Fiscal 2016
Fiscal Year Ending March 2016
First Half
Earnings Announcement

November 6, 2015

UNITED ARROWS LTD.

■Contents

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

Cautionary Statement

Earnings forecasts and other subjective views within 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 the information included within.

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., 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 e Odile, Boisson Chocolat, DRAWER, ASTRAET, EN ROUTE, ARCHIPELAGO, THE AIRPORT STORE, THE STATION STORE

■FY16 1H Performance Summary

UNITED ARROWS LTD.

Consolidated / Non-Consolidated 1H P/L (For details see pages 4, 5, 8, and 9)

- Sales and each major level of earnings exceeded plans with the final result an increase in profit thanks largely to the success of various measures
- While the gross margin declined compared with the corresponding period of the previous fiscal year, due to the reduction of past inventories as well as the priority placed on price setting and a product lineup that would attract customers, the degree of decline narrowed in the 2Q compared with the 1Q
- The SGA expenses to sales ratio declined compared with both the corresponding period of the previous fiscal year and plans owing mainly to the increase in revenue

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

- Favorable trends; by sales channel, online sales were especially strong; by business, CH operations were particularly robust; GLR trends from the 2Q onward expected to exceed plans due to the introduction of 8-season merchandising from this spring

Inventory (For details see page 10)

- YoY increases in the balance of inventory as of September 30, 2015 on both a consolidated and non-consolidated basis of 1.6% and 2.0%, respectively; these increases were lower than the rates of YoY sales growth for the corresponding period on both a consolidated and non-consolidated basis, which came in at 8.7% and 8.9%, respectively

Opening and Closing of Stores (For details see pages 13 to 15)

- Trends essentially in line with plans (Number of new stores opened: 20; Number of stores closed: 5; Number of stores as of FY16 2Q-end: 349)
- The number of stores as of the end of FY16 is projected to reach 361, 2 stores less than the previous forecast (Increase in the number of stores closed: 2)

Consolidated Subsidiaries (For details see page 16)

- Overall steady progress at each of the Company's three subsidiaries

■ FY16 1H Performance Summary

(As detailed on this page)

■Consolidated 1H P/L Overview

UNITED ARROWS LTD.

Both revenue and earnings were up; sales and each major level of earnings exceeded plans

- Consolidated sales: YoY increase of 8.7%; up 1.7% compared with plans → Increase attributable to the excess over previous period's results as well as plans mainly at UNITED ARROWS LTD.
- Gross margin: YoY decrease of 1.8 percentage points; down 0.5 of a percentage point compared with plans → Decrease largely attributable to efforts aimed at promoting the reduction of past inventories mainly at UNITED ARROWS LTD., the priority placed on price setting and a product lineup that would attract customers as well as other initiatives
- SGA expense to sales ratio: YoY decrease of 1.5 percentage points to 45.3%; down 1.4 percentage points compared with plans → Decrease in the fixed costs ratio in line with the increase in revenue
- Operating income, ordinary income and quarterly net income increased and exceeded plans

(Millions of yen)

	Consolidated Results FY16 1H						FY15 1H		Initial	
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Plans	%	Results	vs. Sales	Plans	vs. Sales
Sales	**64,102**	100.0%	5,149	108.7%	1,078	101.7%	58,953	100.0%	63,024	100.0%
Gross Profit	**32,667**	51.0%	1,587	105.1%	223	100.7%	31,079	52.7%	32,444	51.5%
SGA Exp.	**29,051**	45.3%	1,463	105.3%	(396)	98.7%	27,588	46.8%	29,447	46.7%
Operating Inc.	**3,615**	5.6%	123	103.5%	619	120.7%	3,491	5.9%	2,996	4.8%
Non Op. P/L	**3**	0.0%	(58)	5.6%	31	—	62	0.1%	(28)	0.0%
Ordinary Inc.	**3,618**	5.6%	64	101.8%	651	121.9%	3,553	6.0%	2,967	4.7%
Extraordinary P/L	**(149)**	-0.2%	112	—	77	—	(262)	-0.4%	(227)	-0.4%
Net Income	**2,136**	3.3%	178	109.1%	435	125.6%	1,958	3.3%	1,701	2.7%

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■ Consolidated 1H P/L Overview

Both revenue and earnings were up for the 1H (from April 1, 2015 to September 30, 2015) of FY16, the fiscal year ending March 31, 2016, with sales and each major level of earnings exceeding plans.

Consolidated sales for the period under review climbed 8.7% and 1.7% YoY and compared with plans, respectively, to ¥64,102 million. These improvements were mainly due to the upswing in sales at UNITED ARROWS LTD.

The gross margin decreased 1.8 percentage points and 0.5 of a percentage point YoY and compared with plans, respectively, to 51.0%. The lower margin was largely attributable to efforts aimed at promoting the reduction of past inventories at UNITED ARROWS LTD., the priority placed on price setting and a product lineup that would attract customers as well as other initiatives. Gross profit was up both YoY and compared with plans in line with the increase in sales.

The selling, general and administrative (SGA) expenses to total sales ratio decreased 1.5 percentage points and 1.4 percentage points YoY and compared with plans, respectively, to 45.3%, largely reflecting the relative decline in the fixed costs ratio in line with the increase in revenue.

Accounting for each of these factors, operating income, ordinary income, and quarterly net income all increased and exceeded plans by more than 20%.

■Reference: Non-Consolidated 1H P/L Overview

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY16 1H						FY15 1H		Initial	
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Plans	%	Results	vs. Sales	Plans	vs. Sales
Sales	**58,182**	100.0%	4,764	108.9%	1,164	102.0%	53,418	100.0%	57,018	100.0%
Gross Profit	**29,224**	50.2%	1,393	105.0%	264	100.9%	27,830	52.1%	28,960	50.8%
SGA Exp.	**25,694**	44.2%	1,285	105.3%	(307)	98.8%	24,408	45.7%	26,001	45.6%
Operating Inc.	**3,530**	6.1%	108	103.2%	571	119.3%	3,421	6.4%	2,958	5.2%
Non Op. P/L	**15**	0.0%	(68)	18.2%	21	—	83	0.2%	(5)	0.0%
Ordinary Inc.	**3,545**	6.1%	40	101.1%	592	120.1%	3,505	6.6%	2,952	5.2%
Extraordinary P/L	**(94)**	-0.2%	148	—	116	—	(242)	-0.5%	(211)	-0.4%
Net Income	**2,165**	3.7%	179	109.1%	442	125.7%	1,985	3.7%	1,722	3.0%

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■ Reference: Non-Consolidated 1H P/L Overview

(An explanation has been omitted.)

■Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 8.9%YoY; existing retail and online store sales up 4.4%YoY

- Steady trends across all channels; especially strong trends in online sales at business units
- Sales composition: Online store sales 11.9% (11.2% in the 1H of FY15); outlet store and other sales 13.4% (12.3% in the 1H of FY15)

(Millions of yen)

	Non-Consolidated Results FY16 1H						FY15 1H Results	Share	Initial Plans	Share
	Results	Share	YoY Increase (Decrease)	%	vs. Plans	%				
Non-Consolidated Sales	**58,182**	100.0%	4,764	108.9%	1,164	102.0%	53,418	100.0%	57,018	100.0%
Total Business Unit Sales	**50,413**	86.6%	3,556	107.6%	797	101.6%	46,857	87.7%	49,615	87.0%
Retail	**43,056**	74.0%	2,531	106.2%	473	101.1%	40,524	75.9%	42,583	74.7%
Online	**6,895**	11.9%	900	115.0%	258	103.9%	5,995	11.2%	6,637	11.6%
Other (Wholesale, Other)	**461**	0.8%	123	136.5%	66	116.9%	337	0.6%	394	0.7%
Outlet, Other	**7,768**	13.4%	1,208	118.4%	366	104.9%	6,560	12.3%	7,402	13.0%

	Existing Stores YoY		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	104.4%	–	–
Retail	103.1%	95.4%	108.1%
Online	112.6%	–	–

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■ Non-Consolidated Sales Results by Sales Channel

Non-consolidated sales were up 8.9% compared with the corresponding period of the previous fiscal year. Existing retail and online store sales were up 4.4% YoY.

Steady trends were recorded across all sales channels. Trends were especially strong in online sales at business units.

From a sales composition perspective, online store sales accounted for 11.9% of the total, up 0.6 of a percentage point compared with the corresponding period of the previous fiscal year. Outlet store and other sales made up 13.4% of the total, an increase of 1.1 percentage points YoY.

■Non-Consolidated Sales Results by Business

UNITED ARROWS LTD.

Revenue up in the UA, GLR and CH businesses; existing store sales up on a YoY basis

Robust trends across all of the UA, GLR, and CH businesses. Especially for:
•UA: Women's items generally and CH items in the UA business
•GLR: Women's items generally
•CH: Virtually all main items
•SBUs: While SBUs struggled in overall terms, steady trends at Jewel Changes, Boisson Chocolat, and THE STATION STORE

(Millions of yen)

	Non-Consolidated Results FY16 1H			
	Results	YoY Increase (Decrease)	%	FY15 1H Results
Total Business Unit Sales	**50,413**	3,556	107.6%	46,857
UA	**24,810**	1,228	105.2%	23,582
GLR	**12,810**	1,170	110.1%	11,639
CH	**5,803**	1,178	125.5%	4,625
SBUs	**6,989**	(20)	99.7%	7,009

	Existing Stores YoY		
	Retail + Online	Retail	Online
UA	102.1%	100.1%	115.0%
GLR	104.4%	102.2%	117.2%
CH	–	124.7%	–
SBUs	98.3%	97.0%	103.0%

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 in the UNITED ARROWS (UA), UNITED ARROWS green label relaxing (GLR), and CHROME HEARTS (CH) businesses, with existing store sales up on a YoY basis.

Robust trends in women's items generally as well as CH items handled at UA stores were seen in the UA business as well as women's items generally in the GLR businesses, with strong results also recorded across virtually all main items in the CH business.

CH showed high rates of sales growth in both tax-free sales to overseas tourists visiting Japan and sales to domestic customers.

While SBUs struggled in overall terms, Jewel Changes, Boisson Chocolat, and THE STATION STORE exhibited steady sales trends.

■Non-Consolidated Gross Margin Results

UNITED ARROWS LTD.

1.9 percentage point YoY decrease to 50.2% in the non-consolidated gross margin

- Total Business Units: Reflecting on the previous period's results, priority placed on price setting and a product lineup that would attract customers; despite a decline of 1.6 percentage points for the 2Q cumulative period, the degree of decline narrowed in the 2Q compared with the 1Q
- Outlet, Other: Priority placed on the reduction of past inventories; in addition to actual stores, took steps to use outlet e-commerce malls while actively holding sales events for past inventories; despite a downturn in the gross margin, inventories contracted steadily

	Non-Consolidated Results FY16 1H			Reference: 1Q (Three-Month Period)			Reference: 2Q (Three-Month Period)		
	Results	FY15 1H	Increase (Decrease)	Results	FY15 1Q	Increase (Decrease)	Results	FY15 2Q	Increase (Decrease)
Non-Consolidated Gross Margin	**50.2%**	52.1%	-1.9%	53.9%	56.2%	-2.3%	46.5%	47.7%	-1.2%
Total Business Units	**54.7%**	56.3%	-1.6%	57.4%	59.3%	-1.9%	51.9%	53.1%	-1.2%
Outlet, Other	**28.9%**	31.3%	-2.4%	33.6%	35.5%	-1.9%	23.9%	26.4%	-2.4%
Other COGS Millions of yen	576	599	(23)	81	1	79	494	597	(102)

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

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■ Non-Consolidated Gross Margin Results

In the 1H of FY16, the non-consolidated gross margin decreased 1.9 percentage points compared with the corresponding period of the previous fiscal year, to 50.2%.

While the gross margin declined on a YoY basis, the degree of decline narrowed in the 2Q compared with the 1Q.

Reflecting on results from the 2H of the previous fiscal year, priority was placed on price setting and a product lineup that would attract customers in the Total Business Units segment. As a result, the Total Business Units gross margin came in at 54.7%, down 1.6 percentage points YoY for the 1H of FY16. On this basis, the degree of decline narrowed in the 2Q compared with the 1Q.

The gross margin for Outlet, other declined 2.4 percentage points YoY, to 28.9%, due to a variety of factors, including the reduction of past inventories. Special efforts were also made to actively hold sales events outside stores and undertake other initiatives in the 2Q. As a result, past inventories are steadily contracting, despite a downturn in the gross margin.

■Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

Non-consolidated SGA expenses to sales ratio decreased 1.5 percentage points YoY to 44.2 %

Note: Factors contributing to the YoY decrease in SGA expenses as a ratio to sales
・Overall: Relative decrease in the fixed cost rate in line with the increase in revenue (existing store and e-commerce sales)
・Ratio of advertising expenses to sales: Decrease in line with such factors as the decline in the placement of magazine advertisements as well as a drop in expenses relating to the publication of catalogues
(Compared with plans: Down ¥300 million → Decrease in advertising expenses of ¥100 million; drop in repairs and consumables of ¥100 million; and downturn in other costs of ¥100 million)

(Millions of yen)

	Non-Consolidated Results FY16 1H					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY15 1H Results	vs. Sales
Non-Consolidated Sales	**58,182**	**100.0%**	4,764	108.9%	53,418	100.0%
SGA Expenses	**25,694**	**44.2%**	1,285	105.3%	24,408	45.7%
Advertising Expenses	**997**	**1.7%**	(63)	94.0%	1,061	2.0%
Personnel Expenses	**9,484**	**16.3%**	387	104.3%	9,096	17.0%
Rent	**7,761**	**13.3%**	534	107.4%	7,226	13.5%
Depreciation	**741**	**1.3%**	18	102.6%	723	1.4%
Other	**6,709**	**11.5%**	408	106.5%	6,301	11.8%

Note: A portion of warehouse rent has been reclassified from "other" and posted to "rent expense." Data for the corresponding period of the previous fiscal year has been adjusted for comparative purposes.

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■ Non-Consolidated SGA Expenses

The non-consolidated SGA expenses to total sales ratio decreased 1.5 percentage points compared with the corresponding period of the previous fiscal year, to 44.2%.

Factors contributing to the YoY decrease in this ratio are presented as follows.

In overall terms, the fixed cost rate exhibited a relative decrease in line with the increase in revenue.

The ratio of advertising expenses to sales decreased in line with such factors as the decline in the placement of magazine advertisements as well as a drop in expenses relating to the publication of catalogs .

