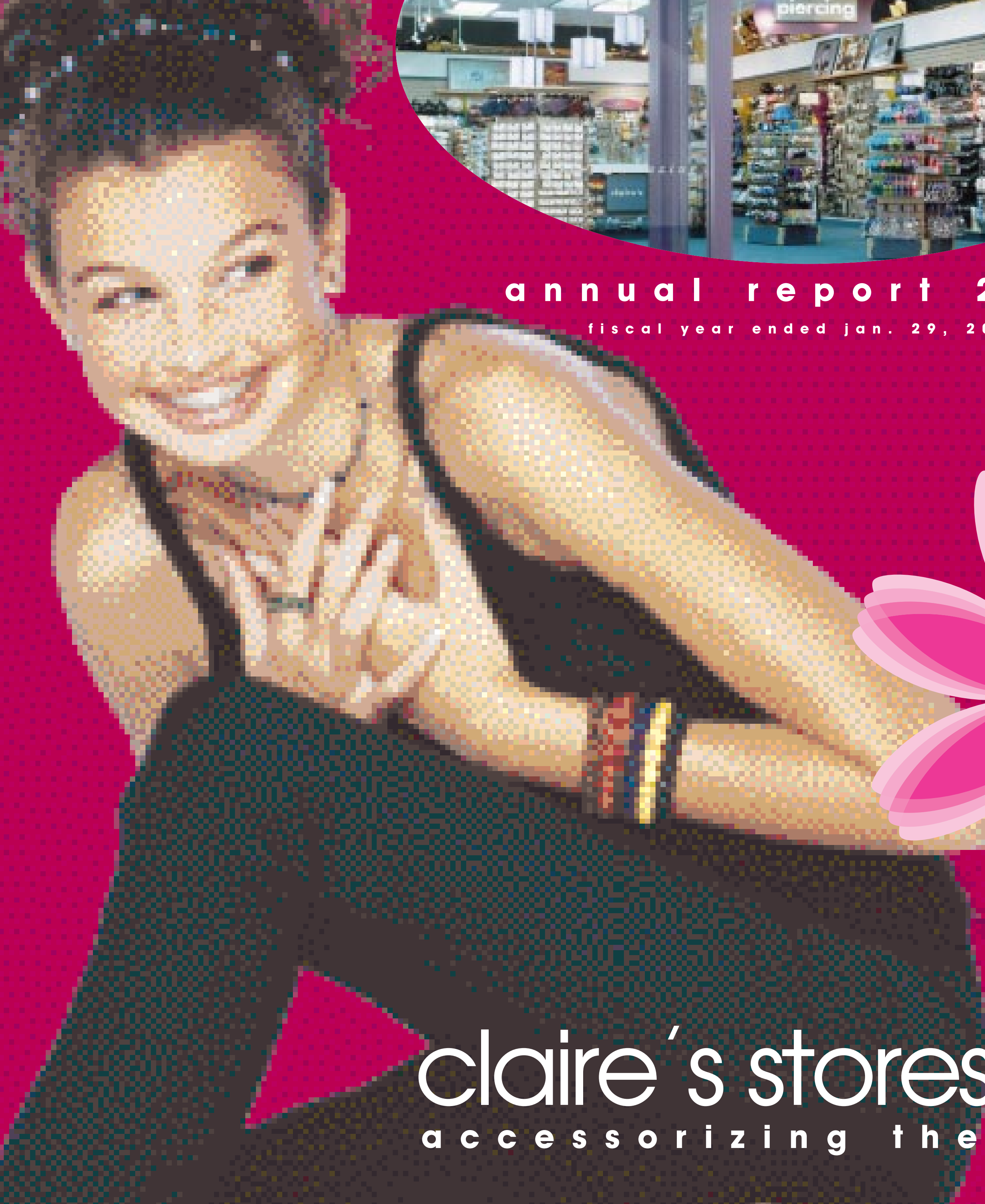
annual report 2000

fiscal year ended jan. 29, 2000



claire's stores, inc.

accessorizing the world

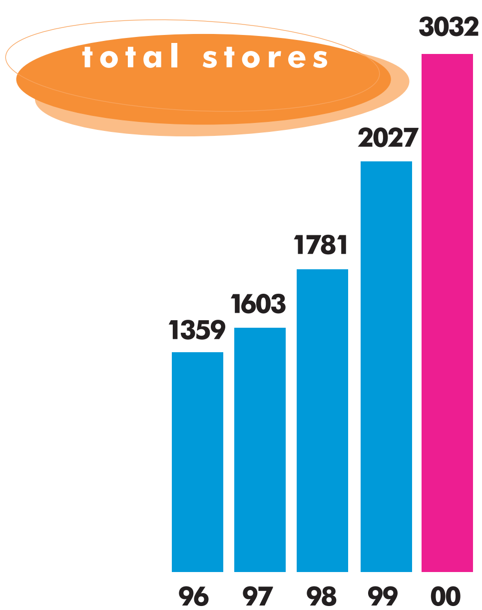
3032 stores worldwide!

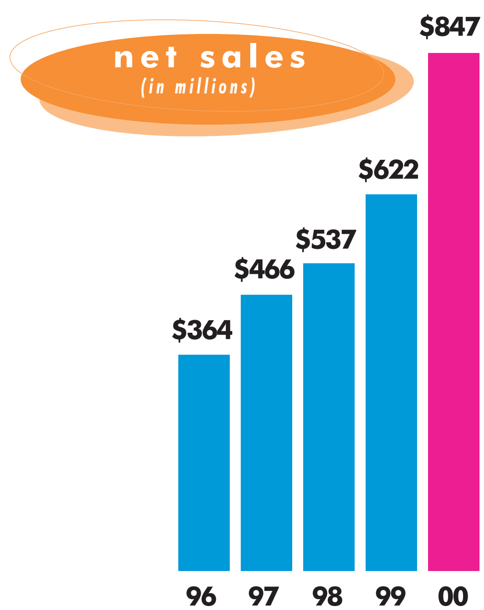
Claire's Mission Statement

Claire's Stores, Inc. NYSE symbol: CLE

Claire's, through our different store concepts: Claire's Accessories, Afterthoughts and Mr. Rags, strives to be the most profitable mall-based retailer selling accessories, costume jewelry and apparel to our core customer teenagers, aged 7-20. Claire's operated 3,032 stores at Fiscal 2000 year end in North America, the Caribbean, United Kingdom, Europe and Japan.

We remain committed to growing our company by focusing on the world-wide teen market and creating value by leveraging our unique strengths. Claire's strives to make our stores a compelling place to shop and work and to maintaining Claire's Stores, Inc. as a sound investment option.





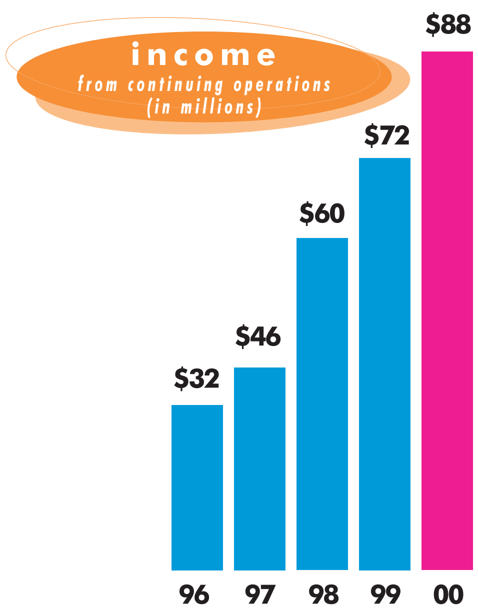
FINANCIAL HIGHLIGHTS

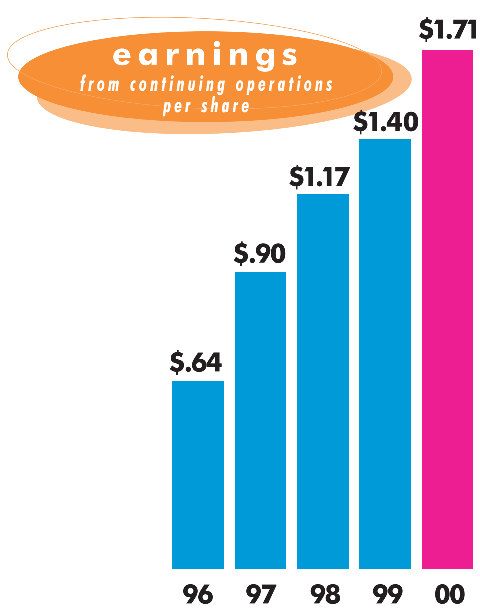
(in thousands except net income per share and selected operating data)

OPERATING RESULTS	Fiscal 2000	Fiscal 1999	Fiscal 1998
Net sales	$ 846,898	$ 661,856	$ 536,754
Percentage change year-to-year	28%	23%	15%
Income from continuing operations	$ 87,935	$ 71,652	$ 59,595
Percentage change year-to-year	23%	20%	30%
Net Income	$ 87,935	$ 62,280	$ 59,595
Percentage change year-to-year	41%	4.5%	30%
Diluted income from continuing operations per share	$ 1.71	$ 1.40	$ 1.17
Percentage change year-to-year	22%	20 %	30%

BALANCE SHEET DATA *(at fiscal year end)*			
Working capital	$ 193,163	$ 170,527	$ 152,934
Total assets	$ 702,099	$ 394,272	$ 317,067
Long-term debt	$ 192,000	$ -	$ -
Shareholders' equity	$ 398,786	$ 314,218	$ 257,258

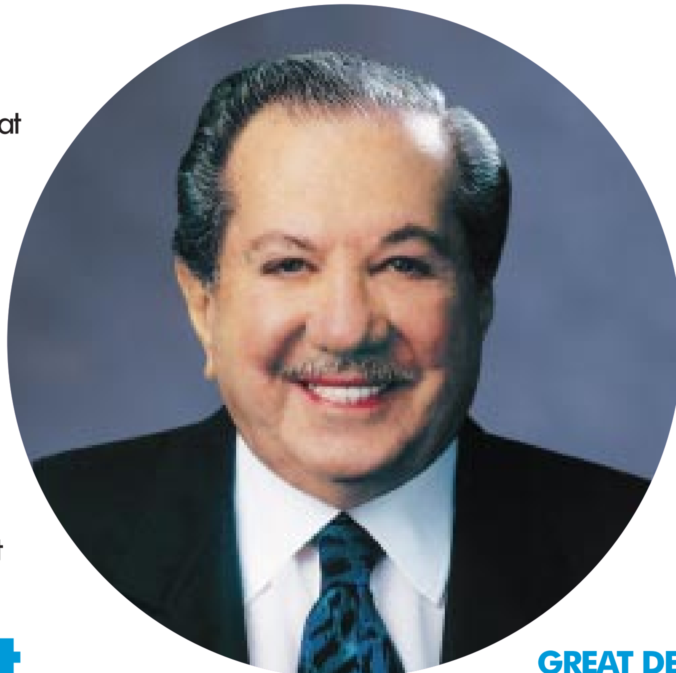
SELECTED OPERATING DATA			
Number of stores open at end of period	3,032	2,027	1,781
Return on sales from continuing operations	10.4%	10.8%	11.1%
Return on Equity	25.1%	24.6%	27.1%





a letter from the chairman of the board
president and chief executive officer

Rowland Schaefer



DEAR SHAREHOLDERS:

It is my extreme pleasure to report that Fiscal 2000, ended January 29, 2000, was a phenomenal year for Claire's Stores. Sales were up 28% to $847 million. Operating margins ran at 16.4%, one of the highest in the retail industry. Earnings from continuing operations grew 23%, on top of a twelve-year compounded annual growth rate of 27%. Significant growth. But more importantly,

consistent growth and consistent performance.

FISCAL 2000 ACCOMPLISHMENTS

Fiscal 2000 was a year of important milestones for Claire's. Among our achievements we are pleased to report:

- Eight consecutive years of record sales and earnings
- Acquired Afterthoughts, a 768-store U.S. chain in December
- Store base grew to over 3,000 stores for the first time
- Relocated UK distribution and buying offices
- Relocated Mr. Rags distribution functions to Claire's facility

PROFITABLE GROWTH

The key to business is profit. Claire's Boutiques has been profitable in every year of its existence, over 27 years. A record we will strive to continue. Our stores continue to be the envy of every retailer. Our sales per square foot improved again for Claire's on a consolidated basis, from $362 to $376 per square foot in Fiscal 2000, another record. Our goal for the next five years is to

grow earnings by 17-20% per year.

