

May 19, 2003

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**Brief Announcement of Business Performance**  
**for the Year Ended March 31, 2003\***  
**(Non-Consolidated)**

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Corporate Name:	UNITED ARROWS LTD.
Registered Name:	U-Arrows
Code Number:	7606
URL:	<a href="http://www.united-arrows.co.jp/">http:// www.united-arrows.co.jp/</a>
Securities Traded	The Tokyo Stock Exchange, First Section
Location of Headquarters:	Tokyo
Reference:	Tsuyoshi Horoiwa, Financial Manager
Telephone:	03-3479-8192
Date of the Board of Directors Meeting for Closing of Accounts:	May 19, 2003
Date the Annual Shareholders Meeting:	June 27, 2003
Payment System of Mid-term Dividend:	Presence
Adoption of Unit Share System:	Presence (100 shares/ unit)

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\*The "Brief Announcement of Business Performance for the Year Ended March 31, 2003" 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 2003 ended March (from April 1, 2002 to March 31, 2003)

## (1) Business Performance

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

	Sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal 2003 ended March	35,271	(30.9)	4,824	(21.7)	4,786	(22.6)
Fiscal 2002 ended March	26,943	(39.5)	3,965	(143.0)	3,904	(137.8)

	Net income		Net income per share	Net income per share after adjusting dilutive shares	Return on equity	Ratio of ordinary income to capital	Ratio of ordinary income to sales
	¥ million	%	yen	yen	%	%	%
Fiscal 2003 ended March	2,561	(10.5)	215.01	214.07	19.4	23.6	13.6
Fiscal 2002 ended March	2,318	(163.6)	194.41	-	18.8	22.5	14.5

- Notes:
- Gains and losses on investment by a equity method
    - Fiscal 2003 ended March      ¥ - million
    - Fiscal 2002 ended March      ¥ - million
  - The average number of shares during the fiscal period
    - Fiscal 2003 ended March      11,675,685 shares
    - Fiscal 2002 ended March      11,925,000 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.

## (2) Dividend

	Annual dividend per share			Total amount of dividend (per annum)	Payout ratio	Dividend rate on equity
	yen	Interim	Year end			
Fiscal 2003 ended March	23.00	7.00	16.00	¥ million 258	% 10.7	% 2.0
Fiscal 2002 ended March	19.50	5.00	14.50	232	10.0	1.7

## (3) Financial situation

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ million	¥ million	%	yen
Fiscal 2003 ended March	20,836	12,924	62.0	1,178.30
Fiscal 2002 ended March	19,644	13,456	68.5	1,128.41

- Notes:
- The total number of stocks issued at the end of the fiscal period
    - Fiscal 2003 ended March      10,925,000 shares
    - Fiscal 2002 ended March      11,925,000 shares
  - The total number of treasury stocks at the end of the fiscal period
    - Fiscal 2003 ended March      1,000,000 shares
    - Fiscal 2002 ended March      - 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 2003 ended March	740	-1,116	-1,646	1,468
Fiscal 2002 ended March	1,907	839	-129	3,490

2. Projection for the performance of Fiscal 2004 ended March (from April 1, 2003 to March 31, 2004)

	Sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	
	¥ million	¥ million	¥ million	yen	yen	yen
Interim	18,969	1,447	679	10.00	-	-
Full fiscal year	43,393	5,200	2,814	-	15.50	25.50

Reference: Projected net income per share (in the full fiscal year): 253.26 yen

- \* The projected net income per share was calculated in consideration of the number of shares issued after stock options are exercised.
- \* The above projection was made based on the information available at the present moment. Please note in advance that potential risks and uncertainties are included. The actual figures might differ from the above due to any possible factors. Please refer to the attached documents starting from page 4 for the preconditions and further information for the above projection.

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

No corresponding data

## **2. Management Policy**

### Basic policy of management

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

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

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

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

### Basic policy concerning profit sharing

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

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

The year-end dividend for the current fiscal year will be 16.00 yen per share. Together with the interim dividend of 7 yen per share, the annual dividend for the current fiscal year will be 23.00 yen per share, an increase of 3.50 yen over the previous fiscal year.

