Fiscal 2021

Three-Month Period Ended June 30, 2020 Earnings Announcement

August 5, 2020

UNITED ARROWS LTD.

Contents

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, DRAWER, BLAMINK, LOEFF, and AEWEN MATOPH

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

I. Overview of Business Results for the Three-Month Period Ended June 30, 2020

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

- Consolidated sales: ¥22,198 million, YoY decrease of 40.8%
- Gross margin: Down 11.3 percentage points YoY to 43.4% mainly because we increased markdown sales aiming to further reduce excess inventory
- SGA expenses to sales ratio: YoY increase of 19.7 percentage points to 66.0%, attributable to increases in fixed costs despite decreased rent expenses, etc.
- Operating loss: ¥5,019 million; Ordinary loss: ¥4,940 million; Quarterly net loss: ¥3,582 million

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

- YoY decrease of 37.0% in existing store sales (retail sales: down 63.7%; online store sales: up 39.6%)
- Online store sales increased significantly due to the suspension of retail store operations, representing 48.5% of total sales (YoY increase of 27.7 percentage points)
- Number of existing store customers: Retail and online customers decreased YoY to 79.0% although online customers increased due to the suspension of retail store operations

Inventory (for details, see slide 10)

- YoY increase of 15.4%. The current year’s inventory of spring and summer items increased, affected by the suspension of retail store operations

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

- 1Q Results (Group total): Opened 10 new stores; Closed 2 stores; Operated 367 stores as of the end of 1Q
- Full-year results remain unknown due to uncertain factors

Group companies (for details, see slide 14; status of major consolidated subsidiaries is as outlined below)

- FIGO CO., LTD.: Decreases in both revenue and income; COEN CO., LTD.: Decreases in both revenue and income; CHROME HEARTS JP, GK: Decreases in both revenue and income

1Q: Decrease in revenue and income

- Sales: Down 40.8% YoY; Decrease in revenue and income, resulting in operation loss of ¥5,019 million (operating income of ¥3,143 million in the same period last year)
- Gross margin: Down 11.3 percentage points YoY to 43.4% mainly because we increased markdown sales aiming to reduce excess inventory
- SGA Expenses: Up 19.7 percentage points YoY to 66.0%. These expenses as a percentage of sales increased despite decreased rent expenses, etc.
- Operating loss: ¥5,019 million; Ordinary loss: ¥4,940 million; Quarterly net loss: ¥3,582 million

(Millions of yen)

	Consolidated 1Q FY21					
	Results	vs. Sales	YoY increase (decrease)	%	1Q FY20	vs. Sales
Sales	**22,198**	100.0%	(15,306)	59.2%	37,505	100.0%
Gross Profit	**9,637**	43.4%	(10,895)	46.9%	20,532	54.7%
SGA Expenses	**14,656**	66.0%	(2,732)	84.3%	17,389	46.4%
Operating Income	**(5,019)**	-	(8,162)	-	3,143	8.4%
Non Op. P&L	**78**	-	103	-	(24)	-
Ordinary Income	**(4,940)**	-	(8,058)	-	3,118	8.3%
Extraordinary P&L	**(9)**	-	21	-	(31)	-
Net Income Attributable to Owners of Parent	**(3,582)**	-	(5,497)	-	1,914	5.1%

Non-consolidated sales: Down 40.0% YoY; Existing store sales: Down 37.0% YoY

- Existing store sales: YoY decrease in retail and online sales despite significantly increased online sales
- % of total sales: Online sales increased 27.7 percentage points YoY, representing 48.5% of total sales
- Number of existing store customers: YoY decrease of retail and online customers despite a significant YoY increase of online customers

(Millions of yen)

