UNIQLO Operations
Business Model
Expanding Internationally
Store Development in Japan
Product Creation
UNIQLO Business Model

UNIQLO has established an SPA (Specialty store retailer of Private label Apparel)* business model encompassing all stages of the business—from design and production to final sale. By continuously refining this SPA model, UNIQLO successfully differentiates itself from other companies by developing unique products. We quickly make adjustments to production to reflect the latest sales environment and minimize store-operation costs, such as personnel costs and rent. This is how we at UNIQLO provide high-quality clothing at reasonable prices.

* The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.
UNIQLO’s R&D centers are constantly researching the latest fashions and lifestyles around the world as well as looking for new materials.

Concept meetings are held roughly one year before a product launch. On these occasions, R&D designers and pattern makers meet with representatives from the merchandising, marketing, materials development and production departments to discuss and finalize concepts for upcoming seasons. Then UNIQLO’s R&D centers prepare designs and refine samples until each product is finalized.

UNIQLO secures a stable, high-volume supply of top-quality materials at low cost by negotiating directly with materials manufacturers. The development of materials is especially important for core products. We source denim to specific spinning standards and dyeing specifications from the industry’s reputed Kaihara Corporation. We develop new functional materials, such as HEATTECH and Silky Dry, with synthetic fiber maker Toray Industries, Inc.

We can work with materials manufacturers in this way because we produce over 600 million items annually.

Merchandisers play a vital role from product planning through production. Having met with the R&D designers, merchandisers then apply the concepts for each season in product plans, materials and designs.

Next, merchandisers decide the product lineup and volume for each season, paying close attention to a detailed marketing strategy.

One other important task for merchandisers is to decide when to increase or reduce production during a season. Decisions to adjust production in line with demand are taken jointly with the product planning department.
Quality and Production Control
UNIQLO deploys around 250 staff and *ta-kumi*, or expert textile artisans, in Shanghai, Shenzhen, Ho Chi Minh City and Dhaka. Production managers visit partner factories each week to resolve outstanding issues. Customer concerns regarding quality are communicated immediately to production departments, and improvements made.

UNIQLO *Takumi* Teams
“By offering instruction on dyeing technology to UNIQLO’s partner factories, I can encourage workers to embrace a new production management philosophy and improve their factories. Our cultures may be different, but our aim is the same—to make truly good products. I am proud to be passing on expert Japanese techniques to the next generation of Chinese technicians.”

Expanding Our Production Network
UNIQLO has around 70 partner factories, and roughly 80% of UNIQLO products are made in China. Having expanded its global sales network in recent years, UNIQLO is now actively expanding production in other Asian countries to reduce reliance on China and to lower costs. Our ultimate aim is to position one-third of production outside China.
The spinning begins with the unraveling of raw yarn materials. Cotton is blended from multiple localities to ensure quality.

Computer-generated test colors are adjusted by skilled craftsmen with an eye for slight differences in color.

The sewing process begins with cutting, followed by machine sewing, which requires both precision and patience.

Ironing and packing are performed with great care. Quality and safety inspections are conducted several times.
Inventory Control
The Inventory Control Department maintains the optimum level of store inventory by monitoring sales and stock on a weekly basis, and dispatching necessary inventory and new products to fulfill orders.

At the end of each season, merchandisers and the Marketing Department help coordinate the timing of markdowns and limited-period sales (20-30% off the regular price) to ensure that inventory is sold out.

Marketing
Each season, UNIQLO conducts promotional campaigns for core products such as fleece, Ultra Light Down jackets, polo shirts, and HEATTECH. During campaigns, UNIQLO advertises a core product’s unique qualities and newsworthy features on TV and in other media. In Japan, for example, weekly flyers in the Saturday edition of national newspapers promote the latest apparel at weekend-only prices.

Online Store
Sales at the UNIQLO Japan Online Store totaled 19.9 billion yen in fiscal 2011, or 3.3% of total sales. We also offer online sales internationally, including in China, Hong Kong and Taiwan.

Customer Center
The Customer Center receives more than 70,000 opinions and requests annually from customers. Appropriate departments then act on them to help improve products, stores and services.
UNIQLO Japan Stores
UNIQLO began as a chain of regional roadside stores with a typical sales floor of 500 square meters. We subsequently upgraded most stores to 800 square meters. Today, we open primarily large-scale stores offering at least 1,600 square meters. Of 843 stores at the end of August 2011, 129 were large-scale stores, and they accounted for approximately 20% of UNIQLO Japan sales.