SGA expenses declined ¥300 million compared with plans. This decline reflected a decrease in advertising expenses of ¥100 million, a drop in repairs and consumables of ¥100 million, and a downturn in other costs of ¥ 100 million.

■Consolidated / Non-Consolidated 1H-End B/S Overview

UNITED ARROWS LTD.

(YoY comparative analysis of consolidated balances as of the end of the 2Q FY16 and the end of the 2Q FY15)

- Current assets: Increase in the balances of accounts receivable—other and inventory; decrease in the balance of cash and deposits
- Noncurrent assets: Increase in the balances of guarantee deposits and other noncurrent assets; decrease in the balance of tangible noncurrent assets in line with depreciation and investment securities
- Current liabilities: Increase in the balances of current portion of long-term loans payable and accounts payable—trade; decrease in the balance of short-term loans payable
- Noncurrent liabilities: Increase in the balance of long-term loans payable
- Net assets: Decrease in line with acquisition of treasury stock

Note: The balance of consolidated short- and long-term loans payable: Up 22.2% YoY to ¥8.6 billion

Note: The balance of non-consolidated inventory: Up 2.0% YoY (non-consolidated net sales growth: 8.9%)

(Millions of yen)

	Consolidated Results FY16 1H-End				Non-Consolidated Results FY16 1H-End			
	Results	Share	YoY	vs. FY15-End	**Results**	Share	YoY	vs. FY15-End
Total Assets	**62,334**	100.0%	101.3%	100.5%	**58,048**	100.0%	100.9%	101.1%
Current Assets	**41,183**	66.1%	102.3%	99.4%	**36,843**	63.5%	101.9%	100.8%
(Inventory)	**25,638**	41.1%	101.6%	109.2%	**23,577**	40.6%	102.0%	110.7%
Noncurrent Assets	**21,150**	33.9%	99.4%	102.8%	**21,204**	36.5%	99.1%	101.7%
Current Liabilities	**26,374**	42.3%	98.8%	109.4%	**23,254**	40.1%	97.8%	112.6%
Noncurrent Liabilities	**5,891**	9.5%	212.3%	87.5%	**5,520**	9.5%	228.7%	86.4%
Total Net Assets	**30,069**	48.2%	93.7%	96.4%	**29,273**	50.4%	93.4%	96.4%
Reference: Balance of Short and Long-Term Loans Payable	**8,678**	13.9%	122.2%	82.6%	**6,798**	11.7%	125.9%	77.3%

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■ Consolidated / Non-Consolidated 1H-End B/S Overview

The balance of total assets stood at ¥62,334 million as of September 30, 2015 on a consolidated basis. This figure was 1.3% higher than the balance as of September 30, 2014 and 0.5% higher than the balance as of the end of the previous fiscal year.

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

Current assets stood at ¥41,183 million as of September 30, 2015, up 2.3% compared with the balance as of the end of the corresponding period of the previous fiscal year. The principal movements included increases in the balances of accounts receivable—other and inventory and a decrease in the balance of cash and deposits. Noncurrent assets came to ¥21,150 million, a decrease of 0.6% YoY. While the balance of guarantee deposits increased, this decline in the balance of noncurrent assets largely reflected a decrease in the balance of tangible noncurrent assets in line with depreciation and a downturn in the balance of investment securities.

The balance of current liabilities stood at ¥26,374 million, down 1.2% compared with the balance as of September 30, 2014. Despite reporting higher balances of current portion of long-term loans payable and accounts payable—trade, UNITED ARROWS LTD. recorded a decrease in the balance of short-term loans payable.

(Continued on the following page)

■Consolidated / Non-Consolidated 1H-End B/S Overview

UNITED ARROWS LTD.

(YoY comparative analysis of consolidated balances as of the end of the 2Q FY16 and the end of the 2Q FY15)

- Current assets: Increase in the balances of accounts receivable—other and inventory; decrease in the balance of cash and deposits
- Noncurrent assets: Increase in the balances of guarantee deposits and other noncurrent assets; decrease in the balance of tangible noncurrent assets in line with depreciation and investment securities
- Current liabilities: Increase in the balances of current portion of long-term loans payable and accounts payable—trade; decrease in the balance of short-term loans payable
- Noncurrent liabilities: Increase in the balance of long-term loans payable
- Net assets: Decrease in line with acquisition of treasury stock

Note: The balance of consolidated short- and long-term loans payable: Up 22.2% YoY to ¥8.6 billion

Note: The balance of non-consolidated inventory: Up 2.0% YoY (non-consolidated net sales growth: 8.9%)

(Millions of yen)

	Consolidated Results FY16 1H-End				Non-Consolidated Results FY16 1H-End			
	Results	Share	YoY	vs. FY15-End	**Results**	Share	YoY	vs. FY15-End
Total Assets	**62,334**	100.0%	101.3%	100.5%	**58,048**	100.0%	100.9%	101.1%
Current Assets	**41,183**	66.1%	102.3%	99.4%	**36,843**	63.5%	101.9%	100.8%
(Inventory)	**25,638**	41.1%	101.6%	109.2%	**23,577**	40.6%	102.0%	110.7%
Noncurrent Assets	**21,150**	33.9%	99.4%	102.8%	**21,204**	36.5%	99.1%	101.7%
Current Liabilities	**26,374**	42.3%	98.8%	109.4%	**23,254**	40.1%	97.8%	112.6%
Noncurrent Liabilities	**5,891**	9.5%	212.3%	87.5%	**5,520**	9.5%	228.7%	86.4%
Total Net Assets	**30,069**	48.2%	93.7%	96.4%	**29,273**	50.4%	93.4%	96.4%
Reference: Balance of Short and Long-Term Loans Payable	**8,678**	13.9%	122.2%	82.6%	**6,798**	11.7%	125.9%	77.3%

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■ Consolidated / Non-Consolidated 1H-End B/S Overview

(Continued from the previous page)

Noncurrent liabilities amounted to ¥5,891 million, 112.3% higher than the balance as of September 30, 2014. This increase was largely attributable to a rise in the balance of long-term loans payable in line with the acquisition of treasury stock.

As of the end of the period under review, the balance of net assets stood at ¥30,069 million, a decrease of 6.3% compared with the end of the corresponding period of the previous fiscal year. While the balance of retained earnings increased, this overall decrease in the balance of net assets was largely due to the acquisition of treasury stock.

The balance of short- and long-term loans payable rose 22.2% compared with the balance as of the end of the corresponding period of the previous fiscal year, to ¥8,678 million. Again, this increase was largely the result of costs associated with the acquisition of treasury stock.

The balance of non-consolidated inventory rose 2.0% YoY. This rate of increase was, however, substantially lower than the rate of non-consolidated sales growth of 8.9% compared with the corresponding period of the previous fiscal year.

■Consolidated 1H C/F Overview

UNITED ARROWS LTD.

