ANNUAL REPORT 2002

UNITED ARROWS

UNITED ARROWS

UNITED ARROWS LTD.
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UNITED ARROWS

Philosophy of UNITED ARROWS Group

MAKE YOUR REAL STYLE

The UNITED ARROWS group
creates standards of Japanese lifestyle and culture.

UNITED ARROWS LTD. was established in Tokyo, 1989, as a company that continues to set new standards for Japanese lifestyle and culture through the planning and sale of men's and women's apparel, accessories, and general merchandise. United Arrows pursues a value represented by an international concept that is globally accepted, and is achieved by the fusing of Japanese culture and traditions with those from the West. We would like to continue devoting ourselves to create this value in our ever continuing evolution.

Contents

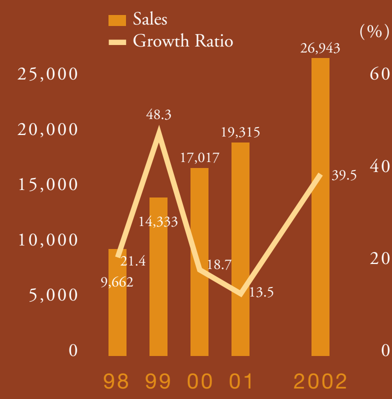
Financial Highlights

Years ended March 31, 2002 and 2001

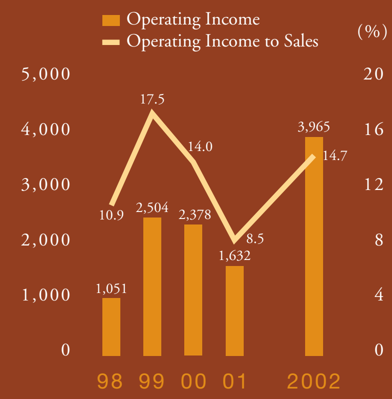
	Millions of Yen		Thousands of U.S. Dollars (Note)
	2002	2001	2002
Sales	¥ 26,943	¥ 19,315	$ 202,962
Operating Income	3,965	1,632	29,869
Net Income before Taxes	4,021	1,543	30,287
Net Income	2,318	879	17,464
Total Assets	19,645	15,054	147,983
Total Shareholders' Equity	13,456	11,269	101,366
Net Income per Share (in Yen and U.S. Dollars)	194.41	73.74	1.5
Shareholders' Equity per Share (in Yen and U.S. Dollars)	1,128.41	945.00	8.5

Note : Calculation based on the exchange rate of U.S. $1=¥132.75 (March 31, 2002).

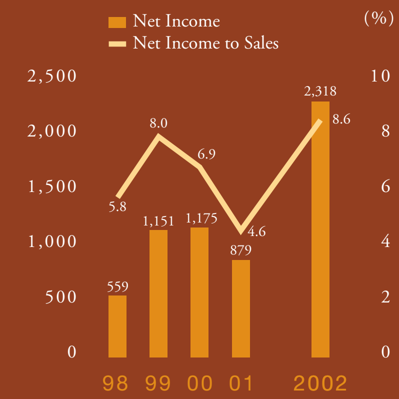
Sales and Growth Ratio
(Millions of Yen)



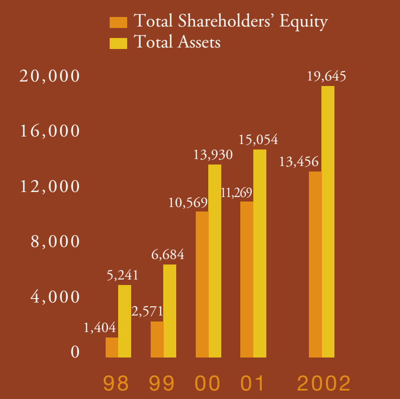
Operating Income and Operating Income to Sales
(Millions of Yen)



Net Income and Net Income to Sales
(Millions of Yen)



Total Shareholders' Equity and Total Assets
(Millions of Yen)



To Our Shareholders

Thanks to your exceptional support, in our 13th business term (April 1, 2001 – March 31, 2002), we have been able to report the positive business results. We are certainly not satisfied with the results. Continuously making further achievements, we sincerely seek your continued support.

June 2002

Osamu Shigematsu

Osamu Shigematsu
President and CEO

Reviewing the fiscal year ended March 2002 (13th business term)

During the fiscal year that has just ended, we have been able to take our first steps towards once again posting positive growth in our results.

Initially, this fiscal year had been regarded as "a critical period for regaining the growth of our business" and as "a period for strengthening our foundations." Although the existing store sales showed a moderate recovery, more time was needed until we could claim to be experiencing a real recovery.

However, our changes in product policy and in the operation for providing products, which we have been working on since last year, started to show results from the spring-summer season.

Since then, the various measures that we have implemented to achieve the recovery that was our essential aim have begun to succeed, to such an extent that we have seen a dramatic improvement on last year's figures.

Amid the severe conditions currently faced by the entire apparel industry, our accomplishment of a "V-shaped" recovery has made us the object of much attention. However, there are still many tasks left in order to ensure continued growth, and we believe that we have only taken the first steps towards achieving our full potential.

Specific measures

Looking at the practical measures that we have implemented, firstly, we have rebuilt our product policy. By taking a certain level of inventory risk, we have eliminated the out of stock of "basic products" in order to reduce the number of lost sales opportunities.

In our main United Arrows (UA) business chain, our "basic products" are called the "evolving UA basic product." We define this product as "products that are always in the stores but that gradually change according to the times."

We have completely clarified the product-numbers of these "basic products," and subsequently, all stores and Product Procurement teams have worked together to create a system for procuring products in a much more careful and efficient manner.

This approach has enabled us to meet customer expectations much more effectively and to minimize lost sales opportunities.

We were also determined to execute sales promotion activities focused on improving product exposure in fashion magazines.

Measures for Recovering Performance

- Clarification of "Basic Products"
- Reduction in lost sales opportunities
- Sales promotion activities focused on improved product exposure
- Improvement of product planning and product development strategies

The active promotion of products in fashion magazines led to an increase in the number of customers visiting our stores. Moreover, our efforts towards improving our product planning and strengthening our product development strategies clearly began to take an effect and led to a recovery in sales. These courses of action have started to be taken last year when our results were suffering.

About this fiscal year (14th business term)

Since entering the new fiscal year (our 14th term), we have continued to post solid sales results, but we will face the true critical period in this fall-winter season.

We expect to come under the close scrutiny of other companies, and we are convinced that we will not be able to post continued growth or develop further as a company if we remain satisfied with the status quo.

With this in mind, we have begun pursuing "five structural reforms," based on a central theme of "structural reform via operational improvements."

The "five stractural reforms" are: "Reform of product-customer satisfaction (CS in terms of products)," "Reform of service-customer satisfaction (CS in terms of our customer relation services)," "Reform of creativity," "Reform of business administration," and "Reform of human resources development."

Throughout the last fiscal year, we devoted ourselves to improving the working processes that had declined and we can happily say that we are now fully implementing these important reforms.

In order to build upon our achievements, we intend to create an infrastructure that will support them into the future.

Among these measures, the greatest challenge will be the "Reform of product CS."

This reform could be better described as the "reform of procurement and production" through which we aim to become a "multi-procurement-channel type of super SPA*."

*SPA specialty store retailer of private label apparel

In other words, it comprises measures that "skillfully incorporate trading company functions while efficiently and organically integrating the apparel and retail businesses."

This measure would be very difficult for an apparel maker without any expertise concerning the selection and planning of product lineups.

However, over several years we have been accumulating strength through cultivating know-how about selecting and planing merchandising lineups. It is our primary intention to construct a business model unique to us by repeatedly conducting these verifications based on the hypothesis, "This is really the winning model for the 21st century."

In addition, to support these measures, we will also reexamine our creativity (= reform of creativity), review our entire information infrastructure (= reform of business administration), and create an environment for nurturing personnel and developing human resources (reform of service-CS and reform of human resources development) to enable us to realize all these reforms.

The Five Structural Reforms

"Reform of product-customer satisfaction"
"Reform of service-customer satisfaction"
"Reform of creativity"
"Reform of business administration"
"Reform of human resources development"

Plans for opening new stores during this term

Presently there are no specific plans for opening further UA stores this fiscal year. However, we have recently received a number of interesting offers; therefore, we will carefully examine these opportunities.

As for the Green Label Relaxing (GLR) chain of our business, we resumed full-fledged opening of stores from spring 2002.

In April, this chain opened its first store in the Kansai region (Green Label Relaxing Umeda Store), signaling our concrete plans to open stores throughout the country. We plan to open around four to five more stores this fiscal year.

As for the Chrome Hearts (CH) chain, we are planning to open stores at the rate of about one store or so every two years. Consequently, we are still in the planning phase and conducting research into candidate sites for future stores.

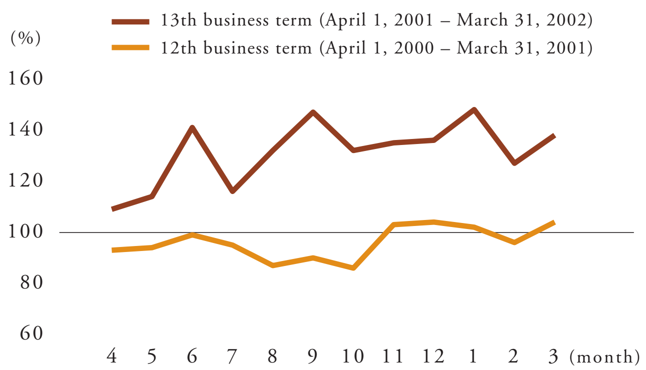
In addition, during this fiscal year, we are reinforcing activities concerning our UA Labos (test-marketing stores).

