
Summary of Financial Conditions and Business Results
for the First Quarter Ended June 30, 2007*
(Consolidated)

Corporate Name:	UNITED ARROWS LTD.
URL:	http:// www.united-arrows.co.jp/
Registered Name:	U-Arrows
Code Number:	7606
Securities Traded	Tokyo Stock Exchange, First Section
Location of Headquarters:	Tokyo
Representative:	Tetsuya Iwaki, President and COO
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*The “Summary of Financial Conditions and Business Results for the First Quarter Ended June 30, 2007 (Consolidated)” is an English translation of the original Japanese version. If any doubts arise as to the interpretation of this English version, the Japanese version shall take precedence.

1. Consolidated financial conditions and business results for the first quarter ended June 30, 2007
(from April 1, 2007 to June 30, 2007)

(1) Consolidated business performance

Note: A fractional sum less than one million yen is discarded.

First quarter ended June	Sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2007	16,354	23.1	1,700	11.8	1,725	10.3	2,474	130.1
2006	13,281	-	1,927	-	1,924	-	1,075	-
Ref.) FYE March 31, 2007	60,959	-	7,350	-	7,337	-	3,511	-

First quarter ended June	Net income per share	Net income per share after adjusting dilutive shares
	Yen	yen
2007	59.82	59.35
2006	26.07	25.75
Ref.) FYE March 31, 2007	84.98	84.18

(2) Consolidated financial conditions

First quarter ended June	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	yen
2007	38,203	19,837	51.9	479.55
2006	34,416	15,323	44.5	370.59
Ref.) FYE March 31, 2007	38,132	17,635	46.2	426.33

(3) Consolidated cash flows

First quarter ended June	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	¥ million	¥ million	¥ million	¥ million
2007	716	2,067	2,151	2,170
2006	553	590	36	6,469
Ref.) FYE March 31, 2007	1,801	4,198	2,281	2,971

2. Projected consolidated performance of fiscal year ending March 2008 (from April 1, 2007 to March 31, 2008)

(% indicates increase/decrease YoY)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	yen
Interim	32,986	23.3	2,042	24.5	2,034	24.5	2,540	106.9	60 60
Full term	76,746	25.9	8,147	10.9	8,138	10.9	5,945	69.3	141 81

3. Other information

Transfer of important subsidiary in the term (transfer of specific subsidiary due to change in scope of consolidation): None

The adoption of simple method in accounting procedure: None

The change of accounting procedure in the latest consolidated business year: Yes (see page 5)

Explanation regarding appropriate use of projected business results

The above projection was made based on information available at present. Please note in advance that potential risks and uncertainties are included. The actual figures might differ from the above due to any possible factor.

For Reference: Non-consolidated financial conditions and business results for the first quarter ended June 30, 2007 (from April 1, 2007 to June 30, 2007)

(1) Non-consolidated business performance

Note: A fractional sum less than one million yen is discarded.

First quarter ended June	Sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2007	15,660	23.5	1,643	11.9	1,672	10.5	2,481	126.2
2006	12,683	-	1,865	-	1,869	-	1,097	-
Ref.) FYE March 31, 2007	58,666	-	7,148	-	7,156	-	3,540	-

Financial condition (Non-Consolidated)

First quarter ended June	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	yen
2007	37,591	19,830	52.8	479.37
2006	33,894	15,302	45.1	370.08
Ref.) FYE March 31, 2007	37,489	17,622	47.0	426.00

[Qualitative Information, Financial Report, etc.]

1. Qualitative information of consolidated business results

The Japanese economy during the first quarter of the current fiscal year (from April 1, 2007 to June 30, 2007) showed improvement in employment conditions due to better corporate performance and expansion in personal spending. However, yen continued to be weak and prices of material rose, thus business conditions were difficult for companies serving domestic demand.

In the clothing retailing industry where our group stands, the rise in personal spending was a positive factor, but changeable weather conditions, weak yen and rise in material prices negatively affected the business conditions.

Despite such circumstances, our business group positioned the improvement of products and sales service quality as the most important issue, and implemented a variety of decisive measures.

For products, we made the basic product policy in the previous fiscal year. By using presentation materials and DVDs, and also making opportunities for Managing Directors and employees to directly discuss about the policy,

we further disseminated the policy throughout the company. The product section continued to review operational flow and also aggressively recruited experienced staff from other companies to prepare for a manufacturing system that can make timely additional orders to expand sales. For sales service, we established the Sales Supervising Division in April 2007 to improve company-wide sales service, and revised the basic sales policy that is the foundation of sales service of our company.

