Fiscal 2018
Fiscal Year Ending March 2018
First Half
Earnings Announcement

November 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.

■ Abbreviations used throughout this report: The following abbreviations have been used for each Group business and store brand.
UA / UNITED ARROWS, BY / BEAUTY&YOUTH UNITED ARROWS, monkey time / monkey time BEAUTY&YOUTH UNITED ARROWS, District / District UNITED ARROWS, GLR / UNITED ARROWS green label relaxing, CH / CHROME HEARTS, THE AIRPORT STORE / THE AIRPORT STORE UNITED ARROWS LTD., THE STATION STORE / THE STATION STORE UNITED ARROWS LTD., SBU / Small Business Unit, 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 1H Business Results

■ FY18 1H Performance Summary

UNITED ARROWS LTD.

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

- Consolidated sales: Up 7.2% YoY. Ordinary income: Up 73.2% YoY. Revenue and earnings surpass targets.
- Gross margin: 51.2%. Up 0.4 of a percentage point YoY. Up 0.2 of a percentage point versus target. Due mainly to exchange rates and subsidiaries' contraction of discount sales.
- SGA expenses: 46.9%. Down 1.3 percentage points YoY. Down 1.6 percentage points versus target. Due mainly to decreases in ratio of personnel expenses to sales and the other fixed costs ratio.
- Net income: Up 45.8% YoY. Up 122.5% versus target. Despite such factors as higher impairment loss (extraordinary loss).

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

- Existing store sales: Up 4.1% YoY (Retail sales: Up 0.2%. Online store sales: Up 20.9%.).
- By sales channel, online sales remained strong; online store sales comprised 18.1% of total sales
- Number of customers of existing retail and online stores: Up 2.9% YoY. Reference figure

Inventory (For details, see page 10)

- Down 1.7% from the previous fiscal year-end, which was below the rate of sales growth (up 7.2% YoY)

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

- FY18 1H Group total: Number of new stores opened: 13. Number of stores closed: 8. Number of stores at end of FY18 1H: 365.
- FY18 forecast Group total: Number of new stores opened: 20. Number of stores closed: 32. Number of stores at end of FY18: 348

Group Companies (For details, see page 15. Results of main consolidated subsidiaries below)

- FIGO CO., LTD.: Revenue down, earnings up. COEN CO., LTD.: Revenue and earnings up.
  CHJP: Business unit sales up YoY.

Consolidated P/L Overview

UNITED ARROWS LTD.

1H: Revenue and earnings up, each earnings item above target

- Consolidated sales: Up 7.2% YoY. Up 1.5% versus target.
  → Due mainly to increase in online store sales of UNITED ARROWS LTD. and higher revenue of COEN CO., LTD., and CHJP.
- Gross margin: 51.2%. Up 0.4 of a percentage point YoY. Up 0.2 of a percentage point versus target.
  → Due mainly to subsidiaries' contraction of discount sales and decrease in procurement costs thanks to exchange rates
- SGA expenses: 46.9%. Down 1.3 percentage points YoY. Down 1.6 percentage points versus target.
  → Due mainly to decrease caused by the increase in revenue as well as decrease in the other fixed costs ratio.
- Extraordinary loss: Increase in impairment loss (including loss related to business withdrawal.)

(Millions of yen)

	Consolidated Results FY18 1H									
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Plans	%	FY17 1H Results	vs. Sales	Initial Plans	vs. Sales
Sales	**69,740**	100.0%	4,657	107.2%	1,054	101.5%	65,083	100.0%	68,686	100.0%
Gross Profit	**35,708**	51.2%	2,677	108.1%	675	101.9%	33,031	50.8%	35,033	51.0%
SGA Expenses	**32,682**	46.9%	1,366	104.4%	(600)	98.2%	31,316	48.1%	33,282	48.5%
Operating Income	**3,026**	4.3%	1,311	176.5%	1,275	172.9%	1,714	2.6%	1,750	2.5%
Non Op. P/L	**97**	0.1%	9	110.8%	71	370.9%	88	0.1%	26	0.0%
Ordinary Income	**3,124**	4.5%	1,320	173.2%	1,347	175.8%	1,803	2.8%	1,777	2.6%
Extraordinary P/L	**(873)**	-1.3%	(537)	—	(192)	—	(336)	-0.5%	(681)	-1.0%
Net Income Attributable to Owners of Parent	**1,268**	1.8%	398	145.8%	698	222.5%	870	1.3%	570	0.8%

Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales (excluding CH business): Up 6.8% YoY.* Existing store sales: Up 4.1% YoY.

