UNITED ARROWS LTD.

Fiscal 2013
Fiscal Year Ending March 2013
Second Quarter
Earnings Announcement

November 5, 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

[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

PL Overview (Consolidated)

UNITED ARROWS LTD.

Revenue and earnings growth; achieved new 2Q cumulative highs at each level of earnings

- YoY increase in sales, ordinary income, and net income of 11.5%, 19.5%, and 21.7%, respectively
- Gross margin: 0.8 of a percentage point YoY increase due mainly to improvements in gross margins at own outlet stores
- SGA expenses to sales ratio: 0.2 of a percentage point YoY increase owing largely to the upswing in advertising expenses
- Extraordinary loss: mainly reflecting impairment losses brought to account

(Millions of yen)

	Consolidated Results FY13 2Q Cumulative						FY12 2Q Cumulative		Forecast Announced on 9/28		Reference: Initial Forecast	
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Revised Forecast	%	Results	vs. Sales		vs. Sales		vs. Sales
Sales	**50,582**	100.0%	5,220	111.5%	211	100.4%	45,361	100.0%	50,370	100.0%	49,818	100.0%
Gross Profit	**27,553**	54.5%	3,199	113.1%	-	-	24,354	53.7%	-	-	27,030	54.3%
SGA Exp.	**22,663**	44.8%	2,417	111.9%	-	-	20,246	44.6%	-	-	23,677	47.5%
Operating Inc.	**4,890**	9.7%	781	119.0%	317	106.9%	4,108	9.1%	4,572	9.1%	3,352	6.7%
Non Op. P/L	**71**	0.1%	28	-	-	-	43	0.1%	-	-	(12)	0.0%
Ordinary Inc.	**4,961**	9.8%	809	119.5%	331	107.2%	4,152	9.2%	4,630	9.2%	3,340	6.7%
Extraordinary P/L	**(687)**	-1.4%	(493)	-	-	-	(193)	-0.4%	-	-	(252)	-0.5%
Net Income	**2,733**	5.4%	487	121.7%	290	111.9%	2,246	5.0%	2,443	4.9%	1,794	3.6%

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■PL Overview (Consolidated)

Consolidated revenues for the 1H (April 1, 2012 to September 30, 2012) of FY13, the fiscal year ending March 31, 2013, increased. Also, operating income and all income items below it reached record highs for the period.

Sales were up for UNITED ARROWS LTD.'s retail and online store sales operations. The improved sales in these areas as well as FIGO CO., LTD., and COEN CO., LTD., resulted in sales increasing 11.5% year on year, to ¥50,582 million.

The gross margin improved 0.8 percentage point, to 54.5%, following higher margins for the total business units segment as well as for outlet stores and consolidated subsidiaries.

The selling, general and administrative (SGA) expenses to total sales ratio increased 0.2 percentage point, to 44.8%, mainly on the back of higher advertising expenses.

As a result, operating income was ¥4,890 million, up 19.0% year on year. Ordinary income increased 19.5%, to ¥4,961 million.

Further, while an impairment loss of ¥654 million was recorded during the period, resulting in a year-on-year increase in extraordinary loss, net income rose 21.7%, to ¥2,733 million, due to higher ordinary income.

Sales were ¥211 million higher than the revised forecasts released on September 28, 2012, and ordinary income was ¥331 million higher. This was a result of the strong sales seen in the end of September and the partial reduction in SGA expenses.

Reference: PL Overview (Non-Consolidated)

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY13 2Q Cumulative						FY12 2Q Cumulative		Forecast Announced on 9/28		Reference: Initial Forecast	
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Revised Forecast	%	Results	vs. Sales		vs. Sales		vs. Sales
Sales	**46,911**	100.0%	4,541	110.7%	136	100.3%	42,369	100.0%	46,774	100.0%	46,237	100.0%
Gross Profit	**25,308**	54.0%	2,752	112.2%	-	-	22,556	53.2%	-	-	24,844	53.7%
SGA Exp.	**20,817**	44.4%	2,059	111.0%	-	-	18,757	44.3%	-	-	21,790	47.1%
Operating Inc.	**4,491**	9.6%	692	118.2%	255	106.0%	3,798	9.0%	4,236	9.1%	3,053	6.6%
Non Op. P/L	**68**	0.1%	17	134.0%	-	-	51	0.1%	-	-	(2)	0.0%
Ordinary Inc.	**4,559**	9.7%	709	118.4%	271	106.3%	3,849	9.1%	4,288	9.2%	3,051	6.6%
Extraordinary P/L	**(682)**	-1.5%	(492)	-	-	-	(190)	-0.4%	-	-	(252)	-0.5%
Net Income	**2,448**	5.2%	375	118.1%	247	111.2%	2,073	4.9%	2,201	4.7%	1,595	3.5%

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■Reference: PL Overview (Non-Consolidated)

An explanation has been omitted.

