

Working with the World

Q: FAST RETAILING reported major increases in net sales and net income for the year ended August 31, 2008. What were the driving factors?

A: We adjusted our strategies along with the constantly changing market conditions.

First, in our UNIQLO operations, we have been successful in developing hit products, such as HEATTECH, every season, and this has made a major contribution to our performance.

In business, it is important to formulate detailed plans and implement them, but in reality, conditions differ from planned scenarios every day and every week. We must take aggressive action to respond to these changing conditions. I believe our ability to change our strategies smoothly to match customer desires and the market environment drove the results. Examples include controlling discount sales and getting an early start each season.

Another change over the past year has been that I personally, as the top manager, have been in the workplace, and the awareness among employees of the need “to reinvent the Company” has grown stronger. Everyone has become dead serious about coming up with answers to the question, “how can we sell our products?”

In Japan and overseas, conditions in the apparel retail market were difficult, but I believe the fact that we were able to report a favorable performance was the result of the virtuous cycle we set in motion through our day-to-day activities.

Q: What is FAST RETAILING’s global strategy?

A: To make UNIQLO the No. 1 player in Asia

First, it is essential for everyone, from management to employees at all levels, to have a global vision. We have to offer the best products throughout the world, using the best methods, through the best organization. Right now, the strongest organization in the FAST RETAILING Group is UNIQLO, but UNIQLO is half a “local player.” Therefore, we have to make UNIQLO a 100% global player and make it the center of a strong, global group.

To become a global player, I believe we have to become No. 1 in all the markets we enter, but, as a first step, just as

H&M and ZARA became No. 1 in Europe, we have to become the overwhelming No. 1 in Asia. To do this, we are planning to open more than 100 stores in China, including Hong Kong, as quickly as possible and establish a sales network of 100 stores or more in South Korea. In production, China is already our No. 1 manufacturing center, but, with an eye toward global production, we want to reduce the risks of over-concentration in one country.

Companies that succeed globally, even when the times of their success or their industries differ, have values and business processes that are relatively similar. Those that win and survive are able to adapt to the changing times and generate profits. Only the products and companies that are best matched to the times survive. UNIQLO must offer products that all types of people in overseas markets will purchase. This means creating the same conditions in each country overseas that UNIQLO has created in Japan. As a result, the UNIQLO brand will become known throughout the world.

Q: What does “focusing more on entrepreneurial values” mean to you?

A: I mean reviving our venture spirit.

The quality that employees of FAST RETAILING lack the most now is a venture, or entrepreneurial, spirit. In business, if we continue to think that each day is our first day at the Company or about what we have to do when we open a new store, we will succeed. This holds for brands, too. We should not accept brands as they have always been, but continue to think about what these brands should be in today’s business environment. We should challenge the status quo with an acute awareness of the times, the market, and the industry.

Venture businesses either end up as great failures or big successes, but without failures we cannot succeed, so we should not be afraid of failures. As companies become larger and more stable, we tend to take more for granted, but we must go after what we want ourselves. We should question all the ways we have done things in the past and think about new ways of doing things. We should analyze conditions and renovate ourselves. That is what I mean by “focusing more on entrepreneurial values.” Our corporate statement says, “Changing clothes. Changing conventional wisdom. Change the world.” That means that each and every employee should think about how to change the world through “clothing.” We tend to classify people into “idealists” or “realists.” However, if you are not a person who knows and understands both ideals and realities, you cannot accomplish great work.



Q: Could you elaborate on your growth strategy going forward?

A: To become No. 1 in the world by 2020, we are taking aggressive steps.

The world economy has moved into a period of stagnation, and consumer confidence is at a low ebb. For retailing companies in Japan and overseas, forecasts are calling for even more difficult business conditions than we have experienced thus far. Going forward, products will not sell unless consumers believe they really need them. In UNIQLO's case—and this holds for HEATTECH—we work with our partners and plants and spend a long time to create high-value-added products that will not be easily imitated. Also, no other company is thinking as seriously as we are about jeans, and no other company is as concerned about the design content of printed T-shirts.

UNIQLO's domestic operations still have much further room for growth, depending on the approaches it takes. We are, therefore, going to continue to proceed with the opening of large stores and concentrate on expanding our lineup of products for women, as we strengthen our development capabilities for women's apparel.

In our overseas operations, we want to consolidate our position in Asia by opening flagship stores in the world's fashion centers with the aim of raising UNIQLO's brand profile. To become a truly global brand, we are going to have to attract more customers in overseas markets.

Turning to other FAST RETAILING Group companies, one of the big issues is improving profitability in the Japan Apparel operations. At GOV RETAILING, which was created

through the merger of three Group companies in September 2008, we are continuing to improve the efficiency of management and confronting the challenges involved in creating a new footwear business and a low-priced apparel business. CABIN succeeded in showing a profit for the period ending August 2008, but we continue to work to raise its brand presence with the objective of doubling sales over the next several years.

In our global brand business operations, we are restraining new store openings in view of weakening economic conditions in Europe, but we are taking steps to realize synergies within the Group by combining the back-office functions of COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM and unifying Group production, merchandizing, and marketing activities.

Looking to the future, we have set objectives of ¥1 trillion in net sales and ¥150 billion in recurring profit for the Group. From a longer-term perspective, we have set a goal of "becoming the world's No. 1 apparel retail group" by 2020. To move closer to these goals, all management and staff must make a commitment to work together. If we can really renovate ourselves, I believe that 20% annual growth in net sales and recurring profit margins of 20% are within the realm of possibility.

Q: What are your thoughts on M&A?

A: M&A is one option for achieving growth.

The goal of our M&A activities is, first of all, to create the platform necessary to globalize our UNIQLO operations in a relatively short time. Especially in Europe and the United States, if there are M&A candidates that can help UNIQLO capitalize on its strengths, then we would consider them. The second goal of our M&A activities is to strengthen our brand portfolio. If we can add brands that we can develop globally, as with COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM, and Theory, we will be able to draw on the financial resources and business platforms of the FAST RETAILING Group and increase Group profitability.

In Japan, we have developed few areas other than basic casual apparel and, therefore, we are looking at virtually all companies in the fashion industry, from production through retailing. Since the apparel industry is very well established in Japan, some sectors are suffering from systemic fatigue, but if we join with good companies, I believe we can work together with them to achieve growth in sales and profit.

In any event, even under the current challenging market conditions, we can observe M&A activities. We believe that M&A is one of the strategic options that we must consider for continued growth.