Fiscal 2017
Fiscal Year Ending March 2017
First Half
Earnings Announcement

November 4, 2016

UNITED ARROWS LTD.

■ Contents

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 1H Performance Summary

UNITED ARROWS LTD.

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

- An increase in revenue and a decrease in earnings; Consolidated sales: Decrease of 3.8% compared with plans; Ordinary income: Decrease of 30.3% compared with plans
- Due to such factors as the lack of merchandising flexibility against external factors sales were sluggish; This also contributed to an increase in discount sales
- SGA expenses increased YoY owing mainly to the increase in personnel and advertising expenses; SGA expenses decreased compared with plans due to such factors as successful efforts to control expenditure

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

- Non-consolidated retail sales confronted extremely harsh conditions by sales channel; Trends exceeded plans owing mainly to successful efforts aimed at strengthening the allocation of online store stock
- By business, UA and CH struggled while GLR was firm; SBU: Increase in businesses exhibiting a recovery trend

Inventory (For details see page 9)

- YoY increase in the balance of inventory on a consolidated basis of 11.7% exceeding the growth in sales; This mainly reflected the upswing in current period products
- Online stores and other: Working to quickly reduce slow-selling items while continuing to introduce inventory in robust fields

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

- FY17 1H Group total: Number of new stores opened: 14; Number of stores closed: 7; Number of stores as of the end of FY17 1H: 361
- FY17 forecast Group total: Number of new stores opened: 20; Number of stores closed: 11; Number of stores as of the end of FY17: 363 (Up 3 compared with 1Q forecast)

Consolidated Subsidiaries (For details see page 14)

- FIGO CO., LTD. and UNITED ARROWS TAIWAN LTD.: Operations in line with plans; COEN CO., LTD.: Operations struggled → Steps taken to reflect through the revision of operating results

Overview of Revision of Operating Results (For details see pages 15 to 17)

- Revisions to 2H sales and gross margin in line with 1H operating results
- FY17 consolidated sales: Decrease of 3.6% compared with initial plans; Ordinary income: Decrease of 19.5% compared with initial plans
- Assumptions regarding YoY existing store sales at UNITED ARROWS LTD.: Retail: Decrease of 3.5%; Online: Increase of 22.4%; Retail + Online: Increase of 1.2%

■ Consolidated 1H P/L Overview

UNITED ARROWS LTD.

Failed to achieve sales and profit plans owing mainly to the lack of merchandising flexibility against external factors including inclement weather conditions

- Consolidated sales: YoY increase of 1.5%; Decrease of 3.8% compared with plans
- Gross margin: YoY decrease of 0.2 of a percentage point; Decrease of 1.1 percentage points compared with plans → Due mainly to the increase in discount sales at UNITED ARROWS LTD. and COEN CO., LTD.
- SGA expenses: YoY increase of 7.8%; Decrease of 3.6% compared with plans → YoY: Increase in personnel expenses reflecting efforts to fill vacant positions; Increase in promotional and other expenses largely in line with the opening of new large-scale UNITED ARROWS LTD. stores; Increase in fixed and other costs as a result of the YoY downturn in existing retail store sales; vs. plans: Steps to control and reduce personnel, variable, consumable, and other expenses mainly at UNITED ARROWS LTD.
- Based on 1H results, downward revision of full fiscal year forecasts (For details see pages 15 to 17)

(Millions of yen)

	Consolidated Results FY17 1H						FY16 1H		Initial	
	Results	vs. Sales	YoY Increase (Decrease)	%	vs.Plans	%	Results	vs. Sales	Plans	vs. Sales
Sales	**65,083**	100.0%	980	101.5%	(2,597)	96.2%	64,102	100.0%	67,680	100.0%
Gross Profit	**33,031**	50.8%	363	101.1%	(2,039)	94.2%	32,667	51.0%	35,070	51.8%
SGA Exp.	**31,316**	48.1%	2,264	107.8%	(1,179)	96.4%	29,051	45.3%	32,495	48.0%
Operating Inc.	**1,714**	2.6%	(1,900)	47.4%	(860)	66.6%	3,615	5.6%	2,575	3.8%
Non Op. P/L	**88**	0.1%	84	2,554.2%	74	639.1%	3	0.0%	13	0.0%
Ordinary Inc.	**1,803**	2.8%	(1,815)	49.8%	(785)	69.7%	3,618	5.6%	2,589	3.8%
Extraordinary P/L	**(336)**	-0.5%	(187)	–	(56)	–	(149)	-0.2%	(280)	-0.4%
Net Income Attributable to Owners of Parent	**870**	1.3%	(1,266)	40.7%	(563)	60.7%	2,136	3.3%	1,433	2.1%

■ Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 1.1% YoY; Down 3.7% compared with plans;
Existing store sales down 0.1% YoY

- Retail sales: Down 2.0% YoY; Down 5.4% compared with plans → Due to such factors as the lack of merchandising flexibility against external factors
- Online store sales: Up 23.8% YoY; Up 5.7% compared with plans → This increase is attributable to a variety of factors including successful efforts to reduce sales opportunity loss through strengthening the allocation of online store stock
- Sales composition: Online store sales 14.5% (11.9% in the 1H of FY16); Outlet store and other sales 13.0% (13.4% in the 1H of FY16)

(Millions of yen)

	Non-Consolidated Results FY17 1H						FY16 1H		Initial	
	Results	Share	YoY Increase (Decrease)	%	vs.Plans	%	Results	Share	Plans	Share
Non-Consolidated Sales	**58,825**	100.0%	643	101.1%	(2,252)	96.3%	58,182	100.0%	61,077	100.0%
Total Business Unit Sales	**51,167**	87.0%	754	101.5%	(2,013)	96.2%	50,413	86.6%	53,181	87.1%
Retail	**42,177**	71.7%	(879)	98.0%	(2,421)	94.6%	43,056	74.0%	44,598	73.0%
Online	**8,539**	14.5%	1,643	123.8%	459	105.7%	6,895	11.9%	8,080	13.2%
Other (Wholesale, Other)	**451**	0.8%	(9)	97.9%	(51)	89.8%	461	0.8%	502	0.8%
Outlet, Other	**7,657**	13.0%	(110)	98.6%	(239)	97.0%	7,768	13.4%	7,896	12.9%

Existing Stores YoY (Asterisk indicates reference data)

	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	99.9%	101.2% *	98.1% *
Retail	96.2%	95.6%	100.6%
Online	122.6%	125.1% *	98.7% *

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.

■ Non-Consolidated Sales Results by Business

UNITED ARROWS LTD.

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

- UA : Men's casual items were firm amid difficult trends
- GLR : Men's and women's dressy items were strong
- CH : Despite difficult conditions in overall terms, improvement in the 2Q (Existing store sales up on a YoY basis: Down 14.7% in the 1Q; Flat in the 2Q)
- SBU : Robust results in the Jewel Changes, DRAWER, Boisson Chocolat and THE STATION STORE businesses

(Millions of yen)

	Non-Consolidated Results FY17 1H			FY16 1H
	Results	YoY Increase (Decrease)	%	Results
Total Business Unit Sales	**51,167**	754	101.5%	50,413
UA	**25,088**	226	100.9%	24,862
GLR	**13,869**	1,058	108.3%	12,810
CH	**5,305**	(498)	91.4%	5,803
SBU	**6,905**	(32)	99.5%	6,937

Existing Stores YoY

	Retail + Online	Retail	Online
UA	98.6%	94.2%	124.6%
GLR	105.1%	101.1%	129.1%
CH	-	91.9%	-
SBU	101.6%	98.5%	111.2%

Note: Effective from the fiscal year under review, control of the ASTRAET business transferred from the SBU to the UA business.
Accordingly, results data for the corresponding period of the previous fiscal year has been retroactively adjusted for comparative purposes.

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

Consolidated Gross Margin Results

UNITED ARROWS LTD.

The consolidated gross margin came in at 50.8%, down 0.2 of a percentage point year on year
Factors that impacted the consolidated gross margin and the levels of overall impact are presented as follows

Consolidated gross margin for the 1H of FY17	50.8%
Consolidated gross margin for the 1H of FY16	51.0%
Difference	(0.2)pt

■ 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	(0.5)pt	YoY decrease of 0.6 of a percentage point in the gross margin of total business units; This decrease is largely due to the increase in discount sales
Impact of movements in the gross margins of UNITED ARROWS LTD. OUTLET and other stores	0.1pt	YoY improvement of 0.7 of a percentage point in the gross margins of outlet and other stores; This improvement mainly reflects the increase in outlet-exclusive item sales
Impact of movements in UNITED ARROWS LTD. other costs	0.1pt	Despite an increase in product valuation loss in line with the increase in inventories, results benefited from the absence of the negative impact of movements of in foreign currency exchange rates incurred during the previous year
Impact of movements in the gross margin excluding UNITED ARROWS LTD.	0.0pt	YoY decrease of 0.3 of a percentage point in the gross margin excluding UNITED ARROWS LTD; Increase in markdown losses at COEN CO., LTD. offset by improvements at FIGO CO., LTD.
Impact of changes in the composition of sales	0.1pt	Decrease in the composition of UNITED ARROWS LTD. OUTLET sales and other factors

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 on page 27 of the "Reference Materials" section of this document.

