



ANNUAL REPORT 2004
UNITED ARROWS LTD.



UNITED ARROWS LTD.

UNITED ARROWS LTD.

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UNITED ARROWS LTD.

Philosophy of UNITED ARROWS Group

MAKE YOUR REAL STYLE

The UNITED ARROWS Group creates standards of Japanese lifestyle and culture.



UNITED ARROWS LTD. was established in Tokyo in 1989 as a company that continues to set new standards for Japanese lifestyle and culture through the planning and sale of men's and women's apparel, accessories, and general merchandise. United Arrows pursues a value represented by a globally accepted international concept, achieved by combining Japanese culture and traditions with those from the West. We would like to continue devoting ourselves to creating this value in our ever continuing evolution.

Forward-Looking Statements

This annual report contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from management's expectations and accordingly affect the Company's sales and profitability. Actual results may differ as a result of factors over which the Company has no control, including unexpected changes in competitive and economic conditions, government regulations, technology and other factors.

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Financial Highlights

UNITED ARROWS LTD.

Years ended March 31, 2004 and 2003

Millions of Yen

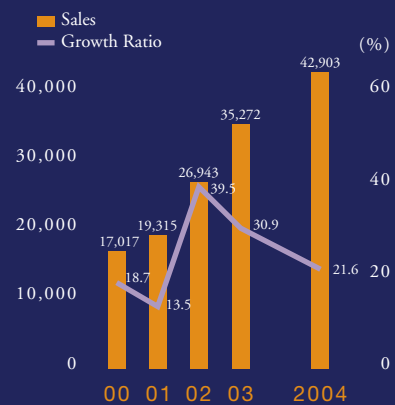
Thousands of U.S. Dollars (Note)

	2004	2003	2004
Sales	¥ 42,903	¥ 35,272	\$ 411,541
Operating Income	5,241	4,824	50,276
Net Income before Taxes	5,028	4,500	48,235
Net Income	2,878	2,562	27,603
Total Assets	24,126	20,837	231,422
Total Shareholders' Equity	15,604	12,924	149,677
Net Income per Share (in Yen and U.S. Dollars)	258.97	215.01	2.5
Shareholders' Equity per Share (in Yen and U.S. Dollars)	1,416.68	1,178.30	13.6

Note : Calculations are based on the exchange rate of U.S. \$1=¥104.25 (March 31, 2004.)

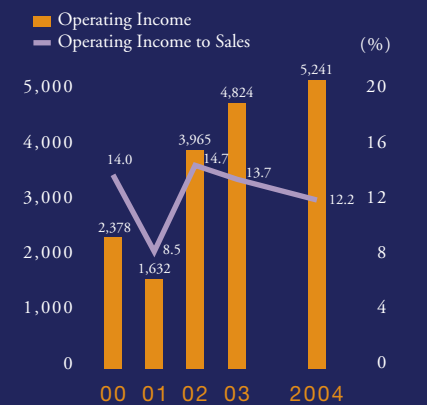
Sales and Growth Ratio

(Millions of Yen)



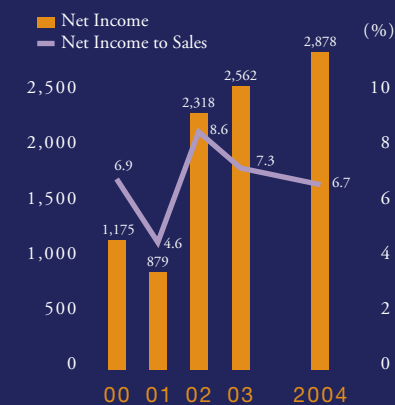
Operating Income and Operating Income to Sales

(Millions of Yen)



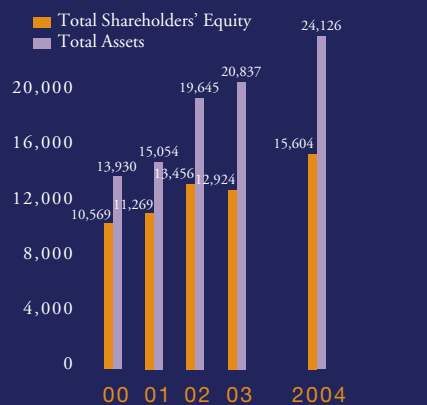
Net Income and Net Income to Sales

(Millions of Yen)



Total Shareholders' Equity and Total Assets

(Millions of Yen)



To Our Shareholders

I would like to extend my best wishes to all of you, and also express our great appreciation for your exceptional support, at the completion of our 15th term (April 1, 2003 to March 31, 2004.) All of our directors and employees are committed to expanding and developing our business to meet your expectations, aiming at the “continuous creation of value that sets new standards for Japanese lifestyle and culture.”

I sincerely appreciate your continued support for our future efforts.

June 2004



Osamu Shigematsu
Chairman and CEO



Appointment of Chairman and New President

I, Osamu Shigematsu, former President and CEO, and Tetsuya Iwaki, former Executive Vice President and COO, were respectively appointed Chairman and CEO and President and COO of the Company at the Board of Directors' meeting following our ordinary shareholders' meeting held on June 28, 2004. Mr. Iwaki, as President and COO, will define the Company's business policies and manage actual business operations, while I, as Chairman and CEO, will propose management policies and long-term corporate vision. The Company is committed to establishing a “solid business foundation,” key to sustaining long-term growth under this new management structure.

I sincerely appreciate your continued support.

»→ Could you comment on the Company's 15th term results?

The Japanese economy as a whole appeared to have made positive steps toward a recovery, bolstered by improvement in corporate profits not only in large enterprises but also more broadly among small and medium-sized enterprises (even with consideration of a lagging recovery

in consumer spending.) In any economic phase, however, there exist some “winners” and “losers.” During fiscal 2004, we have proactively advanced our efforts to enhance our existing business, develop new business and promote structural reforms—in order to beat the competition in the industry. I am pleased that these efforts enabled

us to almost achieve the steady growth originally projected for the term.

Another highlight of fiscal 2004 was our successful and steady transition from a “sales regaining phase” to a “stable growth phase” in our target (three years since we achieved a remarkable sales revival in the spring of 2001.) We believe that all our abovementioned efforts, which are groundwork for our stable growth for the future, will bring more positive results from the next term onward. In order to become a true “winner”—while developing business in a socially positive manner—we must aim at long-term business expansion, as well as stable growth that could be realized by our structural reforms and new business development. We should be careful not to be restricted by short-term growth or profit goals. “Structural reforms in our organization” and “nurturing our future core business”—these are the most crucial agenda for us at the moment.



➤➤➤ *Do you have any issues or concerns to be considered even after the Company enjoyed favorable results in the 15th term?*

It is true that we had a good year in terms of “business performance,” but we still have many pending issues that we need to work on for the future inside our own organization.

As I already mentioned, “structural reforms” are crucial to solve these issues. Therefore, we took further steps in our efforts during the term; we started to actually reflect what we had identified and prioritized as issues into each process of our operational flow. We have already implemented revisions in many of these operational processes—including the establishment of an education system for our sales staff and the creation of new management accounting, which are already fully in effect. On the other hand, we still need time to find the best solution for operational processes involving our products—the core of our business structure. Although we have been making progress in reforms of individual operational units, this is not sufficient. In order to accommodate the very complex operational system of our products, we

must make further adjustments aimed at systematically coordinating functions of all operational units. We are hoping to complete such an adjustment within the current term, and see the successful results of our structural reforms in the following term.

➤➤➤ *What are the functions of your new departments created last April?*

We established “Total Planning Intelligence Office” and “Research & Development Group” in April 2004. The primary role of “Total Planning Intelligence Office” is to (1) collect information about garment materials and designs, as well as domestic and international fashion trends, and (2) create a new system to send information across each business units. Meanwhile, “Research & Development Group” was created to assist our efforts to



develop new products, as well as improve precision as to our product planning. Concurrently, this Group is expected to foster corporate philanthropic spirit and culture by promoting corporate activities contributing to society.

We believe the creation of these new departments will significantly contribute to our progress toward “Super SPA (specialty store retailer of private label apparel)” —in which our manufacturing (apparel) and retail functions will be integrated in a highly sophisticated manner.

➤➤➤ *What is your plan on the opening of new stores during the current term?*

For the last several years, we have opened more than 10 stores each year. We are expecting the same level for the current term as well.

UNITED ARROWS (“UA”) business chain will open its 23rd store this fall in Tachikawa, Tokyo, which will welcome our customers in the western part of Tokyo. With this new store, UA chain is technically allowed to open only one more store, as we have a quota for the number of stores to be operated by each business chain (24 stores for UA chain.) The purpose of this limitation is to ensure customers’ loyalty to a particular store. We will

continue to respond to our customers’ widely ranging requests, plan the final UA store and proactively expanding floor space in existing stores. We believe such efforts will lead to a stable growth of UA business chain.

GREEN LABEL RELAXING (“GLR”) business chain is planning to open 4 to 5 new stores during the



current term, which will make the total number of GLR stores over 20 at the end of the current term. In addition, GLR chain has an entire renewal plan for its 5-year-old Shinjuku store (Tokyo) this fall. It is also expected to continuously engage in opening new stores toward the ultimate goal of a “60 store-chain.”

CHROME HEARTS (“CH”) business chain completed a large-scale renovation of “CH TOKYO

ANNEX,” which debuted as “CH HARAJUKU” in April 2004. From now on, this “CH HARAJUKU,” equipped with extensive product lineup, will be officially considered as an independent store.

As for other businesses, we will open our 6th store of “ANOTHER EDITION,” a Small Business Unit for women’s wear, in Shinjuku,

business projects increased nearly 3 times and 10 times—respectively, over the last 5 years, as we had merely 18 stores (17 UA stores and 1 UA Lab) at the end of March 1999, immediately before we went public. Under our “Diversified Business Axis strategy,” which we have focused on to build a stable business foundation, our three

To Our Shareholders

major business chains—UA, GLR and CH chains—have continued to achieve a steady expansion, while small business projects have made a remarkable growth in the recent years.

We will continuously endeavor to meet our shareholders’ expectations by proactively implementing structural reforms from a long-term perspective and consequently achieving steady growth in the Company as a whole.

Board of Directors

Under its new management, United Arrows remains determined to take the initiative in promoting the advancement of its three critical elements: “Person,” “Product” and “Ambience,” and structural reforms. By integrating manufacturing and retail at a high level, the Company will strive to become a true “Super SPA”—to fill the niche of specialty store retailer of private label apparel. The Company will also continue its commitment to create value for its stakeholders, for its shareholders and for the community connected to it, thus remaining true to the Company’s original ambition.

Note: Osamu Shigematsu was appointed Chairman and CEO, and Tetsuya Iwaki was appointed President and COO, at the Board of Directors meeting following the ordinary shareholders’ meeting held on June 28, 2004.

Koichi Mizunoya

*Managing Director
General Manager, Personnel Division
Deputy General Manager, UA Division
General Manager, Audit Office*

Responsible for improving the three factors essential to the Company’s success: “Person,” “Product” and “Ambience.” He has a special focus on establishing an environment in our stores that customers shopping there find deeply satisfying. Also manages human resources in the Company and carrying out internal audits.

