Fiscal Year Ending March 2020
First Half Earnings Announcement

November 6, 2019

UNITED ARROWS LTD.

Contents

UNITED ARROWS LTD.

Note: In this earnings announcement, fractional sums of less than one million are <u>rounded down</u> and percentages are calculated from <u>raw data</u>.

Cautionary Statement

Earnings forecasts and other objective views contained in this document are based on decisions made by UNITED ARROWS LTD. in light of information obtainable as of the date of this report and, therefore, include risks and uncertainties. Actual earnings may differ materially from forecasts due to global economic trends, market conditions and other factors. Investors are asked to refrain from making investment decisions based solely on the information contained in this document.

(1) Abbreviations used throughout this report: The following abbreviations may be used for each Group business, store brand, and consolidated subsidiary.

UA = UNITED ARROWS; BY = BEAUTY&YOUTH UNITED ARROWS; monkey time = monkey time BEAUTY&YOUTH UNITED ARROWS; District = District UNITED ARROWS; GLR = UNITED ARROWS green label relaxing; WORK TRIP OUTFITS GLR = WORK TRIP OUTFITS GREEN LABEL RELAXING; Lurow GLR = Lurow GREEN LABEL RELAXING; THE AIRPORT STORE = THE AIRPORT STORE UNITED ARROWS LTD.; THE STATION STORE = THE STATION STORE UNITED ARROWS LTD.; CHJP = CHROME HEARTS JP, GK; CH = CHROME HEARTS

(2) The store brands contained within Business Unit I and Business Unit II are as follows.

Business Unit I: UA, District, THE SOVEREIGN HOUSE, ASTRAET, THE AIRPORT STORE, BY, monkey time, STEVEN ALAN, ROKU, H BEAUTY&YOUTH, Odette e Odile, and DRAWER

Business Unit II: GLR, WORK TRIP OUTFITS GLR, Lurow GLR, EMMEL REFINES, THE STATION STORE

I. Overview of Business Results for the Six-Month Period Ended September 30, 2019

Performance Summary for the Six-Month Period Ended September 30, 2019

Consolidated P&L (For details, see slides 5, 8, and 9)

- Consolidated sales: YoY increase of 3.9%; ordinary income: YoY increase of 24.6%. Resulted in increases in both revenue and income
- Gross margin: YoY difference up 0.2 percentage points to 51.7%, attributable to such factors as improvement at part of consolidated subsidiaries and Outlet
- SGA expenses to sales ratio: YoY decline of 0.8 percentage points to 46.4%, attributable to decrease in fixed costs at UNITED ARROWS LTD. and COEN CO., LTD.
- Operating income: YoY increase of 28.8%; ordinary income: YoY increase of 24.6%; net income: YoY increase of 29.2%

Non-Consolidated Sales (For details, see slides 6 and 7)

- Existing store sales: Total existing store sales increased YOY, despite YoY decrease in retail sales, due to double-digit YoY growth in online store sales
- Sales composition by channel: The sales composition of online stores increased 2.4 percentage points YoY to 21.5%
- Number of customers of existing stores: YoY increases in the total number of customers of existing retail and online stores despite YoY decrease in the number of customers of existing retail stores

Inventory (For details, see slide 10)

- Inventory: YoY increase of 4.7% in the balance of inventory compared with September 30, 2018 (YoY sales growth: 3.9%), attributable to such factors as front-loading of delivery dates to meet a last-minute surge in demand before the consumption tax increase

Opening and Closing of Stores (For details, see slides 12–13)

- FY20 1H Group total: Number of new stores opened: 12; number of stores closed 11; number of stores as of FY20 1H-end: 359
- FY20 forecast Group total: Number of new stores to be opened: 25; number of stores to be closed: 18; number of stores as of FY20-end: 365

Group Companies (For details, see slide 14; status of major consolidated subsidiaries is as follows)

- FIGO CO., LTD.: Decrease in revenue and increase in income; COEN CO., LTD.: Revenue at the same level as the previous corresponding period and increase in income; CHROME HEARTS JP, GK: Increases in revenue and income

Consolidated P&L Overview

UNITED ARROWS LTD.

