



UNITED ARROWS LTD. Monthly Sales Reports Q&A for the Year Ending March 31, 2014

Followings are details of principal questions received and answers for the monthly sales record announcements UNITED ARROWS LTD. makes every month. Certain details have been expanded or modified to provide readers with a deeper understanding of the UNITED ARROWS Group's performance and activities.

•March 2014

Q. Please let us know sales trends in March.

A. In March, existing store sales of retail and online remained the same as the previous year during the first and 4th week. The existing store sales increased by 23% to a year earlier during the second week and decreased by 10% during the third week. This increase and decrease was due to a different schedule of a sales campaign held at Lumine, a major shopping center in which UNITED ARROWS LTD. opens many stores. While the shopping complex held the campaign from 16th to 20th last year, the event was held a week earlier from 6th to 10th this year. This shift boosted the existing store sales during the second week and reduced the existing store sales during the third week. During the fourth week, sales of the first three days were weak to a year earlier because the Lumine campaign was held in the first three days of the fourth week last year. Thanks to a favorable climate, however, the sales boosted in the three days weekend to offset the decrease of sales in the first three days of the week. During the fifth week the sales jumped up. Favorable weather conditions increased customers' buying motives. Last-minute purchases ahead of the tax hike from this April were also seen in the week.

Q. Do you see the demand rush before the consumption tax increase?

A. We can find the rush in high priced items such as men's business wear, Drawer products and CHROME HEARTS products. Sales growth of other items was made by favorable weather conditions rather than the last-minute purchases.

Q. Do you expect any pullbacks in consumer spending?

A. We expect the pullbacks in April. We think, however, the negative effect will fade in a short time. Promoting summer items from May will stimulate consumer confidence.

Q. Why existing store sales of green label relaxing (GLR) were weak?

A. Although the business made several hit items last year, it could not succeed making hits at the same level. This led to the decline of the GLR online sales in March.

•February 2014

Q. Please let us know sales trends in February.

A. Although two heavy snows affected sales temporarily, existing store sales of retail and online increased throughout the month.

Q. Was there any negative impact from the snowfalls?

A. Although closure and regulations of highways due to the snows led to sales contraction in highway and outlet stores, the impact was small to total sales. Favorable sales of spring items had more than offset the decline.

Q. Please provide me reasons for good results of February.

A. Favorable sales of trendy spring items and high-priced wear such as suits, jackets and outers boosted the month sales. Growing number of foreign customers thanks to Chinese New Year also led to a growth in CHROME HEARTS and other businesses.

Q. Why were online sales strong?

A. In addition to a positive start of spring items, shipments of pre-ordered products bolstered the sales.



Q. Do you see any signs of demand rush before consumption tax increase?

A. We can find the rush only in CHROME HEARTS business for now.

●**January 2014**

Q. Please let us know sales trends by week in January.

A. In January, existing store sales of retail and online increased to a year ago during the second to fourth week. Lumine, a major shopping center in which UNITED ARROWS LTD. opens many stores, rescheduled its clearance sales. While the shopping complex started the clearance from 16th last year, it kicked off the sales a week earlier from 9th this year. This shift boosted the existing store sales during the second week. With a gradual increase of items for sale, the sales during the third and fourth week also rose to the same period of last year.

In this week-on-week comparison, we make small adjustments to start each week from the same day of the week. Because of this modification, the 1st week includes 1st (Wed.) to 5th (Sun) this year and 2nd (Wed.) to 6th (Sun) last year. In the Japanese market, many stores close temporary on New Year's Day and start sales from 2nd. This resulted in weak result of the existing store sales to a year earlier during the 1st week. The existing store sales decreased during the fifth week due to a growing stock shortage of clearance items.

Q. Please provide me reasons for strong results of green label relaxing and CHROME HEARTS sales.

A. Green label relaxing business prepared sufficient stocks for clearance sales. It led to continuous sales results through the month. Favorable sales of CHROME HEARTS were due to growing demand from foreign customers and good results of luxury items.

Q. Why existing store sales of small business units (SBU) were weak?

A. While same store sales of Jewel Changes grow to a year earlier, other business' sales was weak. This resulted in the existing store sales decline in SBU total.

●**December 2013**

Q. Please let us know sales trends by week in December.

A. Existing store sales of retail and online increased to a year ago throughout December. Thanks to cold weather and bonus payment, the sales rose 8% during the third week. Christmas gift shopping accelerated fourth week sales leading to 4% growth of retail and online existing store sales to a year earlier and the existing store sales soared 13% during the fifth week due to a launch of clearance sales event only for UNITED ARROWS LTD. House Card members.

Q. Why existing store sales of small business units (SBU) were weak?

A. While Jewel Changes and Odette é Odile showed favorable results, sales of Drawer and Another Edition were weak in December. This resulted in the existing store sales decline in SBU total.