Non-Consolidated Sales by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 10.7%;
Existing retail and online stores sales up 1.6% YoY

- Increase in revenue across all channels despite the impacts of such factors as the staggering of clearance sales periods and lingering summer heat
- Share of online store sales 10.9% (10.4% FY12 2Q cumulative); Share of outlet store sales 13.0% (13.2% FY12 2Q cumulative)
- YoY increase in existing retail store sales and existing online store sales of 0.3% and 10.3%, respectively

(Millions of yen)

	Non-Consolidated Results FY13 2Q Cumulative				FY12 2Q Cumulative Results		Reference: Initial Forecast	
	Results	Share	YoY Increase (Decrease)	%		Share		Share
Non-Consolidated Sales	46,911	100.0%	4,541	110.7%	42,369	100.0%	46,237	100.0%
Total Business Unit Sales	40,824	87.0%	4,046	111.0%	36,778	86.8%	40,564	87.7%
Retail	35,378	75.4%	3,435	110.8%	31,943	75.4%	35,111	75.9%
Online	5,090	10.9%	665	115.0%	4,425	10.4%	5,153	11.1%
Outlet	6,086	13.0%	495	108.9%	5,590	13.2%	5,672	12.3%

	Existing Store YoY		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	101.6%	-	-
Retail	100.3%	99.8%	100.5%
Online	110.3%	-	-

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■Non-Consolidated Sales by Sales Channel

On a non-consolidated basis, revenues increased for the retail, online, and outlet channels, despite the impacts of such factors as the staggering of clearance sales periods and lingering summer heat.

Online store sales fell slightly below initial forecasts due to the lingering summer heat, but were still up 15.0% year on year, and came to represent 10.9% of total sales, 0.5 percentage point higher than in the equivalent period of the previous fiscal year. Conversely, the percentage of sales accounted for by outlet store sales declined 0.2 percentage point, to 13.0%.

Total sales from existing retail and online store sales for the 1H of FY13 edged up 1.6% year on year, with existing retail store sales up 0.3% and existing online store sales up 10.3%. In this manner, all three indicators exceeded those seen in the corresponding period of the previous fiscal year.

Non-Consolidated Sales by Business Type

UNITED ARROWS LTD.

Increase in revenues across all businesses;
Double-digit percentage growth in CH and SBU revenues

- GLR: Despite a decrease in YoY 2Q cumulative existing store results due to such factors as the staggering of clearance sales periods and lingering summer heat, firm trends in fall and winter items reflecting the drop in temperatures
- CH, SBU: Continued robust results owing to a variety of factors including successful product and sales policies

(Millions of yen)

	Non-Consolidated Results FY13 2Q Cumulative			
	Results	YoY Increase (Decrease)	%	FY12 2Q Cumulative Results
Total Business Unit Sales	**40,824**	4,046	111.0%	36,778
UA	**20,894**	1,830	109.6%	19,064
GLR	**9,810**	751	108.3%	9,058
CH	**3,454**	518	117.6%	2,936
SBUs	**6,665**	946	116.6%	5,718

	Existing Store YoY		
	Retail + Online	Retail	Online
UA	100.4%	98.9%	110.9%
GLR	98.6%	97.2%	106.2%
CH	-	109.4%	-
SBUs	106.0%	104.2%	114.5%

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■Non-Consolidated Sales by Business Type

Revenues increased across all businesses on a non-consolidated basis.

In the green label relaxing (GLR) business, existing store sales were down year on year during the period as a result of the impacts of such factors as the staggering of clearance sales periods and lingering summer heat. However, temperatures began dropping in the latter half of September, and we have started seeing strong sales of fall and winter items accordingly.

Sales growth in the CHROME HEARTS (CH) business and Small Business Units (SBUs) was impressive, with growth rates in the double digits owing to a variety of factors including successful product and sales policies.

(For information regarding initiatives pertaining to Another Edition, one of the SBU's businesses, please refer to slide 17.)

Non-Consolidated Gross Margin

UNITED ARROWS LTD.

0.7 of a percentage point improvement in the gross margin

- Improvement in outlet gross margins
  → A variety of positive effects including the conversion into cash of current season products due to the effective utilization of the product platform resulting in the swift transfer of products to outlet stores
- Improvement in total business unit gross margins
  → Despite an increase in mark-down losses owing mainly to prolonged clearance sales, improvement in the gross profit margin due to such factors as an upswing in the share of private-brand products

	Non-Consolidated Results FY13 2Q Cumulative		
	Results	FY12 2Q Cumulative	YoY
Non-Consolidated Gross Margin	**54.0%**	53.2%	0.7%
Total Business Unit Sales	**58.0%**	57.9%	0.1%
Outlet	**35.2%**	31.3%	3.8%
Other COGS Millions of yen	507	490	17

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

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■Non-Consolidated Gross Margin

On a non-consolidated basis, the gross margin increased 0.7 percentage point year on year, to 54.0%.

