Fiscal 2018
Fiscal Year Ended March 2018
Earnings Announcement

May 7, 2018

UNITED ARROWS LTD.

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

Cautionary Statement

Earnings forecasts and other objective views contained in this document are based on decisions made by UNITED ARROWS LTD. in light of information obtainable as of the date of this report and, therefore, include risks and uncertainties. Actual earnings may differ materially from forecasts due to global economic trends, market conditions and other factors. Investors are asked to refrain from making investment decisions based solely on the information contained in this document.

(1) Abbreviations used throughout this report: The following abbreviations have been used for each Group business, store brand, and consolidated subsidiary.
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; THE AIRPORT STORE / THE AIRPORT STORE UNITED ARROWS LTD.; THE STATION STORE / THE STATION STORE UNITED ARROWS LTD.; SBU / Small Business Unit; CHJP / CHROME HEARTS JP, GK; CH / CHROME HEARTS
(2) Sales of the following store brands have been included in UA and SBU sales. (Up to FY18 for SBU sales)
UA: UA, District, THE SOVEREIGN HOUSE, 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
(3) The following store brands have been included in Business Unit Ⅰ and Business Unit Ⅱ
Business Unit Ⅰ: UA (Store brands identified in (2) + THE AIRPORT STORE), Odette e Odile, DRAWER
Business Unit Ⅱ: GLR, Jewel Changes, THE STATION STORE

Ⅰ. Overview of FY18 Business Results and FY19 Forecasts

■FY18 Performance Summary

Consolidated P/L (For details see pages 5, 8 and 9)

- Ordinary income: YoY increase of 14.4%, increase of 6.7% compared with plans to ¥10,775 million
- Gross margin: YoY difference up 0.5 of a percentage point, difference up 0.3 of a percentage point compared with plans to 51.5%; attributable to such factors as successful efforts to control 2H markdown losses
- SGA expenses to sales ratio: In line with FY17 and plans at 44.7%; implemented strategic investments in the 4Q

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

- Existing store sales: Up 4.2% YoY (Retail sales: Up 1.2%. Online store sales: Up 16.4%)
- By sales channel, online sales remained strong; online store sales comprised 18.3% of total sales

Inventory (For details see page 10)

- YoY decrease in the balance of inventory as of March 31, 2018 of 5.4% on a consolidated basis; rate of inventory growth fell substantially below the rate of sales growth, progress with efforts aimed at enhancing efficiency.

Opening and Closing of Stores (For details see pages 12 to 16)

- Results of FY18-end Group total: Number of new stores opened: 20; number of stores closed: 33; number of stores as of FY18-end: 347
- FY19 forecast Group total: Number of new stores opened: 22; Number of stores closed: 14; Number of stores as of FY19-end: 355

Group Companies (For details see page 17; Status of major consolidated subsidiaries is presented as follows)

- FIGO CO., LTD.: Decreases in both revenue and earnings. COEN CO., LTD.: Increases in both revenue and earnings. CHJP: Business unit sales exceeded the levels recorded in the previous period.

Forecasts of Consolidated P/L for FY19 (For details see pages 18 to 20)

- Undertake large-scale infrastructure investments with a view to the medium-to-long term, at the same time target an increase in earnings
- Aim for a YoY increase of 1.2% in sales, a positive YoY difference of 0.5 of a percentage point in the gross margin to 52.0%, a YoY upswing in ordinary income of 2.1% to ¥11,000 million, and a YoY improvement in net income attributable to owners of parent of 14.3% to ¥6,000 million

UNITED ARROWS LTD.

Consolidated ordinary income: YoY increase of 14.4%, an increase of 6.7% compared with plans to ¥10,775 million

- Consolidated sales: YoY increase of 6.1%; mainly attributable to an increase in revenue at UNITED ARROWS LTD. and COEN CO., LTD.
- Gross margin: YoY difference up 0.5 of a percentage point, difference up 0.3 of a percentage point compared with plans to 51.5%; attributable to such factors as successful efforts to reduce 2H markdown losses
- SGA expenses to sales ratio: In line with FY17 and plans at 44.7%; implemented strategic investments in the 4Q
- Extraordinary loss: Increase compared with FY17 and plans owing mainly to the increase in impairment loss and extraordinary losses associated with the withdrawal from businesses
- Net income: YoY increase of 1.1%; down 4.5% compared with plans to ¥5,247 million due to such factors as the increase in extraordinary loss

(Millions of yen)

	Consolidated Results FY18 (full fiscal year)									
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Plans	%	FY17 Results	vs. Sales	Plans	vs. Sales
Sales	**154,409**	100.0%	8,873	106.1%	550	100.4%	145,535	100.0%	153,859	100.0%
Gross Profit	**79,507**	51.5%	5,351	107.2%	720	100.9%	74,155	51.0%	78,786	51.2%
SGA Exp.	**68,989**	44.7%	3,999	106.2%	155	100.2%	64,990	44.7%	68,833	44.7%
Operating Inc.	**10,518**	6.8%	1,352	114.8%	564	105.7%	9,165	6.3%	9,953	6.5%
Non Op. P/L	**257**	0.2%	1	100.8%	110	175.1%	255	0.2%	146	0.1%
Ordinary Inc.	**10,775**	7.0%	1,354	114.4%	675	106.7%	9,420	6.5%	10,100	6.6%
Extraordinary P/L	**(2,113)**	-1.4%	(747)	-	(613)	-	(1,366)	-0.9%	(1,500)	-1.0%
Net Income Attributable to Owners of Parent	**5,247**	3.4%	56	101.1%	(248)	95.5%	5,191	3.6%	5,496	3.6%

■Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales (excluding the CH business from the previous period) up 6.3%* YoY; up 0.6% compared with plans

Existing stores sales up 4.2% YoY

- Trends in both retail and online stores in excess of the previous period and plans
- Sales composition: Online store sales 18.3%; OUTLET store sales 14.6%
- While the number of purchasing customers at retail stores declined 1.0% YoY, the number of purchasing customers at retail and online stores (reference data) increased 2.4%

(*) Non-consolidated sales including the CH business in the previous period increased 1.8% YoY.

