Fiscal 2011
The Fiscal Year Ended March 31, 2011
Earnings Announcement

UNITED ARROWS LTD.

Contents

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: BEAUTY & YOUTH UNITED ARROWS

GLR/green label relaxing: UNITED ARROWS green label relaxing

CH: CHROME HEARTS

SBUs: Small Business Units

UA Lab: TOKISHIRAZU

PERENNIAL UA: PERENNIAL UNITED ARROWS CO., LTD.

Fiscal 2011 Consolidated P/L

UNITED ARROWS LTD.

- Increase in revenue and earnings
  YoY increase in sales (108.5%) and ordinary income (143.7%)
- 1.7 percentage point YoY improvement in the gross margin to 53.0%
- 0.6 of a percentage point YoY decrease in SGA expenses to sales to 44.8%
- Extraordinary loss of ¥1.4 billion (¥900 million asset retirement obligation; ¥400 million impairment loss; ¥7 million earthquake-related loss; other)
- Reversal of deferred tax assets recorded in fiscal 2010 following liquidation of Group company PERENNIAL UA

(Millions of yen)

	Consolidated Results FY11									
	Results	**vs. Sales**	YoY	%	vs. Revised Forecast	%	FY10 Results	vs. Sales	Revised Forecast	vs. Sales
Sales	**90,571**	**100.0%**	7,066	108.5%	(1,574)	98.3%	83,504	100.0%	92,146	100.0%
Gross Profit	**48,001**	**53.0%**	5,136	112.0%	-	-	42,865	51.3%	-	-
SGA Exp.	**40,617**	**44.8%**	2,694	107.1%	-	-	37,922	45.4%	-	-
Operating Inc.	**7,384**	**8.2%**	2,441	149.4%	59	100.8%	4,942	5.9%	7,324	7.9%
Non Op. P/L	**(143)**	**-0.2%**	(238)	-151.5%	-	-	94	0.1%	-	-
Ordinary Inc.	**7,240**	**8.0%**	2,203	143.7%	52	100.7%	5,037	6.0%	7,188	7.8%
Extraordinary P/L	**(1,312)**	**-1.4%**	(124)	110.5%	-	-	(1,188)	-1.4%	-	-
Net Income	**3,596**	**4.0%**	2,192	256.2%	53	101.5%	1,403	1.7%	3,543	3.8%

Reference: Fiscal 2011 Non-Consolidated P/L

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated FY11						FY10			
	Results	vs. Sales	YoY	%	vs. Revised Forecast	%	FY10 Results	vs. Sales	Revised Forecast	vs. Sales
Sales	85,090	100.0%	6,433	108.2%	(1,259)	98.5%	78,657	100.0%	86,350	100.0%
Gross Profit	44,726	52.6%	4,307	110.7%	-	-	40,419	51.4%	-	-
SGA Exp.	37,599	44.2%	2,972	108.6%	-	-	34,627	44.0%	-	-
Operating Inc.	7,126	8.4%	1,334	123.0%	9	100.1%	5,792	7.4%	7,117	8.2%
Non Op. P/L	(65)	-0.1%	(217)	-	-	-	151	0.2%	-	-
Ordinary Inc.	7,061	8.3%	1,117	118.8%	42	100.6%	5,943	7.6%	7,018	8.1%
Extraordinary P/L	(1,325)	-1.6%	1,021	-	-	-	(2,346)	-3.0%	-	-
Net Income	2,919	3.4%	908	145.2%	(61)	97.9%	2,011	2.6%	2,980	3.5%

Fiscal 2011 Non-Consolidated Sales by Retail Network

UNITED ARROWS LTD.

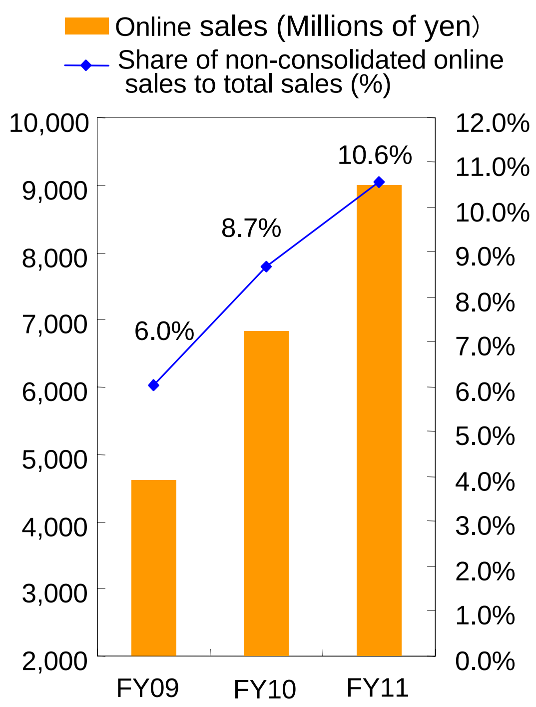
- Retail sales 106.9% YoY
  Increase in revenue at new and existing stores
- Online sales 131.7% YoY
  Increase in revenue of ZOZOTOWN and own online stores; Increase in the share of online sales to total sales
- Non-consolidated sales vs. revised forecast 98.5%; Short of revised forecasts due mainly to temporary closures following the Great East Japan Earthquake and reduced operating hours

(Millions of yen)

	FY12				
	Results	YoY	%	vs. Revised Forecast	%
Non-Consolidated Sales	**85,090**	6,433	108.2%	(1,336)	98.5%
Total Business Unit Sales	**73,552**	6,160	109.1%	(1,008)	98.6%
Retail	**63,595**	4,104	106.9%	(848)	98.7%
Online	**8,997**	2,166	131.7%	(203)	97.8%
Outlet	**11,538**	272	102.4%	(327)	97.2%

	Existing Store YoY		
	Sales	Number of Customers	Ave. Spending per Customer
Retail + Online	104.3%	—	—
Retail	102.2%	103.5%	98.7%
Online	121.2%	—	—

■Trends in Online Sales



Fiscal 2011 Non-Consolidated Sales by Business Type

UNITED ARROWS LTD.