Q. Why CHROME HEARTS sales were strong?

A. In addition to a growing demand from foreign customers and stable needs for expensive items, favorable sales of new products and a high demand for gift items like silver accessories bolstered the business' sales.

Q. How do you evaluate a decline of purchasing customers?

A. We think a cautious purchasing behavior led to the decline of purchasing customer in existing retail stores. We also assume large number of customers made a beneficial choice between retail and online stores due to our promotion of O2O strategy.

●**November 2013**

Q. Please give us a summary of November results.

A. In November sales of outerwear were weaker than last year due to warm weather. Sales of light and middle apparel, however, were robust, resulting in the sales growth to a year ago. We expect demand for outerwear will grow in December.



Q. Please let us know sales trends by week in November.

A. While existing store sales of retail and online decreased to a year ago during the first week, the sales increased by around 10% to a year ago in the both second and third week. One more holiday in the second week to a year ago and decline of temperature in the third week had a positive impact on the sales. Although the sales declined by 10% in the fourth week due to one less holiday to a year ago, the sales rebounded to last year level in the fifth week.

Q. Why online same store sales of green label relaxing (GLR) were weak and those of small business units (SBU) were strong?

A. GLR's online same store enjoyed large growth in November last year because it produced a variety of hit items. Although the business also had several hit items in November this year, the existing online store sales were below last year's level. SBUs' online stores were generally good in November this year. In particular, Another Edition enjoyed large growth due to discount sales initiatives in some online stores and by accepting orders for a certain hit product only online.

Q. Why CHROME HEARTS sales were strong?

A. In addition to a growing demand from foreign customers and stable needs for expensive items, favorable new products sales bolstered its sales..

Q. How do you evaluate a decline of purchasing customers and growth of purchasing price per a customer in existing retail stores?

A. We think a cautious purchasing behavior led to the decline of purchasing customer in existing retail stores. We also assume large number of customers made a beneficial choice between retail and online stores due to our promotion of O2O strategy. In terms of purchasing price per a customer, robust results of expensive CH products and revise of product prices due to weak yen contributed to the growth.

Q. Please let us know major promotional measures in November.

A. As a large scale promotion, GLR business made a cross media promotion from late October to early November. In other businesses, publications of tabloid-type mini catalogues and executions of in-store events contributed to the November result.

●October 2013

Q. Please let us know sales trends by week in October.

A. Existing store sales of retail and online decreased to a year ago during the first two weeks and increased from the third week. Existing retail stores sales trends by week were similar. Existing online store sales, however, increased to a year ago throughout of the month.

Q. Please provide us with reasons why number of retail customers declined?

A. As our online stores hold stable results, we assume large number of customers made a purchase online due to broken weather.

Q. Why SBU's results were weak?

A. The decline of SBU sales was mainly due to weak trends in Odette é Odile (OEO) and Drawer (DRW) stores. Sluggish demand for long boots affected the OEO sales and unstable weather conditions slowed customer traffic to standalone stores of DRW.

Q. Please let us know your progress of price revision?

A. We have reviewed prices of almost half of our private label products to increase prices by five to ten percent. In reviewing prices, we put our priority on upgrading materials and designs. We are sure that we can secure the acceptance of our customers.



●September 2013

Q. Please let us know sales trends by week in September.

A. In the first week of the month, existing store sales of retail and online were almost same to a year ago. From the second to fourth week, year-on-year existing store sales growth of retail and online was 2 to 4%. In the fifth week, the existing store sales showed 8% growth to the same period of the last year. Favorable online store sales had more than offset the minus impact of the typhoon Man-yi on retail store sales. One more holiday in the fifth week to a year ago worked positive to lead to the growth of the week.

Q. Please let us know reasons for the growth of per-customer sales of per existing retail stores.

A. Stable results of CHROME HEARTS business which has high per-customer sales and favorable sales of high-price products like down coats in many businesses bolstered the per-customer sales.

Q. Why a number of purchasing customers in existing retail stores was smaller to the same period of the last year?

A. Continuation of customers' cautious spending attitude to decide what to buy more carefully affects the number of purchasing customers. Growing number of customers tend to use retail and online stores according to their need. This phenomenon is also a reason for the decline of the purchasing customers at retail stores.

Q. Please let us know a detail of the note that, "due to a change of same store count in an online store category in August, we have revised same store sales results in both online and retail and online of the month."

A. In August, we withdrew UNITED ARROWS General Merchandise Store, which offers both UNITED ARROWS (UA) and BEAUTY&YOUTH UNITED ARROWS (BY) products, from ZOZOTOWN to newly open both UA and BY stores in the mall. Therefore the two stores have been excluded from the existing store category since August 2013.