- In business unit sales, both retail stores and online store sales increased YoY. Online store sales rose 21%.
- Sales composition: Online store sales: 18.1%. Outlet store and other sales: 14.8%.
- Number of customers of existing retail and online stores: Up 2.9% YoY. Reference figure.

* Non-consolidated sales including CH business in previous FY results: Down 2.8%.

(Millions of yen)

	Non-Consolidated Results FY18 1H (YoY comparisons excluding CH business results)									
	Results	Share	YoY Increase (Decrease)	%	vs.Plans	%	FY17 1H Results	Share	Initial Plans	Share
Non-Consolidated Sales	**57,173**	100.0%	3,653	106.8%	814	101.4%	53,520	100.0%	56,359	100.0%
Total Business Unit Sales	**48,707**	85.2%	2,844	106.2%	519	101.1%	45,862	85.7%	48,187	85.5%
Retail	**37,951**	66.4%	1,062	102.9%	(102)	99.7%	36,889	68.9%	38,054	67.5%
Online	**10,329**	18.1%	1,790	121.0%	584	106.0%	8,539	16.0%	9,745	17.3%
Other (Wholesale, Other)	**425**	0.7%	(8)	98.0%	37	109.6%	434	0.8%	388	0.7%
Outlet, Other	**8,466**	14.8%	808	110.6%	295	103.6%	7,657	14.3%	8,171	14.5%

Existing Stores YoY (Asterisk indicates reference data)

	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	104.1%	102.9% ※	101.2% ※
Retail	100.2%	98.0%	102.3%
Online	120.9%	119.9% ※	105.1% ※

Note: The number of customers and average spending per customer for existing retail and online stores as well as for online stores have been calculated using data available to the Company from its online and ZOZOTOWN stores. (The two malls account for approximately 80% of online store sales.)

This information is provided for reference purposes only. YoY sales data includes other online malls. Therefore, the YoY number of customers × YoY average spending per customer does not reconcile with YoY sales.

■ Non-Consolidated Sales Results by Business

In each business, business unit sales and existing store sales up YoY

Steady trends across all of the following:

- UA: Men's casual items and women's items in general
- GLR: Men's dressy items and women's items in general
- SBU: Steady performances by Odette e Odile, DRAWER, THE STATION STORE, and other 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 1H			FY17 1H Results
	Results	YoY Increase (Decrease)	%	
Total Business Unit Sales	**48,707**	2,844	106.2%	45,862
UA	**27,095**	2,007	108.0%	25,088
GLR	**14,332**	463	103.3%	13,869
SBU	**7,279**	373	105.4%	6,905

	Existing Stores Sales YoY		
	Retail + Online	Retail	Online
UA	104.2%	99.4%	128.5%
GLR	102.7%	100.6%	113.3%
SBU	106.4%	103.1%	114.6%

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

■ Consolidated Gross Margin Results

Gross margin: 51.2%. Up 0.4 of a percentage point YoY. Up 0.2 of a percentage point versus target.

Factors that impacted the consolidated gross margin and the levels of overall impact are as stated below.

