

**UNITED ARROWS LTD. Earnings Announcement Q&A for Fiscal Year 2020 Ended March 31, 2020**

UNITED ARROWS LTD. held an earnings announcement presentation on May 8 and 11, 2020 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.

- Performance for the fiscal year under review

Q. To what extent has the fourth quarter been affected by the new coronavirus outbreak?

A. Because the negative effect from the new coronavirus outbreak was not reflected in the Company's revised earnings plan announced in February 2020, nearly the entire difference from the planned value (sales of 3.8 billion yen and operating income of 2.1 billion yen) is considered to be the effect from the outbreak.

Q. What is the current status of your inventory?

A. Due to the new coronavirus outbreak, there is a lot of remaining stock of 2020 spring and summer products. We plan to organize a sales campaign on our online stores and utilize outlets to reduce inventory at an early date. Moreover, our procurement plan for 2020 fall and winter is rather conservative.

Q. What are the trends in online sales of individual major channels?

A. The sales trends of our major sites are as follows:

	Net sales year-on-year	Composition	Change year-on-year
UA ONLINE STORE*	93.0%	21.4%	-4.1pt
ZOZOTOWN	117.3%	54.6%	2.9pt
Rakuten Fashion	124.9%	13.4%	1.4pt
Amazon	110.5%	3.1%	0pt

* UA ONLINE STORE (UNITED ARROWS LTD. ONLINE STORE) was closed from September 12, 2019 to November 26, 2019.

- Forecasts for the fiscal year ending March 2021

Q. What level of gross margin do you expect for the new fiscal year? Gross margin for the fourth quarter of the fiscal year under review decreased by 2.5bp, hit by the new coronavirus pandemic. Do you expect another decline at a similar level for the new fiscal year?

A. We are unable to comment on the assumption of gross margin because it is difficult to forecast the future at present. Since we lost almost all sales opportunities at retail stores for selling 2020 spring products, we are organizing an online sales campaign to reduce inventory. While retail stores will be allowed to reopen gradually, we expect to face a very tough business environment due to restrictions on store opening hours and difficulties in collaborating with commercial facilities' points campaigns. It is reportedly forecasted that nearly one year will be



needed to settle the pandemic, and is unclear whether the business conditions will turn around in the second half of the new fiscal year and onward. Accordingly, we plan to procure 2020 fall and winter products conservatively to protect gross margin.

Q. While the importance of online store sales is expected to grow in the future, do you have any idea of specific measures other than sales campaigns?

A. UNITED ARROWS LTD. ONLINE STORE (UA ONLINE STORE) should have high potential to cover the revenue loss from the closure of retail stores, and this will be our point of focus. Our green label relaxing (GLR) brand is introducing its products through live SNS and delivering customer service using LINE, on which we will concentrate and expand it to a company-wide effort.

Q. Will there be a change in MD and supply chains after the new coronavirus pandemic?

A. Regardless of the pandemic, we plan to reorganize the MD concept for the fiscal year ending March 2021 and onward, assuming a warm winter as a given, to the combination of 6-season MD and season-less products from the conventional 8-season MD. From the trends of April 2020, it seems the consumption mode is shifting to growing demand for casual clothing and infection-protection goods, based on which we will modify our MD structure. While we will stay with China-centered production, we will also seek opportunities to shift some production to Japan or other regions in order to diversify supply chain risk.

- Medium-term management plan for the three years from the fiscal year ending March 2021 to the fiscal year ending March 2023

Q. How do you characterize your new large-scale project development in terms of distinction from GLR, the scale of store opening, and contribution to the new medium-term management plan?

A. The large-scale business aims to capture the basic trend conscious market, while targeting the younger generation with a price range more affordable than that of GLR. We expect the scale of sales to grow within a limited range during the new medium-term management plan period, but aim to achieve a long-term sales growth of 10 billion yen or greater. We conventionally employed a retail-store-oriented business model, but will shift to a scheme highly linked with the online stores in our new business.

Q. You plan to launch in-house operation of UA ONLINE STORE within the fiscal year ending March 2022. Will it take time due to the new coronavirus pandemic?

A. The shift to the in-house operation of UA ONLINE STORE is under development. To avoid the previous failure that resulted from factors including premature development, we will take time to advance the plan carefully.

Q. Which market and segment does your global business target?

A. Centered on the Asian region, our global business targets the basic trend-conscious market and new basic trend-conscious market. We intend to develop an overseas market with a future large-scale project. Our



preparations are moving forward for the future, although it is difficult to act progressively at the moment due to the pandemic.

Q.How do you determine the target operating income of the new medium-term management plan?

A.We consider the effect from deconsolidating CHROME HEARTS JP, GK (CH JP) during the new medium-term management plan period in determining the target operating income of the new medium-term management plan. To do this, we use sales and income for the fiscal year ended March 2019 which were posted before the new coronavirus pandemic, excluding the portion of CH JP, as a basis to estimate the extent of growth from that level in cases where earnings grow steadily. We expect the profitability to increase slightly if we can achieve an operating income of 10 billion yen. We believe improving the existing business, accelerating OMO as a functional strategy, and having operational reform will contribute to increasing profitability.

Q.What is the concept of and background to a possible change in your dividend policy?

A.Our basic concept is unchanged, targeting a stable dividend payout with a payout ratio of 35% or higher. However, in the face of the unprecedented challenges for the fiscal year ending March 2021, we will put the highest priority on efforts for the Company to survive.