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**Brief Announcement of Business Performance  
for the Year Ended March 31, 2004\*  
(Non-Consolidated)**

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Corporate Name:	UNITED ARROWS LTD.
Registered Name:	U-Arrows
Code Number:	7606
URL:	<a href="http://www.united-arrows.co.jp/">http:// www.united-arrows.co.jp/</a>
Securities Traded	The Tokyo Stock Exchange, First Section
Location of Headquarters:	Tokyo
Reference:	Tsuyoshi Horoiwa, Finance and Accounting Group Manager
Telephone:	03-6418-0803
Date of the Board of Directors Meeting for Closing of Accounts:	May 14, 2004
Date the Annual Shareholders Meeting:	June 28, 2004
Payment System of Mid-term Dividend:	Presence
Adoption of Unit Share System:	Presence (100 shares/ unit)

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\*The “Brief Announcement of Business Performance for the Year Ended March 31, 2004” is an English translation of the original Japanese. If any doubts arise as to the interpretation of this English version, the Japanese version shall take precedence.

# 1. Performance of Fiscal 2004 ended March (from April 1, 2003 to March 31, 2004)

## (1) Business Performance

Note: A fractional sum less than one million yen is discarded.

	Sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal 2004 ended March	42,903	(21.6)	5,241	(8.6)	5,270	(10.1)
Fiscal 2003 ended March	35,271	(30.9)	4,824	(21.7)	4,786	(22.6)

	Net income		Net income per share	Net income per share after adjusting dilutive shares	Return on equity	Ratio of ordinary income to capital	Ratio of ordinary income to sales
	¥ million	%	yen	yen	%	%	%
Fiscal 2004 ended March	2,877	(12.3)	258.97	256.76	20.2	23.4	12.3
Fiscal 2003 ended March	2,561	(10.5)	215.01	214.07	19.4	23.6	13.6

Notes: 1. Gains and losses on investment by equity method

Fiscal 2004 ended March ¥ -million

Fiscal 2003 ended March ¥ -million

2. The average number of shares during the fiscal period

Fiscal 2004 ended March 10,945,121 shares

Fiscal 2003 ended March 11,675,685 shares

3. Change of accounting method none

4. % in columns of Sales, Operating income, Ordinary income, and Net income indicates increase/decrease compared with the previous period, respectively.

## (2) Dividend

	Annual dividend per share			Total amount of dividend (per annum)	Payout ratio	Dividend rate on equity
		Interim	Year end			
	yen	yen	yen	¥million	%	%
Fiscal 2004 ended March	26.50	10.00	16.50	290	10.2	1.9
Fiscal 2003 ended March	23.00	7.00	16.00	258	10.7	2.0

## (3) Financial situation

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ million	¥ million	%	yen
Fiscal 2004 ended March	24,125	15,603	64.7	1,416.68
Fiscal 2003 ended March	20,836	12,924	62.0	1,178.30

Notes: 1. The total number of stocks issued at the end of the fiscal period

Fiscal 2004 ended March 10,983,900 shares

Fiscal 2003 ended March 10,925,000 shares

2. The total number of treasury stocks at the end of the fiscal period

Fiscal 2004 ended March 941,100 shares

Fiscal 2003 ended March 1,000,000 shares

(4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	¥ million	¥ million	¥ million	¥ million
Fiscal 2004 ended March	1,876	-2,311	589	1,623
Fiscal 2003 ended March	740	-1,116	-1,646	1,468

2. Projection for the performance of Fiscal 2005 ended March (from April 1, 2004 to March 31, 2005)

	Sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	
	¥ million	¥ million	¥ million	yen	yen	yen
Interim	20,836	1,890	1,036	5.00	-	-
Full fiscal year	47,014	5,810	3,302	-	10.00	15.00

Reference: Projected net income per share (in the full fiscal year): 148.64yen

- \* The directors' meeting held on February 4, 2004 passed a resolution urging the Company to split every one of its outstanding shares into 2 shares, which will be effective on the date of May 20, 2004.
- \* The projected net income per share was calculated in consideration of the number of shares issued after stock options are exercised.
- \* The above projection was made based on the information available at the present moment. Please note in advance that potential risks and uncertainties are included. The actual figures might differ from the above due to any possible factors. Please refer to the attached documents starting from page 4 for the preconditions and further information for the above projection.