Consolidated gross margin for the 1H of FY18	51.2%
Consolidated gross margin for the 1H of FY17	50.8%
Difference	+0.4pt

■ 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	0.1pt	Gross margin of total business units: Up 0.2 of a percentage point YoY Due mainly to decrease in procurement costs thanks to exchange rates
Impact of movements in the gross margins of UNITED ARROWS LTD. OUTLET and other stores	0.1pt	Gross margins of outlet and other stores: Up 1.0 percentage point YoY (Improvement in the gross margins of regular business products and exclusive products)
Impact of movements in UNITED ARROWS LTD. other costs	0.2pt	Positive impact attributable to such factors as decreases in loss on devaluation of products, disposal, and royalties
Other factors (trends in subsidiaries, consolidated adjustment, composition of sales, etc.)	0.0pt	Negative impact of 0.6 of a percentage point in 1Q, but respective companies' improvements in 2Q led to essentially unchanged level in 1H YoY

・The impact of the CHROME HEARTS business on "UNITED ARROWS LTD. total business units" has been excluded for the current fiscal year and the previous fiscal year and included in "Other factors."

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

Consolidated SGA Expenses

UNITED ARROWS LTD.

SGA expenses: Up 4.4% YoY. SGA expenses to sales ratio: 46.9%. Down 1.3 percentage points.

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

- Ratio of personnel expenses to sales: Decrease due to the increase in revenue as well as decrease attributable to certain vacancies
- Ratio of rent expense to sales: Increase in commissions due to the growth in online store sales
- Ratio of other SGA expenses to sales: Decrease in related costs accompanying increased efficiency of inventories and decrease in the other fixed costs ratio

(Millions of yen)

	Consolidated Results FY18 1H					FY17 1H	
	Results	vs. Sales	YoY Increase (Decrease)	%	Movement vs. Sales	Results	vs. Sales
Sales	**69,740**	100.0%	4,657	107.2%	0.0%	65,083	100.0%
SGA Expenses	**32,682**	46.9%	1,366	104.4%	-1.3%	31,316	48.1%
Advertising Expenses	**1,453**	2.1%	33	102.4%	-0.1%	1,420	2.2%
Personnel Expenses	**11,859**	17.0%	518	104.6%	-0.4%	11,341	17.4%
Rent	**10,155**	14.6%	786	108.4%	0.2%	9,368	14.4%
Depreciation	**904**	1.3%	7	100.9%	-0.1%	896	1.4%
Other	**8,309**	11.9%	19	100.2%	-0.8%	8,289	12.7%

Note: Details of 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 included toward the end of this earnings announcement

Consolidated B/S Overview

UNITED ARROWS LTD.

Total assets at end of FY18 1H: ¥70,720 million. Up 4.4% versus end of FY17 1H. Up 4.3% versus end of FY17.

(Comments refer to comparisons with end of FY17 1H.)

- Current assets: Increases in cash and deposits and accounts receivable—other
- Noncurrent assets: Increase in noncurrent assets and decrease in depreciation
- Current liabilities: Increase in loans payable as well as accounts payable-trade
- Noncurrent liabilities: Increase in long-term loans payable

Notes: 1. Short- and long-term loans payable: Up 36.3% YoY to ¥13,760 million.
2. Inventories: Down 1.7% YoY (Net sales growth: 7.2%.).

(Millions of yen)

	Consolidated Results FY18 1H-End							
	Results	Share	YoY	vs. FY17-End	FY17 1H-End Results	Share	FY17-End Results	Share
Total Assets	**70,720**	100.0%	104.4%	104.3%	67,726	100.0%	67,799	100.0%
Current Assets	**48,033**	67.9%	107.7%	106.4%	44,610	65.9%	45,152	66.6%
(Inventory)	**28,147**	39.8%	98.3%	107.4%	28,626	42.3%	26,210	38.7%
Noncurrent Assets	**22,686**	32.1%	98.1%	100.2%	23,115	34.1%	22,646	33.4%
Current Liabilities	**33,700**	47.7%	110.9%	113.1%	30,376	44.9%	29,805	44.0%
Noncurrent Liabilities	**6,146**	8.7%	137.8%	87.6%	4,459	6.6%	7,012	10.3%
Total Net Assets	**30,873**	43.7%	93.9%	99.7%	32,891	48.6%	30,980	45.7%
Reference: Balance of Short- and Long-Term Loans Payable	**13,760**	19.5%	136.3%	99.8%	10,094	14.9%	13,792	20.3%

