

Current Climate & Challenges in Strong-growing Greater China

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I am the CEO of UNIQLO Greater China and my name is Ning Pan. Thank you for coming today and giving us your valuable time.

I would like to use that time to tell you about the current climate and future challenges for UNIQLO Greater China (Mainland China, Hong Kong and Taiwan), a UNIQLO operation that continues to experience strong growth.

Amid broader economic slowdown, UNIQLO Greater China performed strongly in 1H to achieve double-digit growth in both revenue and profit

- Greater China strong. Achieved higher-than-expected results.
- Mainland China especially strong. Revenue and operating profit both expanded by approx. 20% y/y.
- Despite the warm winter, customer numbers rose, same-store sales continued to increase.
- Meanwhile, given their susceptibility as small markets, Hong Kong, Taiwan revenue and profit declined on economic slowdown and warm winter.

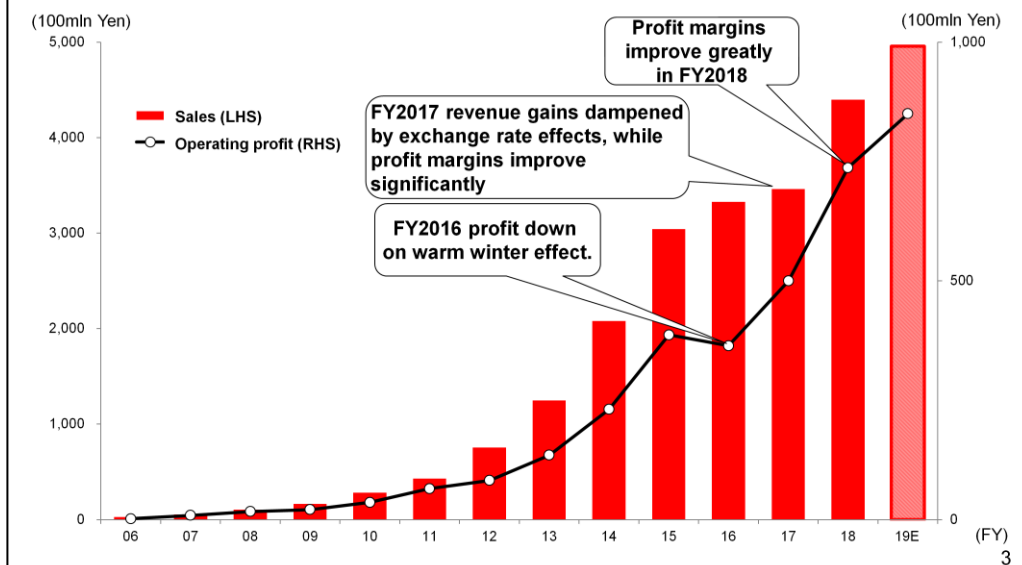
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Let me first briefly review performance in the six months through February 2019. The small-scale markets in the Greater China region, Hong Kong and Taiwan, did experience a decline in revenue and profit on the back of slowing economic conditions and warm winter weather.

Conversely, performance in Mainland China was strong, with both revenue and profit recording 20% growth in the first half. Thanks to that strength, UNIQLO Greater China was able to report a strong, higher-than-expected first-half performance overall.

Predicting Record Year in FY2019

Aiming for full-year Greater China revenue of ¥500.0 billion, operating profit of ¥85.0 billion



Extending the horizon to the full financial year, UNIQLO Greater China is striving to achieve revenue of ¥500.0 billion, and operating profit of ¥85.0 billion in FY2019.

Why Performance Is So Strong

- ① **Successful UNIQLO Branding**
- ② **Broader, Advanced Digital Marketing**
- ③ **UNIQLO Products Impossible to Imitate**
- ④ **Successful Store Expansion Strategy**
- ⑤ **Expanding E-commerce Operation**
- ⑥ **Strong teamwork, Zen-in Keiei management**

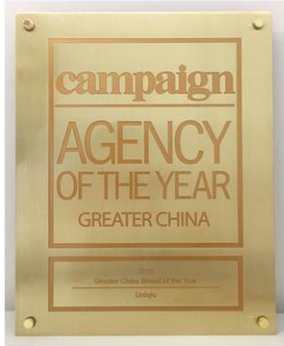
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Now, I would like to spend some time analyzing why UNIQLO Greater China has performed so well, and I have pinpointed six key reasons.