## **1. Status of the corporate group**

No corresponding data

## **2. Management Policy**

### Basic policy of management

At the time when this company was established in October 1989, we declared our “resolution” as follows:

“We aim to contribute to society by improving living standards, culture and society through the development of products and the environment.” This reflects not only our business purposes, but also our strong will to continue to establish and pursue a proper sense of value that would serve as a model for Japanese lifestyle and culture through our business.

Under such resolution, we set our goal in “creating five kinds of value”,: “the value for customers”, “the value for the employees”, “the value for trading partners”, “the value for the community”, and “the value for the shareholders”, and we intend to be a company that continues to create the value to stakeholders, shareholders and the community, all of which are related to us.

We make all-out efforts to create these 5 values, and at the same time we as a public institution intend to contribute to improving Japanese lifestyle and culture.

### Basic policy concerning profit sharing

Recognizing that maximizing the value for the shareholders is a matter of a great importance for the management, we intend to return profits to our shareholders by such means as increased dividend payments and stock splits. We also have an intention to enhance our reputation on the stock market and increase our market capitalization to the greatest extent in order to increase the value for the shareholders. Moreover, we intend to efficiently manage shareholders' equity, aiming at return on equity (ROE) of 20% or more as a mid-term operating target.

With regard to dividend policy, for the time being, we basically use 10% of net income to finance dividends. As to internal revenues, we have an idea of using the reserves for capital expenditures in establishing new stores to expand our business.

The year-end dividend was declared as 15.50 yen per share in “the Brief Report for the Interim Settlement of the Term Ending March 31, 2004” on November 10, 2003. With the net profit for the term better than the Company's initial estimate, the year-end dividend will be 16.50 yen, an increase of 1 yen, according to the Company's policy on the payout ratio.

Together with the interim dividend of 10 yen per share, the annual dividend for the current fiscal year will be 26.50 yen per share, an increase of 3.50 yen over the previous fiscal year.

## Mid- and long-term management strategy

Our basic business strategy consists of the following three factors:

Multi-business-centered strategy with “UNITED ARROWS” at its core

Strategy of restricting the number of stores per business type in order to maintain the royalty held by each store high

Long-term strategy to expand the size of stores in order to maximize sales of each store

The above strategies are aimed at operating different types of business of high royalty through limiting the number of stores, centering on “UNITED ARROWS”, our current main business, and at the same time to maximize sales of each store by expanding its sales floor space respectively.

We have an intention to grow a “high value-added, multi-business-centered, innovative retailer” by developing the above strategies. We will also strive to achieve the ratio of operating income to sales of 15% or more, which is a mid-term operating target.

## Fundamental Idea and Performance of Measures about Corporate Governance

### (1) Fundamental Idea about Corporate Governance

As stated above, we set our goal in “creating five kinds of value”,: “the value for customers”, “the value for the employees”, “the value for trading partners”, “the value for the community”, and “the value for the shareholders”, and we as a public institution intend to contribute to improving Japanese lifestyle and culture. Moreover, we always provide investors with fair information timely, continuously, and voluntarily, and we try to improve transparency and reliable of management.

### (2) Performance of Measures about Corporate Governance

The conditions of the corporate governance system, including organizations for management which are related to decision-makings on corporate management, execution and supervision of such decisions, and others.

The Company makes decisions over important matters at a board of directors meeting to be held once a month in principle, and at an extraordinary board meeting as the need arises. Also, directors negotiate subjects as the occasion demands, and they efficiently execute their own duties as well as monitor the performance of such activities each other.

Furthermore, the Company adopts a system of corporate auditors.

Presently, all of four corporate auditors come from outside the Company. They secure transparency of management and play a roll of supervising and auditing the whole organization.

The internal audit in the Company aims to properly inspect the situations of preservation of assets held by the Company and business activities from a viewpoint of running a diagnostic check on management at all times. And at the same time, it intends to promote sound development of the Company by nipping illegal activities in the bud, and through rationalization and improvement of efficiency of the Company.

As an auditing company, we select Chuo Aoyama Audit Corporation. The Company executes a contract with this auditors group, and provides correct information regarding management as well as it maintains an environment to enable these auditors to inspect from a fair and impartial position.

