UNIQLO

FROM REGIONAL TO GLOBAL: A LIFEWEAR STORY LIKE NO OTHER

PREPARED BY NUS CONSULTANTS

Agenda

- Strategic Objectives
- Situation Analysis
- Decision Matrix
- Recommendations
- Financials
- Timeline and Vision

Strategic Objectives

Global Expansion

- **Supply Chain**

- Streamlined & Efficient Supply Chain Model

- **Geographic Presence/ Revenue Growth**

- Increase in number of stores from 1558 in 2015 to 2400 in 2020
- Increase in revenues from 1650 Bil Yen in 2015 to 4105 Bil Yen in 2020
- Production – 1/3 out of China
- Revenue of 100 Bil Yen in US in 2020

Situation Analysis: Company

SWOT

Strengths

- Strong brand
- Superior quality products
- Strong technical QA Takumi team
- Kaizen model
- Constant inflow of revenues from Asia
- Short time to market
- Flexible management approach

Weaknesses

- Small presence in western markets
- Lack of production and distribution centres in western markets
- Lack of marketing experience overseas

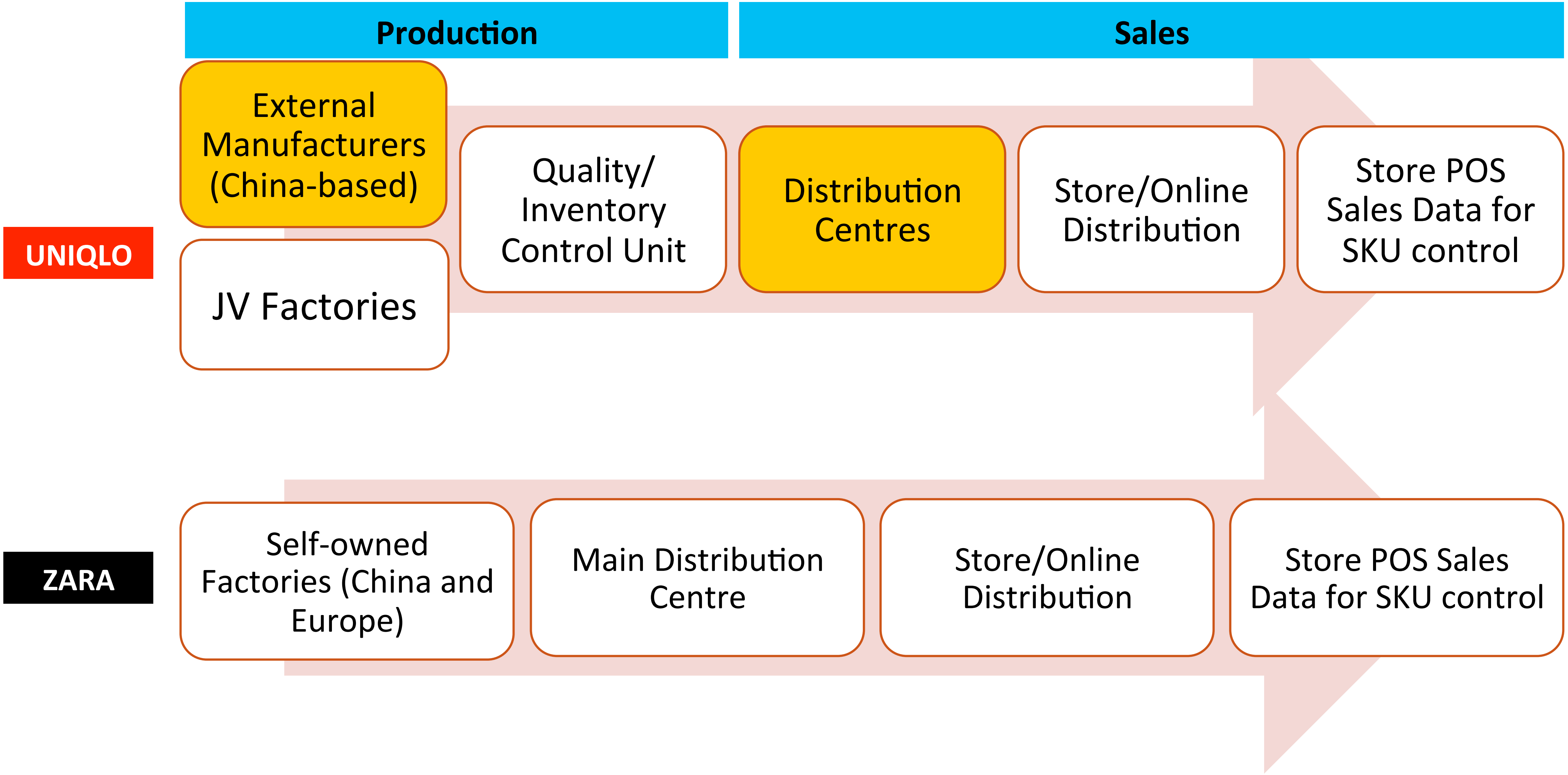
Opportunities

- Huge market potential for quality lifewear
- Asian taste in foreign markets
- Strong reputation supporting alliances

Threats

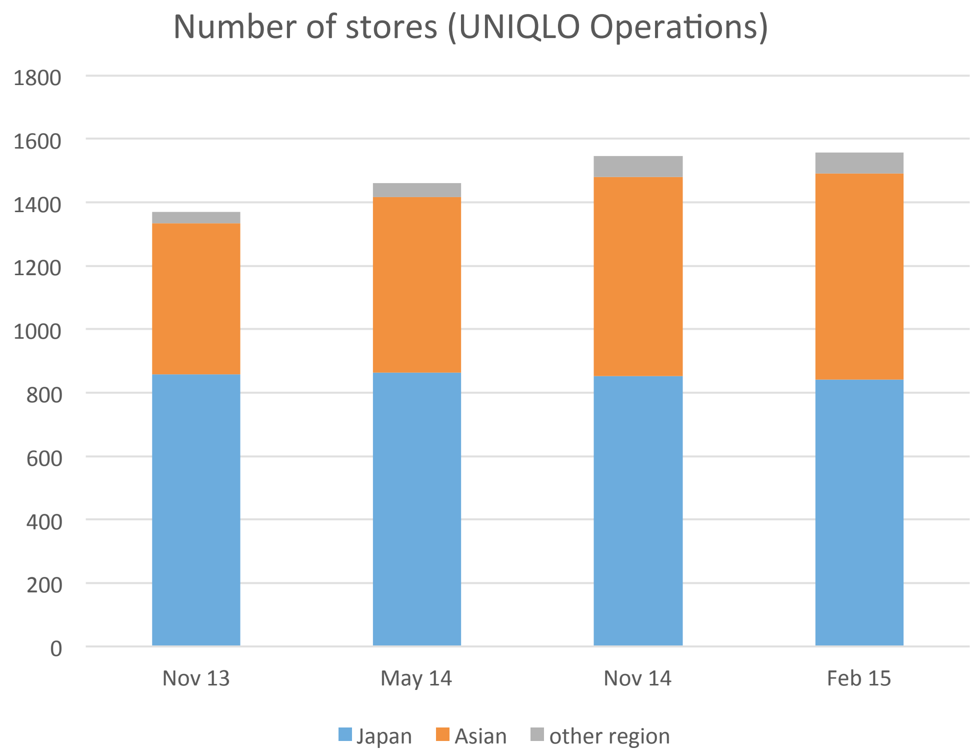
- Strong fast fashion competitors
- Consumers' strong quest for stylish clothes

