Fiscal 2021 Nine-Month Period Ended December 31, 2020 Earnings Announcement

February 4, 2021

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

I. Overview of Business Results for the Nine-Month Period Ended December 31, 2020

Performance Summary for the Nine-Month Period FY2021

UNITED ARROWS LTD.

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

- Despite decreases in revenue and income, we returned to profitability in 3Q (3 months), narrowing the extent of the contraction
- Sales: ¥91,799 million, YoY decrease of 22.9% (down 40.8% in 1Q, down 16.2% in 2Q, and down 13.4% in 3Q)
- Gross margin: Down 5.7 percentage points YoY to 46.9%. The extent of the contraction narrowed due to a reduction in procurement for fall and winter items
- SGA expenses to sales ratio: Up 5.5 percentage points YoY to 50.7%. Although the sales ratio deteriorated due to lower revenue, the extent of the contraction narrowed in and after 2Q
- Operating loss: ¥3,470 million (¥5,019 million in 1Q, ¥1,820 million in 2Q, operating income of ¥3,369 in 3Q)

Non-Consolidated Sales (for details, see slides 10 and 11)

- Non-consolidated sales: YoY decrease of 23.1% (down 40.0% in 1Q, down 15.4% in 2Q, and down 15.1% in 3Q)
- Online sales: YoY increase of 16.2%; Percentage of online sales: 31.6%, (up 10.7 percentage points YoY)

Inventory (for details, see slide 12)

- Inventory: YoY decrease of 20.3%; YoY decrease of approximately 10% even excluding effects from the excluding CHJP from the scope of consolidation, increasing efficiency

Opening and Closing of Stores (for details, see slides 14–15)

- FY21 9M Group total: Opened 19 new stores; Closed 10 stores; Operated 358 stores as of the end of 3Q
  *Due to a change in the scope of consolidation, CHJP (10 stores) were excluded from consolidated results as of the end of December 2020

Group Companies (for details, see slide 16; status of major consolidated subsidiaries is as follows)

- FIGO CO., LTD.; COEN CO., LTD.; CHJP: Despite a decrease in revenue on a year-to-date basis, the extent of the contraction narrowed in and after 2Q thanks to the resumption of store operations, etc.

Consolidated P/L Overview

UNITED ARROWS LTD.

Cumulative 3Q: Despite decreases in revenue and income, we returned to profitability in 3Q (3 months), narrowing the extent of the contraction

- Sales: ¥91,799 million, YoY decrease of 22.9%; Operating loss: ¥3,470 million, showing decreases in revenue and income
- Gross margin: Down 5.7 percentage points YoY to 46.9%. The extent of the contraction narrowed due to a reduction in procurement for fall and winter items
- SGA expenses to sales ratio: Up 5.5 percentage points YoY to 50.7%. Although the sales ratio deteriorated due to lower revenue, the extent of the contraction narrowed in and after 2Q
- Ordinary loss: ¥2,241 million after posting a governmental subsidy to help defray costs relating to layoffs of ¥1,041 million as non-operating income
- Quarterly net loss: ¥3,014 million after posting an impairment loss relating to stores, etc. of ¥801 million as extraordinary loss

(Millions of yen)

	Consolidated FY21 9-Month Period				FY20 9-Month Period Results	
	Results	vs. Sales	YoY increase (decrease)	%		vs. Sales
Sales	**91,799**	100.0%	(27,293)	77.1%	119,093	100.0%
Gross Profit	**43,027**	46.9%	(19,633)	68.7%	62,660	52.6%
SGA Expenses	**46,497**	50.7%	(7,277)	86.5%	53,774	45.2%
Operating Income	**(3,470)**	-3.8%	(12,356)	—	8,886	7.5%
Non-Operating P/L	**1,229**	1.3%	1,208	6057.4%	20	0.0%
Ordinary Income	**(2,241)**	-2.4%	(11,147)	—	8,906	7.5%
Extraordinary P/L	**(763)**	-0.8%	282	—	(1,045)	-0.9%
Net Income Attributable to Owners of Parent	**(3,014)**	-3.3%	(7,702)	—	4,687	3.9%

■ Consolidated SGA Expenses

SGA expenses: YoY decrease of 13.5%; SGA expenses to sales ratio: up 5.5 percentage points YoY to 50.7%
Although the SGA expense to sales ratio deteriorated due to the closure of stores, etc. in 1Q, the extent of the deterioration narrowed in and after 2Q

(Comments referring to individual expense items that increased or decreased significantly as an amount)
- Advertising expenses: Decreases in advertising and publicity expenses, House Card-related costs, etc.
- Personnel expenses: Decreases in bonuses, overtime allowances, etc.
- Rent: Decreases due to the closure of physical stores in 1Q and a decline in revenue
- Other: Decreases due to variable expenses stemming from lower revenue (logistics costs, outsourcing service expenses, credit card fees, etc.) and a reduction in fixed costs

(Millions of yen)

	Consolidated FY21 9-Month Period						
	Results	vs. Sales	YoY increase (decrease)	%	vs. Sales Change	FY20 9-Month Period Results	vs. Sales
Sales	**91,799**	100.0%	(27,293)	77.1%	0.0%	119,093	100.0%
SGA Expenses	**46,497**	50.7%	(7,277)	86.5%	5.5%	53,774	45.2%
Advertising Expenses	**2,464**	2.7%	(757)	76.5%	0.0%	3,221	2.7%
Personnel Expenses	**17,320**	18.9%	(1,788)	90.6%	2.8%	19,108	16.0%
Rent	**14,688**	16.0%	(2,100)	87.5%	1.9%	16,789	14.1%
Depreciation	**1,281**	1.4%	(174)	88.0%	0.2%	1,456	1.2%
Others	**10,741**	11.7%	(2,457)	81.4%	0.6%	13,198	11.1%

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

Transition of Main Items in the Consolidated P/L Statement and Gross Margin by Quarter

UNITED ARROWS LTD.

