

## **Business Results for Fiscal 2024 (September 2023 to August 2024)**

Below are the main questions from our corporate results briefing concerning business results for FY2024, or the twelve months through August 31, 2024. The answers have been edited for clarity.

**Q: Your UNIQLO operations in North America and Europe are currently generating strong results, but do you think you will ever be able to achieve future sales of 1 trillion yen in each market? If so, what do you need to do to make that happen?**

Tadashi Yanai, Chairman, President and CEO, Fast Retailing Co., Ltd.: I want UNIQLO to be a No.1 brand in both Europe and the United States. If we don't become a No.1 brand in the world's major markets, we cannot become a truly global brand. I feel that we can achieve 1 trillion yen in sales or become a leading brand in each market. To make that happen, it is important to build a company that can grow together with its business partners, current employees, and future human resources based on common business philosophy and ethics, and there is a wealth of wonderful human talent in New York, Paris, and London in particular, so Europe and the United States are key to this strategy.

**Q: What are the circumstances underpinning your FY2025 new store opening figures in the Greater China region and Southeast Asia, India & Australia region.**

Takashi Okazaki, Group Senior Executive Officer & CFO: In the Greater China region, we are pursuing our scrap and build policy on stores, which involves closing smaller stores or stores in less favorable locations and opening bigger stores in better locations. We plan to open 60 new stores in FY2025, but the net increase in store numbers will likely be much lower than that due to these strategic store closures. We are extremely bullish and optimistic about the medium- to long-term prospects for the Greater China region, and we intend to actively open new stores in select locations and to carefully chose the right store format for each location.

In Southeast Asia, we have experienced extremely good sales and profit growth in nearly all parts of the region. There is also firm demand for LifeWear in Southeast Asia, so we feel we can continue to generate growth there in the medium to long term. However, as we pursued our strategy of rapid new store openings, we noticed that some stores were performing extremely well and others not so well. Going forward, we will conduct some scrap and build activities in Southeast Asia and aim to open carefully selected new stores that can generate high monthly sales and others that will serve as strong brand media pillars. That is why we have set the planned number of new stores in FY2025 at 30 stores.

The numbers show how we are focusing on the qualitative rather than the quantitative nature of our store network in this region. So, please understand that our strategy for particular markets cannot be fully understood by looking purely at the number of new stores.

Daisuke Tsukagoshi, Group Senior Executive Officer, Fast Retailing Co., Ltd., President and COO, UNIQLO Co., Ltd.: Our store managers and sales staff are the ones who operate each and every store on a daily basis, so we need strong local management teams to be able to train these store managers and salespeople. That is why quality is more important than quantity when it comes to new store openings. That fact remains the same whether we are talking about the Greater China region, Southeast Asia, India & Australia, or North America and Europe, and we are determined to continue focusing on this strategy in every country and region around the world.

**Q: You have been working to establish product mixes for perpetual summer weather in Southeast Asia, but do you feel you have a good handle on that now?**

Senior Executive Officer Tsukagoshi: We are reviewing our product lineups in Southeast Asia to ensure they incorporate items that can be sold throughout the year. For instance, while Japan has four distinct seasons, the climate in Southeast Asia is one of perpetual summer, so the products that sell well throughout the year would include short-sleeved T-shirts and short pants. Customer needs vary from region to region and we have been experimenting with different local product mixes, but we feel we are getting there. Another point to consider is that customer needs are constantly changing, so sales would taper off if you kept on selling the same products in the same way. The 23 Principles of Management, Article 1 of Fast Retailing's corporate philosophy states that "Meet the needs of our customers and generate new ones." We will continue to tirelessly develop, and update products based on the 30 million customer feedback that we receive each year. I don't think creating the right products should be solely the responsibility of merchandisers. If we get our store staff and all other employees involved in the process, we will be able to better develop the products that customers want.

**Q: What are the important considerations for ensuring sales growth of 500 billion yen across the Group each year going forward?**

CEO Yanai: Human resources are the most important consideration. Today's world is connected by globally accessible information, so we have to understand what is going on from a global perspective, while also adapting to local circumstances and strengthening the intricate management of every single individual store and stock keeping unit (SKU), which is the smallest possible inventory management unit. Against that background, we need to build a pool of talented human resources and teams in every

region who are capable of utilizing the latest digital technology and operating an end-to-end business that covers product planning through production, distribution, sale, and customer delivery, while also considering what additional benefits they can offer to the lives of our customers and society at large.