Net cash provided by operating activities came to ¥4,639 million (¥267 million for the corresponding period of the previous fiscal year)

Factors contributing to the YoY increase in net cash provided by operating activities: Downturn in the increase in inventories of ¥2,706 million and a decrease in income taxes paid of ¥2,082 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥3,469 million, increase in purchase liabilities of ¥3,726 million; (major cash outflows) increase in inventories of ¥2,164 million, income taxes paid of ¥1,219 million
- Cash flows from investing activities: (major cash outflows) purchase of property, plant and equipment of ¥1,071 million, payment for guarantee deposits of ¥450 million
- Cash flows from financing activities: (major cash outflows) cash dividends paid of ¥1,770 million, purchase of treasury stock of ¥1,418 million, net decrease in short-term loans payable and repayment of long-term loans payable of ¥1,822 million

(Millions of yen)

	Consolidated Results FY16 1H	FY15 1H
	Results	Results
Cash flows from operating activities (sub-total)	**5,877**	3,885
Cash flows from operating activities	**4,639**	267
Cash flows from investing activities	**(1,464)**	(1,977)
Cash flows from financing activities	**(5,011)**	523
Cash and cash equivalents at the end of the term	**3,747**	4,243

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■ Consolidated 1H C/F Overview

The balance of cash and cash equivalents as of September 30, 2015 stood at ¥3,747 million.

Cash flows from operating activities increased substantially compared with the corresponding period of the previous fiscal year. This rise was largely attributable to a YoY downturn in the increase in inventories of ¥2,706 million (¥4,870 million for the 1H of FY15 and ¥2,164 million for the 1H of FY16) and a YoY decrease in income taxes paid of approximately ¥2,082 million.

Net cash provided by operating activities amounted to ¥4,639 million. The principal cash inflows were income before income taxes of ¥3,469 million and increase in purchase liabilities of ¥3,726 million. The major cash outflows included increase in inventories of ¥2,164 million and income taxes paid of ¥1,219 million.

Net cash used in investing activities totaled ¥1,464 million. The principal cash outflows were for purchase of property, plant and equipment of ¥1,071 million and payment for guarantee deposits of ¥450 million.

Net cash used in financing activities came to ¥5,011 million. The major cash outflows were for cash dividends paid of ¥1,770 million, purchase of treasury stock of ¥1,418 million, and net decrease in short-term loans payable and repayment of long-term loans payable of ¥1,822 million.

■Results of FY16 1H-End Group Total
Opening and Closing of Stores and FY16 Forecasts

UNITED ARROWS LTD.

- FY16 1H-End Group total: Number of new stores opened: 20; Number of stores closed: 5; Number of stores as of FY16 1H-end: 349
- Full FY16 forecast Group total: Number of new stores opened: 35; Closed: 8; Number of stores as of FY16-end: 361 (2 stores less than the previous forecast)

Note: Changes from the previous earnings announcement: UNITED ARROWS LTD.: The number of BY and Another Edition stores closed each increased by one

	FY16 1H Results				FY16 Forecasts						Reference
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 1H-end	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	Increase (decrease) from the previous forecast
Group Total	**334**	**20**	**5**	**349**	**334**	**20**	**15**	**35**	**8**	**361**	**(2)**
UNITED ARROWS LTD.	242	16	5	253	242	16	10	26	8	260	(2)
FIGO CO., LTD.	17	1		18	17	1	1	2		19	
COEN CO., LTD.	73	3		76	73	3	3	6		79	
UNITED ARROWS TAIWAN LTD.	2			2	2		1	1		3	

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

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■ Results of FY16 1H-End Group Total Opening and Closing of Stores and FY16 Forecasts

On a Group total basis, 20 stores were newly opened and 5 stores were closed during the 1H of FY16. The number of stores as of September 30, 2015 therefore stood at 349.

For the full fiscal year ending March 31, 2016, the UNITED ARROWS Group is looking to open 35 new stores and close 8 stores, bringing the total number of stores as of the end of the fiscal year under review to 361.

Compared with the previous forecast, the number of stores as of the period-end is projected to decrease by two stores.

Looking at a breakdown of changes from forecasts provided during the previous earnings announcement, the number of BEAUTY&YOUTH and Another Edition stores closed each increased by one.

■Reference: UNITED ARROWS LTD. Results of FY16 1H-End Opening and Closing of Stores and FY16 Forecasts

UNITED ARROWS LTD.

	FY16 1H Results				FY16 Forecasts						Reference
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 1H-end	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	Increase (decrease) from the previous forecast
UNITED ARROWS LTD. Total	**242**	**16**	**5**	**253**	**242**	**16**	**10**	**26**	**8**	**260**	**(2)**
UNITED ARROWS Total	76	7	1	82	76	7	6	13	3	86	(1)
UNITED ARROWS (General Merchandise Store)	11		1	10	11				2	9	
UNITED ARROWS	23	1		24	23	1	1	2		25	
BOW & ARROWS	2			2	2					2	
THE SOVEREIGN HOUSE	1			1	1					1	
District	1			1	1					1	
BEAUTY&YOUTH	36	4		40	36	4	4	8	1	43	(1)
monkey time	1	1		2	1	1		1		2	
STEVEN ALAN	1	1		2	1	1	1	2		3	
green label relaxing	62	6	2	66	62	6	3	9	2	69	
CHROME HEARTS	10			10	10					10	
SBUs Total	73	1	2	72	73	1	1	2	3	72	(1)
Another Edition	16			16	16				1	15	(1)
Jewel Changes	10			10	10					10	
Odette e Odile	23		2	21	23				2	21	
Boisson Chocolat	3			3	3					3	
DRAWER	7			7	7					7	
ASTRAET	3			3	3		1	1		4	
EN ROUTE	1	1		2	1	1		1		2	
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	6			6	6					6	
Outlet	21	2		23	21	2		2		23	

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 FY16 1H-End Opening and Closing of Stores and FY16 Forecasts

(An explanation has been omitted.)

■Reference: FY16 1H-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
Sep.	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)
Aug.	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 store	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)
Apr.	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)
	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 treated as a closed and newly opened store due to the dramatic change in product offerings at the store.

(*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.

FIGO CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
Aug.	Newly opened store	Felisi MATSUYA GINZA	MATSUYA GINZA (Chuo-ku, Tokyo)

COEN CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
July	Newly opened store	FIND GOOD LUCK HOKURIKU OYABE	MITSUI OUTLET PARK HOKURIKU OYABE (Oyabe-shi, Toyama)
Apr.	Newly opened store	Grand Store KOKURA	AMU PLAZA KOKURA (Kokurakita-ku, Kitakyushu-shi)
	Newly opened store	LaLaport FUJIMI	LaLaport FUJIMI (Fujimi-shi, Saitama)

Note: COEN CO., LTD. maintains a balance date of January 31 each year. Accordingly, store opening results for the second quarter cover the cumulative period from February 1 to July 31.

Note: There were no newly opened or closed stores during the 1H of FY16 by UNITED ARROWS TAIWAN LTD.

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■ Reference: FY16 1H-End Results of the Opening and Closing of Stores

(An explanation has been omitted.)

■Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.

Decreases in revenue and earnings for the 1H FY16

- 1H sales: ¥1,400 million; down 12% YoY
- The principal factor relating to the decrease in revenue involved delays in wholesale shipments
- Decreases in 2Q revenue and earnings forecasts from the beginning of the period
- Aiming for increases in revenue and earnings for the full fiscal year


The new MONOGRAM series of Felisi bags launched on October, 2015

COEN CO., LTD.

Increase in revenue and earnings for the 1H FY16

- 1H sales: ¥4,500 million; up 12% YoY
- Gross profit in excess of forecasts with each level of earnings trending above plans due to a decrease in SGA expenses
- Also targeting increases in revenue and earnings for the full fiscal year

Products in collaboration with Japanese professional baseball teams

UNITED ARROWS TAIWAN LTD.

