UNITED ARROWS

UNITED ARROWS LTD.
3-25-5 Jingumae, Shibuya-ku, Tokyo 150-0001
TEL. +81-3-3479-8192
URL. http://www.united-arrows.co.jp/

Printed in Japan

ANNUAL REPORT 2000
UNITED ARROWS

Contents

what is UNITED ARROWS ?

We United Arrows

are committed to becoming an "established company with progressive ideas".

We are dedicated to meeting the changing customers' needs, regardless of generations, and are always seeking for customers satisfaction. Thus we aim to become an "established company with progressive ideas" while valuing the cultivation of positive, ongoing relationships with our business partners and customers.

Japan has long been a meeting ground for the East and the West, and we would like to introduce new standards for the Japanese life styles suiting this unique environment through our mainstay operation of retail garment sales.

Customers are always looking for something new, and we need to continue to enhance and improve all aspects of our business activities to keep pace with the changing needs of each generation. We are constantly introducing innovative, top-quality products, with our sales persons best trained to allow customers to appreciate the product values, while we are dedicated to creating an in-store environment where they can relax and enjoy their shopping experience.










Our fundamental goal is to continually grow and create value for the benefit of its stakeholders. The three-point strategy for achieving this goal is:

— A multi-axis business model under the United Arrows brand.
— Restrict each chain to no more than 24 stores and build a loyal customer base for each store.
— Enlarge store sizes over the long term to maximize per-store revenue.

Supported by this strategy, the company is continually evolving as an innovative retailer of highly added-value garments and merchandise, and will increase our corporate value by creating meaningful relationships with shareholders, customers, partners, and employees.

We Enjoy Creating New Life Styles

The name United Arrows signifies a group of arrows flying together toward a single target, a metaphor for all United Arrows staff advancing together with a common purpose. Each arrow, or all staff, has individual value and also reinforces the group's potential to achieve the goal. Our fundamental business style is represented by the true and steady flight of the arrows.

Clockwise from top left

Hirotoshi Hatasaki

Director

In addition to the position as the vice-president of the Kobe Chamber of Commerce and Industry, Mr. Hatasaki is promoting the Kobe fashion industry, supporting venture companies, and otherwise working to enliven regional activity. His motto is "sincerity is the number one."

Koichi Mizunoya

Executive Director

As the responsibility for internal auditing and handling claims, Mr. Mizunoya works to improve customer service. He believes that his job is to be strict stressing the importance of discipline.

Katsuhito Sugioka

Director

As the director of store development, Mr. Sugioka says, "My job is to create attractive and comfortable stores for customers besides maintaining an appropriate level of capital efficiency." Principle on his work is "to identify priorities and focus on objectives."

Tetsuya Iwaki

Executive Director

As the director responsible for business development, Mr. Iwaki directs merchandising strategy and store development. He strives to make work enjoyable.

Osamu Shigematsu

Founder, President and CEO

Mr. Shigematsu's guiding principle is to embody enthusiasm, to be open-minded, and to think positively.

Hirofumi Kurino

Executive Director

As the director responsible for sales promotion and creative director, Mr.Kurino participates in wide-ranging activities, including serving as a judge of the graduate show of the Fashion Department of the Antwerp Royal Academy of Fine Art. He feels that his personal mission is to communicate love and dreams as well as hope and peace through fashion to the world.

Creating Values with Labels

The company, targeting the trendy product market, has developed three limited chains of specialty stores — United Arrows, Green Label Relaxing and Chrome Hearts — which encompass the conceptual diversity needed to appeal to a broad customer base. Through precision management of each chain's inventory, subtle shifts in fashion trends are quickly incorporated in the company's numerous labels. Not only does this ensure that the labels remain relevant, it minimizes the risk inherent to rapidly evolving fashions and reinforces the company's base for stable, long-term growth.

UNITED ARROWS

United Arrows, the company's core operation, comprises specialty stores that sell highly fashionable private-label clothing and merchandise, including worldwide imports. By producing its own labels, as well as carrying labels of carefully chosen manufacturers, United Arrows has earned the overwhelming support of its fashion-conscious clientele. The United Arrows limited chain offers an intelligent combination of indispensable basics and unique, private-label merchandise, and carries imports with the latest trends in mind. The sales share of private-label products, currently around 40%, is expected to rise to 60% as the company is determined to develop high-quality original products yielding high profits.

Men's Wear

SOVEREIGN
The ultimate United Arrows label for gentlemen, featuring the finest materials and craftsmanship of garment factories in Japan and other selected countries.

BLUE LABEL
Youthful Ivy League wear in our distinctively handsome United Arrows casual styling.

RAW-TEX
Rugged outdoor work clothes, in natural styles.

MONKEY TIME
Wide-ranging line of casual wear started by freethinking younger employees.

TABAYA
Refined, mature apparel for those who appreciate fine clothing.

Women's Wear

WORK FOR HOLIDAY
A classic new line of fashion wear for business.

SLITZ
Feminine garments and elegant but comfortable footwear.

GET WELL SOON
Trendy casual wear featuring cheery styles created in London.

PINK LABEL
Youthful "Tokyo Now" clothing crafted around fresh revivals.

PINK LABEL BASIC
Basic casual wear featuring international tastes.

ANOTHER EDITION
Distinctive collection for independent women in their 20s, sold mostly at specialty stores and major department stores.

Men's & Women's Wear

UNITED ARROWS
Our main label, a classic collection offering high quality at affordable prices.

ANNELIES BRAECKMAN
Relaxed, pleasingly nostalgic clothing co-developed with Ms. Annelies Braeckman, a Belgian designer graduated from the Antwerp Royal Academy of Fine Art.

Others

J.I.L.
Products for "Jerry's Ideal Life," purchased by Blue Label director Jiro (Jerry) Adachi.

STYLE FOR LIVING
Furniture, tableware, bed & bath items, desk accessories, and other tasteful interior goods.

UA LUGGAGE
Stylish yet practical luggage for people who love the United Arrows sense of style.

(For spring and summer seasons in 2000)

GREEN LABEL RELAXING

Green Label Relaxing was launched as a limited chain of specialty stores in September 1999, following a year of test marketing through a pilot store opened in the trendy Harajuku district of Tokyo. Green Label Relaxing provides stylishly aware families and young adults, segments different from those United Arrows has traditionally focused on. Offerings are highly fashionable, come in a wide range of sizes and are priced reasonably. About three-quarters of the product lineup is comprised of private-label garments developed in-house. Thirteen labels of men's, women's, maternity and children's garments, plus a variety of other merchandise, were offered in the Spring-Summer 2000 collection.

Men's Wear

GLR CLASSIC
Timeless classics for business occasions, evolved from United Arrows styling.

GLR SFODERATO
Contemporary clothing that works both in and out of the office.

GLR WORK
Highly functional attire enhanced with elements of fashion for greater character.

GLR INDIGO
Warm, natural wear using '60s textures, including denim, herringbone and piqué, tastefully reproduced.

GLR SPORTS
Daily clothing, embracing the elements of design and materials suited for sports.

Women's Wear

FACADE GREEN
Fashionable, intelligent wear trending toward formal, but still fun and comfortable.

BERRY TRIP
Wear designed for women in various types of profession; both wear and accessories are designed by domestic and overseas designers.

GREEN GATE
Pretty designs with a hint of trendiness, offered in a wide range of sizes.

UNDER VANILLA
Camisoles, T-shirts, briefs and other undergarments that go with all styles of clothing.

Maternity Wear

BLOSSOM DAYS
Understated styles that complement the figures of expecting mothers who like to dress up.

Children's Wear

GRIN KIDS
Well-fitting clothes for active kids, including casual and formal clothing coordinated with adult lines.

Others

GREEN LABEL RELAXING
Permanent favorites, such as striped shirts in stretchable fabric, and accessories.

PORTAGE
Casual bags in various size we are developing with Yoshida Kaban, a popular Japanese bag manufacturer.

(For spring and summer seasons in 2000)

CHROME HEARTS

Chrome Hearts is a U.S. brand of silver accessories and leatherwear established in 1988. After the brand's staying power was proved through test marketing in Harajuku, Tokyo, a store was opened in Minami-Aoyama, Tokyo's another district, in December 1999. Prized worldwide for its classic designs and high quality, Chrome Hearts encompasses leather garments, such as shirts, jumpers and pants, and silver accessories, such as rings, bracelets and pendants. Nicknamed the "Hermes of the Rock 'n' Roll Generation," the brand is being developed to satisfy the yearnings for Chrome Hearts spirits of those who grew up in the '60s and '70s, and those following in their footsteps.