First, UNIQLO branding has been extremely successful. Second, we have made great progress in our efforts to conduct broader, increasingly sophisticated digital marketing. Third, we have developed superior, unique UNIQLO products that are impossible for competitors to imitate. Fourth, our store expansion strategy has proved a success. Fifth, we are expanding our e-commerce operation, and online sales are growing. Finally, sixth, we encourage strong teamwork-oriented management guided by Fast Retailing's management principle of Zen-in Keiei (every employee adopts a managerial mindset).

① Successful UNIQLO Branding

- UNIQLO has won overwhelming customer support and high visibility, earning No.1 in various brand rankings in Greater China.
- UNIQLO's LifeWear concept resonates deeply with Greater China customers, who appreciate the high-quality, value-added everyday wear, as reflected in customer numbers and average instore spend.



Received Campaign Magazine's 2018 Greater China Brand of the Year Award



Selected as the Golden Brand by China's Yicai Media Group weekly 7 years in a row

2018 年度知名大众品牌数字营销价值排行榜

排名	品牌	总部所在地
1	优衣库	日本
2	ZARA	西班牙
3	H&M	瑞典
4	Nike	美国
5	无印良品	日本
6	Adidas	德国
7	倩碧	美国
8	资生堂	日本

Attained top slot for the fourth consecutive year in 2018
Notable Chinese Brands Digital Marketing Value Rankings 5

I would like to look at each of those factors in turn in more detail, taking successful UNIQLO Branding first.

Right back when we started developing our UNIQLO Greater China operation, Mr. Yanai told me that I must focus on thorough brand building and PR activities, and that is what I have tried to do every day since then.

I believe that strategy has born fruit. In FY2018, UNIQLO won the No.1 slot in various brand rankings in Greater China, a sign that the brand has earned overwhelming customer support and achieved a high level of brand visibility in the Greater China market.

UNIQLO's LifeWear concept resonates deeply with Greater China customers, who appreciate our high-quality, value-added everyday wear. This has helped increase the number of visitors to our stores, and raise average instore customer spending.

② Broader, Advanced Digital Marketing (1)

- Successful marketing on social media. Proactive advertising of new products and events on social media helps attract many customers.



The second factor behind UNIQLO's success in Greater China is a determined expansion of digital marketing. Our marketing on social media has been successful, and our efforts to proactively advertise new products and events on social media have definitely helped attract more customers to our online and physical stores.

② Broader, Advanced Digital Marketing (2)

- Social media marketing on apps such as WeChat and Weibo in Mainland China is greatly helping build a new customer base by reaching young people as the customers of the future.
- Successfully capturing key opinion leaders.
Customers who purchased items after seeing adverts on social media are posting their own news about these new products, making our marketing even more effective.

Customers attracting customers
Customer posts encourage other customers to buy.



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In Mainland China in particular, we are noticing that our marketing on social media apps such as WeChat and Weibo is helping us build a large new customer base among young people, who will become our customers of the future.

We are also successfully capturing the hearts of key opinion leaders, who we call KOL. These male and female KOL have great influence on the fashion industry and consumers. Customers who purchase items after seeing KOL posts then tend to write about new products on their own social media platforms, all of which increases the effectiveness of our own marketing. In other words, we are witnessing a phenomenon in which customer posts on social media are encouraging other customers to purchase our products. Namely, customers are inviting other customers.



③ UNIQLO Products Impossible to Imitate (1)

Customers value the high quality, high-functioning materials and fashion of UNIQLO core products.

Fleece
Cashmere
Ultra stretch jeans
Extra fine merino
HEATTECH

Ultra light down
Super no-iron shirts
AIRism
Dry stretch pants
Supima cotton T-shirts, etc.



The third factor behind our success is the fact that UNIQLO's superior, unique products are near impossible for competitors to imitate. UNIQLO Greater China customers greatly value our core products for their high quality, high-functioning materials and appealing fashion elements.