### Mid- and long-term management strategy

Our basic business strategy consists of the following three factors:

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

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

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

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

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

### Measures for Reviewing Corporate Management System

In principle, we hold a board meeting every month to make important managerial decisions and to review our business operations. Recognizing the importance of outside auditors, we have appointed three outside auditors and one full time auditor to ensure the transparency of the management.

Internal auditing is conducted from the view point of management diagnosis in order to properly check whether the company property and operations are maintained. At the same time, such audit provides means to prevent corruption and promote the rationalization and streamlining of the management, and thereby contribute to the health development of the company.

### Major issues to be challenged

In order to survive the prolonged recession in Japan, the apparel and related retail industry is competing with each other harder than ever, which will lead to a situation where winners and losers show stark contrast.

Against this situation, every employee of our company is working hard in accordance with our basic mission statement “Maximum satisfaction to each customer in each occasion.” Each department of our company is doing its best to further improve three aspects, which are human (sales and customer services), products (capability of product planning and product development), and shops (pleasant shops). Those efforts will enable us to provide “great satisfaction” to “each customer in each occasion” and also to make our shops “winners of winners.” We will also consistently continue to implement four structural reforms (product CS, sales CS, corporate climate, and business management) in order to “establish new standards for Japanese life and culture.”

Regarding shops, we always study a possible expansion of the floor space of any shop with high sales per Tubo (approximately 3.3 square meters) and, if appropriate, carry out such expansion according to the size of the market. We are also making effort for the preparation work aiming to establish the 4<sup>th</sup> and 5<sup>th</sup> forms of business chains following the existing business chains of UA, GLR, and CH.

### 3. Operating results and financial position

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

During this fiscal year, we remained uncertain about the future outlook for the Japanese economy, given such worrying factors as financial instability, slow capital investment, worsening employment and income levels despite the fact that we observed signs of recovery in corporate earnings thanks mainly to restructuring efforts made by each company.

The prolonged recession of the Japanese economy dampened consumer spending, giving adverse effects on the apparel and related retail industry including our company. Consumers spend less on apparel products although consumer spending is relatively strong in general. In spite of these difficulties, however, some retailers including our company were able to recover and even increase the sales since they successfully gained customers' trust through enhanced product planning in addition to cost reduction and reforming business management structure such as shutting down unprofitable shops.

Against this situation, we tried to achieve a high level in terms of both “capabilities to select and arrange” and “capabilities to plan products.” In addition, we strongly carried out the following “four structural reforms” designed to take us into a “position which is too high for our competitors to reach.”

Structural reform of product CS :

A structural reform to improve accuracy in terms of purchases, production, inventory management, and planning, etc., of products

Structural reform of Sales CS :

A structural reform to improve sales in general including sales promotion, shop design, and visual presentation, etc.

Structural reform of corporate climate :

A structural reform to improve a corporate culture, corporate climate, and employee education, etc.

Structural reform of business management :

A structural reform carried out from the view point of administrative departments to ensure long-term stable growth

The above four structural reforms were practiced based on our strong belief that “no creation of The Standard of Japanese Style (standards of Japanese life and culture) without structural reforms.” These reforms produced greater results than expected. For example, the reforms helped all the departments of our company tackle the same problems in a cooperative manner and promoted a better understanding among employees and shifted our operations to higher levels.

With regard to the opening of shops, our achievements are as follows:

Concerning United Arrows (UA) chain, we vigorously pursued “enlargement of existing store,” which is one of our basic business strategies. The enlarged shops include Umeda store (Kita-ku, Osaka), Yokohama store (Nishi-ku, Yokohama), Nagoya store (Naka-ku, Nagoya), and Shinjuku store (Shinjuku-ku, Tokyo). When the Shinjuku store was enlarged, a Shinjuku store of Another Edition (AE) was also opened at the old location.

