



**UNITED ARROWS LTD. Earnings Announcement Q&A
for the First Half Period Ended September 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.

●Business results

Q: What are the contributing factors in terms of net sales, gross profit, and SGA expenses for exceeding the plan in the first half?

A: Net sales were almost at the planned level. Looking at the difference from the plan, the biggest factor is the excess of gross profit due to an improvement in gross margin, followed by a decrease in direct personnel costs due to a decrease in personnel, and a reduction of SGA expenses due to decreased logistics outsourcing expenses by an improvement in inventory efficiency.

Q: What are the trends of major sites?

A.

	Net sales year-on-year	Composition ratio	Change year-on-year
UNITED ARROWS LTD. ONLINE STORE	99.5%	34.8%	1.0 pt
ZOZOTOWN	91.8%	42.0%	-2.1 pt
Rakuten Fashion	105.1%	15.1%	1.2pt

Q: What are the prospects for improving gross margin in the second half of the year and how do you carry it out?

A: We will carefully review the number of fall/winter products, and are controlling the quantity of inventory we procure. We will secure a gross margin by minimizing discount sales during the period and ending discount sales at the beginning of January over a short period.

Q: You explained that you would be accumulating inventory starting from this fall and winter. Is the increased inventory moving smoothly?

A: Our business has been favorable also in October, and we recognize that it is performing well so



far. Winter outerwear will now start to take off in earnest, so we are watching trends from November onwards.

- OMO Strategies

Q: What KPIs are you setting for your OMO strategies?

A: The difference in gross margins between physical stores and online shopping has become an issue, and one of our KPIs is how much we can reduce this difference. As for our online store, we expect to complete the system linkage with physical store inventory within this fiscal period, and this inventory linkage will be a major point for the OMO strategies.

Q: What is the evaluation of each number in the OMO strategies (slide P18)?

A: As for the expansion of the site scale, the number of app downloads has increased and the evaluation has also improved. We believe that we have achieved a certain level of results.

As for digital customer service by OMO, we are actively posting recommended outfits mainly by store staff. Net sales via outfits recommendation are increasing, and although we have a certain level of appreciation, there is still room for growth. As the number of customers visiting stores is recovering, there are cases where we cannot take time for digital customer services, and we are considering expanding the number of staff.

As for strengthening digital marketing, we have been working with a team specializing in SNS, but there have been issues with reaching customers in their 20s and 30s. For this reason, we will set up a specialized group to focus on SNS and strengthen operations centering on Twitter and Instagram.

We recognize that inventory allocation is a major issue. At present, inventory allocation is carried out by manpower, but we will improve it significantly by linking the system with physical store inventory during the current period.

- COEN CO., LTD.

Q: Let us hear your current evaluation of COEN's efforts. Can we assume that it will be a segment that will continue to grow in terms of sales and profits in the next fiscal year and beyond?

A: As for the first half of the fiscal year, we are evaluating the fact that profitability has been strengthened by identifying unprofitable stores and that gross margin has been improved by reducing the number of discount sales. We are promoting branding and MD reforms to create solid value without getting caught up in the discounting competition of other companies. Current issues are the variation in store floor space and the wide variety of product tastes. We will solidify the axis of the brand and streamline MD while promoting the standardization of store floor space.



After addressing these issues, we will incorporate strategies for regrowth in the next medium-term plan.

Q: What are the expected effects of COEN's inventory analysis system? UA has also introduced it. Is there any difference in the results?

A: The inventory analysis system we are employing is designed to use forecasts calculated from the system based on sales trends to optimize decisions on movement and consumption measures after inventory allocation. COEN has a high composition ratio of original planned products, and there are few differences in the MD composition of each store, so it is easy to operate based on system output. UA is also testing it with some brands, but uses human judgment based on experience as well. UA has a high composition ratio of purchased products, some of which move fast, and some of which moving more slowly. In addition, since the MD composition differs for each store, it tends to be difficult to fit inventory allocation based on mechanical judgment.

Q: What is the background behind the increase in COEN's plans to close stores, and what is the outlook for future store openings and closures?

A: This is because we are reviewing unprofitable stores, and the number of resolutions to close stores, which were undecided at the beginning of the fiscal year, has increased. We have an outlook to accomplish closures to some extent this period, and they will not increase significantly in the future. We are discussing future store openings in the next medium-term plan and will explain details when the medium-term plan is announced.