Consolidated C/F Overview

Cash and cash equivalents at end of FY18 1H: ¥6,544 million. Cash flows from operating activities: ¥4,477 million cash inflow

- Cash flows from operating activities (Major cash inflows) : Income before income taxes of ¥2,250 million and increase in purchase liabilities of ¥2,501 million
  (Major cash outflows): Increase in inventories of ¥1,937 million and income taxes paid of ¥1,299 million
- Cash flows from investing activities (Major cash outflows): Purchase of property, plant and equipment of ¥1,029 million
- Cash flows from financing activities (Major cash inflows) : Net increase in short-term loans payable of ¥1,970 million
  (Major cash outflows): Repayment of long-term loans payable of ¥2,002 million and Cash dividends paid of ¥1,672 million

(Millions of yen)

	Consolidated FY18 1H Results	FY17 1H Results
Cash flows from operating activities (sub-total)	**5,796**	195
Cash flows from operating activities	**4,477**	(1,942)
Cash flows from investing activities	**(1,855)**	(2,350)
Cash flows from financing activities	**(1,704)**	2,197
Cash and cash equivalents at the end of the term	**6,544**	3,722

Results of FY18 1H Group Total Opening and Closing of Stores and FY18 Forecasts

- FY18 1H Group total: Number of new stores opened: 13. Number of stores closed: 8. Number of stores at end of FY18 1H: 365.
- FY18 forecast Group total: Number of new stores opened: 20. Number of stores closed: 32. Number of stores at end of FY18: 348

	FY18 1H Results				FY18 Forecasts					Reference
	No. of stores as of FY17-end	Opened	Closed	No. of stores as of 1H-end	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period	Increase (decrease) from the previous forecasts
Group Total	**360**	**13**	**8**	**365**	**13**	**7**	**20**	**32**	**348**	(2)
UNITED ARROWS LTD.	242	12	6	248	12	5	17	29	230	(2)
FIGO CO., LTD.	17	1		18	1		1		18	
COEN CO., LTD.	87		2	85		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	5	2	91	5	2	7	4	91	
green label relaxing	69	3		72	3	2	5		74	(1)
SBU	61	2	4	59	2	1	3	25	39	
OUTLET	24	2		26	2		2		26	(1)

■ Reference: UNITED ARROWS LTD. Results of FY18 1H Opening and Closing of Stores by Store Brand

UNITED ARROWS LTD.