With regard to Green Label Relaxing (GLR) chain, we opened six new shops at a faster speed than a previous

business year, which are Umeda store (Kita-ku, Osaka), Kyoto store (Shimogyo-ku, Kyoto), Marunouchi store (Chiyoda-ku, Tokyo), Hakata store (Hakata-ku, Fukuoka), Nagoya store (Naka-ku, Nagoya), and Sapporo store (Chuo-ku, Sapporo). These new shops surely enhanced our presence in local large cities.

Regarding UA Labo (test-marketing shops), we opened three shops of “Odette é Odile United Arrows” one after another, which are Shinjuku store (Sinjuku-ku, Tokyo), Nagoya store (Naka-ku, Nagoya), and Sapporo store (Chuo-ku, Sapporo). Odette é Odile, which specializes in women’s shoes and bags, is a labo shop started from this fiscal period.

Concerning Chrome Hearts (CH) chain, we developed a concept of opening CH stores to enhance the brand value of CH and to introduce the unique world of CH to a larger number of potential customers, so that CH products will be enjoyed by many customers. The preparation to open the third CH store progressed steadily.

In the field of marketing and sales promotion, we established a close and flexible link in a string of activities “product planning – product procurement – sales promotion – shop designing – customer services,” which allows each customer to feel reassured that whenever customer visits, our shops always have any products he or she wants to buy in stock.” Our aggressive investment in the corporate infrastructure improved the accuracy of our product planning and product procurement. Moreover, increased appearance of our products on fashion magazines, etc., greatly increased the number of new visitors. We created effective shelf space and product display by designing shops based on a scientific traffic diagram research. All these efforts lead to a year-on-year sales increase of 20.7% at the UA chain, 111.5% at the GLR chain, and 1.0% at the CH chain.

With regard to our capital management policy, we purchased one million shares of treasury stock by TOB (accounting for 8.38% of the total number of shares issued and the ratio of the progress in purchase of treasury stock is 100.0%) in December 2002, which enable us to execute a capital management policy swiftly and flexibly in response to events and changes in the circumstances surrounding our company.

All the result all the measures mentioned above, the sales of this fiscal period reached 35,271 million yen (increased 30.9% by the previous period), with the operating income standing at 4,824 million yen (increased 21.7% by the same), while the net income amounted to 2,561 million yen (increased 10.5% by the same).

In consideration of the above, we decided to increase dividends by 3.50 yen per share from the previous year to 23.00 yen per share (including interim dividend of 7 yen).

Regarding our stock listing, our shares were transferred from the second section to the first section of the Tokyo Stock Exchange on March 3, 2003.

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

Cash and cash equivalents (“Cash”) in this fiscal year was 1,468 million yen at the end of this fiscal period, decreased 2,021 million yen by the previous fiscal year despite such factors as increase of net income before taxes to 4,500 million yen (increased 11.9% by the previous period) and proceeds from debt, etc.. This decrease was attributable in part to purchase of treasury stock and increase in inventories, and purchase of tangible fixed assets.

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

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

Cash gained from operating activities in the current fiscal year amounted to 740 million yen (decreased 61.2% by the previous period). It was mainly due to net income before taxes of 4,500 million yen, depreciation expense of tangible fixed assets of 544 million yen, and an increase of 452 million yen in trade accounts payable due to increased purchases. This decrease was largely attributable to payment of income taxes of 2,489 million yen, increase of 318 million yen in accounts receivable-trade due to expansion of the lines of business, and increase of 2,251 million yen in inventories.

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

Cash gained from investing activities in the current fiscal year totaled 1,116 million yen (increased 839 million yen by the previous period). This was largely attributable to expenditure of 592 million yen on purchase of tangible fixed assets accompanying new store openings and renovations, etc., of shops, increase of 291 million yen in guarantee deposits paid, and 146 million yen of purchase of intangible fixed assets.

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

Cash lost on financing activities in the current fiscal year came to 1,646 million yen (increased 1,175.1% by the previous period). This was attributable to 2,791 million yen for purchase of treasury stock and expenditure of 255 million yen on dividend payments based on our dividend policy despite 1,400 million yen of proceeds from debt.

