million.

Net cash used in investing activities totaled ¥3,351 million. The principal cash outflows included the purchase of property, plant and equipment of ¥2,090 million in line with such activities as the opening of new stores, and payments for guarantee deposits of ¥753 million.

Net cash used in financing activities came to ¥8,139 million. The major cash outflows came from cash dividends paid of ¥2,376 million, the repayment of short-term loans payable of ¥2,350 million, the repayment of long-term loans payable of ¥2,004 million, and the acquisition of treasury stock of ¥1,418 million.

■ Results of FY16 Group Total Opening and Closing of Stores and FY17 Forecasts

UNITED ARROWS LTD.

- FY16 Group total: Number of new stores opened: 35; Number of stores closed: 12;
  Number of stores as of FY16-end: 357
- FY17 forecast Group total: Number of new stores opened: 17; Number of stores closed: 15;
  Number of stores as of FY17-end: 356

Note: While the number of stores as of the end of FY17 is projected to decline compared with the end of FY16, sales floor space is forecast to increase around 3.5% YoY owing mainly to the opening of large-scale stores, efforts to expand the floor space of existing stores, and the closing of small stores.

	FY16 Results							FY17 Forecasts					
	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period		No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period
Group Total	**334**	**20**	**15**	**35**	**12**	**357**		**354**	**14**	**3**	**17**	**15**	**356**
UNITED ARROWS LTD.	**242**	**16**	**10**	**26**	**11**	**257**	*2	**254**	**9**		**9**	**12**	**251**
FIGO CO., LTD.	**17**	**1**	**1**	**2**	**1**	**18**		**18**				**2**	**16**
COEN CO., LTD. *1	**73**	**3**	**3**	**6**		**79**		**79**	**5**	**2**	**7**	**1**	**85**
UNITED ARROWS TAIWAN LTD. *1	**2**		**1**	**1**		**3**		**3**					**3**
Designs & Co. *1										**1**	**1**		**1**

*1 COEN CO., LTD., UNITED ARROWS TAIWAN LTD., and Designs & Co. maintain a balance date of January 31, each year. Details of the opening and closing of stores are aligned to the closing month.

*2 Three stores (two BY stores and one SBU store) closed on March 31, 2016 are included in the number of stores as of the end of FY16 and excluded from the number of stores as of the beginning of FY17.

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■ Results of FY16 Group Total Opening and Closing of Stores and FY17 Forecasts

On a Group total basis, 35 stores were newly opened and 12 stores were closed during the fiscal year under review. The number of stores as of March 31, 2016 therefore stood at 357.

For FY17, the UNITED ARROWS Group is looking to open 17 new stores and close 15 stores, bringing the total number of stores as of March 31, 2017 to 356.

While the number of stores as of the period-end is projected to decline compared with the end of FY16, sales floor space is forecast to increase around 3.5% year on year owing mainly to the opening of large-scale stores, efforts to expand the floor space of existing stores, and the closing small stores.

■ Reference: UNITED ARROWS LTD. Results of FY16 Opening and Closing of Stores and FY17 Forecasts

UNITED ARROWS LTD.

	FY16 Results						FY17 Plan					
	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period
UNITED ARROWS LTD. Total	**242**	**16**	**10**	**26**	**11**	**257**	**254**	**9**		**9**	**12**	**251**
UNITED ARROWS Total	76	7	6	13	3	86	84	7		7	3	88
UNITED ARROWS (General Merchandise Store)	11				2	9	9				1	8
UNITED ARROWS	23	1	1	2		25	25	4		4	2	27
BOW & ARROWS	2				1	1	1					1
THE SOVEREIGN HOUSE	1					1	1					1
District	1					1	1					1
BEAUTY&YOUTH	36	4	3	7		43	*2 41	2		2		43
monkey time	1	1		1		2	2					2
STEVEN ALAN	1	1	1	2		3	*1 3					3
ROKU BEAUTY&YOUTH			1	1		1	1	1		1		2
green label relaxing	62	6	3	9	2	69	69				2	67
CHROME HEARTS	10					10	10					10
SBU Total	73	1	1	2	6	69	68				6	62
Another Edition	16				1	15	15				3	12
Jewel Changes	10					10	10				1	9
Odette e Odile	23				2	21	21				2	19
Boisson Chocolat	3					3	3					3
DRAWER	7					7	7					7
ASTRAET	3		1	1	2	2	2					2
EN ROUTE	1	1		1		2	2					2
Cross Sales-Type / Traffic Channels: ARCHIPELAGO	1					1	*2					
Cross Sales-Type / Traffic Channels: THE AIRPORT STORE	3					3	3					3
Cross Sales-Type / Traffic Channels: THE STATION STORE	6				1	5	5					5
Outlet	21	2		2		23	23	2		2	1	24

*1 STEVEN ALAN TOKYO, STEVEN ALAN OSAKA, and STEVEN ALAN KOBE are recorded as annex-type stores and are not included in the number of stores listed above.
*2 Three stores (two BY stores and one SBU store) closed on March 31, 2016 are included in the number of stores as of the end of FY16 and excluded from the number of stores as of the beginning of FY17.

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■ Reference: UNITED ARROWS LTD. Results of FY16 Opening and Closing of Stores and FY17 Forecasts

(An explanation has been omitted)

■ Reference: Details of FY16 Opening and Closing of Stores (UNITED ARROWS LTD.)

UNITED ARROWS LTD.