For outlet stores, the gross margin improved 3.8 percentage points, to 35.2%. This can be attributed to a variety of positive effects including the conversion into cash at high rates of current season products. Our ability to achieve this rate of conversion was due to the effective utilization of the product platform resulting in the swift transfer of products to outlet stores. The strong performance of outlet-exclusive items also contributed to improvements in the gross margin.

Despite an increase in mark-down losses owing mainly to prolonged clearance sales, the total business unit gross margin improved 0.1 percentage point, to 58.0%, due to such factors as an upswing in the share of private label products.

Non-Consolidated SGA Expenses

UNITED ARROWS LTD.

SGA expenses to sales ratio increased 0.1 of a percentage point YoY;

Upswing in strategic costs (advertising expenses); Decrease in other SGA expenses to sales ratio

- Advertising expenses: Increase attributable to the active implementation of promotions including the placement of magazine and television commercial as well as improvements in the display, décor, and overall interior quality of stores (Ratio of advertising expenses to sales: 2.1%; 1.8% in FY12 2Q cumulative; Increase of 0.3 of a percentage point)
- Other costs: Despite an increase in the absolute amount of other costs largely reflecting sales growth, decrease in the ratio of other costs to sales (Ratio of SGA expenses excluding advertising expenses to sales: 42.3%; 42.4% in FY 12 2Q cumulative; Decrease of 0.2 of a percentage point)

(Millions of yen)

	Non-Consolidated Results FY13 2Q Cumulative				FY12 2Q Cumulative	
	Results	vs. Sales	YoY Increase (Decrease)	%	Results	vs. Sales
Non-Consolidated Sales	**46,911**	**100.0%**	4,541	110.7%	42,369	100.0%
SGA Expenses	**20,817**	**44.4%**	2,059	111.0%	18,757	44.3%
Advertising Expenses	**983**	**2.1%**	206	126.6%	776	1.8%
Personnel Expenses	**7,606**	**16.2%**	650	109.4%	6,956	16.4%
Rent	**5,893**	**12.6%**	617	111.7%	5,275	12.5%
Depreciation	**636**	**1.4%**	49	108.5%	586	1.4%
Other	**5,697**	**12.1%**	535	110.4%	5,162	12.2%
*Reference						
Ratio of advertising expenses to sales		2.1%		0.3%		1.8%
Ratio of SGA expenses excluding advertising expenses to sales		42.3%		-0.2%		42.4%
Total ratio of SGA expense to sales		44.4%		0.1%		44.3%

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■Non-Consolidated SGA Expenses

The SGA expenses to sales ratio rose 0.1 percentage point year on year, to 44.4%.

The ratio of advertising expenses to sales increased 0.3 percentage point, to 2.1%, an increase attributable to the strategic implementation of promotions including the placement of magazine and television commercials. When advertising expenses are excluded, the SGA expenses to sales ratio declined 0.2 percentage point, to 42.3%.

B/S Overview

UNITED ARROWS LTD.

(Comparative analysis of consolidated balances as of the end of the 2Q FY12)

- Current assets: Increase in the balances of inventory and accounts receivable—other (commercial facilities, credit companies, other)
- Noncurrent assets: Increase in tangible noncurrent assets and guarantee deposits in line with the opening of new stores
- Liabilities: Increase in accounts payable—trade and accounts payable—other; Decrease in long-term loans payable
- Balance of short and long-term loans payable: ¥9,744 million (71.3% compared with the balance as of the end of FY12 2Q)
- Non-consolidated inventory: 108.1% YoY (rate of growth vs. non-consolidated sales growth rate: 110.7%)

(Millions of yen)

	Consolidated Results FY13 2Q-end				Non-Consolidated Results FY13 2Q-end			
	Results	Share	YoY	vs. FY12-End	Results	Share	YoY	vs. FY12-End
Total Assets	50,925	100.0%	107.0%	99.3%	49,157	100.0%	103.9%	98.0%
Current Assets	32,469	63.8%	107.5%	97.8%	29,790	60.6%	102.9%	95.6%
(Inventory)	18,839	37.0%	108.2%	119.6%	17,932	36.5%	108.1%	120.6%
Noncurrent Assets	18,455	36.2%	105.9%	102.1%	19,366	39.4%	105.3%	102.0%
Current Liabilities	25,099	49.3%	107.6%	97.7%	23,595	48.0%	104.1%	96.2%
Noncurrent Liabilities	4,650	9.1%	61.5%	73.9%	4,394	8.9%	60.0%	72.7%
Total Net Assets	21,175	41.6%	126.6%	109.8%	21,166	43.1%	122.1%	108.2%
Reference: Balance of Short and Long-Term Loans	9,744	19.1%	71.3%	96.3%	8,944	18.2%	65.4%	91.1%

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■B/S Overview

On a consolidated basis, total assets stood at ¥50,925 million on September 30, 2012, up 7.0% from a year earlier.