The indicators of our cash flows are as follows:

	Year ended March 2000	Year ended March 2001	Year ended March 2002	Year ended March 2003
Shareholders' equity ratio (%)	75.9	74.9	68.5	62.0
Shareholders' equity ratio at market value (%)	402.4	108.5	207.6	158.0
Debt redemption period (number of years)	-	-	-	1.9
Interest coverage ratio	84.9	823.0	64,062.5	193.9

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

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

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

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

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



### Outlook for the next period

We are afraid that the outlook for the Japanese economy is bleak because downward economic pressure is anticipated to increase as a result of deceleration of relatively-strong consumer spending finally triggered by the prolonged economic recession and also a result of dark clouds cast over the world economy by the Iraq war that broke out in March, which was the last month of our business year.

Under such condition, we estimate for the full business year sales of 43,393 million yen (increased 23.0% by the previous period), ordinary income of 5,200 million yen (increased 8.6% by the same), and net income of 2,814 million yen (increased 9.9% by the same).

Based on our dividend policy of profit sharing, we plan to distribute annual dividend of 25.50 yen per share consisting of interim dividend of 10 yen per share and year-end dividend of 15.50 yen per share.

#### 4. Financial Statements

##### (1) Balance Sheets

					(In thousand of yen)	
	The 13 <sup>th</sup> Term (As of March 31, 2002)		The 14 <sup>th</sup> Term (As of March 31, 2003)		Increase or Decrease	
	Amount	%	Amount	%	Amount	
<b>Assets:</b>						
<b>I Current assets</b>						
1. Cash and deposits	3,500,134		1,478,263			
2. Notes and accounts receivable-trade	78,746		78,443			
3. Product inventories	5,421,553		7,669,415			
4. Other inventories	6,395		10,344			
5. Advance payments	-		15,792			
6. Prepaid expenses	87,120		91,626			
7. Deferred tax assets	244,588		372,260			
8. Notes and accounts receivable-other	2,441,064		2,729,211			
9. Other	15,012		36,991			
<b>Total current assets</b>	11,794,616	60.0	12,482,351	59.9	687,735	
<b>II Fixed assets</b>						
<b>1. Tangible fixed assets</b>						
(1) Buildings	3,449,260		3,842,954			
Accumulated depreciation	819,680	2,629,580	1,045,148	2,797,806		
(2) Structures	3,033		5,076			
Accumulated depreciation	1,053	1,980	1,584	3,491		
(3) Equipment and fixtures	624,711		662,861			
Accumulated depreciation	284,816	339,895	322,633	340,227		
(4) Land		1,082,072		1,082,072		
(5) Construction in progress		5,253		8,953		
<b>Total tangible fixed assets</b>		4,058,782	20.7	4,232,551	20.3	173,769
<b>2. Intangible fixed assets</b>						
(1) Leaseholds		138,165		138,165		
(2) Trademarks		6,491		4,681		
(3) Software		338,215		372,186		
(4) Telephone subscriptions		20,294		20,294		
<b>Total intangible fixed assets</b>		503,167	2.6	535,328	2.6	32,161
<b>3. Investments and other assets</b>						
(1) Investments in securities		11,300		6,775		
(2) Long-term loans receivable to employees		1,115		626		
(3) Long-term prepaid expenses		332,364		376,805		
(4) Deferred tax assets		111,421		112,625		
(5) Long-term lease deposits		2,798,583		3,089,830		
(6) Long-term accounts receivable		84,200		87,400		
(7) Others		20,352		-		
(8) Allowance for doubtful accounts		(71,100)		(87,400)		
<b>Total investments and other assets</b>		3,288,237	16.7	3,586,663	17.2	298,425
<b>Total fixed assets</b>		7,850,187	40.0	8,354,543	40.1	504,356
<b>Total assets</b>		19,644,803	100.0	20,836,894	100.0	1,192,091