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
March	Newly opened store	UNITED ARROWS SENDAI *4	S-PAL Sendai (Aoba-ku, Sendai-shi)
	Closed store	UNITED ARROWS SENDAI *4	SAKURANO SENDAI (Aoba-ku, Sendai-shi)
	Newly opened store	BEAUTY&YOUTH UNITED ARROWS SENDAI	S-PAL Sendai (Aoba-ku, Sendai-shi)
	Newly opened store	ROKU BEAUTY&YOUTH SHINJUKU	NEWoMan (Shinjuku-ku, Tokyo)
	Newly opened store	STEVEN ALAN YOKOHAMA	MARINE & WALK YOKOHAMA (Naka-ku, Yokohama-shi)
	Newly opened store	ASTRAET SHINJUKU	NEWoMan (Shinjuku-ku, Tokyo)
	Closed store	BEAUTY&YOUTH UNITED ARROWS HARAJUKU MEN'S STORE	Stand-alone store (Shibuya-ku, Tokyo)
	Closed store	BEAUTY&YOUTH UNITED ARROWS SHIBUYA CAT STREET WOMEN'S STORE	Stand-alone store (Shibuya-ku, Tokyo)
	Closed store	THE STATION STORE UNITED ARROWS LTD. HANKYU SANBAN GAI	Hankyu Sanban Gai Shopping Center (Kita-ku, Osaka-shi)
	Closed store	ARCHIPELAGO UNITED ARROWS LTD. HAKATA	HAKATA HANKYU (Hakata–ku, Fukuoka-shi)
February	Closed store	ASTRAET UMEDA HANKYU	Hankyu Umeda Main Store (Kita-ku, Osaka-shi)
January	Closed store	BOW & ARROWS DAIMARU UMEDA STORE	Daimaru Osaka Umeda Store (Kita-ku, Osaka-shi)
	Closed store	Another Edition Tachikawa	LUMINE TACHIKAWA (Tachikawa-shi, Tokyo)
	Closed store	ASTRAET NAGOYA LACHIC	LACHIC (Naka-ku, Nagoya-shi)
December	Newly opened store	BEAUTY&YOUTH UNITED ARROWS TACHIKAWA TACHIHI	LaLaport TACHIKAWA TACHIHI (Tachikawa-shi, Tokyo)
	Newly opened store	green label relaxing lalaport tachikawa tachihi	LaLaport TACHIKAWA TACHIHI (Tachikawa-shi, Tokyo)
November	Newly opened store	BEAUTY&YOUTH UNITED ARROWS EXPOCITY	LaLaport EXPOCITY (Suita-shi, Osaka)
	Newly opened store	green label relaxing lalaport expocity	LaLaport EXPOCITY (Suita-shi, Osaka)
October	Newly opened store	green label relaxing lalaport ebina	LaLaport EBINA (Ebina-shi, Kanagawa)
September	Newly opened store	STEVEN ALAN FUTAKOTAMAGAWA	FUTAKO TAMAGAWA RISE S.C. (Setagaya-ku, Tokyo)
	Newly opened store	green label relaxing lumine tachikawa *3	LUMINE TACHIKAWA (Tachikawa-shi, Tokyo)
	Newly opened store	green label relaxing jiyugaoka	Stand-alone store (Setagaya-ku, Tokyo)
August	Closed store	green label relaxing lumine tachikawa *3	LUMINE TACHIKAWA (Tachikawa-shi, Tokyo)
	Closed store	Odette e Odile nagoya parco	Nagoya PARCO (Naka-ku, Nagoya-shi)
July	Newly opened	UNITED ARROWS LTD. OUTLET HOKURIKU OYABE	MITSUI OUTLET PARK HOKURIKU OYABE (Oyabe-shi, Toyama)
	Closed store	Odette e Odile namba parks	NAMBA PARKS (Naniwa-ku, Osaka)
April	Newly opened store	BEAUTY&YOUTH UNITED ARROWS SHINAGAWA WOMEN'S STORE	Wing Takanawa East (Minato-Ku, Tokyo)
	Newly opened store	BEAUTY&YOUTH UNITED ARROWS FUJIMI	LaLaport FUJIMI (Fujimi-shi, Saitama)
	Newly opened store	BEAUTY&YOUTH UNITED ARROWS NISHINOMIYA	Hankyu Nishinomiya Gardens (Nishinomiya-shi, Hyogo)
	Newly opened store	BEAUTY&YOUTH UNITED ARROWS OITA	AMUPLAZA OITA (Oita-shi, Oita)

*3 Based on our store counting management policy, green label relaxing lumine tachikawa is recorded as a closed and newly opened store due to the dramatic change in product offerings at the store in line with renovations.
*4 Based on our store counting management policy, UNITED ARROWS SENDAI is recorded as a closed and newly opened store due to the dramatic change in product offerings at the store in line with relocations.

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■ Reference: Details of FY16 Opening and Closing of Stores (UNITED ARROWS LTD.)

(An explanation has been omitted)

■ Reference: Details of FY16 Opening and Closing of Stores (UNITED ARROWS LTD. and Group Companies)

UNITED ARROWS LTD.

UNITED ARROWS LTD.

April	Newly opened store	monkey time BEAUTY&YOUTH UNITED ARROWS HARAJUKU	stand-alone store (Shibuya-ku, Tokyo)
	Newly opened store	green label relaxing shinagawa	Wing Takanawa East (Minato-Ku, Tokyo)
	Newly opened store	green label relaxing lalaport fujimi	LaLaport FUJIMI (Fujimi-shi, Saitama)
	Newly opened store	green label relaxing amu plaza oita	AMUPLAZA OITA (Oita-shi, Oita)
	Newly opened store	EN ROUTE FUTAKOTAMAGAWA	FUTAKO TAMAGAWA RISE S.C. (Setagaya-ku, Tokyo)
	Newly opened store	UNITED ARROWS LTD. OUTLET ODAIBA	Venus Fort (Kouto-ku, Tokyo)
	Closed store	UNITED ARROWS OITA *1	B Garage Building (Oita-shi, Oita)
	Newly opened store	UNITED ARROWS OITA *1	B Garage Building (Oita-shi, Oita)
	Closed store	green label relaxing amu plaza nagasaki *2	AMU PLAZA NAGASAKI (Nagasaki-shi, Nagasaki)
	Newly opened store	green label relaxing amu plaza nagasaki *2	AMU PLAZA NAGASAKI (Nagasaki-shi, Nagasaki)

*1 Based on our store counting management policy, UNITED ARROWS OITA is recorded as a closed and newly opened store due to the dramatic change in product offerings at the store in line with renovations.

*2 Based on our store counting management policy, green label relaxing amu plaza nagasaki is recorded as a closed and newly opened store as a result of the dramatic change in product offerings at the store.

FIGO CO., LTD.

	Stores Opened and Closed	Store name	Commercial Facility Address
March	Newly opened store	ASPESI NAGOYA	Dainagoya Bldg. (Nakamura-ku, Nagoya-shi)
February	Closed store	Felisi Selection-SHINSAIBASHI	Roadside store (Chuo-ku, Osaka-shi)
August	Newly opened store	Felisi MATSUYA GINZA	MATSUYA GINZA (Chuo-ku, Tokyo)

COEN CO., LTD.