(Millions of yen)

	Non-Consolidated Results FY18 (full fiscal year) (Comparison is after excl. CH results from the 1H of the previous fiscal year)									
	Results	Share	YoY Increase (Decrease)	%	vs. Plans	%	FY17 Results	Share	Plans	
Non-Consolidated Sales	128,356	100.0%	7,588	106.3%	817	100.6%	120,767	100.0%	127,539	
Total Business Unit Sales	109,554	85.4%	5,880	105.7%	589	100.5%	103,674	85.8%	108,964	
Retail	85,244	66.4%	2,634	103.2%	7	100.0%	82,609	68.4%	85,236	*
Online	23,525	18.3%	3,313	116.4%	599	102.6%	20,212	16.7%	22,925	
Other (Wholesale, Other)	784	0.6%	(67)	92.1%	(18)	97.7%	852	0.7%	803	*
Outlet, Other	18,802	14.6%	1,708	110.0%	228	101.2%	17,093	14.2%	18,574	

Note: As far as the Company's initial forecast breakdown for the fiscal year ended March 31, 2018 is concerned, data has been revised and is presented to reflect the transfer of certain amounts between "Retail" and "Other" sales.

	Existing Stores YoY (Note: Reference Data)		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	104.2%	102.4% *	101.5% *
Retail	101.2%	99.0%	102.2%
Online	116.4%	113.5% *	104.0% *

Note: Number of customers 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 is inclusive of other online malls and accordingly the YoY number of customers x YoY average spending per customer does not reconcile with YoY sales.

■Non-Consolidated Sales Results by Business

Business unit sales of all businesses as well as existing store sales exceeded the levels recorded in the previous period.

Steady trends across all of the following:

- UA: Men's casual items and women's items in general
- GLR: Women's items in general
- SBU: Odette e Odile, DRAWER, THE STATION STORE, other

* Business unit total for the previous fiscal year is presented after excluding CH business sales.

(Millions of yen)

	Non-Consolidated Results FY18 (full fiscal year)			
	Results	YoY Increase (Decrease)	%	FY17 Results
Total Business Unit Sales	**109,554**	5,880	105.7%	103,674
UA	**61,606**	3,799	106.6%	57,807
GLR	**33,251**	2,004	106.4%	31,246
SBU	**14,696**	76	100.5%	14,620

	Existing Store Sales YoY		
	Retail + Online	Retail	Online
UA	103.5%	100.0%	119.2%
GLR	104.7%	102.4%	115.1%
SBU	105.7%	103.3%	111.3%

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

■Consolidated Gross Margin Results

UNITED ARROWS LTD.

Gross margin came in at 51.5%, up 0.5 of a percentage point YoY

Gross margin for FY18 (full fiscal year)	51.5%
Gross margin for FY17	51.0%
Difference	+0.5pt

■ 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	0.2pt	YoY increase of 0.3 of a percentage point in the gross margin of total business units 1H: Positive impact from movements in foreign currency exchange rates; 2H: Despite a negative from movements in foreign currency exchange rates, reduction in markdown losses
Impact of movements in the gross margin of UNITED ARROWS LTD. OUTLET and other stores	0.1pt	YoY increase of 0.7 of a percentage point in the gross margins of UNITED ARROWS LTD. OUTLET and other stores (Improvement in the gross margins of regular business products and exclusive products)
Impact of movements in UNITED ARROWS LTD. other costs	0.2pt	Positive impact attributable to such factors as decreases in the disposal of merchandise and loss on devaluation of products
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	0.0pt	Despite an improvement in the gross margins of certain consolidated subsidiaries, a net neutral effect attributable to such factors as the increase in UNITED ARROWS LTD. OUTLET store sales as a percentage of consolidated sales.

・FY17 CHROME HEARTS business data has been excluded from "UNITED ARROWS LTD. total business units" and included in"Other factors" for the fiscal year under review and the previous fiscal year in order to enable a comparison between FY18 and FY17.

Note: Details of factors that impacted the consolidated gross margins for the 1H, 2H and full fiscal years of the past three fiscal years are included toward the end of this earnings announcement.

■Consolidated SGA Expenses

UNITED ARROWS LTD.

SGA expenses increased 6.2% YoY while the SGA expenses to sales ratio was in line with the previous fiscal year and plans at 44.7%

(Comments mainly refer to individual expense items that increased or decreased significantly as a percentage of sales.)

- Ratio of personnel expenses to sales: Relative decrease in line with the increase in revenue and other factors; increase attributable to the payment of bonuses in acknowledgement of the achievement of plans
- Ratio of other SGA expenses to sales: Decrease in related costs accompanying efforts to increase the efficiency of inventories and other factors; implementation of strategic investment in the 4Q (improvement of office functions, renovation and repairs to existing stores)

(Millions of yen)

	Consolidated Results FY18						
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Sales Difference	FY17 Results	vs. Sales
Sales	**154,409**	100.0%	8,873	106.1%	0.0%	145,535	100.0%
SGA Exp.	**68,989**	44.7%	3,999	106.2%	0.0%	64,990	44.7%
Advertising Expenses	**3,469**	2.2%	275	108.6%	0.1%	3,193	2.2%
Personnel Expenses	**24,386**	15.8%	1,654	107.3%	0.2%	22,731	15.6%
Rent	**21,765**	14.1%	1,386	106.8%	0.1%	20,379	14.0%
Depreciation	**1,801**	1.2%	(62)	96.7%	-0.1%	1,863	1.3%
Other	**17,566**	11.4%	744	104.4%	-0.2%	16,821	11.6%

Note: Details of the ratio of consolidated SGA expenses to sales by major expenditure item for the 1H, 2H and full fiscal years of the past three fiscal years are included toward the end of this earnings announcement.

