

# **An overview of our year to August 2009 and discussion of future growth strategy**

**Tadashi Yanai**

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**FAST RETAILING CO., LTD.**

**President, Chairman & CEO**

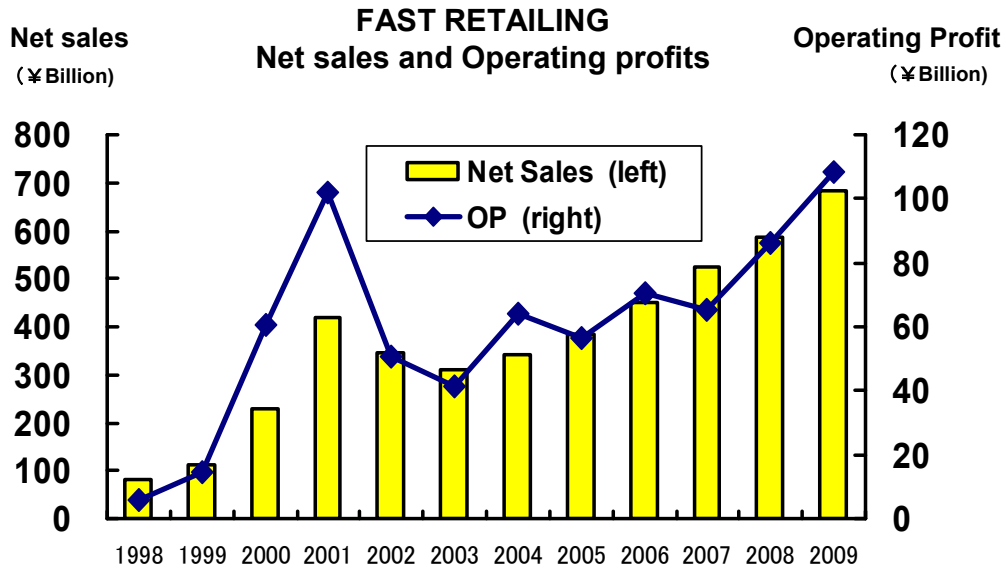
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I am Tadashi Yanai, President & Chairman of FAST RETAILING.

Today, I would like to give you a brief overview of our year to August 2009 performance before focusing on our future growth strategy.

# A record operating profit

**Net sales**                    **¥685.0bln (+16.8% y/y)**  
**Operating profit** **¥108.6bln (+24.2% y/y)**



As this chart in the first slide shows, FAST RETAILING attained a record level of operating profit in the year to August 2009 of ¥108.6bln.

Looking back over our historical corporate performance, we enjoyed a boom from 1998, a pullback from 2001 and then a gradual favorable recovery in corporate performance culminating in the record operating profit level achieved this time around.

## Reasons for UNIQLO's strong performance

### 1. Earning recognition as new global brand from Japan

- a new brand, different from other global SPA labels
- global retailer competing in the Asian market including Japan
- doubled stores in China/HK, up visibility in Shanghai/Beijing
- Confirmed position as global brand in South Korea
- First Singapore store a huge success
- Significant double-digit rise in US/European same store sales

### 2. Developing truly good clothes of new value

- Customers love high value-added clothes that fulfill daily needs – HEATTECH, BRA TOP, machine washable knitwear

### 3. Pressing ahead with large-format store strategy

- Japan: 21 new large stores, e.g. Shinjuku West Exit Store
- Plan continuous opening of large-format stores worldwide

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The first factor behind UNIQLO's strong performance is the fact that it earned greater recognition as a new global brand from Japan. I think this is because, unlike brand such as H&M, ZARA, and GAP, we have earned recognition and visibility as a new brand. I believe competition among global retailers has begun in the Asian market, particularly in China, Hong Kong and South Korea. What I mean is that the stage has begun to shift from competition among local retailers to direct competition between global retailers. For instance, I think that the performance of global SPA, or specialty store retailers of private label apparel, such as UNIQLO, H&M, ZARA and GAP, has been better than that of local South Korean SPA or Hong Kong SPA brands.

