



UNITED ARROWS LTD.

Fiscal Year Ending March 2012 First Quarter Earnings Announcements

August 4, 2011

UNITED ARROWS LTD.

Contents



UNITED ARROWS LTD.

. Overview of Business Results in 1Q **P 3 ~ 13**

. Progress in Addressing Priority Issues **P 14 ~ 17**

Note: In this earnings announcement, fractional sums less than one million are rounded down and percentages are 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 the date of this report, 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.

[Abbreviations]

UA/UNITED ARROWS, BY/BEAUTY & YOUTH UNITED ARROWS

GLR/UNITED ARROWS green label relaxing

CH/ CHROME HEARTS

SBU/ Small Business Units

(Another Edition, Jewel Changes, Odette é Odile UNITED ARROWS, DRAWER,
ARCHIPELAGO UNITED ARROWS LTD., THE AIRPORT STORE UNITED ARROWS LTD.)

P/L Overview

Increase in revenue and earnings

YoY increase in consolidated sales (114.5%) and consolidated ordinary income (140.0%)

- 0.7 of a percentage point YoY deterioration in the gross margin to 56.5%
- 3.1 percentage point YoY improvement in SGA expenses to sales ratio to 43.6%
- Extraordinary loss of ¥133 million

(¥108 million impairment and other loss due to the renewal and relocation of stores)

Note: ¥921 million difference between previous period asset retirement obligation amortization on a YoY basis

(Millions of yen)

	Consolidated Results				Previous 1Q		Non-Consolidated Results				Previous 1Q	
	FY12 1Q						FY12 1Q					
	Results vs. Sales		YoY	%	Results vs. Sales	Results vs. Sales		YoY	%	Results vs. Sales		
Sales	23,448	100.0%	2,972	114.5%	20,475	100.0%	22,083	100.0%	2,769	114.3%	19,313	100.0%
Gross Profit	13,237	56.5%	1,532	113.1%	11,704	57.2%	12,385	56.1%	1,437	113.1%	10,948	56.7%
SGA Exp.	10,234	43.6%	678	107.1%	9,556	46.7%	9,501	43.0%	796	109.2%	8,704	45.1%
Operating Inc.	3,003	12.8%	854	139.8%	2,148	10.5%	2,884	13.1%	640	128.6%	2,243	11.6%
Non Op. P/L	14	0.1%	7	212.7%	6	0.0%	20	0.1%	(4)	83.3%	25	0.1%
Ordinary Inc.	3,017	12.9%	862	140.0%	2,155	10.5%	2,905	13.2%	636	128.0%	2,268	11.7%
Extraordinary P/L	(133)	-0.6%	966		(1,099)	-5.4%	(129)	-0.6%	924		(1,054)	-5.5%
Net Income	1,626	6.9%	1,524		102	0.5%	1,572	7.1%	1,241	474.2%	331	1.7%

Non-Consolidated Sales by Sales Channel

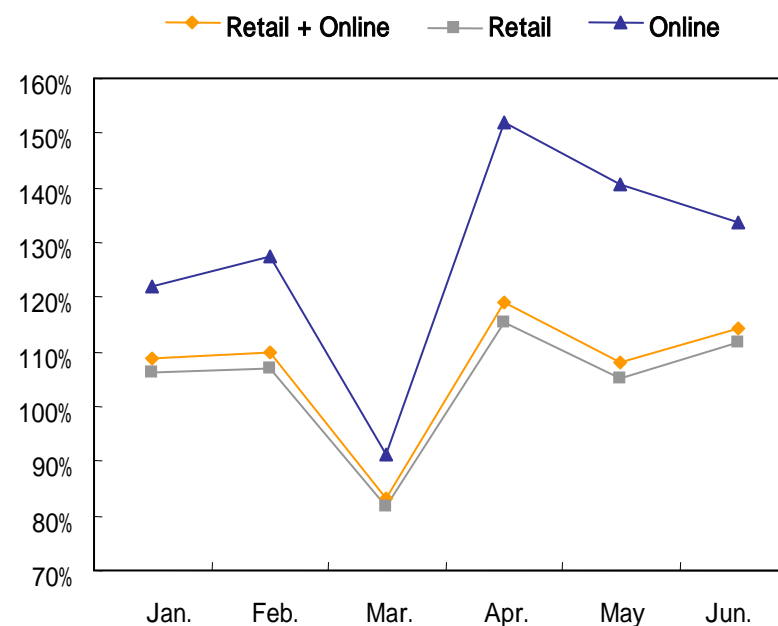
Robust existing retail stores and online sales

