Management with an awareness of capital costs and stock prices

UNITED ARROWS LTD.

February 7, 2024

Current status evaluation

- ROE for the fiscal year ended March 31, 2023 was 13.6%. It exceeds the cost of equity calculated by the Company, but falls short of past levels
- PBR was also 1.6 times, not enough to restore market valuation
- The main reason is that we have not been able to establish a source of income to replace CHROME HEARTS JP, GK which was excluded from consolidation in December 2020
- Aim for operating income of ¥9 to ¥10 billion (vs. sales: 5.6 to 5.9%), and ROE of 13.8 to 15.4% in the final year of the medium-term management plan (fiscal year ending March 31, 2026), and for operating income of ¥25 billion (vs. sales: 10.0%) in the long term (fiscal year ending March 31, 2033)

		Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Sales	million yen	158,918	157,412	121,712	118,384	130,135
Operating income	million yen	11,063	8,758	(6,613)	1,683	6,362
vs. sales	%	7.0%	5.6%	-	1.4%	4.9%
Net income	million yen	6,417	3,522	(7,197)	732	4,341
Shareholders' equity	million yen	37,810	38,634	29,868	30,210	33,897
ROE	%	18.0%	9.2%	-	2.4%	13.6%
Number of issued shares	shares	28,372,794	28,375,350	28,477,882	28,497,881	28,495,284
Stock price at the end of the period	yen	3,855	1,625	2,106	1,821	1,919
PBR	times	2.9	1.2	2.0	1.7	1.6

Fiscal year ending March 31, 2026

Operating income	¥9 - ¥10 billion
vs. sales	5.6 - 5.9%
ROE	13.8 - 15.4%

Fiscal year ending March 31, 2033

Operating income	¥25 billion
vs. sales	10.0%

Evaluating the current situation and identifying issues

- Comparing each indicator to the fiscal year ended March 31, 2019, we set net income margin and PER (Price Earnings Ratio) as key issues
- Focus on expanding sales, improving profitability, and creating expectations over the medium to long term

PBR

$$\frac{\text{Market capitalization}}{\text{Net assets}} = \frac{\text{Net income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Equity}} \times \frac{\text{Market capitalization}}{\text{Net income}}$$

PBR	ROE			PER
Price Book-value Ratio	Net income margin	Total asset turnover	Financial leverage	Price Earnings Ratio

		Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income margin	%	4.0%	2.2%	-	0.6%	3.3%
Total asset turnover	times	2.2	2.2	1.9	2.0	2.1
Financial leverage	times	1.9	1.8	2.1	2.0	1.8
PER (Price Earnings Ratio)	times	17.0	13.1	-	70.8	12.6

Policies for improvement

- Improve ROE, PER and PBR through the following initiatives

Initiatives	Expected outcome		Improvement of indicators	
Growth of main business and improvement of its profitability Promotion of new business development Aggressive capital investment	Sales growth Improving profitability	Improving total asset turnover Improving net income margin	ROE	PBR
Enhancing shareholder returns Identifying investment projects		Appropriate financial leverage	ROE	PBR
Timely disclosure of initiatives to achieve the medium-term management plan and long-term vision Promoting dialogue with capital markets based on disclosure		Obtaining expectations from the capital markets	PER	PBR

Policies and Measures for Improvement: Key Strategies of the Medium-Term Management Plan

- Policies and measures to improve indicators are incorporated into the current medium-term management plan

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Three Key Strategies

UA CREATIVITY Strategy — UA MULTI Strategy — UA DIGITAL Strategy

UA CREATIVITY Strategy

- Grow and expand existing businesses
  Top-line growth
  Improvement of gross margin
- Strengthen brand appeal
  Expansion of investment in human capital
  Rebranding of the corporate brand
- Re-grow COEN

