UNITED ARROWS LTD. Earnings Announcement Q&A
for Fiscal Year Ended 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.

Q. Regarding the plans for existing retail stores, do you have analysis broken down into the number of customers and the amount of spending per customer?

A. We have not created any planned values for the number of customers nor for the amount of spending per customer. However, we believe the increase in amount of spending per customer will be weaker compared with the previous year while the number of customers will enter into an increase phase. Looking at each market, we expect sales of around 105% YoY for the total of existing retail stores in the Trend-conscious market centered on UNITED ARROWS (UA) and Beauty and Youth (BY), and about 110% YoY for the existing retail stores in the Basic trend-conscious market, represented by Green Label (GLR). A larger improvement is expected for GLR, through improvements in merchandise, large-scale promotions, etc.

Q. What is the background to strong growth in the existing online store sales plan?

A. In the previous term, under a controlled inventory procurement situation, the increase in sales at physical stores was higher than expected causing a shortage of inventory for online sales, resulting in a loss of sales opportunity. For this term, we will be procuring a sufficient amount of inventory, and reducing an inventory shortage for online sales, and expect to see a high growth rate. We believe digitization of sales activities and accumulation of small improvements will contribute to our own online site, and the plan reflects this further growth.

Q. What are the causes of the increase in the planned SGA expenses?

A. In our non-consolidated SGA expenses, an increase of 1.6 billion yen is earmarked due to an increase in the number of employees and salaries; an increase just short of 400 million yen is planned for advertising, covering large-scale sales promotion for GLR, corporate branding advertisements, and sales promotion activities for new businesses; and a one-time cost of approximately 700 million yen for expansion of store openings, and a one-time expense of 600 million yen for relocation of our HQ office.

Q. What are the plans for capital investment and depreciation?

A. We are looking at around 10 billion yen in capital investment, including items that will be recorded as noncurrent assets and those as expenses. Depreciation is expected to be 2.6 billion yen.

Q. What is the balance between 1H and 2H of the plan?

A. We expect a higher growth rate in sales for 2H. The plan calls for growth in 3Q, a period when we struggled in the last term. Although higher growth is seen in SGA expenses in 2H compared with 1H, the difference from the previous year is larger for 1H, when looking at the YoY sales ratio difference. This being the case, the Company expects a fall in profit in 1H and an increase in profit for 2H, with these combining for us to achieve an increase for the full year.

Q. What are the impact of subsidiaries on the range of increase in consolidated profits?

A. The range of non-consolidated increase in profit and the disappearance of loss at COEN CO., LTD. accounts for almost all the impact, with profits from our Taiwan subsidiary expected to be almost flat.

Q. What is the breakdown of new store openings?

A. Of the 17 non-consolidated store openings, 10 are existing businesses, such as UA, BY, and GLR. There will be 1 opening for CITEN, 5 stores for new businesses, and 1 outlet. As for subsidiaries, we expect 10 stores for COEN CO., LTD., and 3 for Taiwan.

Q. The term “offensive phase” was used in the briefing, but what is it specifically?

A. Having run the operation for 2 years under an organization by function, we are now able to establish a firm collaboration among the businesses, and we see an increase in the number of employees who can judge matters from a Company-wide point of view. We will return to an organization by business from this term, converting to a structure to go on the offensive (increase sales) by making use of the strengths of each business, while acting with a Company-wide point of view.

In terms of inventory, during the previous term, we had pulled back on our inventory procurement, under the concept of increasing the ratio of our regular price sales, but this resulted in a loss of sales opportunities. For this term, we will firmly hold our inventories and hope to prevent any such loss. We will expand our merchandise with a line-up of purchased items, such as imports and collaboration items, mainly for UA and BY, to make our customers feel that they will miss out if they do not purchase them right now. As for GLR, our policy is to increase merchandise that responds to changes in business demand, and with an abundant inventory of strategic item numbers, we expect to increase our sales through large-scale promotions. The results can already be seen from this April.

For COEN CO., LTD., a response has been felt in stores that were renovated in the preceding term, and we have seen the customer strata expand through the addition of sharper, neater sundries and casual wear that could also be used on business occasions, in addition to the line-up centered on American casuals and day-to-day casuals. As the organizational structure has now been established, we will increase our store openings and enhance our top line items.

Our Taiwan subsidiary is growing steadily and we believe it still has room for further growth. As for China, we have learnt that MD different from Japan is necessary through our experience with pop-up shops. We are now making specific preparations towards opening physical stores in the next fiscal year and thereafter.