



UNITED ARROWS LTD.

FISCAL YEAR ENDED MARCH 2007
FIRST QUARTER
Earnings Announcement

UNITED ARROWS LTD.

. Overview of Business Performance in 1Q

P3 ~ P8

. Progress of Key Strategies, etc.

P9 ~ P14

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

[Cautionary statement]

Business performance forecasts and objective views stated in this material are based on decisions made from information that UNITED ARROWS could get in hand at present, and therefore include risk and uncertainty. Thus, please refrain from making investment decisions fully depending on this material. Please bear in mind that actual business performance can change largely depending on worldwide economy, market conditions, currency fluctuation, etc.

[Indication of business units in this material]

Abbreviation of each business unit, structure of business are as below;

U A = UNITED ARROWS, G L R = UNITED ARROWS GREEN LABEL RELAXING, C H = CROME HEARTS, S.B.U. = Small Business Unit
(Another Edition, Changes UNITED ARROWS, Oditte é Odile UNITED ARROWS, DRAWER, DARJEELING DAYS)

U A Labs = TOKISHIRAZU

•Overview of Business Performance in First Quarter

1 . P/L Overview (Consolidated/Non-consolidated, 3 months aggregate)

- Consolidated total sales ¥13,281 million, ordinary income ¥1,924 million, net income ¥1,075 million.
- Non-consolidated total sales ¥12,683 million (106.3% YoY), ordinary income ¥1,869 million (97.3% YoY), net income ¥1,097 million (98.4% YoY)

	(unit: million yen)							
	Consolidated actual (FYE Mar/07 1Q)			cf: UA alone actual (FYE Mar/07 1Q)			<cf> alone FYE3/06 1Q	
	actual	vs Sales	+/- YoY % change	actual	vs Sales	+/- YoY % change	actual	vs Sales
Sales	13,281	100.0%	- -	12,683	100.0%	754 106.3%	11,928	100.0%
Gross Profit	7,688	57.9%	- -	7,354	58.0%	545 108.0%	6,808	57.1%
Operating Exp.	5,760	43.4%	- -	5,488	43.3%	577 111.8%	4,910	41.2%
Operating Profit	1,927	14.5%	- -	1,865	14.7%	31 98.3%	1,897	15.9%
Non Op. Exp.	3	0.0%	- -	3	0.0%	19 16.0%	23	0.2%
Ordinary Profit	1,924	14.5%	- -	1,869	14.7%	51 97.3%	1,921	16.1%
Extraordinary Profit / Loss	28	-0.2%	- -	0	0.0%	28 -	27	-0.2%
Net Income	1,075	8.1%	- -	1,097	8.6%	18 98.4%	1,115	9.4%

Figo Co., Ltd was consolidated from October 2005, thus there are no figures for first quarter fiscal year March ended 2006.

2 . Overview of sales (consolidated/non-consolidated, 3 months aggregate)

- Consolidated total sales of 1Q ¥13,281 million
- Total sales of UA alone was ¥12,683 million, 106 . 3% YoY, 98 . 1% of initial plan
- Existing store sales 98.3% YoY

	FYE Mar/07 1Q (3 months aggregate)				(unit: million yen)		
	actual	+/- YoY		+/- plan		<cf> FYE Mar/06 1Q	planned
		% change		planned			
Consolidated Total Sales	13,281	-	-	-	-	-	-
UA Alone Total Sales	12,683	754	106.3%	251	98.1%	11,928	12,934
Business Unit Total	11,583	703	106.5%	383	96.8%	10,879	11,966
UA unit	6,862	62	99.1%	192	97.3%	6,925	7,054
GLR unit	2,525	296	113.3%	224	91.8%	2,228	2,750
CH unit	710	29	96.0%	0	100.1%	739	709
S.B.U. and UA Lab	1,485	499	150.7%	32	102.3%	985	1,452
Outlet	1,100	51	104.9%	132	113.7%	1,048	967
Existing Stores			98.3%			108.5%	
space unchanged			97.9%			107.4%	
space changed			100.7%			118.8%	
U A existing			96.6%			108.2%	
G L R existing			97.8%			103.1%	
C H existing			96.0%			125.6%	
S.B.U. and UA Lab existing			114.9%			113.5%	

