Fiscal 2018
Fiscal Year Ending March 2018
First Quarter
Earnings Announcement

August 4, 2017

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.

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.

■ 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; 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; CHJP / CHROME HEARTS JP, GK

■ Sales by business: Sales of the following store brands have been included in UA and 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

Ⅰ. Overview of 1Q Business Results

■FY18 1Q Performance Summary

Consolidated 1Q P/L (For details see pages 5, 8 and 9)

- Consolidated sales: YoY increase of 6.9%; Ordinary income: YoY increase of 17.4% resulting in increases in both revenue and earnings
- Gross margin: YoY decrease of 0.3 of a percentage point to 54.3%; Attributable to such factors as the increase in subsidiary company clearance sales of previous fall and winter products and the impact on subsidiary companies of movements in foreign currency exchange rates
- SGA expenses to sales ratio: YoY decrease of 0.8 of a percentage point to 47.3%; Attributable to such factors as the decrease in each of the personnel expenses and other SGA expenses to sales ratios
- Operating income: YoY increase of 15.9%; Ordinary income: YoY increase of 17.4%; Net income: YoY increase of 6.0%

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

- YoY increase of 2.9% in existing store sales (retail: down 1.2%; online store: up 22.3%)
- By sales channel, online sales remained strong; online store sales comprised 17.5% of total sales
- YoY increase of 0.6% in the number of customers of existing retail and online stores; YoY increase of 2.2% in average spending per customer at existing retail and online stores (reference data)

Inventory (For details see page 10)

- YoY increase of 0.5% in the balance of inventory, which was below the rate of sales growth (up 6.9% YoY)

Opening and Closing of Stores (For details see pages 12 to 14)

- FY18 1Q Group total: Number of new stores opened: 9; Number of stores closed: 2; Number of stores as of FY18 1Q-end: 367
- FY18 forecast Group total: Number of new stores opened: 22; Number of stores closed: 32; Number of stores as of FY18-end: 350

Group Companies (For details see page 15; 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; CHROME HEARTS JP, GK: YoY increase in business unit sales

■Consolidated P/L Overview

UNITED ARROWS LTD.

FY18 1Q: Increases in both revenue and earnings

- Sales: YoY increase of 6.9%; Ordinary income: YoY increase of 17.4% resulting in increases in both revenue and earnings
- Gross margin: YoY decrease of 0.3 of a percentage point to 54.3%; Attributable to such factors as the increase in subsidiary company clearance sales of previous fall and winter products and the impact on subsidiary companies of movements in foreign currency exchange rates
- SGA expenses to sales ratio: YoY decrease of 0.8 of a percentage point to 47.3%; Attributable to such factors as the decrease in each of the personnel expenses and other SGA expenses to sales ratios
- Operating income: YoY increase of 15.9%; Ordinary income: YoY increase of 17.4%; Net income: YoY increase of 6.0%

(Millions of yen)

	Consolidated Results FY18 1Q					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY17 1Q Results	vs. Sales
Sales	**35,228**	100.0%	2,281	106.9%	32,947	100.0%
Gross Profit	**19,116**	54.3%	1,152	106.4%	17,964	54.5%
SGA Exp.	**16,679**	47.3%	818	105.2%	15,860	48.1%
Operating Inc.	**2,436**	6.9%	333	115.9%	2,103	6.4%
Non Op. P/L	**44**	0.1%	34	460.5%	9	0.0%
Ordinary Inc.	**2,481**	7.0%	368	117.4%	2,112	6.4%
Extraordinary P/L	**(282)**	-0.8%	(164)	—	(117)	-0.4%
Net Income Attributable to Owners of Parent	**1,383**	3.9%	78	106.0%	1,305	4.0%

■Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales (excluding the CH business from the previous period) up 5.9% (*); Existing store sales up 2.9% YoY

- YoY increase in both retail and online store business unit sales
- Sales composition: Online store sales 17.5%; Outlet store sales 15.2%
- YoY increase of 0.6% in the number of customers of existing retail and online stores (reference data)

(*) Non-consolidated sales including the CH business from the previous period decreased 3.1% YoY.

