

Fiscal 2019
Fiscal Year Ending March 2019
First Half
Earnings Announcement

November 5, 2018
UNITED ARROWS LTD.

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

Cautionary Statement

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

(1) Abbreviations used throughout this report: The following abbreviations have been used for each Group business, store brand, and consolidated subsidiary.

UA = UNITED ARROWS; BY = BEAUTY&YOUTH UNITED ARROWS; monkey time = monkey time BEAUTY&YOUTH UNITED ARROWS; District = District UNITED ARROWS; GLR = UNITED ARROWS green label relaxing; WORK TRIP OUTFITS GLR = WORK TRIP OUTFITS GREEN LABEL RELAXING; Lurow GLR = Lurow GREEN LABEL RELAXING; THE AIRPORT STORE = THE AIRPORT STORE UNITED ARROWS LTD.; THE STATION STORE = THE STATION STORE UNITED ARROWS LTD.; CHJP = CHROME HEARTS JP, GK; CH = CHROME HEARTS

(2) The store brands contained within Business Unit I and Business Unit II are as follows.

Business Unit I: UA, District, THE SOVEREIGN HOUSE, ASTRAET, THE AIRPORT STORE, BY, monkey time, STEVEN ALAN, ROKU, H BEAUTY&YOUTH, Odette e Odile, and DRAWER

Business Unit II: GLR, WORK TRIP OUTFITS GLR, Lurow GLR, Jewel Changes, THE STATION STORE

I . Overview of Business Results for the Six-Month Period Ended September 30, 2018

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

- Consolidated sales: YoY increase of 2.9%; Ordinary income: Unchanged YoY% resulting in forecast-exceeding revenue and income
- Gross margin: YoY increase of 0.3 percentage point, to 51.5%, 0.2 percentage point lower than forecast. YoY increase attributable to lower losses from price reductions at UNITED ARROWS LTD.; lower-than-forecast performance due to increase in disposals of previous years' inventories, etc.
- SGA expenses to sales ratio: YoY increase of 0.4 percentage point, to 47.3%, 1.3 percentage points lower than forecast. YoY increase resulted from higher advertising costs at COEN CO., LTD.; lower-than-forecast expenses following decreases in advertising costs at UNITED ARROWS LTD. and fixed costs and delayed recording of expenses.

Note: Full-year forecasts have not been changed in light of plans to perform complete renovations of stores and incur costs not yet incurred during the six-month period ended September 30, 2018, in the second half of the fiscal year.

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

- YoY increase of 7.1% in existing store sales (retail: up 3.2%; online store: up 20.3%)
- By sales channel, online sales remained strong; online store sales comprised 19.1% of total sales
- YoY increase in the number of customers of existing retail and online stores (retail: up 2.8%; online store: up 9.2%)

Inventory (For details see slide 10)

- YoY decrease of 2.6% in the balance of inventory, compared with 2.9% YoY increase in sales

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

- 6M Group total: Number of new stores opened: 15; Number of stores closed: 9; Number of stores as of 6M-end: 353
- FY19 forecast Group total: Number of new stores opened: 29; Number of stores closed: 19; Number of stores as of FY19-end: 357

Group Companies (For details see slide 15; Status of major consolidated subsidiaries is as follows)

- FIGO CO., LTD.: Decreases in both revenue and income; COEN CO., LTD.: Increase in revenue and decrease in income; CHROME HEARTS JP, GK: Decrease in revenue and increase in income

■ Consolidated P/L Overview

Six-month period ended September 30, 2018: Increases in both revenue and income, all income figures exceed forecasts

- Consolidated sales: YoY increase of 2.9%, 2.2% higher than forecast
→ Higher sales at UNITED ARROWS LTD. and COEN CO. LTD.
- Gross margin: YoY increase of 0.3 percentage point, to 51.5%, 0.2 percentage point lower than forecast
→ YoY increase attributable to lower losses from price reductions at UNITED ARROWS LTD.; lower-than-forecast performance due to increase in disposals of inventories from previous years, etc.
- SGA expenses to sales ratio: YoY increase of 0.4 percentage point, to 47.3%, 1.3 percentage points lower than forecast
→ YoY increase resulted from higher advertising costs at COEN CO., LTD.; lower-than-forecast expenses following decreases in advertising costs at UNITED ARROWS LTD. and fixed costs and delayed recording of expenses

Note: Full-year forecasts have not been changed in light of plans to perform complete renovations of stores and incur costs not yet incurred during the six-month period ended September 30, 2018, in the second half of the fiscal year.

