

## **CONTENTS**

<a href="#"><u>Brief Report for the Interim Settlement of the Term Ending March 31, 2002 (Non-Consolidated)</u></a>	1
1. <a href="#"><u>Business Result for the Current Interim (from April 1, 2001 to September 30, 2001)</u></a>	2
2. <a href="#"><u>Prospect for the March 2002 Term (from April 1, 2001 to March 31, 2002)</u></a>	2
1. <a href="#"><u>Management Policy</u></a>	3
2. <a href="#"><u>Business Performance</u></a>	5
3. <a href="#"><u>Financial Statements</u></a>	7
(1) <a href="#"><u>Balance Sheets</u></a>	7
(2) <a href="#"><u>Statements of Income</u></a>	9
(3) <a href="#"><u>Statements of Cash Flows</u></a>	10

November 12, 2001

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**Brief Report for the Interim Settlement  
of the Term Ending March 31, 2002  
(Non-Consolidated)**

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<b>Corporate Name:</b>	<b>United Arrows Ltd.</b>
<b>Registered Name:</b>	<b>U-Arrows</b>
<b>Code Number:</b>	<b>7606</b>
<b>Location of Main Office:</b>	<b>Tokyo</b>
<b>Address:</b>	<b>2-31-12 Jingumae, Shibuya-ku, Tokyo</b>
<b>Contact Person:</b>	<b>Tsuyoshi Horoiwa, Financial Manager</b>
<b>Telephone :</b>	<b>03-3479-8192</b>
<b>Date of the Board of Directors Meeting for Closing of Accounts:</b>	<b>November 12, 2001</b>
<b>Interim Dividend Payment:</b>	<b>Yes.</b>
<b>Date of Interim Dividend Payment:</b>	<b>December 10, 2001</b>

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\*The "Brief Report for the Interim Settlement of the Term Ending March 31, 2002" is an English translation of the original Japanese. If any doubts arise as to the interpretation of this English version, the Japanese version shall take precedence.

**1. Business Result for the Current Interim (from April 1, 2001 to September 30, 2001) for the Fiscal Year ending on March 31, 2002**

(1) Business Performance

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

	Sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Current Interim	11,430	( 35.0)	1,353	( 220.5)	1,385	( 216.9)
Previous Interim	8,467	( 10.3)	422	( -54.9)	437	( -46.6)
Previous Term	19,314		1,631		1,641	
	Net income		Net income per share		Net income per share including dilutive securities	
	¥million	%	¥		¥	
Current Interim	975	( 464.2)	81.82		-	
Previous Interim	172	( -55.5)	14.50		-	
Previous Term	879		73.74		-	

Notes1. Investment gains and losses by equity method

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

2. The average number of shares during the terms

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

3. Changes in accounting policy No.

4. The percentages stated above show changes from previous period

(2) Dividend

	Interim dividend per share	Annual dividend per share
	¥	¥
Current Interim	5.00	-
Previous Interim	5.00	-
Previous Term	-	11.00

(3) Financial Situation

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	¥million	¥million	%	¥
Current Interim	17,802	12,173	68.4	1,020.82
Previous Interim	14,787	10,622	71.8	890.76
Previous Term	15,053	11,269	74.9	944.99

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

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

(4) Cash Flows Situation

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
	¥million	¥million	¥million	¥million
Current Interim	231	866	( 71)	1,897
Previous Interim	326	( 658)	( 119)	767
Previous Term	1,737	( 1,904)	( 178)	871

**2. Prospect for the March 2002 Term (from April 1, 2001 to March 31, 2002)**

	Sales	Ordinary income	Net income	Annual dividend per share	
	¥million	¥million	¥million	Term-end	
				¥	¥
Full-term	24,902	3,123	1,895	11.00	16.00

Reference data : Estimated net income per share (full-term): ¥ 158.95

## 1. Management Policy

### (1) Basic management policy

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

“We aim to contribute to society by improving living standards, culture and society through the development of products and the environment. This reflects our strong intention to continue to establish and pursue a proper sense of value that would serve as a model for Japanese lifestyles and cultures through our business.

