UNITED ARROWS LTD. Earnings Announcement Q&A
for the 9month ended December 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: Please provide an update on progress against the plan for the cumulative third quarter.
A: Consolidated net sales were broadly in line with the plan. Although the gross profit margin was marginally below expectations, disciplined management of selling, general and administrative expenses resulted in operating profit achieving approximately 116% of the planned level. While the initial plan anticipated higher revenue but lower profit for the cumulative third quarter, actual results delivered both higher revenue and higher profit.

Q: What is the outlook for SG&A expenses in the fourth quarter?
A: For the second half of the fiscal year, we expect SG&A expenses to be approximately 110% of the previous year's level. SG&A in the third quarter progressed largely in line with our plan. Although we anticipate a reactionary decline from one-off costs incurred in the prior year, additional expenses may arise from additional store openings and potential achievement-based bonus payments related to strong earnings performance. At present, we expect SG&A growth in the fourth quarter to remain in line with our initial assumptions.

Q: What factors contributed to the improvement in the gross profit margin, and how sustainable is this trend?
A: The improvement in the gross profit margin during the third quarter is attributable to enhanced pricing precision and an increased full-price sales ratio. While markdown-related pressure is expected in the fourth quarter due to the seasonal sales period, discount rates have been controlled appropriately as of January.

Q: What are the impacts of the COEN business transfer on current- and next-fiscal-year results?

A: As disclosed in the earnings report, net profit for the cumulative third quarter significantly exceeded the plan due to the recognition of deferred tax assets associated with COEN's retained losses. We expect to record a loss on the transfer of shares in the fourth quarter in connection with the planned transfer of all COEN shares on March 2, 2026. Because COEN's net assets at the time of deconsolidation have not yet been finalized, we are unable to estimate the loss amount at this stage. Nevertheless, we believe the likelihood of missing the full-year profit forecast is extremely low. From the next fiscal year onward, aside from COEN's removal from consolidated sales, costs, and earnings, we do not anticipate any material impact on performance.

Q: Please provide an update on the progress of new business initiatives.

A: Our initiatives have contributed to an increase in younger customers, particularly those in their 20s to early 30s, and have produced certain positive outcomes. However, the scale of these businesses remains limited, and the impact on overall earnings is currently modest. Under the next medium-term management plan, we intend to accelerate store expansion, brand development, and portfolio enhancement.

Q: How are you determining the balance between directly operated and franchised stores in China?

A: While our previous approach focused primarily on franchise development, the strong performance of our first directly operated store has led us to reconsider this strategy and increase the share of directly operated stores. Going forward, we will apply a hybrid model, selecting direct operation or franchising based on market characteristics and commercial facility attributes.

Q: What benefits does the transition to a holding company structure provide?

A: Adopting a holding company structure reduces the perception that newly acquired brands must be fully integrated into the UNITED ARROWS identity. This approach allows us to maintain the distinctiveness and autonomy of acquired brands while expanding opportunities for strategic collaboration and portfolio growth.

Q: What parameters guide your approach to M&A, particularly regarding areas you will or will not pursue?

A: Our focus is on categories aligned with high sensitivity and high value-added positioning, including bags, accessories, and designer labels—primarily within apparel and apparel-related segments. For non-apparel businesses, we limit consideration to those that connect meaningfully with our existing customer base and brand touchpoints.

Q: Why is strengthening the autonomy of subsidiaries considered a key benefit of the holding company structure?

A: In operating COEN, the application of operational models derived from UNITED ARROWS proved inefficient in certain areas. To avoid similar issues in the future, we aim to preserve each brand's unique characteristics, leveraging synergies only where necessary while ensuring an operating structure that enables greater independence and agility.

Q: What benefits does TELMA gain by joining the UNITED ARROWS Group?

A: Smaller designer brands such as TELMA often face significant challenges related to funding, talent recruitment, and organizational development, which may hinder designers' ability to focus on creative activities. By joining our Group and leveraging our operating foundation, TELMA can reduce the administrative and operational burden, thereby enabling designers to concentrate on creative work.