- Increase in revenue at new and existing retail stores
- Increased in revenue from online sales mainly ZOZOTOWN and own online store
- Decrease in sales due to the permanent and temporary closure of outlet stores offset by the increase in revenue at new stores and growth in stores neighboring the Tokyo Metropolitan area

(Millions of yen)			
Non-Consolidated Results			
FY12 1Q			
	Results	YoY	%
Sales	22,083	2,769	114.3%
Total Business Unit Sales	19,132	2,508	115.1%
Retail	16,616	2,030	113.9%
Online	2,284	456	125.0%
Outlet	2,950	261	109.7%

Trends in Existing Store Sales			
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	113.6%	-	-
Retail	110.4%	106.0%	104.2%
Online	141.1%	-	-

Trends in Existing Store Sales



Non-Consolidated Sales by Business Type

Revenue from the Group's three mainstay businesses

- Increase in revenue from existing and new UA stores
- Increase in revenue from existing and new GLR stores
- Increase in revenue from existing and new CH stores
- Decrease in revenue due to the drop in sales following withdrawal from such SBUs as Cath Kidston and TOKISHIRAZU stores during the previous fiscal year

(Millions of yen)

Non-Consolidated Results			
FY12 1Q			
	Results	YoY	%
Total Business Unit Sales	19,132	2,508	115.1%
UA	9,899	1,135	113.0%
GLR	5,032	1,220	132.0%
CH	1,508	387	134.6%
SBUs	2,691	(234)	92.0%

Existing Store YoY			
	Retail + Online	Retail	Online
UA	112.0%	108.4%	147.2%
GLR	115.7%	111.1%	145.6%
CH		132.4%	
SBUs	106.7%	103.5%	122.5%

Non-Consolidated Gross Margin

Decrease in the gross margin of 0.6 of a percentage point due mainly to a change in the inventory management method for sample products

- Increase in loss on product valuation reflecting a change in the inventory management method for sample products
- Total business units: Upswing in the buying cost ratio due to an increase in the share of purchased brands and miscellaneous goods
- Outlet: Drop in the gross margin owing to the reduction of previous periods' inventory

(Millions of yen)			
Non-Consolidated Results			
FY12 1Q			
	Results	YoY	%
Gross Margin	56.1%	56.7%	-0.6%
Total Business Unit Sales	59.4%	59.6%	-0.2%
Outlet	37.1%	38.4%	-1.2%
Other COGS	69	(11)	81

Other COGS: Loss on product devaluation, disposal costs, etc.

Non-Consolidated SGA Expenses

SGA expenses to sales ratio declined 2.1 percentage points due to improvements in cost efficiency

- Advertising expenses: Increase attributable to the placement of magazine and television advertising, the publication of catalogues and other activities
- Personnel expenses: Increase owing the recruitment of additional personnel; decrease of 0.7 of a percentage point to sales
- Rent: Increase commensurate with new and existing store sales; decrease owing to the withdrawal from stores; decrease of 0.7 of a percentage point to sales
- Depreciation: Increase attributable to the opening of new stores and renovation of existing stores; decrease due to the withdrawal from stores
- Furniture and fixtures as well as consumables expenses: Increase in donation in kind; decrease in the cost of utilities following the installation of LED lighting

(Millions of yen)

	Non-Consolidated Results FY12 1Q				YoY	
	Results vs. Sales		YoY	%	Results vs. Sales	
	Results	vs. Sales			Results	vs. Sales
Sales	22,083	100.0%	2,769	114.3%	19,313	100.0%
SGA Expenses	9,501	43.0%	796	109.2%	8,704	45.1%
Advertising Expenses	375	1.7%	84	128.9%	291	1.5%
Personnel Expenses	3,519	15.9%	307	109.6%	3,211	16.6%
Rent	2,686	12.2%	198	108.0%	2,488	12.9%
Depreciation	290	1.3%	1	100.4%	289	1.5%
Other	2,629	11.9%	205	108.5%	2,423	12.5%