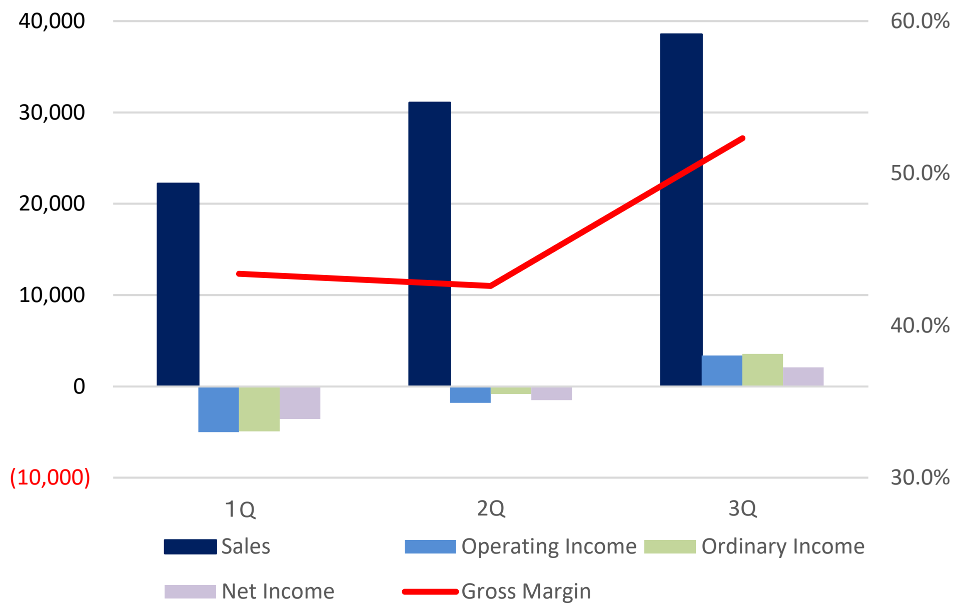
Gradual recovery in revenue and incomes, returning to profitability in 3Q (3 months)

1Q: Revenue declined due to the closure of physical stores; the percentage of various costs increased

2Q: Despite a recovery in revenue thanks to the resumption of operations at physical stores, the gross margin deteriorated due to a reduction in spring and summer items in stock

3Q: Although we saw a delayed recovery in the metropolitan areas, a decline in demand for business wear and effects from the third wave of COVID-19 infections on consumer sentiment, the extent of deterioration for the gross margin narrowed thanks to inventory control

FY21 P/L main items and Gross Margin by Quarter

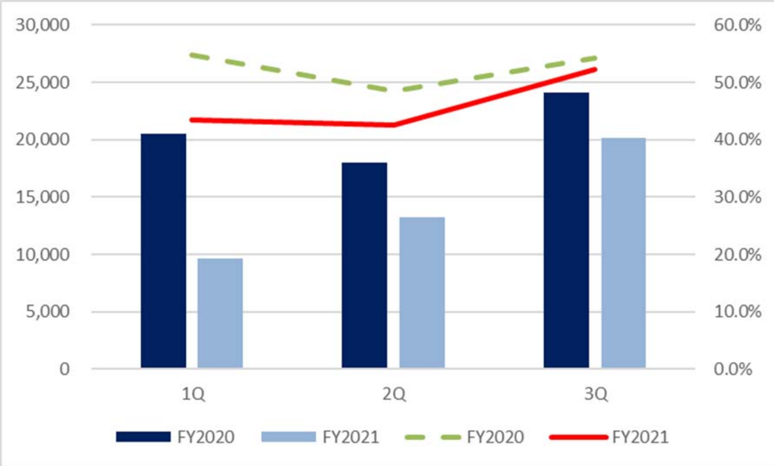


(Millions of yen)

	1Q	2Q	3Q
Sales	22,198	31,060	38,540
YOY	59.2%	83.8%	86.6%
Gross Margin	43.4%	42.6%	52.3%
Operating Income	(5,019)	(1,820)	3,369
YOY	—	—	67.6%
Ordinary Income	(4,940)	(847)	3,546
YOY	—	-—	70.7%
Net Income	(3,582)	(1,514)	2,083
YOY	—	—	75.9%

Gross margin and SGA expense ratio recovered gradually, significantly reducing a difference from the previous year as of 3Q

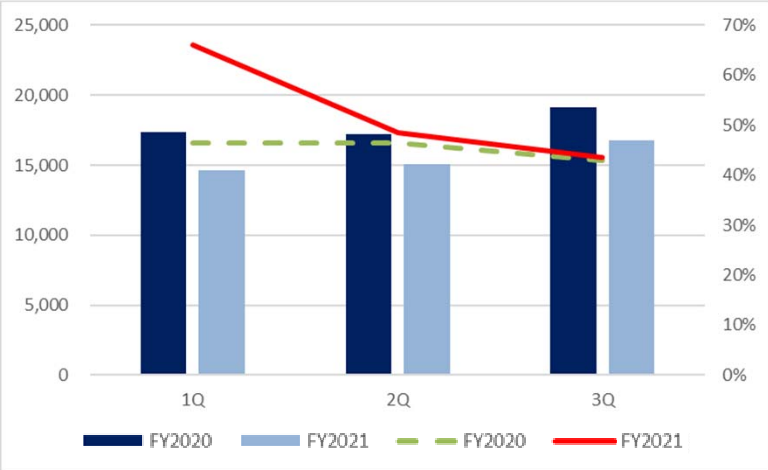
Gross Profit and ratio by Quarter, FY20 vs. FY21



(Millions of yen)

		1Q	2Q	3Q
Gross Profit	FY20	20,532	17,989	24,139
	FY21	9,637	13,233	20,156
Gross Margin ratio	FY20	54.7%	48.5%	54.2%
	FY21	43.4%	42.6%	52.3%
YoY		-11.3pt	-5.9pt	-1.9pt

SGA Expenses and ratio by Quarter, FY20 vs. FY21



(Millions of yen)

		1Q	2Q	3Q
SGA expenses	FY20	17,389	17,228	19,156
	FY21	14,656	15,054	16,7 86
SGA expense ratio	FY20	46.4%	46.5%	43.0%
	FY21	66.0%	48.5%	43.6%
YoY		19.6pt	2.0pt	0.5pt

■ Consolidated Gross Margin Overview

UNITED ARROWS LTD.

■ Cumulative 3Q

Gross margin for 9-month period of FY21	46.9%
Gross margin for 9-month period of FY20	52.6%
Difference	-5.7pts

■ 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	-3.7pts	Gross margin of the total business unit: Down 5.3 percentage points YoY. Expansion of markdown sales aiming to further reduce spring and summer items in stock in 1H, etc.
Impact of movements in the gross margin of UNITED ARROWS LTD. Outlet and other stores	-0.7pts	YoY decrease of 5.1 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.	-0.7pts	Product valuation loss increased due to increases in items in stock and markdown sales, etc.
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	-0.6pts	Expansion of markdown sales at some subsidiaries, and increase in the percentage of outlet sales, etc.