Focus on Formulation of Corporate Brands

United Arrows has maintained a consistently unique place in the fashion market since its establishment in October 1989. Selling through its limited-scale chain of specialty stores, United Arrows offers tasteful, high-quality clothing and merchandise that are defining new trends in life style and culture.

Osamu Shigematsu
President & CEO

1 Growing the United Arrows' Brand

How do you evaluate your performance in the year ended March 2000?

To be frank, it was a very difficult year. Although casual clothing did well in April and May, business turned sluggish as the market started shifting toward more elegant styles in June. We responded by introducing more elegant garments in our autumn lineup, but the market shift did not have enough momentum to produce a clear trend in customer purchasing. Fiscal 2000 thus represented a huge turning point, as consumer values diversified and fashion trends fragmented. Overall, our sales grew for the tenth consecutive year, but operating income and ordinary income both were down from the previous year. Nevertheless, we launched two new limited chains of specialty stores, so we feel this was a significant year for United Arrows. We made solid progress in furthering our basic strategy of developing as an "established company with progressive ideas."

What does an "established company with progressive ideas" mean?

An established company is one that values time-honored tradition and loyalty. While our history does not go back very far, our goal is for customers to perceive and trust us as a long-standing, well-established provider of consistently high-quality clothing. Progressive means staying in the forefront of market trends, rather than adhering adamantly to the past, and having the courage to change. We strive to keep our merchandise and stores consistently fresh and remain trustworthy in the eyes of our customers. By combining these two concepts, we are developing as an "established company with progressive ideas."

How do you want to develop the United Arrows brand?

We offer unique merchandise, store infrastructure conducive to "fun" shopping and a pleasurable shopping experience, and store staff's intelligent advice with cheerful service. The strategy of focusing on the three factors has earned us the loyal support and trust of our customers. We equate brand image and customer loyalty, so our corporate brand is closely tied to our stores, since they are the places where we interact with our customers. When we launch a new store, we focus on creating a appropriate image of the store that has its unique labels.

When we founded the company in 1989, our goal was to be recognized by 1% of Japan's adult population, or about one million people, within 20 years. We have achieved about 40% of that target in our first 10 years, so we believe we can reach our goal by 2010 if we advance following our strategy. We also have set an aggressive target of accounting for 1% of all garment consumption in Japan by 2010. If we can achieve these goals, we expect to realize a powerful brand.

2 Pursuing a Multi-axis Business Model

Can you explain your organizational business model, based on which you launched two new limited chains of specialty stores during the year?

Our basic model is to develop limited chains of specialty stores in targeted markets, with each chain emanating from United Arrows. In general, we expect each chain to have up to 24 stores.

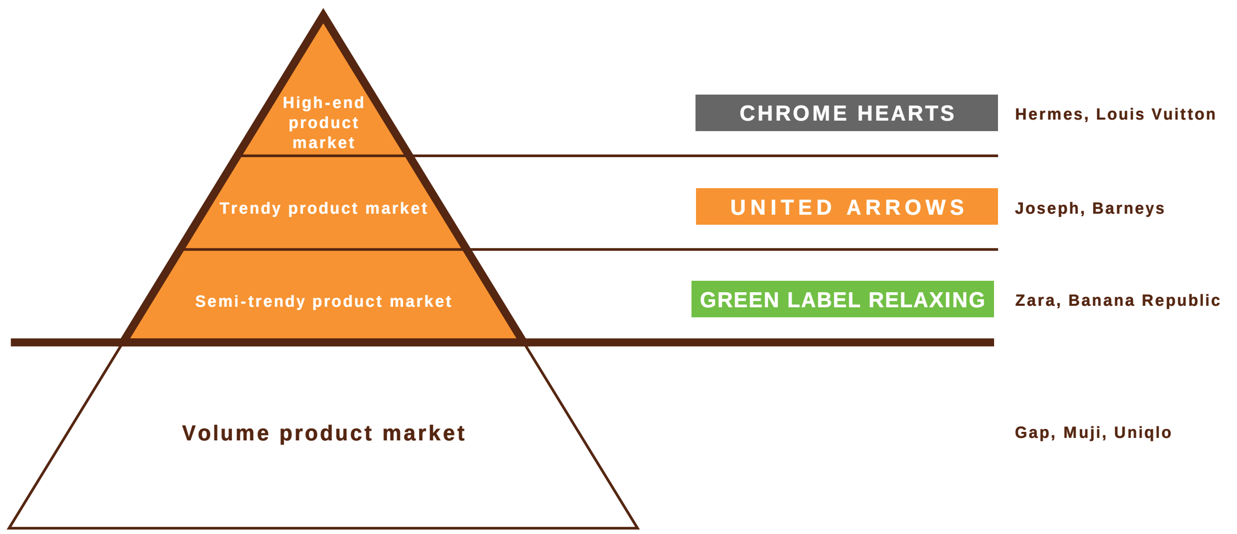
To support our business development activities, we established UA Labo shops for test-marketing potential new products and labels. Taking this extra step helps us to increase our rate of successful launches, as well as lower our risk, and thereby move forward with confidence. Before launching our Green Label Relaxing chain, for example, we test-marketed products in a UA Labo shop beginning in August 1998.

Green Label Relaxing, which is targeted at largely young to middle-aged businessmen and women, including their children, who have a strong taste for fashion. The Green Label Relaxing business will expand our overall lineup of garments and merchandise, but larger competitors preceded us, particularly in the merchandise market. In response, we aim to differentiate our merchandise lineup with original products, as well as imports that fit United Arrows' standards for style and quality.

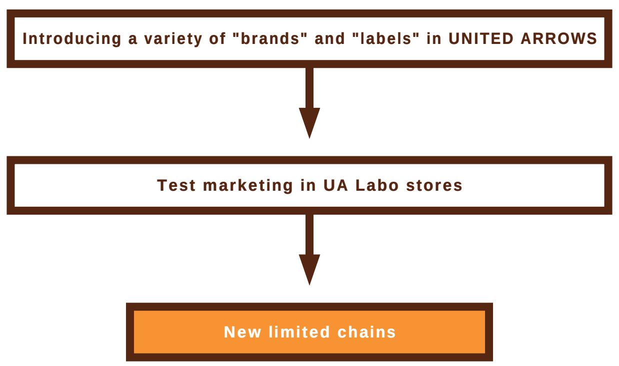
One of our new chains of specialty stores is Chrome Hearts, a leading American brand of silver accessories and leather wear. The line is geared toward capturing a select, all-new base of customers who seek the presence, depth and satisfaction of genuine merchandise. The superior quality and handmade detail of this distinctive merchandise fit perfectly with our philosophy of offering real clothing for real people.

We would like to move forward in developing this multi-axis model which will encompass five main businesses by 2010.

Markets that UNITED ARROWS Deal with



Development of new businesses utilizing UA Labo



You have established a basic policy of not expanding any one limited chain beyond 24 stores to maintain exclusivity. At the same time, you are increasing store floor space.

We need larger stores in order to present our customers with a full range of merchandise for new life style and culture. At spacious stores, they can make their purchasing decisions in a relaxed and comfortable atmosphere.

For our United Arrows stores, for example, we plan to enlarge or newly open stores of between 500 and 1,000 square meters over the medium term. Moreover, in the long term we are looking at opening key stores of as large as 3,000 square meters to fully accommodate our United Arrows store concept, which will ultimately encompass store amenities such as restaurants and art galleries. United Arrows and our other chains will each have no more than 24 stores, but floor spaces are being expanded to offer more merchandise. In the case of Green Label Relaxing, however, we eventually expect to have as many as 80 stores to handle this line's relatively broader customer base.

3 Combining Uniqueness and High Profitability

Why are you increasing your proportion of private-label apparel?

Garment sales tend neither to grow nor decline when consumption becomes sluggish, so rival companies just compete for bigger slices of the same pie. There is still growth potential, however, for stores carrying private-label apparel and stores with a high percentage of unique imports. United Arrows is trying to create a store with flavors of both types of store. Amid the rapid increase in stores specializing in imports in recent years, however, there have been many cases of more than one retailer selling the same imported product. When this happens, both the product and the retailer lose their exclusive status. To avoid this in our business model, we plan to offer a relatively high percentage of private-label apparel and other original merchandise, compared to imports.

