November 12, 2008

# Summary of Financial Results for the Quarter Ended September 30, 2008* (Consolidated)

| | |
|---|---|
| Corporate Name: | UNITED ARROWS LTD. |
| Code Number: | 7606 |
| URL: | http://www.united-arrows.co.jp/ |
| Securities Traded: | Tokyo Stock Exchange, First Section |
| Location of Headquarters: | Tokyo |
| Representative: | Tetsuya Iwaki, President and COO |
| Contact: | Takeo Sudo, Department Manager, |
| | Finance & Accounting Department |
| Telephone: | +81-3-5785-6325 |

*The "Summary of Financial Results for the Quarter Ended September 30, 2008" is an English translation of the original Japanese version. If any doubts arise as to the interpretation of this English version, the Japanese version shall take precedence.

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

## 1. Consolidated Business Results of the Quarter Ended September 2008 (from April 1, 2008 to September 30, 2008)

(1)Consolidated Business Performance (aggregate)

(% indicates increase / decrease YoY)

| | Net Sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % |
| Quarter ended Sep. 30, 2008 | 36,669 | - | 854 | - | 863 | - |
| Quarter ended Sep. 30, 2007 | 31,659 | 18.3 | 1,524 | (43.6) | 1,565 | (41.9) |

| | Net income | | Net income per share | Net income per share after adjusting dilutive shares |
|---|---|---|---|---|
| | ¥ million | % | Yen | Yen |
| Quarter ended Sep. 30, 2008 | 165 | - | 3.93 | - - |
| Quarter ended Sep. 30, 2007 | 2,225 | 81.2 | 53.57 | 53.17 |

(Note) For the 1Q of the FYE March 2009, as there are no shares that have dilutive effect, net income per share after adjusting dilutive shares are not indicated.

(2) Consolidated Financial Conditions

| | Total assets | Net assets | Equity ratio | Net asset per share |
|---|---|---|---|---|
| | ¥ million | ¥ million | % | yen |
| Quarter ended Sep. 30, 2008 | 46,037 | 22,256 | 48.3 | 527.30 |
| Fiscal Year Ended March 2008 | 43,362 | 22,711 | 52.4 | 538.09 |

(For reference) Net worth 2Q of FYE March 2009 ¥22,256 million

FYE March 2008 ¥22,711 million

## 2. Conditions of Dividend Payment

| | Dividend per share | | | | |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | Term end | Annual |
| | yen | yen | yen | yen | yen |
| Term ended March 2008 | - | 10.00 | - | 15.00 | 25.00 |
| Term ended March 2009 | - | 10.00 | — | — | — |
| Term ended March 2009 (estimate) | — | — | - | 15.00 | 25.00 |

(Note) Changes made in dividend forecast during this quarter: none

## 3. Consolidated Earnings Forecast of the Fiscal Year Ending March 2009 (from April 1, 2008 to March 31, 2009)

(% indicates increase / decrease YoY)

| | Sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | ¥million | % | ¥million | % | ¥million | % | ¥million | % | yen |
| As of Sep 30, 2008 | — | — | — | — | — | — | — | — | — |
| Full Term | 83,028 | 15.0 | 4,251 | (13.8) | 4,254 | (15.2) | 1,822 | (52.0) | 42.65 |

(Note) Changes made in earnings forecast during this quarter: yes

## 4. Others

(1) Transfer of important subsidiaries in the term (transfer of specified subsidiary due to change in area of consolidation): Yes

Newly added: 1 (COEN Co., LTD) Excluded: -

(2) The adoption of simple method in accounting procedure: none

(3) The change of accounting procedure for quarterly disclosure of consolidated financial performance:

1. Changes caused by renewal of accounting methods: yes

2. Changes other than 1: none

(4) Number of stocks issued (common stocks)

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

| | |
|---|---|
| End of 2Q FYE March 2009 | 42,800,000 stocks |
| End of FYE March 2008 | 47,700,000 stocks |

2. Number of treasury stock

| | |
|---|---|
| End of 2Q FYE March 2009 | 591,690 stocks |
| End of FYE March 2008 | 5,491,687 stocks |

3. Average number of stocks during term (six months aggregate, consolidated)

| | |
|---|---|
| End of 2Q FYE March 2009 | 42,208,311 stocks |
| End of 2Q FYE March 2008 | 41,541,522 stocks |

□Explanation regarding appropriate use of projected business performance

Effective from the second quarter of the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Guidance on Accounting Standards for Quarterly Standards" (ASBJ Guidance No.14). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulation for Quarterly Consolidated Financial Statements." 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.