■ 3Q (3 months)

Gross margin for 3Q (3 months) FY21	52.3%
Gross margin for 3Q FY20	54.2%
Difference	-1.9pts

■ 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	-0.8pts	Gross margin of the total business unit: Down 1.2 percentage points YoY. The extent of the contraction narrowed YoY thanks to control of the total stock
Impact of movements in the gross margin of UNITED ARROWS LTD. Outlet and other stores	-0.5pt	YoY decrease of 3.7 percentage points in the gross margin of UNITED ARROWS LTD.'s outlet and other stores. Despite a reduction in items in stock, the extent of the contraction narrowed compared to 1H due to reduced markdown sales
Impact of movements in other costs at UNITED ARROWS LTD.	0.1pts	Decline in product valuation loss due to reduced stock items, etc.
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	-0.8pts	Expansion of markdown sales at some subsidiaries, and increase in the percentage of outlet sales

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

Sales: YoY decrease of 23.1%; Existing store sales of retail and online: YoY decrease of 26.8%

- Despite continued sluggish sales in the metropolitan areas, existing store sales of retail recovered gradually; YoY decrease of 63.7% in 1Q, YoY decrease of 30.2% in 2Q and YoY decrease of 25.2% in 3Q
- Online sales: YoY increase of 16.2%; Percentage of online sales: 31.6%, (up 10.7 percentage points YoY) Sales of the Company's electronic commerce site were favorable (sales at the site: YoY increase of 80.5%)

(Millions of yen)

	Non-Consolidated FY21 9-Month Period				FY20 9-Month Period Results	
	Results	Composition ratio	YoY increase (decrease)	%		Composition ratio
Non-Consolidated Sales	**75,742**	100.0%	(22,771)	76.9%	98,514	100.0%
Total Business Unit Sales	**63,826**	84.3%	(20,769)	75.4%	84,595	85.9%
Retail	**39,273**	51.9%	(24,075)	62.0%	63,349	64.3%
Online	**23,942**	31.6%	3,332	116.2%	20,609	20.9%
Other (wholesale, etc.)	**611**	0.8%	(25)	96.0%	636	0.6%
Outlet, etc.	**11,916**	15.7%	(2,001)	85.6%	13,918	14.1%

Existing Store Sales YoY (asterisk indicates reference data)

	Sales	Number of customers	Ave. spend per customer
Retail + Online	73.2%	83.6% *	85.8% *
Retail	60.8%	64.0%	95.1%
Online	108.5%	132.6% *	85.7% *

*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

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

Business Unit I: Sales of high-priced products remained favorable, and sales of casual products recovered, showing a steady trend.
Business Unit II: Delayed recovery due to sluggish demand for business wear and a deterioration in merchandise balance for fall and winter items.

(Millions of yen)

	Non-Consolidated FY21 9-Month Period			
	Results	YoY increase (decrease)	%	FY20 9-Month Period Results
Total Business Unit Sales	**63,826**	(20,769)	75.4%	84,595
Business Unit I	**43,506**	(11,546)	79.0%	55,052
Business Unit II	**20,320**	(9,223)	68.8%	29,543

	Existing store sales YoY		
	Retail + Online	Retail	Online
Business Unit I	76.2%	63.9%	110.4%
Business Unit II	67.7%	55.5%	104.7%

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

Consolidated total assets: ¥72,337 million; YoY decrease of 16.4%, up 3.3% from FY20-End

(Comments refer to changes from December 31, 2019 *Increase/decrease in assets and liabilities at the end of 3Q includes effects from excluding CHJP from the scope of consolidation.)

- Current assets: Decreases in cash and deposits, inventories, and accounts receivable-other
- Noncurrent assets: Decreases in building and structures, and a decrease in superficies resulting from a change in the scope of consolidation
- Current liabilities: Increase in short-term loans payable, and decreases in accounts payable-trade and provision for bonuses
- Net assets: Decrease in surplus

*Balance of short- and long-term loans payable: ¥17,900 million, YoY increase of 40.3%

*Inventory: ¥25,434 million, YoY decrease of 20.3% (YoY decrease of approximately 10% even excluding effects from excluding CHJP from the scope of consolidation)

(Millions of yen)

	Consolidated FY21 3Q-End								Reference FY21 1Q-End	
	Results	Composition ratio	vs. FY20 3Q-End Results	vs. FY20-End	FY20 3Q-End Results	Composition ratio	FY20-End Results	Composition ratio	Results	vs. FY20 1Q-End Results
Total Assets	72,337	100.0%	83.6%	103.3%	86,521	100.0%	70,007	100.0%	76,292	105.1%
Current Assets	47,258	65.3%	77.1%	102.7%	61,282	70.8%	45,997	65.7%	49,805	105.9%
(of which, Inventory)	25,434	35.2%	79.7%	91.0%	31,902	36.9%	27,949	39.9%	31,212	115.4%
Noncurrent Assets	25,078	34.7%	99.4%	104.5%	25,238	29.2%	24,009	34.3%	26,487	103.5%
Current Liabilities	34,047	47.1%	89.3%	143.9%	38,123	44.1%	23,658	33.8%	35,052	123.0%
Noncurrent Liabilities	4,239	5.9%	98.6%	99.1%	4,300	5.0%	4,275	6.1%	4,410	104.0%
Total Net Assets	34,050	47.1%	77.2%	80.9%	44,097	51.0%	42,072	60.1%	36,829	92.3%
Reference: Balance of short and long-term loans payable	17,900	24.7%	140.3%	389.1%	12,760	14.7%	4,600	6.6%	18,700	267.1%

Cash and cash equivalents at the end of 3Q: ¥5,056 million

- Cash flows from operating activities
  (Major cash inflows): Depreciation of ¥1,283 million
  (Major cash outflows): ¥1,683 million increase in inventories, ¥503 million decrease in other current liabilities
- Cash flows from investing activities
  (Major cash outflows): Purchases of property, plant and equipment for ¥1,614 million
  Decrease in cash and deposits resulting from a change in the scope of consolidation: ¥2,938 million
- Cash flows from financing activities
  (Major cash inflows): Increase in short-term loans payable of ¥13,300 million
  (Major cash outflows): Payment of ¥1,729 million for cash dividends

(Millions of yen)

	Consolidated FY21 9-Month Period	FY20 9-Month Period
	Results	Results
Cash flows from operating activities (sub-total)	**(7,231)**	4,491
Cash flows from operating activities	**(7,145)**	1,693
Cash flows from investing activities	**(5,080)**	(3,403)
Cash flows from financing activities	**11,570**	6,365
Cash and cash equivalents at the end of the period	**5,056**	10,484

■ Opening and Closing of Stores in FY2021 9M (Group total)

UNITED ARROWS LTD.

