

# LifeWear A New Kind of Clothing

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## Enjoy Life More with Ultimate Everyday Comfort

UNIQLO is passionate about creating comfortable everyday clothes that make your life better. Today, UNIQLO boasts over 1,700 stores in 17 countries and regions, and is attracting fans from all over the world with new concepts in clothing.

Usually, the most important thing in the fashion business is to chase the latest trends faster than anyone else. At UNIQLO, however, we are striving for something completely different: an entirely new, unique category of clothing. This is founded on our LifeWear concept, which denotes high-quality, fashionable, affordable and comfortable everyday clothing.

LifeWear features the highest-quality materials, modern elegant lines and superior comfort. Designing simple, basic clothing is actually harder than offering straight “fashion”—it requires high levels of expertise, experience and unique inspiration. We are always looking to improve product development by employing world-class designers and skillful pattern makers at our research and design (R&D) centers in the global fashion cities of Tokyo, New York, Shanghai, Los Angeles and Paris.



LifeWear



Customers love the superior fit and comfort of UNIQLO's Ultra Stretch Jeans

We have worked hard over the past 15 years to develop new revolutionary materials in strategic partnership with the major synthetic fiber manufacturer Toray Industries. Such a long-standing relationship between apparel maker and materials developer is rare. The partnership has produced our innovative HEATTECH range for winter warmth, our cool and fresh AIRism innerwear, and our near-weightless Ultra Light Down outerwear. We also work with large-scale natural fiber producers to develop products such as cashmere sweaters and Supima® cotton T-shirts. These collaborative efforts enable us to offer superior products at reasonable prices to customers worldwide.

Our Fall 2015 Ultra Stretch Jeans are a great example. Constant innovation helped create the ideal jeans for women. We were able to make an amazing stretch material by exploring different ways of developing and combining fibers, and offer women an unprecedented fit that made their lives less stressful and more comfortable. Jeans originated as clothes for men doing physical work on places like farms. They weren't designed as snug-fitting, comfortable clothes for women, but UNIQLO's Ultra Stretch Jeans have changed all that. We will continue to pursue cutting-edge innovations to perfect LifeWear everyday clothing, made for all.

# UNIQLO International Driving Future Expansion



## SHANGHAI

The UNIQLO Shanghai global flagship store was opened on the city's major Huaihai Road in September 2013. Boasting a sales floor of approximately 6,600m<sup>2</sup>, the store is UNIQLO's largest in the world, attracting large numbers of customers each day.

## Greater China Revenue Tops ¥300 Billion for the First Time

Revenue at UNIQLO Greater China (Mainland China, Hong Kong and Taiwan) topped ¥300 billion in fiscal 2015. The operation is growing more rapidly than I ever imagined when we opened our first store in Hong Kong in 2005. With a middle-income population of 400 million, Mainland China has the potential to become a far bigger market for us than Japan. During Japan's economic development, consumers bought nice clothes and accessories before buying a house or a car, and I think the same will hold true in China. UNIQLO is well known in China for high-quality basic clothing, and I believe it will become the first choice for increasingly affluent Chinese customers. UNIQLO Greater China operated 467 stores at the end of August 2015. We plan to open 100 stores annually until we reach 1,000 stores, and then aim for 3,000 stores.

With 108 stores at the end of August 2015, UNIQLO is successfully building a robust business in Southeast Asia and Oceania. Australia is one of our newer markets, but it already looks very promising. Thanks to exceptional awareness of UNIQLO in Asia, new stores are generating strong sales, even in unfamiliar areas, making for a highly profitable business.



CBN Weekly magazine has ranked UNIQLO the top fashion apparel brand in China every year since 2012.



# CHICAGO

The UNIQLO Michigan Avenue flagship store, our first store in the Midwest, was opened on Chicago's Magnificent Mile in October 2015. The 4,100m<sup>2</sup> store spans three levels and houses a Starbucks®, so customers can enjoy a coffee as they shop.

## Tackling UNIQLO USA Losses Is a Top Priority

In fiscal 2015, we overhauled our U.S. strategy. We began focusing on opening new stores in major cities and expanding e-commerce sales to invigorate the U.S. operation and reduce its operating losses.