To carry our resolution forward, we have set for ourselves the following five values we should create:

“Value for the customers,” “value for our employees,” “value for our business partners,” “value for local communities,” “value for our shareholders.” We are trying to create and offer values to all the stakeholders, shareholders, and communities involved as long as we exist.

Thus, we are determined to create those five values as well as to help the Japanese society improve its standards of living and cultures, as a good corporate citizen.

### (2) Basic policy concerning profit distribution

Recognizing that maximizing the shareholder value is a matter of the greatest importance for the management, we intend to return profits to our shareholders by such means as increased dividend payments and stock splits. We also intend to enhance our reputation on the stock market and increase our market capitalization to the greatest extent in order to increase the shareholder value.

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

Based on the described above, our interim dividend payout for the current fiscal period is expected to be ¥5 per stock, final dividend ¥11 per stock, and annual dividend ¥16.

### (3) Mid- and long-term management strategy

Our basic business strategy consists of the following three factors:

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

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

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

The above strategies are aimed at operating multiple number of different types of business with high store loyalty by limiting the number of stores, including “United Arrows,” currently the main line of our business. At the same time, we aim at maximizing per-store sales by increasing the floor space of each of our stores.

Carrying this strategy onwards, we aim to grow further into a “high value-added, multi-business unit innovative retailer.”

#### (4) Tasks need to be accomplished

Looking at the economic environment as it stands now and at least for the time being, economy is cooling down and stock prices are on the decline in the U.S. as well as in other parts of the world. While the future of Japan's economy remains uncertain, individual consumption is expected to remain sluggish. A full recovery of the nation's economy is still beyond our sight.

In our own field of business, retailing of clothes and other items, this aggravating economy is expected to affect the consumers' psychology adversely. This means we are facing more of hard times.

To get over this harsh situation, we have chosen two principles in business, namely, "enhancing our product development" and "maximizing customers' satisfaction."

Now, we are seeking to achieve the following four goals in order to make the two principles real:

"Broad lineups of items to let every customer get what he/she wants whenever she/he wants to"

"Stimulating lineups of items to excite customers"

"Efficient and correct operation of the stores to satisfy customers' needs"

"Sales promotion activities that stimulate customers' willingness to buy and show the best of the stores and their items"

By going after those goals, we believe to differentiate ourselves effectively from our competitors.

#### (5) Targeting indexes

We are striving to achieve the following goals:

Return on equity (ROE): 20% or higher

Operating income / sales ratio: 15%

## 2. Business Performance

### (1) Overview of this interim

In the current interim fiscal period, we are witnessing very weak recovery in investments in machinery and equipment as well as in individual consumption. The economies outside Japan are also weakening, as typified by the rapid plunge in demand for information technologies. Japan's economy is heading for a further decline.

In our own field of business, retailing of clothes and other items, while the long-sluggish individual consumption has been hurting this particular field for several years by now, the harsh price competition has added to the long economic slump. As a result, winners and losers are becoming more evident in this field. Many of the unprofitable companies are closing down or forced to reorganize themselves.

Facing this tough situation, we have been carrying out measures to achieve the following four goals in order that we can differentiate ourselves fully from our competitors: "Broad lineups of items to let every customer get what he/she wants whenever she/he wants to," "Stimulating lineups of items to excite customers," "Efficient and correct operation of the stores to satisfy customers' needs," and "Sales promotion activities that stimulate customers' willingness to buy and show the best of the stores and their items."

With respect of opening of new stores, we opened the 20<sup>th</sup> store of "United Arrows," our Hiroshima Store, at Naka-ku, Hiroshima-shi, in September 2001.

Turning our eyes to our "Green Label Relaxing" business, we renewed a store in Machida, Tokyo, which offers a very broad and rich lineup of items covering stationery, toys, accessories, furniture, and more.

Our test-marketing store, "UA Labo," has also launched its second "Another Edition" store, namely "Another Edition Kyoto," at Shimogyo-ku, Kyoto-shi, in September 2001. We have been conducting this test-marketing business with a view to increasing the number of stores of Another Edition.

Concerning our sales activities, we have reviewed and reconsidered our product strategy and introductions of products in order to enhance the inventory at each store of ours. This has resulted in significantly fewer items missing in each store's inventory, which in turn has brought many of those customers who left for some competitors back to our stores. Also, the early fall of 2001 was colder than it was in the several preceding years, which collected a lot more customers to our stores as we launched the sales of fall items. Those successful factors gave us sales much exceeding our initial projection as well as our result for the previous fall.

