FAST RETAILING

Positioning E-commerce at the Heart of our Business

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Good afternoon. My name is Masanobu Kusaka, Group Senior Vice President at Fast Retailing.

I want to talk to you today about our e-commerce development to date and our future e-commerce growth strategy.

Aiming to create a new Digital consumer retail company

1. Global is Local, Local is Global

2. Respond to Each Customer Individually

3. Merge Physical and E-commerce Stores

Today, I would like to mention three initiatives we are pursuing as part of our aim to position e-commerce at the heart of our business and build a new digital consumer retail company.

Those initiatives are:
(1) Global is Local, Local is Global
(2) Respond to Each Customer Individually
(3) Merge Physical and E-commerce Stores.

1. Global is Local, Local is Global

FY2019 Group e-commerce sales: 258.3bln yen (11.6% of total sales)
FY2020 Group e-commerce sales target: 320.0bln yen (13.7% of total sales)
Aim to expand e-commerce to 30% of total sales through consistent growth
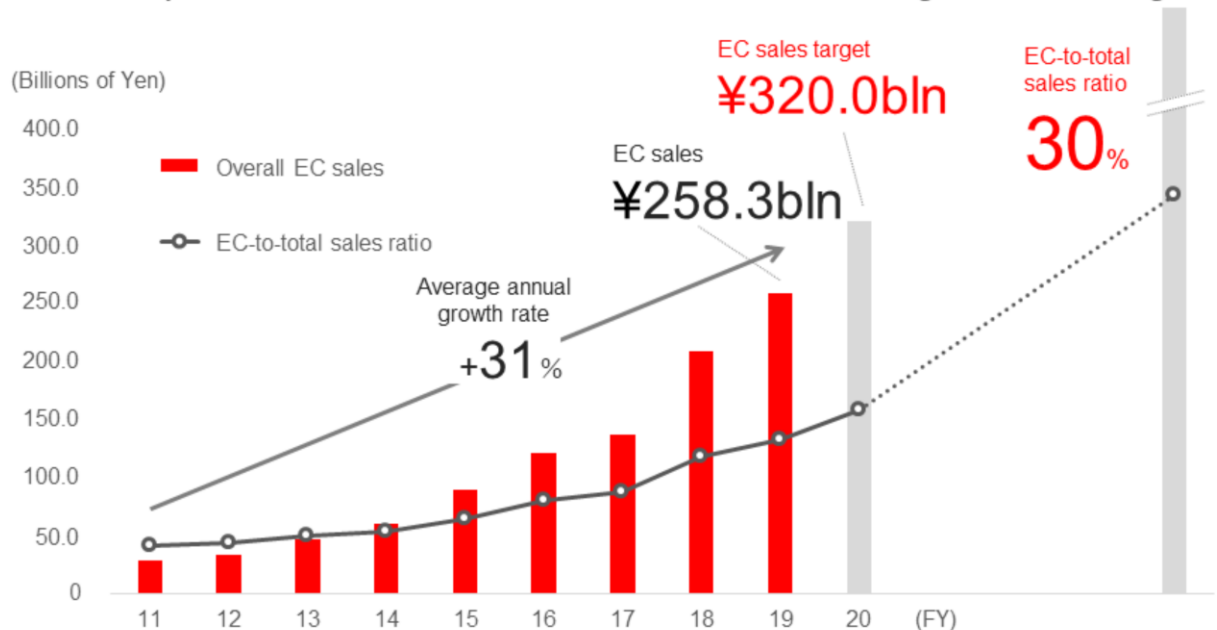
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The first focus is Global is Local, Local is Global.

Fast Retailing's e-commerce sales, on a global, groupwide basis, continues to grow at an average pace of approximately 31% a year, reaching 258.3 billion yen in FY2019.

In FY2020, we are targeting e-commerce sales for the Fast Retailing Group as a whole of 320.0 billion yen, and a 13.7% proportion of total sales.

Our ultimate target is to expand the e-commerce proportion to 30% of total sales. While still less than halfway there, we are striving to ensure consistent growth by becoming the choice brand that customers worldwide know they can rely on.

If we consider the business potential on a global scale, then, we probably shouldn't settle for 30% annual growth, but aim even higher by working hard across the Group to progress our transformative Ariake Project.