**Q: What are the current circumstances surrounding UNIQLO business in the Greater China region and how are your operational reforms progressing there?**

Senior Executive Officer Tsukagoshi: During the recent National Day sales, we witnessed a recovery in business performance in Shanghai and other parts of East China and in the provinces of Southwestern China and other areas thanks partly due to the changing seasons, which helped stimulate demand.

We have been implementing our scrap and build policy and opening new global flagship and large-format stores. Take Chongqing in Southwestern China for instance, which has a population of over 30 million people. UNIQLO Greater China CEO Pan Ning has been working with local team members on plans to open global flagship-grade stores in this region, and others like it. To achieve our desired aim of becoming a digital consumer retailing company, we have to convey information from global flagship stores and offer a specific kind of in-store shopping experience, and we will continue to pursue such initiatives in the Greater China region.

In addition to that, all retail businesses experience ups and downs so it is important to analyze why some products are selling well and others are not on a store-by-store basis. We have to respond flexibly to significant change in external environments, but UNIQLO Greater China has a large store network, so it would not be possible to improve the performance of all stores at once with one set of instructions issued by the head office. That is why it is so important for our store managers to develop a strong mindset as merchants in the true sense of word and to conduct business as if they were the owners and managers of the store. In the previous question, Mr. Yanai said that human resources were our most important consideration. I believe that training local human resources will help secure future growth for the Greater China region and the Fast Retailing Group as a whole.

**Q: We understand that same-store sales in the Greater China region declined in the fourth quarter from June to August 2024. Why did that happen?**

Senior Executive Officer Tsukagoshi: Same-store sales did contract slightly in the fourth quarter, but there would be little point in tracking sales figures in isolation. One important thing to consider is how we continue to communicate with customers and tell them who we are and what we stand for. This is all about branding and marketing, and our LifeWear magazine, which is published twice a year, is one of the tools that we use. Another important element is the extent to which we are creating products and establishing product lineups that meet customer needs. We also collect large volumes of customer

feedback in the Mainland China market so we can check what kind of products customers are looking for in each region and store via our management cockpit platform. These systems are starting to work well in terms of enabling us to make flexible decisions about increasing production of strong-selling items and adjusting plans for products that are not selling well on an SKU basis. UNIQLO Greater China harbors great potential and this is just one of the way points on our growth journey in this region. In business, we should coordinate our desired direction with all our employees and keep those goals in sight without being overly influenced by any volatility in short-term performance.

**Q: How have your efforts to reform your global headquarters structure progressed over the past year and now can you further improve that transformation going forward?**

CFO Okazaki: As Mr. Tsukagoshi explained in his presentation, in the world of product development, people are moving around and transcending national borders. I think people who have experienced a particular local market and competitive environment firsthand are increasingly looking to develop global merchandising and products with a broader reach. In reality, this trend has proved to be a really good one that generates results and we will continue to encourage it going forward. However, it does involve trial and error so sometimes the initiatives produce good results and sometimes they don't. For that reason, we should move steadily when developing our global headquarters around the world and be sure to identify which areas would benefit from dispersing different people and which areas would benefit from concentrated intervention or injection of personnel. I also welcome our new common practice of getting senior managers like Mr. Tsukagoshi to travel around the world to visit workplaces in person to discover opportunities and issue tailored instructions to different global markets. That is a very good development.

Senior Executive Officer Tsukagoshi: Our motto is to understand frontline operations and make swift decisions based on actual products and local realities. There are so many things that you cannot truly understand unless you visit the actual operation. Many of our Tokyo employees now travel overseas to see different sites for themselves and discover fresh opportunities and challenges. A small opinion voiced in a particular region could prove the kernel of a great business opportunity or potentially strong new product. This illustrates of the power of customer feedback or the opinions of salespeople who interact with customers in our stores on a daily basis. Any examples of products that are selling well or successful initiatives can be instantly shared with other national operations and implemented across all stores. That is one of the key merits of being a company that is expanding globally, and I think it is a fundamental driver of our business.

We have managed to amass over 3 trillion yen in annual sales through the repeated sale of individual

items of clothing in many individual stores around the world. This requires dedicated perseverance. Going forward, it is important that we remain acutely aware of any pending risks and opportunities and conduct earnest business every single day. Fast retailing's future global presence will be shaped by how seriously all our employees approach this challenge.