

# UNIQLO

## An Expanding Global Operation

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Good afternoon everyone. My name is Takahiro Wakabayashi and I am a Group Executive Vice President at Fast Retailing. I have not had the opportunity of speaking to you before in this kind of forum, so I would like to take a moment to introduce myself.

Twenty-five years have passed since I joined Fast Retailing in 1993. In fact, I joined the firm roughly one year before it was listed on the Hiroshima Stock Exchange. After entering the company, I was sent first to work in a store. I started as a sales assistant and made my way up to become a store manager, so I have had 25 years of primarily sales-based experience. During that time, I also worked in training and personnel management, and, broadly speaking, in product-related departments such as inventory control. I have also worked in Group companies and global subsidiary firms, and am currently responsible for retail inventory.

In my current capacity as manager of retail inventory, I draw on my instore experience, and especially my experience in inventory control during the fairly difficult period directly after the UNIQLO boom. My experience reforming the operations of Group companies and subsidiaries as a manager has also been extremely useful in my current position.

- 1. Reform work style to resolve management issues**
- 2. Sophisticated global retailing plan that closely correlates production, distribution and retail**
- 3. Global marketing of strategic global products**
- 4. The fusion of physical and virtual stores**

Let me move on to today's presentation. I want to talk to you about four things.

The first is reforming the way we work in order to resolve management issues.

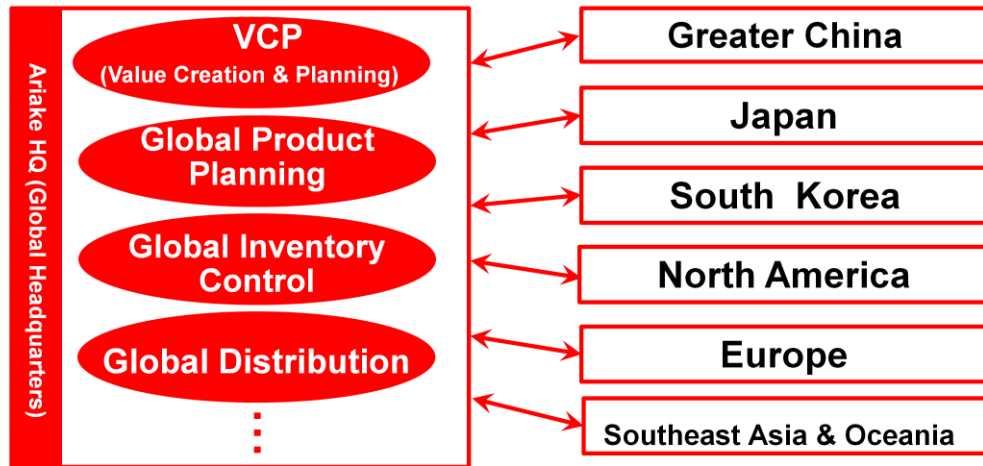
The second is the forming of sophisticated global retailing plans that closely correlate production, distribution and retail.

The third is global marketing of strategic global products, and

the fourth is the fusion of physical and virtual store network.

## Reform Work Style to Resolve Management Issues

**Concentrate management teams for each market in Ariake HQ to facilitate global perspective retail planning and marketing, solid decision-making and firm implementation worldwide**



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Let's look at the first point in more detail: Reforming work style to resolve management issues.

Currently, we gather our management teams for each individual country or regional market in the Ariake headquarters or hold a weekly TV conferences with regional managers. In line with our Global One management principles, we apply global perspectives to our debate on customer needs and overall operations. We then agree together what needs to be done in terms of retail planning and marketing strategy. We are actively working to reform our style of working so that managers in each market commit from the outset to firmly implement this global strategy in their individual areas.

What is so different about this new structure is that, while we always called the Tokyo office the global headquarters, to all intents and purposes, it was the headquarters of the Japan UNIQLO operation. Now it is being transformed into a true global headquarters.

The global headquarters manages many functions from planning through design, production, merchandising, marketing, inventory, distribution and sales (retail). To date, we operated those functions under a vertically structured, relay system. We are now changing to a new work style that links and coordinates the entire process from the first plans and designs through to the final point of sale.

