<table>
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<th>UNIQLO</th>
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<td>Business Model</td>
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<td>Global Expansion</td>
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<td>Asia</td>
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<td>Japan</td>
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UNIQLO was the first company in Japan to establish an SPA (Specialty store retailer of Private label Apparel)* model encompassing all stages of the business—from design and production to final sale. By continuously refining its SPA model, UNIQLO successfully differentiates itself from other companies by developing unique products. We quickly make adjustments to production to reflect the latest sales trends and to minimize store-operation costs such as personnel expenses and rent. This is how we at UNIQLO provide such high-quality clothing at such reasonable prices.

* The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.
UNIQLO’s R&D centers continually research the latest fashions and lifestyles from around the world as well as look for new materials.

Concept meetings are held roughly one year before a product’s intended launch. On these occasions, R&D designers meet with representatives from the merchandising, marketing, materials development and production departments to discuss and finalize concepts for upcoming seasons. Then UNIQLO’s R&D centers prepare designs and refine samples until each product is finalized.

Merchandisers play a vital role from product planning through production. After meeting with the R&D designers, merchandisers then apply the concepts for each season to product plans, materials and designs.

Next, merchandisers decide the product lineup and volume for each season, paying close attention to a detailed marketing strategy.

One other important task for our merchandisers is to decide when to increase or reduce production during a season. Any decisions to adjust production in line with demand are made jointly with the product planning department.
UNIQLO’s Strengths

1. We Seek the World’s Best Materials

UNIQLO is able to offer reasonably priced garments made with luxury materials such as cashmere, Supima cotton, merino wool and premium down.

You might expect to pay several hundred dollars for a women’s cashmere V-neck sweater, but at UNIQLO you can purchase one for under 80 dollars. This strength is based on our ability to negotiate directly with global materials manufacturers and secure mass-volume orders at low cost.

2. New Functional Materials Create Demand

Another key UNIQLO strength is our ability to develop new functional materials jointly with materials manufacturers and use them to make clothes that everyone can afford.

For example, UNIQLO developed its innovative HEATTECH materials with Toray Industries, and steady improvements over the years have resulted in superb high-quality garments. Today, products such as HEATTECH (thin, light clothing that keeps you warm during cold winters) are transforming people’s lives.

3. UNIQLO’s Key Strategic Materials and Products

- Fleece
- Air Tech
- Cashmere
- HEATTECH
- UT (UNIQLO Printed T-shirt)

Fleece Jacket (Early item)

4. Development and Procurement of Materials

UNIQLO secures a stable, high-volume supply of top-quality materials at low cost by negotiating directly with materials manufacturers. Indeed, our large-volume orders of single materials mean UNIQLO can negotiate better terms for materials procurement than any other apparel manufacturer.

Since implementing our Global Quality Declaration in September 2004, UNIQLO’s increased attention to material quality has led to the development of new products including HEATTECH, premium down, cashmere sweaters and premium cotton shirts. We place particular importance on the materials used for our core items, and our persistent, in-depth research and experimentation continues to generate multi-layered improvements to the functionality, feel, silhouette and texture of our clothes.

Take denim, for example. We source denim from the industry’s reputed Kiharara Corporation, to specific spinning standards and dyeing specifications.

We have also created new, revolutionary products such as HEATTECH by jointly developing materials with synthetic fiber manufacturer and strategic partner Toray Industries. UNIQLO can work with materials manufacturers in this way because it produces over 700 million items annually.

In the nine years since making our Global Quality Declaration, UNIQLO’s brand image has been transformed from a retailer of low-priced clothing to a retailer of high-quality clothing made from functional materials and superior fabrics.

The intensity of the dyed fabric is measured and tested.
### The Evolution of HEATTECH

HEATTECH thread is made up of a combination of four fibers: acrylic, rayon, polyester and polyurethane. Some people thought the first HEATTECH garments, launched in 2003, were too stiff for innerwear, so we softened the acrylic and rayon fibers to achieve HEATTECH’s renowned soft, silky feel.

