

## CONTENTS

<a href="#"><u>Summary of Financial Condition and Business Results for the First Quarter Ended June 30, 2004 (Non-Consolidated)</u></a>	1
<a href="#"><u>1.Preparation Basis for Non-Consolidated Financial Information for the First Quarter Ended June 30, 2004</u></a>	2
<a href="#"><u>2.Financial condition and business results for the First Quarter Ended June 30, 2004 (from April 1, 2004 to June 30, 2004)</u></a>	2
(1) <a href="#"><u>Financial Results</u></a>	2
(2) <a href="#"><u>Financial Positions</u></a>	3
<a href="#"><u>3. Forecast of the Results for the Fiscal year ending March 31, 2005 (from April 1, 2004 to March 31, 2005)</u></a>	4
<a href="#"><u>4.Financial Statements</u></a>	5
(1) <a href="#"><u>Balance Sheets</u></a>	5
(2) <a href="#"><u>Statement of Income</u></a>	6
(3) <a href="#"><u>Statement of Cash Flows</u></a>	7
(4) <a href="#"><u>Sales for the First Quarter</u></a>	8

---

**Summary of Financial Condition and Business Results**  
**for the First Quarter Ended June 30, 2004\***  
**(Non-Consolidated)**

---

Corporate Name:	UNITED ARROWS LTD.
URL:	<a href="http://www.united-arrows.co.jp/">http:// www.united-arrows.co.jp/</a>
Registered Name:	U-Arrows
Code Number:	7606
Securities Traded	The Tokyo Stock Exchange, First Section
Location of Headquarters:	Tokyo
Contact:	Representative; Tetsuya Iwaki, President and COO Tsuyoshi Horoiwa, Finance and Accounting Group Manager
Telephone:	+81-3-6418-0803

---

\*The “Summary of Financial Condition and Business Results for the First Quarter Ended June 30, 2004 (Non-Consolidated)” 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. Preparation Basis for Non-Consolidated Financial Information for the First Quarter Ended June 30, 2004

The adoption of the simple method in accounting procedure: None

The change of the accounting procedure in the latest business year: None

2. Financial condition and business results for the First Quarter Ended June 30, 2004

(from April 1, 2004 to June 30, 2004)

(1) Financial Results

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

First quarter ended June 30	Sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2004	10,071	6.0	1,306	13.2	1,310	13.1	766	23.3
2003	9,497	-	1,154	-	1,158	-	622	-
Ref.) FY ended March 31, 2004	42,903	-	5,241	-	5,270	-	2,877	-

First quarter ended June 30	Net income per share	Net income per share after adjusting dilutive shares
	yen	yen
2004	34.91	34.52
2003	56.94	56.75
Ref.) FY ended March 31, 2004	258.97	256.76

Notes: 1) The percentage representation in sales, operating income, etc. is a change over the previous first quarter.

2) A share of the common stock was divided into 2 shares effective on May 20, 2004. The quarterly net income per share and the quarterly net income per share after adjusting dilutive shares for the relevant quarter are calculated on the assumption that the share division took place at the beginning of the fiscal year ended June 30, 2004.

3) On the assumption that the share was divided at the beginning of the previous fiscal year, the quarterly net income per share will be 28.47 yen and the quarterly net income per share after adjusting dilutive shares will be 28.38 yen for the first quarter of the fiscal year ended June 30, 2003, and then the net income per share will be 129.48 yen and the net income per share after adjusting dilutive shares will be 128.38 yen for the fiscal year ended June 30, 2003.

**Overview of the Financial Results for the First Quarter Ended June 30, 2004**

Although the impact of unseasonable weather was concerned for the results of the first quarter ended June 30, 2004, sales reached 10,071 million yen, with a year-on year increase of 6.0% thanks to a favorable sales of the women's clothing.

