Fiscal 2020
Nine-Month Period Ended December 31, 2019
Earnings Announcement

February 6, 2020

UNITED ARROWS LTD.

■ Contents

UNITED ARROWS LTD.

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

Cautionary Statement

Descriptions for earnings forecasts and descriptions other than objective facts 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 Nine-Month Period Ended December 31, 2019

Performance Summary

UNITED ARROWS LTD.

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

- Consolidated sales: YoY increase of 1.1%; ordinary income: YoY decline of 8.2%. Resulted in increase in revenue and decrease in income, due to the effects of warm winter weather, typhoons, and backlash from the consumption tax hike, etc.
- Gross margin: Down 0.1 percentage point to 52.6%, due to the expansion of markdown sales of fall and winter items as a result of warm winter weather
- SGA expenses to sales ratio: YoY increase of 0.5 percentage points to 45.2%, attributable to increases in E-commerce advertising expenses and the ratio of personnel expenses to sales, etc.
- Impairment loss on software that has no expected use in the future was recognized as extraordinary loss. Net income was down 18.9% YoY

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

- Existing store sales: YoY increase of 1.0% (retail sales: down 4.3%; online sales: up 19.4%)
- Sales composition by channel: The sales composition of online stores increased 1.9 percentage points YoY to 20.9%

Inventory (For details, see slide 10)

- YoY increase of 7.8%. The rate of inventory growth exceeded the YoY sales growth for the current fiscal year, due mainly to the increase in inventory of fall and winter items for the current fiscal year. Continue to promote inventory clearance in 4Q

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

- FY20 9M Group Total: Number of new stores opened: 19; number of stores closed: 13: number of stores at FY20 9M-end: 364
- FY20 forecast Group total: Number of new stores to be opened: 27; number of stores to be closed: 25; forecast number of stores at FY20-end: 360

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.: Increase in revenue and decrease in income; CHROME HEARTS JP, GK: Increases in revenue and income

Revision of FY20 earnings forecasts (For details, see slides 15 and 16)

- Consolidated sales: down 1.8% compared with the initial targets; ordinary income: down 9.2% compared with the initial targets; net income: down 20.9% compared with the initial targets
- Sales were the slowest in October, when unfavorable factors affecting sales occurred in combination, but subsequently picked up gradually

■ Consolidated P/L Overview

UNITED ARROWS LTD.

The slow sales due to the warm winter weather and other factors, as well as the recognition of extraordinary loss, resulted in an increase in nine-month revenue and decrease in profit.

- Consolidated sales: Revenue increased YoY, despite a YoY decline in existing retail stores at UNITED ARROWS LTD. and others, due mainly to growth in online sales
- Gross margin: Down 0.1 percentage point to 52.6%, attributable to such factors as expansion of markdown sales of fall and winter items due to the warm winter weather
- SGA Expenses: Up 0.5 percentage points to 45.2%, SGA Expenses to sales ratio increased, despite reduction in fixed costs, due to relative increase in the ratio of personnel expenses to sales due to decrease in sales of retail stores and increase in E-commerce advertising expenses
- Extraordinary loss: Recognized impairment loss on software with no expected use in the future and some retail stores, etc.

(Millions of yen)

	Consolidated FY20 9-Month Period					
	Results	vs. Sales	YoY increase (decrease)	%	FY19 9-Month Period Results	vs. Sales
Sales	**119,093**	100.0%	1,264	101.1%	117,829	100.0%
Gross Profit	**62,660**	52.6%	510	100.8%	62,149	52.7%
SGA Expenses	**53,774**	45.2%	1,211	102.3%	52,562	44.6%
Operating Income	**8,886**	7.5%	(700)	92.7%	9,586	8.1%
Non Op. P&L	**20**	0.0%	(99)	16.9%	119	0.1%
Ordinary income	**8,906**	7.5%	(800)	91.8%	9,706	8.2%
Extraordinary P&L	**(1045)**	-0.9%	(605)	–	(440)	-0.4%
Net Income Attributable to Owners of Parent	**4,687**	3.9%	(1094)	81.1%	5,781	4.9%