#### Materials and design

<table>
<thead>
<tr>
<th>Year</th>
<th>Garment Type</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>2003</td>
<td>Ultra Stretch Jeans</td>
<td>The original HEATTECH combined the moisture-absorbing and fast-drying properties of polyester with macaroni-shaped hollow cotton thread that retained heat in the pockets of air within its fibers.</td>
</tr>
<tr>
<td></td>
<td>Ultra Stretch Jeans</td>
<td>We replaced the hollow cotton thread with a fiber that combined rayon with micro acrylic ten times thinner than a strand of human hair. The result was a soft, dry feel. The basic HEATTECH material was now complete.</td>
</tr>
<tr>
<td>2010</td>
<td>Rayon evolved into micro rayon in 2010, making the thread even thinner and improving the feel of HEATTECH. In 2013, we added Camellia oil as a moisturizing agent to our women’s range for a softer, gentler feel.</td>
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Quality and Production Control

UNIQLO deploys about 400 staff and textile takumi (skilled artisans) to offices in Shanghai, Ho Chi Minh City, Dhaka and Jakarta. Production managers visit partner factories each week to resolve outstanding issues. Customer concerns regarding quality are communicated immediately to production departments, and then improvements are made.

UNIQLO Takumi Teams

“By offering instruction on dyeing technology to UNIQLO’s partner factories, I can encourage workers to embrace a new production management philosophy and improve the factories themselves. Our cultures may be different, but our aim is the same—to make truly great products. I am proud to be passing on expert Japanese techniques to the next generation of Chinese technicians.”

Expanding Our Production Network

Broadening its global reach, UNIQLO has formed business relationships with partner factories in China, Vietnam, Bangladesh and Indonesia. We have production offices in Shanghai, Ho Chi Minh City, Dhaka and Jakarta to ensure our clothes are made to the highest global standard of quality.

UNIQLO Production Offices
Introduce World-class Business Processes with Top-class Partner Factories

UNIQLO forms solid partnerships with carefully selected, world-class factories that share our corporate philosophy and vision. For us, these relationships are much more than simple business deals. They represent a joint commitment to work together. We produce high-quality garments at reasonable prices by dividing our long-term production plans into manageable monthly production volumes and by implementing the best global business practices to increase operational efficiency.

We resolve any issues that may arise during the production process swiftly and firmly, and implement fundamental measures to ensure the same problem does not recur. We believe we can grow along with our partner factories by maintaining this patient, steady commitment to perfecting our techniques and improving our business procedures.

By controlling the entire clothes-making process from materials procurement through manufacture and retail, we can offer our customers truly great clothing at reasonable prices, which makes us very happy.

Group Executive Vice President
Fast Retailing Co., Ltd.
Head of Production Dept.
Yoshihiro Kunii

The spinning begins with the unravelling of raw yarn materials. Cotton is blended from multiple localities to ensure quality.

Computer-generated test colors are adjusted by skilled artisans with an eye for slight differences in color.

The sewing process begins with cutting, followed by machine sewing, which requires both precision and patience.

Ironing and packing are performed with great care. Quality and safety inspections are conducted several times.
Each season, UNIQLO conducts promotional campaigns for core products such as fleece, Ultra Light Down jackets, polo shirts and HEATTECH. During the campaigns, UNIQLO advertises these core products’ unique qualities and noteworthy features on TV and in other media. In Japan, for example, weekly flyers in the Friday edition of national newspapers promote the apparel that will be discounted that weekend.

The Inventory Control Department maintains the optimum level of store inventory by monitoring sales and stock on a weekly basis, and dispatching necessary inventory and new products to fulfill product orders.

At the end of each season, merchandisers and the Marketing Department help coordinate the timing of markdowns and limited-period sales (typically 20 to 30% off the regular price) to ensure that inventory is sold out.

Sales from the UNIQLO Japan Online Store totaled 24.2 billion yen in fiscal 2013, or 3.5% of total UNIQLO sales. We also offer online sales in China, Hong Kong, Taiwan and the U.S.

