UNITED ARROWS LTD.

Fiscal 2013
Fiscal Year Ending March 2013
First Quarter
Earnings Announcement

August 3, 2012

UNITED ARROWS LTD.

Contents

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

Cautionary Statement

Earnings forecasts and 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 uncertainty. Actual earnings may differ materially from forecasts due to global economic trends, market conditions, exchange rate fluctuations and other factors. Investors are asked to refrain from making investment decisions based solely on this document.

[Abbreviations]

UA/UNITED ARROWS, BY/BEAUTY&YOUTH UNITED ARROWS
GLR/UNITED ARROWS green label relaxing
CH/CHROME HEARTS
SBUs/Small Business Units
(Another Edition, Jewel Changes, Odette é Odile/Odette é Odile UNITED ARROWS, DRAWER, ARCHIPELAGO/ARCHIPELAGO UNITED ARROWS LTD., THE AIRPORT STORE/THE AIRPORT STORE UNITED ARROWS LTD., THE STATION STORE/THE STATION STORE UNITED ARROWS LTD., THE HIGHWAY STORE/THE HIGHWAY STORE UNITED ARROWS LTD.)
COEN/COEN CO., LTD

Consolidated / Non-Consolidated 1Q P/L Overview

UNITED ARROWS LTD.

Revenue and earnings growth; achieved new 1Q highs in both consolidated and non-consolidated operating income and ordinary income

- Consolidated sales: ¥25,736 million (109.8% YoY); ordinary income: ¥3,698 million (122.6% YoY)
- Consolidated gross margin: 1.5 percentage point YoY improvement due mainly to a shift in the start of spring/summer clearance sales to a later period
- Consolidated SGA expense to sales ratio: 0.2 of a percentage point YoY increase owing primarily to increases in promotion and personnel expenses

Millions of yen

	Consolidated Results FY13 1Q						Non-Consolidated Results FY13 1Q					
	Results	vs. Sales	YoY Increase (Decrease)	%	FY12 1Q Results	vs. Sales	Results	vs. Sales	YoY Increase (Decrease)	%	FY12 1Q Results	vs. Sales
Sales	25,736	100.0%	2,287	109.8%	23,448	100.0%	24,094	100.0%	2,011	109.1%	22,083	100.0%
Gross Profit	14,936	58.0%	1,698	112.8%	13,237	56.5%	13,915	57.8%	1,530	112.4%	12,385	56.1%
SGA Exp.	11,271	43.8%	1,036	110.1%	10,234	43.6%	10,381	43.1%	880	109.3%	9,501	43.0%
Operating Inc.	3,664	14.2%	661	122.0%	3,003	12.8%	3,533	14.7%	649	122.5%	2,884	13.1%
Non Op. P/L	34	0.1%	19	237.9%	14	0.1%	30	0.1%	9	144.8%	20	0.1%
Ordinary Inc.	3,698	14.4%	681	122.6%	3,017	12.9%	3,564	14.8%	659	122.7%	2,905	13.2%
Extraordinary P/L	(125)	-0.5%	7	–	(133)	-0.6%	(124)	-0.5%	4	–	(129)	-0.6%
Net Income	2,301	8.9%	675	141.5%	1,626	6.9%	2,231	9.3%	658	141.9%	1,572	7.1%

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■Consolidated/Non-Consolidated P/L Overview

Consolidated revenues for the 1Q (April 1, 2012 to June 30,2012) of FY13, the fiscal year ending March 31, 2013, increased across all Group companies as well as UNITED ARROWS LTD. businesses. In specific terms, consolidated sales climbed 9.8% compared with the corresponding period of the previous fiscal year to ¥25,736 million.

The gross profit margin improved 1.5 percentage points year on year to 58.0%. This improvement was largely attributable to a shift in the start of spring/summer clearance sales to a later period.

The selling, general and administrative (SG&A) expenses to total sales ratio increased 0.2 of a percentage point to 43.8% mainly on the back of higher promotion, personnel, and other expenses.

As a result, operating income was ¥3,664 million, up 22.0% compared with the corresponding period of the previous fiscal year. Ordinary income climbed 22.6% to ¥3,698 million and net income grew 41.5% to ¥2,301 million.

Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 109.1% YoY; Up 101.5% compared with forecasts
Impact of a shift in the periods of clearance sales

- Non-consolidated sales compared with the previous period: April and May cumulative 111%; June (stand-alone) 104%
- Non-consolidated sales compared with forecasts: April and May cumulative 105%; June (stand-alone) 94%
- Retail and online stores sales compared with the previous period: April and May cumulative 101.1%; June (stand-alone) 95.0%

Millions of yen

	Non-Consolidated Results FY13 1Q						FY12 1Q Results	Share	Forecasts	Share
	Results	Share	YoY Increase (Decrease)	%	vs. Forecasts	%				
Non-Consolidated Sales	24,094	100.0%	2,011	109.1%	356	101.5%	22,083	100.0%	23,737	100.0%
Total Business Unit Sales	20,777	86.2%	1,652	108.6%	22	100.1%	19,125	86.6%	20,754	87.4%
Retail	18,129	75.2%	1,512	109.1%	129	100.7%	16,616	75.2%	17,999	75.8%
Online	2,465	10.2%	180	107.9%	(132)	94.9%	2,284	10.3%	2,597	10.9%
Outlet	3,316	13.8%	358	112.1%	333	111.2%	2,957	13.4%	2,982	12.6%

Trends in Existing Stores Sales

	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	99.0%	–	–
Retail	98.3%	94.4%	104.1%
Online	104.2%	–	–

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■ Non-Consolidated Sales Results by Sales Channel

Non-consolidated sales for the 1Q of FY13 rose 9.1% compared with the corresponding period of the previous fiscal year to ¥24,094 million. This result was 1.5% higher than the initially forecast plans.