Our leading products have become essential parts of our customers' everyday lives, be it fleece, cashmere, Ultra stretch jeans, Extra fine merino, HEATTECH, Ultra light down, Super no-iron shirts, AIRism, Dry stretch pants, Supima cotton T-shirts, or many other ranges.



③ UNIQLO Products Impossible to Imitate (2)

Unique UT content super popular with young people !

T-shirts with Japanese content (manga, anime characters, ukiyoe, etc.), global content (global companies, international artists, etc.) are popular.



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Popular Japanese characters and ukiyoe motifs

UT corner at Shanghai flagship store 9

Our unique contents for UT T-shirts are also super popular with young people. The brand's global content has captured huge interest, with a mix of Japanese-origin manga, and anime characters, along with international contents created from joint collections with global companies or works by international artists.

④ Successful Store Expansion Strategy

- Approx. 200 stores, or 30% of total Mainland China stores, are located in first-tier cities with high purchasing power (Beijing, Shanghai, Guangzhou, Shenzhen).
- Active store expansion in second-tier cities (Hangzhou, Nanjing, Wuhan, Zhengzhou, Kunming, Xi An, Chengdu, Chongqing). Sales are strong, and we see strong growth potential.
- Continue to open approx. 100 stores each year.
- Low-cost management with no loss-making stores.
- Target 1,000-store Greater China network by FY2021.



Named No.1 clothing brand by shopping centers in 2018. Now all shopping centers asking us to open largest store possible in the best locations.

Greater China
768 stores
(end February 2019)

673 stores
Mainland China

28 stores
Hong Kong

67 stores
Taiwan



The fourth factor behind UNIQLO Greater China's strength is our successful store expansion strategy.

We started out by seeking to create a dominant market position in first-tier cities with high purchasing and advertising power, such as Beijing, Shanghai, Guangzhou, and Shenzhen. Today, we have about 200 stores in these four cities. That's approximately 30% of total Mainland China stores.

Moving forward, we are looking to proactively expand our store network in markets with extremely high growth potential, such as second-tier, and even third-tier cities.

We intend to continue opening approximately 100 stores each year, but it is not just a question of expanding physical store numbers. We want to facilitate sure profit growth by carefully nurturing and encouraging focused and effective individual store management in each and every one of our stores. A principal that we at Fast Retailing call local-store management.

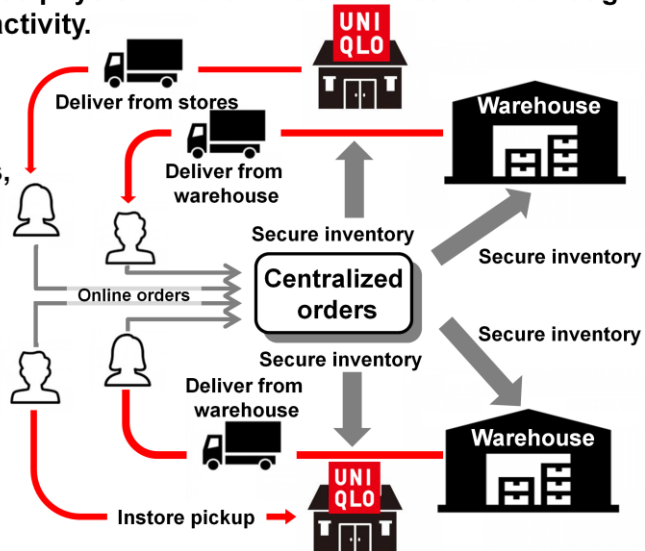
Five years ago, we launched our zero loss-making, low-cost management project. In the first half of FY2019, we achieved that goal at every single existing store, with the exception of one global flagship store that required large levels of initial investment.

Looking further ahead, our aim is to build a Greater China network of 1,000 UNIQLO stores by the year ending August 2021.

⑤ Expanding E-commerce Operation

- 1H online sales grew 30% y/y to constitute approx. 20% of total sales. Expect that proportion to top 30% in FY2021.
- As our Ariake Project picks up steam, we are establishing a new retailing style that merges physical and online store networks through online-to-offline (O2O) activity.
- Physical stores act as warehouses for online purchases in Mainland China's large land mass, facilitate early delivery.

Store inventory promotes both O2O orders and efficient online business development.



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The fifth reason behind our success is our expanding e-commerce operation.

