

CONTENTS

Brief Report for the Interim Settlement	••.....	1
Business Result for the Current Interim (from April 1,2000 to September 30,2000) for the Fiscal Year ending on March 31,2001	2
1. Management Policy	•.....	3
2. Business Results	•.....	5
3. Financial Statements	••.....	7

**Brief Report for the Interim Settlement
of the Term Ending March 31, 2001
(Non-Consolidated)**

Corporate Name:	United Arrows Ltd.
Registered Name:	U-Arrows
Code Number:	7606
Location of Main Office:	Tokyo
Address:	3-25-5 Jingumae, Shibuya-ku, Tokyo
Contact Person:	Masami Koizumi, Financial Manager
Telephone :	03-3479-8192
Date of the Board of Directors Meeting for Closing of Accounts:	November 13, 2000
Interim Dividend Payment:	Yes.
Date of Interim Dividend Payment:	December 8, 2000

*The "Brief Report for the Interim Settlement of the Term Ending 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. Business Result for the Current Interim (from April 1, 2000 to September 30, 2000) for the Fiscal Year ending on March 31, 2001

(1) Business Performance

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

	Sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Current Interim	8,467	10.3	422	(54.9)	437	(46.6)
Previous Interim	7,674	27.3	935	18.5	818	3.7
Previous Term	17,016		2,387		2,246	

	Net income		Net income per share		Net income per share including dilutive securities	
	¥million	%	¥		¥	
Current Interim	172	(55.5)	14.50		-	
Previous Interim	388	(0.6)	52.79		-	
Previous Term	1,174		153.43		-	

Notes 1. Investment gains and losses by equity method

Current Interim ¥ - million, Previous Interim ¥ - million, Previous Term ¥ - million

2. Valuation profit or loss of derivative transactions ¥-370 million

3. The average number of shares during the terms

Current Interim 11,925,000 shares, Previous Interim 7,359,836 shares, Previous Term 7,654,918 shares

4. Changes in accounting policy No.

5. The percentages stated above show changes from previous period

6. The average number of shares during current interim were calculated on the assumption that the share splits had taken place at the beginning of the term.

(2) Dividend

	Interim dividend per share	Annual dividend per share
	¥	¥
Current Interim	5.00	-
Previous Interim	-	-
Previous Term	-	15.00

(3) Financial Situation

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	¥million	¥million	%	¥
Current Interim	14,787	10,622	71.8	890.76
Previous Interim	13,367	9,782	73.2	1,230.51
Previous Term	13,930	10,568	75.9	1,329.38

Note: Number of shares issued at the end of the term

Current Interim 11,925,000 shares, Previous Interim 7,950,000 shares, Previous Term 7,950,000 shares

(4) Cash Flows Situation

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	¥million	¥million	¥million	¥million
Current Interim	326	(658)	(119)	767
Previous Interim	-	-	-	-
Previous Term	(447)	(4,898)	6,108	1,218

2. Prospect for the March 2001 Term (from April 1, 2000 to March 31, 2001)

	Sales	Ordinary income	Net income	Annual dividend per share Term-end	
	¥million	¥million	¥million	¥	¥
Full-term	18,129	731	309	6.00	11.00

Reference data : Estimated net income per share (full-term): ¥ 25.99

1. Management Policy

(1) Basic management policy

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 creation of products and the environment.” This reflects our strong intention to continue to establish and propose an appropriate sense of value that would serve as a model for Japanese life and culture through our business.

In order to realize this, we have adopted as our corporate philosophy “the creation of a progressive long-established store.” This means that we intend to draw a clear line between ourselves and other long-standing stores of the old order and to be always aware of creative self-denial and self-renovation in order to keep up with the times. This also means that we intend to give the “utmost priority to customers” by promoting products, customer services and store environment so that we can always contribute to the progress and development of Japanese life and culture. We are aiming for an independent, creative, and highly productive retail business.

Under the resolution and corporate philosophy, we as “a value-creating corporation” intend to make all-out efforts to create “customer value,” “shareholder value,” “corporate value,” “employee value,” and “trading partner value” and at the same time, we as a public institution intend to contribute to improving Japanese life and culture.

(2) Basic policy concerning profit distribution

Recognizing that maximizing the shareholder value 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 intend to enhance our reputation on the stock market and increase our market capitalization to the greatest extent in order to increase the shareholder value.

With regard to dividend payments, our basic policy is to aim for a payout ratio of 10%. As to internal reserves, we intend to use the reserves for plant and equipment investment to expand our business.