・FY21 9M Group total: Opened 19 new stores; Closed 10 stores; Operated 358 stores as of the end of 3Q

・FY21 Group total forecasts: Number of new stores to be opened: 20; number of stores to be closed: 25; number of stores as of FY21-end: 344

	FY21 9M Results				FY21 Forecasts		
	No. of stores as of FY20-end	Opened	Closed	No. of stores as of 9M-end	Opened	Closed	No. of stores as of FY21-end
Group Total	**359**	**19**	**10**	**358**	**20**	**25**	**344**
UNITED ARROWS LTD.	241	14	9	246	14	21	234
FIGO CO., LTD.	16	0	0	16	0	0	16
COEN CO., LTD.	85	5	1	89	6	4	87
UNITED ARROWS TAIWAN LTD.	7	0	0	7	0	0	7
CHROME HEARTS JP, GK	10	0	0	-	0	0	-

Reference: Breakdown for UNITED ARROWS LTD.

Business Unit I	113	7	0	120	7	3	117
Business Unit II	101	6	9	98	6	17	90
Outlet	27	1	0	28	1	1	27

• *Due to a change in the scope of consolidation, CHJP (10 stores) were excluded from consolidated results as of the end of December 2020

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

UNITED ARROWS LTD.

	FY21 3Q Results				FY21 Forecasts		
	No. of stores as of FY20-end	Opened	Closed	No. of stores as of 9M-end	Opened	Closed	No. of stores as of FY21-end
UNITED ARROWS LTD. Total	**241**	**14**	**9**	**246**	**14**	**21**	**234**
Business Unit I Total	**113**	**7**	**0**	**120**	**7**	**3**	**117**
UNITED ARROWS (General Merchandise Store)	14	2	0	16	2	2	14
UNITED ARROWS	25	1	0	26	1	0	26
BEAUTY&YOUTH	38	0	0	38	0	0	38
Others	36	4	0	40	4	1	39
Business Unit II Total	**101**	**6**	**9**	**98**	**6**	**17**	**90**
Green Label Relaxing	83	4	1	86	4	4	83
Others	18	2	8	12	2	13	7
Outlet	**27**	**1**	**0**	**28**	**1**	**1**	**27**

Note: STEVEN ALAN Tokyo and Osaka, which are treated as an annex to each BY store, are not included in the results.

Domestic subsidiaries: Despite a decrease in revenue on a year-to-date basis, the extent of the contraction narrowed thanks to the resumption of store operations, etc.

FIGO CO., LTD.

3Q cumulative results: Decreases in revenue and income

- Sales: ¥1.1 billion, YoY decrease of 35% (down 59% in 1Q, down 37% in 2Q, and down 11% in 3Q)

COEN CO., LTD.

3Q cumulative results: Decreases in revenue and income

- Sales: ¥7.7 billion, YoY decrease of 19% (down 34% in 1Q, down 20% in 2Q, and down 3% in 3Q)

CHROME HEARTS JP, GK

April–December: Decreases in revenue and income

- Sales: ¥7.3 billion, YoY decrease of 20% (down 50% in 1Q, down 12% in 2Q, and down 2% in 3Q)

Note: CHROME HEARTS JP, GK, settles its accounts on December 31. However, given the impact on business performance, results from the period from April to December are used for consolidated accounting.

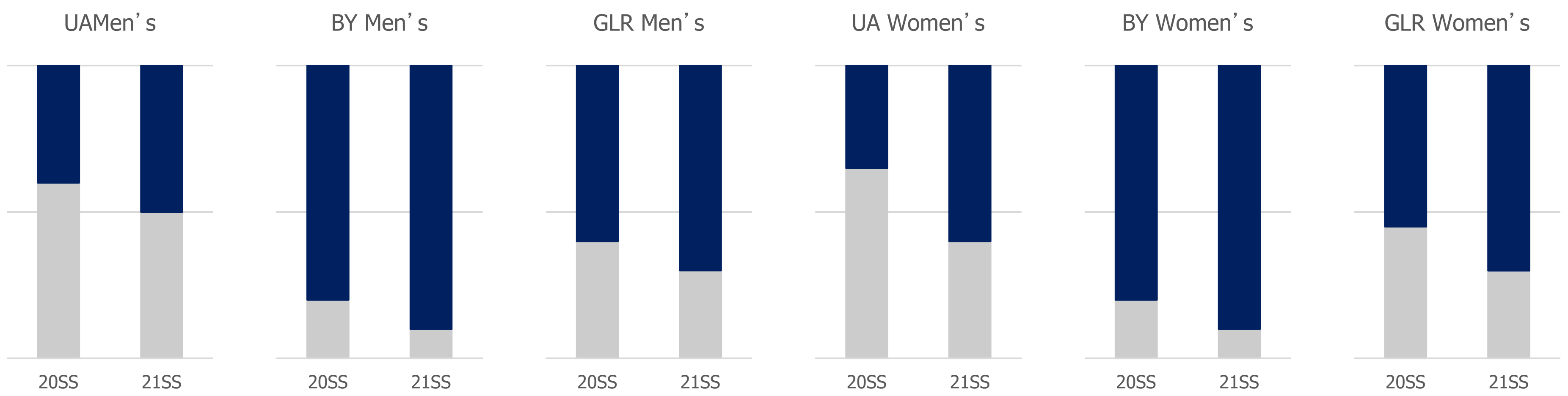
UNITED ARROWS TAIWAN LTD.