Consolidated B/S Overview

Total assets as of the end of FY18: ¥67,107 million, down 1.0% compared with the end of FY17.

- Current assets: Increase in accounts receivable–other; decrease in inventories
- Noncurrent assets: Increase in such balance sheet items as tangible noncurrent assets in line with such factors as the opening of new stores; decrease attributable to depreciation
- Current liabilities: Decreases in short-term loans payable and current portion of long-term loans payable
- Noncurrent liabilities: Decrease in long-term loans payable

Notes:
1. Short- and long-term loans payable: ¥5,000 million, down 63.7% YoY
2. Inventories: Down 5.4% YoY (Net sales growth: Up 6.1% YoY)

(Millions of yen)

	Consolidated Results FY18-End				FY17-End	
	Results	Share	YoY Increase (Decrease)	%	Results	Share
Total Assets	**67,107**	100.0%	(691)	99.0%	67,799	100.0%
Current Assets	**45,878**	68.4%	726	101.6%	45,152	66.6%
(Inventory)	**24,799**	37.0%	(1,410)	94.6%	26,210	38.7%
Noncurrent Assets	**21,228**	31.6%	(1,418)	93.7%	22,646	33.4%
Current Liabilities	**27,213**	40.6%	(2,592)	91.3%	29,805	44.0%
Noncurrent Liabilities	**5,203**	7.8%	(1,808)	74.2%	7,012	10.3%
Total Net Assets	**34,690**	51.7%	3,709	112.0%	30,980	45.7%
Reference: Balance of Short and Long-Term Loans Payable	**5,000**	7.5%	(8,792)	36.3%	13,792	20.3%

■Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents as of the end of FY18: ¥6,300 million; substantial improvement in cash flows from operating activities

- Cash flows from operating activities (Major cash inflows) : Income before income taxes of ¥8,661 million and decrease in inventories of ¥1,410 million
  (Major cash outflows) : Increase in notes receivable of ¥1,457 million and income taxes paid of ¥3,736 million
- Cash flows from investing activities (Major cash outflow) : Purchase of property, plant and equipment of ¥1,891 million
- Cash flows from financing activities (Major cash outflows): Repayment of short-term and long-term loans payable of ¥8,792 million and cash dividends paid of ¥2,209 million

(Millions of yen)

	Consolidated Results FY18	
	Results	F17 Results
Cash flows from operating activities (sub-total)	**17,709**	9,431
Cash flows from operating activities	**13,938**	4,868
Cash flows from investing activities	**(2,442)**	(4,511)
Cash flows from financing activities	**(10,812)**	(508)
Cash and cash equivalents at the end of the term	**6,300**	5,630

■Results of FY18 Group Total Opening and Closing of Stores

• FY18 Group total: Number of new stores opened: 20, Number of stores closed: 33, Number of stores as of FY18-end: 347

	FY18 Results						Reference
	No. of stores as of FY17-end	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	**360**	**13**	**7**	**20**	**33**	**347**	(1)
UNITED ARROWS LTD.	**242**	**12**	**5**	**17**	**30**	**229**	(1)
FIGO CO., LTD.	**17**	**1**		**1**		**18**	0
COEN CO., LTD.	**87**		**1**	**1**	**3**	**85**	0
UNITED ARROWS TAIWAN LTD.	**3**		**1**	**1**		**4**	0
Designs & Co.	**1**			**0**		**1**	0
CHROME HEARTS JP, GK	**10**			**0**		**10**	0

Reference: Breakdown for UNITED ARROWS LTD.

UNITED ARROWS	**88**	**5**	**2**	**7**	**5**	**90**	(1)
green label relaxing	**69**	**3**	**2**	**5**		**74**	0
SBU	**61**	**2**	**1**	**3**	**25**	**39**	0
Outlet	**24**	**2**		**2**		**26**	0

■FY19 Forecasts of Group Total Opening and Closing of Stores

UNITED ARROWS LTD.

- Full FY19 forecast Group total: Number of new stores to be opened: 22, Number of stores to be closed: 14, Number of stores as of FY19-end: 355

	FY19 Forecasts					
	No. of stores as of FY18-end	Opened			Closed	No. of stores as of the end of the period
		1H	2H	Full Fiscal Year		
Group Total	**347**	**9**	**13**	**22**	**14**	**355**
UNITED ARROWS LTD.	**229**	**5**	**8**	**13**	**6**	**236**
FIGO CO., LTD.	**18**	**1**	**1**	**2**		**20**
COEN CO., LTD.	**85**	**3**	**3**	**6**	**7**	**84**
UNITED ARROWS TAIWAN LTD.	**4**		**1**	**1**	**1**	**4**
Designs & Co.	**1**			**0**		**1**
CHROME HEARTS JP, GK	**10**			**0**		**10**

Reference: Breakdown for UNITED ARROWS LTD.

	No. of stores as of FY18-end	1H	2H	Full Fiscal Year	Closed	No. of stores as of the end of the period
Business Unit I	**113**	**0**	**2**	**2**	**2**	**113**
Business Unit II	**90**	**3**	**6**	**9**	**3**	**96**
Outlet	**26**	**2**	**0**	**2**	**1**	**27**

Note: Store brands included in Business Unit I and Business Unit II are listed on page 2 of this document.

■Reference: UNITED ARROWS LTD. Results of FY18 Opening and Closing of Stores

UNITED ARROWS LTD.

