Fiscal 2017
Fiscal Year Ending March 2017
First Quarter
Earnings Announcement

August 5, 2017

UNITED ARROWS LTD.

Ⅰ. Overview of 1Q Business Results P. 3～14

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

■ Abbreviations used throughout this report: The following abbreviations have been used for each Group business and store brand.
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, THE AIRPORT STORE / THE AIRPORT STORE UNITED ARROWS LTD., THE STATION STORE / THE STATION STORE UNITED ARROWS LTD., SBU / Small Business Unit

■ Sales by business: Sales of the following store brands have been included in UA and SBU sales.
UA: UA, District, THE SOVEREIGN HOUSE, BOW & ARROWS, ASTRAET, BY, monkey time, STEVEN ALAN, ROKU BEAUTY&YOUTH, H BEAUTY&YOUTH
SBU: Another Edition, Jewel Changes, Odette e Odile, Boisson Chocolat, DRAWER, EN ROUTE, THE AIRPORT STORE, THE STATION STORE

■FY17 1Q Performance Summary

UNITED ARROWS LTD.

Consolidated 1Q P/L (For details see pages 4, 7 and 8)

- Consolidated sales: YoY increase of 2.7%; Ordinary income: YoY decrease of 24.5% resulting in an increase in revenue and a decrease in earnings (1H forecast: An increase in revenue and a decrease in earnings)
- Gross margin: In line with the previous year at 54.5%; Factors contributing to a decrease in the gross margin: Markdown losses, etc.; Factors contributing to an increase in the gross margin: Absence of the negative impact of movements in foreign currency exchange rates from the previous period
- SGA expenses to sales ratio: YoY increase of 2.4 percentage points; Increase in such expenditure items as rent, personnel expenses, and advertising expenses

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

- Strong trends in online sales due mainly to successful efforts aimed at expanding inventories; By business, GLR continued to experience robust trends; Despite experiencing corrections by the market compared with the rush in demand prior to the increase in product prices last year as well as difficult conditions as a result of such factors as a decline in inbound demand, results in the CH business are projected to improve from the 2Q

Inventory (For details see page 9)

- YoY increase in the balance of inventory on a consolidated basis of 10.6% mainly reflecting the upswing in current period products; In addition to targeting online sales growth and taking steps to introduce inventory, working to quickly reduce slow-selling items and to promote increased inventory efficiency

Opening and Closing of Stores (For details see pages 11 to 13)

- FY17 1Q Group total: Number of new stores opened: 7; Number of stores closed: 0; Number of stores as of FY17 1Q-end: 361
- FY17 forecast Group total: Number of new stores opened: 19; Number of stores closed: 13; Number of stores as of FY17-end: 360

Consolidated Subsidiaries (For details see page 14; For details of COEN CO., LTD. trends see page 21)

- FIGO CO., LTD.: Increase in both revenue and earnings; COEN CO., LTD.: Increase in revenue and a decrease in earnings; UNITED ARROWS TAIWAN LTD.: Operations in line with plans

Note: Details of COEN CO., LTD. operating trends and initiatives going forward are presented on page 21.

■ FY17 1Q Performance Summary

(As detailed on this page.)

■Consolidated 1Q P/L Overview

UNITED ARROWS LTD.

FY17 1Q: Revenue was up and earnings down
(1H consolidated ordinary income forecast: ¥2,589 million, down 28.5% YoY)

- Consolidated sales: YoY increase of 2.7% → Increase due mainly to an upswing in UNITED ARROWS LTD. revenue in line with the increase in sales
- Gross profit: YoY increase of 2.8%; Gross margin: YoY increase of 0.1 of a percentage point to 54.5%
- SGA expenses to sales ratio: YoY increase of 2.4 percentage point to 48.1% → Increase attributable to an upswing in such expenditure items as rent, personnel expenses and advertising expenses
- Each major profit item: YoY decrease of around 25%

(Millions of yen)

	Consolidated Results FY17 1Q					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY16 1Q Results	vs. Sales
Sales	32,947	100.0%	853	102.7%	32,093	100.0%
Gross Profit	17,964	54.5%	487	102.8%	17,476	54.5%
SGA Exp.	15,860	48.1%	1,178	108.0%	14,682	45.7%
Operating Inc.	2,103	6.4%	(691)	75.3%	2,794	8.7%
Non Op. P/L	9	0.0%	6	333.4%	2	0.0%
Ordinary Inc.	2,112	6.4%	(684)	75.5%	2,797	8.7%
Extraordinary P/L	(117)	-0.4%	(125)	–	7	0.0%
Net Income Attributable to Owners of Parent	1,305	4.0%	(435)	75.0%	1,740	5.4%

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■ Consolidated 1Q P/L Overview

In the 1Q, the three-month period from April 1, 2016 to June 30, 2016, of FY17, the fiscal year ending March 31, 2017, UNITED ARROWS LTD. reported an increase in revenue and a decrease in earnings.

(For the 1H of the fiscal year under review, consolidated ordinary income is forecast to total ¥2,589 million, down 28.5% year on year.)

Consolidated sales for the 1Q of FY17 climbed 2.7% year on year, to ¥32,947 million. This increase was largely attributable to the upswing in sales at UNITED ARROWS LTD.

Gross profit grew 2.8% year on year, to ¥17,964 million, in line with the increase in sales. While recording higher markdown losses, the gross margin came in at 54.5%, essentially unchanged from the corresponding period of the previous fiscal year. This result was mainly due to successful efforts aimed at controlling the negative impact of fluctuations in foreign currency exchange rates.

The selling, general and administrative (SGA) expenses to sales ratio climbed 2.4 percentage points compared with the corresponding period of the previous fiscal year, to 48.1%. This increase was mainly due to an upswing in rent in line with such factors as the higher proportion of online sales to total sales at each Group company; an increase in personnel expenses, largely reflecting efforts to fill vacant positions at each Group company; and an upturn in promotional and other expenses in line with the opening of new large-scale UNITED ARROWS LTD. stores.

Accounting for each of these factors, operating income came to ¥2,103 million, down 24.7% compared with the corresponding period of the previous fiscal year. Ordinary income was ¥2,112 million and net income attributable to owners of parent was ¥1,305 million. These figures represented decreases of 24.5% and 25.0%, respectively, on a year-on-year basis.

■Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 3.0% YoY; Existing retail and online store sales up 0.8% YoY

- Retail sales: Down 0.6% YoY → This decrease reflects corrections by the market compared with the rush in demand prior to the increase in product prices in June 2015 as well as the impact of such factors as the decline in tax-free sales in the CH business
- Online store sales: Up 26.4% YoY → This increase is attributable to a variety of factors including successful efforts to reduce sales opportunity loss on the back of an increase in the introduction of inventories
- Sales composition: Online store sales 13.8% (11.2% in the 1Q of FY16); Outlet store and other sales 13.3% (13.6% in the 1Q of FY16)

(Millions of yen)

	Non-Consolidated Results FY17 1Q					
	Results	Share	YoY Increase (Decrease)	%	FY16 1Q Results	Share
Non-Consolidated Sales	**30,450**	100.0%	874	103.0%	29,576	100.0%
Total Business Unit Sales	**26,399**	86.7%	836	103.3%	25,562	86.4%
Retail	**21,944**	72.1%	(124)	99.4%	22,069	74.6%
Online	**4,202**	13.8%	877	126.4%	3,324	11.2%
Other (Wholesale, Other)	**252**	0.8%	84	149.8%	168	0.6%
Outlet, Other	**4,051**	13.3%	37	100.9%	4,013	13.6%

	Existing Stores YoY (Note: Reference Data)		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	100.8%	100.8% *	99.3% *
Retail	97.0%	95.4%	101.7%
Online	125.0%	124.5% *	100.2% *

Note: Number of customer and average spending per customer data for existing retail and online as well as online stores is calculated using data available to the Company through its own online and ZOZOTOWN stores. (Approximately 80% of online sales are generated through the two malls.) This information is provided for reference purposes only. YoY sales data includes other online malls and accordingly the YoY number of customer x YoY average spending per customer does not reconcile with YoY sales.

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■ Non-Consolidated Sales Results by Sales Channel

Non-consolidated sales rose 3.0% compared with the corresponding period of the previous fiscal year. Existing retail and online sales edged up 0.8% year on year.

By sales channel, retail sales declined. Sales by all other channels climbed on a year-on-year basis, with especially strong growth in online sales.

As mentioned, retail sales declined. This decrease largely reflected corrections by the market following the rush in demand prior to the increase in product prices in the CH business in the previous fiscal year.

On a positive note, online sales climbed 26.4% compared with the corresponding period of the previous fiscal year. This increase was attributable to a variety of factors, including successful efforts to reduce sales opportunity losses on the back of an increase in the introduction of inventories.

From a sales composition perspective, online sales accounted for 13.8% of total sales, up 2.6 percentage points compared with the corresponding period of the previous fiscal year. Outlet sales made up 13.3% of total sales, a decrease of 0.3 of a percentage point year on year.

■Non-Consolidated Sales Results by Business

UNITED ARROWS LTD.

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

- UA : Men's sports, women's dressy items were firm
- GLR : Overall results were robust; Men's and women's dressy items were especially strong
- CH : The CH business struggled in overall terms (This largely reflected corrections by the market compared with the rush in demand prior to the increase in product prices last year and the decrease in inbound demand)
- SBU : Robust results in such businesses as Jewel Changes, DRAWER and THE STATION STORE

(Millions of yen)

	Non-Consolidated Results FY17 1Q			
	Results	YoY Increase (Decrease)	%	FY16 1Q Results
Total Business Unit Sales	**26,399**	836	103.3%	25,562
UA	**12,984**	463	103.7%	12,520
GLR	**7,402**	707	110.6%	6,695
CH	**2,608**	(439)	85.6%	3,047
SBU	**3,404**	105	103.2%	3,299

Note: Effective from the fiscal year under review ASTRAET stores sales have been included in the UA business. Data for the corresponding period of the previous fiscal year has been retroactively adjusted for comparative purposes.

	Existing Stores YoY		
	Retail + Online	Retail	Online
UA	100.8%	96.6%	127.1%
GLR	107.0%	102.9%	131.3%
CH	-	85.3%	-
SBU	103.1%	100.2%	112.4%

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

■ Non-Consolidated Sales Results by Business

Revenue was up in the UNITED ARROWS (UA), UNITED ARROWS green label relaxing (GLR), and Small Business Unit (SBU) businesses. Existing store sales were also up compared with the previous fiscal period.

Trends in men's sports items as well as women's dressy items in the UA business were firm.

While trends in the GLR business were robust overall, results in men's and women's dressy items were especially strong.

The CHROME HEARTS (CH) business struggled in overall terms, which largely reflected corrections by the market following the rush in demand prior to the increase in product prices last year as well as such factors as the decline in inbound demand. Taking into account the absence of last year's aforementioned rush in demand, the depth of year-on-year decline has lessened since June 2016.

Inbound sales on a non-consolidated basis for the 1Q of FY17 continued to expand, increasing 5.0% compared with the corresponding period of the previous fiscal year.

SBU results were strong throughout the period under review buoyed by such factors as robust trends in each of the Jewel Changes, DRAWER, and THE STATION STORE businesses.

■Consolidated Gross Margin Results

UNITED ARROWS LTD.

The consolidated gross margin came in at 54.5% in the 1Q of FY17, essentially unchanged from the corresponding period of the previous fiscal year

Factors that impacted the consolidated gross margin and the levels of overall impact are presented as follows

Consolidated gross margin for the 1Q of FY17	54.5%
Consolidated gross margin for the corresponding period of the previous fiscal year	54.5%
Difference	0.1pt

■Factors that impacted the consolidated gross margin and the levels of overall impact

		Remarks
Impact of movements in the gross margin of UNITED ARROWS LTD. total business units	(0.3)pt	YoY decrease of 0.4 of a percentage point in the gross margin of total business units; This decrease is largely due to increases in the cost of goods purchased ratio and markdown losses
Impact of movements in the gross margins of UNITED ARROWS LTD. OUTLET and other stores	(0.2)pt	YoY decrease of 1.6 percentage points in the gross margin of outlet and other stores: This decrease is mainly due to the slump in outlet-exclusive items and the increase in the cost ratio of past inventories
Impact of movements in UNITED ARROWS LTD. other costs	0.5pt	Absence of the negative impact of movements in foreign currency exchange rates from the previous period (adjustments to CH product inventories)
Impact of movements in the gross margin excluding UNITED ARROWS LTD.	0.1pt	YoY increase of 1.2 percentage points in the gross margin excluding UNITED ARROWS LTD. This increase is largely attributable to improvement in the FIGO CO., LTD. gross margin as a result of the weak euro and the impact of consolidated adjustments
Impact of changes in the composition of sales	0.0pt	No particular impact

Note: Similar information pertaining to factors that impacted the consolidated gross margins for the 1H, 2H, and full fiscal years of FY15 and FY16 are presented in the "Reference Materials" section of this document.

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■ Consolidated Gross Margin Results

In the 1Q of FY17, the consolidated gross margin came in at 54.5%, essentially unchanged from the corresponding period of the previous fiscal year. (Looking at the less than whole unit data indicated in the table on this page, the consolidated gross margin improved 0.1 of a percentage point.)

The impact on the consolidated gross margin of year-on-year movements in the gross margins of each business is presented as follows.

Movements in the gross margins of UNITED ARROWS LTD. business units had a negative impact of 0.3 of a percentage point on the consolidated gross margin. The gross margins of the Company's business units had a negative impact of 0.4 of a percentage point compared with the corresponding period of the previous fiscal year. This result was largely due to increases in the cost of goods purchased ratio on the back of a review of prices and other factors as well as markdown losses.