- Increase in revenue due mainly to positive contributions from new UA and GLR stores as well as recovery at existing stores
- Despite a YoY decrease in CH, SBUs and UA Labs existing retail store sales, increase in revenue attributable largely to positive contributions from new stores

(Millions of yen)

	FY11				
	Results	YoY		vs. Revised Forecast	
			%		%
UA	**39,402**	2,581	107.0%	(288)	99.3%
GLR	**16,384**	1,918	113.3%	(230)	98.6%
CH	**4,862**	901	122.8%	16	100.3%
SBUs and UA Labs	**12,903**	759	106.3%	(506)	96.2%

	Existing Store YoY		
	Retail + Online	Retail	Online
UA	105.6%	103.2%	131.2%
GLR	105.8%	104.0%	118.8%
CH	-	99.5%	-
SBUs and UA Labs	100.2%	97.3%	111.0%

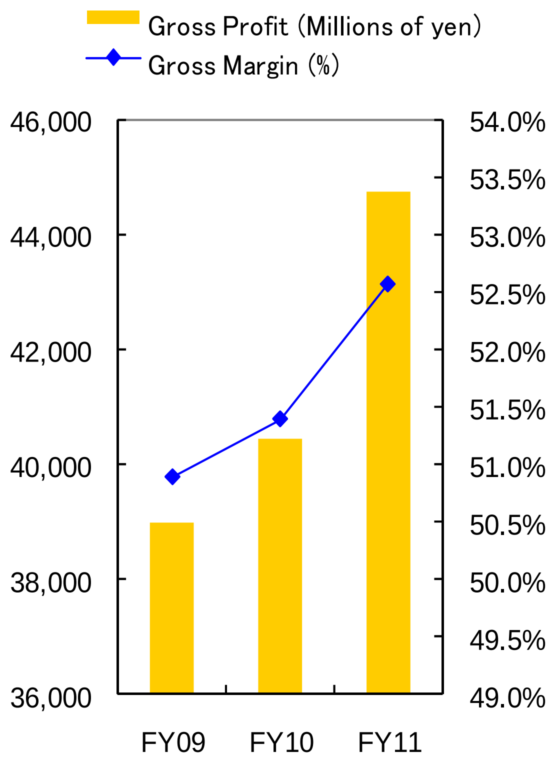
Fiscal 2011 Non-Consolidated Gross Margin

- Gross margin in fiscal 2011 was 52.6%; 1.2 percentage points higher than the previous fiscal year
- Improved total business unit and outlet profitability due to increased business process accuracy encompassing procurement, production, product launch and efficient inventory management on the back of effective use of our product platform
- Drop in the 4Q gross margin owing mainly to inventory reduction measures following withdrawal from the Cath Kidston and TOKISHIRAZU businesses

	FY11		4Q FY11	
	Results	YoY	**Results**	YoY
Non-Consolidated Gross Margin	**52.6%**	1.2%	**46.4%**	-0.4%
Total Business Units	**57.2%**	0.7%	**52.8%**	-0.8%
Outlet	**30.7%**	2.1%	**23.6%**	2.4%
Other COGS (Millions of yen)	**909**	14	626	106

Note: Other COGS: loss on product devaluation, disposal costs, etc.

■ Trends in Gross Margins



Fiscal 2011 Non-Consolidated SGA Expenses

- SGA expenses to sales 44.2%; 0.2 of a percentage point higher than the previous fiscal year
- Advertising expenses: Undertook a variety of activities including the placement of advertisements, publication of catalogues, implementation of sales promotion initiatives to commemorate the one year anniversary of own online stores and sales promotion relating to new stores
- Rent: Increase commensurate with new and existing store sales
- Depreciation: Increase attributable to the opening of new stores and renovation of existing stores; Increase attributable to the posting of asset retirement obligations
- Other: Increase in new store furniture and fixtures as well as consumable expenses; Increase in maintenance and repair costs including the changeover to LED bulbs

(Millions of yen)

	FY11		FY10			
	Results	vs. Sales	Results	vs. Sales	YoY	%
Total Sales	85,090	100.0%	78,657	100.0%	6,433	108.2%
SGA Expenses	37,599	44.2%	34,627	44.0%	2,972	108.6%
Advertising Expenses	1,823	2.1%	1,016	1.3%	806	179.4%
Personnel Expenses	13,153	15.5%	12,767	16.2%	385	103.0%
Rent	10,658	12.5%	9,971	12.7%	686	106.9%
Depreciation	1,204	1.4%	1,039	1.3%	164	115.8%
Other	10,760	12.6%	9,831	12.5%	929	109.5%

