



Earnings Announcement Q&A for the First Quarter of Fiscal Year Ending March 31, 2024

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.

- The current fiscal year

Q. Could you please share with us the progress of the first quarter against the plan?

A. Sales and gross profit exceeded the plan, and SGA expenses were effectively controlled, resulting in each income below operating income exceeding the plan. Although there were some factors to reduce SGA expenses, such as lower-than-planned logistics costs due to higher inventory efficiency, some SGA expenses have been pushed back to the period after the second quarter.

Q. What is the reason for the strong Trend-conscious Market?

A. The Trend-conscious Market centered on UNITED ARROWS and BEAUTY & YOUTH has seen a major change in customers’ purchasing mindset: not to buy because it is on sale, but to buy a better selection of items at regular prices. The rebound in inbound demand has also had a positive impact. Even with the smaller number of Chinese tourists visiting Japan, the business results exceeded those before the COVID-19 pandemic, and we expect this area to continue to grow. With respect to the Basic Trend-conscious Market centered on green label, and COEN in the New Basic Trend-conscious Market, we have not been able to fully respond to the trend toward more casual business needs. A lack of new proposals and freshening up of casual products are issues to be addressed. We are currently adjusting the course, and these markets are now picking up.

Q. What is the outlook for fall/winter product prices?

A. As exchange rates continue to fluctuate, we plan to raise prices by up to 10% depending on each business. We do not have any major concerns because fall/winter products have high unit prices and it is relatively easy to revise those prices.

Q. How is the hiring situation for sales staff?

A. The staff sufficiency rate, which was about 90% in the previous year, exceeded 100% this year, including temporary staff. As for the number of full-time employees, there is a sense of shortage and we plan to replenish them further. However, in response to the diversification of working styles, we intend to increase the ratio of part-timers.



- Progress of the Medium-term Management Plan

Q. Please let us know the items you are satisfied with or struggling with in your efforts to improve the gross margin?

A. In terms of increasing the full-price-sales ratio, we have already achieved much better results than before the pandemic. Customers supported our price revision, and we regard our reduction of the cost ratio with a certain degree of satisfaction. Future challenges include revamping the core product management system and digitalizing product procurement, and they are being rolled out.

Q. What do you think of the performance of the newly opened CITEN?

A. Although sales are slightly lower than planned, it is expected to continue to expand steadily. As CITEN's products are more colorful than existing brands and the clothes are designed for younger people, its customer base was too narrowed down. It failed to reach out to a wide customer base in commercial facilities, which we view as one of the challenges. We will increase the number of basic items in the future. We originally planned to operate it in a small store and with few sales members, including self-sales. However, as more customers are asking for customer service than expected, we are reviewing the matter. Given future expansion, we believe that the issues we have seen in the early stages are informative.

Q. Please let us know about the progress of the UA MULTI strategy in the Medium-term Management Plan.

A. Currently, we have set up project teams to prepare for each project. For new brand development for young people, concept work is ongoing to develop a brand that will become a new standard and lead the next generation of UNITED ARROWS LTD. We are also studying the development of apparel-derived brands, including sports, such as yoga, golf, and outdoor activities, and wellness initiatives that we have been pursuing. In areas other than apparel, collaborating with other companies is an option. Corporate businesses are developing faster than the previous year, including uniforms and collaboration projects.

Q. What key performance indicators (KPIs) does the UA Club manage? Please let us know if there are any positive or negative aspects after the launch.

A. The program aims to encourage more people to become our customers by setting the annual number of purchases and the annual purchase price as key KPIs. Customers with higher purchase prices receive higher return rates, and they get miles not only for product purchases but also for actions such as posting reviews. We have received positive feedback on the system designed for deepening the relationship between customers and the Company. It has just getting started, so we have not seen any negative aspects at this point.



Q. What are the expected benefits of revamping the core product management system and digitizing inventory procurement?

A. One of the effects of revamping the core product management system is higher inventory efficiency by centrally managing inventory information and improving the accuracy of inventory distribution. We have been reviewing the distribution of inventory and have seen an effect recently, but this work will become more streamlined and operations will be more accurate. Since the new system enables us to centrally manage inventory information of physical stores, online stores, and distribution warehouses, which were previously managed by multiple systems, it is expected to increase sales by reducing sales opportunity losses, improve inventory efficiency, and drive down costs by reducing unnecessary inventory movements. One of the benefits of digitizing inventory procurement is the visualization of cost structures. By digitizing material information, product order information, and business partner information, which were previously managed individually, and by managing them on the same platform, we expect to improve the accuracy of additional product orders and reduce procurement costs.