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May 17, 2001

Brief Announcement of Business Performance
for the Year Ended March 31, 2001*
(Non-Consolidated)

Corporate Name:	UNITED ARROWS LTD.
Registered Name:	U-Arrows
Code Number:	7606
Location of Headquarters:	Tokyo
Address:	2-31-12 Jingumae, Shibuya-ku, Tokyo
Reference:	Tsuyoshi Horoiwa, Financial Manager
Telephone:	03-3479-8192
Date of the Board of Directors Meeting for Closing of Accounts:	May 17, 2001
Date the Annual Shareholders Meeting:	June 23, 2001
Payment System of Mid-term Dividend:	Presence

*The "Brief Announcement of Business Performance for the Year Ended March 31, 2001" 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 2001 ended March (from April 1, 2000 to March 31, 2001)

(1) Business Performance

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

	Sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal 2001 ended March	19,314	(13.5)	1,631	(-31.4)	1,641	(-26.9)
Fiscal 2000 ended March	17,016	(18.7)	2,378	(-5.0)	2,246	(-8.5)

	Net income		Net income per share	Net income per share after adjusting latent shares	Return on equity	Ratio of ordinary income to capital	Ratio of ordinary income to sales
	¥ million	%	yen	yen	%	%	%
Fiscal 2001 ended March	879	(-25.1%)	73.74	-	8.1	11.3	8.5
Fiscal 2000 ended March	1,174	(2.0)	153.43	-	17.9	21.8	13.2

- Notes:
- Gains and losses on investment by a equity method
 - Fiscal 2001 ended March ¥ - million
 - Fiscal 2000 ended March ¥ - million
 - The average number of shares during the fiscal period
 - Fiscal 2001 ended March 11,925,000 shares
 - Fiscal 2000 ended March 7,654,918 shares
 - Change of accounting method none
 - % in columns of Sales, Operating income, Ordinary income, and Net income indicates increase/decrease compared with the previous period, respectively.
 - The average number of shares during the fiscal period is calculated regarding the stock as being split at the beginning of the fiscal year.

(2) Dividend

	Annual dividend per share			Total amount of dividend (per annum) ¥ million	Payout ratio %	Dividend rate on equity %
	yen	Interim yen	Year end yen			
Fiscal 2001 ended March	11.00	5.00	6.00	131	14.9	1.2
Fiscal 2000 ended March	15.00	-	15.00	119	10.2	1.1

(3) Financial situation

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	¥ million	¥ million	%	yen
Fiscal 2001 ended March	15,053	11,269	74.9	944.99
Fiscal 2000 ended March	13,930	10,568	75.9	1,329.38

(Note) The total number of stocks issued at the end of the fiscal period

Fiscal 2001 ended March	11,925,000 shares
Fiscal 2000 ended March	7,950,000 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 2001 ended March	1,737	-1,904	-178	871
Fiscal 2000 ended March	-447	-4,898	6,108	1,218

2. Projection for the performance of Fiscal 2002 ended March (from April 1, 2001 to March 31, 2002)

	Sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	
	¥ million	¥ million	¥ million	yen	yen	yen
Interim	9,510	481	260	5.00	-	-
Full fiscal year	21,010	1,905	1,058	-	6.00	11.00

(Reference) Projected net income per share (in the whole period) : 88.73 yen

1. Management Policy

(1) 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 life 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 life and culture.

(2) Basic policy concerning profit sharing

Recognizing that maximizing the value for the shareholders is a matter of the greatest 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.

With regard to dividend payouts, our basic policy is to aim for a d payout ratio of 10 %. As to internal revenues, we have an idea of using the reserves for capital expenditures in establishing new stores to expand our business.

In this accounting period, the performance was under our initial estimation. Dividend based on the payout ratio is decreased. Considering stable dividend payments, however, we will pay a dividend of 11 yen per share for the whole fiscal period as our schedule.

(3) 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 24 stores per business type in order to maintain the royalty held by each store high by limiting the number of stores

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 floor space respectively.

We have an intention to grow a “high value-added, multi-business-centered, innovative retailer” by developing the above strategy.