Consolidated SGA Expenses to Sales Ratio

UNITED ARROWS LTD.

The consolidated SGA expenses to sales ratio increased 2.8 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
(The decrease in SGA expenses of ¥1.1 billion compared with plans largely reflects successful efforts to reduce and control personnel, variable, temporary store opening operating overhead as well as promotional and other expenses)

Consolidated SGA expenses to sales ratio for the 1H of FY17	48.1%
Consolidated SGA expenses to sales ratio for the 1H of FY16	45.3%
Difference	2.8pt

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

	FY17 1H	FY16 1H	Difference	Remarks
Advertising Expenses	2.2%	1.7%	0.5pt	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	17.4%	16.6%	0.8pt	This increase is largely the result of efforts to fill vacant positions at UNITED ARROWS LTD. and COEN CO., LTD. as well as other factors including the increase in the fixed costs ratio in line with sluggish actual store sales
Rent	14.4%	13.6%	0.8pt	This increase primarily reflects the increase in the fixed costs ratio in line with sluggish actual store sales
Depreciation	1.4%	1.4%	0.0pt	–
Other	12.7%	12.0%	0.8pt	This increase is mainly due to the increase in business taxes following revisions to the tax system and 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 on page 28 of the "Reference Materials" section of this document.

Consolidated B/S Overview

UNITED ARROWS LTD.

The balance of total assets as of the end of the 1H of FY17 was 8.6% higher than the balance as of the end of the corresponding period of FY16 and 6.0% 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 1H of FY17 and the end of the 1H of FY16)

- Current assets : Increase in the balance of inventory
- Noncurrent assets : Increase in the balances of tangible noncurrent assets and guarantee deposits in line with the opening of new stores
- Current liabilities : Increase in the balances of short-term loans payable and accounts payable-other; Decrease in the balance of income taxes payable
- Noncurrent liabilities : Decrease in the balance of long-term loans payable

Note: The balance of short- and long-term loans payable: Up 16.3% YoY to ¥10 billion
Note: The balance of inventory: Up 11.7% YoY (Net sales YoY growth: 1.5%; Due mainly to the increase in current period fall and winter products)

(Millions of yen)

	Consolidated FY17 1H-End							
	Results	Share	YoY	vs. FY16-End	FY16 1H-End Results	Share	FY16-End Results	Share
Total Assets	67,726	100.0%	108.6%	106.0%	62,334	100.0%	63,877	100.0%
Current Assets	44,610	65.9%	108.3%	105.3%	41,183	66.1%	42,367	66.3%
(Inventory)	28,626	42.3%	111.7%	119.4%	25,638	41.1%	23,966	37.5%
Noncurrent Assets	23,115	34.1%	109.3%	107.5%	21,150	33.9%	21,510	33.7%
Current Liabilities	30,376	44.9%	115.2%	121.7%	26,374	42.3%	24,964	39.1%
Noncurrent Liabilities	4,459	6.6%	75.7%	86.5%	5,891	9.5%	5,152	8.1%
Total Net Assets	32,891	48.6%	109.4%	97.4%	30,069	48.2%	33,760	52.9%
Reference: Balance of Short and Long-Term Loans Payable	10,094	14.9%	116.3%	164.2%	8,678	13.9%	6,146	9.6%

Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents as of the end of the term came to ¥3,722 million
While cash outflows from operating activities exceeded inflows in the 1H, cash inflows from operating activities are forecast to exceed outflows for the full fiscal year