In the first quarter of the current fiscal year, we opened 5 new stores, including UNITED ARROWS MARUNOUCHI in the Shin-Marunouchi Building. We also closed 1 store. As a result, the total number of stores totaled 108 stores at the end of the first quarter of the current fiscal year.

Figco Co. Ltd., our consolidated subsidiary opened the eleventh directly owned store in Shinjuku Takashimaya in April, and opened a franchise store of Felisi in the same department store. We are gradually expanding sales channel of directly owned stores and wholesale.

In terms of financial conditions, consolidated sales increased by 23.1% YoY to ¥16,354 million and gross profit by 17.3% to ¥9,015 million, mainly due to the reason that summer bargain sales started from the end of June compared to bargain starting from July in the previous year. However, gross profit margin declined by 2.8 points to 55.1% due to the same reason.

Sales, general and administrative expenses increased by 27.0% YoY to ¥7,315 million as we aggressively opened new stores, increased recruitment of new graduates, and hired more experienced staff from other companies to strengthen the product section, etc.

As a result, operating profit for the first quarter of the current fiscal year declined by 11.8% YoY to ¥1,700 million, and ordinary profit declined by 10.3% to ¥1,725 million. However, as sales increased by earlier start of the summer bargain and a part of cost that was initially planned were not spent, each profit were slightly higher than internal plans.

Additionally, as we sold a part of our property portfolio (land and building) in the first quarter of the current fiscal year, we posted proceeds from sale of fixed assets of ¥2,538 million as extraordinary income. As a result, net income for this quarter increased by 130.1% to ¥2,474 million.

2. Qualitative information of consolidated financial condition

(Conditions of Assets, Liabilities and Net Assets)

Total assets for the first quarter of the current fiscal year increased by ¥70 million yen to ¥38,203 million yen.

Current assets increased by ¥311 million yen to ¥23,789 million yen. In detail, cash and deposits declined by ¥796 million, inventory assets increased by ¥735 million, and accounts receivable increased by ¥512 million.

Fixed assets declined by ¥240 million to ¥14,414 million. This is mainly because lands declined by ¥507 million and long-term guarantee money deposited increased by ¥218 million.

Total liabilities for the first quarter of the current fiscal year declined by ¥2,130 million to ¥18,366 million.

Current liabilities declined by ¥1,224 million to ¥15,421 million, mainly because short term borrowings declined by ¥1,000 million and accounts payable declined by ¥374 million.

Fixed liabilities decreased by ¥905 million to ¥2,945 million mainly due to decline in long term borrowings by ¥905 million.

Total net assets for the first quarter of the current fiscal year increased by ¥2,201 million to ¥19,837 million. Main reason for increase was due to rise in capital surplus.

(Condition of Cash Flows)

Cash flow from operating activities declined by ¥716 million in the first quarter of the current fiscal year. This was mainly due to decline in cash by proceeds from sale of tangible fixed assets of ¥2,538 million, payment of income taxes of ¥1,677 million, increase in inventory assets of ¥735 million, increase in accounts receivable of ¥526 million, despite increase in cash from net income of ¥4,257 million, depreciation of ¥186 million and increase in accounts payable by ¥105 million. For reference, cash declined by ¥163 million compared to the first quarter of the previous fiscal year.

Cash flow from investing activities increased by ¥2,067 million in the first quarter of the current fiscal year. Cash decreased mainly due to the payment for purchase of tangible fixed assets of ¥637 million and increase in long-term guarantee money deposited of ¥218 million, despite cash increase from proceeds from sales of tangible fixed assets of ¥3,098 million. For reference, cash increased by ¥2,658 million compared to the first quarter of the previous fiscal year.

Cash flow from financing activities declined by ¥2,151 million in the first quarter of the current fiscal year. This was mainly due to net decline of short term borrowing of ¥1,000 million and repayment of long term borrowing of ¥905 million. For reference, cash declined by ¥2,115 million compared to the first quarter of the previous fiscal year.

3. Forecast of consolidated results for fiscal year ending March 31, 2008

The performance of the company is in line with plans, thus there are no changes made in consolidated financial forecasts that were announced on May 14, 2007.

