UNIQLO Operations

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UNIQLO operates a SPA (Specialty store retailer of Private label Apparel) business, which means that its activities are fully integrated from design through production and retailing. Under its SPA business model, UNIQLO controls all stages of the supply process, from development of materials to R&D, design, production, quality control, marketing, sales and inventory adjustments. This makes it possible for UNIQLO to supply customers with products with reasonable prices and high quality. Moreover, this business model, which enables UNIQLO to differentiate itself from other companies through development of original products, makes it possible to control risks 100% by managing production in line with sales performance. Also, UNIQLO can generate high levels of profitability by restraining rents and personnel costs.
Merchandisers play a key role from product planning through production. Working with R&D and applying concepts for each season, merchandisers make decisions on plans, materials and designs. Then, based on store and customer feedback and marketing strategy, merchandisers decide the product lineup and volume. During the seasons, merchandisers and production planners regulate production.

UNIQLO products are manufactured by about 70 partner factories in China and other Asian countries. To maintain top quality, the UNIQLO Shanghai Office sends a team of specialists, known as takumi, to these factories to provide proactive technical support based on their extensive experience in Japan’s textile industry. UNIQLO orders products in lots of several million, but maintains uniform quality and on-time delivery based on its know-how.

UNIQLO holds campaigns each season for core products, including fleece jackets, down jackets and polo shirts. UNIQLO broadcasts high-impact commercials focused on product concepts and features. Also, through the distribution of flyers nationwide on Saturdays, UNIQLO offers limited-period discounts on featured new seasonal products to promote sales and attract customers to its stores.

Production planners work with merchandisers and production departments to prepare plans for production volume at the beginning of each season. During the season, production planners control production levels based on current sales, feedback from campaigns and production capacity to collaborate production and instruct the production department accordingly.

UNIQLO has assigned about 170 staff and takumi to its overseas offices in Shanghai, Shenzhen, Ho Chi Minh City and Dhaka. They visit partner factories three days each week to monitor production schedules, quality and safety. The concerns of UNIQLO customers regarding quality are fed back immediately to production departments and prompt improvements are made.

“I give guidance on dyeing technology to UNIQLO’s partner factories, while working to change their production management philosophy. Despite different cultures, we have the same goal of making good products. My work is worthwhile and I am proud to be training the next generation of technicians in China based on Japan’s skills and mind-set.”

Kazuaki Iida, Dyer

UNIQLO’s takumi Teams

One year before launch: Concept decisions

Samples

Material selection

Color choices

Marketing plans

Six months before: Production starts

Production

Planning

Development and Procurement of Materials

Quality and Production Control

Marketing

Production Planning

Design

R&D (Designers and Pattern Makers)

Direct negotiations with material manufacturers make it possible for UNIQLO to procure a stable, high volume of top-quality materials at reasonable prices. Since quality is especially important for core products, UNIQLO orders denim made to its own spinning and dyeing specifications, and develops new materials, such as HEATTECH, with strategic partners, such as Toray.

UNIQLO’s R&D centers in Tokyo and New York have a total of about 100 staff who conduct research on world trends in fashion and lifestyles and on new materials. About a year before a product launch, merchandising, marketing, materials development and production join R&D in concept meetings to develop ideas and finalize concepts for the upcoming seasons. Based on these concepts UNIQLO’s R&D centers prepare huge quantities of designs and sample products.
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UNIQLO has expanded its production network in Asia. In 2006, UNIQLO opened a production office in Ho Chi Minh City, Vietnam, and in 2008 a production office in Dhaka, Bangladesh, where growth in the textile industry is anticipated. UNIQLO is planning to increase production outside China to about one-third of the total with the objectives of reducing the risk of reliance on China and lowering production costs.
UNIQLO opened its first store, in Hiroshima, Japan, in 1984, and 25 years later has expanded to a global network of 862 stores as of the end of fiscal 2009. With global flagship stores in New York, London and Paris, UNIQLO has established a global brand providing basic, high-quality clothing. In the years ahead, UNIQLO will emphasize expansion activities in China, including Hong Kong, South Korea, Singapore and other countries in Asia.

Previously, UNIQLO Japan concentrated on developing a network of stores in roadside locations and in shopping centers with sales areas of between 660m² and about 800m². In recent years, the focus for new store openings has been on large-format stores with a sales area of about 1,600m². During fiscal 2009, UNIQLO opened 71 large-format stores, making 770 stores in total. Sales at these stores have risen to account for 20% of UNIQLO Japan sales.