	Stores Opened and Closed	Store name	Commercial Facility Address
December	Newly opened store	coen Grand Store Lalaport TACHIKAWA TACHIHI	Lalaport TACHIKAWA TACHIHI (Tachikawa-shi, Tokyo)
November	Newly opened store	coen Lalaport Expocity	Lalaport EXPOCITY (Suta-shi, Osaka)
October	Newly opened store	LaLaport EBINA	LaLaport EBINA (Ebina-shi, Kanagawa)
July	Newly opened store	FIND GOOD LUCK HOKURIKU OYABE	MITSUI OUTLET PARK HOKURIKU OYABE (Oyabe-shi, Toyama)
April	Newly opened store	Grand Store KOKURA	AMU PLAZA KOKURA (Kokurakita -ku, Kitakyushu-shi)
	Newly opened store	LaLaport FUJIMI	LaLaport FUJIMI (Fujimi-shi, Saitama)

UNITED ARROWS TAIWAN LTD.

	Stores Opened and Closed	Store name	Commercial Facility Address
January	Newly opened store	UNITED ARROWS LTD. OUTLET LINKOU (TAIWAN)	MITSUI OUTLET PARK LINKOU (New 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 new stores cover the cumulative period from February 1, 2015 to January 31, 2016.

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■ Reference: Details of FY16 Opening and Closing of Stores (UNITED ARROWS LTD. and Group Companies)

(An explanation has been omitted)

■ Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.

Decrease in revenue and earnings in FY16

- Sales: ¥3,200 million; down 8% YoY
- Unable to increase sales of business items; decrease in revenue and earnings
- Favorable trends in items that can be used for both business and casual occasions including tote bags and backpacks
- Targeting revenue and earnings growth in the new fiscal year


ASPESI Nagoya: opened in March 2016

COEN CO., LTD.

Increase in revenue and decrease in earnings in FY16, the fiscal year ended January 31, 2016

- Sales: ¥9,800 million; up 8% YoY
- Challenging trend throughout the 4Q fall and winter seasons; in addition to the mild winter, results impacted by delays in addressing the silhouette, color, and other aspects of items that reflect prevailing trends brought about by such factors as the shift of production to ASEAN countries
- Introduce 8-season merchandising from the 2016 spring and summer seasons; target an increase in revenue and earnings

coen Grand Store LaLaport TACHIKAWA TACHIHI: Opened in December 2015

UNITED ARROWS TAIWAN LTD.

Performance trends in FY16, the fiscal year ended January 31, 2016, in line with plans

- Steady trends as a result of various factors, including successful efforts to increase visibility and awareness
- Opened an outlet store in January 2016 (the third store in Taiwan)
- Work toward opening the first overseas e-commerce store in Taiwan in the new fiscal year
- Plans to adopt an increasingly selective and cautious approach toward the opening of stores over the medium to long term

UNITED ARROWS LTD. OUTLET (Mitsui Outlet Park Linkou): Opened in January 2016

Note: Consolidated subsidiary Designs & Co. plans to open its inaugural store in fall 2016.

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■ Group Companies

・FIGO CO., LTD.

In FY16, sales came to ¥3,200 million, down 8.0% YoY. In the mainstay Felisi brand, the company was unable to expand sales of business items. As a result, revenue and earnings decreased YoY. In contrast, signs of an improvement in items that can be used for both business and casual occasions are beginning to emerge. Looking ahead, the company will target revenue and earnings growth by conveying to the source of production comments and opinions gleaned from customers. This information will then be used to ensure the proper development of products.

COEN CO., LTD. (Fiscal year-end: January)

Sales amounted to ¥9,800 million in FY16, up 8.0% compared with FY15. Earnings, on the other hand, declined. While trends were steady up to the 3Q, the impact of the mild winter coupled with delays in adequately addressing the silhouette, color, and other aspects of items that reflect prevailing trends brought about by the shift of production to ASEAN countries, had a negative effect on result from November of the 4Q. Moving forward, the company will target an increase in revenue and earnings through a variety of initiatives including the introduction of 8-season merchandising from the 2016 spring and summer seasons and sharing of trend information with UNITED ARROWS LTD.

UNITED ARROWS TAIWAN LTD. (Fiscal year-end: January)

Results in FY16 were essentially in line with plans. Performance trends in each of the UA and BY businesses were steady on the back of such factors as successful efforts to increase visibility and awareness and the roll out of items that match the needs of customers in Taiwan. With the opening of an outlet store in January 2016, the company incorporated a mechanism through which to reduce past inventories. Plans are in place to open its first e-commerce store in Taiwan in the new fiscal year.

Designs & Co. (Fiscal year-end: January)

The company intends to open its inaugural store in the fall of 2016.

■ FY17 Consolidated P/L Forecasts

UNITED ARROWS LTD.

Targeting an increase in revenue and earnings

- Consolidated sales of ¥150,438 million (up 6.8% YoY) based on the assumption that UNITED ARROWS LTD. existing retail and online store sales improve 5.4% YoY
- Gross margin of 51.7% → Projected improvement of 0.9 of a percentage point YoY due to a variety of factors including the strengthening of cost control
- SGA expenses to sales ratio of 44.1% → Plans to evaluate opportunities with a view toward medium- and long-term growth and to then allocate costs accordingly
- Operating income of ¥11,364 million (up 2.6% YoY); ordinary income of ¥11,432 million (up 2.3% YoY)
- YoY increase of 6.1% in net income to ¥6,890 million due to such factors as the forecast decline in impairment loss

Note: Consolidated EPS also expected to climb 6.1% YoY to ¥228.06 owing mainly to the decrease in extraordinary losses

(Millions of yen)

	Consolidated FY17 (full fiscal year)			FY16	
	Forecasts	vs. Sales	YoY	Results	vs. Sales
Sales	**150,438**	**100.0%**	106.8%	140,919	100.0%
Gross Profit	**77,746**	**51.7%**	108.6%	71,573	50.8%
SGA Exp.	**66,382**	**44.1%**	109.7%	60,501	42.9%
Operating Inc.	**11,364**	**7.6%**	102.6%	11,071	7.9%
Non Op. P/L	**68**	**0.0%**	65.7%	103	0.1%
Ordinary Inc.	**11,432**	**7.6%**	102.3%	11,175	7.9%
Extraordinary P/L	**(656)**	**-0.4%**	-	(725)	-0.5%
Net Income Attributable to Owners of Parent	**6,890**	**4.6%**	106.1%	6,494	4.6%
Reference: Consolidated EPS (Yen)	**228.06**	—	106.1%	214.87	—

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■ FY17 Consolidated P/L Forecasts

The UNITED ARROWS Group is targeting an increase in revenue and earnings.