Six-month period ended September 30, 2019: Increases in both revenue and income

- Consolidated sales: YoY increase of 3.9%; Ordinary income: YoY increase of 24.6%; Resulted in increases in both revenue and income
- Gross margin: YoY difference up 0.2 percentage points to 51.7%, attributable to such factors as improvement at some consolidated subsidiaries and Outlet
- SG&A expenses to sales ratio: YoY decline of 0.8 percentage points to 46.4%, attributable to such factors as decrease in fixed costs at UNITED ARROWS LTD. and COEN CO., LTD.
- Operating income: YoY increase of 28.8%; Ordinary income: YoY increase of 24.6%; Net income: YoY increase of 29.2%

(Millions of yen)

	Consolidated FY20 1H				FY19 1H	
	Results	vs. Sales	YoY increase (decrease)	%	FY19 1H Results	vs. Sales
Sales	**74,576**	100.0%	2,824	103.9%	71,752	100.0%
Gross Profit	**38,521**	51.7%	1,573	104.3%	36,947	51.5%
SGA Expenses	**34,617**	46.4%	701	102.1%	33,915	47.3%
Operating Income	**3,903**	5.2%	872	128.8%	3,031	4.2%
Non Op. P&L	**(10)**	0.0%	(103)	―	93	0.1%
Ordinary income	**3,893**	5.2%	768	124.6%	3,124	4.4%
Extraordinary P&L	**(385)**	-0.5%	(46)	―	(338)	-0.5%
Net Income Attributable to Owners of Parent	**1,942**	2.6%	439	129.2%	1,503	2.1%

Non-Consolidated Sales Results by Sales Channel

UNITED ARROWS LTD.

Non-consolidated sales up 4.0% YoY; Existing store sales up 3.5% YoY

- Existing store sales: Retail store sales declined YoY but online store sales grew at double-digit rates, resulting in YoY increases in total existing store sales.
- Sales composition by sales channel: Online store sales up 2.4 percentage points YoY to 21.5%.
- Number of customers of existing stores: YoY increases in the total number of customers of existing retail and online stores despite YoY decrease in the number of customers of existing retail stores

(Millions of yen)

	Non-Consolidated FY20 1H				FY19 1H Results	
	Results	Composition ratio	YoY increase (decrease)	%		Composition ratio
Non-Consolidated Sales	**60,827**	100.0%	2,361	104.0%	58,466	100.0%
Total Business Unit Sales	**52,325**	86.0%	2,333	104.7%	49,992	85.5%
Retail	**38,789**	63.8%	360	100.9%	38,428	65.7%
Online	**13,098**	21.5%	1,939	117.4%	11,159	19.1%
Other (Wholesale, etc.)	**437**	0.7%	33	108.2%	404	0.7%
Outlet, etc.	**8,502**	14.0%	28	100.3%	8,473	14.5%

Existing Store Sales YoY (asterisk indicates reference data)

	Sales	Number of customers	Ave. spend per customer
Retail + Online	103.5%	100.7% *	101.6% *
Retail	97.9%	94.9%	103.2%
Online	120.7%	116.2% *	102.9% *

* Number of customers and average spend per customer data for existing retail and online stores as well as for other online stores are calculated using data available to the Company through its online stores and ZOZOTOWN stores.

Non-Consolidated Sales Results by Business

Higher revenue in both business units, YoY increase in the total of retail and online stores at existing stores

- Business Unit Ⅰ: YoY increase in men's dressy items and all women's categories
- Business Unit Ⅱ: YoY increase in men's and women's casual items

	Non-Consolidated FY20 1H			
	Results	YoY increase (decrease)	%	FY19 1H Results
Total Business Unit Sales	**52,325**	2,333	104.7%	49,992
Business Unit Ⅰ	**34,449**	1,446	104.4%	33,003
Business Unit Ⅱ	**17,875**	886	105.2%	16,988

	Existing Store Sales YoY		
	Retail + Online	Retail	Online
Business Unit Ⅰ	103.8%	98.6%	119.3%
Business Unit Ⅱ	102.8%	96.7%	123.8%

Note: Please refer to slide 2 for the list of the store brands included in each business unit.