UNIQLO is also developing large-scale stores in urban locations, such as the UNIQLO Ikebukuro Store within the Tobu Department Store, which opened in September 2011. We will open global flagship stores in Ginza in March 2012 and Shinjuku in fall 2012. Going forward, we are looking at global flagship stores for Japan’s busiest shopping locations, including Shibuya, Harajuku, Ueno and Ikebukuro in Tokyo, as well as Osaka and Fukuoka. We will also consider megastores offering at least 3,300 square meters in all major Japanese cities.
The Top Brand in Asia, Then the World’s Number One Apparel Retailer

UNIQLO Expanding Internationally

UNIQLO Global Flagship Stores

- UNIQLO Paris Opera Store (Oct. 2009)
- UNIQLO Shanghai West Nanjing Road Store (May 2010)
- UNIQLO Shinsaibashi Store (Oct. 2010)
- UNIQLO Shanghai West Nanjing Road Store (May 2010)
- UNIQLO 311 Oxford Street Store (Nov. 2007)
- UNIQLO Mingyao Department Store (Sept. 2011)
- UNIQLO Myeongdong Central Store (Nov. 2011)

Fiscal year-end

2002
2003
2004
2005
2006
2007

15
26
9
14
30
39
Becoming the Top Brand in Asia

We have opened one store after another in China, Hong Kong and South Korea. In fact, we have expanded our store network at an impressive pace across the region, with our first stores opening in Singapore in April 2009, Taiwan in October 2010, Malaysia in November 2010 and Thailand in September 2011. These new Asian markets have welcomed UNIQLO with open arms, and now is the perfect time to accelerate the pace of store openings. We plan to open 100 stores in Asia in fiscal 2012, double the total of fiscal 2011. UNIQLO International (ex-Japan) is estimated to generate sales of 160 billion yen in fiscal 2012, and the Asian market is expected to constitute 70% of that total.

Building Our Brand through Flagships

Global flagship stores in major cities around the world will become an increasingly important part of our strategy to build an international store network. These stores are ideal showcases for promoting the UNIQLO brand concept of high-quality basic clothing to the world.

Since opening our first in New York's Soho district in fall 2006, we have subsequently opened global flagship stores in London, Paris, Shanghai, Shinsaibashi in Osaka, Taipei, New York's Fifth Avenue and Seoul. Our ninth and latest is due to open in Ginza in March 2012.
UNIQLO Expanding Internationally
The New York Fifth Avenue Store that opened on October 14, 2011 was the seventh UNIQLO global flagship store, and was a roaring success from day one. At approximately 4,620 square meters, UNIQLO’s biggest store to date is located among the world’s top brands at the heart of the world’s most prestigious fashion street. The store design is both modern and innovative, with a long escalator in the center linking the three floors.

The store features our first dedicated customer service counter. In the United States, you would normally go to an exclusive department store for truly high-quality service. But UNIQLO shoppers can enjoy the best Japanese-style service in a shop selling clothes at reasonable prices.

One week after opening the New York Fifth Avenue Store, we opened a 4,300-square meter megastore on New York’s 34th Street. We now have three UNIQLO stores in New York including the first global flagship store, the New York Soho Store, which has generated strong sales since opening in 2006. Interestingly, the top-selling items are different at each store. Unlike in Japan, in Manhattan each area is different. This presents some exciting challenges as we tailor product lineups and promotion to suit each store. The aim is to encourage customers to return often.

The opening of the New York Fifth Avenue Store has taken us to an exciting new level, and we feel powerfully motivated to strengthen the company appropriately. As we contemplate future expansion across the United States, we will boost the capability of store managers and staff.

Graduates we employ in the United States are sent to stores in Japan for six months for firsthand exposure to UNIQLO’s core values. This has also given Japanese store managers valuable experience in international communication. To ensure success in the United States, we must become a business run mainly by Americans who can support a national network, and for that purpose we will seek out talented store managers and potential CEO candidates locally.

If popular products differ so greatly even within New York City, imagine how much greater the challenge will be when we expand our horizons nationwide. UNIQLO’s brand image has improved dramatically and I’m looking forward to opening a steady stream of stores across the United States, just as we did in Japan. My current thinking is 20 stores near-term, and then take on the entire nation, and all its amazing diversity.

