November 5, 2010

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

Corporate Name:	UNITED ARROWS LTD.
Securities Traded:	Tokyo Stock Exchange, First Section
Code Number:	7606
URL:	http://www.united-arrows.co.jp/
Representative:	Osamu Shigematsu, Representative Director, Executive Officer and President
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Scheduled reporting date:	November 11, 2010
Supplementary information:	Yes
Financial Results Briefing for Analysts and institutional investors:	Yes

*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.

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

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

(1)Consolidated Business Performance (aggregate)

(% indicates increase/decrease YoY)

	Net sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
2Q FYE March 2011	41,387	8.4	2,657	66.7	2,566	56.3
2Q FYE March 2010	38,196	4.2	1,594	86.6	1,642	90.3

	Quarterly net income		Quarterly net income per share	Quarterly net income per share after adjusting dilutive shares
	¥ million	%	yen	yen
2Q FYE March 2011	253	(59.1)	5.99	5 97
2Q FYE March 2010	618	272.8	14.65	-

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	yen
2Q FYE March 2011	47,232	22,782	48.2	539.57
FYE March 2010	46,163	23,327	50.5	552.68

(Reference) Net worth 2Q FYE March 2011: ¥22,782 million, FYE March 2010: ¥23,327 million

2. Conditions of Dividend Payment

	Dividend per share				
	1Q	2Q	3Q	Term end	Annual
	yen	yen	yen	yen	yen
FYE March 2010	-	10.0	-	18.0	28.0
FYE March 2011	-	10.0			
FYE March 2011 (est.)			-	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
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: None

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: None
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)

2Q FYE March 2011	42,800,000 stocks
FYE March 2010	42,800,000 stocks

2. Number of treasury stocks

2Q FYE March 2011	577,570 stocks
FYE March 2010	591,970 stocks

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

2Q FYE March 2011	42,221,958 stocks
FYE March 2010	42,208,069 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.

Qualitative Information on Consolidated Business Performance

In the first half of the fiscal year (from April 1, 2010 to September 30, 2010), Japanese economy experienced gradual recovery as affects of the fiscal stimulus measures by government and improvement of overseas economies. However, future outlook for Japanese economy continue to be uncertain as factors such as abrupt appreciation of the yen, decline in stock values, and anxious prospects of overseas economies still remains.

The operating environment in apparel retail industry which UNITED ARROWS GROUP belongs continued to be severe as consumers were low price oriented and their spending behaviors were sluggish. In addition, historical heat wave in this summer slowed down the move of fall and winter items.

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 3 key challenges as follows;

1) Establish store management system and maximize customer satisfaction by ensuring through implementation of basic sales 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. Also, we held workshops for store managers in order to improve their management skills. 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 various divisions in order to increase accuracy of operations. In addition, we examined non-core work in stores with the aim to lighten the workload on store operation and introduced labor control system which enables us to enhance store productivity into selected stores on a trial basis.

In the first half of the fiscal year, 1 store was opened in UA business, 2 stores were opened in GLR business, 1 store was opened in CHROME HEARTS, 5 stores were opened in SBUs and UA Lab, and 2 outlet stores were opened. As a result, total number of retail stores increased to 146 and total number of stores including outlet stores increased to 163 stores as of September 30, 2010.

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

Consolidated subsidiary COEN CO., LTD. (accounting month: January) which we accelerate opening stores as a key driver of future growth in our medium-term business strategy opened 4 stores in this first half of the fiscal year, and total number of stores has increased up to 30 stores as of July 31, 2010.

Consolidated subsidiary PERENNIAL UNITED ARROWS CO., LTD. (PERENNIAL, accounting month: January) opened 1 store and closed 1store, and total number of stores were 6 stores as of July 31, 2010. We have resolved the dissolution of PERENNIAL on April 23, 2010 and all existing stores were closed by the end of September, 2010.

As a result, net consolidated sales for the first half of this fiscal year were ¥41,387 million, 8.4% increase compared to the first half of the previous fiscal year. Gross margin improved by 12.9% compared to the first half of the previous fiscal year to ¥22,069 million. This progress was due to implementation of product platform in UNITED ARROWS LTD., which ensure a streamlined approach to product purchasing and manufacturing as well as inventory reduction, thus profitability both in regular and outlet stores were improved. Selling, general and administrative expenses increased by 8.2% to ¥19,411 million compared to the first half of the previous fiscal year, resulting from 1) an increase of rent due to sales growth and rising number of new stores and 2) aggressive sales promotion including the first anniversary promotion for our own online shopping site, the UNITED ARROWS LTD. Online Store. However, this increase was lower than the growth of sales because of cost reduction throughout company.

As a result, consolidated operating income increased by 66.7% to ¥2,657 million and ordinary income increased by 56.3% to ¥2,566 million compared to the first half of the previous fiscal year. Net quarterly income decreased by 59.1% to ¥253 million as there was extraordinary loss of ¥1,300 million, including applications of accounting standard, asset retirement obligations of ¥921 million and impairment loss of ¥319 million for store relocations, renewals, and closures.