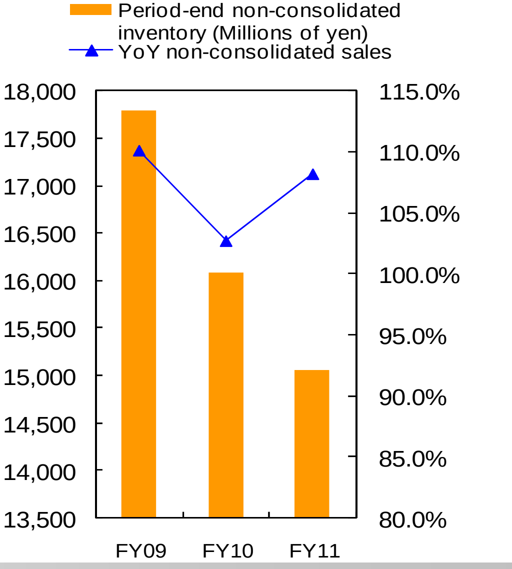
Fiscal 2011 Balance Sheet

- Inventory: Steps undertaken to optimize the level of inventory by curtailing procurement and promoting reduction
- Noncurrent assets: Increase in noncurrent assets in line with the opening of new stores and application of the accounting standard on assets retirement obligations; Decrease in intangible noncurrent assets due largely to goodwill amortization
- Current liabilities: Increase in short-term loans payable due mainly to the acquisition of additional treasury stock totaling ¥10.7 billion
- Noncurrent liabilities: Increase in assets retirement obligations; Decrease in long-term loans payable
- Total net assets: Decrease due to the acquisition of treasury stock
- Interest bearing debt: 208.2% YoY

(Millions of yen)

	Consolidated FY11				Non-Consolidated FY11			
	Balance	**Share**	YoY	%	**Balance**	**Share**	YoY	%
Total Assets	**45,716**	100.0%	(447)	99.0%	**45,197**	100.0%	(1,213)	97.4%
Current Assets	**28,342**	62.0%	(727)	97.5%	**26,850**	59.4%	(1,601)	94.4%
Inventory	**15,867**	34.7%	(1,036)	93.9%	**15,064**	33.3%	(1,028)	93.6%
Noncurrent Assets	**17,373**	38.0%	279	101.6%	**18,347**	40.6%	388	102.2%
Current Liabilities	**27,484**	60.1%	8,078	141.6%	**26,365**	58.3%	8,177	145.0%
Noncurrent Liabilities	**3,128**	6.8%	(301)	91.2%	**2,937**	6.5%	(488)	85.7%
Total Net Assets	**15,103**	33.0%	(8,224)	64.7%	**15,894**	35.2%	(8,901)	64.1%
Interest Bearing Debt	**16,132**	35.3%	8,384	208.2%	**15,832**	35.0%	9,524	251.0%

■ Non-Consolidated Inventory Trends



Fiscal 2011 Cash Flows

UNITED ARROWS LTD.

- C/F from operating activities (sub-total):
  (Factors contributing to an increase) Increase in income before income taxes; Decrease in inventory
- C/F from operating activities: (Factors contributing to a decrease) Increase in income tax paid
- C/F from investing activities: (Factors contributing to a decrease) Purchase of property, plant and equipment
- C/F from financing activities: (Factors contributing to an increase) Net increase in short-term loans payable;
  (Factors contributing to a decrease) Purchase of treasury stock; Repayment of long-term loans payable

(Millions of yen)

	Consolidated FY11 Results	FY10 Results
Cash flows from operating activities (sub-total)	**10,198**	9,500
Cash flows from operating activities	**6,923**	7,933
Cash flows from investing activities	**(2,069)**	(1,992)
Cash flows from financing activities	**(3,443)**	(5,202)
Increase/decrease in cash and cash equivalents	**1,410**	739
Cash and cash equivalents at the beginning of the term	**4,061**	3,322
Cash and cash equivalents at the end of the term	**5,471**	4,061

Fiscal 2012 Consolidated Forecasts

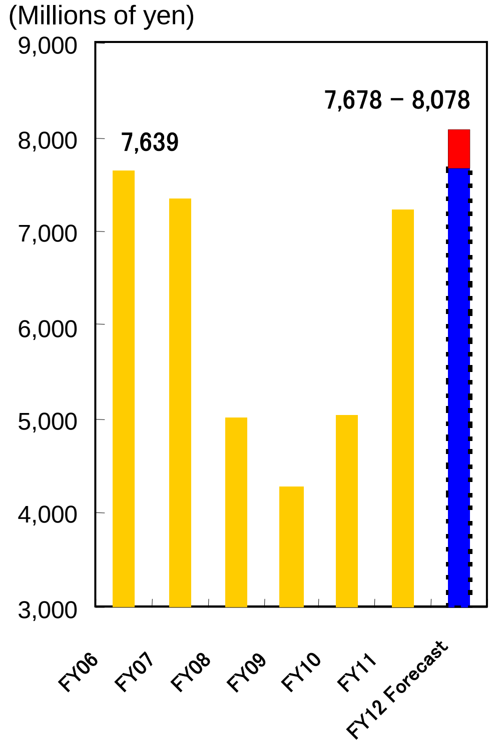
UNITED ARROWS LTD.

- Sales and ordinary income are projected to increase to historic highs for the full fiscal year ending March 31, 2012
- The Company has decided to forego the disclosure of interim business performance forecasts due mainly to uncertainties surrounding the impact of the recent earthquake on the economy and operating results (Forecasts for the full fiscal year ending March 31, 2012 shall encompass an upper and lower range)

(Millions of yen)

