

Analyst Meeting Q&A

Business results for the nine months through May 2011

Below are excerpts from our analyst meeting on July 14, 2011. The following text, which was edited for the sake of brevity and clarity, includes the main questions asked about our business results for the third quarter of fiscal 2011, or the nine months through May 2011.

Q1: Sales and operating income at UNIQLO Japan fell short of target in the third quarter from March through May 2011. How did UNIQLO International and Global Brands perform in relation to your recent estimate?

A1: Nobuo Domae, Group Executive Vice President – Performance at both our UNIQLO International and Global Brands operations was on target in the March to May quarter. It was the negative performance at UNIQLO Japan which knocked performance below target on a consolidated basis.

Q2: I understand that the rise in raw material costs knocked 1.7 points off the gross profit margin for UNIQLO Japan in the March to May quarter. How do you envisage rising raw materials' costs impacting the coming fall/winter and spring/summer seasons?

A2: Vice President Domae – We have already established the price of raw materials for the 2011 fall/winter season and we know that prices will continue high for that season. As for the 2012 spring/summer season, we are in the process of designing and determining the season's ranges, and therefore we have yet to determine the full cost of raw materials.

Q3: Given that raw materials' costs have continued to rise over the 2011 fall/winter season, are you planning to make any changes to your pricing policy? If you decide to leave prices unchanged, will you be even more severely affected by the rising cost of raw materials?

A3: Vice President Domae – We want to do everything we can to avoid increasing the price of our clothing. The impact of rising raw materials' costs also depends on the price of the individual item. All I can say at this point in time is that raw material costs in the first half of fiscal 2012, the six months from September 2011 through February 2012, will be similar to those in the second half of fiscal 2011, from March through August 2011.

Q4: You said that, within the UNIQLO International category, Asia performed particularly strongly in the third quarter while operations in the U.K. and Russia fell short of plan. What are the underlying causes here?

A4: Vice President Domae – Our second and third stores in Russia, opened between fall 2010 and spring 2011, have not performed well and this is the reason why overall performance has been extremely poor there. In the U.K., we had expected the considerably strong growth in sales per store experienced last year to continue this year. However, sales have instead held steady in terms of year-on-year growth and therefore performance fell below our initial

estimate.

Q5: You have already liquidated a large portion of spring inventory in the third quarter through May 2011, so is inventory now at an appropriate level?

A5: Vice President Domae – Inventory of spring goods was extremely high last year. However, we have already liquidated spring inventory for this year, including a portion carried over from last year. Therefore, inventory is now at an appropriate level.

Q6: UNIQLO International is performing extremely well, but you have revised down your estimates a fraction for new store openings in South Korea and in China. For instance, you were predicting 14 new stores in South Korea and now you are planning 11 new stores in fiscal 2011. Can you tell us what is happening there? Is there anything to suggest a change in your plans for new store openings worldwide?

A6: Vice President Domae – The timing of new store openings is determined by when and whether we can secure a particular site, and we have revised down our estimates for new store openings for this reason. It does not signal any change in our aggressive approach to new store openings at UNIQLO International.

Q7: Can you break down the extraordinary loss of ¥0.79bln accounted in the third quarter in relation to the March 11 earthquake and tsunami?

A7: Vice President Domae – Damage to stores and stock accounted for approximately ¥0.2bln. The remainder relates to monetary donations and donation of physical goods for disaster relief. You can conclude from this that the direct damage to our stores from the March 11 earthquake was not great.

Q8: How far short of target was the gross profit margin at UNIQLO Japan in the March to May quarter, and do you expect the gross margin to improve in the June to August quarter?

A8: Vice President Domae – The gross profit margin at UNIQLO Japan came in 0.7 point below our most recent estimate in the third quarter. You can read more details on this in Slide 8 of our latest explanation of financial results. In March to May 2010, minimum discounting generated a stronger gross margin. We expected discounting would return to normal levels this year, and therefore we had already incorporated a fall of 0.6 point in the gross margin for the March to May 2011 quarter. However, the actual margin contracted even further than originally forecast as the March 11 earthquake adversely affected sales and necessitated greater discounting of spring goods. Conversely, in the fourth quarter of fiscal 2010, we discounted prices considerably leading to a deterioration in the gross margin. By comparison, we expect the situation to return to normal in the fourth quarter of fiscal 2011.

Q9: How greatly did the March 11 earthquake impact operating income at UNIQLO Japan in the third quarter? Would operating income have posted a year-on-year gain if the

earthquake had not occurred?

A9: Vice President Domae – We have not issued a particular figure totaling the adverse financial impact on our business from the March 11 earthquake. We did announce a decline in same-store sales in the months of March and May. However, sales didn't fall by that much, and it was more the increased discounting of spring garments which knocked profit levels lower.

Q10: Given the fact that overall performance in the third quarter fell short of your forecasts, have you made any changes to your estimates for gross profit margin or business expenses in the fourth quarter from June to August 2011?

A10: Vice President Domae – The gross profit margin did fall below target through May 2011, but the fall in operating income of ¥1.0bln in the March to May quarter was not significantly large. We are only two weeks into July but sales have proved strong so far and so we do believe we can regain the income lost in the third quarter in the fourth quarter.

Q11: Can you give us some more details about performance at your Princesse tam.tam and Theory operations?

A11: Vice President Domae – First on the Theory operation, performance in the United States has been simply outstanding. Performance at Theory in Japan and Princesse tam.tam has been fair and in line with target. On the other hand, our French women's fashion label, Comptoir des Cotonniers, has been struggling somewhat of late. Market conditions are not particularly good at present in France where our Comptoir des Cotonniers and Princesse tam.tam labels are being developed. We believe that now is the right time to build a firm infrastructure there, and then look to open more stores for each brand. We will likely close down the older-style, small stores to make way for larger stores.

Q12: Can you tell us why sales of women's wear at UNIQLO Japan contracted in the March to May quarter? Did you have too many different products on offer?

A12: Vice President Domae – Our women's wear items continue to fare less well. As we have mentioned in the past, we have reduced the number of designs and we are beginning to see the positive benefits of that. We think these benefits will show through even more clearly in the 2011 fall/winter season.

Q13: Why will this be the last fall/winter season for your +J Collection?

A13: Vice President Domae – We have achieved what we set out to do with the +J Collection, namely to create clothes with a new level of finish that carve a new future, and that is why the collection will be brought to a close this fall/winter season. We will continue to collaborate with budding designers and different brands in the future. However, we have no plans at this stage to enter into another firm, tight-knit collaboration similar to the +J example.