Current assets totaled ¥32,469 million, up 7.5%, primarily due to increases in balances of inventories and accounts receivable—other. Noncurrent assets amounted to ¥18,455 million, up 5.9%. This rise was largely attributable to increases in tangible noncurrent assets and guarantee deposits in line with the opening of new stores.

Current liabilities came to ¥25,099 million, up 7.6%, mainly as the result of increases in accounts payable—trade and accounts payable—other. Noncurrent liabilities declined 38.5%, to ¥4,650 million, following a decrease in long-term loans payable.

The balance of short- and long-term loans payable decreased 28.7%, to ¥9,744 million, demonstrating the steady repayment of debt.

Growth in non-consolidated inventories was 8.1%, which was lower than the growth rate for sales seen during the period.

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 inventory, 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) Decrease in long-term loans payable, cash dividends paid

(Millions of yen)

	Consolidated Results FY13 2Q	FY12 2Q
	Results	Results
Cash flows from operating activities (sub-total)	**2,930**	3,841
Cash flows from operating activities	**(808)**	3,112
Cash flows from investing activities	**(1,212)**	(1,058)
Cash flows from financing activities	**(1,140)**	(3,034)
Cash and cash equivalents at the end of the term	**4,805**	4,491

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■C/F Overview

In regard to cash flows from operating activities, at the sub-total level, we recorded cash provided by operating activities of ¥2,930 million. However, the final total resulted in the recording of net cash used in operating activities of ¥808 million. Factors contributing to increases in cash included income before income taxes of ¥4,274 million and increase in notes and accounts payable—trade of ¥2,265 million. Meanwhile, factors contributing to decreases in cash included increase in inventories of ¥3,085 million and income taxes paid of ¥3,696 million.

Net cash used in investing activities was ¥1,212 million. Factors decreasing cash included the purchase of property, plant and equipment of ¥746 million associated with the opening of new stores.

Net cash used in financing activities was ¥1,140 million. Factors contributing to increases in cash included net increase in short-term loans payable of ¥1,400 million. Conversely, factors contributing to decreased cash included repayment of long-term loans payable of ¥1,770 million and cash dividends paid of ¥818 million.

Due to the above, cash and cash equivalents at the end of the term totaled ¥4,805 million.

Store Opening / Closing Plan

UNITED ARROWS LTD.

- FY13 2Q cumulative (consolidated): Number of new stores opened: 25; Closed: 6; Number of stores as of FY13 2Q-end: 255
- Full FY13 forecasts (consolidated): Number of stores scheduled to be opened: 44; Closed; 6; Number of stores as of FY13-end: 274

Note: Amendments to forecasts regarding the number of stores to be opened for the full FY13 since the previous FY13 1Q presentation material
Increase in the number of stores opened: one store for each of the GLR and STATION STORE businesses;
Decrease in the number of stores opened: down one store due to delays in the opening of one UA store carried forward into the next period
Stores closed: one store each for each of the Another Edition and Jewel Changes businesses; Decrease in the number of stores closed: one GLR store

		FY13 2Q Results				FY13 (forecasts)			
		No. of stores at the beginning of the period	Opened	Closed during the 1H	No. of stores as of 2Q-end	Opened 2H	Opened Full Fiscal Year	Closed during the full fiscal year	No. of stores at the end of the period
	Total Consolidated	**236**	**25**	**6**	**255**	**19**	**44**	**6**	**274**
	Total Non-Consolidated	**185**	**19**	**5**	**199**	**12**	**31**	**5**	**211**
	UNITED ARROWS Total	59	8	2	65	4	12	2	69
	UNITED ARROWS (General Merchandise Store)	12		1	11			1	11
	UNITED ARROWS	16	4		20	3	7		23
	BEAUTY&YOUTH	29	4	1	32	1	5	1	33
	UNITED ARROWS Label Image Stores	2			2				2
	green label relaxing	48	6	1	53	3	9	1	56
	CHROME HEARTS	7			7	1	1		8
	SBUs Total	55	4	2	57	3	7	2	60
	Another Edition	14		1	13			1	13
	Jewel Changes	7	1	1	7		1	1	7
	Odette é Odile	21	1		22	2	3		24
	DRAWER	6			6				6
Cross Sales-Type	ARCHIPELAGO	1			1				1
	THE AIRPORT STORE	3			3				3
	THE STATION STORE	2	1		3	1	2		4
	THE HIGHWAY STORE	1	1		2		1		2
	Outlet	16	1		17	1	2		18
	FIGO CO., LTD.	11	2	1	12		2	1	12
	COEN CO., LTD.	40	4		44	7	11		51

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■Store Opening / Closing Plan

In the 1H of FY13, 25 new stores were opened and 6 were closed on a consolidated basis, making for a consolidated total of 255 stores on September 30, 2012.