		FY18 Results			
		No. of stores as of FY17-end	Opened	Closed	No. of stores as of the end of the period
UNITED ARROWS LTD. Total		**242**	**17**	**30**	**229**
UNITED ARROWS Total		88	7	5	90
UNITED ARROWS (General Merchandise Store)		9			9
UNITED ARROWS		26	3	2	27
THE SOVEREIGN HOUSE		1			1
District		1			1
ASTRAET		2		1	1
BEAUTY&YOUTH		41	3	1	43
monkey time		2	1		3
STEVEN ALAN *		3		1	2
ROKU BEAUTY&YOUTH		2			2
H BEAUTY&YOUTH		1			1
green label relaxing		69	5		74
SBU Total		61	3	25	39
Another Edition		13		13	0
Jewel Changes		9	1		10
Odette e Odile		17	1	4	14
Boisson Chocolat		6		6	0
DRAWER		7			7
EN ROUTE		1		1	0
Traffic channels	THE AIRPORT STORE	2			2
	THE STATION STORE	6	1	1	6
Outlet		24	2		26

* 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: Details of FY18 Opening and Closing of Stores (1)

UNITED ARROWS LTD.

UNITED ARROWS LTD.(4Q)

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Mar.	Newly opened	Lurow GREEN LABEL RELAXING atré kawasaki	atré Kawasaki (Kawasaki-ku, Kawasaki-shi)
	Newly opened	Lurow GREEN LABEL RELAXING kinshicho termina	TERMINA (Sumida-ku, Tokyo)
	Closed	BEAUTY&YOUTH UNITED ARROWS TACHIKAWA TACHIHI	LaLaport TACHIKAWA TACHIHI (Tachikawa-shi, Tokyo)
Feb.	Closed	Another Edition Kyoto	Fujii Daimaru (Shimogyo-ku, Kyoto-shi)
	Closed	Another Edition Ikebukuro	Ikebukuro PARCO (Toshima-ku, Tokyo)
	Closed	Another Edition Nagoya	Nagoya PARCO (Naka-ku, Nagoya-shi)
	Closed	Another Edition Kashiwa	Kashiwa Takashimaya Station Mall (Kashiwa-shi, Chiba)
	Closed	Another Edition Fukuoka	Fukuoka PARCO (Chuo-ku, Fukuoka-shi)
	Closed	Odette e Odile niigata	BANDAI CITY BILLBOARD PLACE (Chuo-ku, Niigata-shi)
	Closed	Boisson Chocolat Kichijoji	atré Kichijoji (Musashino-shi, Tokyo)
Jan.	Closed	ASTRAET AOYAMA	Stand-alone store (Minato-ku, Tokyo)
	Closed	Another Edition Omiya	LUMINE Omiya (Omiya-ku, Saitama-shi)
	Closed	Another Edition Yokohama	LUMINE Yokohama (Nishi-ku, Yokohama-shi)
	Closed	Another Edition Umeda	HEP FIVE (Kita-ku, Osaka-shi)
	Closed	Another Edition Sapporo	STELLAR PLACE SAPPORO (Chuo-ku, Sapporo-shi)
	Closed	Another Edition Yurakucho	YURAKUCHO MARUI (Chiyoda-ku, Tokyo)
	Closed	Another Edition Lafore HARAJUKU	Laforet Harajuku (Shibuya-ku, Tokyo)
	Closed	Another Edition Lumine Est Shinjuku	LUMINE EST Shinjuku (Shinjuku-ku, Tokyo)
	Closed	Odette e Odile sendai	S-PALII (Aoba-ku, Sendai-shi)
	Closed	Boisson Chocolat Omiya	LUMINE Omiya (Omiya-ku, Saitama-shi)
	Closed	Boisson Chocolat Tachikawa	LUMINE Tachikawa (Tachikawa-shi, Tokyo)
	Closed	Boisson Chocolat Marunouchi	Marunouchi Building (Chiyoda-ku, Tokyo)
	Closed	Boisson Chocolat Lumine Shinjuku	LUMINE Shinjuku (Shinjuku-ku, Tokyo)
	Closed	EN ROUTE FUTAKOTAMAGAWA	FUTAKO TAMAGAWA RISE S.C. (Setagaya-ku, Tokyo)
	Closed	THE STATION STORE UNITED ARROWS LTD. ECHIKA IKEBUKURO	Echika Ikebukuro (Toshima-ku, Tokyo)

■Reference: Details of FY18 Opening and Closing of Stores (2)

UNITED ARROWS LTD.

UNITED ARROWS LTD.(1Q- 3Q)

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Nov.	Newly opened	BEAUTY&YOUTH UNITED ARROWS MARUNOUCHI	Marunouchi Building (Chiyoda-ku, Tokyo)
	Newly opened	THE STATION STORE UNITED ARROWS LTD. ATRE KAWASAKI	atré Kawasaki (Kawasaki-ku, Kawasaki-shi)
Oct.	Newly opened	UNITED ARROWS DAIMARU KOBE MEN'S STORE	Daimaru Kobe Store (Chuo-ku, Kobe-shi)
	Closed	UNITED ARROWS KOBE MOTOMACHI	Stand-alone store (Chuo-ku, Kobe-shi)
Sep.	Newly opened	UNITED ARROWS HARAJUKU*1	Stand-alone store (Shibuya-ku, Tokyo)
	Newly opened	BEAUTY&YOUTH UNITED ARROWS CHIBA	PERIE Chiba (Chuo-ku, Chiba-shi)
	Newly opened	green label relaxing chofu	Trie KEIO CHOFU (Chofu-shi, Tokyo)
	Closed	UNITED ARROWS HARAJUKU (men's annex and women's annex)*1	Stand-alone store (Shibuya-ku, Tokyo)
Aug.	Closed	Odette e Odile ginza	MARRONNIER GATE GINZA (Chuo-ku, Tokyo)
July	Closed	STEVEN ALAN YOKOHAMA	MARINE & WALK YOKOHAMA (Naka-ku, Yokohama-shi)
	Closed	Odette e Odile kyoto porta	KYOTO PORTA (Shimogyo-ku, Kyoto-shi)
	Closed	Boisson Chocolat Funabashi	LaLaport TOKYO-BAY (Funabashi-shi, Chiba)
May	Closed	Another Edition Shinjuku Flags	Flags (Shinjuku-ku, Tokyo)
Apr.	Newly opened	UNITED ARROWS NAGOYAEKI	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	BEAUTY&YOUTH UNITED ARROWS NAGOYAEKI	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	monkey time BEAUTY&YOUTH UNITED ARROWS OSAKA	LUCUA (Kita-ku, Osaka-shi)
	Newly opened	green label relaxing nagoya takashimaya gatetower mall	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	green label relaxing morioka fesan	FESAN (Morioka-shi, Iwate)
	Newly opened	Odette e Odile nagoya takashimaya gatetower mall	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	Jewel Changes Nagoya Takashimaya Gatetower Mall	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	UNITED ARROWS LTD. OUTLET TOSU	Tosu Premium Outlets (Tosu-shi, Saga)
	Newly opened	UNITED ARROWS LTD. OUTLET SENDAI PORT	MITSUI OUTLETPARK SENDAI PORT (Miyagino-ku, Sendai-shi)