For the last eight years we have exceeded that goal!

GREAT DEMOGRAPHICS

We believe the opportunities for continued growth with our portfolio of stores are excellent, especially given current teen demographics. There are currently 31 million teens and these numbers are expected to surge to 35 million teens by 2010. But most importantly, teens spend. Teens are a huge business and they represent one of the fastest-growing consumer markets. Teens spend $120 billion a year and influence an additional $200 billion per year.

HUGE GROWTH POTENTIAL

Fiscal 2000 was an incredible year for growth not only in sales but in the number of stores we operated. We finished the year with 3,032 stores in eight countries, an increase of more than 1,000 stores over the 2027 we operated at the end of Fiscal 1999. An impressive 50 percent increase in square footage. Claire's still has incredible growth opportunities as we continue to expand our portfolio of stores. In North America we have room for at least 1,000 more stores, raising our total on this continent to more than 3,000. In the United Kingdom and Europe we have already identified at least 1,300 new store opportunities. (This is only in the countries where we currently have a presence: U.K., France, Austria, Switzerland and Germany.) In addition, we have identified 500 new store opportunities in Japan,

that is a total of 2800 plus new opportunities.

Claire's will continue to expand our portfolio of stores in Fiscal 2001 by opening 250 new stores . We plan to expand Claire's Accessories, Afterthoughts and Mr. Rags domestically and Claire's Accessories in Japan, the U.K. and Europe. Our plan is to open 100 stores in North America, 70 stores in the U.K., 20 stores in Europe, 40 stores in Japan and 20 Mr. Rags stores in the U.S. in Fiscal 2001.

INTEGRATION

We will spend Fiscal 2001 integrating our huge acquisition of Afterthoughts stores. To date, I am happy to report the integration process is right on target. Afterthoughts adds a new store concept to our portfolio of stores as well as expanding our teen customer base, as Claire's targets the tween, kids aged 7 to 12 years and Afterthoughts targets the older teen, kids aged 13 to 20 years.

INTERNET

In Fiscal 2001 we will continue to work on our Claire's Internet site, www.claires.com. The site is fun and entertaining but we view it as a work in progress. Later this year, we will launch an Internet site for Afterthoughts and Mr. Rags. We view our current and future Internet sites as marketing tools. It reinforces our brand and shopping experience and sends our teen customers to our stores. It also helps with focus testing and keeping a pulse on our teen customer. However, it is important to emphaize that teens socialize in the malls and that's where they primarily shop. We see the potential opportunity for E-Commerce and we are proceeding cautiously.

TALENTED MANAGEMENT TEAM

I don't think there has ever been a time that I've been more optimistic, excited or motivated by our stores. We have more resources, talent and intellect, than at any point in our history. The foundation has been built and our management team is committed to achieving even greater future success. Attracting top talent has been an integral part of our long-term plans, and the business knowledge and foresight these individuals bring with them has expanded both our vision and our goals.

WE BELIEVE IN SHAREHOLDER VALUE

For the past year, the stock market has been both volatile and unpredictable. We believe, as many of you do, that Claire's stock has been significantly undervalued. That's a frustrating situation for all of us. We continue to spend a great deal of time and effort in communicating our story to the investment community. An investment in Claire's Stores is a sound investment as an examination of our history will demonstrate. In fact,

individual investor ranked claire's as its fifth best stock to invest in for 2000.

But our promise to you is, we will continue to grow this company with an eye on sound and profitable growth. We are grateful for your confidence.

APPRECIATION TO EVERYONE AT CLAIRE'S

Every one of Claire's, Afterthoughts and Mr. Rags more than 15,000 employees contributed to the wonderful year we enjoyed in Fiscal 2000. I would like to take this opportunity to acknowledge their commitment, dedication, and hard work. You are what makes this company a success.

We thank all of our business partners who contributed to our success in Fiscal 2000 and add sincere thanks to you, our shareholders, for your continued support.

Sincerely,

Rowland Schaefer
Chairman of the Board, President and
Chief Executive Officer

claire's®

Claire's Accessories is our flagship store concept targeting girls aged 7-12 years. The stores operate in North America, the United Kingdom, France, Switzerland, Germany, Austria, and Japan. Claire's Accessoies stores are approximately 970 square feet in size and sales per square foot increased to $352 in North America during Fiscal 2000.

TEENS SHOP THE MALLS

We are where the teens shop, at the mall, and this is where the majority of teen spending is done. Malls are a great place to socialize and teens love to hang out there. By providing a fun and stimulating environment we ensure

our stores are on every teen's "must visit" list.

Teens make 40% more visits to malls than any other shopping demographics and spend 20% more time in the mall than any one else.

TEEN SHOPPING HABITS

Teens are very exact in buying a trendy item. The older teen discovers a trend first and they want the exact hot item. There is a short time lag before the younger teen quickly copies it. The older teen then moves on to the next hot trend as they try to define who they are in the real world. Teens are constantly changing their looks from preppy, to club to whatever the new look happens to be.

NEW PLANNING AND ALLOCATION SYSTEMS

There is a predictability to the volatile teen trends and their evolution. The sales curve to the trend is different for the teen and tweens. One leads and the next aspires. A major initiative for Fiscal 2001 is to implement a new planning and allocation system for both Claire's and Afterthoughts. These new systems will allow us to move quickly in terms of interpreting nuances up and down in teen shopping behaviors and will give us the ability to forecast and allocate our business more precisely. The new allocation system provides us the appropriate tool to allocate quantities by location and was implemented in early February. The new planning system is an effective build the core classification at Claire's and create two distinct brands and shopping experiences. By combining the two sub-brands solely into Claire's, it creates a

classification dominance and distinct customer draw.

EXPANDING PRODUCT CATEGORIES

Cosmetics is a magnet that draws kids into the store and we feel there is a huge opportunity for both Claire's and Afterthoughts by expanding our current cosmetics offerings. Teen girls love to emulate adults and make-up allows them to feel grown-up. Teens are not presently being served by and have no loyalty to department stores. Both Claire's and Afterthoughts currently have a cosmetics line in their stores. Our current line provides us a foundation to identify and brand specific products. We will develop three lines of products: one for Claire's, one for Afterthoughts as well as a major brand which can be carried in both store concepts. Claire's line will be an item driven business as it is in accessories and Afterthoughts' line will be presented as a complete cosmetics collection. By sharing suppliers and ideas between the two divisions and creating distinct brands there is a huge opportunity to grow both businesses.

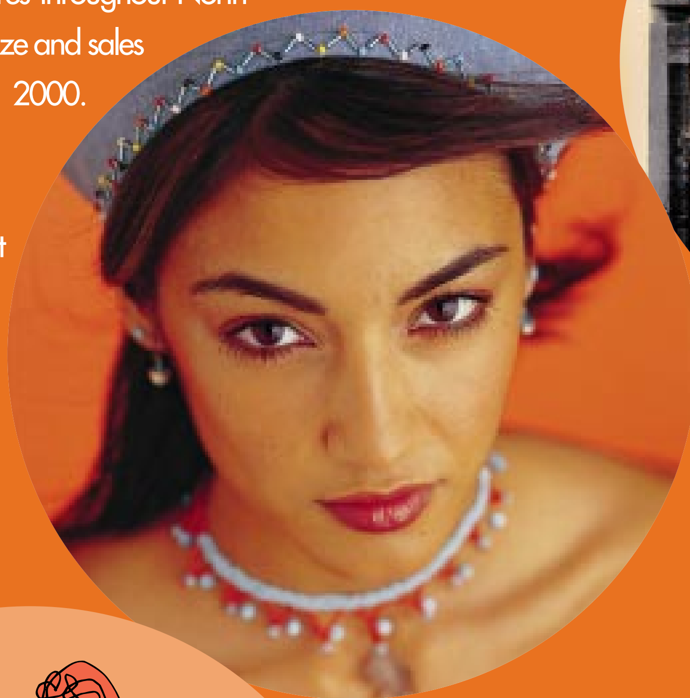
planning tool which will help us forecast sales accurately by classification and will contribute to margin improvement as we go into the second half of the year.

CREATING DISTINCT BRANDS

As a result of the acquisition of Afterthoughts and the dissection of the three store concepts, we found more opportunities for Claire's. We will eliminate the young kids department at Afterthoughts, which includes the "Princie" brand of products and incorporate it into Claire's Kids Klub. This will

afterthoughts®

Claire's acquired the Afterthoughts chain on December 1, 1999. Afterthoughts is an accessory store concept targeting teens aged 13 to 20 years. At the time of the acquisition, Afterthoughts operated approximately 768 stores throughout North America. The stores are approximately 956 square feet in size and sales per square foot were approximately $290 for Fiscal 2000.



TWO DISTINCT ACCESSORY STORE FORMATS

Our goal is to keep Claire's and Afterthoughts as two distinct businesses which will ensure that the two businesses do not blend together. Afterthoughts' merchandising team will remain in New York which will

keep the continuity in that business.

Both Claire's and Afterthoughts' merchandising teams are in constant communication working together and sharing ideas and best practices to enhance both businesses.

INTEGRATION

An important initiative for the first half of Fiscal 2001 will be integrating Afterthoughts' back office and distribution functions with Claire's. One of our initial goals of the integration process, was to analyze our three accessory store concepts: Claire's, Afterthoughts and Icings, to determine all opportunities and potential synergies. We identified the strengths in all three chains and have emerged with a defined direction. Claire's will continue to target the tween customer (kids aged 7 to 12 years) and Afterthoughts will target the older teen (kids aged 13 to 20 years). By defining two store concepts to target specific customers, we will prevent cannibalization of sales in both store concepts. The Icing stores, an accessory concept targeting older teens, will be rolled into the Afterthoughts concept as both stores target the same customer. Currently, sales and margins in the Afterthoughts stores are higher than the Icing stores so this conversion offers an

immediate opportunity to increase revenues

Afterthoughts

and profits. We will eliminate apparel from the majority of the Icing stores, which carries lower margins than accessories and jewelry, by the end of the first half of Fiscal 2001.

ACQUISITION SYNERGIES

Before the acquisition, Afterthought stores received merchandise only once a week. During the first quarter of Fiscal 2001 all Afterthoughts distribution functions will be transferred to Claire's facility in Hoffman Estates, Illinois, from which the stores will have the ability to receive merchandise shipments on a daily basis. The Afterthoughts management team is very excited with this opportunity and believes it will help them stay on top of new trends as well as create more excitement in the Afterthoughts stores. Another benefit of the transfer of the distribution functions is approximately

$14-17 million in savings due to the distribution and back office synergies

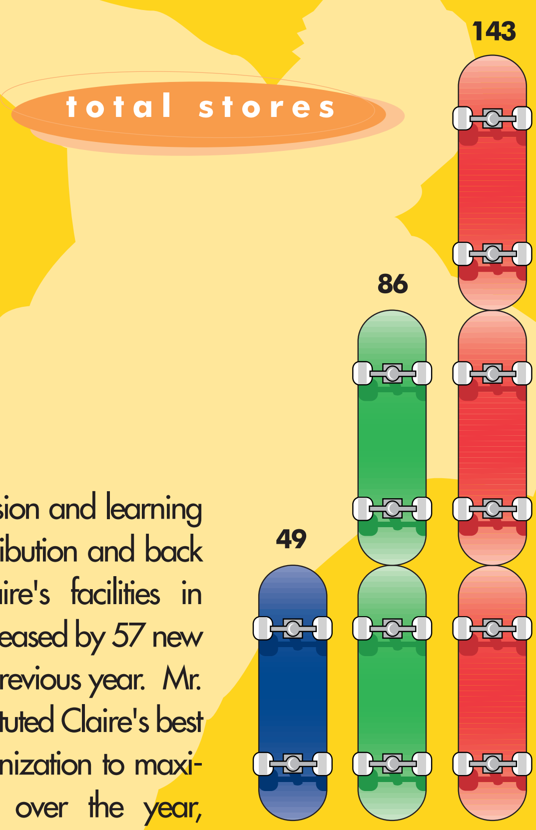
in Fiscal 2001. There is also an opportunity to improve merchandise margins as both Claire's and Afterthoughts share their vendor base and leverage their combined buying power.

MR. RAgs

Mr. Rags is our teen branded apparel concept. At the end of Fiscal 2000 we operated 143 stores in 31 states. Mr. Rags is a unique concept because it combines surf, skate and urban brands in one store. In fact, Mr. Rags is

the largest mall-based skate hard goods retailer nationally.

