



Fiscal Year Ending March 2011 First Quarter Earnings Announcement

UNITED ARROWS LTD.

www.united-arrows.co.jp

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and Mid-term Business Strategy** **P15 ~ P17**

*In this material, a fractional sum less than one million yen is rounded down and percentage is calculated from raw data.

[Cautionary statement]

Earnings forecasts and objective views contained in this document are based on decisions made by UNITED ARROWS LTD. in light of information obtainable as of May 11, 2010, and therefore include risks and uncertainty. Actual earnings may differ materially from forecasts due to global economic trends, market conditions, exchange rate fluctuations and other factors. Investors are asked to refrain from making investment decisions based solely on this document.

[Indication of business in this material]

*Abbreviation of each business and composition of business;

UNITED ARROWS: UA, BEAUTY&YOUTH UNITED ARROWS: B&Y, green label relaxing: GLR, CHROME HEARTS: CH

SBU: Small Business Units (Another Edition, Jewel Changes, Odette é Odile UNITED ARROWS, DRAWER, Cath Kidston, THE AIRPORT STORE UNITED ARROWS LTD.)

UA Lab: TOKISHIRAZU

PERENNIAL UNITED ARROWS CO., LTD.: PERENNIAL UA, FRANQUEENSENSE: FRQ

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1. P/L Overview

- Increase in revenue and profit in both consolidated and non-consolidated
- Improvement in gross profit margin, cost control in SGA expenses
- Extra ordinary loss due to asset retirement obligations: ¥920 million

(million yen)

	Consolidated results				<cf>		cf: Non-consolidated results				<cf>	
	FYE March 2011 1Q				Previous 1Q		FYE March 2011 1Q				Previous 1Q	
	Results	vs. Sales	+/- YoY	YoY	Results	vs. Sales	Results	vs. Sales	+/- YoY	YoY	Results	vs. Sales
Sales	20,475	100.0%	1,394	107.3%	19,080	100.0%	19,313	100.0%	1,161	106.4%	18,151	100.0%
Gross Profit	11,704	57.2%	1,193	111.4%	10,510	55.1%	10,948	56.7%	955	109.6%	9,992	55.0%
SGA Exp.	9,556	46.7%	462	105.1%	9,093	47.7%	8,704	45.1%	389	104.7%	8,315	45.8%
Operating Inc.	2,148	10.5%	731	151.6%	1,416	7.4%	2,243	11.6%	566	133.8%	1,676	9.2%
Non Op. P/L	6	0.0%	0	106.1%	6	0.0%	25	0.1%	4	124.2%	20	0.1%
Ordinary Inc.	2,155	10.5%	731	151.4%	1,423	7.5%	2,268	11.7%	571	133.7%	1,697	9.3%
Extraordinary P/L	(1,099)	(5.4)	(1,082)	-	(16)	(0.1)	(1,054)	(5.5)	(1,037)	-	(16)	(0.1)
Net Income	102	0.5	(565)	15.3	668	3.5	331	1.7	(647)	33.9	979	5.4%

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2. Sales Overview (non-consolidated) ①

Same store sales of each category were as follows:

- Regular store: 106.2% YoY: increase in number of customers due to well-balanced merchandising mix at our mainstay businesses thus, strong sales of new opening and existing stores
- Online store: 135.9% YoY: increase in sales of the UNITED ARROWS LTD. Online Store, our own shopping site and ZOZOTOWN, operated by START TODAY CO., LTD.
- Outlet store: 94.4% YoY: low quantity of inventory due to favorable sales at regular store

(million yen)

	FYE March 2011 1Q			
	Results	+/- YoY	YoY	+/- Forecast vs. Forecast
Non-consolidated Total Sales	19,313	1,161	106.4%	(2) 100.0%
Total Business Unit Sales	16,624	1,321	108.6%	199 101.2%
Regular	14,586	847	106.2%	271 101.9%
Online	1,827	482	135.9%	(72) 96.2%
Outlet	2,689	(159)	94.4%	(202) 93.0%