Generally, UNITED ARROWS LTD. commences its spring/summer clearance sales from late June each year. In the fiscal year under review, the start of the Company's clearance sales period was delayed to July for a substantial number of retail and online stores. Turning to the impact of this delay on results, non-consolidated sales increased 11.0% year on year for the cumulative April and May period, and 4.0% year on year on a stand-alone June basis. Compared with forecasts, non-consolidated sales improved 5.0% year on year for the cumulative April and May period while declining 6.0% year on year on a stand-alone June basis.

This downturn in non-consolidated sales in June compared with forecasts was essentially offset by sales growth in July.

With respect to online sales, results differed from forecasts mainly due to a delay in the start of mainstay EC mall including own site clearance sales, which were originally planned for June, to July.

Existing retail and online store sales for the 1Q of FY13 edged down 1.0% compared with the corresponding period of the previous fiscal year. For the cumulative April and May period, existing retail and online store sales increased 1.1% year on year while contracting 5.0% year on year on a stand-alone June basis

Non-Consolidated Sales by Business Type

Increase in revenues across all businesses
Downturn in existing store sales compared with the previous period for certain businesses mainly due to a shift in the periods of clearance sales

- UA retail and online stores sales compared with the previous period: April and May cumulative 99.5%; June (stand-alone) 96.2%
- GLR retail and online stores sales compared with the previous period: April and May cumulative 100.2%; June (stand-alone) 84.4%
- SBU retail and online stores sales compared with the previous period: April and May cumulative 109.8%; June (stand-alone)102.2%

Note: There are no clearance sales implemented for CHROME HEARTS. Accordingly, results are unaffected by the aforementioned.

Millions of yen

	Non-Consolidated Results FY13 1Q			
	Results	YoY Increase (Decrease)	%	FY12 1Q Results
Total Business Unit Sales	20,777	1,652	108.6%	19,125
UA	10,613	713	107.2%	9,899
GLR	5,266	234	104.7%	5,032
CH	1,699	190	112.7%	1,508
SBUs	3,198	513	119.1%	2,684

	Existing Store YoY		
	Retail + Online	Retail	Online
UA	98.4%	97.3%	106.5%
GLR	94.2%	93.7%	96.3%
CH	—	104.5%	—
SBUs	107.2%	106.3%	111.5%

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■ Non-Consolidated Sales by Business Type

In the 1Q of FY13, UNITED ARROWS LTD. non-consolidated revenues increased across all businesses.

On a year-on-year basis, UNITED ARROWS (UA) and green label relaxing (GLR) business existing store sales declined mainly due to a shift in the periods of clearance sales.

The CHROME HEARTS (CH) business, on the other hand, does not conduct clearance sales. As a result, existing retail store sales were robust increasing 4.5% compared with the corresponding period of the previous fiscal year.

Non-Consolidated Gross Margin

UNITED ARROWS LTD.

1.7 percentage point improvement in the gross margin

Major positive factors

- Improvement in business unit gross margins due to shifts in clearance sales periods
- Reduction in business unit sales mark-down losses during non-clearance sales periods
- Reduction in the COGS ratio reflecting improvements in private label brand sales composition
- Decrease in other COGS owing mainly to the decline in loss on product devaluation

	Non-Consolidated Results FY13 1Q		
	Results	YoY	FY12 1Q Results
Non-Consolidated Gross Margin	**57.8%**	1.7%	56.1%
Total Business Unit Sales	**61.0%**	1.6%	59.4%
Outlet	**38.2%**	1.0%	37.1%
Other COGS Millions of yen	25	(44)	69

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

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■ Non-Consolidated Gross Margin

The non-consolidated gross margin for the 1Q of FY13 improved 1.7 percentage points compared with the corresponding period of the previous fiscal year to 57.8%.

There were four main factors that contributed to this improvement, each of which is listed as follows.

The first factor was the improvement in the business unit gross margin reflecting a shift in the periods of clearance sales. In 2011, clearance sale products represented slightly more than 30% of business unit sales in June (on a stand-alone basis). In the fiscal year under review, this ratio fell to slightly more than 20% resulting in a substantial upswing in the business unit gross margin.

The second factor was the reduction in business unit sales mark-down losses during non-clearance sales periods.

The third factor was the reduction in the cost of goods sold (COGS) ratio attributable to changes in the composition of sales and most notably the increase in private label brands. On a year-on-year basis, the private label brand sales composition improved from slightly more than 46% to slightly more than 48% in the 1Q of FY13.

The fourth factor was the decrease in other COGS owing mainly to the decline in loss on product devaluation.

Turning to outlet stores, the sales composition ratio increased 0.4 of a percentage point compared with the corresponding period of the previous fiscal year to 13.8%. Taking into account that the gross margin also climbed 1.0 percentage points, there was no impact on the non-consolidated gross margin as the positive factors effectively offset the negative factors.

Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

SGA expenses to sales ratio increased 0.1 of a percentage point compared with the previous fiscal year

Increase in the SGA expenses to sales ratio on the back of shifts in clearance sales periods which resulted in a decline in sales; SGA expenses to sales ratio lower than forecasts

- Advertising expenses: Increase attributable to the active implementation of promotions including the placement of television commercial and other advertising
- Personnel expenses: Increase owing mainly to an increase in personnel commensurate with the opening of new stores
- Other costs: Decrease in the ratio of other costs to sales thanks largely to successful efforts to contain growth rates in certain fixed expenses including repairs and maintenance as well as travel expenses

Note: Non-consolidated 1Q SGA expenses to sales ratio estimated to have increased around 0.5 of a percentage point due mainly to the downturn in sales caused by the shift in clearance sales periods.

Millions of yen

	Non-Consolidated Results FY13 1Q					
	Results	vs. Sales	YoY Increase (Decrease)	YoY	FY12 1Q Results	vs. Sales
Non-Consolidated Sales	**24,094**	**100.0%**	2,011	109.1%	22,083	100.0%
SGA Expenses	**10,381**	**43.1%**	880	109.3%	9,501	43.0%
Advertising Expenses	**427**	**1.8%**	52	113.9%	375	1.7%
Personnel Expenses	**3,877**	**16.1%**	358	110.2%	3,519	15.9%
Rent	**2,952**	**12.3%**	265	109.9%	2,686	12.2%
Depreciation	**315**	**1.3%**	24	108.4%	290	1.3%
Other	**2,809**	**11.7%**	179	106.8%	2,629	11.9%

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■ Non-Consolidated SGA Expenses

In the 1Q of FY13, the non-consolidated SGA expenses to sales ratio edged up 0.1 of a percentage point compared with the previous fiscal year to 43.1%.

This slight increase is largely attributable to the decline in sales on the back of shifts in clearance sales periods. On the assumption that clearance sales periods commenced at the same time as the previous year, the SGA expenses to sales ratio could contract 0.5 of a percentage point to 42.6%.

Moreover, other operating overhead expenses as well as personnel expenses decreased compared with forecasts.

On an individual expense basis, advertising expenses climbed 13.9% compared with the corresponding period of the previous fiscal year. During the period under review, active steps were taken to implement promotions including the placement of magazine, television commercial and other advertising.

Personnel expenses also increased 10.2% year on year owing mainly to an increase in personnel commensurate with the opening of new stores.

Growth in other costs was held below the rate of growth of sales compared with the corresponding period of the previous fiscal year at 6.8%. This was mainly due to lower rates of increase in certain fixed expenses including repairs and maintenance costs as well as travel expenses compared with the growth in sales.

Consolidated / Non-Consolidated B/S Overview

(Comparative analysis of consolidated balances as of the end of the 1Q FY13 and the end of FY12)

- Current assets: Increase in cash and deposits as well as inventory
- Noncurrent assets: Increase in tangible noncurrent assets and guarantee deposits in line with the opening of stores
- Liabilities: (Current Liabilities) Increase in short-term loans payable and accounts payable—trade;
  (Noncurrent Liabilities) Decrease in long-term loans payable
- Interest bearing debt: 82.3% YoY; 126.8% compared with the end of FY12
  (temporary increase attributable to income taxes payable)
- Non-consolidated inventory: 106.1% YoY (rate of growth vs. non-consolidated sales: 109.1%)

Millions of yen

	Consolidated Results FY13 1Q				Non-Consolidated Results FY13 1Q			
	Results	Share	YoY	vs. FY12-End	Results	Share	YoY	vs. FY12-End
Total Assets	50,642	100.0%	109.9%	98.8%	48,816	100.0%	106.7%	97.3%
Current Assets	32,531	64.2%	113.1%	98.0%	29,812	61.1%	108.6%	95.7%
(Inventory)	16,984	33.5%	106.3%	107.8%	15,830	32.4%	106.1%	106.5%
Noncurrent Assets	18,111	35.8%	104.5%	100.2%	19,003	38.9%	103.9%	100.0%
Current Liabilities	24,576	48.5%	113.8%	95.6%	22,801	46.7%	110.2%	92.9%
Noncurrent Liabilities	5,350	10.6%	63.9%	85.1%	5,093	10.4%	62.2%	84.3%
Total Net Assets	20,714	40.9%	128.5%	107.4%	20,921	42.9%	124.1%	106.9%
Reference: Balance of Short and Long-Term Loans Payable	12,829	25.3%	82.3%	126.8%	12,029	24.6%	77.7%	122.6%

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■ Consolidated/Non-Consolidated B/S Overview

The balance of total consolidated assets stood at ¥50,642 million as of June 30, 2012, 9.9 higher than the end of the corresponding period of the previous fiscal year. This was, however, 1.2% lower than balance as of the end of the previous fiscal year.

Principal factors contributing to the year-on-year difference in consolidated balance sheets are presented as follows.

Current assets as of June 30, 2012 increased 13.1%. This was largely attributable to upswings in the balances of cash and deposits, inventory, and accounts receivable—trade. Noncurrent assets rose 4.5% owing mainly to increases in property, plant and equipment as well as guarantee deposits on the back of the opening of new stores.

Current liabilities climbed 13.8% primarily reflecting higher balances of short-term loans payable and accounts payable—trade. Noncurrent liabilities, on the other hand, contracted 36.1% due mainly to the drop in long-term loans payable.