Situation Analysis: SPA Supply Chain



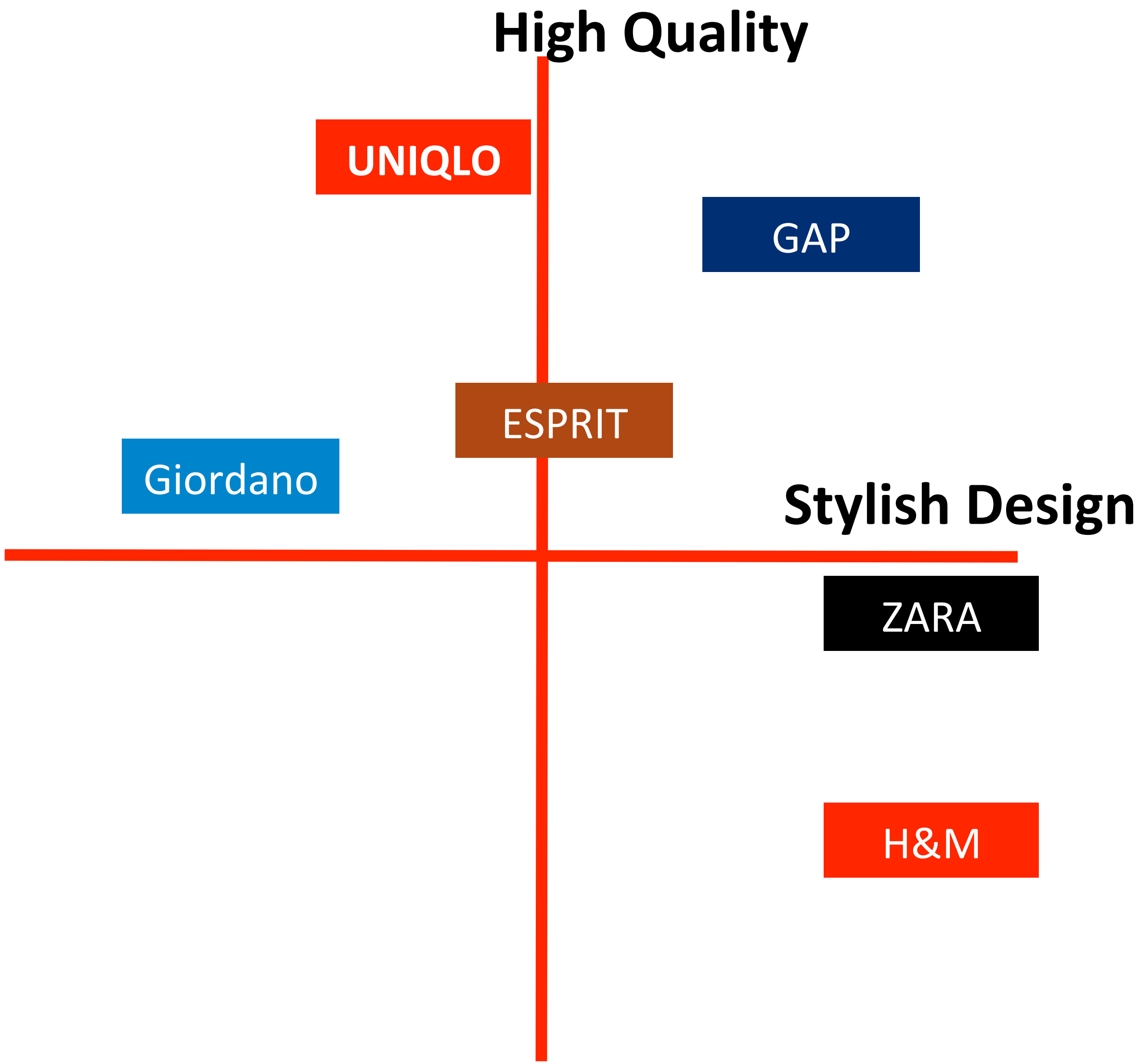
Situation Analysis: Geographical Presence