(For reference) Overview of Non-consolidated Business Results

(1) Non-consolidated Business Performance of the Quarter Ended September 2008 (from April 1, 2008 to September 30, 2008)

(% indicates increase / decrease YoY)

| | Net Sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % |
| Quarter ended Sep. 2008 | 35,391 | — | 1,005 | — | 1,047 | — |
| Quarter ended Sep. 2007 | 30,434 | 18.5 | 1,438 | (45.5) | 1,486 | (43.7) |

| | Net income | |
|---|---|---|
| | ¥ million | % |
| Quarter ended Sep. 2008 | 447 | — |
| Quarter ended Sep. 2007 | 2,254 | 77.5 |

(2) Non-consolidated Financial Situation

| | Total assets | Net assets | Equity ratio | Net asset per share |
|---|---|---|---|---|
| | ¥ million | ¥ million | % | yen |
| Quarter ended Sep. 2008 | 45,415 | 22,604 | 49.8 | 535.54 |
| Quarter ended Sep. 2007 | 42,853 | 22,604 | 52.7 | 525.53 |
| Fiscal Year Ended March 2008 | 42,733 | 22,773 | 53.3 | 539.54 |

(3) Non-consolidated Earnings Forecast of the Fiscal Year Ending March 2009

(from April 1, 2008 to March 31, 2009)

(% indicates increase / decrease YoY)

| | Sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | ¥million | % | ¥million | % | ¥million | % | ¥million | % | yen |
| As of Sep 30, 2008 | — | — | — | — | — | — | — | — | — |
| Full Term | 79,419 | 14.2 | 4,833 | 2.0 | 4,900 | 1.3 | 2,714 | (30.0) | 63.54 |

(Note) Changes made in earnings forecast during this quarter: yes

□Explanation regarding appropriate use of projected business performance

Effective from the second quarter of the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Standards” (ASBJ Guidance No.14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulation for Quarterly Consolidated Financial Statements.” 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.

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

**1. Qualitative Information on Consolidated Business Performance**

The Japanese economy in the second quarter of the current fiscal year lingered as earnings of companies showed signs of decline as production and export weakened. This was due to worries of global economy slowing down caused by financial instability in the United States. Additionally, the operating environment was extremely severe as personal spending slowed down due to concerns of appreciation in prices of food and daily consumer products.

Under these circumstances, our group took initiatives to improve corporate value by carrying out policies and opening stores in accordance with the growth stage of each of our group companies and businesses. Based on the themes of 1) “developing and appropriately operating core business (product and sales services) operations” and 2) “strengthening human resource development and expanding business in line with our growth”, we made efforts to develop our operating base. To develop and appropriately operate core business (product and sales services) operations, the UNITED ARROWS (UA) business and green label relaxing (GLR) business reduced inventory of products by managing and controlling new product plans based on final sales ratio and inventory level. As a result, inventories (the sum of merchandise and raw materials) were well managed and ended up with 104.6%, while net sales was 116.3% compare to a year ago.

Additionally, in order to increase sales and profit, we started a weekly business supervising meeting where over 300 issues were discussed to improve sales related operations and put strength in helping our store staff to concentrate on serving customers. To strengthen human resource development and expand business in line with our growth, we focused on reforming our HR system by making an environment where sales staff can work at stores until retirement, and making systems to educate next leaders of the company. As one of the new HR initiatives, we awarded “sales master” status to eight excellent sales staffs who have outstanding sales records in their careers. The system helps sales staff set career goals and motivate them to build their career with us. In the first half fiscal year ended 2009, we opened six new stores and closed three stores for the UA business, and closed three stores for GLR business, and opened four stores and closed one store for the SBU (small business unit) and UA Labs. The total number of stores operated at the end of September 2008 was 130 stores.

Our consolidated subsidiary FIGO CO., LTD. continued to manage eleven directly operated stores and saw solid growth in sales and ordinary income compared to the same period in the previous fiscal year.

Consolidated subsidiary PERENNIAL UNITED ARROWS CO., LTD. prepared for the first store opening in August 2008. Additionally, another subsidiary COEN CO., LTD., that is mainly engaging in retailing of clothing and personal items was established and the first store opened in October, 2008.