	Non-Consolidated 1Q FY21					
	Results	Composition ratio	YoY increase (decrease)	%	1Q FY20	Composition ratio
Non-Consolidated Sales	18,858	100.0%	(12,569)	60.0%	31,427	100.0%
Total Business Unit Sales	16,641	88.2%	(10,167)	62.1%	26,809	85.3%
Retail	7,347	39.0%	(12,762)	36.5%	20,109	64.0%
Online	9,148	48.5%	2,622	140.2%	6,526	20.8%
Other (wholesale, etc.)	146	0.8%	(27)	84.1%	173	0.6%
Outlet, etc.	2,216	11.8%	(2,401)	48.0%	4,618	14.7%

Existing Store Sales YoY
(asterisk indicates reference data)

	Sales	Number of customers	Ave. spend per customer
Retail + Online	63.0%	79.0% *	74.2% *
Retail	36.3%	43.3%	83.7%
Online	139.6%	170.0% *	83.3% *

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

Lower sales in both business units; YoY decrease in sales at existing retail and online stores

(Millions of yen)

	Non-Consolidated 1Q FY21 Results	YoY increase (decrease)	%	1Q FY20
Total Business Unit Sales	**16,641**	(10,167)	62.1%	26,809
Business Unit I	**11,247**	(6,034)	65.1%	17,281
Business Unit II	**5,394**	(4,133)	56.6%	9,527

	Existing store sales YoY		
	Retail + Online	Retail	Online
Business Unit I	66.3%	37.9%	143.5%
Business Unit II	57.3%	33.6%	132.0%

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

Consolidated gross margin: Down 11.3 percentage points YoY to 43.4%

Major factors that caused gross margin difference from 3-month period of FY20 (impact on the overall gross margin) are described below.

Gross margin for 1Q FY21	43.4%
Gross margin for 1Q FY20	54.7%
Difference	-11.3pt

■ 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.'s total business units	-7.8pt	Gross margin of the total business unit: Down 10.9 percentage points YoY. Expansion of markdown sales aiming to further reduce spring and summer items in stock
Impact of movements in the gross margin of UNITED ARROWS LTD.'s outlet and other stores	-0.2pt	YoY decrease of 2.4 percentage points in the gross margin of UNITED ARROWS LTD.'s outlet and other stores. Expansion of markdown sales aiming to further reduce items in stock
Impact of movements in other costs at UNITED ARROWS LTD.	-3.1pt	Product valuation loss increased due to increased in-stock items and markdown sales
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	-0.1pt	Expansion of markdown sales aiming to further reduce certain subsidiaries' spring and summer items in stock

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.

SGA expenses: Down 15.7% YoY; SGA expenses to sales ratio: Up 19.7 percentage points YoY to 66.0%

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

- Advertising expenses: The ratio of advertising expenses to sales increased due to online sales promotions conducted by UNITED ARROWS LTD. although COEN CO., LTD. decreased these expenses
- Rent: The ratio of rent expenses to sales rose due to fixed rent payments, etc. despite decreased rent payments in connection with the suspension of retail store operations
- Other: Decreases in various expenses such as credit card fees

(Millions of yen)

	Consolidated 1Q FY21						
	Results	vs. Sales	YoY increase (decrease)	%	vs. Sales Increase (decrease)	1Q FY20	vs. Sales
Sales	**22,198**	100.0%	(15,306)	59.2%	0.0%	37,505	100.0%
SGA Expenses	**14,656**	66.0%	(2,732)	84.3%	19.7%	17,389	46.4%
Advertising Expenses	**836**	3.8%	(33)	96.2%	1.4%	869	2.3%
Personnel Expenses	**6,090**	27.4%	(255)	96.0%	10.5%	6,345	16.9%
Rent	**4,087**	18.4%	(1,247)	76.6%	4.2%	5,335	14.2%
Depreciation	**429**	1.9%	(55)	88.6%	0.6%	485	1.3%
Other	**3,212**	14.5%	(1,140)	73.8%	2.9%	4,352	11.6%

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 total assets of ¥76,292 million on June 30, 2020, up 5.1% from June 30, 2019 and up 9.0% from March 31, 2020

(Comments refer to changes from June 30, 2019)