	Consolidated Forecasts FY12								FY11 Results	
	Upper Limit				Lower Limit					
		vs. Sales	YoY	%		vs. Sales	YoY	%		vs. Sales
Sales	96,493	100.0%	5,921	106.5%	95,547	100.0%	4,975	105.5%	90,571	100.0%
Gross Profit	51,707	53.6%	3,705	107.7%	51,163	53.5%	3,161	106.6%	48,001	53.0%
SGA Exp	43,583	45.2%	2,966	107.3%	43,439	45.5%	2,821	106.9%	40,617	44.8%
Operating Inc.	8,124	8.4%	739	110.0%	7,724	8.1%	339	104.6%	7,384	8.2%
Non Op. P/L	(45)	0.0%	97	-	(45)	0.0%	97	-	(143)	-0.2%
Ordinary Inc.	8,078	8.4%	837	111.6%	7,678	8.0%	437	106.0%	7,240	8.0%
Extraordinary P/L	(390)	-0.4%	922	-	(390)	-0.4%	922	-	(1,312)	-1.4%
Net Income	4,423	4.6%	826	123.0%	4,195	4.4%	598	116.6%	3,596	4.0%

■ Trends in Consolidated Ordinary Income



Reference: Fiscal 2012 Non-Consolidated Forecasts

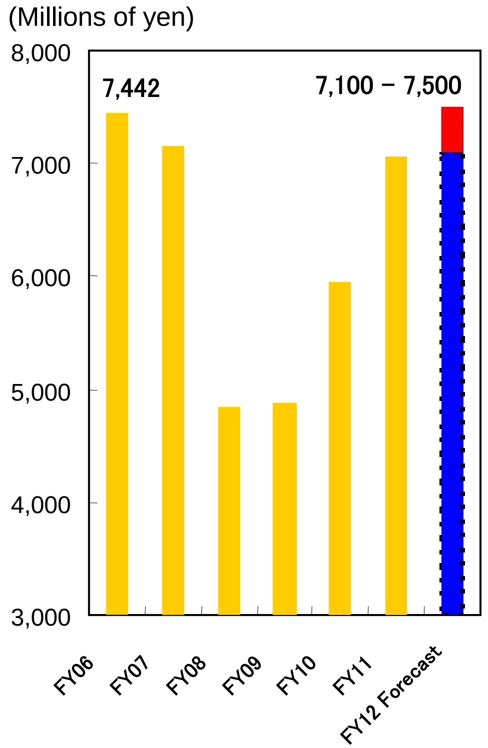
UNITED ARROWS LTD.

▪ Increase in revenue and earnings; Upper limit forecast of a historic high ordinary income

(Millions of yen)

	Non-Consolidated Forecasts FY12									
	Upper Limit				Lower Limit				FY11 Results	
		vs. Sales	YoY	%		vs. Sales	YoY	%		vs. Sales
Sales	90,057	100.0%	4,966	105.8%	89,112	100.0%	4,021	104.7%	85,090	100.0%
Gross Profit	47,868	53.2%	3,141	107.0%	47,323	53.1%	2,597	105.8%	44,726	52.6%
SGA Exp.	40,343	44.8%	2,743	107.3%	40,198	45.1%	2,599	106.9%	37,599	44.2%
Operating Inc.	7,524	8.4%	397	105.6%	7,124	8.0%	(2)	100.0%	7,126	8.4%
Non Op. P/L	(24)	0.0%	40	-	(24)	0.0%	40	-	(65)	-0.1%
Ordinary Inc.	7,500	8.3%	438	106.2%	7,100	8.0%	38	100.6%	7,061	8.3%
Extraordinary P/L	(387)	-0.4%	938	-	(387)	-0.4%	938	-	(1,325)	-1.6%
Net Income	4,054	4.5%	1,134	138.9%	3,826	4.3%	906	131.1%	2,919	3.4%

■ Trends in Non-Consolidated Ordinary Income



Fiscal 2012 Non-Consolidated Sales Forecasts by Retail Network

- Retail + online sales: Existing stores 101.7% to 103.0% YoY
- Online sales: Anticipated decline in lower limit forecast; Drop in sales due mainly to withdrawal from the Cath Kidston and TOKISHIRAZU businesses in the previous fiscal year
- Outlet sales: Drop in sales owing mainly to the close of two stores in fiscal 2011; Forecast decline in revenue due mainly to the temporary closure of the Sendai store

(Millions of yen)

	FY12 Forecasts						FY11 Results
	Upper Limit	YoY	%	Lower Limit	YoY	%	
Non-Consolidated Sales	90,057	4,966	105.8%	89,112	4,021	104.7%	85,090
Total Business Unit Sales	79,360	5,808	107.9%	78,414	4,862	106.6%	73,552
Retail	69,568	5,972	109.4%	68,739	5,143	108.1%	63,595
Online	9,068	70	100.8%	8,960	(37)	99.6%	8,997
Outlet	10,697	(841)	92.7%	10,697	(841)	92.7%	11,538
Existing Stores (Retail + Online)	103.0%			101.7%			104.3%
Existing Stores (Retail)	101.6%			100.4%			102.2%
Existing Stores (Online)	112.7%			111.3%			121.2%

UNITED ARROWS LTD.

Reference: Non-Consolidated Sales by Business Type

(Millions of yen)

	FY12 Forecast						FY11 Results
	Upper Limit	YoY	%	Lower Limit	YoY	%	
UA	**41,874**	2,472	106.3%	**41,375**	1,973	105.0%	39,402
GLR	**20,195**	3,810	123.3%	**19,954**	3,569	121.8%	16,384
CH	**5,213**	351	107.2%	**5,151**	289	105.9%	4,862
SBUs	**12,076**	(826)	93.6%	**11,932**	(970)	92.5%	12,903

Note: Earnings are projected to decline due mainly to a drop in sales following withdrawal from the Cath Kidston and TOKISHIRAZU businesses in the previous fiscal year

	Existing Store YoY Forecast					
	Retail + Online		Retail		Online	
	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit
UA	102.1%	100.9%	100.6%	99.4%	114.3%	113.0%
GLR	106.2%	104.9%	104.9%	103.7%	113.4%	112.0%
CH	-	-	98.9%	97.7%	-	-
SBUs	103.0%	101.8%	102.0%	100.8%	107.9%	106.6%

Store Opening/Closing Plans for Fiscal 2012

UNITED ARROWS LTD.