■ Non-Consolidated Sales Results by Sales Channel

Non-consolidated sales up 0.6% YoY; Existing store sales up 1.0% YoY

- Business unit sales: Total business unit sales increased YoY, despite YoY decrease in retail sales, due to double-digit growth in online sales
- Sales composition by channel: The sales composition of online stores increased 1.9 percentage points YoY to 20.9%
- Number of customers of existing stores: The number of customers of existing retail stores decreased YoY but that of online stores increased YoY. The total number of customers of existing store declined slightly by 1.0% YoY

(Millions of yen)

	Non-Consolidated FY20 9-Month Period					
	Results	Composition ratio	YoY increase (decrease)	%	FY19 9-Month Period Results	Composition ratio
Non-Consolidated Sales	98,514	100.0%	577	100.6%	97,936	100.0%
Total Business Unit Sales	84,595	85.9%	692	100.8%	83,903	85.7%
Retail	63,349	64.3%	(1378)	97.9%	64,727	66.1%
Online	20,609	20.9%	2,020	110.9%	18,589	19.0%
Other (Wholesale, etc.)	636	0.6%	49	108.5%	587	0.6%
Outlet, etc.	13,918	14.1%	(114)	99.2%	14,032	14.3%

	Existing Store Sales YoY (asterisk indicates reference data)		
	Sales	Number of customers	Ave. spend per customer
Retail + Online	101.0%	99.0% *	101.0% *
Retail	95.7%	93.0%	102.8%
Online	119.4%	116.8% *	102.4% *

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

(Millions of yen)

	Non-Consolidated FY20 9-Month Period			FY19 9-Month Period Results
	Results	YoY increase (decrease)	%	
Total Business Unit Sales	**84,595**	692	100.8%	83,903
Business Unit I	**55,052**	468	100.9%	54,583
Business Unit Ⅱ	**29,543**	223	100.8%	29,320

	Existing Store Sales YoY		
	Retail + Online	Retail	Online
Business Unit I	101.6%	96.5%	118.8%
Business Unit Ⅱ	100.0%	94.2%	120.7%

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

Consolidated Gross Margin Results

UNITED ARROWS LTD.

Nine-month period consolidated gross margin: Down 0.1 percentage point to 52.6%

Major factors that caused gross margin difference from 9-month period of FY19 (impact on the overall gross margin) are described below

Gross margin for 9-month period of FY20	**52.6%**
Gross margin for 9-month period of FY19	**52.7%**
Difference	**-0.1pt**

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

		Remarks
Impact of movements in the gross margin of UNITED ARROWS LTD. total business unit	-0.4pt	Gross margin of the total business unit: Down 0.5 percentage points Increase in markdowns on fall and winter items due to the warm winter weather and other factors
Impact of movements in the gross margin of UNITED ARROWS LTD. Outlet and other stores	0.2pt	YoY increase of 1.4 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 9-month period of FY19
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	0.1pt	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 three fiscal years are included in the attachment at the end of this document.

Consolidated SGA Expenses

SGA expenses up 2.3% YoY; SGA expenses to sales ratio up 0.5 percentage points YoY to 45.2%

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

- Advertising expenses: Increases in coupon expenses of E-commerce mall and expenses associated with the relaunch campaign for in-house online store (UA ONLINE STORE) and other factors
- Personnel expenses: Relative increase in the ratio of personnel expenses to sales due mainly to decrease in revenue from retail sales
- Other: Decreases in fixtures and supplies expenses, research study expenses, and other fixed costs

(Millions of yen)

	Consolidated FY20 9-Month Period					FY19 9-Month Period Results	
	Results	vs. Sales	YoY increase (decrease)	%	Movement vs. Sales	FY19 9-Month Period Results	vs. Sales
Sales	119,093	100.0%	1,264	101.1%	0.0%	117,829	100.0%
SGA Expenses	53,774	45.2%	1,211	102.3%	0.5%	52,562	44.6%
Advertising expenses	3,221	2.7%	472	117.2%	0.4%	2,749	2.3%
Personnel expenses	19,108	16.0%	708	103.8%	0.4%	18,400	15.6%
Rent	16,789	14.1%	107	100.6%	-0.1%	16,681	14.2%
Depreciation	1,456	1.2%	79	105.8%	0.1%	1,376	1.2%
Other	13,198	11.1%	(155)	98.8%	-0.3%	13,354	11.3%

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 three fiscal years are included in the attachment at the end of this document.