The Customer Center deals with more than 90,000 comments and requests annually. Appropriate departments then act on them to improve products, stores and services.
UNIQLO Stores
UNIQLO Japan had 853 stores nationwide (including 19 franchise stores) at the end of August 2013. Since opening the first store outside Japan in 2001, UNIQLO International has expanded to 446 stores, including 280 stores in Greater China, 105 in South Korea, and 39 elsewhere in Asia. Store development has been especially rapid in Asia, and we have begun to develop a full-fledged store network in the United States.

Roadside UNIQLO store

Sales of major global SPA Firms

Note: Compiled using data from the annual reports converted at August 31, 2013 exchange rates
UNIQLO is crossing the threshold into a new era as a global brand. We are bringing UNIQLO to the attention of more and more people, and offering them the products and services that are just right for them. We are opening global flagship stores and hotspot stores in major cities worldwide, as well as aggressively opening first stores in new markets. This strategy is fast transforming UNIQLO into one of the most prominent retailers in the world.
UNIQLO Gaining Recognition as a Global Brand

SINGAPORE
JAKARTA
MOSCOW
LONDON
PARIS
GINZA
SHINJUKU
MYEONGDONG
KUALA LUMPUR
TOKYO
SHANGHAI
TAIPEI
BANGKOK
SAN FRANCISCO
MANILA
SHINSAI
BASHI
BEIJING
NEW YORK

UNIQLO Global Flagship and Hotspot Stores

- BICQLO Shinjuku East Exit Store
- Ginza Store
- New York Fifth Avenue Store
- NY 5th
- NY SOHO
- Shanghai West Nanjing Road Store
- Mingyao Department Store, Taipei
- Soho New York Store

Estimate for end of August 2014

629 '14

92 '09
136 '10
181 '11
292 '12
446 '13

92 '09
136 '10
181 '11
292 '12
446 '13

UNIQLO
GINZA
SHINJUKU
SUN FRANCISCO
NEW YORK

UNIQLO
GINZA
SHINJUKU
SUN FRANCISCO
NEW YORK

Shanghai West Nanjing Road Store
Mingyao Department Store, Taipei
Soho New York Store
New York Fifth Avenue Store
UNIQLO’s Expansion in Asia

UNIQLO in China
Prepared for Dramatic Growth

UNIQLO Shanghai Store
(Global flagship store)
Success of Shanghai Global Flagship Store Fuels Momentum

UNIQLO opened a global flagship store on Shanghai’s prime Huaihai Road in September 2013. From the day it opened, the store has attracted far more customers than initially predicted. Boasting a sales floor area of approximately 6,600 square meters, the Shanghai Global Flagship Store is UNIQLO’s biggest store to date. Four other Fast Retailing Group brands—GU, Comptoir des Cotonniers, Princesse tam.tam and PLST—also made their debut in China by opening outlets in the same building. The five brands together command retail space in excess of 7,200 square meters. Part of this combined store’s attraction lies in the fact that customers can enjoy comparing UNIQLO with other Group brands that offer different designs and price ranges.

Highly Profitable Expansion outside Major Cities Now a Realistic Prospect

We want people to think of UNIQLO as their favorite brand and UNIQLO garments as their favorite clothing. Chinese consumers, particularly outside of major cities, tend to be conservative in terms of brand loyalty. They prefer established Chinese brands, and do not readily purchase items from new stores set up by new companies. In the past, while the UNIQLO brand was widely recognized in major cities such as Shanghai and Beijing, residents of China’s smaller cities and regional areas were less familiar with it. However, UNIQLO has spent the past two to three years earnestly developing and promoting its retail business in smaller cities and regions across China. This has greatly boosted recognition of the UNIQLO brand in these areas, and also earned the loyalty of local customers.

Indeed, over this period, we have succeeded in altering long-held consumer patterns outside China’s major cities. People in these regional areas now like the UNIQLO brand and want to wear UNIQLO clothing. As a result, UNIQLO is now ready to move onto the next stage of its development in China. We intend to create a dominant retail position in cities such as Chengdu, Chongqing, Nanjing, Changsha, Wuhan, Xi’an and Shenyang, and to achieve the same level of brand loyalty in these smaller cities as UNIQLO enjoys in Shanghai and Beijing. The creation of this dominant retail presence will enable us to develop highly profitable operations in these cities. UNIQLO’s operation in China has expanded rapidly from 54 stores at the end of August 2010 to 225 stores at the end of August 2013. However, we believe our initial rapid expansion will prove a mere prelude to the wider-scale expansion that is to come.

