Fiscal 2016
Fiscal Year Ending March 2016
Nine-Month Period Ended
December 31, 2015
Earnings Announcement

February 5, 2016

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

Consolidated / Non-Consolidated P/L for the Nine-Month Period Ended December 31, 2015

(For details see pages 4, 7, and 8)

- Progress essentially in line with plans on both a consolidated and non-consolidated basis
- The gross margin declined compared with the corresponding period of the previous fiscal year; this was largely due to efforts aimed at reducing past inventories and the priorities placed on price setting and a product lineup that would attract customers
- The SGA expenses to sales ratio declined compared with the corresponding period of the previous fiscal year; this was mainly due to the decrease in the fixed costs ratio in line with the increase in revenue and cutbacks in operating overhead expenses

Non-Consolidated Sales (For details see pages 5 and 6)

- Favorable trends; by sales channel, online sales were especially strong; by business, GLR and CH operations were particularly robust
- Existing retail and online store sales for the nine-month period ended December 31, 2015 up 4.5% year on year

Inventory (For details see page 9)

- YoY decreases in the balances of inventory as of December 31, 2015 on both a consolidated and non-consolidated basis of -1.7% and -2.3%, respectively; these decreases were lower than the rates of YoY sales growth on both a consolidated and non-consolidated basis, which came in at 8.7% and 8.8%, respectively

Opening and Closing of Stores (For details see pages 11 to 14)

- Trends essentially in line with plans (Number of new stores opened: 26; Number of stores closed: 5; Number of stores as of FY16 3Q-end: 355)
- The number of stores as of the end of FY16 is projected to reach 356, 5 stores less than the previous forecast (Increase in the number of stores closed: 5)
  Closure mainly of small UNITED ARROWS LTD. stores that exhibit low profitability

Consolidated Subsidiaries (For details see page 15)

- Results essentially steady up to the 3Q; COEN experiencing difficulties largely from the effects of the mild winter

■ FY16 Nine-Month Period Ended December 31, 2015 Performance Summary

(As detailed on this page)

■Consolidated / Non-Consolidated P/L Overview for the Nine-Month Period Ended December 31, 2015

UNITED ARROWS LTD.

Increase in revenue and earnings; sales and each major level of earnings essentially in line with plans

- Consolidated sales: YoY increase of 8.7% → Increase due mainly to UNITED ARROWS LTD. and COEN CO., LTD.
- Gross margin: YoY decrease of 1.6 percentage points to 52.4%
  → Decrease largely attributable to efforts aimed at reducing past inventories mainly at UNITED ARROWS LTD. and the priorities placed on prices and a product lineup that would attract customers
- SGA expenses to sales ratio: YoY decrease of 1.0 percentage point to 43.0%
  → Decrease due mainly to the downturn in the fixed costs ratio in line with the increase in revenue
- Operating income, ordinary income and quarterly net income all increased

(Millions of yen)

	Consolidated Results 9-Month Period of FY16						Non-Consolidated Results 9-Month Period of FY16					
	Results	vs. Sales	YoY Increase (Decrease)	%	9-Month Period of FY15 Results	vs. Sales	Results	vs. Sales	YoY Increase (Decrease)	%	9-Month Period of FY15 Results	vs. Sales
Sales	**104,759**	100.0%	8,360	108.7%	96,399	100.0%	**95,903**	100.0%	7,782	108.8%	88,120	100.0%
Gross Profit	**54,856**	52.4%	2,853	105.5%	52,003	53.9%	**49,632**	51.8%	2,547	105.4%	47,085	53.4%
SGA Exp.	**45,051**	43.0%	2,625	106.2%	42,425	44.0%	**39,929**	41.6%	2,246	106.0%	37,683	42.8%
Operating Inc.	**9,804**	9.4%	227	102.4%	9,577	9.9%	**9,702**	10.1%	300	103.2%	9,402	10.7%
Non Op. P/L	**32**	0.0%	(53)	38.0%	86	0.1%	**51**	0.1%	(64)	44.3%	115	0.1%
Ordinary Inc.	**9,837**	9.4%	173	101.8%	9,663	10.0%	**9,753**	10.2%	235	102.5%	9,518	10.8%
Extraordinary P/L	**(301)**	-0.3%	69	—	(371)	-0.4%	**(237)**	-0.2%	108	—	(346)	-0.4%
Net Income	**6,114**	5.8%	353	106.1%	5,760	6.0%	**6,165**	6.4%	418	107.3%	5,747	6.5%

4

■ Consolidated/Non-Consolidated P/L Overview for the Nine-Month Period Ended December 31, 2015

Both revenue and earnings were up for the nine-month period from April 1, 2015 to December 31, 2015 of FY16, the fiscal year ending March 31, 2016. Moreover, sales and each major level of earnings were essentially in line with plans.

Consolidated sales for the period under review increased 8.7% YoY, to ¥104,759 million. This increase was mainly due to sales growth at both UNITED ARROWS LTD. and COEN CO., LTD.

The gross margin decreased 1.6 percentage points YoY, to 52.4%. The lower margin was largely attributable to efforts aimed at reducing past inventories mainly at UNITED ARROWS LTD., and the priorities placed on prices and a product lineup that would attract customers. Gross profit was up 5.5% YoY in line with the increase in sales.

The selling, general and administrative (SGA) expenses to total sales ratio decreased 1.0 percentage point YoY, to 43.0%. This decrease was mainly due to the relative downturn in the fixed costs ratio on the back of an increase in revenue, cutbacks in certain operating overhead expenses, and the carryover of expenses into the next period.

Accounting for each of these factors, operating income, ordinary income, and quarterly net income all increased.

■Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 8.8%YoY; existing retail and online stores sales up 4.5%YoY

- Steady trends across all channels; especially strong trends in online sales at business units
- Sales composition: Online store sales 11.8% (11.5% in the nine-month period ended December 31, 2015 of FY15); outlet store and other sales 13.4% (12.4% in the nine-month period ended December 31, 2015 of FY15)

(Millions of yen)

	Non-Consolidated Results 9-Month Period of FY16					
	Results	Share	YoY Increase (Decrease)	%	9-Month Period of FY15 Results	Share
Non-Consolidated Sales	**95,903**	100.0%	7,782	108.8%	88,120	100.0%
Total Business Unit Sales	**83,069**	86.6%	5,906	107.7%	77,162	87.6%
Retail	**71,021**	74.1%	4,591	106.9%	66,429	75.4%
Online	**11,357**	11.8%	1,231	112.2%	10,126	11.5%
Other (Wholesale, Other)	**690**	0.7%	83	113.7%	607	0.7%
Outlet, Other	**12,833**	13.4%	1,876	117.1%	10,957	12.4%

	Existing Stores YoY		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	104.5%	—	—
Retail	103.6%	96.2%	107.6%
Online	110.5%	—	—

5

■ Non-Consolidated Sales Results by Sales Channels

Non-consolidated sales were up 8.8% compared with the corresponding period of the previous fiscal year. Existing retail and online store sales were up 4.5% 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 11.8% of the total, up 0.4 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 0.9 of a percentage point YoY.

■Non-Consolidated Sales Results by Business

UNITED ARROWS LTD.