“I will create a pleasant working environment which brings a smile to everyone’s face, while advancing structural reforms to resolve any customer dissatisfaction and respond with optimal employee motivation.”



Osamu Shigematsu

Chairman and CEO

*Chairman and CEO since June 2004.
Has led the Company ever since its foundation as CEO.
Responsible for management policies and long-term corporate vision.*

Develops the implementation strategy for the Super SPA concept, deemed crucial to the Company’s steady growth over the long term.

1. Reforming Merchandising Dept.—synonymous with enhancing the Company’s ability to plan and develop Private Brands
2. Immediate improvement of inventory efficiency
3. Dissemination of corporate philosophy throughout UNITED ARROWS Group
4. Formulation of medium to long-term management strategy, and promotion of comprehensive research and development

“As Chairman and CEO, I will do my utmost to establish a solid business foundation so that the Company can continue to develop and grow far into the future.”



Hirofumi Kurino

*Creative Director
General Manager, Total Planning
Intelligence Office**

Collects information about domestic and overseas fashion trends from the viewpoint of both marketer and creator. Using this information, he explores themes that are actually a step ahead of time, and disseminates them throughout the company. Also supervises operations ranging from product planning to sales promotion.

“In order to build the strongest business possible, and establish a retailing business based on its own product planning and sales procurement capabilities, I will strive to develop Private Brands and enhance its competitiveness.”



Hiroshi Takanashi

*Managing Director
General Manager, Administration Division*

Manages Administration Division, and fulfills a wide range of tasks including formulating management plans, mapping out capital policy, and conducting investor relations activities. With regard to administration of the business itself, he works to promote structural reforms and the development of a stable business foundation.

“Industrial trends and the overall business environment are projected to suffer drastic changes this year. The entire Board of Directors will go all out in operating the Company so as to ensure steady growth, by further strengthening its finances and improving our ability to respond to environmental changes.”



Tetsuya Iwaki

*President and COO
General Manager, UA Division*

*President and COO since June 2004.
Defines the Company’s business directions, manages all business operations, and administers UA business chain.*

“Inheriting the Company’s original ambition, my motto has the same three keywords: Health, Following the Basics, and Agility. I will strive to manage business operations by expanding sales and profits, developing human resources, and maintaining a balance in our policies covering sales and products.”



Hirotoshi Hatasaki

Director

Engages actively in promoting the fashion industry in Kobe, garnering support for new ventures and businesses, developing sports and other community revitalization projects. Continues to make the best use of his abundant experience and network in the fashion industry in his capacity as director of the Company.



Note*: Total Planning Intelligence Office exists to establish a new structure for collecting information about materials, designs, and domestic and overseas fashion trends; and to disseminate this information across the business units.

THE WORLD BEST IRAS SYAIMASE

On September 1, 2003, the Company completed the renovation and expansion of its flagship store, United Arrows Harajuku.

Designed by architect Ricard Bofill, UA Harajuku store was launched in October 1992. Since then, the store has continued to attract customers and serve as a symbol of UNITED ARROWS LTD. and its commitment to building trust with its customers.

A massive renovation project was undertaken with the goal of establishing a cluster of flagship stores in Harajuku, by first transforming UA Harajuku store into UA HARAJUKU FOR MEN. Then, the project would go on to construct UA HARAJUKU FOR WOMEN nearby, while enlarging the floor space of its UA BLUE LABEL STORE HARAJUKU. United Arrows' goal in Harajuku is to realize a true global landmark in the apparel industry that also continuously creates value and sets new standards for Japanese lifestyle and culture. In this sense, for United Arrows, Harajuku is not only where it is concentrating its merchandise and services; it is also a station from which its message can be broadcast globally. To accomplish these goals, United Arrows has refocused on fundamental business practices, specifically selecting the three key factors of "Person (sales and customer service)," "Product (merchandise)," and "Ambience (store.)"



“Good Person (sales and customer service)”

United Arrows believes that our services provide satisfaction and sensation for our customers with our “Person,” “Product” and “Ambience.” In fact, United Arrows’ operating principles are captured by its principal rule that “our store exists for our customers” and its slogan aiming for the “maximum satisfaction of each customer in each occasion.” By emphasizing high quality service based on sincere, responsible staff, United Arrows hopes to provide customers with more refreshing experiences than they expect.

UA HARAJUKU FOR MEN
Tokurou Iwano, Shop Manager [Photo(1)]

My goal at the moment is to “establish a store with consulting capabilities.” I think that the time spent by a customer in UA space is a part of what is being purchased. We would like to nurture such planning capabilities and offer personal services that meet such customers’ requests, and to increase the number of customers who feel they like spending time and shopping at UA store.

UA HARAJUKU FOR WOMEN
Kaoru Narisawa, Shop Manager [Photo(2)]

Our store was launched in September 2003. There are still many things to improve, and we are working hard to upgrade the store. The staff are all focusing on how to maximize customer satisfaction, and we are doing this by offering better sales assistance, finer merchandise, and other services of maximum satisfaction to each customer.

UA BLUE LABEL STORE HARAJUKU
Naoki Shinozawa, Shop Manager [Photo(3)]

Our store reopened on November 1, 2003. We would like to offer fresh merchandise to young people and nostalgic items to adult males, through close communication with customers. This is basically the philosophy of the new Blue Label Store. We will continue to improve the store so that as many customers as possible can enjoy our clothing as well as the time spent shopping at our store.

* IRASSYAIMASE is a Japanese commercial expression to show welcome and hospitality with modesty to customers.

“Good Product (merchandise)”

Each United Arrows store has its own unique concept, which is reflected in the selection and presentation of its products.

The product concept of UA Harajuku store is “clothing for adults,” which is complemented by the stated goal of creating a global antenna shop for high quality clothing. The theme of UA HARAJUKU FOR MEN is a “sense of aristocracy,” a theme that has a long history in the world. By gathering and selecting special trade items, exclusive originals, and seasonal designers’ collections in one location, FOR MEN seeks to introduce men to a key United Arrows concept, —to wear dressier and more mature clothes, and to enjoy clothes more deeply for adults.

UA HARAJUKU FOR WOMEN is based on the theme of a “Basic Style,” as interpreted by United Arrows. Using the UA concepts of “ON TIME (at work)” and “OFF TIME (free time),” the store will offer designer collections and basic casual styles that meet the preferences of the “UA Basic” brand concept as developed in four areas: uniforms, sports, school and folklore. In addition, FOR WOMEN is to develop a total lifestyle collection including various lifestyle products arranged to promote its “Style for Living” concept.

Finally, UA Blue Label Store will continue to sell conventional products on the first floor, and on the second floor space, which has been enlarged, the store will target men with UA casual wear. This collection will feature the simplicity and beauty that traditional-minded men enjoy wearing, based on the theme of “GOOD EYES” for quality.

“Good Ambience (store)”

The interior concept of UA Harajuku store is really a fusion of East and West. FOR MEN decided to preserve the vision of its architect Bofill, and has added no design details. But at the same time, United Arrows succeeds at producing a chic and gorgeous atmosphere by incorporating images of Japanese style. For example, the store uses walnut and other materials that are expected to remain attractive for a decade. In addition, the store expresses itself as a man’s mansion, with a well-tuned balance between functionality and its decorative features; which were created in pursuit of a UA Original Art Deco style.

At the newly established FOR WOMEN, United Arrows has developed a lifestyle recommendation for its customers, that they wear certain clothes during working hours (ON TIME) and other styles in their free time (OFF TIME.) The store further interprets the United Arrows concept by adopting a Japanese style in its finely detailed designs, by arranging harmonious Asian accents everywhere, and by playing on the sexiness and coquettishness of Japanese style. The store interior has been designed so that the open space appears to be divided into various rooms, which proves an attractive feature to customers.

UA Blue Label store Harajuku reopened in November 2003 after gaining expanded floor space. Basing its interior on a UA Original Art Deco theme has enabled United Arrows to emphasize the ensemble, or harmony, between Japanese and Western styles. The store evokes the lively, fresh feeling of city streets and a sophisticated atmosphere in which customers are encouraged to take time and enjoy shopping.

UA Blue Label store Harajuku reopened in November 2003 after gaining expanded floor space. Basing its interior on a UA Original Art Deco theme has enabled United Arrows to emphasize the ensemble, or harmony, between Japanese and Western styles. The store evokes the lively, fresh feeling of city streets and a sophisticated atmosphere in which customers are encouraged to take time and enjoy shopping.

Working with Our Customers to Become “THE WORLD BEST”

Yasuyuki Igarashi, General Manager, UA V Department [Photo(4)]

As the flagship store of UA, Harajuku store needs to maintain its top position in the group. One of the major roles of the flagship store is to be able to firmly express “what the UA taste is.” Considering how important the latest trends in the world are to our customers, we will continue to procure foreign items, but we will also devise UA original products comparable to high quality overseas competitors. To this end, we are working to enhance our planning capabilities.

Nevertheless, of the three key factors of the retailing business, “Person,” “Product” and “Ambience,” human resources are definitely the most important. Whether or not a store is ranked highly depends more on the personnel working there than on the other two key factors, which are “Good Product” and “Good Ambience.” Recently, I have come to think that it is crucial for store clerks to be healthy in mind and body to serve customers properly, and afterward be able to feel we were really able to help our customers.

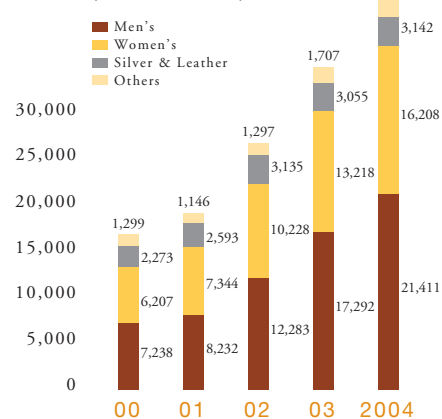
When serving customers, there are two sides to consider. One side says to serve as many customers as possible. The other recommends tending fewer customers while suggesting merchandise, even to the point of putting every salesperson’s energy into each individual customer and making recommendations on lifestyle choices. I believe it is critical to achieve a good balance between these two opposing sides of sales.