Since retailer-manufactured goods do not involve a wholesaler and offer high profit margins, major apparel manufacturers have been focusing on this area. To succeed, we must not only organize effective production and supply systems, we must also develop distinctive, highly finished private labels. The objective is to achieve originality and quality, as well as high profits. At the same time, we have to maintain a balanced product lineup by mixing in high-fashion, high-quality imported merchandise.

How can you maintain prosperity in the face of the fashion industry's dramatic swings?

For a specialty retailer such as United Arrows, our risks include outright purchases of stock, as well as imported products. Given that our business is indeed filled with many risks, we must depend on the talent and experience of our employees and support them every way we can. For example, we have created an in-house information system to enable designers, merchandisers and other headquarters staff to access customer and product information on a real-time basis, which helps us to manage risk. Over 70% of our products sell at the listed retail price, a high ratio for this industry. This has been achieved largely due to the three factors: investment in IT, investment in a system for quickly accessing retail store conditions to have sales data reflected on merchandising strategies, and the accumulation of expertise aimed at this risk hedge.

4 Expanding our Knowledge Base and Fostering Talent

Isn't information one of the keys to success in the highly trend-conscious and rapidly globalizing fashion industry?

Since the 1980s, specialty stores selling selected labels including United Arrows have been the driving force in the Japanese fashion market, taking over this role from major apparel makers and big-name department stores. These stores have also broadly increased their level of foreign merchandising. In line with these trends, we have vastly improved our abilities to gather information and select products. We have also become much more sophisticated at disseminating information. So, quite clearly, the ability to gather and process information efficiently and effectively has become crucial.

Under your concept of developing as an "established company with progressive ideas," you are encouraging employees to engage in constructive self-denial and self-innovation.

Companies in our industry have had to learn fast about supply chain management and quick response systems, as well as substantially increase their use of information technology, to improve their efficiency and better satisfy customers. With so much change taking place, it is crucial that companies and their employees do not adhere blindly to conventional methods; instead, they must engage in constructive self-denial and self-innovation. As we grow, we need employees who are sociable and are willing to meet with many people to enrich their experience. Through the people they meet, they will be able to develop their own people networks to access information and gain knowledge, which will help them design new business models and provide better customer services. It is our task to find and train such people to attain a higher level of customer satisfaction.

Financial Section

Contents

The financial statements and the notes to the statements in this annual report are translations of the financial data and notes contained in securities filings that companies that are issuers of marketable securities are required to submit to the Ministry of Finance in accordance with Japan's securities regulations.
The financial statements and the notes are not audited by an independent certified accountant.

Non-Consolidated 5-year Summary

Years ended March 31, 2000, 1999, 1998, 1997 and 1996

	Millions of Yen					Thousands of U.S. Dollars
	2000	1999	1998	1997	1996	2000
Net Sales	¥ 17,016	¥ 14,333	¥ 9,662	¥ 7,955	¥ 6,244	$ 160,309
Ordinary Income	2,246	2,455	1,040	822	835	21,164
Net Income	1,174	1,150	559	412	707	11,065
Total Assets	13,930	6,683	5,241	3,956	2,662	131,230
Shareholders' Equity	10,568	2,571	1,404	844	175	99,563
Number of Shares Issued (Share)	7,950,000	7,050,000	1,920	1,920	1,570	
Net Income per Share (Yen)	153	179	291,299	250,975	702,427	1.4 (in U.S. Dollars)
Shareholders' Equity per Share (Yen)	1,329	364	731,400	440,101	111,512	12.5 (in U.S. Dollars)
Capital Expenditures	3,638	894	731	464	70	34,278
Depreciation	218	160	94	42	40	2,062
Number of Stores	24	18	16	15	12	
Total store Area (m^2)	8,936	6,160	5,022	3,608	2,766	
Number of Employees	342	248	193	153	118	
Ordinary Income to Total Assets (ROA) (%)	21.8	41.2	22.6	24.9	32.6	
Return on Equity (%)	17.9	57.9	49.7	80.8	—	
Shareholders' Equity Ratio (%)	75.9	38.5	26.8	21.4	6.6	
Total Assets Turnover (times)	1.2	2.1	1.8	2.0	2.3	
Inventory Turnover (times)	2.9	3.7	3.7	4.1	4.1	
Current Ratio (%)	203.5	90.2	74.5	75.0	75.2	
Fixed Assets Ratio (%)	71.2	120.6	179.3	192.2	461.3	

Note : Calculation based on the exchange rate of U.S. $1=¥106.15 (March 31, 2000).

Review of Operations

Business News

UNITED ARROWS

We advanced steadily on our goal of opening 24 United Arrows stores and expanding the floor space of the existing stores. New stores were opened in three locations: the Midosuji Store in Osaka; the Archipelago Store in Fukuoka, Kyushu; and the Ikebukuro Store in north-central Tokyo. We also expanded existing stores in three locations: Shinsaibashi, Osaka; Nagoya, Aichi Prefecture; and Kashiwa, Chiba Prefecture. In addition, we enhanced our capability to respond to a more diverse range of clientele by opening multiple-store complexes in Osaka and Fukuoka, patterned after a similar arrangement in Harajuku, Tokyo.

Each store is uniquely designed and displayed. For example, the theme of the newly opened Midosuji Store in Osaka is "urban oasis." Customers spanning a broad range of ages clearly enjoy shopping in this spacious and highly distinctive environment.

GREEN LABEL RELAXING

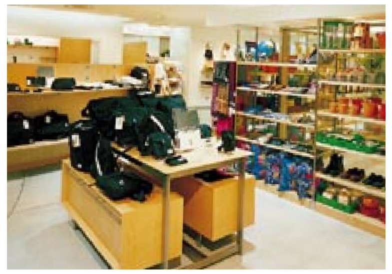
One of our new specialty chains is Green Label Relaxing, which we opened during the fiscal year to cater to customers in several segments, including young adults and families. It currently has one store in downtown Tokyo and four stores in Tokyo suburbs. Green Label Relaxing offers a mix of private labels and fashionable imports, including unique children's and maternity wear, both firsts for our company. The largest stores will feature cafes and other amenities for customers. Since its launch in September 1999, Green Label Relaxing has steadily attracted a growing clientele that can be distinguished from the United Arrows customer base. The Ikspiari Store, the newest location, opend in Maihama, Chiba, near Tokyo Disneyland, in July 2000.

CHROME HEARTS

Chrome Hearts, a well-known American brand of silver accessory and leather wear, has achieved the status of the "Hermes of the Rock 'n' Roll Generation." The brand is targeted at executive businessmen and upscale women who derive an innate sense of pleasure in appreciating master craftsmanship and fine materials. The Chrome Hearts Tokyo Store was opened in December 1999 as the first step in developing the brand as our leading line of merchandise. The store's creatively distinctive atmosphere, as well as its superior merchandising, attracted widespread attention among the media and discriminating consumers alike. An Osaka store is next scheduled to be opened in fiscal 2001.

UNITED ARROWS

GREEN LABEL RELAXING



CHROME HEARTS

Operating Results

The Japanese economy during the fiscal year that ended in March 2000 grew in the first half, thanks to government measures aimed at stabilizing the economy and financial markets. Market sentiment, however, remained stagnant due to a pause in public works spending, sluggish consumer spending and other factors. Moreover, the economy began to contract again in the second half, which resulted in generally severe conditions in many industries.

In the garment industry, consumers demonstrated a clear preference for less costly fashion wear, which prompted retailers to lower prices. Those specialty stores that were able to cut prices while still providing good value enjoyed healthy growth.

The boom in men and women's casual wear, which had supported the market for the last several years, reached its peak and then began to decline. Fashion trends reached a turning point as values diversified and trend became more fragmented.

United Arrows further differentiated its product mix and improved gross profit margins by adding more private-label wear. The company gained increased recognition as a player in the fashion industry through an OTC stock listing.

As part of pursuing its multi-axis business model, the company launched Green Label Relaxing as a limited chain of specialty stores in September 1999. In December, a second new limited chain, Chrome Hearts, was launched with a store in the fashionable Minami Aoyama district of Tokyo. These major launches marked the start of a new era for United Arrows.