Increases in revenue and income mainly because effects from the COVID-19 pandemic on its operations were limited compared to operations in Japan

Change of merchandise policies: Strengthening casual products according to business characteristics

- Expanding the composition ratio of casual products according to business characteristics (details are explained below)
- Strengthening casual products that provide a beautiful appearance for business use, centering on inner and light clothing
- Expanding areas in which demand can be expected to increase, such as outdoor and wellness products
- Strengthening the selection of products that can be in line with a new lifestyle, such as home wear and two-mile wear
- Regarding the business category, expanding the range of business casual products through the setup of functional materials (stretch, washable, antimicrobial products, etc.) and expansion of inner and light clothing

Change of product composition ratio in main businesses
Comparison of spring and summer in 2020 and the same period in 2021



Adding entry-price products to the existing price range
Expanding the customer base by attracting customers who have not used the Company's products because of the price

Men's

UA	Entry-price products such as shirts, pants, jackets, etc. (exclusively sold online)
BY	Casual products that provide a beautiful appearance, trendy casual products for younger generation (exclusively sold online)
GLR	Addition of daily casual entry-price products (both physical stores and online)

Women's

UA	Entry-price products centering on inner and light clothing, brand products in cooperation with influencers (both exclusively sold online)
BY	Casual products that provide a beautiful appearance, trendy casual entry-price products (exclusively sold online)
GLR	Entry-price products, centering on inner and light clothing (both physical stores and online)

Spring and summer 2020	Existing price range	Customer base that has not been developed
Spring and summer 2021	Existing price range	Entry price

II. Progress of Priority Tasks to Deal With

Development Status Regarding UNITED ARROWS' Online Store Renewal

UNITED ARROWS LTD.

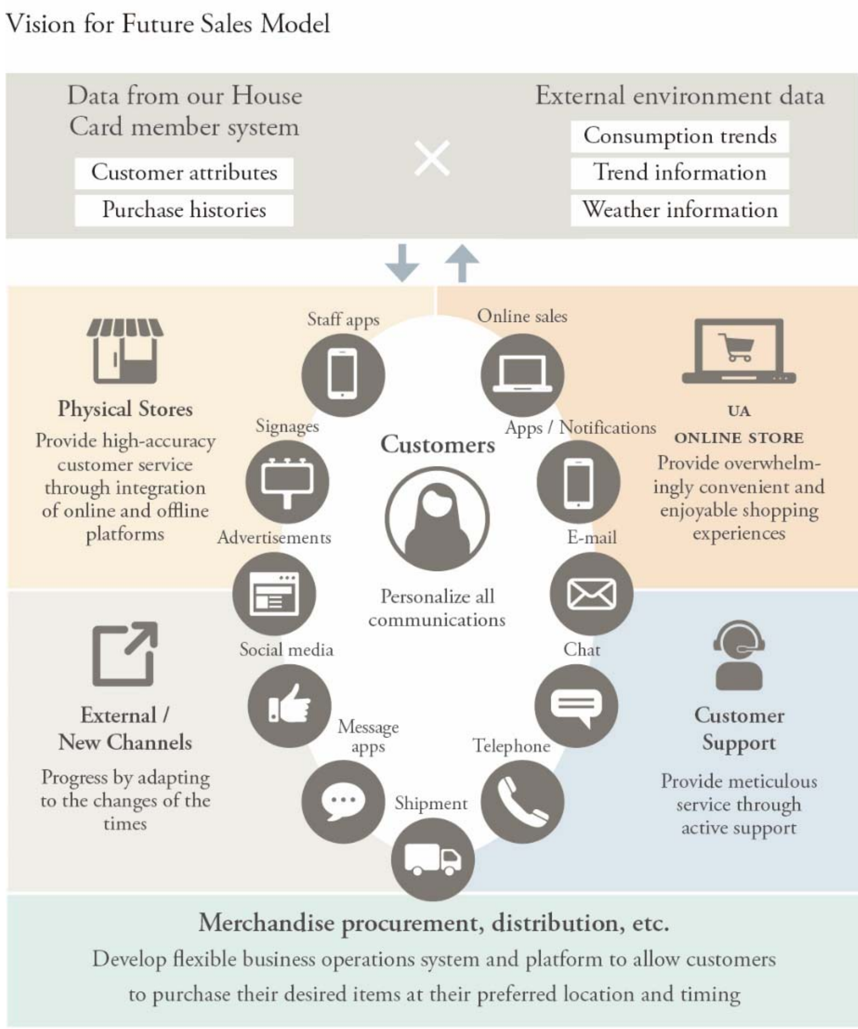
Flexible and steady renewal by utilizing SaaS* service

- Giving the highest priority to the construction of basic functions for online sales based on the OMO* measure, shifting to it within FY2022
- Securing quality by utilizing the service that has been successfully used by other companies
- Organizing functional requirements and reviewing the business flow, and then minimizing add-ons and customization

What can be materialized through site renewal

- Securing a flexible site management system, and providing value-added services
- Aiming to centralize stocks at stores and electronic commerce sites by utilizing the Company's distribution center, implementing efficient inventory management
- Reducing operational costs
  Contributing to improvement in profitability in the future by converting major costs from an ongoing commission system to fixed costs.
  Reducing investment amount by utilizing the SaaS service, expecting a return on investment in about three years.
- Gradual implementation of OMO services
  The Company plans to start various OMO services in stages. Implementing a comprehensive service, in addition to various ongoing methods of customer contact through the Internet.

* SaaS: Software as a Service
* OMO: Online merges with Offline



Why the project starts

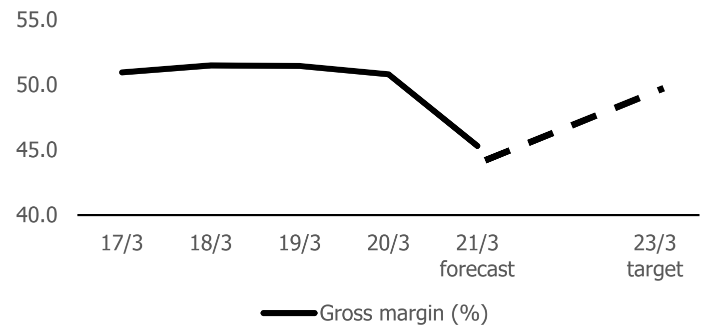
- Procurement of products based on a reduction in items in stock through discount sales and outlet sales
- Expansion of markdown sales due to the nature of the Company to sell and reduce products

→

- Lower inventory efficiency
- Lower gross margin

Objectives and goals of the project

- Improving inventory efficiency after 2021 spring and summer items
  Objective: Improvement in the inventory turnover ratio
- Improving the gross margin by breaking away from the nature of the Company to sell and reduce products
  Objective: Achievement of around 50% in gross margin in FY2023



Report on progress of the inventory improvement project: current issues and future measures

1. Issue in terms of the nature of the Company to emphasize sales and short-term profit

- Increase in stocks due to additional measures for hot-selling products by considering discount sales
- Insufficient differentiation from competitors due to conservative tendency for core products, lower hit rate
- Pursuing hot-selling products, but being insufficient to deal with slow-selling products
  Delay in a switch to reduce items in stock at an earlier stage through markdown sales

