

July 6, 2012

Analyst Meeting Q&A

Business results for the nine months from September 2011 through May 2012

Below are excerpts from our analyst meeting held on July 6, 2012. The following text, which was edited for the sake of brevity and clarity, includes the main questions asked about our business results for the third quarter of fiscal 2012, or the nine months from September 2011 to May 2012.

Q1: The operating income margin for UNIQLO International contracted 2.0 points in the third quarter but was this due to the issues in the United States alone? What about the operating income margin from Asian operations?

A1: Takeshi Okazaki, Group Senior Vice President & CFO – The contraction in the operating income margin in the third quarter was due to the expanding loss at UNIQLO USA. UNIQLO operations in Asia are generating profits as expected so this particular contraction was due almost entirely to the deterioration in performance in the United States.

Q2: Are your plans for new store openings at UNIQLO International proceeding favorably? Lately, we hear more concerns voiced about a possible slowdown in economic activity in China and other parts of Asia but what kind of impact are these macroeconomic trends having on UNIQLO business there? Also, do you expect any potential slowdown to impact your future new store opening plans or overall business strategy?

A2: CFO Okazaki – We are aware of the macroeconomic slowdown in China but this has not really affected UNIQLO business conditions on the ground. In China, our operational development is proceeding according to plan. Given that UNIQLO offers clothing which is an everyday essential for our customers, our business in China has proved similar to that in Japan in so far as it is not strongly impacted by changes in macroeconomic conditions. It is not that we are unduly optimistic about the Chinese economy, but we have no intention of changing our expansion strategy in China because we believe the market harbors strong mid- to long-term growth potential, particularly in terms of the increased purchasing power of the emergent middle class. We maintain our plan to open about 80 new stores in China in the year through August 2013, and may extend that number to 100 new stores if feasible.

Q3: You say that you will open between 80 and 100 new stores in China alone in fiscal 2013, but how about for the entire region of Asia?

A3: CFO Okazaki – We expect to increase the number of new stores openings across UNIQLO International operations in fiscal 2013 compared to fiscal 2012. That has always been our intention and we have no plans to change our policy on new store openings.

Q4: You plan to accelerate the number of new store openings for your low-priced g.u. casualwear brand to 60 stores in fiscal 2013 but will you be looking to open these new stores in suburban roadside locations?

A4: CFO Okazaki – We are looking to expand the number of new g.u. stores aggressively. I believe we will

focus new store openings in suburban roadside locations. However, we are keenly aware of the success and benefits of the g.u. stores already opened in prime urban locations such as Ikebukuro and Ginza in Tokyo and Shinsaibashi in Osaka and so we plan to continue to opening g.u. stores in urban locations as well. We envisage a two-pronged expansion of g.u. stores into both suburban roadside and urban locations.

Q5: You estimate the gross profit margin for UNIQLO Japan will shrink slightly in the fourth quarter from June to August 2012. Is that because you plan to increase discounting of summer garments?

A5: CFO Okazaki – In the third quarter from March to May, we actively reduced the number of spring garments and increased inventory of summer items. However, we suffered a fall in both sales and income on these goods partly because the temperature remained fairly cool throughout the quarter. We do feel that we have a marginal excess of summer inventory and so we will be looking to offload that inventory through early discounting. In terms of our standard items, we may see a carryover for a portion of our products, but we will work to accelerate sales so as not to create a legacy loss. These intended actions have been incorporated into our estimate for a slight contraction in the gross margin in the fourth quarter.

To explain in more detail, as you know, sales at UNIQLO Japan fell short of target by ¥10.0bln and operating income by ¥3.0bln in the third quarter. In light of this performance, we have revised down our estimates for the second half from March through August 2012 by ¥12.0bln in terms of sales and ¥6.5bln in terms of operating income. Actually, the operating income total in the third quarter was ¥1.0bln higher than it would have been due to a reporting cut-off error of approximately ¥1.0bln on business expenses. That ¥1.0bln in business expenses will now fall into the data for the fourth quarter. In addition, we also expect some additional marketing costs in the fourth quarter in order to further reinforce our marketing activities for the medium-term. So, in aggregate, this slight dip in sales, deterioration in gross profit and increase in business expenses in the fourth quarter have led us to revise down our estimate for operating income over the second half by ¥6.5bln.

Q6: In your presentation on performance in the third quarter, the phrase “continued double-digit gains in same-store sales” was noticeably absent from the description of UNIQLO performance in South Korea. Does this mean that sales growth is beginning to slow in South Korea?

