

CEO Interview

Q What is the secret behind your record profits in fiscal 2009?

A **Customers appreciate our commitment to creating truly great clothes with new, unique value.**

Initially, as a chain of suburban roadside stores, customers appreciated our prices. As Japan's top provider of low-priced casual wear, customers now appreciate our fine quality. Our clothes have gradually improved over the years. Our corporate statement today is to create truly great clothes. In addition, our HEATTECH and BRA TOP products offer new value. Clothes offering new value generate new demand and attract more new customers. In seeking to meet customer needs, we have actually exceeded expectations. That is truly great clothing. I believe customers now appreciate our committed attitude towards great clothing and our strong results reflect that.

Q What lies ahead for UNIQLO?

A **I want to turn UNIQLO into a brand with three key strengths: price, quality and style.**

UNIQLO is known for reasonable prices and high quality. Now, I want to make UNIQLO a brand with three strengths: price, quality and style. Style to us is when customers truly feel they look great! For us looking good isn't just about the pursuit of fashion. Fashion must be balanced with other practical yet sophisticated elements.

Our ultimate idea of style extends to our corporate attitude. Good companies create good products. The people working at our company should also have attractive personalities and solid principles.

Q How will you transfer the huge success of the Paris global flagship store to UNIQLO International?

A **We aim first to become a leading Asian and then leading world retailer.**

The huge success of the Paris global flagship store gives us confidence. Reassured, we can press ahead with creating an exciting UNIQLO presence worldwide. If we want to make UNIQLO a global brand, we have to open not one, but five or ten stores in New York and Paris. We must then capture the world market by opening stores in all of the world's major cities.

The future of our company lies in store and personnel development. Ideally, I would like to open between 500 and 600 stores worldwide and train 1,500 store managers per year. Personnel working at UNIQLO worldwide must share the same corporate DNA as UNIQLO Japan and offer the same level of customer service. The first and most important element of UNIQLO's international business





development is to become the undisputed leader in Asia, where H&M, ZARA and GAP do not have a large presence. I want to ensure that the global flagship store set to open in Shanghai in spring 2010 sparks an explosion in demand for UNIQLO in China.

We have a sales target of ¥5 trillion by 2020—¥3 trillion from UNIQLO International, ¥1 trillion from UNIQLO Japan and ¥1 trillion from other businesses.

Q How do you plan to grow UNIQLO Japan going forward?

A By offering everything a woman could possibly need for her wardrobe.

The most important strategy for UNIQLO Japan is to expand the product range for women. And for that, we need to open more large-format stores.

Our product lineup for women is still insufficient. We have to rethink the kind of clothes women wear during the year and what kind of lifestyles they enjoy. We have to create displays that offer every possible item a woman could need. The next step is to create products with new value capable of changing a woman's lifestyle.

The clothing market for women is more than double that for men, so it is odd that men's and women's clothing should constitute the same percentage of sales at UNIQLO Japan. There is still great growth potential for women's wear at UNIQLO Japan.

Fall and winter 2009 sales of new fashion items were favorable. Customers can now enjoy exploring new fashions at reasonable prices. The concept of "fast fashion*1" among young people is quickly becoming a global trend and women's habits are changing. Fashion no longer necessarily involves expensive items but buying clothes with ease. If this change is the future, then UNIQLO has to change even more.

We want to increase the percentage of fashion items in our lineups. Having said that, UNIQLO is all

about basic clothes, so 70% to 80% of clothes are basic items. But we can make our basic items more fashionable by launching a fully complete lineup, such as our **U** Collection.

Finally, we want to develop totally coordinated store displays. Here visual merchandising*2 and store designs are important and increasing large-format stores with expansive floor space is crucial. We want to push ahead with opening new large-format stores in major cities such as Tokyo, Osaka and Nagoya. We are convinced we can capture a new group of customers by opening outlets in urban department stores.

Q Can you explain your growth strategy for each group?

A I want to transform them into new, solid, SPA*3-style businesses, such as low-priced apparel, footwear and women's fashion.

The low-priced clothing market is still underdeveloped in Japan, but if we could establish a new business format here then G.U. would have a great opportunity to expand. I also want to strengthen the development of low-priced, high-quality footwear at UNIQLO SHOES by offering footwear that complements UNIQLO clothing.

