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November 11th, 2002

Brief Report for the Interim Settlement of the Term Ending March 31, 2003* (Non-Consolidated)

Corporate Name:	UNITED ARROWS LTD.
Code Number:	7606
Securities Traded	The Tokyo Stock Exchange, Second Section
Location of Headquarters:	Tokyo
URL:	http://www.united-arrows.co.jp/
President and CEO	Osamu Shigematsu
Reference:	Tsuyoshi Horoiwa, Financial Manager
Telephone:	03-3479-8192
Date of the Board of Directors Meeting for Approval of Interim Results:	November 11, 2002
Payment System of Mid-term Dividend:	Presence
First Day of Payment of Interim Dividends	December 9, 2002
Adoption of Unit Share System:	Presence (100 shares/ unit)

*The "Brief Report for the Interim Settlement of the Term Ending 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. Business Result for the Current Interim (from April 1, 2002 to September 30, 2002) for the Fiscal Year

(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 (Sep. 2002)	15,174	(32.8)	1,638	(21.1)	1,669	(20.5)
Previous Interim (Sep. 2001)	11,430	(35.0)	1,353	(220.5)	1,385	(216.9)
Previous Term (Mar. 2002)	26,943		3,965		3,904	

	Net income		Net income per share	Net income per share including dilutive securities
	¥million	%	¥	¥
Current Interim (Sep. 2002)	861	(-11.7)	72.24	71.87
Previous Interim (Sep. 2001)	975	(464.2)	81.82	—
Previous Term (Mar. 2002)	2,318		194.41	—

Notes 1. Investment gains and losses by equity method
Current Interim ¥ - million, Previous Interim ¥ - million, Previous Term ¥ - million
2. The average number of shares during the terms
Current Interim 11,925,000 shares, Previous Interim 11,925,000 shares, Previous Term 11,925,000 shares
3. Changes in accounting policy : No.
4. The percentages stated above show changes from previous interim period

(2) Dividend

	Interim dividend per share	Annual dividend per share
	¥	¥
Current Interim (Sep. 2002)	7.00	—
Previous Interim (Sep. 2001)	5.00	—
Previous Term (Mar. 2002)	—	19.50

(3) Financial Situation

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	¥million	¥million	%	¥
Current Interim (Sep. 2002)	20,003	14,096	70.5	1,182.13
Previous Interim (Sep. 2001)	17,802	12,173	68.4	1,020.82
Previous Term (Mar. 2002)	19,644	13,456	68.5	1,128.41

Notes 1. Number of shares issued at the end of the term
Current Interim 11,925,000 shares, Previous Interim 11,925,000 shares, Previous Term 11,925,000 shares
2. Number of treasury stock at the end of the term
Current Interim 0 shares, Previous Interim 0 shares, Previous Term 0 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 the year
	¥million	¥million	¥million	¥million
Current Interim (Sep. 2002)	-911	-612	-172	1,793
Previous Interim (Sep. 2001)	231	866	-71	1,897
Previous Term (Mar. 2002)	1,907	839	-129	3,490

2. Prospect for the March 2003 Term (from April 1, 2002 to March 31, 2003)

	Sales	Ordinary income	Net income	Annual dividend per share	
				Term-end	
	¥million	¥million	¥million	¥	¥
Full-term	33,950	4,345	2,380	13.00	20.00

Reference: Estimated net income per share (full- term): ¥ 199.66

*The forecast mentioned above is judged based on the information available at present, and is included potential risks and uncertainty. Please understand that the actual performance is different from these estimated figures due to influence by various factors. As to the preconditions of such forecast, please see Page 4 of the attached material.

1. Status of the corporate group

No corresponding data

2. Management Policy

Basic policy of management

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 intention, we set our goal in “creating five kinds of value”.

That is, “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”. We also intend to be a company that continues to create the value for 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. That is our basic management policy.

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 in the stock market and increase our market capitalization to the greatest extent in order to increase the value for the shareholders.

Furthermore, as a mid-term management goal, we intend to efficiently manage shareholders’ equity with a goal of attaining more than a 20% return on equity (ROE).

With regard to dividend policy, our basic policy is to keep a payout ratio of 10 % for the time being. As to internal reserves, we use such reserves for capital expenditures in growing businesses and establishing new stores, and try to expand our business.