4. Other information

- (1) Transfer of important subsidiary in the term (transfer of specific subsidiary due to change in scope of consolidation): None
- (2) The adoption of simple method in accounting procedure: None
- (3) The change of accounting procedure in the latest consolidated business year: As law on income taxes will be revised from the fiscal year 2007, depreciation method based on the revised law will be applied for tangible fixed assets purchased from April 1, 2007 and onwards. There will be limited affect on profit and loss due to this revision.

[Attachment]

(1) Balance Sheets for the first quarter ended June 30, 2007 (Consolidated)

(In millions of yen)					
	The 18 th Term (As of Jun 30, 2006)		The 19 th Term (As of Jun 30, 2007)		The 18 th Term (As of March 31, 2007)
	Amount	%	Amount	%	Amount
Assets:					
I Current assets					
1. Cash and cash equivalents	6,576		2,294		3,091
2. Notes and accounts receivable-trade	213		258		243
3. Inventories	11,483		14,993		14,258
4. Notes and accounts receivable-other	3,343		5,039		4,527
5. Deferred tax assets	405		866		1,018
6. Others	572		340		343
7. Allowance for doubtful accounts	(132)		(3)		(3)
Total current assets	22,461	65.3	23,789	62.3	23,478
II Fixed assets					
1. Tangible fixed assets					
(1) Buildings	5,516		6,453		6,346
accumulated depreciation	1,794		1,973		1,915
(2) Land	1,082		569		1,077
(3) Construction in progress	40		44		93
(2) Others	1,273		1,656		1,540
accumulated depreciation	740		884		708
Total tangible fixed assets	5,377	15.6	5,866	15.3	6,312
2. Intangible fixed assets					
(1) Consolidation goodwill	1,356		1,037		1,116
(2) Others	580		1,854		1,824
	1,937	5.6	2,891	7.6	2,941
3. Investments and other assets					
(1) Long-term guarantee money deposited	4,126		5,046		4,828
(2) Deferred tax assets	78		132		145
(3) Others	435		477		427
Total investments and other assets	4,640	13.5	5,656	14.8	5,401
Total fixed assets	11,954	34.7	14,414	37.7	14,654
Total assets	34,416	100.0	38,203	100.0	38,132
Liabilities:					
I Current liabilities					
1. Notes and accounts payable-trade	5,508		7,309		7,203
2. Current portion of bonds	10		10		10
3. Short-term borrowings	-		-		1,000
4. Current portion of long-term debt	3,987		3,620		3,620
5. Accounts payable - other	1,613		1,828		2,203
6. Corporation and inhabitants taxes payable	669		1,683		1,693
7. Accrued bonus	316		437		659
8. Other	413	36.4	531	40.4	256
Total current liabilities	12,519		15,421		16,646
Long-term liabilities					
1. Corporate bond	10		-		-
2. Long-term borrowings	6,331		2,711		3,616
3. Reserve for retirement benefits for directors	140		154		154
4. Other	91		79		80
Total long-term liabilities	6,573	19.1	2,945	7.7	3,850
Total liabilities	19,092	55.5	18,366	48.1	20,496
Net Assets:					
I Shareholders' equity					
1 Common stock, no par value	3,030		3,030		3,030
2 Capital surplus	4,095		4,095		4,095
3 Retained earnings	18,341		22,825		20,640
4 Treasury stock	(10,144)		(10,117)		(10,117)
Total shareholders' equity	15,322	44.5	19,833	51.9	17,648
Valuation and translation differences					
1 Deferred profit and loss on hedges	1		3		(12)
Total valuation and translation differences	1	0.0	3	0.0	(12)
Total net assets	15,323	44.5	19,837	51.9	17,635
Total liabilities and net assets	34,416	100.0	38,203	100.0	38,132

(2) Statement of Income for the first quarter ended June 30, 2007 (Consolidated)