On a non-consolidated basis, 19 stores were opened and 5 were closed, and the total number of stores at the end of period was 199.

Our full-year forecast for store numbers calls for the opening of 44 stores and closure of 6 on a consolidated basis, making for 274 stores, and for the opening of 31 stores and closure of 5 on a non-consolidated basis, for a total of 211.

While there were some openings and closures that were not accounted for in the materials from the 1Q announcement presentations, forecasts for fiscal year-end stores numbers have not been changed on either a consolidated or non-consolidated basis.

Group Companies

UNITED ARROWS LTD.

FIGO CO., LTD.   Felisi   coen

Revenue and earnings growth

- 2Q cumulative sales: ¥1,200 million; 109% YoY
- Robust trends in wholesale sales due mainly to successful efforts to stabilize delivery periods; increase in directly operated retail store and online sales
- New stores opened in the 2Q cumulative: 2; Closed: 1

Revenue and earnings growth

- 2Q cumulative sales: ¥2,400 million; 125% YoY
- Reduction in sales opportunity loss; improvement in gross margin owing largely to cutbacks in the sale of markdown items
- New stores opened in the 2Q cumulative: 4

Felisi MARUNOUCHI
Opened on August 1

coen tokyo skytree town solamachi
Opened on May 22

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■Group Companies

FIGO CO., LTD.

Sales for the 1H of FY13 increased 9% year on year, to ¥1,200 million. Also, operating income and all income items below it rose as well.

We saw robust trends in wholesale sales due mainly to successful efforts to stabilize delivery periods as well as increases in directly operated retail store and online store sales.

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

Sales for the 1H of FY13 increased 25% year on year, to ¥2,400 million. Also, operating income and all income items below it rose as well.

Rises in income can be attributed to higher sales as well as reductions in sales opportunity loss and improvement in the gross margin owing largely to cutbacks in the sale of markdown items.

Reference: Full FY13 Results Forecasts (Revised Forecasts Announced on September 28)

UNITED ARROWS LTD.

(Millions of yen)

	Consolidated Results FY13 (full fiscal year)			FY12		Non-Consolidated Results FY13 (full fiscal year)			FY12	
	Revised Forecasts	**vs. Sales**	**YoY**	Results	vs. Sales	**Revised Forecasts**	**vs. Sales**	**YoY**	Results	vs. Sales
Sales	**112,629**	100.0%	110.4%	102,052	100.0%	**104,308**	100.0%	109.3%	95,406	100.0%
Gross Profit	**61,692**	54.8%	110.8%	55,661	54.5%	**56,658**	54.3%	109.7%	51,636	54.1%
SGA Exp	**49,657**	44.1%	109.2%	45,468	44.6%	**45,702**	43.8%	108.2%	42,236	44.3%
Operating Inc.	**12,035**	10.7%	118.1%	10,193	10.0%	**10,956**	10.5%	116.6%	9,399	9.9%
Non Op. P/L	**54**	0.0%	69.0%	79	0.1%	**58**	0.1%	55.2%	106	0.1%
Ordinary Inc.	**12,090**	10.7%	117.7%	10,272	10.1%	**11,015**	10.6%	115.9%	9,505	10.0%
Extraordinary P/L	**(891)**	-0.8%	-	(908)	-0.9%	**(891)**	-0.9%	-	(903)	-0.9%
Net Income	**6,929**	6.2%	138.1%	5,016	4.9%	**6,098**	5.8%	135.5%	4,502	4.7%

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■Reference: Full FY13 Results Forecasts

(Revised Forecasts Announced on September 28)

An explanation has been omitted.

Reference: 1H, 2H, Full FY13 Sales Forecasts (Revised Forecasts Announced on September 28)

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated Results FY13 1H			Non-Consolidated Results FY13 2H			Non-Consolidated Results FY13 (full term)		
	Results	YoY Increase (Decrease)	%	Revised Forecasts	YoY Increase (Decrease)	%	Revised Forecasts	YoY Increase (Decrease)	%
Sales	**46,911**	4,541	110.7%	**57,397**	4,359	108.2%	**104,308**	8,901	109.3%
Total Business Unit Sales	**40,824**	4,046	111.0%	**50,750**	4,193	109.0%	**91,575**	8,239	109.9%
Retail	**35,378**	3,435	110.8%	**43,516**	3,569	108.9%	**78,895**	7,005	109.7%
Online	**5,090**	665	115.0%	**6,833**	659	110.7%	**11,924**	1,325	112.5%
Outlet	**6,086**	495	108.9%	**6,647**	166	102.6%	**12,733**	661	105.5%
Existing Retail + Online Stores YoY	101.6%			102.2%			101.9%		
Existing Retail Stores YoY	100.3%			101.3%			100.9%		
Existing Online Stores YoY	110.3%			107.7%			108.8%		

