



Fiscal Year Ending March 2011 Second Quarter Earnings Announcement

UNITED ARROWS LTD.

www.united-arrows.co.jp

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*In this material, a fractional sum less than one million yen is rounded down and percentage is 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 May 11, 2010, 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.

[Indication of business in this material]

*Abbreviation of each business and composition of business;

UNITED ARROWS: UA, BEAUTY&YOUTH UNITED ARROWS: B&Y, green label relaxing: GLR, CHROME HEARTS: CH

SBU: Small Business Units (Another Edition, Jewel Changes, Odette é Odile UNITED ARROWS, DRAWER, Cath Kidston, THE AIRPORT STORE UNITED ARROWS LTD.)

UA Lab: TOKISHIRAZU

PERENNIAL UNITED ARROWS CO., LTD.: PERENNIAL UA, FRANQUEENSENSE: FRQ

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1. PL Overview (Consolidated)

- Increased in revenue and profit
- Gross profit: increased by 2.1 points to 53.3% YoY
- SGA Expenses: decreased by 0.1 points to 46.9% YoY due to cost control
- Extraordinary loss: applications of accounting standard, asset retirement obligation of ¥921 million, and impairment loss of ¥319 million

(million yen)

	Consolidated Results FYE March 2011 2Q (6 months aggregate)						<cf> Previous 2Q Revised Forecast			
	Results		YoY		vs. Revised Forecast		Results			
	vs. Sales						vs. Sales		vs. Sales	
			+/-	%	+/-	%				
Sales	41,387	100.0%	3,191	108.4%	(449)	98.9%	38,196	100.0%	41,836	100.0%
Gross Profit	22,069	53.3%	2,528	112.9%	149	100.7%	19,541	51.2%	21,920	52.4%
SGA Exp.	19,411	46.9%	1,464	108.2%	(487)	97.6%	17,946	47.0%	19,898	47.6%
Operating Inc.	2,657	6.4%	1,063	166.7%	636	131.5%	1,594	4.2%	2,021	4.8%
Non Op. P/L	(91)	(0.2%)	(139)	-	(38)	-	48	0.1%	(52)	(0.1%)
Ordinary Inc.	2,566	6.2%	924	156.3%	598	130.4%	1,642	4.3%	1,968	4.7%
Extraordinary P/L	(1,206)	(2.9%)	(1,113)	-	124	-	(92)	(0.2%)	(1,330)	(3.2%)
Net Income	253	0.6%	(365)	40.9%	489	-	618	1.6%	(236)	(0.6%)

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For reference: PL Overview (non-consolidated)

(million yen)

	Non-consolidated Results FYE March 2011 2Q (6 months aggregate)						<cf> Previous 2Q Revised Forecast			
	Results		YoY		vs. Revised Forecast		Results			
	vs. Sales						vs. Sales		vs. Sales	
			+/-	%	+/-	%				
Sales	38,843	100.0%	2,608	107.2%	(279)	99.3%	36,234	100.0%	39,122	100.0%
Gross Profit	20,558	52.9%	2,073	111.2%	60	100.3%	18,484	51.0%	20,498	52.4%
SGA Exp.	17,798	45.8%	1,367	108.3%	(336)	98.1%	16,430	45.3%	18,134	46.4%
Operating Inc.	2,759	7.1%	706	134.4%	396	116.8%	2,053	5.7%	2,363	6.0%
Non Op. P/L	(59)	(0.2%)	(129)	-	(41)	-	69	0.2%	(17)	0.0%
Ordinary Inc.	2,700	7.0%	576	127.2%	354	115.1%	2,123	5.9%	2,345	6.0%
Extraordinary P/L	(1,231)	(3.2%)	(1,139)	-	44	-	(92)	(0.3%)	(1,275)	(3.3%)
Net Income	507	1.3%	(659)	43.5%	255	201.5%	1,167	3.2%	252	0.6%

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Sales Overview (non-consolidated)

- Regular store sales were **106.0%** YoY, online store sales were **138.3%** YoY: increased in revenue due to favorable sales at both new and existing stores
- Outlet store sales were **100.7%** YoY: sales of outlet store's specialized summer item were favorable
- Non-consolidated total sales were **99.3%** vs. the revised forecast: sales of fall items were unfavorable due to heat wave in August and September, 2010

(million yen)

FYE March 2011 2Q (6 months aggregate)					
Results	YoY		vs. Revised Forecast		
	+/-	%	+/-	%	
Non-consolidated Total Sales	38,843	2,608	107.2%	(279)	99.3%
Total Business Unit Sales	33,339	2,568	108.3%	(208)	99.4%
Regular	29,133	1,637	106.0%	(137)	99.5%
Online	3,780	1,047	138.3%	(83)	97.8%
Outlet	5,503	39	100.7%	(71)	98.7%