The interim dividend will be 7 yen per share, and the year-end dividend for the current fiscal year will be 13 yen per share.

Mid- and long-term management strategy

Our basic business strategy consists of the following three factors:

1. Strategy centered on multi-business with “UNITED ARROWS” at its core;
2. Strategy of maintaining the high royalty of each store by limiting the number of stores per business chain;
3. 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 as a “high value-added, multi-business-centered, innovative retailer” by developing the above strategies, and aim to attain more than a 15% ratio of operating income to sales, which is a management target in the mid-term.

3. Operating results and financial position

(1) Overview of this interim business performance

In the economic condition of our country during the interim fiscal period, a decline of stock prices made non-performing loans worse, and strong requirements for improvement of profits to each company caused labor adjustments and restraint of capital expenditures. We could not feel strong recovery of economy, and uncertainty to our economy still remained strongly.

In the industry of retailers dealing with clothing where we belong, the market is shrinking. Because cooling-down of consumers mind due to worse business sentiment and anxiety to decrease of their incomes hit the industry strongly, and companies with weak competitiveness were also screened and force to retire from the market.

Under the circumstances, we intended to complete the improvement of business operations started last year, and aimed to attain a goal of higher growth with declaring a big theme, “from Improvement of Business Operations to Structural Reform”.

With regard to structural reform, we fundamentally reviewed our traditional way of purchases and productions, and we addressed “Reform for CS (Customer Satisfaction) to Products”, in order to structure our unique “Win Model”. In addition, to support such activities from the side, we commenced other four structural reforms. They are “Reform for Creativity” to reexamine creativity of our company, “Reform for Business Administration” aimed principally at arranging the infrastructures of the whole company, “Reform for Human Resources” and “Reform for CS to Service for Customers” with their main goals of making an environment for fostering employees and stores.

With regard to stores, we wrestled with enlargement of floors of existing stores aggressively for the business of UNITED ARROWS. And we newly opened by reforming a store in Umeda (at Kita-ku, Osaka), a store in Yokohama (at Nishi-ku, Yokohama), and a store in Nagoya (at Naka-ku, Nagoya), based on the “Strategy of Enlargement of Stores”, one of our business strategies. The store, called as “Kobe Harborland” (at Chuo-ku, Kobe), was closed in July, 2002, because there were concerns of reducing customers in the commercial district.

For the business of Green Label Relaxing (GLR), we set up new stores in Umeda (at Kita-ku, Osaka), in Kyoto (Shimogyo-ku, Kyoto), in Marunouchi (Chiyoda-ku, Tokyo) and in Hakata (Hakata-ku, Fukuoka), and we focused our efforts to make setting up new stores stable and implemented a strategic move for a nation-wide development.

With regard to UA Lobo (an test-marketing store), new pilot stores for women, called “Odette é Odile, UNITED ARROWS”, based on the project adopted in the in-house venture system, were opened in Shinjuku (Shinjuku-ku, Tokyo) and Nagoya (Naka-ku, Nagoya) successively in September, 2002.

Regarding the business of CHROME HEARTS (CH), we made an effort to stabilize and strengthen the existing stores with an emphasis of increase of products, as well as strengthened our system to open new stores next year.

So, the number of stores of each chain of business is 20 stores for UA, 11 stores for GLR, 2 stores for CH, and 8 stores for UA Labo as of the end of September, 2002.

In the field of marketing activities, we tried to improve accuracy of our plan for purchasing products by aggressively arranging the in-house infrastructure in order to make it possible to deliver analyzed data and information about stores to merchandiser timely. Such activities enabled us to decrease losses of sales opportunities because of having additional products flexibly, and also made it possible to adjust products in case of slow sales. Improvement of the plans for purchasing products raised perfection of planning and development of products, and enlarged product sellers among our original products in this spring and summer.

In sales promotion, successive exposure of our products to magazines could increase customers coming to our stores drastically. Successive arrangement of stores, based on the scientific investigation of the line of flows, enabled us to make counters and showcases effective.

These approaches led an organic linkage of “plans for planning products – procurement of products – sales promotion - shop arrangement – waiting on customers” systems, strengthened our originality, and definitely differentiated us against competitors.

