



UNITED ARROWS LTD.

August 28, 2007

### **Notice Concerning Disposal of Treasury Stocks**

UNITED ARROWS LTD. hereby announces the disposal of treasury stocks due to the business alliance with Mitsubishi Corporation, resolved at the meeting of the Board of Directors held on August 28, 2007, as described below.

1. Purpose of disposal

We have made basic agreements on business alliance with Mitsubishi Corporation to further extend our corporate value. For a stronger alliance, we will sell a part of our treasury stocks to Mitsubishi Corporation.

2. Amount of proceeds raised from disposal and use of proceeds

(1) Amount of proceeds raised

¥2,999,851,100

(2) Usage of proceeds raised from the disposal of treasury stocks

Proceeds raised by the disposal of treasury stocks will be used as working capital.

(3) Schedule of usage of proceeds raised

After September 2007.

(4) Background of usage of proceeds raised by disposal of treasury stocks

Mitsubishi Corporation has historically been our vendor, and we believe that we can raise corporate value of both companies by strengthening relationships. We will raise our corporate value by implementing the following; reducing cost by applying distribution solutions, examining new businesses using OEM functions, building quick responding manufacturing systems, adjusting IT infrastructure, increasing free cash flow using the financial function of trading companies, receiving information and advice on potential M&A, etc. We also intend to increase interaction with Mitsubishi Corporation in other business areas.

3. Financial performance and equity finance in the past 3 years

(1) Financial performance in the past 3 years (Consolidated) (¥million)

Fiscal Year Ending March	2005	2006	2007
S a l e s	46,330	53,813	60,959
O p e r a t i n g P r o f i t	6,080	7,663	7,350
R e c u r r i n g P r o f i t	6,037	7,639	7,337
N e t I n c o m e	3,476	4,076	3,511
Net Incomer per share (¥)	154.90	183.99	84.98
Dividend per share (¥)	16.00	20.00	10.00
Net Asset per share (¥)	851.00	702.65	426.33

(Note) 1. As consolidated financial reports have been announced from the fiscal year ended March 2006, non-consolidated results have been indicated for fiscal year ended March 2005.

2. Common stocks were split two for one on April 1, 2006.

(2) Current shares outstanding and number of dilutive shares

Type	Number of Shares	Ratio
Total shares outstanding	47,700,000	100%
Total dilutive shares by current conversion price	-	-
Total dilutive shares by lowest conversion price	-	-
Total dilutive shares by highest conversion price	-	-

(3) Recent stock performance

Stock performance for the past 3 years

	FYE March 2005	FYE March 2006	FYE March 2007
Opening	¥2,860	¥2,850	¥3,250
Highest	¥2,970	¥7,850	¥3,420
Lowest	¥2,090	¥2,625	¥1,572
Closing	¥2,850	¥3,210	¥2,255

(Note) Common stocks were split two for one on April 1, 2006.

Stock performance for the past 6 months

	Feb	Mar	Apr	May	Jun	Jul
Opening	¥2,145	¥2,340	¥2,260	¥2,130	¥1,976	¥1,980
Highest	¥2,650	¥2,580	¥2,345	¥2,140	¥1,998	¥2,180
Lowest	¥2,085	¥2,175	¥2,010	¥1,693	¥1,783	¥1,791
Closing	¥2,260	¥2,255	¥2,135	¥1,975	¥1,989	¥1,863

Stock price on the previous business day before announcement

	As of August 27, 2007
Opening	¥1,800
Highest	¥1,810
Lowest	¥1,776
Closing	¥1,786

(4) Disposal of treasury stocks

Date of Disposal	September 12, 2007
Type of stocks	Common stocks
Number of stocks	1,627,700 shares
Price per share	¥1,843 per shares
Total price of shares	¥2,999,851,100
Total number of shares outstanding	47,700,000 shares
Number of treasury stocks after disposal	4,692,582 shares
Share purchaser	Mitsubishi Corporation

(5) Equity Finance in the past 3 years

None.

