

August 5, 2010

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**Consolidated Financial Summary  
for the First Quarter of the Fiscal Year Ending March 31, 2011\*  
(Japanese Standard)**

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Corporate Name:	UNITED ARROWS LTD.
Securities Traded:	Tokyo Stock Exchange, First Section
Code Number:	7606
URL:	<a href="http://www.united-arrows.co.jp/">http://www.united-arrows.co.jp/</a>
Representative:	Osamu Shigematsu, Representative Director, Executive Officer and President
Contact:	Takeo Nakazawa, Department Manager, Finance & Accounting Department
Telephone:	+81-3-5785-6325
Scheduled reporting date:	August 12, 2010
Supplementary information (only in Japanese):	Yes
Financial Results Briefing for Analysts and institutional investors:	Yes

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\*This is an English translation of “Kessan-tanshin” for the first quarter of the fiscal year ending March 2011. If any doubts arise as to the interpretation of this English version, the original Japanese version shall take precedence.

# Summary of Financial Conditions and Business Results for the 1Q FYE March 2011

Note: Figures smaller than ¥100 million are rounded down.

## 1. Consolidated Business Results of the First Quarter for the Fiscal Year Ending March 2011 (from April 1, 2010 to June 30, 2010)

### (1) Consolidated Business Performance (aggregate)

(% indicates increase/decrease YoY)

	Net sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
1Q FYE March 2011	20,475	7.3	2,148	51.6	2,155	51.4
1Q FYE March 2010	19,080	2.0	1,416	27.4	1,423	29.4

	Quarterly net income		Quarterly net income per share	Quarterly net income per share after adjusting dilutive shares
	¥ million	%	yen	yen
1Q FYE March 2011	102	(84.7)	2.43	42
1Q FYE March 2010	668	38.3	15.83	-

### (2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	yen
1Q FYE March 2011	46,086	22,656	49.2	536.61
FYE March 2010	46,163	23,327	50.5	552.68

(Reference) Net worth

1Q FYE March 2011: ¥22,656 million, FYE March 2010: ¥23,327 million

## 2. Conditions of Dividend Payment

	Dividend per share				
	yen	yen	yen	yen	yen
FYE March 2010	-	10.0	-	18.0	28.0
FYE March 2011	-				
FYE March 2011 (est)		10.0	-	16.0	26.0

\*Changes in forecast of dividend payment in this quarter: None

## 3. Projected Consolidated Business Performance of the Fiscal Year Ending March 2011 (From April 1, 2010 to March 31, 2011)

(% indicates increase/decrease YoY)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	yen
2Q FYE March 2011	41,836	9.5	2,021	26.8	1,968	19.9	(236)	-	(5.53)
FYE March 2011	90,612	8.5	6,409	29.7	6,338	25.8	2,283	62.7	53.46

\*Changes in projected consolidated business performance in this quarter: Yes

#### 4. Others

(1) Changes in significant subsidiaries during the current quarter

(Changes in special subsidiaries that caused a change in scope of consolidation): None

(2) Adoption of simple method in accounting procedure: None

(3) Changes in accounting principles or procedures, description methods, etc. to prepare consolidated financial reports:

1. Changes due to revision of accounting standards: Yes

2. Changes other than 1: None

(4) Number of stocks issued and outstanding (common stocks)

1. Number of stocks issued at term end (including treasury stocks)

1Q FYE March 2011 42,800,000 stocks

FYE March 2010 42,800,000 stocks

2. Number of treasury stocks

1Q FYE March 2011 577,570 stocks

FYE March 2010 591,970 stocks

3. Average number of stocks during the quarter (aggregate)

1Q FYE March 2011 42,221,481 stocks

FYE March 2010 42,208,098 stocks

#### \*Explanation regarding appropriate use of projected business performance

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 figures stated above due to any possible factor. Please refer to the attached documents starting from the next page for the preconditions and further information for the projected figures.

(Reference)

#### **1. Projected Non- Consolidated Business Performance of the Fiscal Year Ending March 2011 (From April 1, 2010 to March 31, 2011)**

(% indicates increase/decrease YoY)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	yen
2Q FYE March 2011	39,122	8.0	2,363	15.1	2,345	10.5	252	(78.4)	5.90
FYE March 2011	84,788	7.8	6,589	13.8	6,588	10.8	2,723	35.4	63.74

\*Changes in projected consolidated business performance in this quarter: Yes

## **Qualitative Information, Financial Results, etc.**

### **Qualitative Information on Consolidated Business Performance**

During this term (from April 1, 2010 to June 30, 2010), Japanese economy saw modest increase in export to Asia and improvement in corporate earnings mainly in manufacturing industry as affects of the fiscal stimulus measures by government. Even though consumers gradually get back into a spending mindset, uncertainty about the future remains as there are credit uneasiness in European financial situation and severe employment condition with a high unemployment rate.