Same Store Sales YoY			
Sales	Number of Customers	Ave. Spending per Customer	
Regular + Online	103.2%	-	-
Regular	101.6%	105.6%	96.2%
Online	117.3%	-	-

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Sales Overview (non-consolidated)

- Same store sales of UA and GLR regular stores were recovered
- UA, GLR: increased in revenue due to favorable sales in new stores and recovered sales at existing stores
- CH: increased in revenue due to favorable sales at new store. Existing stores were weak since some customers shopped at new store and there were delayed delivery in some items
- SBU and UA Lab: increased in revenue due to favorable sales at new stores

Same Store Sales YoY			
	Regular + Online	Regular	Online
UA	104.2%	102.5%	124.5%
GLR	105.2%	104.4%	111.6%
CH	94.1%	94.1%	-
SBU and UA Lab	101.2%	98.5%	113.5%

(million yen)

FYE March 2011 2Q (6 months aggregate)					
Results	YoY		vs. Revised Forecast		
	+/-	%	+/-	%	
UA	17,528	1,053	106.4%	78	100.5%
GLR	7,328	683	110.3%	9	100.1%
CH	2,223	290	115.0%	(97)	95.8%
SBU and UA Lab	6,259	540	109.5%	(198)	96.9%

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Overview of Gross Profit Margin (non-consolidated)

- Business Unit and Outlet improved in profitability : accuracy of product purchasing and manufacturing as well as inventory reduction were improved by utilizing the product platform
- Non-consolidated gross profit margin were increased by 1.9 points to 52.9% YoY
- Business Unit: the percentage ratio of cost of goods purchased were decreased
- Outlet: sales of outlet store's specialized items were favorable
- Other COGS: disposals were decreased

	FYE March 2011 2Q (6 months aggregate)		
	Results	+/- YoY	+/- Revised Forecast
Gross Profit Margin	52.9%	1.9%	0.5%
Business Unit	57.3%	1.2%	0.0%
Outlet	32.1%	2.7%	0.2%
Other COGS (million yen)	321	(73)	(177)

*Business Unit: Sales of regular, online, wholesale, and rental of formal wear etc.

*Outlet: Sales of outlet stores and special events etc.

*Other COGS: valuation loss on goods, disposal etc.

Overview of SGA Expenses (non-consolidated)

- SGA Expenses vs. sales: decreased by 0.6 points to 45.8% compared to the revised forecast due to cost control
- Advertisement: increased as a result of aggressive promotions including the first anniversary sales promotion for our own online shopping site, the UNITED ARROWS LTD. Online Store
- Personnel: short compared to the revised forecast due to lack of sales staff

(million yen)

	Non-consolidated FYE March 20112Q (6 months aggregate)						<cf> Previous 2Q Revised Forecast			
	Results		YoY		vs. Revised Forecast		Results		Results	
	vs. Sales		+/-	%	+/-	%	vs. Sales		vs. Sales	
Total SGA Expenses	17,798	45.8%	1,367	108.3%	(336)	98.1%	16,430	45.3%	18,134	46.4%
Advertisement	717	1.8%	302	172.7%	72	111.1%	415	1.1%	645	1.7%
Personnel	6,374	16.4%	266	104.4%	(132)	98.0%	6,107	16.9%	6,506	16.6%
Rent	5,048	13.0%	342	107.3%	31	100.6%	4,705	13.0%	5,016	12.8%
Depreciation	581	1.5%	81	116.3%	(78)	88.1%	500	1.4%	660	1.7%
Others	5,076	13.1%	374	108.0%	(229)	95.7%	4,701	13.0%	5,305	13.6%

B/S Overview

- Inventories: amount of purchased products were disciplined and maintained optimal level of inventory
- Noncurrent assets: number of stores and investments were increased
- Current liabilities: short-term loans were decreased
- Noncurrent liabilities: increased as a result of application of accounting standard, asset retirement obligation
- Liabilities with interest: 71.1% YoY

(million yen)