2. Issue in terms of function

- Optimization of distributor's functions
  Changing from duties as a company in a position similar to a merchandizer to duties requiring perspectives of sales and a reduction in items in stock

3. Issue in terms of system

- Further elaboration of merchandise/sales plans
  Switching to more elaborated plans, including necessary forecasts: i.e., which products and how many products should be sold, when they should be sold, and how inventory balances will be at that time
- Review of evaluation criteria for persons in charge of merchandise
  Changing from evaluation standards focusing on sales and gross margin to those including inventory balances, tightening evaluation criteria

4. Issue regarding definitions within the company

- Revision of basic merchandise policies
  Changing from the current basic merchandise policy focusing on avoidance of out-of-stock items to a way of thinking that considers inventory balances and permits out-of-stock items to some extent

Going forward, we will look into these issues deeply and incorporate reform measures into a structure, constructing a system that can secure steady management

III. Reference Materials

Revised FY2021 Consolidated P/L Plan (disclosed on November 5, 2020)

UNITED ARROWS LTD.

Operating loss resulting from ordinary business operations is expected to be approximately ¥5,000 million, the upper limit of the range stipulated in the initial plan

We expect to post up to approximately ¥1,500 million in product valuation loss on products of the 2020 spring and summer season in light of excessive inventories due to the COVID-19 pandemic (cost of sales)

- Sales: Expecting ¥128,300 million within the range stipulated in the initial plan
- Gross margin: Expecting 45.3%. Approximately 46.5% when excluding the above-mentioned product valuation loss of ¥1,500 million
- SGA Expenses: Factoring in lower costs than the initial plan
- Ordinary loss: Expecting ¥5,300 million (around ¥3,800 million when excluding product valuation loss on products of 2020 spring and summer season)
- Extraordinary P/L: Expecting a loss of ¥1,970 million owing to an impairment loss relating to stores, reducing depreciation cost for the next fiscal year by approximately ¥200 million
- Net loss: Expecting ¥6,070 million (around ¥5,029 million when excluding product valuation loss on products of 2020 spring and summer season)

(Millions of yen)

	Consolidated FY21 Full Fiscal Year					Reference (1) FY21 Full Fiscal Year		Reference (2) FY21 Full Fiscal Year
	Revised plan	vs. Sales	YoY	FY20 Results	vs. Sales	Revised plan (Provisional calculation excluding valuation loss)	vs. Sales	Initial plan
Sales	128,300	100.0%	81.5%	157,412	100.0%	128,300	100.0%	125,915 - 131,083
Gross Profit	58,100	45.3%	72.6%	79,983	50.8%	59,600	46.5%	59,483 - 62,309
SGA Expenses	64,600	50.4%	90.7%	71,224	45.2%	64,600	50.4%	66,483 - 67,309
Operating Income	(6,500)	-5.1%	-	8,758	5.6%	(5,000)	-3.9%	(7,000) - (5,000)
Non-Operating P/L	1,200	0.9%	2678.3%	44	0.0%	1,200	0.9%	-
Ordinary Income	(5,300)	-4.1%	-	8,803	5.6%	(3,800)	-3.0%	-
Extraordinary P/L	(1,970)	-1.5%	76.3%	(2,582)	-1.6%	(1,970)	-1.5%	-
Net Income Attributable to Owners of Parent	(6,070)	-4.7%	-	3,522	2.2%	(5,029)	-3.9%	-

New Medium-Term Management Plan From FY2021 to FY2023

The market environment has significantly changed against a background of changes in society caused by the COVID-19 pandemic

Changes in society	Behavior to avoid closed spaces, crowded places, and close-contact settings	Avoiding going out	Expansion of remote work	Suppressing consumption due to anxiety for lower income
Changes in the retail industry	Decrease in the number of store visitors	Shorter time in stores than before	Accelerating the shift to online shopping/services	Suppressing consumption due to anxiety for lower income
Changes in the apparel industry	Delayed recovery in commercial facilities in large cities	Accelerating the shift to online shopping/services	Decline in customer needs for favorite products	Decline in demand for formal clothes

Issues the Company must deal with amid the COVID-19 pandemic

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Delayed recovery in commercial facilities in large cities	• Delayed recovery in sales of stores located in commercial facilities in large cities compared to those in the suburbs of regional cities • Decline in the advantage of locations, i.e., convenience and ability to attract customers
Further strengthening online sales	• Surge in online sales, which cannot offset a decline in sales of physical stores • Need to strengthen the ability to attract customers by utilizing contactless communication via the Internet
Acceleration of casualization of business wear	• Need to promptly adjust merchandise to deal with rapid casualization of business wear • Development of a business style suitable for the new normal in the age of COVID-19
Decline in product unit prices	• Decrease in product unit prices due to a lower composition ratio of heavy clothing such as suits and jackets • Decline in customers' desire to buy their favorite products due to anxiety for lower income
Inventory efficiency	• Increase in remaining stock of 2020 spring and summer season products due to the closure of physical stores • Negative effects on the gross margin due to an increase in markdown sales stemming from factors described above
Problem regarding cost structure	• Need to establish a cost structure that can withstand a sales decline • Need to implement drastic reform by being free from existing perspectives

Possible to solve problems by utilizing the Company's strengths

1. Strong trust-based relationships with customers

- Strong capability of physical stores to deal with customers and sell products
- Sales representatives' problem-solving ability offered to customers
- Knowhow to attract new customers

2. Ability to address the evolving needs of customers

- Ability to analyze trends by grasping social trends
- Ability to address the evolving needs of customers in collaboration between the Product, Sales, and Promotion Departments

3. High composition ratio of online sales

- Percentage of online sales on a non-consolidated basis
  FY2020: 22.6% (industry average: 13.8%*)
  *"FY2019 E-Commerce Market Survey" published by the Ministry of Economy, Trade and Industry
- Necessary measures are under development for the establishment of the OMO system

Solving issues the Company must deal with

Delayed recovery in commercial facilities in large cities	Further strengthening online sales	Acceleration of casualization of business wear
Decline in product unit prices	Inventory efficiency	Problem regarding cost structure

In light of changes in the market environment, priority has been put on improvement in profitability for the period of the Medium-Term Management Plan