- Aggressive opening of new stores focusing on such business types as GLR, BY and COEN which are expected to drive medium-term growth
- Fiscal 2012: Number of new stores to be opened on a consolidated basis: 35; Number of stores to be closed: 4; Projected number of stores as of March 31, 2012: 237

	FY11		FY12						
	Stores Opened	Stores Closed	Apr. 1, 2011	Stores Opened (Plan) Full Period	Stores Opened (Plan) 1st Half	Stores Opened (Plan) 2nd Half	Stores Closed (Plan)	Mar. 31, 2012 (Forecast)	
Total (Consolidated)	33	22	206	35	19	16	4	237	
UNITED ARROWS LTD.	23	14	161	31	17	14	4	188	
UNITED ARROWS Total	6	4	50	11	6	5	0	61	
UNITED ARROWS (General Stores)	0	1	11	1	0	1	0	12	
UNITED ARROWS	2	1	15	4	2	2	0	19	
BEAUTY & YOUTH	4	2	22	6	4	2	0	28	
UA Label Image Stores	0	0	2	0	0	0	0	2	
green label relaxing	6	0	42	8	5	3	2	48	
CHROME HEARTS	1	0	6	1	1	0	0	7	
SBUs and UA Labs Total	8	8	48	9	4	5	1	56	
Another Edition	0	0	14	0	0	0	0	14	
Jewel Changes	1	1	6	2	2	0	1	7	
Odette é Odile	2	0	19	3	1	2	0	22	
DRAWER	0	0	5	1	1	0	0	6	
Cross Sales-Type: ARCHIPELAGO	1	0	1	0	0	0	0	1	
Cross Sales-Type: THE AIRPORT STORE	3	0	3	0	0	0	0	3	
Cross Sales-Type: Rest Areas on Highways Train Stations, etc	0	0	0	3	0	3	0	3	
Cath Kidston	1	6	-	-	-	-	-	-	Note: Stores closed owing to the termination of business operations
TOKISHIRAZU	0	1	-	-	-	-	-	-	Note: Stores closed owing to business withdrawal
Outlet	2	2	15	2	1	1	1	16	
FIGO CO., LTD.	1	1	11	1	1	0	0	12	
COEN CO., LTD.	8	0	34	3	1	2	0	37	
Perennial United Arrows	1	7	-	-	-	-	-	-	Note: Stores closed owing to company liquidation

Number of stores to be opened by season in fiscal 2012 (consolidated)

2011 Spring/Summer	13
2011 Autumn/Winter	18
2012 Spring/Summer	4

UNITED ARROWS LTD.

Group Companies

FIGO CO., LTD. Felisi COEN CO., LTD. coen

■ The Fiscal Year Ended March 31, 2011

- Slight decline in sales. Despite firm online sales, nominal downturn attributable to difficulties confronted in retail and wholesale activities owing mainly to delays in product delivery
- Increase in operating, ordinary and net income due largely to improved gross profit

■ The Fiscal Year Ended January 31, 2011

- Robust new store and online sales in urban areas
- Ongoing strong performance by existing retail stores: 110% YoY
- Increase in campaign and other markdown item sales; Minor difficulties attributable to defective popular products and delays in product delivery
- Unable to secure a return to profit at the operating level

■ The Fiscal Year Ending March 31, 2012

- Establish a stable product supply structure and system; Forecast increase in revenue and earnings on the back of successful efforts to lift the level of sales

Note: Amortization of FIGO goodwill completed in the first half of fiscal 2011 (Straight-line method of amortization over five years; ¥159 million recorded in the previous fiscal year)

■ The Fiscal Year Ending January 31, 2012

- The three stores located in Miyagi Prefecture that were temporarily closed as a result of the earthquake reopened for business at the end of April 2011
- Increase in revenue and earnings on the back of increased accuracy in product planning and successful sales promotional activities; Projected return to profit at the operating level for the fiscal Year

Note: PERENNIAL UA withdrew from all stores terminating business as of September 30, 2010. Company liquidated on December 10, 2010.