Operating income reached 1,306 million yen, 13.2% increase over the previous year thanks to the reduced cost to sales ratio and despite the increased expenses due to an increase in the number of stores. Ordinary income grew by 13.1% over the previous year to 1,310 million yen. The quarterly net income totaled 766 million yen, up 23.3% over the previous year because the loss on disposal of the fixed assets, which had occurred in the previous year, didn't arise in this quarter.

## (2) Financial Positions

First quarter ended June 30	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	yen
2004	22,786	16,156	70.9	735.18
2003	20,125	13,319	66.2	1,219.17
Ref.) FY ended March 31, 2004	24,125	15,603	64.7	1,416.68

Notes: 1) A share of the common stock was divided into 2 shares effective on May 20, 2004.

2) On the assumption that the share was divided at the beginning of the previous fiscal year, the shareholders' equity per share will be 609.59 yen for the first quarter of the fiscal year ended June 30, 2003, and 708.34 yen for the fiscal year ended March 31, 2004.

## (Status of cash flows)

First quarter ended June 30	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	¥million	¥million	¥million	¥million
2004	(106)	35	(219)	1,333
2003	-	-	-	-
Ref.) FY ended March 31, 2004	1,876	(2,311)	589	1,623

Note: The descriptions for the same quarter in the previous year are omitted because the cash flow statement was not presented.

### The status of cash flows

- Cash and cash equivalents decreased by 290 million yen from the end of the previous fiscal year.
- Cash flows lost to operating activities were 106 million yen after the quarterly net income before taxes of 1,309 million yen, a decrease in the account receivable of 482 million yen, a decrease in trade accounts payable of 912 million yen and the payment of income taxes of 1,156 million yen.
- Cash flows gained from investing activities were 35 million yen after the purchase of tangible fixed assets of 173 million yen and a decrease in the long-term guarantee deposits paid of 236 million yen.
- Cash flows lost to financing activities were 219 million yen due to the repayments of long-term debt of 164 million yen and the payment of dividends of 165 million yen.

3. Forecast of the Results for the Fiscal year ending March 31, 2005 (from April 1, 2004 to March 31, 2005)  
Given the favorable first quarter results, the Company does not revise the initial forecast announced May 14, 2004 for the fiscal year ending March 31, 2005.

Attachment:

- Summary of Balance Sheet
- Summary of Statements of Income
- Summary of Statements of Cash Flows
- Summary of Sales Performance for the first quarter ended June 30, 2004

---

**Forward-Looking Statements**

The first quarter results contain forward-looking statements that are based on management's estimates, assumptions and projections at the time of original release. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity and currency fluctuation, could cause actual results to differ materially from expectations.

#### 4. Financial Statements

##### (1) Balance Sheets

(In thousand of yen)