Revenue up across all businesses; existing store sales up YoY in the UA, GLR and CH businesses

Robust trends across all of the UA, GLR, and CH business. Especially for:
- UA : Women's dress and CH items
- GLR : Women's items generally
- CH : Virtually all main items
- SBUs: While SBUs struggled in overall terms, steady trends at Jewel Changes and THE STATION STORE; steady trends also at ASTRAET from the 3Q three-month period ended December 31, 2015

(Millions of yen)

	Non-Consolidated Results 9-Month Period of FY16			9-Month Period of FY15 Results
	Results	YoY Increase (Decrease)	%	
Total Business Unit Sales	**83,069**	5,906	107.7%	77,162
UA	**41,592**	2,408	106.1%	39,184
GLR	**21,494**	1,911	109.8%	19,582
CH	**8,900**	1,516	120.5%	7,383
SBUs	**11,082**	70	100.6%	11,011

	FY15 3Q Cumulative Existing Stores YoY		
	Retail + Online	Retail	Online
UA	103.4%	101.6%	114.6%
GLR	103.5%	102.6%	108.4%
CH	-	119.8%	-
SBUs	99.6%	98.3%	104.2%

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

6

■ Non-Consolidated Sales Results by Business

Revenue was up across all businesses. Existing store sales increased YoY in the UNITED ARROWS (UA), UNITED ARROWS green label relaxing (GLR) and CHROME HEARTS (CH) businesses.

Robust trends in women's dress as well as CH items handled at UA stores were seen in the UA business. Trends were also strong for women's items generally in the GLR business.

Strong results were recorded across virtually all main items in the CH business. CH is showing 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 and THE STATION STORE exhibited steady sales trends. Sales were also steady at ASTRAET from the 3Q three-month period ended December 31, 2015.

1.7 percentage point YoY decrease to 51.8% in the non-consolidated gross margin

- Total Business Units: Reflecting on the previous period's results, priorities placed on price setting and a product lineup that would attract customers
- 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

Note: Other costs: YoY decrease of ¥130 million → Decrease due largely to the decline in the devaluation of products in line with the reduction in inventories

	Non-Consolidated Results 9-Month Period of FY16			Reference: Non-Consolidated Results FY16 1H			Reference: Non-Consolidated Results FY16 3Q (Three-Month Period)		
	Results	YoY Increase (Decrease)	9-Month Period of FY15 Results	Results	YoY Increase (Decrease)	FY15 1H Results	Results	YoY Increase (Decrease)	FY15 Q3 (Three-Month Period)
Gross Margin	**51.8%**	-1.7%	53.4%	**50.2%**	-1.9%	52.1%	**54.1%**	-1.4%	55.5%
Total Business Units	**55.5%**	-1.5%	57.0%	**54.7%**	-3.4%	56.3%	**56.8%**	-1.4%	58.2%
Outlet, Other	**30.8%**	-2.5%	33.4%	**28.9%**	-2.4%	31.3%	**33.8%**	-2.6%	36.4%
Other COGS Millions of yen	430	(137)	568	**576**	(23)	599	**(145)**	(114)	(30)

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

7

■ Non-Consolidated Gross Margin Results

In the nine-month period from April 1, 2015 to December 31, 2015 of FY16, the non-consolidated gross margin decreased 1.7 percentage points compared with the corresponding period of the previous fiscal year, to 51.8%.

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 55.5%, down 1.5 percentage points YoY for the nine-month period ended December 31, 2015. Looking at the three-month 3Q on a stand-alone basis, the Total Business Units gross margin declined 1.4 percentage points YoY, to 56.8%.

The gross margin for Outlet, other fell 2.5 percentage points YoY, to 30.8%, due to a variety of factors including the reduction of past inventories. Special efforts were also made to actively hold sales events and to undertake other initiatives. As a result, past inventories are steadily contracting, despite a downturn in the gross margin.

Other costs decreased ¥130 million YoY. This was largely attributable to a decline in devaluation of products in line with the reduction in inventories.

Non-consolidated SGA expenses to sales ratio decreased 1.1 percentage points YoY to 41.6 %

- YoY: Downturn compared with sales attributable to the relative decline in the fixed costs ratio in line with the increase in revenue and cutbacks in certain operating overhead expenses
- Compared with plans: Downward trend → Reductions in and postponements in the payments of advertising, distribution, and other operating overhead expenses

(Millions of yen)

	Non-Consolidated Results 9-Month Period of FY16				9-Month Period of FY15	
	Results	vs. Sales	YoY Increase (Decrease)	%	Results	vs. Sales
Non-Consolidated Sales	95,903	100.0%	7,782	108.8%	88,120	100.0%
SGA Expenses	39,929	41.6%	2,246	106.0%	37,683	42.8%
Advertising Expenses	1,718	1.8%	3	100.2%	1,714	1.9%
Personnel Expenses	14,374	15.0%	716	105.2%	13,657	15.5%
Rent	12,423	13.0%	855	107.4%	11,568	13.1%
Depreciation	1,121	1.2%	19	101.7%	1,102	1.3%
Other	10,291	10.7%	651	106.8%	9,640	10.9%

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.

8

■ Non-Consolidated SGA Expenses

The non-consolidated SGA expenses to total sales ratio decreased 1.1 percentage points compared with the corresponding period of the previous fiscal year, to 41.6%.

On a year-on-year basis, the rate of decline in all identified SGA accounting line items was less than the rate of sales growth. This mainly reflects the decline in the fixed costs ratio on the back of the increase in revenue and cutbacks in certain operating overhead expenses.

A downward trend is also evident compared with plans. We are seeing reductions and postponements in the payments of advertising, distribution, and other operating overhead expenses.

■Consolidated / Non-Consolidated 3Q-End B/S Overview

UNITED ARROWS LTD.

(YoY comparative analysis of consolidated balances as of the end of the 3Q FY16 and the end of the 3Q FY15)

- Current assets : Increase in the balance of accounts receivable—other; decrease in the balances of cash and deposits and inventory
- Noncurrent assets : Increase in the balances of guarantee deposits and other noncurrent assets; decrease in the balances 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 income taxes; 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 the acquisition of treasury stock (currently cancelled)

Note: The balance of consolidated short- and long-term loans payable: Down 12.0% YoY to ¥11.0 billion

Note: The balance of non-consolidated inventory: Down 2.3% YoY (non-consolidated net sales growth: 8.8%)

(Millions of yen)

	Consolidated Results FY16 3Q-End				Non-Consolidated Results FY16 3Q-End			
	Results	Share	YoY	vs. FY15-End	Results	Share	YoY	vs. FY15-End
Total Assets	**69,946**	100.0%	99.9%	112.8%	**64,440**	100.0%	99.3%	112.2%
Current Assets	**48,697**	69.6%	99.8%	117.5%	**43,054**	66.8%	98.8%	117.8%
(Inventory)	**27,824**	39.8%	98.3%	118.5%	**24,785**	38.5%	97.7%	116.4%
Noncurrent Assets	**21,248**	30.4%	100.1%	103.2%	**21,386**	33.2%	100.2%	102.5%
Current Liabilities	**31,020**	44.3%	96.9%	128.7%	**26,663**	41.4%	94.9%	129.1%
Noncurrent Liabilities	**5,455**	7.8%	194.4%	81.0%	**5,091**	7.9%	208.2%	79.7%
Total Net Assets	**33,469**	47.9%	95.1%	107.3%	**32,685**	50.7%	95.1%	107.6%
Reference: Balance of Short and Long-Term Loans Payable	**11,047**	15.8%	88.0%	105.2%	**8,597**	13.3%	82.7%	97.7%

9

■ Consolidated/Non-Consolidated 3Q-End B/S Overview

The balance of total assets stood at ¥69,946 million as of December 31, 2015 on a consolidated basis. This figure was 0.1% lower than the balance as of December 31, 2014 and 12.8% 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 ¥48,697 million as of December 31, 2015, down 0.2% compared with the balance as of the end of the corresponding period of the previous fiscal year. The principal movements included an increase in the balance of accounts receivable—other and decreases in the balances of cash and deposits as well as inventory. Noncurrent assets came to ¥21,248 million, an increase of 0.1% YoY. The major movements were an increase in the balance of guarantee deposits as well as decreases in the balances of tangible noncurrent assets in line with depreciation as well as 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 ¥31,020 million, down 3.1% compared with the balance as of the end of the corresponding period of the previous fiscal year. Despite reporting higher balances of current portion of long-term loans payable and income taxes payable, this decline is largely attributable to a decrease in the balance of short-term loans payable.

