

Business Results for Fiscal 2023 First Half (September 2022 to February 2023)

Below are some questions from the Q&A session concerning the company's business results for the first half of FY2023, or the six months to February 28, 2023. The answers have been edited for clarity.

Q: Looking back over the past year, in which areas do you feel you have made progress and had some solid success in terms of your journey towards becoming a digital consumer retailing company?

Tadashi Yanai, Chairman, President and CEO: The spread of COVID-19 did lead to lockdowns in many countries, which did disrupt logistics. However, at the same time, the spread of smartphones and other devices and the increase in remote working clarified the fact that the real and virtual worlds are truly connected. The best way to solve problems is to visit local sites, but, if that is not possible, we can exchange information with each other and solve problems that way, so the relationship between global and local entities is growing ever stronger. I have found that, in reality, the more divided our physical world is by circumstance, the more strongly connected it can be become through information-sharing. We also collect lots of data from our customers and are learning how clothing needs are changing and developing around the world. We can clearly see all customer complaints and evaluations of the products we make, which enables us to improve our products and uncover new latent needs.

Q: I understand that the progress you have made on developing a digital consumer retailing industry has helped you continue to improve your discounting rates. Is that correct?

CEO Yanai: There is still room for improvement in terms of discounting rates, but, by connecting production and sales, we are now able to produce more of the strong-selling items and suppress production of items that are not selling well. One key element is that the use of RFID means anyone in the company can now immediately access and use product information for each SKU.

Q: On slide 27 of the presentation by CFO Takeshi Okazaki, you describe an image for future growth as you seek to achieve sales of 5 trillion yen. On the chart, it appears as if you expect revenue from the Southeast Asia region, and also from the United States and Europe contingent, to exceed that of the Greater China region when you reach 5 trillion yen sales. How do you view growth opportunities in the Greater China region at this stage?

Takeshi Okazaki, Group Senior Executive Officer & CFO: This definitely does not mean that we are losing confidence in the Greater China region. Our LifeWear concept for ultimate everyday clothing is

enjoying increasing support among customers around the world, so, we feel that the Greater China market harbors great growth potential. However, Southeast Asia is experiencing economic growth and the size of the middle-income population there is also growing. Europe and the United States are both huge markets and our share in those areas is still extremely small, so we feel that there is great potential for us to grow in those regions as well. Our intention is for you to view this diagram as an illustration of the fact that all regions have great growth potential, no regions have limited potential, and that we want to grow our business in all these regions. We feel that there are a great many growth opportunities for our GU segment as well. Overall, I believe there is great potential to grow our business by discovering the fashion and everyday needs of our customers and offering products that satisfy those needs at low prices.

Q: Do you expect to be able to accelerate new store openings from FY2024 onwards at UNIQLO North America? Do you think you will be able to achieve your target of opening 30 new stores a year?

CFO Okazaki: I think we will be able to open enough stores. There are many places where we can open stores, and we have the systems in place, so I think we will accelerate store openings going forward. Right now, we have been focusing our store openings on the east and west coasts, but I think we would like to expand that scope as well. As we start to see some areas with strong e-commerce sales emerge, the target areas for new stores also become increasingly clear. The required pipelines for new store openings are all in place. While we still need to negotiate store-opening conditions to make sure we are satisfied, I think 30 new stores a year is a level we are well equipped to fulfil.

Q: What environmental factors are required to enable you to fulfill your future aim of achieving 1 trillion yen in sales from Southeast Asia? Also, are you planning to expand the number of countries in which you operate within the Southeast Asian region, and are there any countries or areas you intend to focus on going forward?

Yuki Yamada, Group Executive Officer & CEO, UNIQLO Singapore, Malaysia, the Philippines: First, I think there is sufficient growth potential in the markets in which we already operate, so we will initially focus on those markets as we aim for 1 trillion yen sales. Southeast Asian economies are growing and the apparel market is expanding. In addition, young customers constitute an extremely large proportion of the population in this region, and they have a strong appetite for fashion. Within that market, polishing the management systems and prowess of each individual store will be central to our future growth strategy in Southeast Asia. Furthermore, in addition to opening stores in shopping malls, I also want to accelerate openings of roadside stores going forward. When doing that, it is very important to dialogue

with local customers why we are an important presence in their lives and to develop business with deep community roots. I think it is extremely important to develop human resources with the ability to firmly implement these philosophies on the local level and to conduct business in each region while also nurturing local employees to become management personnel. The prevailing economic environment is, of course, an important factor, but even more important is our ability to create the right frameworks and systems for nurturing personnel and to build solid networks of stores with strong local roots and that are loved and appreciated by local customers.

Q: You have been able to increase product prices from Fall Winter 2022 primarily at UNIQLO Japan. How has that worked and how have customers reacted?

CFO Okazaki: We have not raised the prices of all products. Instead, we look at each individual products, consider the balance between various factors such as price, quality, design, and functionality, make cautious calls on what price level our customers would be able to accept, and then make a decision on price. We basically considered a combination of what we judged would be acceptable to customers and what was viable as a business. I think things have gone well so far. The key point is whether we are able to firmly convey the value of each product. I think we have not sufficiently conveyed that value in some areas, so I want to make further improvements there. Naturally, customers are very strict when it comes to price rises, so we cannot keep on raising prices. The most important point is to carefully consider and assess the optimal combination of price, quality, design, and functionality.

Q: This results announcement has been accompanied by phrases such as “4th frontier” and “accelerated growth.” What kind of store opening plans are you pursuing for each business segment to help achieve these targets?

CFO Okazaki: We intend to continue to open roughly 100 stores a year in the Greater China region while also strengthening our scrap and build. We are currently opening roughly 70 new stores a year in the Southeast Asia, India & Australia region, but we are preparing the frameworks to enable us to increase that figure to 80, 90, or 100 stores as soon as possible. We are currently preparing the necessary structures to swiftly expand new store openings in North America and Europe to 20 or 30 stores a year. We want to initially accelerate new store openings on this kind of scale over the next few years.

Q: What has been the internal reaction to your decision to increase wages and what kind of message are you conveying within the company?

CEO Yanai: I don't think anyone would be unhappy with getting a raise. We tell our employees that they

are being assessed and that they need to expand their horizons beyond their immediate local work. We form the core of our Japan operation here, but we also serve as the global headquarters of a worldwide operation. The way staff who are responsible for global headquarters-related tasks operate is important. As the impact of the COVID-19 pandemic subsides, managers and people in charge of particular functions will travel around the world to solve problems with local management, store managers, and store staff. Here at the Japanese headquarters, I have said that we intend to send at least one third of our employees overseas and bring one third or half of the staff from overseas in order to create a genuine global headquarters. Europe is the core base of Western clothing and North America is the central base for sportswear and casualwear. We will create a global headquarters in New York, which is at the center of that information source, and then use global and local information to develop the best products that can be sold worldwide. We will be changing the way we work to accommodate those developments. We revised remuneration levels in Japan based on those assumptions. I feel salary levels are comparatively low in Japan, especially for young people. We are looking to encourage staff to play an active role on the global stage, but we won't be able to attract good human resources unless we increase wages. Our ability to attract talented human capital and to improve the caliber of our current personnel through steady individual growth is an important factor in determining the future potential growth of our company. I hope all our staff will strive to make genuine progress in these areas.