

# FY2015 First-half Review and Future Business Outlook

**Tadashi Yanai**

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**Fast Retailing Co., Ltd.**

**Chairman, President & CEO**

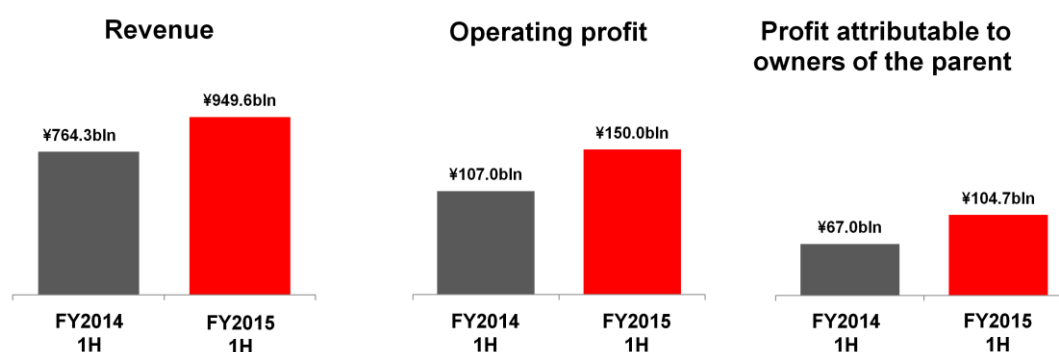
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I am Tadashi Yanai, Chairman, President and CEO of Fast Retailing.

Today, I would like to talk you through our business performance for the first six months of fiscal 2015, or the six months from September 2014 through February 2015, and also give you an idea of our future business outlook and strategy.

## Large revenue, profit gains outstrip plan

<b>Revenue</b>	<b>¥949.6bln (+24.2% y/y)</b>
<b>Operating profit</b>	<b>¥150.0bln (+40.2% y/y)</b>
<b>Profit attributable to owners of the parent</b>	<b>¥104.7bln (+56.2% y/y)</b>



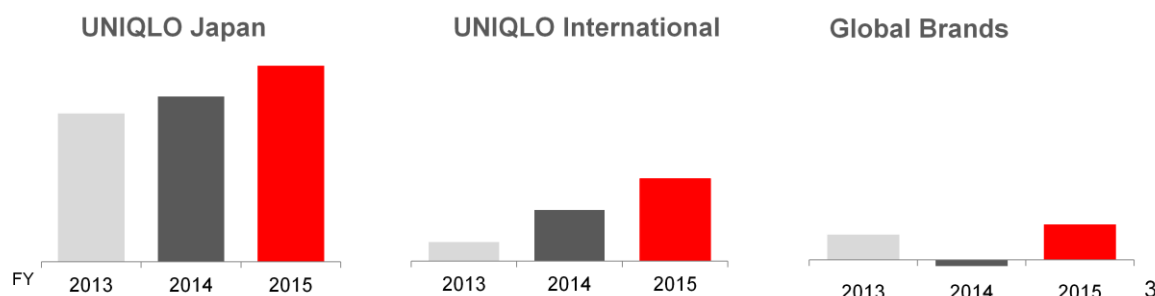
First, looking back on the first half of fiscal 2015, Fast Retailing generated large gains in revenue and profit, both of which outstripped our expectations.

# FY2015 Group Estimates

## Expect record operating profit

<b>Revenue</b>	<b>¥1.65 trillion (+19.3% y/y)</b>
<b>Operating profit</b>	<b>¥200.0bIn (+53.4% y/y)</b>
<b>Profit attributable to owners of the parent</b>	<b>¥120.0bIn (+61.0% y/y)</b>

### Expected operating profit trend by business segment



Moving on to our forecasts for the full business year to August 31, 2015, we estimate Group revenue will expand to ¥1.65 trillion yen (+19.3% year on year), operating profit will expand to ¥200.0 billion (+53.4%) and profit attributable to owners of the parent will expand to ¥120.0 billion (+61.0%). We expect operating profit to reach a record level.