In other words, the people who sell the products consider those who make them, and the people who make the products put themselves in the position of those who sell them. Everyone places their opinions in the ring for discussion at the outset. These debates help unearth new global business opportunities, create retail plans that best fulfil customer needs, and operate a meaningful business.

To date, each individual market was operated in isolation and using different methods. Now, we gather together to debate issues from the outset, so we can form a truly global strategy that transcends national or regional borders. My job is to promote this work style by providing clear direction from the global headquarters, and supporting each individual operation.



## Reform Work Style o Resolve Management Issues

**For timely responses to ever-changing environments, visualize information, correlate customer needs and store opinions across departments and markets worldwide and implement decisions based on Global One, Zen-in Keiei principles**



**National and regional managers attend decision-making meeting at Ariake HQ**

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However good our initial plans, the commercial environment is forever changing, so we often discover new customer needs and management risks along the way. We are currently changing our work style so that, when we do discover these new elements, we can respond in a timely manner, make and implement swift decisions.

In terms of planning, we seek to clearly visualize all daily results and issues, and share the overall management picture and our approach to concrete opportunities with all relevant staff. By sharing this information, staff in each individual operation, function, store and HQ can work as one team.

One element I would like to add relates to the collaboration between management, store staff and headquarters. This collaboration is extremely effective, and I am involved in guiding change in this important area. In fact, we often discover new customer needs from comments made by store staff.

In terms of planning, we are working to closely correlate all processes from marketing to product design, production and stores, to facilitate the repeated forming, implementation and revision of effective plans.

# Sophisticated Global Retail Plans

- For each category and product, visualize marketing, stores, inventory, production and retail conditions by nation or area, clarify opportunities and issues to help create and revise sophisticated global retail plans
- Use this to greatly improve management efficiency: reduce national/regional shortages or excess product, expand sales, boost profit margins, reduce cost ratios

Category	Global Plan			USA Plan			China Plan			Korea Plan			Japan Plan		
	Sts	Sts/Amt ratio	Tot	Sts	Sts/Amt ratio	Tot	Sts	Sts/Amt ratio	Tot	Sts	Sts/Amt ratio	Tot	Sts	Sts/Amt ratio	Tot
Total	000	AAA	000	000	AAA	000	000	AAA	000	000	AAA	000	000	AAA	000
Heattech	Kids	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
	Women	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
Ultra light down	Kids	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
	Women	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
Extra fine merino	Kids	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
	Women	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
Blocktech	Kids	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
	Women	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
KANDO Jacket	Kids	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000
	Women	000	AAA	000	000	AAA	000	AAA	000	000	AAA	000	000	AAA	000

※This is not a true table

Blue dots represent potential higher production areas. Unearth opportunities for increased production by objectively comparing conditions in different markets

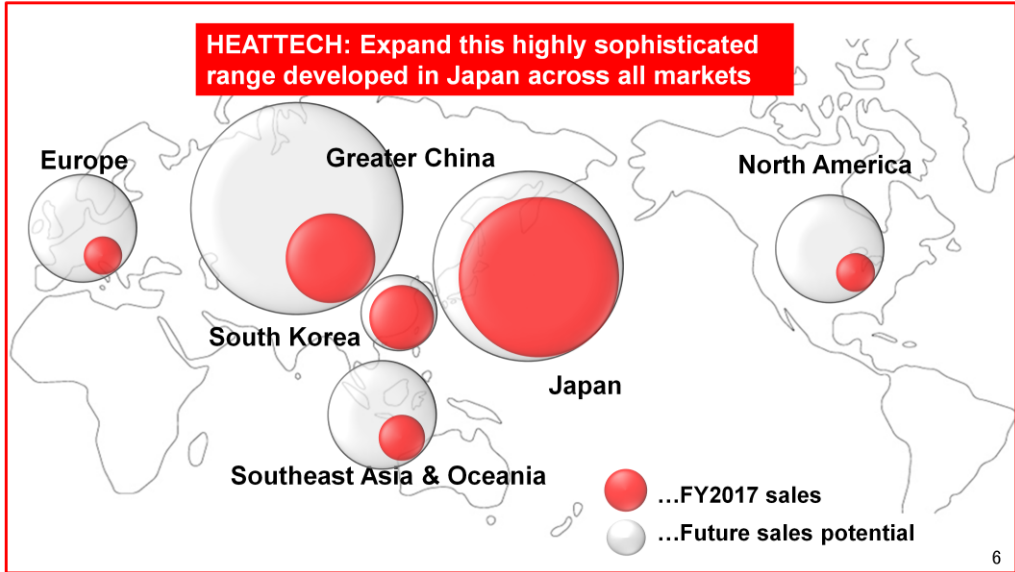
The second point I want to talk about today is our sophisticated global retail plans.

