



**Fiscal Year Ended March 2007**

**THIRD QUARTER**

**Earnings Announcement**

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**UNITED ARROWS LTD.**



# Contents

## I. Overview of Business Performance in the Third Quarter

P3 ~ P8

## II. Current Trend and Progress of Business Strategy

P9 ~ P15

In this material, a fractional sum less than one million yen in 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 LTD. 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;  
Main business pillars = UNITED ARROWS: UA, green label relaxing: GLR, CROME HEARTS: CH  
Small Business Unit: S.B.U. = Another Edition: AE, Jewel Changes : JC, Odette é Odile UNITED ARROWS: OEO, DRAWER: DRW, DARJEELING DAYS: DD  
UA Labs = "TOKISHIRAZU (TSZ)", "Liquor, woman & tears (LWT)"



## I. Overview of Business Performance in the Third Quarter

### 1. P/L Overview (Consolidated/Non-consolidated)

- Consolidated business results: sales ¥44,852 million, ordinary profit: ¥6,255 million, net income ¥3,287 million.
- Progress of 3Q is in line with forecast (non-consolidated sales: 99.5% vs plan, ordinary profit: 98% vs plan)

(unit: million yen)

	Consolidated Actual (FYE Mar/07 3Q)			<cf> Consolidated YoY	UA Alone Actual (FYE Mar/07 3Q)			<cf> Alone YoY
	Actual	vs Sales	+/- YoY	Actual	Actual	vs Sales	+/- YoY	actual
			YoY	vs Sales			YoY	vs Sales
Sales	<b>44,852</b>	100.0%	4,752 111.9%	40,099 100.0%	<b>43,062</b>	100.0%	3,639 109.2%	39,423 100.0%
Gross Profit	<b>25,244</b>	56.3%	3,087 113.9%	22,156 55.3%	<b>24,231</b>	56.3%	2,498 111.5%	21,733 55.1%
SGA Expenses	<b>18,973</b>	42.3%	3,438 122.1%	15,535 38.7%	<b>18,159</b>	42.2%	2,886 118.9%	15,272 38.7%
Operating Profit	<b>6,270</b>	14.0%	▲ 350 94.7%	6,621 16.5%	<b>6,072</b>	14.1%	▲ 388 94.0%	6,461 16.4%
Non Op. Profit / Loss	<b>▲ 15</b>	0.0%	▲ 44 -51.4%	29 0.1%	<b>▲ 1</b>	0.0%	▲ 16 -6.7%	15 0.0%
Ordinary Profit	<b>6,255</b>	13.9%	▲ 394 94.1%	6,650 16.6%	<b>6,071</b>	14.1%	▲ 404 93.7%	6,476 16.4%
Extraordinary Profit / Loss	<b>▲ 484</b>	-1.1%	▲ 112 130.2%	▲ 372 -0.9%	<b>▲ 456</b>	-1.1%	▲ 84 -	▲ 372 -0.9%
Net Income	<b>3,287</b>	7.3%	▲ 370 89.9%	3,658 9.1%	<b>3,282</b>	7.6%	▲ 309 91.4%	3,591 9.1%



## 2. Overview of Sales (Consolidated/Non-consolidated, 9 months aggregate)

- Consolidated sales for 3Q were 111.9% YoY at ¥44,852 million
- Sales of UA alone were 109.2% YoY, 99.5% vs plan at 43,062 million yen
- Aggregate sales of existing stores were 99.5% YoY

