



**UNITED ARROWS LTD. Earnings Announcement**  
**Q&A for the Six-Month Period Ended September 30, 2019**

UNITED ARROWS LTD. (or “the Company”) held earnings announcement presentations on November 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.

**● Regarding Performance in the Fiscal Year Ending March 31, 2020**

**Q. What progress has been made compared with forecasts?**

A. Since we have not disclosed any forecasts for the first half, we are unable to provide a detailed explanation. Having said that, while we made progress exceeding forecasts in the first half, trends in October were weak, putting profits as of the end of October on par with forecasts.

**Q. Do you expect any gap in costs from the first half and how do you expect selling, general and administrative (SGA) expenses to shift?**

A. There would be unused costs, including the cost of shifting to in-house operation of the Company’s EC website, UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE), which was initially included in the first half, and monthly differences. However, considering that there is a plan to carry out a certain level of promotional activities in preparation for the restart of the UA ONLINE STORE at the end of November, and that partial adjustments will be made depending on the situation, SGA expenses are expected to be close to the full year forecast in the end.

**Q. Will there be any increase in costs associated with the restart of the UA ONLINE STORE?**

A. Additional costs will be generated. However, since some costs will remain unused due to the postponement of renewal, changes in total costs are expected to be extremely small.

**Q. How are trends in online sales through major websites?**

A. The following shows the breakdown of major websites.

	Year-on-year change in sales	Composition ratio	Year-on-year percentage point change
UA ONLINE STORE	105.4%	23.1%	-2.6pt
ZOZOTOWN	120.2%	55.0%	1.2pt
Rakuten BRAND AVENUE	158.5%	11.1%	2.8pt
Amazon	107.9%	3.2%	-0.2pt



Q. Compared to the time of the previous tax hike (April 2014), there seems to be a larger reactionary decline. Is there any change between the current and previous tax hikes?

A. We have felt a slight sense of caution against consumption associated with the tax hike. Meanwhile, other factors facing difficulties include slow movements of outerwear and knit in October due partly to the impact of high temperature, and a reaction to last-minute demand for expensive down jackets before the tax hike. Another factor includes negative impact of suspension of the Company's EC website on physical stores. Since the business environment differs widely from the previous time, we are unable to make a simple comparison.

● **About the Shift to In-house Operation of the UA ONLINE STORE**

Q. No particular explanations indicating a delay in development were provided during the previous announcement. What is the background leading up to the decision?

A. The project involves an extremely wide range of items, including development of smartphone apps and tools for storefront customer services, as well as logistics-related development, in addition to the development of the EC website. Issues were identified at the final verification stage of connecting all the systems. We must admit that there was weakness in our project management. Therefore, while the project has been operated and managed by a project team, we have set up an organization dedicated to development of in-house EC in order to clarify the location of responsibilities and ensure thorough progress management. An executive officer in charge with system-related expertise has been assigned to the organization. With the establishment of an organization that reports directly to the President, we strive to create a structure where the President also manages progress to thoroughly prevent recurrence of such delays.

Q. Is there any change in restrictions on the contract period or conditions in re-signing contracts with former vendors of UA ONLINE STORE operation?

A. While we are unable to provide specific details of contract terms and conditions, a certain contract period becomes necessary because vendors are required to assign a large number of staff to operate our website. We will work to shift to in-house operation while responding to changes in the online shopping environment by using this time. There are almost no changes in terms and conditions.

● **Merger and Establishment of Subsidiary**

Q. How did you reach a decision to merge with Designs & Co.? Was there no advantage in operating the company as a subsidiary?

A. With average customer spend exceeding 100,000 yen, BLAMINK operated by Designs is an extremely rare domestic brand providing value on par with luxury brands. Our approach to operating the company as a subsidiary has enabled the company to design stores and develop products with ideas going beyond the framework of our company. However, when future growth was considered, we began to see the limitations of human resources in operating the company as a subsidiary. By incorporating



Designs into our company, we are confident that we will be able to ensure efficient operation and lay the foundation for growth, while using our infrastructure.

Q. You have explained your plan to expand into the Chinese market. In which areas do you think you have a chance of winning?

A. In the global markets, we launched UNITED ARROWS (UA) and BEAUTY&YOUTH UNITED ARROWS (BY) in Taiwan, and they have grown to a certain size. However, when looking at bigger markets, the green label relaxing (GLR) and COEN are judged to have higher growth potential. The same applies to China, and we are planning to roll out GLR and COEN. We will localize our products while leveraging our store operation and customer service skills that the UNITED ARROWS Group has cultivated over the years.

● **Outlook for Mid- to Long-term Business Growth**

Q. What is the reason for announcing the outlook for business growth before the announcement of the next mid-term plan?

A. As the timing of CHROME HEARTS JP, GK (CHJP) being excluded from the scope of consolidation approaches (December-end 2020), some investors have begun expressing concerns about our shareholder return and capital efficiency. Therefore, we considered that it was the right timing to deliver a message to the market that there is no change in our basic policy on capital efficiency even after CHJP is excluded from the scope of consolidation.

While we are planning to announce the details of our next mid-term plan in May 2020, we believe that we will be able to maintain a level close to the current capital efficiency target while making new growth-oriented investments and shareholder return if our existing businesses in the trend-conscious market (UA, BY), basic trend-conscious market (GLR), and new basic trend-conscious market (COEN) grow smoothly.

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