1. Global is Local, Local is Global

Transcend national, regional, brand-related barriers to better link global headquarters with individual markets and brands

Transforming organization of global headquarters

· Become an organization that develops brands horizontally using Global One, Zen-in Keiei management principles to unify our management and commercial processes, pursue horizontal development of best practices, and realize greater business efficiency

Global unified digital commerce platform

· Develop an inhouse global unified digital commerce platform
· Speedily update on a regular basis and global scale to ensure seamless improvements

Expanding the number of markets offering e-commerce services

· Expand e-commerce services to India, Indonesia, Vietnam, the Philippines, etc.
  (21 UNIQLO markets offer e-commerce sales as of September 2019)

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I believe the key to becoming the choice brand of customers worldwide is to pursue Zen-in Keiei management principles, centered on our global headquarters, that encourage all staff to adopt a managerial mindset and adopt global best practices unfettered by national, regional, or brand-related barriers.
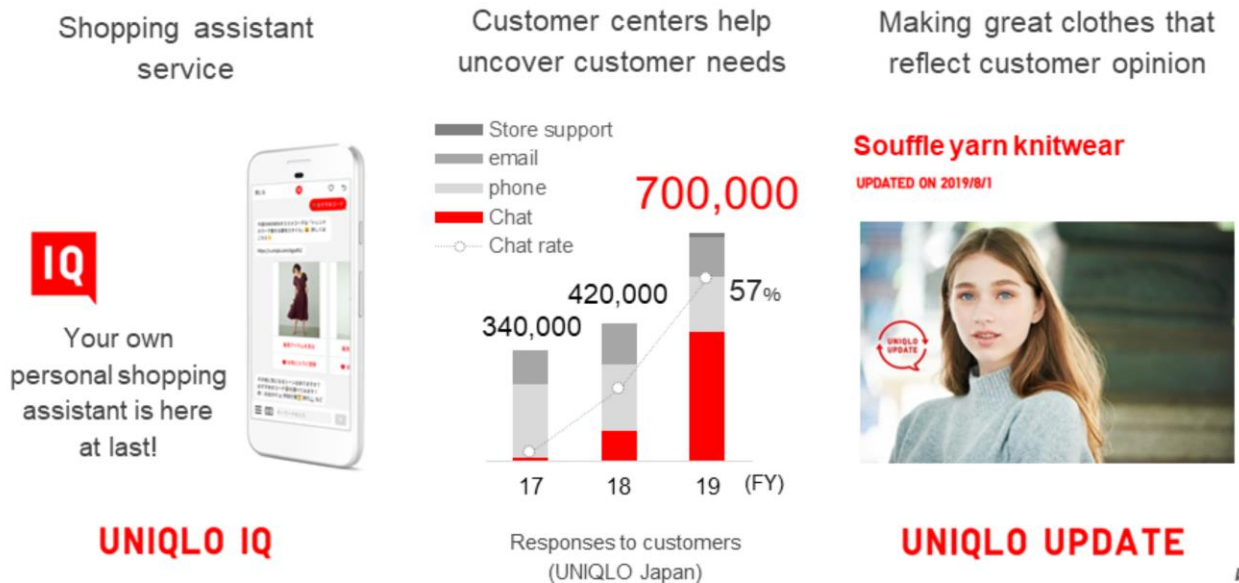
To that aim, we must first change and strengthen our global headquarters.
To date, each individual brand has pursued its own e-commerce operation, but we have been conducting a fundamental structural review in order to transform our global headquarters into an organization that develops brands horizontally from FY2020.

Again, to date, each individual market or brand has used different e-commerce platform frameworks, but we are now working on developing a globally unified digital commerce platform that can be utilized worldwide.

At the same time, we are planning to aggressively expand the number of markets offering e-commerce services. The recent launch of e-commerce services in Russia generated higher-than-expected sales and reminded us of how highly regarded and eagerly awaited the UNIQLO brand is among customers worldwide.

2. Respond to Each Customer Individually

Make e-commerce the origin of product creation. Create LifeWear with customers: Great clothing that absorbs and reflects customer opinion

Shopping assistant service

IQ

Your own personal shopping assistant is here at last!

UNIQLO IQ

Customer centers help uncover customer needs

- Store support
- email
- phone
- Chat
- Chat rate

700,000

420,000   57%

340,000

17   18   19 (FY)

Responses to customers
(UNIQLO Japan)

Making great clothes that reflect customer opinion

Souffle yarn knitwear
UPDATED ON 2019/8/1

UNIQLO UPDATE

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My second focus is to respond to each customer individually.

What exactly do I mean by that? The origin of Fast Retailing growth as a manufacturer/retailer is the comprehensive control it enjoys over the entire clothes-making process spanning production through retail.