## FY2015 First-half Review

- **Continued strong growth at UNIQLO Intl.**
- **UNIQLO Greater China (China, Hong Kong, Taiwan), South Korea especially strong.**
- **Large increase in profit at UNIQLO Japan thanks to strong sales of core items.**
- **Opened UNIQLO OSAKA global flagship and UNIQLO Kichijoji global hotspot stores.**
- **UNIQLO USA in the red, but faster new store openings boosted brand visibility in the U.S.**
- **GU profits increased in 1H, as it carved a firm position in Japan's apparel market.**

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Looking back on the first-half performance, UNIQLO International stands out for its continued buoyant pace of growth. Operations in Greater China and South Korea are still expanding strongly.

UNIQLO Japan achieved a strong increase in profit in the first half, thanks to buoyant sales of core items. The fanfare surrounding the openings of our UNIQLO OSAKA Global Flagship Store and our UNIQLO Kichijoji Global Hotspot Store was also very exciting and successful.

UNIQLO USA reported a loss in the first half, but the acceleration in new store openings is definitely boosting awareness of the UNIQLO brand in the U.S. market.

GU reported an increase in profits in the first half, as the low-priced casualwear brand carved itself a firm position in Japan's apparel market.

**Become world's No. 1 brand  
with revenue ¥5trln, OP ¥1trln**



Fast Retailing has set itself a target to achieve revenue of ¥5 trillion and operating profit of ¥1 trillion, and a broader ultimate goal to build UNIQLO into the number one apparel brand in the world.

As a step on the way to that journey, our aim is to expand revenue to ¥2.5 trillion within the next three years.

## Future Growth Strategy

- 1. Japan-based global HQ to direct global operations to ensure full implementation of Global One and Zenin Keiei.**
- 2. Promote continued strong growth at UNIQLO Intl. to make UNIQLO the No.1 brand worldwide.**
- 3. Progress to locally managed store network.**
- 4. Build a world-class supply chain.**
- 5. Revolutionize and strengthen GU and other global brands.**

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Looking ahead at our future growth strategy, there are five key points that I would like to mention to you today.

First, our Japan-based global headquarters needs to direct global operations firmly, in order to ensure full implementation of our Global One and Zenin Keiei management principles. We must realize Global One and Zenin Keiei, so that UNIQLO global headquarters, regional managers, and staff all over the world can easily come together and drive the business forward. That means taking a managerial approach to all aspects of the business, and working together to apply the best available global solutions to any issue, wherever you are in the world.

UNIQLO International continues to generate strong growth, and we are always ready to promote further development as part of our drive to make UNIQLO the number one apparel brand worldwide.

We are progressing with our drive to develop the UNIQLO store network from a centrally directed chain of stores to a locally managed store network, where the store staff are the main drivers and instigators of local decisions.

We are also working hard to optimize and improve the efficiency of our overall global operations, by building a world-class supply chain.

And finally, we are working hard to revolutionize and strengthen our GU brand and other labels in the Global Brands segment.

- 1. Japan-based global HQ to direct global operations in order to ensure full implementation of Global One and Zenin Keiei management principles.**

Let's talk now in more detail about the first strategy I mentioned: Enabling the Japan-based global HQ to direct operations worldwide, and ensuring full implementation of the Global One and Zenin Keiei management principles.

- **Reaffirm Japan's position as global HQ, tasked with applying successful UNIQLO models in Greater China and South Korea to all Group brand operations worldwide.**
- **Global senior management to raise and unify standards at UNIQLO and other Group brands worldwide.**
- **Encourage all employees to adopt a managerial mindset across all business segments.**



**Global One, Zenin Keiei**

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What does this mean exactly, and how can it be achieved in practice?

Well, first, we need to reaffirm Japan's position as the global headquarters, and then enable it to apply proven successful UNIQLO models and practices from the Japanese, Greater China, and South Korean markets to all UNIQLO and other Group brand operations worldwide. It is my firm belief that the principles of good, effective management are the same wherever you are in the world and whatever era you live in. For that reason, I believe it is definitely possible to implement methods that have proven successful in Japan, Greater China, and South Korea to also generate success in other markets as well.

In addition, our global senior management must strive to raise and maintain the standards of our UNIQLO and other Group brand operations worldwide, and to unify our business practices across all markets.

