



UNITED ARROWS LTD. Monthly Sales Reports Q&A for the Year Ending March 31, 2015

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 2015

Q. Please let us know sales trends in March.

A. Existing store sales of retail and online in March showed a year on year decline during every week except the third week. This was mainly due to the demand rush before the consumption tax hike last year, and different schedules of promotion campaigns at large shopping centers and our sales promotion for our house card members. Having both our members' campaign and promotional activities at shopping centers in the same week led to a year on year sales growth during the third week.

Q. How was the March result compared to the revised sales forecast announced in February?

A. Sales were in line with the forecast due to favorable results in online and outlet sales.

Q. Why did online sales show positive results?

A. Shipments of pre-ordered items like sneakers or sales campaigns at major online malls drove the sales. Having large stocks of clearance items in online stores was also attributable to the positive results.

Q. Why were CHROME HEARTS sales robust despite the high hurdle set in the last minutes purchase ahead of the tax hike in the last year?

A. We assume continuous strong demand of foreign customers contributed the growth of sales and the number of purchasing customers in the CHROME HEARTS business.

Q. How was the start of this spring season?

A. Customers' demand was strong in trench coats or several trend items such as short blousons, knitwear and wide pants. Sneakers were also sold well by introducing several notable products.

●February 2015

Q. Please let us know sales trends in February.

A. February existing store sales of retail and online showed a year on year growth during every week except the third week. Temperature rise stimulated sales of spring items and growth of foreign travelers due to Chinese New Year boosted duty free sales. Sales were also bolstered by strong results of popular items such as sneakers.

Q. Why did online sales show positive results?

A. Shipments of pre-ordered items like sneakers drove online sales. The sales also grew by having large stocks of fall and winter clearance items in online stores.

Q. Which businesses or items enjoyed the travelers' sales?

A. Strong demand was seen mainly in UNITED AROWS and CHROME HEARTS businesses. Premium products including CHROME HEARTS items or RIMOWA travel luggage were popular among foreign travelers.

Q. Please let us know reasons for a continuous decline of customer numbers.

A. In addition to continued cautious attitude of customers to purchase only items they really want, we assume growth of online shoppers affects customer traffic at retail stores.

Q. Why did the number of comparable retail store declined by 31 stores to a month before?

A. Lumine, a major shopping center in which we open many stores, closed its all facilities except Lumine Shinjuku Lumine 1 for one day in this February. Due to this closure, 31 stores were not counted as existing stores.



●January 2015

Q. Please let us know sales trends in January.

A. Though sales of existing store of retail and online showed a year on year growth during the first two weeks, year on year results from the third week declined by around 10%. We made an inventory control of winter clothes to avoid a large stock increase. However, stock shortage of popular winter items like outerwear caused opportunity losses.

Q. Why did online sales show positive results?

A. In comparison with negative trend of existing retail store sales to show a year on year decline in many days, existing online store sales were positive showing a year on year growth throughout the month. We assume customers' buying behavior has been changing to access online stores rather than crowded physical stores for clearance items' shopping. Shipments of pre-ordered items like sneakers also drove online sales.

Q. Why was a growth of per-customer spending in CHROME HEARTS business moderate despite a price revision made in April 2014?

A. A demand rush before a consumption tax hike and the price revision in April 2014 was already seen a year ago especially for luxury items like gold products. Due to a backrush of the hurried purchases sales of such high-priced products were weak in January this year. Favorable sales of cut and sewn also lowered per-customer spending. However, sales and numbers of purchasing customers were positive due to several reasons including an increase in foreign traveler sales.

Q. Why were SBU sales weak?

A. Stock shortage was found especially in Another Edition and Jewel Changes to result in opportunity losses. In contrast to UNITED ARROWS and green label relaxing businesses, shipments of pre-ordered items were small in SBU's online stores. This is also a reason of the negative online results.

●December 2014

Q. Please let us know sales trends in December.

A. Sales of existing store of retail and online showed a year-to-year decline during the first to third weeks. From the fourth week when a pre-sale for our house card members started, the trend reversed to overwhelm sales to a year ago.

