



## **UNITED ARROWS LTD. Monthly Sales Report Q&A for the Year Ending March 31, 2016**

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 2016**

Q. Please let us know sales trend in March.

A. Existing store sales of retail and online showed year-on-year growth during the first and fourth week. During the other weeks, the existing store sales contracted year-on-year. In the middle of the month when many fashion buildings hold their sales promotions, the cold weather lowered sales of spring items including outerwear. The existing store sales were negatively affected by this weather condition during the second and third week.

Q. Please provide us reasons for the strong trend at online sales.

A. Light and middle apparels for spring were popular at online stores. Shipments of popular sneakers and consolidation of mark down products to online stores also pushed the online sales.

Q. Why were green label relaxing sales positive?

A. Sales of business and formal wear showed favorable results, as well as light and middle apparels for spring.

Q. Why were CHROME HEARTS results negative?

A. Tax-free sales by foreign travelers were smaller than last year. Sluggish sales by domestic customers were also a reason for the weak results.

### **●February 2016**

Q. Please let us know sales trend in February.

A. Existing store sales of retail and online showed year-on-year growth during the first and second week. On the other hand, the YOY sales of existing store contracted during the third and fourth week. Due to the different schedule of Chinese New Year holidays; from 8th to 13th this year and from 18th to 24th last year, the peak of sales by foreign travelers differed from last year. Slightly low temperatures in the latter half of the month also negatively affected sales of spring coats.

Q. Please provide us reasons for the strong trend at online sales.

A. Consolidation of clearance sales items to online stores pushed the online sales. Shipments of pre-ordered products bolstered online results too.

Q. Why were green label relaxing (GLR) sales positive?

A. As this is the second year since GLR adopted an 8-season merchandising approach, the business succeeded in providing a proper product line up based on the new merchandising theory. In addition to favorable sales of business and formal wear, spring items such as knitwear, pants and skirts moved well.

Q. Why were CHROME HEARTS results negative?

A. Because of the hurdles set in the last year, the growth of tax-free sales was moderate in CH business. Domestic customers' sales were relatively slow to result in the negative results.

Q. How were tax-free sales?

A. Tax-free sales in February increased about 17% to a year ago, accounting for around 5.5% of the non-consolidated sales. While the huge tax-free results in a same period of the previous year and a change of tourism patterns in Japan made the growth modest, the ratio to total sales kept high.



●**January 2016**

Q. Please let us know sales trend in January.

A. Existing store sales of retail and online showed year-on-year growth during every week except the first week. Online sales boosted from the fourth week due to a consolidation of clearance sales items to online stores and limited-time offers at several online sites.

Q. Why were UNITED ARROWS results negative?

A. In the UNITED ARROWS business, clearance sales stock was restricted in the dress wear section. While regular price sales grew year-on-year, discount price sales which had a large share of January results were below the results of the same month a year ago.

Q. Please provide us reasons for the strong trends at online sales.

A. We consolidated our clearance sales items to online stores in the latter half of the month to avoid opportunity losses due to running out of stock in the color and size. Several promotions at online sites also lifted consumer demand for clearance items.

Q. Please let us know the background for a decrease of purchasing customers at retail stores.

A. Our management decision to control stocks for clearance sales resulted in the weak results of discount sales. A consolidation of clearance sales items to online stores also worked negatively to retail sales.

●**December 2015**

Q. Please let us know sales trend in December.

A. Existing store sales of retail and online showed a year-on-year growth during every week except the second week. We launched a discount promotion from the beginning of December 2014. As many clearance items were concentrated at online stores, online sales were relatively high in December 2014. Conversely, we restrained the discount policy in December 2015. This strategic change negatively affected the YOY online sales especially during the second week. Sales showed a sharp rise from the fourth week. Thanks to our clearance sales initiative exclusive to our house card members and discount promotions implemented at some of online malls from the fourth week, existing retail and online store sales grew during the fourth and fifth week around eight percent and 20 percent, respectively.

Q. Why was average spending per retail customer high despite your careful pricing policy?

A. By controlling discount promotions in December 2015, the share of regular price sales to total sales was higher than the same period of the previous year. This resulted in the high average spending. In terms of product, sales of winter goods like scarves and gloves were slow due to the warm climate. However, expensive winter apparel like outerwear was popular. This sales trend also led to the higher average spending.

Q. Please let us know reasons for the negative online store sales at green label relaxing (GLR).

A. In December 2014, GLR business made discount promotions by concentrating clearance items at online stores. Controlling the discount strategy in December 2015 affected its YOY online sales negatively. We assume a slow move of men's outerwear was also a reason for the negative YOY online sales.