1H FY16 trends in line with plans

- UA store: Continued to achieve sales plans; BY store: Gradual improvement in sales through successful efforts to grasp customer needs
- Undertook a variety of steps, including the use of SNS and the rollout of pop-up shops to increase visibility and awareness


BY TAIPEI store: POP-UP SHOP set up within the Eslite store from May 23, 2015 to June 1, 2015

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■ Group Companies

FIGO CO., LTD.

In the 1H of FY16, the company reported decreases in revenue and earnings. Sales amounted to ¥1,400 million, down 12% compared with the corresponding period of the previous fiscal year. The principal factor contributing to the decrease in revenue involved delays in wholesale shipments.
The decreases in both revenue and earnings were forecast from the beginning of the period. In contrast, the company is targeting increases in revenue and earnings for the full fiscal year in line with initial forecasts.

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

In the 1H of FY16, the company reported increases in revenue and earnings. Sales came to ¥4,500 million, up 12% compared with the corresponding period of the previous fiscal year.
Gross profit is in excess of forecasts, with each level of earnings trending above plans due to a decrease in SGA expenses.
Looking at the full fiscal year, the company is targeting increases in revenue and earnings.

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

In the 1H of FY16, operating results were essentially in line with plans.
The UA TAIPEI store continued to achieve its sales plans.
Despite experiencing difficulties, the BEAUTY&YOUTH UNITED ARROWS (BY) TAIPEI store saw a gradual improvement in sales through successful efforts to grasp customer needs.
The company undertook a variety of steps, including the use of SNS and the rollout of pop-up shops to increase visibility and awareness.
As a result, the company is expecting full fiscal year results to come in in line with plans.

■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

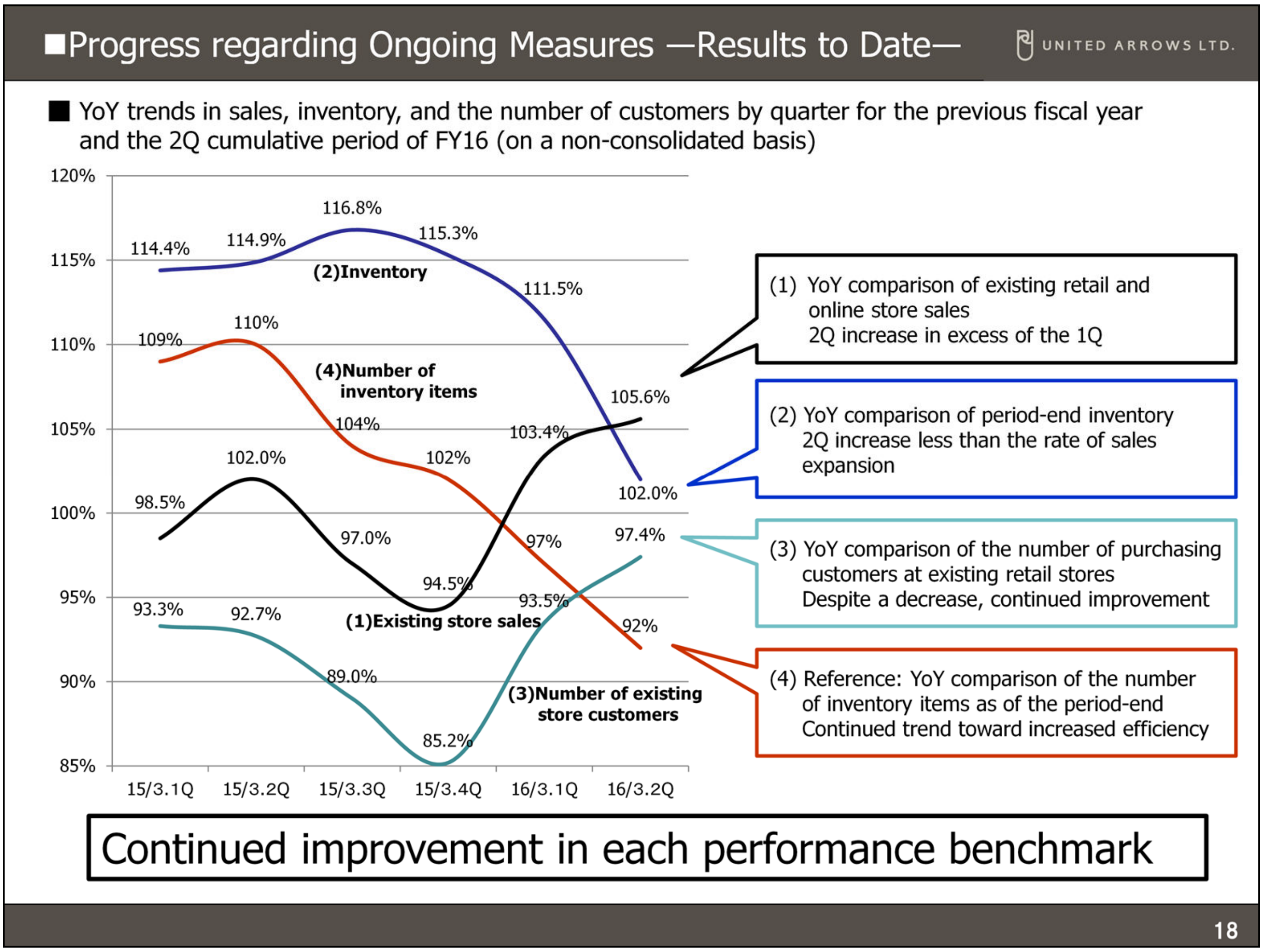
In addition to an explanation outlining the progress made in addressing priority issues, we also provide details of recent changes to the Company's organization as well as the cancellation of treasury stock in the latter half of this presentation.

Progress on Addressing Priority Issues

UNITED ARROWS LTD. has identified "Maximum satisfaction to each customer on each occasion" as its Management Slogan for the fiscal year under review.

In addition, and as a part of the ongoing measures carried forward from the previous fiscal year, the Company is looking to "review merchandising and product lineup policies," "review pricing strategies," and "control increases in inventories."

While there remains little room for complacency, signs that we are having some success in implementing the aforementioned measures are beginning to emerge. Turning to the next page, we provide an explanation outlining results to date.



■ **Progress regarding Ongoing Measures —Results to Date—**
The graph on this page depicts YoY trends in the Company's sales, inventory, and the number of customers by quarter for the previous fiscal year and the 1H of FY16 on a non-consolidated basis.