Over the past two to three years, we have focused our attention on aligning our new business chains (GLR and CH). As a result, strengthening UA Labo has been a secondary matter.

There are a number of Labos that have already begun to take concrete shape. We will open a new women's Labo in four station shopping centers located in Eastern and Western Japan. These Labos are being positioned as "tools for working women" based on in-house proposals that we received from employees.

There are other Labos being considered and we intend not only to focus on reinforcing our existing UA Labos but also actively launching new test-marketing stores.

Sales Ratio Comparison with Previous Fiscal Year on Exsiting-store Basis



Board of Directors

Through continual creative self-reflection and self reformation along with the accurate grasping of trends of the time, we will acquire the ability to rapidly adapt to change. We will proceed in a direction that meets the needs of the market and era through light footwork and a broad network.

(seated, from left) Osamu Shigematsu and Tetsuya Iwaki
(standing, from left) Hiroshi Takanashi, Koichi Mizunoya, Hirofumi Kurino and Hirotoshi Hatasaki

Osamu Shigematsu

President and CEO

CEO since the company's establishment, he also presides over the sales operation.

"This fiscal term, we plan to direct our attention to completing business restructuring in each department and work towards achieving our goal of group-wide total sales of 100 billion yen by the year 2011. We are implementing structural reforms in five areas, aiming at the establishment of new Japanese standards."

Tetsuya Iwaki

Managing Director

Director, Product CS, &
General Manager, Sales Promotion

Responsible both for product CS and the sales promotion department, implementing measures in a wide range of areas – including merchandising control, sales promotion, and visual presentation standards inside our shops. Has exercised keen initiative in helping to promote the sharp business recovery in 2002.

"Goals for the year are 1) reliability in taking action logically and faithfully in accordance with our principles, 2) flexibility – with attention to speed, 3) improving all-round strengths through mobilizing teamwork."

Koichi Mizunoya

Managing Director

Director, Customer CS, &
General Manager, Human Development Dept.

Working on the development of an environment to ensure a swift response to customer needs at the newly created position of "Director in Charge of Customer CS." Manages the personnel administration of the entire company.

"Basing ourselves squarely on the United Arrows rule that 'the shop is for the customer,' I am engaged in building a better customer service to offer maximum satisfaction to the customer at our shops. It is especially important to ensure suitable and qualified personnel from the start of new stores, and carry out any measures for service betterment.

Aiming for establishment of a new personnel administration system moving with the times, and in which professionals are compensated for their results."

Hirofumi Kurino

Creative Director

Exploring themes that are actually a step ahead of the times from both marketer's and creative director's points of view. Supervises merchandising planning and sales promotion, along with shop interior and exterior design. The key executive in forming the company's image.

"Being close to nature and immersing myself all the more in the elements of nature, feeling the vibrations that nature sends out. There is nothing stronger than nature's energy to bring out a positive attitude in human beings. Nature also offers inspiration in creating colors and ideas."

Hiroshi Takanashi

Managing Director

General Manager, Administration Division and Investor Relations

Leades the administration division set up in October 2001 and is also responsible for investor relations.

"Fashion is generally quite a risky business. However, we are building a stable and experienced management foundation that can reduce such risks and promote a strong company."

Hirotoshi Hatasaki

Director

Active in promoting the fashion industry in Kobe, support of new ventures and industries, development of sports and other community vitalization projects.

Currently a board member of the Kobe Chamber of Commerce and Industry, vice chairman of the Kobe Fashion Organization, vice chairman of the Japan Tennis Association and chairman of the Kansai Tennis Association.

The Rapid Growth of Green Label Relaxing

Concept of the Chain

Helping fine families and couples to live more stylish lifestyles

The GLR business chain was originally developed “for ‘UA graduates’ who were no longer catered for by UA due to changes in their size or changes in their disposable income arising from marriage or child rearing.”

However, a review of this hypothesis and testing from five existing stores has led us to the conclusion that the “potential market was wider” than just “UA graduates.” We have; therefore, expanded our previous business concept.

GLR targets a broad customer age group (single, married, and those with children). What they have in common is:

- This group “values its lifestyle,” but
- “restricts its budget on apparel”; however,
- this group “wants to be fashionable and is particular about quality and design.”

The mission of the GLR business chain is to provide the stylish and adequately inexpensive products that such customers want. The above concept expresses this mission.

This concept of “Helping fine families and couples to live more stylish lifestyles” has in mind families and couples who desire a refined, high class, and comfortable lifestyle.

Based on this new concept, GLR stores are providing a feeling of comfort to customers through “products that embody a high fashion sense, that are in an appropriate price range, and that meet the needs of the market.” Further, they are available in “feel free to visit, examine, and buy stores” staffed by “kind, attentive, and friendly sales personnel.”

Store Opening Plan

The business chain established in September 1999 following approximately one year of test marketing in a UA Labo

→ Seven stores opened centering on the Tokyo metropolitan area (as of the end of March 2002)

→ Open a further two stores every six months in the first one to two fiscal years (following the resumption of the store-opening program) and, once on track, increase to three stores every six months

→ After verifying the success of 24 stores, more stores will be opened until reaching our target of 80 stores

Following approximately one year of test marketing in a UA Labo, the GLR business chain was formally established and as of the end of March 2002 it boasts seven stores centered on the Tokyo metropolitan area.

After opening the fifth store in July 2000, we temporarily suspended the opening of stores to review the concept behind this business chain. Following this review, a rapid increase in sales was observed and a successful format was established. Due to this, new stores were opened in spring, 2002. We finally launched the first store for this business chain in the Kansai area, Umeda in Osaka.

Having been restarting the opening of stores, we plan generally to open two stores every six months for one to two fiscal years and then, when we are firmly on track, about three stores every six months.

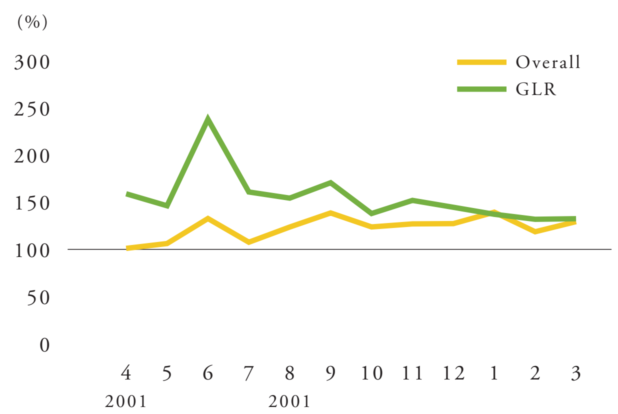
Moreover, the market depth of the GLR business chain is believed to be greater than the UA business chain and our basic policy is ultimately to open around 80 stores, once we have ascertained the chain’s success based on the first 24 stores.

GREEN LABEL RELAXING Omiya

GREEN LABEL RELAXING Omiya

GREEN LABEL RELAXING Yokohama

Sales Comparison with Previous Fiscal Year on Existing-store Basis



More than two years have passed since the business chain was established in September 1999.

In the first year, we were unable to post profits, mainly due to the burden of initial costs incurred in opening the stores and other factors. However, the business chain itself posted an ordinary profit last fiscal year (year ending March 2001) and sales grew at a healthy pace during the following year (year ending March 2002).

GREEN LABEL RELAXING Yokohama

New Logo Mark

The green portion of the logo represents a leaf. The alignment of the apple leaf used in the previous logo has been altered to symbolize an evolution into a new form.

The shape of the leaf also represents water droplets, fire, a single tree and the forest created from these, depicting the characteristics of GLR intertwined with the land and nature.

Further, the horizontal leaf represents an arrowhead, which reflects an arrow among the “United Arrows.”

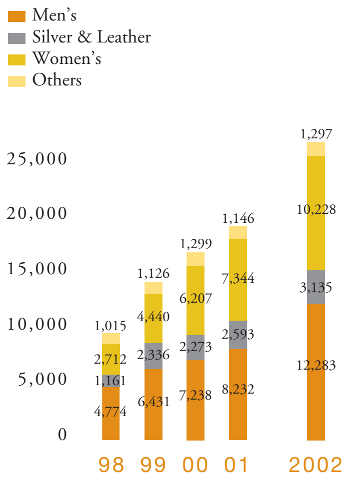
united arrows
green label relaxing

Products

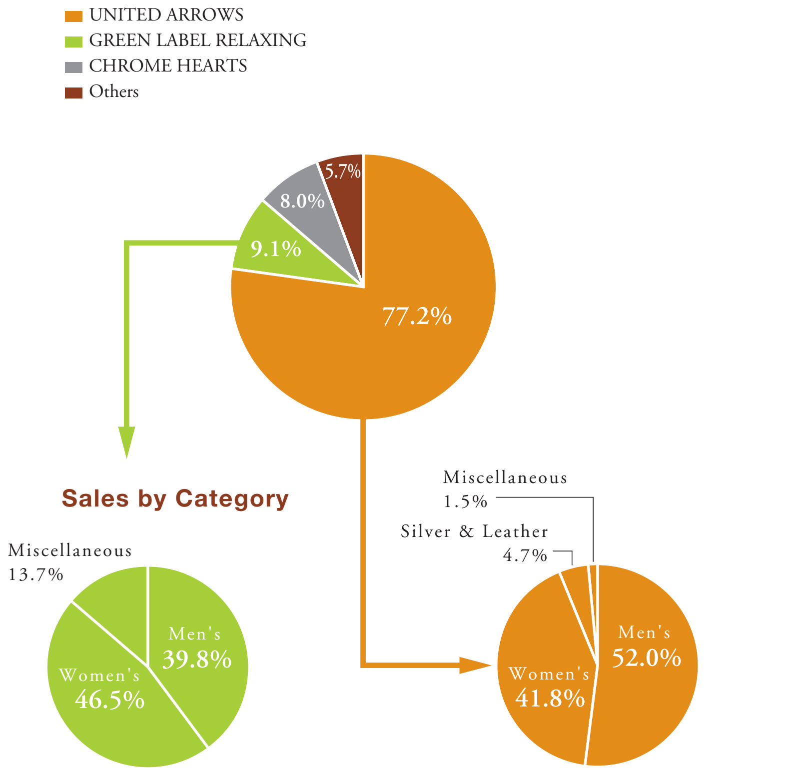
Starting in autumn 2001, our GLR chain began selling “all handmade suits” produced in China. These suits realize qualities specific to handmade suits by combining the know-how United Arrows has accumulated in making comfortably fitting suits and the “accuracy of handwork” and the “excellent technical skills” of Chinese tailors. With their solid appearance, level of comfort and mobility, the suits have a classy appearance not found in suits of the same price range sold by other companies. Specifically, buttonholes and stitching provide a feeling unique to tailor made craftsmanship and quality material centering on super 100’s are used. We continue on to broaden the colors and patterns that we provide.