Q. Please provide us reasons for the contracted sales both in total and same store level.

A. A temperature drop bolstered sales of outer wear, knit wear and other items for cold weather. However, sales of light and middle apparel including shirts, cut and sewn, pants or skirts were weak and moves of gift items were slow. We assume this trend led to the weak year-to-year sales.

Q. Why did online sales show positive results?

A. Taking measures to keep sufficient inventories for online stores resulted in the favorable sales.

Q. Please let us know reasons for the positive result in retail sales of green label relaxing (GLR) business against the negative trend on the whole.

A. During the exclusive sales event for our house card holders, GLR business sold items at a 40% discount compared to a 30% a year ago. This initiative pushed the business sales.

Q. Why was a growth of per-customer spending in CHROME HEARTS business moderate despite a price revision made in April 2014?

A. A demand rush before a consumption tax hike and the price revision in April 2014 was already seen in December 2013 especially for luxury items like gold products. Due to a backrush of the hurried purchases sales of such high-priced products were weak in December this year. This led to the moderate growth of a per-customer purchasing.



Q. Why were SBU sales weak?

A. Sales results during the pre-sale event for our house card members were relatively poor in Another Edition and Jewel Changes. In Drawer, a backrush of a sales campaign for the card member in the previous month was found in December.

● **November 2014**

Q. Please let us know sales trends in November.

A. Sales of existing store of retail and online declined by around 5 percent during both the 1st and 2nd week. The same store sales during the 3rd and 4th week also contracted by about 5 percent and 2 percent, respectively. During the 5th week the trend was reversed showing about 3 percent increase year to year. Lumine, a major shopping center in which UNITED ARROWS LTD. opens many stores, held the sales campaign for 5 days (from 6th, Thur. to 10th, Mon.) this year, compared to 4 days (from 7th, Fri. to 10th, Sun.) last year. Because of this difference, sales were dispersed between the 2nd and 3rd week. In addition, a recent consuming trend to purchase products for immediate use delayed a peak of winter items' sales including outerwear, knitwear, scarfs and gloves by 2 to 3 weeks to a year ago. The sales decline during the first 3 weeks was caused these factors. On the contrary, the trend showed improvement from the 4th week thanks to a sales campaign for our house card members, which was not held at November last year, and one more holiday during the 5th week. A gradual grow of demand for the winter items also pushed the sales during the last of the month.

Q. Please provide us reasons for the contracted sales both in total and same store level.

A. A recent consuming trend to purchase products for immediate use delayed a peak of winter items' sales including outerwear, knitwear, scarfs and gloves by 2 to 3 weeks to a year ago. We saw deteriorations of a balance between price and value in some products. The failure also affected our sales of the month.

Q. Why were online sales negative?

A. Reasons for the negative trend were alike on both retail and online as a whole. Concerning typical reasons for the weak online sales, lack of hit products caused a shortfall of YoY sales in some businesses. Limited-time discount sales initiatives executed last year in some online sites were also obstacles for a year-to-year comparison.

Q. Please provide me reasons for the continuous decline in the number of purchasing customers.

A. We assume customers' cautious consumption attitude and a recent trend to purchase products for immediate use led to a slow demand for winter items.

Q. Is there any difference in sales trends by business?

A. CHROME HEARTS and DRAWER, both dealing with mainly high priced products, showed strong results. On the other hand, sales of women's dressy wear in UNITED ARROWS, online sales in green label relaxing, and results of some businesses in SBU were negative.

● **October 2014**

Q. Please let us know sales trends in October.

A. Sales of existing store of retail and online exceeded the last year results by 10 percent during the 2nd week due to a sales campaign for our house card members. The same store sales, however, showed a year to year decrease by 9 to 10 percent during the other weeks. Drastic changes in temperature and two typhoons affected customer traffic to result in the decline.

Q. Please provide us reasons for a contraction of purchasing customers.

A. We believe drastic changes in temperature and two typhoons brought about the delay or carryover of demand for winter items.