Effectively implementing Global One, Zenin Keiei means creating an environment where all employees are encouraged to approach everything they do in all business segments from a managerial standpoint. That is because, again, Global One means applying the best available global method or solution to any issue, and Zenin Keiei requires all managers and staff to develop a managerial mindset in all that they do.

We aspire to perfect Global One, Zenin Keiei management principles because we firmly believe they form the fundamental basis for the successful growth of our global business, reputation, and corporate worth.



## **2. Promote continued strong growth at UNIQLO International to help build UNIQLO into the No.1 brand in markets all over the world.**

Our second strategic focus is to promote continued strong growth at UNIQLO International, as part of our drive to build UNIQLO into the No.1 apparel brand in the world.

**The No.1 brand in Japan, Greater China and South Korea in terms of sales, profit and brand power.**

**UNIQLO is carving a firm position in Southeast Asia, U.S., Europe and Australia... with the ultimate aim of making UNIQLO the No.1 brand in every market.**

Already today, UNIQLO has achieved No.1 status in Japan, Greater China, and South Korea in terms of sales, profit, and brand power.

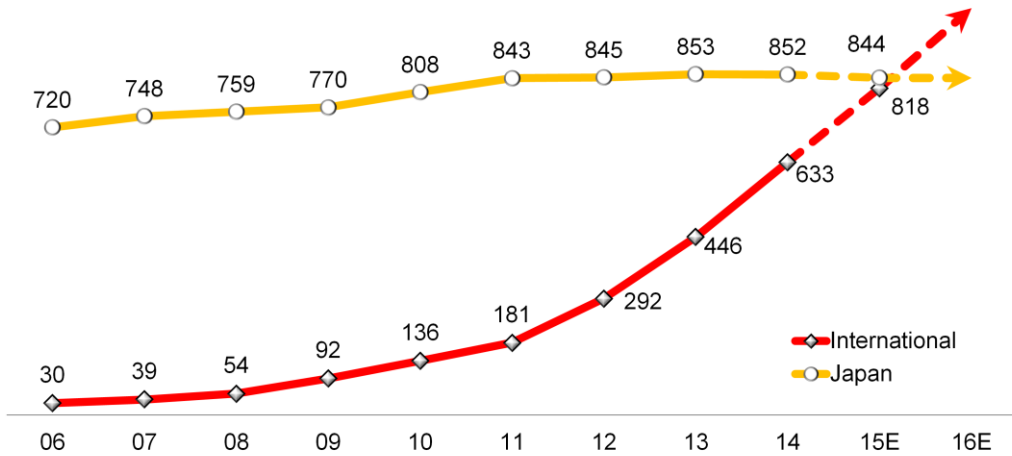
UNIQLO is also carving a firm position and building its brand in Southeast Asia, U.S., Europe, and Australia.

Our ultimate aim is to make UNIQLO the No.1 apparel brand in every market.

# UNIQLO Store Network

## UNIQLO International stores to overtake UNIQLO Japan stores in fall 2015

Store Network Growth Trend



\*Including franchise stores

As this slide shows, we expect the number of UNIQLO International stores will overtake the number of UNIQLO Japan stores in fall 2015.

# Recent UNIQLO Brand Rankings

Interbrand ranked **UNIQLO 7<sup>th</sup> overall** in Japan's Best Global /Domestic Brands 2015 (February 2015)



UNIQLO won the **gold award for digital advertising** at the Innovative Marketing Summit in China (December 2014)

U.S. digital marketing and research firm L2 ranked **UNIQLO No.1 in Japan and No.3 in South Korea** in its Digital IQ Index®2015 (April 2015)



I'd now like to mention some of the recent rankings announced for the UNIQLO brand.

Interbrand ranked UNIQLO seventh overall in Japan's Best Global/Domestic Brands 2015.

In China, UNIQLO won the Gold Award for Digital Advertising at the Innovative Marketing Summit, held in December 2014.

Then in April 2015, UNIQLO was ranked No.1 in Japan and No.3 in South Korea in the Digital IQ Index 2015, compiled by U.S. digital marketing and research firm, L2.

All of these accolades show how UNIQLO's brand ranking is rising around the world.