(Millions of yen)

	Consolidated FY19 1H						FY18 1H Results		Initial Plans	
	Results	vs. Sales	YoY Increase (Decrease)	%	vs. Plans	%				
Sales	71,752	100.0%	2,011	102.9%	1,531	102.2%	69,740	100.0%	70,220	100.0%
Gross Profit	36,947	51.5%	1,238	103.5%	643	101.8%	35,708	51.2%	36,303	51.7%
SGA Expenses	33,915	47.3%	1,233	103.8%	(171)	99.5%	32,682	46.9%	34,087	48.5%
Operating Income	3,031	4.2%	5	100.2%	815	136.8%	3,026	4.3%	2,216	3.2%
Non Op. P/L	93	0.1%	(4)	95.1%	77	599.5%	97	0.1%	15	0.0%
Ordinary Income	3,124	4.4%	0	100.0%	893	140.0%	3,124	4.5%	2,231	3.2%
Extraordinary P/L	(338)	-0.5%	535	—	154	—	(873)	-1.3%	(493)	-0.7%
Net Income Attributable to Owners of Parent.	1,503	2.1%	235	118.6%	718	191.5%	1,268	1.8%	785	1.1%

■ Non-Consolidated Sales by Sales Channel

Non-consolidated sales up 2.3% YoY and 2.9% higher than forecast;
Existing store sales up 7.1% YoY

- YoY increases in both retail and online store business unit sales
- % of total sales: Online sales 19.1%; Outlet store sales 14.5%
- YoY increase in the number of customers of both existing retail and online stores

(Millions of yen)

	Non-Consolidated Results FY19 1H									
	Results	vs. Sales	YoY Increase (Decrease)		vs. Plans		FY 18 1H Results		Initial Plans	
				%		%	Share		Share	
Non-Consolidated Sales	58,466	100.0%	1,292	102.3%	1,639	102.9%	57,173	100.0%	56,826	100.0%
Total Business Unit Sales	49,992	85.5%	1,307	102.7%	1,894	103.9%	48,685	85.2%	48,098	84.6%
Retail	38,428	65.7%	476	101.3%	886	102.4%	37,951	66.4%	37,542	66.1%
Online	11,159	19.1%	829	108.0%	953	109.3%	10,329	18.1%	10,205	18.0%
Other (Wholesale, Other)	404	0.7%	0	100.1%	54	115.5%	404	0.7%	350	0.6%
Outlet, Other	8,473	14.5%	(14)	99.8%	(254)	97.1%	8,488	14.8%	8,728	15.4%

Existing Stores YoY (Asterisk indicates reference data)

	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	107.1%	104.6% *	101.4% *
Retail	103.2%	102.8%	100.4%
Online	120.3%	109.2% *	107.2% *

Note: Number of customers and average spending per customer data for existing retail and online stores as well as other online stores are calculated using data available to the Company through its own online stores and ZOZOTOWN stores (data accounts for approximately 80% of online sales through both venues).

Figures should be treated as references only. Year-on-year comparison include sales data from other online stores. Accordingly, multiplying the year-on-year change in the number of customers by the year-on-year change in average spending per customer will not produce a figure approximately equal to the year-on-year change in sales.

Higher revenue in both business units, YoY increases in both retail and online sales at existing stores

- Business Unit I: Strong performance in men's casual and all women's categories
- Business Unit II: Strong performance in all women's categories

(Millions of yen)				
	Non-Consolidated FY19 1H			FY18 1H Results
	Results	YoY Increase (Decrease)	%	
Total Business Unit Sales	49,992	1,307	102.7%	48,685
Business Unit I	33,003	2,489	108.2%	30,514
Business Unit II	16,988	973	106.1%	16,014

Existing Stores YoY			
	Retail + Online	Retail	Online
Business Unit I	109.6%	105.3%	124.0%
Business Unit II	102.6%	99.8%	113.2%

Notes: Total Business Unit Sales for the 1H of FY18 include sales of businesses that were later withdrawn from.
Please refer to slide 2 for a list of the store brands included in each business unit.