As a result, total consolidated sales reached ¥36,669 million (+15.8% YoY) for this second quarter. Gross margin declined by 1.1 points to 50.9% as share of outlet store sales increased, but the amount of gross margin increased by 13.4% to ¥18,672 million. Selling, general and administrative expenses was ¥17,818 million (+19.2% YoY) due to 1) increase in personnel costs caused by conversion of part-time workers to regular workers, carried out in August 2007, 2) increase in reserve for House Card (members’ card) points, also started in August 2007, and 3) increase in depreciation, etc. Also, investments were made to consolidated subsidiaries PERENNIAL UNITED ARROWS CO., LTD. and COEN CO., LTD. as a cost to establish companies and prepare for new store openings.

As a result, consolidated operating income declined to ¥854 million (-44.0% YoY) and ordinary income to ¥863 million (-44.9% YoY). Since we disposed of a part of land and property and recognized capital gain of ¥2,538 million as extraordinary income during the first quarter of the previous fiscal year, consolidated net income for this quarter declined to ¥165 million (-92.5% YoY)

## 2. Qualitative Information on Consolidated Financial Conditions

(Assets)

Current assets increased by ¥1,330 million (+4.9%) to ¥28,614 million compared to the end of the previous fiscal year. This was because products and stored goods increased by ¥2,063 million and raw materials ¥59 million, respectively and cash and deposits, account receivable and deferred tax assets declined by ¥414 million, ¥342 million and ¥33 million, respectively.

Non-current assets increased by ¥1,345 million (8.4%) to ¥17,423 million compared to the end of the previous fiscal year due mainly to total ¥1,063 million increases in buildings and structures, and a ¥235 million increase in guarantee deposits.

(Liabilities)

Current liabilities increased by ¥3,547 million (17.6%) to ¥23,687 million compared to the end of the previous fiscal year, mainly due to a ¥4,970 million increase in short-term loans payable, and a ¥1,495 million decline in accrued income taxes.

Noncurrent liabilities decreased by ¥417 million to ¥93 million (-81.7%), mainly due to decline in long-term loans payable by ¥349 million.

(Net assets)

Total net assets declined by ¥455 million (2.0%) to ¥22,256 million compared to the end of the previous fiscal year, due to a ¥ 633 million payment of dividends which partially offset by 2Q net income of ¥165 million and deferred gains or losses on hedges increased by ¥12 million. Since ¥ 7,531 million of retirement of treasury stock was recognized, capital surplus, retained earnings and treasury stock decreased by ¥362 million, ¥7,169 million, ¥7,531 million (positive), respectively.

## 3. Qualitative Information on Business Performance Forecasts

The business performance of the company was favorable for this second quarter. However, it is concerned that external environment continue to be tough in the future. Thus there are no changes made in consolidated financial forecasts that were announced on November 4, 2008.

## 4. Others

(1) We established an associated company (consolidated subsidiary) on May 20, 2008. The main business is planning and selling men's and women's clothing and accessories.

| | |
|---|---|
| <Name> COEN CO., LTD. | <Address> Minato-ku, Tokyo |
| <Capital stock> ¥100 million | <Main business> Planning and selling men's and women's clothing and accessories |
| <Ratio of total shares and outstanding> 100% | <Relationship> 3 concurrent directors |

(2) Application of Simplified Accounting Treatment and Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statements: none

(3) Changes in Accounting Principles, Procedures and Presentation Methods in Preparation of Quarterly Consolidated Financial Statements.

1) Effective from the second quarter of the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Guidance on Accounting Standards for Quarterly Financial Standards" (ASBJ Guidance No.14). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements."

## 5. Quarterly Financial Conditions
### (1) Quarterly Balance Sheet (Consolidated)

(million yen)

| | 2Q results (as of September 30, 2008) | Summary of balance sheet of previous fiscal year (as of March 31, 2008) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,698 | 3,113 |
| Accounts receivable-trade | 278 | 287 |
| Merchandise | 18,927 | 16,863 |
| Raw materials | 239 | 180 |
| Accounts receivable-other | 4,771 | 5,114 |
| Other | 1,701 | 1,728 |
| Allowance for doubtful accounts | (3) | (3) |
| Total current assets | 28,614 | 27,283 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 6,051 | 4,988 |
| Other | 2,029 | 1,750 |
| Total property, plant and equipment | 8,081 | 6,739 |
| Intangible assets | | |
| Goodwill | 638 | 797 |
| Other | 2,137 | 2,140 |
| Total intangible assets | 2,775 | 2,938 |
| Investments and other assets | | |
| Guarantee deposits | 5,828 | 5,593 |
| Other | 738 | 807 |
| Total investments and other assets | 6,566 | 6,400 |
| Total noncurrent assets | 17,423 | 16,078 |
| Total assets | 46,037 | 43,362 |