■ Consolidated B/S Overview

UNITED ARROWS LTD.

Consolidated total assets of ¥86,521 million on December 31, 2019, up 8.7% from December 31, 2018, and up 22.3% from March 31, 2019

(Comments refer to changes from December 31, 2018)

- Current assets: Increases in cash and deposits, inventories, and accounts receivable-other
- Noncurrent assets: Increases in property, plant and equipment and intangible assets and decrease in depreciation
- Current liabilities: Increase in short-term loans payable and decrease in current portion of long-term loans payable
- Net assets: Increases in retained earnings and non-controlling interests
  - * Balance of short- and long-term loans payable: ¥12,760 million, up 14.4% from December 31, 2018
  - * Inventories: Up 7.8% from December 31, 2018 (sales were up 1.1% from December 31, 2018)

(Millions of yen)

	Consolidated FY20 3Q-End							
	Results	Composition ratio	vs. FY19 3Q-End Results	vs. FY19-End	FY19 3Q-End Results	Composition ratio	FY19-End Results	Composition ratio
Total Assets	**86,521**	100.0%	108.7%	122.3%	79,599	100.0%	70,738	100.0%
Current Assets	**61,282**	70.8%	113.1%	137.6%	54,186	68.1%	44,533	63.0%
(Inventory)	**31,902**	36.9%	107.8%	127.7%	29,600	37.2%	24,988	35.3%
Noncurrent Assets	**25,238**	29.2%	99.3%	96.3%	25,413	31.9%	26,205	37.0%
Current Liabilities	**38,123**	44.1%	105.2%	140.8%	36,231	45.5%	27,082	38.3%
Noncurrent Liabilities	**4,300**	5.0%	106.1%	105.4%	4,051	5.1%	4,078	5.8%
Total Net Assets	**44,097**	51.0%	112.2%	111.4%	39,316	49.4%	39,578	55.9%
Reference: Balance of short- and long-term loans payable	**12,760**	14.7%	114.4%	354.4%	11,150	14.0%	3,600	5.1%

■ Consolidated C/F Overview

UNITED ARROWS LTD.

Cash and cash equivalents on December 31, 2019: ¥10,484 million

- Cash flow from operating activities (major cash inflows): Income before income taxes of ¥7,860 million and increase in trade payables of ¥4,451 million
  (Major cash outflows): Increases in inventories of ¥6,913 million and notes receivable of ¥3,285 million
- Cash flow from investing activities (major cash outflows): Purchases of property, plant and equipment of ¥1,796 million and purchases of intangible assets of ¥1,029 million
- Cash flow from financing activities (major cash inflows): Increase in short-term loans payable of ¥10,660 million
  (Major cash outflows): Repayment of long-term loans payable of ¥1,500 million and payment of cash dividends of ¥2,794 million

(Millions of yen)

	Consolidated FY20 9-Month Period Results	FY19 9-Month Period Results
Cash flows from operating activities (sub-total)	**4,491**	4,791
Cash flows from operating activities	**1,693**	2,543
Cash flows from investing activities	**(3403)**	(5255)
Cash flows from financing activities	**6,365**	3,667
Cash and cash equivalents at the end of the period	**10,484**	7,268

Group Total Opening and Closing of Stores in Nine-Month Period Ended December 31, 2019, and FY20 Forecasts

UNITED ARROWS LTD.