*1 Due to the integration of the men's annex and women's annex of UNITED ARROWS HARAJUKU, the product categories that the store carries have changed significantly. Therefore, in accordance with the Group's administrative policy for store openings and store counting, the store has been treated as a closed store and as a newly opened store.

FIGO CO., LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Sep.	Newly opened	Felisi FUTAKOTAMAGAWA	Tamagawa Takashimaya S・C (Setagaya-ku, Tokyo)

COEN CO., LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Oct.	Newly opened	coen Chofu Store	Trie KEIO CHOFU (Chofu-shi, Tokyo)
Aug.	Closed	coen Suzuka Store	Aeon Mall Suzuka (Suzuka-shi, Mie)
June	Closed	coen Kasukabe Store	Aeon Mall Kasukabe (Kasukabe-shi, Saitama)
Mar.	Closed	coen MARUI CITY Yokohama Store	MARUI CITY Yokohama (Nishi-ku, Yokohama-shi)

UNITED ARROWS TAIWAN LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
Oct.	Newly opened	UNITED ARROWS TAIPEI BREEZE XINYI	BREEZE XINYI (Xinyi District, Taipei)

＊There were no newly opened or closed by Designs&Co. and CHROME HEARTS JP, GK during the fiscal year ended March 31, 2018.

FIGO CO., LTD. (April-March)

Decreases in both revenue and earnings

- Sales: ¥2.8 billion, down 6% YoY
- Decreases in both revenue and earnings reflecting the downturn in business and other items in the Felisi product lineup compared with projections
- Working toward renewed medium-term growth through a variety of initiatives including efforts to reinforce human resource development and training, efforts to strengthen women's products, and efforts to identify underperforming activities all in the new fiscal year

COEN CO., LTD. (February-January)

Increases in both revenue and earnings

- Sales: ¥11.8 billion, up 11% YoY
- Continuing to perform favorably; work toward increases in both revenue and earnings by promoting various measures aimed at, for example, raising brand awareness in the new fiscal year

CHROME HEARTS JP, GK (April- March)*1

Business unit sales up YoY

- Sales: ¥12.0 billion; business unit sales: Up 0.2% YoY*2
- YoY increase in tax-free sales for the full fiscal year; new fiscal year: Work toward increases in both revenue and earnings

*1 The company settles its accounts in December. However, given the impact on business results, results up to the following March are included in the scope of consolidation.

*2 The year-on-year change in Company-wide sales has been omitted because the incidence of wholesale and other sales to UNITED ARROWS LTD. following the split-off makes year-on-year comparison of companywide sales difficult.

UNITED ARROWS TAIWAN LTD. (February- January)

Despite some challenges throughout the previous full fiscal year, BY operating along a recovery trend from the spring and summer seasons of 2018; Robust trends following the launch of COEN ONLINE STORE activities in April 2018

Designs & Co. (February- January)

Despite some challenges throughout the previous full fiscal year, robust trends in 2018 spring and summer products

■FY19 Consolidated P/L Forecasts

Undertake large-scale infrastructure investments with a view to the medium-to-long term and work toward an increase in earnings

- Consolidated sales of ¥156,300 million (up 1.2% YoY) based on the assumption that UNITED ARROWS LTD. existing retail and online store sales improve 2.5% YoY
- Gross margin of 52.0% (YoY difference up 0.5 of a percentage point); work toward a reduction in markdown losses accompanying efforts to increase the efficiency of inventories and other factors
- SGA expenses to sales ratio of 45.0% (YoY difference up 0.4 of a percentage point); undertake investments in logistics with a view to the medium-to-long term in the 1H (Impact on 1H P/L: approximately ¥0.5 billion)
- Operating income of ¥10,850 million (up 3.2% YoY); ordinary income of ¥11,000 million (up 2.1% YoY)

  (Note: Average rate of ordinary income growth over the two-year FY18 and FY19 period is the Medium-Term Vision target of 8%)
- Work toward net income attributable to owners of parent of ¥6,000 million, a YoY increase of 14.3% in line with the decrease in extraordinary loss

(Millions of yen)

	Consolidated FY19 (full fiscal year)			FY18	
	Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**156,300**	**100.0%**	101.2%	154,409	100.0%
Gross Profit	**81,250**	**52.0%**	102.2%	79,507	51.5%
SGA Exp.	**70,400**	**45.0%**	102.0%	68,989	44.7%
Operating Inc.	**10,850**	**6.9%**	103.2%	10,518	6.8%
Non Op. P/L	**150**	**0.1%**	58.3%	257	0.2%
Ordinary Inc.	**11,000**	**7.0%**	102.1%	10,775	7.0%
Extraordinary P/L	**(1,000)**	**-0.6%**	-	(2,113)	-1.4%
Net Income Attributable to Owners of Parent	**6,000**	**3.8%**	114.3%	5,247	3.4%

■Reference: FY19 1H and 2H Consolidated P/L Forecasts

UNITED ARROWS LTD.

