UNITED ARROWS LTD. Earnings Announcement Q&A
for the Three Months of Fiscal Year Ending March 31, 2027

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: How did first-quarter performance progress against the Company's plan? Also, please explain the factors behind the underspending in SG&A expenses.
A: In the first quarter, consolidated net sales exceeded the Company's plan by approximately ¥500 million. Although the gross profit margin came in slightly below plan, gross profit exceeded the plan due to stronger-than-expected sales. In addition, SG&A expenses were lower than planned, resulting in operating profit exceeding the plan by approximately ¥500 million. Part of the unspent SG&A budget was attributable to timing differences in expenditures and is expected to be recognized from the second quarter onward. Regarding logistics outsourcing expenses, operational efficiency improvements driven by UA3.0 have begun to generate benefits, resulting in costs coming in below plan.

Q: Ordinary profit and profit attributable to owners of parent also showed strong growth. What factors contributed to the outperformance versus plan?
A: Ordinary profit benefited from foreign exchange gains that had not been incorporated into the initial full-year plan. As for profit attributable to owners of parent, the primary factor was a lower effective tax rate resulting from a tax refund received in relation to the previous fiscal year. Please note that the tax rate is expected to gradually converge toward a normal level over the course of the fiscal year. Therefore, these factors should be regarded as largely temporary in nature.

Q: What is your outlook for the gross profit margin in the second quarter, and what is the current inventory situation?
A: In the outlet business, we expect the gross profit margin to decline due to an increase in carryover inventory from previous years. However, the deterioration is likely to be less severe than initially anticipated. Meanwhile, inventory levels within the Business Unit segment are somewhat elevated due to weaker sales in June and the delayed timing of seasonal markdowns. As a result, inventory reduction will be a priority in the second quarter, and we are taking a somewhat cautious view of the gross profit margin relative to plan. For fall and winter merchandise, procurement volumes are being managed more conservatively than in the previous year. We intend to maintain appropriate inventory levels while driving sales.

Q: Please provide an update on your price optimization initiatives and the progress of UA3.0.

A: Since the previous fiscal year, we have been analyzing customers' price acceptance levels by brand and optimizing selling prices accordingly. These initiatives continued during the first quarter of the fiscal year ending March 2027. Despite limited room for price increases in spring and summer products due to their characteristics, average selling prices increased by approximately 4% to 5% overall. We have also been reviewing our discounting strategies and implementing more finely tuned pricing operations than before.

With regard to UA3.0, the benefits of inventory allocation optimization have begun to materialize. We plan to further improve operational accuracy and effectiveness in the second half of the fiscal year. In addition, data-driven initiatives aimed at reducing product costs have reached a stage where concrete measures can be implemented, and we expect these efforts to contribute to future improvements in gross profit margins.

Q: Why is the ratio of F2-or-higher members an important KPI for UA Club, and what is the current status of loyal customers?

A: We manage the ratio of F2-or-higher members, defined as customers who make purchases at least twice per year, as a key KPI for UA Club. Compared with customers who purchase only once annually, F2-or-higher members demonstrate a higher retention rate in subsequent years, contributing to the strengthening of our customer base over the medium to long term.

We also continuously analyze trends among VIP customers, and the number of VIP customers has been increasing recently. Going forward, we will continue to strengthen our customer base by increasing the ratio of F2-or-higher members and fostering loyal customers.

Q: What is your dividend policy following the payment of the commemorative dividend?

A: In principle, our progressive dividend policy is based on ordinary dividends. However, with respect to dividends for the next fiscal year, we intend to make decisions flexibly while taking into account cash flow conditions and the balance with capital expenditure. Going forward, we will continue to place importance on shareholder returns and provide stable dividends in line with sustainable profit growth.