Q. Should we assume the rising share of regular price sales to total sales will lead to a profitable growth?

A. Despite the rising share of regular price sales to total sales, cost of sales ratio is still high due to our careful pricing policy to attract customers.

●**November 2015**

Q. Please let us know sales trend in November.

A. Existing store sales of retail and online showed a year-on-year growth during every week except the second week. The decline of the second week was due to different schedule of promotion campaign at a large shopping center, Lumine. The campaign was held in the third week of November this year while it was held in the second week last year. Winter items including outerwear boosted sales during the fifth week of the month as temperature declined.



Q. What is the reason for growth rate of same store sales of retail and online was moderate compared with September and October, 2015?

A. Primary reason for weak sales growth in November compared with preceding 2 months was relatively warm weather during first half of the month. Therefore, outerwear and accessories including scarves and gloves were weak. As it was mentioned above, these items started to move well from the fifth week of the month. We assume that it would have been the same reason why number of purchasing customers was declined year-to-year.

Also, the effect of one less holiday compared to a year ago would have been -1.9% to the same store sales of retail and online.

Q. Please let us know popular items during November.

A. Business items were relatively popular among men's category. In UNIETD ARROWS business, suits, outerwear, jackets and ties showed solid sales compared to a year ago. For women, trendy items including pants and knitwear, and jackets, dresses were contributed to sales growth.

#### ●October 2015

Q. Please let us know sales trend in October.

A. Existing store sales of retail and online showed a year-on-year growth during every week in October. Especially the third week was strong since typhoons had left negative impact on customer traffic in October 2014.

Q. Why were October results strong across all businesses?

A. Thanks to strong fashion trends in women's category, sales of trendy items including knitwear, long cardigans, pants, and hats were robust. As for men's item, military style outerwear moved well. We assume that deliberate pricing which have a good balance between price and value also bolstered sales. As an external factor, fine weather condition throughout the month without typhoon brought higher customer traffic to stores.

Q. Why did the number of purchasing customers at existing stores continue to be declined in the UNITED ARROWS (UA) and the SBU business?

A. In the UA business, growing number of customers using online stores boosted online store sales. Although we don't have the exact numbers of purchasing customers at online stores, we assume that the numbers of purchasing customers at existing stores would have increased year on year combined retail and online. In the SBU, total purchasing customers at existing stores were declined while the results were varied among brands in SBU.

#### ●September 2015

Q. Please let us know sales trend in September.

A. Existing store sales of retail and online showed a year-on-year growth during every week except a final week. The decline of the fifth week was due to a concentrated demand during the five consecutive holidays from the third to fourth week.

Q. Why were September results strong across all businesses?

A. We assume relatively cold weather conditions and the five consecutive holidays were positive for autumn item sales. As an internal factor, a variety of trendy items especially for women and an introduction of products which have a good balance between price and value also bolstered sales.

Q. Why did the number of purchasing customers at existing stores exceed last year results?

A. In addition to a variety of trendy items including short jackets, large designed tops and wide pants, and an introduction of products which have a good balance between price and value, cold weather conditions and long holidays for five consecutive days stimulated customer traffic.



Q. Why were online sales strong in green label relaxing (GLR) business?

A. Similar to retail stores, sales of autumn items for women were also strong at online stores. In addition, shipment of pre-ordered exclusive models of New Balance sneakers pushed online results.

●**August 2015**

Q. Please let us know sales trend in August.

A. Existing store sales of retail and online showed a year-on-year growth during every week in August. Due to a sales campaign to provide 1,000 yen discount coupons to ZOZOTOWN members from August 14th to 18th, online store results were especially robust during third and fourth weeks, resulting in growth of about 28 and 55 percentage points, respectively.

Q. How were August results compared to your forecast?

A. August results exceeded our forecast. Sales of green label relaxing (GLR), CHROME HEARTS, Jewel Changes, and Boisson Chocolat were especially strong.

Q. Why did existing store sales of retail and online in UNITED ARROWS (UA) business decline compared to a year ago?

A. There were smaller volumes of clearance sale items compared to a year ago due to our management policy to control inventory level. This led to the slow results in UA business. Also, exclusive New Balance sneakers to celebrate our 25th anniversary which were popular in August 2014 weakened a year-on-year results of UA.

Q. Why were online sales strong?

A. Our sales campaign to provide 1,000 yen discount coupons from August 14th to 18th to members of ZOZOTOWN, which has the largest share in our online sales, bolstered online results.