The average store size is approximately 2000 square feet and sales per square foot totaled $357 for Fiscal 2000. The store design draws from industrial and urban influences to create a visually stunning, fun and high-energy atmosphere for teens to shop, enjoy and hang out.



A YEAR OF EXPANSION

Fiscal 2000 was a year of change, expansion and learning for Mr. Rags. During Fiscal 2000, all distribution and back office functions were transferred to Claire's facilities in Hoffman Estates, Illinois. The store base increased by 57 new stores, an increase of 66 percent over the previous year. Mr. Rags installed new information systems, instituted Claire's best practices and also realigned the field organization to maximize store performance. Looking back over the year, there were some bumps along the way; however we feel Mr. Rags is well positioned to leverage on the lessons learned, and Fiscal 2001 will be an exciting and profitable year.

STRONG VENDOR RELATIONSHIPS

A key to our business is creating strong vendor relationships. We continue to work with vendors to build existing brands, help them introduce and test new concepts as well as maintain a continual focus on best trends. We work with the vendors up front on fabrications and designs to create exclusive style offerings for Mr. Rags. Our goal is to offer a unique mix of lifestyle brands and products that distinguish Mr. Rags from other stores in the mall.

MERCHANDISING

Our merchandising strategy is simple:

Mr. Rags

offer the hottest brands in the market place.

The brands we sell are "best of brands" and are lifestyle driven. We only sell brands that our customers are really behind. We work hard to stay ahead of trends, and we are constantly fine-tuning our merchandise mix to meet our customer's needs. The urban and skate departments performed well in Fiscal 2000 but some of our other business segments were not as effective as we would have liked. As a result, we have implemented some new merchandise initiatives, which are already showing great success. We re-introduced surf apparel in the stores and we are expanding our skate business. This will allow us to expand our board and extreme sports businesses which are important to our teen customer. We are also increasing our private label, juniors and accessory businesses to increase the profitability of the stores.

INCREASED INFRASTRUCTURE

The management team has been strengthened with the addition of Robert Sayre who joined us in December. Previously, Bob had been vice president of young men's and outlet stores for Pacific Sunwear of California. Bob has a great knowledge of the branded teen apparel market and adds experience and talent to our exciting Mr. Rags' team.

REAL ESTATE OPPORTUNITY

We feel Mr. Rags has ample expansion opportunities as Mr. Rags operates in only 31 states and is under-penetrated in most of its existing markets. We believe Mr. Rags can profitably operate a 600 plus chain in the United States. We also believe new stores represent a significant opportunity for increases in sales productivity as they open in superior locations. One third of Mr. Rags stores operate in secondary and tertiary locations. The opportunities to open new stores in top mall locations are very attractive as these stores significantly out perform the chain average.

GLOBAL EXPANSION STRATEGY

Claire's has incredible growth opportunities available as

we continue to expand our portfolio of stores

with a domestic and international strategy in place. Claire's sees the opportunity for approximately 2,800 new stores in the countries where we currently have a presence. In North America we have room for at least 1,000 additional new stores, raising our total on this continent to more than 3,000. In the United Kingdom and Europe we have already identified at least 1,300 new store opportunities. (This is only in the countries where we currently have a presence: U.K., France, Austria, Switzerland and Germany.) In addition, we have identified 500 new store opportunities in Japan.

CLAIRE´S U.K.

Fiscal 2000 was a busy year for Claire's U.K. We opened 98 new stores and operated 282 stores at the end of Fiscal 2000, a 53 percent increase in the store base. Our plans call for 70 additional new stores to be opened in Fiscal 2001. Stores in outlet centers and airports performed well and we will continue to test these locations for future store growth.

In January of this year, we relocated the U.K. operations to a new central office and distribution center which has the capacity to handle in excess of 500 stores. A substantial portion of Claire's future store growth will be concentrated in the U.K. and Europe. The opportunities both in terms of store growth and profitability are very favorable. Claire's U.K. continued to be extremely profitable in Fiscal 2000. Sales comprised 17 percent of total company sales and sales per square foot totaled $885 compared with Claire's North America's $352 sales per square foot. Operating margins for Fiscal 2000 for the U.K. were an impressive 24 percent compared with 19 percent in North America. Claire's Accessories stores are more profitable in the U.K. for three reasons: 1) The concept of a store devoted to teens is brand new; 2) there is very little competition and 3) the stores are typically smaller than the stores in North America.

CLAIRE´S EUROPE

Fiscal 2000 was a phenomenal year for Bijoux One. Sales soared with the introduction of Claire's merchandise into the stores and both sales and profitability were well ahead of plan. Sales for Europe comprised 3 percent of total sales and sales per square foot of $722 compared with Claire's North America's sales per square foot of $352. We opened four new stores during the year. At the end of Fiscal 2000 we had a total of 57 stores in Europe. The plan is to open 20 new stores in Fiscal 2001, a 35 percent increase in the store base.

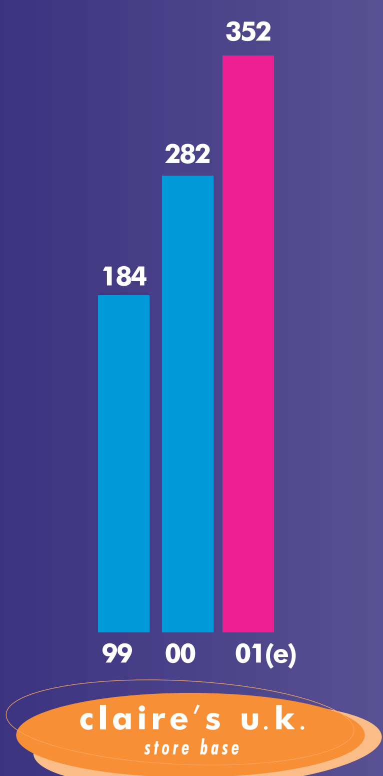
On February 24, 2000 we announced the acquisition of Cleopatre, a 42-store accessory chain headquartered in Paris, France. We were very pleased to increase our European store base from 57 to 99 stores. We have hired a seasoned management team for Cleopatre to build the business in France. The plan is to follow the integration that worked so well for Claire's U.K. and Bijoux One.

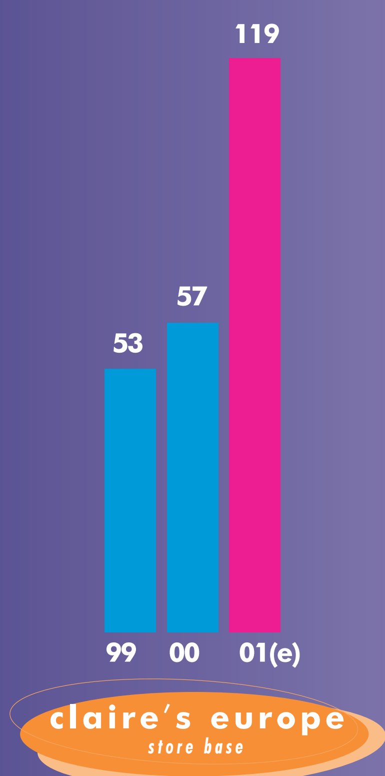
The stores will have mini refits to include slat wall and counter implementation which will maximize selling space as well as update the look of the stores. We will start layering Claire's merchandise into the stores in June. The year will be spent teaching Claire's best practices and converting MIS systems to be compatible with the MIS systems in the U.K. We will not open any new stores in France during Fiscal 2001 as we integrate Cleopatre with Claire's.

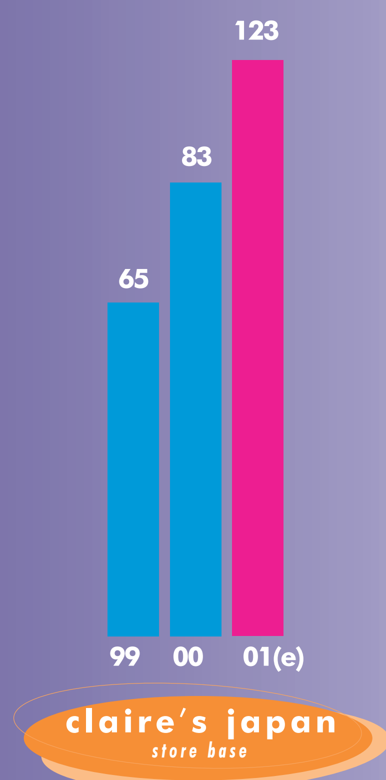
CLAIRE'S JAPAN

Claire's Japan is our 50/50 joint venture with the Jusco corporation. We were pleased with the progress of Claire's Japan, which had its most profitable year in Fiscal 2000 despite the troubled Japanese economy. Claire's Japan operated 83 stores at the end of Fiscal 2000, a 28 percent increase in the store base. The plan is to open 40 new stores in Fiscal 2001. As we have stated previously, we see the potential for 500 new stores in Japan and we continue to

build the infrastructure for future growth.







vice chairman
claire's stores, inc.
Marla L. Schaefer

vice chairman
claire's stores, inc.
Eileen Bonnie Schaefer

president &
chief operating officer
claire's boutiques, inc.
Marty Nealon

store openings Fiscal 2001

Claire's will continue it's aggressive growth strategy by expanding our portfolio of stores in Fiscal 2001 with 250 new stores. We plan to expand Claire's Accessories, Afterthoughts and Mr. Rags domestically and Claire's Accessories in Japan, the U.K. and Europe. We will open 100 stores in North America, 70 stores in the U.K., 20 stores in Europe, 40 stores in Japan and 20 Mr. Rags stores in the U.S. in Fiscal 2001.

chief executive
claire's accessories u.k. ltd.
Mark Smith

president
bijoux one gmbh
Peter Bossert

president
cleopatre s.a.
Eric Goldberg

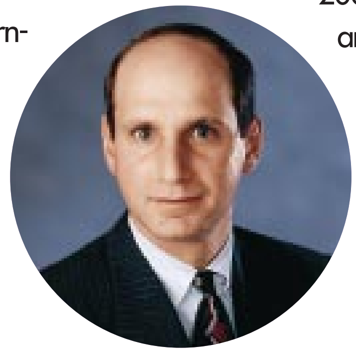
store growth

	stores at end of Fiscal 2000	planned store openings Fiscal 2001(a)	new store oppportunities
NORTH AMERICA			
Claire's Accessories (b)	1,757	100	200
Afterthoughts	710	-	400
Mr. Rags	143	20	400
INTERNATIONAL			
United Kingdom	282	70	230
Austria	22	6	60
Switzerland	34	6	50
Germany	1	8	560
Japan	83	40	500
France (c)	42	-	400
TOTAL	3,074	250	2,800

(a) Does not include store closings.
(b) includes icings stores
(c) 42 store-chain acquisition completed February 24, 2000

FINANCIALLY STRONG

We are pleased to report that Fiscal 2000 marked our eighth consecutive year of record sales and earnings. Sales for Fiscal 2000 increased 28% to $846,898,000 compared with $661,856,000 reported for Fiscal 1999. Same store sales increased 5% over Fiscal 1999. In addition, sales per square foot for the Company on a consolidated basis, increased from $362 to $376 and our average sales per store increased from $344,000 in Fiscal 1999 to $379,000 in Fiscal 2000. In addition we continued to maintain our high gross margins, while keeping expenses as a percentage of sales relatively constant.



chief financial officer,
senior vice president
Ira Kaplan

CONSISTENT PROFITABILITY

Income from continuing operations before a restructuring charge and gain on investments increased 21 percent to $1.77 per diluted share for Fiscal 2000 compared to $1.46 per diluted share for Fiscal 1999. Net income increased 41 percent to $88,000,000 or $1.71 per share on a diluted basis compared with $62,000,000 or $1.22 per share reported in Fiscal 1999. Claire's boasts one of the highest returns on sales in the retail industry of 10.4%. Return on sales decreased slightly from Fiscal 1999 due to duplicate transitional expenses, as well as interest costs and goodwill amortization, related to our acquisition of the Afterthoughts chain of stores. Omitting these expenses, return on sales would have been equal to Fiscal 1999.