When the situation requests for a legal judgement, we are timely advised from a corporate lawyer.

Overview of the human relationship, capital relationship, business connections or other interests among the Company, the outside director and outside auditors of the Company

Nothing falls under the above matters.

Performance of measures for fulfillment of corporate governance in the year

Base on our basic policy of disclosure, where we always provide investors with fair information timely, continuously, and voluntarily, the Company holds briefing sessions about closing and business strategies in the future for investors (analysts and individual investors) in the middle of May and November respectively in each year.

Each briefing session for individual investors is held in the presence of a small number of people, about 20 or so, in order to have them feel free to ask questions.

Moreover, we send e-mail about our monthly sales summary and press release to investors who want to get them. (Now, only available in Japanese version.)

In addition, we have started disclosing the details of quarterly business results since the first quarter of this business year ended in March, 2004.

Furthermore, after the general meeting of shareholders held in every June, the Company holds a session for the shareholders attended the meeting in order to report management based on the business strategies in the future, as a part of “an opened shareholders meeting”.

#### Major issues to be solved

The Company will verify and review further improvement of inventory efficiency, improvement of the quality of product planning in women’s wear, and plans for each business and each department under its basic mission statement “Maximum satisfaction to each customer in each occasion.”

The Company will complete the first stages of four structural reforms: namely Product CS (Customer Satisfaction), Sales CS, Management Control, and Corporate Culture so that the Company can move early to a new step and accelerate further reforms.

The Company will evolve its activities for improvement and reforms to an upper stage of continual improvement and reforms and will strongly promote them to reach a situation never caught up with by competitors having just started their structural reforms.

### 3. Operating results and financial position

#### Overview of operating results of the current fiscal year

In this fiscal year, the Japanese economy generally showed promising signs with exports and capital expenditures on the rise and improvement in corporate earnings as a starting point of economic recovery expanding not only in major companies but also in smaller companies, while lacking dynamism and momentum with the lagged improvements in consumer spending and employment conditions.

In the apparel and related retail industry, to which the Company belongs, things changed quickly and complicatedly as usual, and competition got much harder with polarization of companies: the winners successfully taking chances for breakthroughs and the losers unable to catch up with changes.

Under these circumstances, the Company devoted itself to providing “each customer in each occasion” with “maximum satisfaction” and making our stores “winners of winners” by sophisticating across the company its “Person (sales and service)”, “Products (merchandise)” and “Ambience (store)” under its basic mission statement “Maximum satisfaction to each customer in each occasion.”

In this fiscal year, the Company’s accomplishments in store opening and others for each business or operation were as follows.

#### UNITED ARROWS (UA) chain

In this business, the Company opened stores in Sendai (Aoba-ku, Sendai) and Nihonbashi (Chuo-ku, Tokyo). The Company also renovated and enlarged the floor space of its flagship Harajuku store (Shibuya-ku, Tokyo) with the aim of increasing its corporate value in 10 or 20 years.

The Company moved Futako-tamagawa store (Setagaya-ku, Tokyo) and enlarged the floor space of Umeda store (Kita-ku, Osaka).

#### Green Label Relaxing (GLR) chain

In this business, the Company made forays to major local cities as its strategic move of multiple store deployment by opening Kokura store (Kokurakita-ku, Kitakyushu), Shinagawa store (Minato-ku, Tokyo), Namba store (Naniwa-ku, Osaka), Kitasenju store (Adachi-ku, Tokyo) and Shizuoka store (Shizuoka City, Shizuoka).

#### CHROME HEARTS (CH) chain

In this business chain, the Company steadily focused on the expansion of products while solidifying its plan of opening stores in the future. The Company also strove to improve the accuracy of customer management by introducing the house card as a new effort in this business.

The Company renovated and renamed “CHROME HEARTS TOKYO ANNEX,” an annex to CHROME HEARTS TOKYO, to an independent shop “CHROME HEARTS HARAJUKU” in April 2004.

#### ANOTHER EDITION (AE) business

In this business, the Company opened Fukuoka store (Chuo-ku, Fukuoka) and Nagoya store (Naka-ku, Nagoya), and moved and renewed Harajuku store (Shibuya-ku, Tokyo), the flagship shop of this business, to another location in the same ward.

