Towards a Focus on Global UNIQLO Growth

UNIQLO International Sales to Overtake UNIQLO Japan in Fiscal 2015

In the booming Asian markets, I believe that our operations in China and South Korea are approaching a dramatic breakthrough. With the fundamental corporate base now in place, we plan to accelerate new store openings in both countries aggressively from fiscal 2012 and then speed up store openings and expand operations in Taiwan and Southeast Asia over the next few years. We project that sales at UNIQLO International will overtake sales at UNIQLO Japan in fiscal 2015.

Envisioned Breakdown of Future UNIQLO Sales

Fresh Approach to Staff Training Facilitates Aggressive New Store Openings in Asia

We train university graduates in each location in the same way as in Japan. In China, we hired roughly 150 graduates in fall 2010 and 300 in fall 2011. I want to double that number again in fall 2012. Our CEO for Greater China, PAN Ning, attended university in Japan and is currently avidly recruiting and training management personnel in China. His enthusiasm has contributed to soaring brand visibility, and UNIQLO now rates highly in graduate jobseekers’ popularity rankings in China. More people now understand our corporate philosophy and staff training, and we can attract a higher grade of applicant.

We also began dispatching management personnel from Japan a few years ago to conduct meetings in Chinese with Chinese employees. We are committed to developing UNIQLO China as a Chinese company.

(Left) PAN Ning, CEO, Fast Retailing China, addresses new employees. (Right) Daily briefing at Taipei global flagship store.
Global Brand Status
Proves an Advantage in Asia

In this modern internet age there are no national borders for customers; they enjoy instant access to information about the world’s best-known stores and popular brands. This means it is vital to become a global brand, and I point to how UNIQLO is opening stores in Paris, London and New York as well as Japan, and drawing attention all over the world.

As UNIQLO is talked about worldwide, more and more people in Asia are beginning to recognize the brand. The strong desire among people in booming China to buy good clothing reminds me of Japan in former years. When I was young, there was a time when people spent nearly all of their salary on new clothes and shoes. I believe demand for clothing in the Chinese market has the potential to grow even further across all income levels.

In fact, over the next 10 years demand in China and across the entire Asian region could grow more than anyone has envisioned, and this presents UNIQLO with a wonderful opportunity to become the number one clothing retailer in Asia.

New York Fifth Avenue Store
a Showcase to the World

Our global flagship store on New York’s Fifth Avenue and megastore on New York’s 34th Street opened in fall 2011 to an extremely enthusiastic reception.

At the opening ceremony of the Fifth Avenue Store on October 14, New York City Mayor Michael Bloomberg thanked UNIQLO for bringing jobs to the city. The same day marked the coordinated global release of the Apple iPhone 4S* created by the late Steve Jobs, and Mayor Bloomberg would have been conscious that both events were generating long lines of excited shoppers. It felt great to be personally welcomed as a lively addition to the famous shopping street.

This new global flagship store on Fifth Avenue is hugely valuable for UNIQLO as a showcase to the United States and beyond. Our great success there is delivering outstanding promotion for the UNIQLO brand all over the world.

I was delighted to fulfill our dream of many years to open the best store in the world’s best retail location, and I believe this will contribute greatly to UNIQLO’s quest to become a true global brand.

* iPhone is a trademark of Apple Inc.

Sales of Major Apparel Retailers

Note: Calculated at August 31, 2011 exchange rates using data from each firm’s annual report.
Redefining UNIQLO Clothes to Optimize Our Strengths

Too many product lines in fiscal 2010 led to shortages of some core basic items. This affected both the appeal and benefits of core items for which the UNIQLO brand is renowned. In fiscal 2011, by reducing the number of lines and reviewing our core products, we redefined the UNIQLO identity and expressed it as MADE FOR ALL.

Along with the Fast Retailing Way corporate philosophy, MADE FOR ALL permeates everything we do. MADE FOR ALL offers the elements of style in clothes that suit your values. Employees share an understanding of MADE FOR ALL and apply it in all activities, from product development and marketing to store layout and operations.