The first retail plan is extremely important, but so are its daily revisions. In order to revise plans, we work hard to clearly visualize all information for each product, each color and size, each market and each store. We then apply our global strategy to revise each color, size and store in minute detail. Even when we experience bold changes in our global strategy, we are careful to make timely revisions to our retail plans.

As Mr. Yanai explained earlier, our quest is to create products that will sell because they fulfill customer needs. We want to respond to customer needs, without making, transporting or selling anything that is not necessary. I seek to help improve sales, gross profit margins and SG&A ratio by applying efficient management to these business principles.

I believe we are improving our decision-making ability and the deft implementation of solid plans by continuing these business practices and encouraging a lively exchange of views.

**Determine globally competitive UNIQLO strategic products, and market them globally**



My third point relates to strategic global products and their marketing. That means developing and marketing global UNIQLO strategic products as a LifeWear brand.

Take HEATTECH as an example. When you look at the global marketplace and our current sales and production record, the market potential is massive. I believe we can greatly expand our HEATTECH sales potential by effectively conveying the intrinsic value and special properties of HEATTECH to customers in each global market.



- Establish a firm global position for UNIQLO as essential “LifeWear”
- Expand pillar UNIQLO strategic products, strengthen global marketing and sales

### Main strategic products

- HEATTECH
- AIRism
- Ultra light down
- Wireless bras
- Kando pants & jackets
- UT T-shirts
- Extra fine merino
- Dry-EX
- BLOCKTECH
- BRATOP, jeans, and more



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I would say the same thing about the strategic UNIQLO products shown in this slide. We seek to develop the products to closely suit the everyday needs of customers in each market around the world, and conduct specific branding for each individual product, while establishing UNIQLO’s overall corporate value and brand position.

If we keep doing this, I believe UNIQLO and Fast Retailing will become a lasting, much-loved brand for customers in all our global markets.

### **The ultimate UNIQLO shopping experience**

- **As customers shift from physical to online stores, we break down barriers between real and virtual networks to enable customers to buy what they want, when they want**
- **Provide customers with useful information on seasonal fashions, and suggested coordinates to suit individual taste and body shape**
- **Simple payment methods, convenient product pickup or product return**

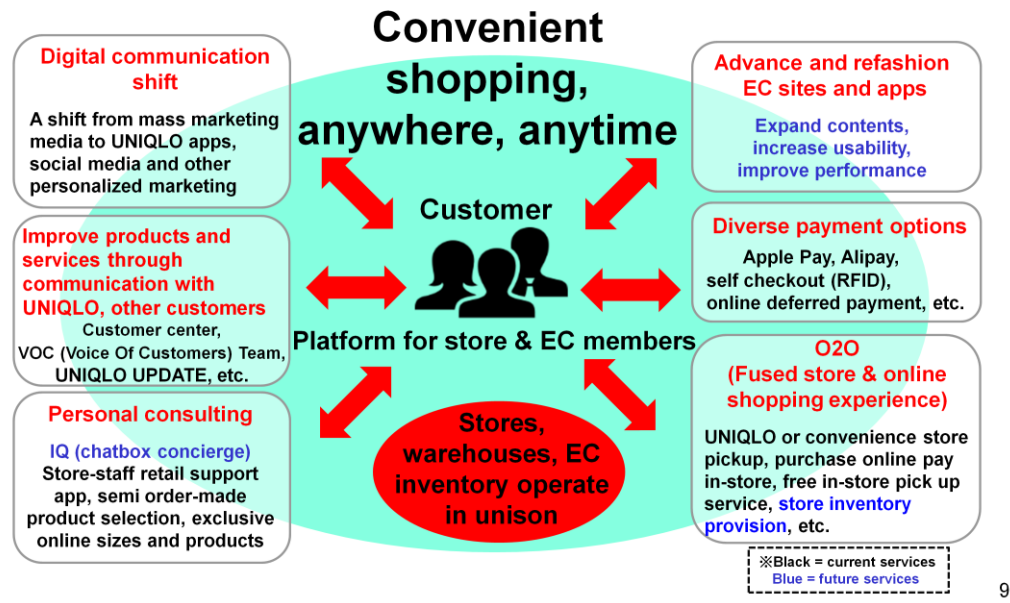
The fourth point I want to talk about is the fusion of physical and virtual stores.