# Growth Drivers: Greater China, S. Korea

**Greater China: Aim for ¥300bln sales in FY2015, and 1,000 stores soon**

**S. Korea: Aim for ¥100bln sales in FY2015, confirm position as No.1 apparel brand**



At UNIQLO International, Greater China and South Korea are the key growth drivers.

Going forward, we aim to boost sales close to ¥300 billion in Greater China in fiscal 2015, and we want to expand our network to 1,000 stores in the near future.

We are also working to boost sales in South Korea to close to ¥100 billion in fiscal 2015. I believe we have successfully established UNIQLO as the No.1 apparel brand there.

# Growth in Southeast Asia, Oceania

- Open over 50 stores annually
- Accelerate store openings in Australia
- Expand competitive product ranges to suit the differing seasons in each country



Emporium Melbourne Store, Australia



Store network at end Feb. 2015  
 Southeast Asia & Oceania: 99 stores  
 (+41 stores y/y)

In Southeast Asia and Oceania, we are looking to promote further growth by opening over 50 stores each year across the region. In particular, we will expand the pace of new store openings in the Australian market.

We are also expanding our competitive product ranges to suit countries with differing seasons and climates, spanning both the northern and southern hemispheres.

# Building a Full-fledged U.S. Operation

- **Faster store openings boosts visibility in U.S.**
- **Plan to enter new areas**  
 Fall 2015: open Chicago flagship store, enter Denver, Seattle  
 Spring 2016: Enter Washington DC. Fall 2016: Enter Canada
- **Continue to open 20-30 stores annually**
- **Channel company support into prioritizing development of the U.S. operation**
- **Three-year target: sales ¥100bln, OP ¥10bln**

Store network at end Feb. 2015  
 North America: 39 stores  
 (+22 stores y/y)



Chicago flagship store (CG)

Moving on to North America, we plan to accelerate the pace of new store openings. In terms of UNIQLO's development in the U.S. market, we are currently at the stage of entering new areas, while further concentrating our presence in regions where we already have stores.

As part of that process, we plan to open a Chicago flagship store in Fall 2015, and start developing a presence in Denver and Seattle. In Spring 2016, we plan to open our first stores in Washington DC. This will be followed swiftly by the opening of our first stores in Canada in Fall 2016. We will continue to open 20 to 30 stores annually across North America.

We will place the weight of the whole company behind developing successful UNIQLO operations in the United States, because we view this as a top priority.

To help guide this quest, we have set ourselves the task of expanding UNIQLO USA sales to ¥100 billion and operating profit to ¥10 billion over the coming three years.



# Accelerate store openings in Europe

## Accelerate openings in major cities

- Fall 2015: First store in Belgium, in Antwerp
- Renovate and re-launch expanded 311 Oxford Street flagship, in London



In Europe, our strategy is to open UNIQLO stores in all of the continent's major cities as soon as possible.

Our next step will be to open our first store in Belgium, in Antwerp, in Fall 2015.

We also intend to greatly expand and refurbish our 311 Oxford Street Global Flagship Store in London.



## **3. Progress to a locally managed store network.**

Another important pillar of our future growth strategy is to develop a locally managed store network, directed by store staff.

This doesn't necessarily mean transforming our network from a centrally directed chain of retail stores into a locally managed store network. Rather it means developing and maintaining the best of both models in order to progress to the next stage of our development.

**UNIQLO=Chain-store management****Locally managed Stores**

**All store staff nurture a managerial mindset  
to create community-focused local stores**

**Local staff and store managers create  
stores that local people love.**

**Creating stores deeply rooted  
in their community, to maximize  
overall sales and profits.**

Considering the current economic conditions in Japan and other parts of the world, and the underlying conditions in the retail industry, it would be impossible to expand our business without extending more power to local store staff, and enhancing local management resources.

Empowering locally managed stores means encouraging all store staff to nurture a managerial mindset and create local community-focused stores. Local staff and store managers are well positioned to create stores that local people love. Furthermore, I believe that creating stores with deep local roots, which can play a useful role in the community, will prove the best way to maximize overall sales and profits in the long run.

