

# **FY2015 Review and Future Business Outlook**

**Tadashi Yanai**

**Fast Retailing Co., Ltd.**

**Chairman, President & CEO**

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I am Tadashi Yanai, the chairman, president and CEO of Fast Retailing.

Today, I would like to talk through our business performance for fiscal 2015, or the twelve months from September 2014 through August 2015, and also tell you about our future business outlook and strategy.

## FY2015 Group Performance

### Year to August 31, 2015

**Revenue**                    **¥1.6817trln (+21.6% y/y)**

**Operating profit**   **¥164.4bln (+26.1% y/y)**

**Profit attributable to  
owners of the parent**            **¥110.0bln (+47.6% y/y)**

### Highlights

- **Reported record consolidated results**
- **UNIQLO Intl. strong profit gain drives Group growth**
- **UNIQLO Japan profit down in 4Q, up in FY2015**
- **GU growing rapidly as 2<sup>nd</sup> Group mainstay brand**
- **Reported ¥16.1bln impairment loss on systems, J Brand and stores**

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First, let's look over the record consolidated results that we achieved in fiscal 2015.

The strong profit gain at UNIQLO International acted as a key driver of Group growth.

While profit contracted at UNIQLO Japan in the fourth quarter from June through August 2015, profit for the full business year was up.

Our low-priced GU fashion casualwear brand grew rapidly, becoming a second mainstay brand for the FR Group alongside UNIQLO.

At the end of fiscal 2015, we reported a ¥16.1 billion impairment loss on systems, our J Brand label, and stores.

# FY2016 Group Estimates

**Year to August 31, 2016**

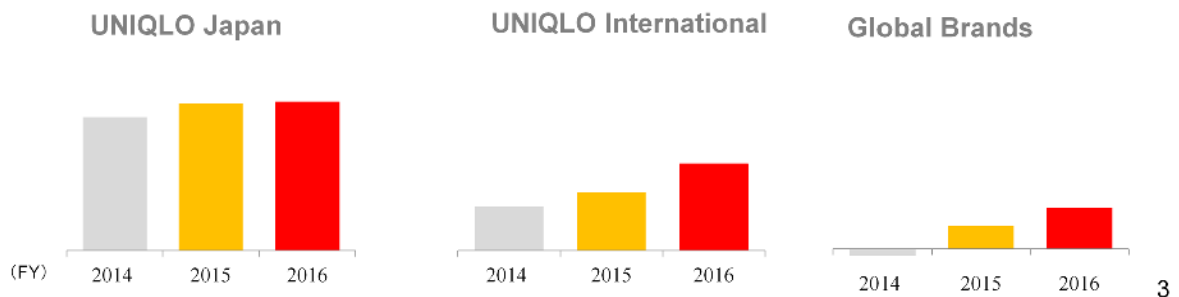
**Revenue**                      **¥1.9000trln (+13.0% y/y)**

**Operating profit**            **¥200.0bln (+21.6% y/y)**

**Profit attributable to owners of the parent**            **¥115.0bln (+4.5% y/y)**

**Expect profit gains across all segments**

Expected operating profit trend by business segment



Moving onto our forecasts for Fast Retailing Group performance in fiscal 2016, or the twelve months to August 2016, we expect to generate revenue of ¥1.900 trillion, operating profit of ¥200.0 billion and profit attributable to owners of the parent of ¥115.0 billion.

### **UNIQLO Intl. continues strong growth**

- Greater China and South Korea especially strong.
- Firmly focus resources of the entire Group on curbing expanding losses at UNIQLO USA.

### **UNIQLO Japan revenue and profit rise**

- Fall Winter: Strong sales of core winter items (HEATTECH, Ultra Light Down, wool sweaters).
- Spring Summer: Sales weak in June, 4Q profit slumps.
- Focus on developing clothes that capture mass trends, and effective marketing.
- Growing success of UNIQLO OSAKA global flagship and UNIQLO Kichijoji global hotspot store (opened Oct.2014)

### **GU operation expands considerably**

- Large gains in revenue and profit.
- Firm position as a new apparel brand in Japan offering fun fashion at amazingly low prices.