Same Store Sales YoY

	Sales	Number of Customers	Ave. Spending per Customer
Regular + Online	103.3%	—	—
Regular	102.3%	104.0%	98.3%
Online	112.7%	—	—

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2. Sales Overview (non-consolidated) ②

Same store sales of each business were as follows:

- UA:106.9% YoY: strong sales of new opening stores, recovery of sales of existing stores
- GLR:109.5% YoY: strong sales of new opening stores, recovery of sales of existing stores
- CH:115.6% YoY: strong sales of new opening store, existing stores were temporarily weak because some customers shopped at new store

(million yen)

FYE March 2011 1Q					
	Results	+/- YoY	YoY	+/- Forecast vs. Forecast	
UA	8,764	562	106.9%	166	101.9%
GLR	3,812	329	109.5%	14	100.4%
CH	1,120	151	115.6%	(36)	96.9%
SBU and UA Lab	2,926	277	110.5%	54	101.9%

Same Store Sales YoY

	Sales	Number of Customers	Ave. Spending per Customer
UA	104.7%	103.6%	118.8%
GLR	103.6%	103.2%	106.9%
CH	95.8%	95.8%	—
SBU and UA Lab	101.6%	99.6%	110.6%

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3. Overview of Gross Profit Margin (non-consolidated)

- Non-consolidated gross profit margin increased by 1.6 points to 56.7% YoY
- Business Unit : the percentage ratio of procurement cost in terms of sales decreased, sales of markdown items decreased at regular stores
- Outlet : The system to send current season's items to outlet stores at an earlier timing improved, increase in sales of outlet store's specialized items

FYE March 20111Q			
	Results	<cf>Previous 1Q	+/- YoY
Gross Profit Margin (non-consolidated)	56.7%	55.0%	1.6%
Business Unit	59.6%	58.5%	1.1%
Outlet	38.4%	33.3%	5.1%
Other COGS (million yen)	(11)	(92)	80

*Business Unit: Sales of regular, online, w wholesale, and rental of formal wear etc.

*Outlet: Sales of outlet stores and special events etc.

*Other COGS: valuation loss on goods, disposal etc.

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4. Overview of SGA Expenses (non-consolidated)

- Non-consolidated SGA expenses decreased by 0.7 points to 45.1% YoY

	FYE March 2011 1Q			<cf>Previous 1Q		Details
	Results	vs. sales	YoY	Results	vs. sales	
Total SGA Expenses	8,704	45.1%	104.7%	8,315	45.8%	
Advertisement	291	1.5%	126.5%	230	1.3%	Increase in new opening stores and renovation Increase in TV sales promotions
Personnel	3,211	16.6%	103.2%	3,112	17.1%	decrease in number of employees, number of personnel to hire at stores were not reached as initial plan
Rent	2,488	12.9%	105.9%	2,349	12.9%	increase due to rising online sales and commission fee increase due to rising number of stores
Depreciation	289	1.5%	116.3%	248	1.4%	increase due to asset retirement obligations, increase due to store openings and renovations
Others	2,423	12.5%	102.0%	2,374	13.1%	increase in supplies expenses increase in traveling and transportation expenses