Net assets as of the end of the 1Q of FY13 increased 28.5% largely on the back of higher retained earnings.

Interest-bearing debt stood at ¥12,800 million as of June 30, 2012. This was 17.7% lower than the balance as of June 30, 2011 and 26.8% higher than the balance as of the end of the previous fiscal year. This upswing compared with the balance as of March 31, 2012 was a temporary occurrence and attributable to income taxes payable.

While non-consolidated inventory climbed 6.1% compared with the end of the corresponding period of the previous fiscal year, due mainly to the shift in clearance sales periods and other factors, this rate of increase is lower than the rate of sales growth (9.1%) over the same period.

Consolidated C/F Overview

UNITED ARROWS LTD.

- Cash flows from operating activities: (Factors contributing to an increase) Increase in income before income taxes, increase in notes and accounts payable—trade; (Factors contributing to a decrease) Increase in income taxes paid
- Cash flows from investing activities: (Factors contributing to a decrease) Purchase of property, plant and equipment
- Cash flows from financing activities: (Factors contributing to an increase) Net increase in short-term loans payable; (Factors contributing to a decrease) Repayment of long-term loans payable, cash dividends paid

Millions of yen

	Consolidated Results FY13 1Q	FY12 1Q
	Results	Results
Cash flows from operating activities (sub-total)	**1,060**	1,485
Cash flows from operating activities	**(2,725)**	788
Cash flows from investing activities	**(701)**	(790)
Cash flows from financing activities	**2,027**	(1,036)
Cash and cash equivalents at the end of the term	**6,567**	4,432

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■ Consolidated C/F Overview

Cash and cash equivalents as of the end of the 1Q of FY13 stood at ¥6,567 million, up ¥2,134 million compared with the end of the corresponding period of the previous fiscal year.

Net cash used in operating activities amounted to ¥2,725 million. Major cash inflows included income before income taxes of ¥3,573 million and an increase in purchase liabilities of ¥1,078 million. Principal cash outflow was income taxes paid of ¥3,764 million.

Net cash used in investing activities came to ¥701 million. The primary component was purchase of property, plant and equipment totaling ¥550 million representing payments in connection with the opening of new stores.

Net cash provided by financing activities was ¥2,027 million. Major cash inflow was net increase in short-term loans payable of ¥3,600 million to fund income taxes payable. Principal cash outflows included repayment of long-term loans payable of ¥885 million and cash dividends paid of ¥706 million.

Results of FY13 1Q Opening and Closing of Stores and FY13 Forecasts

- FY13 1Q (consolidated): Number of new stores opened: 15; Closed: 1; Number of stores as of FY13 1Q-end: 250
- FY13 forecasts (consolidated): Number of stores scheduled to be opened: 43; Closed; 5;
  Number of stores as of FY13-end: 274

(Compared with full FY13 forecasts presented in previous materials, BEAUTY&YOUTH and CHROME HEARTS are expected to each open one additional store and COEN to open two additional stores; potential for adjustments in the timing of opening new stores between the first and second halves of the fiscal year)

	FY13 1Q Results				FY13 (forecasts)				
	No. of stores at the beginning of the period	Opened	Closed	No. of stores as of 1Q-end	Opened: Full term	Opened: 1H	Opened: 2H	Closed	No. of stores at the end of the period
Total Consolidated	**236**	**15**	**1**	**250**	**43**	**25**	**18**	**5**	**274**
Total Non-Consolidated	**185**	**11**	**1**	**195**	**30**	**19**	**11**	**4**	**211**
UNITED ARROWS Total	59	3		62	13	8	5	2	70
UNITED ARROWS (General Merchandise Store)	12			12				1	11
UNITED ARROWS	16	1		17	8	4	4		24
BEAUTY&YOUTH	29	2		31	5	4	1	1	33
UNITED ARROWS Label Image Stores	2			2					2
green label relaxing	48	4	1	51	8	6	2	2	54
CHROME HEARTS	7			7	1		1		8
SBUs Total	55	3		58	6	4	2		61
Another Edition	14			14					14
Jewel Changes	7			7	1	1			8
Odette é Odile	21	1		22	3	1	2		24
DRAWER	6			6					6
Cross Sales-Type: ARCHIPELAGO	1			1					1
Cross Sales-Type: THE AIRPORT STORE	3			3					3
Cross Sales-Type: THE STATION STORE	2	1		3	1	1			3
Cross Sales-Type: THE HIGHWAY STORE	1	1		2	1	1			2
Outlet	16	1		17	2	1	1		18
FIGO CO., LTD.	11	1		12	2	2		1	12
COEN CO., LTD.	40	3		43	11	4	7		51

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■ Results of FY13 1Q Opening and Closing of Stores and FY13 Forecasts

During the 1Q of FY13, 15 stores were newly opened and one store closed on a consolidated basis. The number of stores as of June 30, 2012 stood at 250.

On a non-consolidated basis, 11 stores were newly opened and one store closed for a total balance of 195 stores as of the end of the period under review.

Drawing on materials from the previous briefing session, and for the full fiscal year ending March 31, 2013, BEAUTY&YOUTH and CHROME HEARTS are projected to each open one new store with COEN opening two additional stores. On a consolidated basis, 43 new stores are scheduled to be opened and five stores closed for a total number of stores of 274 as of March 31, 2013. On a non-consolidated basis, forecasts call for 30 new stores to be opened and four closed for a total of 211 stores as of the end of the fiscal year under review.