UA MULTI Strategy

- Brand development for business expansion
- Global expansion

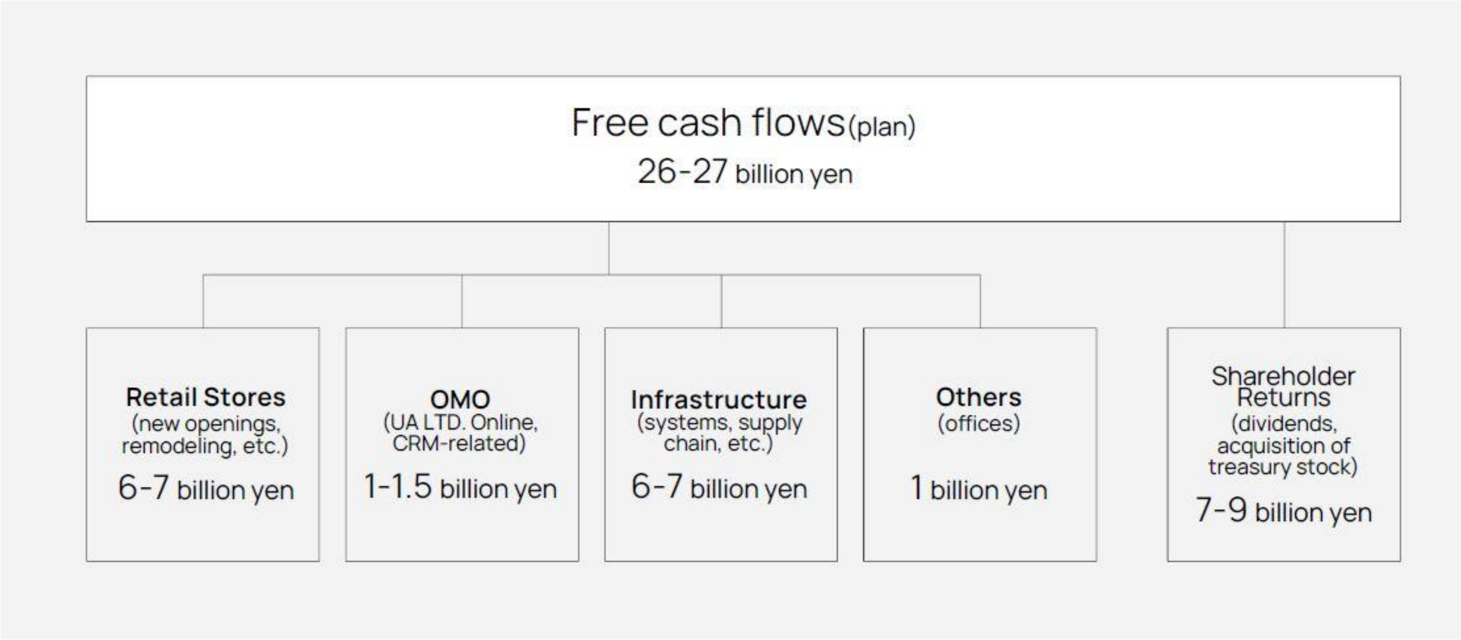
UA DIGITAL Strategy

- Promote OMO
- Optimize the supply chain

Policies and Measures for Improvement: Capital Allocation

- Appropriately manage capital allocation to balance growth from a medium- to long-term perspective and shareholder returns
- Strategically distribute cash earned from business activities to growth investments and shareholder returns
- Aim to improve business growth and the profitability of capital

Capital allocation



Policies and Measures for Improvement: Quantitative Targets of the Medium-Term Management Plan

- Achieve the planned sales and profit growth and improve profitability by promoting the medium-term management plan