In consequence, the amount of sales in this interim accounting period was 15,174 million yen (increased by 32.8% over the preceding period). The ordinary income was 1,669 million yen (increased by 20.5% from the same). The net income in the interim period was 861 million yen, decreased by 11.7% over the preceding period, because in the last interim period, the old head office building was sold out and the gain on sales of the building of 323 million yen was recorded as an extraordinary income.

(2) Condition of Cash Flows in Interim Period

Cash and cash equivalents (hereinafter referred to as "Cash") in this interim period was 1,793 million yen, and decreased 1,696 million yen from the end of the last fiscal period.
The condition of each cash flows in this interim period and its factors are as follows:

(Cash flows from operating activities)

The Cash used for operating activities in this interim period was 911 million yen (revenue of 231 million yen in the same period of preceding year).

This was caused mainly by followings:
Although there were the net income before taxes in the interim period of 1,511 million yen and depreciation expenses of the fixed assets of 181 million yen, there were also increase in inventories of 1,965 million yen, due to purchasing additional products based on the policy of flexibility, and payment of corporate income taxes of 1,537 million yen.

(Cash flows from investing activities)

The Cash used for investing activities in this interim period was 612 million yen (revenue of 866 million yen in the same period of preceding fiscal year).

This was mainly because there were expenditures of 416 million yen used for acquisition of the fixed assets for new stores or movement and/or increase of floor spaces of existing stores, and expenditures of 118 million yen used for acquisition of other investments.

(Cash flows from financing activities)

The Cash used for financing activities in this interim period was 172 million yen (increase by 140.4% over the same period of preceding fiscal year). This is because of payment of dividend.

(3) Overview of the whole business year

For an economic outlook in the future, it is requested that general economic policies by the government will cause early recovery. As the decline of stock prices in the US stock marker symbolizes, however, concerns about corporate revenues are still remained, and it seems that the economic slump will continue for the time being.

In the industry where retailers like us deal with clothing, the size of this market is expected to become small, because consumer spending will be decreased due to concern about the economic slump in the future, and we will face difficult situations. Regarding the environment surrounding our company, competition in this industry seems to be harder and harder, because of access by major apparel companies and emerging of selected-items- shops.

Under these circumstance, we aim to achieve both of "arrangement of selected items" and "innovativeness of products" in a higher degree, and move to "the position where no one comes close to us" , and strongly promote the structural reforms.
"5 Structural Reforms" started in this business year were reformed in the following "4 Structural Reforms" by picking up problems, and we will tackle these.
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"Reform for CS to Products"; structural reform aiming at improvement of purchases of products, production, inventory control, and innovativeness of products;
"CS to Service for Customers"; structural reform of all marketing activities, including selling, arrangement of shops;
"Reform for Reform for Business Administration"; structural reform addressing from a viewpoint of

management department for realization of long-term stable growth; and
“Reform for Corporate Culture” structural reform for fostering the corporate culture, organization culture and personnel.

With respect to new stores, we will open stores as UA, GLR and UA Labo “Odette é Odile, UNITED ARROWS”.

For realization of the forth and fifth type of business operation following UA, GLR and CH, we will strengthen the existing UA Labos, and tackle new development of UA Labo aggressively.

In consequence, we project sales of 33,950 million yen (increase 26.0% over the preceding period), ordinary income of 4,345 million yen (increase 11.3% over the same), and net income of 2,380 million yen (increase 2.7% over the same) in this account period.

4. Financial Statements

(1) Balance Sheets

(In thousand of yen)