Reference: FY13 1Q Results of the Opening and Closing of Stores

UNITED ARROWS LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facilities / Address
June	Newly opened store	THE STATION STORE Echika fit Ginza Store	Echika fit Ginza (Chuo-ku, Tokyo)
May	Newly opened store	BY Tokyo Sky Tree Town Soramachi Store	Tokyo Sky Tree Town Soramachi (Sumida-ku, Tokyo)
	Newly opened store	GLR Tokyo Sky Tree Town Soramachi Store	Tokyo Sky Tree Town Soramachi (Sumida-ku, Tokyo)
April	Newly opened store	UA Shibuya Hikarie ShinQs Store	Shibuya Hikarie ShinQs (Shibuya-ku, Tokyo)
	Newly opened store	BY Odaiba Store	DiverCity Tokyo Plaza (Koto-ku, Tokyo)
	Newly opened store	GLR Kashiwa Takashimaya Station Mall Store	Kashiwa Takashimaya Station Mall (Kashiwa City, Chiba Prefecture)
	Newly opened store	GLR Takamatsu Store	Marugamemachi Green (Takamatsu City, Kagawa Prefecture)
	Newly opened store	GLR Nagoya Lachic Store	Lachic (Nagoya City, Aichi Prefecture)
	Newly opened store	OED Shibuya Hikarie ShinQs Store	Shibuya Hikarie ShinQs (Shibuya-ku, Tokyo)
	Newly opened store	THE HIGHWAY STORE Neopasa Shimizu Store	Neopasa Shimizu (Shizuoka City, Shizuoka Prefecture)
	Newly opened store	UA Mitsui Outlet Park Kisarazu Store	Mitsui Outlet Park Kisarazu (Kisarazu City, Chiba Prefecture)
	Closed store	GLR Sakae Nova Store	Sakae Nova (Nagoya City, Aichi Prefecture)

FIGO CO., LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
May	Newly opened store	Felisi Sogo Yokohama Store	Sogo Yokohama (Yokohama City, Kanagawa Prefecture)

COEN CO. LTD.

	Stores Opened and Closed	Store Name	Commercial Facilities / Address
April	Newly opened store	COEN ODAIBA STORE	DiverCity Tokyo Plaza (Koto-ku, Tokyo)
	Newly opened store	COEN KUMIYAMA STORE	AEON Kumiyama (Kumiyama-cho, Kuse-gun, Kyoto Prefecture)
March	Newly opened store	COEN HITACHINAKA STORE	Hitachinaka Fashion Cruise (Hitachinaka City, Ibaraki Prefecture)

Note: COEN CO. LTD. maintains a balance date of January 31 each year. Details of the opening of new stores for the first quarter cover the cumulative period from February to April.

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■ Reference: FY13 1Q Results of the Opening and Closing of Stores

An explanation has been omitted.

Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD. Felisi

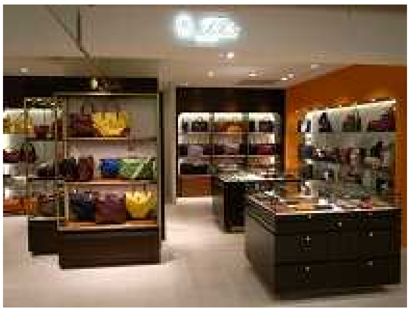
Revenue and earnings growth

- 1Q sales: ¥600 million; 104% YoY
- Director structure and systems strengthened in June; targeting surefooted growth
- New stores opened in the 1Q: 1

coen

Decrease in earnings (loss) against an increase in revenue; however, sales and income results exceed forecasts

- 1Q sales: ¥1,000 million; 126% YoY
- Forecast decrease in earnings (loss) due mainly to the increase in promotion expenses and new store operating overhead expenses; results better than forecasts
- New stores opened in the 1Q: 3



Felisi Sogo Yokohama

COEN ODAIBA

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■ Group Companies

FIGO CO., LTD.

In the 1Q of FY13, sales amounted to ¥600 million, an increase of 4.0% compared with the corresponding period of the previous fiscal year. This increase was largely attributable to growth in wholesale sales. Earnings at all levels including and below operating income improved year on year.

In order to strengthen the management structure, one individual with extensive experience working in the apparel division of a general trading company and considerable expertise in the brand business was appointed director. Moving forward, FIGO CO., LTD. will pursue steady growth under the stewardship of a new management structure.

COEN CO., LTD. (Account settlement: January)

Sales in the 1Q of FY13 climbed 26.0% compared with the corresponding period of the previous fiscal year to ¥1,000 million. In addition to contributions from newly opened stores, this was mainly due to such factors as growth in online sales.

Earnings results during the period under review were based on forecasts of an increase in promotion expenses, operating overhead expenses on the back of the opening of new stores and other costs. As a result, the operating loss for the period exceeded the loss incurred in the corresponding period of the previous fiscal year. Despite this negative result, sales trends are steady. The operating performance is generally sound and continues to surpass plans. There is no change to forecasts of an increase in earnings for the full fiscal year under review.

