



January 31, 2008

Notice Concerning New Business

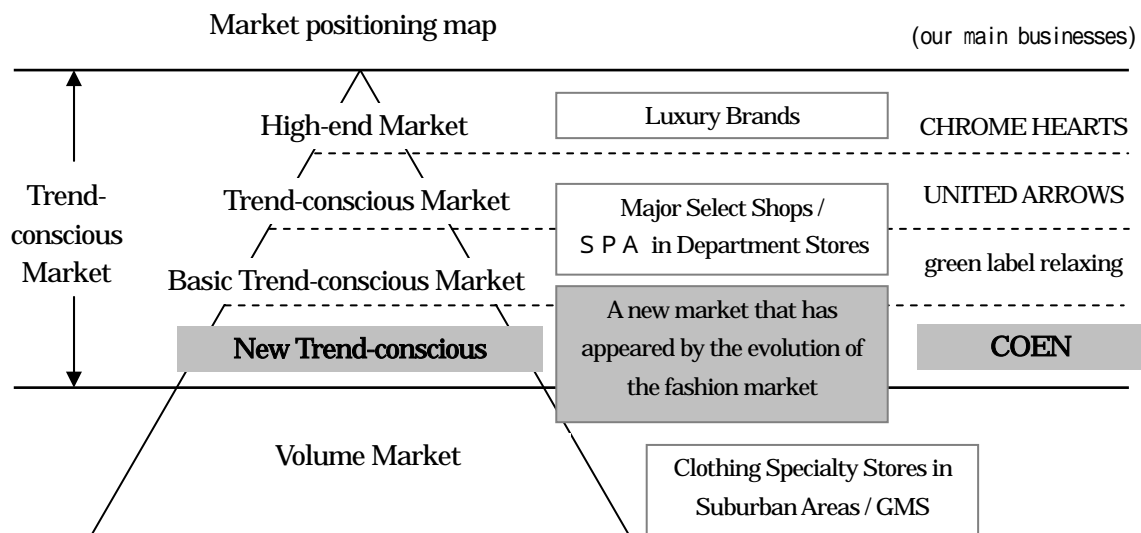
UNITED ARROWS LTD. hereby announces the start of a new business, resolved at the meeting of the Board of Directors held on January 31, 2008, as described below.

1. Purpose of new business

The Japanese apparel retail market can be divided into two categories: the volume market that mainly consists of relatively cheaply priced daily clothing, and the trend-conscious market that is highly sensitive to fashion trends. Our group targets the trend-conscious market.

On the other hand, as the fashion market has evolved in the past few years, a new market has appeared between the volume market and the trend-conscious market which consists of relatively cheaply priced clothing that are fashionable. We believe that this market is expanding and there are possibilities of growth.

We have named this market the new trend-conscious market, and will start a new brand named "COEN" targeting this market.



2. Summary of new business

(1) Details of new business

In the new business, we will use the product planning and development skills of our existing businesses to meet the market needs of the new market mentioned above. The main products of the new brand will be casual clothing for both men and women, which are fashionable but reasonably priced.

Function of product planning, manufacturing and logistics will be outsourced to Mitsubishi Corporation which we made agreements on business alliance in September 2007. By outsourcing these functions, we will minimize the dispersion of business and human resource from UNITED ARROWS LTD. and also use the stable manufacturing background that general trading companies have. We will establish a quick responding product supplying system and improve inventory turnover for higher productivity and profitability.

Stores are expected to be opened in suburban areas and large commercial facilities in rural areas. By limiting real estate developers to major players in the industry, we will have long term and stable opportunities in finding locations to open stores, and we will also be able to minimize head count for store development.

To manage the stores, we will establish a chain operation system by fully using the logistics system of Mitsubishi Corporation. We will decrease miscellaneous operation (such as product inspection) and improve operation efficiency, and also improve both customer satisfaction and employee satisfaction by developing a recruitment and education system with UNITED ARROWS LTD.

A new subsidiary for the operation of this new business will be established in April 2008. Details of this subsidiary will be announced when finalized.

(2) Schedule

April 2008	Establish operating subsidiary
Autumn 2008	Open new stores

3. Future outlook

By starting this new business mentioned above, there will only be marginal affect on business results of UNITED ARROWS LTD. for the current fiscal year. Future affects are still under examination, so they will be announced when earning forecasts for fiscal year ending March 2009 are announced.