(Millions of yen)

	Non-Consolidated Results FY18 1Q (Comparison Excl. CH Results from the 1Q of FY17)					
	Results	Share	YoY Increase (Decrease)	%	FY17 1Q Results	Share
Non-Consolidated Sales	29,494	100.0%	1,652	105.9%	27,842	100.0%
Total Business Unit Sales	25,010	84.8%	1,274	105.4%	23,736	85.3%
Retail	19,684	66.7%	336	101.7%	19,347	69.5%
Online	5,155	17.5%	953	122.7%	4,202	15.1%
Other (Wholesale, Other)	170	0.6%	(16)	91.3%	187	0.7%
Outlet, Other	4,483	15.2%	377	109.2%	4,105	14.7%

Existing Stores YoY (Note: Reference Data)

	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	102.9%	100.6% ※	102.2% ※
Retail	98.8%	95.7%	103.2%
Online	122.3%	118.8% ※	107.3% ※

Note: Number of customers and average spending per customer for existing retail and online as well as online stores are 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

UNITED ARROWS LTD.

YoY increase in 1Q business unit sales for all businesses as well as existing store sales

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 and THE STATION STORE businesses

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

(Millions of yen)

	Non-Consolidated Results FY18 1Q			
	Results	YoY Increase (Decrease)	%	FY17 1Q Results
Total Business Unit Sales	**25,010**	1,274	105.4%	23,736
UA	**13,763**	778	106.0%	12,984
GLR	**7,697**	295	104.0%	7,402
SBU	**3,550**	200	106.0%	3,350

	Existing Store Sales YoY		
	Retail + Online	Retail	Online
UA	101.5%	96.4%	130.6%
GLR	103.6%	101.2%	115.4%
SBU	106.5%	103.4%	114.4%

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

■Consolidated Gross Margin Results

UNITED ARROWS LTD.

Consolidated gross margin came in at 54.3%, down 0.3 of a percentage point YoY
Factors that impacted the consolidated gross margin and the levels of overall impact are presented as follows

Consolidated gross margin for the 1Q of FY18	54.3%
Consolidated gross margin for the corresponding period of the previous fiscal year	54.5%
Difference	(0.3)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	0.0pt	The gross margins of UNITED ARROWS LTD. total business units came in at the same level as the previous fiscal year
Impact of movements in the gross margin of UNITED ARROWS LTD. OUTLET and other stores	0.2pt	YoY increase of 1.5 percentage points in the gross margins of UNITED ARROWS LTD. OUTLET and other stores (improvement in the gross margins of both regular business and exclusive products)
Impact of movements in UNITED ARROWS LTD. other costs	0.1pt	Positive impact attributable to such factors as decreases in loss on devaluation of products and royalties
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	(0.6)pt	YoY decrease attributable to the increase in subsidiary clearance sales in the 1H of the 1Q and such factors as subsidiaries negatively impacted by movements in foreign currency exchange rates

·Any impact attributable to the CHROME HEARTS business has been excluded from UNITED ARROWS LTD. total business units for both the period under review and previous period and included in other factors.

Note: Details pertaining to factors that impacted the consolidated gross margins for the 1H, 2H, and full fiscal year of the past three fiscal years are presented toward the end of this presentation.

■Consolidated SGA Expenses

UNITED ARROWS LTD.

SGA expenses increased 5.2% YoY; YoY decrease in the SGA expenses to sales ratio of 0.8 of a percentage point to 47.3%

Comments regarding individual expense items that exhibited a significant increase or decrease as a ratio to sales:

- Ratio of personnel expenses to sales: Reduction relative to and in line with the increase in revenue; decrease attributable to certain vacancies
- Ratio of rent expense to sales: Increase in commissions in line with the growth in online store sales
- Ratio of other SGA expenses to sales: Decreases in temporary expenses in connection with the opening of stores as well as outsourcing and other expenses

(Millions of yen)