- Cash flows from operating activities : (Major cash inflows) income before income taxes of ¥1,466 million and increase in purchase liabilities of ¥1,778 million
  (Major cash outflows) increase in inventories of ¥4,660 million and income taxes paid of ¥2,121 million
- Cash flows from investing activities : (Major cash outflows) purchase of property, plant and equipment of ¥1,544 million and purchase of long-term prepaid expenses of ¥356 million
- Cash flows from financing activities : (Major cash inflow) net increase in short-term loans payable of ¥4,950 million
  (Major cash outflows) cash dividends paid of ¥1,750 million and repayment of long-term loans payable of ¥1,002 million

(Millions of yen)

	Consolidated FY17 1H Results	FY16 1H Results
Cash flows from operating activities (sub-total)	195	5,877
Cash flows from operating activities	(1,942)	4,639
Cash flows from investing activities	(2,350)	(1,464)
Cash flows from financing activities	2,197	(5,011)
Cash and cash equivalents at the end of the term	3,722	3,747

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

UNITED ARROWS LTD.

- FY17 1H Group total: Number of new stores opened: 14; Closed: 7; Number of stores as of the end of FY17 1H: 361
- Full FY17 forecast Group total: Number of new stores opened: 20; Closed: 11; Number of stores as of the end of FY17:363 (Up 3 compared with the previous forecast)

Note: Factors contributing to changes from the previous earnings announcement: UNITED ARROWS LTD.: Decrease in the number of SBU stores closed: 2; FIGO CO., LTD.: Increase in the number of new stores opened: 1

	FY17 1H Results				FY17 Forecasts						
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 1H-end	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	Transfer attributable to company split	No. of stores as of the end of the period
Group Total	**354**	**14**	**7**	**361**	**354**	**14**	**6**	**20**	**11**		**363**
UNITED ARROWS LTD.	**254**	**9**	**7**	**256**	**254**	**9**	**1**	**10**	**9**	(10)	**245**
FIGO CO., LTD.	**18**			**18**	**18**		**1**	**1**	**2**		**17**
COEN CO., LTD.	**79**	**5**		**84**	**79**	**5**	**3**	**8**			**87**
UNITED ARROWS TAIWAN LTD.	**3**			**3**	**3**						**3**
Designs & Co.							**1**	**1**			**1**
CHROME HEARTS JP, GK										10	**10**

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

UNITED ARROWS LTD.

	FY17 1H Results				FY17 Forecasts						
	No. of stores as of the beginning of the period	Opened	Closed	No. of stores as of 1H-end	No. of stores as of the beginning of the period	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	Transfers attributable to company split	No. of stores as of the end of the period
UNITED ARROWS LTD. Total	**254**	**9**	**7**	**256**	**254**	**9**	**1**	**10**	**9**	**(10)**	**245**
UNITED ARROWS Total	86	5	2	89	86	5		5	2		89
UNITED ARROWS (General Merchandise Store)	9			9	9						9
UNITED ARROWS	25	3	2	26	25	3		3	2		26
BOW & ARROWS	1			1	1						1
THE SOVEREIGN HOUSE	1			1	1						1
District	1			1	1						1
ASTRAET	2			2	2						2
BEAUTY&YOUTH	41			41	41						41
monkey time	2			2	2						2
STEVEN ALAN *	3			3	3						3
ROKU BEAUTY&YOUTH	1	1		2	1	1		1			2
H BEAUTY&YOUTH		1		1		1		1			1
green label relaxing	69	1	1	69	69	1		1	2		68
CHROME HEARTS	10			10	10					(10)	
SBU Total	66	1	4	63	66	1	1	2	4		64
Another Edition	15		2	13	15				2		13
Jewel Changes	10			10	10						10
Odette e Odile	21		2	19	21				2		19
Boisson Chocolat	3	1		4	3	1		1			4
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
Outlet	23	2		25	23	2		2	1		24

* 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.