Our store exists to serve the customer, so please let us know about anything that may catch your eye. I hope we will be able to improve our store through this kind of collaboration with customers. Together, why don’t we try to make our flagship store into “THE WORLD BEST?” “THE WORLD BEST IRASSYAIMASE”

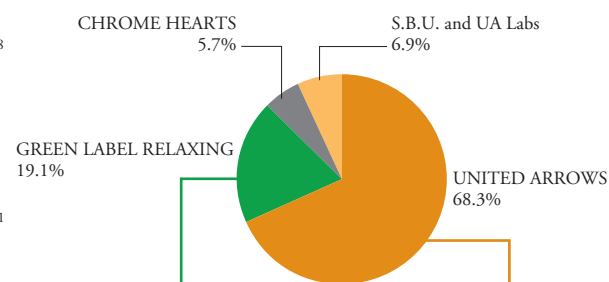
Financial Data



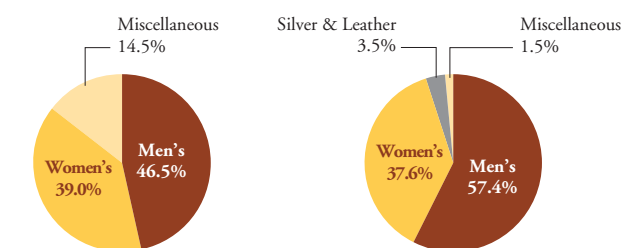
Sales by Category *1
(Millions of Yen)



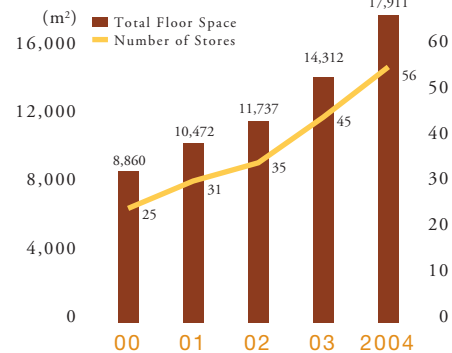
Sales by Chain



Sales by Category



Total Floor Space and Number of Stores



Number of Customer Ratio (by chain) (%)

	2003			2004		
	1st half	2nd half	total	1st half	2nd half	total
UNITED ARROWS	133.6	115.4	124.1	105.0	107.8	106.3
GREEN LABEL RELAXING	170.1	216.9	194.4	163.4	130.3	144.2
CHROME HEARTS	99.9	100.6	100.3	109.1	115.7	112.5
S.B.U. and UA Labs	—	—	—	246.9	213.4	228.0

Average spending per Customer Ratio (by chain) (%)

	2003			2004		
	1st half	2nd half	total	1st half	2nd half	total
UNITED ARROWS	94.6	101.0	97.2	107.6	103.7	105.6
GREEN LABEL RELAXING	106.1	108.3	108.8	103.9	99.9	100.3
CHROME HEARTS	102.1	99.5	100.7	92.0	89.0	90.4
S.B.U. and UA Labs	—	—	—	82.8	86.7	84.5

Note* : 1. "Others" includes miscellaneous, wholesale sales, outside shop and café sales and formal wears rental.
2. "Sales per 1m²" and "Sales per Employee" are calculated from the sales of direct management stores.
3. Number of employees in an average term.

From this fiscal accounting period, the sales of "S.B.U. and UA Labs" were separated from the sales of "UNITED ARROWS." (S.B.U. means Small Business Units (ANOTHER EDITION and THE SOVEREIGN HOUSE))
For "Sales per 1m²" and "Sales per Employee," sales of S.B.U. and UA Labs were included in those of UNITED ARROWS until the previous term.

RETAIL

UNITED ARROWS

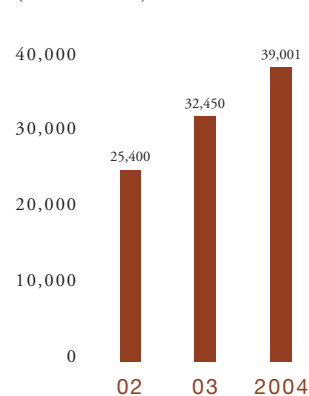
GREEN LABEL RELAXING

CHROME HEARTS

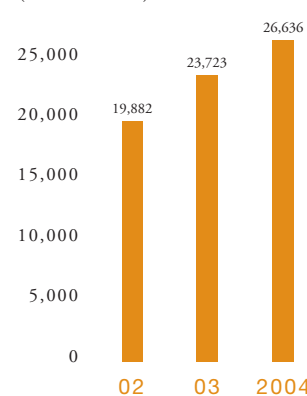
S.B.U. and UA Labs

Sales

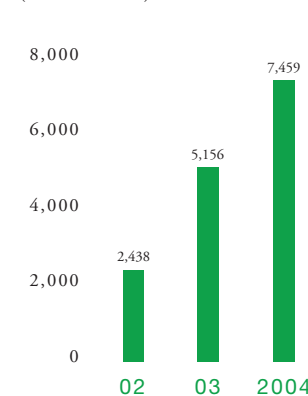
(Millions of Yen)



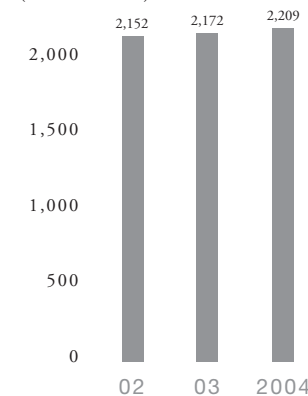
(Millions of Yen)



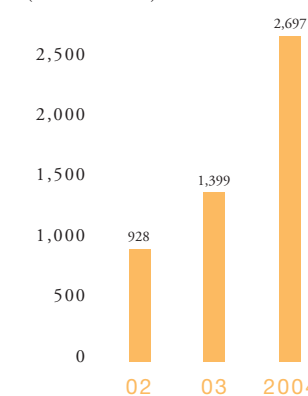
(Millions of Yen)



(Millions of Yen)

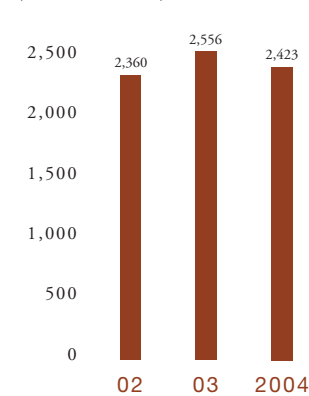


(Millions of Yen)

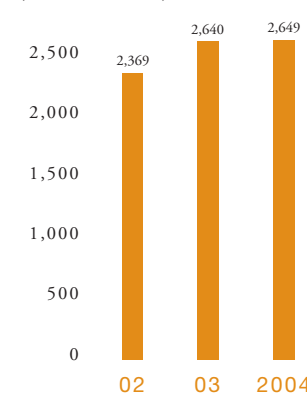


Sales per 1m² *2

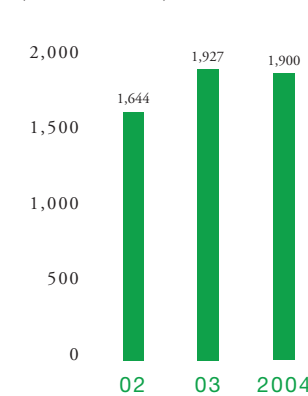
(Thousands of Yen)



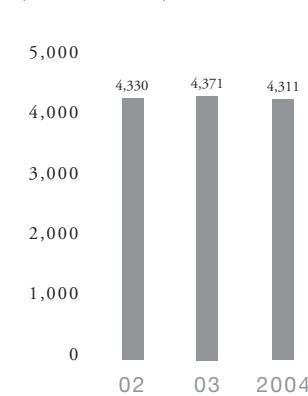
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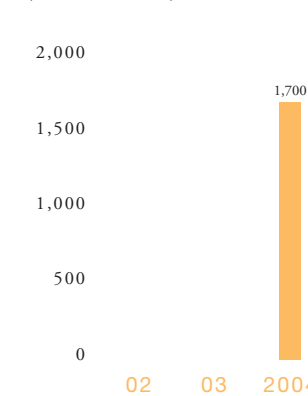
(Thousands of Yen)



(Thousands of Yen)



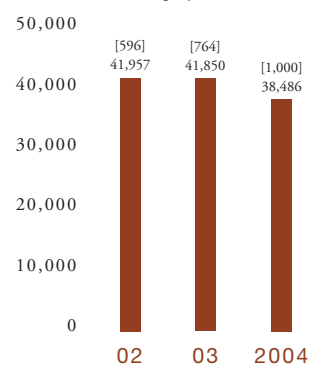
(Thousands of Yen)



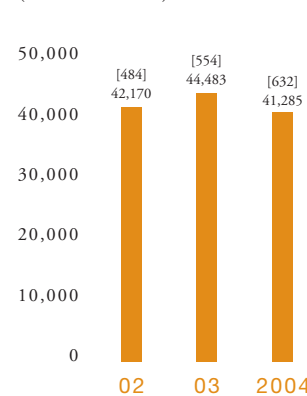
Sales per Employee *2, 3

(Thousands of Yen)

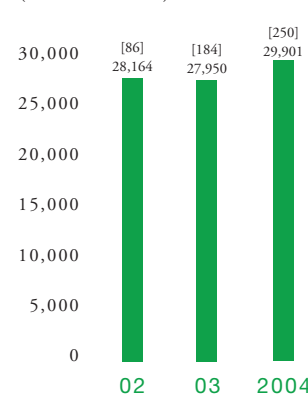
[] Number of Employees



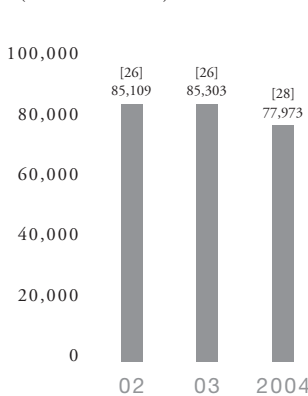
(Thousands of Yen)



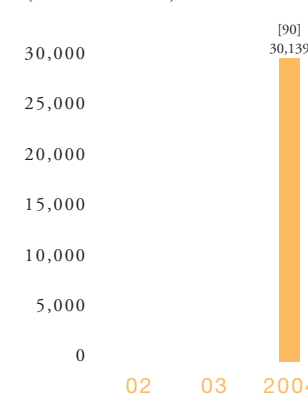
(Thousands of Yen)



(Thousands of Yen)



(Thousands of Yen)



Introduction of retail business in UNITED ARROWS LTD.

UNITED ARROWS LTD. ("UA") currently operates three core businesses, two Small Business Units and five UA Labs—the number of stores totaling 56 as of March 31, 2004. Each business has a clear concept and unique taste, which is one of the reasons they are drawing more and more devoted customers. We would like to introduce all the retail businesses the Company runs.

Retail Business of United Arrows Group (56 stores)

Core businesses

UNITED ARROWS (22 stores)

UNITED ARROWS stores target people of every age who are highly fashion conscious and strongly committed to fashion. With the basic concept of the UA Traditional Mind, merchandise includes men's and women's casual to dressy clothing (on time clothing), accessories and miscellaneous lifestyle goods (which are procured domestically and overseas.)

united arrows green label relaxing (18 stores)

united arrows green label relaxing stores offer lifestyle solutions and target people of various ages, fashion-conscious family members and youth segments. Products include business suits, casual wear, kids, maternity, and miscellaneous lifestyle goods and toys.

CHROME HEARTS (2 stores)

CHROME HEARTS stores, a brand shop chain specializing in products made by CHROME HEARTS of the U.S., offer an entire lineup of lifestyle items, including a range of accessories, leather products, bags, small articles, furniture and home wear.



Small Business Units (S.B.U.)

ANOTHER EDITION (5 stores)

Targeting young women, career women and young married women, ANOTHER EDITION stores offer original items with the overall concept of "My Favorite Things," including products from those in season to basic merchandise, as well as goods selected from within and outside of Japan.