	Consolidated Results FY18 1Q						
	Results	vs. Sales	YoY Increase (Decrease)	%	Movement vs. Sales	FY17 1Q Results	vs. Sales
Sales	**35,228**	100.0%	2,281	106.9%	0.0%	32,947	100.0%
SGA Exp.	**16,679**	47.3%	818	105.2%	-0.8%	15,860	48.1%
Advertising Expenses	**786**	2.2%	85	112.3%	0.1%	700	2.1%
Personnel Expenses	**6,042**	17.2%	260	104.5%	-0.4%	5,781	17.5%
Rent	**5,081**	14.4%	387	108.3%	0.2%	4,693	14.2%
Depreciation	**453**	1.3%	8	101.9%	-0.1%	445	1.4%
Other	**4,316**	12.3%	76	101.8%	-0.6%	4,239	12.9%

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

■Consolidated B/S Overview

UNITED ARROWS LTD.

The balance of total assets stood at ¥69,180 million as of the end of the 1Q of FY18 on a consolidated basis. This was 5.3% higher than the balance as of the end of the corresponding period of FY17 and 2.0% higher than the balance as of the end of FY17.

YoY comparative analysis of consolidated balances as of the end of the 1Q of FY18 and the end of the 1Q of FY17:

- Current assets: Increases in the balances of cash and deposits and accounts receivable—other
- Noncurrent assets: Increases in the balances of tangible noncurrent assets and guarantee deposits in line with the opening of new stores
- Current liabilities: Increases in the balances of loans payable and accounts payable—other; decrease in the balance of accounts payable—trade
- Noncurrent liabilities: Increase in the balance of long-term loans payable

Notes: 1. The balance of short- and long-term loans payable: Up 61.8% YoY to ¥15.4 billion
2. The balance of inventory: Up 0.5% YoY (Net sales growth: 6.9%)

(Millions of yen)

	Consolidated Results FY18 1Q-End							
	Results	Share	YoY	vs. FY17-End	FY17 1Q-End Results	Share	FY17-End Results	Share
Total Assets	**69,180**	100.0%	105.3%	102.0%	65,710	100.0%	67,799	100.0%
Current Assets	**46,351**	67.0%	106.5%	102.7%	43,525	66.2%	45,152	66.6%
(Inventory)	**27,608**	39.9%	100.5%	105.3%	27,484	41.8%	26,210	38.7%
Noncurrent Assets	**22,828**	33.0%	102.9%	100.8%	22,184	33.8%	22,646	33.4%
Current Liabilities	**31,773**	45.9%	115.3%	106.6%	27,565	41.9%	29,805	44.0%
Noncurrent Liabilities	**6,621**	9.6%	137.4%	94.4%	4,819	7.3%	7,012	10.3%
Total Net Assets	**30,785**	44.5%	92.4%	99.4%	33,325	50.7%	30,980	45.7%
Reference: Balance of Short and Long-Term Loans Payable	**15,441**	22.3%	161.8%	112.0%	9,545	14.5%	13,792	20.3%

■Consolidated C/F Overview

Cash and cash equivalents as of the end of the 1Q of FY18 came to ¥5,921 million

- Cash flows from operating activities (Major cash inflows) : Income before income taxes of ¥2,198 million and increase in purchase liabilities of ¥978 million
  (Major cash outflows): Increase in inventories of ¥1,397 million and income taxes paid of ¥1,042 million
- Cash flows from investing activities (Major cash outflows) : Purchase of property, plant and equipment of ¥946 million
- Cash flows from financing activities (Major cash inflows) : Net increase in short-term loans payable of ¥2,650 million
  (Major cash outflows): Cash dividends paid of ¥1,513 million and repayment of long-term loans payable of ¥1,001 million

(Millions of yen)

	Consolidated FY18 1Q	FY17 1Q
	Results	Results
Cash flows from operating activities (sub-total)	**2,631**	416
Cash flows from operating activities	**1,578**	(1,715)
Cash flows from investing activities	**(1,411)**	(1,807)
Cash flows from financing activities	**135**	1,799
Cash and cash equivalents at the end of the term	**5,921**	4,080

