

**UNITED ARROWS LTD. Earnings Announcement Q&A
for Fiscal Year 2023 Ended March 31, 2023**

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.

- Business results forecast for FY2024 ending March 2024

Q. What are the factors for improvement in gross margin?

- A. We plan to improve gross margin by 0.5pt from the previous fiscal year in both the first and second half. The first half of the year is expected to benefit from improvements in outlets, where the volume of inventory from the pandemic period will decrease, and the second half is expected to benefit from improvements in business units and subsidiaries.

Q. What are the factors for an increase in SGA expenses in the new fiscal year?

- A. It is mainly due to an increase in personnel expenses, in addition to an increase in variable expenses such as rent and logistics outsourcing expenses resulting from the expansion of sales. Specifically, this comes from the resumption of hiring of new graduates from April 2023, an increase in headcount resulting from the filling of vacancies at new and existing stores, and the expansion of employee education as a human capital investment specified in the medium-term management plan.

- New Medium-term Management Plan

Q. What will be the drivers of medium to long-term margin improvement?

- A. An improvement in the ratio of items sold at regular prices* will have a significant impact on the operating income rate target in our long-term vision. Basic measures are to improve product appeal and sales, as well as controlling inventory procurement. In addition, infrastructure investments, including the renovation of the basic system for product management and the digitization of product procurement, which will be made during the current medium-term management plan period, will contribute to an improvement in the ratio. By visualizing the procurement status of products and raw materials and improving the accuracy of inventory allocation, we aim to reduce the procurement of unnecessary inventory, as well as sales opportunity

loss.

Another key matter to address is an improvement in gross margin in online sales. While strengthening online sales through the promotion of OMO, we will strive to improve gross margin by decreasing discount sales and enhancing sales of originally planned products.

* *Ratio of sales at regular prices to total purchases

Q. Have there been any changes in the way you think about opening new stores after the review of unprofitable stores?

A. Since we completed the review of unprofitable businesses through the previous medium-term management plan, we will now enter an expansion phase. In the past, we opened relatively large stores in most cases, and these large investments caused lower personnel efficiency. Therefore, we are considering opening mainly small and medium-sized stores in the future, specifically, opening new brands for the casual segment and mainly for those in their 20s, in the facilities where existing businesses have opened stores.

Q. You have started opening CITEN in the last fiscal year. How many stores are you expecting to open within this medium-term management plan?

A. We expect to open 65 - 75 stores in existing businesses, and are considering doing so mainly through CITEN. Since the brand has already achieved a certain level of success in online sales, we plan to expand it quickly.

Q. How do you plan to respond to the challenges of fashion tastes?

A. These challenges are also linked to age-based ones. The trad style clothing, which is our specialty, is different from what people in their 20's and 30's prefer, so we would like to make proposals for this segment based on our own interpretation. As areas derived from fashion, we will also work on the sports and wellness areas and expand the segments that we have not fully covered.

Q. I understand you have experimented with several brands for younger generations and lower-priced brands, and they did not work well. What do you think are the reasons for this, and what is your plan for success in the future?

A. Our trials in the past were through small projects and thus time-consuming, so we were forced to withdraw halfway through. Going forward, we will proceed with our efforts through larger projects and with a sense of speed, so that we can achieve success as early as possible.

Q. What are the challenges in attracting young people?

A. Younger people generally tend to go for lower-priced brands, and we want to avoid the risk of being caught up in that. Thus, we will clarify our target segments and markets concerning the younger generation, and work on the business with relatively high unit price products with high added value.

Q. Are you considering capital tie-ups or M&As in expanding your business into fields other than fashion?

A. We do not have a clear policy at this point, but we have them in our options.

Q. Where is the potential for overseas expansion?

A. Regarding the Taiwan area, our initial plan was to increase our corporate value by opening UNITED ARROWS and BEAUTY&YOUTH stores. However, as a result of the trials, we have determined that there is a high need for green label relaxing. We have recently launched CITEN pop-up shops, and they are performing very well. COEN is also doing well, and we plan to expand the number of shops, mainly those of Green Label, CITEN and Coen.

For China, we will start with high-priced brands. We will try out pop-up shops with items from UNITED ARROWS, DRAWER, and HBEAUTY&YOUTH, which are brands we classify as higher-priced ones.