In FY17, consolidated sales are projected to reach ¥150,438 million, up 6.8% YoY. This projection is based on the assumption that UNITED ARROWS LTD. existing retail and online store sales will improve 5.4% YoY.

The gross margin is forecast to climb 0.9 of a percentage point, to 51.7%. This improvement reflects efforts to standardize past inventory reduction costs and to thoroughly control costs associated with the purchase of products.

The SGA expenses to sales ratio is also expected to increase 1.2 percentage points, to 44.1%. Results in FY16 were mainly attributable to the decision to substantially control costs. In FY17, plans are in place to evaluate opportunities with a view toward medium- and long-term growth, and to then allocate costs accordingly.

Based on each of the aforementioned, operating income is anticipated to grow 2.6% YoY, to ¥11,364 million. Ordinary income is estimated to improve 2.3%, to ¥11,432 million.

In line with the forecast decline in impairment loss, net income attributable to owners of parent is expected to rise 6.1% YoY, to ¥6,890 million.

Consolidated EPS is also forecast to climb 6.1%, to ¥228.06, again owing mainly to the decrease in extraordinary losses.

■ Reference: FY17 1H and 2H Consolidated P/L Forecasts

UNITED ARROWS LTD.

■Consolidated (Millions of yen)

	Consolidated FY17 First Half			FY16 First Half		Consolidated FY17 Second Half			FY16 Second Half	
	Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**67,680**	**100.0%**	105.6%	64,102	100.0%	**82,757**	**100.0%**	107.7%	76,816	100.0%
Gross Profit	**35,070**	**51.8%**	107.4%	32,667	51.0%	**42,675**	**51.6%**	109.7%	38,906	50.6%
SGA Exp.	**32,495**	**48.0%**	111.9%	29,051	45.3%	**33,886**	**40.9%**	107.7%	31,449	40.9%
Operating Inc.	**2,575**	**3.8%**	71.2%	3,615	5.6%	**8,789**	**10.6%**	117.9%	7,456	9.7%
Non Op. P/L	**13**	**0.0%**	399.7%	3	0.0%	**54**	**0.1%**	54.2%	100	0.1%
Ordinary Inc.	**2,589**	**3.8%**	71.5%	3,618	5.6%	**8,843**	**10.7%**	117.0%	7,557	9.8%
Extraordinary P/L	**(280)**	**-0.4%**	-	(149)	-0.2%	**(376)**	**-0.5%**	-	(576)	-0.8%
Quarterly Net Income Attributable to Owners of Parent	**1,433**	**2.1%**	67.1%	2,136	3.3%	**5,456**	**6.6%**	125.2%	4,357	5.7%

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■ Reference: FY17 1H and 2H Consolidated P/L Forecasts

Earnings are projected to decrease in the 1H, increase in the 2H, and improve for FY17 as a whole on a consolidated basis.

The forecast decrease in 1H earnings is mainly attributable to an increase in SGA expenses.

This increase in SGA expenses largely reflects an upswing in personnel expenses, which had previously been suppressed, and other factors including higher promotional expenses.

■ Reference: Details of FY17 Non-Consolidated Sales Forecast

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY17 (full fiscal year)				Non-Consolidated Results FY17 First Half			Non-Consolidated Results FY17 Second Half		
	Forecasts	Share	YoY Increase (Decrease)	%	**Forecasts**	YoY Increase (Decrease)	%	**Forecasts**	YoY Increase (Decrease)	%
Sales	**135,741**	100.0%	7,861	106.1%	**61,077**	2,895	105.0%	**74,663**	4,966	107.1%
Total Business Units	**118,597**	87.4%	7,445	106.7%	**53,181**	2,767	105.5%	**65,416**	4,678	107.7%
Retail	**97,894**	72.1%	4,034	104.3%	**44,598**	1,541	103.6%	**53,295**	2,492	104.9%
Online	**19,574**	14.4%	3,299	120.3%	**8,080**	1,184	117.2%	**11,494**	2,115	122.6%
Outlet	**17,144**	12.6%	416	102.5%	**7,896**	128	101.6%	**9,247**	288	103.2%
Existing Store Sales YoY										
Retail + Online	105.4%				103.8%			106.7%		
Retail	102.7%				101.7%			103.6%		
Online	119.7%				116.0%			122.4%		

■ Reference: Details of FY17 Non-Consolidated Sales Forecast

(An explanation has been omitted)

■ FY16 Management Policy and Addressing Priority Issues

UNITED ARROWS LTD.

■FY16 Management Policy and Addressing Priority Issues

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

[Addressing Priority Issues]

1. Bolster the cycle of collaboration between the product, sales, and promotion departments
2. Control increases in inventories

■Ongoing Measures Carried Forward from the Previous Period

1. **Review merchandising and product lineup policies (8-season merchandising)**
2. **Review pricing strategies**
3. **Control increases in inventories**