Except signs of recovery in some luxury items, consumer sentiment towards apparel retail industry continued to be conservative and influenced by their income situation, thus it leads to low price oriented, cautious spending behavior.

Under these circumstances, UNITED ARROWS Group is focusing on establishing a sustainable earning structure and securing a firm foothold for future growth. We are striving to grow corporate value by executing policies and opening stores in accordance with the growth stage of each of our group companies and businesses.

The UNITED ARROWS Group is pursuing 4 key challenges as follows;

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

\*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.

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

\*At United Arrows 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.

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.

For 1), we continued to strengthen sales skills service technique by carrying out role play-based training exercise and on-the-job training at stores based on our basic sales policy. In addition, we intensified cooperation between product and sales divisions with the aim to reflect sales division's feedback in our product development and merchandise mix. For 2), we continued to review important business indicators including, product procurement, sales, gross profit, and inventory level in order to optimize our product platform. Also, we implemented compiling business processes in manual and increasing the visibility of operational schedule. For 3), we reviewed ten several issues of business processes and rules which across

divisions in order to increase accuracy of operations. In addition, we examined non-core work in store with the aim to lighten the workload on store operation.

In this quarter, 2 stores were opened in GLR business, 1 store was opened in CHROME HEARTS, 2 stores were opened in SBU and UA Lab, and 1 outlet store was opened. As a result, total number of retail stores increased to 142 and total number of stores including outlet store increased to 158 stores as of end of June 30, 2010.

For consolidated subsidiary FIGO CO., LTD. continued to operate 11 directly operated stores.

Consolidated subsidiary COEN CO., LTD. which we accelerate opening stores as a key driver of future growth in our medium-term business strategy opened 4 stores in this quarter, and total number of stores has increased up to 30 stores as of end of the quarter.

Consolidated subsidiary PERENNIAL UNITED ARROWS CO., LTD. (PERENNIAL) opened 1 store, and total number of stores increased to 7 stores as of June 30, 2010. We have resolved the dissolution of PERENNIAL on April 23, 2010 and all existing stores are expected to be closed by fall 2010.

As a result, net consolidated sales for this quarter was ¥20,475 million, 7.3% increase compared to the same quarter in the previous term. Gross margin at regular stores improved as both percentage of cost of goods purchased and sales of markdown items decreased. In addition, gross margin at outlet stores also rose as the system to send items of the current season to outlet stores at an earlier timing improved and exclusive items of outlet stores sold well. As a result, gross margin improved by 11.4% compared to the same quarter in the previous term to ¥11,704 million and gross profit increased by 2.1% to 57.2%. Selling, general and administrative expenses increased by 5.1% to ¥9,556 million compared to the same quarter in the previous term as increase of supplies expenses for store openings. However, this increase was lower than the growth of sales because of reduction of cost throughout company.

As a result, compared to the same quarter in the previous term, consolidated operating income increased by 51.6% to ¥2,148 million and ordinary income increased by 51.4% to ¥2,155 million. Net quarterly income decreased by 84.7% to ¥102 million as there was extraordinary loss of ¥1,121 million, including applications of accounting standard, asset retirement obligations of ¥921 million and impairment loss of ¥165 million.

## Quarterly Financial Conditions

## (1) Quarterly Balance Sheet (Consolidated)

(million yen)

	Current 1Q results (as of June 30, 2010)	Summary of balance sheet of previous fiscal year (as of March 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,892	4,173
Notes and accounts receivable-trade	174	308
Merchandise	17,000	16,712
Supplies	197	191
Accounts receivable-other	5,783	5,809
Other	1,429	1,916
Allowance for doubtful accounts	(40)	(42)
<b>Total current assets</b>	<b>28,438</b>	<b>29,069</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	6,458	5,458
Other	1,648	2,043
<b>Total property, plant and equipment</b>	<b>8,107</b>	<b>7,502</b>
<b>Intangible noncurrent assets</b>		
Goodwill	79	159
Other	1,988	2,022
<b>Total intangible assets</b>	<b>2,068</b>	<b>2,182</b>
<b>Investments and other assets</b>		
Guarantee deposits	6,314	6,285
Other	1,162	1,128
Allowance for doubtful accounts	(4)	(4)
<b>Total investments and other assets</b>	<b>7,472</b>	<b>7,409</b>
<b>Total noncurrent assets</b>	<b>17,648</b>	<b>17,094</b>
<b>Total assets</b>	<b>46,086</b>	<b>46,163</b>

