

# **“Global is Local, Local is Global”**

**Aiming to become a truly global company**

**Tadashi Yanai**

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**Fast Retailing Co., Ltd.**

**Chairman, President & CEO**

I am Tadashi Yanai, Chairman, President and CEO of Fast Retailing. Today, I would like to talk to you about our corporate management and aspirations, and highlight some of our recent activities.

## Our Current Aims

- 1. Transform UNIQLO into a truly global brand.**
- 2. Make the Fast Retailing Group a global company.**
- 3. Develop UNIQLO Intl. as the engine of FR growth.**
- 4. Instigate sweeping changes at UNIQLO Japan.**
- 5. Actively expand GU as 2nd mainstay business.**
- 6. Make Theory, CDC, PTT, J Brand global brands.**
- 7. Use clothes to improve people's lives worldwide.**

As a company, our first and foremost aim is to transform UNIQLO into a truly global brand.

Second, we are also striving to make the Fast Retailing Group truly global.

We are also working to develop UNIQLO International as the major driver of growth at the Fast Retailing Group.

At the same time, we are looking to revolutionize our UNIQLO Japan operation by instigating sweeping changes in our store network and operating practices.

Further, we want to actively expand GU, as a second mainstay business.

Sixth on this list is our aim to develop other labels under the FR umbrella into global brands. These include Theory, Comptoir des Cottonniers, Princesse tam.tam, and J Brand.

Seventh is our desire to, as a company, improve lives worldwide through clothes.

# Transforming UNIQLO into a truly global brand

**“Global is local,  
local is global”**

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Our motto for 2014 is “Global is local, local is global.”

This underpins our efforts to transform UNIQLO into a truly global brand – a topic which I want to talk about in some detail today.

# Actively expand UNIQLO International

- **Positioning Greater China, South Korea and other parts of Asia as the drivers of Group growth.**
- **Starting to develop a full-fledged chain of stores in the United States.**
- **UNIQLO Europe picking up, heading onto stable growth path.**

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First, let me discuss our continued expansion of UNIQLO International. UNIQLO operations in Greater China, South Korea and other parts of Asia are proving the main drivers of growth within the Fast Retailing Group.

Our UNIQLO operation in the United States is beginning to develop into a full-fledged chain of retail stores across the country.

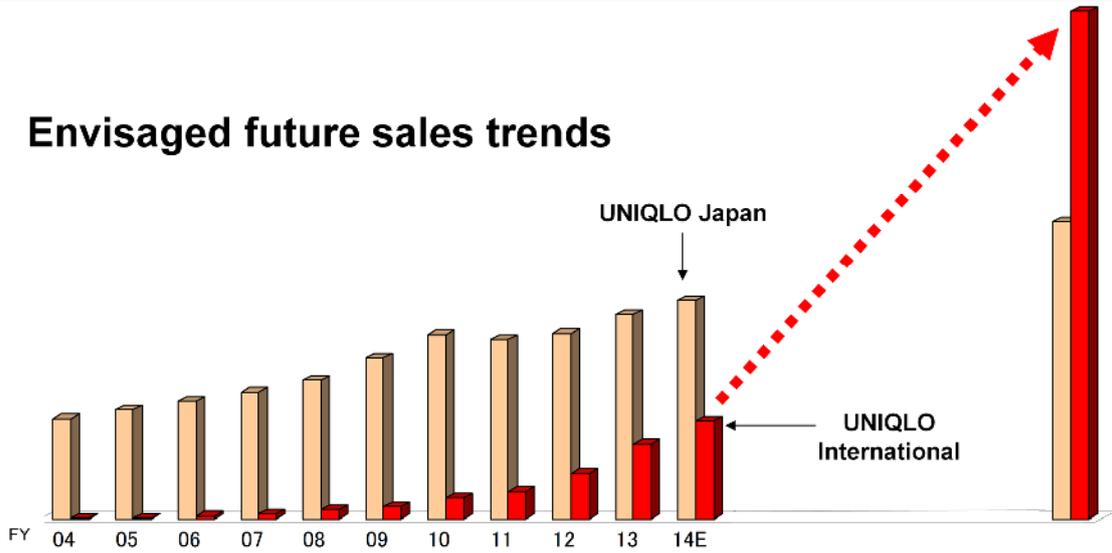
In addition, performance at UNIQLO Europe has started to improve, and we believe that operation is now shifting onto a stable growth path.

