

# The UNIQLO Evolution

~ all about global quality ~

Genichi Tamatsuka

Fast Retailing Co., Ltd  
President & COO



My name is Genichi Tamatsuka and I am the President and COO of FAST RETAILING Co., LTD.

# Yr to Aug 2004: Overview

## Sales profit rise for the first time in three years

Billions of yen

	Forecast	Actual		
			y/y	v. initial fcst
Net Sales (to net sales)	334.0 100.0%	335.8 100.0%	+ 11.3%	+ 0.6%
Gross Profit (to net sales)	158.0 47.3%	161.7 48.1%	+ 20.0% +3.4p	+ 2.4%
SG&A Expenses (to net sales)	95.3 28.5%	96.8 28.8%	+ 9.7% 0.5p	+ 1.7%
Operating Income (to net sales)	62.7 18.8%	64.8 19.3%	+ 39.5% +3.9p	+ 3.5%

Parent company results for the year to Aug 2004

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First I would like to give an overview of the year just past through August 2004. As you can see for yourselves from the figures in the table, we have achieved our target declared at the beginning of the year to boost both sales and profit.

# Yr to Aug 2004: Overview

**Recovery in existing store sales,  
strong women's lineup**

**Improved gross profit margin ~ 48.1% (+3.4p y/y)**

**Careful selection of fabric  
(Launched cashmere in fall 03)**

**UNIQLO(U.K.) turns a profit**

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I would like to highlight four key achievements.

First is the success of our effort begun two years ago to strengthen our women's wear garment lines. Our women's wear is now very popular among our customers and contributes greatly to existing store sales.

Second is the improvement in our gross profit margin by 3.4 points year on year.

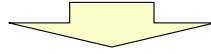
Third, by being extremely careful about the selection of the fabrics that we use, we are perfecting the quality and all round appeal of our product lines. For instance, the introduction of cashmere, Italian-made fine merino sweaters, European-made shirts and dry wear garments.

Fourth, we are pleased to say that our UK operation has shifted into the black into its third year.

## Yr to Aug 2005 ~ The UNIQLO evolution

### Yr to Aug 04 : Revitalizing UNIQLO

- Existing store net sales + 2.5% y/y
- Net sales of women's wear + 31.2% y/y
- Gross profit margin 48.1%



### Yr to Aug 05 : All about global quality

- Restructure men's wear, continue to boost women's wear
- Increase large scale UNIQLO PLUS stores
- Overseas expansion ~ JV in Korea, look to launch in US

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The year to August 2004 was one of revitalization of our UNIQLO brand and company. The current year to August 2005, then, will be one where we aim to create and offer global quality products.

In short, this year we will strive to create and collect the skills needed to win in the world market. On the product side, that will entail a complete renewal of our men's wear and a further strengthening of our women's wear. In terms of our stores, we will be introducing more large-scale store setups under the UNIQLO PLUS name. And we will also be looking to accelerate our overseas expansion plans.

# The UNIQLO evolution

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**1.Refresh men's wear** ~ rethink collections

**2.Boost women's wear** ~ perfecting lines

**3.UNIQLO PLUS** ~ Display of global quality

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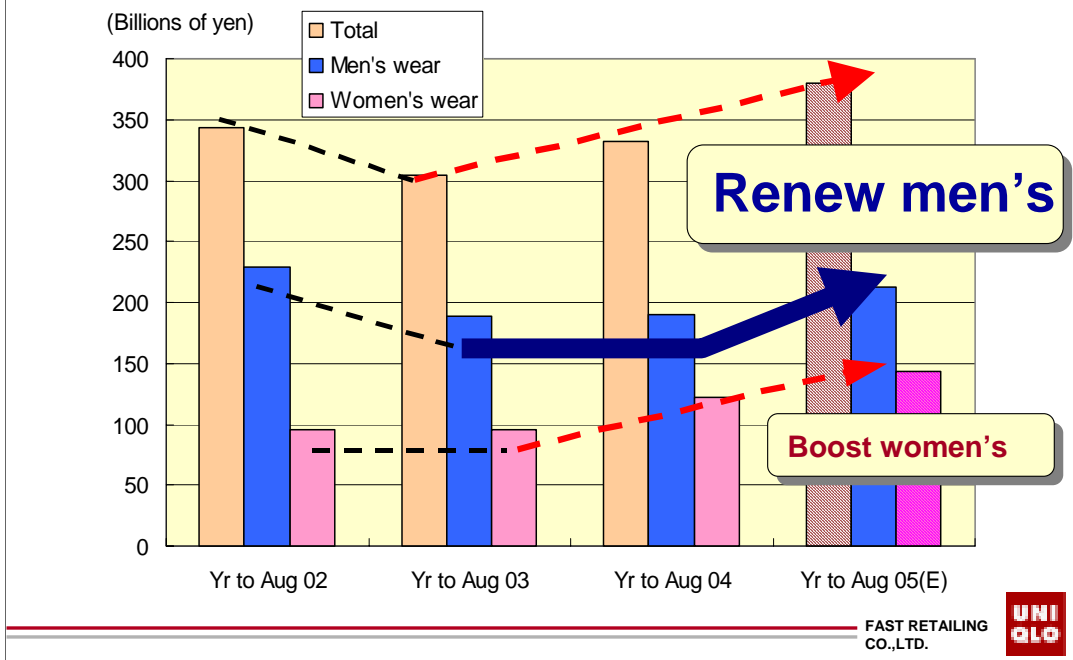
I want to talk now a little bit more about three areas vital to the UNIQLO evolution.