	FYE Mar/07 3Q (9 months aggregate)					(unit: million yen)	
	Actual	YoY +/-		vs Plan +/-		YoY	vs Initial Plan
		YoY	YoY	vs Plan	vs Plan		
<b>Consolidated Total Sales</b>	<b>44,852</b>	<b>4,752</b>	<b>111.9%</b>	-	-	<b>40,099</b>	-
<b>UA Alone Total Sales</b>	<b>43,062</b>	<b>3,639</b>	<b>109.2%</b>	<b>▲ 234</b>	<b>99.5%</b>	<b>39,423</b>	<b>43,297</b>
Business Unit Total	<b>39,383</b>	3,345	109.3%	▲ 624	98.4%	36,037	40,008
UA business	<b>23,685</b>	827	103.6%	▲ 185	99.2%	22,857	23,871
GLR business	<b>8,518</b>	993	113.2%	▲ 338	96.2%	7,525	8,857
CH business	<b>2,372</b>	▲ 51	97.9%	45	102.0%	2,423	2,327
S.B.U. and UA Labs	<b>4,806</b>	1,576	148.8%	▲ 146	97.0%	3,230	4,952
Outlet	<b>3,679</b>	293	108.7%	390	111.9%	3,385	3,288
Existing stores			99.5%			108.1%	
UA existing			99.8%			108.6%	
GLR existing			96.0%			107.3%	
CH existing			97.7%			120.7%	
S.B.U. and UA Labs existing			108.2%			93.7%	

Changes UNITED ARROWS Tokyo and Nagoya transformed business, thus is included in actual figures of UA business from the start of the term and actual figures of the previous fiscal year are retroactively calculated.



### 3. B/S Overview of Third Quarter (Consolidated/Non-consolidated)

• Total consolidated assets were 94.4% YoY at ¥38,935 million, non-consolidated assets were 94.9% YoY at ¥38,413 million.

• Main reasons of increase and decrease compared to consolidated B/S factors in the same period of previous fiscal year

Current assets: Decrease in cash (¥9.4 billion) as there was part time holding of cash for share repurchase in the previous term

Current assets: Increase in inventories (¥3.3 billion) due to actively product rollout

Fixed Assets: Increase in guarantee money for tangible and intangible assets of operating capital expenditures (¥2.8 billion)

Liabilities: Increase in accounts payable due to rise in amount of bought in products (¥2.4 billion)

Net Assets: Decline in net assets due to share repurchase (¥7.7 billion)

• Total balance of short and long term borrowings were 10.2 billion yen (increase by ¥0.5 billion)

(unit: million yen)

	Consolidated Actual (FYE Mar 2007 3Q end)			<cf> Consolidated YoY	UA Alone Actual (FYE Mar 2007 3Q end)			<cf> Alone YoY
	Composition ratio	YoY +/-		Composition ratio	Composition ratio	YoY +/-		Composition ratio
	Actual	Actual	YoY	Actual	Actual	YoY	Actual	
Total Assets	100.0%	38,935	▲ 2,325 94.4%	100.0%	41,260	38,413	▲ 2,061 94.9%	40,474
Current Assets	62.9%	24,503	▲ 5,154 82.6%	71.9%	29,658	23,192	▲ 5,268 81.5%	28,461
Fixed Assets	37.1%	14,431	2,829 124.4%	28.1%	11,602	15,220	3,207 126.7%	12,012
Current Liabilities	43.1%	16,772	▲ 1,996 89.4%	45.5%	18,768	16,302	▲ 1,769 90.2%	18,071
Fixed Liabilities	12.2%	4,747	4,414 1424.3%	0.8%	333	4,742	4,429 1515.9%	312
Net Assets (Shareholders' Equity)	44.7%	17,415	▲ 4,743 78.6%	53.7%	22,159	17,368	▲ 4,721 78.6%	22,089

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

- **This term: store opening 32, store closing 3, store closing due to re-branding 4. Number of stores at the term end is planned to be 104.**
- **Changes in plans from announcement in the Interim**
  - GLR Hakata was closed due to closure of Hakata IZUTSUYA new store opening is being considered
  - The two Changes stores (Tokyo, Nagoya) that were UA Label Image Stores were closed.
  - The two Odette é Odile stores that were planned to be opened in 2H are going to be opened in April.