Against that background, UNIQLO has doubled store numbers in China and Hong Kong, and I believe we have improved brand visibility significantly particularly in Shanghai and Beijing. We are in the process of establishing ourselves as a global brand in both China and South Korea. Our first store in Singapore was a great success and, as mentioned earlier, our third store there will be a large-format store due to open in winter 09. UNIQLO operations have also been strong in Europe and the US with double-digit increases in same store sales.

The second factor underlying UNIQLO's strong performance is our successful development of truly good clothes of new value. I think that customers particularly appreciate high value-added clothes that fulfill their daily need – clothes such as our HEATTECH, BRA TOP and machine washable knitwear.

The third supportive factor is our large-format store strategy. We have made considerable progress with our large-format store strategy in Japan and now we want to proceed further with our large-format store strategy in other parts of the world.

## The g.u. breakthrough

- 1. g.u. earned a strong reputation with ¥990 Jeans and a subsequent string of low-priced quality goods.**
- 2. Footwear – sweeping closure of FOOTPARK stores continues, launch of new UNIQLO SHOES footwear.**

Next, an overview of GOV RETAILING's business in the year to August 2009.

We believe that g.u. has experienced a breakthrough.

The g.u. brand's continuous development of super low-priced products beginning with its ¥990 Jeans has won g.u. a solid reputation.

As for our footwear operation, we continued large-scale closures of FOOTPARK and began preparations for the launch of our new UNIQLO SHOES business.

- 1. From Asia's No. 1 to the world's No. 1**
- 2. Global marketing & global flagship stores**
- 3. Global merchandising**
- 4. Large-format store strategy**

# 1. From Asia No.1 to Global No.1

**Asia offers the biggest growth opportunity for UNIQLO.**

**Becoming the overwhelming No.1 across Asia.**

- **China/HK: build network of over 100 stores by 2011, create support system for 100 new stores per annum.**
- **South Korea: aim for 100 store network by 2012.**
- **Use Singapore as a base for further Asian expansion**

**Considering opening of new stores in Thailand, Indonesia, Malaysia, The Philippines, India, Vietnam and Australia.**

First of all, we have adopted the strategy of aiming for Asian Number One and then Global Number One.

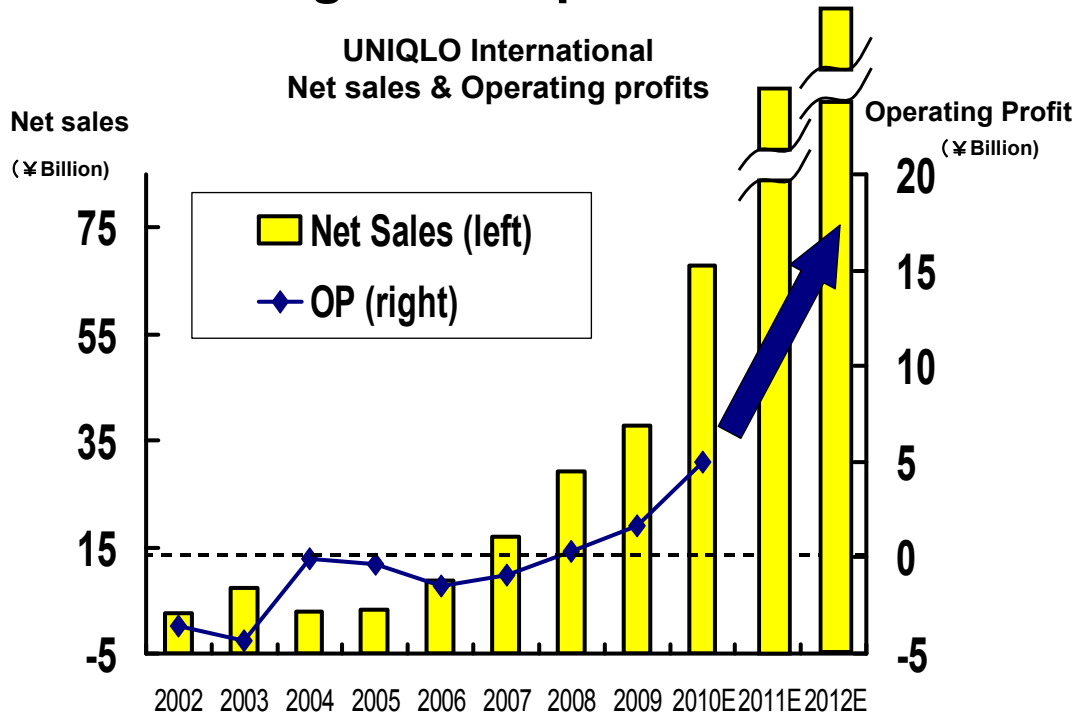
In order to achieve this aim, I want UNIQLO to strive to become number one in each individual Asian market winning an overwhelming market share.