(million yen)

| | 2Q results (as of September 30, 2008) | Summary of balance sheet of previous fiscal year (as of March 31, 2008) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 8,995 | 7,308 |
| Short-term loans payable | 10,576 | 7,067 |
| Income taxes payable | 440 | 1,936 |
| Provision for bonuses | 954 | 852 |
| Other | 2,721 | 2,976 |
| Total current liabilities | 23,687 | 20,140 |
| Noncurrent liabilities | | |
| Long-term loans payable | — | 349 |
| Provision for directors' retirement benefits | 91 | 154 |
| Other | 2 | 7 |
| Total noncurrent liabilities | 93 | 510 |
| Total liabilities | 23,781 | 20,650 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,030 | 3,030 |
| Capital surplus | 4,095 | 4,458 |
| Retained earnings | 16,084 | 23,721 |
| Treasury stock | (909) | (8,441) |
| Total shareholders' equity | 22,300 | 22,768 |
| Valuation and translation adjustments | | |
| Deferred gains or losses on hedges | (44) | (56) |
| Total valuation and translation adjustments | (44) | (56) |
| Total net assets | 22,256 | 22,711 |
| Total liabilities and net assets | 46,037 | 43,362 |

**(2) Quarterly Statements of Income (Consolidated)**
Second Quarter (6 months aggregate)

(million yen)

| | 2Q (6 months aggregate) (From April 1, 2008 to September 30, 2008) |
|---|---|
| Net sales | 36,669 |
| Cost of sales | 17,996 |
| Gross profit | 18,672 |
| Selling, general and administrative expenses | 17,818 |
| Operating income | 854 |
| Non-operating income | |
| Interest income | 3 |
| Purchase discounts | 16 |
| Other | 47 |
| Total non-operating income | 67 |
| Non-operating expenses | |
| Interest expenses | 45 |
| Other | 13 |
| Total non-operating expenses | 58 |
| Ordinary income | 863 |
| Extraordinary income | |
| Provision for loan loss reverse | 0 |
| Total extraordinary income | 0 |
| Extraordinary loss | |
| Loss on retirement of noncurrent assets | 72 |
| Impairment loss | 146 |
| Total extraordinary loss | 220 |
| Income before income taxes | 643 |
| Income taxes-current | 379 |
| Income taxes-deferred | 98 |
| Total income taxes | 477 |
| Net income | 165 |

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

(million yen)

| | 2Q (6 months aggregate) (From April 1, 2008 to September 30, 2008) |
|---|---|
| Cash flows from operating activities | |
| Income before income taxes | 643 |
| Depreciation | 578 |
| Depreciation of intangible assets | 136 |
| Amortization of long-term prepaid expenses | 43 |
| Impairment loss | 143 |
| Amortization of goodwill | 159 |
| Increase (decrease) in provision for bonuses | 101 |
| Increase (decrease) in reserve for retirement benefits for directo | (63) |
| Interest and dividends income | (3) |
| Interest expenses | 45 |
| Loss of retirement of property, plant and equipment | 14 |
| Loss of retirement of long-term prepaid expenses | 9 |
| Increase in accounts receivable | 419 |
| Increase in inventories | (2,123) |
| Increase in other current assets | (80) |
| Increase in purchase liabilities | 1,686 |
| Increase (decrease) in other current liabilities | (240) |
| Increase (decrease) in other noncurrent liabilities | (5) |
| Subtotal | 1,468 |
| Interest and dividends income received | 3 |
| Interest expenses paid | (44) |
| Income taxed paid | (1,930) |
| Net cash provided by operating activities | (503) |
| Cash flows from investment activities | |
| Payments into time deposits | (6) |
| Purchase of property, plant and equipment | (1,948) |
| Purchase of intangible assets | (188) |
| Purchase of long-term prepaid expenses | (71) |
| Payment for guarantee deposits | (235) |
| Net cash provided by investment activities | (2,449) |

(million yen)

| | 2Q (6 months aggregate) (From April 1, 2008 to September 30, 2008) |
|---|---|
| Cash flows from financing activities | |
| Net increase/ net decrease in short-term loans payable | 4,970 |
| Repayment of long-term loans payable | (1,810) |
| Purchase of treasury stock | (0) |
| Cash dividends paid | (627) |
| Net cash provided by financing activities | 2,532 |
| Effect of exchange rate change on cash and cash equivalents | — |
| Increase (decrease) in cash and cash equivalents | (420) |
| Cash and cash equivalents at beginning of term | 2,975 |
| Cash and cash equivalents at end of term | 2,554 |