Reference: 1H and Full Term P/L Forecasts (no change)

Consolidated Results

Millions of yen

	Consolidated Results FY13 1H					Consolidated Results FY13 (full term)				
	Forecasts	vs. Sales	YoY	FY12 1Q Results	vs. Sales	Forecasts	vs. Sales	YoY	FY12 Results	vs. Sales
Sales	**49,818**	100.0%	109.8%	45,361	100.0%	**111,469**	100.0%	109.2%	102,052	100.0%
Gross Profit	**27,030**	54.3%	111.0%	24,354	53.7%	**60,936**	54.7%	109.5%	55,661	54.5%
SGA Exp.	**23,677**	47.5%	116.9%	20,246	44.6%	**49,802**	44.7%	109.5%	45,468	44.6%
Operating Inc.	**3,352**	6.7%	81.6%	4,108	9.1%	**11,134**	10.0%	109.2%	10,193	10.0%
Non Op. P/L	**(12)**	0.0%	—	43	0.1%	**(14)**	0.0%	—	79	0.1%
Ordinary Inc.	**3,340**	6.7%	80.4%	4,152	9.2%	**11,119**	10.0%	108.2%	10,272	10.1%
Extraordinary P/L	**(252)**	-0.5%	—	(193)	-0.4%	**(462)**	-0.4%	—	(908)	-0.9%
Net Income	**1,794**	3.6%	79.9%	2,246	5.0%	**6,414**	5.8%	127.9%	5,016	4.9%

Non-Consolidated Results

	Non-Consolidated Results FY13 1H					Non-Consolidated Results FY13 (full term)				
	Forecasts	vs. Sales	YoY	FY12 1Q Results	vs. Sales	Forecasts	vs. Sales	YoY	FY12 Results	vs. Sales
Sales	**46,237**	100.0%	109.1%	42,369	100.0%	**103,466**	100.0%	108.4%	95,406	100.0%
Gross Profit	**24,844**	53.7%	110.1%	22,556	53.2%	**56,087**	54.2%	108.6%	51,636	54.1%
SGA Exp.	**21,790**	47.1%	116.2%	18,757	44.3%	**45,891**	44.4%	108.7%	42,236	44.3%
Operating Inc.	**3,053**	6.6%	80.4%	3,798	9.0%	**10,195**	9.9%	108.5%	9,399	9.9%
Non Op. P/L	**(2)**	0.0%	—	51	0.1%	**4**	0.0%	—	106	0.1%
Ordinary Inc.	**3,051**	6.6%	79.3%	3,849	9.1%	**10,200**	9.9%	107.3%	9,505	10.0%
Extraordinary P/L	**(252)**	-0.5%	—	(190)	-0.4%	**(462)**	-0.4%	—	(903)	-0.9%
Net Income	**1,595**	3.5%	77.0%	2,073	4.9%	**5,745**	5.6%	127.6%	4,502	4.7%

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■ Reference: 1H and Full Term P/L Forecasts (no change)

There is not change to the most recently announced operating results forecasts.

Reference: 1H, 2H, Full Term Non-Consolidated Sales Forecasts (no change)

UNITED ARROWS LTD.

Millions of yen

	Non-Consolidated Results FY13 1H			Non-Consolidated Results FY13 2H			Non-Consolidated Results FY13 (full term)		
	Forecasts	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%
Sales	**46,237**	3,868	109.1%	**57,228**	4,190	107.9%	**103,466**	8,059	108.4%
Total Business Unit Sales	**40,564**	3,785	110.3%	**50,564**	4,008	108.6%	**91,129**	7,794	109.4%
Retail	**35,111**	3,168	109.9%	**43,380**	3,433	108.6%	**78,491**	6,601	109.2%
Online	**5,153**	727	116.4%	**6,784**	610	109.9%	**11,937**	1,337	112.6%
Outlet	**5,672**	82	101.5%	**6,663**	182	102.8%	**12,336**	265	102.2%
Existing Retail + Online Stores YoY	101.1%			102.2%			101.7%		
Existing Retail Stores YoY	99.5%			101.3%			100.5%		
Existing Online Stores YoY	112.1%			107.7%			109.5%		

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■ Reference: 1H, 2H, Full Term Non-Consolidated Sales Forecasts (co change)

An explanation has been omitted.

Progress Report on Addressing Priority Issues (1)

UNITED ARROWS LTD.

Management Policy

Secure record high consolidated ordinary income by strengthening the precision of collaboration between Product, Sales, and Promotion Departments, differentiating the Group from its competitors, and consistently pursuing sales and profits

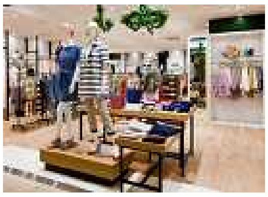
(1) Establish a product, sales, and promotion collaboration cycle

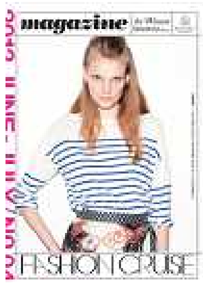
Product: Increase the sales rate

Ongoing steps to:
Quantify comments gleaned from customers through sales personnel and feed back to the Product Department (UA)
Ensure that personnel responsible for products regularly visit stores to provide product explanations, and collect information on requirements gleaned directly from customers at stores (BY)

Sales: Increase the number of purchasing customers

Ongoing steps to:
Share the coordination proposals of sales personnel utilizing the intranet (UA)
Establish highly appealing displays, ambiance and store environments by enhancing visual merchandise (GLR)
Commence training aimed at preventing complaints and enhancing visual presentation capabilities (Group-wide)





Promotion: Increase the number of customers visiting stores

Ongoing steps to:
Issue and distribute tabloid-type mini-catalogues to entice customers to visit stores (UA, BY)
Actively implement store events including opportunities to generate orders (UA, BY)
Implement cross-media promotions using SNS and newspaper inserts (GLR)

Left: New product display methods adopted at GLR stores
Right: BY tabloid catalogue

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■ Progress Report on Addressing Priority Issues (1)

In the current fiscal year, UNITED ARROWS LTD. has put forward the management policy of securing record high consolidated ordinary income by strengthening the precision of collaboration between Product, Sales, and Promotion Departments, differentiating the Group from its competitors, and consistently pursuing sales and profits. On a non-consolidated basis, three priority issues have been identified.