Q. Please provide us reasons for the negative result of online sales.

A. The trend was alike on both retail and online. The negative weather condition led to the delay or carryover of demand for winter items.



Q. Please let us know the reasons for the strong sales of CHROHEM HEATS business.

A. Because of consecutive holidays following to the National Day of the People's Republic of China and the revision of tax-free program, sales to foreign travelers surged in the CHROME HEATS business.

●September 2014

Q. Please let us know sales trends in September.

A. In September, sales of existing store of retail and online exceeded the last year results during every week except for the final week. The 3rd week was the most notable during which the same store sales grew by 7 percent or more to a year ago. We assume the increase was mainly owing 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 event for 4 days from 13th (Fri.) to 16th (Mon.) last year, it was held for 5 days from 12th (Fri.) to 16th (Tue.) this year. The effect of one more day of the campaign pushed the third week result. A temperature rise at the end of the month slowed consumer demand for autumn clothes temporary, resulting in the weak sales during the final week.

Q. Please provide us reasons for the good result of online sales.

A. Shipments of sneakers, down coats and other items which had received advance orders contributed to the favorable sales. Especially UNITED ARROWS LTD. ONLINE STORE, our own online store, showed a prominent growth of 49 percentage point to a year ago. This was thanks to its sale campaign timed its site redesign

Q. Please let us know the reasons of the green label relaxing's (GLR) strong sales.

A. The GLR's growth was underpinned by the stable move of business wearing for both men and women.

Q. Why SBU sales were weak?

A. Weak results of Another Edition and Jewel Changes pushed down the total SBU existing store sales. Although winter apparels such as coats moved well, sales of autumn items such as shirts, knitwear or jackets were slow.

●August 2014

Q. Please let us know sales trends in August.

A. While the existing store sales of retail and online declined to a year ago during the 2nd week due to a large scale typhoon, the trend were generally robust during the other weeks. In addition to favorable sales of summer items, continuous popularity of sneakers and early purchases of down coats generated the positive results. Fall items showed a good start in the late of the month to boost the existing store sales.

Q. Please provide us reasons for the high results of online sales.

A. Shipments of sneakers, down coats and other items which had received advance orders contributed to the satisfactory sales.

Q. Why SBU sales were weak?

A. Weak results of Another Edition and Jewel Changes pushed down the total SBU existing store sales.

Q. How was a start of fall items sales?

A. Demand for items such as shirts and knitwear grew in accordance to a temperature drop in the late of the month. We also saw a customer trend to purchase items for use in the future if they consider the products had a sufficient value. The phenomenon was found in robust sales of down coats.



●July 2014

Q. Please let us know sales trends in July.

A. Though existing store sales of retail and online declined to the same period of the last year during the 1st and 2nd week of July, the trend revived from the third week. The prolonged rainy season and the delayed start of the summer clearance sales event at a major shopping mall, Lumine, affected the first two weeks results; the announcement of the end of the rainy season was made around 20th to 22nd, about two weeks earlier to 6th to 8th in the last year, and the shopping complex entered to the sales event from 17th this year, 5 days later from 12th last year. The temperature rise following the end of the rainy days boosted customers' demand to lead the increase of the same store sales in the latter half of the month.

Q. Why did CHROME HEARTS sales decline to a year earlier?

A. The contracted sales were mainly due to a backrush of the last-minute purchase before the price rise made on June 4th. Some luxury items including gold products moved slowly and the lack of cut and sewn inventories resulted in the YOY sales decrease.

Q. Why were SBU sales weak?

A. The sluggish start of the summer clearance sales brought the contracted existing store sales in the several businesses of SBU. Drawer's existing store sales, however, were robust thanks to the early introduction of fall and winter items like outer wears.

Q. The stagnated sales trend continues for two consecutive months. Do you see any negative reaction from the consumption tax hike?