Sales were relatively strong in the first quarter (April to June 1999), but weakened thereafter due to the shift in fashion trends, including declining interest in casual wear, and record-breaking high temperatures in the fall and winter. Net profit was up for the year, but fell short of our initial target.

Sales came to 17,016 million yen, which was up 18.7% from fiscal 1999. Ordinary income fell 8.5% to 2,246 million yen and net income rose 2.0% to 1,174 million yen.

Financial Review

Analysis of Operating Results

(based on Japanese accounting principles)

Sales in fiscal 2000 (April 1, 1999 to March 31, 2000) rose 18.7% from the previous fiscal year to 17,016 million yen. Existing stores sales declined 3.2% due to such factors as competition in the retail clothing business, but overall sales rose due to the launch of two new businesses, Green Label Relaxing, Chrome Hearts, as well as contributions from new United Arrows stores. Gross income rose 21.3% to 9,443 million yen.

Growth in sales did not make up for the increase in expenses, however, leading to a 4.7 percentage point increase in selling, general and administrative (SG&A) expenses ratio to 41.5%. SG&A increased 33.8% to 7,065 million yen, which resulted in a 5.0% drop in operating income to 2,378 million yen. Personnel expenses grew in line with the expansion in operations because we added staff at our headquarters and newly opened and expanded stores. Facilities rental expenses also rose in line with store openings and store expansions.

Ordinary income fell 8.5% to 2,246 million yen as a result of lower operating income and increase in non-operating expenses. The primary components of non-operating expenses were 73 million yen in stock issue expenses relating to an initial public offering and 100 million yen in currency exchange losses.

A 71 million yen in losses on disposal of tangible fixed assets and a 99 million yen in losses on transfer to allowance for officer severance, booked as extraordinary losses, contributed to a 14.2% decline in net income before taxes to 2,076 million yen. Net income increased 2.0% to 1,174 million yen, thanks to a 372 million yen decrease in income, local and business taxes due to new tax laws. Deferred taxes totaled approximately 3 million yen.

Net income per share fell 26.22 yen to 153.43 yen due to an increase in the average number of shares outstanding as a result of the OTC public offering.

With the company's policies of maintaining a dividend payout ratio of 10%, annual dividends totaled 119 million yen, or 15 yen per share, up 6.5 yen from the previous year.

Financial Position

Total assets as of March 31, 2000 amounted to 13,930 million yen, an increase of 108.4% from the previous fiscal year end.

Total current assets increased 78.9% from the previous fiscal year end to 6,410 million yen. This included a 66.6% increase of cash and deposits to 775 million yen, an increase of marketable securities to 901 million yen caused of the public stock offering, and a rise of 66.4% to 3,238 million yen in product inventories for the opening of new stores.

Total fixed assets increased 142.5% from the previous fiscal year end, to 7,519 million yen. This included a 148.5% increase in total tangible fixed assets to 4,647 million yen due to the acquisition of land and buildings for the Harajuku and Shibuya stores, which had been leased, and properties for new stores and expanded stores. Also included were an increase of 2,333.7% in intangible fixed assets to 561 million yen, resulting from the acquisition of a leasehold in the Chrome Hearts Tokyo Store, software, etc. Investments and other assets totaled 2,310 million yen, up 91.4%, including increase in long-term guarantee deposits for newly opened and expanded stores.

Total current liabilities decreased 20.7% from the previous fiscal year end, to 3,150 million yen. This was mainly due to a 600 million reduction in short-term borrowings, a decline of 720 million yen in deferred tax liabilities, and a 105 million yen reduction in consumption taxes payable.

Total long-term liabilities grew 48.5% from the previous fiscal year end, to 211 million yen. The primary components of this were 111 million yen of allowance for officer severance and 75 million yen of long-term accounts payable.

Due to OTC stock listing, common stock increased 759.6% from the previous fiscal year end to 3,030 million yen, additional paid-in capital increased to 4,095 million yen and retained earnings increased to 3,437 million yen, resulting in a 311.0% increase in total shareholders' equity to 10,568 million yen. The shareholders' equity ratio at the end of the period stood at 75.9%, a 37.4 percentage point increase from the end of the previous period, and shareholders' equity per share increased 264.5% to 1,329.28 yen.

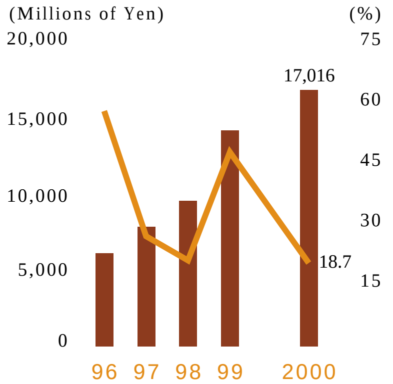
Cash Flows

Cash flows from operating activities showed a net outflow of 447 million yen. Despite income before taxes of 2,076 million yen, this net outflow resulted from a 1,292 million yen increase in product inventories for the opening new stores, shortfall in sales target, and 1,618 million yen in income taxes paid.

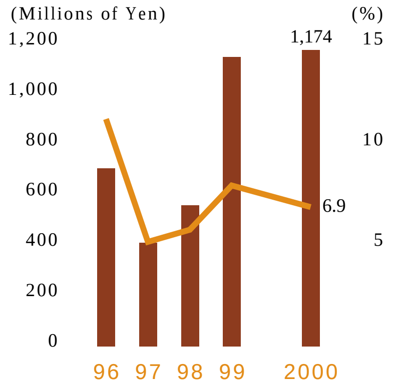
Cash flows from investing activities showed a net outflow of 4,898 million yen. This was primarily comprised of 2,781 million yen for the outflows of acquisition of tangible fixed assets (including the acquisition of land and buildings for the Harajuku and Shibuya stores), a 1,047 million yen in outflows of increase in long-term guarantee deposits for store openings and store expansions, 621 million yen for outflows of increase in other investment, and a 449 million yen increase in time deposits.

Cash flows from financing activities showed a net inflow of 6,108 million yen. This included 6,768 million yen revenue from stock issue (company's initial public offering), offset by a decrease of 600 million yen in short-term borrowings and 59 million yen in dividend paid.

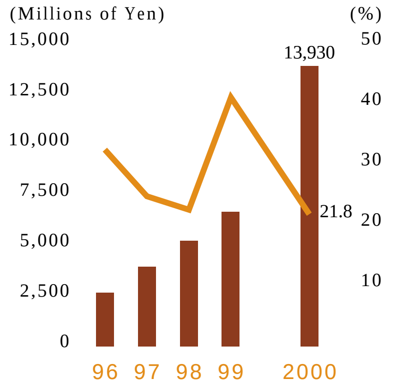
As a result, cash and cash equivalents as of the end of this fiscal year totaled 1,218 million yen, an increase of 762 million yen from the previous fiscal year end.



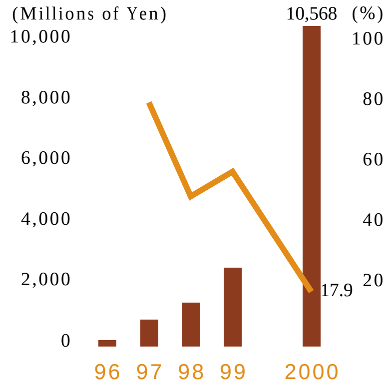
Net Sales and Growth Ratio



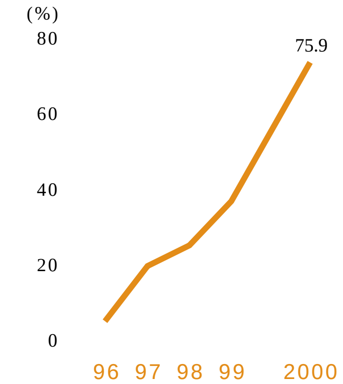
Net Income and Net Income to Net Sales



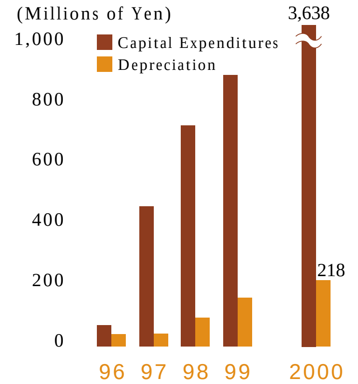
Total Assets and Ordinary Income to Total Assets