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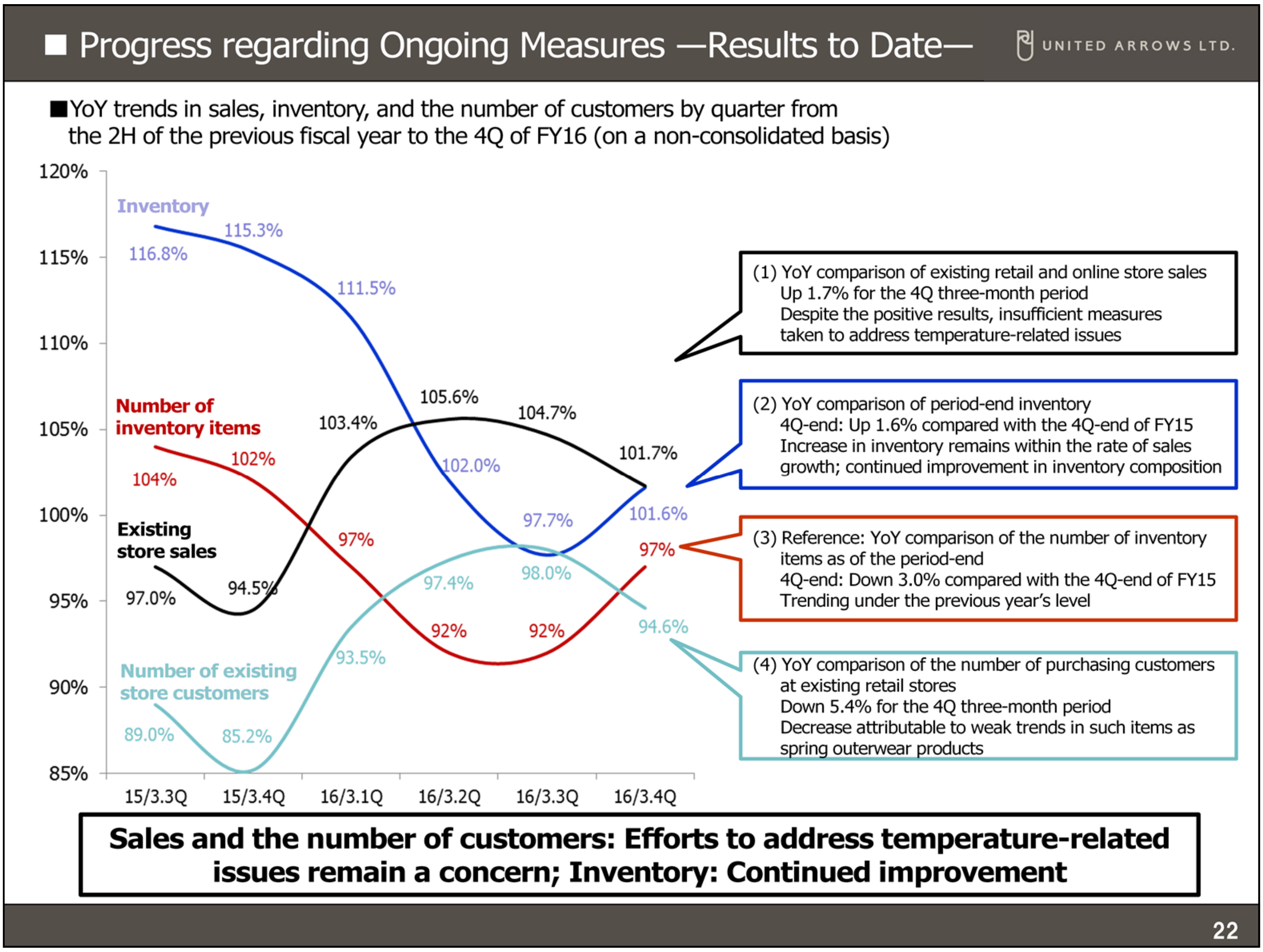
■ FY16 Management Policy and Addressing Priority Issues

UNITED ARROWS LTD. identified "Maximum satisfaction to each customer on each occasion" as its Management Slogan in FY16.

At the same time, the Company took steps to review merchandising and product lineup policies, review pricing strategies, and control increases in inventories as a part of ongoing measures.



■ Progress regarding Ongoing Measures —Results to Date—

The graph on this page depicts YoY trends in various indices including the Company's sales, inventory, and number of customers by quarter from the 2H of FY15 to the 4Q of FY16.

YoY comparison of existing retail and online store sales

→ Up 1.7% in the 4Q three-month period. While the Company experienced an increase during the quarter, issues relating to temperature-related measures remained.

YoY comparison of period-end inventory

→ Up 1.6% as of the end of the 4Q. Amid an increase in sales of more than 7.0%, the increase in inventory was less than the rate of sales growth. The composition of inventory also continues to improve.

YoY comparison of period-end number of inventory items

→ Down 3.0% as of the end of the 4Q. Efforts to narrow the number of items through the introduction of new products contributed to a decrease in the number of inventory items.

YoY comparison of the number of purchasing customers at existing retail stores

→ Down 5.4% in the 4Q three-month period. In addition to temperature-related issues, the substantial downturn in the number of customers during January and February of the 4Q is largely attributable to efforts aimed at shrinking and shortening the periods of clearance sales.

The downturn also reflects the continued shift to online stores by customers.

In summary: Trends up to the 3Q of FY16 were relatively steady. Operating results for the 4Q, however, fell below forecasts. Several issues remained entering the new fiscal year.

■ Overview of FY16

UNITED ARROWS LTD.

■ Performance Summary

Item	Assessment	Remarks
Sales	△	○ Steady sales throughout the 2015 spring, summer, and fall seasons × Insufficient measures taken to address changes in weather conditions during the 2015 winter and 2016 spring seasons ○ Expanded e-commerce sales through the fiscal year under review; continued robust results following introduction of 8-season merchandising in the GLR business × Consolidated subsidiary 2H sales fell short of plans
Gross margin	×	• While business unit markdown losses improved, concerns remain with respect to cost control and other issues
SGA expenses	Control	•Took steps to control without excessively impacting sales activities
Operating income Ordinary income	×	• UNITED ARROWS LTD.: Failed to achieve profit plans due to the decline in gross margins • Consolidated subsidiaries: Failed to achieve profit plans due to lower 2H sales compared with plans

■ Overview of Ongoing Initiatives

8-season merchandising	Under Assessment	• Signs of a positive impact on the GLR business becoming increasingly apparent; ongoing steps to assess the impact on other businesses • 8-season merchandising recognized as having a major positive impact
Pricing strategy	△	○ Dispelled the FY15 negative impression toward prices × Failed to achieve gross margin plans owing mainly to concerns with respect to cost control and other issues
Inventory	Generally Achieved ○ (further efforts to increase efficiency required)	• Continued progress in increasing the efficiency of newly introduced inventory as well as the reduction of past inventories; also an improvement in cash flows • Aim to further increase efficiency over the medium to long term

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■ Overview of FY16

Sales: Trends in UNITED ARROWS LTD. sales were in line with the first half of these explanations.

Consolidated subsidiary sales, and especially those of COEN CO., LTD. and FIGO CO., LTD. struggled in the 2H. COEN adopted 8-season merchandising from the new fiscal year in a bid to improve the accuracy of product introductions. With concerns that FIGO is lagging behind changes in top-selling items, appropriate steps are being taken.

Gross margin: Reflecting on operating results in FY16, the gross margin is recognized as a major issue. Despite an improvement in markdown losses, issues relating to the control of costs remain a concern. Energies are being channeled toward improving the gross margin by thoroughly controlling costs in the new fiscal year.

SGA expenses: Since FY15, efforts have been made to control SGA expenses for two consecutive fiscal years. In limiting expenses, however, care was taken not to excessively burden marketing, recruiting, and other key activities. In FY16, the SGA expenses to sales ratio came to 41.8% on a non-consolidated basis. Compared with the ratio four years earlier of 44.3% in FY12, this is a decline of 2.5 percentage points. Looking ahead, the Company will maintain an appropriate level with a view toward medium- and long-term growth.