In the apparel industry, supply outstrips demand and therefore only the best products sell. The way to win globally is to further invigorate UNIQLO’s inherent strengths, differentiate our products and achieve a superior standard of product, store and service. I believe UNIQLO will achieve unprecedented success by perfecting next-generation clothing that wins the hearts and minds of people worldwide.

UNIQLO—the Creator of New Kinds of Clothes

Western clothes have a relatively short tradition in Japan, and you may wonder if a Japanese apparel company can really compete in the global arena. But I would argue that our Japanese heritage gives us a unique advantage. Not being bound by Western tradition, we are free to create new value in clothes and new categories of clothing.

Our Ultra Light Down jackets, hit products for the 2011 fall/winter season, offer a perfect example. Light, comfortable and stylish down garments have transformed the material’s image. Down is no longer used only for skiwear or for those working in cold conditions. Today, we use down to create fashionable winter casualwear that is amazingly light but still keeps the warmth in. The outer material of our Ultra Light Down line-up is made from a special functional fabric developed by our partner Toray Industries. Even if other companies tried to design and sell a similar product, they certainly wouldn’t be able to achieve the same superior standard overnight.
The Launch of the UNIQLO Innovation Project

We began the UNIQLO Innovation Project (UIP) as a way of expressing MADE FOR ALL principles in a tangible form. The MADE FOR ALL philosophy demands garments that can succeed in global markets and appeal to everyone.

With the help of creative talent in Japan and other locations, we are designing innovative clothing that offers functionality and universality. It’s how the future dresses. These clothes will become the new standard, just right in every detail. One example is casual clothing with the functionality of sportswear. My aim for UIP is to create a completely new category of superior functional clothing that is neither sportswear nor fashion.

UIP does face challenges, but I am confident we can overcome them by harnessing our global selling power, large production volumes and the strong product development system nurtured by UNIQLO and fabric manufacturers.

Creating New York Fifth Avenue-style Stores in Japan

The global flagship store on New York’s Fifth Avenue helped UNIQLO carve out an identity as a high-quality brand offering new clothing with a smart and casual look. Nowadays, the UNIQLO brand is often appreciated more around the world than in Japan. Starting with a clean slate in the United States and Asia, we can convey new UNIQLO concepts swiftly, whereas in Japan, where 60% of stores are still roadside outlets in suburban areas, our origins and image as a low-price retailer remain entrenched.

The quickest way to dispel this brand image in Japan is to open new-look, modern stores like the New York Fifth Avenue flagship store and let Japanese customers experience the difference. We are planning similar high-impact stores in Tokyo, Osaka and Fukuoka, starting with global flagships in Ginza (March 2012) and Shinjuku (fall 2012).

In suburban areas, we are continuing to replace old stores with new large-scale outlets in a drive to boost customer satisfaction and UNIQLO’s brand image.
A Strong Performance from Theory in Japan and the United States

Our Theory business continues to do well and we are expecting further gains in both sales and profit in fiscal 2012. Customers are drawn to Theory’s basic designs coupled with a sense of contemporary freshness. The 2011 fall/winter Theory collection achieved even greater success with former haute couture designer Olivier Theyskens as its new artistic director.

We plan to merge the management of Theory, Comptoir des Cotonniers and Princesse tam.tam within a single framework, thus enabling individual brands to benefit from the synergies generated by building an integrated presence in each region. Taking the Theory operation as an example, we are planning to expand the brand extensively into Europe, drawing on the expertise of our French regional headquarters. In Asia, we will call on the Shanghai regional headquarters to assist in opening Theory stores in China. In addition, we will be looking to accelerate the opening of new stores for Comptoir des Cotonniers, our French women’s fashion label, in the United States and Japan.

An Extremely Bright Future for g.u.

The g.u. operation has benefitted from UNIQLO’s long experience as a manufacturer and retailer of apparel. Building on the concept of fashion at low prices, g.u. creates casualwear that incorporates the latest trends while selling at half the price of UNIQLO garments.