One is to recapture strong growth for our men's wear collection.

Second is to further strengthen our women's wear

Third is to realize more eye-catching, flashy UNIQLO PLUS megastore formats.

# The UNIQLO evolution



I am showing you now a graph that illustrates a nascent upturn in our men's wear sales.

But I am not prepared to settle for just that. We will be working hard to ensure the return to a firm growth track for men's wear sales by paying very close attention to the fit and feel of men's garments and looking for new markets.

On our women's wear we hope to do more of the same, building on the success of the past two years to strengthen the segment and ensure that women's wear constitutes an every increasing proportion of overall sales.

# Global quality ~ renew men's wear

## 1 . Renewed growth for our men's wear

- **Restructure our collection**

Perfect each garment, offer attractive coordinates and new lines with fine fit and feel

- **Develop new goods of excellent fabric**

Use renowned world class fabrics

ex.Outlast Fleece, Premium Down . . .

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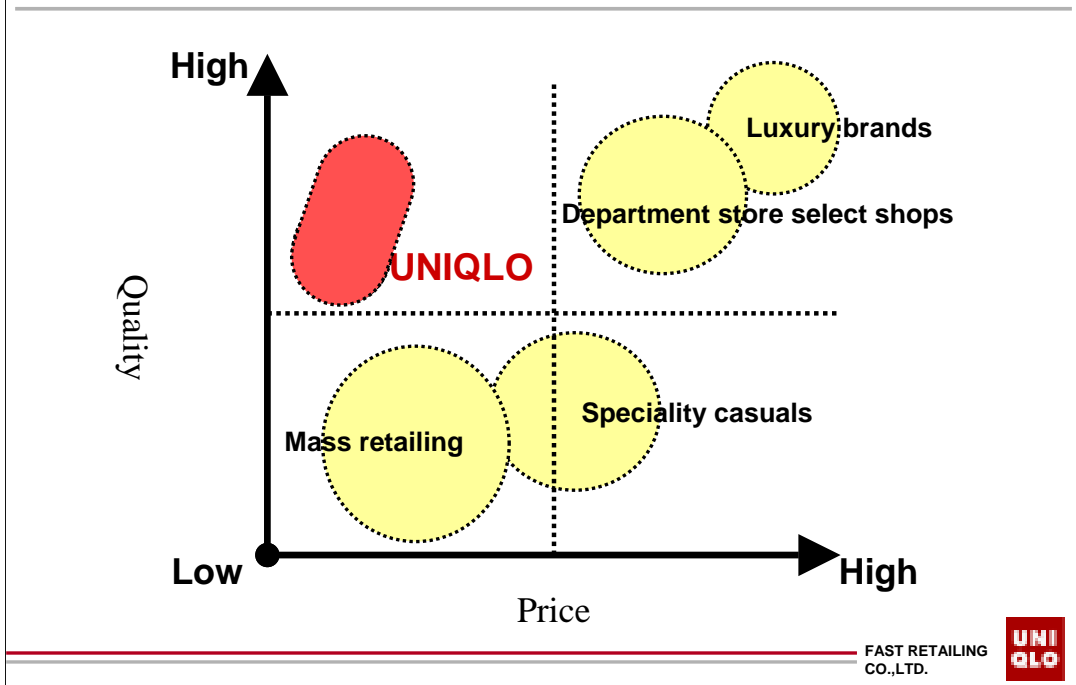
So how are we going to recapture such growth for our men's wear?

As you can see in the slide, we plan to restructure the basic items in our collection so that we can perfect each item on offer, offer attractive coordinates and new lines with fine fit and feel.

In September we declared a new look for our men's wear and introduced a new line of jackets and pants for the occasion that has proved popular with customers.

We also plan to develop new garments made of the best fabrics possible. We have already given the consumer a glimpse of this with our Outlast Fleece and Premium Down garments.

# Global quality ~ renew men's wear



This graph is not for our men's wear alone but illustrates the UNIQLO's overall positioning in the retail market in terms of price and quality.