	1Q/The 16 <sup>th</sup> Term (As of June 30, 2004)		1Q/The 15 <sup>th</sup> Term (As of June 30, 2003)		The 15 <sup>th</sup> Term (As of March 31, 2004)	
	Amount	%	Amount	%	Amount	%
<b>Assets:</b>						
<b>I Current assets</b>						
1. Cash and cash equivalents	1,343,221		1,497,836		1,633,461	
2. Notes and accounts receivable-trade	18,261		16,889		84,205	
3. Inventories	9,380,644		7,130,821		9,594,053	
4. Notes and accounts receivable-other	2,358,576		2,298,127		2,747,274	
5. Others	466,077		452,854		601,367	
<b>Total current assets</b>	<b>13,566,782</b>	<b>59.5</b>	<b>11,396,528</b>	<b>56.6</b>	<b>14,660,363</b>	<b>60.8</b>
<b>II Fixed assets</b>						
<b>1. Tangible fixed assets</b>						
(1) Buildings	3,446,077		2,884,703		3,468,953	
(2) Lands	1,082,072		1,082,072		1,082,072	
(3) Others	512,519		424,769		474,026	
<b>Total tangible fixed assets</b>	<b>5,040,669</b>	<b>22.1</b>	<b>4,391,545</b>	<b>21.8</b>	<b>5,025,052</b>	<b>20.8</b>
<b>2. Intangible fixed assets</b>	<b>492,343</b>	<b>2.2</b>	<b>556,773</b>	<b>2.8</b>	<b>508,318</b>	<b>2.1</b>
<b>3. Investments and other assets</b>						
(1) Long-term lease deposits	3,210,304		3,282,961		3,447,213	
(2) Others	541,497		585,029		549,493	
(3) Allowance for doubtful accounts	(64,676)		(87,400)		(64,676)	
<b>Total investments and other assets</b>	<b>3,687,126</b>	<b>16.2</b>	<b>3,780,590</b>	<b>18.8</b>	<b>3,932,030</b>	<b>16.3</b>
<b>Total fixed assets</b>	<b>9,220,139</b>	<b>40.5</b>	<b>8,728,908</b>	<b>43.4</b>	<b>9,465,401</b>	<b>39.2</b>
<b>Total assets</b>	<b>22,786,921</b>	<b>100.0</b>	<b>20,125,437</b>	<b>100.0</b>	<b>24,125,764</b>	<b>100.0</b>
<b>Liabilities:</b>						
<b>I Current liabilities</b>						
1. Note and accounts payable-trade	2,417,417		2,153,008		3,329,967	
2. Short-term borrowings	400,000		2,000,000		300,000	
3. Current portion of long-term debt	656,000		500,000		656,000	
4. Notes and accounts payable-other	877,097		1,027,022		938,175	
5. Income taxes payable	388,819		366,435		1,183,863	
6. Accrued bonus	257,702		257,755		421,695	
7. Other	375,347		339,130		274,094	
<b>Total current liabilities</b>	<b>5,372,384</b>	<b>23.6</b>	<b>6,643,352</b>	<b>33.0</b>	<b>7,103,795</b>	<b>29.4</b>
<b>Long-term liabilities</b>						
1. Long-term borrowings	1,016,000		-		1,180,000	
2. Accrued retirement benefits for directors	120,619		106,715		117,139	
3. Long-term guarantee deposits received	120,961		55,916		120,961	
<b>Total long-term liabilities</b>	<b>1,257,580</b>	<b>5.5</b>	<b>162,631</b>	<b>0.8</b>	<b>1,418,100</b>	<b>5.9</b>
<b>Total liabilities</b>	<b>6,629,964</b>	<b>29.1</b>	<b>6,805,983</b>	<b>33.8</b>	<b>8,521,895</b>	<b>35.3</b>
<b>Shareholders' equity:</b>						
<b>Common stock, no par value</b>	<b>3,030,000</b>	<b>13.3</b>	<b>3,030,000</b>	<b>15.1</b>	<b>3,030,000</b>	<b>12.6</b>
<b>Capital surplus</b>						
1. Additional paid-in capital	4,095,600		4,095,600		4,095,600	
<b>Total Capital surplus</b>	<b>4,095,600</b>	<b>18.0</b>	<b>4,095,600</b>	<b>20.4</b>	<b>4,095,600</b>	<b>17.0</b>
<b>Retained earnings</b>						
1. Legal reserve	31,035		31,035		31,035	
2. Unappropriated retained earnings for the term	11,614,373		8,954,614		11,073,843	
<b>Total retained earnings</b>	<b>11,645,408</b>	<b>51.1</b>	<b>8,985,649</b>	<b>44.6</b>	<b>11,104,878</b>	<b>46.0</b>
<b>Net unrealized gain on (other) securities</b>	<b>-</b>	<b>-</b>	<b>(796)</b>	<b>(0.0)</b>	<b>-</b>	<b>-</b>
<b>Treasury stock</b>	<b>(2,614,050)</b>	<b>(11.5)</b>	<b>(2,791,000)</b>	<b>(13.9)</b>	<b>(2,626,610)</b>	<b>(10.9)</b>
<b>Total shareholders' equity</b>	<b>16,156,957</b>	<b>70.9</b>	<b>13,319,453</b>	<b>66.2</b>	<b>15,603,868</b>	<b>64.7</b>
<b>Total Liabilities and shareholders' equity</b>	<b>22,786,921</b>	<b>100.0</b>	<b>20,125,437</b>	<b>100.0</b>	<b>24,125,764</b>	<b>100.0</b>