STRONG BALANCE SHEET

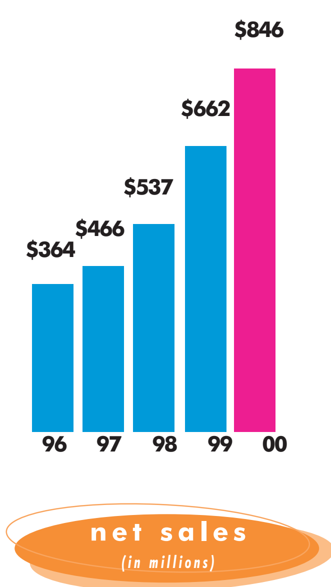
Claire's continues to maintain a strong balance sheet. In Fiscal 2000 we ended the year with cash, cash equivalents and short-term investments in excess of $141 million versus $153 million in Fiscal 1999. This balance is net of approximately $75 million used for acquisitions in Fiscal 2000. We agree with Wall Street estimates that our cash balance will reach approximately $200 million by the end of Fiscal 2001, a 42 percent increase.

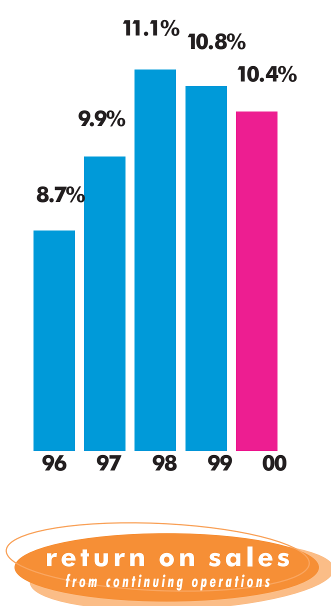
EXCEPTIONAL CASH FLOW

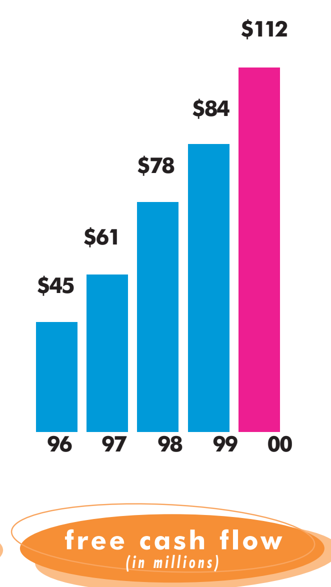
Claire's continued to produce a healthy cash flow with approximately $112 million before capital expenditures in Fiscal 2000 compared with a cash flow of $84 million for Fiscal 1999. We agree with Wall Street estimates that free cash flow will approach $150 million for Fiscal 2001, a 34 percent increase.

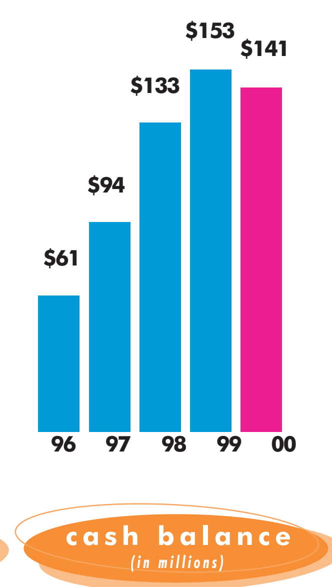
FINANCIAL OPPORTUNITIES FOR FISCAL 2001

As a part of the integration process of Claire's and Afterthoughts, we went through each mall in North America where we operate two or more stores in order to identify opportunities for store closures. The company has identified approximately 100 Claire's and 200 Afterthoughts stores to be closed over the next two years. In aggregate, these stores were underperforming. In the past, when an Afterthoughts store closed in a mall, Claire's sales increased approximately 30%. By approaching this initiative strategically and increasing inventories in the remaining stores in the mall to capture additional sales, there is an opportunity to increase revenues in excess of the 30%. We believe this strategy will produce more efficient sales and enhance overall profitability.









FIVE-YEAR FINANCIAL HIGHLIGHTS

	Fiscal Year Ended				
	Jan. 29, 2000	Jan. 30, 1999 (4)(5)	Jan. 31, 1998 (4)	Feb. 1, 1997 (2)(4)	Feb. 3, 1996 (1)(2)(4)
	(In thousands except per share amounts)				
Operating Statement Data:					
Net Sales	**$ 846,898**	$ 661,856	$ 536,754	$ 466,300	$ 364,347
Income from continuing operations	**87,935**	71,652	59,595	45,932	31,767
Net Income	**87,935**	62,280	59,595	45,932	31,767
Income Per Share (3):					
Basic:					
From continuing operations	**$ 1.72**	$ 1.41	$ 1.19	$ 0.92	$ 0.65
Net income	**1.72**	1.23	1.19	0.92	0.65
Diluted:					
From continuing operations	**$ 1.71**	$ 1.40	$ 1.17	$ 0.90	$ 0.64
Net income	**1.71**	1.22	1.17	0.90	0.64
Cash Dividends					
Share:					
Common stock	**$ 0.16**	$ 0.16	$ 0.12	$ 0.10	$ 0.053
Class A Common stock	**0.08**	0.08	0.06	0.05	0.027
Balance Sheet Data:					
Current assets	**$ 290,018**	$ 239,618	$ 204,198	$ 157,089	$ 108,315
Current liabilities	**96,855**	69,091	51,264	45,906	32,196
Working capital	**193,163**	170,527	152,934	111,183	76,119
Total assets	**702,099**	394,272	317,067	252,237	194,780
Long-term obligations	**206,458**	10,963	8,545	5,787	4,325
Stockholders' equity	**398,786**	314,218	257,258	200,544	158,259

(1) Consists of 53 weeks.

(2) Adjusted to give effect to the three-for-two stock splits effective February 21, 1996 and August 29, 1996.

(3) In Fiscal 1998, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" which established new guidelines for the calculation of earnings per share. Basic earnings per share have been computed by dividing net income by the weighted average number of shares outstanding during the year. Diluted earnings per share have been computed assuming the exercise of stock options, as well as their related income tax effects. Earnings per share for all periods have been restated to reflect the provisions of this Statement.

(4) In April 1998, the Company acquired Lux through the exchange of 2,070,286 shares of the Company's common stock for all of the outstanding common stock of Lux. The acquisition was accounted for as a pooling of interests and accordingly, the accompanying selected financial data has been retroactively adjusted to include the operations of Lux for all periods prior to the acquisition.

(5) The Company adopted a plan to discontinue the operation of its Just Nikki catalog segment in January 1999 (see Note 4 to the Consolidated Financial Statements for additional information).

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, percentages which certain items reflected in the financial statements bear to net sales of the Company:

	Fiscal Year Ended		
	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998
Net sales	**100.0%**	100.0%	100.0%
Cost of sales, occupancy and buying expenses	**48.4**	48.2	48.1
Gross profit	**51.6**	51.8	51.9
Other expenses:			
Selling, general and administrative	**31.7**	31.5	32.1
Depreciation and amortization	**3.4**	3.3	3.4
Interest income, net	**(0.4)**	(0.9)	(0.9)
(Gain) loss on investments	**(0.5)**	0.7	(0.4)
Impairment of long-lived assets	**1.0**	-	-
	35.2	34.6	34.2
Income from continuing operations before income taxes	**16.4**	17.2	17.8
Income taxes	**6.0**	6.4	6.7
Income from continuing operations	**10.4**	10.8	11.1
Discontinued operations, net of income taxes:			
Loss from discontinued operations	**-**	0.9	-
Loss on disposal of discontinued operations	**-**	0.5	-
Net loss from discontinued operations	**-**	1.4	-
Net income	**10.4%**	9.4%	11.1%

RESULTS OF CONTINUING OPERATIONS

From the fiscal year ended January 31, 1998 ("Fiscal 1998") to January 29, 2000 ("Fiscal 2000"), the Company's net sales increased at a compound annual rate of 26%. Income from continuing operations increased from $59,595,000 in Fiscal 1998 to $87,935,000 in Fiscal 2000. The operating results of Claire's Nippon Co., Ltd., which are accounted for under the equity method, are not part of the consolidated group of Claire's Stores, Inc. and therefore not included in the following analysis. Fiscal 1998 balances have been restated to reflect the accounts of Lux as if the Companies had combined at the beginning of that period.

FISCAL 2000 COMPARED TO FISCAL 1999

Net sales increased by $185,042,000, or 28%, to $846,898,000 in Fiscal 2000 compared to $661,856,000 for the year ended January 30, 1999 ("Fiscal 1999"). This increase resulted primarily from the net addition of 1,006 stores, including the acquisition of Afterthoughts effective December 1,1999 and same-store sales increases of 5%. The same-store sales increases were mainly attributable to an increase in the average unit retail price of merchandise sold in Fiscal 2000 compared to Fiscal 1999 and an increase in the number of overall transactions per store.

Cost of sales, occupancy and buying expenses increased by $90,785,000, or 28%, to $409,852,000 in Fiscal 2000 compared to $319,067,000 in Fiscal 1999. Principal reasons for this increase were the rise in the number of stores and the volume of merchandise sold. As a percentage of net sales, these expenses increased slightly to 48.4% for Fiscal 2000 compared to 48.2% for Fiscal 1999. This increase of 20 basis points is the result of decreased product margins due to increased sales from the Apparel Stores.

Selling, general and administrative ("SG&A") expenses increased by $59,477,000, or 29%, to $268,108,000 in Fiscal 2000 from the Fiscal 1999 level of $208,631,000. The increase noted was due to the increase in the cost of operating the additional stores. As a percentage of net sales, these expenses increased to approximately 31.7% in Fiscal 2000 compared to 31.5% in Fiscal 1999. The increase in SG&A as a percentage of sales is primarily attributable to certain redundant operations related to the Afterthoughts acquisition.

Depreciation and amortization increased by $6,963,000, or 32%, to $28,841,000 in Fiscal 2000 from the Fiscal 1999 level of $21,878,000. The increase was primarily due to the investment in 1,006 new and acquired stores and remodeling of approximately 100 stores.

Due to the balance in cash, cash equivalents and short-term investments and the absence of long-term debt for most of the year, interest income exceeded interest expense in Fiscal 2000. As a percentage of sales, interest income, net was .4% for Fiscal 2000 compared to .9% in Fiscal 1999. This decrease in net interest income was caused by interest expense incurred on the debt facility entered into on December 1, 1999 and lost interest income on the approximately $55 million of cash used related to the Afterthoughts acquisition. The cash and cash equivalents, and short-term investments balance during Fiscal 2000 averaged approximately $138,642,000 compared to approximately $149,561,000 in Fiscal 1999.

In Fiscal 2000, the Company recognized a gain on investments of $3,929,000 compared to a loss on investments of $4,800,000 in Fiscal 1999. The Fiscal 1999 loss did not result from the sale of investments but rather from the write-down of investments, in accordance with Generally Accepted Accounting Principles, to better reflect the current economic value of the investments.

In December 1999, the Company began implementation of a reorganization plan to eliminate redundant field operations and optimize square footage efficiency as a result of the acquisition of Afterthoughts. As a result of the reorganization and the Company's periodic review of impairment, the Company recorded an $8.7 million ($5.5 million after tax, or $.11 per diluted share) non-cash charge to write off the assets whose carrying value had been impaired.

Income taxes increased by $8,776,000 to $50,860,000 in Fiscal 2000 compared to $42,084,000 in Fiscal 1999. The Company's effective tax rates declined slightly as a result of increased profitable foreign operations which have lower effective tax rates than the United States.

FISCAL 1999 COMPARED TO FISCAL 1998

Net sales increased by $125,102,000, or 23%, to $661,856,000 in Fiscal 1999 compared to $536,754,000 for the year ended January 31, 1998 (“Fiscal 1998"). This increase resulted primarily from the net addition of 235 stores and same-store sales increases of 7%. The same-store sales increases were mainly attributable to an increase in the average unit retail price of merchandise sold in Fiscal 1999 compared to Fiscal 1998 and an increase in the number of overall transactions per store.

Cost of sales, occupancy and buying expenses increased by $60,954,000, or 24%, to $319,067,000 in Fiscal 1999 compared to $258,113,000 in Fiscal 1998. Principal reasons for this increase were the rise in the number of stores and the volume of merchandise sold. As a percentage of net sales, these expenses increased slightly to 48.2% for Fiscal 1999 compared to 48.1% for Fiscal 1998. This increase of 10 basis points is the net result of decreased product margins (60 basis points) due to changes in merchandise mix offset by increased leverage of occupancy and buying expenses (50 basis points) which are relatively fixed in nature.