	Previous Interim as of September 30, 2001			Current Interim as of September 30, 2002			B/S Summary of Previous Fiscal Year as of March 31, 2002		
	Amount		composition %	Amount		Composition %	Amount		composition %
Assets:									
I Current assets									
1. Cash and deposits	785,205			1,803,848			3,500,134		
2. Notes and accounts receivable-trade	127,713			94,527			78,746		
3. Marketable securities	1,400,000			—			—		
4. Inventories	5,246,826			7,393,362			5,427,948		
5. Notes and accounts receivable-other	1,956,230			2,237,663			2,441,064		
6. Others	475,169			417,716			346,721		
7. Allowance for doubtful accounts	—			(6,100)			—		
Total current assets		9,991,145	56.1		11,941,018	59.7		11,794,616	60.0
II Fixed assets									
1 Tangible fixed assets									
(1) Buildings	2,636,622			2,723,945			2,629,580		
(2) Lands	1,082,072			1,082,072			1,082,072		
(3) Others	355,904			396,590			347,129		
Total tangible fixed assets	4,074,599		22.9	4,202,607		21.0	4,058,782		20.7
2 Intangible fixed assets	575,971		3.2	473,898		2.4	503,167		2.6
3 Investments and other assets									
(1) Long-term lease deposits	2,694,797			2,881,580			2,798,583		
(2) Others	537,303			569,478			560,754		
(3) Allowance for doubtful accounts	(71,100)			(65,000)			(71,100)		
Total investments and other assets	3,161,001		17.8	3,386,059		16.9	3,288,237		16.7
Total fixed assets		7,811,572	43.9		8,062,565	40.3		7,850,187	40.0
Total assets		17,802,718	100.0		20,003,583	100.0		19,644,803	100.0

(In thousand of yen)

	Previous Interim as of September 30, 2001			Current Interim as of September 30, 2002			B/S Summary of Previous Fiscal Year as of March 31, 2002		
	Amount		composition %	Amount		composition %	Amount		composition %
Liabilities:									
I Current liabilities									
1. Notes and accounts payable-trade	3,168,635			3,540,724			2,629,138		
2. Notes and accounts payable- other	824,193			958,924			1,334,400		
3. Income taxes payable	870,211			684,609			1,540,918		
4. Accrued bonus	367,106			424,515			308,804		
5. Others	214,013			144,394			215,856		
Total current liabilities		5,444,160	30.6		5,753,168	28.7		6,029,118	30.7
Ⅱ Long-term liabilities									
1. Accrued retirement benefits for directors	129,275			97,526			103,428		
2. Long-term guarantee deposits received	55,926			55,926			55,926		
Total long-term liabilities		185,201	1.0		153,452	0.8		159,354	0.8
Total liabilities		5,629,362	31.6		5,906,621	29.5		6,188,473	31.5
Shareholders' equity:									
Ⅰ Common stock, no par value		3,030,000	17.0		—	—		3,030,000	15.4
Ⅱ Additional paid-in capital		4,095,600	23.0		—	—		4,095,600	20.8
Ⅲ Legal reserve		31,035	0.2		—	—		31,035	0.2
Ⅳ Retained earnings									
1.Unappropriated retained earnings for the interim (term)	5,016,721			—			6,299,694		
Total retained earnings		5,016,721	28.2		—	—		6,299,694	32.1
Total shareholders' equity		12,173,356	68.4		—	—		13,456,329	68.5
Ⅰ Common stock, no par value		—	—		3,030,000	15.1		—	—
Ⅱ Capital surplus									
1. Additional paid-in capital	—			4,095,600			—		
Total capital surplus		—	—		4,095,600	20.5		—	—
Ⅲ Retained earnings									
1. Legal reserve	—			31,035			—		
2.Unappropriated retained earnings for the interim (term)	—			6,941,956			—		
Total retained earnings		—	—		6,972,991	34.9		—	—
Ⅳ Net unrealized holding gains on investments in securities		—	—		(1,628)	(0.0)		—	—
Total shareholders' equity		—	—		14,096,962	70.5		—	—
Total liabilities and shareholders' equity		17,802,718	100.0		20,003,583	100.0		19,644,803	100.0

(2) Statements of Income

(In thousand of yen)