## (2) Statements of Income

(In thousand of yen)

	1Q/The 16 <sup>th</sup> Term		1Q/The 15 <sup>th</sup> Term		FY/The 15 <sup>th</sup> Term	
	(From April 1, 2004 to June 30, 2004)		(From April 1, 2003 to June 30, 2003)		(From April 1, 2003 to March 31, 2004)	
	Amount	%	Amount	%	Amount	%
<b>Sales</b>	10,071,001	100.0	9,497,239	100.0	<b>42,903,183</b>	<b>100.0</b>
<b>Cost of sales</b>	4,374,142	43.4	4,233,868	44.6	<b>20,180,308</b>	<b>47.0</b>
Gross profit	5,696,858	56.6	5,263,370	55.4	<b>22,722,874</b>	<b>53.0</b>
<b>Operating expenses</b>	4,390,725	43.6	4,109,342	43.3	<b>17,481,627</b>	<b>40.8</b>
<b>Operating income</b>	1,306,133	13.0	1,154,028	12.1	<b>5,241,246</b>	<b>12.2</b>
<b>Other income</b>	43,858	0.4	23,857	0.3	<b>157,562</b>	<b>0.4</b>
<b>Other expenses</b>	39,373	0.4	19,437	0.2	<b>128,123</b>	<b>0.3</b>
<b>Ordinary income</b>	1,310,617	13.0	1,158,448	12.2	<b>5,270,685</b>	<b>12.3</b>
<b>Extraordinary income</b>	-	-	-	-	<b>23,125</b>	<b>0.0</b>
<b>Extraordinary losses</b>	875	0.0	68,583	0.7	<b>265,363</b>	<b>0.6</b>
Net income before taxes	1,309,741	13.0	1,089,865	11.5	<b>5,028,446</b>	<b>11.7</b>
Income taxes – Current *	361,258		363,071		<b>2,918,126</b>	
Income taxes – Deferred	181,499	5.4	104,706	4.9	<b>(47,280)</b>	<b>5.0</b>
Net income	766,984	7.6	622,087	6.6	<b>2,877,600</b>	<b>6.7</b>
Retained earnings beginning balance	10,849,445		8,332,527		<b>8,332,527</b>	
Losses on treasury stock transactions	2,056		-		<b>26,917</b>	
Interim dividend	-		-		<b>109,367</b>	
<b>Unappropriated retained earnings for the term</b>	<b>11,614,373</b>		<b>8,954,614</b>		<b>11,073,843</b>	

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

## (3) Statements of Cash Flows

(In thousand of yen)