(In thousand of yen)

	The 13 <sup>th</sup> Term		The 14 <sup>th</sup> Term		Increase or Decrease Amount
	(As of March 31, 2002)		(As of March 31, 2003)		
	Amount	%	Amount	%	
<b>Liabilities:</b>					
<b>I Current liabilities</b>					
1. Note and accounts payable-trade	2,629,138		3,081,744		
2. Short-term borrowings	-		900,000		
3. Current portion of long-term debt	-		500,000		
4. Notes and accounts payable-other	1,334,400		1,455,400		
5. Accrued expenses	19,882		34,149		
6. Income taxes payable	1,540,918		1,118,562		
7. Deposits received	60,774		79,033		
8. Unearned income	4,443		4,946		
9. Accrued bonus	308,804		421,781		
10. Consumption taxes payable	126,658		128,357		
11. Others	4,096		29,159		
<b>Total current liabilities</b>	<b>6,029,118</b>	<b>30.7</b>	<b>7,753,135</b>	<b>37.2</b>	<b>1,724,017</b>
<b>Long-term liabilities</b>					
1. Accrued retirement benefits for directors	103,428		103,651		
2. Long-term guarantee deposits received	55,926		55,916		
<b>Total long-term liabilities</b>	<b>159,354</b>	<b>0.8</b>	<b>159,567</b>	<b>0.8</b>	<b>212</b>
<b>Total liabilities</b>	<b>6,188,473</b>	<b>31.5</b>	<b>7,912,703</b>	<b>38.0</b>	<b>1,724,229</b>
<b>Shareholders' equity:</b>					
<b>Commonstock, no par value</b>	3,030,000	15.4	-	-	
<b>Additional paid-in capital</b>	4,095,600	20.8	-	-	
<b>Legal reserve</b>	31,035	0.2	-	-	
<b>Retained earnings</b>					
1. Unappropriated retained earnings for the year	6,299,694		-		
<b>Total retained surplus</b>	<b>6,299,694</b>	<b>32.1</b>	<b>-</b>	<b>-</b>	
<b>Total shareholders' equity</b>	<b>13,456,329</b>	<b>68.5</b>	<b>-</b>	<b>-</b>	
<b>Commonstock, no par value</b>	-	-	3,030,000	14.5	
<b>Capital surplus</b>					
1. Additional paid-in capital	-		4,095,600		
<b>Total Capital surplus</b>	<b>-</b>	<b>-</b>	<b>4,095,600</b>	<b>19.7</b>	
<b>Retained earnings</b>					
1. Legal reserve	-		31,035		
2. Unappropriated retained earnings for the fiscal period	-		8,558,556		
<b>Total retained earnings</b>	<b>-</b>	<b>-</b>	<b>8,589,591</b>	<b>41.2</b>	
<b>Treasury stock</b>	<b>-</b>	<b>-</b>	<b>(2,791,000)</b>	<b>(13.4)</b>	
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>12,924,191</b>	<b>62.0</b>	
<b>Total Liabilities and shareholders' equity</b>	<b>19,644,803</b>	<b>100.0</b>	<b>20,836,894</b>	<b>100.0</b>	

## (2) Statements of Income

(In thousand of yen)