**Growth rapidly accelerating**

**FY2014 1H: Net sales UP 77.6% y/y**

**Operating income UP 75.1% y/y**

**Envisaged future sales trends**



UNIQLO International is experiencing a dramatic acceleration in growth, with sales in the first half of fiscal 2014, from September 2013 through February 2014, expanding by an impressive 77.6% year on year, and operating income expanding 75.1%. I believe the day will soon come when UNIQLO International sales far outstrip those of UNIQLO Japan.

## UNIQLO – the most talked about brand in the global market

**2013.9:** Shanghai global flagship store opens.

**2014.4.11:** First German global flagship store to open in Berlin.

**2014.4.16:** First Australian store to open in Melbourne.



**UNIQLO biggest global flagship store, Shanghai**



**First global flagship store in Germany**



**First Australian store, Melbourne**

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UNIQLO is one of the most talked about brands in the world right now.

UNIQLO's biggest global flagship store ever opened in Shanghai, in September 2013.

We are now set to open our first UNIQLO store in Germany on April 11, 2014 in Berlin. Geographically speaking, Berlin acts as a vital link between Eastern and Western Europe, and the opening of a UNIQLO store there is significant in extending our operational base in Europe.

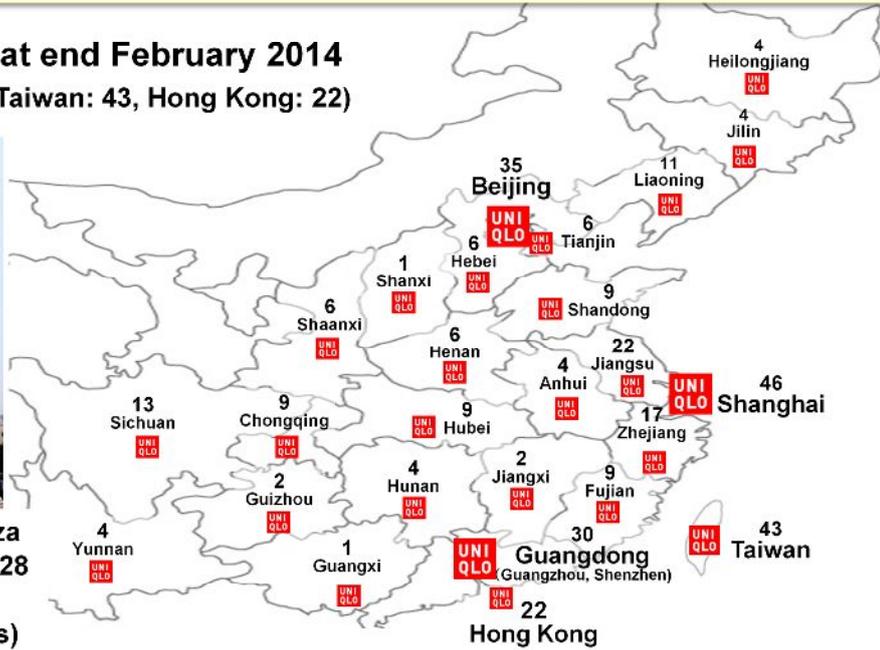
Then, later this month on April 16, we plan to open our first UNIQLO store in Australia, in Melbourne.

## Fast-growing Greater China network Expect 374 stores by end August 2014

**325 stores at end February 2014**  
(China: 260, Taiwan: 43, Hong Kong: 22)



**UNIQLO Victory Plaza**  
Store opened March 28  
in Guangzhou  
(4,500 square meters)



We continue to expand UNIQLO's store network across the Greater China region, encompassing Mainland China, Hong Kong and Taiwan, and we expect that network to reach 374 stores by the end of August 2014. The picture on this slide shows the UNIQLO Victory Plaza Store, opened at the end of March. This huge store, with a sales floor spanning 4,600 square meters, is UNIQLO's flagship for the South China market.

# UNIQLO in Greater China

**Open 80-100 stores annually to achieve initial aim of 1,000 stores, Ultimate aim: 3,000 stores**

Envisaged store development in Greater China



In the Greater China region, we are opening between 80 and 100 new stores every year, towards our initial target of 1,000 stores. Our ultimate aim is to develop a network of 3,000 stores in Greater China.

