



UNITED ARROWS LTD.

October 26, 2007

### Notice Concerning Revision of Earnings Forecast

UNITED ARROWS LTD. hereby announces revision of earnings forecast for fiscal year ended March 2008 (from April 1, 2007 to March 31, 2008) which was previously announced on May 14, 2007 reflecting changes in business conditions.

#### 1. Revision of earnings forecast for the interim of fiscal year ended March 2008 (from April 1, 2007 to September 30, 2007)

<Consolidated>

(unit: ¥million)

	Sales	Gross profit	Operating profit	Recurring profit	Net income
Previous forecast (A)	32,986	17,727	2,042	2,034	2,540
Current forecast (B)	31,659	16,470	1,524	1,565	2,225
Change in amount (B-A)	1,326	1,256	517	469	315
Change in percentage (%)	4.0	7.1	25.3	23.1	12.4
For reference Previous interim results	26,754	14,809	2,703	2,693	1,228

<Non-consolidated>

(unit: ¥million)

	Sales	Gross profit	Operating profit	Recurring profit	Net income
Previous forecast (A)	31,750	17,078	2,023	2,016	2,628
Current forecast (B)	30,434	15,801	1,438	1,486	2,254
Change in amount (B-A)	1,315	1,276	585	529	374
Change in percentage (%)	4.1	7.5	28.9	26.3	14.2
For reference Previous interim results	25,689	14,198	2,640	2,640	1,270

## 2. Revision of earnings forecast for the fiscal year ended March 2008 (from April 1, 2007 to March 31, 2008)

<Consolidated>

(unit: ¥million)

	Sales	Gross profit	Operating profit	Recurring profit	Net income
Previous forecast (A)	76,746	41,562	8,147	8,138	5,945
Current forecast (B)	72,514	38,005	5,232	5,263	4,098
Change in amount (B-A)	4,232	3,557	2,915	2,874	1,847
Change in percentage (%)	5.5	8.6	35.8	35.3	31.1
For reference Previous results (FYE March 2007)	60,959	33,072	7,350	7,337	3,511

<Non-consolidated>

(unit: ¥million)

	Sales	Gross profit	Operating profit	Recurring profit	Net income
Previous forecast (A)	74,098	40,177	8,009	8,000	6,054
Current forecast (B)	69,859	36,619	5,162	5,200	4,263
Change in amount (B-A)	4,239	3,557	2,847	2,800	1,791
Change in percentage (%)	5.7	8.9	35.6	35.0	29.6
For reference Previous results (FYE March 2007)	58,666	31,752	7,148	7,156	3,540

## 3. Reasons of revision

### Interim results

Although sales of spring and summer items were fairly favorable, as the climate was high from the latter half of August to September, sales of late summer and autumn items fell short of our initial forecast. As a result, consolidated sales for the interim are expected to decline by 4.0% from our previous forecast.

Gross profit is to be lower than our initial forecast as sales of marked down items increased at bargain sales, etc. and sales composition ratio of miscellaneous items (such as bags, shoes and accessories that have lower gross profit margin compared to private label brands) increased. Additionally, product disposal and product valuation loss, etc. is to increase by ¥182 million and be posted in cost of goods sold.

We forecast consolidated selling, general and administrative costs to be lower by ¥739 million as some expenses have been put off or have been cut.

Additionally, as some stores will be closed during the second half of the year, which were not included in our initial forecast, extraordinary loss of ¥127 million is expected to be posted as impairment loss.

Full term (second half of the fiscal year)

For the second half of the fiscal year, we have decided to revise our sales and gross profit forecast to conservative figures reflecting interim results of each division and recent business conditions.

Additionally, we will restructure a part of our small store brands which is operated within UNITED ARROWS LTD. to gather business resource to businesses that have high growth. We estimate a negative impact in consolidated net income of ¥250 million due to this business restructuring, and have included the impact in the revised consolidated and non-consolidated forecast. We will disclose details of the restructuring when decisions are finalized.

#### 4. Other information

At present, there are no changes in dividend forecast for fiscal year ended March 2008.

(Interim: 10 yen, term end: 15 yen, total annual: 25 yen)

(Note)

All information noted above are based on information obtained at present and include uncertainties. Therefore, actual results may differ from our forecasts depending on changes in business conditions.