And in the major Asian markets such as China and Hong Kong, I want us to establish a 100-store network by 2011, and then to build up as soon as possible a support system to facilitate the opening of 100 stores per year.

We are aiming to create a 100-store network in South Korea by 2012.

And furthermore, using Singapore as a base, I want to open stores in neighboring countries. We are currently considering opening stores in Thailand, Indonesia, Malaysia, The Philippines, India, Vietnam and Australia.

## UNIQLO Intl begins true profit contribution



This slide shows trends in net sales and operating profit for UNIQLO International.

Our UNIQLO International operation has finally begun to break through.  
And we expect a considerable expansion in both sales and profits from now on.

## 2. Global marketing

### Global marketing & global flagship stores

- **Simultaneous transmission of UNIQLO quality, style, price and brand message around the world.**
  
- **Global flagships transmit the very best of UNIQLO**
  - Paris Opera global flagship grabs the world's attention
  - Plan to open first Asian global flagship in Shanghai
  
- **HEATTECH global campaign**
  - Fall/winter 09 - biggest UNIQLO global campaign ever
  - Global marketing with UNIQLO around the world

Next, I would like to talk about global marketing.

I believe that we are now able to transmit UNIQLO quality, style, value and brand message simultaneously around the world through a synergy of global marketing and global flagship stores.

In that sense, the recently opened Paris global flagship store became news around the world.

Next year is the year of the Shanghai Expo, and so we are planning to open our first Asian global flagship store, our biggest one to date, in Shanghai next spring.

We will also conduct UNIQLO's largest global campaign this autumn/winter to promote one of our mainstay products, the HEATTECH range.





This slides shows a photo of the UNIQLO Paris global flagship store opened just the other day in early October.

As you can see, there were queues forming throughout the opening day and the queue continued the following day. And after the weekend, we were still generating extremely good sales during the week.

# UNIQLO Paris global flagship store



This is a photo of the new Paris global flagship interior.  
The displays are purposely neat and organized as a visual expression of “Japan”.

## Reports from some leading Paris media

**“Japanese brand fleece and cashmere sweaters to take Paris by storm this winter”**

**(Le Monde newspaper)**

**“Japan’s UNIQLO Giant has landed – further fuel in the fashion war” (Metro magazine)**

**“A new brand displays the new Japanese culture” (Paris Match magazine)**

The Paris global flagship store was covered widely in the local media including the Le Monde newspaper, the Metro and Paris Match magazines.

It was also reported widely on the television, and in other media too.



# UNIQLO Shanghai global flagship store

**Our first Asian global flagship to open  
in Shanghai**



**Spring 2010, Nanjing West Road**

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We are currently planning to open our biggest global flagship store in Shanghai in spring 2010.