**Speed up store openings in SE Asia & Oceania. Open 1st Australian store April 16. Expand to 81 stores by end August**



I also want to expand UNIQLO’s presence in Southeast Asia and Oceania, by accelerating new store openings across both of these regions. Already, we expect our store network in Southeast Asia and Oceania to expand to 81 stores by the end of August 2014. The recent opening of our fourth store in Indonesia represents one more step towards achieving that aim.

# Start developing genuine retail chain Aim to become No.1 brand in U.S.

- **Establishing a strong team of American managers under CEO Larry Meyer.**
- **Losses contract sharply in FY2014 1H.**
- **Suburban in-mall stores opened in fall/winter 2013 – building a swift profit-generating business.**
- **Open 20-30 stores annually, for a network of 100 stores each on the East & West Coasts, within a few years.**
- **Develop dominant retail positions in Boston, Philadelphia and Los Angeles.**

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In the United States, we have starting building a full-fledged UNIQLO retail chain, and our aim is to become the number one brand in that country.

UNIQLO USA CEO Larry Meyer is establishing a strong team of American managers, and losses at UNIQLO USA were greatly reduced in the first half of fiscal 2014.

The success of the suburban in-mall stores opened in fall/winter 2013 shows that we are now able to develop a swift profit-generating business model in the United States.

Going forward, we plan to open between 20 and 30 stores each year as part of our target to build networks of 100 stores each on the East and West Coasts within a few years. We are also looking to develop dominant retail positions in the cities of Boston, Philadelphia and Los Angeles.

## Where clothes meet art SPRZ NY broadcasts from New York



- The entire 2<sup>nd</sup> floor of the UNIQLO New York Fifth Avenue Store was refurbished to host SPRZ NY, which opened on March 28.
- “SPRZ NY”, coined from “Surprise New York”, aims to do just that, by blending superior modern art and clothing in a fun, quirky way. The brand’s collaborative clothing art features Andy Warhol, Jean-Michel Basquiat, Keith Haring and other New York pop artists, up-and-coming artists, and works from the city’s Museum of Modern Art (MoMA).
- The Starbucks Coffee outlet opened in the UNIQLO NY 5<sup>th</sup> Avenue Store marks the first successful collaboration between UNIQLO and Starbucks. Now you can enjoy a coffee and SPRZ NY art at the same time.

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At the end of March, we opened SPRZ NY, at the UNIQLO New York Fifth Avenue Store. Short for “Surprise New York”, SPRZ is where clothes meet art.

Given that the UNIQLO New York Fifth Avenue Store is located near the city’s Museum of Modern Art (MoMA), as a first for a Japanese company, we had already been sponsoring the museum’s “Free Friday Night”, where people can visit the museum for free from 4pm on a Friday evening. We decided to build on this bond with the art world to broadcast collaborative clothes, featuring the modern masters Andy Warhol, Jean-Michel Basquiat and Keith Haring, along with other up-and-coming artists, and works from MoMA itself.

In addition, with SPRZ NY, a Starbucks Coffee outlet opened in the UNIQLO New York Fifth Avenue Store, marking the first collaboration between UNIQLO and Starbucks. Now you can enjoy a coffee and browse SPRZ NY art at the same time



**UNIQLO New York Fifth Avenue Store exterior**



**SPRZ T-shirt display**



Here are some of the latest images of the UNIQLO New York Fifth Avenue Store.

# Starbucks at New York Fifth Avenue Store



**Enjoy a Starbucks and browse the  
UNIQLO New York Fifth Avenue  
Store**



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Here you see the Starbucks Coffee shop housed within the UNIQLO Fifth Avenue Store, and the adjacent spacious area with tables – enabling customers to view UNIQLO clothes while sipping their coffee. This area is already proving extremely popular with New Yorkers.

## Sales and income rising

- **FY2014 1H: Sales and income up sharply in U.K., France and Russia.**
- **2014.4.25: Open store in Paris' fashionable Le Marais neighborhood.**
- **Ines collaboration a big hit in France.**

UNIQLO's collaboration with French fashion icon Ines de la Fressange, launched in March, proved instantly popular, with queues of several hours forming on launch day outside the UNIQLO Paris Opera Store!