B/S Overview



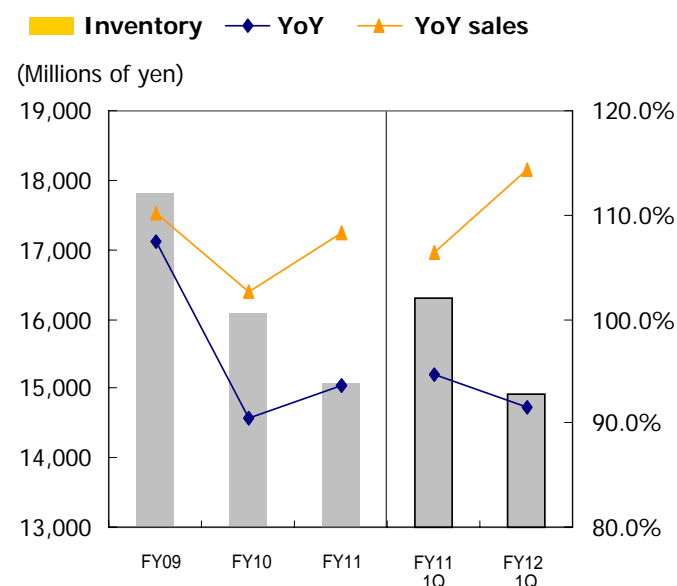
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- Current assets: Increase in accounts receivable – other; decrease in cash and deposits
- Noncurrent assets: Increase in buildings and structures commensurate with the opening of new stores; decrease in intangible noncurrent assets
- Current liabilities: Increase in current portion of long-term loans; decrease in short-term loans payable
- Noncurrent liabilities: Increase in long-term loans payable
- Interest bearing debt: 96.6% YoY
- Total net assets: Increase in retained earnings

Note: Non-consolidated inventory: 91.6% YoY (Please refer to the graph)

	(Millions of yen)			(Millions of yen)		
	Consolidated Results			Non-Consolidated Results		
	FY12 1Q			FY12 1Q		
	Results	Share	YoY	Results	Share	YoY
Total Assets	46,092	100.0%	100.8%	45,731	100.0%	101.2%
Current Assets	28,756	62.4%	101.5%	27,442	60.0%	102.2%
Noncurrent Assets	17,335	37.6%	99.8%	18,289	40.0%	99.7%
Current Liabilities	21,597	46.8%	78.6%	20,692	45.2%	78.5%
Noncurrent Liabilities	8,376	18.2%	267.9%	8,182	17.9%	278.6%
Total Net Assets	16,118	35.0%	106.7%	16,856	36.9%	106.1%
Interest bearing Debt	15,588	33.8%	96.6%	15,488	33.9%	97.8%

Trends in Non-Consolidated Inventory



C/F Overview



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- Cash flows from operating activities: (Factors contributing to an increase) Increase in income before income taxes; (Factors contributing to a decrease) Increase in notes and accounts receivable – trade; Increase in income taxes paid
- Cash flows from investing activities: (Factors contributing to a decrease) Purchase of property, plant and equipment
- Cash flows from financing activities: (Factors contributing to an increase) Increase in long-term loans payable; (Factors contributing to a decrease) Net decrease in short-term loans payable; Repayment of long-term loans payable

	(Millions of yen)	
	Consolidated Results FY12 1Q	Previous 1Q
	Results	Results
Cash flows from operating activities (sub-total)	1,485	637
Cash flows from operating activities	788	(1,121)
Cash flows from investing activities	(790)	(722)
Cash flows from financing activities	(1,036)	1,516
Increase/decrease in cash and cash equivalents	(1,038)	(327)
Cash and cash equivalents at the beginning of the term	5,471	4,061
Cash and cash equivalents at the end of the term	4,432	3,733

Store Opening / Closing Plan



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- FY12 1Q consolidated number of stores:
Opened: 12; Closed: 1; Total number of stores at the end of the period: 217
- FY12 consolidated number of stores (planned):
Opened: 38; Closed: 6; Total number of stores at the end of the period (planned): 238