Our Soho global flagship store (2006) and 5th Avenue global flagship store (2011) are both generating strong sales in New York, where the UNIQLO brand has established a great reputation and a loyal customer base. However, in suburban shopping malls, poor awareness of the UNIQLO brand was proving a major hurdle to future development, so we decided to employ our “scrap and build” policy, closing unprofitable suburban stores and focusing instead on boosting brand awareness by opening iconic flagship and large-format stores in prime locations in major cities.

We are also expanding e-commerce sales through digital innovation. I believe this decision is the right one in a vast market like the United States. E-commerce

currently accounts for 15% of total sales in the U.S., and that operation is profitable and expanding favorably.

Our aim is to be the world's No.1 apparel brand, and that means developing solid operations in the world's largest retail market. I intend to channel the expertise of the entire Fast Retailing Group into making UNIQLO USA profitable and successful.

## Opening More Stores in Major European Centers

We opened our first Belgian store in October 2015 in Antwerp, as part of our drive to expand our store presence in prominent European cities. I want to build a strong fan base across Europe by enthusiastically marketing the UNIQLO LifeWear concept in urban areas. I am also looking forward to unveiling our newly renovated 311 Oxford Street global flagship store in London in early 2016.

# Transform Industry through Digital Innovation

## Big Changes at UNIQLO Creating a New Industry

The widespread use of mobile devices is revolutionizing the distribution industry all over the world. With its global presence, UNIQLO is perfectly positioned to capitalize by transforming core business structures and pioneering the creation of a new industry that dissolves the existing barriers between distribution, apparel and retail.

I want to create a new system that enables us to conduct all of our processes simultaneously via the internet, from design and production to distribution and retail. This system would enable us, as creators of clothing, to rapidly produce optimum volumes of the latest fashions and ensure customers get what they want straight away. One thing is for certain: The way we shop is going to change dramatically.

Soon, UNIQLO's registered mobile users will have instant access to information about products and discounts, and will be able to readily locate and buy the items they want online. Our systems will help mobile users purchase size-appropriate clothing with ease, simply by registering their personal measurements. Already, customers ordering men's shirts online can select from a range of 169 semi-made-to-order size patterns offering a variety of neck, sleeve and body fits. They no longer need to suffer the frustration of buying an L-size shirt and finding the neck is too loose. Customer satisfaction regarding UNIQLO and its LifeWear concept will grow further as we introduce more services like this. I want to boost the contribution of e-commerce to UNIQLO's global sales from the current 5% to at least 30% in the near future.

UNIQLO will also transform vital logistics systems, starting in late 2016 with the launch of a digital flagship store based in our new state-of-the-art distribution center in Ariake, Tokyo. This will link our physical and virtual businesses. We are planning to create 10 similar centers around Japan, and more abroad.

Making a global impact with a new industry created through digital innovation will be our springboard to future success.



# UNIQLO Japan Maintains Stable Growth

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## Local Stores, Managed by Local Employees

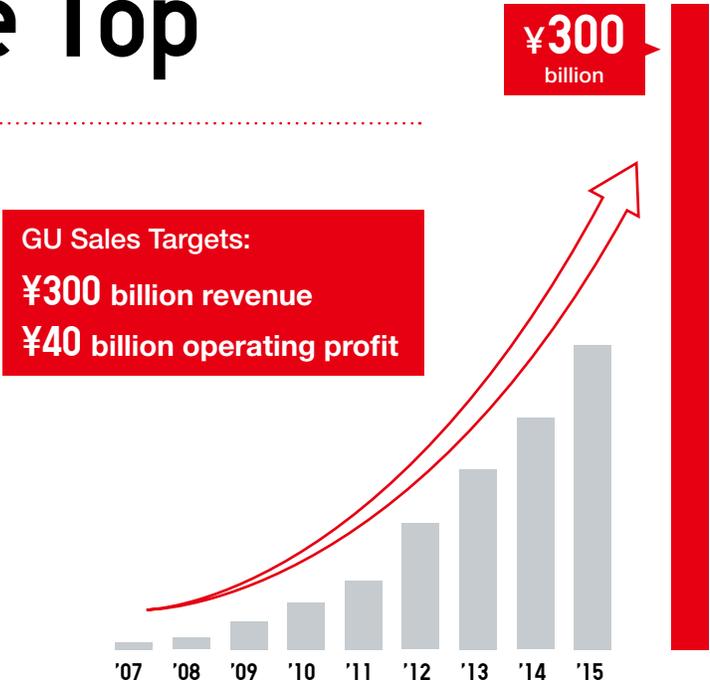
Part of my job is to ensure that our 841 UNIQLO Japan stores (end August 2015) continue to generate stable growth. Our scrap and build strategy, which gradually increases the average size of our stores, leads to an improved shopping experience that boosts UNIQLO's brand image.