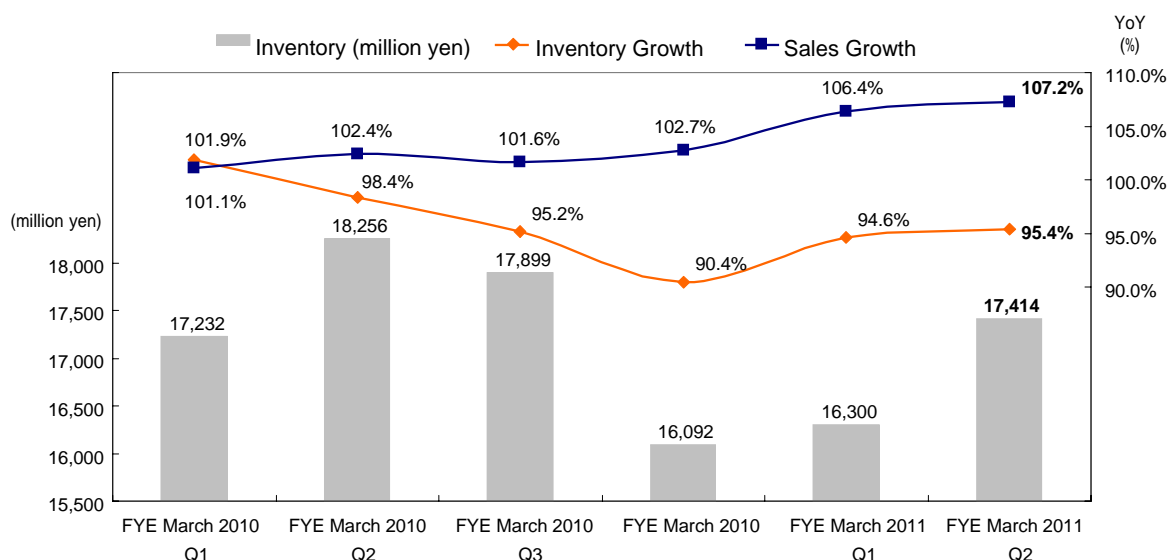
	Consolidated Results FYE March 2011 2Q			Non-consolidated Results FYE March 2011 2Q		
	Results		YoY	Results		YoY
Total assets	47,232	100.0%	98.8%	47,837	100.0%	101.4%
Current assets	29,705	62.9%	97.3%	29,303	61.3%	99.9%
Inventories	18,167	38.5%	94.1%	17,414	36.4%	95.4%
Noncurrent assets	17,527	37.1%	101.6%	18,533	38.7%	103.9%
Current liabilities	20,354	43.1%	93.7%	19,405	40.6%	98.5%
Noncurrent liabilities	4,096	8.7%	130.1%	3,925	8.2%	124.8%
Total net assets	22,782	48.2%	99.4%	24,505	51.2%	100.7%
Liability with interest	8,060	17.1%	71.1%	8,060	16.8%	79.1%

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Trend of Inventories (non-consolidated)

- Inventory at optimal level due to better control of inflow/outflow of inventory

Trend of inventory and sales



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C/F Overview

- C/F from operating activities:
[cause of increase] increased in income before income tax, application of asset retirement obligations accounting standard
[cause of decrease] increased in income taxed paid etc.
- C/F from investment activities: increased in purchase of tangible noncurrent assets
- C/F from financial activities:
[cause of increase] increased in short-term loans
[cause of decrease] repayment of long-term loans and payment of cash dividends paid

	Consolidated results FEY March 2011 2Q		<cf> Previous 2Q
	Results	+/- YoY	Results
Cash flows from operating activities	1,148	(1,249)	2,397
Cash flows from investment activities	(1,054)	(325)	(728)
Cash flows from financing activities	(432)	762	(1,194)
Increase/decrease in cash and cash equivalents	(338)	(812)	474
Cash and cash equivalents at beginning of term	4,061	739	3,322
Cash and cash equivalents at end of term	3,723	(73)	3,796

Store Opening/Closing Plan

- Consolidated 1H: Total number of stores: 210, store openings: 16, store closure: 1
- Consolidated 2H: Store openings: 16 (est.) (+6 vs. forecast)
- Consolidated full term: Store closures: 19 (est.)
- Consolidated total number of stores as of the end of the full term, March 31, 2011: 208 (est.)

