

Q&A Session on Business Results for Fiscal 2025 First Half (September to February 2025)

Below are questions from our analysts' meeting concerning business results for the first half of FY2025, or the six months to February 28, 2025. The answers have been edited for clarity.

Q: Can you tell us why FAST RETAILING's digital business transformation is going so well, what promising areas you envisage ahead, and what performance indicators we should monitor?

Takahiro Tambara, Group Executive Officer & CIO: We don't simply progress plans when pursuing frontline business transformation. Instead, we repeatedly experiment with different ideas, some of which might fail, until we get it exactly right. That is one of FAST RETAILING's strengths.

Our international operations hold the greatest promise going forward. We are expanding global operations right now, so we have to focus on implementing our Global One and ZEN-IN KEIEI management principles of encouraging all employees to adopt a managerial mindset and seek out best global practices and methods in all operations, including international operations. We must fully understand the situation not only in Japan but also in North America and Europe, which are currently witnessing strong growth, and other markets as well, and create the best possible methods for all that we do. That is part of the reason why we set up an additional general headquarters (GHQ) function in the USA in 2022. I myself currently operate out of Europe and monitor world operations from a European location.

Takeshi Okazaki, Group Senior Executive Officer & CFO: In terms of KPI, the first one we track is the inventory turnover rate. We think inventory turnover will improve as we strengthen inventory management on a stock keeping unit (SKU) basis. The second KPI is person-hour productivity. We are looking to cap the personnel cost ratio by increasing remuneration while also expanding sales. Regarding operating profit margins, sometimes we will prioritize anticipatory future investment and sometimes there will be periods when profit margins spike but, overall, we will seek to keep the operating profit margin in the 15% to 20% range as we steadily grow our business, and strive to achieve our aim of a 20% operating profit margin.

Q: According to your calculations, you estimate that the additional and reciprocal tariffs announced by the US government would have a 2 to 3% impact on consolidated business profit in the second half of FY2025. What assumptions did you use for that calculation?

CFO Okazaki: We calculated a conservative estimate based on the assumption that all tax rates

announced by the US government on April 2 US time would be applied and that we would not increase product prices in the USA in the second half of FY2025. We already have a substantial amount of stock in the USA, so the estimated impact on consolidated business profit in the second half of FY2025 would be limited to 2 to 3%. Since the situation is extremely fluid, it is difficult for us to say anything definitive about the expected situation in FY2026. Much of the product in the USA is manufactured in Southeast Asia. So, you should bear in mind that any tariffs imposed on Southeast Asian markets could have a significant impact on our business performance. However, we will respond appropriately to whatever situation emerges going forward.

Q: How are you planning to respond to these tariffs, with regards to future production locations and pricing strategies for example?

Tadashi Yanai, Chairman, President and CEO: We are able to adjust our production frameworks, and I believe that we are already gradually moving from a “China+1” format to an “Asia +, China in Asia” structure. That means we can mount an appropriate response to any tariffs, including changing the location of our production. The most important thing when it comes to pricing strategies is fair and appropriating pricing. We are seeking to further expand our brands in local markets by setting prices at the level that customers consider appropriate for our products. Right now, customers want to buy good products from good companies, good brands, and good salespeople. To facilitate that, we have to offer a full range of products that customers want to buy and can buy at any time. We will continue to pursue business reforms and invest in talent because our human resources are the bedrock of this reform process.

Q: What future potential do you see for GU from your positions as UNIQLO Global COO, CIO, and Human Resources?

