

# **Accelerate Business Expansion to Take UNIQLO Europe to the Next Stage**

**Taku Morikawa**

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**CEO, UNIQLO Europe  
Group Senior Executive Officer  
Fast Retailing Co., Ltd.**

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My name is Taku Morikawa, and I am a Group Senior Executive Officer at Fast Retailing.

I would like to thank you for taking the time out of your precious schedules to be here today.

Let me first briefly introduce myself. I joined UNIQLO in 2000. I worked in the UNIQLO operation in Japan and Southeast Asia before taking up my current position as CEO of UNIQLO Europe, which encompasses operations in nine countries.

# Record Revenue, Operating Profit

**FY2022 revenue approx. ¥130.0bln, operating profit approx. ¥15.0bln, operating profit margin approx. 12%.**

**FY2027 targets: Revenue ¥500.0bln, OPM approx. 20%.**

- **Successful branding is raising brand visibility in Europe.**
- **Strong regional flagship store sales. Establishing a healthy earnings structure.**

## UNIQLO Europe (excl. Russia) Revenue



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Twenty years have now passed since we opened our first store outside Japan in London in September 2001.

I think the visibility of the UNIQLO brand has increased tremendously as we have opened multiple stores in different countries and cities and worked on perfecting our branding.

Now, thanks to the strong sales generated by our regional flagship stores and the establishment of a healthy earning base, UNIQLO Europe has been able to achieve sales of approximately 130.0 billion yen, operating profit of approximately 15.0 billion yen, and an operating profit margin of approximately 12% in FY2022.

In order to move on to the next stage that will enable us to expand business growth even further, I want to firmly lead the region onward by aiming to achieve sales of 500 billion yen and an operating profit margin of 20% in FY2027.

## **(1) Offer Products that Suit European Values**

- **In Europe, where Western clothing was originally fashioned, competition between brands is fierce and customers select clothes with a discerning eye.**
- **UNIQLO's belief in truth, virtue, and beauty dovetails well with European customer values. European customers sense our attentive customer service and our commitment to basic designs while also ensuring high-quality materials and sewing, and highly finished products. Affinity for our LifeWear concept is becoming increasingly deep-rooted as a result.**
- **People who have a thorough understanding of clothes appreciate the value and the fresh take on completely new fabrics and products that have been created by interpreting and compiling clothes through Japanese eyes.**
- **If we can be successful in Europe, we can be successful anywhere.**

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I would now like to explain five points that have contributed to the strong performance from UNIQLO Europe in FY2022.

The first one is our ability to offer products that dovetail with the values of European customers.

European customers have extremely strict values when it comes to clothing, and they select materials and designs with a discerning eye. Europe as a market displays an extremely high affinity with UNIQLO's commitment to truth, goodness, and beauty as well as our LifeWear products, materials, and highly finished ultimate basic clothing. The gradual embracing of these products by European customers each year has helped generate the success we enjoyed in FY2022.

Furthermore, European customers enjoy a true sense of freshness and comprehend the value of the new materials and functionality of UNIQLO products that have been created by interpreting and compiling clothes through Japanese eyes. One other key point is that European customers appreciate UNIQLO's unique approach to new products and embrace our new clothing proposals across our HEATTECH, AIRism, and BRATOP ranges, and other representative products.

I think that the success that we have enjoyed in Europe, which displays deep understanding of the world of clothing, is testament to our ability to succeed in any market in the world.

## (2) A New Model that Prizes Value

- **Expanded our new customer base by steadily expanding ranges for everyday life, such as AIRism, BRATOP, loungewear, HEATTECH, and innerwear. Average purchase price also increasing.**
- **Expanding core products to suit customer tastes. Increased sales 2.5 times compared to FY2020 by offering new colors for cashmere, linen, and down ranges, and different lengths for dresses, blouses, and bottoms.**
- **Moved away from discount-reliant sales towards a new model that markets superior product value by creating items that suit the different needs, trends, and climates of individual European markets.**
- **Assigned national managers in product planning and inventory control sections. Together with store managers, executing sales plans that focus on satisfying customer needs. Per-store sales have risen by 20% y/y on average**
- **Conveying product value and maximize sales by linking stores, EC, marketing, and PR functions in each market.**

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The second point is our complete shift towards a business model that markets product value, not discounts.

We have successfully expanded our new customer base and increased the average purchase price per customer by consistently focusing our branding on essential everyday product ranges developed by UNIQLO, such as AIRism, BRATOP, loungewear, and many more.