**Number of store openings by business**

		Number of Stores	New stores planned			Transform/Close	FYE Mar/07 Estimate	Store space at opening (m <sup>2</sup> )	Planned renewals/extensions		
			Full term	1H	2H				Planned transfer/renewal/extension	Full term	1H
<b>Total</b>		<b>79</b>	<b>32</b>	<b>18</b>	<b>14</b>	<b>7</b>	<b>104</b>		<b>3</b>	<b>2</b>	<b>1</b>
Core	Existing UA	23				4	19	-	2	0	2
	UA Label Image Store	4	1	1		2	3				
	New UA	0	5	3	2		5	198 ~ 462			
Bix.	B&Y	0	4	2	2		4	165 ~ 330			
	GLR	24	4	1	3	1	27	264 ~ 330			
	GLR New Form	3	2	1	1		5	83 ~ 99			
	CH	3					3	-			
SBU	Another Edition	7	4	3	1		11	83 ~ 116	1	1	
	Jewel Changes	1	2	2			3	-			
	Odette é Odile	6	5	4	1		11	50 ~ 66			
	DRAWER	2	2		2		4	approx. 165			
	DARJEELING DAYS	4					4	-			
	Disney Loved By Nature for UA	0	2		2		2	66 ~ 83			
Labs	TOKISHIRAZU	2					2	-			
	Liquor, woman and tears	0	1	1			1	approx. 50			

UA Label Image Store = (THE SOVEREIGN HOUSE: 1, District UNITED ARROWS: 1, Cath Kidston: 1)



## cf: Details of Store Opening/Removal/Extension (Definite Projects only)

### Details of Store Openings and Transfers in 1H

Form	Biz	Business unit	Outline	Timing	Store name	Name of facility	Space (m <sup>2</sup> )	Opening day
New Openings	UA	New UA	transfer	Sep	Kobe Motomachi	roadside store	floor space 490	1-Sep
			removal	Sep	Fukuoka	VIORO (new facility)	floor space 574	15-Sep
			transfer	Sep	Yurakucho	Yurakucho SEIBU	floor space 423	9-Sep
		B&Y UA	new	Sep	Fukuoka	roadside store	floor space 445	15-Sep
			new	Sep	Yurakucho	Yurakucho SEIBU	floor space 212	9-Sep
		UA Label Image Store	new	Sep	Cath Kidston Daikanyama	roadside store	floor space 109	16-Sep
	GLR	GLR General Store	new	Sep	Kawasaki	LAZONA Kawasaki Plaza	floor space 412	28-Sep
		GLR New Biz Form Store	new	Sep	FACADE Fukuoka SOLARIA PLAZA	SOLARIA PLAZA	floor space 86	9-Sep
	S.B.U.	Another Edition	new	Apr	Shibuya	Shibuya PARCO	floor space 79	14-Apr
			new	Apr	Sapporo	STELLA PLACE	floor space 112	29-Apr
			new	Sep	Machida	near Machida Station	floor space 106	28-Sep
		Jewel Changes	new	Sep	Fukuoka SOLARIA PLAZA	SOLARIA PLAZA	floor space 100	9-Sep
			new	Sep	Roppongi Hills	ROPPONGI HILLS	floor space 126	15-Sep
		Odette é Odile	new	Apr	Ikebukuro	Ikebukuro PARCO	floor space 69	27-Apr
			new	Sep	Fukuoka	VIORO (new facility)	floor space 88	15-Sep
			new	Sep	Namba MARUI	Namba MARUI	floor space 80	22-Sep
			new	Sep	Yurakucho Hankyu	Yurakucho HANKYU	floor space 51	6-Sep
UA labs		Liquor, woman and tears	new	Sep	Liquor, woman and tears	Minami-Aoyama (roadside)	floor space 66	1-Sep
Transfer	S.B.U.	Another Edition	transfer	Sep	Fukuoka	SOLARIA PLAZA	floor space 89	9-Sep