#### THE SOVEREIGN HOUSE (SVH) business

In this business, the Company opened a new store with more floor space in Marunouchi district after closing the existing store of “THE SOVEREIGN HOUSE” in Ginza, Tokyo.

#### UA Lab business

In this UA Lab (test-marketing store), the Company tackled to expand the business by opening a new UA Lab for women “Drawer” in Minami-Aoyama, Minato-ku, Tokyo, and the second store of the existing UA Lab for women



“Changes UNITED ARROWS” in Nagoya store (Naka-ku Nagoya).

As a result, the Company owned a total of 56 stores at the end of March, 2004, whose breakdown was 22 for UA chain, 18 for GLR chain, 2 for CH chain, 5 for AE business, 1 for SVH business and 8 for UA Lab.

The Company restructured the existing sales system for the purposes of preventing stock-out of well-sold products in the store and the stable supply of products. The Company also tackled to build a new system of controlling the quantity of merchandise inventory at a proper standard value for the purpose of reducing the merchandise inventory.

In the process of four structural reforms, a major issue to be solved since last year, namely Product CS, Sales CS, Management Control, and Corporate Culture, the Company continually held working sessions on weekly and monthly bases. With these working sessions, the Company could strive to improve and rationalize various operations while sharing and understanding the common values on profit across the board.

With these efforts, sales of the total retail stores increased by 20.2% over the previous period, and sales of the three major chains: UA, GLR and CH were up by 12.3%, 44.7% and 1.7%, respectively. Sales of other businesses also surpassed the figures of the previous year.

In consequence, the sales of this fiscal period reached 42,903 million yen (increased 21.6% by the previous period), the operating income of 5,241 million yen (increased 8.6% by the previous period), the ordinary income of 5,270 million yen (increased 10.1% by the same), and the net income of 2,877 million yen (increased 12.3% by the same).

#### Status of cash flows for the current fiscal year

Cash and cash equivalents (hereinafter referred to as “Cash”) in this fiscal year was 1,623 million yen at the end of this fiscal period, increased 155 million yen by previous fiscal year due to increase of net income before taxes to 5,028 million yen (increased 11.7% by the previous period) and proceeds from debt, etc., while recording an outflow of expenses in connection with increased inventories and the purchase of tangible fixed assets.

The cash flows for the current fiscal year were as follows:

#### **(Cash flows from operating activities)**

Cash gained from operating activities in the current fiscal year amounted to 1,876 million yen (increased 153.3% by the previous period). It was mainly due to net income before taxes of 5,028 million yen, depreciation expense of tangible fixed assets of 470 million yen, and an increase of 248 million yen in trade accounts payable due to increased purchases, despite 2,132 million yen of payment of income taxes and increase of 1,914 million yen in inventories due to expansion of the lines of business.

#### **(Cash flows from investing activities)**

Cash used for investing activities in the current fiscal year was 2,311 million yen (increased 107.0% by the previous period). This was largely attributable to expenditure of 1,649 million yen on purchase of tangible fixed assets accompanying new store openings and renovations, etc., of shops, increase of 357 million yen in guarantee deposits paid, and 213 million yen of purchase of intangible fixed assets.

**(Cash flows from financing activities)**

Cash gained from financing activities in the current fiscal year came to 589 million yen (used 1,646 million yen by the previous period). This was attributable to 736 million yen of proceeds from debt and 137 million yen for exercise of stock options, despite 284 million yen of expenditure on dividend payments based on our dividend policy. The indicators of our cash flows are as follows:

	Year ended March 2001	Year ended March 2002	Year ended March 2003	Year ended March 2004
Shareholders' equity ratio (%)	74.9	68.5	62.0	64.7
Shareholders' equity ratio at market value (%)	108.5	207.6	158.0	278.8
Debt redemption period (number of years)	-	-	1.9	1.1
Interest coverage ratio	823.0	64,062.5	193.9	170.2

(Note) Ratio of shareholders' equity = Shareholders' equity / Total assets

Ratio of shareholders' equity at market value = Total amount of shares at market value / Total assets

Debt redemption period = Interest-bearing liabilities Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest payment

1. Each indicator was calculated based on financial figures on a non-consolidated basis.
2. The total amount of shares at market value was calculated by multiplying the final share price at the end of the fiscal year by the total number of shares issued at the end of the fiscal year.
3. Cash flows from operating activities mean the cash flows from operating activities recorded on statements of cash flows. The interest-bearing liabilities mean the total interest-bearing liabilities recorded on a balance sheet. The interest payment means the amount of payment for interest recorded on a cash flow statement.