We saw a great opportunity to develop cashmere, linen, and down products made from natural materials that are popular with European customers, so we offered a wider variety of colors for those ranges. At the request of European customers, we also offered products that enable you to choose different lengths of women's dresses, blouses, and bottoms. As a result, sales of core items increased markedly in FY2022, expanding approximately 2.5 times compared to two years ago.

We have been able to move away from discount-reliant sales by creating shop floor displays to suit the different needs, trends, and climates of individual European nations, and marketing those developments.

Each country, store, and regional flagship store have a different customer base, so managers of product planning and inventory control sections determine strategies for each store and work with the store managers to create and execute their own sales plans. As a result, we have seen sales per store increase by an average of at least 20% year on year.

Indeed, the linking of e-commerce, marketing, and PR activities in each country has not only enabled us to convey information within individual countries, but also to convey information across the whole European region and to maximize our business.



### (3) Regional Flagship Store Success



- **Open regional flagship stores in prime locations in each market's key cities**
- **Create a profitable structure by maximizing the features of historic buildings while also pursuing cost efficiencies. Make them a driver of European profitability.**
- **Generating Europewide news by constantly conveying information on products, sustainability initiatives and our corporate stance from the regional flagship stores.**

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The third point relates to the success of our regional flagship stores in each market.

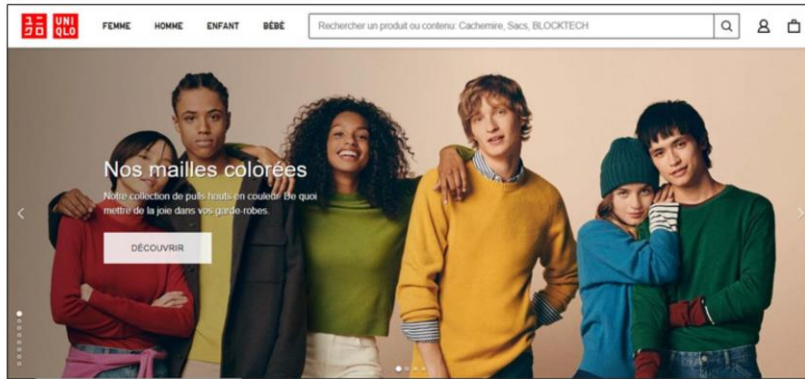
Over the past five years, we have continued to open the biggest regional flagship stores in the best locations each year in the UK, the Netherlands, Sweden, Italy, Denmark, Germany, France, and Spain.

I believe that our determination to respect the lives of local customers through our regional flagships and the way that local customers have embraced those stores have increased trust in our company. Our regional flagship stores are the core focal points from which we offer product lineups and convey information about our corporate stance and sustainability activities in each region, and that has helped those flagship stores perform extremely strongly.

Our regional flagship stores are often located in historic buildings, so we exploit the beautiful features of the building while also adding design features that show off our UNIQLO displays to their best advantage and pursuing cost efficiencies. Essentially, we have built a profitable operational structure for the regional flagship store, and those stores have become the driver of European earnings.

## (4) Expand E-commerce Operations

- **EC sales have roughly doubled in three years, rising from approx. 15% to approx. 20% of total sales.**
- **New app membership rose sharply during the pandemic. Repeat customers increasing.**
- **Quality of warehousing and delivery services improved through our permanently stationed staff.**



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The fourth point relates to the expansion of our e-commerce operation.

E-commerce sales have roughly doubled over the past three years and now constitute 20% of total sales.

New app membership rose sharply during the pandemic, and we also saw a large increase in the number of new customers. More and more customers who had bought items from UNIQLO for the first time are now becoming repeat customers. They also come to visit our physical stores, which is helping generate strong sales at stores as well.

## (5) Active Participation of Local Staff

- **Local new graduate hires grow and participate as national COOs.**
- **Promoting the appointment, selection, and training of local human resources has increased local staff's expectations for the future and helped establish a good local personnel base.**
- **Our European staff have built broad experience by moving around the region. We intend to proactively encourage movement to non-European regions to help nurture future managers.**



Staff movement and interaction creates good teamwork



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The fifth and final point relates to the active participation of local human resources, which is a vital and extremely important point.

Many of our locally hired new graduate members have gained experience and are now operating as proactive COOs in each country. They are local human resources who started as store managers and built up their expertise from there. Those local personnel understand all UNIQLO's values and approaches, create product mixes that consider individual country needs and customer opinions, and conduct local marketing. These practices have helped create an extremely effective commercial business.

Local employees working in our stores see those COOs as role models for their own prospects within the company, which is helping establish a good local personnel base.

Our local staff come from different European countries, and they have experienced different cultures and languages by moving about within the European region. Going forward, I want to encourage movement not just within the Europe region, but also to welcome personnel from outside the region and encourage local staff to experience working in regions outside Europe. I want to rotate human resources, so they gain new expertise through practical experiences and develop into talented management personnel.