■ Consolidated Gross Margin

Gross margin up 0.3 percentage point, to 51.5%

Factors that impacted the consolidated gross margin and the levels of overall impact are described below

Gross margin for the 1Q of FY19	51.5%
Gross margin for the corresponding period of the previous fiscal year	51.2%
Change	+0.3pt

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

Notes:

Impact of movements in the gross margin of UNITED ARROWS LTD. total business units	0.3pt	Gross margin of total business units: Up 0.4 of a percentage point YoY Lower losses from price reductions, etc.
Impact of movements in the gross margin of UNITED ARROWS LTD. outlet and other stores	0.1pt	YoY increase of 0.7 of a percentage point in the gross margins of UNITED ARROWS LTD. OUTLET and other stores Increase in percentage of sales from products for UNITED ARROWS LTD. OUTLET, etc
Impact of movements in UNITED ARROWS LTD. other costs	(0.1)pt	Increase in the rate of inventory reduction compared with the previous year
Other factors (subsidiary trends, consolidated adjustments, distribution of sales, etc.)	0.1pt	Improved gross margins at CHJP etc.

Note: Details of factors that impacted the consolidated gross margin on a 1H, 2H, and full-year basis in the past three fiscal years are included toward the end of this presentation.

■ Consolidated SGA Expenses

SGA expenses up 3.8% YoY; SGA expenses to sales ratio up 0.4 percentage point, to 47.3%

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

- Advertising expenses: Increase due to broadcasting of television commercials for COEN CO., LTD.
- Other: Increase due to reorganization of UNITED ARROWS LTD. distribution warehouses (¥0.3 billion), decrease in fixed costs

Note: SGA expenses were ¥0.17 billion lower than forecast due to approx. ¥0.2 billion increase in variable expenses, nearly ¥0.2 billion decrease in advertising expenses, and a combined totaled of nearly ¥0.2 billion in reduction and delayed recording of personnel expenses and fixed costs.

	Consolidated FY19 1H					(Millions of yen)	
	Results	vs. Sales	YoY Increase (Decrease)	%	Movement vs. Sales	FY18 1H Results	vs. Sales
Sales	71,752	100.0%	2,011	102.9%	0.0%	69,740	100.0%
SGA Exp.	33,915	47.3%	1,233	103.8%	0.4%	32,682	46.9%
Advertising Expenses	1,692	2.4%	238	116.4%	0.3%	1,453	2.1%
Personnel Expenses	12,218	17.0%	358	103.0%	0.0%	11,859	17.0%
Rent	10,518	14.7%	363	103.6%	0.1%	10,155	14.6%
Depreciation	897	1.3%	(6)	99.3%	0.0%	904	1.3%
Other	8,588	12.0%	278	103.4%	0.1%	8,309	11.9%

Note: Details pertaining to consolidated SGA expenses to sales ratios by major expenditure item on a 1H, 2H, and full-year basis in the past three fiscal years are included toward the end of this presentation.

■ Consolidated B/S Overview

Consolidated total assets of ¥71.4 billion on September 30, 2018, up 1.0% from September 30, 2017, and up 6.4% from March 31, 2018

(YoY comparison of consolidated balances as of September 30, 2017, and March 31, 2018)

- Current assets: Increase in accounts receivable—other, decreases in inventories and deferred tax assets*
- Noncurrent assets: Increases in tangible noncurrent assets and deferred tax assets,* decrease in depreciation
- Current liabilities: Decreases in short-term loans payable and current portion of long-term loans payable
- Noncurrent liabilities: Decrease in long-term loans payable

Notes:

1. Short- and long-term loans payable: ¥9.6 billion, down 30.2% YoY

2. Inventories: Down 2.6% YoY (sales: Up 2.9% YoY)

* Changes in deferred tax assets are a result of a change in display method following a partial revision of tax effect accounting standards.

(Millions of yen)

	Consolidated FY19 1H-End							
	Results	Share	YoY	vs. FY18-End	FY18 1H- End Results	Share	FY18-End Results	Share
Total Assets	71,421	100.0%	101.0%	106.4%	70,720	100.0%	67,107	100.0%
Current Assets	45,734	64.0%	95.2%	99.7%	48,033	67.9%	45,878	68.4%
(Inventory)	27,414	38.4%	97.4%	110.5%	28,147	39.8%	24,799	37.0%
Noncurrent Assets	25,687	36.0%	113.2%	121.0%	22,686	32.1%	21,228	31.6%
Current Liabilities	32,066	44.9%	95.2%	117.8%	33,700	47.7%	27,213	40.6%
Noncurrent Liabilities	4,472	6.3%	72.8%	86.0%	6,146	8.7%	5,203	7.8%
Total Net Assets	34,881	48.8%	113.0%	100.6%	30,873	43.7%	34,690	51.7%
Reference: Balance of Short- and Long-Term Loans Payable	9,600	13.4%	69.8%	192.0%	13,760	19.5%	5,000	7.5%