SG&A expenses increased by $36,343,000, or 21%, to $208,631,000 in Fiscal 1999 from the Fiscal 1998 level of $172,288,000. The increase noted was due to the increase in the cost of operating the additional stores. As a percentage of net sales, these expenses decreased to approximately 31.5% in Fiscal 1999 compared to 32.1% in Fiscal 1998. The decrease in SG&A as a percentage of sales is primarily attributable to the increase in same-store sales as previously discussed and the leveraging of fixed corporate expenses with the addition of a net 235 stores.

Depreciation and amortization increased by $3,876,000, or 22%, to $21,878,000 in Fiscal 1999 from the Fiscal 1998 level of $18,002,000. The increase was primarily due to the investment in 286 new and acquired stores, the remodeling of approximately 100 stores and the completion of the Company’s expansion of its distribution facility in Hoffman Estates, Illinois in Fiscal 1999.

Due to the increase in cash and short-term investment levels and the absence of long-term debt, interest income exceeded interest expense in Fiscal 1999. As a percentage of sales, interest income, net was .9% for Fiscal 1999 which was comparable to Fiscal 1998. The cash and cash equivalents, and short-term investments balance during Fiscal 1999 averaged approximately $149,561,000 compared to approximately $103,117,000 in Fiscal 1998.

Income taxes increased by $796,000 to $36,553,000 in Fiscal 1999 compared to $35,757,000 in Fiscal 1998. The Company's effective tax rates declined slightly as a result of increased profitable foreign operations which have lower effective tax rates than the United States.

In Fiscal 1999, the Company recognized a loss on investments of $4,800,000 compared to a gain on investments of $2,099,000 in Fiscal 1998. The Fiscal 1999 loss did not result from the sale of investments but rather from the write-down of investments, in accordance with Generally Accepted Accounting Principles, to better reflect the current economic value of the investments.

DISCONTINUED OPERATIONS

In January 1999, the Company announced its decision to discontinue the operations of Just Nikki, Inc. (“Nikki”), a wholly-owned subsidiary representing its catalog segment. The operations of Nikki have been accounted for as a discontinued operation in the Fiscal 1999 consolidated financial statements. Nikki had no significant operations prior to Fiscal 1999. The Company has completed liquidating Nikki’s inventory and remaining assets during the first half of Fiscal 2000.

IMPACT OF INFLATION

Inflation has not affected the Company, as it has generally been able to pass along inflationary increases in its costs through increased sales prices.

YEAR 2000

As previously reported, over the past several years the Company developed and implemented a plan to address the anticipated impacts of the so-called Year 2000 problem on our information technology (“IT”) systems and on non-IT systems. We also surveyed selected third parties to determine the status of their Year 2000 compliance programs. In addition, we developed contingency plans specifying what the Company would do if we or important third parties experienced disruptions to critical business activities as a result of the Year 2000 problems.

The Company’s Year 2000 plan was completed in all material respects prior to the anticipated Year 2000 failure dates. As of March 31, 2000, the Company has not experienced any materially important business disruptions or system failures as a result of Year 2000 issues, nor is it aware of any Year 2000 issues that have impacted its suppliers or other significant third parties to an extent significant to the Company. However, Year 2000 compliance has many elements and potential consequences, some of which may not be foreseeable or may be realized in future periods. Consequently, there can be no assurance that unforeseen circumstances may not arise, or that the Company will not in the future identify equipment or systems which are not Year 2000 compliant.

As of January 29, 2000, the Company's total incremental costs (historical plus estimated future costs) of addressing Year 2000 issues are estimated to be approximately $350,000, of which nearly all has been incurred to date. These costs were funded through operating cash flow. For further information regarding Year 2000 matters, refer to disclosures under Forward-Looking Statements below.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 ("the Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this and other Company filings with the Securities and Exchange Commission and in our reports to shareholders. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to sales growth and earnings per share growth or statements expressing general optimism about future operating results, are forward-looking statements within the meaning of the Act. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance.

The following are some of the factors that could cause actual results to differ materially from estimates contained in the Company's forward-looking statements:

- The ability to generate sufficient cash flows to support capital expansion plans and general operating activities.
- Competitive product and pricing pressures. While we believe our opportunities for sustained, profitable growth are considerable, unanticipated actions of competitors could impact our earnings and sales growth.
- Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretation) and laws in domestic or foreign jurisdictions.
- Fluctuations in the cost and availability of raw materials to the Company's vendors and the ability to maintain favorable supplier arrangements and relationships.
- The ability to achieve earnings forecasts, which are generated based on projected sales of many product types, some of which are more profitable than others. There can be no assurance that we will achieve the projected level or mix of product sales.
- The ability to penetrate new markets, which also depends on economic and political conditions.
- The ability of the Company to successfully integrate the operations of Afterthoughts.
- The effectiveness of our marketing and promotional programs.
- The uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings.
- Adverse weather conditions, which could affect customer shopping patterns.
- The ability of the Company and its suppliers to replace, modify or upgrade computer programs in ways that adequately address the Year 2000 issue.
- Changes in consumer preferences for pre-teen and teen apparel and fashion accessories.

The foregoing list of important factors is not exclusive.

LIQUIDITY AND CAPITAL RESOURCES

In connection with the acquisition of Afterthoughts, the Company entered into the Credit Facility pursuant to which it financed $200 million of the purchase price. The Credit Facility includes a $40 million revolving line of credit which matures on December 1, 2004 and a $175 million five year term loan, the first installment of which is due and payable beginning December 31, 2000 with future installments, thereafter, payable on a quarterly basis through December 1, 2004. The Credit Facility is prepayable without penalty and bears interest for an initial six months at 125 basis points margin over the London Interbank Borrowing Rate. The margin is then adjusted periodically based on the Company's performance as it relates to certain financial measurements.

Company operations have historically provided a strong, positive cash flow which, together with the Company's credit facilities, provides adequate liquidity to meet the Company's operational needs. Cash and cash equivalents, including short-term investments, totaled $140,870,000 at the end of Fiscal 2000.

Net cash provided by operating activities amounted to $104,215,000 in Fiscal 2000 compared to $85,816,000 in Fiscal 1999 and $76,954,000 in Fiscal 1998. The Company's current ratio (current assets over current liabilities) was 3.0:1.0 for Fiscal 2000 and 3.5:1.0 for Fiscal 1999.

At the end of Fiscal 2000, the Company increased its investment in inventories to $109,464,000, or 73%, from the Fiscal 1999 balance of $63,334,000. During this period inventory turnover increased to 3.3X from 3.0X for Fiscal 1999. The increase in inventories is due to the Company operating 1,006 additional stores at the end of Fiscal 2000 compared to Fiscal 1999 - a 50% increase. In addition, inventories on a per square foot basis increased 12.6%. Management believes inventories are appropriate given the increase in the number of stores and the level of sales currently being achieved.

During Fiscal 2000, the Company continued to expand and remodel its store base. Significant capital projects included the opening and purchase, through acquisition, of 1,068 new stores and the remodeling of approximately 100 stores. Funds expended for capital improvements in Fiscal 2000 totaled $48,866,000 compared to $45,211,000 in Fiscal 1999 and $36,306,000 in Fiscal 1998. In Fiscal 2001, capital expenditures are expected to be approximately $49,000,000 as the Company continues to invest in its store base and technology.

The Company has significant cash balances, a consistent ability to generate cash flow from operations and available funds under its credit facilities. The Company believes that it will be able to maintain its present financial condition and liquidity and be able to finance its capital expenditure plans and other foreseeable future needs.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY

The Company is exposed to foreign currency exchange rate fluctuations on the U.S. dollar value of foreign currency denominated transactions. Based on the Company's average net currency positions in Fiscal 2000, the potential loss due to a 10% adverse change on foreign currency exchange rates would be expected to be immaterial.

INTEREST RATES

The Company's exposure to market risk for changes in interest rates is limited to its cash, cash equivalents, debt and short-term investment portfolio. Based on the Company's average invested cash balances and outstanding debt during Fiscal 2000, a 10% decrease in the average effective interest rate in Fiscal 2000 would not have materially impacted the Company's annual net interest income earned.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." The new statement requires all derivatives to be recorded on the balance sheet at fair value and establishes new accounting rules for hedging instruments. In June 1999, the FASB deferred the effective date of SFAS No. 133 for one year until fiscal years beginning after June 15, 2000. We believe that SFAS No. 133 will not have a material effect on our Consolidated Financial Statements.

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	Fiscal Year Ended January 29, 2000				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
	(In thousands except per share amounts)				
Net sales	$ 170,663	$ 186,090	$ 182,750	$ 307,395	$ 846,898
Gross profit	85,670	94,487	90,092	166,797	437,046
Net income	13,800	20,320	12,726	41,089	87,935
Basic net income per share	$ 0.27	$ 0.40	$ 0.25	$ 0.80	$ 1.72
Diluted net income per share	$ 0.27	$ 0.40	$ 0.25	$ 0.80	$ 1.71

	Fiscal Year Ended January 30,1999				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Net sales	$ 131,492	$ 148,482	$ 157,089	$ 224,793	$ 661,856
Gross profit	66,046	74,738	77,369	124,636	342,789
Income (loss) from:					
Continuing operations	10,451	14,612	12,716	33,873	71,652
Discontinued operations	(510)	(1,881)	(2,023)	(4,958)	(9,372)
Net income	$ 9,941	$ 12,731	$ 10,693	$ 28,915	$ 62,280
Basic net income (loss) per share from:					
Continuing operations	$ 0.21	$ 0.29	$ 0.25	$ 0.67	$ 1.41
Discontinued operations	(0.01)	(0.04)	(0.04)	(0.10)	(0.18)
Net income	$ 0.20	$ 0.25	$ 0.21	$ 0.57	$ 1.23
Diluted net income (loss) per share from:					
Continuing operations	$ 0.20	$ 0.29	$ 0.25	$ 0.66	$ 1.40
Discontinued operations					
Net income	$ 0.19	$ 0.25	$ 0.21	$ 0.56	$ 1.22

CLAIRE'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Jan. 29, 2000	Jan. 30, 1999
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 137,414**	$ 117,546
Short-term investments	**3,456**	35,758
Inventories	**109,464**	63,334
Prepaid expenses and other current assets	**39,684**	22,980
Total current assets	**290,018**	239,618
Property and equipment:		
Land and building	**17,568**	15,969
Furniture, fixtures and equipment	**156,688**	123,390
Leasehold improvements	**129,767**	94,421
	304,023	233,780
Less accumulated depreciation and amortization	**(137,244)**	(118,272)
	166,779	115,508
Goodwill, net	**211,982**	9,000
Other assets	**33,320**	30,146
	$ 702,099	$ 394,272
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Loan payable to bank	**$ 8,759**	$ 893
Trade accounts payable	**35,911**	23,165
Income taxes payable	**17,149**	16,803
Dividends payable	**2,045**	2,031
Accrued expenses	**32,991**	26,199
Total current liabilities	**96,855**	69,091
Long-term liabilities		
Long-term debt	**192,000**	-
Deferred credits	**14,458**	10,963
	206,458	10,963
Stockholders' equity:		
Preferred stock par value $1.00 per share; authorized 1,000,000 shares, issued and outstanding 0 shares	**-**	-
Class A common stock par value $.05 per share; authorized 20,000,000 shares, issued 2,868,380 shares and 2,891,024 shares	**143**	145
Common stock par value $.05 per share; authorized 150,000,000 shares, issued 48,374,226 shares and 48,024,707 shares	**2,419**	2,401
Additional paid-in capital	**29,291**	25,398
Accumulated other comprehensive income	**(228)**	(895)
Retained earnings	**367,613**	287,621
	399,238	314,670
Treasury stock, at cost, (109,882 shares)	**(452)**	(452)
	398,786	314,218
Commitments and contingencies		
	$ 702,099	$ 394,272

See accompanying notes to consolidated financial statements.