Consolidated Gross Margin Results

Consolidated gross margin down 0.2 percentage points to 51.7% Major factors that caused gross margin difference from 1H of FY19 (impact on the overall gross margin) are described below

Gross margin for 1H of FY20	51.7%
Gross margin for 1H of FY19	51.5%
Difference	+0.2pt

■ Factors that impacted the consolidated gross margin and the levels of overall impact

		Remarks
Impact of movements in the gross margin of UNITED ARROWS LTD. total business unit	-0.1pt	Gross margin of the total business unit: Down 0.2 percentage points Increase in markdowns due to lower sales resulting from unfavorable weather conditions
Impact of movements in the gross margin of UNITED ARROWS LTD. Outlet and other stores	0.1pt	YoY increase of 0.8 percentage points in the gross margin of UNITED ARROWS LTD. Outlet and other stores Improvement in the gross margin of regular business products and other factors
Impact of movements in other costs at UNITED ARROWS LTD.	0.0pt	No significant change from 1H of FY19
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	0.2pt	Improvement in the gross margin at some subsidiaries due to favorable foreign exchange rates and other factors

Note: Details of factors that impacted the consolidated gross margin on a 1H, 2H, and full-year basis in the past two fiscal years are included in the attachment at the end of this document.

■ Consolidated SGA Expenses

UNITED ARROWS LTD.

SGA expenses up 2.1% YoY; SGA expenses to sales ratio down 0.8 percentage points YoY to 46.4%

(Comments mainly refer to individual expense items that increased or decreased significantly as a percentage of sales.)

- Advertising expenses: Decrease due mainly to decline in advertising expenses at COEN CO., LTD. (Television commercials were broadcasted in 1H of FY19.)
- Personnel expenses: Decrease in the ratio of personnel expenses to sales due to the shift to online store operations at UNITED ARROWS LTD. and other factors.
- Rent: Decrease in rent for UNITED ARROWS LTD. distribution warehouses and other factors.
- Other: Decrease in one-time expenses for opening new stores of UNITED ARROWS LTD. and other factors.

(Millions of yen)

	Consolidated FY20 1H						
	Results	vs. Sales	YoY increase (decrease)	%	Movement vs. Sales	FY19 1H Results	vs. Sales
Sales	74,576	100.0%	2,824	103.9%	0.0%	71,752	100.0%
SGA expenses	34,617	46.4%	701	102.1%	-0.8%	33,915	47.3%
Advertising expenses	1,715	2.3%	23	101.4%	-0.1%	1,692	2.4%
Personnel expenses	12,586	16.9%	368	103.0%	-0.2%	12,218	17.0%
Rent	10,756	14.4%	237	102.3%	-0.2%	10,518	14.7%
Depreciation	956	1.3%	58	106.5%	0.0%	897	1.3%
Other	8,602	11.5%	13	100.2%	-0.4%	8,588	12.0%

Note: Details pertaining to consolidated SGA expenses to sales ratios by major expenditure item on a 1H, 2H, and full-year basis in the past two fiscal years are included in the attachment at the end of this document.

Consolidated total assets of ¥74,079 million on September 30, 2019, up 3.7% from September 30, 2018, and up 4.7% from March 31, 2019

(Comments refer to changes from September 30, 2018)

- Current assets: Increases in inventories and accounts receivable-other
- Noncurrent assets: Increases in property, plant and equipment and intangible assets and decrease in depreciation
- Current liabilities: Decreases in current portion of long-term loans payable, short-term loans payable, and provision for bonuses
- Noncurrent liabilities: Decrease in long-term loans payable

* Balance of short- and long-term loans payable: ¥6,800 million, down 29.2% from September 30, 2018

* Inventories: Up 4.7% YoY (net sales: up 3.9% YoY), attributable to front-loading of delivery dates to meet a last-minute surge in demand before the consumption tax increase and other factors

(Millions of yen)