The UNIQLO Le Marais Store will open in a historic building April 25, and promises a full line up of the Ines Collection.

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Moving on now to UNIQLO Europe, which reported rising sales and income in the first half of fiscal 2014.

In France, we plan to open a new landmark UNIQLO store in the fashionable district of Le Marais on April 25. Located in a former foundry, the new store will showcase this beautifully preserved historic site. It really is a beautiful store, and I would urge you to go and see it if you are ever in Paris.

UNIQLO's collaboration with the French fashion icon Ines de la Fressange has also proved extremely popular. Ines, a former epoch-making model who originally worked with Karl Lagerfeld at Chanel, is now a fashion designer.

# **Revolutionize UNIQLO Japan by instigating 180-degree changes**

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Now I would like to move on to UNIQLO Japan, where we are to introduce 180-degree changes across the board.

# Revolutionize UNIQLO Japan

## **Times have changed**

**People crave stability, in the face of an uncertain future.**

## **Change the way we work**

**People strive to grow, in their day-to-day life.**

## **Change the way we do business**

**Hire and train the best personnel, create an environment conducive to working for the long-term.**

**Create an elite framework to encourage stronger performance from individual stores.**

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I believe that times have changed in Japan, and people crave stability in the face of an uncertain future. People have also changed the way that they work, and seek fulfillment and growth in their day-to-day lives.

As a result, we need to change the way we do business, to make the most of this changing environment. We will be looking to hire and train the best personnel, and create a store environment which encourages long-term, dedicated commitment among employees. We aim to boost performance at individual stores by creating a more elite, locally-driven store framework.

**Transform UNIQLO Japan's former branding as a chain store into something new.**

**Enter the new community-based UNIQLO Japan group of local, individual stores.**



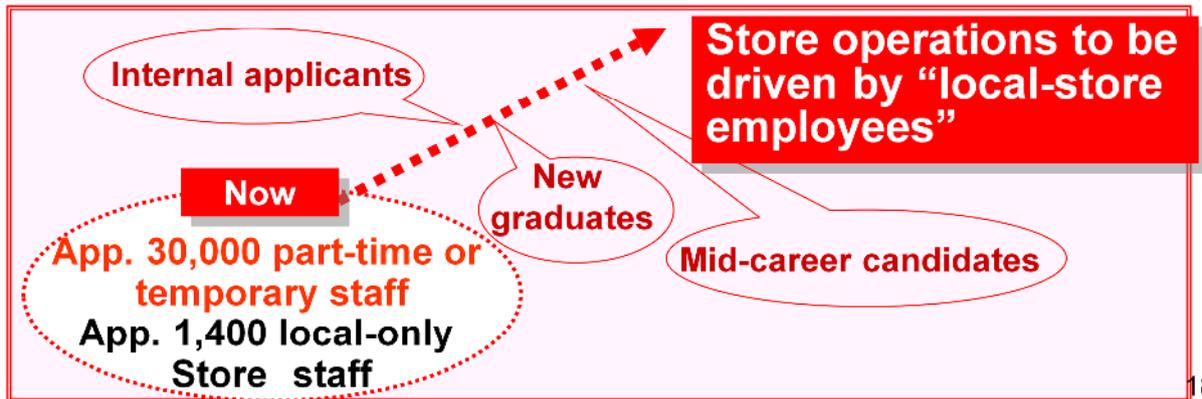
**Featuring “Local-store employees” where individual store managers and in-store staff create their own brand-building stores**

To date, UNIQLO Japan has been branded as a chain store, but I want to change this. From now on, I will be looking to actively boost the management capability and authority of individual stores, in order to transform UNIQLO Japan into a community-based group of local stores with a strong knowledge of local needs and regional flavor.

This new system will feature “local-store employees”, and will encourage in-store staff to work as a team with their store manager to create their own brand-building stores. I am committed to instigating this huge shift in our approach to UNIQLO Japan's store management.

# Revolutionizing UNIQLO Japan

**Consider internal applicants, new graduates and mid-career candidates for “local-store employees”, who will become the central drivers of store operations, and form a pool of talented, experienced personnel with a deep understanding of local needs.**



We plan to spread a wide net to attract the right caliber of local-store employees. We will consider capable internal applicants from among our current part-time and casual in-store staff, as well as new graduate hires and mid-career candidates. These local-store employees will have the authority to drive their own individual store, and will help form a pool of talented, experienced personnel with a deep understanding of local needs.