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■Reference: 1H, 2H, Full FY13 Sales Forecasts

(Revised Forecasts Announced on September 28)

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

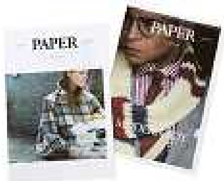
Ongoing steps to:
Commence sales of approximately 15 women's GOLD LABEL items from this fall and winter utilizing the atelier (UA)
Commence sales of men's products designed for online stores at actual stores spurred by robust online results (BY)
Promote product planning targeting online sales advanced order events this fall and winter (GLR)

Sales: Increase the number of purchasing customers

Ongoing steps to:
Enhance the appeal of stores by holdings visual merchandising* seminars and workshops on a regular basis (UA)
Promote the development of highly impressive, purchase-friendly stores through product displays that draw out and accentuate the appeal of styling proposals (GLR)
Conduct ongoing training aimed at eliminating customer complaints and enhancing store development capabilities (Company-wide)

Promotion: Increase the number of customers visiting stores

Ongoing steps to:
Enhance appeal through the use of tabloid-type mini-catalogues (UA)
Actively implement store events in an effort to generate order opportunities (UA, BY)
Implement cross-media promotions using SNS and newspaper insert advertising (GLR)



Coordinated fashion under the UA GOLD LABEL products (top)
UA tabloid-type mini-catalogues (bottom)

Note: Visual Merchandising: Providing an accurate and clear image of each store, stimulating increased purchasing activity, promoting related product and coordinated sales, enhancing the aesthetic value of stores, and ensuring a clear distinction with competing stores by improving visual merchandising

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■Progress Report on Addressing Priority Issues (1)

For FY13, we have defined the management policy of "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." Based on this policy, we have identified three priority issues to be addressed.

The first is to "establish a product, sales, and promotion collaboration cycle." To this end, the product departments of each business implemented various initiatives geared toward enhancing product development capabilities. In the UNITED ARROWS (UA) business, utilization of the atelier has commenced and we are raising the quality of private label brands through frequent in-house sample modification. Sales have been commenced for approximately 15 fall and winter items in the UA GOLD LABEL line of products, which is the most prestigious women's private label brand. As for the BEAUTY&YOUTH (BY) business, we will commence sales at actual sales of men's products designed for online stores. This decision was inspired by the robust online results these products have achieved. Meanwhile, in the green label relaxing (GLR) business, we promoted product planning targeting online store sales advanced order events in the fall and winter. Through these efforts, we successfully acquired high order volumes by means of sales channels such as the recent ZOZOCOLLE* event.

At the same time, the sales departments of each business are working to increase the number of purchasing customers. In the UA business, we held visual merchandising seminars and workshops on a regular basis with the aim of enhancing the appeal of stores to better attract customers. In the GLR business, we promoted the development of highly impressive, purchase-friendly stores through store designs that catch the eye and product displays that accentuate the appeal of styling proposals. The Personnel Affairs Department is also playing a role in these reforms by conducting ongoing, Company-wide training programs aimed at eliminating customer complaints and enhancing store development capabilities.

The promotion departments of each business are focusing on increasing the number of customers visiting stores. In the UA business, we enhanced the appeal of our immensely popular tabloid-type mini-catalogues by increasing their page count. The first of these more substantial catalogues was launched for the fall and winter season . In the UA and BY businesses, we actively implemented store events including pre-order opportunities in an effort to attract customers to stores. Also, in the GLR business, several cross-media promotion campaigns using social networking services and newspaper inserts were implemented in preparation for product selling periods. In these manners, we aimed to expand sales and improve brand recognition.

* ZOZOCOLLE: An exhibition and pre-order event for consumers that was held by START TODAY CO., LTD., operator of online fashion store ZOZOTOWN, at the Makuhari Messe international convention complex on September 15 and 16, 2012.

Progress Report on Addressing Priority Issues (2)

UNITED ARROWS LTD.