■Results of FY18 1Q Group Total Opening and Closing of Stores and FY18 Forecasts

- FY18 1Q Group total: Number of new stores opened: 9; Closed: 2; Number of stores as of FY18 1Q-end: 367
- Full FY18 forecast Group total: Number of new stores opened: 22; Closed: 32; Number of stores as of FY18-end: 350

	FY18 1Q Results				FY18 Forecasts					Reference
	No. of stores as of FY17-end	Opened	Closed	No. of stores as of 1Q-end	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period	Increase (decrease) frome the previous forecasts
Group Total	**360**	**9**	**2**	**367**	**13**	**9**	**22**	**32**	**350**	(16)
UNITED ARROWS LTD.	**242**	**9**	**1**	**250**	**12**	**7**	**19**	**29**	**232**	(16)
FIGO CO., LTD.	**17**			**17**	**1**		**1**		**18**	
COEN CO., LTD.	**87**		**1**	**86**		**1**	**1**	**3**	**85**	
UNITED ARROWS TAIWAN LTD.	**3**			**3**		**1**	**1**		**4**	
Designs & Co.	**1**			**1**					**1**	
CHROME HEARTS JP, GK	**10**			**10**					**10**	
Reference: Breakdown for UNITED ARROWS LTD.										
UNITED ARROWS	**88**	**3**		**91**	**5**	**2**	**7**	**4**	**91**	
green label relaxing	**69**	**2**		**71**	**3**	**3**	**6**		**75**	
SBU	**61**	**2**	**1**	**62**	**2**	**1**	**3**	**25**	**39**	(16)
Outlet	**24**	**2**		**26**	**2**	**1**	**3**		**27**	

■Reference: UNITED ARROWS LTD. Results of the Opening and Closing of Stores by Store Brand

UNITED ARROWS LTD.

	FY18 1Q Results			
	No. of stores as of FY17-end	Opened	Closed	No. of stores as of 1Q-end
UNITED ARROWS LTD. Total	**242**	**9**	**1**	**250**
UNITED ARROWS Total	88	3		91
UNITED ARROWS (General Merchandise Store)	9			9
UNITED ARROWS	26	1		27
THE SOVEREIGN HOUSE	1			1
District	1			1
ASTRAET	2			2
BEAUTY&YOUTH	41	1		42
monkey time	2	1		3
STEVEN ALAN *	3			3
ROKU BEAUTY&YOUTH	2			2
H BEAUTY&YOUTH	1			1
green label relaxing	69	2		71
SBU Total	61	2	1	62
Another Edition	13		1	12
Jewel Changes	9	1		10
Odette e Odile	17	1		18
Boisson Chocolat	6			6
DRAWER	7			7
EN ROUTE	1			1
Traffic channels: THE AIRPORT STORE	2			2
Traffic channels: THE STATION STORE	6			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 the Opening and Closing of Stores by Group Company

UNITED ARROWS LTD.

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store name	Commercial Facility Address
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)

COEN CO., LTD.

	Stores Opened and Closed	Store name	Commercial Facility Address
Mar.	Closed	coen MARUI CITY Yokohama Store	MARUI CITY Yokohama (Nishi-ku, Yokohama-shi)

* There were no newly opened or closed stores during the 1Q of FY18 by FIGO CO., LTD., UNITED ARROWS TAIWAN LTD., Designs & Co. and CHROME HEARTS JP, GK.

■Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.

Decrease in both revenue and earnings for 1Q of FY18

- Sales: ¥500 million, down 3.0% YoY
- Trends in line with the initial forecast of a decline in both revenue and earnings in the 1Q of FY18; Targeting an increase in revenue and earnings for the full fiscal year

COEN CO., LTD.