■ Reference: End of FY17 1H Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facility Address
Sep.	Newly opened store	UNITED ARROWS ROPPONGI HILLS	ROPPONGI HILLS (Minato-ku, Tokyo)
	Newly opened store	ROKU BEAUTY&YOUTH SHIBUYA CAT STREET	Stand-alone store (Shibuya-ku, Tokyo)
	Newly opened store	WORK TRIP OUTFITS GREEN LABEL RELAXING Yaesu	YAESU SHOPPING MALL (Chuo-ku, Tokyo)
	Newly opened store	Boisson Chocolat Lumine Shinjuku	LUMINE SHINJUKU (Shinjuku-ku, Tokyo)
Aug.	Closed store	Another Edition Shibuya	SHIBUYA PARCO (Shibuya-ku, Tokyo)
July	Newly opened store	UNITED ARROWS LTD. OUTLET RINKU	Rinku Premium Outlets (Izumisano-shi, Osaka)
	Closed store	UNITED ARROWS ROPPONGI MEN'S STORE	ROPPONGI HILLS (Minato-ku, Tokyo)
	Closed store	UNITED ARROWS ROPPONGI WOMEN'S STORE	ROPPONGI HILLS (Minato-ku, Tokyo)
	Closed store	green label relaxing celeo kokubunji	CELEO KOKUBUNJI (Kokubunji-shi, Tokyo)
	Closed store	Another Edition Machida	Machida modi (Machida-shi, Tokyo)
	Closed store	Odette e Odile hakata	AMUPLAZA HAKATA (Hakata-ku, Fukuoka-shi)
	Closed store	Odette e Odile atré kawasaki	atré Kawasaki (Kawasaki-ku, Kawasaki-shi)
Apr.	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
July	Newly opened store	coen General Store Sendai Parco 2	Sendai Parco 2 (Aoba-ku, Sendai-shi)
	Newly opened store	coen Grand Store Odawara	Dynacity West (Odawara-shi, Kanagawa)
Apr.	Newly opened store	coen Seven Park Ario Kashiwa	SEVEN PARK ARIO KASHIWA (Kashiwa-shi, Chiba)
	Newly opened store	coen General Store Abeno Q's Mall	Abeno Q's MALL (Abeno-ku, Osaka)
Mar.	Newly opened store	coen Peonywalk Higashi Matusyama Store	Peonywalk Higashi Matsuyama (Higashi-matsuyama-shi, Saitama)

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

■ Group Companies

FIGO CO., LTD.

In the 1H of FY17, sales remained at roughly the same level while profit increased YoY

- 1H sales: ¥1,400 million; Unchanged from the corresponding period of the previous fiscal year
- Substantial improvement in the gross margin YoY owing mainly to the impact of movements in foreign currency exchange rates
- YoY growth in wholesale sales; In addition to such miscellaneous items as tote bags, the company is also witnessing a recovery in business bags
- Also targeting an increase in revenue and earnings for the full fiscal year

(Announcement of the release of the Felisi 8637 model 30th anniversary)

COEN CO., LTD.

Increase in revenue and decrease in earnings in the 1H of FY17

- 1H sales: ¥4,800 million; up 8% YoY
- In similar fashion to trends at UNITED ARROWS LTD., increase in discount sales owing mainly to difficult conditions at actual stores
- Priority placed on reducing inventories throughout the current fiscal year; forecasts for the full fiscal year also revised to reflect an increase in revenue and decrease in earnings
- Looking at recent results, firm trends in October despite difficult conditions in September

(Announcement of the start of new COEN CO., LTD. membership services)

UNITED ARROWS TAIWAN LTD.

1H FY17 results: Performance trends essentially in line with plans

- 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
- Opened an own-company e-commerce site in Taiwan in July; Working to increase visibility and awareness while strengthening collaboration between the use of advertising and SNS tools


(UA TAIPEI store personal order event)

Note: Consolidated subsidiary Designs & Co. open its inaugural new brand BLAMINK store in October 2016.

■ Overview of Revisions to Results Forecasts: Consolidated P/L for the Full Fiscal Year

Revision also to 2H sales and gross margin to reflect results in the 1H

- Consolidated sales: Down ¥5,438 million, or 3.6%, compared with initial plans → Revision to full fiscal year forecasts in line with 1H results
  (YoY assumptions for UNITED ARROWS LTD. existing stores sales in the 2H → Retail: Down 3.5%; Online: Up 22.4%; Retail + Online: Up 1.2%)
- Gross margin: Down 0.7 of a percentage point compared with initial plans → As above, minor accommodation made for positive foreign currency exchange rate factors in the 2H
- SGA expenses: Down ¥1,506 million, or 2.3%, compared with initial plans → Ongoing efforts to control operating overhead expenses also in the 2H
- As a result of the aforementioned, and compared with initial plans, operating income and ordinary income are expected to come in at around 80% and net income attributable to owners of parent at roughly 75%

(Millions of yen)