(2) Create new value that addresses market needs though 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"

- Opened 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 labels
- High rate of House Card sales; large numbers of existing customers visiting stores
- In addition to raising visibility and awareness, steps being taken to cultivate new customers while targeting the youth market

monkey time

(3) Increase profit by improving productivity

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

- Implementing cost control finely tuned to earnings
  Increase in promotion and other strategic costs; decrease in YoY other costs compared with sales
- Improving inventory efficiency by enhancing the accuracy of sales initiatives
  1.2 percentage point YoY improvement in the sales rate of spring and summer items
  The rate of non-consolidated inventory increase (8.1%) less than the rate of sales increase (10.7%)
- Reductions in discrepancies in inventory and overtime
  Ongoing steps to identify issues on an individual business basis and to implement continued improvement;
  YoY trend in discrepancies in inventory over the 2Q cumulative in particular indicate steady decline

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■Progress Report on Addressing Priority Issues (2)

The second priority issue is to "create new value that addresses market needs though the development of new businesses." One such new business venture would be the new "monkey time BEAUTY&YOUTH UNITED ARROWS" store launched in Shinjuku in September 2012. This store features a collection of the original "monkey time" men's labels handled within the BY business. While this new store faces brand recognition issues, we will continue to reevaluate its operations as we work to put it on the right track.

We are also considering the possibility of launching several other new businesses, and we will make official announcements as soon as it is appropriate to do so.

The third issue is to "increase profit by improving productivity." In regard to SGA expenses in the 1H of FY13, promotion and other strategic costs increased year on year, but other variable and fixed costs decreased compared to sales. Also, we leveraged our product platforms to improve product sales rates and limit inventory increases.

In addition, we have been implementing measures to decrease discrepancies in inventory and reduce overtime. Progress was particularly strong with regard to discrepancies in inventory as Company-wide education programs produced results and we successful limited discrepancies to approximately 80% of those seen in the equivalent period of the previous fiscal year.

Progress Report on Addressing Priority Issues (3)

UNITED ARROWS LTD.

(1) Establish a product, sales, and promotion collaboration cycle
→ Another Edition initiatives

Product Division:

- Bringing to market strategic products that incorporate feedback from the Sales Department; expand sales during actual selling periods by putting in place additional production capabilities in advance
- Adopting a flexible MD approach in line with weekly sales trends
  Identify slow-selling merchandise while enhancing precision in determining markdowns and transfer to outlet stores;
  selecting bargain sale products on a progressive basis in accordance with the staggering of bargain sale periods;
  adjusting the timing of fall and winter item release in accordance with temperatures and customers' purchasing patterns

Sales Division:

- Highlighting the appeal of strategic products while expressing the unique features of the Another Edition business
  Sharing styling examples with every Another Edition store
- Updating staff blogs at each store while cultivating individual store fans

Promotion division:

- Implementing promotional measures in line with sales plans
  Implementing promotional measures in line with commercial facility campaigns;
  cultivating new customers through the publication of original magazines;
  implementing tie-in advertising while coordinating with store displays

Top : Linen outer, an example of an improved product (left); sarrouel pants (right)
Bottom : Another Edition blog (left); Another Edition magazine publication (right)

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■Progress Report on Addressing Priority Issues (3)

In order to better illustrate these efforts, I would like to use the initiatives being implemented in relation to Another Edition as an example of our quest to establish a product, sales, and promotion collaboration cycle.

The Product Department worked to bring to market strategic products that incorporate feedback from the Sales Department, secure sufficient inventories, and put in place additional production capabilities in advance. Efforts to maximize sales by coordinating product launches with in-store and other sales promotion initiatives helped make products such as our linen outers and sarrouel pants into market hits. Further, sales trends and input from the Sales Department were used to identify slow-selling merchandise, allowing for enhanced precision in determining markdowns and deciding what items to transfer to outlet stores during the period. This enabled us to maintain an increasingly fresh atmosphere in stores and improve sales rates.

In FY13, we staggered the periods for summer clearance sales. We were able to generate stable revenues and income even during the prolonged sales period by selecting clearance sale products and markdown rates on a progressive basis. In response to the summer heat that lingered on into September, we adjusted the timing of fall and winter item release in accordance with temperatures and customers' purchasing patterns with favorable results.

With the aim of bolstering the sales skills of sales personnel, the Sales Department created a styling book containing examples of coordinated outfits developed specifically for the business. This book was shared with every Another Edition store, thus helping eliminate disparities in in-store sales promotion initiatives and improve appeal. Frequent updating of store blogs was encouraged to develop these blogs into effective tools for attracting customers to stores.

The Promotion Department instituted various measures in line with sales plans. In conjunction with campaigns conducted by commercial facilities, the department launched campaigns in which discounts were offered when purchasing several items. While expanding sales in this manner, the department also worked to make Another Edition more appealing to existing customers and cultivate new customers through the publication of original magazines at the same timing as the release of fall and winter items. Also, tie-in advertising was conducted for strategic items in coordination with store displays. These initiatives further contributed to sales increases.

As a result, the Another Edition business recorded strong double-digit growth rates in sales from existing stores during the 1H of FY13.