This means seamlessly linking our physical stores network and e-commerce operation. We want to offer each individual customer the perfect products in the perfect size, and provide them with the information they need, by maximizing our digital strengths and fully exploiting our solid physical store network.

We encourage customers to use our online store to buy items in the color and size they want whenever they want to. We also seek to offer the most convenient option for each individual customer in terms of payment, delivery, customer contact and after service.



## Shopping experience carved at UNIQLO Japan



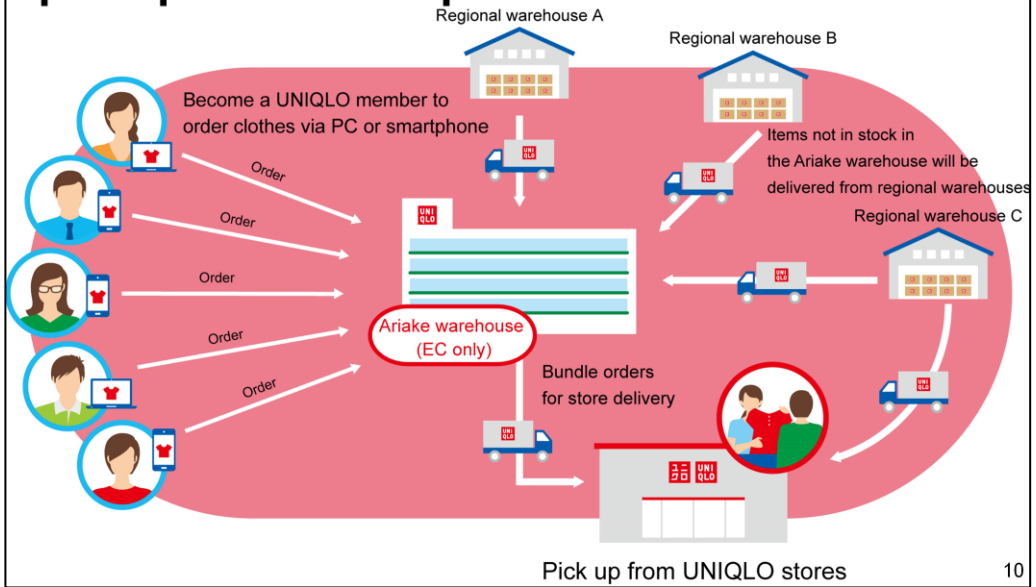
This slide shows the various online-related services that we offer. For instance, shifting to digital communication, improving products by promoting two-way communication between customers and UNIQLO and between customers themselves, and offering personal consulting services. It also shows how we are advancing and rebuilding our online websites and apps to support these services, and the diverse range of payment methods on offer.

In addition, our O2O, or online-to-online service, enables customers to pick up items purchased online from a physical store.

We intend to expand this exciting range of services across Japan and then worldwide. We are looking to vastly improve these services, and to create a satisfactory business model that maximizes the strengths of our digital and physical store networks in order to create direct links with customers around the world and enhance customer satisfaction.