**Outlook for the next period**

The Japanese economy is expected to see recovery led by exports and move strongly due to a further reduction in non-performing loans and the promoted deregulations. The gradual deflation still underway will possibly recede and the economy is expected to show gradual recovery with improvement in employment conditions and a slight but bright sign in consumer spending. The apparel retail industry is observed to see much harsher competition among companies because of the customers' diversified values. Only the companies able to work out clear strategies (messages) for the age of reform and diversity can seemingly survive.

Under such condition, we estimate for the full business year sales of 47,014 million yen (increased 9.6% by the previous period), ordinary income of 5,810 million yen (increased 10.2% by the same), and net income of 3,302 million yen (increased 14.8% by the same).

Based on our dividend policy of profit sharing, we plan to distribute annual dividend of 15yen per share consisting of interim dividend of 5 yen per share and year-end dividend of 10 yen per share we planned at the beginning of the term.

The directors' meeting held on February 4, 2004 passed a resolution urging the Company to split every one of its outstanding shares into 2 shares, which will be effective on the date of May 20, 2004 to the shareholders listed or recorded in the list of shareholders or the record of actual shareholders as of March 31, 2004.

## 4. Financial Statements

### (1) Balance Sheets

	(In thousand of yen)			
	The 14 <sup>th</sup> Term		The 15 <sup>th</sup> Term	
	(As of March 31, 2003)		(As of March 31, 2004)	
	Amount	%	Amount	%
<b>Assets:</b>				
<b>I Current assets</b>				
1. Cash and cash equivalents	1,478,263		1,633,461	
2. Notes and accounts receivable-trade	78,443		84,205	
3. Product inventories	7,669,415		9,570,407	
4. Other inventories	10,344		23,646	
5. Advance payments	15,792		35,529	
6. Prepaid expenses	91,626		124,362	
7. Deferred tax assets	372,260		432,603	
8. Notes and accounts receivable-other	2,729,211		2,747,274	
9. Other	36,991		8,871	
<b>Total current assets</b>	<b>12,482,351</b>	<b>59.9</b>	<b>14,660,363</b>	<b>60.8</b>
<b>II Fixed assets</b>				
<b>1. Tangible fixed assets</b>				
(1) Buildings	3,842,954		4,568,299	
Accumulated depreciation	1,045,148	2,797,806	1,099,345	3,468,953
(2) Structures	5,076		9,005	
Accumulated depreciation	1,584	3,491	2,749	6,256
(3) Furniture and fixtures	662,861		889,641	
Accumulated depreciation	322,633	340,227	422,244	467,397
(4) Lands		1,082,072		1,082,072
(5) Construction in progress		8,953		372
<b>Total tangible fixed assets</b>	<b>4,232,551</b>	<b>20.3</b>	<b>5,025,052</b>	<b>20.8</b>
<b>2. Intangible fixed assets</b>				
(1) Lease tenant rights		138,165		138,165
(2) Trademarks		4,681		2,872
(3) Software		372,186		346,985
(4) Telephone subscriptions		20,294		20,294
<b>Total intangible fixed assets</b>		<b>535,328</b>		<b>508,318</b>
<b>2.6</b>				<b>2.1</b>
<b>3. Investments and other assets</b>				
(1) Investment securities		6,775		-
(2) Long-term loans receivable to employees		626		406
(3) Long-term prepaid expenses		376,805		384,847
(4) Deferred tax assets		112,625		99,563
(5) Long-term lease deposits		3,089,830		3,447,213
(6) Long-term accounts receivable		87,400		64,676
(7) Allowance for doubtful accounts		(87,400)		(64,676)
<b>Total investments and other assets</b>		<b>3,586,663</b>		<b>3,932,030</b>
<b>17.2</b>				<b>16.3</b>
<b>Total fixed assets</b>	<b>8,354,543</b>	<b>40.1</b>	<b>9,465,401</b>	<b>39.2</b>
<b>Total assets</b>	<b>20,836,894</b>	<b>100.0</b>	<b>24,125,764</b>	<b>100.0</b>