Cash and cash equivalents of ¥6,112 million on September 30, 2018

- Cash flows from operating activities (Major cash inflows): Income before income taxes of ¥2,786 million and increase in purchase liabilities of ¥2,445 million
(Major cash outflows): Increase in inventories of ¥2,614 billion and decrease in other current liabilities of ¥1,836 million
- Cash flows from investing activities (Major cash outflows): Purchase of property, plant and equipment of ¥2,462 million and purchase of long-term prepaid expenses of ¥886 million
- Cash flows from financing activities (Major cash inflows): Net increase in short-term loans payable of ¥5,600 million
(Major cash outflows): Repayment of long-term loans payable of ¥1,000 million and cash dividends paid of ¥1,963 million

	(Millions of yen)	
	Consolidated FY19 1H	FY18 1H
	Results	Results
Cash flows from operating activities (sub-total)	2,466	5,796
Cash flows from operating activities	1,201	4,477
Cash flows from investing activities	(4,045)	(1,855)
Cash flows from financing activities	2,636	(1,704)
Cash and cash equivalents at the end of the term	6,112	6,544

■ Group Total Opening and Closing of Stores in Six-Month Period Ended September 30, 2018, and FY19 Forecasts

- 6M Group total: Number of new stores opened: 15; Number of stores closed: 9; Number of stores as of 6M-end: 353
- FY19 forecast Group total: Number of new stores opened: 29; Number of stores closed: 19; Number of stores as of FY19-end: 357

	FY19 1H Results				FY19 Forecasts					Reference Increase (decrease) from the previous forecasts
	No. of stores as of FY18-end	Opened	Closed	No. of stores as of 1H-end	Opened			Closed	No. of stores as of the end of the period	
					1H	2H	Full Fiscal Year			
Group Total	347	15	9	353	15	14	29	19	357	1
UNITED ARROWS LTD.	229	11	8	232	11	9	20	12	237	1
FIGO CO., LTD.	18	1		19	1	1	2		20	0
COEN CO., LTD.	85	3	1	87	3	3	6	6	85	0
UNITED ARROWS TAIWAN LTD.	4			4		1	1	1	4	0
Designs & Co.	1			1			0		1	0
CHROME HEARTS JP, GK	10			10			0		10	0
Reference: Breakdown for UNITED ARROWS LTD.										
Business Unit I	113	2	4	111	2	3	5	5	113	0
Business Unit II	90	7	3	94	7	6	13	5	98	2
Outlet	26	2	1	27	2	0	2	2	26	(1)

■ Reference: UNITED ARROWS LTD. Results of FY19 1H
Opening and Closing of Stores by Store Brand

	FY19 1H Results			No. of stores as of 1H-end
	No. of stores as of FY18-end	Opened	Closed	
UNITED ARROWS LTD. Total	229	11	8	232
Business Unit I Total	113	2	4	111
UNITED ARROWS (General Merchandise Store)	9			9
UNITED ARROWS	27		1	26
THE SOVEREIGN HOUSE	1			1
District	1			1
THE AIRPORT STORE	2			2
ASTRAET	1			1
BEAUTY&YOUTH	43	1	2	42
monkey time	3			3
STEVEN ALAN*	2			2
ROKU	2			2
H BEAUTY&YOUTH	1			1
DRAWER	7	1	1	7
Odette e Odile	14			14
Business Unit II Total	90	7	3	94
green label relaxing	70	5	2	73
WORK TRIP OUTFITS GLR	1	2		3
Lurow GLR	3			3
Jewel Changes	10		1	9
THE STATION STORE	6			6
Outlets	26	2	1	27

* STEVEN ALAN TOKYO, STEVEN ALAN OSAKA, and STEVEN ALAN KOBE are recorded as annexes to BY stores and are not included in the number of stores listed above.

■ Reference: Details of the Opening and Closing of Stores by Group Company

UNITED ARROWS LTD.