Shareholders' Equity and Return on Equity



Shareholders' Equity Ratio



Capital Expenditures and Depreciation

Non-Consolidated Balance Sheets

March 31, 2000 and 1999

	Thousands of Yen 2000	Thousands of Yen 1999	Thousands of U.S. Dollars 2000
ASSETS			
Current assets			
Cash and deposits	¥ **775,657**	¥ 465,506	$ **7,307**
Accounts receivable-trade	**138,324**	164,434	**1,303**
Marketable securities	**901,378**	—	**8,492**
Product inventories	**3,238,220**	1,945,777	**30,506**
Other inventories	**6,499**	6,249	**61**
Advance payments	**—**	2,667	**—**
Prepaid expenses	**66,698**	34,007	**628**
Deferred tax assets	**54,372**	—	**512**
Accounts receivable-other	**1,189,558**	970,300	**11,206**
Consumption taxes receivable	**46,562**	—	**439**
Other	**625**	2,338	**6**
Allowance for doubtful accounts	**(7,819)**	(8,242)	**(74)**
Total current assets	**6,410,076**	3,583,040	**60,387**
Fixed assets			
Tangible fixed assets			
Buildings	**2,863,895**	1,329,574	**26,980**
Structures	**4,840**	4,787	**46**
Vehicles and distribution equipment	**23**	1,334	**0**
Equipment and fixtures	**308,649**	126,945	**2,908**
Land	**1,454,684**	372,611	**13,704**
Construction in progress	**15,527**	35,000	**146**
Total tangible fixed assets	**4,647,620**	1,870,253	**43,784**
Intangible fixed assets			
Leaseholds	**138,165**	—	**1,302**
Trademarks	**10,869**	9,931	**102**
Telephone subscriptions	**16,804**	13,136	**158**
Software	**349,659**	—	**3,294**
Software suspense (*2)	**45,885**	—	**432**
Total intangible fixed assets	**561,383**	23,067	**5,289**
Investments and other assets			
Long-term loans receivable to employees	**799**	459	**8**
Long-term prepaid expenses	**107,309**	66,347	**1,011**
Deferred tax assets	**56,495**	—	**532**
Long-term guarantee deposits	**2,042,427**	994,695	**19,241**
Long-term accounts receivable	**89,161**	135,681	**840**
Other	**15,330**	11,497	**144**
Allowance for doubtful accounts	**(581)**	(1,100)	**(5)**
Total investments and other assets	**2,310,942**	1,207,581	**21,771**
Total fixed assets	**7,519,947**	3,100,903	**70,843**
Total assets	**13,930,023**	6,683,943	**131,230**

See notes to non-consolidated financial statements.

	Thousands of Yen 2000	Thousands of Yen 1999	Thousands of U.S. Dollars 2000
LIABILITIES			
Current liabilities			
Accounts payable-trade (*3)	¥ **1,554,193**	¥ 1,369,708	$ **14,641**
Short-term borrowings	**—**	600,000	**—**
Accounts payable-other	**1,028,288**	643,759	**9,687**
Deferred tax liabilities	**288,544**	1,009,299	**2,718**
Consumption taxes payable	**—**	105,810	**—**
Accrued expenses	**17,137**	14,619	**161**
Deposits received	**38,992**	47,886	**367**
Unearned income	**9,024**	6,768	**85**
Allowance for employee bonuses	**214,173**	172,817	**2,018**
Total current liabilities	**3,150,352**	3,970,668	**29,678**
Long-term liabilities			
Allowance for officer severance	**111,788**	—	**1,053**
Long-term accounts payable	**75,541**	114,954	**712**
Long-term guarantee deposits received	**10,760**	7,400	**101**
Long-term unearned income	**12,972**	19,740	**122**
Total long-term liabilities	**211,061**	142,094	**1,988**
Total liabilities	**3,361,413**	4,112,762	**31,667**
Shareholders' equity			
Capital (*1)	**3,030,000**	352,500	**28,545**
Additional paid-in capital	**4,095,600**	5,100	**38,583**
Legal reserves	**5,992**	—	**56**
Retained earnings			
Unappropriated retained earnings for the term	**3,437,016**	2,213,581	**32,379**
Total other surplus	**3,437,016**	2,213,581	**32,379**
Total shareholders' equity	**10,568,609**	2,571,181	**99,563**
Total liabilities and shareholders' equity	**13,930,023**	6,683,943	**131,230**

Non-Consolidated Statements of Income

Years ended March 31, 2000 and 1999

	Thousands of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Sales	**¥17,016,842**	¥ 14,333,012	**$ 160,309**
Cost of sales			
Beginning product inventories	**1,945,777**	1,392,059	**18,330**
Purchases	**8,871,248**	7,109,145	**83,573**
Total	**10,817,025**	8,501,204	**101,903**
Amount transferred to other accounts (*1)	**5,186**	6,247	**49**
Ending product inventories	**3,238,220**	1,945,777	**30,506**
Total cost of sales	**7,573,618**	6,549,179	**71,348**
Gross income	**9,443,223**	7,783,833	**88,961**
Selling, general and administrative expenses			
Packing and distribution expenses	**328,400**	247,277	**3,094**
Advertising expenses	**364,500**	272,347	**3,434**
Selling and promotional expenses	**46,680**	26,471	**440**
Officer compensation	**143,317**	159,972	**1,350**
Salaries	**1,710,303**	1,127,791	**16,112**
Employee bonuses	**217,746**	192,469	**2,051**
Transfer to allowance for employee bonuses	**214,173**	172,817	**2,018**
Transfer to allowance for officer severance	**11,936**	—	**112**
Welfare expenses	**260,585**	176,686	**2,455**
Traveling expenses	**164,947**	140,072	**1,554**
Commissions	**406,968**	283,042	**3,834**
Facilities rental expenses	**1,647,292**	1,321,356	**15,519**
Consumable expenses	**272,042**	221,409	**2,563**
Maintenance and repair expenses	**242,579**	189,225	**2,285**
Depreciation	**218,901**	160,037	**2,062**
Charges	**235,344**	176,069	**2,217**
Miscellaneous expenses	**579,454**	413,162	**5,459**
Total selling, general and administrative expenses	**7,065,176**	5,280,211	**66,558**
Operating income	**2,378,047**	2,503,621	**22,403**
Non-operating income			
Interest income	**5,268**	3,595	**50**
Dividend income	**3,323**	—	**31**
Product rental income	**3,682**	2,919	**35**
Compensation received	**15,688**	—	**148**
Store fixtures resale income	**4,512**	6,768	**43**
Store rental income	**62,283**	—	**587**
Miscellaneous income	**8,645**	7,334	**81**
Total non-operating income	**103,403**	20,617	**974**
Non-operating expenses			
Interest expenses	**3,108**	15,250	**29**
Stock issue expenses	**73,910**	—	**696**
Losses on disposal of other inventories	**—**	12,877	**—**
Currency exchange losses	**100,479**	37,109	**947**
Store rental costs	**51,754**	—	**488**
Miscellaneous expenses	**5,623**	3,456	**53**
Total non-operating expenses	**234,875**	68,694	**2,213**
Ordinary income	**2,246,575**	2,455,544	**21,164**
Extraordinary income			
Gain on sale of tangible fixed assets (*2)	**595**	—	**6**
Gain on reversal of allowance for doubtful accounts	**942**	100	**9**
Total extraordinary income	**1,537**	100	**14**
Extraordinary expenses			
Losses on disposal of tangible fixed assets (*3)	**71,958**	31,757	**678**
Losses on transfer to allowance for officer severance	**99,852**	—	**941**
Lease contract cancellation losses	**—**	2,774	**—**
Total extraordinary expenses	**171,810**	34,532	**1,619**
Net income before taxes	**2,076,302**	2,421,112	**19,560**
Income taxes, local taxes and business taxes	**897,816**	1,270,115	**8,458**
Deferred taxes	**3,937**	—	**37**
Net income	**1,174,548**	1,150,996	**11,065**
Retained earnings from the previous year	**2,147,663**	1,068,189	**20,232**
Deferred taxes for past years'	**114,805**	—	**1,082**
Losses of pro-forma surviving company (merged company) brought forward from the previous year	**—**	409	**—**
Losses on the retirement of treasury stock	**—**	5,195	**—**
Unappropriated retained earnings for the year	**3,437,016**	2,213,581	**32,379**

See notes to non-consolidated financial statements.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2000

