

New UNIQLO store development in Japan

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My name is Naoki Otoma and I am responsible for new store openings at UNIQLO in Japan.

I would like to talk to you today about our approach to new store openings at UNIQLO going forward.

Our Chairman Yanai spoke recently at our business strategy conference on our large-format store strategy for UNIQLO in Japan. And I would like to talk today about that strategy in a little more detail.

UNIQLO store development

Large stores clear initial profitability criteria...

		Average floor Area	New stores per yr		Monthly sales per 3.3sqm	Evaluation
			2005/9*	2006/9**		
Large-format stores		1650sqm	20	40 stores	¥250,000	
Standard stores		660sqm	50 stores		¥250,000	
Small-format	Ekinaka (station)	165sqm	100	20 stores	¥700,000	
	Specialty				¥500,000	

* Figures first announced at the 2005 business strategy conference
 ** Figures first announced at the 2006 business strategy conference

...well located small stores also doing well

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When talking about new store development at UNIQLO, we mentioned our vision a year ago for sales of 1 trillion yen, and we have spoken of our intention to focus on large-format stores and specialty stores in the future. Drawing conclusions on these points from our experience over the past year, I can say that the commercial performance of our large stores has convinced us that we are on the right track, and we are now looking to accelerate new large store openings going forward.

On our small-format stores, we already have over 10 UNIQLO ekinaka or ekichaka UNIQLO stores in and around railway stations. These stores have also proved successful and so we will be looking to develop them aggressively going forward as with our large stores.

However, we were not able to fully meet the initial targets set for average monthly sales of ¥500,000 at our specialty women's wear and kids wear stores. Therefore, we have decided instead to prioritize the improvement of profitability at our existing stores for now.

Large-format stores

Large stores achieve average ¥250,000 sqm/month

Store name	Location	Sqm	Opened	Store type
Shinsaibashisuji store	Chuo-ku, Osaka	2,150	2004/10/9	Urban roadside
Kuzuha Mall store	Hirakata, Osaka	1,815	2005/4/14	Suburban SC
Ito-yokado Musashisakai store	Musashino, Tokyo	1,650	2005/7/1	Suburban SC
LALA Garden Tsukuba store	Tsukuba, Ibaraki	1,650	2005/10/1	Suburban SC
Ginza store	Chuo-ku, Tokyo	1,500	2005/10/7	Urban roadside
Mina Tenjin store	Fukuoka city, Fukuoka	1,980	2005/10/29	Commercial facility
Kasugai store	Kasugai, Aichi	1,650	2005/12/2	Roadside

Up until now we have focused heavily on the profitability of any new large store opened, and as you can see here, we opened stores in a broad variety of locations.

Average monthly sales at the 7 large stores opened by the end of August 2006 cleared ¥250,000 per tsubo, or 3.3 square meters. And we concluded that the stores had surpassed the basic standards we had set in order to determine whether we should go ahead with further large store openings.

There were some individual stores that fell short of the ¥250,000 target. However all of the stores achieved our profit targets and are operating in the black. Therefore, we will be looking to accelerate large store openings going forward.

Large store opening plans

Accelerate large store openings

Period	New stores per yr	Total stores
Yr to Aug 05	3 stores	3 stores
Yr to Aug 06	4 stores	7 stores
Yr to Aug 07	20 stores planned	27 stores
Yr to Aug 08	40 stores planned	67 stores
Yr to Aug 09	40 stores planned	107 stores
Yr to Aug 10	40 stores planned	147 stores

Given the results that I have just talked about, and in line with the announcement from our recent business strategy conference, we are now planning to open more large stores at an even faster speed than initially planned.

We are planning to open 20 large stores in the year to August 2007, and then to accelerate that pace to 40 stores from the year to August 2008. By the year to August 2009, we will be looking to have over 100 large stores already in operation.



Why large format stores?

By developing and displaying products to the standard for large stores, we can make our stores more attractive and expand our customer base.

- **Stronger product lines, more attractive stores**
 - Expand women's garments
 - Increase inventory of focused garments, suggest new mixes
- **Expand new customer base**
 - Boost UNIQLO brand image through visual merchandising (VMD) and suggested coordinates.

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I would once more like to go over just why we are favoring large format stores. One point is that if we develop and display our products to the standard required for large stores, then we can create product lineups that are more attractive to our customers and therefore expand our customer base.

We have been strengthening our women's wear garment lines for the past 3 years. However, compared to other sales displays around the world, UNIQLO still has a high proportion of men's clothing. There is still plenty of room for expansion and growth in our women's wear lines.

Furthermore, with more shop floor space, we will be able to expand our product development space, increase store inventory of top-selling or promotion items and suggest garment coordinates that we were not able to display in the past. We are aiming to use this as an opportunity to expand sales.