Increases in both revenue and earnings for 1Q of FY18

- Sales: ¥2.3 billion, up 20.0% YoY
- Despite the increase in 2016 fall and winter product clearance sales in the 1H of the 1Q (February), increase in earnings on the back of robust trends in spring and summer items in the 2H of the 1Q

CHROME HEARTS JP, GK

April–June*1: Business unit sales increased on a YoY basis

- Sales: ¥3.0 billion; business unit sales up 6.3% YoY*2
- YoY increase in both domestic and tax-free sales

*1 While the company settles its accounts in December, results up to the following March are included in the scope of consolidation after taking into consideration the impact on business performance.

*2 Data after the split-off is not provided due to the incidence of wholesale and other sales to UNITED ARROWS LTD. and difficulties in comparing companywide sales with the previous period.

UNITED ARROWS TAIWAN LTD.

FY18 1Q performance: Trends essentially in line with plans

Designs & Co.

FY18 1Q performance: Despite some difficulties, minimal impact on consolidated results

UNITED ARROWS LTD.

Ⅱ. Progress in Addressing Priority Issues

■Progress in Carrying Out the Single Fiscal Year Management Policy of an Early Improvement in Profitability

UNITED ARROWS LTD.

	1Q Results	Outlook for the 2Q and Beyond
Improvement in the Gross Margin	YoY Difference (0.3pt)	Forecast improvement owing mainly to successful efforts to control clearance sale discount rates
Improvement in inventory efficiency	Period-End YoY 100.5%	Target continuous improvement in inventory efficiency
Improvement in the SGA Expenses to Sales Ratio	YoY Difference (0.8pt)	Target positive adjustments to the SGA expenses to sales ratio by promoting projects over the medium and long term
Improvement in Profitability through Online Sales Expansion	UNITED ARROWS LTD. Online Sales YoY 122.7%	Forecast continued positive impact of various measures aimed at increasing online sales

1Q: Improvement of 0.6 of a percentage point (6.4%→7.0 %) in the ordinary income margin

■Progress in Realizing the UNITED ARROWS Group's Medium-Term Vision

UNITED ARROWS LTD.

Strategy 1: Establish a robust management platform—Evaluate and identify underperforming businesses, stores, and activities; carry out appropriate countermeasures—

- Decision to withdraw from Another Edition and Boisson Chocolat included in the Company's SBU business

Another Edition

Business activities:	Planning, purchase, and sale of women's clothing and personal items
Store opening commencement date:	February 2001
Number of stores:	12 (as of June 30, 2017)
Sales:	¥2,890 million (fiscal year ended March 31, 2017)

Boisson Chocolat

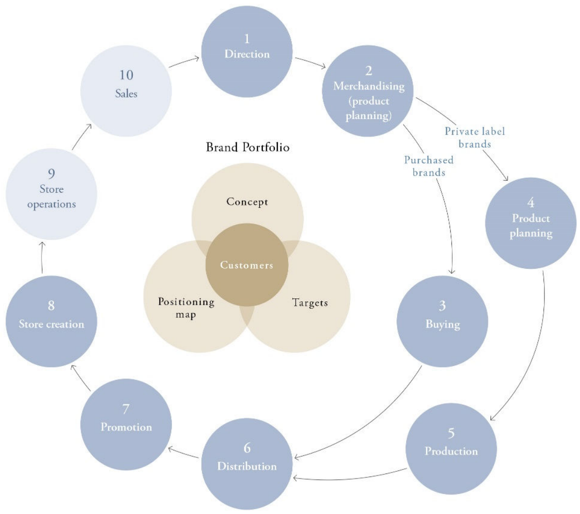
Business activities:	Planning, purchase, and sale of women's shoes and personal items
Store opening commencement date:	March 2014
Number of stores:	6 (as of June 30, 2017)
Sales:	¥936 million (fiscal year ended March 31, 2017)

- Withdrawal from the end of the 2017 fall and winter seasons; minimal impact on full fiscal year results
  (Impairment losses on the majority of the 18 stores earmarked for closure in the future brought to account in the previous fiscal year)

- Continue to evaluate and identify underperforming businesses, stores, and activities going forward

* An overview of the UNITED ARROWS Group's Medium-Term Vision is provided toward the end of this presentation.