(4) Problems to be tackled

Under the bearish tendency of economy, consumer spending is expected to continue the tough situations based on the unemployment rate got stuck at high level and incomes held in check. In the industry of retailers dealing with apparel where we belong, it is also expected that the fittest will survive due to harder competition, and sorting and selection will be accelerated.

Under the circumstances, we recognize that it is most important for us to do “reinforcement of product development” and “maximization of customer satisfaction” in order that we survive from the competition and become “a company that keeps winning in the 21st century”. By concentrating the resources in the said area, we will establish discriminative predominance to our competitors.

Reinforcement of product development

We do not adhere to our past successful experience. Rather, by rejecting such experience in a creative manner and promoting test marketing, we design to strengthen our ability to propose through developing leading products by creative PB (Private Brand) by ourselves, in order to differentiate our products against those of competitors.

Maximization of customer satisfaction is:

- to timely have such goods as customers need
- to have goods at which customers are excited
- speedy and proper operation of stores to meet customers’ needs
- to increase customers’ needs and carry out sales promotion in the most effective manner for our stores and goods

We try to be always conscious of the 4 items mentioned above and carry them out to maximize customer satisfaction.

(5) Indices to target

We are striving to achieve the following indices:

Return on equity (ROE) more than 20 %

Ratio of operating income to sales more than 15 %

2. Business performance

(1) Overview of the fiscal period

Our economy in this accounting period could see brightness in the field of IT (Information Technology) and its related business, however, consumer spending that plays a key roll still did not show much growth due to uncertain forecast of employment and incomes. We could not feel that the economy achieved self-sustainable recovery, and the environment around the private sector continued to be tough in general.

In our industry where retailers deal with apparel, the size of this whole market is gradually decreasing, because consumer spending is shifting much to telecommunications and less to clothing based on change of the consumption structure. Low-priced clothing which has a scale-merit by mass production overwhelmed the market, the tendency of which has been conspicuous since the year before last, and competition in the market was harder and harder. And we were forced to face in difficult conditions.

Under these circumstance, we have wrestled with “reinforcement of product development”, “grade-up of the environment of each store”, and “improvement of politeness to customers” to differentiate us against competitors.

As to new stores, we set up a store in Sapporo (opened at Chuo-ku, Sapporo in August, 2000) for the business of UNITED ARROWS (UA) as well as a store called “District UNITED ARROWS” (opened in September, 2000), “Changes UNITED ARROWS” (opened in February, 2001) and “ANOTHER EDITION” (opened in February, 2001) in Shibuya-ku, Tokyo as "UA Labo", pilot store to develop a new type of business, .

For the business of GREEN LABEL RELAXING (GLR), we set up two new stores successively, one called “GREEN LABEL RELAXING Funabashi” (opened in the City of Funabashi, Chiba Prefecture in April, 2000) and another called “GREEN LABEL RELAXING *IKSPIARI*” (opened in the City of Urayasu, Chiba Prefecture in July, 2000) in the first half of the year, and we could expand our business successfully. As to opening new stores in the second half, judging from necessity of selecting places for new stores carefully, we postpone opening new stores on and after the 13th period, and we focused our efforts to make the existing stores stable and improved.

(**IKSPIARI* is the name of commercial establishment, consisting of 120 shops, restaurants, and so on.)

Regarding the business of CHROME HEARTS (CH), we could operate it successfully. CHROME HEARTS TOKYO (in Minato-ku, Tokyo) has been open for one year, and it realized the plan in very high performance as a result of being known gradually. In addition, we could open CHROME HEARTS OSAKA (in Chuo-ku, Osaka) in January, 2001 as the second store of this business.