It might sound obvious, but even if we develop great services and systems, customers will not choose to buy from us if we don't have the products they want.

We are dedicated to creating truly great clothes, LifeWear clothes, that genuinely absorb and reflect customer opinion.
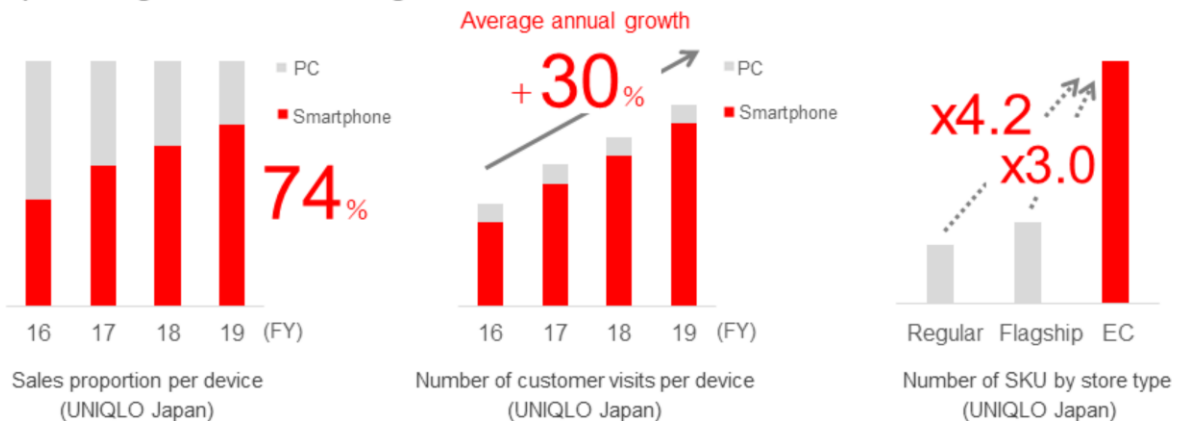
To give you an example, our new souffle yarn knitwear Fall Winter items, which have been advertised in TV commercials featuring Japanese actress Yu Aoi, were designed to address our customers' general dislike of itchy knitwear. Having applied a special nap-raising technique at the yarn stage, this new knitwear boasts a soft, fluffy surface feel that doesn't itch because it prevents the yarn ends from easily touching the skin.

We need to develop as a brand that makes its customers feel like they are standing right there next to us in our factories creating products side by side.
With that aim in mind, we are accelerating the transformation and sophistication of customer centers that are crucial to this drive.

2. Respond to Each Customer Individually

The biggest UNIQLO store ever opens...
in the palm of your hand

· Mobile First: Expanding sales and customer visits via smartphone
· Develop full UNIQLO product lineup, including exclusive e-commerce products and sizes, to boost e-commerce-to-total-sales ratio to approx. 30%
· Analyze customer behavior and purchases to improve accuracy of sales planning and SKU management

Sales proportion per device (UNIQLO Japan) — 74%
Number of customer visits per device (UNIQLO Japan) — Average annual growth +30%
Number of SKU by store type (UNIQLO Japan) — x4.2, x3.0 (Regular, Flagship, EC)

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The smartphone has become an essential daily life tool for all people, myself included, irrespective of age or gender.

The way to get closer to individual people's daily lives is to pursue mobile first initiatives, and that is why we renewed our UNIQLO Japan mobile site as well in March 2017.

In order to satisfy a diverse range of customer needs, we are developing a digital flagship store that offers exclusive e-commerce products and increases the range of size options for nearly all products from the traditional four to eight sizes. These specific e-commerce products already account for 30% of e-commerce sales and are helping to widen our customer base.

The number of SKU units that we handle are increasing and we are able to use data on customer behavior and purchases to improve the accuracy of our sales planning and SKU management.

