



## **UNITED ARROWS LTD. Monthly Sales Report Q&A for the Year Ending March 31, 2017**

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 2017**

Q. Please let us know sales trend in March

A. Sales of existing retail and online stores increased around 33% year on year during the first week. Although the YOY sales decreased about 8% during the second and third week, the sales recovered in the fourth and fifth week to show 2 to 5% growth year on year. Because the sales campaign was made at one of the large shopping center "Lumine" from 2nd to 8th this year (from 10th to 14th last year), and the discount coupons were provided to ZOZOTOWN members from 24th to 26th this year (not provided last year), the weekly trend fluctuated this March. In this March total, the YOY sales showed favorable results.

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

A. In addition to the steady move of spring items, consolidation of clearance items for early spring to online stores and the discount coupon initiative at ZOZOTOWN pushed the online sales.

Q. How are spring items?

A. Although moves of outer wear and casual clothing were relatively slow due to the cold temperature, sales were favorable in formal items and business clothes which are less susceptible to the weather condition. Trendy items such as print patterned blouses for women were also popular.

Q. Why were the sales of CHROME HEARTS strong?

A. In addition to the strong domestic demand from new customers and VIP customers, sales of foreign travelers were robust.

Q. Please let us know the detail of tax free sales.

A. Tax free sales were strong to show about 24% growth year on year in UNITED ARROWS LTD. and CHROME HEARTS JP, GK total. The sales soared especially in CHROME HEARTS stores to improve about 32% year on year.

### **●February 2017**

Q. Please let us know sales trend in February

A. Sales of existing retail and online stores increased year on year throughout the month. While the growth rate was relatively mild during the second week which had one less holiday to a year ago and the fourth week when customers delayed purchase before the discount campaign at one of the major shopping centers starting from early March, sales were robust during other weeks.

Q. Please let us know why the sales were favorable in spite of one less operating day to a year ago.

A. Sufficient inventory for fall and winter clearance sales was one of the reasons for the growth of sales in February. Stable move of light apparels and formal items for women also bolstered the sales.

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

A. In addition to favorable sales of sneakers and light apparels for the spring season, consolidation of clearance items to online stores pushed the online sales.



Q. Why did the sales of SBU decline to a year ago?

A. Due to closures of stores, total number of stores was smaller than that of the same period of the previous year. Negative trends at several businesses also led to the contraction of sales.

● **January 2017**

Q. Please let us know sales trend in January

A. Sales of existing retail and online stores increased year on year throughout the month. Sufficient supply of products met strong demand of customers for the clearance sales.

Q. Please provide us with reasons for the continuous decline of purchasing customers at retail stores.

A. Increasing number of customers accesses online stores to buy reasonably priced items and discount products. The consolidation of clearance items at online stores toward the end of each clearance sales period was also a driving force for the online sales growth.

Q. Please let us know details of tax-free sales in January.

A. Non-consolidated tax free sales climbed around 36% year on year excluding CHROME HEARTS business' results in January 2016. At the CHROME HEARTS business which became a subsidiary company of UNITED ARROWS LTD. in October 2016, tax-free sales grew about 24% to a year ago. The sales grew roughly 30% year on year in UNITED ARROWS LTD. and the CHROME HEARTS business total. Due to the yen's decline, foreign tourists visiting Japan are growing. Start of the Chinese New Year holidays from late January this year was also the reason for the strong inbound demand.

Q. How are spring items?

A. Colorful items such as flower patterned, pink and yellow are popular in this spring season. Though many customers are in the "just looking" stage, demand for formal wear for the spring ceremonies is growing

● **December 2016**

Q. Please let us know sales trend in December.

A. While YOY sales of existing retail and online stores decreased during the first, second, and fourth week, the YOY sales increased during the other weeks. The fluctuations between weeks were owing to the temperature condition and different schedule of sales events for our royal customers and our house card members.

Q. Please provide us with reasons for the range-wide decline of purchasing customers at retail stores.

A. The sales event for our royal customers were held at both our retail stores and own online store this year. And more, several discount promotions were made at online shopping mall such as ZOZOTOWN and iLumine. Due to these initiatives, some part of customers moved from offline to online.

Q. Please let us know details of tax-free sales in December.

A. Non-consolidated tax free sales climbed around 17% year on year excluding CHROME HEARTS business' results in December 2015. At the CHROME HEARTS business which became a subsidiary company of UNITED ARROWS LTD. in October 2016, tax-free sales grew about 7% to a year ago. The sales grew roughly 12% year on year in UNITED ARROWS LTD. and the CHROME HEARTS business total.