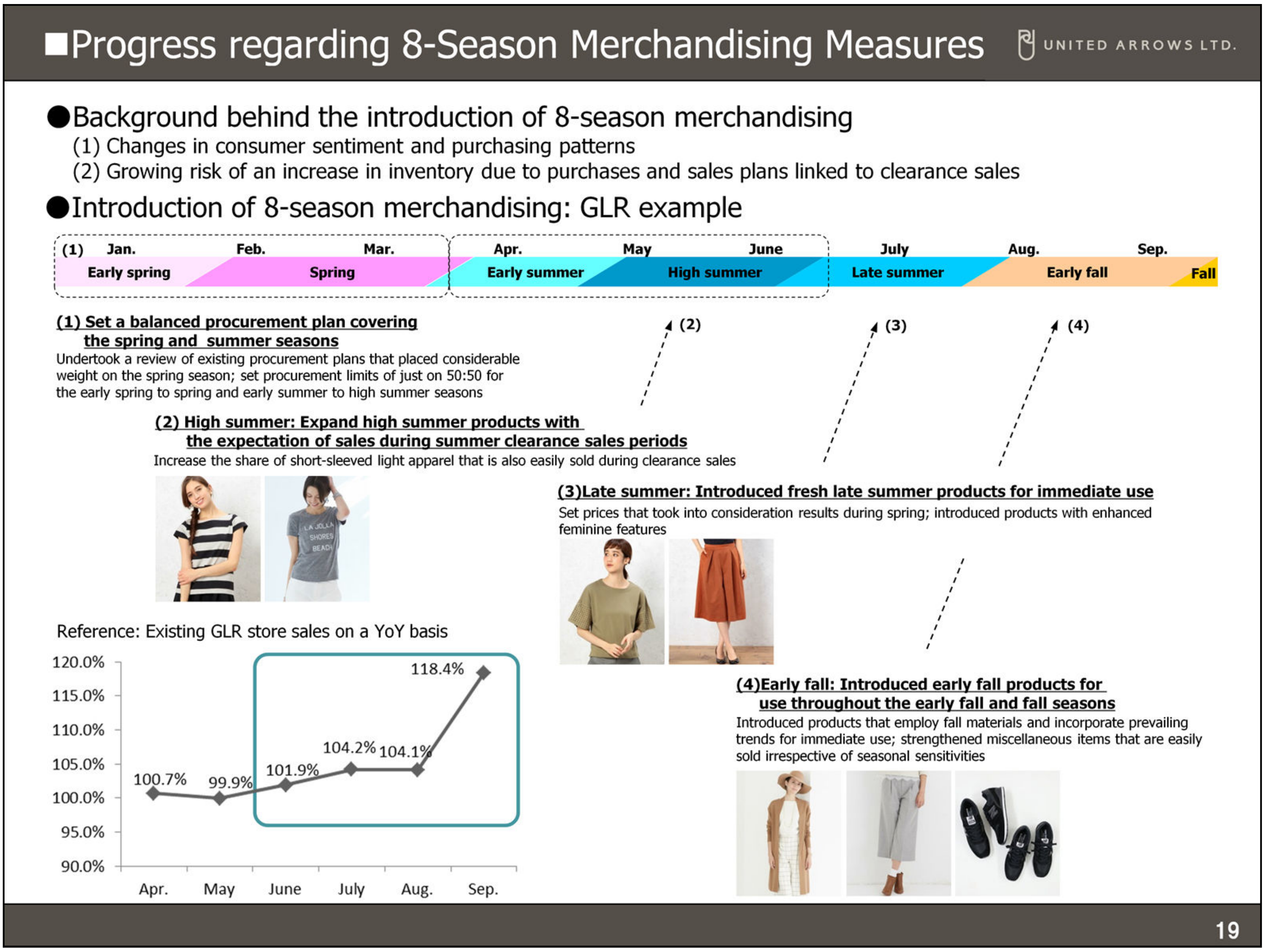
(1) YoY comparison of existing retail and online store sales
→ Up 5.6% in the 2Q three-month period and a further upswing from the 3.4% increase in the 1Q
Steady sales trends also for fall and winter items from September 2015

(2) YoY comparison of period-end inventory
→ Up 2.0% as of the end of the 2Q but substantially below the rate of sales expansion
Making steady progress on implementing measures aimed at increasing the efficiency of new product introduction and the reduction of past inventories; Improvement in the composition of inventory

(3) YoY comparison of the number of purchasing customers at existing retail stores
→ Despite a decrease of 2.6% in the 2Q three-month period, an improvement over the downturn of 6.5% in the 1Q
While not shown in the graph, a positive turnaround and an increase of 5.1% for the single month of September 2015 followed by continued positive trends in October

(4) YoY comparison of the number of inventory items as of the period-end
→ Decrease of 8.0% as of the end of the 2Q; The Company recognizes various measures, including efforts to rationalize the number of items through the introduction of new products, is contributing to the declining trend

Despite signs of an improvement, any real optimism is tempered by the limited six-month period of measures implemented. Moving forward, ongoing steps to be taken to promote key measures while reevaluating possible scenarios.



■ **Progress regarding 8-Season Merchandising Measures**

● **Background behind the introduction of 8-season merchandising**

The decision to introduce 8-season merchandising was largely due to changes in consumers' purchasing patterns and the emergence of two distinct trends running in tandem between consumers who are willing to purchase forward-looking items that exhibit value and consumers who desire items for immediate use. The introduction of 8-season merchandising was also the result of changes in climate conditions and the incidence of gaps between consumers' sensory perceptions and in-store merchandise. Taking each of the aforementioned into consideration, UNITED ARROWS LTD. recognized the inability of existing product planning measures to fully meet customer needs. In 2014, the increase in inventory risk attributable to the Company's use of conventional product purchasing and sales plans that depend on clearance sales was particularly evident. Despite efforts to bolster inventories in a bid to increase sales during clearance sales periods, the prolonged nature of clearance sales and progressive markdown of products that led to a downturn in the fresh appeal of stores triggered a slump in clearance sales and an increase in past inventories. The 8-season merchandising approach is therefore being positioned as a means to resolve these issues. Under this approach, each year is broken down into a maximum of eight segments. Steps are then taken to promote the finely tuned introduction of products according to each segment. In this manner, energies are channeled toward consistently delivering products with a fresh appeal in line with the sensory perceptions of consumers. At the same time, considerable care is given to determining the optimal amount of product purchasing and to promoting sales within each period in order to control residual inventories.

