Earnings Announcement Q&A
for the First Half 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 half against the plan?

A. Sales, gross profit and gross margin were approximately at the planned levels, 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 reduced logistics costs due to higher inventory efficiency and a decrease in temporary expenses for opening stores, some SGA expenses have been pushed back to the period after the second half. The one-time costs associated with an overhaul of membership program were originally factored into the expense plan for the second quarter.

Q. What is the reason for the year-over-year decrease in personnel expenses in the second quarter?

A. UNITED ARROWS LTD. was affected by a provision for special bonuses recorded in the previous year, and COEN CO., LTD. saw a decrease in the number of employees due to store closures and other factors.

Q. This marks the second year of the price review. Please provide us with an evaluation for each brand.

A. In response to the rising costs associated with the depreciation of the yen and other factors, we have revised prices while improving product quality. Despite the price revision, in the Trend-conscious Market, such as UNITED ARROWS and BEAUTY&YOUTH, there has been no significant decline in the number of customers, leading to an increase in sales and gross margin. In the Basic Trend-conscious Market centered on green label relaxing, there have been some difficulties in pricing. We will revise some of the prices for outerwear this winter, and if the cost ratio rises somewhat, we will cover it through an increase in the number of items purchased.

Q. Did the transition to the new membership program, UA Club, proceed smoothly? Have there been any changes in customer feedback, app downloads, or other indicators since the transition?

A. The transition has been completed without any major trouble. Due to the higher return rate, it is particularly popular with loyal customers. It has been a few months since the UA Club launched, so we are not at a stage where we can discuss changes in indicators.

Q. Pleaase let us know the year-on-year comparison and the composition ratio of sales for each online site.

A.

	Sales YoY	Composition ratio	Change YoY
UNITED ARROWS ONLINE	108.0%	35.9%	1.0pt
ZOZOTOWN	102.4%	41.0%	-0.9pt
Rakuten Fashion	114.4%	16.5%	1.3pt

Q. Please let us know the progress of CITEN and the timing of opening additional stores.

A. CITEN is currently operating five stores and an online site, thus it is progressing nearly as planned. We plan to open stores up to 50 stores in the future and feel confident to expand the operation while reexamining the size of the stores and reviewing the taste of our products, which tend to be overly geared toward a somewhat younger demographic.

Q. We would like to know the background and future outlook of the difficult situation facing COEN.

A. Starting from this Fall/Winter season, we have been making changes in product planning and taste, and have switched to a new MD. From August to September, the focus was on in-season product lineup for fall, so we were unable to meet the needs of an unexpectedly long summer season. As we narrowed down the number of SKUs when we changed MDs, the standard product lineups that had been popular until the previous year became thin. The balance between products for new customers and products for existing customers was disrupted, which was one of the factors behind the difficulties. We are in the process of reviewing the product lineup and trying to improve the situation for winter.

Q. What are the fruits and challenges you have seen through pop-up shops in China?

A. Through the pop-up shops in Shanghai and Beijing, we are examining the differences in trends by area and MD. In Shanghai, where our pop-up shop was in operation from May to July, we received a stronger response than expected. However, in Beijing, where we started operation in September, the pop-up shop has struggled somewhat due to high temperatures. As high-end casual products have received a tremendous response in both areas, the lineup focuses on high-priced original products such as H BEAUTY&YOUTH, UNITED ARROWS & SONS and ROKU. When full-scale sales start in or after next fiscal year, our main lineup is expected to consist of high-end original products. We plan to work with local partners and expand our business through product supply and support without owning significant investment risks. To date, we have already received many inquiries from local companies, so we may be able to open a store next fiscal year. The challenges are how to set up the production system for high-end casual products, which are one of the smallest segments within the Company, and to what extent we can limit the difference between domestic and overseas prices.