Financial Data

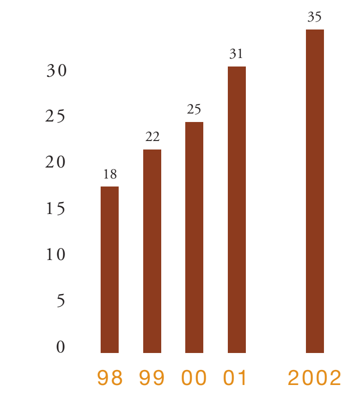
Sales by Category
(Millions of Yen)



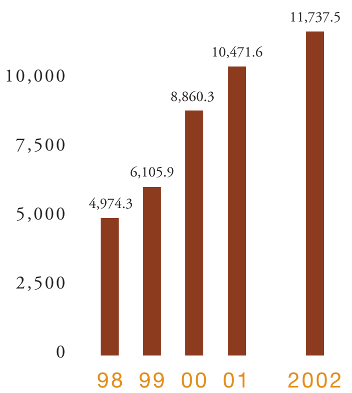
Sales by Chains



Number of Stores



Total Floor Space
(m²)



Number of Customer Ratio (by chain)
(%)

	2001 1st half	2001 2nd half	2001 total	2002 1st half	2002 2nd half	2002 total
UNITED ARROWS	96.5	99.9	98.1	131.4	152.2	**141.5**
GREEN LABEL RELAXING	1,133.1	196.1	306.8	199.4	166.5	**180.8**
CHROME HEARTS	—	199.3	349.6	180.7	144.4	**160.0**

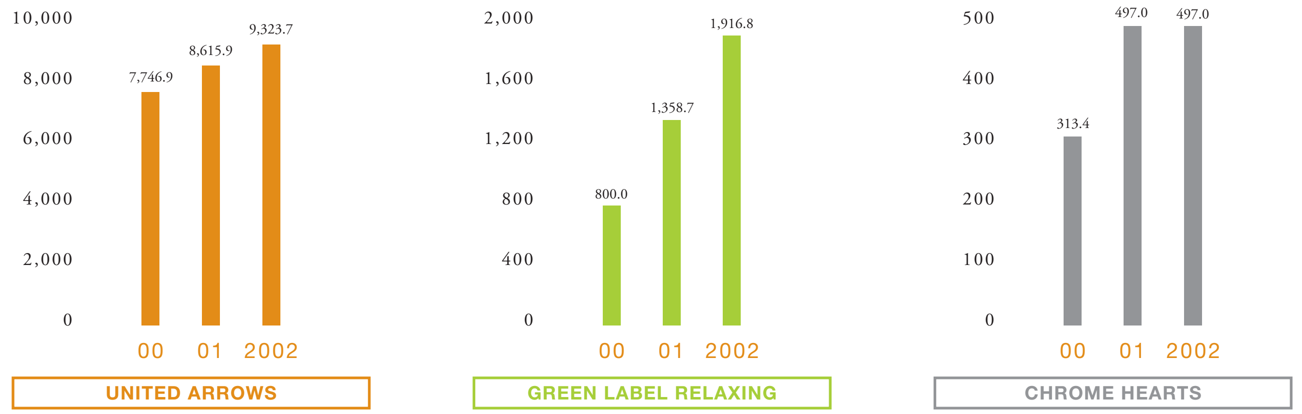
Note: Green Label Relaxing and Chrome Hearts launced in September 1999 and in December 1999.

Average spending per Customer Ratio (by chain)
(%)

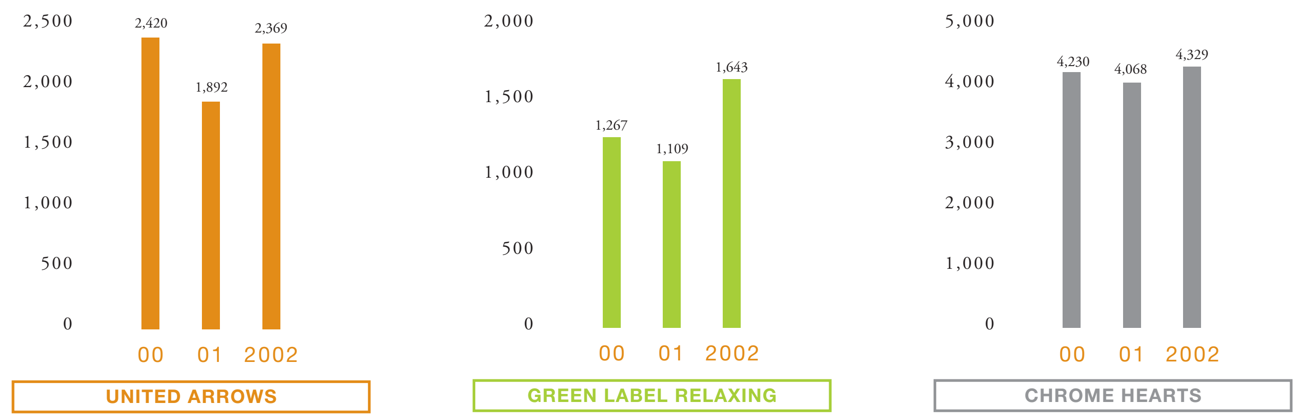
	2001 1st half	2001 2nd half	2001 total	2002 1st half	2002 2nd half	2002 total
UNITED ARROWS	99.8	106.2	103.4	97.4	94.9	**96.9**
GREEN LABEL RELAXING	86.9	100.2	92.7	94.7	94.6	**93.8**
CHROME HEARTS	—	97.2	94.6	91.9	92.7	**92.0**

Note: Green Label Relaxing and Chrome Hearts launced in September 1999 and in December 1999.

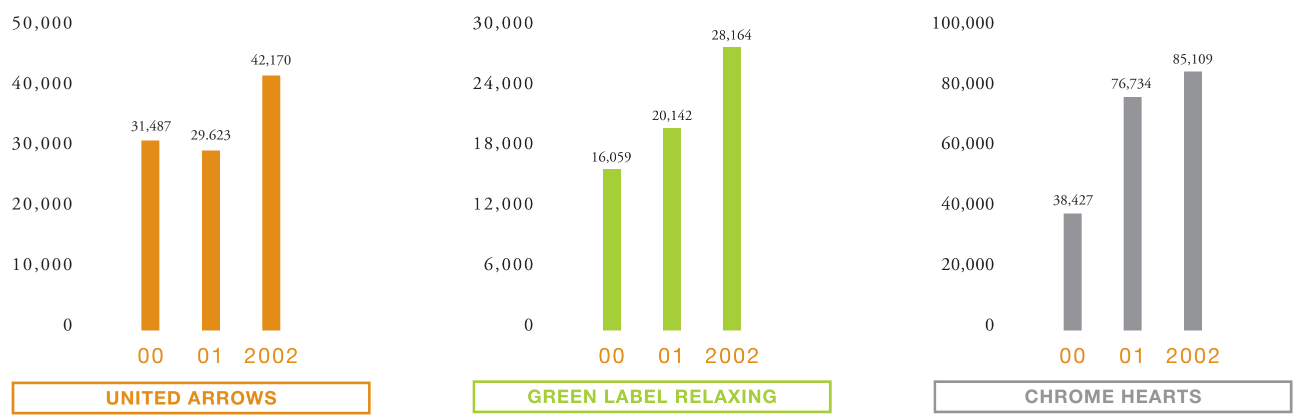
Total Floor Space
(m²)



Sales per 1m²
(Thousands of Yen)



Sales per Employee
(Thousands of Yen)



UA News

http://www.united-arrows.co.jp/corp/ir/en/index.html

Listed on Tokyo Stock Exchange

We successfully listed on the second section of the Tokyo Stock Exchange on March 19, 2002. All of our directors and employees are diligently committed to further enhance and expand business.

UA LABO

In September 2001, the second “Another Edition” store opened in Kyoto. Additionally, in February 2002, “Tokishirazu,” which passed the screening of our internal venture system, was opened in Shibuya Ward, Tokyo. The store’s concept is “High Street” and it proposes the polarization of street fashion and high class fashion as well as fashion that is free of generational boundaries.