Q. How was customers' reaction to products with increased prices?

A. Share of increased priced products sales to total sales was small in September because many of the sales were consisted of light and middle apparels with no price increase. We have a policy to develop new products with improvements of materials or designs. Price increase is only made when we are sure that our customers can enjoy the quality development. At the present, our customers accept our regular prices.

●August 2013

Q. Please let us know sales trends by week in August.

A. In the first week of the month, existing store sales of retail and online declined by around 2% to the same period of the last year. In the second and third week, hot summer heat bolstered sales of summer items, leading to a year-on-year existing store sales growth of 3 to 6%. From the fourth week, however, the existing store sales declined by 3 to 4% to the same period of the last year. This was due to a rush of demand for CHROME HEARTS (CH) products in the latter half of August last year which occurred before the brand increased prices of its major items at the end of the month. This affected a year-on-year growth rate of existing retail store sales in both UNITED ARROWS (UA) and CH businesses.

Q. How do you evaluate this August results?

A. Although the aforementioned rush of CH sales in August last year weakened a year-on-year growth of existing store sales, this August results were favorable exceeding our forecasts.

Q. Please let us know reasons of a decline of existing retail store sales of CH business.

A. The decline of existing store sales of CH business was caused by the aforementioned sales rush in the last year. This backlash has already been included in our forecasts and sales of CH business were robust exceeding our forecasts in this August.



Q. Why a number of purchasing customers in existing retail stores was smaller to the same period of the last year?

A. In addition to an impact of the aforementioned sales rush of CH products in the last year, unstable weather conditions including unexpectedly strong rain in several areas affected customer traffic.

Q. Why existing online store sales in green label relaxing (GLR) business was weak to be 97.8% to a year earlier?

A. Last year, GLR business assembled spring and summer products to its online stores in the latter half of the month to have final clearance sales events on its online stores. It realized fresh appeal of fall and winter line-up at its retail stores. Since there were not many inventories of spring and summer products this year, sales of last clearance sales events were smaller than last year at online stores of GLR business.

Q. Was there any impact from historic high temperature in this August?

A. The record-breaking high temperature this summer accelerated summer products sales. On the other hand, unstable weather conditions including unexpectedly strong rain in several areas affected customer traffic.

Q. How was a start of fall and winter products sales?

A. Sales of fall and winter items showed a desirable start. Trend items including women's skirts were popular and down coats started to move at UA stores. Furthermore, reactions for advanced order events of fall and winter items were large at our online stores.

●July 2013

Q. Please let me know the weekly sales trends in July.

A. In the 1st week of July, existing store sales of retail and online were about 10% higher compared with a year earlier because many stores were just after the start of hot summer clearance sales periods. From the 2nd week, however, the existing store sales of retail and online did not reach to the last year level due to insufficient inventories of summer items. The early start of the sales events from late June our own online store and ZOZOTOWN affected the existing online sales in July this year because the sales events started from middle July last year in both sites.

Q. Did July results follow the initial plans?

A. Because of the change of clearance sales period, July results were a little lower than the initial plans. Because early start of the sales events accelerated June sales this year, total sales from June to July went over the initial plan.

Q. Why were the existing online store sales low in the green label relaxing (GLR) business and high in the SBUs business?

A. The low existing online store sales of GLR was due to insufficient inventories of hot summer items. Although men's polo shirts at regular prices had won a big market in July last year, lack of such hit items worked negatively to the GLR results this year. Many businesses in SBUs showed favorable results at existing online stores. Especially DRAWER's online store result was strong to make over three times higher sales than the result of the same period of the last year.

Q. Why per customer sales at existing retail stores were higher than those of last year?

A. The high per customer sales of existing retail stores at CHROME HEARTS business, which were 27.2% higher compared to the same period of the last year, bolstered the total results.



●June 2013

Q. Please let me know weekly sales trends in June.

A. Weekly sales trends were healthy because a temperature rise and summer clearance sales resulted in favorable sales of summer items. Especially in the fifth week (from June 24 to 29), the existing store sales of retail and online showed large growth by 12% to a year earlier. This is largely attributable to an earlier start of summer clearance sales in this year; from June 27 or 28 in this year, and from July 11 or 12 in the last year.

Q. Please let me know reasons of the stable growth of June.

A. As mentioned above, the favorable sales of summer items and the earlier start of summer clearance sales resulted in this prominent growth in June.

Q. Why did the existing online store sales grow that highly?

A. As mentioned above, the earlier start of summer clearance sales led to the favorable growth of existing online store sales. This year the clearance sales started from June 27 or 28, about two weeks earlier than the last year, in UNITED ARROWS LTD. ONLINE STORE and ZOZOTOWN, both of which two have large shares to the company's whole online sales.