The first is to establish a product, sales, and promotion collaboration cycle that is capable of operating success. To this end, each business Product Department will incorporate feedback gleaned from customers to strengthen product development. In the UA business, steps have been taken to bolster the mechanism that quantifies comments gleaned from customers at stores. In the BY business, personnel responsible for products have called directly on stores to collect onsite the requests of Sales Department. By ensuring that Product Department accurately grasps the needs of customers, every effort is being made to promote the development of products with a high sales ratio.

Each business Sales Department continued to implement measures aimed at increasing the number of purchasing customers. In the UA business, energies were channeled toward enhancing the appeal of products and services to customers by sharing the outstanding coordination proposals of sales personnel within the business. In the GLR business, steps were taken to introduce the product display methods used by leading overseas stores to better draw out styling and coordination techniques and display individual items in a visually appealing manner. These measures are designed to heighten the visual impact of the business' displays and to develop stores that facilitate purchases. Supporting the Sales Department of each business, the Personnel Affairs Department has augmented its training curricula with the inclusion of sessions that focus on the prevention of complaints and enhancing visual presentation capabilities from the current fiscal year. These new programs are mainly aimed at store manager and personnel responsible for product display.

The Promotion Department has published tabloid-type mini-catalogues in tune with periods of actual demand. These catalogues are distributed to customers in the hope of enticing visits to stores. At the same time, aggressive efforts are being made to promote store events including opportunities to generate orders.

Progress Report on Addressing Priority Issues (2)

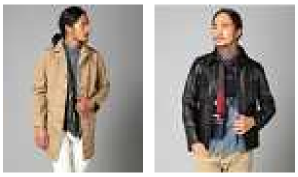
UNITED ARROWS LTD.

(2) Create new value that addresses market needs through the development of new businesses

Launch and ensure the early stability of new businesses that will generate a new source of earnings

Launch “monkey time BEAUTY&YOUTH UNITED ARROWS”

- To open in the LUMINE EST SHINJUKU store in September as a new business within BEAUTY&YOUTH
- Featuring a collection of the original “monkey time” men’s label
- Targeting men seeking to express their individuality and originality through fashion
- Promoting a lineup of items with a tailored, military and biker look featuring trend-setting tastes



A selection of monkey time items from the 2012 fall / winter collection

(3) Increase profit by improving productivity

Adhere strictly to a policy of diversified cost control; increase productivity by improving operating efficiency

- Implementation of cost control finely tuned to earnings
  Increase in SGA expenses to sales ratio by 0.1 of a percentage point; however, this result below forecasts
- Improvement in inventory efficiency by enhancing the accuracy of sales initiatives
  2.4 percentage point YoY decrease in the sales rate of spring and summer items
  → Impact of the shift of certain clearance sales revenues to July reflecting delays in clearance sales periods
- Reductions in discrepancies in inventory and overtime
  Ongoing steps to identify issues on an individual business basis, implement improvement measures and manage Group-wide status at each responsible department on a monthly basis

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■Progress Report on Addressing Priority Issues (2)

The second priority issue is to create new value that addresses market needs through the development of new businesses. As announced the other day, the monkey time BEAUTY&YOUTH UNITED ARROWS SHINJUKU store will be opened in September this year as a new business. It will offer a collection of money time original label items handled within the BEAUTY&YOUTH business.

This brand will target men seeking to express their individuality and originality through fashion and offer a lineup of items with a tailored, military and biker look featuring trend-setting tastes. By fully expressing its brand personality through a genuine lineup of monkey time products, expectations are high that these efforts will lead to the creation of a new customer niche.

Several other initiatives are being considered as new businesses. Details will be announced as and when determined.

The third priority issue is to increase profit by improving productivity. As outlined earlier in this presentation, the SGA expenses to sales ratio was lower than internal estimates while edging up 0.1 of a percentage point compared with the corresponding period of the previous fiscal year. The sales rate for spring and summer products was also down 2.4 percentage points year on year. This is largely attributable to delays in the start of spring / summer clearance sales period, which were partly shifted to July. On this basis, an improvement is expected in the second quarter.

In order to improve productivity, particular emphasis is being placed on reducing discrepancies in inventory and overtime. Ongoing steps are also being made to identify issues on an individual business basis and to incorporate appropriate measures into monthly action plans. At the same time, progress is being managed on a Group-wide cross-sectional basis at the head office level with each division kept fully informed.