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Analyzing the fiscal 2015 performance in more detail, UNIQLO International experience continued strong growth, with performances from UNIQLO Greater China and South Korea proving especially strong. Conversely, losses expanded at UNIQLO USA. We have now determined to channel whatever FR Group resources are necessary to help develop profitable UNIQLO operations in the United States.

UNIQLO Japan generated gains in both revenue and profit in fiscal 2015. Core winter items such as HEATTECH, Ultra light Down and wool sweaters generated strong sales in the Fall Winter season. However, profit contracted sharply in the fourth quarter from June to August 2015, on the back of poor sales of Spring Summer items. As a result, we have been concentrating on developing strong product ranges that successfully capture the latest mass fashion trends, pursuing effective marketing to get our message across to customers, and addressing SKU issues to avoid future shortages of strong selling items.

Meanwhile, our UNIQLO OSAKA global flagship store and our UNIQLO Kichijoji global hotspot store, opened in October, enjoyed growing success.

Of our other brands, GU enjoyed extremely strong growth in fiscal 2015, posting large year-on-year gains in both revenue and profit. GU has now established itself a firm position in the Japanese market as an apparel brand offering fun fashion at amazingly low prices.

## Future Growth Strategy

- 1. Fully implement Global One, Zenin Keiei.**
- 2. Promote continued strong growth at UNIQLO Intl. to make UNIQLO the No.1 brand worldwide.**
- 3. Pursue locally managed store network in Japan.**
- 4. Build a world-class supply chain.**
- 5. Create new industry, through digital innovation to swiftly commercialize customer needs.**
- 6. Shape a new industry by linking with firms in other business areas to develop new technology and revolutionary new services.**
- 7. GU: Pursue strong growth and globalization.**
- 8. Transform affordable luxury brand business.**
- 9. CSR that helps make the world a better place.**

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I would now like to pinpoint a list of strategies that I believe are key to ensuring consistent future growth for the Fast Retailing Group. One priority is to ensure our Global One and Zenin Keiei management principles are readily embraced and fully implemented across all of our global operations.

I want to promote continued strong growth at UNIQLO International to help build UNIQLO into the world's No.1 brand.

In the Japanese market, I am determined to encourage the formation of a locally managed store network, run largely by staff with strong community ties and local knowledge.

I also want to build a world-class supply chain, and use digital innovation to create a new industry that can swiftly respond to customer needs and rapidly create the very products those customers desire.

Another one of our key aims is to shape a new industry by working together with firms in other fields to come up with new ideas, new technologies and revolutionary new services.

As for our GU brand, we are determined to pursue strong growth in Japan and to expand the brand's presence in global markets.

At the same time, we will be looking to transform our affordable luxury brands business to maximize future potential growth.

And finally, we will continue to focus our CSR efforts on clothing-related projects designed to make the world a better place.

## Global One, Zenin Keiei

### Fully implement Global One and Zenin Keiei management principles

- **Japan global HQ to steer global operations, encourage staff at regional HQ in NY, Paris, Shanghai, Singapore to pursue Global One, Zenin Keiei.**
- **Disseminate success factors from UNIQLO Japan, Greater China, and South Korea to other operations to unify clear Global One standards.**
- **Zenin Keiei: Ensure all employees adopt a managerial mindset in all that they do.**
- **Nurture the company's future global leaders and managers.**

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I would now like to consider each of these future priorities in turn. As I mentioned, one of my key aims is to ensure the full implementation of our Global One and Zenin Keiei management principles across all of our global markets. Global One champions the collective pursuit of the best available global method for resolving any challenge, and Zenin Keiei encourages all staff to adopt the mindset of a manager in everything that they do.

I want our Japanese global headquarters to steer our global operations, and also encourage all staff in regional headquarters, located in New York, Paris, Shanghai and Singapore, to pursue Global One and Zenin Keiei principles, because they are vital to our corporate identity and purpose.

Under the Global One banner, I want to make sure that lessons learned at successful UNIQLO operations in Japan, Greater China, and South Korea are communicated to other UNIQLO operations and Group brands to help boost their development as well.