**Details of store opening/removal/extension in 2H and beginning of next term (definite projects only for next term)**

Form	Biz	Business unit	Outline	Timing	Store name	Name of facility	Space (m <sup>2</sup> )	Opening day
New Openings	UA	New UA	new	Oct	Kobe Sannomiya	M-INT KOBE	total space 241	4-Oct
			transfer	Mar	Niigata	BILLBOARD PLACE	total space 231	due Mar-2
		B&Y UA	new	Oct	Kobe Sannomiya	M-INT KOBE	total space 354	4-Oct
			new	Mar	Niigata	BILLBOARD PLACE	total space 274	due Mar-2
	GLR	GLR General Store	new	Nov	Kanazawa	Kanazawa FORUS	total space 333	2-Nov
			new	Mar	LaLaport YOKOHAMA	LaLaport YOKOHAMA	total space 418	due Mar-15
			new	Mar	Shibuya MARK CITY	Shibuya MARK CITY	total space 266	due Mar-15
		GLR New Biz Form Store	new	Oct	FACADE Shinjuku MYLORD	Shinjuku MYLORD	total space 53	13-Oct
	S.B.U.	Another Edition	new	Spring	Omiya	Omiya LUMINE	total space 139	due Mar-8
		Odette é Odile	new	Spring	Niigata	BILLBOARD PLACE	total space 101	due Mar-2
		DRAWER	new	Oct	Shins aibashi	roadside store	total space 167	19-Oct
			new	Feb	Fukuoka	roadside store	total space 173	8-Feb
		Disney Loved By Nature for UA	new	Mar	Jiyugaoka	roadside store	total space approx. 99	due Mar-1
			new	Mar	LaLaport YOKOHAMA	LaLaport YOKOHAMA	total space 82	due Mar-15
	Outlet	new	Nov	Minami Osawa	LA FETE TAMA	total space 231	16-Nov	
new		Mar	Minami Machida	Granberry Mall	total space 140	due Mar-2		
Renewal	UA	Existing UA	renewal	Feb	Futagotamagawa	Tamagawa Takashimaya SC	total space 405	9-Feb
			renewal	Feb	UNITED ARROWS HARAJUKU FOR WOMEN	roadside store	floor space 671	26-Jan
Closing	UA	Image Label Store	closing	Feb	Changes UA Tokyo	roadside store	floor space 241	end of Jan
			closing	Feb	Changes UA Nagoya	Nagoya Matsuzakaya	floor space 179	end of Jan
	GLR	GLR General Store	closing	Mar	Hakata	Hakata IZUTSUYA	floor space 255	due Mar-19

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

**Details of store opening/removal/extension next term (definite projects only)**

Form	Biz	Business unit	Outline	Timing	Store name	Name of facility	Space (m <sup>2</sup> )	Opening day
New Openings	UA	New UA	new	Apr	Marunouchi	SHIN-MARUNOUCHI BUILDING	total space 545	due Apr-27
	S.B.U. and UA Labs	Odette é Odile	new	Apr	Marunouchi	SHIN-MARUNOUCHI BUILDING	total space 92	due Apr-27
			new	Apr	Nagoya LACHIC	LACHIC	total space 129	due Apr-27
		TOKISHIRAZU	new	Apr	Nagoya	Nagoya PARCO	total space 101	due Apr-20
		Outlet	new	Apr	Chitose	Chitose Rera	total space 493	due Apr-20