Operating income: UNITED ARROWS LTD. failed to achieve its profit plans due to the decline in gross margins. Subsidiaries also failed to achieve profit plans due to lower 2H sales compared with plans.

Overview of Ongoing Initiatives

8-season merchandising: Results are currently being verified at certain businesses. In overall terms, however, performance is currently sound. Signs of a positive impact on the GLR business are becoming increasingly evident. Ongoing steps are being taken to assess the impact on other businesses. Recognizing that 8-season merchandising is having a major positive impact, plans are in place to expand its application to a broad range of business in the future.

Pricing strategy: Successfully dispelled the FY15 negative impression toward prices. On the other hand, the gross margin declined owing mainly to concerns with respect to cost control and other issues. Every effort will be made to improve profitability by ensuring a better balance between price and value while attracting the support of customers.

Inventory: With continued progress in increasing the efficiency of newly introduced inventory as well as the reduction of past inventories, the composition of inventory is improving.

While newly introduced products have increased by more than 10% YoY, past inventories have declined just under 10%.

Moreover, cash flows have improved. The Company will work to further increase efficiency over the medium to long term.

■ Overview of FY16 —Toward the New Fiscal Year—

UNITED ARROWS LTD.

■ Toward the New Fiscal Year

1. Still a long way to go with respect to product differentiation

- The decision to purchase clothing is based on a variety of factors and not simply to provide protection against the cold
- Purchases are based on the appeal of each product and undertaken out of desire

2. Increasingly rapid shift to e-commerce channels

- While e-commerce sales are exhibiting double-digit percentage growth, there remains considerable room for improvement due to the high rate of sales opportunity loss

3. Change in the role of actual stores

- Actual stores are becoming locations where customers purchase items with an increasingly high degree of certainty (browsing is undertaken through e-commerce channels)
- Increase in the level of added-value customer service that is not available through e-commerce channels

Excerpt from presentation materials used during the Company's Nationwide Store Managers' Meeting held in February 2016

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■ Overview of FY16 —Toward the New Fiscal Year—

1. Still a long way to go with respect to product differentiation

The clothes that we sell are not purchased to provide protection against the cold. Put another way, the Company's products do not fall within the category of daily necessities. Our products are much closer to the personal preference category. As a result, it is vital that we provide products that match the high-level requirements of customers and that excite. In order to stimulate sales and to boost our operating performance, while minimizing the impact of the external environment including temperature and weather conditions, it is important that we deliver a product lineup that customers want, when they want, and at an acceptable price. Looking at results in FY16, we recognize that there is still a long way to go with respect to differentiating our products.

2. Increasingly rapid shift to e-commerce channels

In FY16, e-commerce sales climbed 14.0% and 4.0% compared with FY15 and plans, respectively. Taking into consideration the high levels of convenience, we are seeing a steady increase in the number of customers using e-commerce channels. Meanwhile, there is a high incidence of sales opportunity loss with respect to e-commerce operations. Steps to address customers' needs remain insufficient. This is a major issue.

3. Change in the role of actual stores

With the ongoing development of e-commerce, the role of actual stores is gradually changing. The e-commerce channel is not only a medium for purchasing items, but also a convenient place to browse while at home or on the move. It is important to view actual stores as a place where customers purchase items with a high degree of certainty. Moreover, it is clear that e-commerce has its limitations, especially in the area of further increasing the added value of customer service.

■ Overview of FY16 —Toward the New Fiscal Year—

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UNITED ARROWS LTD.

1. Create products that move customers' hearts

—Enhance merchandise planning capabilities by carrying out basic product policies—

- Engage in activities that adhere strictly to five key criteria (ensure that customers can purchase the products they want, when they want, where they want, in the quantities they want, and at prices they want.)
- Continue to increase the added-value of private brand products
- Fine-tune and improve 8-season merchandising
- Incorporate information on trends into product policies
- Minimize the opportunity loss of top-selling items
- Quickly reduce slow-selling items

■ FY17 Management Policy

1. Create products that move customers' hearts

As outlined in the overview of FY16, the number of customers that visit actual stores after viewing products online is increasing.

In order to inspire and amaze, it is important to instill in customers a sense of value that exceeds their expectations toward the product. At the same time, it is equally vital to deliver a level of satisfaction over and above the product by adding value through personalized customer service and coordination proposals.

To this end, we are enhancing our merchandise planning capabilities, increasing the added-value of private brand products, and lifting merchandising precision. In this way, we are ensuring that customer can purchase the products they want, when they want, where they want, in the quantities they want, and at prices they want.

In specific terms, we will fine-tune and improve 8-season merchandising, incorporate information on trends into product policies, and minimize opportunity loss with respect to top-selling items.

UNITED ARROWS LTD.

2. Deliver convenient and user-friendly e-commerce channels that exceed expectations

—Deliver e-commerce services that only the Company can provide—

- Provide an ideal purchasing environment that leverages seamless interaction between the actual store and e-commerce channel
- Enhance customer convenience by unifying various services
- Minimize opportunity loss attributable to inadequate inventory by expanding product allocation
- Take steps to put in place an evaluation system that stimulates store staff to actively guide customers to e-commerce channels

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■ FY17 Management Policy

2. Deliver convenient and user-friendly e-commerce channels that exceed expectations

The e-commerce market within the retail sector has evolved dramatically over the past one to two years.

Compared with other pioneer companies, we recognize that our e-commerce activities lag well behind the market.

We will work to improve our e-commerce services in an effort to match shifts in the online store market, which continues to rapidly evolve.

We will endeavor to enhance customer convenience by integrating actual store House Card and e-commerce members as well as House Card and online store applications.

We will minimize sales opportunity loss by expanding the allocation of inventory to online stores.

We will take preparatory steps to put in place an evaluation system that encourages sales personnel to actively guide customers to e-commerce channels when actual stores run out of stock.

3. Provide a shopping experience that inspires and amazes customers

—Put in place a culture that nurtures creative merchants—

- Create an environment in which staff are encouraged to take action based on an acute sense of detail; adopt a step-by-step approach and complete even small tasks beginning with those that can be achieved
- Rebuild the educator/student system
- Strengthen management education and training
- Upgrade and expand initial education and training for newly recruited and mid-career hire staff

■ FY17 Management Policy

3. Provide a shopping experience that inspires and amazes customers

Taking notice of customers' needs and acting accordingly helps to inspire and amaze customers.

