

## UNITED ARROWS LTD.

### Earnings Announcement Q&A for the Three-Month Period Ended June 30, 2021

UNITED ARROWS LTD. (the “Company”) 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.

#### ● Performance

**Q. Business units’ gross margin has declined compared with two years ago. What is the background to this?**

A. Detailed analysis is not possible at this stage, but we believe that the decline in gross margin reflects the impacts of small sales campaigns that we held from April to May because of slow consumption of spring products due to the declaration of a state of emergency issued for the period between January and March this year. Since June, gross margin has been improving as a result of our controlling discount sales, but it still remains weak as of the first quarter.

**Q. SGA expenses were smaller than planned. Was it driven by a shortfall in the sales target or cost control?**

A. We believe that both factors are drivers, though it is not known to what extent each factor affected SGA expenses.

**Q. I would like to know the year-on-year sales and composition ratio by online site in the first quarter.**

A.

	Net sales year-on-year	Composition ratio	Change year-on-year
UA LTD. ONLINE STORE	78.8%	35.1%	1.9pt
ZOZOTOWN	69.7%	42.5%	-2.8pt
Rakuten Fashion	92.6%	13.8%	2.7pt

Q. What item will show the reversal of valuation loss that will occur in 2Q?

A. Since the reduction of spring/summer 2020 products in stock through outlet sales is progressing faster than expected, the special valuation loss recognized in the previous fiscal year will be reversed, and cost of sales for the second quarter is expected to be lowered by around 1.0 billion yen.

Q. I would like to know the impact of the change in revenue recognition standards on the full-year forecast.

A. We expect an impact of around 2.6 billion yen in sales, 1.0 billion yen in cost of sales, and 1.5 billion yen in SGA expenses.

●Other

Q. What are the contents of the inventory that will be built up in the fall and winter? How will you respond if needs do not return?

A. Although unstable factors remain due to the COVID-19 pandemic, we believe that a certain level of needs can be restored in the fall and winter. The inventory build-up will center on winter products that will be introduced in and after October. We are preparing standard products among others, so that we will be able to carry them over to the next fiscal year even if the needs do not return as expected. However, we will take measures to reduce inventory as much as possible during this fiscal year.

Q. I want to know the status of determining unprofitable stores and business.

A. As the declaration of a state of emergency has continued for a long period, we conducted a further review. We found that the number of stores as of the end of FY2022 will decrease from the end of FY2020 by about 12%, which is a little more than previously expected. We will continue to scrutinize it in the future.

Q. You are also working on new actions. Is revenue management for these actions different from before?

A. All of the new actions that have been announced are small in scale. Instead of starting with a retail store as before, we are now taking a method of starting on a small scale and accelerating at the stage when we can foresee future growth.



Q. With respect to enhancement of corporate brand value, is there anything that needs to be reviewed in the past actions?

A. We recognize that the most important thing for increasing corporate brand value is to make UA, our core business, shine brighter. In the past, we focused on business occasion, but we are reviewing our product collection and store opening methods to create new value. A brighter UA brand will enhance the image of our other brands. We will actively publicize various new actions which we are currently working on to raise the expectations of our customers.

Regarding DX, CRM, SCM, and OMO are all on track. For CRM, we will introduce a system for analyzing the trends of House Card members' behavior at stores and will seek to acquire detailed information on customers. For SCM, we will completely reform the current product management system so that we can improve the accuracy from planning to product procurement and ensure that necessary items are available when needed. For OMO, we are preparing the new e-commerce site scheduled for release next spring.