Placing customers at the heart of the Company's operations, expand the value chain centered on a brand portfolio that is based on three clearly defined features—namely, a brand concept, target group and positioning map.



	Existing	Future
Brand positioning	Brand positioning and the identification of targets left to each business	Brand portfolio managed by the Company as a whole; positioning and targets for each brand clearly defined
Product platform	Management limited to product platform merchandising to production (2–5) as well as key performance indicators	Management expanded to cover from brand portfolio through advertising and promotion to product display (1–8) as well as key performance indicators

1. Positioning map operations

(1) Positioning map objectives

- Reposition brands in terms of taste and price parameters based on each brand concept
- Manage the role of each of the Company's brands in the Japan fashion market on a Group-wide basis
- Clarify customers' preferred tastes and price range for each brand

(2) Expected results

- Address internal competition issues between brands
- Ensure efficient investment in line with trends and customers' consumption patterns
- Develop optimal store opening plans based on positioning
- Visualize gaps in the market; apply this to the development of new businesses

2. Addition of product codes by attribute

(1) What is a product attribute code?

- Market code
  11 codes for each of the men's and women's categories by fashion taste including mode, street, feminine and conservative preferences
- Price code
  Five levels from low to luxury priced items
- Clearly define the market and price codes covered by each brand; eliminate any gaps between product planning and customers' needs

(2) Aims of adding product codes by attribute

- Clarify product development intentions by product
  Clarify the target customer, the volume required, store, and timing of sales
- Confirm consistency between each brand target and product planning
- Allocate products in line with the attributes of each store
- Analyze sales composition ratios by attribute and each major indicator at the end of the season
- Reflect the results of analysis in such areas as product planning, store allocation and direction for the following season

Ⅲ. Reference Materials

■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	2H	Full Fiscal Year
Gross margin	52.7%	51.3%	51.9%	51.0%	50.6%	50.8%	50.8%	51.1%	51.0%
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%	50.6%	50.8%
Difference	(0.5)pt	(2.1)pt	(1.4)pt	(1.8)pt	(0.6)pt	(1.1)pt	(0.2)pt	0.5pt	0.2pt

■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	FY17 2H	FY17 Full Fiscal Year
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	0.7pt	–
Impact on the gross margin of UNITED ARROWS LTD. outlet and other stores	(0.4)pt	(0.2)pt	(0.3)pt	(0.3)pt	0.0pt	(0.2)pt	0.1pt	0.0pt	–
Impact on UNITED ARROWS LTD. other costs	(0.1)pt	(0.2)pt	(0.1)pt	0.0pt	0.4pt	0.2pt	0.1pt	(0.2)pt	–
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	0.4pt	(0.2)pt	0.1pt	(0.4)pt	(0.2)pt	(0.2)pt	0.1pt	(0.1)pt	–

Note: Breakdown details for the full fiscal year ended March 31, 2017 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

UNITED ARROWS LTD.

	FY15			FY16			FY17		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Total of SGA Expenses to Sales	46.8%	40.4%	43.3%	45.3%	40.9%	42.9%	48.1%	41.9%	44.7%
Advertising Expenses	2.1%	1.7%	1.9%	1.7%	2.0%	1.9%	2.2%	2.2%	2.2%
Personnel Expenses	17.2%	14.1%	15.5%	16.6%	14.0%	15.2%	17.4%	14.2%	15.6%
Rent	13.8%	13.0%	13.4%	13.6%	13.2%	13.4%	14.4%	13.7%	14.0%
Depreciation	1.5%	1.3%	1.4%	1.4%	1.2%	1.3%	1.4%	1.2%	1.3%
Other	12.3%	10.2%	11.2%	12.0%	10.6%	11.2%	12.7%	10.6%	11.6%

■FY18 Consolidated P/L Forecasts

UNITED ARROWS LTD.