(Millions of yen)

	Consolidated FY19 1H					Consolidated FY19 2H				
	Forecasts	vs. Sales	YoY	FY18 1H Results	vs. Sales	Forecasts	vs. Sales	YoY	FY18 2H Results	vs. Sales
Sales	**70,220**	**100.0%**	100.7%	69,740	100.0%	**86,079**	**100.0%**	101.7%	84,669	100.0%
Gross Profit	**36,303**	**51.7%**	101.7%	35,708	51.2%	**44,946**	**52.2%**	102.6%	43,799	51.7%
SGA Exp.	**34,087**	**48.5%**	104.3%	32,682	46.9%	**36,312**	**42.2%**	100.0%	36,307	42.9%
Operating Inc.	**2,216**	**3.2%**	73.2%	3,026	4.3%	**8,633**	**10.0%**	115.2%	7,491	8.8%
Non Op. P/L	**15**	**0.0%**	15.9%	97	0.1%	**134**	**0.2%**	84.5%	159	0.2%
Ordinary Inc.	**2,231**	**3.2%**	71.4%	3,124	4.5%	**8,768**	**10.2%**	114.6%	7,650	9.0%
Extraordinary P/L	**(493)**	**-0.7%**	–	(873)	-1.3%	**(506)**	**-0.6%**	–	(1,240)	-1.5%
Net Income Attributable to Owners of Parent	**785**	**1.1%**	61.9%	1,268	1.8%	**5,214**	**6.1%**	131.1%	3,979	4.7%

■Reference: Details of FY19 Non-Consolidated Sales Forecasts

(Millions of yen)

	Non-Consolidated FY19 (full fiscal year)				Non-Consolidated FY19 1H			Non-Consolidated FY19 2H		
	Forecasts	Share	YoY Increase (Decrease)	%	**Forecasts**	YoY Increase (Decrease)	%	**Forecasts**	YoY Increase (Decrease)	%
Sales	**128,466**	100.0%	109	100.1%	**56,826**	(347)	99.4%	**71,639**	457	100.6%
Total Business Unit Sales	**109,510**	85.2%	(43)	100.0%	**48,098**	(587)	98.8%	**61,411**	543	100.9%
Retail	**84,458**	65.7%	(785)	99.1%	**37,542**	(409)	98.9%	**46,916**	(375)	99.2%
Online	**23,779**	18.5%	254	101.1%	**10,205**	(123)	98.8%	**13,573**	378	102.9%
Other (Wholesale, Other)	**1,272**	1.0%	487	162.1%	**350**	(53)	86.7%	**921**	540	242.1%
Outlet	**18,955**	14.8%	153	100.8%	**8,728**	239	102.8%	**10,227**	(86)	99.2%
Existing Stores YoY										
Retail + Online	102.5%				103.0%			102.1%		
Retail	100.6%				101.2%			100.2%		
Online	109.2%				109.5%			109.0%		

Ⅱ. Overview of FY18 and FY19 Management Policy

■Overview of the FY18 Single Fiscal Year Management Policy of an Early Improvement in Profitability

UNITED ARROWS LTD.

		Full FY18 Results	Factors That Contributed to an Improvement, etc.
1	Improvement in the Gross Margin	YoY Difference +0.5pt	• A diverse product lineup in line with the Company's basic product policy; successful efforts to positively adjust lineup depth (number of items purchased and produced) • Successful efforts to positively adjust the number of items • Successful efforts to address demand that is not overly affected by temperatures (strengthening business casual, functionality and other features)
2	Improvement in Inventory Efficiency	Inventories vs Period-End YoY 94.6%	
3	Improvement in the SGA Expenses to Sales Ratio	YoY Difference 0.0pt	• [Reduction]: Improved sales and expanded online sales activities; reduced SGA expenses by Improving inventory efficiency • [Reduction]: Reviewed underperforming activities • [Investment expansion]: Improved office functions; renovated and improved existing stores; paid bonuses for achieving plans etc.
4	Improvement in Profitability through Online Sales Expansion	UNITED ARROWS LTD. Online Sales YoY 116.4%	• Continued to realize the effects of online and offline (actual store) HOUSE CARD members service integration • Continued to realize the effects of brand site and UNITED ARROWS LTD. ONLINE STORE integration • Reduced opportunity losses through active inventory supply

Improvement of 0.5 of a percentage point in the ordinary income margin (6.5%→7.0%)

■Overview of the First Fiscal Year of the UNITED ARROWS Group's Medium-Term Vision

UNITED ARROWS LTD.

		Major Activities
1	Establish a robust management platform	• Identified underperforming businesses; withdrew from two businesses in SBU • Closed 33 low profitability and other stores in addition to the aforementioned • Promoted PJT for a sound earnings structure → Worked toward reorganization in April 2018
2	Expand EC activities by harnessing the strengths of physical stores	• YoY increase in UNITED ARROWS LTD. online sales of 16.4%; further high level of 34.9% YoY growth in own online store sales (refer to the previous page for details of major activities)
3	Respond to changes in the market	• green label relaxing Cultivated steps to rollout and expand WORK TRIP OUTFITS GLR (business wear) and Lurow GLR (women's) items • COEN CO., LTD. Fortified the platform for renewed growth by reforming the earnings structure
4	Expand points of contact with customers	• Engaged in in-house discussions with a view to initiating measures in connection with the latter half of the medium-term vision

Quantitative targets set for period of the medium-term vision	• YoY increase in ordinary income of 14.4% (target average annual growth of 8%) • Ordinary income margin of 7% (target for the final fiscal year: 7% or higher) • ROE of 16.3% (target of 16% or higher) • Dividend payout ratio of 42.1% (target of 35% or higher) , DOE of 6.6% (target of 5.5% or higher)

Note: An overview of the UNITED ARROWS Group's Medium-Term Vision is included toward the end of this earnings announcement.