At UNIQLO, we offer employee franchise stores, which enable experienced store managers to take over a directly run store and operate it as a franchise. Sales at these franchise stores typically increase by around 20% as the store owner adopts a sharp business mindset, and implements precise, customer-centric, and community-focused management. Until recently, I believed chain-store operations were the best shortcut to high-efficiency management at UNIQLO. However, having successfully shaped UNIQLO as a brand intrinsically linked to people's everyday lives, I no longer think our existing chain operation can fully satisfy customer demands. Instead, I want new stores that delight customers with their community feel and focus: local stores, managed by local people.

Store managers must have a good grasp of local customer needs to manage inventory effectively, provide high-quality services to local customers, and effectively train their in-store staff. To support this evolution, we have created a new permanent employee system and are encouraging approximately half of our in-store staff to transition from temporary workers to local store employees. At the end of August 2015, approximately 10,000 of the 30,000 people working at UNIQLO Japan stores had become local store employees. We also introduced a four-day working week to accommodate the at-home commitments of many local store employees, and in general to offer a more flexible workplace. If the local store employee system grows, I believe local customers will appreciate UNIQLO more, and staff will be happier.



# GU Fast Fashion Headed to the Top



## Fast Fashion Brand from Japan Aims to Be World No.1

Our low-priced GU casualwear brand performed extremely well in fiscal 2015, with revenue rising 31.6% year on year to ¥141.5 billion and operating profit almost tripling to ¥16.4 billion. GU's ability to satisfy customers' desire to have fun with fashion without spending a lot of money has rapidly propelled the brand to the top of Japan's fast fashion industry.

Recently, UNIQLO has learned a lot from GU, including techniques for developing garments that incorporate the latest fashion trends, approaches to fashion marketing, and methods to flexibly adjust production when required. In addition, on e-commerce, GU's strategy of appealing to younger customers with the latest marketing systems and technology is fast becoming an accepted new business model.

Our ultimate aim in Japan is for GU to be as big as UNIQLO. Moreover, we have already launched the brand in Shanghai and Taiwan, and it will be exciting to see just how far we can go. GU designs offer the perfect balance of fashion trends, basic functionality, and attention to detail. GU clothes also incorporate an element of Japanese *kawaii* (cuteness) that will differentiate the label from U.S. and European competitors, and help the brand establish itself as the global fast fashion leader.

# Managerial Thinking at Every Level

## FAST RETAILING WAY FR Group Corporate Philosophy

Changing clothes. Changing conventional wisdom. Change the world.

### GROUP MISSION

- To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes
- To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society

## Creating the Leading Global Apparel Company

"Changing clothes. Changing conventional wisdom. Change the world." We created this corporate statement to ensure Fast Retailing developed into a truly good corporate group. I want to encourage employees to channel their individual creativity into promoting innovation and delivering genuinely great, unique clothes to customers all over the world. Our quintessentially Japanese commitment to diligence, teamwork, high-quality products, and attentive customer service form the backbone of our management philosophy.

For me, the most important thing is to encourage employees worldwide to work with passion, and to adhere to our Global One and *Zenin Keiei* management principles, whereby all staff, from in-store part-timers to top managers, adopt a managerial mindset and strive to provide customers with the best products and the best service. Staff around the world are encouraged to adopt the best available global method in everything they do. If we achieve all this, UNIQLO will become the No.1 brand, and Fast Retailing the No.1 company, in apparel.

## Strong Performance, Strong Dividends

Our policy is to offer high dividends that closely reflect business performance. We use profits to fund future growth, while retaining earnings to ensure healthy finances and provide good shareholder returns. In fiscal 2015, we increased our annual dividend by ¥50 to ¥350. Rewarding shareholders remains one of Fast Retailing's most important objectives.

### Dividend per Share