(Millions of yen)

	Consolidated Results FY18 (full fiscal year)				
	Forecasts	vs. Sales	YoY	FY17 Results	vs. Sales
Sales	**153,859**	**100.0%**	105.7%	145,535	100.0%
Gross Profit	**78,786**	**51.2%**	106.2%	74,155	51.0%
SGA Exp.	**68,833**	**44.7%**	105.9%	64,990	44.7%
Operating Inc.	**9,953**	**6.5%**	108.6%	9,165	6.3%
Non Op. P/L	**146**	**0.1%**	57.6%	255	0.2%
Ordinary Inc.	**10,100**	**6.6%**	107.2%	9,420	6.5%
Extraordinary P/L	**(1,500)**	**-1.0%**	-	(1,366)	-0.9%
Net Income Attributable to Owners of Parent	**5,496**	**3.6%**	105.9%	5,191	3.6%

■FY18 1H and 2H Consolidated P/L Forecasts

UNITED ARROWS LTD.

■Consolidated

(Millions of yen)

	Consolidated FY18 1H					Consolidated FY18 2H				
	Forecasts	vs. Sales	YoY	FY17 1H Results	vs. Sales	Forecasts	vs. Sales	YoY	FY17 2H Results	vs. Sales
Sales	**68,686**	**100.0%**	105.5%	65,083	100.0%	**85,172**	**100.0%**	105.9%	80,452	100.0%
Gross Profit	**35,033**	**51.0%**	106.1%	33,031	50.8%	**43,753**	**51.4%**	106.4%	41,124	51.1%
SGA Exp.	**33,282**	**48.5%**	106.3%	31,316	48.1%	**35,551**	**41.7%**	105.6%	33,674	41.9%
Operating Inc.	**1,750**	**2.5%**	102.1%	1,714	2.6%	**8,202**	**9.6%**	110.1%	7,450	9.3%
Non Op. P/L	**26**	**0.0%**	29.9%	88	0.1%	**120**	**0.1%**	72.3%	166	0.2%
Ordinary Inc.	**1,777**	**2.6%**	98.5%	1,803	2.8%	**8,322**	**9.8%**	109.3%	7,617	9.5%
Extraordinary P/L	**(681)**	**-1.0%**	-	(336)	-0.5%	**(818)**	**-1.0%**	-	(1,029)	-1.3%
Net Income Attributable to Owners of Parent	**570**	**0.8%**	65.5%	870	1.3%	**4,926**	**5.8%**	114.0%	4,321	5.4%

■Details of FY18 Non-Consolidated Sales Forecasts

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY18 (full fiscal year)				Non-Consolidated Results FY18 1H			Non-Consolidated Results FY18 2H		
	Forecasts	Share	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%
Sales	**127,539**	100.0%	6,771	105.6%	**56,359**	2,838	105.3%	**71,179**	3,932	105.8%
Total Business Unit Sales	**108,964**	85.4%	5,254	105.1%	**48,187**	2,324	105.1%	**60,777**	2,929	105.1%
Retail	**84,702**	66.4%	2,093	102.5%	**38,054**	1,165	103.2%	**46,648**	927	102.0%
Online	**22,925**	18.0%	2,713	113.4%	**9,745**	1,205	114.1%	**13,180**	1,507	112.9%
Other (Wholesale, Other)	**1,336**	1.0%	447	150.4%	**388**	(46)	89.4%	**948**	493	208.6%
Outlet	**18,574**	14.6%	1,516	108.9%	**8,171**	513	106.7%	**10,402**	1,003	110.7%
Existing Stores YoY										
Retail + Online	103.1%				102.4%			103.6%		
Retail	100.7%				100.0%			101.3%		
Online	112.8%				113.3%			112.5%		

Note: YoY sales comparisons are after excluding CH business sales from the results for the previous period.

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

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
- Reform human resources systems
- Identify underperforming businesses
- Ensure a sound earnings structure

2. Expand online activities by harnessing the strengths of physical stores
- 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

3. Respond to changes in the market
- Trend-conscious market → Pursue quality over quantity
- Basic trend-conscious and new basic trend-conscious markets → Expand domains with high competitive advantage

4. Expand points of contact with customers
- Expand domains (Miscellaneous Lifestyle Goods, Beauty/Health, Other)
- 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 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