UNIQLO Japan’s operating income ratio is about 20%, substantially higher than the ratios of other retailers. The principal reasons for this superior profitability are, first, the extremely high average sales per store (an average of ¥680 million per store in fiscal 2009, with an average sales area of about 709.5m² per store) and, second, the efficient management of UNIQLO stores as reflected in low-cost store operations and a low ratio of rental costs.

As of the end of fiscal 2009, UNIQLO International had 92 stores overseas and plans to expand this to 148 stores by the end of fiscal 2010. The number of stores in Asia (outside Japan) has doubled, and profitability in this region is rising. In October 2009, UNIQLO opened a global flagship store in Paris and will open another in Shanghai in spring 2010. The first store in Russia is scheduled for spring 2010 as well.
Inventory control monitors sales and inventory levels on a weekly basis to maintain the optimal level of store inventories. It also sends the necessary additional products and newly-launched products to the stores and fills their product orders. To fully dispose of inventories at the end of each season, inventory control works together with merchandisers and marketing staff to coordinate the timing of markdowns.

Customer Center

The Customer Center receives more than 100,000 opinions and requests annually from customers via telephone, postcard and e-mail. These are forwarded to the proper departments and reflected in improvements in products, stores and services.

If you have an opinion or a request, please contact UNIQLO at:
http://www.uniqlo.com/jp/corp/customer

Online Store

UNIQLO’s online store offers the full range of its merchandise and services to customers throughout Japan. It also offers special advance sales of early-in-season items, limited-edition products designed for large-format stores and special sizes. Online sales of UNIQLO Japan operations during fiscal 2009 amounted to ¥18.8 billion, accounting for 3.5% of total sales.

Access UNIQLO’s online store at:
http://www.uniqlo.com/jp/
In April 2009, UNIQLO Japan opened such large-format stores as the Shinjuku West Exit Store, next to Shinjuku Station, which boasts the largest volume of passenger traffic in Japan. The opening of the Shinjuku West Exit Store, with sales area of more than 1,900m², was extremely successful as a large opening sale was held during the store’s first three days. It attracted tremendous customer and media attention, and generated sales that more than doubled initial estimates.

In October 2009, we reopened our newly renovated UNIQLO Ginza Store, with an expanded sales area of about 2,300m². The Ginza Store is now a new presence in Ginza, Japan’s premier fashion center. The store attracts more fashion-sensitive women now thanks to its expanded sales area. The profile of customers has also increased to include customers shopping at department stores.

For UNIQLO Japan, opportunities are emerging for opening large-format stores in major cities such as Tokyo. As the number of its large-format stores increases, UNIQLO’s collection of women’s wear will change significantly.

Large-Format Stores Expand Offerings of Women’s Clothes

The key to UNIQLO’s growth in Japan in the future lies in the women’s wear market, which is more than double the size of the men’s wear market. For UNIQLO Japan, the women’s wear division, including innerwear, currently accounts for 50% of total sales. If we can expand the sales area at our stores and create sections large enough to display a full lineup of items that meet women’s wardrobe needs, we are confident of doubling or tripling our women’s wear sales by offering a full women’s wardrobe.

For the development of women’s wear, we have changed our focus from conventional basic items such as T-shirts, sweaters and innerwear to new lines including skirts, one-piece dresses, jackets and blouses that emphasize “fashionable basics.” Moreover, we produce new, attractive designs, colors and materials to create women’s wear that not only follows the latest fashion trends but also offers new fashions capable of altering women’s lifestyles.
The Key to Growth: Large-Format Stores Boost Women’s Wear

Improve the Efficiency of Large Stores

Since we began the development of large-format stores in 2005, we have focused our efforts on improving efficiency.

To attain the desired average level of sales and operating income per square meter at these stores, we have been implementing a new business model to manage them. Large-format stores—with their broad selection of items, sizes and colors, as well as their attractive shopping atmosphere—are becoming more popular year by year.

Tokyo Girl’s Collection Proves a Hit and Attracts 20,000

Since September 2008, UNIQLO has announced its women’s collection at the Tokyo Girl’s Collection (TGC), a popular event for young women. Well-known models and celebrities were mobilized to show more than 20 brands, which were available for purchase by mobile phone during the show.
In the Pursuit of Perfection, We Emphasize the Finest Details

For the fall and winter season 2009, UNIQLO supplied checkered flannel shirts in 100 color and pattern variations. No other apparel manufacturer creates this many variations for one season, and this allows us to offer customers the unique experience of “always finding what they desire.”