3. Financial Statements

(1) Balance Sheets

	(In thousand of yen)				
	The 11 th Term		The 12 th Term		Increase or Decrease
	(As of March 31, 2000)		(As of March 31, 2001)		
	Amount	%	Amount	%	Amount
Assets:					
I Current assets					
1. Cash and deposits	775,657		544,611		(231,046)
2. Accounts receivable-trade	138,324		89,300		(49,023)
3. Marketable securities	901,378		600,000		(301,378)
4. Product inventories	3,238,220		3,153,906		(84,313)
5. Other inventories	6,499		11,351		4,852
6. Prepaid expenses	66,698		80,722		14,024
7. Accounts receivable-other	1,189,558		1,725,505		535,947
8. Consumption taxes receivable	46,562		-		(46,562)
9. Deferred tax assets	54,372		70,914		16,542
10. Other	625		145,030		144,405
11. Allowance for doubtful accounts	(7,819)		-		7,819
Total current assets	6,410,076	46.0	6,421,343	42.7	11,267
II Fixed assets					
(1) Tangible fixed assets					
1. Buildings	2,863,895		3,067,712		203,817
2. Structures	4,840		6,755		1,914
3. Vehicles and distribution equipment	23		13		(10)
4. Equipment and fixtures	308,649		405,484		96,834
5. Land	1,454,684		1,454,684		-
6. Construction in progress	15,527		-		(15,527)
Total tangible fixed assets	4,647,620	33.4	4,934,649	32.8	287,028
(2) Intangible fixed assets					
1. Leaseholds	138,165		138,165		-
2. Trademarks	10,869		8,973		(1,895)
3. Telephone subscriptions	16,804		19,280		2,475
4. Software	349,659		460,780		111,121
5. Software suspense	45,885		-		(45,885)
Total intangible fixed asset	561,383	4.0	627,199	4.1	65,815
(3) Investments and other assets					
1. Investments in securities	-		49,412		49,412
2. Long-term loans receivable to employees	799		1,115		316
3. Long-term prepaid expenses	107,309		288,353		181,044
4. Long-term guarantee deposits	2,042,427		2,608,306		565,879
5. Long-term accounts receivable	89,161		74,815		(14,345)
6. Deferred tax assets	56,495		100,280		43,784
7. Other	15,330		19,162		3,832
8. Allowance for doubtful accounts	(581)		(71,100)		(70,519)
Total investments and other assets	2,310,942	16.6	3,070,347	20.4	759,404
Total fixed assets	7,519,947	54.0	8,632,196	57.3	1,112,249
Total assets	13,930,023	100.0	15,053,539	100.0	1,123,516

(In thousand of yen)

	The 11 th Term (As of March 31, 2000)		The 12 th Term (As of March 31, 2001)		Increase or Decrease Amount
	Amount	%	Amount	%	
Liabilities:					
I Current liabilities					
1. Accounts payable-trade	1,554,193		2,035,649		481,455
2. Accounts payable- other	1,028,288		684,383		(343,904)
3. Income taxes payable	288,544		291,634		3,089
4. Consumption taxes payable	-		159,776		159,776
5. Accrued expenses	17,137		19,464		2,327
6. Deposits received	38,992		52,106		13,114
7. Unearned income	9,024		4,714		(4,309)
8. Allowance for employee bonuses	214,173		204,197		(9,975)
9. Other	-		138,095		138,095
Total current liabilities	3,150,352	22.6	3,590,022	23.8	439,669
Fixed liabilities					
1. Allowance for officer severance	111,788		123,730		11,941
2. Long-term accounts payable	75,541		36,128		(39,412)
3. Long-term guarantee deposits received	10,760		34,540		23,780
4. Long-term unearned income	12,972		-		(12,972)
Total fixed liabilities	211,061	1.5	194,398	1.3	(16,662)
Total liabilities	3,361,413	24.1	3,784,420	25.1	423,007
Shareholders' equity:					
Capital	3,030,000	21.8	3,030,000	20.1	-
Additional paid-in capital	4,095,600	29.4	4,095,600	27.2	-
Legal reserves	5,992	0.0	23,880	0.2	17,887
Retained earnings					
Unappropriated retained earnings for the term	3,437,016		4,119,638		682,621
Total other surplus	3,437,016	24.7	4,119,638	27.4	682,621
Total shareholders' equity	10,568,609	75.9	11,269,118	74.9	700,509
Total liabilities and shareholders' equity	13,930,023	100.0	15,053,539	100.0	1,123,516

(2) Income Statements

(In thousand of yen)