Q. What is your expectation for July sales?

A. Because of the earlier start of summer sales, it seems to be difficult for the existing store sales of retail and online to reach the last year level in July.

●May 2013

Q. Please let me know the weekly sales trend in May.

A. Same store sales of retail and online declined from a year ago during the first two weeks. In the 1st week, one less holiday compared to a year ago affected the sales. In the 2nd week, sales campaign in some fashion buildings, which had executed in the 2nd week of May 2012, were postponed to the 3rd week in May 2013. This led to the same store sales decline in the week. From the 3rd week, the existing store sales showed year-to-year growth by between 4 to 24 percentage points. This is attributable to the delayed sales campaign held in some fashion buildings and robust sales of summer items and Cool-Biz items followed by hot weather in late of the month.

Q. Please let me know the reason of the growth of average spend per customer.

A. In addition to favorable sales of CHROME HEATS (CH) business, higher-priced products such as knitwear were popular due to cool weather in early of the month.

Q. Why did the number of purchasing customers decline?

A. There are three main reasons for this decline.

- Several new commercial buildings or facilities such as ShinQs, Hikarie (Shibuya-ku, Tokyo), DiverCity Tokyo Plaza (Koto-ku, Tokyo), and NEOPASA Shimizu (a highway service area in Shizuoka-City) opened in late April 2012 and continued attracting many visitors from the surrounding areas over a few months. The customers rush in those facilities was so huge in May 2012 that the number of purchasing customers of May 2013 did not reach the last year's level.
- Grand Front Osaka, a newly opened large commercial facility in Umeda, Osaka, lured many people in Osaka and its suburbs. It gave a negative impact on the neighboring existing stores.
- There was a demand rush before the price increase of CH products in April 2013. This resulted in the decline of purchasing customers of existing stores in the CH business.

We think the influence above will be only temporary.



Q. Why was the year-on-year sales growth of existing online stores lower than that of existing retail stores?

A. In some online shopping sites which have a large number of stores, customers tend to be price-oriented because the product line-up is very wide from low to middle and high price. This is a difficulty for our stores with highly priced line-up. In addition, lack of inventory in our online stores led to some losses of sales opportunities. We are preparing measures for this problem.

Q. Why was the growth of SBUs online sales so high?

A. We have two reasons for this phenomenon. Robust online sales of Another Edition (AE) and Drawer (DRW) in the SBUs business are the first reason. This favorable result led to the high online sales growth of the total SBUs business. The next reason is based on an organization change in April 2013. Following the structural change we have excluded Boisson Chocolat sales from Odette é Odile (OEO) online sales and omitted the OEO online stores from the same store category from this fiscal year. Because the OEO online sales growth was not as high as that of AE and DRW, this exclusion worked positively to the same online store sales of the total SBUs business. *Please refer to April Q&A about this organizational change.

●April 2013

Q. Please let me know the weekly sales trend in April.

A. Same store sales of retail and online changed weekly from 1% decline to 10% rise to the same period a year earlier during the first three weeks. From the 4th week, the sales started to show about 1% decline to the same period to a year ago. We estimate that the price increase of the CHROME HEARTS (CH) products from April 22 made a demand rush in the first three weeks and weakened the sales after the day. Cold temperature in the latter half of the month also slowed customers demand for summer products.

Q. Please let me know the reason of the rise in average spend per customer.

A. In addition to the favorable result of CH sales, temperature swings pushed sales of relatively higher price products such as linen shirts and knitwear. Pants, which were relatively higher priced, were also favorable because they were less affected by the temperature change.

Q. Why were the CH sales favorable?

A. Thanks to the increase of its brand power and name recognition, the CH has been doing well these years. Especially in this April, higher demand before its price change and a rise of foreign tourists' needs due to the weak yen boosted the sales.

Q. Is there any change for the CH sales trend after the price increase?

A. Although we had expected negative impact from the price increase, the sales has been well according to our forecast. From our past experience, we can say that this negative impact will break down in a few months

Q. Why did the online sales decrease to a year earlier?

A. At the beginning of this fiscal year we have established the Boisson Chocolat (BC) Department under Small Business Unit Division II to start a new business featuring the BC products, the original shoes brand sold in the Odette é Odile (OEO) online stores. Due to this organizational change, the BC sales at the OEO online stores were excluded from the OEO results and counted in BC department sales from this fiscal year. This is one of the reasons for the weak same store online sales in April. If the BC sales were counted in the OEO results, the same store online sales would have been almost same to a year earlier. We will revise our same store sales counting policy to disclose more correct monthly results.

Q. Why was the growth of green label relaxing (GLR) same store online sales such high as 8.8%?

A. There was a temporary discount sales event in the GLR ZOZOTOWN store using the LINE, a growing SNS service. The sales result was large enough to push the GLR online sales, having almost 8% share to the GLR same store online sales in April.