	Consolidated FY17 Revised Data									
	Revised Data	vs. Sales	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%	FY16 Results	vs. Sales	Initial Plans	vs. Sales
Sales	**145,000**	100.0%	4,080	102.9%	(5,438)	96.4%	140,919	100.0%	150,438	100.0%
Gross Profit	**73,967**	51.0%	2,394	103.3%	(3,778)	95.1%	71,573	50.8%	77,746	51.7%
SGA Exp.	**64,875**	44.7%	4,374	107.2%	(1,506)	97.7%	60,501	42.9%	66,382	44.1%
Operating Inc.	**9,092**	6.3%	(1,979)	82.1%	(2,272)	80.0%	11,071	7.9%	11,364	7.6%
Non Op. P/L	**107**	0.1%	3	103.6%	39	157.8%	103	0.1%	68	0.0%
Ordinary Inc.	**9,200**	6.3%	(1,975)	82.3%	(2,232)	80.5%	11,175	7.9%	11,432	7.6%
Extraordinary P/L	**(805)**	-0.6%	(79)	-	(148)	-	(725)	-0.5%	(656)	-0.4%
Net Income Attributable to Owners of Parent	**5,200**	3.6%	(1,294)	80.1%	(1,690)	75.5%	6,494	4.6%	6,890	4.6%
Reference: Consolidated EPS (Yen)	**172.11**	-	(42.76)	80.1%	(55.95)	75.5%	214.87	-	228.06	-

■ Overview of Revisions to Results Forecasts: Reference: Plan for the 2H Only

UNITED ARROWS LTD.

(Millions of yen)

	Consolidated FY17 Revised Data (2H Only)									
	Revised Data	vs. Sales	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%	FY16 Results	vs. Sales	Initial Plans	vs. Sales
Sales	**79,916**	100.0%	3,100	104.0%	(2,840)	96.6%	76,816	100.0%	82,757	100.0%
Gross Profit	**40,936**	51.2%	2,030	105.2%	(1,739)	95.9%	38,906	50.6%	42,675	51.6%
SGA Exp.	**33,559**	42.0%	2,109	106.7%	(327)	99.0%	31,449	40.9%	33,886	40.9%
Operating Inc.	**7,377**	9.2%	(79)	98.9%	(1,411)	83.9%	7,456	9.7%	8,789	10.6%
Non Op. P/L	**19**	0.0%	(81)	19.2%	(35)	35.5%	100	0.1%	54	0.1%
Ordinary Inc.	**7,396**	9.3%	(160)	97.9%	(1,447)	83.6%	7,557	9.8%	8,843	10.7%
Extraordinary P/L	**(468)**	-0.6%	107	-	(92)	-	(576)	-0.8%	(376)	-0.5%
Net Income Attributable to Owners of Parent	**4,329**	5.4%	(27)	99.4%	(1,126)	79.3%	4,357	5.7%	5,456	6.6%

■ Overview of Revisions to Results Forecasts: Reference: Revised UNITED ARROWS LTD. Sales (2H and Full Fiscal Year)

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated FY17 2H Revised Data						Non-Consolidated FY17 Full Fiscal Year Revised Data					
	2H	Share	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%	Full Fiscal Year	Share	YoY Increase (Decrease)	%	Increase (Decrease) vs. Initial Plans	%
Sales	**66,170**	100.0%	2,133	103.3%	(2,435)	96.5%	**124,996**	100.0%	2,777	102.3%	(4,687)	96.4%
Total Business Unit Sales	**56,910**	86.0%	1,831	103.3%	(2,448)	95.9%	**108,078**	86.5%	2,585	102.5%	(4,461)	96.0%
Retail	**44,789**	67.7%	(369)	99.2%	(2,460)	94.8%	**86,966**	69.6%	(1,248)	98.6%	(4,882)	94.7%
Online	**11,494**	17.4%	2,115	122.6%	0	100.0%	**20,033**	16.0%	3,758	123.1%	459	102.3%
Other (Wholesale, Other)	**626**	0.9%	85	115.8%	12	102.0%	**1,077**	0.9%	75	107.6%	(39)	96.5%
Outlet	**9,260**	14.0%	302	103.4%	13	100.1%	**16,918**	13.5%	191	101.1%	(225)	98.7%
Existing Store Sales YoY												
Retail + Online	101.2%						100.6%					
Retail	96.5%						96.3%					
Online	122.4%						122.5%					

Note: Sales of the CHROME HEARTS business, which was split off from the operations of the UNITED ARROWS LTD. Group effective from the 2H of FY17 have not been included in results data for the 2H of FY16 or initial 2H plans.