	(In millions of yen)					
	The 18 th Term		The 19 th Term		The 18 th Term	
	(As of Jun 30, 2006)		(As of Jun 30, 2007)		(As of March 31, 2007)	
	Amount	%	Amount	%	Amount	%
Sales	13,281	100.0	16,354	100.0	60,959	100.0
Cost of sales	5,593	42.1	7,338	44.9	27,887	45.7
Gross profit	7,688	57.9	9,015	55.1	33,072	54.3
Operating expenses	5,760	43.4	7,315	44.7	25,721	42.2
Operating income	1,927	14.5	1,700	10.4	7,350	12.1
Other income	48	0.4	73	0.5	187	0.3
Other expenses	51	0.4	48	0.3	200	0.4
Ordinary income	1,924	14.5	1,725	10.6	7,337	12.0
Extraordinary income	4	0.0	2,538	15.4	6	0.0
Extraordinary losses	33	0.2	6	0.0	1,119	1.8
Net income before taxes	1,895	14.3	4,257	26.0	6,224	10.2
Income taxes – Current *	640		1,628		3,203	
Income taxes – Deferred	179	8.2	154	10.9	(490)	4.4
Net income	1,075	8.1	2,474	15.1	3,511	5.8

*Income taxes- Current consists of corporate income tax (national), enterprise tax (local), and resident income taxes (local).

(3) Consolidated Statements of Cash Flows

	(In millions of yen)		
	The 18 th Term (From Apr. 1, 2006 to Jun 30, 2006)	The 19 th Term (From Apr. 1, 2007 to Jun 30, 2007)	The 18 th Term (From Apr. 1, 2006 to Mar. 31, 2007)
	Amount	Amount	Amount
Cash flows from operating activities			
Income before income taxes	1,895	4,257	6,224
Depreciation	139	186	648
Amortization of intangible fixed assets	29	50	148
Amortization of long-term prepaid expenses	17	17	66
Impairment losses	-	-	123
Amortization of goodwill	79	79	319
Increase in accrued bonuses	(163)	(221)	179
Increase in accrued retirement benefits for directors	(2)	0	11
Increase in allowance for doubtful accounts	(0)	0	0
Interest and dividend income	(0)	(0)	(2)
Interest expenses	17	17	79
Exchange loss	0	0	0
Gain on sale of tangible fixed assets	(4)	(2,538)	(6)
Loss on disposal of tangible fixed assets	3	4	241
Loss on disposal of intangible fixed assets	-	-	15
Loss on disposal of long-term prepaid expenses	0	-	45
Increase/decrease in accounts receivable	177	(526)	(973)
Increase in inventories	(524)	(735)	(3,298)
Increase/decrease in other current assets	(82)	4	(59)
Increase in accounts payable	27	105	1,722
Increase/decrease in other current liabilities	(316)	274	(158)
Increase/decrease in other long-term liabilities	17	(0)	5
Bonuses to directors	(2)	-	(82)
Others	-	-	6
Subtotal	1,308	977	5,255
Interest and dividend income	0	0	2
Payment of interest	(18)	(16)	(83)
Payment of income taxes	(1,843)	(1,677)	(3,373)
Net cash from operating activities	(553)	(716)	1,801
Cash flows from investing activities			
Increase in time deposits	(4)	(4)	(18)
Proceeds from collection of loans receivable from affiliated companies	-	-	5
Payments for loans of affiliated companies	(142)	-	(142)
Proceeds from sales of tangible fixed assets	6	3,098	12
Purchase of tangible fixed assets	(279)	(637)	(1,718)
Purchase of intangible fixed assets	(24)	(79)	(1,389)
Purchase of long-term prepaid expense	(28)	(91)	(127)
Increase in long-term guarantee money deposited	(153)	(218)	(855)
Decrease in other investment	34	-	34
Net cash from investing activities	(590)	2,067	(4,198)
Cash flows from financing activities			
Increase in short-term borrowings	(2,010)	(1,000)	(1,010)
Proceeds from long-term debt	3,000	-	3,000
Payments for repayment of long-term debt	(834)	(905)	(3,917)
Redemption of bonds	-	-	(10)
Purchase of treasury stocks	(0)	-	(1)
Proceeds from sales of treasury stocks	74	-	88
Dividends paid	(264)	(246)	(431)
Net cash used in financing activities	(36)	(2,151)	(2,281)
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)	(0)
Net increase / (decrease) in cash and cash equivalents	(1,180)	(800)	(4,678)
Cash and cash equivalents at beginning of the year	7,650	2,971	7,650
Cash and cash equivalents at end of the year	6,469	2,170	2,971

[Reference]

(1) Balance Sheets for the first quarter ended June 30, 2007 (Non-consolidated)