"Thoroughly promote medium-term strategies"

Improve the Company's financial position;
improve earnings; establish a growth platform

1. Establish a robust management platform
   - Continue to reform the culture of the organization and human resources
   - Carefully examine underperforming activities and continue to ensure a sound earnings structure
2. Expand EC (online store) activities by harnessing the strengths of physical stores
   - Establish a structure and systems that is capable of supporting continuous growth at both physical stores and online stores
   - Implement measures aimed at improving the sales capabilities of physical stores
3. Respond to changes in existing business markets
   - Trend-conscious market: Increase earning rates by enhancing quality
   - Basic trend-conscious market: Increase the amount of earnings by expanding the scale of sales
   - New basic trend-conscious market: Increase the amount of earnings through the Company's structural reform and raising its profile
4. Implement measures aimed at future growth
   - Research and develop new domains
   - Promote overseas expansion

Changing the Company's organizational structure in a bid to achieve the Medium-Term Vision

1. Transition from a division-based structure and system to a framework that is organized by market

   Move away from the traditional approach of bundling together the UA, GLR, and SBU businesses and reorganize the Company's activities into the Business Unit Ⅰ, which is responsible for the trend-conscious market focusing mainly on the UA and BY businesses, and the Business Unit Ⅱ, which is responsible for the basic trend-conscious market focusing on the GLR business

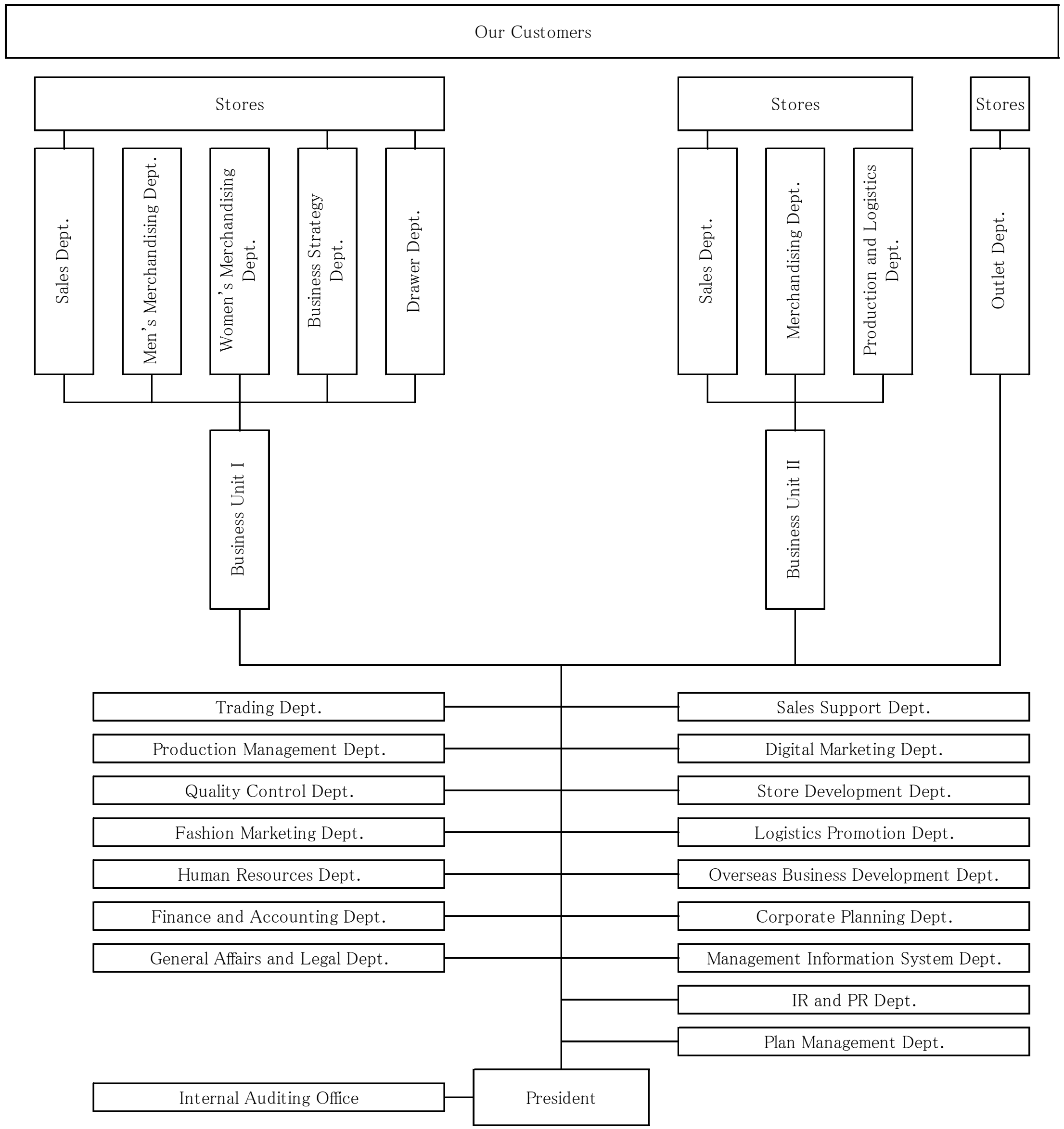
2. Consolidate the functions within each business division

   Establish product, sales, and promotion departments within each business division; transition to cross-sectional management of each store brand; improve synergies and efficiency between stores brands in the same business; generate economies of scale

3. Abolish back-office headquarters

   Establish departments by function; appoint executive officers to assume responsibility for each department; adopt a personnel policy that emphasizes small numbers and exceptional talent while at the same time strengthening expertise; increase efficiency and productivity

■Organization Chart as of April 1, 2018



Background behind the reorganization of distribution centers

1. Increase in distribution expenses attributable to the shortage of labor

   Increase in personnel expenses in line with the shortage of labor in the logistics industry

2. Increase in the ratio of distribution expenses to sales as a result of changes in the business structure

   Increase in the ratio of distribution expenses to sales as a result of GLR and COEN expansion

3. Growing complexity of distribution operations

   Growing complexity of operations and obscurity regarding the structure of costs as a result of discretionary efforts aimed at addressing internal requirements

- Transition from the current three-base structure to a new center responsible for regular businesses and an existing center responsible for outlet business activities
- Plan and design new center that will serve as a cornerstone for the Company with a view to medium- to long-term growth
- Increase the efficiency of distribution costs by introducing large-scale material handling machinery*

  *Machinery that supports the movement of items within storage facilities as well as receiving and shipping operations

Overview of the new distribution center

Name	United Arrows Nagareyama Distribution Center
Location	Nagareyama City, Chiba Prefecture (In DPL Nagareyama I)
Floor Space	9,244 tsubo (Approximately 30,551 square meters)
Contractor	SENKO Co., Ltd.