THE SOVEREIGN HOUSE (1 store)

At THE SOVEREIGN HOUSE store, the focus is primarily on male adults in their mid-20s through 50s with uncompromising tastes in clothes. Its merchandise consists of original "SOVEREIGN" labels, highest-end men's dress, and men's wear carrying overseas famous brands, ranging from ordinary clothing to casual wear to miscellaneous.



UA Labs (Test marketing stores)

District UNITED ARROWS (1 store)

District UNITED ARROWS store targets men who are highly fashion conscious and have uncompromising tastes in clothes. The store sells original "District" products and apparel procured both domestically and overseas. Its merchandise features strong individuality and is not available at any other stores.

Changes UNITED ARROWS (2 stores)

These stores target women who enjoy "being a woman" and "dressing fashionably" to lead an attractive lifestyle. Changes UNITED ARROWS stores sell selected domestic and overseas designer collections as well as original items. The merchandise includes not only clothing but also small articles, bags, shoes, accessories and aroma goods, with which the stores hope customers can enjoy in everyday life according to their own tastes.

TOKISHIRAZU (1 store)

TOKISHIRAZU store specializes in jackets targeting those who like clothing but do not care so much about brand names. At TOKISHIRAZU, emphasis is placed on products that the customer can wear for a long time by prioritizing texture and stitching over details.



Odette é Odile UNITED ARROWS (3 stores)

Odette é Odile UNITED ARROWS stores primarily deal in two original brands: Odette é Odile for highly fashion-conscious women in their mid-20s and older, as well as career women who buy selected labels from specialty shops; and PEPITA D'ORO, which suggests that customers select items by their own taste based on the concept of a casual mind. Merchandise includes shoes that uniquely express gentleness, intellect and liveliness, a range of quality feminine pumps, and casual items, bags, and miscellaneous. Made from quality materials, these shoes have design features that prioritize comfort.

DRAWER (1 store)

Targeting women fitting the market segments known as "Mother and Daughter in 21st Century" and "Opinion Leaders in Fashion Field," DRAWER deals in merchandise which attracts customers of different generations. Original labels account for 70% with the rest from buying brands. Products include items with a slight taste of the latest fashion and other aspects that are standard yet feature high quality; in other words, basic clothing that users can hope to wear at any age.

UA News

Announcement of Receiving the "6th Annual (2003) Developers' Best Tenant Grand Prize"

United Arrows received the "Best Tenant Grand Prize," the "Bestseller Award" and the "Desirable Tenant (Propose) Award" in the "6th Annual (2003) Developers' Best Tenant Award" competition. The competition is sponsored by the Senken Shimibun, a Japanese fashion trade daily newspaper. This is the third time United Arrows has won the "Best Tenant Grand Prize," which it also received in the 1st and 4th annual competitions and it is the second consecutive year in which UA has won the "Bestseller Award" and GLR has won the "Desirable Tenant Award."

Announcement of Receiving the "8th (2003) IR Best Company Award"

United Arrows won the "8th (2003) Grand Prize for Excellence in IR" from the Japan Investor Relations Association, following the receipt of "7th (2002) IR Best Company Award" (in the section of recently listed companies) in 2002.

United Arrows will strive to continue improving IR activities in order to maximize value for all of its stakeholders, under the IR policy focusing on the delivery of "fair, timely and transparent information that is easy to understand."

Book Edition of Green Label Relaxing Advertising Copy Released

Advertising copy from the Green Label Relaxing campaign has recently been published as a small history book of Green Label Relaxing that is still new.

(Author: Hiroshi Ichikura; Illustrator and book designer: Kaoru Kasai)



Financial Section

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5-year Summary

UNITED ARROWS LTD.

Years ended March 31, 2004, 2003, 2002, 2001 and 2000

Millions of Yen

Thousands of U.S. Dollars (Note)

	2004	2003	2002	2001	2000	2004
Sales	¥ 42,903	¥ 35,272	¥ 26,943	¥ 19,315	¥ 17,017	\$ 411,541
Operating Income	5,241	4,824	3,965	1,632	2,378	50,276
Net Income	2,878	2,562	2,318	879	1,175	27,603
Total Assets	24,126	20,837	19,645	15,054	13,930	231,422
Total Shareholders' Equity	15,604	12,924	13,456	11,269	10,569	149,677
Number of Shares Issued (Shares)	11,925,000	11,925,000	11,925,000	11,925,000	7,950,000	
Treasury Stock (Shares)	941,100	1,000,000	—	—	—	
Net Income per Share (Yen)	259	215	194	74	153	2.5 (in U.S. Dollars)
Shareholders' Equity per Share (Yen)	1,417	1,178	1,128	945	1,329	13.6 (in U.S. Dollars)
Capital Expenditures	1,685	952	484	1,112	3,636	16,162
Number of Stores	56	45	35	31	25	
(including number of UA Labs)	(14)	(10)	(6)	(5)	(3)	
Total Floor Space (m ²)	17,911	14,312	11,737	10,472	8,860	
Number of Employees	685	581	441	358	342	
Net Income						
to Total Assets (ROA) (%)	12.8	12.7	13.4	6.1	11.4	
Return on Equity (%)	20.2	19.4	18.8	8.1	17.9	
Shareholders' Equity Ratio (%)	64.7	62.0	68.5	74.9	75.9	
Total Asset Turnover (Times)	1.8	1.7	1.4	1.3	1.2	
Inventory Turnover (Times)	2.3	2.4	2.7	2.9	2.9	
Current Ratio (%)	206.4	161.0	195.6	178.9	203.5	
Fixed Asset Ratio (%)	60.7	64.6	58.3	76.6	71.2	

Note : Calculations are based on the exchange rate of U.S. \$1=¥104.25 (March 31, 2004.)

Operating and Financial Review

1. Business Environment

During fiscal 2004 (April 1, 2003 to March 31, 2004), the Japanese economy as a whole appeared to have made positive steps toward a recovery. Although it was still lacking in strength and forward momentum, primarily due to a lagging recovery in consumer spending and the employment market, the Japanese economy has seen some favorable trends. These include rising exports and capital expenditures, as well as improvement in corporate profits (a catalyst of an upward economic trend), not only in large enterprises but also more broadly among small and medium-sized enterprises.

Considering such circumstances, our retail apparel and related goods industry underwent drastic changes at a fairly fast pace. Amid the increasingly severe competition, some industry players succeeded in seizing the chance to rapidly develop their business, while others failed due to their inability to adjust themselves to today's rapidly evolving business environment. This "win or lose" situation became more apparent in our industry during fiscal 2004.

Under these circumstances, we devoted ourselves to providing "each customer in each occasion" with

"maximum satisfaction" and making our stores "winners of winners." We did this by dispersing across the company our "Person (sales and service)," "Product (merchandise)" and "Ambience (store)" under our basic mission statement "Maximum satisfaction to each customer in each occasion."

2. Operating Performance

Sales during fiscal 2004 reached 42,903 million yen, an increase of 7,632 million yen (+21.6%) over fiscal 2003 (April 1, 2002 to March 31, 2003.) Operating income amounted to 5,241 million yen, a year-on-year increase of 417 million yen (+8.6%). As a result, net income totaled 2,878 million yen, a year-on-year increase of 316 million yen (+12.3%).

During fiscal 2004, we continued to promote the following four structural reforms that were initially introduced in fiscal 2002: "Improving product-customer satisfaction (CS in terms of our products)," "Improving sales-customer satisfaction (CS in terms of our sales activities)," "Improving business administration," and "Improving corporate culture." We created multiple working groups (held on a weekly or monthly basis) to assist our efforts. These working groups have

greatly contributed to our success in streamlining and otherwise improving our business operations in various aspects, as well as in attaining and sharing the same understanding of our profitability among employees across business units.

As for our sales and promotion activities, we proactively expanded our new businesses, while strengthening the existing ones.

We completed a large scale renovation of UNITED ARROWS ("UA") Harajuku store, a flagship store for UA business chain, aiming at enhanced corporate value one or two decades ahead with the support of next generation customers. We also relocated UA Futako Tamagawa store, while enlarging the floor space of UA Umeda store.

In addition, we have upgraded "ANOTHER EDITION" (women's apparel) and "THE SOVEREIGN HOUSE" (men's wear) for Small Business Units (see note below.) Both of these businesses had been introduced at one of UA Labs (test marketing stores) in the previous year, but they have now been integrated into our mainstream business as UNITED ARROWS LTD. We also launched the fifth UA Lab under the name of "DRAWER," by adopting an idea of

one of our employees for its basic business concept. We are pleased with the favorable results that this new business has achieved.

Meanwhile, we implemented a structural reform plan of our headquarters: we transformed the existing function-based product planning/procurement section and sales section to business chain-based ones. In addition, we restructured Administration Division to become more "multi-functioning and non-hierarchical," with an ultimate goal of more flexible and attentive services.

Following is the status of new store openings and ongoing businesses during fiscal 2004.

UA

We have opened new UNITED ARROWS ("UA") stores in Sendai (Aoba-ku, Sendai) and Nihonbashi (Chuo-ku, Tokyo.)

In addition, we have completed renovation and enlargement of our flagship shop, UA Harajuku store (Shibuya-ku, Tokyo.)

We also relocated Futako Tamagawa store (Setagaya-ku, Tokyo), and enlarged the floor space of UA Umeda store (Kita-ku, Osaka.)

GLR

We have recently opened five GREEN LABEL RELAXING ("GLR") stores in Kokura (Kokurakita-ku, Kitakyushu), Shinagawa (Minato-ku, Tokyo), Namba (Naniwa-ku, Osaka), Kitasenju

(Adachi-ku, Tokyo) and Shizuoka (Shizuoka City, Shizuoka.) We believe our business experience in large regional cities will facilitate our management of expanded GLR business in the future.

CH

Regarding CHROME HEARTS ("CH") business, we have been focusing on the expansion of its product lineup while finalizing its new store plan. In addition, a new "House Card" system was introduced at the same time to enhance its customer database management.

Furthermore, we renovated "CH TOKYO ANNEX" building to make it an independent CH store, which debuted as "CH HARAJUKU" in April 2004.

AE

We have opened new ANOTHER EDITION ("AE") stores in Fukuoka (Chuo-ku, Fukuoka) and Nagoya (Naka-ku, Nagoya.) Also, AE Harajuku store (Shibuya-ku, Tokyo), a flagship store for AE chain, has been relocated elsewhere (nearby in Shibuya, Tokyo) and renovated for a fresh reopening.

SVH

We have closed existing THE SOVEREIGN HOUSE ("SVH") store in Ginza, Tokyo, and relocated it to Marunouchi area where it now has greater floor space.

UA Labs

We opened a new women's apparel store named "DRAWER" as a UA Lab

(test marketing store) in Minami-Aoyama, Minato-ku, Tokyo. In addition, we expanded "Changes UNITED ARROWS" business (an existing UA Lab for women's apparel), by opening a second store for that business in Nagoya (Naka-ku, Nagoya.)