	FY12 1Q				FY12 (Planned for the Full Term)				
	No. of stores at the beginning of the period	Opened	Closed	No. of stores at the end of the period	Opened			Closed	No. of stores at the end of the period
					Full Term	1H	2H		
Total Consolidated	206	12	1	217	38	16	22	6	238
Total Non-Consolidated	161	11	1	171	32	13	19	5	188
UNITED ARROWS Total	50	4		54	12	4	8		62
UNITED ARROWS (General Merchandise Store)	11			11	1		1		12
UNITED ARROWS	15	1		16	4	1	3		19
BEAUTY & YOUTH	22	3		25	7	3	4		29
UA Label Image Stores	2			2					2
green label relaxing	42	3		45	8	4	4	3	47
CHROME HEARTS	6			6	1		1		7
SBU's Total	48	3	1	50	9	4	5	1	56
Another Edition	14			14					14
Jewel Changes	6	2	1	7	2	2		1	7
Odette é Odile	19	1		20	3	1	2		22
DRAWER	5			5	1	1			6
Cross	1			1					1
Sales-	3			3					3
Type	0			0	3		3		3
Rest Areas on Highways, Train Stations, etc.									
Outlet	15	1		16	2	1	1	1	16
FIGO CO., LTD.	11			11	1	1		1	11
COEN CO., LTD.	34	1		35	5	2	3		39

Group Companies



UNITED ARROWS LTD.

FIGO
CO., LTD.



COEN CO., LTD. **co en**

Increase in revenue attributable to the recovery in wholesale activities and contributions from new stores

- Robust sales of purses and wallets, leather bags and season collection goods
- Steady progress in the implementation of sales and marketing reforms under the guidance of Tetsuya Iwaki, the company's newly appointed president
 - Building an SCM business with Felisi
 - Strengthening product planning verification
 - Bolstering sales capabilities



Felisi KICHIJYOJI

Robust results at existing retail stores (around 115%)

- Successful implementation of promotional initiatives; strong sales of primarily of mainstay items
- Steady progress in the opening and relocation of stores in urban commercial facilities
 - New Futakotamagawa Dogwood Plaza store opened
 - Yokohama Cial store relocated as the Yokohama Marui City store



COEN Futakotamagawa Dogwood Plaza

Earnings Forecasts for the Full Term Fiscal 2012

- No change to previously disclosed earnings forecasts
- Ongoing uncertainty surrounding the impact on consumer confidence of such factors as restrictions on the supply of electric power over the summer period as a result of the earthquake disaster

	Consolidated Results					Non-Consolidated Results					(Millions of yen)	
	Full Term FY12				FY11		Full Term FY12				FY11	
	Forecasts		YoY	Results		Forecasts		YoY	Results			
		vs. Sales			vs. Sales		vs. Sales			vs. Sales		
Sales	95,547 ~ 96,493	100.0%	105.5 ~ 106.5%	90,571	100.0%	89,112 ~ 90,057	100.0%	104.7 ~ 105.8%	85,090	100.0%		
Gross Profit	51,163 ~ 51,707	53.5 ~ 53.6%	106.6 ~ 107.7%	48,001	53.0%	47,323 ~ 47,868	53.1 ~ 53.2%	105.8 ~ 107.0%	44,726	52.6%		
SGA Exp.	43,439 ~ 43,583	45.5 ~ 45.2%	106.9 ~ 107.3%	40,617	44.8%	40,198 ~ 40,343	45.1 ~ 44.8%	106.9 ~ 107.3%	37,599	44.2%		
Operating Inc.	7,724 ~ 8,124	8.1 ~ 8.4%	104.6 ~ 110.0%	7,384	8.2%	7,124 ~ 7,524	8.0 ~ 8.4%	100.0 ~ 105.6%	7,126	8.4%		
Non Op. P/L	(45)	0.0%		(143)	-0.2%	(24)	0.0%		(65)	-0.1%		
Ordinary Inc.	7,678 ~ 8,078	8.0 ~ 8.4%	106.0 ~ 111.6%	7,240	8.0%	7,100 ~ 7,500	8.0 ~ 8.3%	100.6 ~ 106.2%	7,061	8.3%		
Extraordinary P/L	(390)	-0.4%		(1,312)	-1.4%	(387)	-0.4%		(1,325)	-1.6%		
Net Income	4,195 ~ 4,423	4.4 ~ 4.6%	116.6 ~ 123.0%	3,596	4.0%	3,826 ~ 4,054	4.3 ~ 4.5%	131.1 ~ 138.9%	2,919	3.4%		

Reference: Fiscal 2012 Non-Consolidated Sales Forecasts by Sales Channel and Business Type



UNITED ARROWS LTD.