- Current Assets: Decrease in cash and deposits, and increase in inventories
- Noncurrent Assets: Increase in buildings and structures, decrease due to depreciation, and increase in deferred tax assets
- Current Liabilities: Decrease in accounts payable-trade, and increase in short-term loans payable
- Noncurrent Liabilities: Increase in asset retirement obligations

  * Balance of short- and long-term loans payable: ¥18,700 million, up 167.1% YoY

  * Inventories: Up 15.4% YoY (sales: down 40.8% YoY)

(Millions of yen)

	Consolidated 1Q FY21							
	Results	Composition ratio	vs. FY20 1Q End	vs. FY20-End	vs. FY20 1Q End Results	Composition ratio	FY20-End Results	Composition ratio
Total Assets	76,292	100.0%	105.1%	109.0%	72,617	100.0%	70,007	100.0%
Current Assets	49,805	65.3%	105.9%	108.3%	47,029	64.8%	45,997	65.7%
(Inventory)	31,212	40.9%	115.4%	111.7%	27,048	37.2%	27,949	39.9%
Noncurrent Assets	26,487	34.7%	103.5%	110.3%	25,587	35.2%	24,009	34.3%
Current Liabilities	35,052	45.9%	123.0%	148.2%	28,488	39.2%	23,658	33.8%
Noncurrent Liabilities	4,410	5.8%	104.0%	103.1%	4,241	5.8%	4,275	6.1%
Total Net Assets	36,829	48.3%	92.3%	87.5%	39,887	54.9%	42,072	60.1%
Reference: Balance of short- and long-term loans payable	18,700	24.5%	267.1%	406.5%	7,000	9.6%	4,600	6.6%

Cash and cash equivalents at the end of the quarter: ¥5,413 million

- Cash flow from operating activities
  (major cash inflows) : Depreciation expenses of ¥430 million, and ¥454 million decrease in other current assets
  (major cash outflows) : ¥3,263 million increase in inventories
- Cash flow from investing activities
  (major cash outflows) : Purchases of property, plant and equipment for ¥1,127 million
- Cash flow from financing activities
  (major cash inflows) : ¥14,100 million increase in short-term loans payable
  (major cash outflows) : Payment of ¥1,572 million for cash dividends

(Millions of yen)

	Consolidated 1Q FY21	1Q FY20
	Results	Results
Cash flows from operating activities (sub-total)	**(11,280)**	1,789
Cash flows from operating activities	**(11,378)**	591
Cash flows from investing activities	**(1,470)**	(1,236)
Cash flows from financing activities	**12,527**	1,319
Cash and cash equivalents at the end of the period	**5,413**	6,500

Opening and Closing of Stores in 1Q (Group total)

UNITED ARROWS LTD.

- 1Q Results (Group total): Opened 10 new stores; Closed 2 stores; Operated 367 stores as of the end of 1Q
- Full-year forecast results remain unknown due to uncertain factors

	No. of stores as of FY20-end	1Q FY21 Results Opened	Closed	No. of stores as of 1Q-end
Group Total	**359**	**10**	**2**	**367**
UNITED ARROWS LTD.	241	7	1	247
FIGO CO., LTD.	16			16
COEN CO., LTD.	85	3	1	87
UNITED ARROWS TAIWAN LTD.	7			7
CHROME HEARTS JP, GK	10			10

Reference: Breakdown for UNITED ARROWS LTD.

	No. of stores as of FY20-end	Opened	Closed	No. of stores as of 1Q-end
Business Unit I	113	6		119
Business Unit II	101		1	100
Outlet	27	1		28

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

UNITED ARROWS LTD.