Month	Opening / Closure	Store Name	Commercial Facility and Location
Sep.	Opening	BEAUTY&YOUTH UNITED ARROWS TAMAPLAZA WOMEN'S STORE	TAMA-PLAZA (Aoba-ku, Yokohama-shi)
	Opening	DRAWER NIHONBASHI	Nihonbashi Takashimaya S.C. (Chuo-Ku, Tokyo)
	Opening	UNITED ARROWS green label relaxing lumine ikebukuro	LUMINE Ikebukuro (Toshima-ku, Tokyo)
	Opening	UNITED ARROWS green label relaxing lumine yurakucho	LUMINE Yurakucho (Chiyoda-ku, Tokyo)
	Opening	UNITED ARROWS green label relaxing wing kamiooka	Wing KAMIOOKA (Konan-ku, Yokohama-shi)
	Opening	WORK TRIP OUTFITS GREEN LABEL RELAXING tenjin chikagai	Tenjin (Chuo-ku, Fukuoka-shi)
	Opening	WORK TRIP OUTFITS GREEN LABEL RELAXING wing shimbashi	Wing Shimbashi (Minato-ku, Tokyo)
	Closure	UNITED ARROWS LTD. OUTLET YOKOHAMA	MITSUI OUTLET PARK YOKOHAMA BAYSIDE (Kanazawa-ku, Yokohama-shi)
Aug.	Closure	DRAWER NIHOMBASHI MITSUKOSHI	Nihombashi Mitsukoshi Main Store (Chuo-ku, Tokyo)
	Closure	Jewel Changes Yokohama	LUMINE Yokohama (Nishi-ku, Yokohama-shi)
July	Closure	UNITED ARROWS KOBE SANNOMIYA	M-INT KOBE (Chuo-ku, Kobe-shi)
	Closure	BEAUTY&YOUTH UNITED ARROWS TAMAPLAZA	TAMA-PLAZA (Aoba-ku, Yokohama-shi)
	Closure	UNITED ARROWS green label relaxing lumine ikebukuro	LUMINE Ikebukuro (Toshima-ku, Tokyo)
	Closure	UNITED ARROWS green label relaxing lumine yurakucho	LUMINE Yurakucho (Chiyoda-ku, Tokyo)
June	Opening	UNITED ARROWS LTD. OUTLET SHOE STOCK IRUMA	MITSUI OUTLET PARK IRUMA (Iruma-shi, Saitama)
	Closure	BEAUTY&YOUTH UNITED ARROWS KOBE SANNOMIYA	M-INT KOBE (Chuo-ku, Kobe-shi)
May	Opening	UNITED ARROWS green label relaxing mito excel	excel, Mito Station (Mito-shi, Ibaraki)
Apr.	Opening	UNITED ARROWS green label relaxing mi:ts kokubunji	mi:ts KOKUBUNJI (Kokubunji-shi, Tokyo)
	Opening	UNITED ARROWS LTD. OUTLET HIROSHIMA	THE OUTLETS HIROSHIMA (Saeki-ku, Hiroshima-shi)

FIGO CO., LTD

Month	Opening / Closure	Store Name	Commercial Facility and Location
Sep.	Opening	Felisi Nihonbashi	Nihonbashi Takashimaya S.C. (Chuo-Ku, Tokyo)

COEN CO., LTD

Month	Opening / Closure	Store Name	Commercial Facility and Location
July	Closure	coen GRAND FRONT OSAKA Store	GRAND FRONT OSAKA (Kita-ku, Osaka-shi)
Apr.	Opening	coen JOINUS TERRACE futamatagawa Store	JOINUS TERRACE futamatagawa (Asahi-ku, Yokohama-shi)
	Opening	coen THE OUTLETS HIROSHIMA Store	THE OUTLETS HIROSHIMA (Saeki-ku, Hiroshima-shi)
	Opening	coen AEON MALL SAPPORO HIRAOA Store	AEON MALL SAPPORO HIRAOA Store (Kiyota-ku, Sapporo)

* There were no newly opened or closed stores by UNITED ARROWS TAIWAN LTD., Designs & Co., and CHROME HEARTS JP, GK during the six-month period ended September 30, 2018.