	Thousands of Yen	Thousands of U.S. Dollars
	2000	2000
Cash flows from operating activities		
Net income before taxes	**¥ 2,076,302**	**$ 19,560**
Depreciation	**227,525**	**2,143**
Amortization of intangible fixed assets	**33,479**	**315**
Amortization of long-term prepaid expenses	**6,199**	**58**
Increase in allowance for employee bonuses	**41,355**	**390**
Increase in allowance for officer severance	**111,788**	**1,053**
Decrease in allowance for doubtful accounts	**(942)**	**(9)**
Interest and dividend income	**(8,591)**	**(81)**
Interest expenses	**3,108**	**29**
Losses on disposal of tangible fixed assets	**71,958**	**678**
Gain on sale of tangible fixed assets	**(595)**	**(6)**
Increase in accounts receivable-trade	**(155,061)**	**(1,461)**
Increase in product inventories	**(1,292,692)**	**(12,178)**
Increase in other current assets	**(66,438)**	**(626)**
Increase in accounts payable-trade	**184,485**	**1,738**
Decrease in other current liabilities	**(21,198)**	**(200)**
Decrease in other long-term liabilities	**(42,820)**	**(403)**
Subtotal	**1,167,862**	**11,002**
Interest and dividend received	**8,591**	**81**
Interest paid	**(5,270)**	**(50)**
Income taxes paid	**(1,618,570)**	**(15,248)**
Total cash flows from operating activities	**(447,387)**	**(4,215)**
Cash flows from investing activities		
Transfer to time deposits	**(459,000)**	**(4,324)**
Transfer from time deposits	**10,000**	**94**
Increase in long-term loans receivable to employees	**(340)**	**(3)**
Outflows of increase in long-term guarantee deposits	**(1,047,731)**	**(9,870)**
Outflows of increase in other investment	**(621,672)**	**(5,857)**
Revenue from sale of tangible fixed assets	**1,700**	**16**
Outflows of acquisition of tangible fixed assets	**(2,781,113)**	**(26,200)**
Total cash flows from investing activities	**(4,898,158)**	**(46,144)**
Cash flows from financing activities		
Decrease in short-term borrowings	**(600,000)**	**(5,652)**
Revenue from stock issue	**6,768,000**	**63,759**
Dividends paid	**(59,925)**	**(565)**
Total cash flows from financing activities	**6,108,075**	**57,542**
Effect of exchange rate changes on cash and cash equivalents	**—**	**—**
Increase in cash and cash equivalents	**762,529**	**7,184**
Cash and cash equivalents at beginning of year	**455,506**	**4,291**
Cash and cash equivalents at end of year	**1,218,035**	**11,475**

See notes to non-consolidated financial statements.

Non-Consolidated Appropriation of Retained Earnings

Year ended March 31, 2000
(Approved by shareholders on June 24, 2000)

	Thousands of Yen	Thousands of U.S. Dollars
	2000	2000
Unappropriated retained earnings for the term	**¥ 3,437,016**	**$ 32,379**
Appropriation of retained earnings	**131,175**	**1,236**
Legal reserves	**11,925**	**112**
Dividends	**119,250**	**1,123**
Earnings retained forward to the next year	**3,305,841**	**31,143**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2000

1. Significant Accounting Policies

1. The valuation standard and method for securities

Nonmarketable securities are stated at cost based on the moving average method.

2. The valuation standard and method for inventory assets

(1) Product inventories are stated at cost based on the periodic average method.
(2) Other inventories are stated at cost based on the latest purchase cost method.

3. Depreciation and amortization method for fixed assets

(1) Tangible fixed assets——Tangible fixed assets are based on the method of a fixed percentage on cost set forth in the Corporate Tax Law.
Buildings (except facilities attached to buildings) are based on the straight-line method provided under the Corporate Tax Law.
(2) Intangible fixed assets——Software for in-house use are based on the straight-line method over an in-house available period (5 years).
Other intangible fixed assets are based on the straight-line method using the same valuation standard set forth in the Corporate Tax Law.
(3) Long-term prepaid expenses——Long-term prepaid expenses are based on the straight-line method set forth in the Corporate Tax Law.

4. Accounting method of deferred assets

All new stock issue expenses are settled as costs at the time of expenditure.

5. Standards for earmarking allowances

(1) Allowance for doubtful accounts
The amount provided for the allowance for doubtful debts is equivalent to the limited amount according to the legal provision rate set forth in the Corporate Tax Law to prepare for loss on bad debts, plus additional amount based on the consideration on the collectibility of receivables. Specific provisions have not been made for the term under review.
(2) Allowance for employee bonuses
The amount provided for the allowance for employees' bonus is equivalent to the estimated amount required to pay for the payment period to prepare for bonus to be paid to employees.
(3) Allowance for officer severance
The amount provided for the allowance for officer severance is the estimated amount required to pay at the term's end, which is based on the Company rule for the payment of the severance bonus allowance for officers.

6. Method taken in accounting lease transaction

Finance leases of the Company, except those leases which the ownership of the leased assets are considered to be transferred to the lessee, are accounted for operating leases.

7. Limitation of funds in cash-flow statement

Funds in the cash-flow statement (cash and cash equivalents) consists of cash in hand, accessible bank deposits, and easily converted short-term investment with small exposure to value fluctuation risks, maturing within 3 months from acquisition.

8. Other significant items for preparing financial statements

(1) Consumption taxes accounting——The tax-excluding method is used.
(2) Adjusted pensions——Contributes to the World Employees' Pension Fund since September 1992 and adopts the adjusted pension system for all the retirement allowances.

a. Total amount of pension assets as of March 31, 1999	16,098 million yen
(Liability reserve provided in the Welfare Pension Insurance Law, Clause 85, Paragraph 2	5,379 million yen)
b. Total members of the pension fund	6,543
Members in the Company (as of March 31, 1999)	278

c. Contribution period of prior service cost
Prior service liability accrued from the 3rd Recalculation of Pension Financing (as of March 31, 1998). This contribution period of prior service cost is 3 years starting from the term ended March 2000.

2. Changes in the Accounting Method

(Allowance for officer severance)
Accounting method of the allowance for officer severance changed from the previous method, which reported it as a cost at the time of expenditures, to the method to provide the required amount for payment based on the Company rule, in order to prepare for the future expenditure. It is intended to reflect accrual profits and losses more appropriately by allocating the cost of allowance for officer severance to each term in office, considering the well-established accounting practice for the said reserve for retirement. With this change, accrued amount of 11,936 thousand yen for the term under review is included in selling, general and administrative expenses, and the amount of 99,852 thousand yen for the prior year is included in extraordinary losses. As a result, for the term under review, operating income and ordinary income are both reported 11,936 thousand yen smaller, and net income before taxes is reported 111,788 thousand yen smaller than the amount calculated with the previous standard.

(Store rental income and store rental costs)
The Company sub-leases some of the leasehold facilities (buildings) for stores, and the rental income for this sub-lease had been deducted from the facilities rental expenses under the selling, general and administrative expenses. However, in order to reflect the results of operation more appropriately, it is included in the non-operating income as a store rental income (62,283 thousand yen) from the term under review in consideration of the fact that the said income is not the result of the Company's main operating activities. In this new method, relevant store rental costs (51,754 thousand yen) is also included in the non-operating expenses.

As a result, for the term under review, selling, general and administrative expenses is reported 10,529 thousand yen larger, and operating income is reported the same amount smaller than the amount calculated with the previous method, but there is no change in ordinary income.

3. Additional Information

(Software)
Software reported under "long-term prepaid expenses" up to the pervious term is stated by adopting the method hitherto, under to the "Practical Guideline on Accounting Treatment for R&D Costs and Software" (Accounting Committee Report No.12, Japan Institute of Certified Public Accountants, March 31, 1999). The following changes, however, are made according to the above-mentioned report: (1) account name has been changed from "long-term prepaid expenses" to "software" and classification for the account has also been changed from "Investments and other assets" to "Intangible fixed assets"; and (2) the straight-line method based on the our company's prescribed useful period (5years) is used for the amortization. As for software obtained in this financial year, under the "Accounting Standard for R&D Costs, etc". (Business Accounting Council, March 31,1998), it has also been reported in the "software" column of the "Intangible fixed assets" and the above-mentioned amortization method is also applied.

