UNITED ARROWS LTD.

UNITED ARROWS LTD. Earnings Announcement Q&A for the Three-Month Period Ended June 30, 2019

UNITED ARROWS LTD. (or "the Company") held earnings announcement presentations on August 6 and 7, 2019, at which the media, analysts and institutional investors were in attendance. The principal questions received and answers given during each session have been presented by category below. Certain details have been added or amended to further understanding of the UNITED ARROWS Group's performance and activities.

●About Trends in Fiscal Year Ending March 31, 2020

Q. What is the progress compared with forecasts for the first quarter?

A. From the current fiscal year, we decided not to disclose any interim forecasts, and do not intend to explain the details of the quarterly progress compared with forecasts. While profits for the first quarter slightly exceeded forecasts, we struggled due to weather conditions in July, and cumulative profits to July are expected to be almost in line with forecasts.

Q. Are there any negative factors other than weather conditions as sales at existing retail stores are weaker than the previous fiscal year?

A. As there is continued demand for women's business wear with the rise in the number of working women, demand has shifted toward more casual clothes. The green label relaxing (GLR) business was slightly late to respond to this shift and struggled at first. However, the business is now in an improving trend after replacing products in response to the shift during the fiscal year.

Q. What is the background to the strong performance of menswear items in Business Unit I?

A. In the men's dress category in UNITED ARROWS (UA), products made from functional materials while maintaining the unique quality of UA are very popular with our customers. The popular casual lineup of menswear also contributes to the recovery of business results.

Q. I would like to know the details of online sales by website.

A. The following shows the trends in major websites. Although there are differences among websites other than those listed below, sales through most websites increased year on year.

	Year-on-year change in sales	Composition ratio	Year-on-year percentage point change
UNITED ARROWS LTD. ONLINE STORE	119.2%	27.0%	+1.0 percentage points
ZOZOTOWN	109.6%	50.8%	-2.2 percentage points
Rakuten BRAND AVENUE	166.5%	11.5%	+3.5 percentage points
Amazon	92.3%	2.9%	-0.7 percentage points

Q. What is the progress in the shift to in-house operation of the UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE)?

A. We are making preparations to first enable stable in-house operation by this fall. Taking into consideration the preparation time at physical stores, we are planning to implement in phases various omni-channel services linked with physical stores toward the end of this fiscal year.

Q. What are the trends of existing stores at COEN CO., LTD. (COEN), whose growth seems to be somewhat sluggish?

A. Sales at existing stores for COEN increased 2% year on year when combining retail and online sales, 2% for just retail, and remained at the same level year on year when looking only at online sales. Hurdles to achieve year-on-year growth are getting higher due to the growth in recent years, and the growth rate became slightly lower, but the company is not in a state of complete weakness.

Q. While selling, general and administrative (SGA) expenses are restricted in the first quarter, in which quarter will the expenses increase largely?

A. The increase in SGA expenses is expected to be large especially in the second quarter because large costs are incurred in opening new stores and a shift to in-house operation of the UA ONLINE STORE.

Q. What are the trends of duty-free sales?

A. The total duty-free sales at UNITED ARROWS LTD. and CHROME HEARTS JP, GK (CHJP) were about the same level year on year, and the growth rate was slightly lower year on year.

Q. There was a change in the operation method of distribution centers from your original idea. I would like to know where the problems lay and the expected cost increases associated with this change.

A. Although we transferred the operation to the Nagareyama Distribution Center during the previous fiscal year, due to some inefficiencies in the operation, we changed the operation method as described this time. The cost associated with this change is factored into the forecasts for this fiscal year. The cost increase partially offset by enhanced efficiency could result in a net increase of several tens of millions of yen. We aim to absorb it by expanding sales at the UA ONLINE STORE from the next fiscal year onwards.

●About the next medium-term business plan

Q. CHJP is supposed to be excluded from the scope of consolidation during the period of the next medium-term business plan. I would like to know your vision of profit growth factoring the impact of the deconsolidation.

A. The next medium-term business plan, although broadly determined, is currently under discussion, and we cannot yet give you any details at this time. While the deconsolidation of CHJP has a negative impact, we intend to cover it through a combination of various efforts. Compared with when the current medium-term business plan was developed, we feel there is potential in trend-conscious markets and we believe they can be more profitable. Also for basic trend-conscious markets, we will strive to expand earnings by leveraging the economies of scale of GRL. The expansion of online sales which have higher profitability than physical stores also works as a significant positive factor.