UNITED ARROWS LTD. Earnings Announcement Q&A
for the Fiscal Year Ended March 31, 2025

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: Why is the forecast for the non-consolidated gross profit margin for the first half of FY26/3 flat from the previous year?

A: We are conservative in our outlook for the business unit improvement because many spring / summer products have low unit prices, such as light clothing, and there is less room to control the cost ratio through price hikes. As for outlet stores, we expect a decline in the gross profit margin due to the impact of the accelerated consumption of inventories from previous years, and we plan to keep the non-consolidated gross profit margin at the same level as the previous year in the first half of FY26/3.

Q: What is the outlook for Coen's gross margin improvement?

A: In FY25/3, gross profit margin was impaired due to an increase in product valuation losses, and FY26/3 will see a rebound from this. To reduce the risk of an increase in product valuation losses in FY26/3, we recognized a special valuation loss on obsolete inventory in the fourth quarter of FY25/3 to lower the year-end inventory level. We are also implementing a strategy to maintain sales while suppressing new inventory procurement to decrease in the discount sales ratio. These actions will realize the gross margin improvement at COEN, CO., LTD.

Q: What is the main reason for the increase in SG & A expenses?

A: On a consolidated basis, sales increased by 7.8 billion yen (111.1%) from the previous year, and the SG&A ratio is planned to increase by 0.6 percentage points. However, this includes the significant increase in SG&A expenses of the Shanghai subsidiary, which will begin full-scale operations in the new fiscal year. On a non-consolidated basis, we expect SG&A expenses to increase due to factors such as base pay increases and personnel increases, increased advertising and promotion expenses associated with strengthening advertising, and increased depreciation and amortization expenses associated with store openings and system investments. However, we expect a slight decrease at COEN, CO., LTD. and no change at our Taiwanese subsidiary in SG&A ratio.

Q: Why is the increase in SG & A expenses in the first half so large?

A: FY25/3 includes one-time costs such as office relocation costs of 1.7 billion yen and a plan achievement bonus of 2.8 billion yen in the fourth quarter, but FY26/3 excludes these costs, resulting in a slower growth rate in the second half. Additionally, in FY25/3, GLR large scale sales promotion was conducted once in the first half and twice in the second half, whereas in FY26/3, it is planned to be conducted twice in the first half and once in the second half. Furthermore, the corporate image advertising, which was conducted twice in the second half of FY25/3, is planned to be conducted once in the first half and once in the second half of FY26/3. These factors contribute to the discrepancies between the upper and lower forecasts.

Q: When will the new product management system (UA3.0) start to have an effect?

A: Immediately after the switch in April, there were some issues such as discrepancies in inventory information, but we are gradually making corrections. We expect that the new system will be fully operational and deliver significant benefits in the second half of the fiscal year.

Q: You explained the actual results of the renovated stores, but is there any difference from the previous renovations, or any standards for renovations?

A: We do not set a clear standard for renovation based on the number of years after openings, etc., and we make decisions on renovation as needed based on the degree of deterioration of the store or changes in the surrounding environment. In the previous fiscal year, we renovated UA Marunouchi and UA Futakotamagawa to create a more luxurious environment, enabling us to sell higher value-added products. We will continue to focus on improving brand appeal in our renovations.

Q: What is the reason for the strong sales in China?

A: The product lineup based on the results of limited-time stores conducted in the previous fiscal year has been successful. We are aware that private brands such as LOEFF and AEWEN MATOPH, which are popular among fashion-conscious consumers in Japan, are performing well and are highly regarded for their high quality. We will expand the scope of our business to include franchise development.