	1Q FY21 Results			
	No. of stores as of FY20-end	Opened	Closed	No. of stores as of 1Q-end
UNITED ARROWS LTD. Total	**241**	**7**	**1**	**247**
Business Unit I Total	**113**	**6**	**0**	**119**
UNITED ARROWS (General Merchandise Store)	14	2	0	16
UNITED ARROWS	25	0	0	25
BEAUTY&YOUTH	38	0	0	38
Others	36	4	0	40
Business Unit II Total	**101**	**0**	**1**	**100**
green label relaxing	83	0	0	83
Others	18	0	1	17
Outlet	27	1	0	28

- UNITED ARROWS (General Merchandise Store): Store selling both UNITED ARROWS and BEAUTY&YOUTH UNITED ARROWS products
  Others in Business Unit I: DRAWER, Odette e Odile, monkey time, STEVEN ALAN, ROKU, BLAMINK, H BEAUTY&YOUTH, THE SOVEREIGN HOUSE, DISTRICT UNITED ARROWS, ASTRAET, LOEFF, and AEWEN MATOPH
- Others in Business Unit II: EMMEL REFINES, THE STATION STORE UNITED ARROWS LTD, and WORK TRIP OUTFITS GREEN LABEL RELAXING

Group companies posted decreased revenue and income due to shorter business hours at retail stores, suspension of retail store operations, etc.

FIGO Co., Ltd.

1Q: Decrease in revenue and income

- Sales: ¥0.2 billion, down 59.0% YoY

COEN CO., LTD.

1Q: Decrease in revenue and income

- Sales: ¥1.8 billion, down 34.0% YoY

CHROME HEARTS JP, GK

April–June: Decrease in revenue and income

- Sales of ¥1.3 billion, down 51% YoY

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

UNITED ARROWS TAIWAN LTD.

Both sales and income for 1Q decreased YoY

FY21 Consolidated P/L Plan

UNITED ARROWS LTD.

Plan disclosure based on a range (i.e., upper and lower limits) due to uncertain effects of the spread of COVID-19

Ordinary income and figures that follow are undecided as it is impossible to calculate them rationally at the present stage

- Sales: ¥125,915 – 131,083 million (80.0 – 83.3% YoY)
- Gross margin: 47.2 – 47.5% (Down 3.3–3.6 percentage points YoY)
- SGA Expenses to sales ratio: 51.3 – 52.8% (Up 6.1–7.6 percentage points YoY)
- Operating loss: ¥5,000 – 7,000 million; Ordinary income or loss and net income or loss are undecided at the present stage
- Dividends per share are not expected to be distributed

(Millions of yen)

	Consolidated FY21 Full Fiscal Year								FY20 Results	vs. Sales
	Plan			vs. Sales		YoY				
Sales	**125,915**	**-**	**131,083**	-	-	80.0%	83.3%		157,412	100.0%
Gross Profit	**59,483**	**-**	**62,309**	**47.2%**	**47.5%**	74.4%	77.9%		79,983	50.8%
SGA Expenses	**66,483**	**-**	**67,309**	**52.8%**	**51.3%**	93.3%	94.5%		71,224	45.2%
Operating Income	**(7,000)**	**-**	**(5,000)**	-	-				8,758	5.6%
Non Op. P&L	**-**		**-**	-	-	-	-		44	0.0%
Ordinary Income	**-**		**-**	-	-	-	-		8,803	5.6%
Extraordinary P&L	**-**		**-**	-	-	-	-		(2,582)	-1.6%
Net Income Attributable to Owners of Parent	**-**		**-**	-	-	-	-		3,522	2.2%

Reference: Effects of Spread of COVID-19

- Sales

The operating rate of retail stores was only about 26% in April and about 30% in May. Largely affected by the suspension of store operations that lasted for a long time in the Kanto region including Tokyo while non-consolidated sales in that region represented about 37%* of total sales.

* FY20 results

- Gross margin

Further reduction of excess inventory led to a YoY increase of about 29 percentage points in the composition ratio of on-sale items offered as part of our regular business operations.

- Inventory

Took inventory-reduction measures at an early stage, but the reduction pace became slower due to the closure of retail stores.

Reduced inventory levels actively in July and August as our inventory contained many spring and summer 2020 items. The procurement of fall and winter items will be restricted.

- SGA Expenses

Incurred fixed costs such as office rentals despite decreased rent expenses caused by shorter business hours and the suspension of store operations.

