

January 8, 2010

## **Analysts' meeting Q&A**

### **Business results for the first quarter of fiscal 2010 (three months to November 2009)**

You can view text of the main questions asked on January 8, 2010 about our first quarter results for the three months to November 2009. Part of the content has been edited for the sake of brevity and clarity.

Q1: China and South Korea appear to be growth areas for you but could you give us a breakdown of the first quarter figures by country? In your results announcement (kessan-tanshin), the "Other regions" segment information generated a large rise in profit. Was that due to expanding profits in Asia and the USA?

A1: Toshihisa Tokunaga, Director, Corporate Management & Control – All regions in UNIQLO International performed well in the first quarter. We saw a comparable rate of increase to the Asian region even in Europe and USA where we did not increase store numbers. The segment in the corporate results (kessan-tanshin) that you mentioned is the basic overall rise and can be understood as the extent of rising profits at UNIQLO International overall.

Q2: UNIQLO Japan performed extremely well in the first quarter through November 2009 with the gross margin in particular outperforming with a rise of 1.1 points. Can you explain in more detail about the factors underlying this performance? Your slide mentions the fact that HEATTECH performed well early on. Does this mean that discounting on HEATTECH was low? Basically, was the markup ratio on HEATTECH high?

A2: Toshihisa Tokunaga, Director, Corporate Management & Control – As we mentioned in our slide presentation, there are three main reasons for the increase in gross margin at UNIQLO Japan. The first reason is strong sales of new autumn products launched at the beginning of the season, boosting same-store sales to comparatively high levels from September onwards. Secondly, HEATTECH sold well right from the start enabling us to keep discounting under strong control. Thirdly, there was little drag from offloading of summer inventory on the first quarter gross margin given that summer stock had been offloaded early in the previous quarter through August 2009. Relating to your question on mark up ratio and discounting, basically there was no great difference in mark up ratios for any of our products, so the improvement in gross margin came entirely from the fact that sales were strong, restraining the need for discounting.

Q3: You revised up your full-year expectations for UNIQLO International but which areas in Asia and Europe are generating these revisions? Does this upward revision reflect only the actual out-performance in the first quarter or are you revising up your predictions for the full year as a whole?

A3: Toshihisa Tokunaga, Director, Corporate Management & Control – We are revising up our forecasts for both sales and operating income for nearly all countries in which we have operations since all countries performed well in the first quarter. Our Paris global flagship was particularly strong. In terms of our upward revision, this reflects in part the strong performance in the first quarter, but we have also increased second-half estimates based on expectations for further increases in the future. Therefore, this upward revision reflects expected performance for the business year as a whole.

Q4: On new store opening plans at UNIQLO International, the addition of 10 new stores in China in the first quarter appears to be in line with your plans. Is there any chance that new store openings could exceed your initial estimates going forward?

A4: Toshihisa Tokunaga, Director, Corporate Management & Control – New store openings have proceeded as planned so far. We expect second-half store openings through August 2010 to also proceed to plan.

Q5: How did same-store sales at UNIQLO International perform in each individual region? How do these rates of increase compare with UNIQLO Japan?

A5: Toshihisa Tokunaga, Director, Corporate Management & Control – All of our overseas areas generated double-digit growth in same-store sales. Some areas reported even higher sales growth than in Japan. We believe that increased brand visibility thanks to the Paris global flagship opening and the launch of the +J collection contributed greatly to this stronger performance.

Q6: Your company estimate for UNIQLO Japan gross margin seems to decline slightly on a year-to-year basis in the second quarter from December 2009 to February 2010. Do you envisage factors such as discounting, in the second quarter that might dampen gross margin?

A6: Toshihisa Tokunaga, Director, Corporate Management & Control – There are various factors at play here – shortages of winter stock along with tougher market conditions and bargain sales in January and February. However, gross margin in the month of December has achieved the previous year's level.

Q7: Your format for net sales by segment in your corporate results (kessan-tanshin) has changed, showing a new split between men's and women's wear. Can you tell us the reason for this change, and can you give us the figure for the innerwear segment as previously announced including the year-on-year increase?

A7: Toshihisa Tokunaga, Director, Corporate Management & Control – To date we split the data into men's, women's and innerwear. However, given that we now have similar products in the men's, women's and innerwear categories, it no longer made sense to have a separate innerwear segment. I don't have an exact figure for how the formerly announced innerwear segment grew over the quarter, but given that one key product there, HEATTECH, saw domestic retail volumes increase from 27 million last year to 47 million this year, this might give you a good idea of the segment's expansion.