CLAIRE'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Fiscal Year Ended		
	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998
	(In thousands except per share amounts)		
Net sales	**$ 846,898**	$ 661,856	$ 536,754
Cost of sales, occupancy and buying expenses	**409,852**	319,067	258,113
Gross profit	**437,046**	342,789	278,641
Other expenses:			
Selling, general and administrative	**268,108**	208,631	172,288
Depreciation and amortization	**28,841**	21,878	18,002
Interest income, net	**(3,469)**	(6,256)	(4,902)
(Gain) loss on investments	**(3,929)**	4,800	(2,099)
Impairment of long-lived assets	**8,700**	-	-
	298,251	229,053	183,289
Income from continuing operations before income taxes	**138,795**	113,736	95,352
Income taxes	**50,860**	42,084	35,757
Income from continuing operations	**87,935**	71,652	59,595
Discontinued operations:			
Loss from discontinued operations (less applicable income taxes)	**-**	6,285	-
Loss on disposal of discontinued operations (less applicable income taxes)	**-**	3,087	-
Net loss from discontinued operations	**-**	9,372	-
Net income	**87,935**	62,280	59,595
Other comprehensive income:			
Foreign currency translation adjustments	**667**	(337)	(619)
Comprehensive income	**$ 88,602**	$ 61,943	$ 58,976
Net income (loss) per share:			
Basic:			
From continuing operations	**$ 1.72**	$ 1.41	$ 1.19
From discontinued operations	**-**	(0.18)	-
Net income	**$ 1.72**	$ 1.23	$ 1.19
Diluted:			
From continuing operations	**$ 1.71**	$ 1.40	$ 1.17
From discontinued operations	**-**	(0.18)	-
Net income	**$ 1.71**	$ 1.22	$ 1.17

See accompanying notes to consolidated financial statements.

CLAIRE'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Class A Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
				(In thousands)			
Balance February 1, 1997	$ 146	$ 2,364	$ 16,948	$ 61	$ 181,477	$ (452)	$ 200,544
Net income	-	-	-	-	59,595	-	59,595
Class A Common Stock converted to Common Stock	(1)	1	-	-	-	-	-
Stock options exercised	-	17	1,705	-	-	-	1,722
Cash dividends ($.12 per Common share and $.06 per Class A Common share)	-	-	-	-	(5,622)	-	(5,622)
Distributions to former shareholders of pooled entities	-	-	-	-	(1,762)	-	(1,762)
Tax benefit from exercised stock options	-	-	3,400	-	-	-	3,400
Foreign currency translation adjustment	-	-	-	(619)	-	-	(619)
Balance January 31, 1998	145	2,382	22,053	(558)	233,688	(452)	257,258
Net income	-	-	-	-	62,280	-	62,280
Issued shares for acquisition	-	5	1,876	-	-	-	1,881
Stock options exercised	-	14	419	-	-	-	433
Cash dividends ($.16 per Common share and $.08 per Class A Common share)	-	-	-	-	(7,892)	-	(7,892)
Distributions to former shareholders of pooled entity	-	-	-	-	(455)	-	(455)
Tax benefit from exercised stock options	-	-	1,050	-	-	-	1,050
Foreign currency translation adjustment	-	-	-	(337)	-	-	(337)
Balance January 30, 1999	145	2,401	25,398	(895)	287,621	(452)	314,218
Net income	-	-	-	-	87,935	-	87,935
Class A Common stock converted to Common stock	(2)	2	-	-	-	-	-
Stock options exercised	-	16	2,693	-	-	-	2,709
Cash dividends ($.16 per Common share and $.08 per Class A Common share)	-	-	-	-	(7,943)	-	(7,943)
Tax benefit from exercised stock options	-	-	1,200	-	-	-	1,200
Foreign currency translation adjustment	-	-	-	667	-	-	667
Balance January 29, 2000	$ 143	$ 2,419	$ 29,291	$ (228)	$ 367,613	$ (452)	$ 398,786

See accompanying notes to consolidated financial statements.

CLAIRE'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998
		(In thousands)	
Cash flows from operating activities:			
Net income	**$ 87,935**	$ 62,280	$ 59,595
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from discontinued operations, net of tax benefit	**-**	6,285	-
Loss on disposal of discontinued operations, net of tax benefit	**-**	3,087	-
Depreciation and amortization	**28,841**	21,878	18,002
Deferred income taxes	**704**	(1,484)	213
(Gain) loss on investments	**(3,929)**	4,800	-
Loss on retirement of property and equipment	**576**	1,703	1,671
Impairment of long-lived assets	**8,700**	-	-
Increase in -			
Inventories	**(11,268)**	(9,711)	(4,380)
Prepaid expenses and other assets	**(29,155)**	(12,719)	(5,624)
Increase in -			
Trade accounts payable	**11,693**	2,441	1,448
Income taxes payable	**345**	6,103	860
Accrued expenses	**6,278**	6,578	2,411
Deferred credits	**3,495**	2,418	2,758
Net cash provided by continuing operations	**104,215**	93,659	76,954
Net cash used by discontinued operations	**-**	(7,843)	-
Net cash provided by operating activities	**104,215**	85,816	76,954
Cash flows from investing activities:			
Acquisition of property and equipment, net of retirement proceeds	**(48,866)**	(45,211)	(36,306)
Acquisition of business, net of cash acquired	**(249,811)**	-	-
Sale (purchase) of short-term investments, net	**36,231**	(28,842)	(290)
Capital expenditures of discontinued operations	**-**	(185)	-
Acquisition of minority interest in a foreign subsidiary	**(18,000)**	(7,815)	-
Net cash used in investing activities	**(280,446)**	(82,053)	(36,596)
Cash flows from financing activities:			
Principal borrowings (payments) on debt	**199,452**	(1,617)	1,600
Proceeds from stock options exercised	**3,909**	1,482	5,087
Distribution to former shareholders of pooled entity	**-**	(455)	(2,739)
Dividends paid	**(7,929)**	(7,781)	(5,606)
Net cash provided by (used in) financing activities	**195,432**	(8,371)	(1,658)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**667**	(337)	(619)
Net increase (decrease) in cash and cash equivalents	**19,868**	(4,945)	38,081
Cash and cash equivalents at beginning of year	**117,546**	122,491	84,410
Cash and cash equivalents at end of year	**$ 137,414**	$ 117,546	$ 122,491

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Claire's Stores, Inc., a Delaware Corporation, and subsidiaries (collectively the "Company"), is a leading retailer of popular priced fashion accessories and apparel targeted towards teenagers. The Company operates stores throughout the United States, Canada, the Caribbean, United Kingdom, Switzerland, Austria, Germany and Japan.

Principles of Consolidation/Reclassifications - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company's investment in its Japanese joint venture is accounted for under the equity method. All material intercompany balances and transactions have been eliminated in consolidation. In January 1999, the Company adopted a plan to discontinue its Just Nikki Inc. ("Nikki") catalog segment. In April 1998, the Company completed its acquisition of Lux Corporation ("Lux"), which was accounted for as a pooling-of-interest business combination. As a result of these two transactions, the consolidated financial statements and notes thereto have been restated and reclassified for all periods presented.

Fiscal Year - The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years 2000, 1999 and 1998 each consisted of 52 weeks.

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Short-term Investments - These investments consist of highly liquid debt instruments purchased with a maturity greater than three months but less than one year and equity securities. At January 29, 2000, the Company classified its debt and equity securities as available for sale. Available for sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Realized gains and losses from the sale of available for sale securities are determined on a specific identification basis.

A decline in the market value of any available for sale security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

Inventories - Merchandise inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out basis using the retail method. Approximately 9% of the Company's inventory is maintained using the average cost method in a foreign subsidiary.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the building and the furniture, fixtures and equipment, which range from three to twenty-five years. Amortization of leasehold improvements is computed on the straight-line method based upon the shorter of the estimated useful lives of the assets or the terms of the respective leases.

Goodwill - Goodwill represents the excess of purchase price over the fair value of net assets acquired. It is amortized on a straight-line basis over the expected periods to be benefitted, generally twenty-five years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. Accumulated amortization was $1,655,000 and $190,000 at January 29, 2000 and January 30, 1999, respectively.

Net Income Per Share - Basic net income per share is based on the weighted average number of shares of Class A Common Stock and Common Stock outstanding during the period (50,985,000 shares in Fiscal 2000, 50,649,000 shares in Fiscal 1999 and 50,222,000 shares in Fiscal 1998). Diluted net income per share includes the dilutive effect of stock options (51,334,000 shares in Fiscal 2000, 51,108,000 shares in Fiscal 1999 and 51,132,000 shares in Fiscal 1998). Options to purchase 210,000, 161,000 and 124,000 shares of common stock, at prices ranging from $25.00 to $30.25 per share, $19.73 to $22.88 per share and $19.73 to $22.88 per share, respectively, were outstanding for the years ended January 29, 2000, January 30,1999 and January 31, 1998, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares for the respective fiscal year.

Income Taxes - The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109 which generally requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. In addition, SFAS No. 109 requires the adjustment of previously deferred income taxes for changes in tax rates under the liability method.

Foreign Currency Translation - The financial statements of the Company's foreign operations are translated into U.S. dollars. Assets and liabilities are translated at current exchange rates while income and expense accounts are translated at the average rates in effect during the year. Resulting translation adjustments are accumulated as a component of stockholders' equity. Foreign currency gains and losses resulting from transactions denominated in foreign currencies, including intercompany transactions, except for intercompany loans of a long-term investment nature, are included in results of operations.

Fair Value of Financial Instruments - The Company's financial instruments consist primarily of current assets, current liabilities and long term debt. Current assets and liabilities are stated at fair market value. Long term debt is considered to approximate market value due to the interest rate being adjustable.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Long-Lived Assets - The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In December 1999, the Company began implementation of a reorganization plan to eliminate redundant field operations and optimize square footage efficiency as a result of the acquisition of Afterthoughts. As a result of the reorganization and the Company's periodic review of impairment, the Company recorded an $8.7 million ($5.5 million after tax, or $.11 per diluted share) non-cash charge to write off the assets whose carrying value had been impaired.

Stock Options

Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation," allows entities to choose between a fair value based method of accounting for employee stock options or similar equity instruments and the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees." Entities electing to account for employee stock options or similar equity instruments under APB No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. The Company has elected to apply the provisions of APB No. 25 in the preparation of its consolidated financial statements and provide pro forma disclosure of net income and earnings per share as required under SFAS 123 in the notes to the consolidated financial statements.

Recent Accounting Pronouncements

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 ("SOP 98-5"), "Reporting of the Costs of Start-up Activities." SOP 98-5 is effective for financial statements issued for years beginning after December 15, 1998; therefore, the Company adopted its provisions in the first quarter of Fiscal 2000. SOP 98-5 requires that pre-opening costs be expensed as incurred. Adoption of this statement did not have a material impact on the Company's financial position, results of operations or cash flows.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities." The new statement requires all derivatives to be recorded on the balance sheet at fair value and establishes new accounting rules for hedging instruments. In June 1999, the FASB deferred the effective date of SFAS No. 133 for one year until fiscal years beginning after June 15, 2000. We beleive the impact that SFAS No. 133 will not have a material effect on our Consolidated Financial Statements.

2. ACQUISITIONS

In December 1999, the Company completed the acquisition of Afterthoughts, a 768 store fashion accessory chain operated as a division of Venator Group, Inc. ("Venator"). The transaction was accounted for as a purchase. The purchase price was $250 million, $200 million of which was financed through a credit facility. Excess purchase price over fair market value of the underlying assets, primarily fixed assets and inventory, was allocated primarily to goodwill, which will be amortized over twenty-five years. The Company's results of operations include Afterthoughts from December 1, 1999 through January 29, 2000.

The following table presents the fair value of assets acquired and the net cash paid for the acquisition (in thousands):

Fair value of assets acquired	$	69,400
Allocated value of intangibles		180,600
Cash paid for acquisition		250,000
Cash acquired in acquisition		(189)
Total cash paid in acquisition, net	$	249,811

In April 1998, the Company completed its acquisition of Lux, a closely held specialty apparel chain operating under the name of "Mr. Rags," in a stock-for-stock merger. The stores specialize in selling clothing and accessories to the male teen market. In connection with the merger, the Company issued 2,070,286 shares of common stock in exchange for all the outstanding common stock of Lux. The merger has been accounted for as a pooling of interests business combination. Accordingly, the accompanying consolidated financial statements have been restated to include the accounts of Lux as if the companies had combined at the beginning of the first period presented. Prior to the merger, Lux's fiscal year ended on November 30. In recording the business combination, Lux's prior year financial statements have been restated to conform with the Company's fiscal year end. Net sales and net income of the separate entities for the periods preceding the merger are as follows (in thousands):

	Three Months Ended May 2, 1998		Fiscal Year Ended 1998	
Net sales:				
Claire's Stores, Inc. and subsidiaries	$	123,775	$	500,152
Lux Corporation		9,187		36,602
Combined	$	132,962	$	536,754
Net income:				
Claire's Stores, Inc. and subsidiaries	$	9,584	$	58,189
Lux Corporation		357		1,406
Combined	$	9,941	$	59,595

In November 1998, the Company completed its acquisition of Bijoux One Trading AG ("Bijoux"), a privately held 53-store fashion accessory chain. Bijoux, headquartered in Zurich, Switzerland, became a wholly-owned subsidiary of the Company. The transaction has been accounted for as a purchase and, accordingly, Bijoux's operations have been consolidated with the Company as of November 1, 1998. The $9.4 million purchase price was comprised of cash and the issuance of 100,000 shares of the Company's stock, valued at $1.9 million. Excess purchase price over fair market value of the underlying assets was allocated to goodwill, which will be amortized over twenty-five years. Operating results on a pro forma basis, including Bijoux as if the purchase had occurred at the beginning of the periods presented, are not disclosed due to immateriality.

3. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information gives effect to the acquisition of Afterthoughts as if it had occurred on February 1, 1998. This unaudited pro forma financial information includes the effects of (a) amortization of goodwill; (b) the interest income, net impact of the funds used and borrowed to consummate the acquisition and (c) the federal and state income taxes relating to the other adjustments at a combined statutory rate of 38%.

Prior to the acquisition, Afterthoughts operated as a division of Venator and certain overhead costs and other expenses were allocated to Afterthoughts by Venator. Accordingly, the unaudited pro forma financial information includes such overhead costs and other expenses.

The unaudited pro forma financial information may not be comparable to and may not be indicative of the Company's results of operations subsequent to the acquisition because Afterthoughts was not under common control or management and had different capital structures during the periods presented.

	Fiscal Year Ended	
	2000	1999
	(In thousands, except for share data)	
Net sales	**$1,009,554**	$ 856,442
Income before taxes	**127,362**	91,544
Net income	**80,658**	57,836
Earnings per common share, basic	**1.58**	1.14
Earnings per common share, diluted	**1.57**	1.13

4. DISCONTINUED OPERATIONS

In January 1999, the Company announced its decision to discontinue the operations of Nikki, a wholly-owned subsidiary representing its catalog segment. The operations of Nikki have been accounted for as a discontinued operation in the Fiscal 1999 consolidated financial statements. Nikki had no significant operations prior to Fiscal 1999. The Company liquidated Nikki's inventory and sold or disposed of all the remaining assets during the first half of Fiscal 2000. Nikki's net sales during Fiscal 1999 were $14,717,000.

5. CREDIT FACILITIES

In connection with the acquisition of Afterthoughts, the Company entered into a $215 million senior credit facility (the "Credit Facility") pursuant to which it financed $200 million of the purchase price. The Credit Facility includes a $40 million revolving line of credit which matures on December 1, 2004 and a $175 million five year term loan, the first installment of which is due and payable beginning December 31, 2000 with future installments, thereafter, payable on a quarterly basis through December 1, 2004. The Credit Facility is prepayable without penalty and bears interest for an initial six months at 125 basis points margin over the London Interbank Borrowing Rate plus a 25 basis point unused line of credit fee. The margin is then adjusted periodically based on the Company's performance as it relates to certain financial measurements. At January 29, 2000, $200 million was outstanding under this facility, bearing interest at 7.5%.

The Credit Facility contains covenants including, but not limited to, limitations on investments, dividends and other restricted payments, incurrence of additional debt and acquisitions, as well as various financial covenants customary for transactions of this type. These financial covenants include current ratio, fixed charge coverage ratio and current leverage ratio. The Company was in compliance with these covenants at January 29, 2000.

The Company's non-U.S. subsidiaries have credit facilities totaling approximately $2,225,000 with a bank. The facilities are used for working capital requirements, letters of credit and various guarantees. These credit facilities have been arranged in accordance with customary lending practices in their respective countries of operation. At January 29, 2000, the borrowings totaled $759,000, bear interest at rates ranging from 4.5% to 4.75% and mature within five months.

The scheduled maturities of the debt are as follows (in thousands):

2001	$ 8,759
2002	30,000
2003	40,000
2004	40,000
2005	82,000
	$ 200,759

6. COMMITMENTS

The Company leases retail stores, offices and warehouse space and certain equipment under operating leases which expire at various dates through the year 2025 with options to renew certain of such leases for additional periods. The lease agreements covering retail store space provide for minimum rentals and/or rentals based on a percentage of net sales. Rental expense for each of the three fiscal years ended January 29, 2000 was as follows:

	2000	1999	1998
		(In thousands)	
Minimum rentals	**$ 97,646**	$ 75,749	$ 62,362
Rentals based on net sales	**2,406**	1,975	1,641
Other rental expense - equipment	**18,302**	13,565	10,534
Total rental expense	**$118,354**	$ 91,289	$ 74,537

Minimum aggregate rental commitments under non-cancelable operating leases are summarized by fiscal year ending as follows (in thousands):

2001	$ 133,773
2002	129,497
2003	115,889
2004	104,789
2005	95,142
Thereafter	403,902
	$ 982,992

Certain leases provide for payment of real estate taxes, insurance and other operating expenses of the properties. In other leases, some of these costs are included in the basic contractual rental payments.

7. STOCKHOLDERS' EQUITY

Preferred Stock - The Company has authorized 1,000,000 shares of $1 par value preferred stock, none of which has been issued. The rights and preferences of such stock may be designated in the future by the Board of Directors.

Class A Common Stock - The Class A common stock has only limited transferability and is not traded on any stock exchange or any organized market. However, the Class A common stock is convertible on a share-for-share basis into Common stock and may be sold, as Common stock, in open market transactions. The Class A common stock has ten votes per share. Dividends declared on the Class A common stock are limited to 50% of the dividends declared on the Common stock.

Treasury Stock - Treasury stock acquired is recorded at cost. Occasionally, the Company uses treasury stock to fulfill its obligations under its stock option plans. When stock is issued pursuant to the stock option plans, the difference between the cost of treasury stock issued and the option price is charged or credited to additional paid-in capital.

In May 1996, the Company entered into an agreement (the "agreement") with the former sole shareholder of one of the Company's subsidiaries. The agreement provided the individual with the right to purchase up to 20% of the outstanding shares, (the "shares") of the subsidiary at a specified price. In February 1999, the individual exercised the right to purchase the shares pursuant to the agreement. In February 1999, the Company paid $18,000,000 to the individual for the purchase of the minority interest in the shares and recorded this amount as goodwill.

8. STOCK OPTIONS

In August 1996, the Board of Directors of the Company adopted, and on June 16, 1997 the Company's stockholders approved, the Claire's Stores, Inc. 1996 Stock Option Plan (the "1996 Plan"). The 1996 Plan replaced the Company's 1991 Stock Option Plan (the "1991 Plan"), which had replaced the Company's 1982 Incentive Stock Option Plan (the "1982 Plan") and the Company's 1985 Non-Qualified Stock Option Plan (the "1985 Plan"), although options granted under the 1991 Plan remain outstanding. Under the 1996 Plan, the Company may grant either incentive stock options or non-qualified stock options to purchase up to 3,000,000 shares of Common Stock, plus any shares unused or recaptured under the 1982 Plan, the 1985 Plan or the 1991 Plan. Incentive stock options granted under the 1996 Plan are exercisable at prices equal to the fair market value of shares at the date of grant, except that incentive stock options granted to any person holding 10% or more of the total combined voting power or value of all classes of capital stock of the Company, or any subsidiary of the Company, carry an exercise price equal to 110% of the fair market value at the date of grant. The aggregate number of shares granted to any one person may not exceed 500,000, and no stock option may be exercised less than one year after the date granted. Each incentive stock option or non-qualified stock option will terminate ten years after the date of grant (or such shorter period as specified in the grant) and may not be exercised thereafter.

Incentive stock options currently outstanding are exercisable at various rates beginning one year from the date of grant, and expire five to ten years after the date of grant. Non-qualified stock options currently outstanding are exercisable at prices equal to the fair market value of the shares at the date of grant and expire five to ten years after the date of grant.

Options to purchase an additional 843,601 shares were outstanding, but not yet exercisable, at January 29, 2000 under the 1991 Plan and the1996 Plan. There were 3,142,423 shares of Common stock available for future option grants under the 1996 Plan at January 29, 2000.

A summary of the activity in the Company's stock option plans is presented below:

	Fiscal 2000		Fiscal 1999		Fiscal 1998	
	Number of Shares	**Weighted Average Excercise Price**	Number of Shares	Weighted Average Excercise Price	Number of Shares	Weighted Average Excercise Price
Outstanding at beginning of period	**1,222,291**	**$ 13.66**	1,466,144	$ 10.81	2,207,414	$ 9.54
Options granted	**536,000**	**$ 25.08**	455,000	$ 19.27	65,000	$ 21.64
Options exercised	**(295,551)**	**$ 8.28**	(331,313)	$ 6.02	(300,531)	$ 5.09
Options canceled	**(270,367)**	**$ 22.83**	(367,540)	$ 16.37	(505,739)	$ 10.39
Outstanding at end of period	**1,192,373**	**$ 18.22**	1,222,291	$ 13.66	1,466,144	$ 10.81
Exercisable at end of period	**348,772**	**$ 14.81**	484,987	$ 10.69	567,775	$ 8.10
Weighted average fair value of options granted during the period		**$ 24.92**		$ 19.27		$ 21.64

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2000	1999	1998
Expected dividend yield	**0.64%**	0.72%	0.62%
Expected stock price volatility	**37.65%**	36.62%	36.21%
Risk-free interest rate	**6.00%**	5.50%	6.00%
Expected life of options	**4.5 and 9.5 years**	4.5 and 9.5 years	4.5 and 9.5 years

The following table summarizes information about stock options outstanding at January 29, 2000:

	Options Outstanding			**Options Exercisable**	
Range of Excercise Prices	**Number of Shares Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Excercise Price**	**Number of Shares**	**Weighted Average Excercise Price**
$5.11 to $8.00	**253,125**	**5.0**	**$ 6.56**	**98,437**	**$ 6.79**
$8.72 to $12.17	**11,248**	**1.0**	**$ 10.11**	**8,437**	**$ 9.87**
$16.44 to $21.75	**718,000**	**7.5**	**$ 19.22**	**241,898**	**$ 18.24**
$25.00 to $30.25	**210,000**	**8.5**	**$ 29.29**	**-**	**-**
$5.11 to $30.25	**1,192,373**	**7.0**	**$ 18.22**	**348,772**	**$ 14.81**

The Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation", issued in October 1995. As permitted under the provisions of SFAS No. 123, the Company applies the principles of APB Opinion 25 and related Interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost. If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts indicated in the table below (in thousands except per share amounts):

	Fiscal Year Ended		
	2000	1999	1998
Net income - as reported	**$ 87,935**	$ 62,280	$ 59,595
Net income - pro forma	**87,217**	61,971	59,227
Diluted net income per share - as reported	**1.71**	1.22	1.17
Diluted net income per share - pro forma	**1.70**	1.21	1.16

9. EMPLOYEE BENEFIT PLANS

The Company has adopted a Profit Sharing Plan under Section 401(k) of the Internal Revenue Code. This plan allows employees who serve more than 1,000 hours per year to defer up to 18% of their income through contributions to the plan. In line with the provisions of the plan, for every dollar the employee contributes the Company will contribute an additional $.50, up to 2% of the employee's salary. In Fiscal 2000, Fiscal 1999 and Fiscal 1998, the cost of Company matching contributions was $435,000, $378,000 and $381,000, respectively.

Prior to the Lux merger (see Note 2), Lux had a profit sharing plan covering all employees over 21 years old with over one year of service. Lux's contributions to the plan were discretionary. The Company discontinued this plan during Fiscal 2000.