Noncurrent liabilities amounted to ¥5,455 million, 94.4% higher than the balance as of December 31, 2014. This was mainly due to an increase in the balance of long-term loans payable in line with the acquisition of treasury stock.

(Continued on the following page)

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As of the end of the period under review, the balance of net assets stood at ¥33,469 million, a decrease of 4.9% compared with the end of the corresponding period of the previous fiscal year. This decrease mainly reflected the acquisition of treasury stock. Meanwhile, all treasury stock was cancelled in November 2015.

The balance of short- and long-term loans payable declined 12.0% compared with the balance as of the end of the corresponding period of the previous fiscal year, to ¥11,000 million.

The balance of inventory on a non-consolidated basis contracted 2.3% YoY. This rate of contraction was substantially lower than the rate of non-consolidated sales growth, which came in at 8.8% compared with the corresponding period of the previous fiscal year.

■Consolidated C/F Overview
for the Nine-Month Period Ended December 31, 2015

UNITED ARROWS LTD.

Net cash provided by operating activities came to ¥4,536 million (¥2,089 million net cash used in operating activities 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 ¥3,584 million and a decrease in income taxes paid of ¥2,895 million

- Cash flows from operating activities: (major cash inflows) income before income taxes of ¥9,536 million, increase in purchase liabilities of ¥4,851 million;
  (major cash outflows) increase in inventories of ¥4,350 million, increase in notes receivable of ¥3,834 million
- Cash flows from investing activities : (major cash outflows) purchase of property, plant and equipment of ¥1,598 million, payments for guarantee deposits of ¥525 million
- Cash flows from financing activities : (major cash inflows) net increase in short-term loans payable of ¥2,050 million
  (major cash outflows) cash dividends paid of ¥2,317 million, repayment of long-term loans payable of ¥1,503 million

(Millions of yen)

	Consolidated Results 9-Month Period of FY16	9-Month Period of FY15
	Results	Results
Cash flows from operating activities (sub-total)	**7,467**	4,034
Cash flows from operating activities	**4,536**	(2,089)
Cash flows from investing activities	**(2,164)**	(2,982)
Cash flows from financing activities	**(3,179)**	5,407
Cash and cash equivalents at the end of the term	**4,781**	5,766

10

■ Consolidated C/F Overview for the Nine-Month Period Ended December 31, 2015

The balance of cash and cash equivalents stood at ¥4,781 million as of December 31, 2015.

Net cash provided by operating activities amounted to approximately ¥4,536 million. This was compared with net cash used in operating activities of around ¥2,089 million for the corresponding period of the previous fiscal year. During the period under review, the major movements in cash flows from operating activities included a YoY decrease of approximately ¥3,584 million in the increase in inventories (increase in inventories came to around ¥7,934 million and ¥4,350 million for the nine-month period ended December 31, 2015 and the nine-month period ended December 31, 2014, respectively) and a YoY decrease in income taxes paid of around ¥2,895million.

As just mentioned, net cash provided by operating activities amounted to ¥4,536 million for the nine-month period ended December 31, 2015. The principal cash inflows were income before income taxes of ¥9,536 million and increase in purchase liabilities of ¥4,851 million. The major cash outflows included increase in inventories of ¥4,350 million and increase in notes receivable of ¥3,834 million.

Net cash used in investing activities totaled ¥2,164 million. The principal cash outflows were for purchase of property, plant and equipment of ¥1,598 million in line with such activities as the opening of new stores, and payments for guarantee deposits of ¥525 million.

Net cash used in financing activities came to ¥3,179 million. The major cash inflow came from the net increase in short-term loans payable of ¥2,050 million. The principal cash outflows included cash dividends paid of ¥2,317 million and repayment of long-term loans payable of ¥1,503 million.

■Results of FY16 3Q-End Group Total Opening and Closing of Stores and FY16 Forecasts

UNITED ARROWS LTD.

- FY16 3Q-end Group total : Number of new stores opened: 26; Number of stores closed: 5;
  Number of stores as of FY16 3Q-end: 355
- Full FY16 forecast Group total: Number of new stores opened: 35; Closed: 13; Number of stores as of FY16-end: 356
  (5 stores less than the previous forecast)

Note: Changes from the previous earnings announcement: UNITED ARROWS LTD.: The number of stores closed increased by 5 (For details see the next page)

	9-Month Period of FY16 Results				FY16 Forecasts						Reference
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 3Q-end	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period	Increase (decrease) from the previous forecast
Group Total	**334**	**26**	**5**	**355**	**334**	**20**	**15**	**35**	**13**	**356**	(5)
UNITED ARROWS LTD.	**242**	**21**	**5**	**258**	**242**	**16**	**10**	**26**	**13**	**255**	(5)
FIGO CO., LTD.	**17**	**1**		**18**	**17**	**1**	**1**	**2**		**19**	
COEN CO., LTD.	**73**	**4**		**77**	**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 for the third quarter cover the cumulative period from February 1, 2015 to October 31, 2015.

11

■ Results of FY16 3Q-End Group Total Opening and Closing of Stores and FY16 Forecasts

On a Group total basis, 26 stores were newly opened and 5 stores were closed during the 3Q cumulative period of FY16. The number of stores as of December 31, 2015 therefore stood at 355.

For the full fiscal year ending March 31, 2016, the UNITED ARROWS Group is looking to open 35 new stores and close 13 stores, bringing the total number of stores as of the end of the fiscal year under review to 356.

Compared with the previous forecast, the number of stores as of the period-end is projected to decrease by 5 stores.

This largely reflects the closure of small stores that are exhibiting low levels of profitability at UNITED ARROWS LTD.

■Reference: UNITED ARROWS LTD. Results of FY16 3Q-End Opening and Closing of Stores and FY16 Forecasts

UNITED ARROWS LTD.

	9-Month Period of FY16 Results				FY16 Forecasts						Reference
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 3Q-end	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period	Increase (decrease) from the previous forecast
UNITED ARROWS LTD. Total	**242**	**21**	**5**	**258**	**242**	**16**	**10**	**26**	**13**	**255**	**(5)**
UNITED ARROWS Total	76	9	1	84	76	7	6	13	5	84	**(2)**
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				1	1	**(1)**
THE SOVEREIGN HOUSE	1			1	1					1	
District	1			1	1					1	
BEAUTY&YOUTH	36	6		42	36	4	4	8	2	42	**(1)**
monkey time	1	1		2	1	1		1		2	
STEVEN ALAN	1	1		2	1	1	1	2		3	
green label relaxing	62	9	2	69	62	6	3	9	2	69	
CHROME HEARTS	10			10	10					10	
SBUs Total	73	1	2	72	73	1	1	2	6	69	**(3)**
Another Edition	16			16	16				1	15	
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	2	2	**(2)**
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				1	5	**(1)**
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.