3 . BS overview of First quarter (consolidated/non-consolidated)

• Consolidated: total assets was ¥34,416 million, non-consolidated total assets was ¥33,894 million (125% YoY)

• Non-consolidated : main increase in assets was cash, inventory assets and stocks of affiliated companies, and main increase in liabilities was long and short term borrowings for share repurchase

	Consolidated actual (FYE Mar/07 1Q)	cf: UA alone actual FYE Mar/07 1Q	(unit: million yen)		< cf >
	composition ratio actual	composition ratio actual	+ / - YoY	vs FYE Mar/06 1Q	alone FYE3/06 1Q composition ratio actual
Total Assets	100.0% 34,416	100.0% 33,894	6,785	125.0%	100.0% 27,109
Current Assets	65.3% 22,461	62.8% 21,294	3,923	122.6%	64.1% 17,371
Fixed Assets	34.7% 11,954	37.2% 12,600	2,862	129.4%	35.9% 9,738
Tangible Assets	15.6% 5,377	15.8% 5,348	77	101.5%	19.4% 5,270
Intangible Assets	5.6% 1,937	1.7% 579	90	118.4%	1.8% 489
Investments, etc	13.5% 4,640	19.7% 6,672	2,694	167.7%	14.7% 3,978
Current Liabilities	36.4% 12,519	35.5% 12,032	5,172	175.4%	25.3% 6,859
Fixed Liabilities	19.1% 6,573	19.4% 6,559	5,945	1067.4%	2.3% 614
Total Net Assets (Shareholders' Equity)	44.5% 15,323	45.1% 15,302	4,332	77.9%	72.4% 19,635

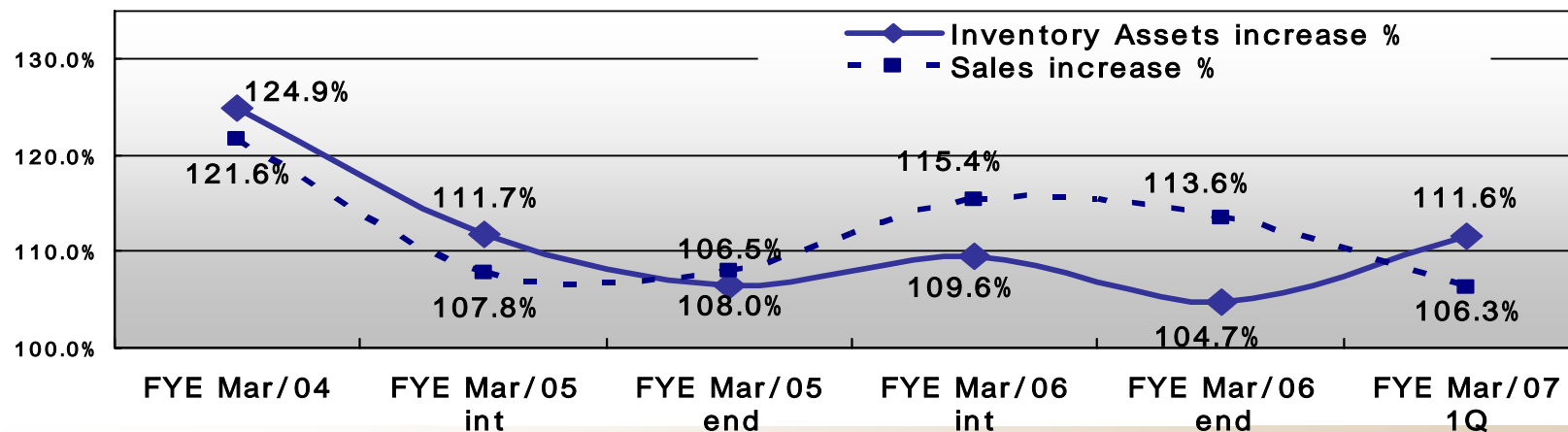
cf. Trend of Inventory Assets (UA Alone)

- Inventory assets of UA alone in 1Q was 111.6% YoY, ¥11,195 million
- slight increase due to unachieved Sales in 1Q
- try to keep increase within growth of sales (11.5%) until the end of the term

Change in Inventory Assets (product inventory + stored goods) (unit: million yen)