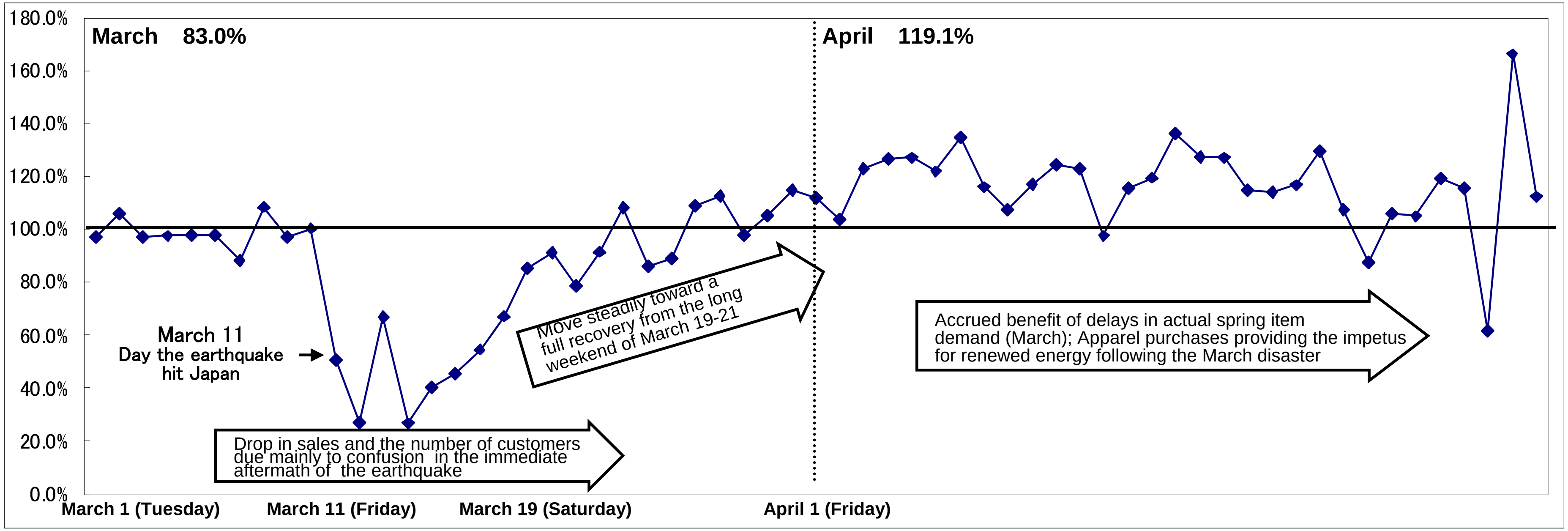
UNITED ARROWS LTD.

Impact of the Great East Japan Earthquake

Minimal damage caused by the earthquake

- Personal injury or damage: None
- Property damage: Nominal damage to UA Group products, commercial facilities and stores (six stores in the Sendai City area, one store in Natori City); Damage totaling approximately ¥7 million; Temporary suspension of operations immediately after the earthquake, resumption of operation excluding one store from April 2011

■ Trends in YoY Existing Retail + Online Store Sales (March/April)



- In the immediate aftermath of the earthquake, steps taken to temporarily close or reduce operating hours of the vast majority of stores in the East Japan area through the early April
- Sales declined up to 50% YoY for the first week after the earthquake; Steps taken to initiate a full recovery over the March long weekend
- Robust sales in April due mainly to delayed spring item demand

Support Activities Undertaken by the UA Group

- Donations totaling ¥50 million
- Donated 4,000 items (mainly warm winter clothing for protection against the cold) to emergency evacuation centers in Kesennuma City, Miyagi Prefecture
- Launched the MOVING ON TOGETHER! charity project

Support items donated by the UA Group arrive at an emergency evacuation center in Kesennuma City, Miyagi Prefecture on April 5

Put together a variety of charity products and events that combine support activities with the enjoyment of fashion
Donated a portion of sales

United Love Project 2011

Designers of eight popular domestic brands launched a series of T-shirts in collaboration with the UA Group. 5% of sales donated to disaster relief and support efforts

Cooking classes held at the main UA Harajuku store between April and June

Tuition fees donated to disaster relief and support efforts

COEN BLUE BEAR Campaign Charity Pin Badge

Sales donated to disaster relief and support effort

Fiscal 2011: Progress in Addressing Priority Issues (1)

UNITED ARROWS LTD.

1. Further improve profitability by completing and optimizing the product platform while reaffirming the overriding basic product policy based on ideal merchandising balance

■ **Product platform = Product planning platform + Production platform**

→ Basic stance underpinning product procurement and production～product launch～and efficient inventory management

<u>Complete development of the product platform mechanism in fiscal 2011;</u>
<u>Ensure its full-fledged implementation in fiscal 2012; Aim for increased accuracy</u>

＜ Product Planning Platform ＞

・Improved gross margins by continuously analyzing key indicators including the procurement cost and sales ratios while verifying results on a weekly as well as individual season basis

・Expand the scope of management through to outlet store designated products and aim for an enhanced final sales ratio in fiscal 2012

＜ Production Platform＞

・Implemented measures aimed at optimizing costs by intensifying cooperation with major partner manufacturers

・Addressed concerns surrounding production in China (rising procurement costs, delays in delivery, falling quality, etc.)

→ Nominal impact from the lunar new year (Chinese New Year) by bringing forward planning and reinforcing relationships with existing partner manufacturers

・Address the sharp and dramatic rise in COGS and diversify production bases other than China

Note: The basic product policy is to define and take a systematic approach to concepts that form the basis of the fashion business including product lineup and product development philosophies.

Fiscal 2011: Progress in Addressing Priority Issues (2)

2. Establish a robust store management system and further maximize customer satisfaction by reaffirming the implementation of the basic sales policy and enhancing collaboration between product and sales divisions

- Identify issues through undercover store analysis, various meetings and discussions, store visits by the vice president and other initiatives
- Estimate demand based on online advance order meetings; Augment the production structure and systems; Ensure stable product supply
- Continue to bolster the collaboration cycle between product and sales divisions in fiscal 2012

3. Further improve productivity and revamp the Group's organizational structure to ensure customer satisfaction by standardizing all necessary business processes and reaffirming correct operational practices

- Positioned fiscal 2011 as the final fiscal year in which to fully identify the organizational structure best suited to securing customer satisfaction
- Complete efforts to address headquarter issues raised at the beginning of the period as well as ancillary work items that place a burden on store operations
- Introduced on a trial basis a labor control system at select UA and BY stores; Continued efforts toward its full-fledged application

Note: The basic sales policy is to adopt a systematic approach to store sales activities that encompass the sales activities of highly knowledgeable and skilled sales personnel, store environment as well as customer relationship management activities.