Summary of Financial Conditions and Business Results for the 1Q FYE March 2011

	(million yen)	
	Current 1Q results (as of June 30, 2010)	Summary of balance sheet of previous fiscal year (as of March 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	7,379	7,670
Short-term loans payable	4,910	2,240
Current portion of long-term loans payable	2,176	2,176
Income taxes payable	526	1,731
Provision for bonuses	509	1,495
Provision for loss on store closing	396	418
Other	2,873	3,673
<b>Total current liabilities</b>	<b>18,771</b>	<b>19,406</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	2,788	3,332
Provision for directors' retirement benefits	91	91
Asset retirement obligations	1,764	—
Other	13	6
<b>Total noncurrent liabilities</b>	<b>4,657</b>	<b>3,429</b>
<b>Total liabilities</b>	<b>23,429</b>	<b>22,835</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,030	3,030
Capital surplus	4,095	4,095
Retained earnings	16,452	17,119
Treasury stock	(887)	(909)
<b>Total shareholders' equity</b>	<b>22,690</b>	<b>23,335</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	2	(1)
Deferred gains or losses on hedges	(36)	(6)
Total valuation and translation adjustments	(33)	(7)
<b>Total net assets</b>	<b>22,656</b>	<b>23,327</b>
<b>Total liabilities and net assets</b>	<b>46,086</b>	<b>46,163</b>

**(2) Quarterly Statements of Income (Consolidated)**

First Quarter (3 months aggregate)

	(million yen)	
	Previous 1Q (3 months aggregate) (From April 1, 2009 to June 30, 2009)	Current 1Q (3 months aggregate) (From April 1, 2010 to June 30, 2010)
<b>Net sales</b>	19,080	20,475
<b>Cost of sales</b>	8,569	8,771
<b>Gross profit</b>	10,510	11,704
<b>Selling, general and administrative expenses</b>	9,093	9,556
<b>Operating income</b>	1,416	2,148
<b>Non-operating income</b>		
Interest income	0	0
Dividends income	—	3
Foreign exchange gains	9	11
Purchase discounts	7	9
Other	32	16
<b>Total non-operating income</b>	50	41
<b>Non-operating expenses</b>		
Interest expenses	39	29
Other	4	4
<b>Total non-operating expenses</b>	43	34
<b>Ordinary income</b>	1,423	2,155
<b>Extraordinary income</b>		
Reversal of provision for loss on store closing	—	22
<b>Total extraordinary income</b>	—	22
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets	6	30
Impairment loss	10	165
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	921
Others	—	4
<b>Total extraordinary loss</b>	16	1,121
<b>Income before income taxes</b>	1,406	1,055
<b>Income taxes-current</b>	561	490
<b>Income taxes-deferred</b>	176	462
<b>Total income taxes</b>	738	953
<b>Net income</b>	668	102



**(3) Quarterly Statements of Cash Flows (Consolidated)**

(million yen)

	Previous 1Q (3 months aggregate) (From April 1, 2009 to June 30, 2009)	Current 1Q (3 months aggregate) (From April 1, 2010 to June 30, 2010)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,406	1,055
Depreciation and amortization	284	326
Depreciation of intangible assets	73	76
Amortization of long-term prepaid expenses	19	20
Impairment loss	10	165
Amortization of goodwill	79	79
Increase (decrease) in provision for bonuses	(365)	(986)
Increase (decrease) in provision for loss on store closing	-	(22)
Increase (decrease) in allowance for doubtful accounts	3	(2)
Interest and dividends income	0	(3)
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	921
Interest expenses	39	29
Loss of retirement of property, plant and equipment	0	2
Decrease (increase) in notes and accounts receivable-trade	(11)	102
Decrease (increase) in inventories	345	(294)
Decrease (increase) in other current assets	4	55
Increase (decrease) in notes and accounts payable-trade	(1,364)	(291)
Increase (decrease) in other current liabilities	133	(610)
Increase (decrease) in other noncurrent liabilities	1	12
Other	-	0
Subtotal	662	637
Interest and dividends income received	0	3
Interest expenses paid	(30)	(30)
Income taxed paid	(360)	(1,731)
<b>Net cash provided by operating activities</b>	<b>272</b>	<b>(1,121)</b>
<b>Cash flows from investment activities</b>		
Payments into time deposits	(3)	(46)
Purchase of investment securities	(4)	-
Purchase of property, plant and equipment	(257)	(580)
Purchase of intangible assets	(57)	(27)
Purchase of long-term prepaid expenses	(40)	(38)
Payment for guarantee deposits	(62)	(28)
<b>Net cash provided by investment activities</b>	<b>(426)</b>	<b>(722)</b>

# Summary of Financial Conditions and Business Results for the 1Q FYE March 2011

(million yen)

	Previous 1Q (3 months aggregate) (From April 1, 2009 to June 30, 2009)	Current 1Q (3 months aggregate) (From April 1, 2010 to June 30, 2010)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,805	2,670
Repayment of long-term loans payable	(757)	(544)
Purchase of treasury stock	0	-
Proceeds from sales of treasury stock	-	11
Cash dividends paid	(486)	(621)
<b>Net cash provided by financing activities</b>	<b>561</b>	<b>1,516</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>408</b>	<b>(327)</b>
<b>Cash and cash equivalents at beginning of term</b>	<b>3,322</b>	<b>4,061</b>
<b>Cash and cash equivalents at end of term</b>	<b>3,730</b>	<b>3,733</b>