“Tokishirazu” logo

IR Website Renewed

We renewed our investor relations information page to make it “easier to see, use and understand.” The content has been improved with monthly overviews, IR calendars and shareholder special benefits information now available. Furthermore, we have introduced an English version for overseas investors.

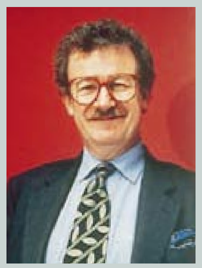
UNITED ARROWS work with the Royal College of Art

Located in London, the Royal College of Art is the only wholly postgraduate university of art and design in the world.

The College has a world-wide reputation, with graduates from the College contributing to the many new and exciting modes of art and design we see around us.

It is our pleasure to have the opportunity to work with them through yearly projects.

Professor Sir Christopher Frayling, Rector of the Royal College of Art has presented his comments on the relationship between United Arrows and the Royal College of Art.



Royal College of Art
Postgraduate Art & Design

ROYAL COLLEGE OF ART

RECTOR AND VICE-PROVOST
PROFESSOR SIR CHRISTOPHER FRAYLING

26 June 2002

United Arrows Limited
2-31-12 Jingumae
Shibuya
Tokyo
Japan 150-0001

The Royal College of Art and United Arrows

The relationship between United Arrows and the Royal College of Art’s School of Fashion & Textiles goes back to the year 2000. Since then, the relationship has developed to the point where United Arrows are intending to increase their sponsorship for 2002/03 by providing three ‘Internships’. Each chosen student will receive a payment for the ‘Internship’ as well as a three week work placement, one week in Japan and two weeks in London. This year’s United Arrows project which was on show during the Graduate Fashion week will be on display throughout October in United Arrows store, Tokyo Japan.

So United Arrows are continuing to develop their relationship with the Royal College of Art and they are currently looking at the possibility of working with other disciplines of art and design within the College.

The Royal College of Art is much enjoying its relationship with United Arrows and is looking forward to a successful future.

Yours sincerely

Professor Sir Christopher Frayling
Rector

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Financial Section

Contents

5-year Summary

Years ended March 31, 2002, 2001, 2000, 1999 and 1998

	Millions of Yen					Thousands of U.S. Dollars (Note)
	2002	2001	2000	1999	1998	**2002**
Sales	**¥ 26,943**	¥ 19,315	¥ 17,017	¥ 14,333	¥ 9,662	**$ 202,962**
Operating Income	**3,965**	1,632	2,378	2,504	1,051	**29,869**
Net Income	**2,318**	879	1,175	1,151	559	**17,464**
Total Assets	**19,645**	15,054	13,930	6,684	5,241	**147,983**
Total Shareholders’ Equity	**13,456**	11,269	10,569	2,571	1,404	**101,366**
Number of Shares Issued (Share)	**11,925,000**	11,925,000	7,950,000	7,050,000	1,920	
Net Income per Share (Yen)	**194**	74	153	180	291,299	**1.5** (in U.S. Dollars)
Shareholders’ Equity per Share (Yen)	**1,128**	945	1,329	365	731,401	**8.5** (in U.S. Dollars)
Capital Expenditures	**484**	1,112	3,636	894	731	**3,646**
Number of Stores	**35**	31	25	22	18	
(including number of UA Labos)	**(6)**	(5)	(3)	(5)	(3)	
Total Floor Space (m^2)	**11,738**	10,472	8,860	6,106	4,974	
Number of Employees	**441**	358	342	248	193	
Net Income to Total Assets (ROA) (%)	**13.4**	6.1	11.4	19.3	12.2	
Return on Equity (%)	**18.8**	8.1	17.9	57.9	49.7	
Shareholders’ Equity Ratio (%)	**68.5**	74.9	75.9	38.5	26.8	
Total Assets Turnover (times)	**1.4**	1.3	1.2	2.1	1.8	
Inventory Turnover (times)	**2.7**	2.9	2.9	3.7	3.7	
Current Ratio (%)	**195.6**	178.9	203.5	90.2	74.5	
Fixed Assets Ratio (%)	**58.3**	76.6	71.2	120.6	179.3	

Note : Calculation based on the exchange rate of U.S. $1=¥132.75 (March 31, 2002).

Operating and Financial Review

1. Business Environment

During fiscal 2002 (April 1, 2001 to March 31, 2002) the Japanese economy has fluctuated in severe conditions under the prolonged economic slump. Capital investment, the tractional force of economic recovery, showed sluggish growth and consumer spending remained low due to worsened employment conditions.

Within our retail apparel and related goods industry, conditions were severe as expenditures on clothing continued their gradual decrease, largely due to the slump in consumer spending, and the market scale was reduced further. On the other hand, along with the shift of consumer needs to high-value added products, the only companies that advanced were companies that managed to breakaway from price competition and differentiate themselves from their competitors.

2. Operating Performance

Sales came to 26,943 million yen, a year-on-year increase of 7,628 million yen (+39.5%). Operating income amounted to 3,965 million yen, a year-on-year increase of 2,333 million yen (+143.0%). Net income came to 2,318 million yen, a year-on-year increase of 1,439 million yen (+163.6%).

We have set ourselves apart from rival companies by working to "strengthen our product development abilities" and "maximize customer satisfaction," while always bearing in mind the achievement of the following four points: "a line of products that timely meets customer needs," "a selection of products that consumers find exciting," "speedy and accurate store management that fulfills customer needs," and "sales promotion activities that arouse customer needs and bring out the best in our stores and products."

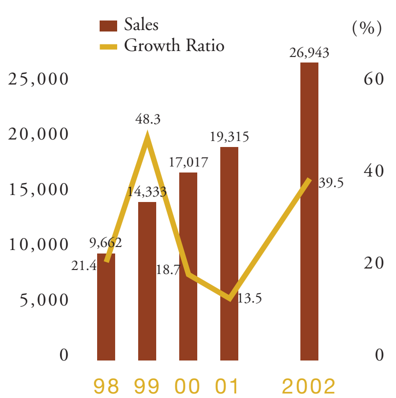
As for our sales activities, we have managed to minimize the loss of sales opportunities by "reviewing our product policy" and "making changes in our product providing operations." Further, we conduct marketing tests on a continual basis to provide "trend-leading self produced products" that do not already exist in the market. Through this, a "hypothesis and verification cycle" has been established enabling the development of original and creative products. In addition, by conducting sales promotion activities focusing on improved product exposure, an amplified number of our products appeared in media such as fashion magazines and has led to the increase of customers visiting our stores.

With the implementation of such measures to satisfy customer needs, we have been able to distinguish ourselves from rival companies. As s result, under the business environment where the whole retail apparel and related goods industry is struggling, United Arrows (UA), along with Green Label Relaxing (GLR) and Chrome Hearts (CH) have continued to maintain solid results since last year.

UA has opened a new store in Hiroshima (September 2001) and new GLR stores were opened in Yokohama and Omiya (March 2002). As for the test marketing store, which we call UA Labo, the second "Another Edition" store was opened in Kyoto (September 2001) and the first "Tokishirazu," a project that came to fruition as a result of in-company venture system screenings, was opened in Shibuya Ward, Tokyo (February 2002). With the opening of these new stores, the Company now has a total of 35 stores, and the number of stores owned according to a business chain as of the end of March 2002 are: UA: 20, GLR: 7, CH: 2 and UA Labo: 6.

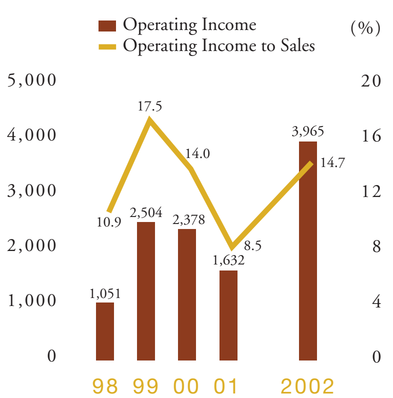
Further, steady progress is being made towards new stores and floor extensions within each business chain during the first quarter of fiscal 2003 (April 1, 2002 to June 30, 2002). UA moved and extended the floor space of the Umeda Store (April 2002). GLR has embarked on its nation-wide expansion by opening its first Kansai region store in Umeda (April 2002) and its second Kansai store in Kyoto (June 2002).

(Millions of Yen)



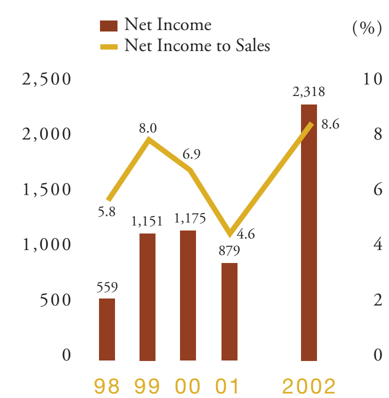
Sales and Growth Ratio

(Millions of Yen)



Operating Income and Operating Income to Sales

(Millions of Yen)



Net Income and Net Income to Sales

3. Performance by Business Chain

As for sales by business segment, each showed steady growth with the posting of year-on-year increases as follows: UA: 37.0%, GLR: 69.6% and CH: 47.2%. In the UA business chain, silver and leather products decreased by 13.1%, but men's and women's clothing posted increases of 46.9% and 33.7% respectively, resulting in a steady growth in overall sales. All areas of the GLR business chain posted significant growth with increases of 57.4% in men's clothing, 70.9% in women's clothing and 112.3% in other merchandise. Within the CH business chain, the product expansion in women's clothing in particular served as a tractional force to improve growth.

As for sales by the three main product categories, which account for 95.2% of all sales, well-balanced growth were posted with men's, women's and silver & leather increasing by 49.2%, 39.3% and 20.9% respectively.