5. B/S Overview

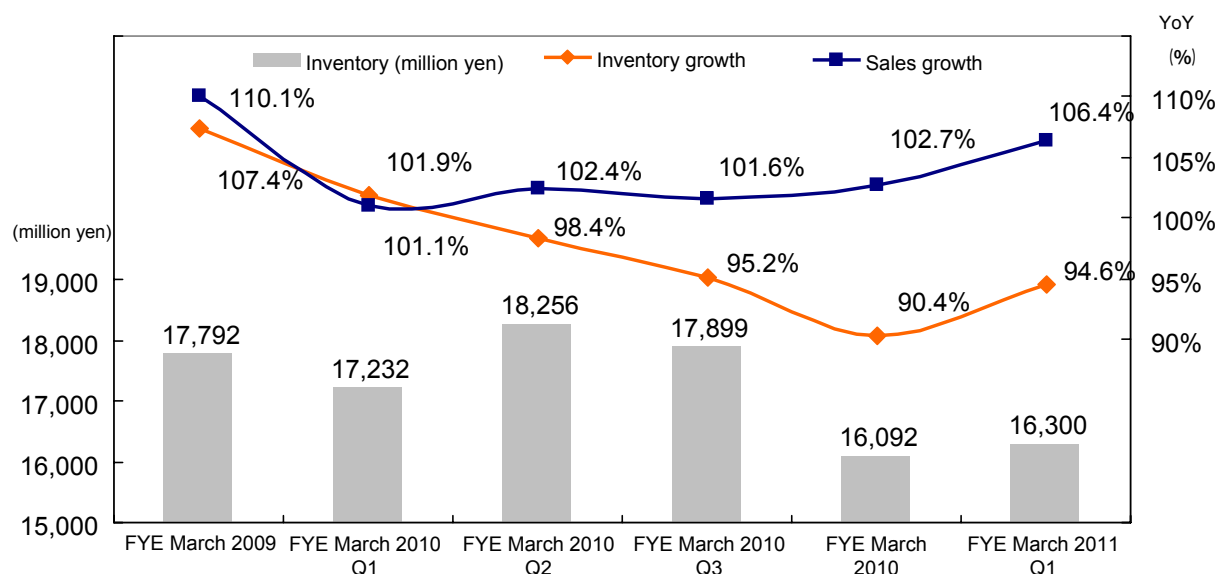
- Inventory as of June 30, 2010 were 93.8% YoY: maintained optimal level of inventory due to better control of inflow/outflow of inventory
- Noncurrent assets were 103.8%: increase in number of new opening stores, increase in investment
- Application of accounting standard, asset retirement obligation were ¥1.69 billion
- Liability with interest :76.3% YoY

	Consolidated results FYE March 2011 1Q		<cf> Non-consolidated results FYE March 2011 1Q		(million)
	Results	YoY	Results	YoY	
Total assets	46,086	100.0%	46,480	100.0%	98.6%
Current assets	28,438	61.7%	28,079	60.4%	96.8%
Inventories	17,198	37.3%	16,300	35.1%	93.8%
Noncurrent assets	17,648	38.3%	18,401	39.6%	101.6%
Current liabilities	18,771	40.7%	17,637	37.9%	93.1%
Noncurrent liabilities	4,657	10.1%	4,487	9.7%	131.0%
Total net assets	22,656	49.2%	24,356	52.4%	98.5%
Liability with interest	9,874	21.4%	9,874	21.2%	76.3%

6. Trend of Inventories (non-consolidated)

- Inventory at optimal level due to better control of inflow/outflow of inventory

■ Trend of inventory and sales



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7. C/F Overview

- C/F from operating activities: application of asset retirement obligations accounting standard (cause of increase), increase in payment of income tax (cause of decrease)
- C/F from investment activities: increase in purchase of tangible noncurrent assets
- C/F from financial activities: increase in short-term borrowings

	Consolidated results		(million yen)
	FYE March 2011 1Q	<cf>	Previous 1Q
	Results	+/- YoY	Results
Cash flows from operating activities	(1,121)	(1,393)	272
Cash flows from investment activities	(722)	(296)	(426)
Cash flow from financing activities	1,516	954	561
Increase/decrease in cash and cash equivalents	(327)	(735)	408
Cash and cash equivalents at beginning of term	4,061	739	3,322
Cash and cash equivalents at end of term	3,733	3	3,730

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8. Store Opening / Closing Plan

- Number of store opening in 1Q (consolidated) : **11**
Total number of store as of June 30, 2010: **206**
- Number of store opening in the 2nd half FYE March, 2011: **15** (changed +4)
Total number of store as of March 31, 2011(est.): **215**