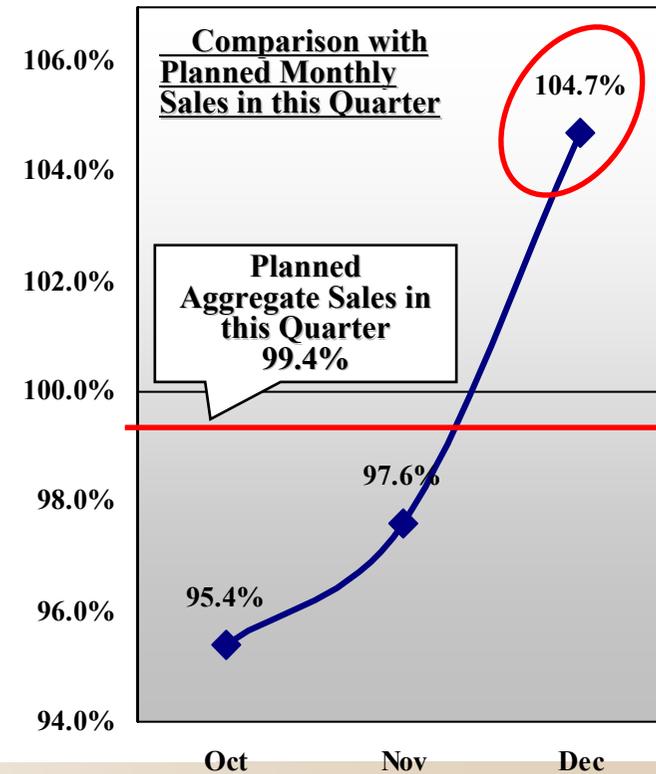
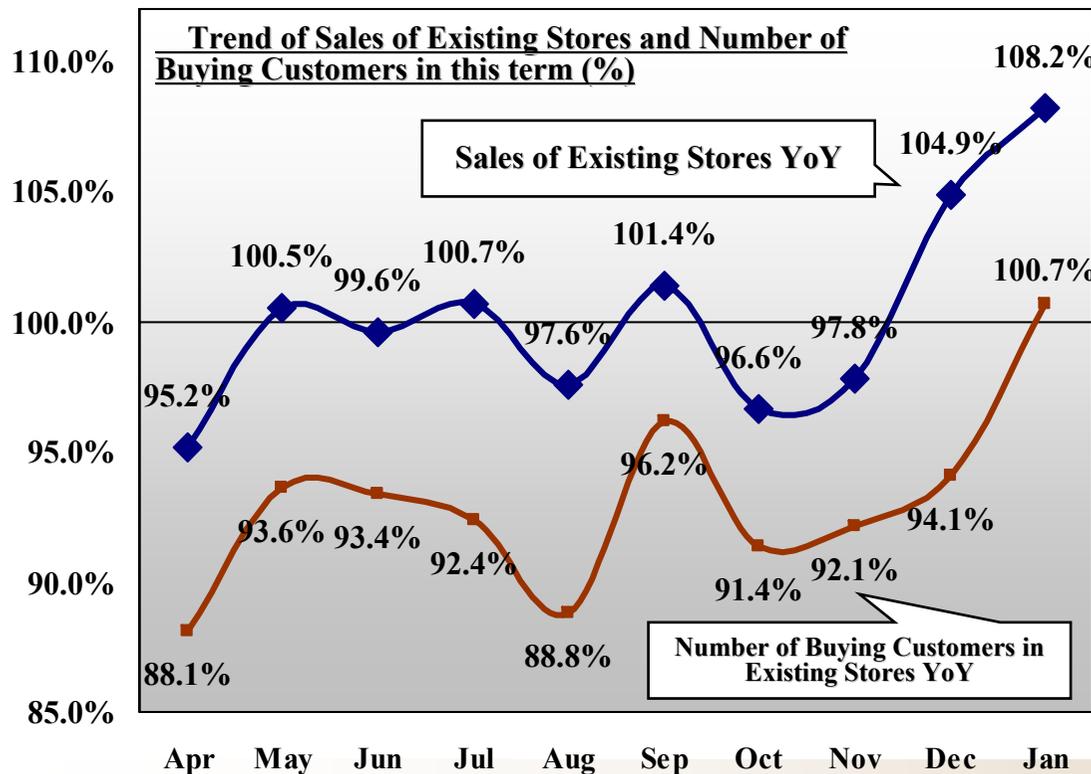
# . Current Trend and Progress of Business Strategy

## 1. Current Trend

Sales have been favorable since last December. Number of customers in existing stores in January exceeded last year's figures.

UA alone sales in this quarter (3 months) was 99.4% of plan, but results in December largely exceeded plans.

Results in January also reached plans, and total company sales during the ten months from April to January reached initial plans.



## 2. Reasons of current positive sales trend

**1. Actively bring in merchandise that sell well (improve amount and quality of inventory)  
actively build up inventory as sales opportunity loss occurred last F/W to spring**

**2. UA Women's management by apparel experienced manager (from June 2006) has  
improved constant flow of hit products  
(UA Women' sales of existing stores by each quarter 1Q: 94.0%, 2Q: 100.5%, 3Q: 107.4%)**

**3. Strengthen cooperation between merchandise section and sales section  
(by supervisor) and provide sales space that is more attractive**

**4. Good performance in Internet sales mainly on-line shopping town  
"ZOZOTOWN", sales overwhelmed previous term  
(Aggregate sales of mail order during April to December: ¥1.3 billion, 360% YoY)**