## Sapporo Esta: Community-focused Retailing

**Knowledgeable local store managers and staff determine the layout, product mix, and inventory, to perfectly match the needs and tastes of their local customers.**

**Sapporo Esta Store: Opened March 27, 2015  
Sales floor area: 3,360 square meters  
Largest single-level sales floor in the world**



**UNIQLO's first exclusive kids' changing room is big enough to accommodate a child stroller**

**UNIQLO Esta's vast, colorful display of kids clothes is the largest in Japan, spanning 330 square meters**



**Bright store layout to delight the kids**

Our Sapporo Esta store, opened in March 2015, is a great example of community retailing. It offers our largest single-level sales floor in the world, situated just in front of Sapporo railway station.

Knowledgeable local store managers and staff determine the layout, product mix, and inventory to perfectly match the needs and tastes of their local customers. Local staff also strive to enhance the local area, and ensure the store complements other established local businesses and retailers.

We have made a great deal of effort to ensure that this store is an enjoyable space for locals. For instance, our kid's floor sports a colorful layout spanning an impressive 330 square meters, and houses our first exclusive kids' changing rooms, that are big enough to accommodate a child stroller.

## Empower local customers, enhance local community

### TV ads just for Hokkaido



### Distributed leaflets before opening day in Sapporo introducing nearby stores and restaurants



The new Sapporo Esta store also illustrates our fresh approach to community-focused marketing, which strives to empower local customers and enhance the local community.

As part of this community-focused approach, we distributed leaflets before opening day in Sapporo introducing nearby stores and restaurants, and produced an exclusive television commercial just for Hokkaido viewers in which we broadcast a special message to all people who love the city of Sapporo. I am told it was very well received.

## **4. Build a world-class supply chain**

The fourth pillar of our future strategy is to build a world-class supply chain.

# Building a World-class Supply Chain

## Planning



## Production



## Marketing



## Distribution & Sale

- **Top-class global product development**  
In addition to Tokyo, N.Y. and Shanghai, set up full-fledged R&D centers in Paris, London, and L.A.
- **Optimal global production network**
- **Slash lead times for additional orders**
- **Coordinated global products, marketing**
- **Global flagship stores in all major cities**
- **Interactive digital communication**
- **Ariake PJ: biggest distribution center in Tokyo**  
World's biggest digital flagship store, by developing a revolutionary distribution and retail system connecting in-store, PC, and mobile-phone orders.
- **Develop similar systems worldwide**

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We are already working to improve different areas within our supply chain, from planning to production, marketing, and distribution and retail.

This involves the creation of new research and design centers in Paris, London, and Los Angeles, which will work alongside existing centers in Tokyo, New York, and Shanghai to achieve top-class global product development. These centers will be able to capture the latest information on fashion trends and customer tastes from around the world, and channel that information into the creation of top-class products that resonate worldwide. I believe we can develop better products by being near vital individual markets and vital sources of key information.

In terms of the production part of the supply chain, we need to create an optimal global production network, which can help us slash lead times on additional production orders.

In terms of marketing, we need to focus our efforts on our global flagship stores, and on creating coordinated global products. This will enable us to effectively transmit our marketing messages to strategically important urban areas worldwide. I also want to establish interactive digital communication to facilitate contact between individual Group brands and their customers, and to promote communication among customers, and between ourselves and our suppliers, and our entire staff and senior management.

In relation to the distribution and retail segment of the global supply chain, our Ariake Project involves the creation of the biggest distribution center in Tokyo. I see this as an opportunity to create the world's biggest digital flagship store, by developing a revolutionary distribution and retail system, which connects all customer orders, whether they be placed in-store or via customer PCs or mobile phones. I am also keen to develop similar state-of-the-art distribution centers and systems in other parts of the world, to support the efficient development of a top-class global supply chain.

**We want to form a superior supply chain, so we can break free from the current limitations of the apparel, fashion and retail industries, and **create an entirely new industry.****

The reason I want us to form a superior supply chain is so that we can break free from the current limitations of the apparel, fashion, and retail industries, and create an entirely new industry.

## **5. Revolutionize and strengthen our low-priced GU casualwear brand and other labels in our Global Brands segment**

The fifth and final pillar of our future growth strategy is our drive to revolutionize and strengthen GU and other operations in our Global Brands segment.