12

■ Reference: UNITED ARROWS LTD. Results of FY16 3Q-End Opening and Closing of Stores and FY16 Forecasts

(An explanation has been omitted.)

■Reference: FY16 3Q-End Results of the Opening and Closing of Stores (UNITED ARROWS LTD.)

UNITED ARROWS LTD.

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facility Address
Dec.	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)
Nov.	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)
Oct.	Newly opened store	green label relaxing lalaport ebina	LaLaport EBINA (Ebina-shi, Kanagawa)
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 (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.

13

■ Reference: FY16 3Q-End Results of the Opening and Closing of Stores

(An explanation has been omitted.)

■Reference: FY16 3Q-End Results of the Opening and Closing of Stores (Group Companies)

UNITED ARROWS LTD.

FIGO CO., LTD.

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

COEN CO., LTD.

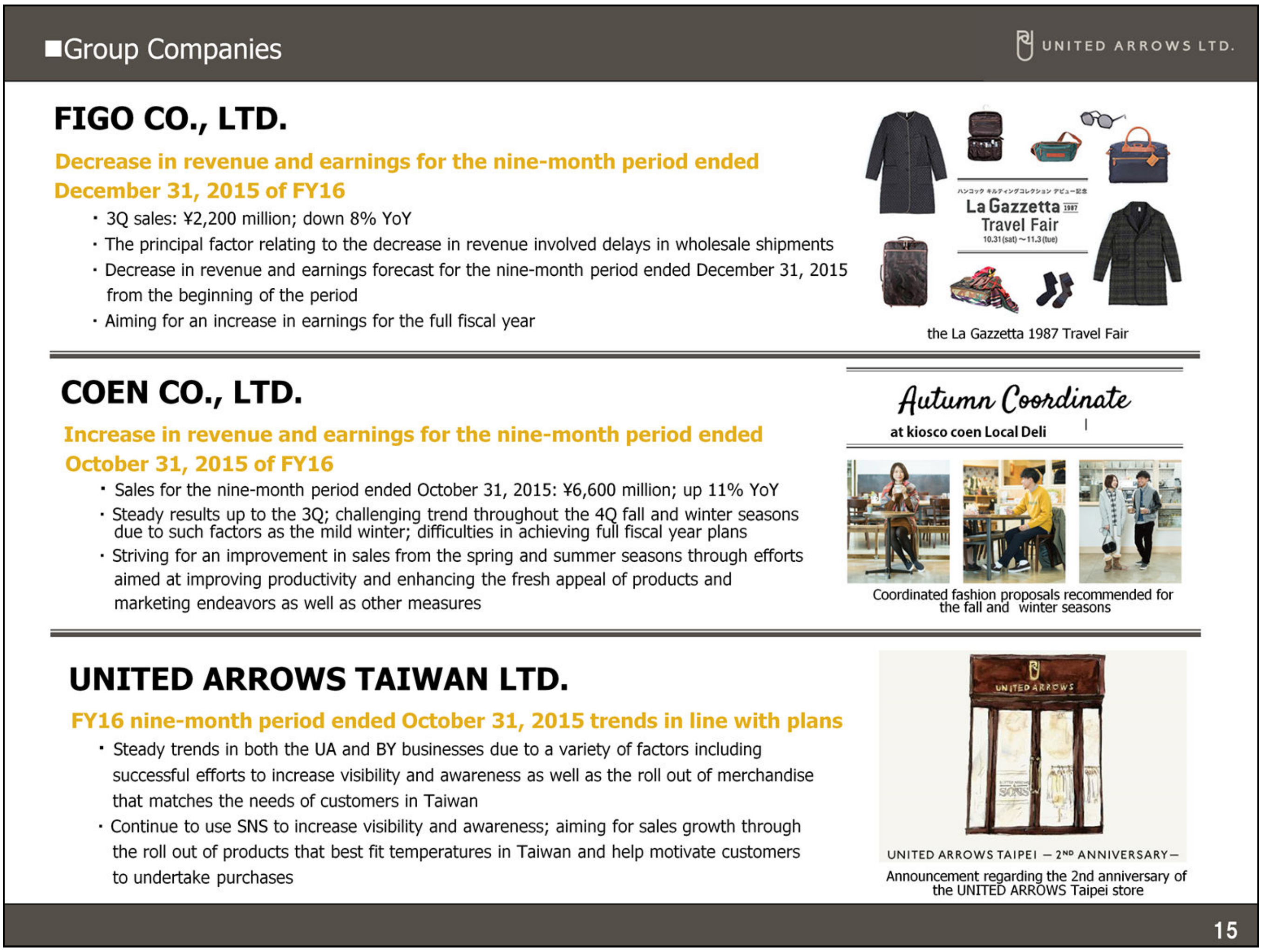
	Stores Opened and Closed	Store Name	Commercial Facility Address
Oct.	Newly opened store	LaLaport EBINA	LaLaport EBINA (Ebina-shi, Kanagawa)
July	Newly opened store	FIND GOOD LUCK HOKURIKU OYABE	MITSUI OUTLET PARK HOKURIKU OYABE (Oyabe-shi, Toyama)
Apr.	Newly opened store	Grand Store KOKURA	AMU PLAZA 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 third quarter cover the cumulative period from February 1 to October 31.
Note: There were no newly opend or closed stores during the 3Q cumulative period of FY16 by UNITED ARROWS TAIWAN LTD.

14

■ Reference: FY16 3Q-End Results of the Opening and Closing of Stores

(An explanation has been omitted.)



■ Group Companies

・FIGO CO., LTD.

Revenue and earnings decreased in the nine-month period ended December 31, 2015. Sales amounted to ¥2,200 million, down 8.0% compared with the corresponding period of the previous fiscal year. The principal factor contributing to the decrease in revenue involved delays in wholesale shipments.

Decreases in both revenue and earnings were forecast from the beginning of the period. On a positive note, the company is targeting an increase in earnings for the full fiscal year.

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

Revenue and earnings increased in the nine-month period ended October 31, 2015. Sales came to ¥6,600 million, up 11.0% compared with the corresponding period of the previous fiscal year.

While results were steady up to the 3Q , trends have become increasingly challenging from the 4Q fall and winter seasons. This is largely attributable to a variety of factors including the mild winter.

Taking the aforementioned into consideration, the company is anticipating difficulties in achieving its full fiscal year plans.

From the spring and summer seasons, the company will strive for an improvement in sales through efforts aimed at improving productivity, enhancing the fresh appeal of products, and a variety of marketing endeavors as well as other measures.

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

Operating results were essentially in line with plans in the nine-month period ended October 31, 2015.

Trends were steady in both the UA and BY businesses due to a variety of factors. This included successful efforts to increase visibility and awareness as well as the roll out of merchandise that matches the tastes of customers in Taiwan.

Aiming for sales growth, the company will continue to use SNS to increase visibility and awareness. In addition to rolling out products that best fit temperatures in Taiwan, the company will endeavor to motivate customers to undertake purchases.