	FYE March 2011 1H				FYE March 2011 (est.)						
	Apr 1, 2010	Open	Close	Sep. 30, 2010	Full term	Open		Close		March 31, 2011	
						1H	2H	Change	Change		
Consolidated	195	16	1	210	32	16	16	6	19	7	208
UNITED ARROWS LTD.	152	11		163	22	11	11	3	11	6	163
Total UA	48	1		49	3	1	2	1	3		48
Original UA	13			13							13
New UA	13			13					1		12
B&Y	20	1		21	3	1	2	1	2		21
Label Image Store	2			2							2
GLR	36	2		38	6	2	4				42
CH	5	1		6	1	1					6
SBU's and UA Lab	48	5		53	9	5	4	2	6	6	51
Another Edition	14			14							14
Jewel Changes	6	1		7	1	1					7
Odette é Odile	17	1		18	2	1	1				19
DRAWER	5			5							5
Cath Kidston	5	1		6	1	1		(1)	6	6	0
THE AIRPORT STORE UA		2		2	2	2					2
Channel Development Business				0	3		3	3			3
UA Lab	1			1							1
TOKISHIRAZU											
Outlet	15	2		17	3	2	1		2		16
FIGO CO., LTD	11			11	1		1	1	1	1	11
PERENNIAL UNITED ARROWS CO., LTD.	6	1	1	6	1	1			7		0
COEN CO., LTD.	26	4		30	8	4	4	2			34

Consolidated Subsidiaries

FIGO
CO., LTD.

Felise
CORTHAY
FASHION RESTAURANTS, TOKYO



COEN CO., LTD.
c o e n



- Felisi: directly operated stores were little bit weak
- Wholesale to other select shops and sales of directly operated online store were favorable
- Operating income, ordinary income, and net income exceeded forecast

- Same store sale were increased due to intensified cooperation between sales and product divisions
- Prior investments were made for opening 4 regular stores and online stores
- Operating income, ordinary income, and net income were favorable as forecast

PERENNIAL UNITED ARROWS terminated its operation and closed all stores as of the end of September, 2010. Sales results were 70% to forecast. Operating income, ordinary income, and net income exceeded forecast since costs of dissolution of the company and other costs were conservatively forecasted.

Management Policies for FYE March 2011

1. Improve profitability by completing and optimizing product platform and ensuring through implementation of basic product policy* based on ideal merchandising balance

Product Platform = Product Planning Platform + Production Platform

Forms the basis of our policy for product procurement and manufacturing, product launch and reduction of inventory

<Product Planning Platform>

- Weekly operational manuals were start to be utilized at each business and it is expect to be used on a company wide basis during the 3rd quarter.
- Final sales rates were improved in some businesses as a result of inventory control.
Gross profit were improved on a company wide basis and resulted in better cash flow.
From the 3rd quarter, we will intensify monitoring inventory that are purchased/manufactured before previous year and that of outlet stores.

<Production Platform>

- Reviewed production capabilities of each suppliers and implemented cost reduction by intensifying cooperation with our mainstay manufactures.
- Clarified problems and discussed how to manage volatile Chinese sourcing pressures such as increase of production cost and delay of deliveries.
Discussed optimal production strategy for Fall/Winter 2011 to mid-term.

*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.

Management Policies for FYE March 2011

2. Establish store management system and maximize customer satisfaction by ensuring through implementation of basic sales policy* and enhancing collaboration between product and sales divisions

- Continued to strengthen sales skills service technique by carrying out role play-based training exercise and on-the-job training at stores
- Strengthen store managers' skills through specialized training program.
- Intensified cooperation between product and sales divisions with the aim to reflect sales division's feedback in our product development and merchandise mix.

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

- Reviewed ten several issues of business processes and rules which across various divisions in order to increase accuracy of operations.
- Examined non-core work in store with the aim to lighten the workload on store operation.
- Introduced labor control system which enables us to enhance store productivity into selected UA, BY stores on a trial basis.
- Discussed the organization structure of FYE March 2012.

*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.

Mid-term Business Strategy

	Details of Strategy	Progress
Channel Strategy	Opening stores at airport, Expressway service areas, and Commercial spaces inside train station	<ul style="list-style-type: none"> THE AIRPORT STORE UNITED ARROWS <ul style="list-style-type: none"> NARITA AIRPORT TERMINAL2 and HANEDA AIRPORT TERMINAL2 opened in Jul. 2010 Searching new store openings including other channel
	Opening stores at department stores	<ul style="list-style-type: none"> Searching new store openings
	Further expansion of online sales	<ul style="list-style-type: none"> Strengthen existing sites <ul style="list-style-type: none"> the first anniversary sales promotion for the UNITED ARROWS LTD. Online Store including TV commercials Open UA, BY in "SELECT SQUARE", open UA in "magaseek" and opened BY, GLR, and COEN in Amazon.co.jp® in Sep. 2010
	TV Shopping	<ul style="list-style-type: none"> Start selling our products at TV shopping program, "SHOP CHANNEL" <ul style="list-style-type: none"> Planned to be broadcasted 8 times a year
	Lifestyle-oriented licensing business	<ul style="list-style-type: none"> Established Licensing Business Planning Team on Oct. 1, 2010 and projects are under active consideration
Brand equity Multiplication Strategy	Overseas market	<ul style="list-style-type: none"> Opening directly operated stores and franchise stores are under consideration In Sep. 2010, as extension of wholesale to I.T LTD, Hong Kong, B&Y and Another Edition opened stores in Hong Kong with I.T's operational support
	Opening franchise stores	<ul style="list-style-type: none"> The first B&Y's franchise store opened in Kanazawa in Sep. 2010 Searching new store openings
	Renewal of UNITED ARROWS HARAJUKU for WOMEN	<ul style="list-style-type: none"> Renewal open in Oct. 2010 as epicenter of fashion and entertainment <ul style="list-style-type: none"> offers fashion, food, interior, culture, and beauty etc. Strengthen fashion proposal Open cafe space, nail salon, and spa Planning monthly events, culture schools, workshops