We can't fulfill every customer need

through digital means alone

The more we get involved in e-commerce operations, the more keenly we realize we can't fulfill every customer need through digital means alone.
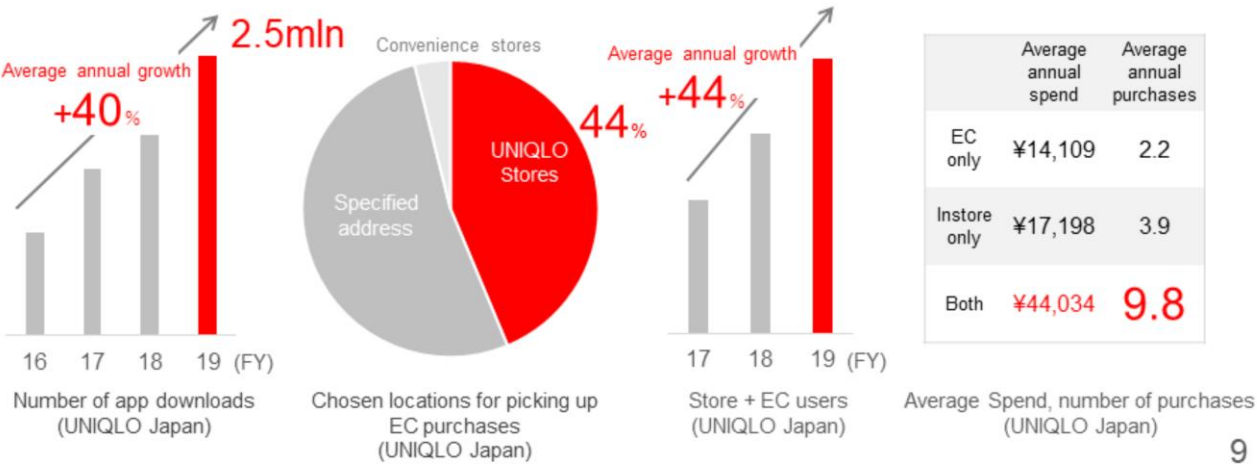
We can't fulfill every customer need through physical stores alone

We also know we can't fulfill every customer need simply by continuing to develop stores and store operations in the same way as we have done in the past.

3. Merging Physical and E-commerce Stores

Buy clothes to better suit you and your lifestyle the more you use them

Link physical and EC stores, satisfy customer needs, earn new customers

- App downloads: 40% average annual growth rate. Over 25 million downloads
- Steady 80% average annual growth rate in e-commerce sales via app
- 44% of e-commerce orders now picked up from stores (started bulk delivery from e-commerce warehouse to stores as well as store inventory allocations to help reduce delivery lead times and delivery costs)

2.5mln

Average annual growth **+40%**

| 16 | 17 | 18 | 19 (FY) |

Number of app downloads
(UNIQLO Japan)

Convenience stores

Specified address

UNIQLO Stores **44%**

Chosen locations for picking up EC purchases
(UNIQLO Japan)

Average annual growth **+44%**

| 17 | 18 | 19 (FY) |

Store + EC users
(UNIQLO Japan)

	Average annual spend	Average annual purchases
EC only	¥14,109	2.2
Instore only	¥17,198	3.9
Both	¥44,034	**9.8**

Average Spend, number of purchases
(UNIQLO Japan)

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So my third focus falls naturally on the idea of merging physical and e-commerce stores.

We need to provide new services and experiences that merge physical and e-commerce stores, in order to respond proactively to customer desires and carve new customer demand.

The use of our smartphone app, which is a great tool for seamlessly linking physical and e-commerce stores, is expanding every year.

Furthermore, an extremely large proportion of customers are choosing to pick up their e-commerce purchases in a store of their choice, at a time that is convenient to them.

Customers who buy through both physical stores and e-commerce channels tend to visit more often and spend more than customers who only purchase through e-commerce or only purchase through physical stores. Furthermore, the number of customers using both channels is growing annually in line with the wider use of combined store and e-commerce services.

Merge the Best of Stores and E-commerce

Improve shopping experience with progressive stores

· Centralize e-commerce and physical store inventory data to prevent distortions resulting in excess or insufficient stock
· Strengthen online-to-offline/offline-to-online benefits, expand reciprocal store/e-commerce delivery
· Heighten customer convenience by digitizing stores to facilitate more self-serve options
· Deepen understanding of LifeWear by conveying information on dress styles and clothes

Build a world-class e-commerce business platform

· Analyze customer purchasing behavior, build a framework to facilitate speedy product improvements or additional production orders
· Ensure appropriate product in terms of timing, type, and volume by fully linking sales planning, SKU management, and automated warehouse operations
· Transform logistics to reduce delivery lead times and control distribution costs
· Use advanced digital marketing to efficiently convey latest or seasonal information globally
· Transform workstyles by linking IT and commerce, develop our own systems inhouse
· Ensure constantly evolving e-commerce by introducing latest cutting-edge digital technology through strategic partnerships

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In terms of our future growth strategy, we are looking to accelerate the merging of physical and e-commerce stores, but there is no point just merging those stores exactly as they are now. Instead, we must merge the very best of our physical stores and e-commerce stores.