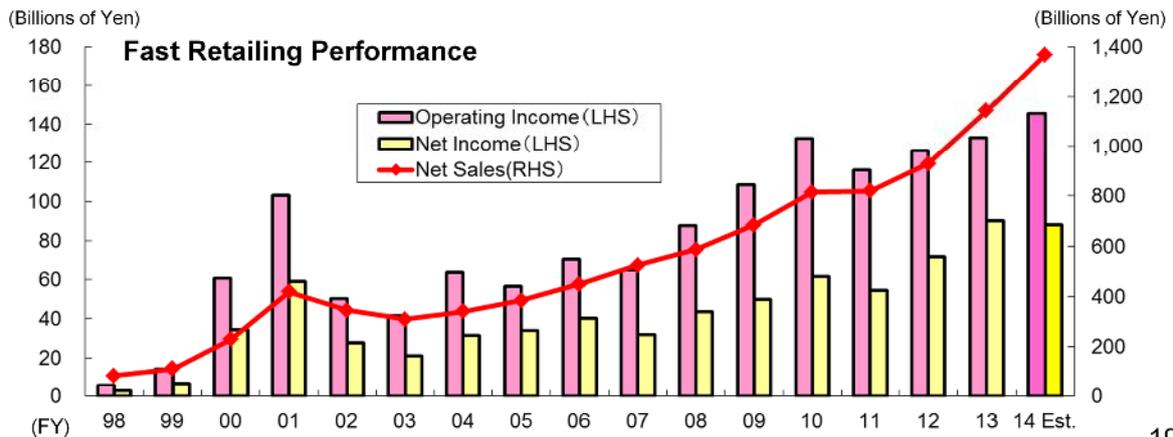
Fast Retailing is probably the first company in Japan to champion a local-store employee system. I would even go so far as to say that we would be prepared to hire someone as a local-store employee even if they only worked four hours a day, if they were really capable and could contribute positively to the individual store’s management and to UNIQLO Japan’s performance as a whole.

I have recently acknowledged my error in positioning store managers as the main players of UNIQLO Japan’s store management framework, because this has created a strict hierarchy within our stores and discouraged in-store personnel from putting their own ideas forward. The current chain of command passes from store manager to their supervisors at the head office, to block leaders, to the head of the sales department and finally top management. But we are now poised to change all that by positioning local-store employees, with their strong community links, at the center of store operations, and encouraging organic team management in our stores.



## FY2014 1H Results, Full-year Estimates

<b>FY2014</b>	<b>Net sales</b>	<b>¥764.3bln (+24.3% y/y)</b>
<b>(1H Actual)</b>	<b>Operating income</b>	<b>¥103.2bln (+6.8%)</b>
	<b>Net income</b>	<b>¥ 64.5bln (-1.4%)</b>
<b>FY2014E</b>	<b>Net sales</b>	<b>¥1.37trln (+19.9% y/y)</b>
	<b>Operating income</b>	<b>¥145.5bln (+9.5%)</b>
	<b>Net income</b>	<b>¥ 88.0bln (-2.6%)</b>



This slide lists the first-half results and the full-year estimates for fiscal 2014, which our CEO Takeshi Okazaki explained earlier.

## Fiscal 2014 in Focus

- **Expect third consecutive year of rising sales and operating income.**
- **Increased earnings at UNIQLO International.**
  - Continue to launch large number of stores in Asia.
  - Greater China, Korea, SE Asia profits to expand.
  - Sharp contraction in losses at UNIQLO USA.
  - Extending base of European operations.
- **UNIQLO Japan to enter a new phase.**
  - Expand number of local-store employees, strengthen store-led management framework.
- **GU sales and income to rise further.**
  - Expand on back of smooth store openings.
  - Develop as a global brand, with first store opened in Shanghai September 2013.

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So, let me focus on the most significant developments for fiscal 2014.

First, we expect to generate rising sales and operating income for the third consecutive year in fiscal 2014.