Movements in the gross margins of the Company's outlet and other stores had a negative impact of 0.2 of a percentage point on the consolidated gross margin. In specific terms, the gross margins of outlet and other stores had a negative impact of 1.6 percentage points compared with the corresponding period of the previous fiscal year. This negative impact was due mainly to the slump in sales of outlet-exclusive products and, in particular, the shortage of men's dressy items, which were in high demand. Other factors included the year-on-year drop in the gross margin owing to markdown sales at outlet stores on the back of the high cost of goods purchased ratio of past inventories of regular businesses.

The impact of movements in UNITED ARROWS LTD. other costs had a positive impact of 0.5 of a percentage point on the consolidated gross margin. The principal factor was the absence of the negative impact of movements in foreign currency exchange rates in connection with the CH business as a result of continued weakness in the value of the yen throughout the corresponding period of the previous fiscal year.

Movements in the gross margin excluding UNITED ARROWS LTD. had a positive impact of 0.1 of a percentage point on the consolidated gross margin. This positive impact was essentially the result of improvements in the FIGO CO., LTD. gross margin, which were attributable to the weak euro as well as other factors, including consolidated adjustments.

Changes in the composition of sales had no particular impact on the consolidated gross margin.

■Consolidated SGA Expenses

UNITED ARROWS LTD.

Consolidated SGA expenses to sales ratio increased 2.4 percentage points YoY to 48.1%

A breakdown of the consolidated SGA expenses to sales ratio and details of YoY increases and decreases in major expenditure items are presented as follows

Consolidated SGA expenses to sales ratio for the 1Q of FY17	48.1%
Consolidated SGA expenses to sales ratio for the corresponding period of the previous fiscal	45.7%
Difference	2.4pt

■ A breakdown of year-on-year movements in major expenditure items as a ratio of total sales

	FY17 1Q	FY16 1Q	Difference	Remarks
Advertising Expenses	2.1%	1.6%	0.6pt	This increase is mainly attributable to the upswing in promotional and other expenses in line with the opening of new UNITED ARROWS LTD. large-scale stores
Personnel Expenses	17.5%	16.9%	0.6pt	This increase is largely the result of efforts to fill vacant positions at UNITED ARROWS LTD. and COEN CO., LTD.
Rent	14.2%	13.5%	0.7pt	This increase primarily reflects the upswing in commissions in line with efforts to expand the composition of e-commerce sales at UNITED ARROWS LTD. and COEN CO., LTD.
Depreciation	1.4%	1.4%	0.0pt	–
Other	12.9%	12.4%	0.5pt	This increase is mainly due to the imposition of higher taxes on a pro forma basis as well as higher outsourcing expenses related to business processes

Note: Similar information pertaining to the ratio of consolidated SGA expenses to sales by major expenditure item for the 1H, 2H, and full fiscal years of FY15 and FY16 are presented in the "Reference Materials" section of this document.

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■ Consolidated SGA Expenses

The consolidated SGA expenses to sales ratio for the 1Q of FY17 increased 2.4 percentage points compared with the corresponding period of the previous fiscal year, to 48.1%.

A breakdown of year-on-year movements in major expenditure items as a ratio of total sales is presented as follows.

Advertising expenses: The ratio of advertising expenses to sales for the 1Q of FY17 rose 0.6 of a percentage point compared with the corresponding period of the previous fiscal year. This increase was mainly attributable to the upswing in promotional and other expenses in line with the opening of new large-scale UNITED ARROWS LTD. stores.

Personnel expenses: The ratio of personnel expenses to sales for the 1Q of FY17 increased 0.6 of a percentage point compared with the corresponding period of the previous fiscal year. The higher ratio of personnel expenses to sales was largely the result of efforts to fill vacant positions at UNITED ARROWS LTD. and COEN CO., LTD.

Rent: The ratio of rent to sales for the 1Q of FY17 rose 0.7 of a percentage point compared with the corresponding period of the previous fiscal year. This increase primarily reflects the upswing in commissions in line with efforts to expand the composition of e-commerce sales at UNITED ARROWS LTD. and COEN CO., LTD.

Other: The ratio of other expenses to sales for the 1Q of FY17 rose 0.5 of a percentage point compared with the corresponding period of the previous fiscal year. This increase was mainly due to the imposition of higher taxes on a pro forma basis in line with amendments to statutory requirements as well as higher outsourcing expenses relating to business processes.

■Consolidated B/S Overview

UNITED ARROWS LTD.

The balance of total assets as of the end of the 1Q of FY17 was 6.8% higher than the balance as of the end of the corresponding period of FY16 and 2.9% higher than the balance as of the end of FY16 on a consolidated basis

(YoY comparative analysis of consolidated balances as of the end of the 1Q of FY17 and the end of the 1Q of FY16)

- Current assets : Increase in the balances of inventory and accounts receivable—other
- Noncurrent assets : Increase in the balances of mainly tangible noncurrent assets and guarantee deposits in line with the opening of new stores and other factors
- Current liabilities : Increase in the balances of accounts payable—trade and short-term loans payable
- Noncurrent liabilities : Decrease in the balance of long-term loans payable

Note: The balance of short- and long-term loans payable: Down 9.8% YoY to ¥9.5 billion

Note: The balance of inventory: Up 10.6% YoY (Net sales growth: 2.7%; Due mainly to the increase in current period products)

(Millions of yen)

	Consolidated FY17 1Q							
	Results	Share	YoY	vs. FY16-End	FY16 1Q-End Results	Share	FY16-End Results	Share
Total Assets	65,710	100.0%	106.8%	102.9%	61,547	100.0%	63,877	100.0%
Current Assets	43,525	66.2%	108.6%	102.7%	40,091	65.1%	42,367	66.3%
(Inventory)	27,484	41.8%	110.6%	114.7%	24,843	40.4%	23,966	37.5%
Noncurrent Assets	22,184	33.8%	103.4%	103.1%	21,455	34.9%	21,510	33.7%
Current Liabilities	27,565	41.9%	108.6%	110.4%	25,391	41.3%	24,964	39.1%
Noncurrent Liabilities	4,819	7.3%	75.0%	93.5%	6,430	10.4%	5,152	8.1%
Total Net Assets	33,325	50.7%	112.1%	98.7%	29,725	48.3%	33,760	52.9%
Reference: Balance of Short and Long-Term Loans Payable	9,545	14.5%	90.2%	155.3%	10,579	17.2%	6,146	9.6%

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■ Consolidated B/S Overview

The balance of total assets stood at ¥65,710 million as of June 30, 2016. This balance was 6.8% higher than the balance as of June 30, 2015, and 2.9% higher than the balance as of the end of the previous fiscal year (March 31, 2016).

Factors contributing to the year-on-year movements in consolidated balance sheet items are presented as follows.