■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**

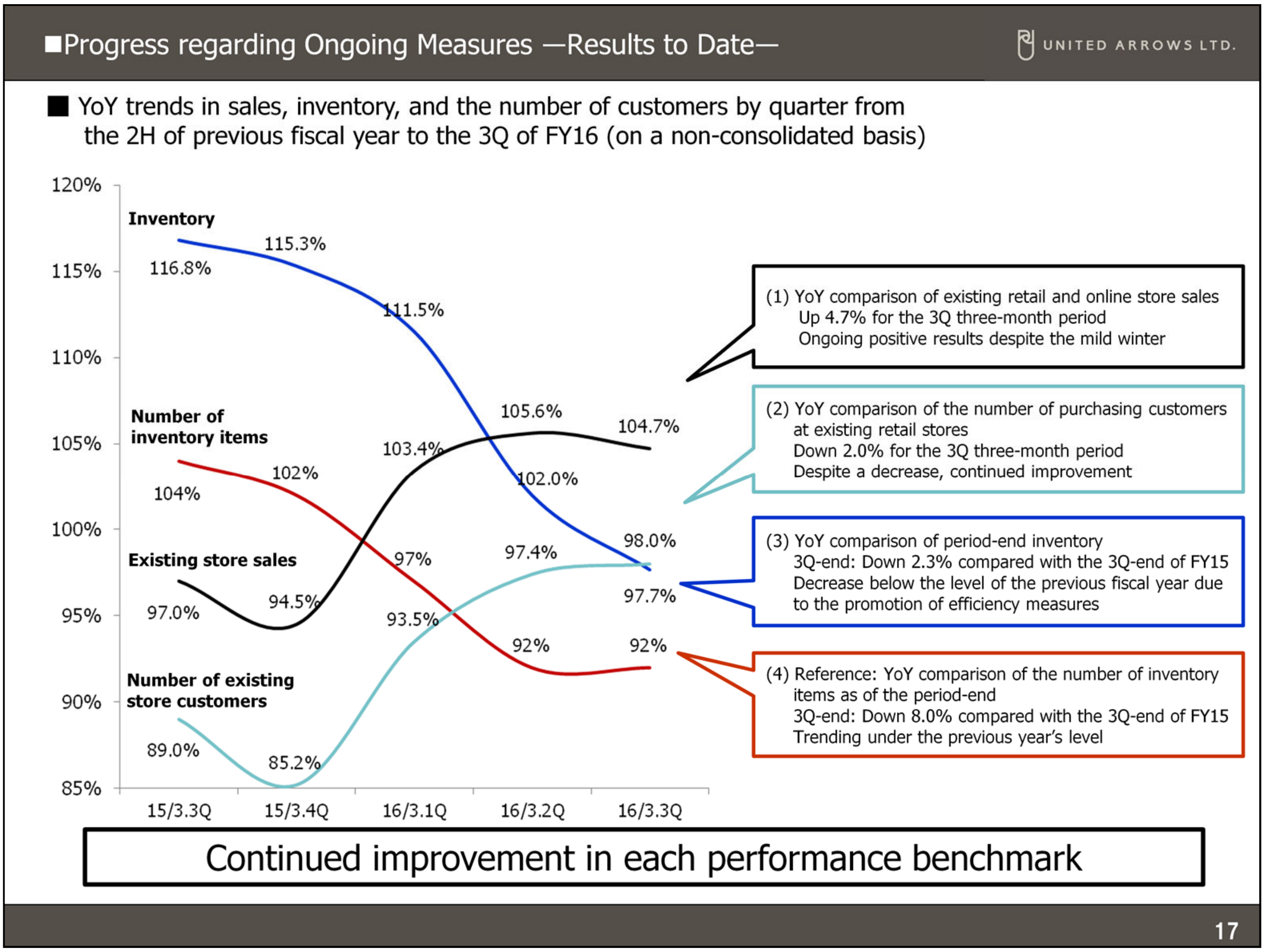
16

■ 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."

In FY16, the Company as a whole will work diligently to thoroughly implement these initiatives. Drawing on the fruits of our labors, we are targeting an improvement in operating results.



■ **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 from the 2H of FY15 to the 3Q of FY16.

(1) YoY comparison of existing retail and online store sales
→ Up 4.7% in the 3Q three-month period. While this is slightly lower than the 5.6% increase in the 2Q, the rate of growth exceeded the YoY forecast for existing store sales in the 2H of FY16 of 3.9%.

(2) YoY comparison of the number of purchasing customers at existing retail stores
→ Down 2.0% in the 3Q three-month period. Despite this decline, trends are showing continued improvement.

(3) YoY comparison of period-end inventory
→ Down 2.3 % as of the end of the 3Q. Amid the 8.0% increase in sales, the balance of inventory was below the level recorded for the corresponding period of the previous fiscal year.
Measures aimed at increasing the efficiency of new product introduction as well as the reduction of past inventories continue to progress. Moreover, the composition of inventory is showing ongoing improvement.

(4) YoY comparison of the number of inventory items as of the period-end
→ Decrease of 8.0% as of the end of the 3Q. We believe that an effort to control the number of new products is contributing to this decrease.

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In summary: While there are signs of improvement, we acknowledge the need for ongoing vigilance. Despite some positive results, a significant number of issues remain pending.

The following pages provide details of results during the fall and winter seasons, together with an outline of pending issues. In addressing each of these issues, we are aiming for medium- to long-term growth.

1. Factors contributing to results:

(1) Price setting: Adopted a flexible approach toward the setting of prices that takes into consideration business and item attributes

(2) Temperature-related measures: Rolled out products that are not easily affected by changes in the temperature

(3) Composition of items: Put in place a product lineup that addresses the need for future items as well as items for immediate use in line with the attributes of each business

(4) Marketing: Rolled out items that reflect prevailing trends while taking into consideration a variety of elements including color

(5) Steps taken to identify hot-selling items:
Introduced 8-season merchandising → Identified hot-selling products at an early stage by positioning August as a month during which products were sold at their regular prices

2. Pending issues

・Gross margin: Improve medium- and long-term gross margins through various measures including efforts aimed at reducing markdown losses and strengthening product development capabilities

■ Progress regarding the Implementation of Measures — Results during the Fall and Winter Seasons and Pending Issues

Despite a difficult external environment due to such factors as the mild winter, we believe that sales during the fall and winter seasons improved in comparative terms. We attribute this improvement to a number of factors.

Meanwhile, the gross margin is trending below the level recorded in the previous year. Reflecting on our earlier efforts, we have moved away from a focus on the cost of goods sold ratio. In addition to a price-setting approach that is designed to attract customers, the downturn in the gross margin is therefore largely attributable to efforts aimed at addressing the substantial balance of inventory leftover from the previous fiscal year through markdown sales at outlet stores and events.

Moving forward, we will undertake measures in an effort to improve the gross margin over the medium to long term, while continuing to attract customers.

1. Factors contributing to results:

*Explanations is provided in the pages that follow.

(1) Price setting: Adopted a flexible approach toward the setting of prices that takes into consideration the attributes of each business and item
(2) Temperature-related measures: Rolled out products that are not easily affected by changes in the temperature amid warm winter conditions and delays in seasonal changes brought about by abnormal weather and other factors
(3) Composition of items: Put in place a product lineup that address the need for future items as well as items for immediate use in line with the attributes of each business
(4) Marketing: Set up designated internal departments to closely monitor both social and customers' current tastes including fashion trends; took steps to roll out items that reflect prevailing trends while taking into consideration a variety of elements including color utilizing this information

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(5) Steps taken to identify hot-selling items at an early stage: Introduced 8-season merchandising initially through the GLR business, which in turn has hastened the changeover of in store products while helping to enhance the fresh appeal of products; positioned August as a month during which fall and winter products were sold at their regular prices; in this manner, identified hot-selling products at an early stage, which contributed to mid-season sales

2. Pending issues

Here, we explain efforts aimed at reducing markdown losses and strengthening product development capabilities in a bid to improve the gross margin over the medium to long term.

