



Strategic Global Partnership with Daifuku

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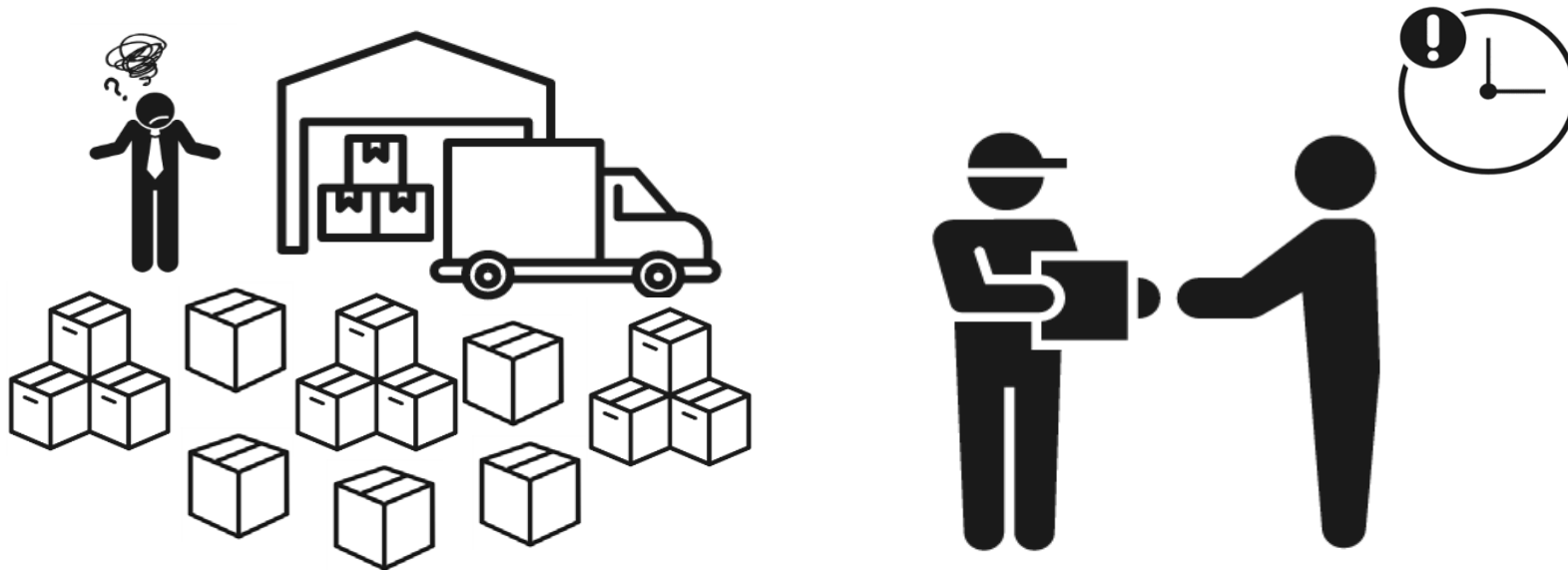
Today's Presentation



- ① Confusion in UNIQLO's Logistics Operations
- ② Initiatives for Logistics Reform
- ③ Lessons from Logistics Reform
- ④ Cooperative Measures with Daifuku
- ⑤ Future Development

① Confusion in UNIQLO's Logistics Operations (2015)

① The Confusion in UNIQLO's Logistics Operations



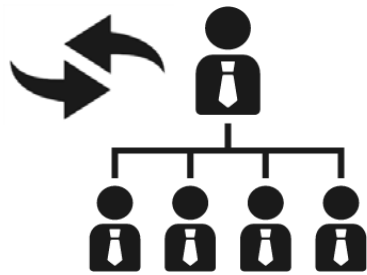
- Delivery operations left entirely to UNIQLO's logistics partner, difficult to determine what was happening at distribution site
- Logistics Department tried to solve problems on their own
- We were unable to formulate a comprehensive picture and strategy

② Initiatives for Logistics Reform (September 2016)

② Initiatives for Logistics Reform

Phase.1

Wide - ranging organizational reforms, including management structure



- **Logistics Department was dissolved and Global Supply Chain Management Department established**

