

GU BUSINESS



GU

# Refining Our Approach to Low-priced Fashion

GU reported higher revenue but lower profit in FY2020 as COVID-19 forced temporary store closures. Revenue rose 3.1% to ¥246.0 billion and operating profit declined 22.5% to ¥21.8 billion. Some people considered fashion to be nonessential during these times, but I got the opposite impression. E-commerce sales doubled year on year during Japan's COVID-induced state of emergency period from March to May 2020, and same-store sales recovered by a larger-than-expected 16.4% in June once stores reopened for business. Sales of on-trend fashion items were uniformly strong, with trendy comfortable clothing such as our loose-fitting chef's pants and loose-waisted dresses selling well.

In addition, with people spending more time at home, popular items included pajamas, loungewear, and other apparel strategically priced as low as ¥990. We offered more seasonal products in 2020 Fall Winter that could be worn for longer by adapting the way they were styled, hoping to satisfy the needs of customers who wanted to enjoy fashion without spending much money. Being able to keep an outfit for longer and wear it in many different situations is easy not only on the wallet but also on the environment. I want to ensure GU responds properly to today's demands for a more sustainable society.

We unveiled our Three Connections Declaration to help us create great clothes and a great future in which we connect with consumers, producers, and the Earth. First, we will listen to consumers' opinions, exploring what they want in order to develop clothes that combine GU fashion and practicality. Second, by finding solutions with partner factories that result in fresh technological innovation, we will produce new high-quality products at pleasing prices. And third, by accurately understanding demand and thinking creatively about production, distribution, and retail, we will create a leaner supply chain. We will also introduce more environmentally conscious materials and



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promote recycling for a more sustainable business.

The importance of online sales continues to grow, but, after witnessing the smiling customers entering our stores once they reopened, I feel sure people will never stop enjoying shopping in physical stores. It is important to boost the respective benefits of in-store and online shopping and to gradually fuse those operations. We are expanding “click and collect” and other services, and opening new stores that can generate potential e-commerce synergies.

My belief that fashion is indestructible, whatever the circumstances, has not wavered. Harnessing our Your Freedom concept, which emphasizes freedom of expression through clothing, and our distinct Japanese identity, GU will keep delivering the clothes that customers truly need.