A. We assume the unfavorable climate conditions and the strategy for the sales event led to the two months' results. Customers' purchasing behavior has been changing to want items which they can wear now. Due to this change, the delayed temperature rise affected the summer items sales. In addition, the prolonged sales event and the sales strategy to make a phased change of discount rate worked negatively to the customers' buying motivations.

●June 2014

Q. Please let us know sales trends in June.

A. In June, existing store sales of retail and online showed YoY growth during the 1st and 2nd week. Revising prices of CHROME HEARTS products from June 4th boosted the demands in the first three days. This led to the first two weeks' growth. On the contrary, the existing store sales declined year to year through the third to fifth week. Low temperature throughout the month and unstable weather conditions including local downpours affected the sales and customer traffic.

Q. Please inform your measures for the summer clearance sale.

A. According to the schedule at major shopping centers, we started the sales event from late June. By controlling a discount rate and excluding some portions of summer items from discount item lists, some businesses improved gross margin. Major part of standalone stores in UNITED ARROWS business plan to start the summer clearance sale from July 17th which is about two weeks later to a year ago.

Q. Did you see any changes in consumer confidence in June?

A. We assume that the unfavorable weather conditions are a major factor in the June results. The consumer confidence will increase with temperature rise in July.

Q. Why were CHROME HEARTS sales still growing despite the price revision?

A. Demand rush before the price increase was larger than our forecast especially in gold items. In addition to purchase by foreign travelers, steady move of silver accessories and new products of wallets contributed to the favorable results.

Q. Please provide us reasons for the contracted sales in SBUs.

A. The results were different among brands in SBUs. All added up, the total SBUs sales growth were low.



●**May 2014**

Q. Please let us know sales trends in May.

A. In May, existing store sales of retail and online showed YoY growth except during the first and third week. The first week decline was due to one less holiday to a year ago. The existing store sales from the first through second week exceeded around 5 percent to the same period of the last year. The third week drop was partly owing 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 for four days from 16th (Thur.) to 19th (Sun.) last year, the event was held for five days from 16th (Thur.) to 19th (Mon.) this year. Because of this change, some portions of the campaign sales were shifted to 19th (Mon.) of the fourth week.

Q. Do you think the negative impact from the consumption tax hike is no longer exists?

A. Though we still see little negative impact in luxury items, sales were robust especially in casual wear. We can say the backlash from the last-minute purchase has been minimized in a short period.

Q. Why were the existing store sales of Chrome Hearts (CH) strong?

A. Because of a price revision in last April, the sales growth in May last year was relatively low. In addition, an announcement of a price revision effective from this early June was made in late May. This boosted demands late in the month. These conditions led to the high growth of the CH exiting store sales.

Q. Please provide us reasons for the contracted existing sales in SBUs.

A. Though some brands including Jewel Changes sold well, other brands' sales were sluggish. It resulted in the unfavorable sales.

●**April 2014**

Q. Please let us know sales trends in April.

A. In April, existing store sales of retail and online declined by 7 to 10 percent YoY during the first three weeks. The trend, however, reversed in the fourth week, resulting in the growth of existing store sales by 6 percent and 10 percent during the fourth and fifth week, respectively. The warm weather in the late at the month boosted sales of early summer items in a casual category.

Q. How was the backlash from a last-minute spending ahead of the tax hike compared to the company's plan?

A. The existing store sales of retail and online exceeded our forecast. While the backlash was found in the sales of expensive men's dressy items, and in Drawer and CHROME HEARTS businesses, casual clothing showed favorable results.

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

A. Despite slow move of men's dressy wear, other major items move strong to boost the same store sales.

Q. Please provide us reasons for the contracted sales in the existing online store.

A. Sales of expensive items including travel luggage or business bags were weak in online stores of UNITED ARROWS business. In GLR business, the last year result includes sales through a temporary sales event held at a major online site. That led to the decline of the existing online store sales.

Q. Why were SBUs sales slow?

A. The backlash from a last-minute purchase was found in Drawer stores, and a sneaker boom worked against OEO sales. Both were the main reasons of the contracted sales of existing online store sales in SBUs.