

UNIQLO's overseas strategy

To become the world's No.1 casual brand

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Good afternoon ladies and gentlemen, my name is Steve Dacus.

I am the Senior Vice President of Overseas Operations at FAST RETAILING. My primary responsibility is the development of UNIQLO's overseas operations.

Our vision for UNIQLO is to become the world's number one casual clothing brand. A key element of this vision is the establishment of a significant, growing and profitable overseas business. That is what I would like to discuss today.

UNIQLO's overseas business targets



**JPY100bln Net Sales,
JPY10bln Ordinary Income by 2010**

Our mid-term target for the UNIQLO business overseas is to achieve net sales of ¥100bln and an ordinary income of ¥10bln by the year 2010.

Our previously established businesses in the UK and China are continuing to grow though not as much as we might like. Our new businesses in Hong Kong and South Korea are doing very well, much better than we had planned and are proving to be a success model for our overseas expansion.

With regard to the US market, we are finding it a bit challenging, as are many other retailers at the moment. However, I am confident that as we execute our strategy over the next few years we will meet with success.

Now I would like to give you an overview of our strategy and discuss how we will succeed.

1. Leverage the Japan-based team

- **Develop a global mindset**
- **Make full use of UNIQLO Japan's experience and capability in terms of product development, marketing, merchandising and sales.**

We have outstanding resources and great strength in our Japan-based team. In order to succeed globally we will need to fully utilize these resources and all of our strength. This will require a fundamental change in the mindset of many, probably most, of our people. There has, up to now, been a widely held attitude that UNIQLO'S domestic Japanese operations and our overseas businesses are separate. We need to lose this attitude.

We are one brand and one business with stores in many countries. Our headquarters staff, across all functions need to understand that we are a global business and they need to act accordingly. They need to think of our overseas businesses just as they do our domestic business. That is the only way we can fully leverage the experience and capability we have on our team here in Japan.

I am pleased to say that this is already happening. Each of the functional leaders is getting more and more deeply involved in the development of our overseas business.

2. Replicate key success factors

- **Product**
 - Quality
 - Price
 - Style
 - Range
- **Customer service**
 - Japanese standard
- **Stores**
 - Superior customer experience

There are many reasons for our success in Japan. However, I believe three of the most significant factors are: our products, our customer service and our stores.

By “product” I’m referring to the quality, price, style, and range of our clothing. With adjustment for sizing we are now selling essentially the same products globally so I believe we are well on the way to replicating this success factor.

The next two factors are perhaps a bit more difficult to replicate on a global basis but are critical to achieving a superior customer shopping experience and differentiating our brand. Our success in delivering superior customer service and a quality in-store experience to the same standard we achieve in Japan is one of the key reasons for our success to date in Hong Kong and South Korea. Conversely, where we have not achieved the appropriate standard in our store environment and for customer service, we have struggled.

We are now putting a great deal of effort into addressing both of these areas. This isn’t glamorous or sexy but it is absolutely fundamental to our business.

3. Create strong local teams

- **Employ talented local staff in top management positions**
 - leadership ability
 - industry experience
 - in touch with local market, culture, trends
- **Alliance with strong local partners**

The next point that I would like to discuss is the importance of creating strong local teams

In some of our overseas businesses the top management ranks are filled almost entirely with expatriate Japanese managers. Though they are talented individuals it can be difficult for foreigners to comprehend and navigate the often subtle but no less formidable challenges of the local market and culture. Therefore it is very important that we have talented local managers with strong leadership ability in the top ranks of our overseas businesses, working closely with seconded managers and the headquarters team.

Another way to get a strong team in place quickly is via an alliance with a strong local player. Our close partnership with Lotte in South Korea is an example of such an alliance and clearly one of the key factors behind our success in that country. It is a model we would seek to replicate in other countries.

4. Build brand power

- **Open a global flagship store in New York's SOHO in Autumn 2006**
 - **Shop floor approx. 1,000 tsubo**
- **Grace flagship stores with the very best of UNIQLO in terms of product development, visual merchandising and store management**
- **Open flagship stores in the world's major cities**

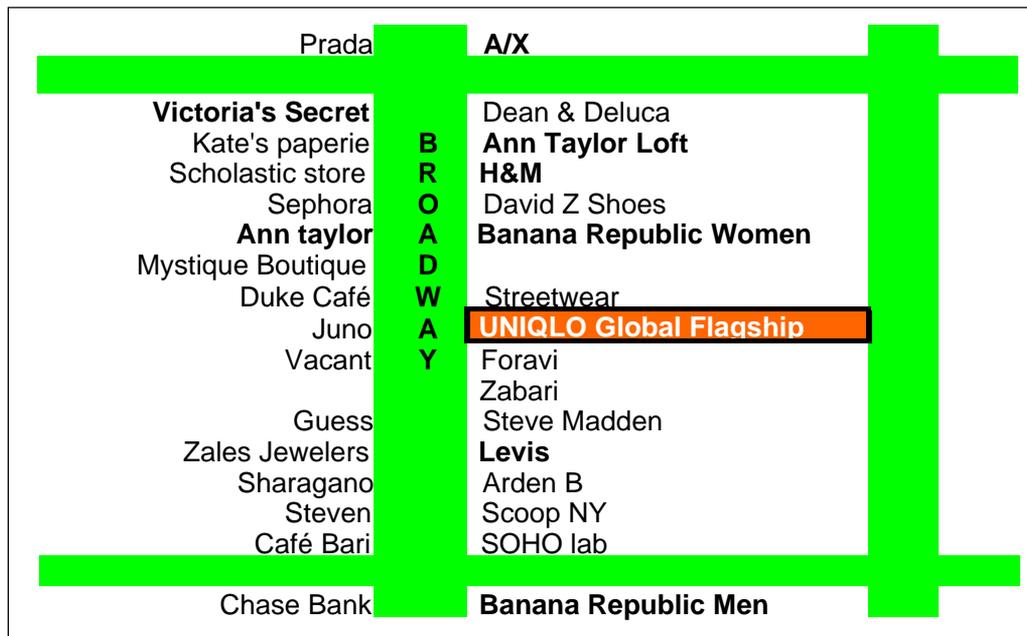
***Flagship stores to express
the very best of UNIQLO***

The last point I would like to discuss relates to building our brand power.

Our brand is well known and understood in Japan. However it is relatively unknown overseas. In order to differentiate ourselves from the competition and build our business, it is absolutely critical that we raise awareness of our brand and recognition of what UNIQLO stands for.

We feel that one of the most effective and profitable ways of doing this is through flagship stores. Getting consumers to directly experience what UNIQLO is all about is a great way of getting our message across. Flagships will express the very best of UNIQLO.

Global flagship in NY



To that end, we will open our global flagship store in New York's SOHO in the Autumn of 2006.

This will be the flagship store not just for New York but also for all UNIQLO stores worldwide.

This will be the biggest UNIQLO store in the world, with roughly 1,000 tsubo of shop floor space.

It will be unlike any UNIQLO store to date, and will provide the customer with a truly unique shopping experience.

We would look to open similar flagship stores in the fashion capitals of other countries where we are growing our brand. We are currently looking at London, Shanghai, and Paris and hope, in the near future, to be able to give our customers in those cities the same fantastic shopping experience as New Yorkers will soon be able to enjoy.

Thank you very much.