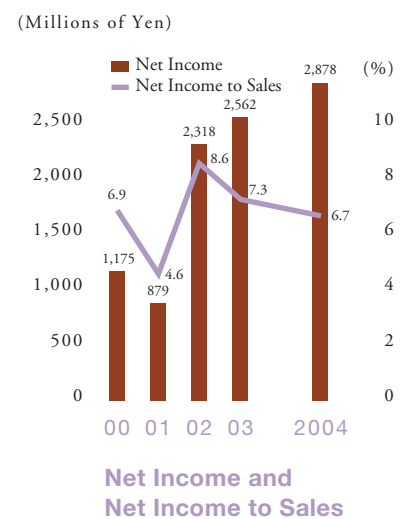
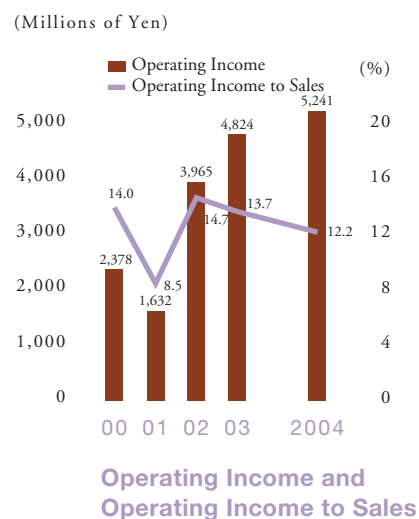
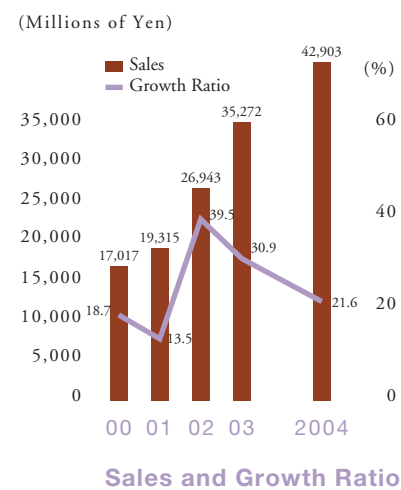
With the opening of these new stores, the Company owns a total of 56 stores as of the end of March 2004. The breakdown by business chain is as follows: 22 UA stores, 18 GLR stores, 2 CH stores, 5 AE stores, 1 SVH store and 8 UA Lab stores.

Note on Small Business Units: These units are small business with expected annual sales of less than 10,000 million yen that exclusively target a certain group of consumers—unlike UA or GLR which provide full product lines; including both men's and women's formal and casual wear.

3. Performance by Business Segment

As for sales by business segment, each showed steady growth, posting year-on-year increases as follows: 12.3% in UA business, 44.7% in GLR business, 1.7% in CH business, and 92.7% in Small Business Units and UA Labs business.

In UA business chain, sales grew in all areas, posting year-on-year increases of 15.8% in men's clothing, 7.7% in women's clothing, 5.5% in silver and leather, and 17.8% in miscellaneous. This positive trend is recognized also in GLR business segment, which achieved significant growth in all areas with



Sales by Chain

	Millions of Yen								
	2002			2003			2004		
	amounts	%	YOY	amounts	%	YOY	amounts	%	YOY
UNITED ARROWS	¥ 19,882	73.8	135.7	¥ 23,723	67.2	119.3	¥ 26,636	62.1	112.3
GREEN LABEL RELAXING	2,438	9.1	169.6	5,156	14.6	211.5	7,459	17.4	144.7
CHROME HEARTS	2,152	8.0	147.2	2,172	6.2	101.0	2,209	5.1	101.7
S.B.U. and UA Labs	928	3.4	172.0	1,399	4.0	150.7	2,697	6.3	192.7
Others	1,543	5.7	125.5	2,822	8.0	182.9	3,902	9.1	138.3
Total	¥ 26,943	100.0	139.5	¥ 35,272	100.0	130.9	¥ 42,903	100.0	121.6

Note* : 1. From this fiscal accounting period, the sales of "S.B.U. and UA Labs" were separated from the sales of "UNITED ARROWS." (S.B.U. means Small Business Units (ANOTHER EDITION and THE SOVEREIGN HOUSE))

2. "Others" includes outlet sales, wholesales, sales of outside shops, mail-order and café and formal wears rental.

year-on-year sales increases of 57.5% in men's clothing, 28.5% in women's clothing, and 56.9% in other merchandise. As for CH business segment, which only has two existing stores (no new store openings during this term), a marginal but steady year-on-year increase of 1.7% was achieved.

With regard to sales by category, men's and women's apparel (which account for the core of our sales) achieved steady growth with year-on-year increases of 23.8% and 22.6%, respectively.

4. Operating Results Sales

Sales during fiscal 2004 reached 42,903 million yen, a year-on-year increase of 7,632 million yen (+21.6%). This increase in sales is primarily due to favorable results achieved by existing stores, which showed a year-on-year increase of 8.1%, as well as from additional revenue from our new stores.

Gross profit amounted to 22,723 million yen, a year-on-year increase of 3,868 million yen (+20.5%). As a result, gross margin came to 53.0%, 0.5 points lower than 53.5% of the previous year.

Operating Income

Operating expenses totaled 17,482 million yen, a year-on-year increase of 3,451 million yen (+24.6%). Consequently, the ratio of operating expenses to sales increased 1 point to 40.8%. The rise in operating expenses is attributable to (1) increased variable expenses, accompanied by overall sales growth, (2) increased rent payments due to new store openings, and (3) a rise in personnel expenses resulting

from hiring new staff. As a result, operating income during this term increased by 417 million yen (+8.6%), year-on-year, to 5,241 million yen.

Other Income (Expenses)

Other income improved by 111 million yen, year-on-year, to a negative 213 million yen (i.e. other expenses), primarily due to a decline in the aggregate amount of other expenses. While recording rental income (including outfit leasing)—the reversal of allowance for doubtful accounts and exchange gains as the primary source of other income—we posted other expenses over this term (including rents, donations, loss on the disposal of fixed assets, and interest expense.)

Consequently, net income before taxes increased by 528 million yen (+11.7%), year-on-year, to 5,028 million yen.

Net Income

Income taxes during this term totaled 2,151 million yen, a year-on-year increase of 212 million yen (+10.9%). This is due to increases in corporate income tax, resident income tax and enterprise tax; accompanied by a decline in deferred income tax. The aggregate total of corporate, resident, and enterprise taxes rose by 130 million yen to 2,198 million yen, due to increased net income before taxes. Deferred corporate tax declined by 82 million yen. This is resulting in a loss of 47 million yen, primarily due to an increased amount exceeding the limit deductible as an expense with regard to accrued bonuses.

Consequently, net income over fiscal 2004 increased by 316 million yen (+12.3%), year-on-year, to 2,878

million yen.

5. Financial Position

Assets

Total assets at the end of fiscal 2004 (as of March 31, 2004) reached 24,126 million yen, a year-on-year increase of 3,289 million yen (+15.8%).

Current Assets

Current assets amount to 14,660 million yen, a year-on-year increase of 2,178 million yen (+17.4%); primarily due to a hike in inventories, which rose by 1,901 million yen to 9,570 million yen. This substantial rise in inventories is attributable to increased overall sales, as well as the implementation of our new product policy aimed at reducing sales opportunity losses.

Fixed Assets

Tangible fixed assets amounted to 5,025 million yen, a year-on-year increase of 793 million yen (+18.7%). An increase (1,447 million yen) resulting from new store openings, floor space expansion, and renovation of existing stores was somewhat offset by the disposal/sale (185 million yen) of tangible fixed assets and depreciation (470 million yen.) Meanwhile, intangible fixed assets totaled 508 million yen, a year-on-year decrease of 27 million yen (-5.0%). Investment in new software (160 million yen) was not sufficient enough to effect to an increase in intangible fixed assets, due to the disposal of our old system (31 million yen) and depreciation (154 million yen.) Investments and other assets reached 3,932 million yen, a year-on-year increase of 345 million yen (+9.6%), primarily owing to increased long-term lease deposits

relating to the opening of new stores.

Liabilities

Current and long-term liabilities totaled 8,522 million yen, a year-on-year increase of 609 million yen (+7.7%). Most of this increase is attributable to long-term liabilities.

Current Liabilities

Current liabilities amounted to 7,104 million yen, a year-on-year decrease of 649 million yen (-8.4%); a decline in short-term borrowings and accrued liabilities largely offset an increase in notes and accounts payable. Short-term borrowings (including long-term debt scheduled to be paid off within a year) decreased 444 million yen (-31.7%), year-on-year, to 956 million yen. This sharp decline is primarily due to the conversion of short-term borrowings to longer-term debt. Accrued liabilities also decreased 517 million yen (-35.5%), year-on-year, to 938 million yen; owing mainly to the reduced accrued expense related to capital investment in new store openings. Notes and accounts payable reached 3,330 million yen, a year-on-year increase of 248 million yen (+8.1%); primarily resulting from increased inventories required for our expanding business.

Long-term Liabilities

Long-term liabilities amounted to 1,418 million yen, a year-on-year increase of 1,259 million yen (+88.7%). This substantial rise is primarily due to the conversion of

existing short-term borrowings into long-term debt.

The current ratio in fiscal 2004 rose by 45.4 points, year-on-year, to 206.4%, while the fixed ratio fell 4.0 points, year-on-year, to 60.7%.

6. Cash Flows

Cash and cash equivalents (hereinafter, "Cash") at the end of fiscal 2004 (as of March 31, 2004) reached 1,623 million yen, a year-on-year increase of 155 million yen. We posted an inflow of net income before taxes of 5,028 million yen (+11.7%, year-on-year), as well as additional revenue from borrowings, while recording an outflow of expenses in connection with increased inventories and purchase of tangible fixed assets.

Details of the cash flows during fiscal 2004 are as follows:

Cash Flows from Operating Activities

Cash flows from operating activities reached 1,877 million yen (+153.3%, year-on-year.)

We recorded an inflow of net income before taxes of 5,028 million yen, depreciation of 470 million yen, and an increase in accounts payable of 248 million yen. This is due to a higher volume of product procurement, with an outflow of tax payments of 2,133 million yen and an increase in inventories of 1,914 million yen as a result of our business expansion.

Cash Flows from Investing Activities

Cash flows used in investing activities totaled 2,311 million yen (+107%, year-on-year.)

This significant rise is primarily attributable to expenditures arising from the purchase of tangible fixed assets for new store openings and renovation of existing stores (1,650 million yen), long-term lease deposits (357 million yen), and the purchase of intangible assets (213 million yen.)

Cash Flows from Financing Activities

Cash flows from financial activities showed an inflow of 589 million yen, compared to an outflow of 1,646 million yen recorded in the previous year.

An outflow of dividends paid based on our dividend policy (284 million yen) and other items were sufficiently covered by an inflow of short-term borrowings and long-term debt (736 million yen) and proceeds from exercise of stock options (137 million yen.)

