

July 11, 2024

Fast Retailing Co., Ltd.

**Q&A Session on Business Results for the First Nine Months of Fiscal 2024 (September 2022 to May 2024)**

Below are questions from our analysts' meeting concerning business results for the first half of FY2024, or the six months to February 29, 2024. The answers have been edited for clarity.

**Q: You mentioned the “pingti” trend in Mainland China of choosing products that are cheaper than branded goods but of similar quality. However, UNIQLO doesn’t seem to have been able to attract customers from the mid- to high-brand market. Why is that?**

Pan Ning, Group Senior Executive Officer, Fast Retailing, UNIQLO Greater China CEO: The economic situation in the Mainland China market is not good right now and that is why many customers, particularly younger customers, are focusing on lower prices. However, not that many people think UNIQLO prices are high. In fact, we are confident that UNIQLO is able to strike a good balance between product value and price by cooperating with world-class designers and partners factories and offering high valued-added products made from carefully selected materials and incorporating an enviable degree of functionality. We handle a wide range products that our customers can wear in all kinds of daily situations. We aim to provide top-class, unprecedented service to customers who visit our stores, and we are always enhancing our training mechanisms. We haven't been able to capture more of that trickle down demand due to the internal issues I talked about today, I am confident that we can overcome those issues, which will lead to future growth. I want to develop UNIQLO into the overwhelming No.1 brand among customers in the Mainland China market by continuing to promote various business reforms.

**Q: You say that you intend to increase the number of flagship stores, but what flagship store openings are in the pipeline? Also, as you proceed with your scrap & build policy, what growth path do you envisage in terms of achieving your revenue target of 1 trillion yen in FY2028?**

Senior Executive Officer Pan: We will definitely achieve our revenue target of 1 trillion yen in FY2028. We are currently implementing thorough reforms to ensure that happens. Our scrap & build policy of replacing smaller, low monthly sales stores with larger stores in better locations is part of that drive. We currently have roughly 150 UNIQLO stores that are experiencing low monthly sales and difficulty attracting customers, so we will systematically progress scrap & build measures to increase the average monthly sales per store by at least 1.5 times. At the same time, we are working to strengthen our communication capabilities. We need to clearly illustrate UNIQLO's energy and enthusiasm to our

customers and build the type of stores that will continue to earn our customers' support. In my opinion, that is precisely the role of the flagship store. I can't describe our future plans for specific flagship stores at this point in time, but we are securing extremely promising locations and I hope you will follow any upcoming announcements with eager interest.

**Q: Do you think the GU brand has potential in the Mainland China market and, based on your past experience with UNIQLO, what are the key factors for ensuring GU success in Mainland China?**

Senior Executive Officer Pan: I am not in charge of the GU business but GU has earned extremely strong support among customers in Japan so I think it would have similar potential in the Mainland China market. UNIQLO would support GU in all areas, including store openings. From my perspective, it is also very important that the GU operation studies local customers closely, accurately absorbs and commercializes customer demand, and engages in solid branding activities. UNIQLO has been able to expand from a mere 13 stores in the Mainland China market at the end of August 2008 to the current network precisely because we have 1) determinedly pursued branding designed for future growth and 2) worked hard to train local human resources. I think the requirements and potential successes are the same for GU.

Takashi Okazaki, Group Senior Executive Officer & CFO: I think branding and brand position are very important. Trying to compete on very low prices wouldn't work. As a global brand, we must operate as a label that earns a commensurate level of respect, a respected brand despite its low prices, and a brand that drives and creates mass fashion trends on a global scale. I think the Mainland China market holds great potential for GU as well. That is why we are currently focusing on enhancing GU brand power. Once a clear path opens up, we would like to actively expand GU in the Mainland China market.

**Q: You declared a target for the UNIQLO Greater China operating profit margin of 20% (announced FY2019 1H). Do you still intend to work towards this target by implementing the current structural reforms?**

Senior Executive Officer Pan: Yes. That is one of the reasons why we are conducting these structural reforms. We have to achieve actual clear results in order to facilitate more efficient management. We are committed to the 20% operating profit margin target and will do everything in our power to ensure we definitely achieve it.

**Q: How do you feel about the changes in the consumer environment, by region, income group,**

### **or age group for example?**

Senior Executive Officer Pan: Economic conditions in the Mainland China market are not so good right now, but the situation is different in different cities. In our case, we even notice a difference between different stores. For example, individual UNIQLO store sales have declined in malls where the recession has weakened those malls' management capabilities and competitiveness and their ability to attract new brands. We are scrutinizing each and every one of those stores and instigating improvements wherever possible. However, if improving the situation proves difficult, we will close those stores and reopen new stores in a better location under our scrap & build policy. A successful commercial business is not build around price alone. I believe it is also important to ensure customers fully understand the added value encapsulated in UNIQLO products. The products we offer are everyday wear that is essential to our customers' daily lives. We confidently provide customers with products that we know they can wear on any occasion, whether they are going to work, relaxing at home, or going out to have fun. Furthermore, UNIQLO is a global brand with global support. Some of our globally supported products have been designed specifically with Mainland China customer preferences and customs in mind. Going forward, we intend to strengthen our marketing and increase customer awareness by constantly communicating the key points about individual UNIQLO products, our LifeWear concept, and how we can enhance customer lifestyles.

Economic conditions are cyclical in nature so things will undoubtedly get better at some point. To date, UNIQLO has always enjoyed strong growth even in bad times. If all our employees and all our stores stay true to our fundamental commitments, embrace the essential parts of our corporate philosophy, and act accordingly, then we will be able to create the very best stores and services and delight our customers.

### **Q: Is there anything you can learn from the way local brands in Mainland China operate?**

Senior Executive Officer Pan: The rise of local brands in the Mainland China market has been remarkable. There are some things we can learn from these brands in terms of quickly absorbing, commercializing, and testing customer demand. "Speedy execution" is a phrase that is often used in our company. We have grown in size, but I think we need to concentrate on managing the company as if it were a venture firm, gaining the trust of our customers, and creating more and more UNIQLO fans. The more rival we have, the more we get to learn from the competition. We are ready to learn with humility, improve ourselves, and move into the future with pride and confidence.