Quarterly Financial Conditions
(1) Quarterly Balance Sheet (Consolidated)

(million yen)

	Current 1H results (as of September 30, 2010)	Summary of balance sheet of previous fiscal year (as of March 31, 2010)
Assets		
Current assets		
Cash and deposits	3,885	4,173
Notes and accounts receivable-trade	267	308
Merchandise	17,995	16,712
Supplies	172	191
Accounts receivable-other	5,818	5,809
Other	1,606	1,916
Allowance for doubtful accounts	(39)	(42)
Total current assets	29,705	29,069
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	6,416	5,458
Other	1,685	2,043
Total property, plant and equipment	8,102	7,502
Intangible noncurrent assets		
Goodwill	—	159
Other	1,962	2,022
Total intangible assets	1,962	2,182
Investments and other assets		
Guarantee deposits	6,334	6,285
Other	1,131	1,128
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	7,461	7,409
Total noncurrent assets	17,527	17,094
Total assets	47,232	46,163

(million yen)

	Current 1H results (as of September 30, 2010)	Summary of balance sheet of previous fiscal year (as of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,054	7,670
Short-term loans payable	3,640	2,240
Current portion of long-term loans payable	2,176	2,176
Income taxes payable	850	1,731
Provision for bonuses	1,021	1,495
Provision for loss on store closing	300	418
Other	3,311	3,673
Total current liabilities	20,354	19,406
Noncurrent liabilities		
Long-term loans payable	2,244	3,332
Provision for directors' retirement benefits	91	91
Asset retirement obligations	1,748	—
Other	11	6
Total noncurrent liabilities	4,096	3,429
Total liabilities	24,450	22,835
Net assets		
Shareholders' equity		
Capital stock	3,030	3,030
Capital surplus	4,095	4,095
Retained earnings	16,602	17,119
Treasury stock	(887)	(909)
Total shareholders' equity	22,840	23,335
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(5)	(1)
Deferred gains or losses on hedges	(53)	(6)
Total valuation and translation adjustments	(58)	(7)
Total net assets	22,782	23,327
Total liabilities and net assets	47,232	46,163

(2) Quarterly Statements of Income (Consolidated)

Second Quarter (6 months aggregate)

(million yen)

	Previous 1H (6months aggregate) (From April 1,2009 to September 30, 2009)	Current 1H (6months aggregate) (From April 1,2010 to September 30, 2010)
Net sales	38,196	41,387
Cost of sales	18,654	19,317
Gross profit	19,541	22,069
Selling, general and administrative expenses	17,946	19,411
Operating income	1,594	2,657
Non-operating income		
Interest income	0	0
Dividends income	—	3
Purchase discounts	15	18
Foreign exchange gains	23	22
Other	94	55
Total non-operating income	134	101
Non-operating expenses		
Interest expenses	77	57
Commission fees	—	109
Other	9	26
Total non-operating expenses	86	192
Ordinary income	1,642	2,566
Extraordinary income		
Gain on sales of noncurrent assets	—	1
Reversal of provision for loss on store closing	—	92
Total extraordinary income	—	94
Extraordinary loss		
Loss on retirement of noncurrent assets	22	54
Impairment loss	70	319
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	921
Others	—	4
Total extraordinary loss	92	1,300
Income before income taxes	1,549	1,360
Income taxes-current	819	786
Income taxes-deferred	112	321
Total income taxes	931	1,107
Net income	618	253

(3) Quarterly Statements of Cash Flows (Consolidated)

(million yen)

	Previous 1H (6months aggregate) (From April 1,2009 to September 30, 2009)	Current 1H (6months aggregate) (From April 1,2010 to September 30, 2010)
Cash flows from operating activities		
Income before income taxes	1,549	1,360
Depreciation and amortization	579	663
Depreciation of intangible assets	146	155
Amortization of long-term prepaid expenses	39	40
Impairment loss	70	319
Amortization of goodwill	159	159
Increase (decrease) in provision for bonuses	100	(474)
Increase (decrease) in provision for loss on store closing	—	(118)
Increase (decrease) in allowance for doubtful accounts	2	(2)
Interest and dividends income	0	(4)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	921
Interest expenses	77	57
Loss of retirement of property, plant and equipment	1	5
Gain on sales of property, plant and equipment	—	(1)
Decrease (increase) in notes and accounts receivable-trade	(68)	185
Decrease (increase) in inventories	(626)	(1,263)
Decrease (increase) in other current assets	14	(156)
Increase (decrease) in notes and accounts payable-trade	827	1,384
Increase (decrease) in other current liabilities	(53)	(309)
Increase (decrease) in other noncurrent liabilities	2	9
Other	—	0
Subtotal	2,823	2,933
Interest and dividends income received	0	4
Interest expenses paid	(72)	(58)
Income taxed paid	(354)	(1,731)
Net cash provided by operating activities	2,397	1,148
Cash flows from investment activities		
Payments into time deposits	(6)	(49)
Purchase of investment securities	(4)	—
Purchase of property, plant and equipment	(470)	(806)
Purchase of intangible assets	(105)	(98)
Purchase of long-term prepaid expenses	(44)	(51)
Payment for guarantee deposits	(96)	(48)
Proceeds from sales of property, plant and equipment	—	1
Net cash provided by investment activities	(728)	(1,054)

(million yen)

	Previous 1H (6months aggregate) (From April 1,2009 to September 30, 2009)	Current 1H (6months aggregate) (From April 1,2010 to September 30, 2010)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	600	1,400
Repayment of long-term loans payable	(1,165)	(1,088)
Purchase of treasury stock	0	—
Proceeds from disposal of treasury stock	—	11
Cash dividends paid	(629)	(755)
Net cash provided by financing activities	(1,194)	(432)
Effect of exchange rate change on cash and cash equivalent	—	—
Increase (decrease) in cash and cash equivalents	474	(338)
Cash and cash equivalents at beginning of term	3,322	4,061
Cash and cash equivalents at end of term	3,796	3,723