- FY20 9M Group total: Number of new stores opened: 19; number of stores closed 13; number of stores as of FY20 3Q-end: 364
- FY20 Group total forecasts: Number of new stores to be opened: 27; number of stores to be closed: 25; number of stores as of FY20-end: 360

	FY20 9-Month Period Results				FY20 Forecasts						Reference
	No. of stores as of FY19-end	Opened	Closed	No. of stores as of 3Q-end	Opened 1H	Opened 2H	Opened Full Fiscal Year	Closed	Changes due to absorption-type merger of company	No. of stores as of the end of the period	Increase (decrease) from the previous forecasts
Group Total	358	19	13	364	12	15	27	25		360	▲ 5
UNITED ARROWS LTD.	237	12	6	243	8	7	15	13	3	242	
FIGO CO., LTD.	20		3	17		3	3	7		16	▲ 1
COEN CO., LTD.	86	3	4	85	1	3	4	5		85	
UNITED ARROWS TAIWAN LTD.	4	2		6	1	2	3			7	▲ 1
Designs & Co.	1	2		3	2		2		▲ 3	0	▲ 3
CHROME HEARTS JP, GK	10			10						10	
Reference: Breakdown for UNITED ARROWS LTD.											
Business Unit I	113	5	4	114	4	3	7	9	3	114	1
Business Unit II	98	6	2	102	4	3	7	4		101	▲ 1
Outlet	26	1		27		1	1			27	

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

UNITED ARROWS LTD.

	FY20 9-Month Period Results			
	No. of stores as of FY19-end	Opened	Closed	No. of stores as of 3Q-end
UNITED ARROWS LTD. Total	**237**	**12**	**6**	**243**
Business Unit I Total	**113**	**5**	**4**	**114**
UNITED ARROWS (General Merchandise Store)	10	2		12
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
Odette e Odile	14			14
DRAWER	7	1		8
Business Unit II Total	**98**	**6**	**2**	**102**
green label relaxing	74	1		75
WORK TRIP OUTFITS GLR	4	3	2	5
Lurow GLR	6	2		8
EMMEL REFINES	9			9
THE STATION STORE	5			5
Outlet	26	1		27

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

Progress at Group Companies

FIGO CO., LTD.

The nine-month period ended December 31, 2019: Decrease in revenue and increase in income

- Sales of ¥1.8 billion, down 8% YoY
- Revenue declined, reflecting closing of stores and lower sales in wholesaling, but income increased, reflecting reduction of SGA expenses and improvement in gross margin

COEN CO., LTD.

Nine-month period ended October 31, 2019: Increase in revenue and decrease in income

- Sales of ¥9.5 billion, up 0% YoY
- Advertising expenses declined YoY, but income decreased due to factors including expansion of markdown sales of fall and winter items as a result of the warm winter weather

CHROME HEARTS JP, GK

April–December: Increases in both revenue and income

- Sales of ¥9.2 billion, up 6% 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 nine-month period ended October 31, 2019 were roughly in line with the targets. Performance of online stores was strong

Designs & Co.

Results in the nine-month period ended October 31, 2019 exceeded the initial targets. Scheduled to be merged by absorption into UNITED ARROWS LTD. in February 2020 with the aim of strengthening sales capabilities and improving management efficiency (The relevant press release was published in November 2019 in Japanese only)

■ Revision of FY20 Earnings Forecasts

UNITED ARROWS LTD.

Revised the FY20 earnings forecasts due to factors such as slow sales in 3Q (October–December)

- Compared with the initial targets, sales are forecast to be ¥161,240 million, down 1.8%, and ordinary income is forecast to be ¥10,900 million, down 9.2%
- Gross margin is forecast to be around 51.4% and the ratio of SGA Expenses to sales is forecast to be around 44.6%.
- Recognized impairment loss on software related to UA ONLINE STORE of ¥500 million in 3Q and factored in increase of impairment loss on retail stores in 4Q
- As a result, net income is forecast to be ¥5,300 million, down 20.9% compared with the initial targets.
- Sales were the slowest in October, when unfavorable factors affecting sales occurred in combination. Sales subsequently picked up gradually (see the next slide)