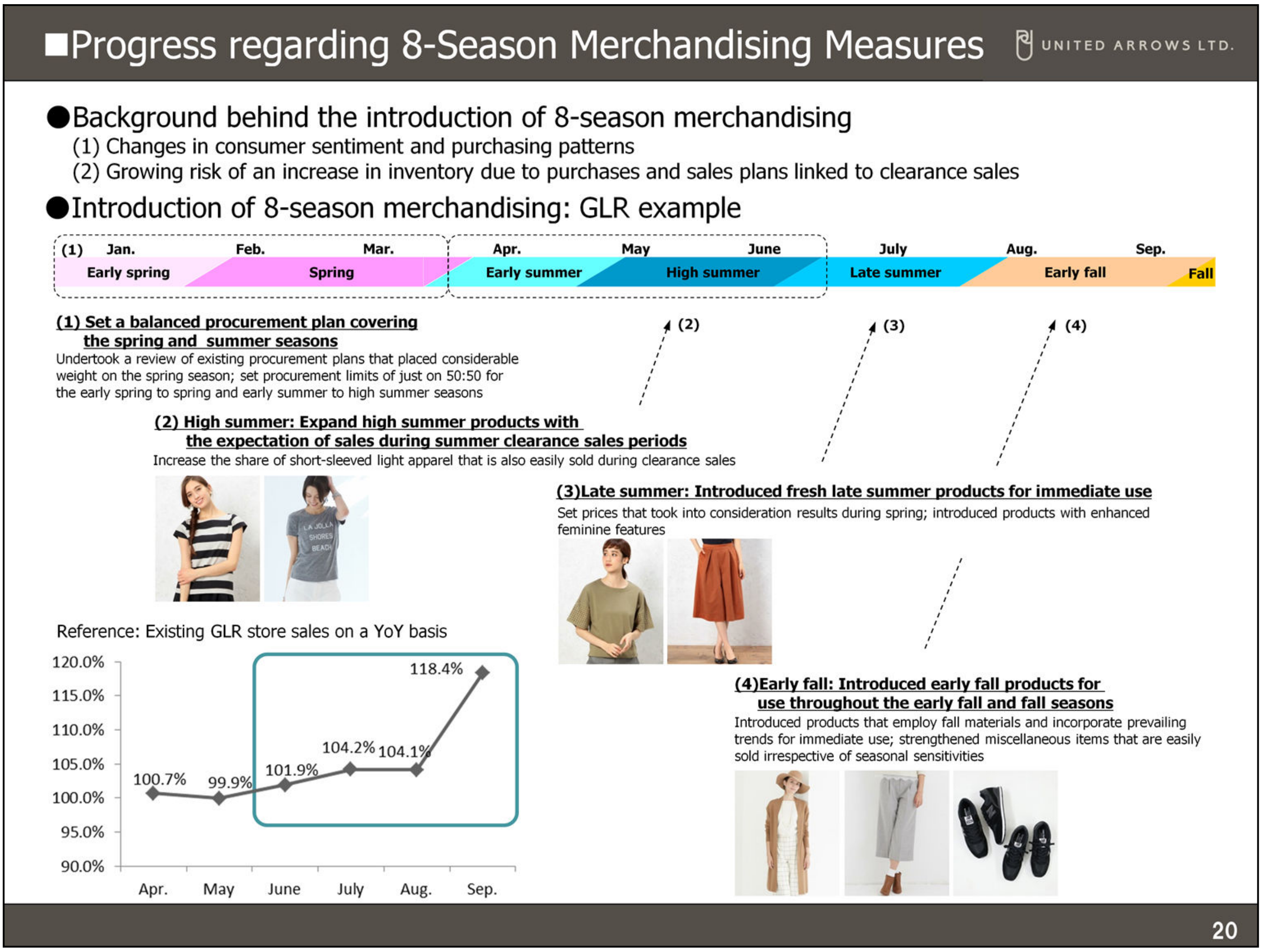
● **Introduction of 8-season merchandising: GLR example**

In introducing 8-season merchandising at GLR, steps were taken to review spring and summer product purchasing plans.

(1) Set a balanced product purchasing plan covering the spring and summer seasons

Under the Company's conventional product plans, considerable weight was placed on variety at the beginning of each season. At the same time, the tendency was also to emphasize spring items. After undertaking a review of this approach, limits on product purchasing plans of just on 50:50 were set for the early spring to spring and the early summer to high summer seasons.

(Continued on the following page)



■ Progress regarding 8-Season Merchandising Measures

(Continued from the previous page)

(2) High summer: Expand high summer products with the expectation of sales during summer clearance sales periods
With an increase in the limits pertaining to the procurement of summer items, steps were taken to consider sales trends during clearance sales periods and to increase the volume of short-sleeved shirts as well as short-sleeved cut and other high summer items while reducing the incidence of opportunity loss attributable to items that are marked as out of stock.

(3) Late summer: Introduced fresh late summer products for immediate use
In tandem with clearance sales, energies were channeled toward introducing fall-colored, late summer items from the end of June for immediate use and further enhancing the fresh appeal of stores. In addition, and drawing on results recorded during spring, particular focus was placed on properly ascertaining product price ranges that would attract customers and on increasing products that address feminine tastes . As a result, successful steps were taken to generate a series of hit products, including big silhouette cut items and gaucho pants, from the middle of the season.

(4) Early fall: Introduced early fall products for use throughout the early fall and fall seasons
Early fall items were introduced from mid-to-late July. Placing considerable emphasis on this fall's color trends of khaki and camel, a variety of fall items were introduced, including long-length cardigans, light outerwear, three-quarter sleeved tops, and wide pants. In addition, efforts focused on the rollout of such miscellaneous items as sneakers and hats that are easily sold irrespective of seasonal sensitivities.

Moreover, every effort is being made to ensure robust beginnings to the fall and winter season. In specific terms, the promotion department is engaging in a variety of activities while ensuring the effective use of magazine advertising, product catalogs, online tools, and SNS. For its part, the sales department is working to improve coordination with display proposals at stores.

Driven by the success of these initiatives, sales at existing GLR stores have been robust from June 2015. Drawing on the success at GLR as an example and after reflecting on any issues that subsequently arise, plans will be set for next year's spring and summer seasons and steps taken to further improve the precision of 8-season merchandising management. Moreover, this example will be shared with other businesses and reflected in future product planning.

■Reference: Recent Changes to the Company's Organization

UNITED ARROWS LTD.

1. Shift in the Company's structure with operating divisions reporting directly to the president; introduction of a responsible director system (July)

- Business Unit system abolished; all operating divisions to report directly to the president
- Introduction of a responsible director system with each executive director fulfilling his or her role and responsibilities

2. Efforts to strengthen SBUs (October)

- Aim to stabilize and strengthen SBUs; General Manager Green Label Relaxing Division to hold the position of General Manager Small Business Unit Div. II on a concurrent basis

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■ Reference: Recent Changes to the Company's Organization

UNITED ARROWS LTD. has undertaken two major personnel and organizational changes from the 2Q.

1. Introduction of a responsible director system (July)

Steps were taken to abolish the existing Business Unit system. A responsible director system excluding outside directors was introduced in order to clarify the roles and responsibilities of directors charged with carrying out an executive function. Further, all operating divisions are to report directly to the president. The objectives of this reorganization are to ensure that all management decisions relating to business operations are made on a timely basis and to maximize the satisfaction of each customer on each occasion.

Hiroyuki Higashi, who was formerly in charge of Business Unit I, will oversee all corporate strategy. In specific terms, Mr. Higashi's role and responsibilities will entail taking charge of business planning and development, overseas expansion, and human resource organizational development while also implementing strategic as well as medium and long-term initiatives.

Mitsunori Fujisawa, who was formerly in charge of Business Unit II, will oversee operating activities. Mr. Fujisawa's role and responsibilities will entail taking charge of addressing difficult-to-solve problems within business divisions, upgrading business infrastructure, and supporting business operations.

Masami Koizumi will remain in charge of the administrative function. Mr. Koizumi's role and responsibilities will entail taking charge of business administration, corporate governance, and compliance while strengthening administrative foundations Companywide.

These personnel and organizational changes are in response to the previous fiscal year's slump in operating results and reflect the critical need to quickly put in place a structure that is capable of reversing any downward spiral. While this structure has only been in place for a few months, we believe that the speed at which decisions are made and implemented has improved.

(Continued on the following page)

■Reference: Recent Changes to the Company's Organization

UNITED ARROWS LTD.

1. Shift in the Company's structure with operating divisions reporting directly to the president; introduction of a responsible director system (July)
   - Business Unit system abolished; all operating divisions to report directly to the president
   - Introduction of a responsible director system with each executive director fulfilling his or her role and responsibilities

2. Efforts to strengthen SBUs (October)
   - Aim to stabilize and strengthen SBUs; General Manager Green Label Relaxing Division to hold the position of General Manager Small Business Unit Div. II on a concurrent basis

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■ Reference: Recent Changes to the Company's Organization

(Continued from the previous page)

First and foremost, it is imperative that we achieve our plans for the current fiscal year under this new framework and then enhance our corporate value over the medium-to-long term.

2. Efforts to strengthen SBUs (October)
The Company's SBUs are largely made up of SPA-type businesses with a high proportion of private label brand products for women. In recent years, however, sales trends have failed to stabilize. Various measures, including efforts to clarify target customers and strengthen the product department, have also failed to produce the necessary results.