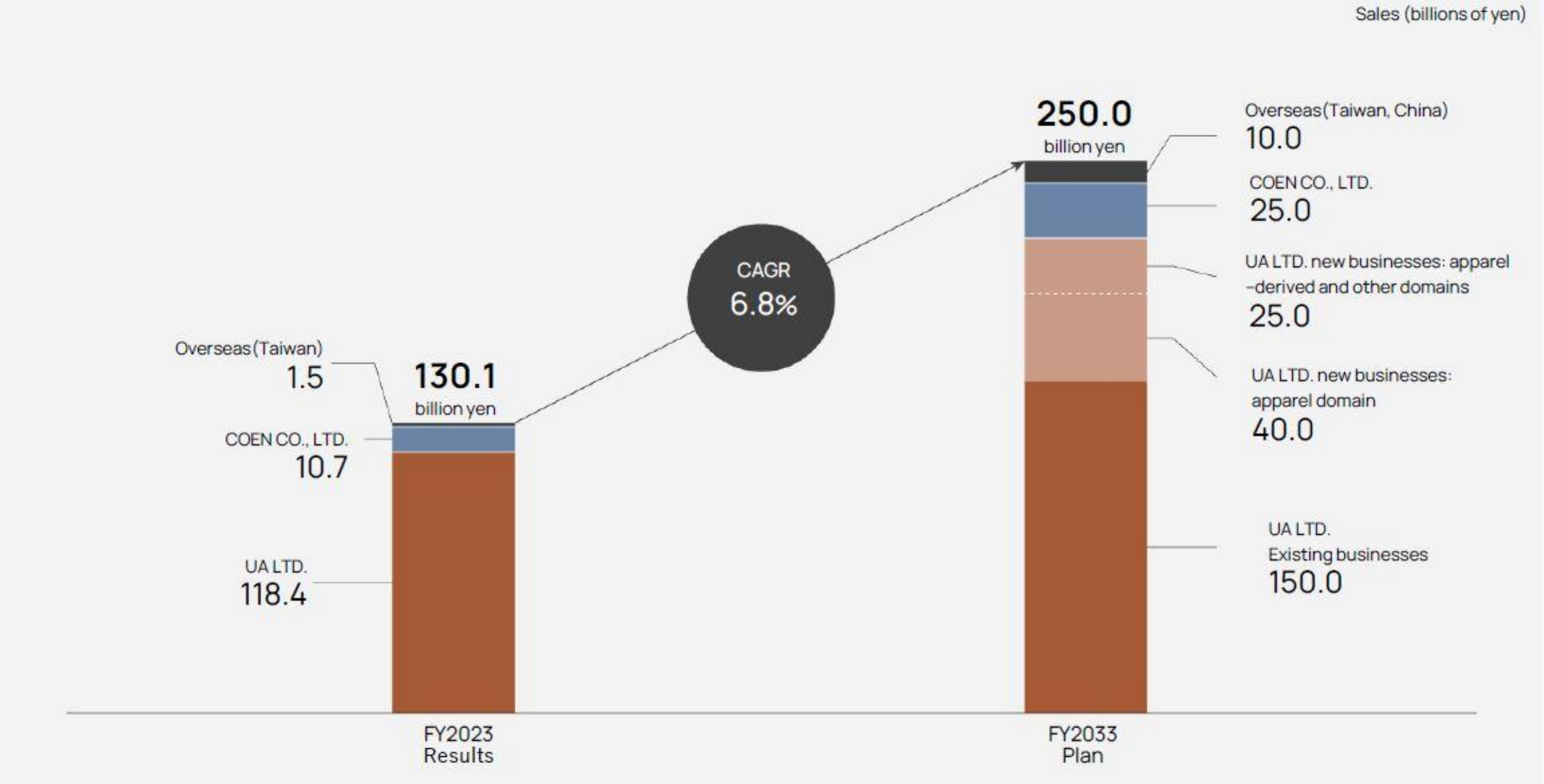
Medium-Term Management Plan 2023-2025

UA Group Financial Targets (consolidated)

Sales	160-170 billion yen
Operating income	9-10 billion yen
Operating income margin	5.6-5.9 %
ROE	13.8-15.4 %

Policies and Measures for Improvement: Long-term Vision

- Aim for consolidated sales of ¥250 billion and operating income of ¥25 billion (vs. sales: 10.0%) in the fiscal year ending March 31,2033



Reference: Criteria for Investment in Store Opening and Renovation Based on Capital Costs

- Calculate NPV (net present value) and IRR (internal rate of return) based on expected cash flows
- Invest in projects where the present value of future cash flows exceeds the store opening investment amount and exceeds the hurdle rate set by the Company
- Aim to improve the profitability of capital through growth investments by appropriately utilizing cash obtained from operating activities
- Aim for growth by creating an environment that makes it easier than ever to take on new business challenges