	Six-months ended September 30, 2001			Six-months ended September 30, 2002			P/L Summary of Previous Fiscal Year ended March 31, 2002		
	Amount		composition %	Amount		composition %	Amount		composition %
Ⅰ Sales		11,430,792	100.0		15,174,478	100.0		26,943,207	100.0
Ⅱ Cost of sales		5,309,001	46.4		7,044,953	46.4		12,504,551	46.4
Gross profit		6,121,791	53.6		8,129,525	53.6		14,438,656	53.6
Ⅲ Operating expenses		4,768,631	41.8		6,491,026	42.8		10,473,568	38.9
Operating income		1,353,160	11.8		1,638,498	10.8		3,965,088	14.7
Ⅳ Other income		82,655	0.7		65,059	0.4		121,926	0.5
Ⅴ Other expenses		50,669	0.4		34,370	0.2		182,229	0.7
Ordinary income		1,385,145	12.1		1,669,187	11.0		3,904,785	14.5
Ⅵ Extraordinary income		371,616	3.3		2,685	0.0		402,895	1.5
Ⅶ Extraordinary losses		79,846	0.7		160,504	1.0		287,017	1.1
Net income before taxes		1,676,916	14.7		1,511,368	10.0		4,020,663	14.9
Income taxes– Current *	854,276			681,637			1,887,092		
Income taxes–Deferred	(153,147)	701,128	6.2	(31,808)	649,829	4.3	(184,815)	1,702,277	6.3
Net income		975,787	8.5		861,539	5.7		2,318,386	8.6
Retained earnings beginning balance		4,040,933			6,080,417			4,040,933	
Interim dividend paid		—			—			59,625	
Unappropriated retained earnings for the term (year)		5,016,721			6,941,956			6,299,694	

* 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)

	Six-months ended September 30, 2001	Six-months ended September 30, 2002	P/L Summary of Previous Fiscal Year ended March 31, 2002
	Amount	Amount	Amount
Ⅰ Cash flows from operating activities			
Net income before taxes	1,676,916	1,511,368	4,020,663
Depreciation	184,993	181,640	373,767
Amortization of intangible fixed assets	64,473	59,410	128,943
Amortization of long-term prepaid expenses	16,614	21,169	34,237
Impairment of value of securities	38,513	—	38,111
Increase in accrued bonuses	162,908	115,711	104,607
Decrease/ (Increase) in accrued retirement benefits	5,545	(5,902)	(20,301)
Interest and dividend income	(10,980)	(300)	(14,295)
Interest expense	29	—	29
Exchange gain	—	(0)	—
Loss on disposal of tangible fixed assets	41,332	61,408	62,252
Loss on sale of tangible fixed assets	—	1,535	—
Gain on sale of tangible fixed assets	(323,832)	(2,685)	(323,839)
Loss on disposal of intangible fixed assets	—	—	45,774
Settlements on cancellation of contract	—	—	(47,784)
Decrease/ (increase) in accounts receivable	(340,117)	204,220	(762,755)
Increase in inventories	(2,081,567)	(1,965,413)	(2,262,690)
Increase in accounts payable	1,132,986	911,585	593,489
Increase (decrease) in other current assets	(18,879)	(5,945)	86,465
Decrease in other fixed assets	672	—	—
Decrease/ (increase) in other current liabilities	(39,099)	(415,596)	489,390
Decrease in other long-term liabilities	(14,742)	—	(14,742)
Payment of officer bonuses	—	(46,365)	—
Subtotal	495,767	625,841	2,531,324
Receipt of interest and dividends	10,980	284	14,295
Payment of interest	(29)	—	(29)
Payment of income taxes	(275,699)	(1,537,946)	(637,807)
Net cash from operating activities	231,019	(911,820)	1,907,782
Ⅱ Cash flows from investing activities			
Transfer to time deposits	(157,000)	—	(328,009)
Drawing from time deposits	142,000	—	591,009
Proceeds from sale of tangible fixed assets	1,118,210	5,353	1,118,230
Purchase of tangible fixed assets	(104,830)	(416,541)	(265,651)
Decrease/ (increase) of staff loan	(319)	100	—
Guarantee deposits paid	(86,491)	(82,997)	(190,276)
Purchase of other investments	(45,444)	(118,376)	(85,433)
Net cash from (used in)/ investing activities	866,125	(612,461)	839,868
Ⅲ Cash flows from financing activities			
Dividends paid	(71,550)	(172,019)	(129,127)
Net cash used in financing activities	(71,550)	(172,019)	(129,127)
Ⅳ Effect of exchange rate changes on cash and cash equivalents	—	0	—
Ⅴ Net increase (decrease)/ in cash and cash equivalents	1,025,594	(1,696,301)	2,618,523
Ⅵ Cash and cash equivalents at beginning of the year	871,601	3,490,124	871,601
Ⅶ Cash and cash equivalents at end of the year	1,897,196	1,793,822	3,490,124