

Analysts Meeting Q&A

This is the text of the main questions and answers posed at the July 8, 2010 analysts' meeting covering the third quarter results to August 2010. Part of the text may have been edited or revised for the sake of brevity and clarity.

Q1: With respect to the inventory of UNIQLO Japan, you explained that the spring items increased by ¥5 billion year on year as of the end of May. Are you planning to sell them in the fall season?

A1: Onishi CFO: Yes. Since the spring items in inventory are basic items, we will put them back on sale from this fall onward.

Q2: With respect to UNIQLO Japan in the third quarter, you explained that there were shortages of popular items. Do you plan to increase the production of popular items, such as SILKY DRY and SARAFINE functional innerwear?

A2: Onishi CFO: We have already arranged to increase production of these items to the extent possible.

Q3: You have revised downward your forecast for the fiscal year. As a result, it seems that your fourth-quarter operating income will decline on year and year. How do you see your prospects for next year?

A3: Onishi CFO: We cannot say much about our forecast for the next fiscal year at this time, however we can tell you that we are basically intent on increasing both sales and profit.

Q4: Please tell me why you don't try harder to boost sales at UNIQLO Japan. In the analysts meeting in April, President Yanai said that he wanted UNIQLO Japan to sell more. However, looking at the results of the third quarter, you seem to be too preoccupied with maintaining your gross profit margin. Why didn't you try harder to sell more products?

A4: Onishi CFO: We are always trying to sell more. When a product needs to be discounted, then we discount it. At the same time, we don't unnecessarily discount items that can be carried over to the fall season.

Q5: You said that there were marketing issues in part to blame for your drop in same-store sales. What specific issues are you referring to and how do you plan to address these issues?

A5: Onishi CFO: As I explained using the slides, we did not adequately communicate the value and superior function of our campaign products to our customers. Moving forward, we will learn from this and plan to run effective promotional and advertising campaigns from this fall onward.

Q6: I believe that UNIQLO marketing has historically done a very solid job of conveying the value of your products. Why do you think that you were unable to do so this past quarter?

A6: Onishi CFO: We tried to convey a global brand image in the spring/summer advertising campaigns. In doing so, the individual appeal of each item was not sufficiently communicated to customers. In light of this, we need to work on establishing a brand presence over the mid and long term and we want to address how to find a better balance between promoting individual products and our overall brand.

Q7: Have you noticed any change in consumer trends?

A7: Onishi CFO: I am frequently asked this question, but I cannot say that I have noticed any particular changes in consumer trends.

Q8: I believe that every year UNIQLO Japan has been moving up the timing that it releases new lines for each season. Has the timing of your product release for this fall/winter season been moved forward as well?

A8: Onishi CFO: No. The timing of our release of new products for this fall/winter season should not differ from that in previous years. It's actually the same as the previous year.

Q9: I have a question regarding the overseas opening of UNIQLO stores. In the analysts meeting in April, you explained that it was not easy to accelerate the new store openings due to recruiting issues in China. Please tell us the number of new stores you plan to open in China, or if that is not possible, then in Asian in the next fiscal year.

A 9: Onishi CFO: At this time, we cannot talk specifically about the number of new stores to be opened overseas in the next fiscal year. In terms of hiring store managers, we plan to increase the number of local recruits. And in terms of the post-hiring training, we are currently actively discussing and designing a new training program for these employees.

Q10: You said in your presentation that you started paying rent for the property on New York's Fifth Avenue from the second half of this fiscal year. When will this store open?

A10: Onishi CFO: We have not decided on the opening date for the store on New York's Fifth Avenue, New York. As might be expected, we would like to open it as soon as possible.

Q11: Will it not be difficult to keep ¥990 jeans in your product lineup when the procurement costs for g.u. start to rise in step with the increases in the foreign exchange rate, Chinese labor costs and cotton prices?

A11: Onishi CFO: Currently, we are not aware of any particular impact on our prices from the rise in Chinese labor costs or cotton prices. Going forward, not only g.u. but also UNIQLO will have to keep an eye on the movement of the yuan.

(End)