**For reference: Revision of Earnings Forecast Full Term FYE March 2011**

Consolidated, full term FYE March 2011

(million yen)

	Revised Forecast		YoY		Previous Year Results	
	vs. Sales		+/-	%	vs. Sales	
Sales	90,612	100.0%	7,107	108.5%	83,504	100.0%
Gross Profit	47,229	52.1%	4,363	110.2%	42,865	51.3%
SGA Exp.	40,819	45.0%	2,897	107.6%	37,922	45.4%
Operating Inc.	6,409	7.1%	1,466	129.7%	4,942	5.9%
Non Op. P/L	(71)	(0.1%)	(165)	-	94	0.1%
Ordinary Inc.	6,338	7.0%	1,301	125.8%	5,037	6.0%
Extraordinary P/L	(1,448)	(1.6%)	(259)	-	(1,188)	(1.4)
Net Income	2,283	2.5%	879	162.7%	1,403	1.7%

Non-consolidated, full term FYE March 2011

	Revised Forecast		YoY		Previous Year Results	
	vs. Sales		+/-	%	vs. Sales	
Sales	84,788	100.0%	6,130	107.8%	78,657	100.0%
Gross Profit	44,255	52.2%	3,835	109.5%	40,419	51.4%
SGA Exp.	37,665	44.4%	3,038	108.8%	34,627	44.0%
Operating Inc.	6,589	7.8%	797	113.8%	5,792	7.4%
Non Op. P/L	0	0.0%	(152)	-	151	0.2%
Ordinary Inc.	6,588	7.8%	644	110.8%	5,943	7.6%
Extraordinary P/L	(1,393)	(1.6%)	953	-	(2,346)	(3.0%)
Net Income	2,723	3.2%	711	135.4%	2,011	2.6%

*There are no changes in the revised forecast released on August 5, 2010

**For reference: Revision of Sales Forecasts FYE March 2011 (non-consolidated)**

(million yen)

	1H			2H			Full Term		
	Revised Forecast	YoY +/-	%	Revised Forecast	YoY +/-	%	Revised Forecast	YoY +/-	%
Non-consolidated Total Sales	39,122	2,887	108.0%	45,665	3,242	107.6%	84,788	6,130	107.8%
Total Business Unit Sales	33,547	2,777	109.0%	39,646	3,025	108.3%	73,194	5,802	108.6%
UA	17,449	975	105.9%	20,771	425	102.1%	38,220	1,400	103.8%
G L R	7,318	674	110.2%	8,703	880	111.3%	16,021	1,554	110.7%
CH	2,321	388	120.1%	2,594	567	128.0%	4,915	955	124.1%
SBUs and UA Lab	6,458	739	112.9%	7,577	1,152	117.9%	14,035	1,892	115.6%
Outlet	5,574	110	102.0%	6,019	216	103.7%	11,594	327	102.9%
	Revised Forecast			Revised Forecast			Revised Forecast		
Same Store Sales of Regular + Online	104.5%			103.0%			103.7%		
UA	104.8%			102.9%			103.7%		
G L R	105.8%			102.9%			104.2%		
CH	97.3%			100.1%			98.7%		
SBUs and UA Lab	104.8%			104.5%			104.6%		
Same Store Sales of Regular	102.6%			100.4%			101.4%		
UA	103.0%			100.4%			101.5%		
G L R	104.8%			100.2%			102.3%		
CH	97.3%			100.1%			98.7%		
SBUs and UA Lab	100.6%			101.1%			100.9%		
Same Store Sales of Online	122.1%			122.2%			122.2%		
UA	126.2%			128.6%			127.7%		
G L R	114.2%			119.7%			117.5%		
CH	-			-			-		
SBUs and UA Lab	123.4%			116.4%			119.2%		

*There are no changes in the revised forecast released on August 5, 2010