		FY18 1H Results			
		No. of stores as of FY17-end	Opened	Closed	No. of stores as of 1H-end
UNITED ARROWS LTD. Total		**242**	**12**	**6**	**248**
UNITED ARROWS Total		88	5	2	91
UNITED ARROWS (General Merchandise Store)		9			9
UNITED ARROWS		26	2	1	27
THE SOVEREIGN HOUSE		1			1
District		1			1
ASTRAET		2			2
BEAUTY&YOUTH		41	2		43
monkey time		2	1		3
STEVEN ALAN *		3		1	2
ROKU BEAUTY&YOUTH		2			2
H BEAUTY&YOUTH		1			1
green label relaxing		69	3		72
SBU Total		61	2	4	59
Another Edition		13		1	12
Jewel Changes		9	1		10
Odette e Odile		17	1	2	16
Boisson Chocolat		6		1	5
DRAWER		7			7
EN ROUTE		1			1
Traffic channels	THE AIRPORT STORE	2			2
	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 numbers 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
Sep.	Newly opened	UNITED ARROWS HARAJUKU *1	Stand-alone store (Shibuya-ku, Tokyo)
	Newly opened	BEAUTY&YOUTH UNITED ARROWS CHIBA	PERIE Chiba (Chuo-ku, Chiba-shi)
	Newly opened	green label relaxing chofu	Trie KEIO CHOFU (Chofu-shi, Tokyo)
	Closed	UNITED ARROWS HARAJUKU (men's annex and women's annex) *1	Stand-alone store (Shibuya-ku, Tokyo)
Aug.	Closed	Odette e Odile ginza	MARRONNIER GATE GINZA (Chuo-ku, Tokyo)
July	Closed	STEVEN ALAN YOKOHAMA	MARINE & WALK YOKOHAMA (Naka-ku, Yokohama-shi)
	Closed	Odette e Odile Kyoto porta	KYOTO PORTA (Shimogyo-ku, Kyoto-shi)
	Closed	Boisson Chocolat Funabashi	LaLaport TOKYO-BAY (Funabashi-shi, Chiba)
May	Closed	Another Edition Shinjuku Flags	Flags (Shinjuku-ku, Tokyo)
Apr.	Newly opened	UNITED ARROWS NAGOYAEKI	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	BEAUTY&YOUTH UNITED ARROWS NAGOYAEKI	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	monkey time BEAUTY&YOUTH UNITED ARROWS OSAKA	LUCUA (Kita-ku, Osaka-shi)
	Newly opened	green label relaxing nagoya takashimaya gatetower mall	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	green label relaxing morioka fesan	FESAN (Morioka-shi, Iwate)
	Newly opened	Odette e Odile nagoya takashimaya gatetower mall	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	Jewel Changes Nagoya Takashimaya Gatetower Mall	Takashimaya Gate Tower Mall (Nakamura-ku, Nagoya-shi)
	Newly opened	UNITED ARROWS LTD. OUTLET TOSU	Tosu Premium Outlets (Tosu-shi, Saga)
	Newly opened	UNITED ARROWS LTD. OUTLET SENDAI PORT	MITSUI OUTLETPARK SENDAI PORT (Miyagino-ku, Sendai-shi)

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

FIGO CO., LTD.

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

COEN CO., LTD.

Month	Stores Opened and Closed	Store Name	Commercial Facility Address
June	Closed	coen Kasukabe Store	Aeon Mall Kasukabe (Kasukabe-shi, Saitama)
Mar.	Closed	coen MARUI CITY Yokohama Store	MARUI CITY Yokohama (Nishi-ku, Yokohama-shi)

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

■Progress of Group Companies (Months in parentheses are consolidated periods.)

FIGO CO., LTD. (April–September)

Revenue down, earnings up

- Sales: ¥1.3 billion. Down 2.0% YoY.
- 1H ordinary income above target. Aiming for full-year increases in revenue and earnings.

COEN CO., LTD. (February–July)

Revenue and earnings up

- Sales: ¥5.5 billion. Up 14.0% YoY.
- Continuing to perform favorably (For details see pages 20–22)

CHROME HEARTS JP, GK (April–September)*1

Business unit sales up YoY

- Sales: ¥6.0 billion. Business unit sales: Up 3.8% YoY*2
- YoY increases in domestic and tax-free sales

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

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

UNITED ARROWS TAIWAN LTD. (February–July)

Meets earnings target as expense reduction offsets slightly challenging sales

Note: 3Q developments, UNITED ARROWS TAIWAN LTD. opened fourth store in October.

Designs & Co. (February–July)

Despite some challenges, minimal impact on consolidated results

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.

		1H Results	Outlook for the 2H
1	Improvement in the Gross Margin	YoY Difference +0.4pt	Expected to reach initially targeted level (Initial target: 51.4%. YoY difference: +0.3pt)
2	Improvement in Inventory Efficiency	Inventories vs Period-End YoY 98.3%	Aiming for fiscal year-end inventories at previous fiscal year-end's level
3	Improvement in the SGA Expenses to Sales Ratio	YoY Difference (1.3pt)	Planning to invest for medium- to long-term growth (* See page 19)
4	Improvement in Profitability through Online Sales Expansion	UNITED ARROWS LTD. Online Sales YoY 121.0%	Forecast continued positive impact of various measures aimed at increasing online sales

1H: Improvement of 1.7 of a percentage point in the ordinary income margin (2.8%→4.5%)

■ Reference: 2H Investment Breakdown

UNITED ARROWS LTD.