The ratio of rent expenses to sales increased due to the expansion of online sales.
Salary: Partially revised the employee allowances in May, and mandated the return of a certain amount of director remuneration in and after May.

II. Progress in Implementing Priority Measures

- **1Q online sales made through the company-operated online store: 72.2% YoY**

  % against total non-consolidated online sales: 33.2% (up 6.2 percentage points YoY)

- **Change in the number of UNITED ARROWS LTD. HOUSE Card members** (Coronavirus disaster: March to June)

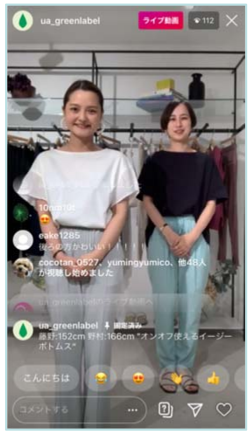
  Users of our company-operated online store: Increased about 70% YoY

- **Promoted our "online customer service"**

  [Objectives] Maintain customer contact while store operations are suspended, and enhance the convenience of our company-operated online store

  - Started the "LINE-based Customer Service" enabling customers to easily receive advice from our salespersons using LINE.
  - SNS live streaming as a real-time communication site
  - Eliminated concerns about online shopping by introducing products plus something via our company-operated online store
  - Strengthened the connection between online shopping and offline shopping by enabling customers to pick up products at stores, for example

    → Continue and expand as a new customer service tool



Live streaming image

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%	50.1%	50.8%
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%	51.4%	51.4%
Difference	0.4pt	0.6pt	0.5pt	0.3pt	-0.3pt	-0.0pt	0.2pt	-1.4pt	-0.6pt

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

Impact of movements in the gross margin of UNITED ARROWS LTD. total business units	0.1pt	0.3pt	0.2pt	0.3pt	-0.3pt	0.0pt	-0.1pt	-1.4pt	-0.8pt
Impact of movements in 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	0.2pt	0.1pt
Impact of movements in other costs at UNITED ARROWS LTD.	0.2pt	0.2pt	0.2pt	-0.1pt	0.1pt	0.0pt	0.0pt	0.0pt	0.0pt
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	0.0pt	0.0pt	0.0pt	0.1pt	-0.2pt	-0.1pt	0.2pt	-0.1pt	0.0pt

■ 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	46.9%	42.9%	44.7%	47.3%	42.2%	44.5%	46.4%	44.2%	45.2%
Advertising Expenses	2.1%	2.4%	2.2%	2.4%	2.1%	2.2%	2.3%	3.1%	2.7%
Personnel Expenses	17.0%	14.8%	15.8%	17.0%	14.4%	15.6%	16.9%	15.1%	15.9%
Rent	14.6%	13.7%	14.1%	14.7%	13.9%	14.2%	14.4%	14.2%	14.3%
Depreciation	1.3%	1.1%	1.2%	1.3%	1.1%	1.2%	1.3%	1.2%	1.2%
Other	11.9%	10.9%	11.4%	12.0%	10.7%	11.3%	11.5%	10.6%	11.1%

Positioning of Corporate Philosophy, Sustainability, and Medium-Term Management Plan

Corporate philosophy

With sincerity and a sense of beauty, we continually create new tomorrows for our customers, setting the standard for lifestyle culture.

Sustainability

Aiming at setting the standard for lifestyle culture, we continually act positively to realize sustainable societies and environments through the creation of 5 values. We believe that by accumulating experience in this way, we can bring wealth to the world and make it a brighter place.