Takahiro Wakabayashi, Group Senior Executive Officer, UNIQLO Global COO: Looking at GU from a UNIQLO perspective, I think the brand has a huge amount of potential because, when conducting business or management, the brand has clear values and approaches that can be universally applied even when the company is undergoing some form of change. FAST RETAILING has always lived by its motto of meeting customer needs. The customer is the be all and end all, so we must meet customer expectations through independent store management, SKU management, and Global One and ZEN-IN KEIEI management. Moreover, given the fact that the retail business is a people-focused business, human resources are the most important element. It is also important to be really thorough when instigating the basic elements of business because the retail business focuses on small, detailed elements such as the creation of each and every piece clothing and the building of every single individual

store. I think GU could become a major competitor that challenges the UNIQLO brand if it can refine its own independent store management, SKU management, and Global One and ZEN-IN KEIEI management skills to the same or higher degree as UNIQLO.

Tambara CIO: I think GU has great growth potential. As I explained in my own presentation, the key lies in Global One and ZEN-IN KEIEI management principles. If GU can refine its own essential style as well as its own fundamental Global One and ZEN-IN KEIEI management methods, it will continue to improve as a brand.

Yasuyuki Terashi, Group Executive Officer in Charge of Human Resources: I think we have to establish the real significance of GU's presence more clearly. We have to firmly convey the nature of the GU brand as well as what customers can buy, and the value they can enjoy, when they visit GU stores. To successfully achieve that, GU products, marketing, and other teams have to coordinate better and work in tandem. On the human resource front, GU management and employees have to work more closely than ever before and offer more rigorous training. GU has a great talent pool, so I feel there is definitely room for growth. I would like to work with GU management to promote business reforms.

Q: Is there any possibility of speeding up the operational reforms currently being progressed at UNIQLO Mainland China, and is there any risk that these reforms could be delayed?

Wakabayashi, UNIQLO Global COO: I have been working for UNIQLO for approximately 30 years and throughout that period, market conditions have never really been that good. While some companies did not grow, some companies, including UNIQLO, did grow even against such a background. That is why, even in today's tough environment, we can view any difficult situation as a business opportunity. The Mainland China market is huge so naturally the differences in temperature, climate, customer bases, and business environments will be greater than in Japan. It is important to meet the needs of our customers and generate new ones. I think the most important thing is to consider things from the customer's point of view and attentively promote appropriate product mixes, sales floor, inventory, and customer communication at the individual store and individual SKU level. The reason why UNIQLO is currently doing so well in Japan is that we have gone back to basics and are thoroughly implementing various fundamental principles including independent store management, SKU management, and Global One and ZEN-IN KEIEI management.

There are always risks when it comes to doing business. I think that UNIQLO Mainland China can create an even bigger impact than UNIQLO Japan if local teams and individuals confront prevailing risks, pursue independent store management, SKU management, and Global One and ZEN-IN KEIEI

management, and strive to move forward in the right direction. I think the Mainland China market harbors great opportunities for growth.

Q: Can you tell us more about the growth potential at UNIQLO Europe? Also, why have you reduced the expected number of new store openings in Europe from your initial forecast of 15 stores down to 10 stores?

Okazaki CFO : The fact that existing customers are returning to our stores time and time again is a key factor underpinning the current expansion in business performance in Europe right now, but we are also witnessing a positive cycle in which new customers are flocking to UNIQLO stores as word of mouth recommendations enhance the brand's reputation. With UNIQLO's brand visibility increasing across Europe, each time we open a new store, more new customers visit that store at an earlier stage, which is helping to build a strong existing customer base. At UNIQLO Europe, we believe that this expansion of the existing customer base and new customer creation have helped create an extremely good cycle upon which to promote further business expansion. If we can continue this virtuous cycle, I feel that we will generate strong demand in Europe.

We want to actively open new stores. The reason for the reduced estimate for new store openings in FY2025 relates to the need to push out some store openings into the following year due to various timing issues. While we fully intend to aggressively open new stores, we believe it is important to continue to open quality stores rather than simply focus on boosting total store numbers.

Q: Are you seeing an increase in young customers in Europe?

Okazaki CFO : We are still seeing an influx of new young customers. However, UNIQLO is founded on a MADE FOR ALL concept of creating clothes that suit everyone, so UNIQLO does not have one particular standout customer base but is popular with customers of all ages everywhere.