Plan to implement investment, etc., for medium- to long-term growth

(1) Strategic prior investment to achieve Medium-Term Vision (cash outflows: ¥500 million–¥600 million)

- Implement comprehensive remodeling and repairs and step up store personnel training to further leverage advantages of actual stores
- Improve and change office functions to increase efficiency of online sales operations and to realize future organizational concept
- Begin preparations for introduction of RFID throughout UNITED ARROWS LTD. and introduce measures that use RFID to enhance MD verification capabilities, etc.

(2) Early introduction of upcoming projects and measures to enhance FY19 sales

(cash outflows: ¥100 million–¥200 million)

- Undertake early replacement of IT systems, etc., for which maintenance to become impractical in near future
- Step up sales promotions, etc., in 4Q for 2018 spring–summer products

Aim to achieve numerical targets for final FY (FY20) of the UNITED ARROWS Group's Medium-Term Vision and realize long-term, sustained growth

Note: Depending on sales going forward, the Group may add or suspend measures. In addition to the above, the Group may pay fiscal year-end bonuses in accordance with business results.

COEN CO., LTD.: 1H results (February–July 2017)

- Companywide sales YoY: +14%
- Existing store sales YoY: +14%
  (Actual store: +7%. Online store: +39%)
- Gross margin YoY difference: +1.6pt
- SGA expenses to sales ratio YoY difference: −6.4pt
- Inventories versus previous fiscal year-end: −19%

Advancing various types of reform since FY17 2H

Clarifying markets and targets

- Analyzing markets rigorously
- Implementing improvements, etc., to achieve MD mixes that reflect targets

Improving product-related operations

- Revising basic concept of MD
- Coordinating product, sales, and advertising divisions
- Adjustment of number of items, etc.

Improving store operations, personnel system, and head office operations

- Building operational system suited to business model
- Revising productivity indicators
- Taking stock of head office operations and rigorously analyzing whether or not they are necessary, etc.

Results at this point

Enhanced sales

Improved gross margin

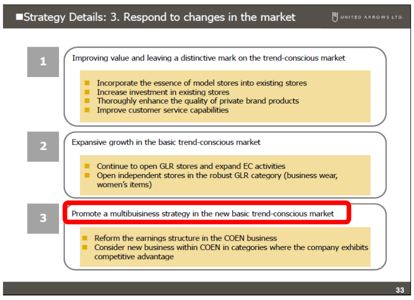
Increased efficiency of inventories

Reduced ratio of personnel expenses to sales

Reduced distribution-related costs

■ Outlook for Expansion Strategy in Basic Trend-Conscious Market

UNITED ARROWS LTD.



From the UNITED ARROWS Group's Medium-Term Vision announced in May 2017

- Initially, COEN CO., LTD., to consider establishing diversified business base over medium term
  (establishing diversified business base in new basic trend-conscious market)

- Meanwhile, better-than-expected results in relation to sales and earnings through advancement of earnings structure reform in COEN's businesses

- Verification in relation to "clarifying markets and targets," etc., promises further growth in businesses of COEN

Giving priority to growth and improving profitability in businesses of COEN CO., LTD., over medium term.
Concentrating of management resources and human resources of COEN CO., LTD., on businesses of the company.

UNITED ARROWS LTD.

Ⅲ. Reference Materials

■ FY18 Consolidated P/L Forecast

UNITED ARROWS LTD.

(Millions of yen)

	Consolidated Results Full Fiscal 2018				
	Plans	vs. Sales	%	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 Expenses	**68,833**	**44.7%**	105.9%	64,990	44.7%
Operating Income	**9,953**	**6.5%**	108.6%	9,165	6.3%
Non Op. P/L	**146**	**0.1%**	57.6%	255	0.2%
Ordinary Income	**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 Results and 2H Initial Targets

UNITED ARROWS LTD.