FIGO CO., LTD. (April–September 2018)

Decrease in both revenue and income

- Sales of ¥1.2 billion, down 10% YoY
- Lower revenue and income, despite strong online sales, due to lower wholesale sales; reinvigoration of growth to be targeted over medium term by identifying underperforming initiatives

COEN CO., LTD. (February–July 2018)

Increase in revenue and decrease in income

- Sales of ¥6.5 billion, up 17% YoY
- Income down due to strategic costs for television commercials, but higher than target; by product category, performance strong for women's items; by sales channel, favorable performance for e-commerce; full-year income growth targeted

CHROME HEARTS JP, GK (April–September 2018)*

Decrease in revenue and increase in operating income

- Sales of ¥5.6 billion, down 6% YoY
- Revenue down, but operating income up due to higher gross margin

* CHROME HEARTS JP, GK, settles its accounts on December 31. However, given the impact on business performance, results from the period of April 1 to March 31 are used for consolidated accounting.

UNITED ARROWS TAIWAN LTD. (February–July 2018)

Results in line with targets, COEN performance strong

Designs & Co. (February–July 2018)

Favorable sales achieved due to increased recognition, performance higher than targeted

Ⅱ . Progress in Addressing Priority Issues

One of the Four Strategies of the Medium-Term Vision

3. Respond to changes in the market

- Improve value and leave a distinctive mark on the trend-conscious market
- Expansive growth in the basic trend-conscious market
- Promote a multi-business strategy in the new basic trend-conscious market
- Further development in the product platform

Initiatives for expansion growth at physical GLR locations

1. Enhance existing stores through renovations

Total of 9 stores transferred or renovated since April 2017*

*Including GLR lumine yurakucho and lumine ikebukuro , which are treated as new stores due to changes in merchandising categories

2. Open new GLR stores in Tokyo metropolitan area and prefectural cities

Tokyo metropolitan area: chofu, mi:ts kokubunji, wing kamiooka

Prefectural cities: morioka fesan, mito excel, nagoya takashimaya gatetower mall

3. Develop smaller stores specializing in business and in women's items

Business: WORK TRIP OUTFITS GREEN LABEL RELAXING

Women's: Lurow GREEN LABEL RELAXING

Average floor space: 80–100 m² (Average floor space of existing GLR stores: Over 300 m²)

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

WORK TRIP OUTFITS GREEN LABEL RELAXING

- Stores with enhanced lineups of functional business items for men and women
- Openings of stores with primary focus on convenient access during commutes
 - Stores in underground shopping areas of Tokyo Station (Yaesu), Shimbashi Station, Sapporo Station, and Tenjin Station
- Business wear emphasizing functionality while maintaining levels of quality and design expected of GLR
 - Utilization of washable, stretchable, and wrinkle-resistant fabric
- Fitting shops opened from time to time to encourage purchases through online stores
 - Held a total of seven times at Tokyo Station, Akihabara Station, Shinagawa Station, Shiodome Station, Sapporo Station, and Tenjin Station



WORK TRIP OUTFITS GREEN LABEL RELAXING yaesu

WORK TRIP OUTFITS
GREEN LABEL RELAXING

Lurow GREEN LABEL RELAXING

- Stores focused on women's items
- Broadening of store locations through deployment of smaller stores
 - Shizuoka Parché, atré Kawasaki, Kinshicho TERMINA, and Shapo Funabashi
- Proposals targeting working women that mix dress and casual items and utilize existing GLR products, suit sets, jackets, bags, shoes, and accessories
- Expansion of range of casual items from initial lineup and verification of benefits



Lurow GREEN LABEL RELAXING shizuoka parché

Lurow
GREEN LABEL RELAXING

III. Reference Materials

■ FY19 Consolidated P/L Forecast

(Millions of yen)

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

■ FY19: 1H Results and Initial 2H Targets

(Millions of yen)

	Consolidated FY19 1H			FY18 1H Results vs. Sales		Consolidated FY19 2H			FY18 2H Results vs. Sales	
	Results	vs. Sales	YoY			Forecast	vs. Sales	YoY		
Sales	71,752	100.0 %	102.9%	69,740	100.0%	86,079	100.0 %	101.7%	84,669	100.0%
Gross Profit	36,947	51.5 %	103.5%	35,708	51.2%	44,946	52.2 %	102.6%	43,799	51.7%
SGA Expenses	33,915	47.3 %	103.8%	32,682	46.9%	36,312	42.2 %	100.0%	36,307	42.9%
Operating Income	3,031	4.2 %	100.2%	3,026	4.3%	8,633	10.0 %	115.2%	7,491	8.8%
Non Op. P/L	93	0.1 %	95.1%	97	0.1%	134	0.2 %	84.5%	159	0.2%
Ordinary Income	3,124	4.4 %	100.0%	3,124	4.5%	8,768	10.2 %	114.6%	7,650	9.0%
Extraordinary P/L	(338)	-0.5 %	-	(873)	-1.3%	(506)	-0.6 %	-	(1,240)	-1.5%
Net Income Attributable to Owners of Parent	1,503	2.1 %	118.6%	1,268	1.8%	5,214	6.1 %	131.1%	3,979	4.7%