(Tax effect accounting)
According to the amendment of regulations relating to the presentation of financial statements, tax effect accounting is adopted to prepare financial statements from the term under review. With this change, the additional deferred tax assets of 110,867 thousand yen (current assets 54,372 thousand yen, investments and other assets 56,495 thousand yen) is reported, with the net profit 3,937 thousand yen smaller and unappropriated retained earnings 110,867 thousand yen larger, compared with the amount calculated without accounting the tax effect.

(Issue of new stock)
New issues publicly offered on July 30, 1999 (900 thousand shares) are based on the "new method" firm commitment underwriting agreement, in which the issues are underwritten by underwriting securities company in underwriting price, and sold to public investors in issue price which is different from the said underwriting price. Because in the "new method," the difference between the underwriting price and issue price will be the practical underwriting commission, there is no underwriting commission paid to the underwriting securities company.

According to the "previous method," in which the issues are underwritten by the underwriting securities company in issue price and sold to public investors in the same offering price, the total amount of difference between the underwriting price and issue price for the new issues on July 30, 1999 (which was 432,000 thousand yen) is treated as stock issue expenses.

Therefore, in the "new method," both the stock issue expenses and the total of capital and additional paid-in capital are reported smaller by amount for the underwriting commission (432,000 thousand yen) compared to the "previous method."

Furthermore, net income before taxes is reported lager by the same amount compared to the calculation based on the "previous method."

4. Matters Relevant to Balance Sheets

*1. Number of authorized shares and issued and outstanding shares

Authorized	28,200,000 shares
Issued and outstanding	7,950,000 shares

*2. Software suspense account is a part of advance payment of programs changing the product number planned to purchace in next term.

*3. Major foreign currency obligations are as follows:

Accounts payable-trade	US$333 thousand (¥35,385 thousand)

5. Matters Relevant to Income Statements

*1. Amount transferred to other accounts is the purchased merchandise transferred to promotional and miscellaneous expenses.

*2. Gain on sale of tangible fixed assets is from the sales of vehicles.

*3. Breakdown of losses on disposal of tangible fixed assets is as follows:

Buildings	¥67,317 thousand
Equipment and fixtures	¥ 4,641 thousand

6. Matters Relevant to Cash Flow Statement

Relation with "cash and cash equivalents" and amount of items stated in the balance sheet at term-end

	(As of March 31, 2000)
Cash and deposits	¥ 775,657 thousand
Marketable Securities account	¥ 901,378 thousand
Time deposits over 3 months	¥(459,000 thousand)
Cash and cash equivalents	¥1,218,035 thousand

7. Matters Relevant to Lease Transaction

Finance leases except those leases which the ownership of the leased assets is considered to be transferred to the lessee

(1) The amount equivalent to the acquisition cost, the accumulated depreciation and amortization, and the balance at term-end

	Equivalent to acquisition cost	Equivalent to accumulated depreciation and amortization	Equivalent to term-end balance
Equipment and fixtures	¥477,086 thousand	¥277,641 thousand	¥199,445 thousand
Software	¥181,947 thousand	¥114,766 thousand	¥ 67,181 thousand
Total	¥659,034 thousand	¥392,408 thousand	¥266,626 thousand

(2) The amount equivalent to the term-end balance of unfinished finance lease payment

Less than one year	¥113,852 thousand
Over one year	¥166,999 thousand
Total	¥280,851 thousand

(3) Finance lease payment, amount equivalent to accumulated depreciation and amount equivalent to interest expense

Finance lease payment	¥123,267 thousand
Amount equivalent to accumulated depreciation	¥113,116 thousand
Amount equivalent to interest expenses	¥ 8,175 thousand

(4) Method of calculating the amount equivalent to accumulated depreciation
Calculated by the straight-line method in which the lease term is used for the durable life and residual value is set at zero.

(5) Method of calculating the amount equivalent to interest expenses
Difference between total finance lease payment and amount equivalent to the acquisition cost of the leased properties is stated as the amount equivalent to interest expenses, with interest method adopted for allocation to each terms.

8. Market Price of Marketable Securities

Years ended March 31, 2000	Thousands of Yen			Thousands of U.S. Dollars		
	2000			2000		
Type	Book value	Market price	Valuation profit & loss	Book value	Market price	Valuation profit & loss
(1) Current assets						
Stocks	¥ —	¥ —	¥ —	$ —	$ —	$ —
Bonds	—	—	—	—	—	—
Others	600,000	606,130	6,130	5,652	5,710	58
Subtotal	600,000	606,130	6,130	5,652	5,710	58
(2) Fixed assets						
Stocks	—	—	—	—	—	—
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	600,000	606,130	6,130	5,652	5,710	58

Notes:
1. Method of calculating the market price
Investment Trusts in unlisted securities are based on the standard prices.
2. The following is the book value of the marketable securities excluded from the disclosure.
Current assets Money management fund : 301,378 thousand yen.

9. Matters Relevant to Derivative Transaction

1. Items related to the status of transactions

(1) Transaction details and purpose
(Currencies)
With the objective of mitigating the risk of fluctuating foreign exchange associated with foreign currency obligations from the import of merchandise as well as the balance of contracts for import transactions and import transactions which are certain to occur, we engages in trading foreign exchange forward contracts, and interest rate swap (coupon swap) transactions based on our actual requirements.
(Interest)
In order to mitigate the risk of liabilities with interest, we uses interest rate swap transactions in order to manage interest costs.

(2) Policies for handling transactions
Within the scope of our actual requirements, we participate in derivative transactions solely with the objective of hedging the risk to which our credit and debt are exposed due to changes in foreign exchange and interest rates, and we have a policy of not engaging in speculative derivative transactions.

(3) Details of the risk associated with transactions
The foreign exchange forward contracts, currency options transactions, currency swaps transactions used by our company carry a risk of future fluctuations in foreign exchange rates. Derivative transactions are undertaken with only highly rated financial institutions as our counterparties, and therefore we believe that there is virtually no credit risk, that is to say the risk of losses due to a failure to perform by counterparty.

(4) Risk management for transactions
For risk management of derivative transactions, mutual control and checks are undertaken within the finance department. The head of the finance department determines the transaction, verifying the transaction amount and terms, and along with being approved by the overseeing director, the status of the transaction is reported to the board of directors as the need arises.

2. Items relevant to the market value of transactions

Contract amount, market value and valuation profit & loss of derivative transaction

(1) Currency

In Thousands of Yen

Classification	Type	Contract amount (2000)	Over one-year price (2000)	Market price (2000)	Valuation profit & loss (2000)
Transactions other than market transaction	Forward exchange contract Buying rate US$	¥ 11,631	¥ —	¥ 11,722	¥ 91
Total		11,631	—	11,722	91

Note:

Method of calculating the market price

Forward exchange contract : Based on the exchange rate of future trading.

(2) Interest rate

In Thousands of Yen

Classification	Type	Contract amount (2000)	Over one-year price (2000)	Market price (2000)	Valuation profit & loss (2000)
Transactions other than market transaction	Interest rate swap trading Floating payment/Fixed receipt	¥ —	¥ —	¥ —	¥ —
	Coupon swap	1,761,750	1,291,950	(476,807)	(476,807)
	Receipt by US dollar (supposition principal)	($60 million)			
	Payment by Yen (supposition principal)	(¥8,743 million)			
Total			—	(476,807)	(476,807)

Note:

1. Method of calculating market price: Based on the price announced by financial institutions.
2. Coupon swap transaction is based on the commitment concerning the mutual payment.
   The supposition principal is not paid at the beginning day and the final day of the transaction. The amount for the coupon will be mutually paid in accordance with the commitment.
   Term: From December 1,1998 to December 1, 2003.
   Day of mutual payment : The first day for the payment was January 4, 1999, and subsequently, the first trading day of every month until the final day of the transaction.
   Amount : 39,150 thousand yen or 300 thousand U.S. dollars (in divided payment of sixty times)
3. The contract amount of interest swap trading and the contract amount indicated in (brackets) of coupon swap are the calculated supposition principal. This amount shall not indicate the market risk and credit risk of the derivative transaction. No interest rate swap contracts were held by the company as of March 31, 2000.