The growth of UNIQLO in China also provides increased employment opportunities for young people seeking fruitful and rewarding careers. We aim to be a company where employees feel motivated and inspired—a healthy corporate environment is vital to building a well-supported brand. We continue to strive each and every day to fulfill the expectations and earn the trust of our customers.

Fast Retailing Group Executive Vice President, CEO of UNIQLO Greater China, CEO of FAST RETAILING (CHINA) TRADING CO., LTD.
Pan Ning
Aiming to Become the Top Casualwear Brand
UNIQLO’s High-Quality, High-Value Clothing Will Also Triumph in the U.S.

I love businesses that influence people’s lives. I worked for a popular U.S. casualwear chain for many years which grew from a network of 100 to 500 stores. Even before I joined UNIQLO USA, I admired the UNIQLO brand—I saw how the opening of a new UNIQLO store attracted long lines of expectant customers. I was also struck by how thoroughly UNIQLO embraces the challenge of globalization, considering what it needs to do and where it needs to invest. Now, I am excited to be part of the UNIQLO family, working to achieve its goals from the inside.

I believe UNIQLO products offer high value. UNIQLO’s highly functional materials are fantastic examples of the latest Japanese technology. Many UNIQLO garments, including HEATTECH, Ultra Light Down and AIRism, have the potential to transform our lifestyles. I believe these revolutionary products will triumph in the United States.

The U.S. apparel industry is relentless and extremely competitive. Careful store development is very important if UNIQLO is to secure victory. My career in this arena spans over 20 years, and I intend to apply this experience to the development of new UNIQLO stores in the United States. When planning a new store, it is vital to select a location that best suits the brand, and to decide how to market the brand to local customers. This is especially true with a new brand such as UNIQLO, which must be able to present itself as offering unique features. The U.S. market is extremely large, and a brand that is recognized in New York may not be familiar to customers in the suburbs. Therefore, I believe that our marketing and new store strategies hold the key to the future success of UNIQLO in the U.S.

Fortunately, many people in the United States are open-minded when sampling new brands. For that reason, high-quality UNIQLO products can definitely win the hearts and minds of local customers. The decision to advertise the opening of our new in-mall stores through free local newspapers and community-based marketing proved successful, and these stores have subsequently generated higher-than-expected sales.

UNIQLO in the United States Treasures its Japanese DNA

My mission is to make UNIQLO the number one apparel brand in the United States, while treasuring UNIQLO’s Japanese origins. I believe our greatest chance of success lies in using our Japanese DNA to differentiate ourselves in the highly competitive U.S. apparel market.

UNIQLO USA operated 17 stores at the end of December 2013, with five stores on the West Coast and 12 stores in and around New York City. Going forward, we want to build an initial network of 100 stores by steadily opening 20 to 30 stores annually. To do this, we need to nurture personnel who can absorb the vital UNIQLO DNA. We began training newly hired university graduates to become store managers several years ago.

Fall 2012 saw the first U.S. citizen become a store manager. Now all new store managers are hired locally, and our in-store service and store design are comparable to UNIQLO stores in Japan.

It is an exciting challenge for me to use my experience in the retail industry to grow UNIQLO into a leading retail brand in the U.S. I shall work to make UNIQLO USA a fun and vibrant company where young people can pursue their dreams with confidence and passion.
UNIQLO in Japan

Improve Brand Image, Ensure Stable Growth
Boost Market Share in Promising Urban Areas

According to the Ministry of Economy, Trade and Industry (METI), Japan’s department store, supermarket and apparel retail sales totaled 10.7 trillion yen in 2010. Based on METI’s data, UNIQLO’s market share in Japan in 2013 was 6.2%. (Its 2013 menswear market share was 10.0%, and its women’s wear market share was 4.7%) However, given its origins as a chain of suburban roadside stores, UNIQLO has traditionally been under-represented in major urban areas such as Tokyo, Osaka and Fukuoka.