(In millions of yen)									
	The 18 th Term (As of Jun 30, 2006)			The 19 th Term (As of Jun 30, 2007)			B/S Summary of Previous Fiscal Year as of March 31, 2007		
	Amount	%		Amount	%		Amount	%	
<u>Assets:</u>									
I Current assets									
1. Cash and cash equivalents	6,060			1,604			2,411		
2. Notes and accounts receivable-trade	24			19			44		
3. Inventories	11,195			14,589			13,846		
4. Notes and accounts receivable-other	3,272			4,963			4,436		
5. Others	870			1,157			1,302		
6. Allowance for doubtful accounts	(130)			-			-		
Total current assets		21,294	62.8		22,334	59.5		22,041	58.8
II Fixed assets									
1. Tangible fixed assets									
(1) Buildings	3,696			4,336			4,382		
(2) Lands	1,082			569			1,077		
(3) Others	569			792			767		
Total tangible fixed assets	5,348		15.8	5,729		15.2	6,227		16.6
2. Intangible fixed assets	579		1.7	1,849		4.9	1,821		4.9
3. Investments and other assets									
(1) Investment securities-Affiliates	2,100			2,100			2,100		
(2) Long-term lease deposits	4,063			4,951			4,733		
(3) Others	508			596			566		
Total investments and other assets	6,672		19.7	7,648		20.4	7,399		19.7
Total fixed assets		12,600	37.2		15,227	40.5		15,448	41.2
Total assets		33,894	100.0		37,561	100.0		37,489	100.0
<u>Liabilities:</u>									
I Current liabilities									
1. Note and accounts payable-trade	5,191			6,810			6,802		
2. Short-term borrowings	-			-			1,000		
3. Current portion of long-term debt	3,980			3,620			3,620		
4. Notes and accounts payable-other	1,555			1,796			2,108		
5. Income taxes payable	617			1,626			1,601		
6. Accrued bonus	298			426			639		
7. Other	388			509			250		
Total current liabilities		12,032	35.5		14,790	39.4		16,021	42.7
Long-term liabilities									
1. Long-term borrowings	6,331			2,711			3,616		
2. Accrued retirement benefits for directors	136			150			148		
3. Long-term guarantee deposits received	91			79			80		
Total long-term liabilities		6,559	19.4		2,941	7.8		3,845	10.3
Total liabilities		18,591	54.9		17,731	47.2		19,867	53.0
<u>Net Assets:</u>									
I Shareholders' equity									
1. Capital stock	3,030			3,030			3,030		
2. Capital surplus	4,095			4,095			4,095		
3. Retained earnings	18,320			22,818			20,627		
4. Treasury stock	(10,144)			(10,117)			(10,117)		
Total shareholders' equity		15,301	45.1		19,826	52.8		17,634	47.0
Valuation and translation differences									
1. Deferred hedge loss	1			3	0.0		(12)		
Total valuation and translation differences		1	0.0		3	0.0		(12)	(0.0)
Total net assets		15,302	45.1		19,830	52.8		17,622	47.0
Total liabilities and net assets		33,894	100.0		37,561	100.0		37,489	100.0

(2) Statement of Income for the first quarter ended June 30, 2007 (Non-consolidated)

(In millions of yen)

	The 18 th Term		The 19 th Term		B/S Summary of Previous Fiscal Year	
	(As of Jun 30, 2006)		(As of Jun 30, 2007)		as of March 31, 2007	
	Amount	%	Amount	%	Amount	%
Sales	12,683	100.0	15,660	100.0	58,666	100.0
Cost of sales	5,328	42.0	7,003	44.7	26,914	45.9
Gross profit	7,354	58.0	8,657	55.3	31,752	54.1
Operating expenses	5,488	43.3	7,013	44.8	24,603	41.9
Operating income	1,865	14.7	1,643	10.5	7,148	12.2
Other income	47	0.4	74	0.5	197	0.3
Other expenses	44	0.4	45	0.3	189	0.3
Ordinary income	1,869	14.7	1,672	10.7	7,156	12.2
Extraordinary income	4	0.0	2,538	16.2	5	0.0
Extraordinary losses	4	0.0	4	0.0	1,090	1.9
Net income before taxes	1,869	14.7	4,206	26.9	6,071	10.3
Income taxes – Current *	596		1,580		2,995	
Income taxes – Adjusted	176	772	144	1,725	(464)	2,530
Net income	1,097	8.6	2,481	15.9	3,540	6.0

*Income taxes- Current consists of corporate income tax (national), enterprise tax (local), and resident income taxes (local).