Our estimation for net income at the end of this term is ¥309 million, a 75.7% downward revision of our initial target. However, with a view to securing stable dividend distribution we will follow both our initial interim and final plans, those to confirm the annual dividends of ¥11 per share.

(3) Mid- and long-term management strategy

Our basic business strategy consists of the following three factors:

Multi-business axis strategy with “United Arrows” at its core

Strategy of 24 stores per type of business in order to maintain the high store royalty by limiting the number of stores

Long-term strategy to expand the size of stores in order to boost per store sales as much as possible.

The above strategy is aimed at operating a multiple number of different types of business with high store royalty by limiting the number of stores, including “United Arrows,” currently the main line of our business, and at the same time to increase per-store sales as much as possible by increasing the floor space of each

store.

We intend to grow as a “high value-added, multi-business axis innovative retailer” by promoting the above business strategy.

As of the September 30, 2000, we operated three different types of business. In the next several years, we plan to open the following stores:

<u>United Arrows</u>	1~2 stores per year
<u>Chrome Hearts</u>	1 store per year
<u>Green Label Relaxing</u>	4~5 stores per year

As for the " Green Label Relaxing" new store opening plans, we have revised our initial target of four stores per year to two. This judgement is based on the recognition that we need to select the store locations more carefully.

(4) Problems that need to be dealt with

With personal consumption expected to remain sluggish due to the high unemployment rate and lower income, competition in the fashion industry is seen to intensify further.

Under the circumstances, in order for us to win the competition and become a “company that keeps winning in the 21st century,” we have to distinguish ourselves from our competitors. To that end, we intend to concentrate our management resources on strengthening products, store environment, and services, the three most important factors in the retail industry.

Strengthening of product development

We do not intend to stick with our past successful experiences. Rather, we intend to do away with or reject such experiences in a creative manner and strengthen the development of pioneering products full of originality and creativity in order to distinguish our products from those of rival stores.

Enhancement of store environment

We will strive to create stores that make their presence strongly felt in the industry by thoroughly enhancing the appearance of stores.

Improvement of customer services

We will provide expert knowledge and high-quality services to satisfy customers' needs by strengthening and thoroughly implementing basic training on sales.

(5) Targeting indexes

We are striving to achieve the following targets:

Return on equity (ROE)	more than 20%
Operating income / sales ratio	15%

2. Business Results

(1) Overview of this interim

During the first half of this fiscal period, the Japanese economy has shown some signs of self-sustaining recovery. We have seen a certain growth in the business world, a steady growth backed up by the substantial recovery of corporate earnings. However, an array of bleak aspects were still on display, including the successive failures of large-scale companies, the continuing high unemployment rate, and others. Household income declines seem to be coming to an end, yet personal spending still remains sluggish.

Price deflation has continued to dominate the fashion industry recently, as numbers of companies have started to introduce a succession of less costly items. At the same time; however, so-called "European high-class" brands have increased their sales. This bipolar consumer trend has become increasingly evident during the past period. Moreover, more and more business people started to leave their business suits at home under the influence of changes made in the corporate dress code, in line with the growing recognition of the "casual Friday for everyday" idea. The men's business suit market; therefore, undeniably downsized its former scale during this period.

Under these circumstances, United Arrows stayed focused on positioning itself apart from its competitors, and worked specifically on the "strengthening of product development", the "enhancement of store environment", and the "improvement of customer services". A new "United Arrows" chain store opened in Sapporo (Hokkaido), followed by opening "United Arrows Shibuya Cat street" as an annex of United Arrows Shibuya store. The "Green Label Relaxing" chain, which we launched during the last fiscal period, also expanded its business and opened new stores in Funabashi (Chiba) and KSPIARI (Urayasu, Chiba). Moreover, as part of conducting test marketing for the development of new type operations, we have opened a UA Labo (pilot store) called "District UNITED ARROWS" in Shibuya, Tokyo.

As a result, sales for current interim totaled ¥8,467 million, which was 110.3% from the previous interim. We fell short of our initial target; however, due to various factors including the slow start of fall-winter lineups caused by the record-breakingly hot summer. Net income was ¥437 million, 53.4% from the previous interim, mainly due to the lower sales and lower gross income point percentages caused by the increase of markdown sales. We have largely cut our fixed operating expenses. However, it did not provide sufficient margin to absorb the loss in gross income. During this time we have cleared off a block of the ¥116 million shortage in the severance benefit obligation, and as a result, net income for the interim was ¥172 million, 44.5% from the previous interim.