### 3. Progress of issues decided in 2H

#### Progress of core issues

##### **Strengthening products**

- **Revised basic product strategy and made DVD explaining strategies by founders of the company to realize a focused, clear product plan. Made lectures to merchandise related staff and examinations to penetrate strategies.**

##### **Strengthening sales**

- **Basic sales strategy now under revision. (to be completed by April)**
- **Preparation of placing whole company sales supervision department to plan customer service project, penetrate basic strategy, making operating manual, etc.**

##### **Strengthen cooperation and share information between merchandise and sales section**

- **UA: supervisors connecting both sections will operate mainly in busy stores in the metropolitan area**
- **GLR: members of market planning department which have the same function will mainly go around stores that have high sales**

## Progress of each business

### UA Business

- **Start product rollout by 52-Weeks Merchandizing (plan weekly sales and buy-in based on store-front) from S/S 2007 products** season from mid-January has started off well
- **Plan merchandise events every week other than bargain sale weeks (total 50 weeks per year) from January 2007**
  - Realize attractive store space together with product rollout
- **Appoint department manager who has experience in apparel to men's merchandise department from November 2006**
  - improve operating level of planning, manufacturing, adding and correcting of self planned products
- **UA store re-branding**
- **Decrease lack of products**
  - actively expanding to fill lack of 2007 S/S merchandise
  - (casual merchandise of new UA, dress merchandise of B&Y)
- **Modify interior of B&Y**
  - **Existing stores: improve display method of products**
    - promote an easy-to-look store display by each product category
  - **New stores to be opened: place creative director ("CD") of B&Y. Revise interior concept under new CD's supervision.**
    - (new stores opening this spring: minor change, new store opening this autumn; new concept)
- **Improve acknowledgement**
  - Especially in Fukuoka area where new UA and B&Y are not neighbored, active notice of B&Y by new UA staff and events to promote acknowledgement of B&Y have been carried forward.

## **GLR Business**

- **Strengthen mobility of product rollout (more flexible addition of products or correction of products)**
- **Partially shift production from overseas to domestic factories in order to achieve above.**
- **Strengthen research and gathering information by business head office (market planning department)  
reflect into product planning and store front planning from S/S 2007**
- **Place fashion director for FACADE GREEN from January 2007. Aim better product planning to fit each store location.**

## **Strengthen support of staff section**

- **Start monthly forecast meeting by each business department  
enable speedy response**
- **Examine and start measures (support qualification exams, fulfill honor systems, support overseas training programs, etc. ) by human resources to improve employee satisfaction**

## 4. Topics and direction for mid to long term growth

- ✓ Gather enough sales staff (especially part time workers) and improve quality of sales
- ✓ Settle and stabilize management of 52-Weeks Merchandising of main business (UA, GLR)
- ✓ Find most suitable inventory level with consideration of sales balance
- ✓ Structure most suitable merchandising focusing on attractive store spaces
- ✓ Plan new mid to long term strategy to step forward

**Sales over ¥100 billion, ordinary profit over ¥15 billion  
by FYE March 2011**

## **cf: Progress of other high priority issues**

### **Strengthening CRM using house cards as a start point**

- **Number of card holders: 34 million (+8 million from Interim)**
- **Sales of card holders exceed non-card holders by spending per item, number of bought items per customer, spending per customer (spending per customer of card holders is twice the number of non-card holders)**
- **By the middle of next term, a system that can analyze sales and process data sampling at stores will be introduced for more focused sales promotion.**

### **Improving efficiency of store front service**

- **Short time workers: operating in 11 busy stores, UA: 4 stores, GLR: 4 stores, Another Edition: 2 stores, Odette é Odile: 1 store.**
- **In 3 stores, short time workers were placed during the less busy hours in the morning, and in the busy hours placed more employees and part time workers to grow further sales.**

#### **Cf: High priority issues in this term**

- **Promotion of 52-Weeks Merchandising** · **Strengthening self-planned products**
- **Strengthening CRM using house cards as a start point** · **Improving efficiency of store front service**