In addition, rather than competing simply on price, we will be looking to add elements of quality and design that would be well received the world over. We will be using visual merchandising and proposing new coordinates all to make the clothes in our stores easier to browse and easier to buy.

We shall be aiming to boost the UNIQLO brand image through our new shop displays, and, in so doing, attract new customers to our stores who would not have previously bought their clothes at UNIQLO.

New large store locations

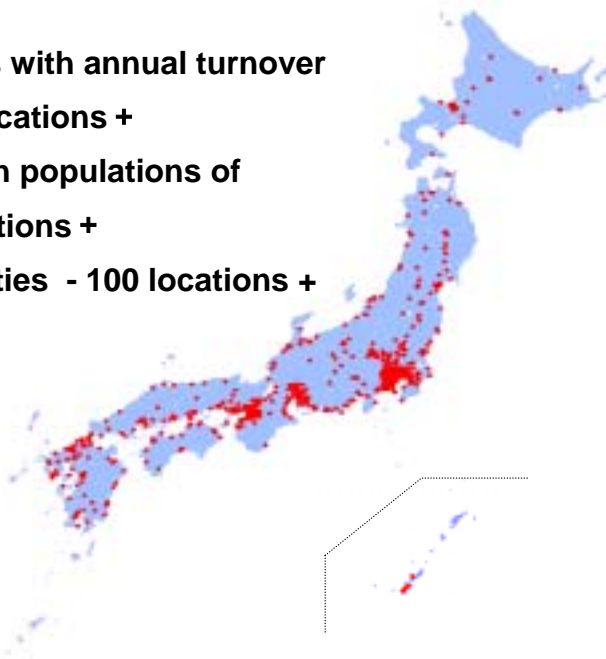
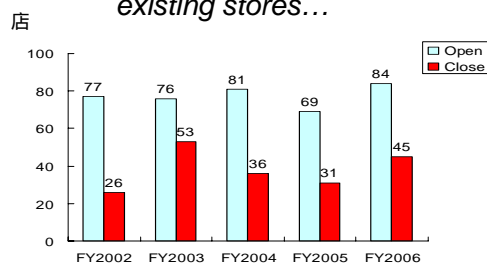
Several 100s potential large store locations

Large commercial facilities with annual turnover of ¥20bln or more - 200 locations +

Administrative regions with populations of 300,000 or more – 60 locations +

Government designated cities - 100 locations +

Aggressive scrap and build of existing stores...



Having said that however, I'm sure you are all wanting to ask if there are so many places where we can open large stores. Our internal planning suggests that there are several hundred prospective locations across the country suitable for large store openings.

One of the main target points for a new large store location would be that it is housed in large commercial facilities with annual turnover of over ¥20 billion. There are already over 200 sites across Japan where such large commercial facilities are operating and new ones are coming into operation all the time.

Another target for our suburban stores is a minimum population of 300,000. There are about 60 administrative regional cities that suit these criteria across Japan.

Next, we would be actually focusing on urban areas and government designated cities. If we combine the government designated cities together with the market population criteria, then there are around around 100 locations across the country that would be suitable including 11 government designated cities. Therefore, in total, we could envisage a rough figure of between 300 and 400 potential locations for large UNIQLO stores in Japan.

However, it would be untrue to say that such a move would have an impact at all on our existing 700 stores. Therefore, in areas where a large store might be appropriate, we would look carefully at efficiency of sales and profits and conduct an aggressive scrap and build policy in order to prioritize the building of more attractive store.

Pattern for store openings

1. New shopping centers

Lazona Kawasaki store, Lala Port Toyosu store

2. Tenant change with refurbishment of existing SC

Kuzuha Mall, Ito-yokado Musashisakai, LALA Garden Tsukuba stores

3. Develop roadside stores

Kasugai store

4. Tie-up with other industries such as home centers

Homes Kasai, Homes Soga, Shimachu Sagamihara Stores,

5. Urban high-street stores

Ginza store, Shinsaibashisuji store

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In terms of just what kind of stores we might open, we have five basic patterns.

First of all, come the newly constructed shopping centers. This includes the Lazona Kawasaki store opened recently and new locations such as the LALA Port Toyosu store. Since these are new locations, while we do have to negotiate, it is naturally relatively easy to acquire space.

Next, we began opening stores last year in existing large shopping centers that were up for refurbishment. We are able to secure large spaces in these facilities as with our Kuzuha Mall and Ito-yokado Musashisakai stores.

The third pattern is the roadside store such as our Kasugai store.

Fourth, over the autumn and winter we will be looking to create business tie ups with different retail focused firms such as home centers and home electronics mass retailers. We are to open stores such as our Homes Kasai store and Yodobashi Umeda store.