## For Further Growth

### (1) Customer-centric LifeWear development and business

- **Setting up a UNIQLO product development team in London and directly incorporating voices of European customer opinion.**
- **Develop original European products that can generate explosive global sales together with our global headquarters (GHQ).**
- **Grasp special local, seasonal or other features at each store and secure the necessary inventory for each store by ordering products as the actual sales periods draw near and preparing sales plans in advance. Eradicate bad inventory.**
- **Sustainability is the bedrock of business. Develop great European initiatives such as the Repair Studio globally.**

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Next, I would like to talk about our measures for promoting future growth.

The first one is our focus on developing customer-centric LifeWear and business.

We are scheduled to set up a UNIQLO product development team in London in FY2023. We are determined to develop products for which there is a need in Europe and products from Europe that can be sold worldwide by directly incorporating European customer opinion and working together with global headquarters, national managers, and store staff.

Also, since the special characteristics of individual country operations and stores differ so vastly, as I mentioned earlier, we are striving to eradicate shortages or bad inventory by preparing sales plans tailored to each individual store in advance and ordering products as the actual sales period draws near.

Finally, we believe that sustainability is the bedrock of business and is a key differentiating point for customers when selecting their chosen companies. We want to develop the great ideas that we have originated in Europe globally, such as the Repair Studio being operated at our UNIQLO Regent Street regional flagship store and our decision to introduce the culture of Japanese Sashiko stitching techniques.



## For Further Growth

### **(2) Accelerate new stores in carefully selected cities**

- **Steer firmly towards business expansion. Aim to consistently open 30 new stores a year.**
- **Keep opening regional flagship stores in new markets, major cities.**
- **Move into East Europe (Plan to enter Poland in fall 2022)**

### **(3) Implement supply chain reforms**

- **Realize delivery to customers within 24 hours by insourcing last-mile delivery and other delivery functions. Ultimately aim to fulfill all deliveries in major cities in-house.**
- **Minimize lost sales opportunities by integrating store and EC warehouses, pursuing distribution cost efficiencies, and centralizing inventory.**
- **Minimize shortages by effectively using air transportation during actual sales periods.**
- **Build frameworks to facilitate efficient delivery, including returns and exchanges.**

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The second policy for promoting future growth focuses on new store openings.

To date, we have opened regional flagship stores in the very best locations in Europe. Going forward, we intend to proactively open more regional flagship stores in countries and cities where we do not yet have a presence and in regions that show a strong affinity with the UNIQLO brand. I want to steer us firmly towards a new expansionary phase by aiming to open 30 new stores each year and actively taking on new challenges.

The third policy for future growth involves the implementation of supply chain reforms.

The European apparel market is the largest in the world. There are still many opportunities to improve the supply chain that we want to tackle. As Mr. Yanai mentioned earlier, one of the areas we want to firmly focus on from the current business year is the insourcing of last-mile delivery and other delivery functions so that we can deliver items to customers within 24 hours and, ultimately, carry out all deliveries in major cities ourselves. We are seeking to minimize lost sales opportunities by combining the warehouses that service our physical stores and our e-commerce operation. We also want to use air freight more aggressively to reduce lead times and ensure the appropriate delivery of each stock-keeping unit (SKU).

## For Further Growth

### **(4) Strengthen GHQ functions, develop talent**

- **Change workstyles and roles so European CEO, COO, managers of individual functions can solve global issues as GHQ members.**
- **Welcome GHQ and global talent to Europe to create successful business by understanding frontline operations, actual products, and actual conditions and working together with local staff.**
- **Nurture managers and talented sales staff in each market by offering competitive wages and practical training as we aim to become the best-loved brand in Europe.**

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The fourth set of policies for promoting further growth involves strengthening the functions of our global headquarters and nurturing human resources.

Mr. Yanai talked earlier about efforts to strengthen our global headquarters in New York, but we also want to fundamentally change the way we work so that the CEOs and COOs of Europe can take responsibility for European operations while also striving to discover and solve global issues, promote individual growth, and contribute to global operations.

I think it is important to rotate human resources not only by moving our European staff around but also by welcoming talented global personnel into the region, and I intend to work hard on that going forward. There is a huge pool of talented people in Europe, and I want to nurture managers and talented store personnel in each market by offering competitive wages and focusing energies on staff training.

**Become the most loved and  
trusted brand in Europe.**



LifeWear

Let me close by saying that we want to continue our efforts to become the best-loved, most-trusted brand in Europe and, by extension, the indisputable number one brand in the world.

Thank you.