The balance of current assets stood at ¥43,525 million as of June 30, 2016, up 8.6% 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 inventory and accounts receivable—other. The balance of noncurrent assets came to ¥22,184 million, a rise of 3.4% year on year. This increase largely reflected higher balances of mainly tangible noncurrent assets as well as guarantee deposits in line with the opening of new stores.

The balance of current liabilities stood at ¥27,565 million, up 8.6% compared with the balance as of June 30, 2015. The major movements included increases in the balances of accounts payable—trade as well as short-term loans payable.

The balance of noncurrent liabilities came to ¥4,819 million, down 25.0% compared with the balance as of the end of the corresponding period of the previous fiscal year. This decrease largely reflected a drop in the balance of long-term loans payable.

The balance of short- and long-term loans payable declined 9.8% compared with the balance as of the end of the corresponding period of the previous fiscal year, to ¥9,545 million.

The balance of inventory was up 10.6% year on year. The rate of inventory growth was higher than the rate of sales growth in the 1Q of FY17, which came in at 2.7%. This increase is largely made up of current-period spring and summer items as well as fall and winter items. Sales of inventory items from the previous fiscal year as well as prior periods are trending at around 90%. Looking ahead, energies will be channeled toward expanding online sales through the introduction of inventories. In addition, steps will be taken to engage in efficient operations by ensuring the prompt reduction of slow-selling products.

■Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents as of the end of the term came to ¥4,080 million

- Cash flows from operating activities : (Major cash inflows) income before income taxes of ¥1,995 million, increase in purchase liabilities of ¥2,062 million; (Major cash outflows) increase in inventories of ¥3,518 million, income taxes paid of ¥2,124 million
- Cash flows from investing activities : (Major cash outflow) purchase of property, plant and equipment of ¥1,320 million
- Cash flows from financing activities : (Major cash inflow) net increase in short-term loans payable of ¥3,900 million; (Major cash outflow) cash dividends paid of ¥1,599 million

(Millions of yen)

	Consolidated FY17 1Q Results	FY16 1Q Results
Cash flows from operating activities (sub-total)	**416**	3,837
Cash flows from operating activities	**(1,715)**	2,597
Cash flows from investing activities	**(1,807)**	(1,311)
Cash flows from financing activities	**1,799**	(2,904)
Cash and cash equivalents at the end of the term	**4,080**	3,965

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■ Consolidated C/F Overview

The balance of cash and cash equivalents as of June 30, 2016, stood at ¥4,080 million.

Net cash used in operating activities amounted to ¥1,715 million. The principal cash inflows were income before income taxes of ¥1,995 million as well as increase in purchase liabilities of ¥2,062 million. The major cash outflows were increase in inventories of ¥3,518 million and income taxes paid of ¥2,124 million.

Net cash used in investing activities totaled ¥1,807 million. The principal cash outflow was purchase of property, plant and equipment of ¥1,320 million in line with such factors as the opening of new stores.

Net cash provided by financing activities came to ¥1,799 million. The major cash inflow was net increase in short-term loans payable of ¥3,900 million. The principal cash outflow was cash dividends paid of ¥1,599 million.

The Company reported negative cash flows from operating activities for the 1Q of FY17. This result largely reflected the introduction of inventories aimed at reducing sales opportunity losses in connection with the Company’s online sales businesses as well as the upswing in income taxes paid. Turning to the full fiscal year ending March 31, 2017, UNITED ARROWS LTD. is projecting positive cash flows from operating activities.

■Results of FY17 1Q Group Total Opening and Closing of Stores and FY17 Forecasts

UNITED ARROWS LTD.

- FY17 1Q Group total: Number of new stores opened: 7; Closed: 0; Number of stores as of FY17 1Q-end: 361
- Full FY17 forecast Group total: Number of new stores opened: 19; Closed: 13; Number of stores as of FY17-end: 360 (Four stores more than the previous forecast)

	FY17 1Q Results				FY17 Forecasts						Reference
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 1Q-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	354	7		361	354	14	5	19	13	360	4
UNITED ARROWS LTD.	254	4		258	254	9	1	10	11	253	2
FIGO CO., LTD.	18			18	18				2	16	
COEN CO., LTD. *1	79	3		82	79	5	3	8		87	2
UNITED ARROWS TAIWAN LTD. *1	3			3	3					3	
Designs & Co. *1							1	1		1	

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

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■ Results of FY17 1Q Group Total Opening and Closing of Stores and FY17 Forecasts

On a Group total basis, seven stores were newly opened during the 1Q of FY17. No stores were closed during the period under review. As a result, the number of stores as of June 30, 2016, stood at 361.

For the full fiscal year ending March 31, 2017, the UNITED ARROWS Group is looking to open 19 stores and to close 13 stores, bringing the total number of stores as of the end of the fiscal year under review to 360.

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

In specific terms, the number of UNITED ARROWS LTD. and COEN CO., LTD. stores is forecast to each increase by two stores.

■Reference: UNITED ARROWS LTD. Results of FY17 1Q Opening and Closing of Stores and FY17 Forecasts

UNITED ARROWS LTD.

	FY17 1Q Results				FY17 Forecasts						Reference
						Opened					
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 1Q-end	No. of stores as of the beginning of the period	1H	2H	Full Fiscal Year	Closed	No. of stores as of the end of the period	Increase (decrease) from the previous forecast
UNITED ARROWS LTD. Total	**254**	**4**		**258**	**254**	**9**	**1**	**10**	**11**	**253**	**2**
UNITED ARROWS Total	86	3		89	86	5		5	2	89	**(1)**
UNITED ARROWS (General Merchandise Store)	9			9	9					9	**1**
UNITED ARROWS	25	2		27	25	3		3	2	26	**(1)**
BOW & ARROWS	1			1	1					1	
THE SOVEREIGN HOUSE	1			1	1					1	
District	1			1	1					1	
ASTRAET *1	2			2	2					2	
BEAUTY&YOUTH *2	41			41	41					41	**(1)**
monkey time	2			2	2					2	
STEVEN ALAN *3	3			3	3					3	
ROKU BEAUTY&YOUTH	1			1	1	1		1		2	
H BEAUTY&YOUTH *2		1		1		1		1		1	
green label relaxing	69			69	69	1		1	2	68	**1**
CHROME HEARTS	10			10	10					10	
SBU Total	66			66	66	1	1	2	6	62	**2**
Another Edition	15			15	15				3	12	
Jewel Changes	10			10	10				1	9	
Odette e Odile	21			21	21				2	19	
Boisson Chocolat	3			3	3	1		1		4	**1**
DRAWER	7			7	7					7	
EN ROUTE	2			2	2					2	
Traffic channels THE AIRPORT STORE	3			3	3					3	
Traffic channels THE STATION STORE	5			5	5		1	1		6	**1**
Outlet	23	1		24	23	2		2	1	24	

*1 ASTRAET has been transferred from the SBU to the UA business. Reference Increase (decrease) from the previous period data is presented after adjusting information for the 1Q of FY17 at left.
*2 H BEAUTY&YOUTH, which was included in BEAUTY&YOUTH data in materials for the previous period is recorded as an independent and separate item. Reference Increase (decrease) from the previous period data is presented after adjusting information for the 1Q of FY17 at left.
*3 STEVEN ALAN TOKYO, STEVEN ALAN OSAKA, and STEVEN ALAN KOBE are recorded as annex-type stores and are not included in the number of stores listed above.