	The 11 th Term (From April 1, 1999 to March 31, 2000)		The 12 th Term (From April 1, 2000 to March 31, 2001)		Increase or Decrease
	Amount	%	Amount	%	
Sales	17,016,842	100.0	19,314,895	100.0	2,298,052
Cost of sales					
1. Beginning product inventories	1,945,777		3,238,220		1,292,442
2. Purchases	8,871,248		9,052,225		180,977
Total	10,817,025		12,290,445		1,473,420
3. Amount transferred to other accounts	5,186		11,245		6,058
4. Ending product inventories	3,238,220	44.5	3,153,906	47.2	(84,313)
Gross income	9,443,223	55.5	10,189,601	52.8	746,378
Selling, general and administrative expenses					
1. Packing and distribution expenses	328,400		420,120		91,719
2. Advertising expenses	364,500		371,206		6,706
3. Selling and promotional expenses	46,680		47,098		417
4. Officer compensation	143,317		149,711		6,394
5. Salaries	1,710,303		2,060,042		349,738
6. Employee bonuses	217,746		211,288		(6,457)
7. Transfer to allowance for employee bonuses	214,173		204,197		(9,975)
8. Retirement benefit expenses	-		96,825		96,825
9. Transfer to allowance for officer severance	11,936		11,941		5
10. Welfare expenses	260,585		306,588		46,003
11. Traveling expenses	164,947		135,863		(29,084)
12. Commissions	406,968		534,761		127,792
13. Facilities rental expenses	1,647,292		1,980,060		332,768
14. Consumable expenses	272,042		216,392		(55,650)
15. Maintenance and repair expenses	242,579		436,803		194,223
16. Depreciation	218,901		337,140		118,238
17. Charges	235,344		300,469		65,124
18. Miscellaneous expenses	579,454		737,281		157,827
Total selling, general and administrative expenses	7,065,176	41.5	8,557,793	44.3	1,492,617
Operating income	2,378,047	14.0	1,631,808	8.5	(746,239)
Non-operating income					
1. Interest income	5,268		2,812		(2,455)
2. Dividend income	3,323		12,160		8,837
3. Product rental income	3,682		7,921		4,238
4. Compensation received	15,688		4,325		(11,362)
5. Store fixtures resale income	4,512		-		(4,512)
6. Lease income	62,283		56,507		(5,776)
7. Miscellaneous income	8,645		15,302		6,656
Total non-operating income	103,403	0.6	99,029	0.5	(4,373)

Non-operating expenses					
1. Interest expenses	3,108		2,110		(997)
2. Stock issue expenses	73,910		7,697		(66,213)
3. Currency exchange losses	100,479		24,119		(76,359)
4. Cost of lease	51,754		44,820		(6,933)
5. Miscellaneous expenses	5,623		10,144		4,521
Total non-operating expenses	<u>234,875</u>	1.4	<u>88,892</u>	0.5	(145,983)
Ordinary income	2,246,575	13.2	1,641,945	8.5	(604,630)
Extraordinary income					
1. Gain on sale of tangible fixed assets	595		-		(595)
2. Gain on reversal of allowance for doubtful accounts	942		8,400		7,458
3. Gain on reversal of allowance for employee retirement	-		134,846		134,846
Total extraordinary income	<u>1,537</u>	0.0	<u>143,246</u>	0.7	141,709
Extraordinary losses					
1. Losses on disposal of tangible fixed assets	71,958		33,716		(38,242)
2. Losses on transfer to allowance for doubtful accounts	-		71,100		71,100
3. Losses on transfer to allowance for employee retirement	-		116,726		116,726
4. Losses on transfer to allowance for officer severance	99,852		-		(99,852)
5. Expenses for headquarter removal	-		20,155		20,155
Total extraordinary expenses	<u>171,810</u>	1.0	<u>241,698</u>	1.2	69,887
Net income before taxes	2,076,302	12.2	1,543,493	8.0	(532,808)
Income taxes, local taxes and business taxes	897,816		724,436		(173,379)
Deferred taxes	3,937	5.3	(60,327)	3.4	(64,265)
Net income	<u>1,174,548</u>	6.9	<u>879,384</u>	4.6	(295,163)
Retained earnings from the previous year	2,147,663		3,305,841		1,158,178
Deferred taxes for past years'	114,805		-		(114,805)
Interim dividends	-		59,625		59,625
Transfer to legal reserve	-		5,962		5,962
Unappropriated retained earnings for the year	<u>3,437,016</u>		<u>4,119,638</u>		682,621