■Progress regarding the Implementation of Measures — Factors Contributing to Results during the Fall and Winter Seasons — (1) Price Setting —

UNITED ARROWS LTD.

■ YoY trends in average spending per customer at existing retail stores over the three-month 3Q

	October	November	December	FY16 Q3 (Three-Month Period)
UNITED ARROWS LTD.	105.8%	105.3%	107.8%	106.4%
UA business	107.8%	107.9%	109.5%	108.5%
GLR business	99.4%	101.6%	105.9%	102.6%

■ YoY movements in average unit prices for certain businesses and items over the fall and winter seasons

	Item	Average unit price	Factors
UA business	Men's knitwear	Down approx. 10%	Additional introduction of reasonably priced products
	Men's suits	Up approx. 10%	Cutbacks in products in the ¥40,000 price range; upgrade and expansion of products in the ¥70,000 price range
	Women's pants	Up approx. 5%	Impact of products that reflect prevailing trends including wide and gaucho pants
GLR business	Men's dress shirts	Down a little under 10%	Reintroduction of reasonably priced products
	Women's cardigans	Up approx. 10%	impact of products that reflect prevailing trends including long cardigans

Based on a flexible price-setting approach according to each business and item, steps have been taken to introduce high-ticket items as well as products that in reflecting prevailing trends are popular with customers; as a result, a number of items that are experiencing an increase in average unit prices are also emerging

19

■ Progress regarding the Implementation of Measures — Factors Contributing to Results during the Fall and Winter Seasons — (1) Price Setting —

The table running along the top half of the page provides details of YoY trends in average spending per customer at existing retail stores for the three-month 3Q of FY16. For the Company as a whole as well as the UA and GLR businesses, average spending per customer at existing retail stores climbed 6.4%, 8.5%, and 2.6%, respectively. While we have not increased prices across-the-board , average spending per customer improved in overall terms. For the most part, the unit price per item exhibited a similar trend.

The table running along the bottom half of the page provides details of average unit prices by business and item during the fall and winter seasons with a focus in particular on items with distinguishing features.

The average unit price for men's knitwear items in the UA business declined approximately 10%. This largely reflects the introduction of reasonably priced items. The average unit price for men's suits climbed more than 10%. This is mainly due to cutbacks in products in the ¥40,000 price range coupled with efforts to strengthen products by upgrading and expanding the selection of items in the ¥70,000 price range. The average unit price for women's pants rose roughly 5% owing to the roll out of a wide range of products that reflect prevailing trends including wide and gaucho pants.

The average unit price for men's dress shirts declined approximately 10% in the GLR business. Drawing on the lessons learned from the previous period, this was primarily due to the reintroduction of reasonably priced products. The average unit price for women's cardigans, on the other hand, climbed roughly 10%. In similar fashion to women's pants in the UA business, this increase is due to the introduction of products that reflect prevailing trends including long cardigans.

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We believe that the adoption of a flexible approach toward the setting of prices for each business and item is helping to attract customers. This in turn is contributing to sales growth.

While steps have not been taken to raise prices across-the-board, the introduction of high-ticket, value-added items as well as products that reflect prevailing trends has given rise to a number of items that are experiencing an increase in average unit prices.

Moving forward, we will further fine tune the balance between price and value in order to ensure the continued support of customers.

■Progress regarding the Implementation of Measures — Factors Contributing to Results during the Fall and Winter Seasons — (2) Temperature-related Measures —

UNITED ARROWS LTD.

■Examples of products that are not easily affected by changes in the temperature

Example 1: GLR long cardigan
→ Introduced during the changeover period between the fall and winter seasons; contributed to sales prior to temperatures reaching their bottom; secured an ongoing high level of sales throughout the season thanks to the timely introduction of additional stock

Example 2: UA women's Daniel Wellington wristwatch
→ Offset the downturn in cold weather accessories; provided a positive boost to the miscellaneous product category

Example 3: BY original 2WAY backpack
→ Secured stable sales by providing the 2WAY functions of a shoulder bag and backpack


Example 1:
GLR long cardigan


Example 2: A selection of
UA Daniel Wellington wristwatches


Example 3:
BY original 2WAY backpacks

20

■ Progress regarding the Implementation of Measures — Factors Contributing to Results during the Fall and Winter Seasons — (2) Temperature-Related Measures —

Examples of various products that are not easily affected by changes in the temperature are presented as follows.

Example: 1 GLR long cardigan
GLR introduced a long cardigan during the changeover period between the fall and winter seasons, which contributed to sales prior to temperatures reaching their bottom. Successful steps were taken to secure an ongoing high level of sales throughout the fall and winter seasons thanks to the timely introduction of additional stock. This particular long cardigan maintained the top position in GLR's women's cardigans category from October to December and ranked highly among all GLR women's items.

Example 2: UA women's Daniel Wellington wristwatch
Daniel Wellington is a Swedish brand that forms a part of the Company's purchased product portfolio. Through the introduction of exclusive models as well as original brand line-ups, existing store sales in the UA women's wristwatch category experienced a year-on-year six-fold increase in December 2015. This surge in wristwatch sales offset the substantial year-on-year downturn in such cold weather personal and other items as mufflers and gloves, and provided a positive boost to existing stores sales in the UA women's miscellaneous items category.