First-half online sales grew 30% year on year to constitute approximately 20% of total sales. We expect that proportion will expand to beyond 30% in the year ending August 2021. As Fast Retailing's groupwide transformative Ariake Project picks up steam, we will also be working to establish a new retailing style in China that merges physical and online store networks through online-to-offline (O2O) activity.

One example of that: We believe it makes it easier to deliver online purchases without delay to customers across Mainland China's large land mass by getting our physical stores to act as warehouses for goods ordered online.



⑥

Strong Zen-in Keiei Team Management

Achieve Global One, Zen-in Keiei through strong teamwork management

- Establish strong teamwork-oriented highly focused management framework to ensure survival in highly competitive Chinese market.
- Strengthen initiatives for attracting and training new managers.
- Clearly convey management strategy to each employee through daily communication and implement thorough staff training.
- Strong links with global HQ
 - Build strong cooperative frameworks both locally and with global HQ.
 - Absorb success stories to ensure Greater China business success.



All Chinese employees attend conventions to learn about our corporate mission, management strategy 12

The sixth and final reason for our success that I would like to mention here today is our teamwork-focused Zen-in Keiei management approach.

We are establishing an alert teamwork-driven management framework to help ensure our survival in highly competitive Chinese market. We are strengthening initiatives to attract and train new management personnel. Myself and other senior managers strive to build daily communication so we can clearly convey our management strategy to each and every one of our employees, and conduct thorough, carefully planned staff training.

We have also been careful to build strong links and cooperative frameworks not only locally within Greater China but also with our global headquarters, so we can instantly learn from success stories elsewhere and pursue solid global teamwork-oriented management to help ensure the success of our UNIQLO Greater China business.

Greater China Future Challenges

Training management personnel

- Producing steady stream of managers that can operate in Greater China and globally.

Cultivating new young customers

- Aggressive digital marketing targeting young people.
- Expand high-potential kids clothing, and aim for No.1 in that category.

Expanding business in 2nd, 3rd tier cities

- Build UNIQLO brand visibility through faster store openings in regions and stronger marketing.

Achieving 20% OPM

- Move away from discount-dependent business model.
- Pursue earnest cost cutting.
- Use RFID and digital tools to increase store management efficiency. Increase revenue by preventing in-store product shortages.



Our FY2018 employment strategy and innovative staff training system earned us the Chinese Top Employee Award for the fourth year in a row.

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I have talked about the factors I consider important drivers of UNIQLO Greater China's success to date, but what of the future? I would like to close this presentation by considering four key challenges for the operation's future.

The first refers to continued successful nurturing and training of management personnel. Going forward, we are looking to build a framework that can produce a steady stream of high-quality managers who can operate not only in Greater China, but also on the global stage.

The second challenge will be to continue cultivating and attracting a new layer of young customers. We will be looking to further strengthen our aggressive digital marketing targeted at young people, and make it even more effective. As you all know, China has abandoned its one-child policy, so we see great potential in the kids wear clothing market. We want to strengthen our kids wear ranges, and aim to become Greater China's No.1 player in that clothing category as well.

Third, we are looking to expand our business in second-tier and third-tier cities. According to statistics from the China National Garment Association, domestic demand for clothing in China stood at approximately 308 million yuan, or approximately 50 trillion yen in 2018, and is expanding at an annual rate of 7.3%. I want to ensure we open a solid store network in this high-potential market, and firmly grasp potential growth opportunities.

Our fourth challenge is to achieve an operating profit margin of 20%. That will require moving away from a discount-dependent business model by increasing the accuracy of our business planning and operation. We also need to pursue thorough cost-cutting drives, use RFID electronic tags and other digital tools to increase the efficiency of our store management, and ensure daily management focuses on increasing revenue by preventing product shortages across all our stores.

服适人生 LifeWear

UNIQLO seeks to become Asia's leading Global brand by offering LifeWear clothing that is essential to everyday living and brings joy to people all over the world.

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I would like to close by assuring you that we are all committed to helping UNIQLO grow into a leading global brand from Asia by offering LifeWear clothing that is essential to everyday living and brings joy to people all over the world.

We hope that you will continue to watch our journey with interest and support.

Thank you.