As to the distribution of profits, we are to maintain our initial plan to pay ¥5 per share for the interim, and ¥11 throughout the term.

Starting on May 22, we put into force a share split of 1.5 shares per share, targeting shareholders listed in the shareholders' list which was issued on March 31 of this year, and in the equivalent lists.

(2) Outlook for the term

The intense competition in the fashion retail industry will be even more intensified in the future. In the men's wear market, in particular, we estimate that the market scale will continue to decrease. As the nature of industry changes, United Arrows are moving to support our new "Green Label Relaxing" and "Chrome Hearts" product lines, (both launched during the term ending March 2000), focusing on firmly establishing future expansion. In line with this, we are to boost the earning capacity of our existing stores, positioning the successful women's wear department at the heart of our new marketing strategy.

We will be opening our second "Chrome Hearts" store- "Chrome Hearts Osaka" (Chuo-ku, Osaka)- during the latter part of this term. We are also planning to bring another UA Labo to the Harajuku area. Regarding other new openings of "Green Label Relaxing" stores scheduled at the beginning of this term, we have decided to leave the plan to the start of and after the next fiscal term, based on the recognition that we need to select store locations more carefully. Our overall motivation for the remaining half of this term; therefore, will be focused on the stabilization and strengthening of our existing stores' earning capacities.

The estimations for the term end are ¥18,129 million for sales (106.5% from the previous term), ¥731 million for ordinary income (32.6% from the previous term), and ¥309 million for net income for the year (26.4% from the previous term).

3. Financial Statements

(1) Balance Sheets

	(In thousand of yen)					
	September 30				March 31	
	2000		1999		2000	
	Amount	%	Amount	%	Amount	%
Assets:						
I Current assets						
1. Cash and deposits	298,512		1,162,611		775,657	
2. Accounts receivable- trade	212,443		254,094		138,324	
3. Marketable securities	600,000		3,700,045		901,378	
4. Inventories	3,771,675		3,033,994		3,244,719	
5. Accounts receivable-other	1,282,450		957,189		1,189,558	
6. Other	500,804		140,842		168,257	
7. Allowance for doubtful accounts	-6,170		-7,196		-7,819	
Total current assets	6,659,716	45.0	9,241,581	69.1	6,410,076	46.0
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings	3,015,791		1,437,519		2,863,895	
2. Land	1,454,684		372,611		1,454,684	
3. Other	325,369		376,808		329,041	
Total tangible fixed assets	4,795,844	32.4	2,186,939	16.4	4,647,620	33.4
(2) Intangible fixed assets	661,809	4.5	160,994	1.2	561,383	4.0
(3) Investments and other assets						
1. Long-term guarantee deposits	2,212,175		1,527,703		2,042,427	
2. Other	458,565		251,459		269,096	
3. Allowance for doubtful accounts	-450		-734		-581	
Total investments and other assets	2,670,290	18.1	1,778,428	13.3	2,310,942	16.6
Total fixed assets	8,127,945	55.0	4,126,361	30.9	7,519,947	54.0
Total assets	14,787,661	100.0	13,367,943	100.0	13,930,023	100.0

	(In thousand of yen)					
	September 30				March 31	
	2000		1999		2000	
	Amount	%	Amount	%	Amount	%
Liabilities:						
I Current liabilities						
1. Accounts payable-trade	2,156,248		2,130,826		1,554,193	
2. Accounts payable-other	808,612		609,052		1,028,288	
3. Deferred tax liabilities	216,285		328,871		288,544	
4. Allowance for employee bonuses	185,577		227,830		214,173	
5. Other	469,046		61,466		65,153	
Total current liabilities	3,835,769	26.0	3,358,047	25.1	3,150,352	22.6
Long-term liabilities						
1. Allowance for employee retirement	132,312		-		-	
2. Allowance for officer severance	117,715		105,820		111,788	
3. Long-term accounts payable	55,834		95,247		75,541	
4. Long-term guarantee deposits received	10,760		9,920		10,760	
5. Long-term unearned income	12,972		16,356		12,972	
Total long-term liabilities	329,594	2.2	227,344	1.7	211,061	1.5
Total liabilities	4,165,363	28.2	3,585,391	26.8	3,361,413	24.1
Shareholders' equity:						
Capital	3,030,000	20.5	3,030,000	22.7	3,030,000	21.8
Additional paid-in capital	4,095,600	27.7	4,095,600	30.7	4,095,600	29.4
Legal reserves	17,917	0.1	5,992	0.0	5,992	0.0
Other retained earnings						
1 Unappropriated retained earnings	3,478,780		2,650,959		3,437,016	
Total other surplus	3,478,780	23.5	2,650,959	19.8	3,437,016	24.7
Total shareholders' equity	10,622,298	71.8	9,782,552	73.2	10,568,609	75.9
Total liabilities and shareholders' equity	14,787,661	100.0	13,367,943	100.0	13,930,023	100.0