(Millions of yen)

	Consolidated FY20									
	Revision forecasts	vs. Sales	Increase (decrease) from the FY19 results	%	Increase (decrease) from the initial targets	%	FY19-End Results	vs. Sales	Initial targets	vs. Sales
Sales	**161,240**	100.0%	2,321	101.5%	(3000)	98.2%	158,918	100.0%	164,240	100.0%
Gross Profit	**-**	-	-	-	-	-	81,760	51.4%	85,330	52.0%
SGA Expenses	**-**	-	-	-	-	-	70,696	44.5%	73,360	44.7%
Operating Income	**10,870**	6.7%	(193)	98.2%	(1100)	90.8%	11,063	7.0%	11,970	7.3%
Non Op. P&L	**-**	-	-	-	-	-	248	0.2%	30	0.0%
Ordinary income	**10,900**	6.8%	(412)	96.4%	(1100)	90.8%	11,312	7.1%	12,000	7.3%
Extraordinary P&L	**-**	-	-	-	-	-	(588)	-0.4%	(720)	-0.4%
Net Income Attributable to Owners of Parent	**5,300**	3.3%	(1117)	82.6%	(1400)	79.1%	6,417	4.0%	6,700	4.1%

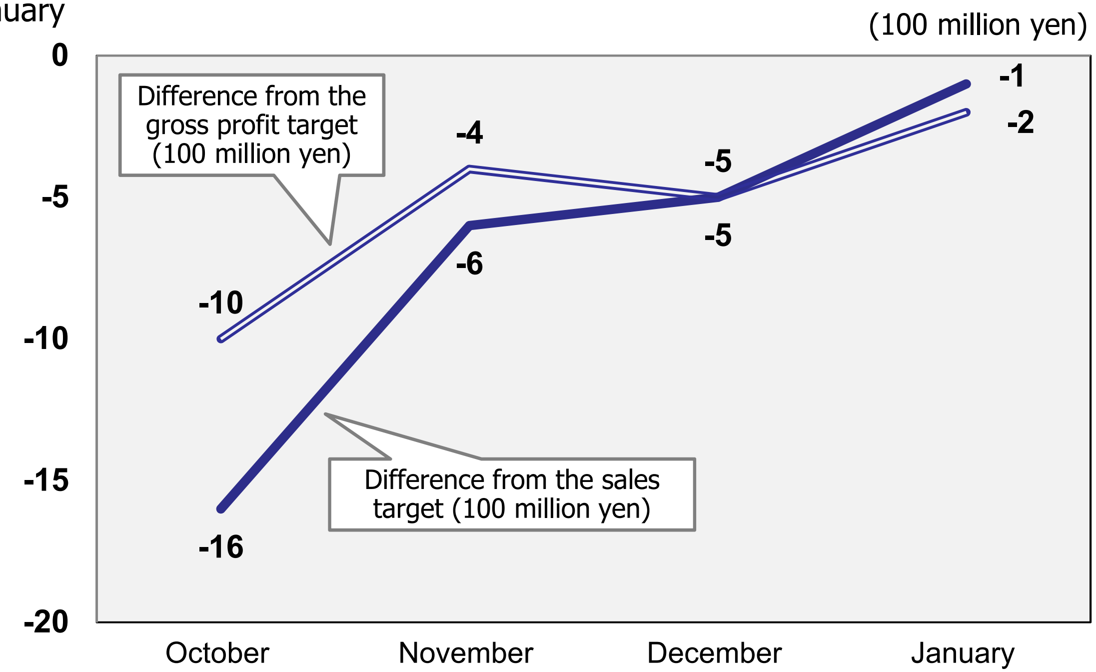
* Since the revision was made in 3Q, a detailed revision plan was not developed. For items not listed in the table, see the comments provided above. Please also note that revised forecasts were not created for the detailed sales targets of UNITED ARROWS LTD. (assumptions of existing store sales, etc.).