Q. Please provide us with reasons for continuous growth in GLR business.

A. Summer items sold well at the beginning of the month. From the middle of the month, autumn apparels including pants, knitwear and jackets, which customers can use immediately, started to move.

Q. How were tax-free sales in August?

A. Because of an increasing number of foreign travelers to Japan, our tax-free sales in August recorded approximately 2.7 times higher results compared to a year ago, which have a little over 5.0 percent share to total sales.

●**July 2015**

Q. Please let us know sales trend in July.

A. Existing store sales of retail and online showed a year on year growth during every week except the third and fifth week. Third week's decline was mainly due to a hit of the typhoon Nangka. A deficiency of clearance items weakened year on year sales during the fifth week.

Q. Why was online sales growth moderate?

A. Though growing number of people accessed online stores to buy clearance items, we were unable to supply sufficient inventories.

Q. Please provide us with reasons for favorable results in GLR's existing store sales.

A. In addition to strong sales of Cool-Biz items, an introduction of new products like cut and sewn or pants for women bolstered sales.

●**June 2015**

Q. Please let us know sales trend in June.

A. Existing store sales of retail and online in June showed a year on year increase during every week. Stable move of Cool-Biz and summer items contributed to the favorable results.



Q. Please provide us with reasons of the high growth in online store sales.

A. While clearance sale started from early July at many of physical stores, almost all of online stores commenced clearance sale from late June. Because of this difference customers who purchase clearance items online gone up. Favorite sales of clothing in general were also a factor in the strong online results.

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

A. Continued cautious attitude of customers to purchase only items they really want was one of the reasons for the negative trend. We assume several other factors led to the slow customer traffic; there was one less holiday compared to a year ago and some physical stores put off a start of clearance sale to early July this year while they started from late June last year. The decrease of customers was also derived from growing number of customers who use online stores during a clearance sale period.

Q. Please give us detailed information of inbound sales in July.

A. Inbound sales in June were strong mainly in CHROME HEARTS business. Tax free sales grew by around 170% to a year ago, which accounted for about 3.7% to non-consolidated sales in July.

●**May 2015**

Q. Please let us know sales trend in May.

A. Existing store sales of retail and online in May showed a year on year growth during every week except the first and fourth week. Customer traffic dispersed over the first and second week this year, resulting in the contracted YOY sales during the first week. The second week rise was brought by one more holiday to a year ago. From Thursday in the third week to Monday next week, a sales promotion was made both last and this year at "Lumine", a large shopping center where we open many stores. We held a double point campaign for our house card members on the same period as the Lumine's promotion this year. Having the two initiatives simultaneously led to the strong same store sales during the third week. The fourth week decline was due to the different schedule of our double point campaign which was made from Thursday during the fourth week to next Monday last year. Accelerated sales of summer apparels and demand rush for CHROME HEARTS products before a price hike on June 3rd boosted YOY sales during the fifth week.

Q. Why were online sales growth moderate compared to April?

A. Sales opportunity loss was one of the reasons of the moderate growth of online sales. We assume insufficient inventory of popular products which got many additional supply requests from customers caused this modest increase. A change of an item ranking method at a certain online mall possibly affected our online results. Because of the alteration, appearance of our products on the home page of the online site reduced.

Q. How were May results compared with your forecast?

A. May results were essentially in line with our forecast in terms of both sales and profit.

Q. Please give us detailed information of inbound sales in May.

A. Inbound sales in May were 2.4 times higher to the same period last year. CHROME HEARTS sales had 60% share to the total inbound sales, and UNITED ARROWS and BEAUTY & YOUTH UNITED AROOWS had 18% and 8%, respectively.

●**April 2015**

Q. Please let us know reasons for favorable online sales?

A. In addition to shipments of pre-ordered products, sales of light apparels which had not been strong at online stores were good. Business wear was also popular at both physical and online stores.

Q. How were April results compared with your forecast?

A. April results were essentially in line with our forecast in terms of both sales and profit.



UNITED ARROWS LTD.

Q. Please provide us reasons for contracted numbers of purchasing customers.

A. We assume rainy and cold days decreased customers traffic. In addition, there are growing numbers of customers who better choose physical stores and online stores depending on their needs. This purchasing behavior also affected customer traffic to physical stores.



UNITED ARROWS LTD.

Q. Why was average spending per customer high?

A. Cold weather boosted high price products such as outer wear, and slowed low price light apparel like cut and sewn. Popular sales of expensive brands including CHROME HEARTS also contributed to the high average spending per customer.