	The 13 <sup>th</sup> Term (From April 1, 2001 to March 31, 2002)		The 14 <sup>th</sup> Term (From April 1, 2002 to March 31, 2003)		Increase or Decrease Amount		
	Amount	%	Amount	%			
<b>Sales</b>	26,943,207	100.0	35,271,577	100.0	8,328,369		
<b>Cost of sales</b>							
1. Beginning product inventories	3,153,906		5,421,553				
2. Purchases	14,801,880		18,960,241				
Total	17,955,786		24,381,795				
3. Amount transferred to other accounts	29,681		295,445				
4. Ending product inventories	5,421,553	12,504,551	46.4	7,669,415	16,416,934	46.5	3,912,383
Gross profit	14,438,656	53.6	18,854,642	53.5	4,415,986		
<b>Operating expenses</b>							
1. Packing and distribution expenses	521,726		710,641				
2. Advertising expenses	553,437		649,093				
3. Selling and promotional expenses	97,558		129,557				
4. Officer compensation	150,350		159,837				
5. Salaries	2,222,656		2,878,785				
6. Employee bonuses	428,077		522,723				
7. Transfer to allowance for employee bonuses	308,804		421,781				
8. Retirement benefit expenses	7,019		50,620				
9. Transfer to allowance for officer severance	10,970		11,604				
10. Welfare expenses	383,073		552,288				
11. Traveling expenses	158,049		282,806				
12. Commissions	828,610		1,403,468				
13. Facilities rental expenses	2,417,880		3,197,479				
14. Consumable expenses	261,560		452,382				
15. Maintenance and repair expenses	493,261		533,676				
16. Depreciation	363,592		367,658				
17. Charges	415,682		531,340				
18. Miscellaneous expenses	851,256	10,473,568	38.9	1,174,856	14,030,602	39.8	3,557,034
<b>Operating income</b>	3,965,088	14.7	4,824,040	13.7	858,952		
<b>Other income</b>							
1. Interest income	1,392		484				
2. Dividends income	12,902		-				
3. Exchange gains	-		11,227				
4. Product rental income	9,542		14,584				
5. Lease income	80,945		60,986				
6. Miscellaneous income	17,143	121,926	0.5	26,308	113,591	0.3	(8,335)
<b>Other expenses</b>							
1. Interest expense	29		3,821				
2. Exchange losses	32,870		-				
3. Cost of lease	67,669		56,631				
4. Donation	53,483		58,109				
5. Additional expense of treasury stock	-		18,475				
6. Miscellaneous expenses	28,176	182,229	0.7	13,732	150,771	0.4	(31,457)
<b>Ordinary income</b>	3,904,785	14.5	4,786,860	13.6	882,074		

**Extraordinary income**

1. Gain on sale of tangible fixed assets	323,839			<b>4,286</b>			
2. Settlements on cancellation of contract	47,784			-			
3. Reversal of allowance for officer severance	31,271	402,895	1.5	-	<b>4,286</b>	<b>0.0</b>	(398,608)

**Extraordinary losses**

1. Loss on sale of fixed assets	-			<b>4,321</b>			
2. Losses on sale and disposal of fixed assets	108,027			<b>143,452</b>			
3. Provision of allowance for doubtful accounts	-			<b>16,300</b>			
4. Impairment of value of securities	38,111			<b>4,524</b>			
5. Loss on sample products	-			<b>90,563</b>			
6. Loss on disposal of supplies	88,224			-			
7. Loss on cancellation of leases	52,654			-			
8. Other extraordinary losses	-	287,017	1.1	<b>31,611</b>	<b>290,773</b>	<b>0.8</b>	3,755
Net income before taxes		4,020,663	14.9		<b>4,500,373</b>	<b>12.8</b>	479,710
Income taxes – Current *	1,887,092			<b>2,067,636</b>			
Income taxes – Deferred	(184,815)	1,702,277	6.3	<b>(128,876)</b>	<b>1,938,759</b>	<b>5.5</b>	236,482
Net income		2,318,386	8.6		<b>2,561,614</b>	<b>7.3</b>	243,228
Retained earnings beginning balance		4,040,933			<b>6,080,417</b>		2,039,483
Interim dividend paid		59,625			<b>83,475</b>		23,850
<b>Unappropriated retained earnings for the year</b>		<b>6,299,694</b>			<b>8,558,556</b>		2,258,861