The vertical axis measures quality from low to high and the horizontal axis measures price on the same concept.

The round red circle represents where UNIQLO stands at present but we are determined to expand our market share by shifting higher on the quality ladder while maintaining a relatively low price structure. That is the longer shape that you see on the graph.

Of course, we intend to expand our share of the pie by maintaining UNIQLO's strong competitiveness on price while offering higher value added products for the consumer.

# Global quality ~ Boost women's wear

## 2. Further boost our women's collections

- **Continue as driver of higher sales**

Expect strong growth (+15% y/y) to Aug 05

- **Perfecting our women's collections**

Merchandising - mass fashion with precision

Expand inner/underwear (bras, pants etc)

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We plan to further boost our women's wear collection by continuing along the same lines that we have followed these past two years and ensuring the highest quality collection possible. We are forecasting a relatively high growth for women's wear sales of 15% in the year to August 2005. We will ensure that we have a stable inventory of core garments but at the same time we will be working to introduce timely new garments that capture the latest fashion trend.

In addition, we also plan to strengthen our inner/underwear lines such as bras that are now available in all of our stores and that have proved extremely popular with our customers.

At the same time, we are looking to expand into the accessories market offering women's belts and bags etc. We will continue to do all we can to capture the imagination and attention of female customers and attract them to our stores.

**Garment quality    Perfecting the collections, VMD**

**UNIQLO PLUS**

**– a new megastore infrastructure**

**Special targeted products,  
new visual merchandising**

**Create globally competitive store displays, store format**

**Large urban flagship stores, large roadside stores, speciality category stores**

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Next I'd like to explain our thinking and our actions so far regarding UNIQLO PLUS.

The typical UNIQLO store has floor space of 700 to 800 square meters. The UNIQLO PLUS store opened recently in Shinsaibashisuji in Osaka, Western Japan is a megastore with a floor space of 2,150 square meters.

We have found that we are unable to display our whole ranges adequately in the smaller stores of 700 to 800 square meters and we have not been able to fully exploit our goods as either coordinates or single attractive garments.

The megastore gives you a certain amount of space to play with and to use to fully express the characteristics of your garments. It also makes it easier for customers to shop there. We feel that our UNIQLO PLUS store format is the right one to win in the global market.

We have a video here of the recent opening of our Shinsaibashisuji store in Osaka. Please take a look.



## UNIQLO PLUS in Shinsaibashisuji, Osaka

Opened Sat Oct 9

Store area 2145sq m

Fcst over ¥2bln sales

Over 30% special targeted goods

Huge variation of core goods

Women's wear = 50% sales

Eye catching layout/fixtures,VMD



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Sales at our Shinsaibashisuji store, the first UNIQLO PLUS style store, have far outstripped our expectations.

And we feel that this is a very respectable start in our effort to create the right store format for our global push.

This experiment with the UNIQLO PLUS store was a new challenge for us and I feel it is important that that experience be felt across our existing 640 store network.

# Overseas strategy

## 1. Boost profitability of existing operations

UK ··· Turned a profit in FY04

China ··· Planned profit in FY05

## 2 . Layout groundwork for new expansion

Expansion into Korea ··· Planned JV setup

Expansion into US ··· devise concrete plan

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In terms of our overseas expansion strategy, we managed to turn a profit at our UK operation last year and we are confident we can do the same with our China operation this year.

In addition to that, we have taken new steps to develop our overseas strategy with the recent announcement of our push into South Korea and planned joint venture there to retail UNIQLO brand casual clothes. We currently plan to open our first store there in the fall of 2005.

We are also continuing to formulate and firm our plans to expand into the US market.

We are not however simply planning on expanding store numbers into other parts of the globe. Rather we feel we have to mould and develop our company into one better equipped to win on the global competitive stage.

# Overseas strategy ~ South Korea

**Establish JV with Lotte Shopping, Korea's leading distributor, to market UNIQLO brand casuals**

Investment ratio: F R 51% (approx ¥300mln)

Open for business: Sept 2005

Aim to win clear market share in short time



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In South Korea, we are planning to create a UNIQLO store network by establishing a joint venture company with Lotte Shopping, Korea's leading distributor.

## Create the skills to win in the world market

- ...the products that sell
- ...the type of stores that appeal
- ...the personnel who perform
- ...the managers who decide

If there is one thing I want to ensure we do in the current period, it is to create and collect the skills required to win in the world market. That means collecting the right products, store network, personnel and management to do the job.

I will be paying particular attention to the third element – personnel.

Wherever FAST RETAILING looks to go in the world, be it South Korea or America, we want to nurture the greatest number of staff who can meaningfully develop the UNIQLO brand, show strong leadership and produce solid results.

This year I hope to be able to establish a source of skill that flows throughout our operation – people – people that will go on to develop new businesses and produce new results and rewards for our company.