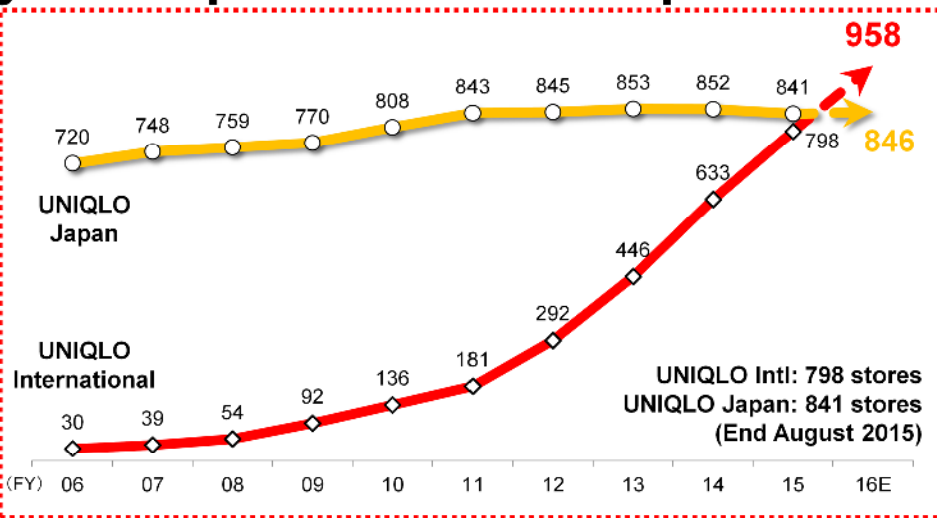
In terms of Zenin Keiei, we encourage all staff to think like a manager. As part of that drive, we are working hard to nurture the next generation of leaders and managers who can guide the Group's future development on the global stage.



# UNIQLO International Store Network

**Boost global operations to make UNIQLO the world's No.1 brand**

**After 16 years, UNIQLO Intl. store network likely to surpass UNIQLO Japan in FY2016**



Next, I think it is important to support the continued strong growth of UNIQLO's international operations.

After 16 years of dedicated development, our UNIQLO International store network is finally poised to overtake UNIQLO Japan in fiscal 2016 in terms of total store numbers. We will continue to boost global operations in our quest to build UNIQLO into the world's No.1 brand.

# Developing Full-fledged Operations

## Greater China

(Mainland China, HK, Taiwan)

- Pursue further strong growth
- Open 100 stores each year

## South Korea

- Consistent strong growth
- Top brand nationwide for sales, profit, and brand value

## Europe, USA

- Open large-scale stores in major European cities
- Opened first in Belgian store Oct. 2.
- Make US operation profitable ASAP

## Asia, Oceania

- Aim to grow to become leading regional brand, through expanding the store networks, on the back of high brand recognition

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Developing full-fledged operations in each individual region is the best way to pursue stronger growth for UNIQLO international.

In the Greater China region spanning Mainland China, Hong Kong, and Taiwan, we will continue to promote strong future growth by opening an average of 100 new stores every year.

We will also continue to support strong growth in South Korea. Our next aim is to become the nation's top apparel brand, not just in terms of sales, but profit and brand value as well.

We will continue to open new UNIQLO stores in major cities in Europe, starting with the opening of our first UNIQLO store in Belgium in Antwerp on October 2, 2015.

In the United States, we will work hard to help the operation turn a profit as soon as possible.

In Southeast Asia and Oceania, the UNIQLO brand is well known. We intend to build this strong brand awareness to expand store networks and become one of the region's leading representative brands.



# Success in Greater China, S. Korea

## Greater China revenue tops ¥300bln

FY2015 revenue: ¥304.4bln (+46.3%)