External view of DPL Nagareyama I

Features

- High seismic isolation performance; also highly conducive to the early resumption of operations at the time of a disaster
- Outstanding traffic access
- Contractor boasts a large business scale with a strong track record with major apparel companies
- Low cost operations on the back of large-scale storage machinery
- High operating status visibility through the use of distribution management systems

Quantitative and qualitative effects attributable to distribution center reorganization

Simulation of the fluctuations in costs attributable to distribution center reorganization
(Unit: ¥100 million)

・Based on the assumption that sales in the fiscal year ending March 31, 2019 for UNITED ARROWS LTD. on a non-consolidated basis will expand at the annual rate of 3% to the fiscal year ending March 31, 2024.
・Cost increase and decrease comparison on the basis that a reorganization of distribution centers was not undertaken.

Quantitative effect

- Comparison on the basis that a reorganization of distribution centers is not undertaken; increase in costs of just under ¥0.5 billion in the fiscal year ending March 31, 2019; projecting a decrease in costs of around ¥0.2-¥0.4 billion each year from the fiscal year ending March 31, 2020

Qualitative effect

- Stable distribution operations
- Secure a capacity that is capable of addressing changes in the retail environment and distribution industry

Ⅲ. Reference Materials

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

UNITED ARROWS LTD.

	FY16			FY17			FY18		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Gross margin for FY18	51.0%	50.6%	50.8%	50.8%	51.1%	51.0%	51.2%	51.7%	51.5%
Gross margin for FY17	52.7%	51.3%	51.9%	51.0%	50.6%	50.8%	50.8%	51.1%	51.0%
Difference	(1.8)pt	(0.6)pt	(1.1)pt	(0.2)pt	0.5pt	0.2pt	0.4pt	0.6pt	0.5pt

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

	FY16 1H	FY16 2H	FY16 Full Fiscal Year	FY17 1H	FY17 2H	FY17 Full Fiscal Year	FY18 1H	FY18 2H	FY18 Full Fiscal Year
Impact on the gross margin of UNITED ARROWS LTD. total business units	(1.2)pt	(0.8)pt	(1.0)pt	(0.5)pt	0.7pt	–	0.1pt	0.3pt	0.2pt
Impact on the gross margin of UNITED ARROWS LTD. outlet and other stores	(0.3)pt	0.0pt	(0.2)pt	0.1pt	0.0pt	–	0.1pt	0.1pt	0.1pt
Impact on UNITED ARROWS LTD. other costs	0.0pt	0.4pt	0.2pt	0.1pt	(0.2)pt	–	0.2pt	0.2pt	0.2pt
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	(0.4)pt	(0.2)pt	(0.2)pt	0.1pt	(0.1)pt	–	0.0pt	0.0pt	0.0pt

Note: Breakdown details for the full fiscal year (FY17) have not been provided. This reflects the difficulties involved in analyzing data attributable to the spin-off of CHROME HEARTS (October 2016) over the full fiscal year cumulative period.

■Trends in the Consolidated SGA Expenses to Sales Ratio

	FY16			FY17			FY18		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Total of SGA Expenses to Sales	45.3%	40.9%	42.9%	48.1%	41.9%	44.7%	46.9%	42.9%	44.7%
Advertising Expenses	1.7%	2.0%	1.9%	2.2%	2.2%	2.2%	2.1%	2.4%	2.2%
Personnel Expenses	16.6%	14.0%	15.2%	17.4%	14.2%	15.6%	17.0%	14.8%	15.8%
Rent	13.6%	13.2%	13.4%	14.4%	13.7%	14.0%	14.6%	13.7%	14.1%
Depreciation	1.4%	1.2%	1.3%	1.4%	1.2%	1.3%	1.3%	1.1%	1.2%
Other	12.0%	10.6%	11.2%	12.7%	10.6%	11.6%	11.9%	10.9%	11.4%

■Overview of the UNITED ARROWS Group's Medium-Term Vision (FY18-FY20)

UNITED ARROWS LTD.

■Promote the following four strategies while harnessing the strength of the Group's relationships of trust with customers

1. Establish a robust management platform	2. Expand online activities by harnessing the strengths of physical stores	3. Respond to changes in the market	4. Expand points of contact with customers
• Reform the culture of the organization and human resources • Identify underperforming businesses • Ensure a sound earnings structure	• Pursue customer satisfaction from both channels • Medium-term: Upgrade and expand inventory; strengthen advertising and promotions; review evaluation systems • Long-term: Create new customer experiences	• Trend-conscious market → Pursue quality over quantity • Basic trend-conscious and new basic trend-conscious markets → Expand domains with high competitive advantage	• Expand domains (Miscellaneous Lifestyle Goods, Beauty･Health, etc.) • Increase the amount of time spent with customers (Reuse, Repair businesses) • Expand overseas activities (Taiwan: ongoing, cross-border online sales, etc.)

■Medium-term quantitative targets

- Ordinary income: Target average annual growth of 8% over the medium-term period
- Ordinary income margin: At least 7% in the final fiscal year of the medium-term period; work to secure a double-digit ordinary income margin over the long term
- Target ROE of at least 16%, a dividend payout ratio of at least 35%, and DOE of at least 5.5% on a continuous basis over the medium-term period

■Long-term objectives

- Online sales composition: Target 25-30%
- Inventory turnover: Target a record high
- Ratio of regular price sales: Target an improvement of at least 5 percentage points