



**UNITED ARROWS LTD. Earnings Announcement Q&A
for the Three-Month Period Ended June 30, 2022**

UNITED ARROWS LTD. (the “Company”) held an earnings announcement presentation at which the press, analysts, and institutional investors were in attendance. The principal questions received and answers given during each session are presented below. Certain details have been added or amended to lead to a further understanding of the UNITED ARROWS Group’s performance and activities.

Q. Which items have contributed to exceeding the plan in Q1?

A. Those that have contributed are the gross profit and sales that were better than expected and the suppressed SGA expenses in order of significance of the impact. Due to the control of discount sales, both the amount and ratio of gross profit exceeded the plan.

Q. What are the major SGA expense items that were suppressed?

A. Logistics outsourcing, personnel and advertising expenses and other variable costs were lower than the forecast. The reduction of logistic outsourcing expenses was affected by the return of inventories from stores to warehouses being lower than the estimate. This was due to the sound results of retail stores and the sales of the Company’s EC site being lower than expected. As for personnel expenses, the factors included the increase in number of resignees that was higher than the estimate.

Q. Although there are negative factors such as high costs, can we expect gross margin to continue improving in the second half?

A. We will reinforce regular-price sales by continuously keeping the number of discount sales to a low figure and delaying the start of the sales period in the second half. For some products, subject to quality improvement, we will also revise the prices and maintain the cost of sales ratio.

Q. What is the status of the procurement of inventories of fall and winter products?

A. Initially, we were going to prepare about 85% of the fall and winter products we had in 2019. However, considering the inventory shortage of some products in spring and summer in 2022, we will increase the level to close to 90%. Even if the revised prices are not effective and we need to discount them, we will try to secure a gross profit by obtaining a high sales volume.



Q. What are the sales by major sites?

A.

	Net sales year-on-year	Composition ratio	Change year-on-year
UNITED ARROWS LTD. ONLINE	88.5%	32.6%	-2.4pt
ZOZOTOWN	99.5%	44.4%	1.8pt
Rakuten Fashion	103.6%	15.0%	1.2pt

Q. What is the progress of the improvement in the Company's online shopping site?

A. The improvement of the system has been almost completed. Currently, we are making minor modifications by repeating AB testing, etc. During this spring/summer, there was an issue about how we hold inventories. From this fall/winter, we will adjust the inventory allocation for retail stores and online sales. Starting from 4Q of this fiscal year, we will arrange inventory-sharing between the Company's online shopping site and retail stores. From that time onward, sales are expected to recover significantly.

Q. Please tell us the positive and negative impact of the Company's sustainability efforts on the business performance, if any.

A. The decrease in product disposal rate is making a significant contribution. By increasing the ratio of regular-price sales, decreasing the ratio of outlet sales to total sales and efficiently managing inventories, we can improve gross margin and reduce inventory cost. Other sustainability activities may lead to an increase in cost. However, we will try to offset any cost rise with the effect of the lowered product disposal rate.

Q. Does each numerical sustainability target have an interim target?

A. There are no specific interim targets. However, we will keep disclosing the progress with the ESG Data Book and the sustainability site.

Q. While we keep observing an inflationary tendency, how does the Company see the risk of slackening consumption of fashion products?

A. As for the current situation, we assess that the effect of consumers' appetite for consuming fashion products after reopening is more significant than the concern about inflation. There is no considerable difference in the level of recovery by businesses. It is hard to think that this trend will drastically change starting from fall/winter. At this moment, we forecast that the market will be relatively robust.



Q. You have said that the new brand will likely succeed ahead of the next medium-term management plan. Are you going to expand your items beyond fashion products?

A. Some brands we launched in the past few years demonstrated sound results. We are considering expanding while the next medium-term management plan is implemented. We will also positively look into non-apparel products under the next plan.