# Fusing Physical & Virtual Stores

## Free delivery of online orders for in-store pickup launched April 3

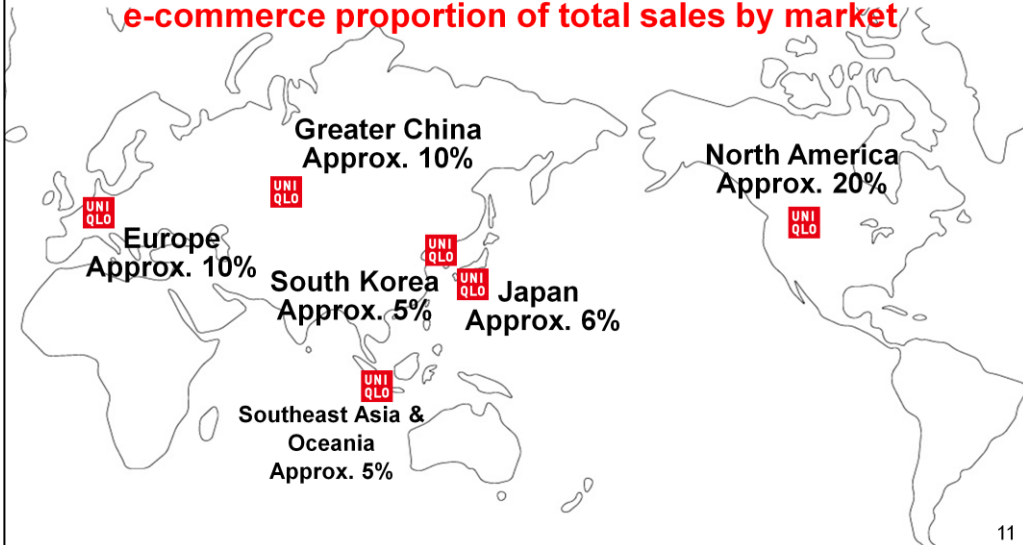


This slide illustrates the recently launched service offering free delivery of online orders for in-store pickup. We believe this new service will help make the UNIQLO shopping experience even more convenient for our customers.

## UNIQLO EC Medium-term Plan

**More than double the current 9% proportion of global UNIQLO sales by FY2022**

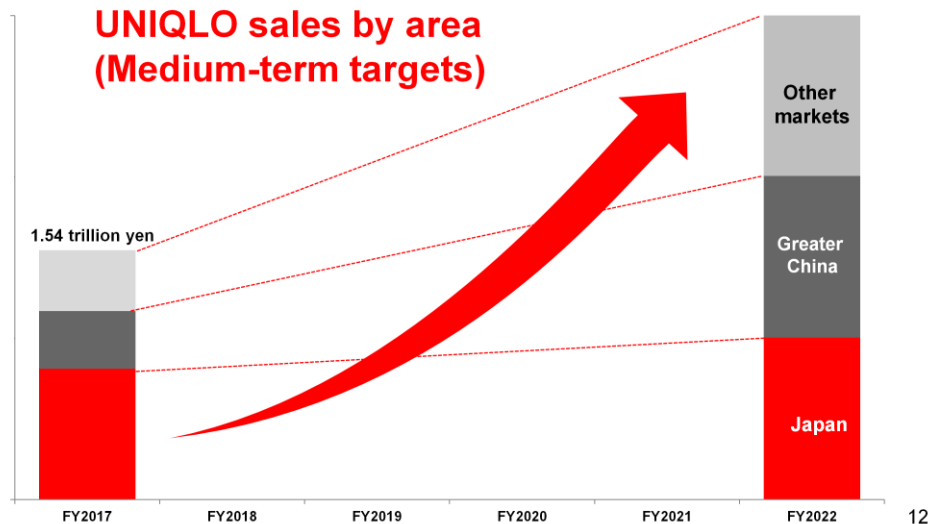
**e-commerce proportion of total sales by market**



This slide illustrates our medium-term plan for the UNIQLO e-commerce operation. As you can see, we intend to more than double the current 9% e-commerce portion of global UNIQLO sales by FY2022.

## Medium-term Global UNIQLO Targets

**Aim to double UNIQLO's FY2017 revenue of 1.5400 trillion yen within five years**



And this slide shows our medium-term global UNIQLO targets. We aim to double UNIQLO's FY2017 revenue of 1.5400 trillion yen within five years.

And on that note, I would like to close my presentation. Thank you for your attention.