Q. Why was the green label relaxing business' results robust?

A. Women's items in general and business items for men were popular in the business. In addition to winter items like outerwear, knitwear and scarfs, sales of business suits for a coming-of-age ceremony were robust.



### ●November 2016

Q. Please let us know sales trend in November.

A. YOY sales of existing retail and online stores increased during every week except the fifth week. The YOY result during the 1st half of the month was especially strong to show double-digit growth. This was owing to the favorable weather condition that was colder than last year.

Q. Why was the online sales' growth robust?

A. The favorable weather mentioned above improved online same store sales by 40 to 50% year on year during the 1st and 2nd week. The price off coupon initiative at ZOZOTOWN site boosted the same online store sales by around 30% year on year during the third week.

Q. Please let us know details of tax-free sales in November.

A. Non-consolidated tax free sales climbed around 14% year on year excluding CHROME HEARTS business' results in November 2015. At the CHROME HEARTS business which became a subsidiary company of UNITED ARROWS Ltd. in October this year, tax-free sales grew about 9% to a year ago. The sales grew roughly 11% year on year in UNITED ARROWS LTD. and the CHROME HEARTS business total.

Q. Please provide us with reasons for the strong average spending per customer at same retail stores.

A. Due to the cold weather, big ticket items including winter outerwear moved well.

### ●October 2016

Q. Please let us know sales trend in October.

A. While the YOY sales of existing retail and online stores declined during the 1st, 2nd and fourth week, the YOY sales increased during the third and fifth week. The third week growth was mainly due to the temperature fall and our promotion campaign for our house card members. The cold climate during the fifth week also accelerated winter products sales.

Q. Please let us know details of tax-free sales in October.

A. Non-consolidated tax free sales boosted around 21 percent year on year excluding CHROME HEARTS business' results in Oct. 2015. At the CHROME HEARTS business which became a subsidiary company of UNITED ARROWS Ltd. in October this year, tax-free sales grew about 6% to a year ago. The sales grew 13% year on year in UNITED ARROWS LTD. and the CHROME HEARTS business total.

Q. Why was the result positive in green label relaxing business?

A. In the business, existing store sales of retail and online improved in all categories including men's, women's, children's, and household and other goods. The women's category was especially strong because the items published on its promotion catalogue issued in the middle of the month showed robust results.

### ●September 2016

Q. Please let us know sales trend in September.

A. The YOY sales of existing retail and online were from 84 to 85% during the 1st and 2nd week, and 89% during the third week. While the existing store sales showed a slight decrease during the fourth week, the YOY sales recovered during the fifth week to show around 6% growth. Following the announcement of price reduction from Sep. 16th in CHROME HEARTS products which was made on Sep. 2, customers delayed purchases of the brand in the first half. Due to the high temperature, results of sales promotions at several shopping centers were poor. It also affected negatively to the sales in the first half. The trend recovered in the latter half; the climate got cooler gradually, the sales of CHROME HEARTS products were robust after the price change, and sales were strong at ZOZOTOWN site owing to the off price coupon promotion implemented from Sep. 25th to 27th.



Q. How about the move of fall and winter items?

A. High temperature slowed sales of outerwear and knitwear. Although sales were favorable in business and formal wear like jackets, and fall products including long sleeved cut and sewn, blouses, and long skirts, it could not offset the favorable sales of wide pants and long cardigans in Sep.2015.

Q. Please let us know details of tax-free sales in September.

A. Tax free sales boosted around 18 percent year on year. The results were robust in both CHROME HEARTS and the other businesses, showing the growth of around 10% and 26%, respectively.

Q. Why were the same store sales online negative in green label relaxing business?

A. The business did not implemented the off price coupon initiative at ZOZOTOWN store. Therefor its online sales' trend was negative especially in casual wear same as retail stores.

### ●August 2016

Q. Please let us know sales trend in August.

A. Existing store sales of retail and online decreased year-on-year during every week except the first week in August. The decline during the second and third week was mainly owing to the backlash from the sales promotion made at ZOZOTOWN last year which offered 1000 yen off coupons valid from 14th to 18th in August 2015 to the customers of the online mall. From the fourth week on, hotter weather than last year slowed fall and winter products' sales, and two typhoons affected negatively customer traffic. Contracted tax free sales to a year ago were also a reason for the negative trend.

Q. How about a start of the fall and winter season?

A. The fall and winter season started slowly due to hotter climate than last year. Although sales of light and middle apparel including blouses, shirts, tunics and cut-and-sewn and business items such as jackets were positive, winter products like down coat and stoles were sluggish.