	FYE March 2011 1Q				FYE March 2011 (est.)					
	Apr 1, 2010	Open	Close	June 30, 2010	Full term	Open		Close	March 31, 2011	
						1H	2H			
Consolidated	195	11		206	32	17	15	4	12	215
UNITED ARROWS LTD.	152	6		158	23	12	11	2	5	170
Total UA	48			48	3	1	2	1	3	48
Original UA	13			13						13
New UA	13			13					1	12
B&Y	20			20	3	1	2	1	2	21
Label Image Store	2			2						2
GLR	36	2		38	6	2	4			42
CH	5	1		6	1	1				6
SBU and UA Lab	48	2		50	10	6	4	1		58
Another Edition	14			14						14
Jewel Changes	6	1		7	1	1				7
Odette é Odile	17			17	2	1	1			19
DRAWER	5			5						5
Cath Kidston	5	1		6	3	2	1			8
THE AIRPORT STORE UA				0	2	2				2
Channel Development Business				0	2		2	1		2
UA Lab TOKISHIRAZU	1			1						1
Outlet	15	1		16	3	2	1		2	16
FIGO CO., LTD	11			11						11
PERENNIAL UNITED ARROWS CO., LTD.	6	1		7	1	1			7	0
COEN CO., LTD.	26	4		30	8	4	4	2		34

Details of store openings in 1Q

UNITED ARROWS LTD.

- GLR lalport toyosu (Apr)
- GLR kyoto (Jun)
- CHROME HEARTS GINZA (Apr)
- Jewel Changes Yurakucho (Apr)
- Cath Kidston Kyoto (Apr)
- UNITED ARROWS Outlet SAPPORO KITAHIROSHIMA (Apr)

PERENNIAL UNITED ARROWS CO., LTD.

- FRANQEENSENSE Colette・Mare Minatomirai (Mar)

COEN CO., LTD.

- coen machida (Mar)
- coen hiroshimafuchu (Mar)
- coen totsuka (Apr)
- coen kyoto (Apr)

9. Consolidated Subsidiaries

FIGO
CO., LTD.

- Retail: modest increase in sales at directly operated retail stores
- Wholesale: increase in number of orders from major select shops

PERENNIAL
UNITED ARROWS

- Sales results was 80% to forecast
- Company will be dissolved in fall 2010, six stores are planned to be closed from the end of July to the end of August

COEN CO., LTD.

- Same store sales YoY was increased by 20%: continuous favorable sales since last fall due to change of merchandising planning, obtaining broader acknowledgement of stores, and strengthen sales measures
- Four stores were opened in urban and suburban shopping complexes during FEY March 2010 1Q



COEN Machida: opened in March, 2010



10. Revision of Earnings Forecast the First Half FYE March 2011

- Revise upward both operating income and ordinary income due to improvement in gross margin

■ Consolidated, the first half FYE March 2011

(million yen)

	Revised Forecast	vs. Sales	+/- YoY	YoY	+/- Previous Forecast	vs. Previous Forecast	Same Period of the Previous Year Results	vs. Sales	Previous Forecast	vs. Sales
Sales	41,836	100.0%	3,640	109.5%	461	101.1%	38,196	100.0%	41,375	100.0%
Gross Profit	21,920	52.4%	2,378	112.2%	677	103.2%	19,541	51.2%	21,242	51.3%
SGA Exp.	19,898	47.6%	1,952	110.9%	(37)	99.8%	17,946	47.0%	19,936	48.2%
Operating Inc.	2,021	4.8%	426	126.8%	715	154.7%	1,594	4.2%	1,306	3.2%
Non Op. P/L	(52)	(0.1)	(100)	-	0	-	48	0.1%	(52)	(0.1)
Ordinary Inc.	1,968	4.7	326	119.9%	715	157.0%	1,642	4.3%	1,253	3.0%
Extraordinary P/L	(1,330)	(3.2)	(1,238)	-	0	-	(92)	(0.2)	(1,330)	(3.2)
Net Income	(236)	(0.6)	(854)	-	57	-	618	1.6%	(293)	(0.7)