	Consolidated FY20 1H-End							
	Results	Composition ratio	vs. FY19 1H-End Results	vs. FY19-End	FY19 1H-End Results	Composition ratio	FY19-End Results	Composition ratio
Total Assets	**74,079**	100.0%	103.7%	104.7%	71,421	100.0%	70,738	100.0%
Current Assets	**47,860**	64.6%	104.6%	107.5%	45,734	64.0%	44,533	63.0%
(Inventory)	**28,703**	38.7%	104.7%	114.9%	27,414	38.4%	24,988	35.3%
Noncurrent Assets	**26,219**	35.4%	102.1%	100.1%	25,687	36.0%	26,205	37.0%
Current Liabilities	**29,672**	40.1%	92.5%	109.6%	32,066	44.9%	27,082	38.3%
Noncurrent Liabilities	**4,286**	5.8%	95.8%	105.1%	4,472	6.3%	4,078	5.8%
Total Net Assets	**40,121**	54.2%	115.0%	101.4%	34,881	48.8%	39,578	55.9%
Reference: Balance of short- and long-term loans payable	**6,800**	9.2%	70.8%	188.9%	9,600	13.4%	3,600	5.1%

■ Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents on September 30, 2019: ¥6,389 million

- Cash flow from operating activities
  (major cash inflows): Income before income taxes of ¥3,507 million and increase in trade payables of ¥2,482 million
  (major cash outflows): Increase in inventories of ¥3,714 million, decrease in provision for bonuses of ¥972 million, and payment of income taxes of ¥1,712 million
- Cash flow from investing activities
  (major cash outflows): Purchases of property, plant and equipment of ¥880 million and intangible assets of ¥765 million
- Cash flow from financing activities
  (major cash inflows): Increase in short-term loans payable of ¥4,200 million
  (major cash outflows): Payment of cash dividends of ¥2,225 million and long-term loans payable of ¥1,000 million

(Millions of yen)

	Consolidated FY20 1H	FY19 1H
	Results	Results
Cash flows from operating activities (sub-total)	**3,265**	2,466
Cash flows from operating activities	**1,544**	1,201
Cash flows from investing activities	**(1,980)**	(4,045)
Cash flows from financing activities	**974**	2,636
Cash and cash equivalents at the end of the period	**6,389**	6,112

■ Group Total Opening and Closing of Stores in Six-Month Period Ended September 30, 2019, and FY20 Forecasts

- 6M-end Group total: Number of new stores opened: 12; number of stores closed: 11; number of stores as of 6M-end: 359
- FY20 Group total forecasts: Number of new stores to be opened: 25; number of stores to be closed: 18; number of stores as of FY20-end: 365

	FY20 1H Results				FY20 Forecasts					Reference
	No. of stores as of FY19-end	Opened	Closed	No. of stores as of 1H-end	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period	Increase (decrease) from the previous forecasts
Group Total	358	12	11	359	12	13	25	18	365	
UNITED ARROWS LTD.	237	8	6	239	8	6	14	9	242	
FIGO CO., LTD.	20		3	17				3	17	
COEN CO., LTD.	86	1	2	85	1	4	5	6	85	▲ 1
UNITED ARROWS TAIWAN LTD.	4	1		5	1	3	4		8	1
Designs & Co.	1	2		3	2		2		3	
CHROME HEARTS JP, GK	10			10					10	

Reference: Breakdown for UNITED ARROWS LTD.

	No. of stores as of FY19-end	Opened	Closed	No. of stores as of 1H-end	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	No. of stores as of the end of the period	Increase (decrease) from the previous forecasts
Business Unit I	113	4	4	113	4	2	6	6	113	1
Business Unit II	98	4	2	100	4	3	7	3	102	▲ 1
Outlet	26			26		1	1		27	

Reference: Opening and Closing of Stores by Store Brand at UNITED ARROWS LTD.

UNITED ARROWS LTD.

	FY20 1H Results			
	No. of stores as of FY19-End	Opened	Closed	No. of stores as of FY20 1H-End
UNITED ARROWS LTD. Total	**237**	**8**	**6**	**239**
Business Unit I Total	**113**	**4**	**4**	**113**
UNITED ARROWS (General Merchandise Store)	10	1		11
UNITED ARROWS	26	2	3	25
THE SOVEREIGN HOUSE	1			1
District	1			1
THE AIRPORT STORE	2			2
ASTRAET	1			1
BEAUTY&YOUTH	42		1	41
monkey time	3			3
STEVEN ALAN*	2			2
ROKU	3			3
H BEAUTY&YOUTH	1			1
DRAWER	7	1		8
Odette e Odile	14			14
Business Unit II Total	**98**	**4**	**2**	**100**
green label relaxing	74			74
WORK TRIP OUTFITS GLR	4	3	2	5
Lurow GLR	6	1		7
EMMEL REFINES	9			9
THE STATION STORE	5			5
Outlets	26			26

*STEVEN ALAN TOKYO, STEVEN ALAN OSAKA are recorded as annexes to BY stores and are not included in the number of stores listed above

FIGO CO., LTD.