7. Cash Dividends

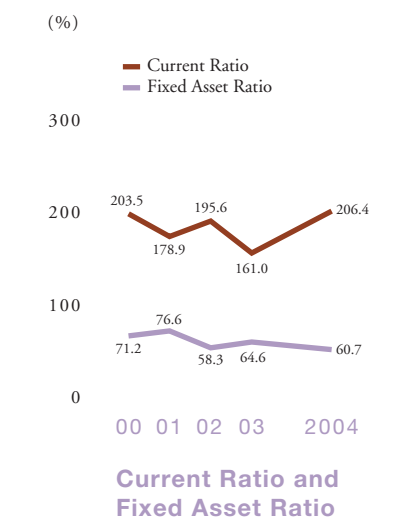
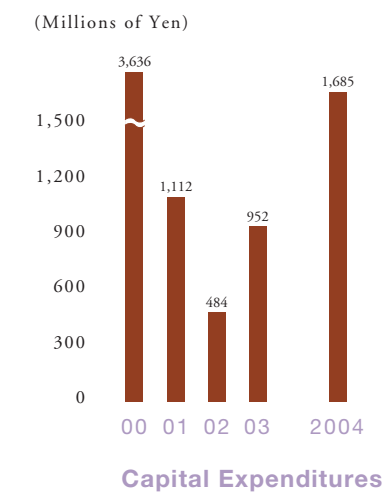
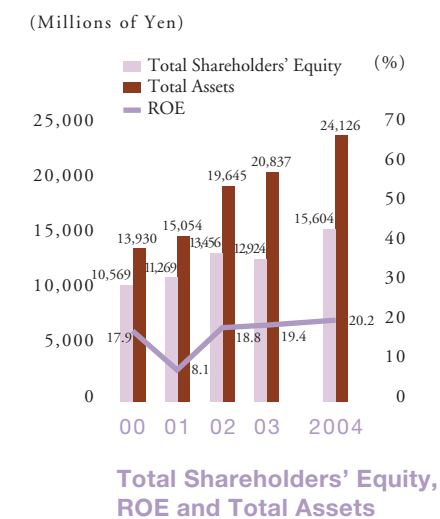
The year-end dividend for fiscal 2004 is 26.50 yen per share (interim dividend: 10 yen per share), an increase of 3.50 yen over the previous term.

In addition, our Board of Directors approved on February 4, 2004 a stock split, under which each share of common stock will be split into two shares (taking effect on May 20, 2004.)

Sales by Category of Merchandise

	Millions of Yen								
	2002			2003			2004		
	amounts	%	YOY	amounts	%	YOY	amounts	%	YOY
Men's clothes	¥ 12,283	45.6	149.2	¥ 17,292	49.0	140.8	¥ 21,411	49.9	123.8
Women's clothes	10,228	38.0	139.3	13,218	37.5	129.2	16,208	37.8	122.6
Silver & Leather	3,135	11.6	120.9	3,055	8.7	97.5	3,142	7.3	102.9
Miscellaneous	647	2.4	191.7	1,045	2.9	161.6	1,508	3.5	144.4
Others	650	2.4	80.5	662	1.9	101.8	634	1.5	95.7
Total	¥ 26,943	100.0	139.5	¥ 35,272	100.0	130.9	¥ 42,903	100.0	121.6

Note: "Others" includes wholesale sales, outside shop and café sales and formal wears rental.



Balance Sheets

UNITED ARROWS LTD.

March 31, 2004 and 2003

Thousands of Yen

Thousands of
U.S. Dollars (Note 1)

Thousands of Yen

Thousands of
U.S. Dollars (Note 1)

	2004	2003	2004
ASSETS			
Current Assets:			
Cash and cash equivalents	¥ 1,623,428	¥ 1,468,234	\$ 15,572
Time deposits	10,034	10,030	96
Notes and accounts receivable-			
Trade	84,206	78,444	808
Other	2,747,274	2,729,211	26,353
Inventories (Note 4)	9,594,054	7,679,760	92,029
Deferred tax assets (Note 7)	432,603	372,261	4,150
Others	168,764	144,411	1,619
Total current assets	14,660,363	12,482,351	140,627
Fixed Assets:			
Tangible Fixed Assets-			
Land	1,082,072	1,082,072	10,380
Buildings and structures	4,577,305	3,848,031	43,907
Furniture and fixtures	889,642	662,862	8,534
Construction-in-progress	372	8,954	3
Accumulated depreciation	(1,524,339)	(1,369,367)	(14,622)
Total tangible fixed assets	5,025,052	4,232,552	48,202
Intangible Fixed Assets-			
Software	346,986	372,186	3,329
Lease tenant rights	138,165	138,166	1,325
Other	23,167	24,976	222
Total intangible fixed assets	508,318	535,328	4,876
Investments and Other Assets:			
Investment securities (Note 3)	—	6,776	—
Long-term lease deposits	3,447,214	3,089,831	33,067
Long-term prepaid expenses	384,848	376,805	3,691
Deferred tax assets (Note 7)	99,563	112,626	955
Other	65,082	88,026	624
Allowance for doubtful accounts	(64,676)	(87,400)	(620)
Total investments and other assets	3,932,031	3,586,664	37,717
Total assets	¥ 24,125,764	¥ 20,836,895	\$ 231,422

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

	2004	2003	2004
Notes and accounts payable-			
Trade	¥ 3,329,967	¥ 3,081,745	\$ 31,942
Other	938,176	1,455,400	8,999
Short-term borrowings (Note 6)	300,000	1,400,000	2,878
Current portion of long-term debt (Note 6)	656,000	—	6,293
Income taxes payable (Note 7)	1,183,863	1,118,563	11,356
Consumption tax payable	150,615	128,357	1,445
Accrued bonuses	421,695	421,782	4,045
Accrued expenses	39,549	34,149	379
Other	83,931	113,140	805
Total current liabilities	7,103,795	7,753,136	68,142

Long-Term Liabilities:

Long-term debt (Note 6)	1,180,000	—	11,319
Accrued retirement benefits for directors	117,139	103,651	1,124
Other	120,961	55,916	1,160
Total long-term liabilities	1,418,100	159,567	13,603
Total liabilities	8,521,895	7,912,703	81,745

Shareholders' Equity (Note 9, 10):

Common stock, no par value-	3,030,000	3,030,000	29,065
Authorized: 47,700,000 shares			
Issued: 11,925,000 shares at March 31, 2003			
11,925,000 shares at March 31, 2004			
Additional paid-in-capital	4,095,600	4,095,600	39,286
Legal reserve	31,035	31,035	297
Retained earnings	11,073,844	8,558,557	106,224
Treasury stock, at cost	(2,626,610)	(2,791,000)	(25,195)
Shares: 1,000,000 shares at March 31, 2003			
941,100 shares at March 31, 2004			
Total shareholders' equity	15,603,869	12,924,192	149,677
Total liabilities and shareholders' equity	¥ 24,125,764	¥ 20,836,895	\$ 231,422

Statements of Income

UNITED ARROWS LTD.

Years ended March 31, 2004 and 2003

Thousands of Yen

Thousands of U.S. Dollars (Note 1)

	2004	2003	2004
Sales	¥ 42,903,183	¥ 35,271,577	\$ 411,541
Cost of sales	20,180,308	16,416,934	193,576
Gross profit	22,722,875	18,854,643	217,965
Operating expenses	17,481,628	14,030,603	167,689
Operating income	5,241,247	4,824,040	50,276
Other income (expenses):			
Interest income	180	485	2
Interest expense	(11,242)	(3,822)	(108)
Exchange gains	14,133	11,228	136
Rental income, net	22,933	18,939	220
Donations	(22,376)	(58,110)	(215)
Additional treasury stock expense	—	(18,475)	—
Gain (loss) on sale or disposal of fixed assets, net	(262,279)	(143,488)	(2,516)
Impairment of value of securities	—	(4,525)	—
Loss on sample products	—	(90,563)	—
Allowance for doubtful accounts	—	(16,300)	—
Reversal of allowance for doubtful accounts	22,724	—	218
Other, net	23,127	(19,035)	222
	(212,800)	(323,666)	(2,041)
Net income before taxes:	5,028,447	4,500,374	48,235
Income taxes (Note 7)-			
Current	2,198,127	2,067,636	21,085
Deferred	(47,280)	(128,876)	(453)
	2,150,847	1,938,760	20,632
Net income	2,877,600	2,561,614	27,603
Retained earnings-beginning balance	8,332,528	6,080,418	79,928
Interim dividend paid	(109,367)	(83,475)	(1,049)
Exercise of stock options	(26,917)	—	(258)
Unappropriated retained earnings for the year	¥ 11,073,844	¥ 8,558,557	\$ 106,224

In exact Yen

In exact U.S. Dollars

Per share:

	¥	¥	\$
Net income	258.97	215.01	2.484
Cash dividends	26.50	23.00	0.254

The accompanying notes are an integral part of these financial statements.

Statements of Shareholders' Equity

UNITED ARROWS LTD.

Years ended March 31, 2004 and 2003

Thousands of Yen

	Number of common stock shares	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock, at cost
Balance at March 31, 2002:	11,925,000	¥3,030,000	¥4,095,600	¥ 31,035	¥ 6,299,695	¥ —
Net income for the year 2003	—	—	—	—	2,561,614	—
Prior year year-end appropriation-						
Cash dividends	—	—	—	—	(172,912)	—
Bonuses to directors	—	—	—	—	(46,365)	—
Current year interim appropriation-						
Cash dividends	—	—	—	—	(83,475)	—
Purchase of common stock	(1,000,000)	—	—	—	—	(2,791,000)
Balance at March 31, 2003:	10,925,000	3,030,000	4,095,600	31,035	8,558,557	(2,791,000)
Net income for the year 2004	—	—	—	—	2,877,600	—
Prior year year-end appropriation-						
Cash dividends	—	—	—	—	(174,800)	—
Bonuses to directors	—	—	—	—	(51,229)	—
Current year interim appropriation-						
Cash dividends	—	—	—	—	(109,367)	—
Exercise of stock options	58,900	—	—	—	(26,917)	164,390
Balance at March 31, 2004	10,983,900	¥3,030,000	¥4,095,600	¥ 31,035	¥11,073,844	(¥2,626,610)

Thousands of U.S. Dollars

	Number of common stock shares	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock, at cost
Balance at March 31, 2003:	11,925,000	\$ 29,065	\$ 39,286	\$ 297	\$ 82,096	(\$ 26,772)
Net income for the year 2004	—	—	—	—	27,603	—
Prior year year-end appropriation-						
Cash dividends	—	—	—	—	(1,677)	—
Bonuses to directors	—	—	—	—	(491)	—
Current year interim appropriation-						
Cash dividends	—	—	—	—	(1,049)	—
Exercise of stock options	58,900	—	—	—	(258)	1,577
Balance at March 31, 2004	10,983,900	\$ 29,065	\$ 39,286	\$ 297	\$ 106,224	(\$ 25,195)

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

UNITED ARROWS LTD.