■ Non-consolidated, the first half FYE March 2011

	Revised Forecast	vs. Sales	+/- YoY	YoY	+/- Previous Forecast	vs. Previous Forecast	Same Period of the Previous Year Results	vs. Sales	Previous Forecast	vs. Sales
Sales	39,122	100.0%	2,887	108.0%	461	101.2%	36,234	100.0%	38,661	100.0%
Gross Profit	20,498	52.4%	2,013	110.9%	677	103.4%	18,484	51.0%	19,820	51.3%
SGA Exp.	18,134	46.4%	1,703	110.4%	(37)	99.8%	16,430	45.3%	18,172	47.0%
Operating Inc.	2,363	6.0%	309	115.1%	715	143.4%	2,053	5.7%	1,648	4.3%
Non Op. P/L	(17)	0.0%	(87)	-	0	-	69	0.2%	(17)	0.0%
Ordinary Inc.	2,345	6.0%	222	110.5%	715	143.9%	2,123	5.9%	1,630	4.2%
Extraordinary P/L	(1,275)	(3.3)	(1,183)	-	0	-	(92)	(0.3)	(1,275)	(3.3)
Net Income	252	0.6%	(914)	21.6%	57	129.3%	1,167	3.2%	195	0.5%

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11. Revision of Earnings Forecast Full Term FYE March 2011

- Forecasts for sales and gross profit for the 2nd half of the current fiscal year will not be changed
- Book additional expenses of advertisement and promotion for the 2nd half of FYE March 2011

■ Consolidated, full term FYE March 2011

(million yen)

	Revised Forecast	vs. Sales	+/- YoY	YoY	+/- Previous Forecast	vs. Previous Forecast	Same Period of the Previous Year Results	vs. Sales	Previous Forecast	vs. Sales
Sales	90,612	100.0%	7,107	108.5%	461	100.5%	83,504	100.0%	90,150	100.0%
Gross Profit	47,229	52.1%	4,363	110.2%	677	101.5%	42,865	51.3%	46,551	51.6%
SGA Exp.	40,819	45.0%	2,897	107.6%	238	100.6%	37,922	45.4%	40,580	45.0%
Operating Inc.	6,409	7.1%	1,466	129.7%	438	107.3%	4,942	5.9%	5,971	6.6%
Non Op. P/L	(71)	(0.1)	(165)	-	0	-	94	0.1%	(71)	(0.1)
Ordinary Inc.	6,338	7.0%	1,301	125.8%	438	107.4%	5,037	6.0%	5,900	6.5%
Extraordinary P/L	(1,448)	(1.6)	(259)	-	0	-	(1,188)	(1.4)	(1,448)	(1.6)
Net Income	2,283	2.5%	879	162.7%	11	100.5%	1,403	1.7%	2,271	2.5%

■ Non-consolidated, full term FYE March 2011

	Revised Forecast	vs. Sales	+/- YoY	YoY	+/- Previous Forecast	vs. Previous Forecast	Same Period of the Previous Year Results	vs. Sales	Previous Forecast	vs. Sales
Sales	84,788	100.0%	6,130	107.8%	461	100.5%	78,657	100.0%	84,326	100.0%
Gross Profit	44,255	52.2%	3,835	109.5%	677	101.6%	40,419	51.4%	43,578	51.7%
SGA Exp.	37,665	44.4%	3,038	108.8%	238	100.6%	34,627	44.0%	37,427	44.4%
Operating Inc.	6,589	7.8%	797	113.8%	438	107.1%	5,792	7.4%	6,150	7.3%
Non Op. P/L	0	0.0%	(152)	-	0	-	151	0.2%	0	0.0%
Ordinary Inc.	6,588	7.8%	644	110.8%	438	107.1%	5,943	7.6%	6,150	7.3%
Extraordinary P/L	(1,393)	(1.6)	953	-	0	-	(2,346)	(3.0)	(1,393)	(1.7)
Net Income	2,723	3.2%	711	135.4%	11	100.4%	2,011	2.6%	2,711	3.2%