## 3. Global merchandising

### UNIQLO as the high quality, finished collection

- **To double or triple sales of women's wear**  
Full display of product ranges carefully thought out to fulfill women's entire wardrobe needs from outerwear to bottoms wear.
- **Strengthen high function, high value-added products**  
Develop revolutionary high function, high value-added products using Japan's leading fiber technology, the envy of the world.
- **Collections to open up new possibilities for UNIQLO**  
「+J」 Collection earning a strong reputation following its worldwide launch at the opening of the Paris global flagship.

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In terms of global merchandising, I first want to mould UNIQLO as a highly finished collection.

I want to double or triple women's wear sales.

I want to offer a full display of product ranges carefully thought out to fulfill the entire needs of a women's wardrobe from outerwear to bottoms wear.

I also want to strengthen the development of high function, high value-added products.

It is a real shame but Japan's leading fiber technology, the envy of the world, is not used in the making of clothes. As far as we are concerned, we would like, for instance, to commercialize technologies and substances such as carbon fiber used in aircraft fuselages, liquid crystal used in LCD televisions, reverse osmosis membrane technology for separating sea water and pure water. or the technology used in bullet-proof vests.

I want to develop completely new, unique high function, high value-added products using such technology.

## 「+J」 Collection

Concept: Open the Future  
Truly good clothes for all



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We recently launched our +J Collection.

We have now started selling the collection in UNIQLO stores worldwide.  
The collection was well received in Japan but was particularly praised in Paris and New York.

The +J concept is, “Open the Future”, “Truly good clothes for all”.



**Simple, basic, high-quality and stylish, the +J Collection is appreciated for its unique blending of luxury for the mass market.**

As you see written here, we believe that the simple, basic, high-quality, stylish +J Collection is appreciated for its unique blending of luxury for the mass market.

I see the +J Collection as impacting on the world through its organic linking of luxury and the mass market, and as a first global attempt to change the structure of the industry.

## 4. Faster large store openings worldwide

### **On Japan's prime city streets & department stores**

**Fall 2009** Marui Kinshicho Store, Marui City Ikebukuro Store, Ginza Store (floor expansion), Nagoya Sakae Store opening plans

**Spring 10** Planned Shibuya Prime Store (temporary name)

**Fall 2010** Planned large-format store in Shinsaibashi (Osaka)

### **Aggressive large-format store openings worldwide**

**Fall 2009** Renewal of Seoul Gangnam Store

Plan to open Beijing Qianmen Store in China and 313 Somerset Store in Singapore

**Spring 10** First store in Russia – Moscow Atrium Store (temporary name)

I also want to accelerate the opening of new stores in urban locations both in Japan and internationally.

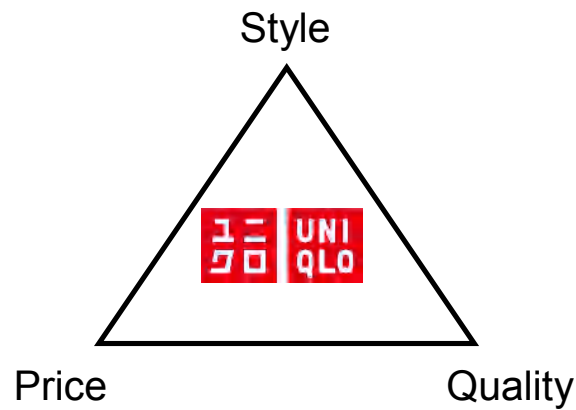
As you can see in this slide, we are looking to aggressively increase the opening of large-format stores not only in Japanese cities but in cities across the globe.

We plan to open our first store in Russia in spring 2010 and then we want to keep up the pace of store openings in Moscow after that.



# UNIQLO - the triple threat

Low cost → Good quality → Style



When UNIQLO initially started in business opening suburban roadside stores, it was known as a “low cost” brand. That reputation developed into a “good quality” brand before changing again into a brand with “style”.