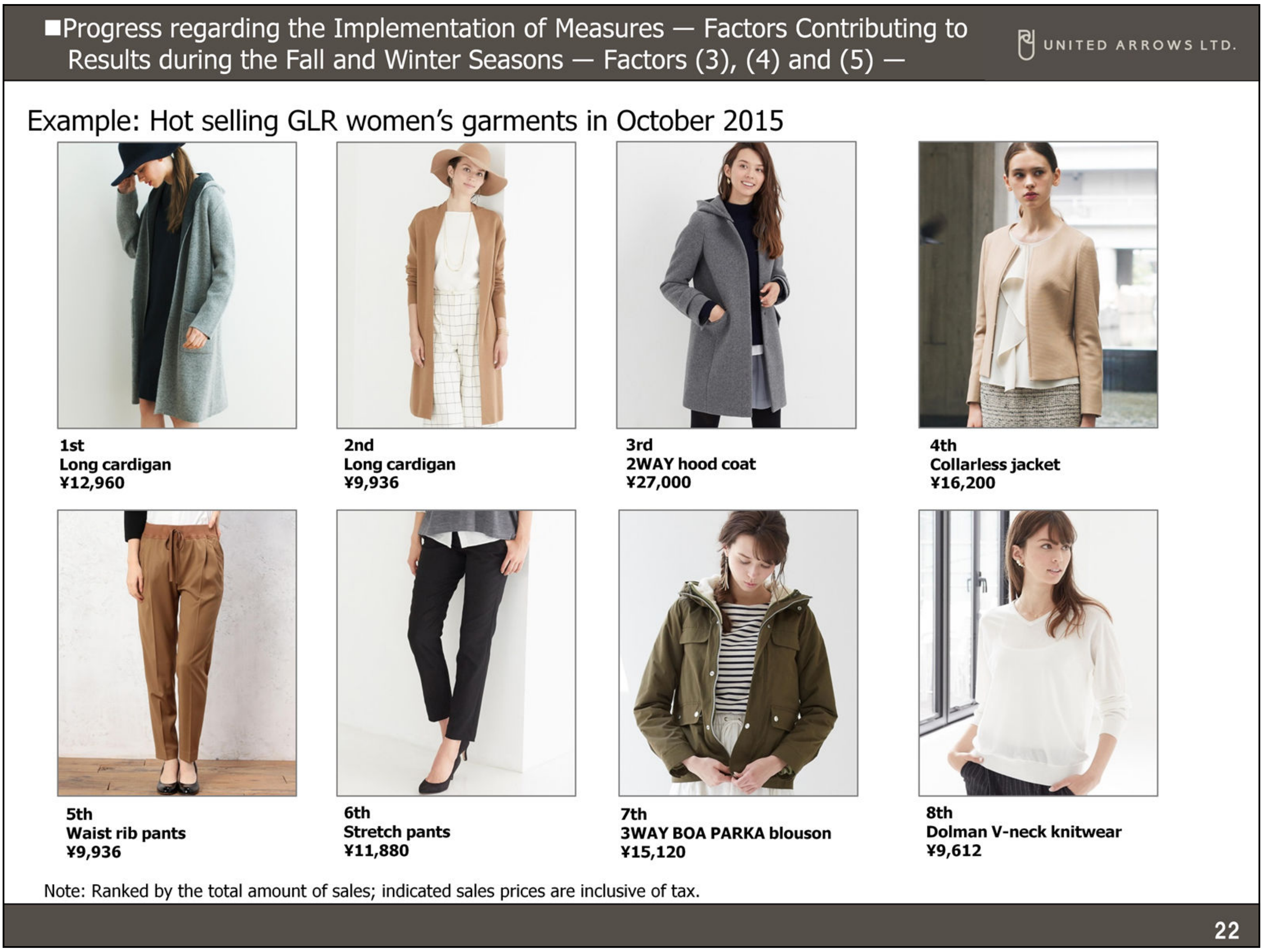
Example 3: BY original 2WAY backpack
Garnering high market praise for its enhanced functionality and use as both a shoulder bag and backpack, the BY original 2WAY backpack has remained a top-seller over the past two years irrespective of the season and temperature.

Following the record-breaking mild winter experienced this most recent fall and winter, we witnessed unusual weather patterns including snowfalls in Taiwan and Okinawa in January. Looking ahead, the effects of global warming and climatic anomalies are likely to continue unabated. We plan to address changes in our external environment by focusing on the development and purchase of products that are not easily affected by changes in the temperature, several examples of which are outlined on this page.

■ Progress regarding the Implementation of Measures — Factors Contributing to Results during the Fall and Winter Seasons — Factors (3), (4) and (5) —

Here we outline details of the composition of items, our marketing efforts, and steps taken to identify hot-selling items, factors (3), (4), and (5), respectively, that contributed to results, by elaborating on hot-selling products in the UA and GLR businesses in October 2015.

・**Putting in place a product lineup that reflects the attributes of each business**
In the UA business, procured outerwear products ranked 1st and 3rd out of the top eight hot selling women's garments in October 2015. These items were purchased for future use. In addition, original items that reflect prevailing trends and were purchased for immediate use also ranked highly. Rounding out the top eight hot selling products are such longstanding favorites as jackets.



■ Progress regarding the Implementation of Measures — Factors Contributing to Results during the Fall and Winter Seasons — Factors (3), (4) and (5) —

Putting in place a product lineup that reflects the attributes of each business (continued)
In the GLR business, items for immediate use made up the vast majority of hot selling items in October 2015. Long cardigans, which were not popular until 2015, held the top two positions. Other items for immediate use both for business and private occasions also ranked highly.

・Marketing items that reflect prevailing trends while taking into consideration a variety of elements including color
Products that reflect prevailing trends including long cardigans and loose-fitting knitwear figured prominently among hot selling items in October 2015. By rolling out various products in color schemes that are in tune with the fall and winter seasons, including beige and khaki, positive steps were taken to boost sales. Among a variety of considerations, we therefore paid particular attention to product colors from the start of the season. This helped in capturing the mood of the market at an early stage.

Based on the aforementioned, signs of improvement are emerging through the efforts of the Fashion Marketing Department to accurately grasp spending patterns and trends and confirm that the information is reflected in each business' assortment of products.

・Identifying hot-selling items
Sales of the top two selling items in the GLR business have continued at a high level from the fall to winter seasons. This is due to the strategic buildup of inventories. Based on an 8-season merchandising approach, we positioned August as a month in which to sell products at their regular prices and identified hot-selling items for the fall and winter seasons at an early stage. This strategy resulted in several hit items including the top two sellers.

We are convinced that each of these factors has contributed to firm sales over the fall and winter seasons.

■Progress regarding the Implementation of Measures — Measures Aimed at Addressing Pending Issues during the Fall and Winter Seasons (1)

UNITED ARROWS LTD.

■ Initiatives aimed at improving the gross margin over the medium to long term

(1) Initiatives aimed at reducing markdown losses

i. Reduce markdown losses of current year products

→ Shorten the period of clearance sales; roll out next season products at an early stage

Note: The 2015 fall and winter seasons saw a YoY improvement in the ratio of regular price sales of more than 10%

ii. Reduce markdown losses attributable to past inventories

→ Improve the sales ratio through the use of planning and production schedules that take into consideration the attributes of each product

Note: The 3Q-end balance of past inventories (prior to and including the 2015 spring and summer seasons) declined approx. 5% YoY

23

■ Progress regarding the Implementation of Measures — Measures Aimed at Addressing Pending Issues during the Fall and Winter Seasons (1)

In order to improve the gross margin over the medium to long term, specific measures are evaluated from a variety of different angles. Here, we provide details of a select number of these measures, some of which have been discussed in the past and others which have already been initiated.

(1) Initiatives aimed at reducing markdown losses
Major clearance sales are commonly conducted twice a year during the summer and winter seasons in the clothing industry. At the same time, a large number of specialty clothing stores including UNITED ARROWS LTD. sell items mainly from the previous year at a discounted price through outlet stores. While it is important that merchandise is fresh and highly appealing when sold during periods where products are listed at their regular prices, overemphasizing this importance can lead to substantial markdown losses. At the same time, excessive discounting runs the risk of seriously impacting the integrity of pricing policies. UNITED ARROWS LTD. works diligently to reduce both markdown losses of current year products as well as markdown losses attributable to past inventories. Moving forward, we will continue to adhere strictly to these two policies.

i. Reduce markdown losses of current year products
As outlined during earnings announcements in the past, we are working to shorten the period of clearance sales that are held two times a year. Our two-month summer clearance sale period, which extended from the end of June to the middle of August, for example, has been shortened by over one month. We have also abandoned the additional procurement of clearance items aimed at boosting year-on-year results at clearance sales periods. Through these endeavors, we are making every effort to lift the ratio of regular price sales. As mentioned a moment ago, we also believe that the timely launch of the next season will allow us to better grasp trends in hot-selling products at an early stage.