10. Matters Relevant to Tax Effect Accounting

Breakdown of deferred tax assets and liabilities according to the major reasons

Deferred tax assets	
Allowance for officer severance rejected	¥ 46,951 thousand
Excess in amount allowable for bracket depreciable asset	¥ 23,743 thousand
Unpaid business tax rejected	¥ 22,999 thousand
Excess in amount allowable for allowance for employee bonuses	¥ 12,837 thousand
Others	¥ 4,336 thousand
Total	¥110,867 thousand

11. Related Parties Transaction

(1) Parent company and main corporate shareholder

(¥ Thousand)

Type	Name of the company	Address	Capital and investments	Business	Equity holdings	Concerned matters: Interlocking directors	Concerned matters: Fact relevance	Transactions	Amount	Items	Term-end balance
Main corporate shareholder	World Co., Ltd.	Chuo-ku, Kobe	¥14,942,102	Planning and sales of women's, men's and children's fancy clothes	Holdings of 26.6%	One officer	—	Purchase of land	¥1,082,072	—	—
								Purchase of buildings	¥ 920,740	—	—

Note:

1. The above amount excludes Consumption taxes.
2. Condition for transactions and estimate basis of condition for transactions
   The purchase price of the land and buildings is based on the actual values in the neighborhood.

12. Per Share Information

Category	For the year ended March 31, 2000
Shareholders' equity per share	1,329.38 yen
Net income per share	153.43 yen
Net income per share after adjusting for dilutive shares	There is no entry for net income per share after adjusting for dilutive shares because we have not issued bonds with warrant attached or convertible bonds.

13. Major Subsequent Events

At the regularly scheduled meeting held on June 24, 2000 the general shareholders of the company voted to a stock option plan in accordance with Article 280-19 of the Japanese Commercial Code as follows:

- Type of stocks
  Par value common stock
- Persons to be granted stock option rights
  All 341 employees who joined the company before March 31, 2000 and will be employed on the date of grant of stock option rights.
- Number of stocks
  Not more than 229,800 shares in total.
  Individually, based on the post of employees as of March 31, 2000, 81 supervisors and above all each receive a grant of 1,000 shares, and the remaining 260 employees will receive a grant of 100 shares.
  Additionally, there will be a separate grant of a maximum of 4,000 shares and a minimum of zero shares depending on the date of employment.
- The issue price for the stock options
  Issue price will equal 102.5% of the average of the closing prices (published by the Japan Securities Dealers Association (JSDA)) of the United Arrows' common stock on each day (excluding a day or days on which no closing price is available) during the month immediately prior to the month in which the date of stock option rights will be granted (amounts below 1yen will be rounded up the nearest 1yen), but if such average is lower than the closing price of the company's common stock of the date of grant of stock option rights, the issue price shall be equal to 102.5% of that day's closing price.
  The issue price will be adjusted using the following calculation, rounded up to the nearest yen, if the new stocks are issued at a price below the market price.

$$\text{Issue price after adjustment} = \text{Issue price before adjustment} \times \frac{\text{Number of issued common stocks} + \dfrac{\text{Number of newly issued common stocks} \times \text{Amount to be paid per newly issued common stocks}}{\text{Stock price before split or new issue}}}{\text{Number of issued common stocks} + \text{Number of newly issued common stocks}}$$

  In addition, should there be a stock split or merger, the exercise price will be proportionally adjusted and rounded up to the nearest yen.
- The exercise period for stock option rights
  From July 1, 2002 to June 30, 2005

Corporate Data

As of March 31, 2000

Name of the Company	UNITED ARROWS LTD.
Headquarters	3-25-5 Jingumae, Shibuya-ku, Tokyo 150-0001, Japan
Phone	+81-3-3479-8192
URL	http://www.united-arrows.co.jp/
Established	October 2, 1989
Capital	¥3,030million
President & CEO	Osamu Shigematsu
Number of Employees	342 (Male 206, Female 136)
Average Age of Employees	27.9 (Male 28.7, Female 26.7)
Business Outline	Planning and Sales of Men's and Women's Apparel, Accessories and Other Products
Auditor	ChuoAoyama Audit Corporation
Sales Composition	Men's 55.9% Women's 36.5% Others 7.6%

<Directors>

President & CEO	Osamu Shigematsu
Executive Director	Tetsuya Iwaki
Executive Director	Koichi Mizunoya
Executive Director	Hirofumi Kurino
Director	Katsuhito Sugioka
Director	Hirotoshi Hatasaki
Standing Corporate Auditor	Toshifumi Kusunoki
Corporate Auditor	Sadaaki Kitagawa
Corporate Auditor	Sunao Onuma
Corporate Auditor	Hirohisa Tanaka
	(As of June 24, 2000)

Corporate History

Oct. 1989
Founded United Arrows Ltd. in Tokyo.

July 1990
Opened Shibuya Store, United Arrows' first store, in Tokyo.

Nov. 1990
Opened United Arrows Fukuoka Store in southern Japan city of Fukuoka, to begin nationwide expansion.

Oct. 1992
Opened United Arrows Harajuku Store in Tokyo as the flagship store.

Mar. 1993
Opened United Arrows Shinsaibashi Store in Osaka.

July 1998
Built and moved into new HQ.

Feb. 1999
Opened United Arrows Yokohama Store.

July 1999
Listed stock over the counter.

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

Dec. 1999
Launched Chrome Hearts and opened Tokyo Store in Minami Aoyama district.

Mar. 2000
Opened United Arrows Ikebukuro Store in Tokyo and Green Label Relaxing Kohoku Store in Yokohama.

Apr. 2000
Opened Green Label Relaxing Funabashi Store in Tokyo suburb.

Shareholders Information

As of March 31, 2000

Total Number of Authorized Shares
28,200,000

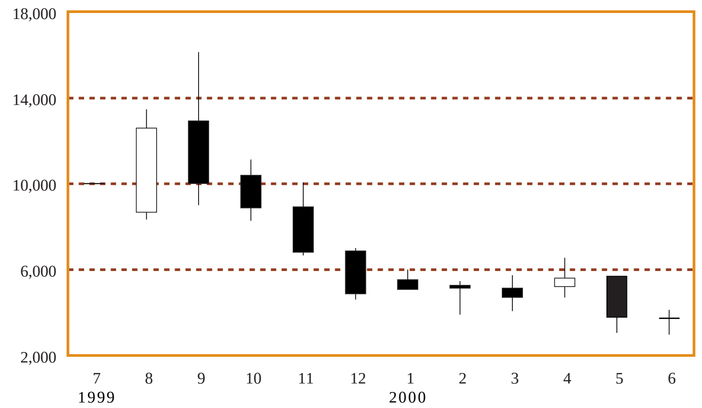
Shares of Common Stock Issued
7,950,000

Shareholders
396

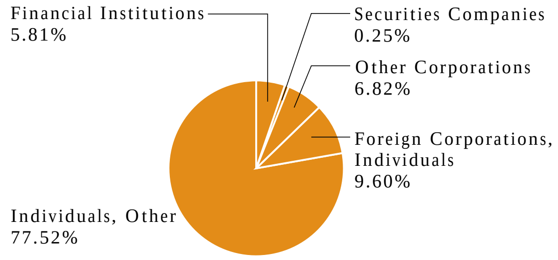
Major Shareholders

	Number of shares held	Ratio of total shares outstanding (%)
World. Co., Ltd.	2,119,000	26.65
Hirotoshi Hatasaki	1,337,000	16.81
Osamu Shigematsu	767,000	9.64
Tetsuya Iwaki	382,000	4.80
Koichi Mizunoya	382,000	4.80
Hirofumi Kurino	382,000	4.80
Katsuhito Sugioka	382,000	4.80
Deutscher Auslandskassenverein AG Customer's Account	350,000	4.40
United Arrows Employees Shareholding Association	205,600	2.58
The Chase Manhattan Bank, N.A. London	151,000	1.89

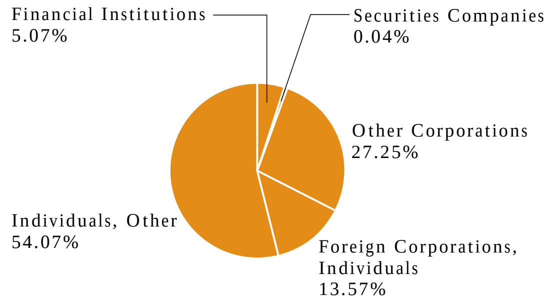
Stock Prices



Breakdown of Shareholders



Breakdown of Shareholders by Size



Shareholders of record, either based on the final register of shareholders on March 31, 2000 or the actual register of shareholders, received 1.5 shares of common stock for each share of the company's common stock held on that date. The dividend distribution date was May 22, 2000.