Personnel assigned included not just those with logistics background, but those connected to supply chain, including planning, production, distribution and sales

Phase.2

Identify essential issues utilizing “3G Principle:”
GENBA (Actual Place)
GENBUTSU (Actual Things)
GENJITSU (Actual Situation)



- **Essential issues identified by diving headfirst into *GENBA*:**

Key numerical figures on supply chain and flow of goods were unclear
Early and large volume inventory intakes unrelated to sales
Disjointed warehouse operations reliant on logistics partner
Inconsistent cost management

Phase.3

Rebuild mutual trust with logistics partner and solve issues together



- **Measures to quickly revolve immediate areas of confusion:**
Establish special team, Management Cockpit/SCM Information Center to visualize all information
Hold inventory at warehouses in producing countries where wages are lower
Unify contract system and warehouse operations with logistics partner
Establish management team for logistics

③ Lessons from Logistics Reform

③ Lessons from Logistics Reform

Realized diving headfirst into addressing GENBA issues and pursuing reform using human wave tactics would eventually reach its limit



Rising personnel costs



Recruiting difficulties



Training costs



Needed to reorganize the whole supply chain to treat logistics as the profit center, not the cost center



Improve sales/profits



Increase customer satisfaction



Knowledge of logistics



③ Lessons from the Logistics Reform



**A constantly evolving, high
labor-saving apparel warehouse that utilizes
the world's most advanced technologies**

④ Cooperative Measures with Daifuku (December 2016)

④ Cooperative Measures with Daifuku: Why Did We Partner with Daifuku?



Requirements for a Partner

- ① Global business with wide-ranging experience and knowledge
- ② World-leading technologies
- ③ Adaptable to changes in times/markets, technical advancements
- ④ Compatibility of corporate culture
- ⑤ Management commitment



Partner Selection

To implement warehouse automation strategy, met with every material handling company around world



Result

Daifuku has 80-year history and leading market share in material handling industry, while also incorporates latest technologies and innovates continually

Fast Retailing and Daifuku have similar philosophy, management is committed to promoting innovation in warehouse industry

DAIFUKU

④ Cooperative Measures with Daifuku: Creating an Automated Warehouse

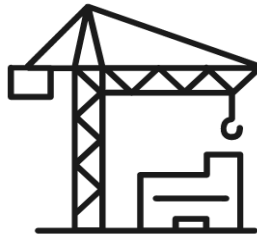


Initial Planning

Began automating Ariake Warehouse, center for reforms under Ariake Project and Fast Retailing's dedicated e-commerce warehouse in Japan

Ariake was largest warehouse automation project Daifuku had ever attempted

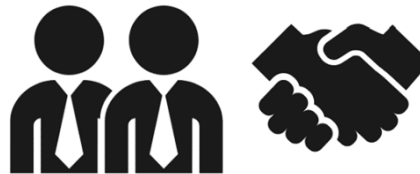
Conventional wisdom had it that project would take 3 years



Co-action/Cooperation

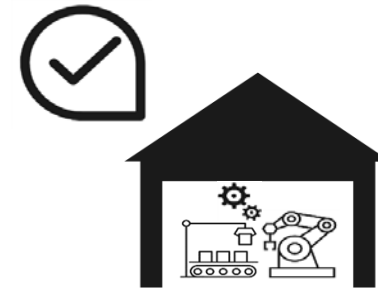
Employees from both companies worked as one team, with common goal of creating world's most advanced and largest automated warehouse

Despite repeated setbacks, team remained firm in its commitment to achieve goal and worked in earnest.