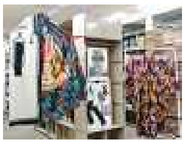
Progress Report on Addressing Priority Issues (3)

(1) Establish a product, sales, and promotion collaboration cycle → strengthen private label brand capabilities

From the current fiscal year, steps have been taken to establish a creative resource center and an atelier with the Company's head office in an effort to strengthen private label brand product development capabilities

N & UA CREATIVE RESOURCE CENTER

- An archive of invaluable materials from 19th century swatches to sample products as well as well magazines, books and other reference documents aimed at uncovering and inspiring personnel responsible for product planning and development
- A multi-purpose resource, which enables the Company to conduct in-house seminars, salons and guidance meetings




Atelier

- An in-house work area for the preparation of design plans, patterns and samples
- An initiative aimed at raising the quality and finish of private label brands by enabling speedy and fine-tuning to sample products

<Standard Flow>

Sample confirmation and modification with business partners (one to two times)

Design → Pattern → Sample → Manufacture

<Atelier Flow>

Frequent in-house sample modification over the same time period to help raise quality and finish

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■Progress Report on Addressing Priority Issues (3)

Among each of the aforementioned initiatives, the following is a more detailed report on progress achieved in strengthening private label brands as a part of efforts to promote the establishment of a product, sales, and promotion collaboration cycle that is capable of operating success. In the current fiscal year, a creative resource center and atelier were established within the Company's Akasaka head office in order to strengthen private label brand capabilities.

The creative resource center has been named the N & UA CREATIVE RESOURCE CENTER. It houses invaluable materials from swatches to sample products as well as magazines, books and other reference documents from Japan and overseas that are expected to serve as a source of ideas and inspiration for personnel responsible for products. In addition to boosting technical capabilities as well as price competitiveness, the use of these resources is projected to increase the added value of our original label products. These resources are also expected to generative overwhelming competitive advantage compared with rival companies.

The collection of materials is undertaken with the help of Tatsumasa Nagamori, a well-renowned figure within the textile industry both in Japan and overseas. Mr. Nagamori will provide us with advice on fabrics and the production of products that we plan to apply in the development of original products that would otherwise not be possible within our existing network. While taking steps to organize this information and materials, the Company is conducting in-house study meetings on manufacturing and seminars on how best to use the Archive. These parallel initiatives are aimed at increasing awareness within the Company.

(Continued on the following page)

Progress Report on Addressing Priority Issues (3)

UNITED ARROWS LTD.

(1) Establish a product, sales, and promotion collaboration cycle
→ strengthen private label brand capabilities

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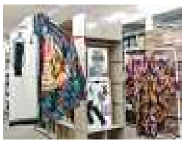


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■Progress Report on Addressing Priority Issues (3)

(Continued from the previous page)

One other initiative is the operation of an atelier. Under standard workflows for private label brands, the process from design through sample preparation to production encompasses time restrictions to allow for sample confirmation and modification with business partners at most one to two times. This creates difficulties in attaining an appropriate level of satisfaction for each product item by item.

By using the atelier, samples are made in-house with frequent internal modifications made over the same time period. This repetitive process helps to raise the finish of each product leading to overwhelming quality compared with competing companies.

Approximately 10 items under the UA Women's business signature GOLD LABEL brand were developed at the atelier for release as this year's fall / winter products. These products were displayed at the press preview the other day and attracted considerable praise. Expectations are high that these products will play a major role in driving the UA Women's image forward. Ultimately, plans are in place for products developed in this fashion to account for around 10% of the UA women's business private label brands.

At the same time, UA business production technicians are conducting lectures on how to use the atelier to personnel responsible for production in other businesses. Looking ahead, consideration is being given to use by businesses other than the UA WOMEN'S business.

Appendix: Explanation of Frequently Occurring Terms

UNITED ARROWS LTD.

About the Company's product platform

UNITED ARROWS LTD.'s product platform is comprised of its merchandising (MD) and production platforms. It entails wide-ranging activities including product procurement, production, product launch, and inventory reduction. The platform itself was designed to break free from a business process and practice that overly relies on the skills and experience of individual artisans. Emphasis is therefore placed on a common and consistent set of forms and benchmarks that all appropriate parties can quickly master and perform with a high degree of accuracy. Information that underpins the selection of factories and raw materials procured is collated and shared throughout the Group. By applying the product platform, the Company is better positioned to promote stable merchandising processes and to improve gross profit and cash flows.

About the Company's merchandising platform

The merchandising platform forms a part of the product platform. This is a mechanism for determining the current status of merchandise flows and the basis for making decisions. Utilizing the progress management tables and indices consistent across all businesses, UNITED ARROWS LTD. has established a swift and easy-to-implement decision-making process that allows the Group to promote the additional manufacture of top-selling items while reducing production and inventories or slow-selling items. As a result, UNITED ARROWS LTD. is increasing the rates of inventory reduction as well as final sales. This in turn is leading to improvements in gross profit, inventories, and cash flows.

About the Company's production platform

The production platform forms a part of the product platform. This platform works to formulate the product procurement and production strategies that take the Company from merchandising planning through to realization. While manufacturing is outsourced, the choice of external plant or factory for each item is based on a Companywide consolidation of the raw materials procured by each business as well as manufacturing plant information. Through these means, the Company has benefitted from positive adjustments in procurement costs relating to purchases and production as well as lead times in a way that satisfies UNITED ARROWS LTD.'s five key criteria*.

* Five key criteria: Customers can purchase (1) the products they want, (2) when they want, (3) where they want, (4) in the quantities they want, and (5) at prices they want.

Please refer to the Company's 2012 Annual Report and specifically to the "Value Chain" and "Product Platform" sections of pages 32-33 and 34-35, respectively, for details.

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