4. Operating Results

Sales

Sales came to 26,943 million yen, a year-on-year increase of 7,628 million yen (+39.5%). This was primarily due to the rise in sales from the opening of new stores and the year-on-year increase in sales at existing stores of 31.3%.

Gross profit totaled 14,439 million yen, a year-on-year increase of 4,249 million yen (+41.7%), and the gross profit ratio came to 53.6%, posting a year-on-year increase of 0.8 points from 52.8%.

Operating Income

Operating expenses amounted to 10,474 million yen, a year-on-year increase of 1,916 million yen (+22.4%). However, the ratio of operating expenses to sales decreased by 5.4 points to 38.9%. Rises in operating expenses are mainly due to increased fluctuation expenses as a result of increased sales, increased rent due to opening new stores and increased personnel costs due to the hiring of new staff. As a result, operating income totaled 3,965 million yen, a year-on-year increase of 2,333 million yen (+143.0%).

Other Income (expenses)

Other income increased 144 million yen year-on-year to 56 million yen. This increase was primarily due to gains from the sale of fixed assets including our former head office, contract cancellation costs and appropriation of accrued retirement benefits that accompanied changes in internal regulations.

Moreover, the primary breakdown of other expenses was losses from disposal of stored goods, losses from canceling leases for old POS registers when replacing all registers at our stores, assessed losses for marketable securities, donations and the like.

Consequently, net income before taxes increased 2,477 million yen (+160.5%) year-on-year to 4,021 million yen.

Sales by Chains

Millions of Yen

	2000			2001			2002		
	amounts	%	YOY	amounts	%	YOY	amounts	%	YOY
UNITED ARROWS	¥ 14,961	87.9	112.2	¥ 15,186	78.6	101.5	**¥ 20,811**	**77.2**	**137.0**
GREEN LABEL RELAXING	505	3.0	—	1,437	7.4	284.5	**2,438**	**9.1**	**169.6**
CHROME HEARTS	442	2.6	—	1,462	7.6	330.8	**2,152**	**8.0**	**147.2**
Others	1,109	6.5	110.8	1,230	6.4	110.9	**1,542**	**5.7**	**125.5**
Total	¥ 17,017	100.0	118.7	¥ 19,315	100.0	113.5	**¥ 26,943**	**100.0**	**139.5**

Note : "Others" include the sales of wholesales, outside shop, and cafe.

Net income

Income taxes increased year-on-year by 1,038 million yen (+156.3%) to 1,702 million yen. This resulted from increases in corporate, resident and enterprise taxes along with decreases in deferred income taxes. Corporate, resident and enterprise taxes increased 1,163 million yen to 1,887 million yen. This was primarily due to increases in operating income. Deferred income taxes increased 124 million yen to be 185 million yen. This was primarily due to an increase in accrued enterprise tax.

Therefore, net income increased year-on-year by 1,439 million yen (+163.6%) to 2,318 million yen.

5. Financial Position

Assets

Total assets came to 19,645 million yen, a year-on-year increase of 4,591 million yen (+30.5%). This was primarily due to the increase in current assets.

Current Assets

Current assets amounted to 11,795 million yen, a year-on-year increase of 5,373 million yen (+83.7%). This was mainly due to the increase in cash and deposits, inventories, and other notes and accounts receivable. Cash and deposits increased by 3,219 million yen to 3,490 million yen, primarily owing to the rise in operating income and income through selling marketable securities and the old head office building. Inventories increased by 2,263 million yen to 5,428 million yen. This was mainly due to increased sales and the restructuring of a product policy aimed to reduce loss of sales opportunities. Other notes and accounts receivable increased by 716 million yen to 2,441 million yen, primarily owing to the rise in sales of existing in-shop stores and the rise of accounts receivable concurrent with the opening of new in-shop stores. Further, marketable securities have decreased by 600 million yen, but this was due to the cancellation of investment trust.

Fixed Assets

Tangible fixed assets came to 4,059 million yen, a year-on-year decrease of 876 million yen (-17.7%). There was an increase of 355 million yen due to opening of new stores and expanding and renovating existing stores. At the same time, there was a decrease of 857 million yen owing to the selling of the former head office building and disposal concurrent with expansion and renovation as well as a decrease of 374 million yen due to depreciation. Intangible assets totaled 503 million yen, a year-on-year decrease of 124 million yen (-19.8%). Although there was a 50 million yen investment in new software, disposal of the old system amounted to 46 million yen and a decrease caused by depreciation totaled 129 million yen. Investment increased by 218 million yen, a year-on-year increase to 3,288 million yen (+7.1%). This was primarily due to the rise in guarantee deposits paid with the opening of new stores.

Liabilities

Current liabilities and long-term liabilities totaled 6,188 million yen, a year-on-year increase of 2,404 million yen (+63.5%), which was primarily due to the increase in current liabilities.

Current Liabilities

Current liabilities totaled 6,029 million yen, a year-on-year increase of 2,439 million yen (+67.9%). This was mainly due to the increase in other notes and accounts payable, trade notes and accounts payable, and income taxes payable. Other notes and accounts payable amounted to 1,334 million yen, a year-on-year increase of 650 million yen (+95.0%), mainly reflecting the rise in unpaid advertisement expenses and unpaid expenses for new store construction that opened in March 2002. Trade notes and accounts payable totaled 2,629 million yen, a year-on-year increase of 593 million yen (+29.2%), primarily due to the increase of sales and product purchase along with the restructuring of the product policy. Income taxes payable amounted to 1,541 million yen, a year-on-year increase of 1,249 million yen (+428.4%) reflecting the rise in profits.

Long-Term Liabilities

Long-term liabilities amounted to 159 million yen, a year-on-year decrease of 35 million yen (-18.0%), owing to the decrease in long-term accounts payable and accrued retirement benefits along with changes made in internal company regulations.

Furthermore, the current ratio of fiscal 2002 rose by 16.7 points year-on-year to 195.6%, and the fixed ratio fell by 18.3 points to 58.3%.

6. Cash Flow

Cash and cash equivalents (hereinafter, "cash") of fiscal 2002 (as of March 31, 2002) were balanced out in part mainly due to increased inventories and expenditures for the acquisition of tangible fixed assets. However, as net income before taxes amounted to 4,021 million yen, posting a remarkable year-on-year increase of 2,477 million yen (+160.5%) and with income through selling of fixed assets, cash totaled 3,490 million yen, a year-on-year increase of 2,619 million yen.

Furthermore, cash flow in fiscal 2002 is indicated in the following paragraph.

Cash flows from operating activities

Cash flows from operating activities amounted to 1,908 million yen, a year-on-year increase of 171 million yen (+9.8%).

Inflows included net income before taxes of 4,021 million yen, depreciation and amortization of tangible fixed assets amounted to 537 million yen and an increased purchase debt of 593 million yen due to the rise in purchases. Outflows included increased trade receivables of 763 million yen due to the expansion of operations and an increased inventory of 2,263 million yen.

Cash flows from investing activities

Cash flows from investing activities totaled 840 million yen (1,905 million yen for the previous fiscal year).

This was due to new store openings and existing store remodeling resulting in outflows of 266 million yen for the purchase of tangible fixed assets and 190 million yen for guarantee deposits while realizing income from selling tangible fixed assets including the former head office building of 1,118 million yen.

Cash flows from financing activities

Cash flows from financing activities showed an outflow of 129 million yen, a reduction of 50 million yen from the previous year (-27.8%), due to expenditure on dividends based on the dividend policy.

7. Cash dividends

Profit apportionment increased year-on-year by 8.50 yen to 19.50 yen per share (interim 5 yen).

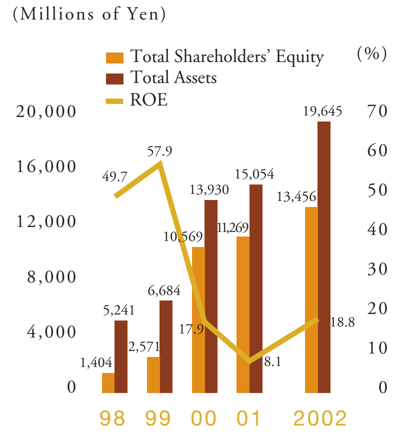
Furthermore, with the aim to achieve a more diverse range of investors and improve stock flow, on March 19, 2002 we were listed on the Second Section of the Tokyo Stock Exchange.