That means accelerating the advancement of both physical and e-commerce stores. I expect we will be able to achieve a scenario in which physical stores help progress e-commerce stores, and e-commerce stores help advance physical store development.

This slide lists several concrete examples, but primarily we want to exploit our actual business activities to promote and accelerate the development of store operations that use the latest digital technology and the building of a world-class e-commerce business platform. Something that will then enable us to better fulfill customer demands and create new customers.

Use global information proactively, cooperate with partner companies, creators worldwide, pull together to promote the Ariake Project
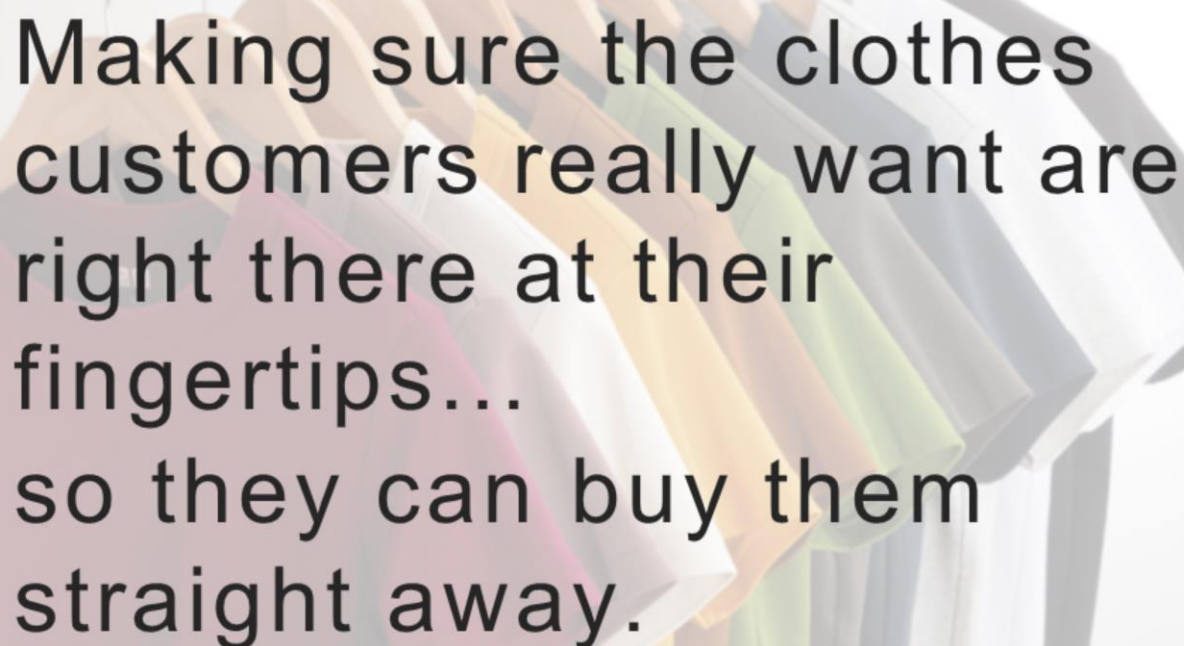**Create a new customer-driven industry: digital consumer retail company**

At the beginning of my presentation, I stated our aim to create a new customer-driven retail industry, but the e-commerce department can't achieve that properly on its own. It requires all Fast Retailing departments and Group staff to help drive our transformative Ariake Project objectives.

By the same token, Fast Retailing cannot create this new industry alone.
Of course we make best use of information from around the world, but we also intend to use the knowledge and power of world-leading partner companies and creators.

I want to form collaborative relationships with the world's most advanced technological and creative forces and greedily devour the knowledge required to realize the things we can't do alone and achieve explosive growth.

Making sure the clothes customers really want are right there at their fingertips... so they can buy them straight away.

Our aim is to ensure UNIQLO continues to develop as trusted brand of choice for customers worldwide and serves all customers everywhere.

To that aim, our company must learn to position both physical stores and e-commerce operations at the heart of its business. All managers and employees need to get behind the drive to make e-commerce a true core business.

We need to apply our Global One and Zen-in Keiei management principles to collect global customer opinion, create LifeWear together with people worldwide, and deliver it safely to customers the world over.

Ensuring the clothes customers really want to buy are right there at their fingertips, so they can buy them straight away. That is the fundamental requirement of any commercial business, but the real quest is to create the frameworks needed to achieve that aim, and to implement them worldwide.

Thank you.