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During the 2015 fall and winter seasons, we witnessed a year-on-year improvement in the rate of final sales at regular prices of 10% or more. Some part of this improvement was against the backdrop of a downturn in FY15. Because results in the 2015 fall and winter seasons differed significantly between businesses, further upside can be expected at some low performing businesses. We are confident that there is still ample room for a rise in the fiscal year under review.

ii. Reduce markdown losses attributable to past inventories
Every effort is being made to reduce leftover merchandise while at the same time implementing measures aimed at reducing markdown losses of current year products.

We will take steps to ensure that the planning and production of products that genuinely reflect prevailing trends is linked closely to the timing of sales, while also taking into consideration the attributes of each item. Moreover, we will undertake additional production while identifying sales trends. Despite triggering an upswing in the cost of goods purchased ratio, these measures are expected to help improve the overall gross margin and avoid any incidence of substantial leftover stock and the need to promote sales at grossly discounted prices through clearance sales and outlet stores. Furthermore and as earlier mentioned, these measures will better allow us to maintain and increase customer loyalty. Our concerns extend well beyond the singular pursuit of short-term gains and include efforts aimed at maintaining the integrity of product prices.

Inventories are also showing gradual improvement. As of the end of the 3Q of FY16, the balance of past inventories declined approximately 5% compared with the corresponding period of the previous fiscal year. Notwithstanding the negative impact on operating results, we have actively promoted efforts to reduce past inventories through various avenues including outlet stores and events throughout the fiscal year under review. By improving the nature of inventories, we are looking to increase the gross margin over the medium to long term.

■Progress regarding the Implementation of Measures — Measures Aimed at Addressing Pending Issues during the Fall and Winter Seasons (2)

UNITED ARROWS LTD.

■ Initiatives aimed at improving the gross margin over the medium to long term

(2) Initiatives aimed at improving product development capabilities

i. Strengthen efforts to collect and apply marketing information

→ Combine qualitative and quantitative information; ensure that merchandisers and designers utilize this information in the planning and production of new products from the same perspectives

ii. Actively apply the Company's in-house atelier function

→ Develop samples according to the Company's specifications and request production facilities to manufacture products using samples

→ Improve the quality of products without extending lead times through internal measures including the modification of samples

24

■ Progress regarding the Implementation of Measures — Measures Aimed at Addressing Pending Issues during the Fall and Winter Seasons (2)

(2) Initiatives aimed at improving product development capabilities

i. Strengthen efforts to collect and apply marketing information

UNITED ARROWS LTD. established the Fashion Marketing Department to support the cross-sectional collation and analysis of the marketing and other information of all business departments. Furthermore, the Merchandise Support Department , which is engaged in the detailed analysis of sales information, works closely with the Fashion Marketing Department to ensure that all qualitative and quantitative information is combined and disseminated in a coordinated manner across all business divisions.

Previously, information covering a wide range of areas including fashion trends and market conditions as well as consumer tastes and behavior was shared among merchandisers. Information regarding materials and other technical data were conveyed to designers. From the 2H of FY16 , we began sharing all of this information with both merchandisers and designers. In this manner, we are looking to ensure that merchandisers and designers each view the merchandising and production functions from the same perspective. In implementing this initiative, we are paying particular attention to the women's segment where fashion trends evolve at a rapid pace. In specific terms, the timely analysis and distribution of marketing information during the fall and winter seasons helped to generate hot-selling products. We will continue to enhance collaboration between the Fashion Marketing and Merchandise Support departments as well as coordination between all of the Company's businesses from FY17 and beyond. In doing so, we will deliver products that match market needs.

ii. Actively apply the Company's in-house atelier function

In the fiscal year ended March 31, 2013, we established an atelier within the Company's head office in a bid to strengthen our original product development capabilities. We would like here to elaborate on the current status of our atelier activities and initiatives going forward.

The manufacture and modification of the mainstay product samples (items to be sold on a strategic basis) of certain businesses are undertaken at the Company's atelier. In this manner, steps are taken to raise the quality of products within specified time frames.

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Producing samples in-house brings with it a host of benefits. Generally, requests for the external production of samples requires the delivery and use of wide-ranging documentation including specification as well as material confirmation sheets, and patterns. Producing a 3-dimensional sample from 2-dimensional data can also have unintended consequences. Accordingly, the Company utilizes its atelier to smooth out any rough edges and ensure the high-quality finish of strategic product samples. Specification sheets together with those samples are then delivered to production facilities. At the same time, the creators of each sample call on production facilities to convey in person any instructions and points that require particular attention in the manufacture of garments and other items. These steps help to further raise the overall finish and quality of trial products while mitigating the need for modification prior to final production.

Modifying samples in-house also brings with it a host of benefits. Under normal circumstances, samples are modified on an average two to three times prior to production. Requests for the modification of samples can take up to two to three weeks to complete when directed to external facilities located in Japan and as long as one month when overseas factories are involved. In contrast, sample modifications that are undertaken in-house can be completed in as little as one to two days. In the absence of an atelier, there are certain products that require immediate production due to lead time considerations. An atelier can prove extremely beneficial by allowing the production of items in accordance with their intended specifications without having to extend lead times. UNITED ARROWS LTD. therefore utilizes its atelier in the production of certain strategic products that entail a complex manufacturing process including outerwear and jackets. Earlier, we introduced the top eight hot selling products in the GLR business for October 2015. The third-ranking 2WAY hood coat is a pertinent example. Samples were first made in-house and personally delivered by the officer in charge to factories. Production was then undertaken after a series of meetings and discussions.

Turning to pending issues, our pool of staff that is capable of engaging in finely tuned discussions and the exchange of pertinent information during the process of sample production, modification, and final production remains small. As a result, the effective use of our atelier is limited to only a handful of certain strategic products. Over the medium to long term, we will nurture the skills of technical staff as a part of efforts to increase the number of experienced personnel. Through these means, we will deliver a growing number of items that offer heightened quality and finish to customers.

Despite this explanation of our efforts to address pending issues, we are yet to see concrete results. At the start of the 4Q (January 2016), for example, results were weak in line with the reduction of clearance sale inventories, while the gross margin declined due to a persistently high cost of goods purchased ratio.

On a positive note, we are seeing signs that our efforts to date are beginning to bear fruit. In addition to an improvement in the composition of inventories and products currently being procured, the depth of deterioration in the cost of goods purchased ratio is narrowing. Furthermore, trends in spring items are firm in overall terms. Looking ahead, we will continue to provide products and services that fully satisfy customers’ needs. Through these endeavors, we will work to improve sales, the gross margin, and operating results.

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%	

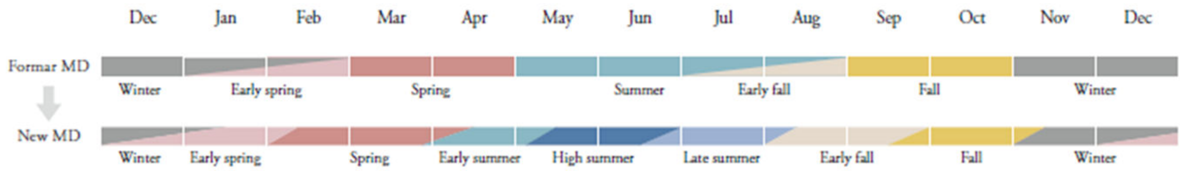
* Reference data for the 2H is presented on an initial forecast basis.
As a result, the aggregate total of 1H results and 2H forecasts does not come to forecast data for the full fiscal year.

■ 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 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 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)

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)