Sales were the slowest in October, when unfavorable factors affecting sales occurred in combination. The difference has been decreasing after October

- October : (Difference from sales targets: ¥-1.6 billion) Sales performance was very weak due to the combination of unfavorable factors, such as warm winter weather, major typhoons, backlash from the consumption tax hike, and suspension of UA ONLINE STORE
- November: (Difference from sales targets:¥ -600 million) Although the warm winter weather and suspension of UA ONLINE STORE continued, backlash from the consumption tax hike calmed down
- December: (Difference from sales targets: ¥-500 million) Sales gradually improved both at online and retail stores following the relaunch of UA ONLINE STORE. Started to promote inventory clearance to eliminate excess inventories
- January: (Difference from sales targets: ¥-100 million) Continued to promote inventory clearance. Some of the spring items started to sell from the latter half of the month

* Difference from targets indicates the difference from the initial targets. Trends in January have been factored in the revised earnings forecasts described on the previous slide

■ Difference from the initial monthly sales and gross profit targets of UNITED ARROWS LTD. on non-consolidated basis for October to January



II.Progress in Implementing Priority Measures

■ Factors for Slow Sales in 3Q and Measures to Boost Sales

- Sales have been slowing since the start of 3Q

YoY comparison of existing store sales
at UNITED ARROWS LTD. (non-consolidated; %)

	1Q	2Q	3Q
Retail + Online	102.2	104.9	97.6
Retail	98.3	97.5	92.6
Online	114.5	127.8	117.3

- Factors contributing to weak sales and measures to boost sales

1. Consumers' cautious buying behavior after the consumption tax hike
   → Set prices at levels based on cautious assessment of the balance between price and value
2. Weak demand for winter clothes due to the warm winter weather
   → Revise the merchandising plan to one that is premised on warm winter weather
3. An adverse impact of the suspension of the UA ONLINE STORE on retail stores
   → Sales at retail stores are on a recovery trend following the relaunch of UA ONLINE STORE on November 27, 2019

YoY comparison of existing retail store sales at UNITED ARROWS LTD. (non-consolidated)
During the suspension of online store operation (from September 12 to November 26, 2019): Down approx. 10% YoY; After the relaunch of online store operation (from November 27, 2019 to January 31, 2020): Down approx. 2% YoY

■ Development of In-House Online Store and Recognition of Extraordinary Loss

- The content of software under development was closely examined.
  - Approx. ¥1.2 billion of software under development was found to be of no expected use in the future. Partial impairment loss on software was recognized as extraordinary loss of approx. ¥500 million for 3Q
  - Close examination will continue, and there is a possibility of recording an additional extraordinary loss
  - Based on internal investigation on factors affecting the results and the final amount of loss, internal penalties for the President and relevant Officers will be determined

- Directions for the future
  - The timing of switching to in-house operation of UA ONLINE STORE and whether there will be additional costs incurred are undetermined, but we will continue efforts to implement the provision of omni-channel services

■ Progress of Company-Wide Initiatives for FY20

Company-wide initiatives "Work to address social issues by promoting the creation of five values"

- Launching the sustainability promotion project and promoting the project cross-organizationally
- Identifying social issues and extracting material issues for the Company
- Setting priorities on material issues *Ensuring objectivity by incorporating internal and external perspectives
- Setting five priority themes

1	Supply chains	Responsible product procurement and supply chain development
2	Resources	Realizing waste reduction and recycling-based model
3	Communities	Continuing with activities aimed at the development of local communities
4	Human resources	Creating an environment that fosters respect for individuals and work motivation
5	Governance	Establishing a management foundation toward becoming a company that will last 100 years

→ Concrete action items and goals will be announced in the next medium-term management plan

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

	FY18 1H	FY18 2H	FY18 Full Fiscal Year	FY19 1H	FY19 2H	FY19 Full Fiscal Year	FY20 1H	FY20 2H	FY20 Full Fiscal Year
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

	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%		

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

UNITED ARROWS LTD.

- 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