Years ended March 31, 2004 and 2003

Thousands of Yen

Thousands of
U.S. Dollars (Note 1)

	2004	2003	2004
Cash flows from operating activities:			
Net income before taxes	¥ 5,028,447	¥ 4,500,374	\$ 48,235
Depreciation	470,066	371,579	4,509
Amortization of intangible fixed assets	155,750	128,322	1,494
Amortization of long-term prepaid expenses	53,968	44,537	518
Increase (decrease) in accrued bonuses	(87)	112,977	(1)
(Decrease) increase in accrued retirement benefits	13,488	222	129
Increase in allowance for doubtful accounts	(22,724)	16,300	(218)
Interest and dividend income	(180)	(485)	(2)
Interest expense	11,242	3,822	108
Impairment of value of securities	—	4,525	—
Loss on sale of securities	2,684	—	26
Loss on disposal of tangible fixed assets	167,791	117,923	1,610
(Gain) loss on sale of tangible fixed assets	8,491	36	81
Loss on disposal of long-term prepaid expenses	6,433	—	62
Loss on disposal of intangible fixed assets	31,084	25,529	298
Loss on cancellation of insurance reserve fund	—	5,123	—
Increase in accounts receivable	(33,992)	(318,524)	(326)
(Increase) decrease in inventories	(1,914,293)	(2,251,811)	(18,363)
Decrease (increase) in other current assets	(18,621)	10,264	(179)
Increase in accounts payable	248,223	452,606	2,381
Increase in other current liabilities	(201,016)	57,330	(1,928)
Decrease in other long-term liabilities	65,045	(10)	624
Bonuses to directors	(51,229)	(46,365)	(491)
Subtotal	4,020,570	3,234,274	38,567
Receipt of interest and dividends	179	485	2
Payment of interest	(11,026)	(3,822)	(106)
Payment of income taxes	(2,132,826)	(2,489,992)	(20,459)
Net cash from operating activities	1,876,897	740,945	18,004
Cash flows from investing activities:			
Guarantee deposits paid	(357,382)	(291,248)	(3,428)
Purchase of intangible assets	(213,202)	(146,234)	(2,045)
Payment of long-term prepaid expenses	(103,892)	(110,769)	(997)
Decrease (increase) in other investments	—	15,229	—
Proceeds from sale of tangible fixed assets	8,825	8,220	85
Purchase of tangible fixed assets	(1,649,678)	(592,032)	(15,824)
Others	4,307	469	41
Net cash from (used in) investing activities	(2,311,022)	(1,116,365)	(22,168)
Cash flows from financing activities:			
Increase in short-term borrowings	(600,000)	1,400,000	(5,755)
Proceeds from long-term debt	2,000,000	—	19,184
Repayments of long-term debt	(664,000)	—	(6,369)
Purchase of treasury stocks	—	(2,791,000)	—
Proceeds from exercise of stock options	137,473	—	1,319
Dividends paid	(284,154)	(255,471)	(2,726)
Net cash used in financing activities	589,319	(1,646,471)	5,653
Net increase (decrease) in cash and cash equivalents	155,194	(2,021,891)	1,489
Cash and cash equivalents at beginning of the year	1,468,234	3,490,125	14,083
Cash and cash equivalents at end of the year	¥ 1,623,428	¥ 1,468,234	\$ 15,572

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

UNITED ARROWS LTD.

For the years ended March 31, 2004 and 2003

1. Major Policies Adopted in Preparation of the Financial Statements:

The accompanying financial statements of UNITED ARROWS LTD. are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. In addition, the notes to the financial statements include financial information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The Company maintains its accounting records in yen. The dollar amounts included in the financial statements and notes thereto represent the arithmetical result of translating yen to dollars on the basis of ¥104.25 = US\$1, the approximate current rate of exchange prevailing on March 31, 2004. The inclusion of such amounts is solely for the convenience of readers and is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

2. Significant Accounting Policies:

(1) Cash and cash equivalents -

Cash and cash equivalents included in the financial statements comprise cash in hand, bank deposits capable of being withdrawn on demand, and highly liquid investments with initial maturities of three months or less which represent a low risk of fluctuation in value.

(2) Translation of foreign currencies -

Foreign currency transactions have been translated using the foreign exchange rates prevailing at the respective transaction dates. All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, have been translated at the foreign exchange rates prevailing at the respective balance sheet dates.

(3) Marketable securities and investment securities -

Securities are classified into four categories; 'trading', 'held-to-maturity debt', 'securities of subsidiaries and affiliates', and 'other securities'. Securities held by the Company are classified as 'other securities'.

The Company has followed the Japanese accounting standard in calculating the carrying value of its securities. Securities

designated as 'available-for-sale', whose fair values are readily determinable, are stated at fair value at the balance sheet date, and the unrealized gains or losses are disclosed at the net of taxes in the "Shareholders' Equity". Other than temporary declines in the value of the securities are charged to current expenses.

(4) Inventories -

"Inventories" consist of merchandise and supplies. Merchandise is stated at cost based on the weighted average method, while supplies are stated at cost based on the last invoice method.

(5) Property and equipment -

Depreciation of property and equipment, except for buildings, is computed using the declining-balance method at rates based on the estimated useful lives of the respective assets.

Depreciation of buildings is computed using the straight-line method over the buildings' estimated useful lives.

The useful lives of major asset categories are as follows:

Buildings	3-39 years
Structures	7-20 years
Furniture & fixtures	2-20 years

(6) Intangible assets and other assets -

Intangible assets mainly consist of software for internal use. Intangible assets are amortized on a straight-line basis. Software for internal use is amortized over 5 years. Long-term prepaid expenses are amortized on a straight-line basis over 5 to 10 years.

(7) Allowance for doubtful accounts -

The allowance for doubtful accounts consists of a general reserve and a specific reserve. The general reserve is provided based upon past loss experience. The specific reserve is provided to cover estimated losses on specific doubtful accounts.

(8) Accrued bonuses -

Accrued bonuses to employees are provided for based on the estimated amounts, which the Company is obliged to pay to employees after the fiscal year end based on services provided during the current period.

(9) Accrued retirement benefits -

The Company established a new Employee Retirement Regulation on February 1, 2002 and adopted a defined contribution benefit plan. There was no projected benefit

obligation as of March 31, 2004 and 2003 under the new Employee Retirement Regulation.

The obligation for severance indemnity benefits in connection with the directors' pension plan is provided for through accruals at 100% of the pension obligation, on the assumption that all directors retire at the respective balance sheet dates.

(10) Income taxes -

Deferred income taxes are recorded to reflect the expected future tax consequences of temporary differences between the tax basis of assets and liabilities and that reported in the financial statements, and are measured by applying currently enacted tax law.

(11) Consumption tax -

Consumption tax is imposed at a flat rate of 5% on all domestic consumption of goods and services (with certain exemptions.)

Consumption taxes paid on purchases and consumption tax withheld from sales are excluded from the respective expense and sales amounts. Instead, net consumption tax payable (receivable) is recorded as a current liability (asset) respectively.

(12) Accounting for hedges -

All derivatives are stated at fair value, with changes in fair value being included in the net profit or loss of the period in which the changes arise, except for derivatives designated as 'hedging instruments'.

Gains or losses arising from changes in the fair value of those derivatives designated as 'hedging instruments' are deferred as an asset or liability and are included in the net profit or loss in the same period in which the gains and losses on the hedged items or transactions are recognized.

Derivatives designated as 'hedging instruments' by the Company are principally coupon swaps (interest rate swaps) and forward exchange contracts.

The Company has a policy to utilize the above hedging instruments to reduce the Company's exposure to the foreign currency exchange rate fluctuation risk of accounts payable. Thus, the Company's purchase of hedging instruments is limited to, at maximum, the amount of the hedged items and the instruments are not used for speculation or dealing purposes.

The Company evaluates the effectiveness of its hedging activities

by reference to the accumulated gains or losses on its hedging instruments and the related hedged items from the commencement of the hedges.

(13) Accounting for leases -

Finance leases, other than those under which ownership of the leased assets is transferred to the lessee, are accounted for as ordinary operating leases.

(14) Earnings per share -

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the statements of income represent dividends declared as applicable to each respective period.

(15) Accounting standard for impairment of fixed assets -

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company has not applied "Accounting Standard for Impairment of Fixed Assets" as of March 31, 2004.

3. Marketable Securities and Investment Securities:

The securities held by the Company at March 31, 2003 were sold and there were no securities at March 31, 2004.

The following is a summary of securities classified as 'other securities' at March 31, 2003:

Other securities	Thousands of Yen				Book value (fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	Impairment	
Stocks	¥ 11,301	—	—	¥ 4,525	¥ 6,776

4. Inventories

"Inventories" as of March 31, 2004 and 2003 consisted of the following:

March 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Men's wear	¥ 4,433,164	¥ 3,440,677	\$ 42,524
Women's wear	3,644,365	2,753,936	34,958
Silver & Leather	1,178,071	1,283,117	11,300
Other	314,807	191,685	3,020
Supplies	23,647	10,345	227
	¥ 9,594,054	¥ 7,679,760	\$ 92,029

5. Derivative Financial Instruments:

The Company uses coupon swaps to hedge against the exchange rate risk associated with monetary payables, contract balances for import transactions and anticipated transactions denominated in foreign currencies.

The Company is exposed to certain market risks arising from coupon swaps. The Company is also exposed to the risk of credit loss in the event of non-performance by counterparties. However, the Company does not anticipate non-performance by any of these counterparties, as all of them are financial institutions with high credit ratings.

The disclosure of fair value information for derivatives at March 31, 2004 and 2003 has been omitted since all derivatives have been accounted for as hedges.

6. Short-Term Borrowings and Long-Term Debt:

"Short-term borrowings" at March 31, 2004 and 2003 consisted of the following:

March 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Unsecured:			
Bank loans with interest rates ranging from 0.35% to 0.37%	¥ 300,000	¥ 900,000	\$ 2,878
Loans from a life insurance company with interest rate of 0.29%	—	500,000	—
	¥ 300,000	¥ 1,400,000	\$ 2,878

"Long-term debt" at March 31, 2004 and 2003 consisted of the following:

March 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Unsecured:			
Loans from a life insurance company with interest rates ranging from 0.44% to 0.69%	¥ 1,836,000	¥ —	\$ 17,612
Less, portion due within one year	(656,000)	—	(6,293)
	¥ 1,180,000	¥ —	\$ 11,319

The aggregate annual maturities of long-term debt outstanding at March 31, 2004 were as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	For the ending March 31, 2004:	
2005	¥ 656,000	\$ 6,293
2006	656,000	6,293
2007	524,000	5,026
Total	¥ 1,836,000	\$ 17,612

7. Income Taxes:

Income taxes applicable to the Company include corporation, enterprise and inhabitant taxes which, in the aggregate, result in a statutory tax rate in Japan of approximately 40.7% for the years ended March 31, 2004 and 2003, respectively.