The six-month period ended July 31, 2019: Decrease in revenue and increase in income

- Sales of ¥1.2 billion, down 2% YoY
- Revenue declined, reflecting lower sales in wholesaling, but income increased, reflecting improvement in gross margin

COEN CO., LTD.

The six-month period ended July 31, 2019: Revenue remained unchanged YoY and income increased

- Sales of ¥6.5 billion, up 0% YoY
- Revenue remained at the same level as the six-month period ended July 31, 2018, but income increased due to such factors as a decrease in advertising expenses

CHROME HEARTS JP, GK

April – September: Increases in both revenue and income

- Sales of ¥5.9 billion, up 5% YoY
- Both revenue and income increased due to strong sales of newly launched products, etc.

*CHROME HEARTS JP, GK, settles its accounts on December 31. However, given the impact on business performance, results from the period of April 1 to March 31 of the following year are used for consolidated accounting.

UNITED ARROWS TAIWAN LTD.

Results in the six-month period ended July 31, 2019 were roughly in line with the targets. COEN's performance was strong.

Designs & Co.

Results in the six-month period ended July 31, 2019 exceeded the initial targets. The future direction of the company is explained on page 18.

II. Progress in Addressing Priority Measures

Status of UNITED ARROWS LTD. ONLINE STORE

The operation of UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE) in-house online store was suspended from September 12.

- Background
  - A new UA ONLINE STORE operated in-house was planned for launch, with the fall of 2019 as the target period, but a delay in development was found out just before switching to the new website.
  - The operation contract for the existing UA ONLINE STORE was due to expire in mid-September. With the delay in the development of the new UA ONLINE STORE, operations of the existing UA ONLINE STORE had to be suspended.
  - In order to avoid the suspending operations of the UA ONLINE STORE any longer, online store operation will be resumed with the existing UA ONLINE STORE, with November 27 as the target date.

- Future approaches

1. Strengthen project management by changing the internal organizational structure.
   - Establish the In-house E-commerce Development Department under the direct control of the President effective December 1.
   - Appoint a person who formerly served as Department Manager of the Management Information System Department and Digital Marketing Department as Executive Officer in charge.
   - Promote the launch of in-house online store by a dedicated unit to clarify where the responsibility lies and manage progress based on action plans.
   - Definitely carry through with the shift to in-house operation of UA ONLINE STORE and provision of omni-channel services.
2. Investigate the causes that led to the delay in development and suspension of operation of UA ONLINE STORE and clarify where the responsibility lies.
   - Conduct an investigation, led by the Internal Audit Office, on the causes that led to the delay in development and suspension of operation of UA ONLINE STORE and where the responsibility lies.
   - Take appropriate measures based on the results of investigation.

■ Absorption-Type Merger and Establishment of Consolidated Subsidiaries

Decided to implement an absorption-type merger of and establish consolidated subsidiaries as part of initiatives to promote the Medium-Term Vision. (*1)

(1) Decided to implement an absorption-type merger of consolidated subsidiary toward "1. Establish a robust management platform" set out under the Medium-Term Vision.

- Designs & Co. will be merged into UNITED ARROWS LTD. in February 2020.
- Purposes: Promotion of more efficient management of the Group's operations and effective use of management resources, etc.
- BLAMINK, the brand deployed by Designs & Co., has gained loyalty from customers and will be continued within UNITED ARROWS LTD. Business Unit I.
- Since it is an absorption-type merger of a subsidiary, its impact on business results for the current fiscal year will be small.

(2) Decided to establish a Chinese local subsidiary toward "4. Expand points of contact with customers" set out under the Medium-Term Vision.