	FYE Mar/04	FYE Mar/05 int	FYE Mar/05 end	FYE Mar/06 int	FYE Mar/06 end	FYE Mar/07 1Q
Total Inventory Assets term end	9,594	10,842	10,216	11,879	10,694	11,195
+/- YoY	124.9%	111.7%	106.5%	109.6%	104.7%	111.6%
cf Sales +/- YoY	121.6%	107.8%	108.0%	115.4%	113.6%	106.3%

cf: Change of increase in Inventory Assets and Sales (YoY)



4 . Plans of Store Opening (and Closing)/Removal/Extension (UA Alone)

- Store opening (store brand change) 32, store closing due to brand change 4
- Number of stores to be 107 by the end of the term
- Additional store opening after earnings announcement in May 2006: Jewel Changes, 2 stores

		number of stores	new stores planned			Transform Close	FYE Mar/07 estimate	store space at opening (m ²)	removal/ renewal/ expansion planned		
			full year	1Q+2Q	3Q+4Q				full year	1Q+2Q	3Q+4Q
Total		79	32	18	14	4	107		3	2	1
core biz.	Existing UA	23				4	19	-	2	0	2
	UA label image store	2	1	1			3				
	New UA	0	5	3	2		5	198 ~ 462			
	B&Y	0	4	2	2		4	165 ~ 330			
	GLR	24	4	1	3		28	264 ~ 330			
	GLR new form	3	3	1	2		6	83 ~ 99			
	CH	3					3	-			
	CH	3					3	-			
SBU	Another Edition	7	3	3			10	83 ~ 116	1	1	
	Changes	3	2	2			5	-			
	Oditte é Odile	6	8	4	4		14	50 ~ 66			
	DRAWER	2	1		1		3	approx. 165			
	DARJEELING DAYS	4					4	-			
labs	TOKISHIRAZU	2					2	-			
	New Lab	0	1	1			1	approx. 50			

UA business chain image store = label image store

Schedule of store opening may vary depending on negotiation.

Cf. : Details of store opening/closing/removal/extension (definite projects only)

biz	business unit	outline	timing	store name	name of facility	space (m ²)	opening day	reference
UA	new UA	transfer	Sep	Kobe Motomachi	roadside store	total space 490	1-Sep	
		removal	Sep	Fukuoka	VIORO (new facility)	total space 574	15-Sep	
		transfer	Sep	Yurakucho	Yurakucho SEIBU	total space 423	9-Sep	
	B & Y UA	new	Sep	Fukuoka	roadside store	total space 445	15-Sep	
		new	Sep	Yurakucho	Yurakucho SEIBU	total space 212	9-Sep	
	UA label image store	new	Sep	Cath Kidston Daikanyama	roadside store	total space 109	16-Sep	
GLR	GLR general store	new	Sep	Kawasaki	LAZONA Kawasaki Plaza	total space 412	28-Sep	
	GLR new biz chain store	new	Sep	FACADE Fukuoka SOLARIA PLAZA	SOLARIA PLAZA	total space 86	9-Sep	
S.B.U.	Another Edition	new	Apr	Shibuya	Shibuya PARCO	floor space 79	14-Apr	completed
		new	Apr	Sapporo	STELLA PLACE	floor space 112	29-Apr	completed
		new	Sep	Machida	near Machida Station	total space 106	end of Sep	
	Jewel Changes	new	Sep	Fukuoka SOLARIA PLAZA	SOLARIA PLAZA	total space 100	9-Sep	
		new	Sep	Roppongi Hills	ROPPONGI HILLS	total space 126	15-Sep	
	Odette é Odile	new	Apr	Ikebukuro	Ikebukuro PARCO	floor space 69	27-Apr	completed
		new	Sep	Fukuoka	VIORO (new facility)	total space 88	15-Sep	
		new	Sep	Namba MARUI	Namba MARUI	total space 80	22-Sep	
		new	Sep	Yurakucho Hankyu	Yurakucho HANKYU	total space 51	6-Sep	
	UA labs	new	Sep	Liquor, Woman and Tears	Minami-Aoyama (roadside)	total space 66	1-Sep	