1. Recovery in commercial facilities in large cities may take time
2. Difficult to expand businesses based on new store openings
   → Review a strategy for store openings and an area strategy
3. Changes in business demand are accelerating
   → Rethink the mix of merchandise suitable for the new normal
4. The need to strengthen customer contact through the Internet is increasing
   → Further strengthening measures centering on the Company’s e-commerce site

- Basic policy: "Weather the crisis and regain our earnings power"

1. Drastically review the revenue structure
2. Regain earnings power

- Financial targets (partly modified in light of the COVID-19 pandemic)

Consolidated operating income for the final fiscal year of the Medium-Term Management Plan	¥7,000-8,000 million *We intend to improve this from an expected loss of ¥6,500 million for FY2021 to an increase by ¥13,500-14,500 million on a cumulative basis for the next two years.
ROE for the final fiscal year of the Medium-Term Management Plan	12-14% *Remain unchanged
Dividend payout ratio during the Medium-Term Management Plan	Plan to disclose it after scrutinizing financial conditions, including the Company's future investment plan, financial market developments, and other necessary factors

New Medium-Term Management Plan "Drastically Review the Revenue Structure"

- Determining unprofitable subsidiaries, businesses and stores (closure of stores/streamlining, etc.)
  - Expecting to close consolidated stores by around 10% at this stage, and continue to consider closure/streamlining
- Structural reform of the head office organization
  - Reorganizing functions/operations, and enhancing productivity by reducing low value added operations
  - Continuing remote work, integrating the head office through introduction of the free address system, etc., and reducing fixed costs
- Changes in personnel measures
  - Expecting a reduction in the number of employees by around 10% by the final fiscal year of the Medium-Term Management Plan through a reduction in hiring, etc.
  - Strategically assigning staff members in priority areas such as online sales and customer support
  - Correcting downward rigidity of personnel expenses and shifting to a remuneration system highly linked with business performance
  - Continuing partial cuts in compensation paid to directors
- Improvement in the gross margin by enhancing inventory efficiency
  - Investigating an appropriate way to hold inventories through the inventory improvement project, and improving the gross margin

• Improvement in revenue of core businesses

1. Improvement in terms of merchandise

- Changes in season-based merchandise, introduction of seasonless products to deal with climate change
- Product development focusing on the new normal
  Strengthening casual products, development of one mile wear, expansion of wellness products (outdoor, yoga, etc.)
- Modification of the price range

2. Improvement in terms of sales/ promotion

- Establishment of contactless communication with customers through online customer services, live stream of explanatory video of products, etc.
- Brushing up comments appeared in the e-commerce site

• Business development in line with the new era

- New business development with a concept focusing on the new normal
- Business conditions for which multi-store openings are not assumed, based on the Company's e-commerce site
- Acquiring our new customer base by introducing a price range between GLR and COEN

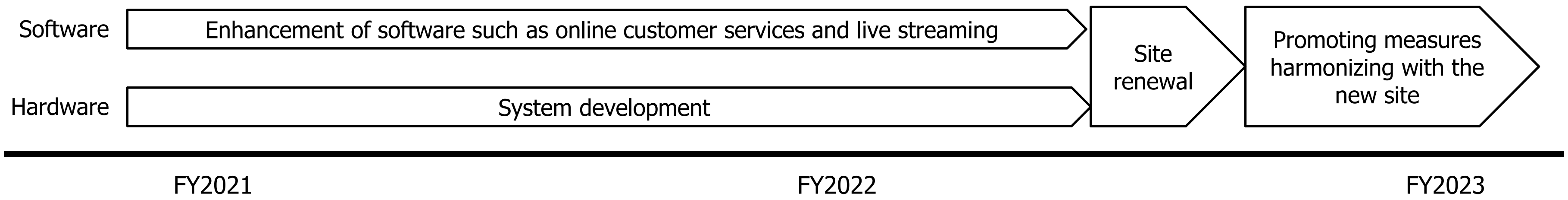
• Promotion of OMO

1. Enhancement in terms of software

- Aiming to become the top company in the industry in terms of ability to serve customers for online shopping and the quality of comments on merchandise and styling images (Utilization of SNS, enhanced engagement of sales representatives in online sales, etc.)

2. Innovation of hardware

- Redesigning the Company's e-commerce site by using our own infrastructure, possibly during FY2022
- Intend to offer services equivalent to those of physical stores in online shopping



■ The Matrix of Issues the Company Must Deal With and Matters to Be Handled in the New Medium-Term Management Plan