(Millions of yen)

	Full Term FY12		FY11
	Forecasts	YoY	Results
Non-Consolidated Sales	89,112 ~ 90,057	104.7 ~ 105.8%	85,090
Total Business Unit Sales	78,414 ~ 79,360	106.6 ~ 107.9%	73,552
Retail	68,739 ~ 69,568	108.1 ~ 109.4%	63,595
Online	8,960 ~ 9,068	99.6 ~ 100.8%	8,997
Outlet	10,697	92.7%	11,538
UA	41,375 ~ 41,874	105.0 ~ 106.3%	39,402
GLR	19,954 ~ 20,195	121.8 ~ 123.3%	16,384
CH	5,151 ~ 5,213	105.9 ~ 107.2%	4,862
SBU's	11,932 ~ 12,076	92.5 ~ 93.6%	12,903

	Existing Stores YoY Forecasts		
	Retail + Online	Retail	Online
Total Business Unit Sales	101.7 ~ 103.0%	100.4 ~ 101.6%	111.3 ~ 112.7%
UA	100.9 ~ 102.1%	99.4 ~ 100.6%	113.0 ~ 114.3%
GLR	104.9 ~ 106.2%	103.7 ~ 104.9%	112.0 ~ 113.4%
CH		97.7 ~ 98.9%	
SBU's	101.8 ~ 103.0%	100.8 ~ 102.0%	106.6 ~ 107.9%

Progress in Addressing Priority Issues (1)

Non-consolidated priority issue (1): Bolster the collaboration cycle between the product, sales and promotion divisions

- Products: Enhance original product (private-label) development capabilities incorporating input from the sales division
- Sales: Strengthens store management and enhance product planning verification capabilities
- Promotion: Implement various promotional initiatives in collaboration with product planning; undertake new initiatives utilizing social media

Example: GLR business initiatives

Launched the green label relaxing fan site that combines such social media as twitters, Facebook and blogs in March 2011



Commence initiatives aimed at expanding the customer (fan) base

- Visual magazine advertising surveys
- Coupons utilizing "Good!" buttons to attract customers (fans)
- Functional product monitor campaign
- Trial introduction of check-in coupons



Twitter

Facebook

Blog

green label relaxing fan

Progress in Addressing Priority Issues (2)

Non-Consolidated priority issue (2): Enhance productivity and ensure diversified cost control

- Increase productivity by strengthening collaboration between related divisions and improving operating processes and practices

UA: Increase productivity by strengthening head office management
(eliminate inventory discrepancies and reduce overtime)

BY: Improve the precision of estimated demand taking into consideration
requests from stores, response by industry and other participants and
result of online advanced order

GLR: Increase store productivity
(raise the level of trainers and visual merchandising (VMD) responsible and other staff)

- Implement cost control finely tuned to earnings
 - Reduction in SGA expenses to sales ratio by 2.1 percentage points due to improvements in cost efficiency
- Improve inventory efficiency by improving the planning accuracy of sales initiatives
 - Adhere strictly to a policy of proper pricing as well as sale and outlet sales ratio weekly management
 - 3.4 percentage point year-on-year improvement in the sales ratio including outlet sales

Progress in New Sales Channel Strategies

Airports

- Upgrade and expand product planning and head office support focusing mainly on UA products
- Steady progress in accordance with plans from the 1Q, excluding the Narita Airport store

Department Stores

- Opened the UA DAIMARU KOBE WOMEN'S STORE on February 23, 2011
- Narrowed the product mix to items that match the specific attributes of departments stores; implementing adjustments in VMD

TV-based Shopping Channel

- Three broadcasts during the 1Q (April 4, April 15 and May 23); progress exceeding plans
- Contributions from an expanded customer base; favorable impact on retail store sales
- Plans for monthly broadcasts excluding sale months



UA DAIMARU KOBE WOMEN'S STORE

Support for Areas Affected by the Great East Japan Earthquake and Countermeasures Aimed at Conserving Electric Power

Promoting the "MOVING ON TOGETHER!" charity project in support of areas affected by the Great East Japan Earthquake

- Donations of a portion of product sales;
conduct of donation, charity and other events
- Collection of donations and stores and offices
- Total support of approximately ¥113 million as of June 30, 2011

Countermeasures aimed at conserving electric power

- Stores
 - Adjustments to air conditioning temperatures while maintaining customer comfort
 - Ensuring that lights are switched off for all unused space
 - Installed LED lighting at effectively all stores as of March 2011
- Offices
 - Strict adherence to an air conditioning temperature of around 28
 - Reduction in the number of lights used

Reduction of approximately 27% in electric power consumed during April and May 2011 compared with the corresponding period of the previous year



Charity Monkey

Sales price including taxes: ¥945
50% of sales proceeds donated



Reduction in the number of
lights used in offices