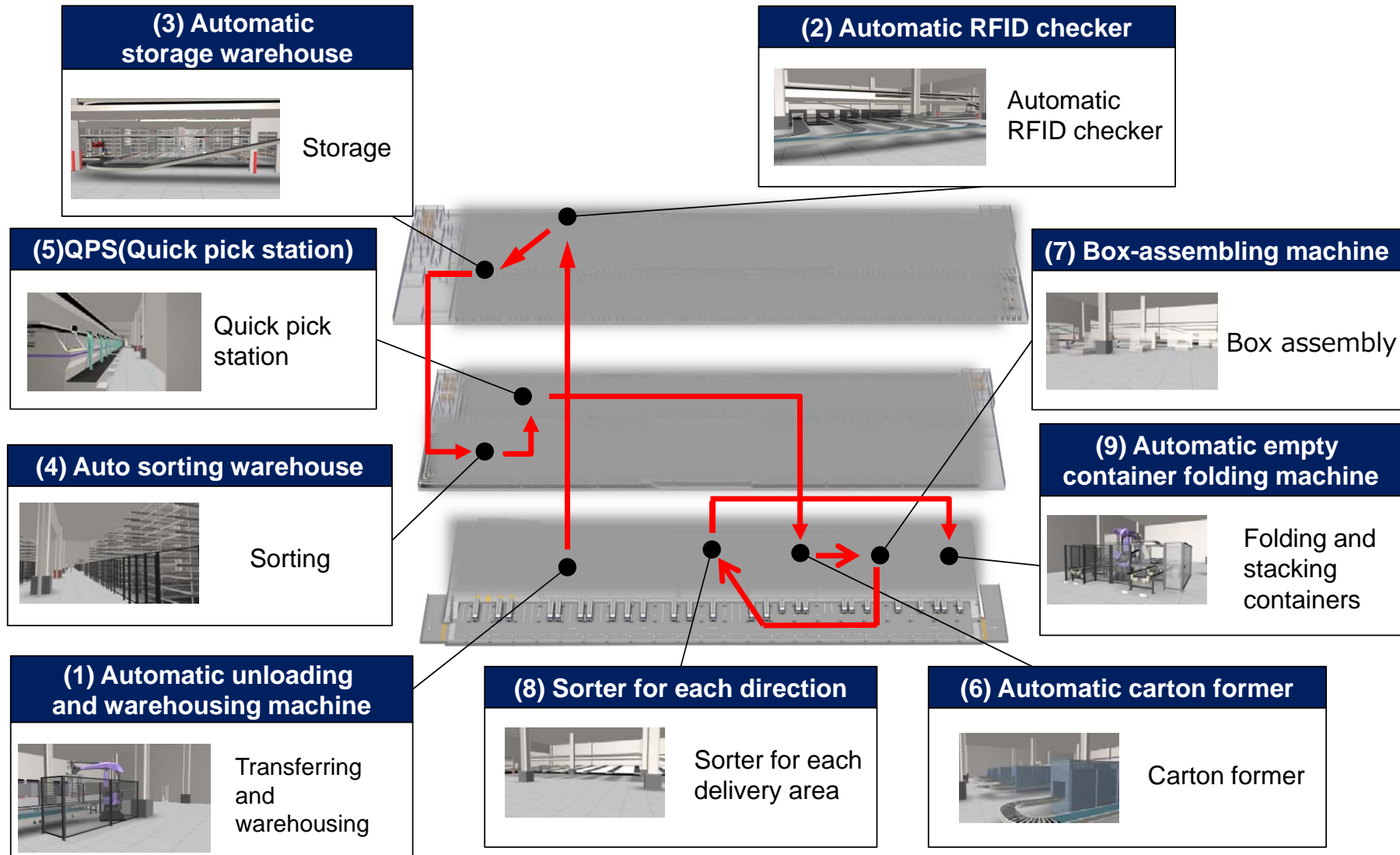
Result

Although initial timeframe to establish an automated warehouse was estimated to be 3 years...



**Completed in
18 months**

④ Cooperative Measures with Daifuku: Automated Warehouse Equipment



④ Cooperative Measures with Daifuku – Changes in Numerical Values Following Warehouse Automation




Warehousing
Productivity 
80 Times


Shipment
Productivity 
19 Times

Storage
Efficiency 
Triple

Human Resource
Saving 
90%

Steps Required
for Picking 
0 steps

Cut Expenditure
on Education 
80%
Cut

Automatic RFID
Checker Accuracy 
100%

Operation 
24 hours

AI Camera Remote
Monitoring 
24 hours

Other E-commerce Companies



Warehouses need to handle
diverse range of products

Fast Retailing



Specialized warehouse only for
our merchandise

Fast Retailing's automated warehouse is brand new
type of facility designed and developed specifically for
an apparel specialist

⑤ Future Development (from October 9, 2018)

⑤ Future Development



**Warehouse Automation
in all Locations Worldwide**