To ensure that this process of taking notice and acting accordingly becomes second nature and part and parcel of the Company's culture, UNITED ARROWS LTD. is undertaking various initiatives. In addition to rebuilding the educator/student system, where senior staff educate and train new recruits, the Company is also working to strengthen management education and training while upgrading and expanding initial education and training for newly recruited and mid-career hire employees.

Each of these priority measures is being incorporated into the action plans of pertinent divisions. In monitoring progress on a monthly basis, every effort is being made to achieve each plan.

1. Reorganization of the Supply Chain Management Division

- Objective: To enhance Group-wide product planning and merchandising capabilities
- Integration of the Fashion Marketing Department (qualitative analysis) and the Merchandising Support Department (quantitative analysis)
- Inclusion of the product strategy function into the existing support function

2. Integration of the Small Business Unit Division

(formerly a two-unit structure comprising the Small Business Unit Division I and Small Business Unit Division II)

- Objective: Strengthen, stabilize, and identify the operations of each SBU
- Integration of the two Small Business Unit divisions; the former general manager of the Green Label Relaxing Division to be transferred and assume overall control

■ Key Features of Organizational Changes in FY17

1. Reorganization of the Supply Chain Management Division

The overall objective for reorganizing the Supply Chain Management Division is to enhance Group-wide product planning and merchandising capabilities.

The Fashion Marketing Department, which undertakes the qualitative analysis of customer behavior, estimates of future trends, and related issues was integrated with the Merchandising Support Department, which undertakes the detailed analysis of sales trends, as a part of efforts to reorganize the Supply Chain Management Division. This Division has been charged with the responsibility of spearheading efforts to reform product planning and merchandising on a Group-wide basis.

To date, the Merchandising Support Division took the lead in supporting each of the Group's businesses. With the reorganization of the Supply Chain Management Division, UNITED ARROWS LTD. has put in place a mechanism to oversee product, pricing, and related strategies across the Group as a whole, while continuing to fulfill a support function that encompasses such wide-ranging areas as quality control and statutory compliance.

Recognized as the executive with the most skills and knowledge in product planning and merchandising within the Company, the former general manager of the UA Division will be transferred to head the reorganized division.

2. Integration of the Small Business Unit Division

The overall objective for integrating the SBU Division is to strengthen, stabilize, and identify the operations of each SBU.

Up to FY16, SBU activities operated under a two-unit structure comprising the Small Business Unit Division I and the Small Business Unit Division II. In FY17, these two units will be integrated and energies channeled toward renewed growth under a new framework.

In addition to strengthening each SBU, every effort will be made to identify the capacity for SBU growth and improvement.

The former general manager of the GLR Division, who was instrumental in expanding GLR into a mainstay business using an SPA-type model, will be transferred to head the Small Business Unit Division.

Making the most of this framework, UNITED ARROWS LTD. will work diligently to carry out its management policies and achieve its management plan.

■ Key Features of FY17 Business Results Forecasts

UNITED ARROWS LTD.

Item	Remarks
Sales	• Increase sales by introducing products strategically through the e-commerce channel • Promote healthy actual store growth; open new stores with a high degree of certainty • Promote 8-season merchandising across the Company as a whole (including consolidated subsidiaries)
Gross margin	• Adhere strictly to a policy of cost control • Reduce markdown losses by standardizing past inventory levels • Promote 8-season merchandising across the Company as a whole (including consolidated subsidiaries)
SGA expenses	• Introduce costs with the aim of enhancing corporate value over the medium to long term • Personnel expenses: Strengthen the hiring of employees; improve promotion and other ratios • Overhaul the CRM system; open large-scale stores in mainstay businesses
Operating income Ordinary income	• Target an increase in earnings by increasing revenues and gross margins
Inventory	• Continue to increase efficiency; introducing products strategically through the e-commerce channel

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■ Key Features of FY17 Business Results Forecasts

In addition to the items outlined to date, the Company has decided to select and newly open stores on a carefully handpicked basis with a view to expanding sales.

Particular emphasis will be placed on strengthening existing stores of each business beginning with GLR.

Energies will be focused on constraining the opening of small-sized stores, opening large-scale stores, and expanding existing stores.

In addition to creating products that move customers' hearts, every effort will be made to reduce markdown losses by standardizing the level of past inventories. At the same time, weight will be placed on thoroughly controlling costs associated with the purchase of products in order to secure further improvements. Through these means, the Company plans to increase the gross margin.

As far as SGA expenses are concerned, the Company will adopt a stringent approach toward the introduction of costs with the aim of enhancing corporate value over the medium to long term.

Turning to personnel expenses, UNITED ARROWS LTD. will take various measures including steps to strengthen the hiring of employees and to review the promotion ratio.

On top of these endeavors, the Company will introduce the necessary costs to push forward priority measures.

However, the decision has also been made to shelve certain initiatives as a result of planning proposals.

Looking ahead, priority measures will be considered in line with operating results trends.

In the context of the Company's operating and ordinary income, the SGA expenses to sales ratio is increasing. Despite this upswing, UNITED ARROWS LTD. will target an increase in earnings by lifting revenue and improving the gross margin. Each consolidated subsidiary will also work toward an increase in revenue and earnings.

From an inventory perspective, the Company will continue to increase efficiency while also introducing products strategically through the e-commerce channel.

■ About the Long-Term Vision: UA VISION 2022

UNITED ARROWS LTD.

■Withdrawal of the quantitative targets set under the Long-Term Vision

- Taking into consideration such factors as the Company's FY16 business results as well as the internal and external environments, UNITED ARROWS LTD. has decided to at this stage withdraw its quantitative targets set under its Long-Term Vision
  (The Company had earlier set FY22 targets for consolidated sales, ordinary income margin, and ROE of ¥220.0 billion, 12.0%, and 20.0% or more, respectively. (Note) Qualitative strategies remain unchanged.)
- Energies will initially be directed toward resolving immediate issues. Every effort will be made to improve the Company's business results and financial position
- UNITED ARROWS LTD. has set the single fiscal year ROE target of 20% for FY17. Thereafter, the Company will reconsider what targets is should set going forward.
- Regarding the Company's medium- and long-term aspirations, plans are in place to disclose details in May 2017 (on both a medium- and long-term basis)

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■ About the Long-Term Vision: UA VISION 2022

UNITED ARROWS LTD. disclosed details of its Long-Term Vision in May 2013. Under this Vision, the Company plans to push forward three core business strategies (expand existing business growth, develop new business, enter overseas markets). Through these means, UNITED ARROWS LTD. is targeting consolidated sales of ¥220.0 billion, an ordinary income margin of 12.0%, and an ROE of 20.0% or more.