■ Progress in Implementing Measures

UNITED ARROWS LTD.

Important Points regarding the Implementation of Measures

- Summary of FY17 1H performance and future measures
- Promoting measures aimed at increasing corporate value over the medium-to long-term

  (1) Initiatives aimed at increasing GLR sales

  (2) Other and marketing measures aimed at increasing corporate value over the medium-to long-term
- Acquisition of treasury stock

■ Summary of FY17 1H Performance

UNITED ARROWS LTD.

Details behind the failure to achieve sales plan targets

- Insufficient flexibility in advancing merchandising in response to various factors including inclement weather conditions
- Lack of new proposals amid narrow changes in fashion trends
- Incidence of sales opportunity loss due to insufficient measures aimed at introducing and addressing hot-selling items and genres

Details behind the failure to achieve gross margin plan targets

- Increase in inventory in line with the failure to meet sales plans
  → Increase in discount sales

The inability to sufficiently react in a flexible manner to various negative factors including extraordinary weather conditions and changes in consumer mindsets was the principal internal factor that contributed to the failure to achieve performance plan targets.

■ Future Measures in light of the FY17 1H Summary

UNITED ARROWS LTD.

1. Increase sales by improving the precision of product planning

- Adopt a flexible approach toward merchandising in line with customers' purchasing patterns
- Strengthen measures that address transition times between seasons including medium and lightweight apparel; miscellaneous items
- Ascertain the appropriate number of items; eliminate unnecessary items

2. Improve the gross margin

- Increase the ratio of regular price sales based on the aforementioned measures
- Properly manage discounts in line with the fresh appeal of products

3. Strengthen actual stores

- Promptly replenish staff vacancies at frontline stores and continue to promote education and training
- Continue to thoroughly carry out priority measures in the current fiscal year

4. Control costs

- Reduce operating overhead expenses focusing mainly on headquarters

In addition to promoting single fiscal year priority measures, work toward achieving revised forecasts by thoroughly implementing the aforementioned measures.

■ Initiatives Aimed at Increasing GLR Sales

- Achieved 1H GLR sales plan target; Exceeded existing store sales on a YoY basis

■ Reference: Companywide and GLR results by quarter existing retail + online stores sales YoY

	1Q	2Q	1H
Company wide	100.8%	98.9%	99.9%
GLR	107.0%	102.9%	105.1%

Major factors

1. Ongoing advances in 8-season merchandising and efforts aimed at addressing the transition times between seasons
2. Efforts aimed at addressing demand that is less susceptible to changes in temperatures
3. Efforts to strengthen online sales

1. Ongoing advances in 8-season merchandising and efforts aimed at addressing the transition times between seasons

- Ongoing advances in 8-season merchandising: Efforts to improve merchandising in light of previous year's performance
- Efforts aimed at addressing the transition times between seasons: Strengthened miscellaneous items including shoes and bags

■ Reference: YoY sales by total business unit and GLR apparel and miscellaneous item (all stores)

■ Total Business Unit Sales

	1Q	2Q	1H
Apparel	106.1%	99.5%	102.8%
Miscellaneous Items	98.1%	100.8%	99.5%

■ GLR

	1Q	2Q	1H
Apparel	109.1%	103.5%	106.5%
Miscellaneous Items	115.7%	112.9%	114.3%

■ Examples of hot-selling GLR apparel and miscellaneous items in the 1H

- Leather tote bag (men's)

- Hervé Chapelier exclusive pochettes (women's)

■ Initiatives Aimed at Increasing GLR Sales

2. Efforts aimed at addressing demand that is less susceptible to changes in temperatures

- Addressed essential demand that occurs even with slight changes in temperatures. This includes demand for ceremonial, new lifestyle, and cool biz items
- Put forward mix and match proposals for business, private, and formal occasions
- Provided products with functional appeal including washable and stretch fabric items as well as products that do not crease

→ GLR dress division: 1H existing retail + online store sales YoY

Men's up **8.9**%, Women's up **10.7**%

■ Mix and match women's Jacket proposals

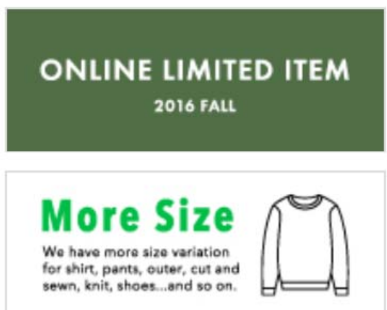
■ Functional men's Cool Biz products

3. Efforts to strengthen online sales measures

- Strengthened the allocation of inventory: Upgraded and expanded initial period inventory and introduced additional hot-selling items
- Expanded available sizes including XS and XXL handled on an online store basis only
- Undertook the efficient management of inventory during sales periods