(2) Income Statements

	(In thousand of yen)					
	Six-month period ended September 30				Year ended	
	2000		1999		March 31, 2000	
	Amount	%	Amount	%	Amount	%
Sales	8,467,755	100.0	7,674,830	100.0	17,016,842	100.0
Cost of sales	3,894,392	46.0	3,492,202	45.5	7,573,618	44.5
Gross income	4,573,363	54.0	4,182,627	54.5	9,443,223	55.5
Selling, general and administrative expenses	4,151,104	49.0	3,246,877	42.3	7,065,176	41.5
Operating income	422,259	5.0	935,749	12.2	2,378,047	14.0
Non-operating income	49,986	0.6	53,167	0.7	103,403	0.6
Non-operating expenses	35,145	0.4	170,524	2.2	234,875	1.4
Ordinary income	437,100	5.2	818,392	10.7	2,246,575	13.2
Extraordinary income	1,780	0.0	2,007	0.0	1,537	0.0
Extraordinary expenses	123,260	1.5	130,112	1.7	171,810	1.0
Net income before taxes	315,619	3.7	690,288	9.0	2,076,302	12.2
Income taxes, local taxes and business taxes	195,398	2.3	306,000	4.0	897,816	5.3
Deferred taxes	-52,717	-0.6	-4,202	-0.1	3,937	0.0
Net income	172,938	2.0	388,491	5.1	1,174,548	6.9
Retained earnings from the previous year	3,305,841		2,147,663		2,147,663	
Deferred taxes for past years'	-		114,805		114,805	
Unappropriated retained earnings for the year	3,478,780		2,650,959		3,437,016	

(3) Cash Flow Statement

	(In thousand of yen)	
	Six-month period ended Sep. 30, 2000	Year ended Mar. 31, 2000
	Amount	Amount
Cash flows from operating activities		
Net income before taxes	315,619	2,076,302
Depreciation	156,957	227,525
Amortization of intangible fixed assets	54,413	33,479
Amortization of long-term prepaid expenses	7,857	6,199
Increase (Decrease) in allowance for employee bonuses	-28,595	41,355
Increase in allowance for employee retirement	132,312	-
Increase in allowance for officer severance	5,926	111,788
Decrease in allowance for doubtful accounts	-1,780	-942
Interest and dividend income	-11,652	-8,591
Interest expenses	343	3,108
Losses on disposal of tangible fixed assets	6,534	71,958
Gain on sale of tangible fixed assets	-	-595
Increase in accounts receivable-trade	-151,873	-155,061
Increase in product inventories	-526,956	-1,292,692
Decrease (Increase) in other current assets	11,402	-66,438
Increase in accounts payable-trade	602,055	184,485
Increase (Decrease) in other current liabilities	30,484	-21,198
Decrease in other long-term liabilities	-19,706	-42,820
Subtotal	583,344	1,167,862
Interest and dividend received	11,652	8,591
Interest paid	-343	-5,270
Income taxes paid	-267,657	-1,618,570
Total cash flows from operating activities	326,995	-447,387
Cash flows from investing activities		
Transfer to time deposits	-131,000	-459,000
Transfer from time deposits	459,000	10,000
Increase in long-term loans receivable to employees	-216	-340
Outflows of increase in long-term guarantee deposits	-169,747	-1,047,731
Outflows of increase in other investment	-211,224	-621,672
Revenue from sale of tangible fixed assets	-	1,700
Outflows of acquisition of tangible fixed assets	-605,081	-2,781,113
Total cash flows from investing activities	-658,269	-4,898,158
Cash flows from financing activities		
Decrease in short-term borrowings	-	-600,000
Revenue from stock issue	-	6,768,000
Dividends paid	-119,250	-59,925
Total cash flows from financing activities	-119,250	6,108,075
Effect of exchange rate changes on cash and cash equivalents	-	-
Increase (Decrease) in cash and cash equivalents	-450,523	762,529
Cash and cash equivalents at beginning of year	1,218,035	455,506
Cash and cash equivalents at end of year	767,512	1,218,035