We merchandisers are tasked with creating a concept. This requires us to discuss the latest fashion trends with designers while also analyzing sales data. Although UNIQLO believes that fashion trends are important for creating clothes, it also believes fashion concepts must integrate people’s lifestyles.

We settled on three concepts for checkered flannel shirts marketed this fall and winter—monotone (black and white), classic (with a traditional English look) and vintage (slightly resembling pre-owned clothing). Once the concepts were ready, we began designing shirts with the utmost attention to detail.

The history of Western-style clothing in Japan dates back less than a century, but one characteristic of the Japanese has always been an extremely keen eye for detail. Many UNIQLO employees also have a keen interest in detail, and I am one of them. I never compromise. We pay attention to every aspect, even the size of pockets and buttons when designing flannel shirts.

A customer once told me, “UNIQLO patterns have a slightly pre-owned look, but the products appear absolutely new.” We have changed the look of the vintage flannel shirts marketed this fall and winter to slightly fluffy shirts that appear to have been washed repeatedly. After putting the shirts through numerous washing cycles in the production process, we produced a finish that we are confident is the perfect look.

Our aim is to create great clothing at reasonable prices. But this is not easy. We constantly give 200% to obtain what we hope is 100% customer satisfaction.
Our Greatest Joy Is When a Customer Makes Multiple Purchases

The HEATTECH line of warm innerwear for men launched in 2004 combined heat generation, heat retention and fast-drying functionality. The following year, we introduced HEATTECH products for women. Then, we improved the threads in response to customer opinions, such as requests for garments with a moisturized, supple feel. The final result was the HEATTECH products we offer today.

The agreement we signed in June 2006 with Toray Industries, Inc., gave rise to a strategic partnership between Toray and UNIQLO and played a major role in the evolution of HEATTECH. Toray has installed manufacturing lines dedicated to these fibers, and despite Toray and UNIQLO being separate companies, our employees exchange opinions as regularly as employees at the same company.

I think many of our customers have noticed that, beginning with the fall and winter season 2008, the variety of colors in our HEATTECH lineup has increased. Highly sophisticated technologies are needed to expand these color variations. When the color is different, the feel of a fabric may change substantially. Hence, to guarantee all shades of HEATTECH products the same feel, we prepared a huge number of samples and used a process of trial and error, supported by our takumi team of experienced dyeing specialists.

As the types and color variations of HEATTECH products have increased, customers have enjoyed HEATTECH as innerwear and even outerwear. I feel great when customers buy not just 2 or 3 of these items, but 5 and sometimes 10 for themselves and family and friends.

In the fall and winter season 2008, we sold 28 million HEATTECH garments, including 1 million overseas. Customers loved the items, and demand was so strong that even though we increased production, we still could not keep up with orders. In order to prevent similar shortfalls in the future, we have made arrangements to increase production to 50 million garments in the fall and winter season 2009.

In our work with Toray, we proceeded next to develop SILKYDRY summer innerwear, which retains a surprisingly smooth and soft feel even when you perspire. This fabric, as its name suggests, has the feeling of silk, which has been a strong drawing card for customers. I am also pleased to see repeat customers returning to purchase our SILKYDRY items every year.
UNIQLO International
Aiming to Be the Number One Brand in Asia

Breakthroughs in UNIQLO International Business Operations

Since opening a store in London in 2001, UNIQLO International has expanded its network to a total of 92 stores as of the end of fiscal 2009. Our UNIQLO International operations have finally begun to generate a reasonable profit margin. This business is expected to expand considerably, particularly in Asia over the next few years. It will be critical for UNIQLO to become the undisputed number one apparel retailer in the Asian market. The Shanghai global flagship store, which is scheduled to open in spring 2010, will provide the spark that will lead to explosive growth in Asia.

In China, UNIQLO is expanding its sales network in major urban areas, mainly Shanghai and Beijing. UNIQLO in Hong Kong has established a profitable business supported by an enthusiastic customer base. As part of our store opening strategy, UNIQLO China will accelerate the pace of store openings with particular emphasis on large-format stores.

