

July 14, 2022

Fast Retailing Co., Ltd.

## **Business Results for the First Nine Months of Fiscal 2022 (September 2021 to May 2022)**

Below are some questions from our analysts' meeting concerning business results for the third quarter of FY2022, or the nine months to May 31, 2022. The answers have been edited for clarity.

### **Q: Can you tell us your medium- to long-term view on your business in the Greater China region?**

Takeshi Okazaki, Group Senior Executive Officer & CFO: Let me first mention that sales in the areas of the Greater China region where COVID-19 restrictions on movement have been eased have been exceeding previous year levels in June and early July and are recovering solidly. Our business benefits from the strong recognition among customers in the Greater China region of the UNIQLO brand and our concept of ultimate LifeWear everyday clothing, which has created a firm base and helped recent performance recover. Looking at Mainland China as a whole, while we may see continued intermittent restrictions on movement related to COVID-19 and the overall situation may remain unstable for a period of time, we believe that our business will return to a strong growth path once consumer demand recovers going forward.

### **Q: You said that inventories primarily of Spring Summer items for the Greater China region were slightly excessive. What is your policy for running down inventory there?**

CFO Okazaki: Fortunately, sales have been recovering since June, so we still have time to capture summer demand. In addition, a considerable proportion of our spring items can be worn year round, so we can continue to sell them into the fall. For those reasons, we do not believe that current inventory levels are a problem. Our fundamental approach is to carefully consider the specific features of each product in turn, sell off the products that have to be sold during the current fiscal year, and gradually sell the products that we can continue to offer without resorting to unreasonable discounting. I think we will be able to fully absorb those inventories.

### **Q: You have announced plans to increase prices on Fall Winter items at UNIQLO Japan, but what is your policy in terms of production volumes and discounting of upcoming Fall Winter products?**

CFO Okazaki: As we have already announced, while we intend to increase the prices of some of our products, such as fleece, ultra light down, and other core items, if you look at the total number of products offered, the prices of the majority of products will remain the same. We thought long and hard about whether customers would still feel there was sufficient value in a product even at a higher price

before making the decision. We are anticipating realistic levels of production volumes. We are not being conservative. Instead, we are pursuing a plan that will enable us to boost sales and grow the business even after raising prices. Regarding our policy on discounting, this year we announced our intention to pursue a business that did not rely on discounts and we intend to maintain that fundamental stance of offering value, not discounts. Of course, inventories will not decline if our customers don't ultimately accept this stance, so our aim is to appeal the value of any items whose price has been increased and encourage customers to buy them.

**Q: You are conducting a fundamental review of pricing at UNIQLO Japan from the Fall Winter season, but what risks and concerns do you envisage?**

CFO Okazaki: We recognize that customers' perception of price is extremely severe and they keep a tight rein on their purse strings, so the overall situation is very tough. However, one thing I can say is that we truly feel that we will be able to solidly increase sales of good clothes and clothes that are in demand. Price is not the key issue for any items that do not enjoy solid demand, and the end result for those products would naturally be a very tough one. I think customers consider each product shrewdly and decide if they are satisfied that the product value warrants the price. We are very nervous heading into the Fall Winter season and are not nonchalant about things at all. However, we believe we will be able to determinedly boost sales if we firmly appeal the value of our products to our customers so they feel they are worth the price, and we think very carefully about the kind of product lineup we offer so that customers can buy whatever they want, at the time they want to buy it.

**Q: Do you expect any price increases at UNIQLO International?**

CFO Okazaki: For UNIQLO International, as with UNIQLO Japan, we set product prices at a level that customers feel are definitely worth it. The level of business costs differs depending on prices in each market, so the final price of our products will differ, as will the magnitude of any price increase. Generally speaking, I think the magnitude of any price rises will be greater in international markets than in Japan. We are further ahead on reviewing any necessary price increases in international markets than we are in Japan. Of course, the items that customers feel are worth the price are selling well, while those that don't meet the mark don't sell.

**Q: When you announced your first-half results back in April, you said that you were going to adopt a renewed aggressive approach to business from the second half of the business year and that you were preparing to open over 300 stores across the whole group in FY2023. Can you tell us what progress you have made there and how firm that number of 300 new stores is?**

CFO Okazaki: We have not changed our view and we still want to aim to open 300 stores in FY2023. The Greater China region continues to be at the heart of our new store-opening program, with plans to open 100 UNIQLO stores there. However, we also want to proactively open new stores in Southeast Asia to make that region the second largest new store-opening target after the Greater China region. We also want to determinedly open new stores in Japan, North America, and Europe. In addition, we intend to aggressively open more GU stores.

Specifically at UNIQLO Japan, we intend to strengthen our “scrap and build” approach designed (1) to create sales floors that accurately convey the attractiveness of our products, and (2) to secure the best store location in terms of customer flows as part of our drive to fuse e-commerce and physical stores into a single combined sales base going forward. We want to aggressively pursue this scrap and build policy by changing the location of our stores to a nearby place or introducing a sense of newness by renovating stores that remain in a particular neighborhood.