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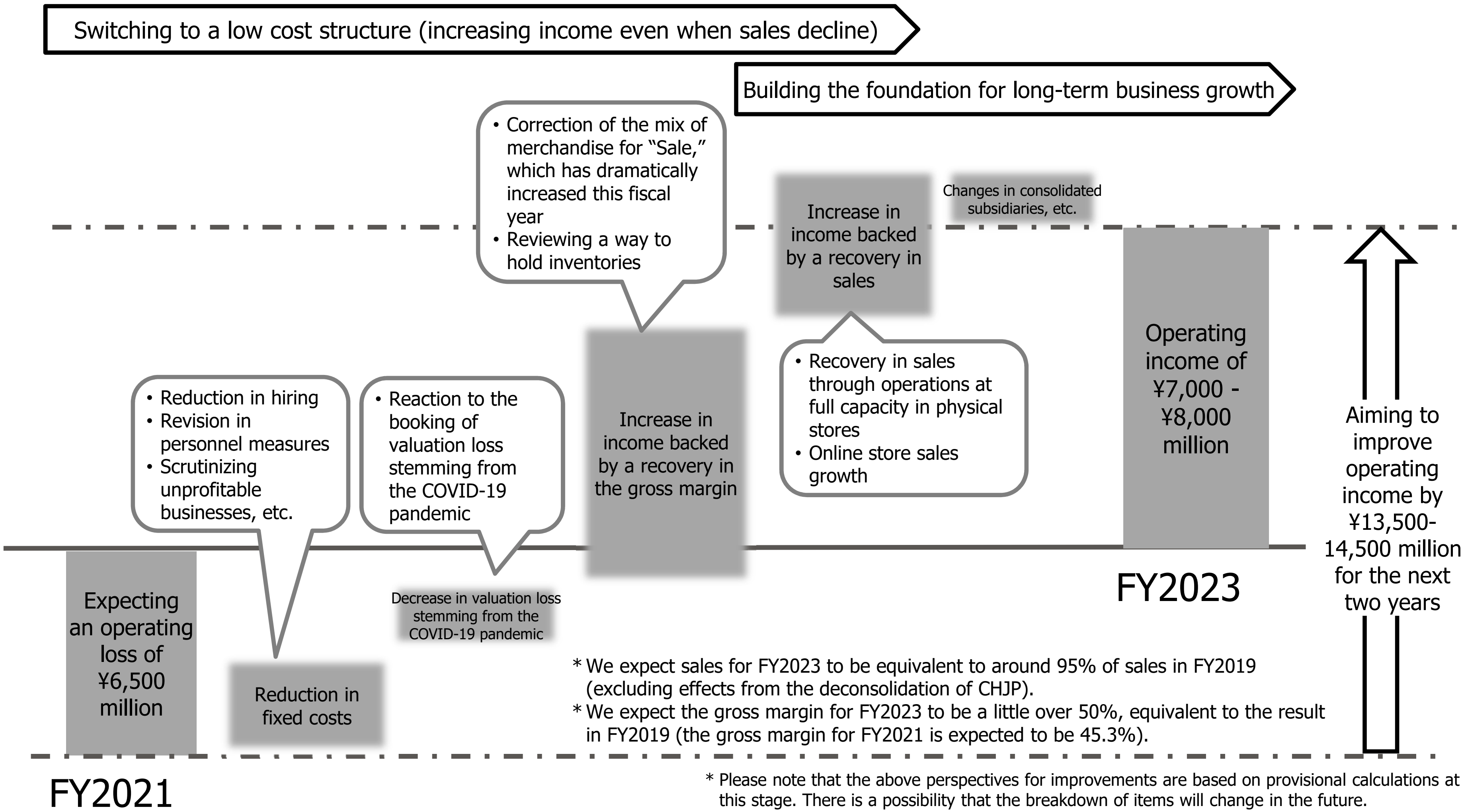
		Delayed recovery in commercial facilities in large cities	Further strengthening online sales	Acceleration of casualization of business wear	Decline in product unit prices	Inventory efficiency	Problem regarding cost structure
Drastically review the revenue structure	Withdrawal from or streamlining of unprofitable stores, businesses, and subsidiaries	○				○	○
	Structural reform of the head office organization		○				○
	Changes in personnel measures		○				○
	Improvement in inventory efficiency					○	○
Regain earnings power	Improvement in revenue of core businesses Improvement in terms of merchandise			○	○	○	
	Improvement in revenue of core businesses Improvement in terms of sales/promotion	○	○			○	
	Business development in line with the new era		○	○	○		
	Promotion of OMO	○	○	○		○	○

■ Steps to Recover Earnings and the Breakdown of Improvements

First half: Switching to a structure that can secure profit;
Latter half: Building the foundation for new business growth
Aiming to improve operating income by ¥13,500-14,500 million for the next two years



* Please note that the above perspectives for improvements are based on provisional calculations at this stage. There is a possibility that the breakdown of items will change in the future.

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

	FY19			FY20			FY21		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Gross margin for the fiscal year	51.5%	51.4%	51.4%	51.7%	50.1%	50.8%	42.9%		
Gross margin for the corresponding period of the previous fiscal year	51.2%	51.7%	51.5%	51.5%	51.4%	51.4%	51.7%		
Difference	0.3pt	-0.3pt	-0.0pt	0.2pt	-1.4pt	-0.6pt	-8.7pt		

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

	FY19 1H	FY19 2H	FY19 Full Fiscal Year	FY20 1H	FY20 2H	FY20 Full Fiscal Year	FY21 1H	FY21 2H	FY21 Full Fiscal Year
Impact of movements in the gross margin of UNITED ARROWS LTD.'s total business units	0.3pt	-0.3pt	0.0pt	-0.1pt	-1.4pt	-0.8pt	-6.0pt		
Impact of movements in the gross margin of UNITED ARROWS LTD.'s outlet and other stores	0.1pt	0.1pt	0.1pt	0.1pt	0.2pt	0.1pt	-0.9pt		
Impact of movements in other costs at UNITED ARROWS LTD.	-0.1pt	0.1pt	0.0pt	0.0pt	0.0pt	0.0pt	-1.4pt		
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	0.1pt	-0.2pt	-0.1pt	0.2pt	-0.1pt	0.0pt	-0.5pt		

■ Trends in the Consolidated SGA Expenses to Sales Ratio

UNITED ARROWS LTD.

	FY19			FY20			FY21		
	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year	1H	2H	Full Fiscal Year
Total of SGA Expenses	47.3%	42.2%	44.5%	46.4%	44.2%	45.2%	55.8%		
Advertising Expenses	2.4%	2.1%	2.2%	2.3%	3.1%	2.7%	3.0%		
Personnel Expenses	17.0%	14.4%	15.6%	16.9%	15.1%	15.9%	21.1%		
Rent	14.7%	13.9%	14.2%	14.4%	14.2%	14.3%	17.1%		
Depreciation	1.3%	1.1%	1.2%	1.3%	1.2%	1.2%	1.6%		
Other	12.0%	10.7%	11.3%	11.5%	10.6%	11.1%	12.9%		

■ Reference: Consolidated Gross Margin Overview by 1Q and 2Q

UNITED ARROWS LTD.

■ 1Q (three months)

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 reduce spring and summer items in stock (mainly sold at a fixed price in the previous year)
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

■ 2Q (three months)

Gross margin for 2Q FY21	42.6%
Gross margin for 2Q FY20	48.5%
Difference	-5.9pt

■ 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	-3.7pt	Gross margin of the total business unit: Down 5.6 percentage points YoY. Despite the continuation of markdown sales of spring and summer items, the difference narrowed as there was also a sale period in 2Q FY20
Impact of movements in the gross margin of UNITED ARROWS LTD.'s outlet and other stores	-1.1pt	YoY decrease of 7.8 percentage points in the gross margin of UNITED ARROWS LTD.'s outlet and other stores. Further reduction in regular business products, and decrease in the percentage of exclusive product sales
Impact of movements in other costs at UNITED ARROWS LTD.	-0.0pt	There were increases and decreases in the breakdown, but we see almost no impact on consolidated results considering other costs in total
Other factors (subsidiary trends, consolidated adjustments, sales composition, etc.)	-1.0pt	Expansion of markdown sales at some subsidiaries, and increase in the percentage of outlet sales

Reference: Consolidated Gross Margin Overview by 1Q and 2Q FY2021

UNITED ARROWS LTD.

1Q (three months)

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