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12. Management Policies for FYE March 2011 ①

1. Improve profitability by completing and optimizing product platform and ensuring through implementation of basic product policy based on ideal merchandising balance

- Review important business indicators including product procurement, sales, gross profit, and inventory level
- Implement compiling business process in manual and increasing the visibility of operational schedule



Fig.1: Development of value chain (image)

Fig.2: Reviewing important business indicators regarding products (image)

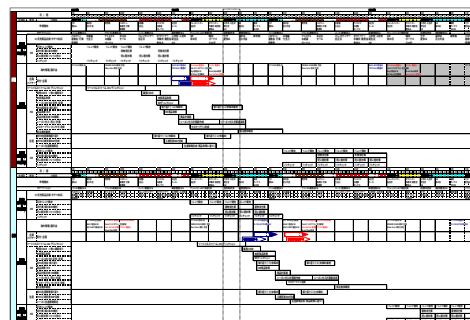


Fig.3: Visualization of operational schedule (image)

*At UNITED ARROWS LTD. we define our product platform as the combination of our product planning and production platforms. This platform forms the basis of our policy for product procurement and manufacturing, product launch and reduction of inventory.

*Basic product policy is to define and take a systematic approach to the concepts that form the fundamentals of the fashion business, including our product lineup and product development philosophies.

12. Management Policies for FYE March 2011 ②

2. Establish store management system and maximize customer satisfaction by ensuring through implementation of basic product policy and enhancing collaboration between product and sales divisions

- Continued to strengthen sales skills service technique by carrying out role play-based training exercise and on-the-job training at stores
- Strengthen store managers' management ability through specialized training program
- Intensified cooperation between product and sales divisions with the aim to reflect sales division's feedback in our product development and merchandise mix

3. Improve productivity and revamp organizational structure which enables us to pursue customer satisfaction by standardizing all necessary business processes and ensuring correct operational practices

- Reviewed ten several issues of business processes and rules which across divisions in order to increase accuracy of operations
- Examined non-core work in store with the aim to lighten the workload on store operation

*Basic sales policy is to take a systematic approach to sales activities in our stores, in which encompass the sales activities of our highly knowledgeable and skilled sales personnel, our store environment and our CRM activities.

13. Mid-term Business Strategy

	Details of strategy	Progress
Channel Strategy	Opening stores at airport, expressway service areas, and commercial spaces inside train stations	• THE AIRPORT STORE UNITED ARROWS - NARITA AIRPORT TERMINAL2 and HANEDA AIRPORT TERMINAL2 opened in July 2010 • Searching new store openings including other channel 
	Opening stores at department stores	• Cath Kidston Kyoto (Daimaru Kyoto) opened in April 2010 • Searching new store openings
	Further expansion of online sales	• Strengthen existing sites and searching new store openings
	TV shopping	• Under consideration
	Lifestyle-oriented licensing business	• Under active consideration
Brand equity Multiplication strategy	Overseas market	• Opening directly operated store and franchise store are under consideration • Wholesale :as extension of wholesale to I.T LTD, Hong Kong, B&Y and Another Edition will open stores with I.T's operational support in shopping complex, THE ONE in Kowloon, Hong Kong in September 2010
	Opening franchise stores	• Open B&Y Kanazawa in September 2010 • Searching new store openings
	Renewal of UNITED ARROWS HARAJUKU FOR MEN	• Opened UNITED ARROWS & SONS in April 2010 • Reborn as life style oriented store by utilizing UA's strength in floor layout, merchandising mix, store environment
	Renewal of UNITED ARROWS HARAJUKU FOR WOMEN	• Renewal open in Fall 2010 as epicenter of fashion and entertainment - offers fashion, food, interior, culture, and beauty etc. • Strengthen fashion proposal especially in accessories etc. • Open cafe space, nail salon, and spa • Planning monthly event, culture school, workshop