Deferred tax assets and deferred tax liabilities (both current and non-current) consisted of the following:

March 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets arising from:			
Non-deductible directors' retirement allowances	¥ 47,664	¥ 42,176	\$ 457
Depreciation in excess of tax limit	45,214	32,696	434
Non-deductible enterprise tax payable	104,489	95,464	1,002
Accrued bonuses in excess of tax limit	171,588	153,934	1,646
Allowance for doubtful accounts	26,518	34,017	254
Revaluation of sample products	69,901	62,515	671
Other	66,792	64,084	641
Total deferred tax assets	¥ 532,166	¥ 484,886	\$ 5,105

8. Leases:

The Company uses certain furniture, fixtures and software under finance lease contracts. All such finance lease contracts do not transfer ownership of the leased property to the lessee, and such lease transactions are allowed to be accounted for as ordinary operating leases in Japan. Proforma information regarding leased property for the years ended March 31, 2004 and 2003 is as follows:

March 31, 2004	Thousands of Yen			Thousands of U.S. Dollars
	Cost	Accumulated Depreciation	Carrying Amount	Carrying Amount
Furniture and fixtures	¥ 425,086	¥ 203,458	¥ 221,628	\$ 2,126

March 31, 2003	Thousands of Yen		
	Cost	Accumulated Depreciation	Carrying Amount
Furniture and fixtures	¥ 384,566	¥ 172,859	¥ 211,707
Software	104,285	102,385	1,900
	¥ 488,851	¥ 275,244	¥ 213,607

March 31	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
The scheduled maturities of future lease payments, on such lease contracts were as follows:			
Due within one year	¥ 128,659	¥ 105,888	\$ 1,234
Due over one year	95,055	109,962	912
Lease rental expenses for the year	¥ 223,714	¥ 215,850	\$ 2,146
	¥ 141,815	¥ 129,822	\$ 1,360

The amounts shown above for acquisition cost and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation expenses, which are not reflected in the accompanying statements of income, if computed using the straight-line method, would be ¥137,536 thousand (\$1,319 thousand) and ¥124,808 thousand for the years ended March 31, 2004 and 2003, respectively.

9. Stock-Based Compensation Plan:

In June 2001, the Company's shareholders approved a stock option plan for the directors and selected employees, and under the plan, authorized the granting of 211,700 shares to purchase United Arrows' common stock. The number of ungranted options at March 31, 2003 and March 31, 2004 was 186,400 shares and 124,400 shares, respectively. Exercise of 58,900

shares had occurred as of March 31, 2004. These rights are exercisable from July 1, 2003 to June 30, 2006. The exercise price is ¥2,334 per share.

Additionally, in June 2003, the Company's shareholders approved a stock option plan for the directors and selected employees, and under the plan, authorized the granting of 160,000 shares to purchase United Arrow's common stock. The number of ungranted options at March 31, 2004 was 160,000 shares. No exercise of these options had actually occurred as of March 31, 2004. These rights are exercisable from June 28, 2005 to June 26, 2013. The exercise price is ¥3,301 per share.

10. Subsequent Events:

(1) Retained earnings -

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings (including year-end cash dividend payments) proposed by the Board of Directors should be approved at the shareholders' meeting that must be held within three months of the end of each financial year.

The following proposed appropriation was approved at the shareholders' meeting held on June 28, 2004:

	Thousands of Yen	Thousands of U.S. Dollars
Unappropriated retained earnings for the year	¥11,073,844	\$106,224
Appropriation of retained earnings:		
Transfer to dividends	181,235	1,739
Bonuses to directors	43,164	414
	224,399	2,153
Unappropriated retained earnings carried forward to the next year	¥10,849,445	\$104,071

(2) Stock Split -

The Company halved its stock on May 20, 2004. As a result, the number of issued shares increased from 11,925,000 to 23,850,000.

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

Report of Independent Auditors

To the Board of Directors and Shareholders of UNITED ARROWS LTD.

We have audited the accompanying balance sheets of UNITED ARROWS LTD. as of March 31, 2004 and 2003, and the related statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UNITED ARROWS LTD. as of March 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 28, 2004

Corporate Data

(as of March 31, 2004)

Official Name	UNITED ARROWS LTD.
Headquarters	2-31-12 Jingumae, Shibuya-ku, Tokyo 150-0001, Japan
Telephone	+81-3-6418-0803
URL	http://www.united-arrows.co.jp/
Established	October 2, 1989
Capital	¥3,030 million
Chairman and CEO	Osamu Shigematsu
President and COO	Tetsuya Iwaki
Number of Employees	685
Average Age of Employees	29.2
Business Outline	Planning and Sales of Men's and Women's Apparel, Accessories and Other Products
Independent Auditor	ChuoAoyama Audit Corporation
Sales Composition	Men's 49.9% Women's 37.8% Silver&Leather 7.3% Miscellaneous 3.5% *Others 1.5% * "Others" includes wholesale sales, outside shop and café sales and formal wears rental.

Board of Directors and Corporate Auditors	
Chairman and CEO	Osamu Shigematsu
President and COO	Tetsuya Iwaki
Managing Director	Koichi Mizunoya
Creative Director	Hirofumi Kurino
Managing Director	Hiroshi Takanashi
Director	Hirotooshi Hatasaki
Standing Corporate Auditor	Ryosaku Nishiwaki
Corporate Auditor	Sadaaki Kitagawa
Corporate Auditor	Tadakatsu Sakuragi
Corporate Auditor	Mitsuo Aikawa
	(as of June 28, 2004)

New Stores Information (as of March 31, 2004)

NEW OPEN

UNITED ARROWS

UA Sendai
SAKURANO SENDAI, Chuo, Aoba-ku,
Sendai-shi, Miyagi

UA Nihonbashi
COREDO Nihonbashi, Nihonbashi,
Chuo-ku, Tokyo

GREEN LABEL RELAXING

GLR Kokura
RIVERWALK KITAKYUSHU DECO
CITY, Muromachi, Kita-ku, Kokura,
Kitakyushu-shi, Fukuoka

GLR Shinagawa
Wing TAKANAWA EAST, Takanawa,
Minato-ku, Tokyo

GLR Namba
NAMBA PARKS, Nambanaka, Naniwa-
ku, Osaka

GLR Kitasenju
LUMINE Kitasenju, Senjuasahi-cho,
Adachi-ku, Tokyo

GLR Shizuoka
PARCHE, Kurogane-cho, Shizuoka-shi,
Shizuoka

S.B.U. and UA Labs

ANOTHER EDITION Fukuoka
SOUTH GARDEN, Keiko, Chuo-ku,
Fukuoka-shi, Fukuoka

ANOTHER EDITION Nagoya
NAGOYA PARCO WEST, Sakae, Naka-
ku, Nagoya-shi, Aichi

THE SOVEREIGN HOUSE
Marunouchi, Chiyoda-ku, Tokyo

DRAWER
Minami-aoyama, Minato-ku, Tokyo

Changes UNITED ARROWS Nagoya
Matsuzakaya Nagoya Store South Annex,
Sakae, Naka-ku, Nagoya-shi, Aichi

ENLARGEMENT / RELOCATIONS

UNITED ARROWS

UA Harajuku (For Men/For Women)
Jingumae, Shibuya-ku, Tokyo

UA Futako Tamagawa
TAMAGAWA TAKASHIMAYAS • C
SOUTH, Tamagawa, Setagaya-ku, Tokyo

UA BLUE LABEL STORE Harajuku
Jingumae, Shibuya-ku, Tokyo

UA Umeda
E-ma, Umeda, Kita-ku, Osaka-shi, Osaka

S.B.U. and UA Labs

ANOTHER EDITION Harajuku
Jingumae, Shibuya-ku, Tokyo

Our IR website includes all our stores' information.

Shareholder Information

(as of March 31, 2004)

Total authorized shares
47,700,000

Shares of common stock issued *1
11,925,000

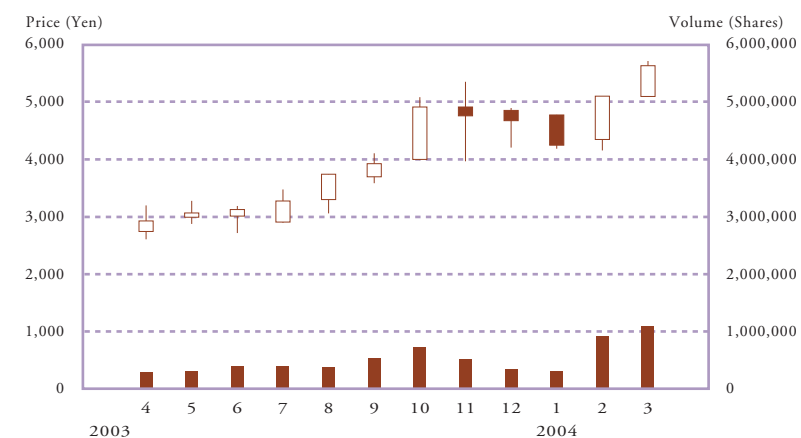
Shareholders
4,453

Major shareholders

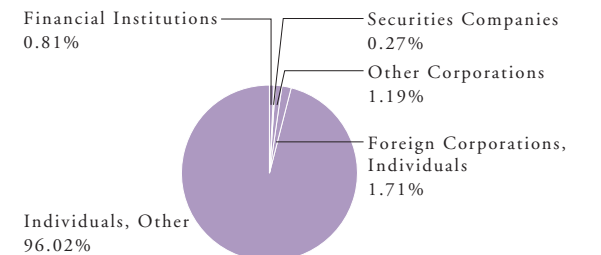
	Number of shares held	Ratio of total shares issued and outstanding (%)
Osamu Shigematsu	1,100,000	9.22
The Master Trust Bank of Japan, Ltd.	1,040,900	8.72
Hirotooshi Hatasaki World. Co., Ltd.	1,000,000	8.38
Japan Trustee Services Bank, Ltd.	775,300	6.50
Tetsuya Iwaki	632,400	5.30
Hirofumi Kurino	563,000	4.72
Koichi Mizunoya	543,000	4.55
Morgan Stanley & Co. INC	393,000	3.29
The Bank of New York (Luxembourg) S.A.	379,300	3.18

Note : 1. Control ratios are rounded down to the nearest two decimal places.
2. The figures above do not include our 941,100 shares of treasury stock.

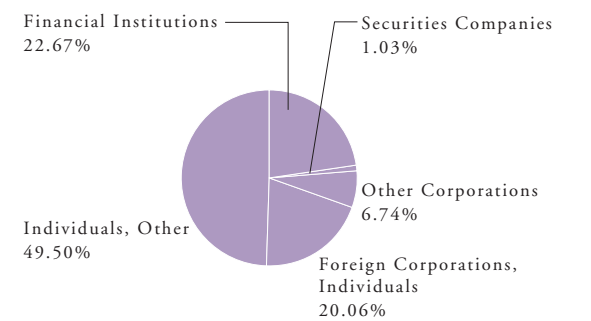
Stock Performance *1,2



Distribution by owners of shares



Distribution by number of shares



Note : 1. The Company split each share into two shares as of May 20, 2004. As a result, the number of issued shares increased by 11,925,000 shares.
2. The share price of March 2004 was adjusted for price fluctuations caused by the share split.

The photographs of inside front cover are the official outfits for Jubilo Iwata -a professional soccer team in Japan premiere Soccer League (J-League.) UNITED ARROWS LTD. supports Jubilo Iwata as an official supplier, having in common its strong will to win, also its slogan of "becoming a world class team", who shares these slogan with their supporters and hometown community. (Left: for Men, Right: for Women)