1Q and 2Q removal/expansion details

S.B.U.	Another Edition	transfer	Sep	Fukuoka	SOLARIA PLAZA	total space 119	9-Sep	
--------	-----------------	----------	-----	---------	---------------	-----------------	-------	--

3Q and 4Q store opening (definite projects only)

biz	business unit	outline	timing	store name	name of facility	space (m ²)	opening day	reference
UA	new UA	new	Oct	Kobe Sannomiya	M-INT KOBE	total space 241	early Oct	
	B & Y UA	new	Oct	Kobe Sannomiya	M-INT KOBE	total space 354	early Oct	
GLR	GLR general store	new	Nov	Kanazawa	Kanazawa FORUS	total space 333	early Nov	
	GLR new biz chain store	new	Oct	FACADE Shinjyuku MYLORD	Shinjyuku MYLORD	total space 53	13-Oct	
S.B.U.	DRAWER	new	Oct	Shinsaibashi	roadside store	total space 167	19-Oct	

Total space is indicated for undecided floor spaces. Floor spaces are approximately 80% to 85% of total space.



● **Progress of Key Strategies etc.**

1 . Progress of Key Strategies

2 . Organizational Changes, Dated July 1 and August 1, 2006



High Priority Issues for Fiscal Year Ended March 07

Strengthening Products

- . Promoting of 52-Weeks Merchandising
- . Strengthening Development of Self-Planned Products

Strengthening Sales

- . Using House-Cards to Strengthen CRM
- . Maximizing Sales by Improving Efficiency of Store Front Services



. Promotion of 52-Weeks Merchandising

UA business (Review and prepare Men's and Women's by end of year, full-scale operation from Jan 2007)

- Check face display of all shops (April to July) optimization of inventory in stores
- Change reporting format of weekly product trends sent from stores from July 2006

Understand trend of hot-selling products by item number and share information among stores/offices about best styling examples

GLR business (Overall accuracy improved after second year)

- Share 52 week MD data among product department and sales department (only product department utilized the data in the previous fiscal year) planning of a weekly sales strategy guided by products
- Reduce item number of fall and winter goods Further reduction of stocks at stores

. Strengthening of self-planned products

- Strengthening staff - To promote 20 designers and patterners as exclusive partners (former consignment contract workers)
- Implement an extensive evaluation of sample products item by item (quality, price etc) by fashion director, manager in charge of products and MD.
- Plan complete weekly schedule based on 52-Weeks Merchandising
- (UA business: assess and evaluate which product material will run short as a result of splitting store brands)

High Priority Issues: Further recruitment of capable senior staff

. Strengthening CRM (using house-cards as a start point)

- Total numbers of House Card users reached 19 million customers (of which UA business holds 11 million) (as of July 2006)
- UA Business - started Pinpoint Marketing according to customers' historical shopping data, showing effect
- House Card utilization ratio reached about 20% in all stores of UA business since February 2006 (in some Small Business Units, the utilization ratio exceeds 50%)
- GLR business is now under preparation aiming to adopt this system in all the stores within this year

High Priority Issues: Integrate mechanism and operation in different business units develop special division this term

. Maximizing sales by improving efficiency of store front services

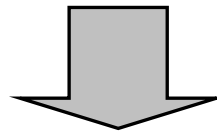
- Introduction of employment of short time workers only during busiest time of the day (10 stores each both in UA & GLR) was implemented on a trial basis and proved that sales efficiency successfully improved during busiest time.
- Labour control system was implemented on a trial basis (4 stores in GLR), omission or mistakes decreased in incidental operation and operation accuracy improved As a result, time to serve customers increased and overtime work declined.

High Priority Issues: In recruiting short time workers, basic education is necessary for unskilled temporary staff
Review work standard of temporary personnel in close collaboration with employment agency.

2 . Organizational Changes, dated July 1 and August 1, 2006

__Purpose of Organizational Changes

- 1. Strengthening of Board of Directors**
- 2. Strengthening of Line Department**
- 3. Strengthening of Staff Department**



- **In addition to internal directors, invite external directors that have fresh viewpoint**
- **Job rotation of executive-level employees aiming at strengthening both Line & Staff Departments**
- **Establish a future growth foundation (new establishment of Brand Business Head Office and EC Business Department)**



. New Organization Chart (as of August 1, 2006, simplified version)