**1H profits up. Medium-term target: Sales ¥300bln, operating profit ¥30bln**

**Carving a firm position in Japan offering low-priced fashion fun**

**Promoting global expansion, from an initial focus in Shanghai and Taiwan**



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As for GU, we are targeting sales of ¥300bln and operating profit of ¥30bln over the medium term. I believe that GU has carved itself a firm position in the Japanese apparel market as a brand offering fashion fun at low prices.

We are also promoting GU's expansion worldwide, from an initial focus in Shanghai and Taiwan.

**Nurture the unique DNA of each affordable luxury brand.**

**Use established FR and UNIQLO business platforms and operational processes to build each brand into a \$1 billion business, as quickly as possible.**



Theory

J BRAND

PRINCESSE tam·tam  
PARIS

COMPTOIR DES  
COTONNIERS

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In terms of our affordable luxury brands, such as Theory, our U.S.-based J Brand denim label, and our France-based Comptoir des Cotonniers and Princesse tam.tam brands, we are looking to nurture the unique DNA that makes each individual brand special.

It is also important to capitalize on established FR and UNIQLO business platforms and operational processes to help grow these brands. In addition, in the spirit of Global One, Zenin Keiei, we need to formulate a new management system that encourages direct positive input from all quarters, including senior management, managers of individual business functions, and local managers.

With such a strong management structure in place, I believe we can grow each of our affordable luxury brands into \$1 billion businesses.

## Recent CSR Activities

### Make the world a better place through clothes

#### Helping to build Japan's first community-supported TSURUMI Children's Hospice

UNIQLO, The Children's Hospice Project, and The Nippon Foundation are set to build the TSURUMI Children's Hospice in Osaka. The project aims to connect private, public, and regional communities to support and interact with children with life-threatening conditions, and their families.



#### All-Product Recycling Initiative

**35.30 million items collected**  
**14.38 million items donated**  
**(as of February 2015)**

Delivered 280,000 items of warm clothing to Syrian refugees who fled to Jordan, along with 11,000 messages of encouragement from customers.



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Finally, I would like to talk to you about our corporate social responsibility activities. CSR is as important to me as our main business, and we commit to pursue our main business and our CSR in tandem, like the two wheels on a bicycle.

Recently, UNIQLO has been helping to build Japan's first community-supported TSURUMI Children's Hospice.

UNIQLO, The Children's Hospice Project, and The Nippon Foundation are set to build the TSURUMI Children's Hospice in Osaka. This is the first project of its kind in Japan, and it aims to connect private, public, and regional communities in a drive to support and interact with children with life-threatening conditions, and their families.

The hospice will be located in a park, rather than in a hospital. The hospice environment is designed for the children to live like a family in comfortable surroundings, and spend quality time together.

Meanwhile, our All-Product Recycling Initiative is going from strength to strength. As of the end of February 2015, we had collected 35.30 million items of second-hand clothing from our customers, and donated 14.38 million of the best quality items to people in need around the world. We recently delivered 280,000 items of warm clothing to Syrian refugees who fled to Jordan, along with 11,000 messages of encouragement from customers.

## Recent CSR Activities

### Promoting Good Working Conditions and Environmental Policies Across Our Entire Supply Chain

**FR works tirelessly to build long-term trust with our partner factories, and to promote human rights, appropriate working conditions, and solid environmental practices.**



**2004:** Began monitoring working conditions at garment factories

**2010:** Began monitoring environmental practices at textile suppliers

**2015 (Feb.):** Began monitoring working conditions at textile suppliers

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FR works tirelessly to build solid long-term relationships with our partner factories, based on trust, and we are always looking to promote good working conditions and environmental policies.

Part of this drive involves working to uphold and improve human rights, appropriate working conditions, and solid environmental practices across the whole of our supply chain.

In February 2015, we expanded our monitoring of environmental practices at textile factories to include the monitoring of working conditions. To date, our CSR department has conducted its monitoring with the help of external organizations, but, from now on, we have decided to include experienced personnel from our Production Department in the monitoring process to help instigate improvements in working conditions.



**Changing Clothes.  
Changing Conventional Wisdom.  
Change the World.**

**To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes.**

Finally, I would like to take this opportunity, as always, to remind you of Fast Retailing's corporate mission.

Changing Clothes. Changing Conventional Wisdom. Change the World.

To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes.

Thank you.