(Millions of yen)

	Consolidated Results FY18 1H					Consolidated FY18 2H				
	Results	vs. Sales	YoY	FY17 1H Results	vs. Sales	Forecasts	vs. Sales	YoY	FY17 2H Results	vs. Sales
Sales	**69,740**	**100.0%**	107.2%	65,083	100.0%	**85,172**	**100.0%**	105.9%	80,452	100.0%
Gross Profit	**35,708**	**51.2%**	108.1%	33,031	50.8%	**43,753**	**51.4%**	106.4%	41,124	51.1%
SGA Expenses	**32,682**	**46.9%**	104.4%	31,316	48.1%	**35,551**	**41.7%**	105.6%	33,674	41.9%
Operating Income	**3,026**	**4.3%**	176.5%	1,714	2.6%	**8,202**	**9.6%**	110.1%	7,450	9.3%
Non Op. P/L	**97**	**0.1%**	110.8%	88	0.1%	**120**	**0.1%**	72.3%	166	0.2%
Ordinary Income	**3,124**	**4.5%**	173.2%	1,803	2.8%	**8,322**	**9.8%**	109.3%	7,617	9.5%
Extraordinary P/L	**(873)**	**-1.3%**	-	(336)	-0.5%	**(818)**	**-1.0%**	-	(1,029)	-1.3%
Net Income Attributable to Owners of Parent	**1,268**	**1.8%**	145.8%	870	1.3%	**4,926**	**5.8%**	114.0%	4,321	5.4%

Note: Initial targets for 2H have not been changed. Therefore, the totals of 1H results and 2H targets do not reconcile with full-year targets.

■ FY18 Non-Consolidated Sales: 1H Results and Full-Year and 2H Initial Targets

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)	%	Results	YoY Increase (Decrease)	%	Forecasts	YoY Increase (Decrease)	%
Sales	**127,539**	100.0%	6,771	105.6%	**57,173**	3,653	106.8%	**71,179**	3,932	105.8%
Total Business Unit Sales	**108,964**	85.4%	5,254	105.1%	**48,707**	2,844	106.2%	**60,777**	2,929	105.1%
Retail	**84,702**	66.4%	2,093	102.5%	**37,951**	1,062	102.9%	**46,648**	927	102.0%
Online	**22,925**	18.0%	2,713	113.4%	**10,329**	1,790	121.0%	**13,180**	1,507	112.9%
Other (Wholesale, Other)	**1,336**	1.0%	447	150.4%	**425**	(8)	98.0%	**948**	493	208.6%
Outlet	**18,574**	14.6%	1,516	108.9%	**8,466**	808	110.6%	**10,402**	1,003	110.7%
Existing Stores YoY										
Retail + Online	103.1%				104.1%			103.6%		
Retail	100.7%				100.2%			101.3%		
Online	112.8%				120.9%			112.5%		

Notes: 1. For YoY comparisons of sales, sales of the CH business have been excluded from the sales of the previous fiscal year.
2. Initial targets for 2H have not been changed. Therefore, the totals of 1H results and 2H targets do not reconcile with full-year targets.

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

UNITED ARROWS LTD.

	FY16 1H	FY16 2H	FY16 Full Fiscal Year	FY17 1H	FY17 2H	FY17 Full Fiscal Year	FY18 1H	FY18 2H	FY18 Full Fiscal Year
Gross margin for the fiscal year	51.0%	50.6%	50.8%	50.8%	51.1%	51.0%	51.2%		
Gross margin for the corresponding period of the previous fiscal year	52.7%	51.3%	51.9%	51.0%	50.6%	50.8%	50.8%		
Difference	(1.8)pt	(0.6)pt	(1.1)pt	(0.2)pt	(0.5)pt	(0.2)pt	0.4pt		

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

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

Note: Full-year figures for FY17 have not been included because the split-off of CHROME HEARTS JP, GK in October 2016 makes including the split-off company in a breakdown of full-year figures difficult.

■ Trends in the Consolidated SGA Expenses to Sales Ratio

UNITED ARROWS LTD.

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

■ 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

- Raise the awareness of our human resources
- 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