UNITED ARROWS LTD. Earnings Announcement Q&A
for the First Half Period Ended September 30, 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 to or amended to lead to a further understanding of the UNITED ARROWS Group's performance and activities.

Q. Unused miles distributed to customers as part of the CRM program were processed during the 2Q period, was this impact factored into the plan? Is it likely to happen again in the future?

A. It is difficult to predict the volume of miles to be expired, so this is not included in the plan. Going forward, a certain number of miles will expire each month, so small amounts are expected to occur each month. A partial revision to mileage expiration dates will also be made in February 2025, which may have a temporary impact. However, as it is difficult to calculate the amount, this has not been factored into the revised forecast.

Q. What is the premise of the revised forecast for the second half?

A. Regarding the sales forecast for the second half of the fiscal year, UNITED ARROWS's non-consolidated sales forecast has been set based on October results, with sales from November onwards remaining roughly at the level of the initial forecast. For the subsidiaries, sales forecasts have been set based on August to October results, with sales from November to January remaining roughly at the level of the initial forecast. The gross margin has been revised slightly more conservatively from the initial forecast, while SGA expenses are now expected to exceed the initial plan, taking into account the shift in expenses from the first half of the year, additional advertising expenses, and an increase in bonuses due to the increase in full-year profit forecast. We have revised our full-year forecasts upward by adding these second-half forecasts to our first-half results.

Q. You said that one of the reasons for the robust performance of UNITED ARROWS is the effectiveness of the organizational restructuring into a business division system, but what specific changes have been made? Is there room for further improvement?

A. By switching to a business division system, the product, sales, and advertising departments have been consolidated into one organization, which has stimulated mutual communication and improved the product power and our customer service capabilities. A moderate level of competition has developed between the business divisions, and new benefits are being generated, such as divisions being able to incorporate the success stories of other divisions into their own departments.

Q. You said that there is room for growth in men's casual wear for the next fiscal year. What specific measures will you take?

A. As business styles have become more casual, dressy business casual clothing has become more popular, which has resulted in an unbalanced product lineup, and we recognize that we are not fulfilling the need for casual, light clothing. We intend to review the balance of our product lineup and grow by meeting this need.

Q. How will successful examples of green label sales promotion activities be applied to other businesses? You have also conducted corporate image advertising. What do you want to do with your brand image in the future?

A. We will develop sales promotion measures in a style that suits the characteristics of each business. While a large-scale mass media strategy will contribute to green label, we believe that continuous, detailed promotional measures will be effective for UNITED ARROWS and BEAUTY&YOUTH. The second round of corporate image advertising is scheduled for spring, and next time we plan to link it to products as well. The aim is to transform the image of UNITED ARROWS as a company, which has tended to be conservative, into a multi-layered, multi-faceted one with advertisements that will resonate with younger generations.

Q. At a previous briefing session, you said that you would aim to improve gross margins by setting detailed discounts during discount sales starting this fall/winter. Could you please explain in detail what initiatives you will take from this fall/winter and next fiscal year?

A. For this year's fall/winter discount sale, we will be conducting a trial change in the way discounts are set during discount sales in some businesses. We plan to look at the results and reflect them in discount settings during company-wide discount sales from next spring onwards. We plan to review our pricing starting with next spring's products, and aim to control the cost rate and improve the gross margin, together with setting discounts during discount sales.

Q. What kind of internal policies have you set for next spring/summer season?

A. The impact of exchange rates has made it more difficult to contain costs, so we are moving toward raising prices based on the creation of high added value. The effects of the above-mentioned pricing revision are expected to be reflected in the next spring/summer products.

Q. How likely is it that you will achieve the operating income target of ¥9 to ¥10 billion for the final year of your medium-term management plan (fiscal year ending March 2026)?

A: It is by no means a low hurdle, but we believe it is achievable based on our solid performance this fiscal year. As mentioned above, there is room for growth in men’s casual wear, and we will be actively conducting advertising and promotional activities based on successful examples of sales promotion measures.