Thanks to the efforts and the successes mentioned above, sales for the current interim fiscal period totaled ¥11,430 million, +35.0% in the same period of the previous year, current ordinary income was ¥1,385 million, +216.9% in the same period of the previous year, and interim net income was ¥975 million, +464.2% in the same period of the previous year.

In addition, we sold our former headquarters building, located at Jingumae 3-shome, Shibuya-ku, Tokyo, in June 2001 as part of our efforts to manage our assets more effectively. The gain on its sale is recorded under the Extraordinary income.

As we mentioned earlier, our profit sharing policy is to pay interim dividends of ¥5 per stock and annual dividends of ¥16 per stock.

## (2) Outlook for the term

As far as the general economic situation is concerned, as we said before, we see no signs of recovery in individual consumption, employment, or people's incomes. Our nation's economy is still in the long slump. We are still searching for signs of recovery.

Our own field of business, retailing of clothes and other items, is no exception. The current gloomy economic situation will affect the consumers' psychology adversely and we will have to get over more of hard times.

Thus, we are determined to continue our efforts to follow the two principles mentioned earlier, namely, "enhancing our product development" and "maximizing customers' satisfaction." Those efforts should differentiate our business further from those of our competitors.

In addition, we will keep up with the ongoing reorganization of our corporate structure, to enhance our corporate management and enable our business to grow steadily over the long run. As part of this structural reorganizing, we founded our "Administration Division" on October 1<sup>st</sup>, 2001, which centrally controls all of our managerial functions and streamlines our business operations further. We have also founded the "Business Development Department," a department specializing in development of new business unit. This new department should promote the development of our test-marketing stores of "UA Labo."

Turning our eyes to launches of new stores, our "Green Label Relaxing" business unit has not launched another store after its fifth one. Now, next spring, we will resume launches of some new stores. We reconsidered the concept of this business and set it to a new direction. Its business results rapidly picked up after those measures, and now we are certain "Green Label Relaxing" business unit has established the right business model for itself. We plan to kick off multiple new stores in the Tokyo area as well as the first store of this business unit in the Osaka area.

For the whole Fiscal 2002, we expect to achieve sales of ¥24,902 million, up 28.9% from the previous year, ordinary income of ¥3,123 million, up 90.3% from the previous year, and net income of ¥1,895 million, up 115.5% from the previous year.

### 3. Financial Statements

#### (1) Balance Sheets

					(In thousand of yen)	
	September 30				March 31	
	2001		2000		2001	
	Amount	%	Amount	%	Amount	%
<b>Assets:</b>						
<b>I Current assets</b>						
1. Cash and deposits	785,205		298,512		544,611	
2. Notes and accounts receivable-trade	127,713		212,443		89,300	
3. Marketable securities	1,400,000		600,000		600,000	
4. Inventories	5,246,826		3,771,675		3,165,258	
5. Notes and accounts receivable-other	1,956,230		1,282,450		1,725,505	
6. Other	475,169		500,804		296,667	
7. Allowance for doubtful accounts	-		(6,170)		-	
<b>Total current assets</b>	<b>9,991,145</b>	<b>56.1</b>	<b>6,659,716</b>	<b>45.0</b>	<b>6,421,343</b>	<b>42.7</b>
<b>II Fixed assets</b>						
<b>(1) Tangible fixed assets</b>						
1. Buildings	2,636,622		3,015,791		3,067,712	
2. Lands	1,082,072		1,454,684		1,454,684	
3. Other	355,904		325,369		412,252	
<b>Total tangible fixed assets</b>	<b>4,074,599</b>	<b>22.9</b>	<b>4,795,844</b>	<b>32.4</b>	<b>4,934,649</b>	<b>32.8</b>
<b>(2) Intangible fixed assets</b>	<b>575,971</b>	<b>3.2</b>	<b>661,809</b>	<b>4.5</b>	<b>627,199</b>	<b>4.1</b>
<b>(3) Investments and other assets</b>						
1. Long-term lease deposits	2,694,797		2,212,175		2,608,306	
2. Others	537,303		458,565		533,140	
3. Allowance for doubtful accounts	(71,100)		(450)		(71,100)	
<b>Total investment and other assets</b>	<b>3,161,001</b>	<b>17.8</b>	<b>2,670,290</b>	<b>18.1</b>	<b>3,070,347</b>	<b>20.4</b>
<b>Total fixed assets</b>	<b>7,811,572</b>	<b>43.9</b>	<b>8,127,945</b>	<b>55.0</b>	<b>8,632,196</b>	<b>57.3</b>
<b>Total assets</b>	<b>17,802,718</b>	<b>100.0</b>	<b>14,787,661</b>	<b>100.0</b>	<b>15,053,539</b>	<b>100.0</b>