	(In thousand of yen)			
	The 14 <sup>th</sup> Term		The 15 <sup>th</sup> Term	
	(As of March 31, 2003)		(As of March 31, 2004)	
	Amount	%	Amount	%
<b>Liabilities:</b>				
<b>I Current liabilities</b>				
1. Note and accounts payable-trade	3,081,744		3,329,967	
2. Short-term borrowings	900,000		300,000	
3. Current portion of long-term debt	500,000		656,000	
4. Notes and accounts payable-other	1,455,400		938,175	
5. Accrued expenses	34,149		39,548	
6. Income taxes payable	1,118,562		1,183,863	
7. Deposits received	79,033		72,231	
8. Unearned income	4,946		9,700	
9. Accrued bonus	421,781		421,695	
10. Consumption taxes payable	128,357		150,614	
11. Other	29,159		1,999	
<b>Total current liabilities</b>	<b>7,753,135</b>	<b>37.2</b>	<b>7,103,795</b>	<b>29.4</b>
<b>Long-term liabilities</b>				
1. Long-term borrowings	-		1,180,000	
2. Accrued retirement benefits for directors	103,651		117,139	
3. Long-term guarantee deposits received	55,916		120,961	
<b>Total long-term liabilities</b>	<b>159,567</b>	<b>0.8</b>	<b>1,418,100</b>	<b>5.9</b>
<b>Total liabilities</b>	<b>7,912,703</b>	<b>38.0</b>	<b>8,521,895</b>	<b>35.3</b>
<b>Shareholders' equity:</b>				
<b>Commonstock, no par value</b>	<b>3,030,000</b>	<b>14.5</b>	<b>3,030,000</b>	<b>12.6</b>
<b>Capital surplus</b>				
1. Additional paid-in capital	4,095,600		4,095,600	
<b>Total Capital surplus</b>	<b>4,095,600</b>	<b>19.7</b>	<b>4,095,600</b>	<b>17.0</b>
<b>Retained earnings</b>				
1. Legal reserve	31,035		31,035	
2. Unappropriated retained earnings for the term	8,558,556		11,073,843	
<b>Total retained earnings</b>	<b>8,589,591</b>	<b>41.2</b>	<b>11,104,878</b>	<b>46.0</b>
<b>Treasury stock</b>	<b>(2,791,000)</b>	<b>(13.4)</b>	<b>(2,626,610)</b>	<b>(10.9)</b>
<b>Total shareholders' equity</b>	<b>12,924,191</b>	<b>62.0</b>	<b>15,603,868</b>	<b>64.7</b>
<b>Total Liabilities and shareholders' equity</b>	<b>20,836,894</b>	<b>100.0</b>	<b>24,125,764</b>	<b>100.0</b>

## (2) Statements of Income

(In thousand of yen)