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

## (3) Statements of Cash Flows

	(In thousand of yen)		
	The 13 <sup>th</sup> Term (From Apr. 1, 2001 to Mar. 31, 2002)	The 14 <sup>th</sup> Term (From Apr. 1, 2002 to Mar. 31, 2003)	Increase or Decrease
	Amount	Amount	Amount
<b>Cash flows from operating activities</b>			
Net income before taxes	4,020,663	4,500,373	479,710
Depreciation	373,767	371,579	(2,188)
Amortization of intangible fixed assets	128,943	128,321	(621)
Amortization of long-term prepaid expenses	34,237	44,536	10,299
Increase in accrued bonuses	104,607	112,977	8,370
Increase / (decrease) in accrued retirement Benefits	(20,301)	222	20,524
Increase in allowance for doubtful accounts	-	16,300	16,300
Interest and dividend income	(14,295)	(484)	13,810
Impairment of value of securities	38,111	4,524	(33,586)
Interest expenses	29	3,821	3,791
Loss on disposal of tangible fixed assets	62,252	117,923	55,671
Loss on sale of tangible fixed assets	-	4,321	4,321
Gain on sale of tangible fixed assets	(323,839)	(4,286)	319,553
Loss on disposal of intangible fixed assets	45,774	25,528	(20,246)
Settlements on cancellation of contract	(47,784)	-	47,784
Loss on cancellation of insurance reserve fund	-	5,122	5,122
Increase in accounts receivable	(762,755)	(318,523)	444,231
Increase in inventories	(2,262,690)	(2,251,811)	10,878
Decrease in other current assets	86,465	10,264	(76,200)
Increase in accounts payable	593,489	452,605	(140,883)
Increase in other current liabilities	489,390	57,329	(432,060)
Decrease in other long-term liabilities	(14,742)	(10)	14,732
Payment of officer bonuses	-	(46,365)	(46,365)
Subtotal	2,531,324	3,234,273	702,948
Receipt of interest and dividends	14,295	484	(13,810)
Payment of interest	(29)	(3,821)	(3,791)
Payment of income taxes	(637,807)	(2,489,992)	(1,852,184)
<b>Net cash from operating activities</b>	1,907,782	740,944	(1,166,838)
<b>Cash flows from investing activities</b>			
Transfer to time deposits	(328,009)	(10,029)	317,979
Drawing from time deposits	591,009	10,009	(581,000)
Proceeds from sale of tangible fixed assets	1,118,230	8,220	(1,110,009)
Purchase of tangible fixed assets	(265,651)	(592,032)	(326,380)
Purchase of intangible fixed assets	-	(146,234)	(146,234)
Purchase of long-term prepaid expense	-	(110,769)	(110,769)
Decrease of staff loan	-	489	489
Guarantee deposits paid	(190,276)	(291,247)	(100,971)
Decrease / (increase) of other investments	(85,433)	15,229	100,663
<b>Net cash from/ (used in) investing activities</b>	839,868	(1,116,364)	(1,956,233)
<b>Cash flows from financing activities</b>			
Increase in short-term borrowings	-	900,000	900,000
Proceeds from long-term debt	-	500,000	500,000
Purchase of treasury stock	-	(2,791,000)	(2,791,000)
Dividends paid	(129,127)	(255,470)	(126,342)
<b>Net cash used in financing activities</b>	(129,127)	(1,646,470)	(1,517,342)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	-	-	-
<b>Net increase/ (decrease) in cash and cash equivalents</b>	2,618,523	(2,021,890)	(4,640,413)
<b>Cash and cash equivalents at beginning of the year</b>	871,601	3,490,124	2,618,523
<b>Cash and cash equivalents at end of the year</b>	3,490,124	1,468,234	(2,021,890)

(4) Appropriation of retained earnings

			(In thousand of yen)
	The 13 <sup>th</sup> Term (Year ended March 31, 2002)	The 14 <sup>th</sup> Term (Year ended March 31, 2003)	Increase or Decrease
	Amount	Amount	Amount
<b>Unappropriated retained earnings for the year</b>	6,299,694	<b>8,558,556</b>	2,258,861
<b>Appropriation of retained earnings</b>			
1. Dividends	172,912	<b>174,800</b>	
2. Bonuses to directors	46,365	<b>51,229</b>	6,751
<b>Earnings retained forward to the next year</b>	<b>6,080,417</b>	<b>8,332,527</b>	2,252,110