A lack of dedicated retailers has made it difficult to explore the latent demand for low-priced clothing in the Japanese market. As the scale of g.u. operations expands I think we will see strong demand for new clothes that offer fashion at low prices, and that is why I regard g.u. as strategically important.

The third g.u. flagship store will open on the site of the current UNIQLO Ginza Store in March 2012. Ginza is already home to competitors such as H&M, ZARA, GAP and FOREVER21, so the new store should place g.u. squarely in the spotlight. In addition to the 148 stores operating at the end of fiscal 2011, we are looking to open 50 mainly large-scale g.u. stores per year and may expand the brand outside Japan.
Four Regional HQs Promoting Our Global One Management System

In order to promote our Global One management system, we are establishing four regional headquarters in Shanghai, Singapore, New York and Paris. These headquarters will be tasked with ensuring efficient inventory control and store development in each region and improving management accuracy and efficiency.

We will also establish a Fast Retailing Management Innovation Center (FRMIC) in each region to promote rigorous training of management personnel. The FRMIC was launched in Japan in April 2009 with the cooperation of the Graduate School of International Corporate Strategy at Hitotsubashi University. Approximately 100 employees are currently participating in the program to develop practical management skills and conceptualize new types of Japanese companies.

Preserving UNIQLO’s Japanese Core Values amid Globalization

As we actively promote the globalization of our company, all employees must share a global outlook. Our long-serving Japanese employees will need to keep moving forward in step with the company’s development, becoming increasingly proficient in English as a global communication tool.

We have already begun employing more graduates abroad than in Japan, and eventually non-Japanese personnel will outnumber Japanese employees. However, if we end up without any talented employees and managers who share UNIQLO’s core values derived from Japanese culture, then that precious DNA will die out. We are a company born and bred in Japan. I have no intention of eliminating our Japanese DNA, and instead intend to see that it is fully shared by personnel all over the world. As we continue our global transformation, I want to preserve our unique UNIQLO core values as a feature of a new type of Japanese company.
Creating the Future Together

I created our corporate philosophy, the Fast Retailing Way, to help us become a truly good company. To realize our corporate mission—“Changing clothes. Changing conventional wisdom. Change the world.”—we strive to provide people all over the world with truly great clothing. The Fast Retailing Way is rooted in important Japanese cultural elements—a passion for fine craftsmanship, an emphasis on superior customer service, and a work ethic that values diligence and teamwork.

The Fast Retailing Way is underpinned by our Global One and ZEN-IN KEIEI management principles. We commit to create the best global products and operate Group companies as a single entity by adopting the best global practices available. Each employee is encouraged to adopt a business manager mindset. All successful global firms by necessity implement the ZEN-IN KEIEI concept. I want our Group managers and staff to share the same strong ambition, and keep aiming to be the world’s best while staying firmly grounded in their immediate reality.

I once thought I would retire at 65, but as a founder of a business I came to see that this was not possible. Part of my motivation for working is to contribute to society through business. Going forward, I plan to devote myself to the company and to maximizing this social contribution. At the same time, I am always thinking of how best to train the next generation of senior managers, and I feel that gradually passing on more responsibility for the day-to-day implementation of the business will help forge an even stronger management team.
Potential M&A Candidates as a Platform for UNIQLO Expansion

I am always thinking about potential large-scale M&A candidates in the United States and Europe. Given our desire to open stores across the United States in the future, we might consider an M&A deal that would provide a platform for such development, or the creation of a joint-venture company with a partner firm. Whatever the format, I believe it is important to join forces with compatible business leaders.

Strong Performance Brings High Dividends for Shareholders

I believe that returning profits to shareholders is one of the most important considerations for management. Our policy is to offer high dividends that closely reflect business performance. Our fundamental stance is to use profits to fund future business expansion, to retain earnings to ensure healthy finances and to provide shareholder returns. In fiscal 2011, we paid an annual cash dividend of 180 yen, generating a payout ratio of 33.7% on a consolidated basis.