	The 14 <sup>th</sup> Term (From April 1, 2002 to March 31, 2003)			The 15 <sup>th</sup> Term (From April 1, 2003 to March 31, 2004)		
	Amount		%	Amount		%
<b>Sales</b>	35,271,577		100.0	42,903,183		100.0
<b>Cost of sales</b>						
1. Beginning product inventories	5,421,553			7,669,415		
2. Purchases	18,960,241			22,271,246		
Total	24,381,795			29,940,662		
3. Amount transferred to other accounts	295,445			189,946		
4. Ending product inventories	7,669,415	16,416,934	46.5	9,570,407	20,180,308	47.0
Gross profit	18,854,642		53.5	22,722,874		53.0
<b>Operating expenses</b>						
1. Packing and distribution expenses	710,641			917,709		
2. Advertising expenses	649,093			768,436		
3. Selling and promotional expenses	129,557			140,838		
4. Officer compensation	159,837			183,921		
5. Salaries	2,878,785			3,756,587		
6. Employee bonuses	522,723			560,248		
7. Transfer to allowance for employee bonuses	421,781			421,695		
8. Retirement benefit expenses	50,620			69,800		
9. Transfer to allowance for officer severance	11,604			13,488		
10. Welfare expenses	552,288			737,768		
11. Traveling expenses	282,806			308,509		
12. Commissions	1,403,468			1,635,798		
13. Facilities rental expenses	3,197,479			4,455,054		
14. Consumable expenses	452,382			486,803		
15. Maintenance and repair expenses	533,676			630,226		
16. Depreciation	367,658			462,776		
17. Charges	531,340			669,766		
18. Miscellaneous expenses	1,174,856	14,030,602	39.8	1,262,199	17,481,627	40.8
<b>Operating income</b>	4,824,040		13.7	5,241,246		12.2
<b>Other income</b>						
1. Interest income	484			180		
2. Exchange gains	11,227			14,133		
3. Product rental income	14,584			13,672		
4. Lease income	60,986			93,631		
5. Miscellaneous income	26,308	113,591	0.3	35,944	157,562	0.4
<b>Other expenses</b>						
1. Interest expense	3,821			11,242		
2. Lease expenses	56,631			84,371		
3. Donation	58,109			22,376		
4. Additional treasury stock expense	18,475			-		
5. Miscellaneous expenses	13,732	150,771	0.4	10,133	128,123	0.3
<b>Ordinary income</b>	4,786,860		13.6	5,270,685		12.3

**Extraordinary income**

1. Gain on sale of fixed assets	4,286			401		
2. Reversal of allowance for doubtful accounts	<u>-</u>	4,286	0.0	<u>22,724</u>	23,125	0.0

**Extraordinary losses**

1. Loss on sale of fixed assets	4,321			8,892		
2. Loss on disposal of fixed assets	143,452			253,787		
3. Allowance for doubtful accounts	16,300			-		
4. Impairment of value of securities	4,524			-		
5. Loss on sample products	90,563			-		
6. Others	<u>31,611</u>	290,773	0.8	<u>2,684</u>	265,363	0.6
Net income before taxes		4,500,373	12.8		5,028,446	11.7
Income taxes – Current *	2,067,636			2,198,126		
Income taxes – Deferred	<u>(128,876)</u>	1,938,759	5.5	<u>(47,280)</u>	2,150,846	5.0
Net income		2,561,614	7.3		2,877,600	6.7
Retained earnings beginning balance		6,080,417			8,332,527	
Losses on treasury stock transactions		-			26,917	
Interim dividend		83,475			109,367	
Unappropriated retained earnings for the year		<u>8,558,556</u>			<u>11,073,843</u>	

\* Income taxes - Current consists of corporate income tax (national), enterprise tax (local), and resident income taxes (local).

## (3) Statements of Cash Flows

	(In thousand of yen)	
	The 14 <sup>th</sup> Term	The 15 <sup>th</sup> Term
	(From Apr. 1, 2002 to Mar. 31, 2003)	(From Apr. 1, 2003 to Mar. 31, 2004)
	Amount	Amount
<b>Cash flows from operating activities</b>		
Net income before taxes	4,500,373	5,028,446
Depreciation	371,579	470,065
Amortization of intangible fixed assets	128,321	155,750
Amortization of long-term prepaid expenses	44,536	53,968
Increase / (decrease) in accrued bonuses	112,977	(86)
Increase in accrued retirement benefits	222	13,488
Increase / (decrease) in allowance for doubtful accounts	16,300	(22,724)
Interest and dividend income	(484)	(180)
Impairment of value of securities	4,524	-
Loss on sale of securities	-	2,684
Interest expenses	3,821	11,242
Loss on disposal of tangible fixed assets	117,923	167,790
Loss on sale of tangible fixed assets	4,321	8,892
Gain on sale of tangible fixed assets	(4,286)	(401)
Loss on disposal of intangible fixed assets	25,528	31,084
Loss on disposal of long-term prepaid expenses	-	6,433
Loss on cancellation of insurance reserve fund	5,122	-
Increase in accounts receivable	(318,523)	(33,992)
Increase in inventories	(2,251,811)	(1,914,293)
Decrease / (increase) in other current assets	10,264	(18,620)
Increase in accounts payable	452,605	248,222
Increase / (decrease) in other current liabilities	57,329	(201,016)
Increase / (decrease) in other long-term liabilities	(10)	65,044
Bonuses to directors	(46,365)	(51,229)
Subtotal	3,234,273	4,020,569
Receipt of interest and dividends	484	178
Payment of interest	(3,821)	(11,025)
Payment of income taxes	(2,489,992)	(2,132,825)
<b>Net cash from operating activities</b>	<b>740,944</b>	<b>1,876,896</b>
<b>Cash flows from investing activities</b>		
Transfer to time deposits	(10,029)	(10,033)
Drawing from time deposits	10,009	10,029
Proceeds from sale of securities	-	4,091
Proceeds from sale of tangible fixed assets	8,220	8,825
Purchase of tangible fixed assets	(592,032)	(1,649,678)
Purchase of intangible fixed assets	(146,234)	(213,202)
Purchase of long-term prepaid expense	(110,769)	(103,891)
Decrease of staff loan	489	-
Guarantee deposits paid	(291,247)	(357,382)
Decrease in other investment	15,229	220
<b>Net cash from (used in) investing activities</b>	<b>(1,116,364)</b>	<b>(2,311,021)</b>