10. INCOME TAXES

Income before income taxes from continuing operations is as follows:

	Fiscal Year Ended		
	2000	1999	1998
		(In thousands)	
Domestic	**$114,962**	$ 92,461	$ 85,159
Foreign	**23,833**	21,275	10,193
	$138,795	$ 113,736	$ 95,352

The components of income tax expense (benefit) consist of the following:

	Fiscal Year Ended		
	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998
		(In thousands)	
Federal:			
Current	**$ 36,507**	$ 32,095	$ 28,385
Deferred	**631**	(1,266)	191
	37,138	30,829	28,576
State:			
Current	**5,149**	4,473	3,659
Deferred	**73**	(218)	22
	5,222	4,255	3,681
Foreign:			
Current	**8,500**	7,000	3,500
Total income tax expense from continuing operations	**50,860**	42,084	35,757
Tax benefit of discontinued operations	**-**	(5,531)	-
Total income tax expense	**$ 50,860**	$ 36,553	$ 35,757

The approximate tax effect on each type of significant components of the Company's net deferred tax asset areas follows:

	Fiscal Year Ended	
	Jan. 29, 2000	Jan. 30, 1999
	(In thousands)	
Depreciation	**$ 4,888**	$ 3,151
Accrued expenses	**2,815**	4,073
Deferred rent	**2,690**	2,009
Loss on investments	**-**	1,286
Operating leases	**(906)**	(1,109)
Inventory reserves	**68**	543
Other	**242**	547
Net deferred tax asset	**$ 9,797**	$ 10,500

The Company believes that the realization of the deferred tax assets is more likely than not, based on the expectation that the Company will generate the necessary taxable income in future periods.

The provision for income taxes from continuing operations differs from an amount computed at the statutory rates as follows:

	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998
U.S. income taxes at statutory rates	**35%**	35%	35%
Foreign income tax benefit at less than domestic rate	**(1)**	(1)	-
State and local income taxes, net of federal tax benefit	**3**	3	3
	37%	37%	38%

As of January 29, 2000, there are accumulated unremitted earnings from the Company's United Kingdom subsidiary on which deferred taxes have not been provided as the undistributed earnings of the foreign subsidiary are indefinitely reinvested. Based on the current United States and United Kingdom income tax rates, it is estimated that United States taxes, net of foreign tax credits, of approximately $800,000 would be due.

11. STATEMENTS OF CASH FLOWS

Payments of income taxes were $46,987,000 in Fiscal 2000, $33,299,000 in Fiscal 1999 and $30,441,000 in Fiscal 1998. Payments of interest were $1,496,000 in Fiscal 2000, $67,000 in Fiscal 1999 and $270,000 in Fiscal 1998.

12. RELATED PARTY TRANSACTIONS

The Company leases from Rowland Schaefer & Associates (formerly Two Centrum Plaza Associates) approximately 33,000 square feet of office space in a building where it maintains its executive and accounting and finance offices. The lease for this space expires on July 31, 2000 and may be extended at the option of the Company for an additional five-year term. Rowland Schaefer & Associates is a general partnership of two corporate general partnerships which are owned by immediate family members of the Chairman of the Board and President of the Company, two of whom are Co-Vice Chairmen of the Company. The lease provides for the payment by the Company of annual base rent of approximately $557,000, which is subject to annual cost-of-living increases, and a proportionate share of all taxes and operating expenses of the building. The Company believes that the terms of the lease are no less favorable to the Company than those which could have been obtained from an unrelated third party.

13. SEGMENT REPORTING

The Company is primarily organized based on the geographic markets in which it operates. Under this organizational structure, the Company currently has three reportable segments: North America, United Kingdom and Europe. The Company's reportable segments are managed separately because each geographic market requires different marketing strategies and maintains separate local offices and distribution centers.

Information about the Company's operations by segment is as follows (in thousands):

	Fiscal Year Ended		
	2000	1999	1998
Net sales:			
North America	**$707,702**	$ 579,442	$ 503,202
United Kingdom	**117,593**	76,900	33,552
Europe	**21,603**	5,514	-
Total net sales	**$846,898**	$ 661,856	$ 536,754
Operating income:			
North America	**$137,756**	$ 113,831	$ 99,101
United Kingdom	**28,455**	19,687	7,252
Europe	**2,727**	640	-
Total operating income	**$168,938**	$ 134,158	$ 106,353
Depreciation and amortization			
North America	**$ 24,183**	$ 19,469	$ 17,466
United Kingdom	**4,020**	2,270	536
Europe	**638**	139	-
Total depreciation and amortization	**$ 28,841**	$ 21,878	$ 18,002
Interest income, net			
North America	**$ (2,325)**	$ (5,939)	$ (4,646)
United Kingdom	**(1,110)**	(374)	(256)
Europe	**(34)**	57	-
Total interest income, net	**$ (3,469)**	$ (6,256)	$ (4,902)
Loss (gain) on investments	**$ (3,929)**	$ 4,800	$ (2,099)
Impairment of long-lived assets	**$ 8,700**	-	-
Income from continuing operations before income taxes	**$138,795**	$ 113,736	$ 95,352
Identifiable assets:			
North America	**$470,774**	$ 205,423	$ 166,657
United Kingdom	**82,480**	42,748	17,896
Europe	**10,577**	6,998	-
Corporate	**138,268**	139,103	132,514
Total assets	**$702,099**	$ 394,272	$ 317,067
Capital expenditures:			
North America	**$ 31,542**	$ 34,632	$ 28,637
United Kingdom	**15,055**	10,579	7,669
Europe	**2,269**	-	-
Total capital expenditures	**$ 48,866**	$ 45,211	$ 36,306

14. SUBSEQUENT EVENTS (Unaudited)

In February 2000, the Company completed its acquisition of Cleopatre S.A. ("Cleopatre"), a privately held 42 store fashion accessory chain. Cleopatre, headquartered in Paris, France, became a wholly-owned subsidiary of the Company. The transaction has been accounted for as a purchase. The purchase price was approximately $11 million. Excess purchase price over fair market value of the underlying assets was allocated to goodwill, which will be amortized over twenty-five years.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Company's management is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles and for the integrity of all the financial data included in the Annual Report. In preparing the financial statements, management makes informed judgements and estimates of the expected effects of events and transactions that are currently being reported.

Management maintains a system of internal accounting controls that is designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with management's policies for conducting its business. This system includes policies which require adherence to ethical business standards and compliance with all laws to which the Company is subject. The internal controls process is continuously monitored by direct management review.

The Board of Directors, through its Audit Committee, is responsible for determining that management fulfills its responsibility with respect to the Company's financial statements and the system of internal accounting controls.

The Audit Committee, composed solely of directors who are not officers or employees of the Company, meets annually with representatives of management and the Company's independent accountants to review and monitor the financial, accounting and auditing procedures of the Company in addition to reviewing the Company's financial reports. The independent accountants have full and free access to the Audit Committee and annually meet privately with the Audit Committee.

Rowland Schaefer
Chairman of the Board, President
and Chief Executive Officer

Ira Kaplan
Senior Vice President
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Claire's Stores, Inc.
Pembroke Pines, Florida

We have audited the accompanying consolidated balance sheets of Claire's Stores, Inc. and subsidiaries as of January 29, 2000 and January 30, 1999, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended January 29, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Claire's Stores, Inc. and subsidiaries as of January 29, 2000 and January 30, 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended January 29, 2000 in conformity with generally accepted accounting principles.

KPMG LLP

Fort Lauderdale, Florida
April 7, 2000

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company has two classes of Common Stock, par value $.05 per share, outstanding: Common Stock having one vote per share and Class A Common Stock having ten votes per share. The Common Stock is traded on the New York Stock Exchange, Inc. ("NYSE") under the symbol CLE. The Class A Common Stock has only limited transferability and is not traded on any stock exchange or in any organized market. However, the Class A Common Stock is convertible on a share-for-share basis into Common Stock and may be sold, as Common Stock, in open market transactions. The following table sets forth, for each full quarterly period within the last two fiscal years, the high and low closing prices of the Common Stock on the NYSE Composite Tape and the per share dividends declared on the Common Stock and the Class A Common Stock. At March 31, 2000, the approximate number of record holders of shares of Common Stock and Class A Common Stock was 1,890 and 672, respectively.

	Closing of Common Stock		Dividends on Common Stock	Dividends on Class A Common Stock
Year Ended January 29, 2000	High	Low		
First Quarter	$30.19	$18.63	$0.04	$0.02
Second Quarter	33.81	25.63	0.04	0.02
Third Quarter	24.56	16.25	0.04	0.02
Fourth Quarter	24.44	16.88	0.04	0.02
Year Ended January 30, 1999				
First Quarter	$24.13	$14.94	$0.04	$0.02
Second Quarter	23.50	16.94	0.04	0.02
Third Quarter	21.31	14.75	0.04	0.02
Fourth Quarter	22.75	16.19	0.04	0.02

In 1985, the Board of Directors instituted a quarterly dividend on the Common Stock of $.011 per share. In February 1994, the Board of Directors increased the quarterly dividend to $.013 per share and in July 1994 declared a quarterly dividend of $.007 per share on the Class A Common Stock. In January 1996, the Board of Directors increased the quarterly dividend to $.02 per share on the Common Stock and $.01 per share on the Class A Common Stock. In October 1996, the Board of Directors increased the quarterly dividend to $.03 per share on the Common Stock and $.015 per share on the Class A Common Stock. The Board of Directors again increased the quarterly dividend to $.04 per share on the Common Stock and $.02 per share on the Class A Common Stock in April 1998. The Company expects to continue paying dividends; however, there is no assurance in this regard since the declaration and payment of dividends are within the discretion of the Board of Directors and are subject to a variety of contingencies such as the earnings and the financial condition of the Company.

BOARD OF DIRECTORS

Rowland Schaefer
Chairman of the Board,
President & Chief Executive Officer
Claire's Stores, Inc.

Marla L. Schaefer
Vice Chairman,
Claire's Stores, Inc.
Executive Vice President
Claire's Boutiques, Inc.

Eileen Bonnie Schaefer
Vice Chairman,
Claire's Stores, Inc.
Executive Vice President
Claire's Boutiques, Inc.

Ira D. Kaplan
Senior Vice President,
Chief Financial Officer
Claire's Stores, Inc.

Bruce G. Miller
Senior Vice President
Ryan, Beck & Co.

Steven H. Tishman
Managing Director
BancBoston Robertson Stephens, Inc.

Irwin L. Kellner, PH.D.
Kellner Economic Advisors
Hofstra University

GENERAL COUNSEL

Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, FL 33131

INDEPENDENT AUDITORS

KPMG LLP
450 East Las Olas Boulevard
Fort Lauderdale, FL 33301

OFFICERS

Rowland Schaefer
Chairman of the Board,
President & Chief Executive Officer
Claire's Stores, Inc.

Marla L. Schaefer
Vice Chairman,
Claire's Stores, Inc.
Executive Vice President
Claire's Boutiques, Inc.

Eileen Bonnie Schaefer
Vice Chairman,
Claire's Stores, Inc.
Executive Vice President
Claire's Boutiques, Inc.

Ira D. Kaplan
Senior Vice President,
Chief Financial Officer
Claire's Stores, Inc.

Harold E. Berritt
Secretary & General Counsel

Michael Rabinovitch
Vice President of Finance
Claire's Stores, Inc.

Kathleen E. Rossi
Vice President of Taxation
Claire's Stores, Inc.

Marty Nealon
President & Chief Operating Officer
Claire's Boutiques, Inc.

Robert M. Sayre, Jr.
President
Lux Corporation
d/b/a Mr. Rags

Mark Smith
Chief Executive
Claire's Accessories U.K. Ltd.

Peter Bossert
President
Bijoux One GmbH

Eric Goldberg
President
Cleopatre S.A.

EXECUTIVE OFFICES

Claire's Stores, Inc.
3 S. W. 129th Avenue
Pembroke Pines, FL 33027
TEL: (954) 433-3900
FAX: (954) 433-3999

INVESTOR INFORMATION

NYSE
TRADING SYMBOL: CLE

INVESTOR RELATIONS

Sonia Rohan
Assoc. Director of Investor Relations
Claire's Stores, Inc.
350 Fifth Avenue
Suite 829
New York, NY 10118
TEL: (212) 594-3127
FAX: (212) 244-4237

CLAIRE'S INVESTOR HOTLINE

1-800-CLE-NYSE
(800-253-6973)

FINANCIAL WEB SITE

www.clairestores.com

ANNUAL MEETING

9:30 am
Thursday, June 8, 2000
Wedgewood Room
Pierre Hotel
Fifth Avenue & 61st Street
New York, NY

FORM 10-K

A copy of the Company's Fiscal 2000 10-K as filed with the SEC may be obtained without charge by calling or writing to Investor Relations

REGISTRAR & TRANSFER AGENT

First Union Bank
Shareholder Services Group
Two First Union Center
Charlotte, NC 28288-1154
TEL: (800) 829-8432

claire's stores, inc.
Claire's Corporate Plaza 3 S.W. 129th Avenue, Pembroke Pines, FL 33027
NYSE Symbol: CLE

For up-to-date financial information, visit the corporate web site at **www.clairestores.com**