4. Major shareholders and shareholders' ratio after disposal

Before Disposal (As of March 31, 2007)		After Disposal	
Osamu Shigematsu	8.59%	Osamu Shigematsu	8.59%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6.38%	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.38%
Hirofumi Kurino	4.71%	Hirofumi Kurino	4.71%
Hirotoishi Hatasaki	4.62%	Hirotoishi Hatasaki	4.62%
Tetsuya Iwaki	4.34%	Tetsuya Iwaki	4.34%
Koichi Mizunoya	4.34%	Koichi Mizunoya	4.34%
Japan Trustee Services Bank, Ltd. (Trust Account)	3.81%	Japan Trustee Services Bank, Ltd. (Trust Account)	3.81%
The Bank of New York, Treaty JASDEC Account	2.46%	Mitsubishi Corporation	3.41%
Bank of New York GCM Client Accounts EISG	2.43%	The Bank of New York, Treaty JASDEC Account	2.46%
Japan Trustee Services Bank, Ltd. Trust Account 4	1.47%	Bank of New York GCM Client Accounts EISG	2.43%

(Notes) 1. Above information is based on the shareholders' list as of March 31, 2007.

2. Treasury stocks are not included in the chart above.

5. Affects on business results

Affect to the business results of UNITED ARROWS LTD. (consolidated/non-consolidated) are expected to be limited.

6. Rationality of disposal conditions

(1) Calculation of disposal price

The average closing price of UNITED ARROWS LTD. at the Tokyo Stock Exchange from May 28, 2007 to August 27, 2007 (3 months), discounted by 3% (figures smaller than ¥1 have been rounded off).

(2) Background of deciding amount of disposal and affect of dilution

The proportion of disposal is approximately 3.4% of total shares, and we believe that the affect of dilution will be marginal.

7. Reason of choosing purchaser

(1) Summary of purchaser

Name of Company	Mitsubishi Corporation		
B u s i n e s s	General Trading Company		
Date Established	April 1, 1950		
H e a d O f f i c e	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8086, Japan		
Name and Title of Representative	Yorihiko Kojima, President and Chief Executive Officer		
C a p i t a l	¥199,228,062,306		
Shares Outstanding	1,689,902,896 shares		
N e t A s s e t s	¥2,950,931 million (Consolidated)		
T o t a l A s s e t s	¥11,485,664 million (Consolidated)		
Fiscal Year End	March 31		
Number of Employees	53,867 (Consolidated)		
Major Shareholder and Shareholding Ratio (as of March 31, 2007)	The Master Trust Bank of Japan, Ltd. (Trust Account)	7.50%	
	Japan Trustee Services Bank, Ltd.	7.17%	
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	5.52%	
	Meiji Yasuda Life Insurance Company	4.71%	
	Mitsubishi Heavy Industries, Ltd.	2.90%	
	State Street Bank and Trust Company	2.87%	
	Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.53%	
	State Street Bank and Trust Company 505103	1.94%	
	The Chase Manhattan Bank, N.A. London	1.79%	
	The Nomura Trust & Banking Co., Ltd. (Retirement Benefit Trust, Mitsubishi UFJ Trust and Banking Corporation Account)	1.31%	
M a j o r B a n k	Bank of Tokyo-Mitsubishi UFJ, Ltd.		
Relationship, etc.	C a p i t a l	None.	
	T r a d i n g	Purchasing merchandise from Mitsubishi Corporation.	
	P e r s o n n e l	None.	
	Related parties	None.	
Business Performance in the past 3 years (Consolidated)			
Fiscal Year Ending March	2005	2006	2007
S a l e s ( ¥ m i l l i o n )	17,132,704	19,067,153	20,516,264
Operating Profit (¥million)	183,365	349,864	412,130
Net Income (¥million)	182,369	350,045	415,895
Net Incomer per share (¥)	116.49	215.38	246.52
Dividend per share (¥)	18.00	35.00	46.00
Net Asset per share (¥)	960.85	1,411.38	1,747.87

( 2 ) Reason of choosing purchaser

Mitsubishi Corporation has historically been one of our vendors, and we believe that we will be able to raise corporate value of both companies by strengthening relationship.

( 3 ) Shareholder policy of purchaser

We do not have any agreement between Mitsubishi Corporation regarding continuous holding of our shares. However, if all or partial amount of shares are to be sold, we are expecting to receive written notice of the name of purchaser, address, amount of shares sold, etc. from Mitsubishi Corporation.

(Appendix) Summary of disposal of treasury stocks

( 1 ) Number of treasury stocks to be disposed	1,627,700 shares
( 2 ) Price of disposal	¥1,843
( 3 ) Total amount of disposal	¥2,999,851,100
( 4 ) Total number of treasury stocks	4,692,582 shares
(Buying/selling requests of shares that do not reach the basic lot after August 1, 2007 are not included in the increase/decrease of treasury stocks)	
( 5 ) Electronic public announcement of resolution at meeting of board members	August 29, 2007
( 6 ) Payment day	September 12, 2007