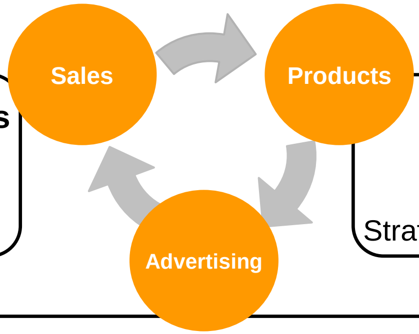
Fiscal 2012 Management Policy and Key Non-Consolidated Challenges

Management Policy

Further enhance profitability and secure record high consolidated ordinary income
by adhering strictly to a policy of collaboration between the product,
sales and advertising divisions and ensuring diversified cost control

Note: Record high earnings of ¥7,639 million in fiscal 2006

Key non-consolidated challenge (1): Strengthen the collaboration cycle between the product, sales and advertising divisions



Increase the number of purchasing customers
Continuously enhance customer service
Improve the interior quality of stores

Increase the sales rate
Strengthen product development and improve product precision
Strategically procure products and ensure stable supply

Increase the number of customers visiting stores
Ensure the strategic use of social and mass media
Promote repeat customers

Key non-consolidated challenge (2): Increase productivity and ensure diversified cost control

- Increase productivity by strengthening collaboration between related divisions and improving operating processes and practices
- Implement cost control finely tuned to earnings
- Improve inventory efficiency by improving the planning accuracy of sales initiatives

New Management Structure in Fiscal 2012

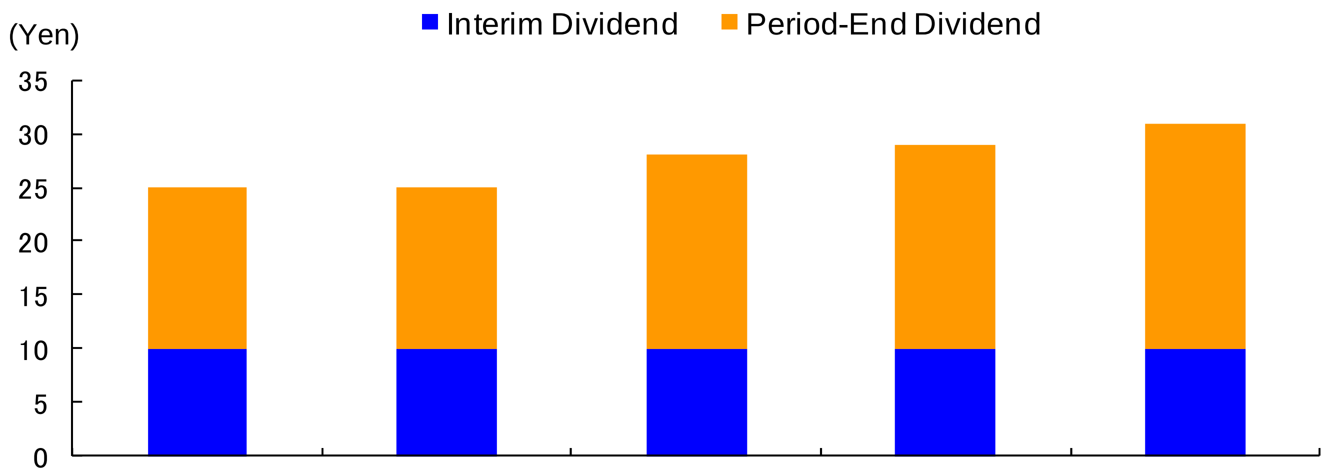
- Strengthened sales and marketing capabilities mainly under the leadership of Osamu Shigematsu and Tetsuya Iwaki and achieved a certain level of results with respect to improved profitability since April 2009;
  Bolstered sales and marketing initiatives while promoting existing structures and systems with the addition of Mitsuhiro Takeda and Mitunori Fujisawa

	To March 31, 2011	From April 1, 2011	Role
Osamu Shigematsu	President and Managing Director, <u>Executive Officer</u>	President and Managing Director	
Tetsuya Iwaki	Senior Vice President and Managing Director, <u>Executive Officer</u>	Senior Vice President and Managing Director	Responsible for COEN CO., LTD. and FIGO CO., LTD.
Mitsuhiro Takeda	Director, Executive Officer / General Manager, Business Unit Control Div. I / General Manager, BB Div.	Director, <u>Executive Vice President</u>, Executive Officer / General Manager, Business Unit Control Div. I / General Manager, Brand Business (BB) Div.	Responsible for product and overseas strategies
Mitsunori Fujisawa	Director, Executive Officer / General Manager, Business Unit Control Div. II	Director, <u>Executive Managing Director</u>, Executive Officer / General Manager, Business Unit Control Div. II / <u>Manager, Channel Development Div.</u>	Responsible for sales and development strategies

Fiscal 2012 Policy for Returning Profit to Shareholders

UNITED ARROWS LTD.

- Adopting a balanced approach toward the return of profits to shareholders taking into consideration the retained earnings required to fund investments in new stores and maintaining appropriate levels of profit while increasing the dividend payout ratio
- Plans to pay an interim dividend of ¥10 per share and a period-end dividend of ¥21 per share for an annual dividend of ¥31 per share in fiscal 2012, up ¥2 per share YoY



	FY08	FY09	FY10	FY11	FY12 Forecast
Cash dividend per share (Yen)	25	25	28	29	31
Interim dividend	10	10	10	10	10
Consolidated dividend payout ratio	27.6%	82.8%	84.2%	29.9%	22.4-23.7%
Consolidated DOE	4.7%	4.6%	5.1%	6.8%	5.0-5.1%

UNITED ARROWS LTD.