- The above strategy is currently implemented with the focus on "expansion of overseas operations."
- In Taiwan, where the Company has expanded operations, businesses targeted at the basic trend-conscious market and the new basic-trend conscious market (GLR, coen) look promising.
- Decided to establish a Chinese local subsidiary by the end of this fiscal year as the target date toward expansion of overseas operations.
- Plan to mainly deploy the GLR and coen businesses also in China.
- The future projections, etc. are currently under final review and will be explained in the next Medium-Term Management Plan.

(*1) For the outline of the UNITED ARROWS LTD. Group's Medium-Term Vision, please see the reference material "Outline of the UNITED ARROWS LTD. Group's Medium-Term Vision (FY18 – FY20)" in the latter part of this document.

Projections for earnings growth in the medium to long term taking into account changes in consolidation scope, etc. of Group companies going forward

- **Preconditions: Future course of CHROME HEARTS JP, GK (CHJP)(*1)**
  - CHJP's shares have been transferred to a brand holder in a phased manner since 2016 (*2), with the Company's current shareholding ratio in CHJP standing at 75%.
  - CHJP will be excluded from the Company's scope of consolidation at the end of December 2020, and the transfer of all shares of CHJP will be completed at the end of December 2024.

- **Projections for earnings growth in the future**
  - Exclusion of CHJP from the scope of consolidation will have a certain degree of negative impact on consolidated sales, operating income, and ordinary income.
  - Meanwhile, the Company aims to achieve continuous growth of net income attributable to owners of parent as there will be no minus of net income attributable to non-controlling shareholders and occurrence of positive investment gain, etc. following the exclusion of CHJP from the scope of consolidation.
  - We will allocate cash proceeds from the transfer of CHJP's shares to investment aimed at medium- and long-term growth and to shareholder returns and continue working to maintain a high level of capital efficiency after excluding CHJP from the scope of consolidation.

During the next Medium-Term Management Plan period, we will aim to expand growth and improve profitability of our businesses and implement management with an eye also to maintaining a high level of capital efficiency (ROE) and achieving a sustainable growth of EPS. (*3)

(*1) For details, please see the "Notice Regarding Company split and Transfer of Equity Interest in Subsidiary" dated May 27, 2016, posted on the Company's website. (Japanese only)
(*2) Since CHJP is a limited liability company, it is officially a transfer of equity interest but is expressed as a transfer of shares for simplicity of concept.
(*3) The specific strategies and goals of the next Medium-Term Management Plan will be announced in May 2020.

III. Reference Materials

■ Movements in the Consolidated Gross Margin
(Degree of Impact)

UNITED ARROWS LTD.

	FY18			FY19			FY20		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Gross margin for the fiscal year	51.2%	51.7%	51.5%	51.5%	51.4%	51.4%	51.7%		
Gross margin for the corresponding period of the previous fiscal year	50.8%	51.1%	51.0%	51.2%	51.7%	51.5%	51.5%		
Difference	0.4pt	0.6pt	0.5pt	0.3pt	-0.3pt	-0.0pt	0.2pt		
■Factors that impacted the consolidated gross margin and levels of the overall impact									
Impact on the gross margin of UNITED ARROWS LTD. total business units	0.1pt	0.3pt	0.2pt	0.3pt	-0.3pt	0.0pt	-0.1pt		
Impact on the gross margin of UNITED ARROWS LTD. outlet and other stores	0.1pt	0.1pt	0.1pt	0.1pt	0.1pt	0.1pt	0.1pt		
Impact on UNITED ARROWS LTD. other costs	0.2pt	0.2pt	0.2pt	-0.1pt	0.1pt	0.0pt	0.0pt		
Other factors (subsidiary company trends, consolidated adjustments, sales composition, other)	0.0pt	0.0pt	0.0pt	0.1pt	-0.2pt	-0.1pt	0.2pt		

■ Trends in the Consolidated SGA Expenses to Sales Ratio

UNITED ARROWS LTD.