(3) Sales for the quarter (Non-consolidated)

The previous first quarter: 1Q ended June 30, 2006 (from April 1, 2006 to June 30, 2006 for 3 months)

This third quarter: 1Q ended June 30, 2007 (from April 1, 2007 to June 30, 2007 for 3 months)

Total sales

(In millions of yen, %)

	The previous accounting period (A)	This accounting period (B)	Increase or decrease (B)-(A)	Growth ratio
1Q	12,683	15,660	2,977	23.5

Sales by business

(In millions of yen, %)

		The previous accounting period (A)	This accounting period (B)	Increase or decrease (B)-(A)	Growth ratio
1Q	UA	7,000	8,246	1,246	17.8
	GLR	2,525	2,950	425	16.9
	CH	710	798	88	12.5
	*S.B.U.&UA Labs	1,347	2,168	821	60.9
	Business units total	11,583	14,164	2,581	22.3
	*Others	1,100	1,496	396	36.0

*1. S.B.U. =Small Business Unit

*2. "Total business units sales" includes sales of retail, wholesale, mail-order and formal wear rental, etc.

"Other sales" includes sales of outlet stores and special events.

Sales by item (Business units total)

(In millions of yen, %)

		The previous accounting period (A)	This accounting period (B)	Increase or decrease (B)-(A)	Growth ratio
1Q	Men's	5,276	6,032	755	14.3
	Women's	4,814	6,352	1,538	32.0
	*Silver & Leather	966	1,102	135	14.0
	Miscellaneous	525	677	151	28.8

* "Silver & Leather" means silver accessories and leather wears of CHROME HEARTS brand.

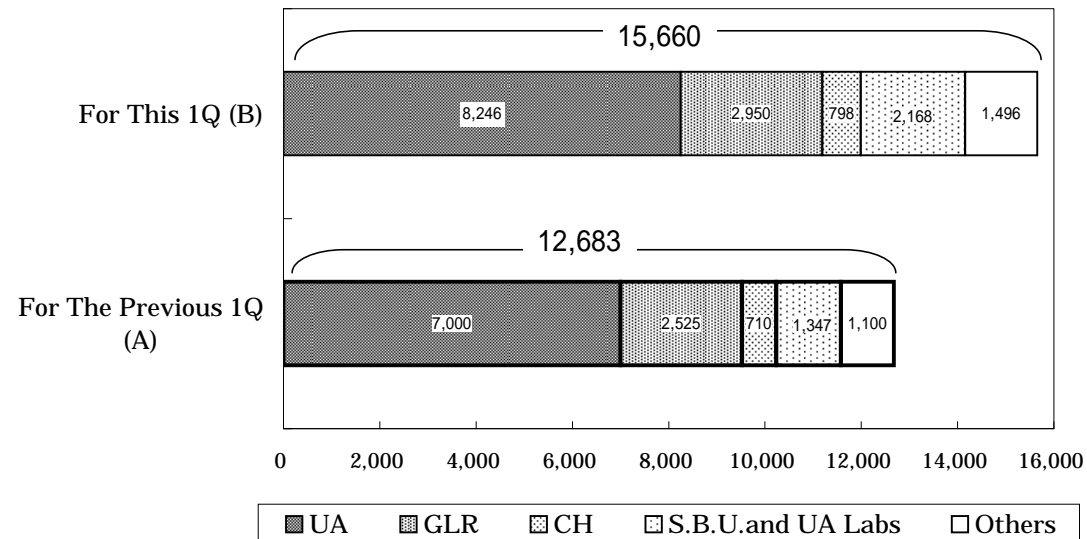
Sales of existing stores (retail division, YoY)

(%)

		Sales growth ratio	Number of customer growth ratio	Ave. spending per customer growth ratio
1Q	UA	12.0	7.9	3.8
	GLR	5.0	2.0	3.0
	CH	12.1	(4.0)	16.9
	S.B.U.&UA Labs	17.1	19.8	(2.3)
	Total	11.0	7.1	3.6

Reference: Sales by Business (YoY, Non-consolidated)

(In millions of yen)



Reference: Sales by Category of Merchandise (Total business units sales)

(In millions of yen)