Sales by Category of Marchandise

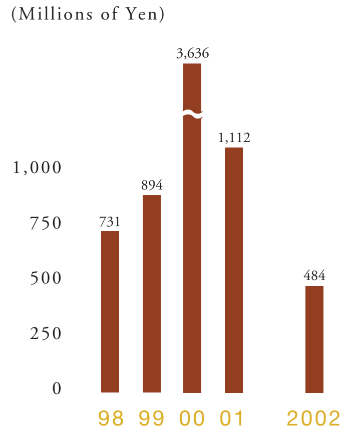
Millions of Yen

	2000			2001			2002		
	amounts	%	YOY	amounts	%	YOY	amounts	%	YOY
Men's dress	¥ 2,752	16.2	106.5	¥ 3,015	15.6	109.6	**¥ 4,328**	**16.1**	**143.5**
Men's sports	4,486	26.3	116.6	5,217	27.0	116.3	**7,955**	**29.5**	**152.5**
Total of Men's	¥ 7,238	42.5	112.5	¥ 8,232	42.6	113.7	**¥ 12,283**	**45.6**	**149.2**
Women's dress	2,619	15.4	140.6	3,249	16.8	124.1	**5,039**	**18.7**	**155.1**
Women's sports	3,588	21.1	139.2	4,095	21.2	114.1	**5,189**	**19.3**	**126.7**
Total of Women's	¥ 6,207	36.5	139.8	¥ 7,344	38.0	118.3	**¥ 10,228**	**38.0**	**139.3**
Silver & Leather	2,273	13.4	97.3	2,593	13.4	114.1	**3,135**	**11.6**	**120.9**
Miscellaneous	190	1.1	152.7	338	1.8	177.4	**647**	**2.4**	**191.7**
Others	1,109	6.5	110.8	808	4.2	72.9	**650**	**2.4**	**80.5**
Total	¥ 17,017	100.0	118.7	¥ 19,315	100.0	113.5	**¥ 26,943**	**100.0**	**139.5**

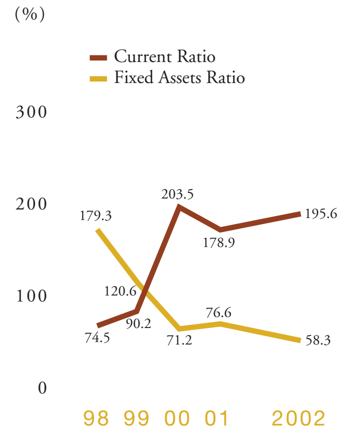
Note : "Others" include the sales of wholesales, outside shop, and cafe.



Total Shareholders' Equity, ROE and Total Assets



Capital Expenditures



Current Ratio and Fixed Assets Ratio

Balance Sheets

March 31, 2002 and 2001

	Thousands of Yen 2002	Thousands of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
ASSETS			
Current Assets:			
Cash and deposits (Note 3)	**¥ 3,490,125**	¥ 271,601	**$ 26,291**
Time deposits	**10,010**	273,010	**75**
Marketable securities (Note 3,4)	—	600,000	—
Notes and accounts receivable-			
Trade	**78,747**	89,300	**593**
Other	**2,441,065**	1,725,506	**18,388**
Inventories (Note 5)	**5,427,949**	3,165,259	**40,889**
Deferred tax assets (Note 7)	**244,589**	70,915	**1,842**
Others	**102,131**	225,753	**770**
Total current assets	**11,794,616**	6,421,344	**88,848**
Fixed Assets:			
Tangible Fixed Assets			
Lands	**1,082,072**	1,454,684	**8,151**
Buildings and structures	**3,452,295**	3,734,427	**26,006**
Furniture and fixtures	**624,711**	608,955	**4,706**
Vehicles	—	267	—
Construction in progress	**5,253**	—	**40**
Accumulated depreciation	**(1,105,549)**	(863,684)	**(8,328)**
Total tangible fixed assets	**4,058,782**	4,934,649	**30,575**
Intangible Fixed Assets			
Software	**338,216**	460,780	**2,548**
Lease tenant rights	**138,166**	138,166	**1,041**
Others	**26,785**	28,254	**201**
Total intangible fixed assets	**503,167**	627,200	**3,790**
Investments and Other Assets:			
Investments in securities (Note 4)	**11,301**	49,413	**85**
Long-term lease deposits	**2,798,583**	2,608,307	**21,082**
Long-term prepaid expenses	**332,365**	288,354	**2,504**
Deferred tax assets (Note 7)	**111,422**	100,280	**839**
Others	**105,667**	95,093	**796**
Allowance for doubtful accounts	**(71,100)**	(71,100)	**(536)**
Total investment and other assets	**3,288,238**	3,070,347	**24,770**
Total assets	**¥ 19,644,803**	¥ 15,053,540	**$ 147,983**

The accompanying notes are an integral part of these financial statements.

	Thousands of Yen 2002	Thousands of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Notes and accounts payable-			
Trade	**¥ 2,629,139**	¥ 2,035,649	**$ 19,805**
Other	**1,334,400**	684,383	**10,052**
Income taxes payable (Note 7)	**1,540,919**	291,634	**11,608**
Consumption tax payable	**126,659**	159,777	**954**
Accrued bonus	**308,804**	204,197	**2,326**
Accrued expenses	**19,883**	19,465	**150**
Others	**69,314**	194,917	**522**
Total current liabilities	**6,029,118**	3,590,022	**45,417**
Long-Term Liabilities:			
Accrued retirement benefits for directors	**103,429**	123,730	**779**
Others	**55,926**	70,669	**421**
Total long-term liabilities	**159,355**	194,399	**1,200**
Total liabilities	**6,188,473**	3,784,421	**46,617**
Shareholders' Equity: (Note 10)			
Common stock, no par value	**3,030,000**	3,030,000	**22,825**
Authorized: 47,700,000 shares			
Issued: 11,925,000 shares at March 31, 2001			
11,925,000 shares at March 31, 2002			
Additional paid-in-capital	**4,095,600**	4,095,600	**30,852**
Legal reserve	**31,035**	23,880	**234**
Retained earnings	**6,299,695**	4,119,639	**47,455**
Total shareholders' equity	**13,456,330**	11,269,119	**101,366**
Total liabilities and shareholders' equity	**¥19,644,803**	¥ 15,053,540	**$ 147,983**

Statements of Income

Years ended March 31, 2002 and 2001

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2002	**2001**	**2002**
Sales	**¥26,943,208**	¥ 19,314,895	**$ 202,962**
Cost of sales	**12,504,552**	9,125,293	**94,196**
Gross profit	**14,438,656**	10,189,602	**108,766**
Operating expenses	**10,473,568**	8,557,794	**78,897**
Operating income	**3,965,088**	1,631,808	**29,869**
Other income (expenses):			
Interest income	**1,392**	2,813	**10**
Interest expense	**(30)**	(2,111)	**(0)**
Exchange losses	**(32,870)**	(24,119)	**(248)**
Dividends income	**12,903**	12,161	**97**
Rental income, net	**22,819**	19,609	**172**
Donation	**(53,483)**	—	**(403)**
Gain (loss) on sale or disposal of fixed assets, net	**215,812**	(33,716)	**1,626**
(Loss) on disposal of supplies	**(88,224)**	—	**(665)**
Impairment of value of securities	**(38,112)**	—	**(287)**
Settlements on cancellation of contract	**47,784**	—	**360**
Provision of allowance for doubtful accounts	**—**	(62,700)	**—**
Reversal of retirement benefits for employees	**—**	18,120	**—**
Reversal of retirement benefits for directors	**31,272**	—	**236**
Loss on cancellation of leases	**(52,654)**	—	**(397)**
Others, net	**(11,034)**	(18,371)	**(83)**
	55,575	(88,314)	**418**
Net income before taxes	**4,020,663**	1,543,494	**30,287**
Income taxes (Note 7)			
-Current	**1,887,092**	724,437	**14,215**
-Deferred	**(184,815)**	(60,327)	**(1,392)**
	1,702,277	664,110	**12,823**
Net income	**2,318,386**	879,384	**17,464**
Retained earning beginning balance	**4,040,934**	3,305,842	**30,440**
Interim dividend paid	**(59,625)**	(59,625)	**(449)**
Interim legal reserve	**—**	(5,962)	**—**
Unappropriated retained earnings for the year	**¥ 6,299,695**	¥ 4,119,639	**$ 47,455**

	In exact Yen		In exact U.S. Dollars
Per share:			
Net income	**¥ 194.41**	¥ 73.74	**$ 1.465**
Cash dividends (Note 10)	**19.50**	11.00	**0.147**

The accompanying notes are an integral part of these financial statements.

Statements of Shareholders' Equity

Years ended March 31, 2002 and 2001

	Number of common stock	Thousands of Yen: Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 2000	7,950,000	¥ 3,030,000	¥ 4,095,600	¥ 5,993	¥ 3,437,017
Net income for the year 2001	—	—	—	—	879,384
Stock split (Note 9)	3,975,000	—	—	—	—
Prior year year-end appropriation					
-Cash dividends	—	—	—	—	(119,250)
-Transfer to legal reserve	—	—	—	11,925	(11,925)
Current year interim appropriation					
-Cash dividends	—	—	—	—	(59,625)
-Transfer to legal reserve	—	—	—	5,962	(5,962)
Balance at March 31, 2001	11,925,000	3,030,000	4,095,600	23,880	4,119,639
Net income for the year 2002	—	—	—	—	2,318,386
Prior year year-end appropriation					
-Cash dividends	—	—	—	—	(71,550)
-Transfer to legal reserve	—	—	—	7,155	(7,155)
Current year interim appropriation					
-Cash dividends	—	—	—	—	(59,625)
-Transfer to legal reserve	—	—	—	—	—
Balance at March 31, 2002	11,925,000	¥ 3,030,000	¥ 4,095,600	¥ 31,035	¥ 6,299,695

	Number of common stock	Thousands of U.S. Dollars: Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 2001	11,925,000	$ 22,825	$ 30,852	$ 180	$ 31,033
Net income for the year 2002	—	—	—	—	17,464
Prior year year-end appropriation					
-Cash dividends	—	—	—	—	(539)
-Transfer to legal reserve	—	—	—	54	(54)
Current year interim appropriation					
-Cash dividends	—	—	—	—	(449)
-Transfer to legal reserve	—	—	—	—	—
Balance at March 31, 2002	11,925,000	$ 22,825	$ 30,852	$ 234	$ 47,455

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years ended March 31, 2002 and 2001