We will continue to improve all areas of our business to ensure that people keep shopping with us. We will maintain momentum and drive, treating each day as opening day. To gain a firm foothold in the United States, we will strive to maximize synergies among the Fifth Avenue, Soho and 34th Street stores.

Shin Odake
Group Senior Vice President, Fast Retailing USA, Inc.
CEO, UNIQLO U.S., Fast Retailing USA
On the Road to Becoming Asia’s Number One Brand

“My near-term goal is a Greater China operation with sales of several hundred billion yen.”

Our global flagship, which opened in 2010 on Shanghai’s prominent West Nanjing Road, is one of UNIQLO’s largest showcases, and the perfect platform from which to transmit the UNIQLO concept across the Chinese market. Indeed, the opening of the flagship store dramatically changed the way the UNIQLO brand is viewed in China.

Our first store in Taiwan opened in fall 2010. It was an outstanding success that revealed just how enthusiastic people are about the expansion of UNIQLO in Asia. Accelerating the opening of stores in Greater China (China, Hong Kong and Taiwan) is key to our business success in the region.

UNIQLO ranks high in the latest brand surveys in Greater China and our quality-price balance is viewed very positively compared to other apparel retailers in the region.

We will aim to open more than 100 stores per year in Greater China, so it is vital that we have employees who understand and implement UNIQLO’s core values and Global One management principles. We hired 300 talented Chinese graduates in fall 2011 and they will be trained as store managers. Many of them will later move on into senior management, enabling us to truly expand and evolve into a Chinese business.

The Greater China market will continue to grow autonomously in the future. It will be a tough challenge, but I am sure our efforts will be rewarded. Building on our current momentum and harnessing the high-growth potential of this exciting region, the short-term plan is to expand the Greater China operation into a business with sales of several hundred billion yen.

PAN Ning
Group Senior Vice President, Fast Retailing Co., Ltd.
CEO, Fast Retailing China
I began focusing sharply on store development in Greater China in December 2010. We created a team including local employees to work on store development, design and construction, and we are now competing hard with global apparel brands.

There is more to store development than simply renting land or securing space. An understanding of the UNIQLO brand and business is crucial to conveying our growth potential and corporate vision to landowners and developers.

We carefully discuss and assess each opportunity for opening a new store, referring to strict and specific criteria that include potential sales per store, profitability, the presence of competition and the time needed to recoup the initial investment. This process is closely adhered to around the world.

In Greater China, however, we are more keenly aware than in Japan of what competing apparel brands such as H&M and ZARA are doing. The world’s top companies are frantically seeking a foothold in China’s fast-growing market, and we are determined to open stores in more favorable locations than our competitors.

Chinese developers deeply respect UNIQLO’s quality, our desire to provide the best clothes in the world, and our drive to become the most appreciated brand in Asia. They are eager to do business in partnership with a fast-growing business such as ours.

In only a year or two China will undoubtedly undergo amazing change, and I want UNIQLO to grow at that same astounding pace. In the dynamic Greater China market, we are determined to create the Group’s top global store, outperforming even the New York Fifth Avenue Store.

“My aim is to open the top-selling UNIQLO store in the Greater China region.”

Takenari Motoda
Director, Store Development
Fast Retailing China
Emphasis on Urban Stores

As UNIQLO’s brand image and customer appeal have improved, we have become an increasingly attractive tenant for developers of department stores and commercial buildings. In 2009, we began opening more high-street and department store outlets. Our biggest store in Japan, with a sales floor of 3,300 square meters, opened in September 2011 within Ikebukuro's Tobu Department Store in Tokyo.

These prime urban stores generate strong sales and are popular with customers, so they should help broaden our customer base and further boost the value of the UNIQLO brand.

Traditionally, UNIQLO has been under-represented in Japan’s urban centers, with relatively few stores in proportion to the population of major cities such as Tokyo, Osaka, Nagoya and Fukuoka. We are seeking to expand our urban market share by accelerating the opening of high-street stores, as well as outlets in department stores and shopping centers.