(In thousand of yen)						
	September 30				March 31	
	2001		2000		2001	
	Amount	%	Amount	%	Amount	%
<b>Liabilities:</b>						
<b>I Current liabilities</b>						
1. Notes and accounts payable-trade	3,168,635		2,156,248		2,035,649	
2. Notes and accounts payable-other	824,193		808,612		684,383	
3. Income taxes payable	870,211		216,285		291,634	
4. Accrued bonuses	367,106		185,577		204,197	
5. Others	214,013		469,046		374,158	
<b>Total current liabilities</b>	<b>5,444,160</b>	<b>30.6</b>	3,835,769	26.0	3,590,022	23.8
<b>Long-term liabilities</b>						
1. Allowance for employee retirement	-		132,312		-	
2. Allowance for officer severance	129,275		117,715		123,730	
3. Long-term accounts payable	-		55,834		36,128	
4. Long-term guarantee deposits received	55,926		10,760		34,540	
5. Long-term deferred revenue	-		12,972		-	
<b>Total long-term liabilities</b>	<b>185,201</b>	<b>1.0</b>	329,594	2.2	194,398	1.3
<b>Total liabilities</b>	<b>5,629,362</b>	<b>31.6</b>	4,165,363	28.2	3,784,420	25.1
<b>Shareholders' equity:</b>						
<b>Capital</b>	<b>3,030,000</b>	<b>17.0</b>	3,030,000	20.5	3,030,000	20.1
<b>Additional paid-in-capital</b>	<b>4,095,600</b>	<b>23.0</b>	4,095,600	27.7	4,095,600	27.2
<b>Legal reserve</b>	<b>31,035</b>	<b>0.2</b>	17,917	0.1	23,880	0.2
<b>Retained earnings</b>						
Unappropriated retained earnings for the term	5,016,721		3,478,780		4,119,638	
<b>Total other surplus</b>	<b>5,016,721</b>	<b>28.2</b>	3,478,780	23.5	4,119,638	27.4
<b>Total shareholders' equity</b>	<b>12,173,356</b>	<b>68.4</b>	10,622,298	71.8	11,269,118	74.9
<b>Total liabilities and shareholders' equity</b>	<b>17,802,718</b>	<b>100.0</b>	14,787,661	100.0	15,053,539	100.0

## (2) Statements of Income

	(In thousand of yen)					
	Six-month period ended Sep.30				Year ended Mar. 31, 2001	
	2001		2000			
	Amount	%	Amount	%	Amount	%
<b>Sales</b>	<b>11,430,792</b>	<b>100.0</b>	8,467,755	100.0	19,314,895	100.0
<b>Cost of sales</b>	<b>5,309,001</b>	<b>46.4</b>	3,894,392	46.0	9,125,293	47.2
Gross profit	<b>6,121,791</b>	<b>53.6</b>	4,573,363	54.0	10,189,601	52.8
<b>Operating expenses</b>	<b>4,768,631</b>	<b>41.8</b>	4,151,104	49.0	8,557,793	44.3
<b>Operating income</b>	<b>1,353,160</b>	<b>11.8</b>	422,259	5.0	1,631,808	8.5
<b>Non-operating income</b>	<b>82,655</b>	<b>0.7</b>	49,986	0.6	99,029	0.5
<b>Non-operating expenses</b>	<b>50,669</b>	<b>0.4</b>	35,145	0.4	88,892	0.5
<b>Ordinary income</b>	<b>1,385,145</b>	<b>12.1</b>	437,100	5.2	1,641,945	8.5
<b>Extraordinary income</b>	<b>371,616</b>	<b>3.3</b>	1,780	0.0	143,246	0.7
<b>Extraordinary expenses</b>	<b>79,846</b>	<b>0.7</b>	123,260	1.5	241,698	1.2
Net income before taxes	<b>1,676,916</b>	<b>14.7</b>	315,619	3.7	1,543,493	8.0
Income taxes- current	<b>854,276</b>		195,398		724,436	
Income taxes- deferred	<b>(153,147)</b>	<b>701,128</b>	<b>6.2</b>	(52,717)	142,681	1.7
Net income	<b>975,787</b>	<b>8.5</b>	172,938	2.0	879,384	4.6
Retained earning beginning balance	<b>4,040,933</b>		3,305,841		3,305,841	
Interim dividend payment	-		-		59,625	
Interim legal reserve	-		-		5,962	
<b>Unappropriated retained earnings for the term</b>	<b>5,016,721</b>		3,478,780		4,119,638	