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002
Cash flows from operating activities:			
Net income before taxes	**¥ 4,020,663**	¥ 1,543,494	**$ 30,287**
Depreciation	**373,768**	349,823	**2,816**
Amortization of intangible fixed assets	**128,943**	113,083	**971**
Amortization of long-term prepaid expenses	**34,237**	21,837	**258**
Increase (decrease) in accrued bonuses	**104,607**	(9,976)	**788**
(Decrease) increase in accrued retirement benefits	**(20,302)**	11,942	**(153)**
Increase in allowance for doubtful accounts	**—**	62,700	**—**
Interest and dividend income	**(14,295)**	(14,973)	**(108)**
Interest expense	**30**	2,111	**0**
Impairment of value of securities	**38,112**	—	**287**
Loss on disposal of tangible fixed assets	**62,252**	33,716	**469**
(Gain) loss on sale of tangible fixed assets	**(323,839)**	381	**(2,439)**
Loss on disposal of intangible fixed assets	**45,775**	—	**345**
Settlements on cancellation of contract	**(47,784)**	—	**(360)**
Increase in accounts receivable	**(762,757)**	(410,636)	**(5,746)**
(Increase) decrease in inventories	**(2,262,690)**	79,461	**(17,045)**
Decrease (increase) in other current assets	**86,466**	(67,812)	**651**
Increase in accounts payable	**593,490**	481,456	**4,471**
Increase in other current liabilities	**489,391**	254,683	**3,687**
Decrease in other long-term liabilities	**(14,742)**	(5,553)	**(111)**
Subtotal	**2,531,325**	2,445,737	**19,068**
Receipt of interest and dividends	**14,295**	14,973	**108**
Payment of interest	**(30)**	(2,111)	**(0)**
Payment of income taxes	**(637,807)**	(721,347)	**(4,805)**
Net cash from operating activities	**1,907,783**	1,737,252	**14,371**
Cash flows from investing activities:			
Drawing from time deposits	**263,000**	185,990	**1,981**
Increase of staff loan	**—**	(316)	**—**
Purchase of securities	**—**	(49,413)	**—**
Guarantee deposits paid	**(190,276)**	(565,879)	**(1,433)**
Purchase of other investments	**(85,434)**	(386,350)	**(644)**
Proceeds from sale of tangible fixed assets	**1,118,230**	13	**8,424**
Purchase of tangible fixed assets	**(265,651)**	(1,088,857)	**(2,001)**
Net cash from (used in) investing activities	**839,869**	(1,904,812)	**6,327**
Cash flows from financing activities:			
Dividends paid	**(129,128)**	(178,875)	**(973)**
Net cash used in financing activities	**(129,128)**	(178,875)	**(973)**
Net increase (decrease) in cash and cash equivalents	**2,618,524**	(346,435)	**19,725**
Cash and cash equivalents at beginning of the year	**871,601**	1,218,036	**6,566**
Cash and cash equivalents at end of the year (Note 3)	**¥ 3,490,125**	¥ 871,601	**$ 26,291**

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

For the years ended March 31, 2002 and 2001

1. Major Policies Adopted in Preparation of Financial Statements

The accompanying financial statements, which are a translation of those issued in Japan after modification to enhance foreign readers' understanding, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards. In addition, the notes to the financial statements included financial information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The Company maintains its accounting records in yen. The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥132.75 =U.S.$1, the approximate current rate of exchange prevailing on March 31, 2002. The inclusion of such amounts is solely for the convenience of readers outside Japan and not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the given rate or any other rate.

2. Significant Accounting Policies

(1) Cash and cash equivalents

Cash and cash equivalents included in the financial statements are composed of cash in hand, bank deposits able to be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which represent low risk of fluctuation in value.

(2) Translation of foreign currencies

Foreign currency transactions were translated using foreign exchange rates prevailing at the respective transaction dates. All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated at the foreign exchange rates prevailing at the respective balance sheet dates.

(3) Marketable securities and Investments in securities

Securities are classified into four categories, i.e. trading, held-to-maturity debt, securities of subsidiaries and affiliates, and other securities. Securities held by the Company are classified as other securities.

The Company followed the new Japanese accounting standard for the evaluation of carrying value of securities without exception. Securities designated as available-for-sale, and whose fair values are readily determinable, are carried at fair value at the balance sheet date using the moving-average method with unrealized gain or loss included as a component of shareholders' equity, net of applicable taxes.

(4) Inventories

Inventories consist of merchandise and supplies. Merchandise is stated at cost based on the weighted average method, while supplies are stated at cost based on the last invoice method.

(5) Property and Equipment

Depreciation of property and equipment except for buildings is computed by the declining-balance method at rates based on the estimated useful lives of assets.

Depreciation of buildings is computed by the straight-line method over the estimated useful lives of assets.

Useful lives of major categories are as follows:

Buildings	3-50 years
Structures	7-20 years
Vehicles	2 years
Furniture & fixtures	2-20 years

(6) Intangible assets and Other assets

Intangible assets mainly consist of "software for internal use". Intangible assets are amortized on a straight-line basis. "Software for internal use" is amortized over 5 years.

Long-term prepaid expenses are amortized on straight-line basis over 5 to 10 years.

(7) Allowance for doubtful accounts

The balance of allowance for doubtful accounts consists of a general reserve and specific reserve. The general reserve is provided based upon past loss experience. The specific reserve is provided to cover estimated losses of specific doubtful accounts.

(8) Accrued retirement benefit

The Company had two kinds of pension plans for employees and directors respectively at March 31, 2002.

In the prior year, the pension fund 'World Pension Fund' for employees was liquidated on March 23, 2001, when the Company decided to terminate the current pension plan. As a result, no accrued retirement benefit for employees has existed since March 31, 2001.

The Company newly established the Employee's Retirement Regulation on February 1, 2002 and adopted defined contribution benefit plan. There is no projected benefit obligation as of March 31, 2002 under the new retirement regulation of the Company.

Concerning the directors' pension plan, the obligation for the severance indemnity benefits is provided for through accruals, which are recorded at 100% of pension obligation, on assumption that all directors were to retire at the respective balance sheet dates.

(9) Income taxes

Deferred income taxes are recorded to reflect the expected future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, and are measured by applying currently enacted tax laws.

(10) Consumption tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions).

Consumption taxes paid for purchase and consumption tax withheld from sales are excluded from expenses and sales amounts disclosed. Net consumption tax payable (receivable) is recorded as current liabilities (assets) respectively.

(11) Accounting for hedges

Effective from the year ended March 31, 2001, the Company adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000.

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments".

Concerning accounting for hedges, gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally coupon swaps (interest rate swaps) and forward exchange contracts. The related hedged items are accounts payable.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of foreign currency exchange rate fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items and not for speculation or dealing purposes.

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(12) Accounting for leases

Finance leases other than those under which ownership of the leased assets is regarded being transferred to lessee are accounted for as ordinary operating leases.

(13) Impact of changes in accounting standards

In the current year, as described in Note 2 (3), the Company adopted the new accounting standard for evaluation of securities without exception. The changes in this accounting standard, however, has not had a significant impact on the financial statements.

(14) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the statements of income represent dividends declared applicable to each respective period.

3. Cash Flow Information

Cash and cash equivalents at March 31, 2002 and 2001 consist of:

March 31,	Thousands of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cash and deposits	¥ 3,490,125	¥ 271,601	$ 26,291
Marketable securities	—	600,000	—
Cash and cash equivalents	¥ 3,490,125	¥ 871,601	$ 26,291

4. Marketable Securities and Investments in Securities

The following is a summary of securities classified as other securities at March 31, 2002:

	Thousands of Yen			
Other securities	Cost	Gross unrealized gains	Gross unrealized losses	Book value (estimated fair value)
Stocks	¥ 11,301	—	—	¥ 11,301
	¥ 11,301	—	—	¥ 11,301

	Thousands of U.S Dollars			
Other securities	Cost	Gross unrealized gains	Gross unrealized losses	Book value (estimated fair value)
Stocks	$ 85	—	—	$ 85
	$ 85	—	—	$ 85

Marketable securities represents investment trust of ¥600,000 thousand ($4,843 thousand) at March 31, 2001. Investments in securities represent stock of ¥49,412 thousand ($399 thousand) as of March 31, 2001.

5. Inventories

Inventories as of March 31, 2002 and 2001 consist of the following:

March 31,	Thousands of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Men's wear	¥ 2,465,351	¥ 1,349,128	$ 18,571
Women's wear	1,725,474	957,552	12,998
Silver & Leather	1,075,945	742,340	8,105
Others	154,784	104,887	1,167
Supplies	6,395	11,352	48
	¥ 5,427,949	¥ 3,165,259	$ 40,889

6. Derivative Financial Instruments

The Company uses coupon swaps to hedge against the exchange rate risk associated with monetary payables, contract balances in import transactions and anticipated transactions denominated in foreign currencies.

The Company is exposed to certain market risks arising from coupon swaps. The Company is also exposed to the risk of credit loss in the event of non-performance by the counterparties. The Company does not anticipate non-performance by any of these counterparties, as all of them are financial institutions with high credit ratings.

The disclosure of fair value information for derivatives at March 31, 2002 and 2001 has been omitted since all derivatives have been accounted for as hedges.