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■ Reference: UNITED ARROWS LTD. Results of FY17 1Q Opening and Closing of Stores and FY17 Forecasts

(An explanation has been omitted.)

■Reference: FY17 1Q-end Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
April	Newly opened store	UNITED ARROWS ATRÉ EBISU WOMEN'S STORE	atré Ebisu (Shibuya-ku, Tokyo)
	Newly opened store	UNITED ARROWS KANAZAWA	KORINBO TOKYU SQUARE (Kanazawa-shi, Ishikawa)
	Newly opened store	H BEAUTY&YOUTH	Stand-alone store (Minato-ku, Tokyo)
	Newly opened store	UNITED ARROWS LTD. OUTLET YATSUGATAKE	RESORT OUTLETS YATSUGATAKE (Hokuto-shi, Yamanashi)

Coen CO., LTD.

	Stores Opened and Closed	Store name	Commercial Facility Address
April	Newly opened store	coen Seven Park Ario Kashiwa	SEVEN PARK ARIO KASHIWA (Kashiwa-shi, Chba)
	Newly opened store	coen General Store Abeno Q's Mall	Abeno Q's MALL (Abeno-ku, Osaka)
March	Newly opened store	coen Higashi Matusyama	Peonywalk Higashi Matsuyama (Higashi-matsuyama-shi, Saitama)

Note: There were no newly opened or closed stores during the 1Q of FY17 by FIGO CO., LTD., UNITED ARROWS TAIWAN LTD., and Designs & Co.

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■ Reference: FY17 1Q-end Results of the Opening and Closing of Stores

(An explanation has been omitted.)

FIGO CO., LTD.

Increase in revenue and earnings for the 1Q of FY17

- 1Q sales: ¥600 million; up 6% YoY
- YoY growth in wholesale sales; In addition to such miscellaneous items as tote bags, the company is also witnessing a recovery in business bags
- YoY increase in wear items including ASPESI brand products
- Also targeting an increase in revenue and earnings for the full fiscal year

A bag from the felisi Milan Shop Collection

COEN CO., LTD.

Revenue in the 1Q of FY17 roughly the same level as the corresponding period of the previous fiscal year; earnings, on the other hand, declined

- 1Q sales: Approximately ¥1,900 million, roughly the same level as the corresponding period of the previous fiscal year
  → Please refer to page 21 for details of trends and future measures
- Targeting an increase in revenue and earnings for the full fiscal year

coen General Store Abeno Q's Mall

UNITED ARROWS TAIWAN LTD.

1Q FY17 performance trends essentially in line with plans

- Reflecting on earlier initiatives, positive results achieved by bringing forward efforts to promote spring and summer season merchandise
- Increase in the number of customers visiting stores thanks largely to the continued use of SNS promotional tools
- Especially strong results in personal order as well as UA & SONS items at UA stores
- Turning to initiatives in the 2Q of FY17, opened an official e-commerce site in July

Official e-commerce site opened in Taiwan

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

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■ Group Companies

FIGO CO., LTD.
In the 1Q of FY17, the company reported increases in both revenue and earnings. Sales amounted to ¥600 million, up 6.0% compared with the corresponding period of the previous fiscal year. In addition to steady trends in wholesale as well as online retail sales, FIGO witnessed continued firm results in sales of such miscellaneous items as tote bags and a recovery in sales of business bags. Furthermore, sales of wear items, including ASPESI brand products, surpassed the level reported for the corresponding period of the previous fiscal year. Moving forward, the company is also aiming for increases in revenue and earnings for the full fiscal year.

COEN CO., LTD. (Account settlement date: January)
In the 1Q of FY17, the level of sales was essentially unchanged compared with the corresponding period of the previous fiscal year. Earnings, on the other hand, declined in the period under review. In specific terms, sales amounted to ¥1,900 million . Details of current trends and future measures are presented on page 21. Turning to forecasts for the full fiscal year, COEN is targeting increases in both revenue and earnings.

UNITED ARROWS TAIWAN LTD. (Account settlement date: January)
Performance trends in the 1Q of FY17 are essentially in line with plans.
Throughout the period under review, the company took steps to expand sales. Reflecting on efforts undertaken during the previous fiscal year, UNITED ARROWS TAIWAN placed particular emphasis on promoting merchandise in line with the climate in Taiwan, focusing mainly on spring and summer items. At the same time, the company is endeavoring to raise its visibility in the market through the use of SNS tools while advancing other promotional initiatives. UNITED ARROWS TAIWAN reported especially robust results in personal order suits as well as in UA & SONS items at UA stores. In the women's category, ASTRAET brand products also performed strongly. Turning to trends in the 2Q, steps were taken to open an official e-commerce site in Taiwan in July. Energies are being channeled toward further raising the company's visibility in the market.

UNITED ARROWS LTD.

Important Points regarding the Implementation of Priority Measures

- FY17: Progress in Implementing Priority Measures
- Efforts to Address Other Issues
  1. Trends in Gross Margins and Future Measures
  2. COEN CO., LTD. Trends and Future Measures
- Matter concerning the succession of the CH business to a new company (Press release dated May 27, 2016 (in Japanese only))

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■ Progress in Implementing Priority Measures

(As detailed on this page.)

■FY17 Management Policy and Priority Measures

UNITED ARROWS LTD.

Management Policy

Reaching new levels of satisfaction by inspiring and amazing customers!

—Instilling in customers a genuine sense of benefit and increased value—

Priority Measures

1. Create products that move customers' hearts

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

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

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

3. Provide a shopping experience that inspires and amazes customers

—Put in place a culture that nurtures creative merchants—

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■ FY17 Management Policy and Priority Measures

(Details are consistent with the explanation provided in the previous earnings announcement. An explanation has therefore been omitted.)

UNITED ARROWS LTD.

1. Create products that move customers' hearts

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

- Review basic product policies
  - Adopt a "Real Clothing with Creative Styling" approach and revise the Company's basic product policies by incorporating such elements as styling proposal capabilities
  - Plans to further entrench basic product policies through various initiatives including in-house study sessions going forward
- Rebuild the brand portfolio
  - Reposition each of the price and taste axes based on each brand concept
  - Realize optimal merchandising in each brand by identifying target customers based on the revised portfolio

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■ Progress in Implementing Priority Measures

1. Create products that move customers' hearts: Initiated steps to review the Company's basic product policies and rebuild the brand portfolio

As a part of efforts to review our basic product policies, we have adopted a "Real Clothing with Creative Styling" concept. We have also taken steps to incorporate styling proposals, which are not currently a feature of our product policies.