I want to make UNIQLO into a triple threat brand in terms of style, price and quality.

## Set up new low-priced clothing & footwear business

### - Expand g.u. operation

Planning 200 store network, ¥50bln sales by 2013

Confirm low-priced clothing business model, then expand on it.

### - Establish new footwear operation

Develop truly good, cheap, high quality shoes.

Strong launch of UNIQLO SHOES September 16, 2009

I see our future growth strategy for GOV RETAILING as establishing a new type of business for low-priced clothing and footwear.

Taking g.u. first, our plan is to create a 200-store network with sales of ¥50bln by 2013. I want to establish a new business structure for low-priced clothing, still very much underdeveloped in Japan, and then expand it.

At our new UNIQLO SHOES footwear operation, I want to develop a new type of truly good, cheap, high-quality shoes.

We began selling UNIQLO SHOES on September 16 and the initial launch has been extremely favorable.

## CABIN growth strategy

### **CABIN aims a perfect SPA business model**

- **Concentrate on two main brands (ZAZIE, enraciné)**
- **Boost visibility with CABIN showcase for ZAZIE and enraciné in newly refurbished UNIQLO Ginza store**
- **Utilize UNIQLO production infrastructure to create fashion at low prices.**

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Moving onto CABIN, which I want to make into a more polished SPA specialty store retailer private label apparel.

We have almost completed the concentration on mainstay brands ZAZIE and enraciné. We now want to boost brand visibility with the CABIN showcase – the first ZAZIE & enraciné outlet housed within the newly refurbished UNIQLO Ginza store.

Going forward, I would like to create a flagship store for ZAZIE, enraciné or possibly the two brands together.

In addition, by utilizing the existing UNIQLO production infrastructure, I would like to re-craft them into brands known for their dedicated pursuit of fashion at low prices.

# Global Brands

## Pursue synergies through Tokyo, NY, Paris links

### - Establish theory as a global brand

Strengthen the Tokyo-New York-Paris link

Use inter-group links to speed up China store openings

### - Solidify COMPTOIR DES COTONNIERS global brand

Open stores mainly in Europe and Asia

Expand stores in New York

### - Boost profitability at PRINCESSE TAM.TAM

Improve structure in order to go global

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Moving on next to our strategy for the Global Brands segment, I want us to pursue synergy benefits by strengthening the Tokyo-New York-Paris link.

For instance, theory in New York, COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM in Paris should use the Tokyo FAST RETAILING infrastructure, the New York theory infrastructure and the Paris COMPTOIR DES COTONNIERS infrastructure to get a foothold in each other's urban or national markets.

I also want to see synergy effects in the areas of production and new store openings.

PPRINCESEE TAM.TAM still needs to make further improvements in its fundamental structure, so I want to continue such improvements in order to prepare the brand to go global.

## M&A strategy

**Create a firm base for large-scale business development - purchase companies as potential platforms for UNIQLO in the US and Europe.**

**Create a global brand portfolio - purchase brands with potential for global development.**

We maintain our position on M&A strategy: we want to create a firm base for large-scale business development by purchasing companies as potential platforms for UNIQLO in the US and Europe. And we also want to create a global brand portfolio by purchasing brands with the potential for global development.

## **Global One**

**Manage all FR group companies like one single company according to the best possible method available worldwide.**

## **ZEN-IN KEIEI**

**- Everyone a business owner**

**Each and every member of the company adopts the mindset of a business owner.**

Finally, I want to realize our aim of, “Global One: ZEN-IN KEIEI”.

“Global One” involves managing all FR group companies like one single company according to the best possible method available worldwide.

“ZEN-IN KEIEI” requires each and every member of our company to adopt the mindset of a business owner.

Whether you joined the company as a part-timer today, are a member of top management, have joined us mid-career, or work in our stores, all people involved in the company should conduct their work from a management perspective.

Thank you.