OP : ¥38.6bln (+66.1%)\* IFRS-base

## S. Korea revenue tops ¥100bln

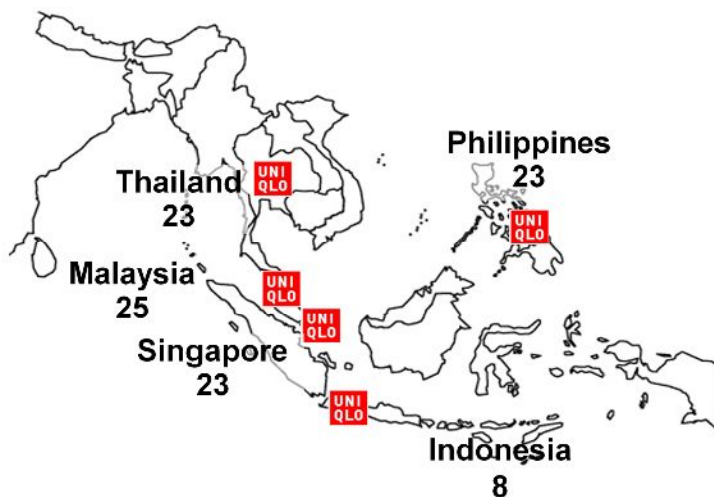


Looking more closely at UNIQLO Greater China, revenue topped ¥300 billion and operating profit expanded to ¥38.6 billion in fiscal 2015.

UNIQLO South Korea also performed extremely well, with sales exceeding ¥100 billion and operating profit rising strongly.

## Growth in Southeast Asia and Oceania

**Over 100 stores in SE Asia and Oceania.  
Expand competitive ranges to suit each  
country and their differing seasons.**



Store network at end August 2015  
Southeast Asia & Oceania: 108 stores  
(+28 stores y/y)



UNIQLO Macquarie, Sydney, Australia



In Southeast Asia and Oceania, we have expanded our network to over 100 stores. We are also increasing the number of competitive products on offer to suit each individual country and their differing seasons.

# Challenges at UNIQLO USA

## Profit-boosting Strategies

- **Firmly focus the resources of the entire Group on the US market, as a priority. Send experts in UNIQLO management and operations to spearhead the sweeping transformation of UNIQLO USA management and store operations.**
- **Launch new marketing. Creative director, John C Jay, places new newspaper ads, starting from fall 2015.**
- **Boost UNIQLO brand awareness with opening of Chicago flagship store in Midwest on October 23, 2015.**
- **Use scrap and build to boost profitability.**
- **Reduce annual store openings. Open large-format and global flagship stores in exclusive urban locations.**
- **Review online product mix to further boost e-commerce sales.**



Chicago flagship store (CG)

End Aug. 2015

North America: 42 stores

(+17 y/y)

Next, I would like to talk about the challenges at UNIQLO USA. We have decided to firmly focus the resources of the entire Group on the US market, as a priority.

This will mean sending expert UNIQLO managers to spearhead a sweeping transformation of UNIQLO USA management and store operations.

We are also launching a new style of marketing for the US market. Creative director John C Jay has already launched new advertising from Fall 2015.

We also hope the opening of our Chicago flagship store, the first UNIQLO store in the Midwest, on October 23, 2015 will help boost awareness in the United States.

We intend to employ our scrap and build strategy of replacing poorly performing stores with new stores in more profitable locations to help boost UNIQLO USA profitability. Going forward, we will reduce the number of new store openings per year and focus instead on opening large-format and global flagship stores in prime urban locations. We are also conducting a comprehensive review of our online product mix to further boost e-commerce sales.

# UNIQLO New York Times Ad

## Dear America,

This country is a place where, if you have something great to offer, you will be embraced. I believed that in 1984 when I opened the first Uniqlo store in Japan with the dream of one day bringing my new idea to the United States. And I believe it even more today, as we open our newest stores in Boston, Chicago, and Seattle. There is a pioneer spirit in this country—optimistic, restless, entrepreneurial and ambitious. That spirit is our spirit too.

Even our name, Uniqlo, a shortened form of Unique Clothing Warehouse, comes from our core belief that clothes, as much as they need to be useful and durable, should also be remarkable. They should be fun, easy, never boring.

We call this LifeWear, simple apparel with a not so purpose: to make your life better. LifeWear is both and very much of the moment. It is style and it is fit. It embraces classic concepts and it inspires us to innovate fabrics, in fit, in everything. LifeWear is remarkable made to be worn everyday, because everyday is what truly lived.

So we invite you to please visit us and discover how LifeWear can help you express your particular style to the world. And, rest assured, if you like our clothes they will be even better tomorrow.