UNITED ARROWS LTD. is working to provide an explanation of its product creation process that all employees can more easily understand. This explanation includes details of the yardstick that the Company uses to determine the composition of its product portfolio and the split between forward-looking products that are a half-step ahead of consumers, contemporary products that take into consideration current trends, and basic products that remain popular irrespective of prevailing fashions. In addition to setting out how the Company determines its product mix, every effort is being made to outline the processes that go into identifying the core products that will drive sales. Currently, we are putting together a rough draft. On completion, we will work to promote widespread awareness by implementing a variety of initiatives, including in-house study sessions. Our goal is to foster a climate in which every facet of our product development activities draws on the principles of our basic product policies.

To rebuild our brand portfolio, each brand is being positioned within a matrix that sets price as the vertical axis and fashion tastes as the horizontal axis based on the brand concepts of all Group companies. By comparing this portfolio with the existing positioning of brands, we are taking positive steps to identify consistencies as well as discrepancies. Through these efforts to rebuild the brand portfolio, we will realize optimal merchandising in each brand by identifying target customers based on the revised portfolio. Moreover, we will link these efforts to the development of new businesses by visualizing areas in which the Company is not currently active.

We will continue to test each of these initiatives over several seasons. Through a process of repetitive implementation, we will endeavor to entrench each of these measures as a natural part of our everyday activities. In turn, this approach is expected to gradually yield results.

■Progress in Implementing Priority Measures

UNITED ARROWS LTD.

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

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

- Strengthen the allocation of online store stock
  - Non-consolidated online sales: ¥4.2 billion (Up 26.4% YoY)
  - Non-consolidated ratio of online sales: 13.8% (Up 2.6 percentage points YoY)
  - Successful steps to minimize opportunity loss: Requests to replenish stock on a quantitative basis down approximately 16% YoY

* UNITED ARROWS LTD. ONLINE STORE results

- Preparatory steps to integrate the Company's House Card and UNITED ARROWS LTD. ONLINE STORE members
  - House card members able to use their existing IDs to access UNITED ARROWS LTD. ONLINE STORE
  - Positive steps to consolidate the Company's point service program for use at the next purchase
  - Release of an application that combines both the House Card and online shopping functions

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■ Progress in Implementing Priority Measures

2. Deliver convenient and user-friendly e-commerce channels that exceed expectations: Strengthened the allocation of online store stock and took preparatory steps to integrate the Company's House Card with UNITED ARROWS LTD. ONLINE STORE members
During the period under review, steps were taken to strengthen the allocation of online store stock. Focusing mainly on top-selling products, efforts were directed toward increasing the volume of stock channeled to online stores. As a result, non-consolidated online sales climbed 26.4% compared with the corresponding period of the previous fiscal year, to ¥4,202 million, while the non-consolidated ratio of online sales to total sales improved 2.6 percentage points year on year, to 13.8%. At the same time, successful measures were implemented to minimize sales opportunity losses, with requests to replenish UNITED ARROWS LTD. ONLINE STORE stock on a quantitative basis declining about 16% compared with the corresponding period of the previous fiscal year.

Throughout the period under review, preparations were made to integrate the Company's House Card and UNITED ARROWS LTD. ONLINE STORE members, effective as of August 1, 2016. In addition to consolidating the Company's point service program, every effort was made to release an application that combines both the House Card and online sales functions. Each of these integration initiatives have been completed according to plans. These measures are expected to bear fruit from the 2Q.

3. Provide a shopping experience that inspires and amazes customers

—Put in place a culture that nurtures creative merchants—

- Took steps to review the details of store mystery shopper surveys (May to June 2016)
  - Identified key areas of focus for the purpose of enhancing the quality of sales activities
    1. Properly convey both brand and product value
    2. Determine whether or not to purchase products and the reasons for each decision
    3. Generate synergies with online sales
    4. Address the needs of overseas customers
  - Ensure that the results of surveys are fed back to each brand

- Review the educator/student (ES) system
  - Identify issues relating to the current ES system
  - Create a new system draft (Plans to implement from the spring of 2017)

■ Progress in Implementing Priority Measures

3. Provide a shopping experience that inspires and amazes customers: Reviewed the details of store mystery shopper surveys and initiated a review of the educator/student (ES) system
UNITED ARROWS LTD. undertook a review of its store mystery shopper surveys. In working to enhance the quality of its sales activities, the Company identified four core areas of focus. Surveys that were conducted over May and June 2016 placed greater emphasis on (1) whether or not the value of brands and products is being properly conveyed to customers; (2) whether or not customers actually purchase a product and, if not, why a purchase was not made; (3) whether or not proper steps have been taken to introduce the Company's online channels and to attract customers; and (4) whether or not sufficient efforts have been made to also satisfy overseas customers. After clarifying areas in which we held a competitive advantage as well as areas where we failed to reach the standards set by competing companies, we took steps to improve the appeal of each brand.

UNITED ARROWS LTD. conducted a review of its ES system and held hearings to identify any issues. Based on its findings, the Company's Human Resources Department is drafting a proposal to establish a new system. Looking ahead, the department will put forward a final proposal after focusing on anticipated problems and areas of improvement for each business. The goal is to complete this final proposal by February 2017 and to commence operations under a new ES system from FY18.

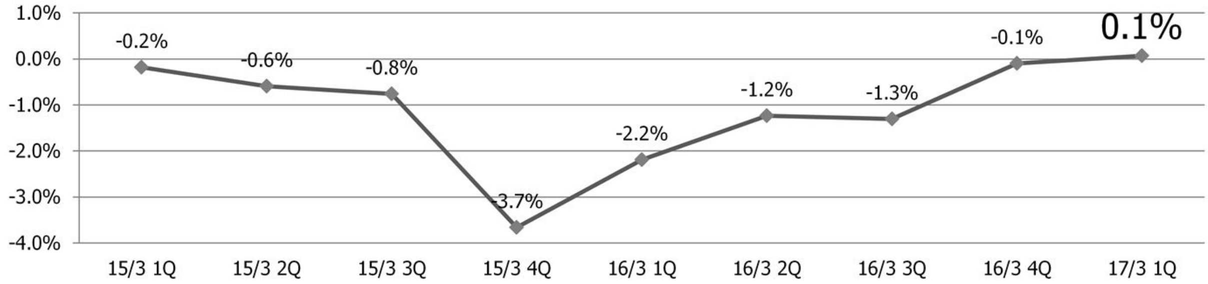
UNITED ARROWS LTD.

1. Trends in Gross Margins and Future Measures

—Despite failing to each the targeted level, successful steps to narrow the depth of YoY decline—

- Background
  1. Reviewed the setting of prices focusing mainly on slow-selling products (= an increase in the cost of goods purchased ratio)
  2. Slight increase in markdown losses due to inventory growth with the aim of managing sales opportunity loss
- Future measures
  1. Adhere strictly to a policy of cost management (Adhere to a strict management routine; focus on maintaining a balance between price and value)
  2. Roll out products at the most appropriate time and in the most appropriate amounts by optimizing merchandising in line with consumer sentiment

■ Reference: Consolidated Gross Margin YoY Increase (Decrease) by Quarter



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■ Efforts to Address Other Issues

1. Trends in Gross Margins and Future Measures

The graph that runs along the bottom of the page charts movements in the consolidated gross margin by quarter over the past two years.