According to Japan’s Ministry of Economy, Trade and Industry, sales at Japan’s department stores, supermarkets and apparel retailers totaled 10.7 trillion yen in 2010. Extrapolating from that data, UNIQLO had a 5.5% share of the overall market, including a 8.9% share of men’s wear and a 3.9% share of the women’s wear market.

UNIQLO Japan: Share of Sales by Prefecture

6.5% and above
5.5% - 6.49%
Under 5.5%
Mean 5.5%
Large-scale Store Business Model
UNIQLO became Japan’s leading apparel retailer by developing a network of mainly regional roadside stores. From 2004, store openings expanded rapidly, hot on the heels of the growing commercial shopping center boom. From 2005, UNIQLO began developing large-scale stores in a drive to extend our total sales-floor space in Japan. The focus of current store development is shifting from standard stores with sales floors of around 800 square meters, to large-scale stores with sales floors of 1,600 square meters or more.

In the apparel industry, sales and profitability per square meter in a given store typically decrease as sales floor area increases. However, UNIQLO has established a business model that achieves levels of sales and operating profit per square meter in a large-scale store that are comparable to those of a standard store.

UNIQLO ventured into the urban arena in 1998 with a store in Tokyo’s trendy Harajuku district. In fiscal 2000 and 2001, a 1,900-yen fleece campaign set off a surge in UNIQLO popularity, producing the spike in sales per square meter that can be seen in the graph below. Since then, we have managed to maintain sales per square meter of approximately one million yen per year, an impressive achievement.

![Graph showing UNIQLO Japan: Sales Floor Space & Sales per Square Meter](image)
UNIQLO Product Creation

Superior Fabric, Quality and Functionality

In the years since the Global Quality Declaration in September 2004, UNIQLO’s brand image has changed completely. Previously, UNIQLO was seen as a retailer of low-priced clothing, but now the image is of high-quality clothing made from functional materials and superior fabrics. After the Declaration, our internal product development system was completely overhauled, resulting in an unshakable commitment to quality at a reasonable price.

■ UNIQLO’s Strengths

Procuring the World’s Best Materials
One of UNIQLO’s key strengths is to offer clothing made with luxury materials at reasonable prices.

You might expect to pay several hundred dollars for a cashmere turtle-neck sweater, but at UNIQLO you can choose one for under U.S.$100. By negotiating directly with global materials manufacturers and ordering in bulk, UNIQLO has procured high-quality materials such as cashmere, American Pima cotton and premium down at comparatively low costs.

New Functional Materials to Create Demand
Another key UNIQLO strength is an ability to create demand with new functional materials developed jointly with fiber manufacturers.

UNIQLO developed its innovative HEATTECH materials with synthetic fiber manufacturer and strategic partner Toray Industries. Steady improvements over the years have assured the continued success of these items. By teaming up with specific manufacturers, UNIQLO offers clothes with new, unique functionality at prices that everyone can afford.

完美的产品质量通过现场决策的转变实现

UNIQLO工作在基本前提下，即所有产品都是高质量的，因此我们非常小心地尽量减少缺陷产品。我们经常收集并检查样本，管理财产和其他数据。对于批量订单，重要的是在缝制过程中有标准检查的备份，以及对布料的更深入的检查，以确保每件产品的颜色均匀。

Tetsuya Fukuhara
Director, Production Department
UNIQLO Co., Ltd.

Perfecting Products by Shifting to On-site Decision-making

UNIQLO works under the basic premise that all products are high quality, and so we are extremely careful to minimize the number of defective items. We frequently collect and check samples, and manage property and other data meticulously. With bulk orders, it is important to have back ups of the standard checks during the sewing process, with a closer examination of the fabric to ensure a uniform color in each item.
Producing a new product involves many stages. The first sample is modified repeatedly before going into mass production. With orders for several million pieces, we have to guarantee the same quality across many different factories in China, Vietnam and Bangladesh. To that end, nearly all of the Japanese Production Department and R&D personnel have moved to Shanghai where they can manage the manufacturing process on the spot. Being on site to check and improve samples swiftly brings us one step closer to perfecting a product.

Receiving samples quickly gives us time to resolve any problems before moving on to mass production. On-site manufacturing controls will become increasingly important as UNIQLO expands its global production bases.

One of my missions is to train global personnel. I want to see local employees from China and Bangladesh rise up through the company and then manage the manufacturing process themselves, according to a strict UNIQLO control system that is implemented uniformly around the world.