Sincerely yours,

*Tadashi Yanai*

Tadashi Yanai  
Founder, Chairman, & CEO

### This is LifeWear.

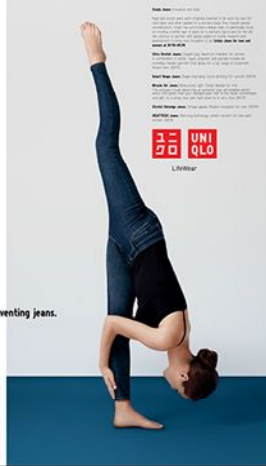
Specialized fabric of the time and for the time. Designed with our advanced range of fabrics, quality and durability in the same way. Never boring. Made with our unique Japanese fabric technology. Made to be affordable and available to all.

It never stops being important because your life never stops changing. To create clothes with a total lifestyle. To make your life better.



# ReJean

We're reinventing jeans.



LifeWear  
Simple Made Better



(August 2015)

This is the new UNIQLO advertisement that ran a few times in the New York Times in August.

# UNIQLO Europe

## Good rise in business profit

- Continue to open new stores in major cities
- First store in Belgium opened on October 2, 2015
- Boost sales space and brand image with sweeping refurbishment of 311 Oxford Street global flagship store in London. New store set to open Spring 2016.



UNIQLO Europe reported a favourable increase in business profit in fiscal 2015. We continued to open new stores in major European cities, with our first UNIQLO store in Belgium (Antwerp) opening for business on October 2, 2015.

We are hoping to further boost UNIQLO's brand image with the scheduled opening of our bigger, better 311 Oxford Street global flagship store in spring 2016.

## Community-focused store management

**Fostering community-focused stores, by embracing flexible employment practices and ways of working, supporting loyal local-store employees with deep local ties.**

- **Approximately 10,000 local-store employees (Aug. 2015)**
- **Introduce 4-day work week for local-store employees (Oct. 2015)**



UNIQLO Kichijoji global hotspot store 14

Next, I would like to talk about our growth strategy for UNIQLO Japan, which involves the development of a community-focused store network, managed by local store staff.

I want to encourage this shift towards a community-focused store network by adopting a flexible approach to working systems, encouraging diverse working styles, and increasing the number of long-time local-store workers with deep local ties.

We had increased the number of local-store employees to approximately 10,000 by the end of August 2015, We are also introducing a 4-day work week for local-store employees from October to support flexible work patterns.

## Reforming our Supply Chain

### Building a world-class supply chain

#### Design

#### **Top-class global product development**

In addition to Tokyo, NY and Shanghai, set up full-fledged R&D centers in Paris, London and LA.

#### **Show determined fashion leadership**

Stronger product development inspired by latest mass trends, and backed by effective marketing.

#### Production

#### **Develop better products using highly functional materials**

Strengthen partnerships with Toray Industries and suppliers of natural materials, etc.

#### **Optimal global production network**

Reduce lead time on additional production orders.

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The next future strategy involves the building of a world-class supply chain.

We are setting up new R&D centers in Paris, London and Los Angeles to complement our current centers in Tokyo, New York and Shanghai, and to help ensure world-class product development.

I also want us to display a more determined fashion leadership. We can do this by developing strong products that capture the latest mass trends, and effectively conveying our brand and marketing messages to customers.

On the production front, to enhance our ability to develop new attractive products made from highly functional materials, we need to further strengthen working partnerships with Toray Industries and suppliers of natural materials.

Finally, we are forming an optimal global production network in order to reduce lead times on additional production orders.

## New Industry Collaboration

**Shape new industry by working with different firms to develop new technology, revolutionary services**

<b>Daiwa House</b>	<b>Building next-generation distribution systems in Japan</b>
<b>Accenture</b>	<b>Develop new system to seamlessly operate planning, manufacturing, distribution and retail. Hiring and training of IT personnel.</b>
<b>Convenience stores</b>	<b>Exploring various convenience-store based services and commercial opportunities.</b>

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Next, I would like to tell you a little bit more about some projects we are working on with companies from different industries. The aim is to use these projects to develop new technologies and revolutionary services that will ultimately help to shape an entirely new industry.