Q. Please let us know details of tax-free sales in August.

A. Tax free sales decreased around 6 percent year on year due to the negative sales in CHROME HEARTS business. In the other businesses total except CHROME HEARTS, tax free sales grew in the month under the review.

Q. Why was the online sales' growth mild?

A. From 14th to 18th in August last year, the sales initiative to provide 1000yen off coupons to ZOZOTOWN customers was made. This drove down the year on year sales during the second and third week, while the online sales increased in the other weeks. The online sales were robust in green label relaxing business to result in the growth of 36.1% to a year ago, because the business did not participate in the discount promotion at ZOZOTOWN last year.

### ●July 2016

Q. Please let us know sales trend in July.

A. Existing store sales of retail and online grew year-on-year during every week in July. Favorable weather conditions and high temperature during the first half of the month accelerated sales of summer clearance items.

Q. Please provide us with reasons for the recovery of CHROME HEARTS business.

A. In addition to a year-on-year improvement of tax-free sales by foreigners, a pick-up in domestic demand led to the increase of the business' sales.

Q. Please let us know details of tax-free sales in July.

A. Tax free sales grow 20% to a year ago in UNITED ARROWS LTD. We assume larger number of customers visited Japan to purchase summer clearance items.



Q. Why were online sales robust?

A. The spread of a consumption pattern to purchase clearance items at online stores and many promotion events held at online stores bolstered the sales. Fairly large amount of shipments of pre-ordered products also pushed the results.

● **June 2016**

Q. Please let us know sales trend in June.

A. While existing store sales of retail and online grew year-on-year during every week except the fifth week. A different schedule for summer clearance sales from a year ago resulted in the decline of the final week. Because the start of summer clearance sales shifted to July at several retail stores, some portions of the sales were brought to the month.

Q. Please provide us with reasons for the recovery of the same store sales.

A. Robust results of business items, and summer apparel including cut-and-sewn, blouses, pants and dresses bolstered the same store sales. Strong move of sports sandals in shoes' category for women which had been in a negative trend was also a reason for the positive results.

Q. Why did the CHROME HEARTS business' decline narrow compared to the past two months?

A. Although tax free sales contracted year-on-year, shrinkage in the pullback from the demand rush before the price hike last year narrowed the decline.

Q. Why were online sales results robust?

A. From this fiscal year, we are increasing the initial allocation of popular items to online store. We assume this initiative reduced sales opportunity loss due to stock shortage. Start of summer clearance sales at every online site promoted customers' move from retail to online.

● **May 2016**

Q. Please let us know sales trend in May.

A. While existing store sales of retail and online contracted year-on-year during the third and fifth week, they grew year-on-year during the other weeks. A week later schedule of promotion campaign at a major shopping facility resulted in the decline during the third week and a growth during the next week. CHROME HEARTS sales in the fifth week of May 2015 include demand rush before the price hike in June 2015 which was announced in May 20, 2015. It affected negatively the YOY sales during the fifth week this year.

Q. Why did CHROME HEARTS business shrink year-on-year consecutively?

A. We assume the negative results were because of contracted sales by foreign travelers which were about 80% to a year ago. The demand rush before the price hike last year was also a high hurdle for the sales this year.

Q. How about the sales excluding CHROME HEARTS?

A. Business wear and hot summer items moved well for both men and women. Though there were ups and downs between businesses, existing store sales of apparels exceeded a little to a year ago.

Q. Why were online sales results robust?

A. From this fiscal year, we are increasing the initial allocation of popular items to online store. We assume this initiative reduced sales opportunity loss due to stock shortage.

● **April 2016**

Q. Please let us know sales trend in April.

A. While existing store sales of retail and online grow year-on-year during the second week, the sales shrank to a year ago during the other weeks. We assume that the fourth week's decline was owing to a deference of pay day at many companies from a year ago (Monday at fifth week this year, Friday at fourth week last year) and the fifth week's decline was due to one less holiday to a year ago.



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Q. Please let us know reasons for weak results at the UNITED ARROWS business.

A. Main reasons for the negative sales were weak sales of outerwear for men and women as well as fashion goods for women.

Q. Please let us know reasons for good results at the green label relaxing (GLR) business.

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. Strong sales of business wear driven the business' performance.

Q. Why did CHROME HEARTS business shrank year-on-year consecutively?

A. We assume the negative results were because of contracted sales by foreign travelers which were about 80% to a year. The demand rush before the price hike in the back of weak-yen trend last year was also a hurdle for the domestic customers' sales.