→ GLR 1H existing online store sales YoY

up **29.1**%



■ Banners for own online GLR "ONLINE EXCLUSIVE ITEM" and "More Size" sites

■ Other: Marketing Measures Aimed at Increasing Corporate Value over the Medium-to Long-Term

1. Enhancing brand value through the opening of major business large-scale stores and delivering shopping experiences that leave a lasting impression

H BEAUTY&YOUTH
opened in April 2016
stand-alone store (Minamiaoyama, Minato-ku, Tokyo)

UNITED ARROWS ROPPONGI HILLS store
opened in September 2016
ROPPONGI HILLS (Roppongi Minato-ku, Tokyo)

2. New concept store specializing in business items

WORK TRIP OUTFITS GREEN LABEL RELAXING Yaesu
opened in September 2016
YAESU SHOPPING MALL (Yaesu Chuo-ku, Tokyo)

■ Acquisition of Treasury Stock

- Acquire treasury stock (maximum amount: ¥6,000 million (3,000,000 shares of common stock equivalent to 9.9% of the total number of shares issued and outstanding) over an acquisition period of November 7, 2016 and March 31, 2017) in order to maintain and improve capital efficiency while flexibly carrying out the Company's capital policy

- Despite falling short of the ROE target of 20% set at the beginning of the period, by implementing the aforementioned measure, the Company is projecting an improvement of around 1.4 percentage points in ROE in the fiscal year under review

- Projections for each indicator in the current fiscal year after the aforementioned acquisition
  - Consolidated ROE: 16.2%
  - Dividend payout ratio: 42.9%
  - Return on profits to shareholders: 158.2%

- Work toward enhancing value for all stakeholders by continuing to increase capital efficiency through ongoing improvement in profitability in the future

■Reference Materials

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—

■ 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	1H
Gross margin for the fiscal year	52.7%	51.3%	51.9%	51.0%	50.6%	50.8%	50.8%
Gross margin for the corresponding period of the previous fiscal year	53.2%	53.4%	53.3%	52.7%	51.3%	51.9%	51.0%
Difference	(0.5)pt	(2.1)pt	(1.4)pt	(1.8)pt	(0.6)pt	(1.1)pt	(0.2)pt

■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 1H
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	(0.5)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	0.1pt
Impact on UNITED ARROWS LTD. other costs	(0.1)pt	(0.2)pt	(0.1)pt	0.0pt	0.4pt	0.2pt	0.1pt
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	0.0pt
Impact on the composition of sales	0.3pt	(0.1)pt	0.1pt	(0.3)pt	(0.1)pt	(0.1)pt	0.1pt

■ 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	1H
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%	2.2%
Personnel Expenses	17.2%	14.1%	15.5%	16.6%	14.0%	15.2%	17.4%
Rent	13.8%	13.0%	13.4%	13.6%	13.2%	13.4%	14.4%
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%	12.7%

■ Appendix: Explanation of Frequently Occurring Terms

■ 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.

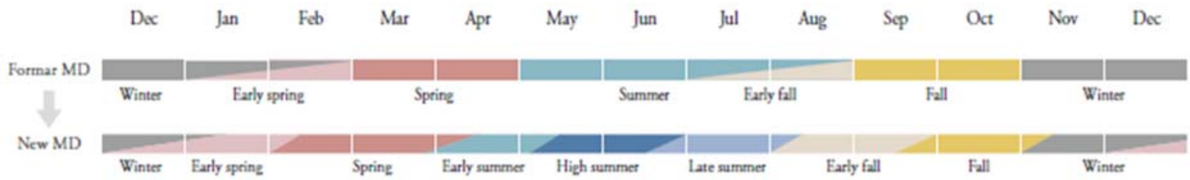
Serving as a bridge between the product and sales departments, the promotion department will continue to “encourage existing customers to visit a store again and sales promotion activities designed to make customers become fans” and move forward with “promotional activities designed to attract new customers 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 2016 Annual Report (http://www.united-arrows.co.jp/en/ir/lib/data/annual_report.html)