A6: CFO Okazaki – We don’t disclose the precise figures for same-store sales growth in South Korea, but I can say that the trend has not changed dramatically and that sales are still growing strongly and in accordance with our expectations.

Q7: In relation to the New Jersey store and the San Francisco megastore due to open this fall in the United States, will you be incorporating any of the opening costs for these stores into the accounts for the fourth quarter from June to August 2012?

A7: CFO Okazaki – Partially, yes.

Q8: You mentioned that same-store sales at g.u. have gained momentum, expanding by over 40% since March, but is the brand's customer base also expanding? Can you give us more background detail on this expanding sales growth?

A8: CFO Okazaki – While the g.u. brand is targeted at all ages, the product lineup is designed with a particular focus on young female consumers. We believe that we are carving a strong position for the brand that is complimentary to UNIQLO, offering fashion at amazingly low prices. I feel that this strategy proved particularly successful in the third quarter for inter-season garments when g.u. inter-season fashion ranges performed better than UNIQLO inter-season basic casualwear. In addition, the increased demand for low-priced items in Japan has provided a powerful tailwind for the g.u. operation. Our TV ads starring popular young celebrities and the opening of our flash flagship store in Ginza were also featured in various media, upping the g.u. brand profile and further contributing to the rise in sales.

Q9: Among consumers, which age group has been especially attracted to the g.u. brand recently? In addition to young women, are more families and older women also coming to g.u. stores?

A9: CFO Okazaki – Customer interest has been rising across the board. Given that our product lineup consists of 60% women's wear and 40% men's wear, the label is also becoming increasingly popular with male customers.

Q10: You mentioned earlier that the expanding loss at UNIQLO USA adversely impacted profitability at UNIQLO International in the third quarter. Do you expect this situation to improve in the fourth quarter and can you tell us a bit more about your latest strategy for the U.S. market?

A10: CFO Okazaki – I think it will be difficult to eradicate the loss at UNIQLO USA completely in the fourth quarter. The U.S. market is extremely large and we want to penetrate this market aggressively, so our medium term strategy remains one of continued expansion. If you break this process down into two phases: phase one and phase two, we are currently in phase one. Phase one includes a strong focus on brand building because we want consumers in the U.S. market to recognize the UNIQLO brand not as a brand offering cheap clothing, but as a brand that offers high quality products at reasonable prices. Phase one also includes a period where we familiarize ourselves with the differing needs of customers in the United States in more depth by developing stores such as our 34th Street megastore which caters to a slightly different group of customer than our existing stores. The third focus in phase one is on developing business in the United States that generates at least a modest profit. We have been working on these first-stage strategies since the beginning of the year and, unfortunately, we failed to meet the third target on profitability and posted a loss. However, in terms of the first two focuses on brand building and geographical awareness of customer needs, I feel that we have come a long way this year. In particular, we have invested aggressively in advertising, the securing of prime location space and development of impressive store space with the express aim of strengthening our brand building.

The second phase of our business development in the United States will involve a broad opening of profitable stores whose success will be based on our previous brand building efforts and the lessons learned in term of individual store product mix to suit the vast but varying customer base in the United

States. We are currently planning to open new stores in New Jersey and San Francisco in fall 2012. The San Francisco megastore is expected to become a prestigious feature store for UNIQLO on the West Coast around which we can expand a broader store network just as we have done with the global flagship store in New York. The New Jersey store will be our first suburban store in the United States and, by contrast, this store location and store costs have been determined with the store's bottom line and maximum profit potential in mind. If possible, I want to see UNIQLO USA turn a profit by fiscal 2013 and I want to see the operation take its place as a firm pillar within UNIQLO International.

Q11: In terms of your brand building, do you expect to incur any leading investment expenses relating to the opening of the West Coast store in fiscal 2013?

A11: CFO Okazaki – We are bound to incur a small amount of leading investment cost, but we are not prepared to open stores at a loss and we have a plan to make the San Francisco store profitable in its own right. We plan to move ahead with the store's opening and development by building on the lessons learned in New York in conjunction with our ultimate brand building aims.

Q12: Have you quantitative confirmation of the cannibalization effect on the New York Soho global flagship store? Were there any other factors contributing to the store's falling sales in the third quarter?

A12: CFO Okazaki – We have conducted exit surveys at the store and our analysis shows that some cannibalization has occurred at the Soho flagship store since the opening of the Fifth Avenue and 34th Street stores.