Earnings continue to expand at UNIQLO International. We continue to open a large number of new stores in Asia. Profits have been expanding in Greater China, South Korea and other parts of Asia, and we have just expanded our geographical reach to include Australia. We are now in the process of developing a network of stores in the United States, and we expect operating losses at UNIQLO USA to contract considerably year on year in fiscal 2014. UNIQLO is also extending its presence and operational base in Europe, most recently with the launch of a UNIQLO Global Flagship Store in Berlin.

As we expand our group worldwide, I want the Japanese employees who share our corporate DNA to help guide and nurture teams of local managers in the individual countries in which UNIQLO operates.

As I have explained, UNIQLO Japan is entering a new phase. Going forward, we will be expanding the number of local-store employees and strengthening the management of individual stores.

GU is expected to continue to generate gains in both sales and income in fiscal 2014, with operations expanding favorably, with new store openings. The first GU store outside Japan opened in Shanghai in September 2013, and we now plan to develop the brand's presence further in the global arena.

**We want customers to buy our clothes and our corporate spirit as a sign of loyal support for what we stand for**



## Main CSR Activities

- Clothes for Smiles Program
- UNIQLO Disaster Recovery Assistance Project
- All-Product Recycling Campaign
- Social Business
- Employing People with Disabilities
- Monitoring Labor Conditions at Partner Factories, and
- Environmental Protection Activities



Turning now to our corporate social responsibility, I believe that our CSR activities should operate in tandem with our core business activities, like the two wheels on a bicycle. I want our company to contribute to society through clothes. I want our customers to buy our clothes not just because they love them, but because they are loyal supporters of our corporate spirit and what we stand for.

Fast Retailing is committed to a variety of CSR activities, including our Clothes for Smiles Project, UNIQLO's Disaster Recovery Assistance Project and our All-Product Recycling Campaign. In addition, we have been working hard to ensure we hire at least one employee with disabilities per UNIQLO store, and to ensure those employees are able to work freely. We also monitor labor conditions at our partner factories and conduct a variety of environmental protection activities.

The picture on the top right shows our temporary Kesenuma store, which was opened shortly after the March 2011 earthquake and tsunami. We reopened a full store on November 29, 2013. We also reopened a permanent UNIQLO Kamaishi Store in Iwate Prefecture on March 14, and the UNIQLO store in Haramachi, Minamisoma in Fukushima Prefecture on March 9, 2014. We believe we can contribute most to the disaster-affected areas through clothes, by opening stores and creating employment opportunities. Our stores offer a little daily relief for disaster victims, who can enjoy both our clothes and chatting with our friendly and supportive store personnel.

## Recent major activities

### Emergency clothing aid for over 2 million Syrian refugees (Sep. 2013)

- There are over 2 million Syrian refugees living in areas where the winter temperatures can drop to zero degrees celsius . UNIQLO responded to the urgent need for winter clothing by delivering mainly winter items collected through its All-Product Recycling Campaign.
- Donated U\$1mln through UNHCR.
- Donated 100,000 new HEATTECH and Ultra Light Down items worth \$1mln for Syrian child refugees via UNICEF.



### Support for victims of Typhoon Haiyan in the Philippines (Nov. 2013)

- Donated T-shirts and underwear worth ¥2.3mln, ¥10mln in cash through UNICEF.

### Opened 7<sup>th</sup> Grameen UNIQLO store (March 2014)

- Steadily expanding social business in Bangladesh.

### Clothes for Smiles: Shopping experience project (Nov. 2013)

- Serbian children living in refugee centers get to enjoy choosing and trying on clothes in a special UNIQLO store.



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I would like to end by highlighting some of our recent major CSR activities.

In September 2013, we donated clothing to help more than 2 million Syrian refugees.

In November 2013, we provided T-shirts and underwear, and made a cash donation of 10 million yen through UNICEF, to help victims of Typhoon Haiyan in the Philippines.

We continue to steadily expand our social business in Bangladesh, opening the seventh Grameen UNIQLO store in March 2014.

We also launched a Shopping Experience Project in November 2013. This is part of our Clothes for Smiles program, and enables Serbian children living in refugee camps to enjoy a sense of normalcy in selecting donated UNIQLO clothing, in a store set up specifically for this purpose.

# Fast Retailing

**Changing clothes.  
Changing conventional wisdom.  
Change the world.**

Finally, let me leave you with the Fast Retailing Group's heartfelt corporate statement.  
"Changing clothes. Changing conventional wisdom. Change the world."

Thank you.