We need to perfect CABIN as a women's fashion SPA retailer. I want the brand to utilize UNIQLO's manufacturing infrastructure to pursue fashion elements at low prices. We opened CABIN's ZAZIE and enraciné shops in our newly refurbished UNIQLO Ginza store in October 2009. The fact that the brands were housed in a UNIQLO store helped boost their visibility even in such a prime location as Ginza. Just as G.U. demonstrated when its ¥990 Jeans series catapulted its low-priced casual G.U. brand into customers' minds, it is important to increase brand recognition.

Tadashi Yanai, Chairman, President and CEO

Appointed since 1972

Chairman, President and CEO, UNIQLO CO., LTD.; Director, SOFTBANK CORP.; Chairman, LINK THEORY HOLDINGS CO., LTD.; Chairman, CABIN CO., LTD.; Chairman, GOV RETAILING CO., LTD.



Q What is your strategy for Global Brand Operations?

A We want to pursue synergy and further globalize operations.

We want to maximize synergy for Global Brand Operations by strengthening the Tokyo/New York/Paris link. Theory in New York, COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM in Paris, and UNIQLO and FAST RETAILING in Tokyo—we all need to join forces and capitalize on each other's infrastructure. This should help strengthen our corporate base in each country and city, accelerate new store openings and boost brand visibility. For instance, Theory, with its operational bases in the United States and Japan, could strengthen its base by using the FAST RETAILING Group infrastructure to expand into Asian markets such as China.

Q What is your current view on M&A expansion?

A If an opportunity came up, I would consider it, but the global development of UNIQLO is our priority right now.

Our first and foremost M&A priority is to attain platforms for UNIQLO in new and overseas markets. We have been looking to buy companies in Europe and the United States to serve as platforms for UNIQLO

for a long time but have not found the right candidates. Rather than wait around for a good proposal, we want to prioritize the opening of large-format UNIQLO stores similar to our Paris flagship store in major European and American cities. The ideal opportunity would be an agreement with a company of similar size that shared our management philosophy.

Our second M&A aim is to strengthen and expand our business portfolio by purchasing more brands, like COMPTOIR DES COTONNIERS and Theory, with global potential.

Q What is your opinion on shareholder returns?

A We will pay dividends that reflect performance.

Providing returns to shareholders is one of our most important management commitments. We look to achieve high dividends in line with performance. Profits are divided into investment funds for future business development, retained earnings to ensure healthy corporate finances and shareholder returns. In the fiscal year ended August 2009, we increased our annual dividend by ¥30 to ¥160 per share (32.7% payout ratio). Our plan is to increase the annual dividend by a further ¥40 to ¥200 in the year to August 2010.

Worldwide SPA*³ Retailers*⁴

Company Name (Flagship Brand)		End of Fiscal Year	Sales (Billions of yen)	Change (% Year on Year, Local Currency Basis)	Market Capitalization (Billions of yen)
Inditex, S.A. (ZARA)	Spain	Jan. 2009	1,390.0	+10.3	3,330.0
Gap Inc.	U.S.	Jan. 2009	1,314.9	-7.8	1,348.0
Hennes & Mauritz (H&M)	Sweden	Nov. 2008	1,135.9	+13.0	3,824.4
Limited Brands, Inc.	U.S.	Jan. 2009	818.6	-10.8	512.5
FAST RETAILING (UNIQLO)	Japan	Aug. 2009	685.0	+16.8	1,603.8
NEXT PLC	U.K.	Jan. 2009	488.1	-1.7	527.9
Polo Ralph Lauren Corporation	U.S.	Mar. 2009	454.3	+2.8	382.7
Esprit Holdings Limited	Hong Kong	Jun. 2009	402.8	+7.0	764.8
Liz Claiborne Inc.	U.S.	Dec. 2008	360.7	-10.3	49.4
Abercrombie & Fitch Co.	U.S.	Jan. 2009	320.5	-5.6	261.3

*1. "Fast fashion" is similar to "fast food," which implies quick service, low prices and a casual atmosphere, and refers to apparel that is quick to introduce the latest trends, low-priced and offers reasonably good quality.
 *2. "Visual merchandising" involves designing and creating sales areas based on visual concepts, which stimulate the desire to purchase among consumers.
 *3. SPA stands for "Specialty store retailer of Private label Apparel," meaning that its activities are fully integrated from manufacturing through sales, including material procurement, design, product development, production, distribution, inventory management and final sales.
 *4. Data was compiled from the annual reports of the companies listed above. Foreign currency conversion rates and stock prices were those on October 30, 2009.