Striving for Sales that are Unaffected by the External Environment and Weather Conditions

UNITED ARROWS LTD.

Re-evaluating thoroughness across all areas including products and sales

- **Reviewing collaboration between the Product, Sales and Promotion Departments**

  The Product Department is endeavoring to provide products that are a half-step ahead of customer needs based on feedback obtained through the Sales Department; the Promotion Department is implementing promotional measures aimed at increasing the number of customers

- **Reviewing product plans**

  Every effort is being made to consistently provide customers with new products with a high fresh appeal through an improved merchandising approach, while also focusing on successes from the corresponding previous season

- **Undertaking adjustments with a flexible MD approach**

  Cutting back losses while striving to achieve sales plans by undertaking flexible and prompt operations in accordance with operating conditions

- **Reevaluating sales and customer service capabilities**

  Reevaluating store sales and customer service capabilities driven largely by the sales departments of each business

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■Striving for Sales that are Unaffected by the External Environment and Weather Conditions

In the 2H of FY13, we will continue to reevaluate our operations with the aim of ensuring stable sales and performance.

Performance in the 1H was exceptionally strong. On a monthly basis, however, there were some months in which performance was particularly strong, but others were weaker due to the impacts of weather conditions.

In light of this situation, management issued an order for the entire Company to review all areas of operations related to products and sales at the beginning of the 2H in search of those areas in need of improvement. This, we believe, will facilitate progress toward the achievement of our goals.

Specific measures include reviewing collaboration between the Product, Sales, and Promotion Departments, reviewing product plans, undertaking adjustments with a flexible MD approach, and reevaluating sales and customer service capabilities.

In regard to product plans, we are reevaluating our ability to consistently provide customers with new products with a high, fresh appeal through an improved merchandising approach while also focusing on successes from the corresponding previous season. At the same time, we will flexibly adjust our product plans in response to changing trends as we pursue the accomplishment of our goals.

As for customer service capabilities, we are reevaluating store sales and customer service capabilities driven largely by the sales departments of each business.

Over the past several years, we have enhanced our operations from an organizational perspective by strengthening collaboration between the Product, Sales, and Promotion Departments and establishing product platforms. In order to further reinforce our strengths, management is constantly reviewing and revising operating processes. Through these efforts, we hope to ensure that we are able to continue living up to the expectations of our customers and other stakeholders.

Capital Policies and Medium-Term Business Targets

UNITED ARROWS LTD.

The cancellation of treasury stock

- **Undertaking the cancellation of 5,000,000 shares of treasury stock, where no specific opportunities for use have been identified for the foreseeable future, (11.7% of total issued shares before the cancellation), in an effort to return profits to shareholders**

* Scheduled date of cancellation: November 20

* The number of total issued shares after the cancellation: 37,800,000 shares

* The number of treasury stock after the cancellation: 6,098,380 shares (16.1% of total issued shares after the cancellation)

Medium-Term Management Targets

- **Medium-term management targets for FY14, the final year of the medium-term management plan**

Expectations of achieving consolidated ordinary income of ¥11,500 million or more in the current period, one year in advance;

Continue to put forward medium-term management targets for consolidated sales and consolidated ROE of ¥120,000 million and 20% or more, respectively, with plans to draw up a new medium-term management plan during the next period

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■Capital Policies and Medium-Term Business Targets

The cancellation of treasury stock

As stated in the November 5, 2012, press release, the Company will cancel 5,000,000 shares of treasury stock for which we see few opportunities to utilize in the foreseeable future. These shares represent 11.7% of the total number of issued shares before the cancellation .The cancellation was decided as a means of returning profit to shareholders.

Following the cancellation, the Company will hold approximately 6,000,000 shares of treasury stock, equivalent to 16.1% of the total number of issued shares after the cancellation. These shares will continue to be used to improve corporate value through means such as being utilized in capital and business alliances and M&A transactions or for employee incentive purposes.

Medium-Term Management Targets

In November 2011, the Company released medium-term management targets for FY14, the final year of the current medium-term management plan. These targets included a consolidated ordinary income target of ¥11,500 million or more. The upward revision to forecasts released on September 28, 2012, projects a consolidated ordinary income target of ¥12,000 million, meaning we will accomplish this goal one year in advance.

We will continue to put forward medium-term management targets for consolidated sales and consolidated ROE of ¥120,000 million and 20% or more, respectively, and we have plans to draw up a new medium-term management plan during the next period.

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 UNITED ARROWS LTD.'s 2012 Annual Report posted on the "IR Library" section of the Company's IR homepage, and specifically to the "Product Flow (Value Chain)" and "Transition to a Product Platform" sections on pages 32-22 and 34-35, respectively, for details.
http://www.united-arrows.co.jp/ir/lib/index.html