UNITED ARROWS LTD.

Earnings Announcement Q&A for Fiscal Year 2021 Ended March 31, 2021

UNITED ARROWS LTD. held an earnings announcement presentation at which the media, analysts and institutional investors were in attendance. The principal questions received and answers given during each session have been presented below. Certain details have been added or amended to further understanding of the UNITED ARROWS Group's performance and activities.

● Forecasts for the fiscal year ending March 2022

Q. I would like to know the effect that removing FIGO CO. LTD. and CHJP, GK from consolidated accounting treatment has on SGA expenses and income.

A. This removal of CHJP, GK has a negative effect on operating income as its SGA rate is low. However, FIGO CO. LTD. has exhibited extremely weak performance in recent years, so its removal will have a positive effect.

Q. What kind of downward revisions have you made to the initial plan in response to the declaration of a state of emergency?

A. We deducted sales and income until the end of May of retail stores that were closed after the declaration of the state of emergency, and also made conservative revisions to sales of other retail stores chiefly for the first half ended September 30. We have not changed fixed costs, but lowered variable costs in line with a decrease in sales and revised income downward. In reality, some stores reopened from May 12.

Q. How do you plan to proceed with reforms to a low-cost structure? How will the results of the reduced number of stores and business reforms be reflected in cost?

A. The direct effect is limited because even if stores are closed, personnel will remain there. We consider that we will gain a huge benefit from reducing new employment and effectively using personnel at stores to be closed. As for forecasts for the fiscal year ending March 2022, we are unable to give a detailed account of the costs because we hurriedly lowered forecasts of sales and variable expenses in response to the declaration of the state of emergency. But we are controlling the growth in SGA expenses by curbing personnel expenses.

Q. What is your capital investment and depreciation plan for the current fiscal year?

A. According to our plan, consolidated capital investment will be slightly over 2.7 billion yen. Investment in physical stores is low due to a decrease in the number of stores opened, and the ratio of investment related to the Company's new e-commerce site scheduled for this fiscal year is high.

Depreciation is expected to be slightly more than 1.9 billion yen on a consolidated basis.

Q. You have set the sales target for the final fiscal year of the medium-term plan in the high 140-billion-yen range. What are you focusing on from this fiscal year to the next in order to achieve this target?

A. In terms of sales channels, we see the promotion of Omni-channel marketing by strengthening digital marketing and the growth of real stores and online sales as a key point in this medium-term plan. As a new trial, we will launch a new brand in the middle price range between GREEN LABEL RELAXING and COEN, and develop outdoor and wellness brands.

● **Management and Organizational Structure as of April 1**

Q. The management and organizational structure changed drastically on April 1. What was the focus of the change? Is it safe to assume that you will be able to respond to future changes more quickly?

A. Regarding the management structure, we have reduced the number of both directors and executive officers, which we believe will speed up the decision-making process. In terms of organization, the SCM headquarters was established to reduce costs related to commercial distribution, and the sales general headquarters was established to curb company-wide SGA expenses. In addition, the DX Promotion Center was established by hiring people with deep knowledge of digital technology from outside the Company. In addition to working on the development of our own e-commerce site and ensuring smooth operation after the development, we will strengthen marketing using digital data and implement measures tailored to each customer.

● **Product Policy**

Q. I would like to know if there is any update on the product policy changes announced at the previous briefing.

A. In terms of inventory procurement, we are reviewing our product plan to shift to the method that enables additional supply of hot-selling products in a shorter cycle by curbing the amount of inventory procurement at the beginning of season, and to increase the ratio of regular price sales. In terms of specific products, we plan to develop ones tailored to changes in commuting styles, and develop new categories such as outdoor and wellness-related products.

Q. What were the results of adding entry lines, especially for online stores?

A. Sales of entry-line products account for about 10% of the total sales, which is about the same as expected at the moment. We have not been able to reach out to the younger generation as we initially expected, so this is an issue we will address in the future.

● **Other**

Q. Which strengths of the UNITED ARROWS Group can be utilized in the long-term expansion of the domain?

A. During the period under the current medium-term plan, we will place top priority on recovering business performance. But from a mid- and long-term viewpoint, we would like to take on challenges in new fields other than clothing, such as food and housing. We have no specific plans at this time, but we believe that our strengths in hospitality and the mindset to respond to customer needs can be utilized in new domains. Since domain expansion requires specialized knowledge and experience, we will also consider forming alliances with other companies and hiring leading human resources externally.