The Direction of Medium-Term Business Strategies

・Secure a position as the dominant specialist fashion store group and identify the next step required to ensure business growth and expansion

1. Reinforce existing domestic businesses

(1) Focus on business types that can be expected to drive growth

・Position GLR, BY and COEN as the business types to drive future growth

・Open stores mainly in railway station and fashion buildings as well as shopping centers located in urban and surrounding areas

(2) Continue to bolster online sales

・Strengthen own online stores; Lift the ratio of online sales to total Group-wide sales to 15%

(3) Develop new sales channels

・Traffic channels: Establish a pattern of success in fiscal 2012; Pursue aggressive development from fiscal 2013 and beyond

・Department stores: Consider the potential for future development based on new stores openings that offer quality terms and conditions

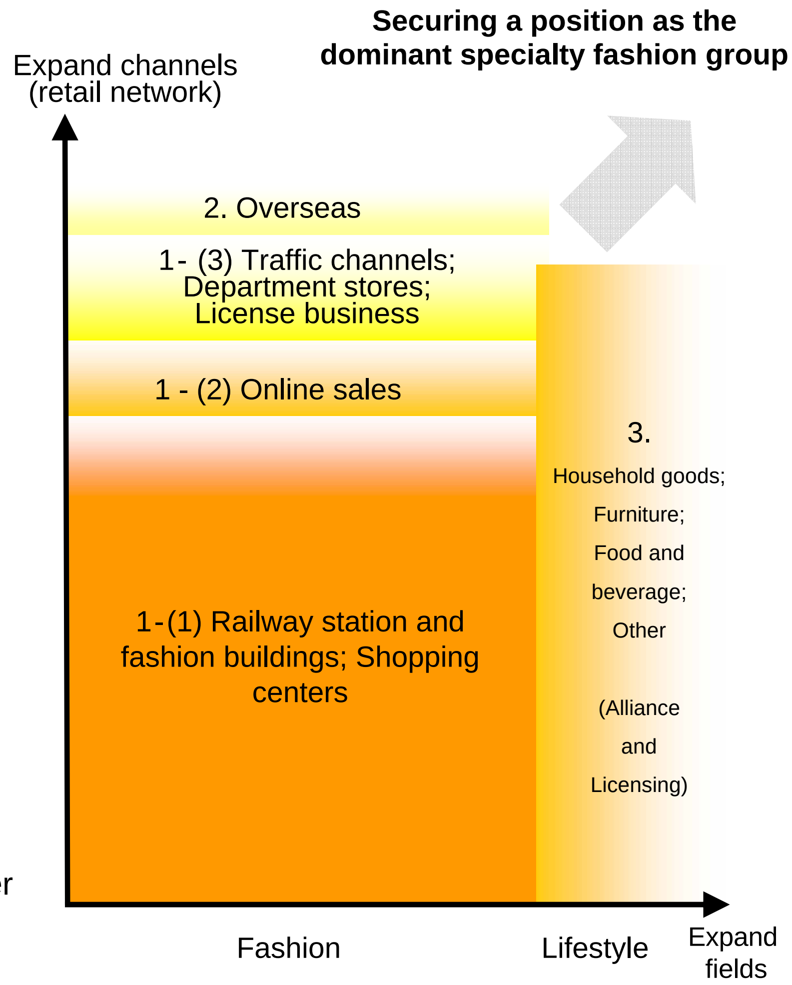
・Enter untouched fashion fields utilizing the licensing business

2. Expand overseas

・Plan to open new stores from fiscal 2013 and beyond after clearly identifying the direction of business development in fiscal 2012

3. Enter new fields

・Consider entering new fields in instances where the resources of other companies can be effectively harnessed through alliances, licensing and related measures



Supplementary Data: The Number of Stores, Capital Investment and the Number of Employees

UNITED ARROWS LTD.

■The Number of Stores as of the End of the Period

	FY10 Actual	FY11 Actual	FY12 Forecast
UNITED ARROWS LTD.	153	162	188
UA	48	51	61
GLR	36	42	48
CH	5	6	7
SBUs and UA Labs	49	48	56
Outlet	15	15	16
FIGO CO., LTD.	11	11	12
COEN CO., LTD.	26	34	37
PERENNIAL UNITED ARROWS CO., LTD.	6	0	-

■Capital Investment and Depreciation

(Millions of yen)

		FY10 Actual	FY11 Actual	FY12 Forecast
Consolidated	Total capital investment	1,415	4,254	2,680
	Operating capital investment	1,063	2,377	2,304
	Land	-	-	-
	Other	352	1,876	375
	Guarantee deposits	413	454	297
	Depreciation (on a P/L basis)	1,209	1,363	1,466

Note: Included in the "Other" amount for fiscal 2011 is an asset retirement obligation amount of ¥1,619 million following adoption of the Accounting Standard for Asset Retirement Obligations.

		FY10 Actual	FY11 Actual	FY12 Forecast
Non-Consolidated	Total capital investment	1,105	3,843	2,550
	Operating capital investment	765	1,977	2,174
	Land	-	-	-
	Other	339	1,865	375
	Guarantee deposits	272	352	227
	Depreciation (on a P/L basis)	1,039	1,204	1,294

Note: Included in the "Other" amount for fiscal 2011 is an asset retirement obligation amount of ¥1,455 million following adoption of the Accounting Standard for Asset Retirement Obligations

■The Number of Employees as of the End of the Period

	FY10 Actual	FY11 Actual	FY12 Forecast
Consolidated	2,783	2,792	3,389
Non-Consolidated	2,617	2,647	3,208

Note: All full-time, permanent employees working in store and administrative positions. Employed workforce