The depth of decline in the consolidated gross margin has gradually lessened since bottoming out in the 4Q of FY15. Compared with the corresponding period of the previous fiscal year, the consolidated gross margin for the 1Q of FY17 is essentially unchanged. While the Company is far from reaching its targeted level, UNITED ARROWS LTD. is aiming for an improvement of 0.9 of a percentage point for the full fiscal year.

Conditions that underpin current trends in the Company's gross margin can be classified into two broad areas. First, the cost of goods purchased ratio has increased as a result of efforts to review the setting of prices, focusing mainly on slow-selling products. Second, markdown losses have increased slightly compared with the previous fiscal year when the Company implemented measures aimed at controlling inventory. As far as this second point is concerned, one positive feature is the success achieved in holding down sales opportunity losses, especially for the Company's online stores, thanks to the introduction of inventory. Moving forward, we will look to achieve a better overall balance.

Turning now to future measures, we have identified two broad initiatives. First, we will adhere strictly to a policy of cost management. Currently, the Company undertakes a monthly review of the cost control and price setting routines of all of its business departments. The focus of these reviews is on whether the specifications of products have been set at the right price with respect to each market and the requirements of customers. Drawing on the results of these reviews, further analysis is undertaken to determine whether or not a proper balance between price and value has been established. In instances where there is room for improvement, the Company looks to review the routines of businesses and departments. The benefits of these endeavors are expected to emerge from the 2H.
Second, the Company is working to roll out products at the most appropriate time and in the most appropriate amount by optimizing merchandising in line with consumer sentiment. While UNITED ARROWS LTD. introduced 8-season merchandising through its GLR business during 2015, the Company recognizes the importance of adopting a seasonal merchandising approach that is in line with each business as well as the attributes of each product. By pushing forward an optimal merchandising stance that accurately reflects the needs of customers, we are making every effort to improve the gross margin.

While features and trends vary depending on the business, currently the cost of goods purchased ratio for fall and winter items is showing an improvement. Looking ahead, we will maintain our focus on boosting the gross margin by adhering strictly to a policy of cost management and promoting optimal merchandising and other initiatives.

■Efforts to Address Other Issues

UNITED ARROWS LTD.

2. COEN CO., LTD. Trends and Future Measures

—Difficult condition during the spring and summer seasons from the previous to the current periods; Background and future measures—

- Background
  1. Delay in addressing prevailing trends brought about by such factors as the shift of production to ASEAN countries
  2. Insufficient depth of top-selling products due mainly to an increase in the number of items and an upswing in slow-selling items
  3. Delay in determining reductions in inventory
- Future measures
  1. Review countries of production; Introduce products in line with trends and modes
  2. Optimize the number of items and colors
  3. Increase the ratio of regular price sales and decrease markdown losses by adhering strictly to the 8-season merchandising policy

■ Reference: Latest hit items
Left: Men's stretch skinny denim jeans (¥4,500 excluding tax)
Right: Women's border boat neck T-shirt (¥2,400 excluding tax)

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■ Efforts to Address Other Issues

2. COEN CO., LTD. Trends and Future Measures
Since the previous fiscal period and over the recent spring and summer seasons, COEN CO., LTD. has continued to confront difficult conditions. Three broad factors have contributed to these difficulties.

First, the need to more quickly issue and receive instructions regarding such key product specifications as design and color has increased due to the shift of production to ASEAN countries. As a result, the company has experienced delays in addressing prevailing trends. Second, COEN CO., LTD. has allowed the numbers of items and colors to grow more than are necessary. In turn, that has led to a lack of depth in top-selling items as well as to an upswing in slow-selling items. Third, the company has been slow to determine reductions in inventory. COEN CO., LTD. placed considerable emphasis on securing an appropriate level of gross profit throughout the previous fiscal period. Consequently, the company moved back the start of its clearance sale period compared with its rivals. Due to this delay in determining the reduction of inventory, customers had already purchased items from other companies by the time the company began its clearance sale period. This situation then led to the negative cycle where sales fell below targeted levels despite the additional markdown of prices. Reflecting on these earlier efforts, COEN CO., LTD. has decided to adopt three measures going forward. First, the company will review the countries in which production is undertaken with a view to better responding to trends. At the same time, the company will step up its collaboration with the Fashion Marketing Department of UNITED ARROWS LTD. in an effort to introduce products that are more attuned to trends and modes. As far as the countries of production are concerned, COEN CO., LTD. will return the production of those products that require a quick response to prevailing trends from ASEAN countries to China. While this move is projected to result in a slight increase in the cost of goods sold ratio, raising hit-item rates will help lift the ratio of regular price sales and, as a result, lead to an improvement in the gross margin. Building on close-knit ties with the Fashion Marketing Department of UNITED ARROWS LTD., the company will introduce lineups of feminine casual clothing for women and mode items for men. Two examples of the latest hit items are presented in the photographs at the bottom of the page. On the left, we have a pair of skinny jeans for men and, on the right, a top for women that features a feminine style and silhouette trend. Historically, COEN CO., LTD. has not handled many feminine or mode items. Recognizing that these features are in high customer demand, the company will introduce new products while evaluating trends.

Second, COEN CO., LTD. has initiated a review of the numbers of items and colors. As far as this fall and winter are concerned, the company is setting the number of items at about 80% compared with previous seasons while taking into consideration the current average display capacity of stores. This measure is expected to better highlight the appeal of products and thereby expand sales.

Third, COEN CO., LTD. has decided to adopt a thoroughgoing 8-season merchandising approach. While introducing 8-season merchandising from the spring of this year, the company has taken steps to engage in more stringent operations with respect to inventory reduction cycles from June 2016. At the same time, COEN CO., LTD. has identified specific periods when products are sold at their regular prices as well as other periods when, for example, the focus is on the reduction of slow-selling items within each season classification. Through these means, the company is targeting an increase in sales as well as positive adjustments to the level of stock.

As we have explained, we will implement measures with a view to securing continued improvement. We do, however, understand that there is no room for complacency and will maintain a cautious approach toward future trends.