<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	900,000	(600,000)
Proceeds from long-term debt	500,000	2,000,000
Payments for repayment of long-term debt	-	(664,000)
Purchase of treasury stocks	(2,791,000)	-
Exercise of stock options	-	137,472
Dividends paid	(255,470)	(284,153)
<b>Net cash used in financing activities</b>	<b>(1,646,470)</b>	<b>589,319</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(2,021,890)</b>	<b>155,193</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,490,124</b>	<b>1,468,234</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,468,234</b>	<b>1,623,427</b>



(4) Appropriation of retained earnings	(In thousand of yen)			
	The 14 <sup>th</sup> Term		The 15 <sup>th</sup> Term	
	(Year ended March 31, 2003)		(Year ended March 31, 2004)	
	Amount		Amount	
<b>Unappropriated retained earnings for the year</b>	8,558,556		11,073,843	
<b>Appropriation of retained earnings</b>				
1. Dividends	174,800		181,234	
2. Bonuses of directors	51,229	226,029	43,164	224,398
<b>Earnings retained forward to the next year</b>		<u>8,332,527</u>		<u>10,849,445</u>

(References) Sales for the Term Period ended March 31, 2004

The 14th Term : (from April 1, 2002 to March 31, 2003)

The 15th Term : (from April 1, 2003 to March 31, 2004)

Total Sales

(In million of yen, %)

	The 15th (A)	The 14th Term (B)	Increase or Decrease (A)-(B)	Growth
Total Sales	42,903	35,271	7,631	21.6

Sales by Chain

(In million of yen, %)

	The 15th (A)	The 14th Term (B)	Increase or Decrease (A)-(B)	Growth
UA	26,635	23,722	2,913	12.3
GLR	7,459	5,155	2,303	44.7
CH	2,209	2,172	36	1.7
*S.B.U.&UA Labs	2,696	1,399	1,297	92.7
Retail	39,001	32,449	6,551	20.2
*Others	3,902	2,821	1,080	38.3

\*1. S.B.U. =Small Business Unit

\*2. "Others" includes the sales of wholesale, outlets, outside shops, mail-order, café and formal wear rental.

Sales by Category of Merchandise(Retail)

(In million of yen, %)

	The 15th (A)	The 14th Term (B)	Increase or Decrease (A)-(B)	Growth
Men's	19,576	16,058	3,517	21.9
Women's	14,814	12,318	2,496	20.3
*Silver & Leather	3,142	3,055	87	2.9
Miscellaneous	1,467	1,017	450	44.2

\* "Silver & Leather" means the silver accessories and leather outfits of CHROME HEARTS brand.

Sales of Existing stores (The 15th Term, Retail, YOY)

(%)

	Sales Growth Ratio	Number of Customer Growth Ratio	Ave. Spending per Customer Growth Ratio
UA	9.1	3.2	5.7
GLR	3.7	(0.1)	3.8
CH	2.5	13.4	(9.7)
S.B.U.&UA Labs	16.5	10.7	5.3
Retail	8.1	2.7	5.2