	1Q/The 16 <sup>th</sup> Term (From April 1, 2004 to June 30, 2004)	FY/The 15 <sup>th</sup> Term (From April 1, 2003 to March 31, 2004)
	Amount	Amount
<b>Cash flow from operating activities</b>		
Net income before taxes	1,309,741	5,028,446
Depreciation	123,318	470,065
Amortization of intangible fixed assets	36,491	155,750
Amortization of long-term prepaid expenses	14,036	53,968
Decrease in accrued bonuses	(163,992)	(86)
Increase in accrued retirement benefits	3,480	13,488
Decrease in allowance for doubtful accounts	-	(22,724)
Interest and dividend income	-	(180)
Loss on sale of securities	-	2,684
Interest expenses	2,785	11,242
Loss on disposal of tangible fixed assets	761	167,790
Loss on sale of tangible fixed assets	-	8,892
Gain on sale of tangible fixed assets	-	(401)
Loss on disposal of intangible fixed assets	-	31,084
Loss on disposal of long-term prepaid expenses	-	6,433
Decrease / (increase) in accounts receivable	482,867	(33,992)
Decrease / (increase) in inventories	213,409	(1,914,293)
Increase in other current assets	(44,434)	(18,620)
Increase / (decrease) in accounts payable	(912,549)	248,222
Decrease in other current liabilities	(13,278)	(201,016)
Increase in other long-term liabilities	-	65,044
Bonuses to directors	-	(51,229)
Subtotal	1,052,636	4,020,569
Receipt of interest and dividends	0	178
Payment of interest	(2,811)	(11,025)
Payment of income taxes	(1,156,302)	(2,132,825)
<b>Net cash from operating activities</b>	(106,477)	1,876,896
<b>Cash flows from investing activities</b>		
Transfer to time deposits	-	(10,033)
Drawing from time deposits	-	10,029
Investment in newly consolidated entity	(5,000)	-
Proceeds from sale of securities	-	4,091
Proceeds from sale of tangible fixed assets	-	8,825
Purchase of tangible fixed assets	(173,674)	(1,649,678)
Purchase of intangible fixed assets	(20,936)	(213,202)
Purchase of long-term prepaid expense	(1,983)	(103,891)
Decrease / (increase) in guarantee deposits paid	236,908	(357,382)
Decrease in other investment	-	220
<b>Net cash from (use in) investing activities</b>	35,313	(2,311,021)
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	100,000	(600,000)
Proceeds from long-term debt	-	2,000,000
Payments for repayment of long-term debt	(164,000)	(664,000)
Exercise of stock options	10,503	137,472
Dividends paid	(165,579)	(284,153)
Net cash use in financing activities	(219,076)	589,319
<b>Effect of exchange rate changes on cash and cash equivalents</b>	-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>	(290,239)	155,193
<b>Cash and cash equivalents at beginning of the term</b>	1,623,427	1,468,234
<b>Cash and cash equivalents at end of the term</b>	1,333,188	1,623,427



(4) Sales for the First Quarter

The Previous First Quarter : 1Q/FY2004 (from April 1, 2003 to June 30, 2003)

This First Quarter : 1Q/FY2005 (from April 1, 2004 to June 30, 2004)

Total Sales

(In million of yen, %)

	1Q/FY2005 (A)	1Q/FY2004 (B)	Increase or Decrease (A)-(B)	Growth
Total Sales	10,071	9,497	573	6.0

Sales by Chain

(In million of yen, %)

	1Q/FY2005 (A)	1Q/FY2004 (B)	Increase or Decrease (A)-(B)	Growth
UA	5,994	5,914	80	1.4
GLR	1,905	1,681	224	13.3
CH	554	497	57	11.5
*S.B.U.&UA Labs	712	554	158	28.5
Retail	9,167	8,647	519	6.0
*Others	903	849	53	6.3

\*1. S.B.U. =Small Business Unit

\*2. "Others" includes the sales of outlets, wholesale, outside shops, mail-order, café and formal wear rental.

Sales by Category of Merchandise (Retail)

(In million of yen, %)

	1Q/FY2005 (A)	1Q/FY2004 (B)	Increase or Decrease (A)-(B)	Growth
Men's	4,457	4,422	34	0.8
Women's	3,592	3,205	386	12.1
*Silver & Leather	730	705	25	3.6
Miscellaneous	387	314	73	23.4

\* "Silver & Leather" means the silver accessories and leather outfits of CHROME HEARTS brand.

Sales of Existing stores (This First Quarter, Retail, YOY)

(%)

	Sales Growth Ratio	Number of Customer Growth Ratio	Ave. Spending per Customer Growth Ratio
UA	(2.4)	(2.1)	(0.4)
GLR	(7.2)	(12.1)	5.5
CH	13.6	18.2	(3.9)
S.B.U.&UA Labs	1.4	(1.7)	3.1
Retail	(2.3)	(4.7)	2.5