■ Background and Agreement Details

- Began handling CH products from 1999
- Entered into a licensing agreement with CHROME HEARTS JAPAN, LTD. in 2006
- Licensing agreement to expire in September 2016 → After engaging in negotiations which included to possible extension of the licensing agreement, decided to transfer the rights and obligation of the CH business to a newly established company
- Equity in the new company to be transferred on a progressive basis from December 2016 to December 2024

■ Future Outlook

- Continue involvement through the Company's participation in a joint venture over a period of eight years; This involvement to be accounted for as a consolidated subsidiary to 2020 → The impact on the Company's consolidated operating results is expected to be immaterial over the next several years
- Work to increase the profitability of existing businesses, examine the potential for expanding online sales, and undertake a host of initiatives including efforts to develop new businesses over this period
- Taking into account each of these factors, plans are in place to announce details of the Company's medium-term business plan and Long-Term Vision at the start of the next fiscal year

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■ Reference: Matters concerning the Succession of the CH Business to a New Company (Supplementary Press Release Dated May 27, 2016 (in Japanese Only))

Background and Agreement Details

UNITED ARROWS LTD. first began handling CH products in 1999. Thereafter, the Company entered into a licensing agreement with CHROME HEARTS JAPAN, LTD. in 2006. Based on this agreement, UNITED ARROWS LTD. has continued to operate stores under the CH brand. With the agreement due to expire as of the end of September 2016, the Company has engaged in wide-ranging negotiations with CHROME HEARTS LLC. in the United States. Discussions have revolved around a variety of scenarios, including a possible extension under the same terms and conditions. In the final analysis, the decision has been made to transfer the rights and obligations of this business to a newly established company. The Company's equity in this new company will be progressively transferred to CH Holding Company over the eight-year period from December 2016 to December 2024.

Future Outlook

In addition to maintaining an involvement in the CH brand over the next eight years through a joint venture, the newly established company will be included in the Company's scope of consolidation as a subsidiary until 2020. Accordingly, any impact on operating results will be immaterial for the next several years.

During this period, UNITED ARROWS LTD. will work to increase the profitability of existing businesses, examine the potential for expanding online sales, and undertake a host of other initiatives, including efforts to develop new businesses.

Taking into account each of these factors, plans are in place to announce details of the Company's medium-term business plan and Long-Term Vision at the beginning of the next fiscal year. At the same time, UNITED ARROWS LTD. intends to disclose details of its financial and capital policies.

■Reference Materials

■Reference: Trends in Movements in the Consolidated Gross Margin (Degree of Impact)

UNITED ARROWS LTD.

	FY15			FY16			FY17
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1Q
Gross margin for the fiscal year	52.7%	51.3%	51.9%	51.0%	50.6%	50.8%	54.5%
Gross margin for the corresponding period of the previous fiscal year	53.2%	53.4%	53.3%	52.7%	51.3%	51.9%	54.5%
Difference	(0.5)pt	(2.1)pt	(1.4)pt	(1.8)pt	(0.6)pt	(1.1)pt	0.1pt

■Factors that impacted the consolidated gross margin and the levels of overall impact

	FY15 1H	FY15 2H	FY15 Full Fiscal Year	FY16 1H	FY16 2H	FY16 Full Fiscal Year	FY17 1Q
Impact on the gross margin of UNITED ARROWS LTD. total business units	(0.4)pt	(1.5)pt	(1.0)pt	(1.2)pt	(0.8)pt	(1.0)pt	(0.3)pt
Impact on the gross margin of UNITED ARROWS LTD. OUTLET and other	(0.4)pt	(0.2)pt	(0.3)pt	(0.3)pt	0.0pt	(0.2)pt	(0.2)pt
Impact on UNITED ARROWS LTD. other costs	(0.1)pt	(0.2)pt	(0.1)pt	0.0pt	0.4pt	0.2pt	0.5pt
Impact on the gross margin excluding UNITED ARROWS LTD.	0.2pt	(0.1)pt	0.0pt	(0.1)pt	(0.1)pt	(0.1)pt	0.1pt
Impact on the composition of sales	0.3pt	(0.1)pt	0.1pt	(0.3)pt	(0.1)pt	(0.1)pt	0.0pt

■Reference: Trends in the Consolidated SGA Expenses to Sales Ratio

UNITED ARROWS LTD.

	FY15			FY16			FY17
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1Q
SGA Expenses Total	46.8%	40.4%	43.3%	45.3%	40.9%	42.9%	48.1%
Advertising Expenses	2.1%	1.7%	1.9%	1.7%	2.0%	1.9%	2.1%
Personnel Expenses	17.2%	14.1%	15.5%	16.6%	14.0%	15.2%	17.5%
Rent	13.8%	13.0%	13.4%	13.6%	13.2%	13.4%	14.2%
Depreciation	1.5%	1.3%	1.4%	1.4%	1.2%	1.3%	1.4%
Other	12.3%	10.2%	11.2%	12.0%	10.6%	11.2%	12.9%

■Reference: FY17 Consolidated P/L Forecasts

UNITED ARROWS LTD.

(Millions of yen)

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

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

UNITED ARROWS LTD.

■**Consolidated**

(Millions of yen)

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

■Reference: Details of FY17 Non-Consolidated Sales Forecast

UNITED ARROWS LTD.

(Millions of yen)

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

Note: This table contains the Company's initial non-consolidated sales forecast. Forecast data for the CH business is included in figures for the 2H and full fiscal year.

■Appendix: Explanation of Frequently Occurring Terms

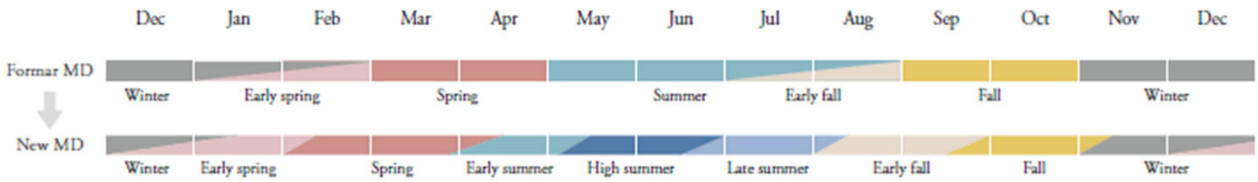
UNITED ARROWS LTD.

■The cycle of collaboration between the product, sales, and promotion departments

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

■ 8-season merchandising

In recent years, we have seen 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 customers' sensory perceptions and in-store merchandise. At the same time, we are witnessing two distinct purchasing patterns running in tandem between customers who are willing to purchase forward-looking items that exhibit value, and customers who desire items for immediate use. There are indications that consumption patterns are shifting from buying an item because it is reasonably priced to carefully purchasing an item only when genuinely needed even during clearance sales periods. Taking each of these factors into consideration, conventional merchandising plans are failing to properly address changes in the operating environment. The decision to introduce 8-season merchandising was designed to resolve this issue.
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. 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 improving the ratio of regular price sales and mitigating any unnecessary increase in inventory. This mechanism was first introduced at UNITED ARROWS green label relaxing in the spring and summer seasons of 2015. Looking especially at the changeover period from summer to fall, 8-season merchandising helped to generate a number of hot-selling women's cut, knitwear and pants items culminating in a robust improvement in results. Plans are in place to extend this example of success into other businesses during the fiscal year ending March 31, 2017. We will endeavor to improve the turnover and content of inventories by evaluating and improving implementation of the 8-season merchandising policy.



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)