Fifth, we will be looking to open urban high-street stores such as our Ginza store and Shinsaibashisuji store. While rents will be more expensive here, they are popular shopping areas and we would expect to do good business at such stores.

Large store opening plans

[Store openings planned for Autumn/winter 2006]

Store name	Location	Store type
Lazona Kawasaki	Kawasaki, Kanagawa	Suburban SC
AEON Dainichi SC	Moriguchi, Osaka	Suburban SC
LaLa Port Toyosu	Edogawa, Tokyo	Suburban SC
AEON Sapporo Hassan SC	Sapporo, Hokkaido	Suburban SC
Homes Kasai	Edogawa, Tokyo	Suburban SC
Homes Soga	Chuo-ku, Chiba	Suburban SC
Shimachu Sagamihara	Sagamihara, Kanagawa	Suburban SC
Kakogawa Nikke Park Town	Kakogawa, Hyogo	Suburban SC
Yodobashi Umeda	Osaka City, Osaka	Urban SC
Diamond City Carat	Kawaguchi, Saitama	Suburban SC

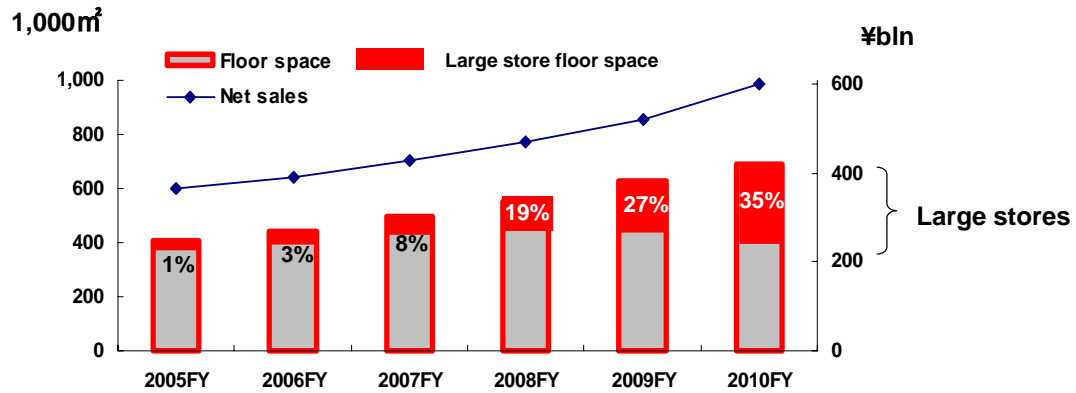
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We are planning to open 10 large-format stores over this autumn and winter as shown on this slide.

We are also planning to open a further 10 stores in the spring and summer of 2007. We have already completed contracts on half of those and so we are very confident that we can fully achieve our target for 20 new large stores during the year to August 2007.

Large stores: floor space

Large stores – growth driver from FY08



If we continue to focus on large-format stores and shop floors, then by the year 2010 we expect that roughly one third of our total sales floor space will constitute large stores.

As we move forward with our development of large-format stores, we will be focusing more on clearly increasing our store space rather than the total number of stores.



Station stores (ekinaka/ekichika)

Accelerate store openings near public transport hubs

[Existing ekinaka/ekichika station stores]

Store name	Location	m ²
Kiosk Shinjuku Shinminamiguchi	JR Shinjuku station, Tokyo	230
Kiosk Dila Ueno	JR Ueno station, Tokyo	66
Kiosk Tokyo Minamiguchi	JR Tokyo station, Tokyo	82
Kiosk Shibuya Chuo	JR Shibuya station, Tokyo	20
Kiosk Sakuragicho	JR Sakuragicho station, Kanagawa	200
Keio Crown Sasazuka	Keio Sasazuka station, Tokyo	66
Musashikosugi Minamiguchi	Tokyu Musashikosugi station, Kanagawa	110
Narita Airport	Terminal 1, Narita Airport, Chiba	190
Keihan Moriguchi	Keihan Moriguchi station, Osaka	110
Kansai Airport	Kansai International Airport, Osaka	105
Keihan Kyobashi	Keihan Kyobashi station, Osaka	45
JR Takatsuki	JR Takatsuki station, Osaka	105
Nagoya Esca	JR Nagoya station shopping avenue, Aichi	125
Kyoto Porta	JR Kyoto station shopping avenue, Kyoto	60

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Finally, as for ekinaka, ekichika outlets in and around railways stations and airport terminals that have been attracting much attention of late, we already have 14 stores mainly located in and around large railway stations.

These stores have generated much higher efficiency per square meter compared to our standard stores. We predict that future market trends will enable us to open more such outlets, and we will be looking to develop this area aggressively.

That completes this short explanation of our store opening plans at UNIQLO in the current year to August 2007 and beyond.

Thank you.