In order to drastically strengthen and improve performance, the general manager in charge of the Green Label Relaxing Division, which as an SPA-type business continues to exhibit robust operating performance stability, has been charged with the responsibility of overseeing the SBU Division on a concurrent basis from October 2015.

Building on the experience and know-how gained through the GLR business, the goal is to bring about a fundamental change focusing mainly on the product department. In this manner, every effort is being made to promote medium-to-long-term growth and increase profitability in the SBU business.

In addition, considerable success has been achieved in fostering middle management in the GLR business. These officers can be expected to play a central role in driving forward business operations as leaders of the next generation.

■Reference: About the Cancellation of Treasury Stock

UNITED ARROWS LTD.

All treasury stock held to be cancelled effective November 20, 2015.
(7,586,324 shares; 20.1% of the total number of issued shares)

→ No capital alliance or M&A forecast for the foreseeable future; the Company's current financial position deemed as sound

→ The Company has no specific application for its treasury stock in mind; aim to enhance the Company's standing and credibility with capital markets in line with the cancellation of treasury stock

Continue to maintain the target ROE of 20.0% or more as a long-term target, as a part of efforts to improve capital efficiency

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■ Reference: About the Cancellation of Treasury Stock

UNITED ARROWS LTD. currently holds 7,586,324 shares of treasury stock, which accounts for approximately 20% of the total number of issued shares.

Converted at the Company's current share price, treasury stock translates to just under ¥40 billion.

At a meeting of the Board of Directors held on November 6, 2015, the decision was made to cancel all treasury stock held effective November 20, 2015.

In the past, UNITED ARROWS LTD. has adopted a flexible approach toward the application of treasury stock. In addition to considering various capital alliance and M&A opportunities, the Company has also outlined its approach toward the cancellation of treasury stock should such opportunities fail to arise. With little or no prospect of a capital alliance or M&A in the foreseeable future, and the Company's current sound financial position, the decision was made to cancel all treasury stock.

Through the cancellation of treasury stock, the Company plans to enhance its standing within the capital market.

Furthermore, the Company will work toward improving capital efficiency by continuing to maintain an ROE target of 20.0% or more and strive to enhance shareholder value.

Reference Materials

■FY16 Consolidated / Non-Consolidated P/L Forecasts

UNITED ARROWS LTD.

(Millions of yen)

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

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

UNITED ARROWS LTD.

■Consolidated

(Millions of yen)

	Consolidated Results FY16 1H				Consolidated Forecasts FY16 2H		
	Results	vs. Sales	YoY	Forecasts	Forecasts	vs. Sales	YoY
Sales	64,102	100.0%	108.7%	101.7%	78,377	100.0%	108.7%
Gross Profit	32,667	51.0%	105.1%	100.7%	40,624	51.8%	109.9%
SGA Exp.	29,051	45.3%	105.3%	98.7%	31,934	40.7%	109.7%
Operating Inc.	3,615	5.6%	103.5%	120.7%	8,690	11.1%	110.6%
Non Op. P/L	3	0.0%	5.6%	–	12	0.0%	9.3%
Ordinary Inc.	3,618	5.6%	101.8%	121.9%	8,702	11.1%	108.9%
Extraordinary P/L	(149)	-0.2%	–	–	(100)	-0.1%	–
Net Income	2,136	3.3%	109.1%	125.6%	5,402	6.9%	123.5%

■Non-Consolidated

	Non-Consolidated Results FY16 1H				Non-Consolidated Forecasts FY16 2H		
	Results	vs. Sales	YoY	Forecasts	Forecasts	vs. Sales	YoY
Sales	58,182	100.0%	108.9%	102.0%	70,709	100.0%	108.4%
Gross Profit	29,224	50.2%	105.0%	100.9%	36,282	51.3%	109.7%
SGA Exp.	25,694	44.2%	105.3%	98.8%	28,189	39.9%	109.6%
Operating Inc.	3,530	6.1%	103.2%	119.3%	8,092	11.4%	109.8%
Non Op. P/L	15	0.0%	18.2%	–	26	0.0%	19.1%
Ordinary Inc.	3,545	6.1%	101.1%	120.1%	8,119	11.5%	108.1%
Extraordinary P/L	(94)	-0.2%	–	–	(100)	-0.1%	–
Net Income	2,165	3.7%	109.1%	125.7%	5,104	7.2%	118.7%

* Reference data for the 2H is presented on an initial forecast basis. As a result, the aggregate total of 1H results and 2H forecasts does not come to forecast data for the full fiscal year.

■Reference: Details of FY16 Non-Consolidated Sales 1H Results and 2H Forecasts

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY16 1H			Non-Consolidated Forecasts FY16 2H		Non-Consolidated Forecasts FY16 (full fiscal year)	
	Results	YoY	vs. Forecasts	**Forecasts**	YoY	**Forecasts**	YoY
Sales	**58,182**	108.9%	102.0%	**70,709**	108.4%	**127,727**	107.6%
Total Business Unit Sales	**50,413**	107.6%	101.6%	**61,766**	108.3%	**111,381**	107.2%
Retail	**43,056**	106.2%	101.1%	**52,493**	108.9%	**95,077**	107.2%
Online	**6,895**	115.0%	103.9%	**8,895**	107.8%	**15,533**	109.0%
Other (Wholesale, Other)	**461**	136.5%	116.9%	**376**	62.3%	**771**	81.9%
Outlet, Other	**7,768**	118.4%	104.9%	**8,942**	109.3%	**16,345**	110.9%
Existing store sales YoY							
Retail + Online	104.4%			103.9%		103.3%	
Retail	103.1%			103.3%		102.5%	
Online	112.6%			107.6%		108.4%	

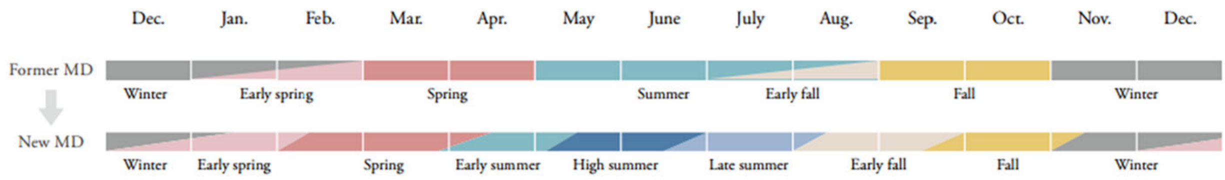
* Reference data for the 2H is presented on an initial forecast basis.
As a result, the aggregate total of 1H results and 2H forecasts does not come to forecast data for the full fiscal year.

■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 measures 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 implement 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 have 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 the 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)

■Reference: Overview of the Long-Term Vision

UNITED ARROWS LTD.

■ Long-Term Vision Slogan

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

■ Management strategies aimed at achieving the long-term vision

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

■ Sales initiatives aimed at achieving the long-term vision

1. Strengthen collaboration between the product, sales, and promotion departments
2. Take a systematic approach toward business processes and operations
3. Bolster creativity

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

Consolidated sales: ¥220.0 billion
Consolidated ordinary income: ¥26.4 billion
Ordinary income margin: 12.0%
Consolidated ROE: 20.0% or more
(Work to achieve the ROE target of 20% each fiscal year)