(3) Cash Flow Statements

	(In thousand of yen)		
	The 11 th Term (From Apr. 1, 1999 to Mar. 31, 2000)	The 12 th Term (From Apr. 1, 2000 to Mar. 31, 2001)	Increase or Decrease
	Amount	Amount	Amount
Cash flows from operating activities			
Net income before taxes	2,076,302	1,543,493	(532,808)
Depreciation	227,525	349,822	122,297
Amortization of intangible fixed assets	33,479	113,083	79,603
Amortization of long-term prepaid expenses	6,199	21,837	15,637
Increase (decrease) in allowance for employee bonuses	41,355	(9,975)	(51,331)
Increase in allowance for officer severance	111,788	11,941	(99,846)
Increase (decrease) in allowance for doubtful accounts	(942)	62,700	63,642
Interest and dividend income	(8,591)	(14,973)	(6,381)
Interest expenses	3,108	2,110	(997)
Losses on disposal of tangible fixed assets	71,958	33,716	(38,242)
Losses on sale of tangible fixed assets	-	380	380
Gain on sale of tangible fixed assets	(595)	-	595
Increase in accounts receivable-trade	(155,061)	(410,635)	(255,573)
Decrease (increase) in product inventories	(1,292,692)	79,460	1,372,153
Increase in other current assets	(66,438)	(67,811)	(1,373)
Increase in accounts payable-trade	184,485	481,455	296,970
Increase (decrease) in other current liabilities	(21,198)	254,682	275,880
Decrease in other long-term liabilities	(42,820)	(5,552)	37,268
Subtotal	1,167,862	2,445,736	1,277,874
Interest and dividend received	8,591	14,973	6,381
Interest paid	(5,270)	(2,110)	3,159
Income taxes paid	(1,618,570)	(721,347)	897,223
Total cash flows from operating activities	(447,387)	1,737,251	2,184,639
Cash flows from investing activities			
Transfer to time deposits	(459,000)	(213,009)	245,990
Transfer from time deposits	10,000	399,000	389,000
Increase in long-term loans receivable to employees	(340)	(316)	24
Purchase of investment securities	-	(49,412)	(49,412)
Outflows of increase in long-term guarantee deposits	(1,047,731)	(565,879)	481,852
Outflows of increase in other investment	(621,672)	(386,350)	235,322
Revenue from sale of tangible fixed assets	1,700	13	(1,687)
Outflows of acquisition of tangible fixed assets	(2,781,113)	(1,088,856)	1,692,257
Total cash flows from investing activities	(4,898,158)	(1,904,811)	2,993,346
Cash flows from financing activities			
Decrease in short-term borrowings	(600,000)	-	600,000
Revenue from stock issue	6,768,000	-	(6,768,000)
Dividends paid	(59,925)	(178,875)	(118,950)
Total cash flows from financing activities	6,108,075	(178,875)	(6,286,950)
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Increase (decrease) in cash and cash equivalents	762,529	(346,434)	(1,108,963)
Cash and cash equivalents at beginning of year	455,506	1,218,035	762,529
Cash and cash equivalents at end of year	<u>1,218,035</u>	<u>871,601</u>	<u>(346,434)</u>

(4) Plan for Appropriation of Profit

	(In thousand of yen)	
	The 11 th Term	The 12 th Term
	(Year ended March 31, 2000)	(Year ended March 31, 2001)
	Amount	Amount
Unappropriated retained earnings for the term	3,437,016	4,119,638
Appropriation of retained earnings		
1. Legal reserves	11,925	7,155
2. Dividends	119,250 131,175	71,550 78,705
Earnings retained forward to the next year	3,305,841	4,040,933