## (3) Statements of Cash Flows

	Six-month period ended Sep.30		(In thousand of yen)
	2001	2000	Year ended Mar. 31,2001
	Amount	Amount	Amount
<b>Cash flows from operating activities</b>			
Net income before taxes	1,676,916	315,619	1,543,493
Depreciation	184,993	156,957	349,822
Amortization of intangible fixed assets	64,473	54,413	113,083
Amortization of long-term prepaid expenses	16,614	7,857	21,837
Valuation loss on securities	38,513	-	-
Increase (decrease) in allowance for employee bonuses	162,908	(28,595)	(9,975)
Increase in allowance for employee retirement	-	132,312	-
Increase in allowance for officer severance	5,545	5,926	11,941
Increase (decrease) in allowance for doubtful accounts	-	(1,780)	62,700
Interest and dividend income	(10,980)	(11,652)	(14,973)
Interest expense	29	343	2,110
Losses on disposal of tangible fixed assets	41,332	6,534	33,716
Losses on sale of tangible fixed assets	-	-	380
Gain on sale of tangible fixed assets	(323,832)	-	-
Increase in accounts receivable	(340,117)	(151,873)	(410,635)
Decrease (increase) in inventories	(2,081,567)	(526,956)	79,460
Increase in accounts payable	1,132,986	602,055	481,455
Decrease (increase) in other current assets	(18,879)	11,402	(67,811)
Decrease in other fixed assets	672	-	-
Increase (decrease) in other current liabilities	(39,099)	30,484	254,682
Decrease in other long-term liabilities	(14,742)	(19,706)	(5,552)
<b>Subtotal</b>	<b>495,767</b>	<b>583,344</b>	<b>2,445,736</b>
Receipt of interest and dividend	10,980	11,652	14,973
Payment of interest	(29)	(343)	(2,110)
Payment of income taxes	(275,699)	(267,657)	(721,347)
<b>Net cash from operating activities</b>	<b>231,019</b>	<b>326,995</b>	<b>1,737,251</b>
<b>Cash flows from investing activities</b>			
Deposit to time deposits	(157,000)	(131,000)	(213,009)
Draw from time deposits	142,000	459,000	399,000
Proceeds from sale of tangible fixed assets	1,118,210	-	13
Purchase of tangible fixed assets	(104,830)	(605,081)	(1,088,856)
Purchase of securities	-	-	(49,412)
Increase of staff loan	(319)	(216)	(316)
Net guarantee deposits paid	(86,491)	(169,747)	(565,879)
Purchase of other investments	(45,444)	(211,224)	(386,350)
<b>Net cash used in investing activities</b>	<b>866,125</b>	<b>(658,269)</b>	<b>(1,904,811)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(71,550)	(119,250)	(178,875)
<b>Net cash used in financing activities</b>	<b>(71,550)</b>	<b>(119,250)</b>	<b>(178,875)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<b>1,025,594</b>	<b>(450,523)</b>	<b>(346,434)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>871,601</b>	<b>1,218,035</b>	<b>1,218,035</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,897,196</b>	<b>767,512</b>	<b>871,601</b>