First, we are working with Daiwa House to create next-generation distribution systems in several locations around Japan.

We plan to work with Accenture to develop new systems that can operate all processes simultaneously from planning through manufacture, distribution and retail. We are also looking to work together on the hiring and training of IT personnel.

We are also exploring the possibility of developing various new services and commercial opportunities based in convenience stores.



## Creating a new industry

**Build systems that simultaneously connect and direct all processes through the internet from planning, to production, distribution and retail.**

- **Ensure fast, appropriate production volume by creating virtual samples of new designs, checking, revising and sending them for production through one simultaneous, seamless operating system.**
- **Use two-way digital communication with customers to clearly grasp consumer needs and swiftly develop unique new products.**
- **Enable customers to buy exactly what they want anywhere, anytime, instantly. For instance, a customer could order something in a physical store and have it delivered to their door.**
- **Ultimately, send orders for products that customers want directly to factories, and rapidly produce and deliver them.**

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Moving onto our key strategy for digital innovation, we intend to create a system that can connect and simultaneously direct all processes online from planning to production, distribution and retail.

For example, this would enable us to swiftly produce the right amount of product by creating virtual samples of new designs, which would then be checked, revised and dispatched for production through one simultaneous, seamless online operating system.

We would also be able to use two-way digital communication to get a clearer idea of exactly what customers need, and then be able to rapidly develop unique new products to satisfy those needs.

Digital innovation would enable customers to buy the exact thing that they want on the spot, and they can do it instantly, anywhere, anytime. For instance, a customer could order something in a physical store, and then have it delivered to their door.

Ultimately, we would be able to send orders for the products that customers want directly to factories, rapidly produce them, and swiftly deliver them.

# Expand global e-commerce business

Targeted contribution to total sales

**30 - 50%**

Transforming  
industry

**Approx.  
5%**



I want to use digital innovation to help expand our global e-commerce business.

That would mean expanding future e-commerce sales from the current 5% of total sales to between 30 and 50% of total sales.

Our e-commerce business will transcend industrial and national borders.

# UNIQLO Collaborative Collections

## Fall Winter 2015 Collaborations

INES DE LA FRESSANGE  
PARIS



The perfect wardrobe for women around the world who want to be themselves, feel good and look beautiful.

UNIQLO AND LEMAIRE



Everyday wear offering timeless elegance and choice fabrics.

CARINE ROITFELD

PARIS



A collection designed to bring out new beauty, and a new you.

photo by Anthony Maule

This slide gives you a glimpse of the attractive and innovative collaborative collections that UNIQLO is offering for 2015 Fall Winter.

For instance, our Ines de la Fressange collection offers the world's most elegant Parisian fashion to people all over the globe.

Our Le Maire collection offers minimalist, comfortable modern clothes. Made of choice fabrics, this collection represents timeless elegance.

And finally, our Carine Roitfeld collection offers sexy, feminine clothing for the charismatic, fashionable woman.

# UNIQLO and Disney



Disney and Uniqlo – a bigger collaboration begins!  
Every year marks a place to dream. The biggest collaboration between Disney and Uniqlo comes from a place of shared passion, offering a dream of magic to everyday life. It's about the joy of creating a better world for everyone. It's about the joy of creating a better world for everyone. It's about the joy of creating a better world for everyone.

## MAGIC FOR ALL

Offering dreams and delight for people worldwide through clothes, with Disney.



The MAGIC FOR ALL collaborative project between UNIQLO and Disney offers dreams and delight for people worldwide through clothes.

## Target strong growth, globalization

### Operating profit close to tripling in FY2015

Year to August 31, 2015

Revenue: ¥141.5bln (+31.6% y/y),

OP: ¥16.4bln (+174.9%)

\* IFRS-base

- **Create dominant Japan store network over medium term**
- **Accelerate Asian store openings, starting in China and Taiwan**
- **Medium-term targets: Sales ¥300bln, operating profit ¥40bln**



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Next, I would like to talk about our strategy to further boost growth at GU, and also expand the brand's reach in markets outside of Japan.