Since opening our first in-mall stores in 2004, UNIQLO’s image has been transforming from a suburban discount retailer to a high-quality, high-street brand. Commercial property developers recognize UNIQLO’s power to attract customers, and we receive many invitations to open stores from prime large-scale shopping malls, urban department stores and fashion buildings.

Our new global hotspot store, the BICQLO Shinjuku East Exit Store, has enjoyed great success in a location formerly occupied by a prominent department store. We will continue to expand our urban market share by aggressively opening stores in major cities. In spring 2014, we plan to open global hotspot stores in Ikebukuro and Okachimachi, two thriving Tokyo commercial districts on a par with Shinjuku.

UNIQLO’s Successful Large-Scale Store Model Maintains Efficiency and Boosts Total Sales Floor Space

In 2005, UNIQLO began opening large-scale stores of over 1,600 square meters in Japan. Today, large-scale stores account for approximately 20% of UNIQLO’s total, and the majority of openings are of large-scale stores. As we expand our total sales space, we are careful to avoid any cannibalization of business. When we open a new large-scale location, we make sure to close regular-sized (800 square meters) stores nearby.

In the apparel industry, sales and profitability per square meter in a given store typically decrease as sales area increases. However, UNIQLO’s business model for profitable large-scale stores has proved highly successful. UNIQLO’s big break came with the opening of a store in Tokyo’s trendy Harajuku district. In 2000 and 2001, our popularity surged, and sales per square meter increased. Since then, we have maintained sales per square meter of approximately one million yen per year (the figure in fiscal 2013 was 933,000 yen).
AIRism Comfort Takes the World by Storm

Top world professional tennis player
Novak Djokovic wearing AIRism during a match
AIRism comfort unlimited
Comfort Unlimited
Any Person, Any Season, Anywhere

AIRism functional innerwear has taken its place alongside HEATTECH as one of our global strategic product brands. Wearing AIRism eliminates the sweaty feeling you get in hot, humid weather. Ultra-fine fiber technology regulates the circulation of the air between your skin and your outer layers of clothing for a light, cool, soft feel.

For men who struggle with sweat-stained clothes, UNIQLO and leading synthetic fiber manufacturer Toray Industries have developed ultra-fine microfibers that quickly absorb and dry away perspiration and feel so soft that you often forget you are wearing them. AIRism’s lines for women combine breathable, natural cupro fibers (produced by top materials manufacturer Asahi Kasei) with Toray’s micro nylon to keep women dry and reduce the chill factor associated with air conditioning. With a single piece of innerwear that guarantees comfort, UNIQLO’s products are changing people’s lives worldwide.

Resounding Global Support
98.7% Vote Yes To AIRism’s Comfort Unlimited

<table>
<thead>
<tr>
<th>Comments from Customers Who Wear AIRism</th>
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<tbody>
<tr>
<td>It’s so light that I can hardly feel it.</td>
</tr>
<tr>
<td>(France, Female, 28)</td>
</tr>
<tr>
<td>It’s great for basketball.</td>
</tr>
<tr>
<td>I feel dry and fresh for the entire game.</td>
</tr>
<tr>
<td>(United States, Male, 17)</td>
</tr>
<tr>
<td>Even if I’m sweaty, I don’t get that</td>
</tr>
<tr>
<td>cold feeling from the air conditioning.</td>
</tr>
<tr>
<td>I want to wear these all year round.</td>
</tr>
<tr>
<td>(Japan, Female, 46)</td>
</tr>
<tr>
<td>I felt dry and comfortable,</td>
</tr>
<tr>
<td>even in a humid office during</td>
</tr>
<tr>
<td>a power outage.</td>
</tr>
<tr>
<td>(Malaysia, Female, 42)</td>
</tr>
<tr>
<td>I really love the smooth, silky feel.</td>
</tr>
<tr>
<td>(China, Female, 35)</td>
</tr>
</tbody>
</table>

Do you feel “comfort unlimited”? Yes or no?

100,000 participants in 13 countries and regions where UNIQLO operates were asked to try the new AIRism lines and decide whether they felt “comfort unlimited.” During the voting period, from June 1 to July 15, 2013, 98.7% voted yes.