In South Korea, UNIQLO has formed a joint venture with the country’s largest retailing enterprise, Lotte Shopping

On October 1, 2009, a line of about 800 people formed next to the Paris Opera House. A motto of the French is “never stand in line,” so why were so many people lined up? It was the opening day of UNIQLO’s global flagship store in Paris, the Paris Opera Store. The building, built in 1866, is itself a historic structure with a stately appearance, and it has two floors above ground and one below. Entering the building, customers find themselves in a room with about 2,100m² of sales area that opens all the way up to a skylight. Customers naturally gaze up and around the room, which expresses the mood and feel of a cutting-edge, Japan-style store. The popularity of UNIQLO in Paris can be traced to significant media coverage. Lines have continued to form outside the store, even after the opening day.

At present, UNIQLO has three global flagship stores—the Paris Opera Store, the Soho New York Store and the 311 Oxford Street Store. These global flagship stores transmit UNIQLO’s brand image of “high-quality basic wear” and “a new concept from Japan” to the world.
Co., Ltd., and will open stores in Lotte department stores and Lotte Marts. UNIQLO has also opened a large-format store in Seoul’s Myong Dong district and is steadily expanding its store network.

In Singapore, where UNIQLO opened its first store in spring 2009, sales substantially exceeded expectations. As a result of this success, UNIQLO is considering opening stores in other countries in the region, including Thailand, Indonesia, Malaysia, the Philippines, India and Australia. In spring 2010, UNIQLO is scheduled to open its first store in Moscow, Russia.

A Clear Brand Strategy and Message
As UNIQLO expands its store network and opens more flagship stores globally, it is able to simultaneously transmit to the world its brand message of high-quality products, style and great value. For instance, for the fall and winter season 2009, UNIQLO conducted a global promotional campaign for its HEATTECH products to acquaint customers throughout the world with the high quality and functionality of these items.

UNIQLO Apgujeong Store in South Korea
The Apgujeong store, which opened in Seoul in October 2007, is situated in a trendy area like Harajuku in Tokyo. The store is a hit among fashion-conscious young people. Best-selling products at the store include colorful sweaters and jeans.
UNIQLO Surprises with ℄ Collection
We are Moving to a New Stage in Fashion
and Open the Future for UNIQLO’s Possibilities

In October, UNIQLO launched its ℄ collection, starting with the fall and winter season of 2009. The ℄ line was created as a cooperative venture between UNIQLO and Ms. Jil Sander, a prestigious designer in the global world of luxury brand fashion.

UNIQLO’s reputation as a unique fashion brand has been highlighted by a series of collaborating projects with international talents, who helped to broaden and enhance our signature style. Thanks to Ms. Jil Sander, we not only continue, but intensify our engagement in this promising direction. The combination of UNIQLO’s knowledge and long experience with fashion basics and Ms. Jil Sander’s sensitivity and creativity has drawn worldwide attention to UNIQLO, and instantly produced faithful ℄ partisans from Tokyo to Paris, London and New York.

We are confident that UNIQLO’s ℄ collection will inspire an ever-growing number of diverse and discerning customers to discover the joy and satisfaction of wearing truly great clothes. The concept of “Luxury in Simplicity” and “Quality for the People” will continue to generate considerable benefits and create bright new possibilities for UNIQLO. Last but not least, because we embrace our mission as a company in touch with the present and on a quest for a better future.

The Challenging Concept of “High-Quality Basics”

UNIQLO introduced the concept of “high-quality basics” 25 years ago, which was then, and still is, the most difficult concept to bring to life in apparel. It requires the highest respect for the qualities of “perfect” clothing, while staying simple and getting rid of all kinds of excess. It means adding and subtracting at the same time, in the passionate quest for new beauty.

Since the future of fashion lies in developing products with new value, I felt that Ms. Jil Sander was the ideal designer to give shape to our concept. Together, we strive to offer timeless clothing that, nevertheless, feels fresh every time you wear it—which is realized by combining higher, sophisticated design with UNIQLO’s “high-quality basics.” Because we shared this vision, we joined forces and embarked on this new adventure.

The ℄ collection sent shivers down my back the first time I saw it. Ms. Jil Sander had infused this new brand with her spirit and passion. She used all the skill and experience she had acquired over the years as a top designer. I was very moved—although we were using the same materials and the same factories, in her hands, they were transformed into something wonderfully different. I am convinced, that at this moment, we are being true to our mission: “Change clothes. Change conventional wisdom. Change the world.”

Yukihiro Katsuta
FAST RETAILING Group Officer