In fiscal 2015, GU operating profit nearly trebled to ¥16.4 billion.

Over the medium-term, we plan to create a dominant GU store network in Japan.

We will also start to build up GU's global presence by accelerating GU store openings in Asia, starting with China and Taiwan.

We have set ourselves the target of achieving GU sales of ¥300 billion yen and operating profit of ¥40 billion over the medium term.

## Reinvent affordable luxury brands

**Encourage affordable luxury brands to showcase their own individual DNA.**

**Use FR, UNIQLO platforms and business processes to rapidly develop each brand into a one-billion dollar business.**



Theory



J BRAND

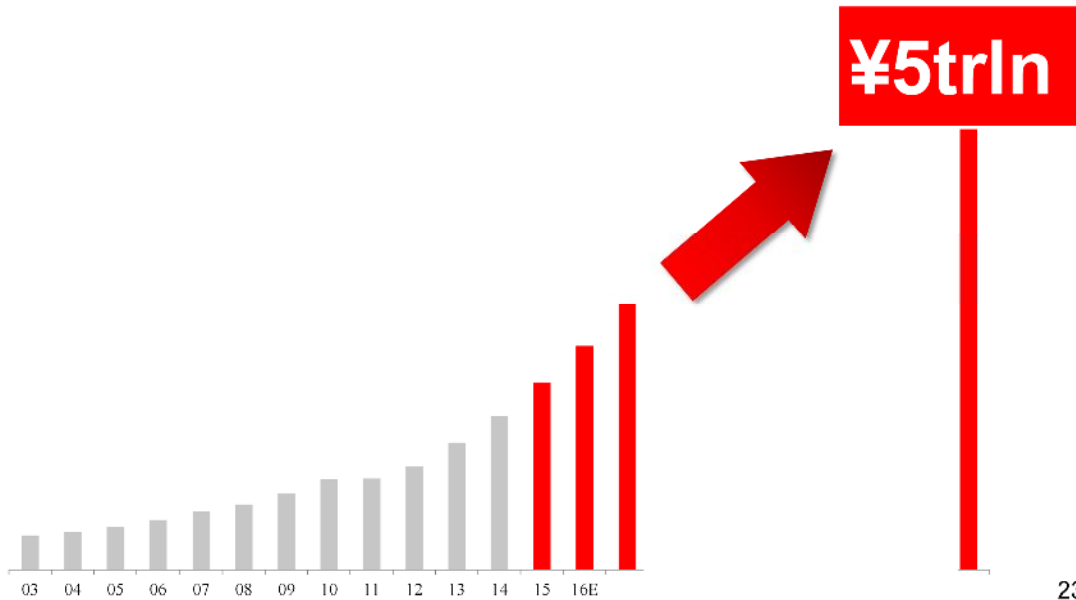


COMPTOIR DES COTONNIERS

PRINCESSE tam•tam  
PARIS

We intend to encourage our Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand affordable luxury labels to showcase their own individual DNA. Meanwhile, we will use Fast Retailing and UNIQLO platforms and business processes to rapidly develop each brand into one-billion dollar businesses.

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



Fast Retailing has set itself the significant task of attaining Group revenue of ¥5 trillion and operating profit of ¥1 trillion over the medium-term. Our ultimate goal is to see UNIQLO become the No.1 brand in markets around the world.

## The “10 Million Ways to HELP” all-product recycling project **Collect 10 million items from staff and customers in Fall Winter 2015**

**Donate more clothes to the world’s 60 million refugees and displaced people through our long-standing partnership with United Nations High Commissioner for Refugees (UNHCR)**



Finally, I would like to introduce one of our most recent CSR activities.

As part of our All-Product Recycling Initiative, we launched the “10 Million Ways to HELP” project in October 2015. The aim of this project is to collect 10 million items of quality second-hand clothing from customers and our employees.

This would enable us to donate more clothes to the world’s 60 million refugees and displaced people through our long-standing partnership with United Nations High Commissioner for Refugees (UNHCR).



# **Fast Retailing's Corporate Mission**

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

I would like to leave you this with reminder of Fast Retailing's corporate mission.

Changing Clothes. Changing Conventional Wisdom. Change the world.

Thank you.