* There has been no change to the Company's targets for 2H performance. Accordingly, the figures arrived at by adding 1H performance to 2H targets are not the same as those for full-year targets.

■ Non-Consolidated FY19 1H Sales and Initial 2H and Full-Year Targets UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated FY19 (full fiscal year)				Non-Consolidated FY19 1H			Non-Consolidated FY19 2H		
	Forecast	Share	YoY Increase (Decrease)	%	Results	YoY Increase (Decrease)	%	Forecast	YoY Increase (Decrease)	%
Sales	128,466	100.0%	109	100.1%	58,466	1,292	102.3%	71,639	457	100.6%
Total Business Unit Sales	109,510	85.2%	(43)	100.0%	49,992	1,307	102.7%	61,411	543	100.9%
Retail	84,458	65.7%	(785)	99.1%	38,428	476	101.3%	46,916	(375)	99.2%
Online	23,779	18.5%	254	101.1%	11,159	829	108.0%	13,573	378	102.9%
Other (Wholesale, Other)	1,272	1.0%	487	162.1%	404	0	100.2%	921	540	242.1%
Outlet	18,955	14.8%	153	100.8%	8,473	(14)	99.8%	10,227	(86)	99.2%
Existing Stores YoY										
Retail + Online	102.5%				107.1%			102.1%		
Retail	100.6%				103.2%			100.2%		
Online	109.2%				120.3%			109.0%		

* There has been no change to the Company's targets for 2H performance. Accordingly, the figures arrived at by adding 1H performance to 2H targets are not the same as those for full-year targets.

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

	FY17			FY18			FY19		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Gross margin for the fiscal year	50.8%	51.1%	51.0%	51.2%	51.7%	51.5%	51.5%		
Gross margin for the corresponding period of the previous fiscal year	51.0%	50.6%	50.8%	50.8%	51.1%	51.0%	51.2%		
Difference	(0.2)pt	0.5pt	0.2pt	0.4pt	0.6pt	0.5pt	0.3pt		

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

Impact on the gross margin of UNITED ARROWS LTD. total business units	(0.5)pt	0.7pt	—	0.1pt	0.3pt	0.2pt	0.3pt
Impact on the gross margin of UNITED ARROWS LTD. OUTLET and other	0.1pt	0.0pt	—	0.1pt	0.1pt	0.1pt	0.1pt
Impact on UNITED ARROWS LTD. other costs	0.1pt	(0.2)pt	—	0.2pt	0.2pt	0.2pt	(0.1)pt
Other factors (trends in subsidiaries, consolidated adjustment, composition of sales, etc.)	0.1pt	(0.1)pt	—	0.0pt	0.0pt	0.0pt	0.1pt

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.

■ Consolidated SGA Expenses to Sales Ratio

	FY17			FY18			FY19		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
SGA Expenses Total	48.1%	41.9%	44.7%	46.9%	42.9%	44.7%	47.3%		
Advertising Expenses	2.2%	2.2%	2.2%	2.1%	2.4%	2.2%	2.4%		
Personnel Expenses	17.4%	14.2%	15.6%	17.0%	14.8%	15.8%	17.0%		
Rent	14.4%	13.7%	14.0%	14.6%	13.7%	14.1%	14.7%		
Depreciation	1.4%	1.2%	1.3%	1.3%	1.1%	1.2%	1.3%		
Other	12.7%	10.6%	11.6%	11.9%	10.9%	11.4%	12.0%		

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

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

1. Establish a robust management platform

- Reform the culture of the organization and 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, etc.)
- Increase the amount of time spent with customers (Reuse, Repair businesses)
- Expand overseas activities (Taiwan: ongoing, cross-border online sales, etc.)

■ Medium-term quantitative targets

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

■ Long-term objectives

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