7. Income Taxes

Income taxes in Japan applicable to the Company for the years ended March 31, 2002 and 2001 consist of corporate income tax (national), enterprise tax (local) and resident income taxes (local) at the approximate rates are indicated below:

For the years ended March 31,	Rate on taxable income	
	2002	2001
Standard rates:		
Corporate income tax	30.0%	30.0%
Enterprise tax	10.0%	10.0%
Resident income tax	20.6%	20.6%
Statutory tax rate in effect to reflect deduction of enterprise tax on payment	42.0%	42.0%

Deferred tax assets and deferred tax liabilities (both current and non-current) consist of the following elements:

March 31,	Thousands of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred Tax Assets arising from:			
Non-deductible officers' retirement allowance	¥ 43,440	¥ 51,967	$ 327
Depreciation in excess of tax limit	25,042	22,001	189
Non-deductible enterprise tax payable	138,498	23,981	1,043
Accrued bonus in excess of tax limit	86,141	41,745	649
Allowance for doubtful accounts in excess of tax limit	26,903	26,257	203
Others	35,986	5,244	271
Total deferred tax assets	¥ 356,010	¥ 171,195	$ 2,682

8. Leases

The Company uses certain furniture, fixtures and software under finance lease contracts. As all such finance lease contracts do not transfer the ownership of the leased property to the lessee, they are accounted for as ordinary operating leases. Pro forma information regarding the leased property for the years ended March 31, 2002 and 2001 are as follows:

March 31, 2002	Thousands of Yen			Thousands of U.S. Dollars
	Costs	Accumulated Depreciation	Carrying Amount	Carrying Amount
Furniture and fixtures	¥ 384,808	¥ 250,456	¥ 134,352	$ 1,013
Software	137,787	123,519	14,268	107
	¥ 522,595	¥ 373,975	¥ 148,620	$ 1,120

March 31, 2001	Thousands of Yen		
	Costs	Accumulated Depreciation	Carrying Amount
Furniture and fixtures	¥ 454,676	¥ 238,854	¥ 215,822
Software	146,178	106,779	39,399
	¥ 600,854	¥ 345,633	¥ 255,221

March 31,	Thousands of Yen		Thousands of U.S. Dollars
	2002	2001	2002
The scheduled maturities of future lease payments, on such lease contracts were as follows:			
Due within one year	¥ 94,838	¥ 135,508	$ 714
Due over one year	60,073	132,023	453
	¥ 154,911	¥ 267,531	$ 1,167
Lease rental expenses for the year	¥ 139,655	¥ 147,326	$ 1,052

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation expenses, which are not reflected in the accompanying statements of income, computed by the straight-line method, would be ¥132,067 thousand ($995 thousand) and ¥138,990 thousand for the years ended March 31, 2002 and 2001, respectively.

9. Stock Split

The Company split up of one stock to 1.5 stocks on May 22, 2000. As a result, the number of issued shares increased from 7,950,000 on March 31, 2000 to 11,925,000 on March 31, 2001.

10. Subsequent Events

(1) Appropriation of Retained Earnings and Legal Reserve

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (including year-end cash dividend payments) proposed by the Board of Directors should be approved by the shareholders' meeting which must be held within three months after the end of each financial year.

The approved appropriation plan at the shareholders' meeting on June 21, 2002 is as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Unappropriated retained earnings for the year	¥ 6,299,695	$ 47,455
Appropriation of retained earnings	219,278	1,652
Transfer to dividends	172,913	1,303
Bonuses to directors	46,365	349
Earnings to be carried forward to the next year	¥ 6,080,417	$ 45,803

(2)Purchase of Treasury Stock

On June 21, 2002, the shareholders' meeting passed a resolution to purchase treasury stock.

Summary of the treasury stock to be purchased is as follows:

Type of share:	Common stock
Number of share:	1,000,000 share
Amount to be spent:	Up to ¥3,000,000 thousand ($ 22,599 thousand)
Purchase period:	June 21, 2002 to close of the next shareholders' meeting

The ratio of numbers of treasury stocks to those of issued stocks as of June 21, 2002 is 8.39%.

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Kasumigaseki Bldg., 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku
Tokyo 100-6088, Japan

Report of Independent Accountants

June 21, 2002

To the Board of Directors and Shareholders of
UNITED ARROWS LTD.

In our opinion, the accompanying balance sheets and the related statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of UNITED ARROWS LTD. at March 31, 2002 and 2001, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in Japan which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying financial statements.

PricewaterhouseCoopers

Tokyo, Japan

(Notice to readers)

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Accordingly the accompanying balance sheets and the related statements of income, shareholders' equity and cash flows, and their utilization, are not designed for those who are not informed about Japanese accounting principles, procedures and practices.

The standards, procedures and practices utilized in Japan to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Japan.

Corporate Data

(as of March 31, 2002)

Official Name	UNITED ARROWS LTD.
Headquarters	2-31-12 Jingumae, Shibuya-ku, Tokyo 150-0001, Japan
Telephone	+81-3-3479-8192
URL	http://www.united-arrows.co.jp/
Established	October 2, 1989
Capital	¥3,030 million
President and CEO	Osamu Shigematsu
Number of Employees	441
Average Age of Employees	28.7
Business Outline	Planning and Sales of Men's and Women's Apparel, Accessories and Other Products
Auditor	ChuoAoyama Audit Corporation
Sales Composition	Men's 45.6% Women's 38.0% Silver&Leather 11.6% Miscellaneous 2.4% *Others 2.4%

* "Others" include the sales of wholesales, outside shop, and cafe.

Board of Directors and Corporate Auditors

President and CEO	Osamu Shigematsu
Managing Director	Tetsuya Iwaki
Managing Director	Koichi Mizunoya
Creative Director	Hirofumi Kurino
Managing Director	Hiroshi Takanashi
Director	Hirotoshi Hatasaki
Standing Corporate Auditor	Toshifumi Kusunoki
Corporate Auditor	Sadaaki Kitagawa
Corporate Auditor	Sunao Onuma
Corporate Auditor	Hirohisa Tanaka

(as of June 21, 2002)

Corporate History

October 1989
Founded UNITED ARROWS LTD. in Tokyo.

July 1990
Opened Shibuya Store, UNITED ARROWS' first store, in Tokyo.

November 1990
Opened UNITED ARROWS Fukuoka Store in southern Japan city of Fukuoka, to begin nationwide expansion.

October 1992
Opened UNITED ARROWS Harajuku Store in Tokyo as the flagship store.

March 1993
Opened UNITED ARROWS Shinsaibashi Store in Osaka.

July 1998
Built and moved into new HQ.

February 1999
Opened UNITED ARROWS Yokohama Store.

July 1999
Listed stock over the counter.

September 1999
Launched Green Label RELAXING and opened Shinjuku and Machida stores in downtown Tokyo and Tokyo suburb, respectively.

December 1999
Launched CHROME HEARTS and opened Tokyo Store in Minami Aoyama district.

March 2000
Opened UNITED ARROWS Ikebukuro Store in Tokyo and Green Label RELAXING Kohoku Store in Yokohama.

April 2000
Opened Green Label RELAXING Funabashi Store in Tokyo suburb.

July 2000
Green Label RELAXING opened new store in IKSPIARI, a commercial establishment of Urayasu, Chiba Prefecture.

August 2000
Opened UNITED ARROWS Sapporo Store in Hokkaido.

January 2001
CHROME HEARTS opened second store in this business chain, CHROME HEARTS OSAKA, in downtown Osaka.

February 2001
Moved to new address to place all headquarters functions under one roof.

September 2001
Opened UNITED ARROWS Hiroshima Store in Hiroshima.

February 2002
Renewed UNITED ARROWS Kyoto Store for its enlargement.

March 2002
Opened Green Label Relaxing Omiya Store in Saitama prefecture, and Green Label Relaxing Yokohama Store in Yokohama.
Listed on the Second Section of the Tokyo Stock Exchange.

April 2002
Moved UNITED ARROWS Umeda Store for its enlargement to the same area of Umeda, Osaka.
Opened Green Label Relaxing Umeda Store after the site of UNITED ARROWS Umeda Store.

June 2002
Opened Green Label Relaxing Kyoto Store in Kyoto.

Shareholder Information

(as of March 31, 2002)

Total authorized shares
47,700,000

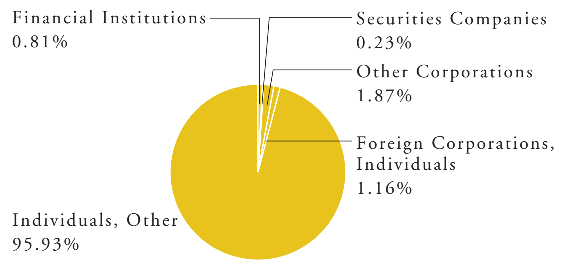
Shares of common stock issued
11,925,000

Shareholders
3,098

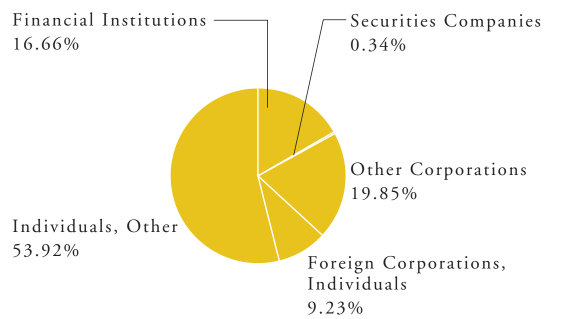
Major shareholders

	Number of shares held	Ratio of total shares issued and outstanding (%)
World. Co., Ltd.	2,172,500	18.21
Hirotoshi Hatasaki	1,703,500	14.28
Osamu Shigematsu	1,150,500	9.64
Tetsuya Iwaki	573,000	4.80
Koichi Mizunoya	573,000	4.80
Hirofumi Kurino	573,000	4.80
The Bank of New York (Luxembourg) S.A.	566,500	4.75
UFJ Trust Bank Limited	500,300	4.19
The Mitsubishi Trust and Banking Corporation	482,200	4.04
Japan Trustee Services Bank, Ltd.	407,800	3.41

Shareholders by type



Shareholders by number shares



Stock Prices