Medium-Term Management Plan (2020–2022)

Basic policy

Change and Challenge
Aim to achieve sustainable growth and value creation through innovative changes and challenges that enable us to become a company lasting 100 years

Business strategies

Strengthening of the platform for sustainable growth, and building customer loyalty
Increase the Group's revenue from existing businesses and simultaneously create the drivers of future growth

- Continue the stable growth of existing businesses
- Challenges of new business creation

Functional strategies

Create a structure suitable for the current era, and improve productivity
Innovative changes to optimize services and functions, and restructuring

Ideal corporate vision accomplished in 10 years

Corporate evolution to become a company providing all kinds of lifestyle-related products and services

Continue the stable growth of existing businesses

Aim to expand revenue by striving to further grow the apparel business in all three markets where the UNITED ARROWS Group conducts its business operations

Trend-conscious market

- Continued growth and expansion of online stores
- Expand the opening of SBU and women's clothing stores
- Improve profitability by closely examining unprofitable operations and taking necessary action

Basic trend-conscious market

- Continued growth and expansion of online stores
- Strengthen the GLR casual clothing business
- Closely examine unprofitable operations, take necessary action, and grow and expand SBU

New basic trend-conscious market

- Sales growth by increasing new store openings
- Enhance profitability by raising the ratio of fixed-price sales, improving the sales efficiency per tsubo (about 3.3 square meters), and assessing unprofitable stores

Challenges of new business creation

Domestic apparel business: New large-sized business development; Global business: Enter the Chinese market on a full-scale basis; Lifestyle business: Aim for long-term sustainable enhancement of corporate value by re-challenging ourselves to enter business areas other than the clothing business

Domestic apparel business	Start the development of new large-sized SPA* business combining men's and women's clothing in the basic trend-conscious market (aim to create the Group's 5th large-sized business, following UA, BY, GLR and COEN)
Global business	Enter the Chinese market on a full-scale basis as part of existing business operations
Lifestyle business	Re-challenge ourselves to enter business areas other than the clothing business aiming for long-term sustainable business growth and expansion, with issues of the fashion and apparel industry in mind

*SPA: Specialty Store Retailer of Private Label Apparel

Promote the following 4 functional strategies as the bases supporting the steady implementation of business strategies

Promotion of OMO*	Enhance the functions of combined services for online and offline shoppers to expand their purchase experience
Operational reform	Restructuring of operational processes, operations, and systems to achieve optimal supply chains
Personnel reform	Retention (of personnel) by promoting the measures to improve engagement, and ability to recruit employees in a stable manner
Reform of management platform	Optimize the Group's management platform, assess unprofitable operations, and create an office environment enabling the enhancement of productivity

*OMO: Online merge with offline

New Medium-Term Management Plan (FY21 to FY23) — Financial Goals

UNITED ARROWS LTD.

*Change of preconditions for medium-term financial goals (financial policy in particular) due to the coronavirus disaster
The direction of the next Medium-Term Management Plan that was explained in the First Half Earnings Announcement for Fiscal Year Ended March 2020 (dated November 2019): "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 sustainable growth in EPS." This direction is partially changed.

- There is no change in the qualitative strategies during the Plan period, but sales and income for FY21 (initial year of the Plan) are expected to decline due to negative effects of coronavirus. Therefore, we are scheduled to implement inventory clearances and other measures early to mitigate the negative effects that may arise in the next fiscal year.
- As a result, cumulative cash flows for three years (plan period) are expected to be worse than anticipated before the coronavirus outbreak. Prioritize activities to ensure business continuity while the coronavirus disaster continues, and reconsider returning the Company's profit as much as possible after the disaster ends.
  Make every effort to maintain capital efficiency and improve EPS

Consolidated operating income for the final year of the Plan	Aim to achieve operating income of ¥9 to ¥10 billion for the final year through business growth and expansion, assessment of unprofitable operations, promotion of functional strategies, etc.
ROE for the final year of the Plan	Aim to achieve ROE of 12 to 14%
Dividend payout ratio, etc.	Dividend payout ratio: Aim to pay stable dividends, with the target ratio of 35% or more, but prioritize activities to ensure business continuity while the coronavirus disaster continues. Reconsider returning the Company's profit as much as possible after the disaster ends

*Cautionary Statement: The above information has been prepared on the assumption that the negative effects of coronavirus (effects on sales and procurement, inventory disposition, etc.) are eliminated by the end of FY21.
Please note that if the effects remain for a long time, actual results may differ significantly from the forecasts described in this document.