Meanwhile, the gross margin came to 50.8% and the ordinary income margin to 7.9% in FY16. This compares with a gross margin and ordinary income margin of 54.4% and 10.9%, respectively, in FY13, the year the Long-Term Vision was formulated.

The deterioration in these indices over the period can be attributed to various factors. In addition to increases in taxes and the effects of the weak yen, a primary reason was the inability of the Company to promptly address many of these issues.

Taking into consideration operating results for FY16 together with such factors as the Company's internal and external environments, the Company has decided to maintain its strategies under its Long-Term Vision, but to temporarily withdraw quantitative targets.

The focus will now be placed on resolving the issues currently before the Company and to make every effort to ensure improvement.

UNITED ARROWS LTD. has set the single fiscal year ROE target of around 20% for FY17. Thereafter, the Company will reconsider what targets it should set going forward.

Regarding the Company's medium- and long-term aspirations, steps are being taken internally to formulate a plan during FY17. Plans are in place to disclose details of a renewed Medium-Term Business Plan and Long-Term Vision in May 2017.

■Transition to a Company with an Audit and Supervisory Committee

(1) Reasons for the transition

Take steps to better monitor the Board of Directors and to accelerate the pace of decision-making by maximizing the use of outside directors, who are not engaged in any executive operations in their own right, and ensuring the proper delegation of authority

(2) Timing of the transition

UNITED ARROWS LTD. will obtain the necessary approval to amend its Articles of Incorporation at the Company's 27th Annual Shareholders Meeting scheduled for June 23, 2016. Plans are then in place to transition to a company with an Audit and Supervisory Committee.

(3) Establishment of a Nomination and Compensation Committee

In conjunction with the transition to a company with an Audit and Supervisory Committee, plans are in place to establish a nomination and compensation committee largely made up of independent outside directors. The role of this committee is to ensure that matters relating to the nomination and compensation of members of the Board of Directors are conducted in an independent, objective, and accountable manner.

(4) Composition of Directors

Plans are in place to maintain a seven-member structure comprising four in-house directors and three independent outside directors (members of the Audit and Supervisory Committee)

■ Transition to a Company with an Audit and Supervisory Committee

As outlined in the press release dated May 9, 2016 (in Japanese only), UNITED ARROWS LTD. is looking to transition away from its current structure as a company that has adopted a corporate auditor system to a company with an audit and supervisory committee subject to the approval of its shareholders at a meeting scheduled to be held on June 23, 2016.

The Company has decided to pursue this transition in order to better monitor the Board of Directors and to accelerate the pace of decision-making by maximizing the use of outside directors and ensuring the proper delegation of authority.

In conjunction with this transfer, UNITED ARROWS LTD. plans to establish a nomination and compensation committee in order to ensure that matters relating to the nomination and compensation of members of the Board of Directors are conducted in an objective and transparent manner.

Turning to the composition of directors, the Company currently maintains a six-member structure. The number of in-house directors will remain unchanged at four. UNITED ARROWS LTD. plans to appoint three independent outside directors bringing the number of directors to seven. In addition to the current two independent outside directors, one standing Audit & Advisory Board member will be appointed as an independent outside director.

■Reference Materials

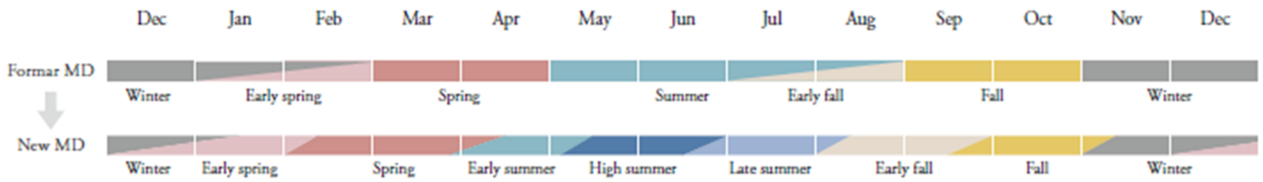
UNITED ARROWS LTD.

■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 propose keeping a half-step ahead of the times by taking the initiative in visiting retail stores; 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 promotion activities designed to make customers become fans" and move forward with "promotional activities designed to attract new customers to visit stores" to increase the number of customers visiting stores. The sales department will endeavor to increase the number of purchasing customers through providing customer service that exceeds customers' expectations and coordinating proposals that are brimming with an innate sense and creativity. In addition, the sales department supports product development by accurately communicating the desires of customers to the product department.
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.

■8-season merchandising

Under 8-season merchandising, each year is broken down into eight segments. The 8-season merchandising mechanism allows us to provide products that reflect the effective temperatures of each season. In recent years, we have seen two distinct purchasing patterns between consumers, who are willing to purchase forward-looking items that exhibit value, and consumers, who desire items for immediate use, running in tandem. At the same time, we are witnessing longer transition times 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. To make matters worse, purchasing plans that looked to bolster inventories in a bid to increase sales during clearance sales has given rise to the risk of an upswing in inventory during weak clearance sales periods. UNITED ARROWS LTD. has worked diligently to promote sales based on the procurement of products aligned to the Company's traditional 6-segment season. The shift in our operating environment, however, has made it difficult for us to adequately secure sales and grow our business. In order to address these issues, we have adopted an 8-season merchandising policy for certain businesses from the spring and summer seasons of 2015. Product plans that were previously classified into the six seasons of early spring, spring, summer, early fall, fall, and winter are now classified into the eight seasons of early spring, spring, early summer, high summer, late summer, early fall, fall, and winter and in accordance with the attributes of each business. By accurately assessing the number of items in line with each segmented season while identifying and introducing the right level of inventory, we are mitigating any unnecessary increase in inventory and improving the ratio of regular price sales. Furthermore, we are endeavoring to improve the turnover and context of inventories by evaluating and improving implementation of the 8-season merchandising policy as and when needed.



For more details on both terms, please refer to UNITED ARROWS LTD.'s 2015 Annual Report (http://www.united-arrows.co.jp/en/ir/lib/data/annual_report.html)