	FY18			FY19			FY20		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Total of SGA Expenses to Sales	46.9%	42.9%	44.7%	47.3%	42.2%	44.5%	46.4%		
Advertising Expenses	2.1%	2.4%	2.2%	2.4%	2.1%	2.2%	2.3%		
Personnel Expenses	17.0%	14.8%	15.8%	17.0%	14.4%	15.6%	16.9%		
Rent	14.6%	13.7%	14.1%	14.7%	13.9%	14.2%	14.4%		
Depreciation	1.3%	1.1%	1.2%	1.3%	1.1%	1.2%	1.3%		
Other	11.9%	10.9%	11.4%	12.0%	10.7%	11.3%	11.5%		

■Details of FY20 Consolidated Sales Forecasts

UNITED ARROWS LTD.

(Millions of yen)

	Consolidated FY20 Full Fiscal Year			FY19	
	Forecast	vs. Sales	YoY	Results	vs. Sales
Sales	**164,240**	**100.0%**	103.3%	158,918	100.0%
Gross Profit	**85,330**	**52.0%**	104.4%	81,760	51.4%
SGA Expenses	**73,360**	**44.7%**	103.8%	70,696	44.5%
Operating Income	**11,970**	**7.3%**	108.2%	11,063	7.0%
Non OP. P/L	**30**	**0.0%**	12.1%	248	0.2%
Ordinary Income	**12,000**	**7.3%**	106.1%	11,312	7.1%
Extraordinary P/L	**(720)**	**-0.4%**	-	(588)	-0.4%
Net Income Attributable to Owners of Parent	**6,700**	**4.1%**	104.4%	6,417	4.0%

* Beginning from FY20, only full-year earnings forecasts are released, because 1H profits normally account for slightly less than 30% of full-year profits and the impact of occurrence of a certain level of deviation between 1H results and forecasts on full-year earnings will be limited.

■Details of FY20 Non-Consolidated Sales Forecasts

UNITED ARROWS LTD.

(Millions of yen)

	Non-Consolidated FY20 Full Fiscal Year					
	Forecast	Composition ratio	YoY increase (decrease)	%	FY19 Results	Composition ratio
Sales	**135,423**	100.0%	3,946	103.0%	131,476	100.0%
Total Business Unit Sales	**116,944**	86.4%	4,164	103.7%	112,779	85.8%
Retail	**87,921**	64.9%	2,263	102.6%	85,658	65.2%
Online	**28,341**	20.9%	2,005	107.6%	26,336	20.0%
Other (Wholesale, Other)	**680**	0.5%	(103)	86.8%	784	0.6%
Outlet	**18,479**	13.6%	(218)	98.8%	18,697	14.2%
Existing stores sales YoY						
Retail + Online	102.3%					
Retail	100.5%					
Online	107.7%					

■Overview of the UNITED ARROWS Group's Medium-Term Vision (FY18-FY20)

■ Promote the following four strategies while harnessing the strength of the Group's relationships of trust with customers

1. Establish a robust management platform	2. Expand online sales activities by harnessing the strengths of physical stores	3. Respond to changes in the market	4. Expand points of contact with customers
• Reform the culture of the organization and human resources • Identify underperforming businesses • Ensure a sound earnings structure	• Pursue customer satisfaction from both channels • Medium-term: Upgrade and expand inventory; strengthen advertising and promotions; review evaluation systems • Long-term: Create new customer experiences	• Trend-conscious market → Pursue quality over quantity • Basic trend-conscious and new basic trend-conscious markets → Expand domains with high competitive advantage	• Expand domains (Miscellaneous Lifestyle Goods, Beauty & Health, etc.) • Increase the amount of time spent with customers (Reuse, Repair businesses) • Expand overseas activities (Taiwan: ongoing, cross-border online sales, etc.)

■ Medium-term quantitative targets
- Ordinary income: Target average annual growth of 8% over the medium-term period
- Ordinary income margin: At least 7% in the final fiscal year of the medium-term period; work to secure a double-digit ordinary income margin over the long term
- Target ROE of at least 16%, a dividend payout ratio of at least 35%, and DOE of at least 5.5% on a continuous basis over the medium-term period

■ Long-term objectives
- Online sales composition: Target 25–30%
- Inventory turnover: Target a record high
- Ratio of regular price sales: Target an improvement of at least 5 percentage points