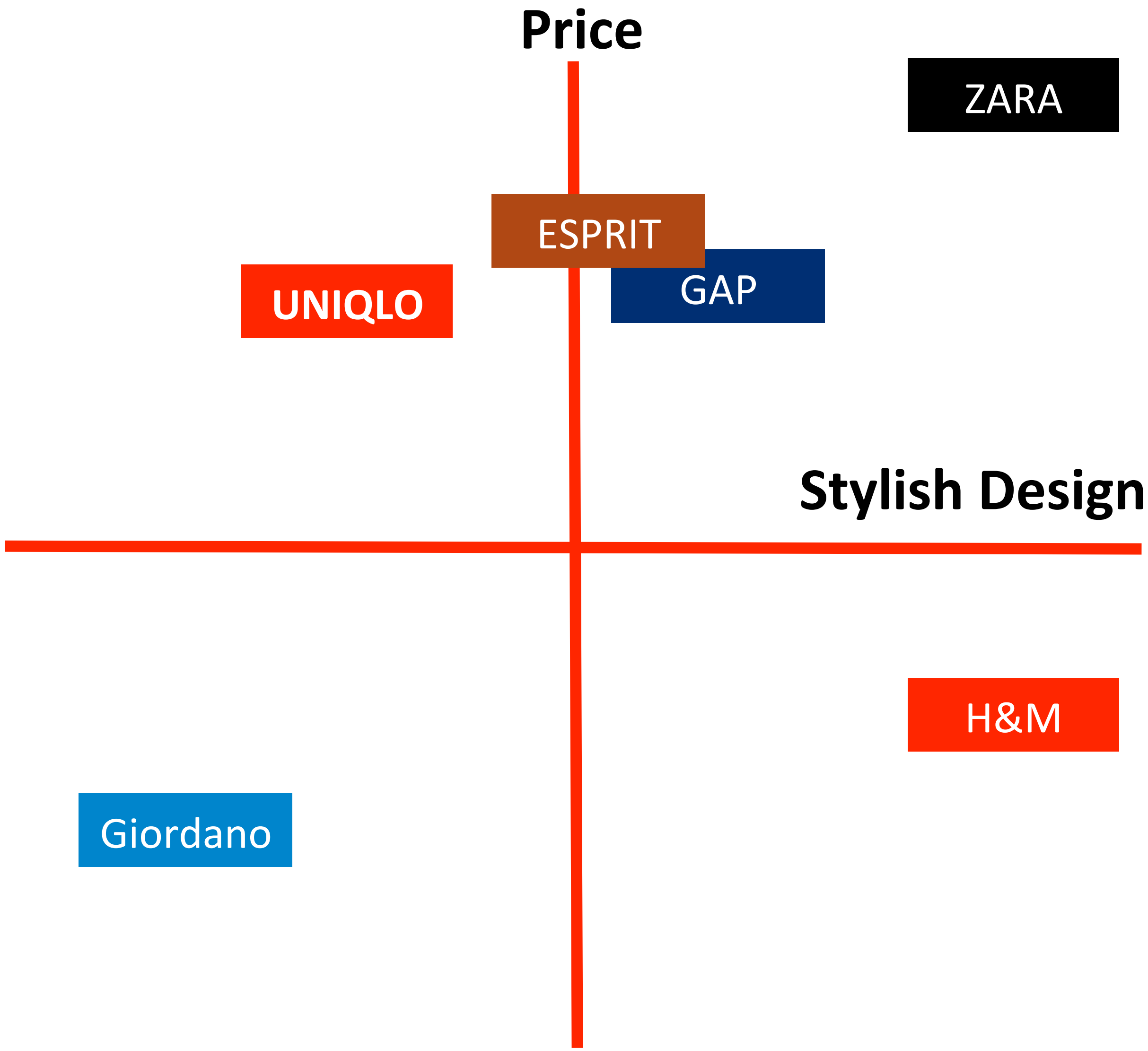
	Asia	US	Europe
UNIQLO	Strong	Weak	Weak
ZARA	Strong	Medium	Strong
GAP	Medium	Strong	Medium
H&M	Strong	Strong	Strong
ESPRIT	Weak	Weak	Medium
Giordano	Strong	Weak	Weak



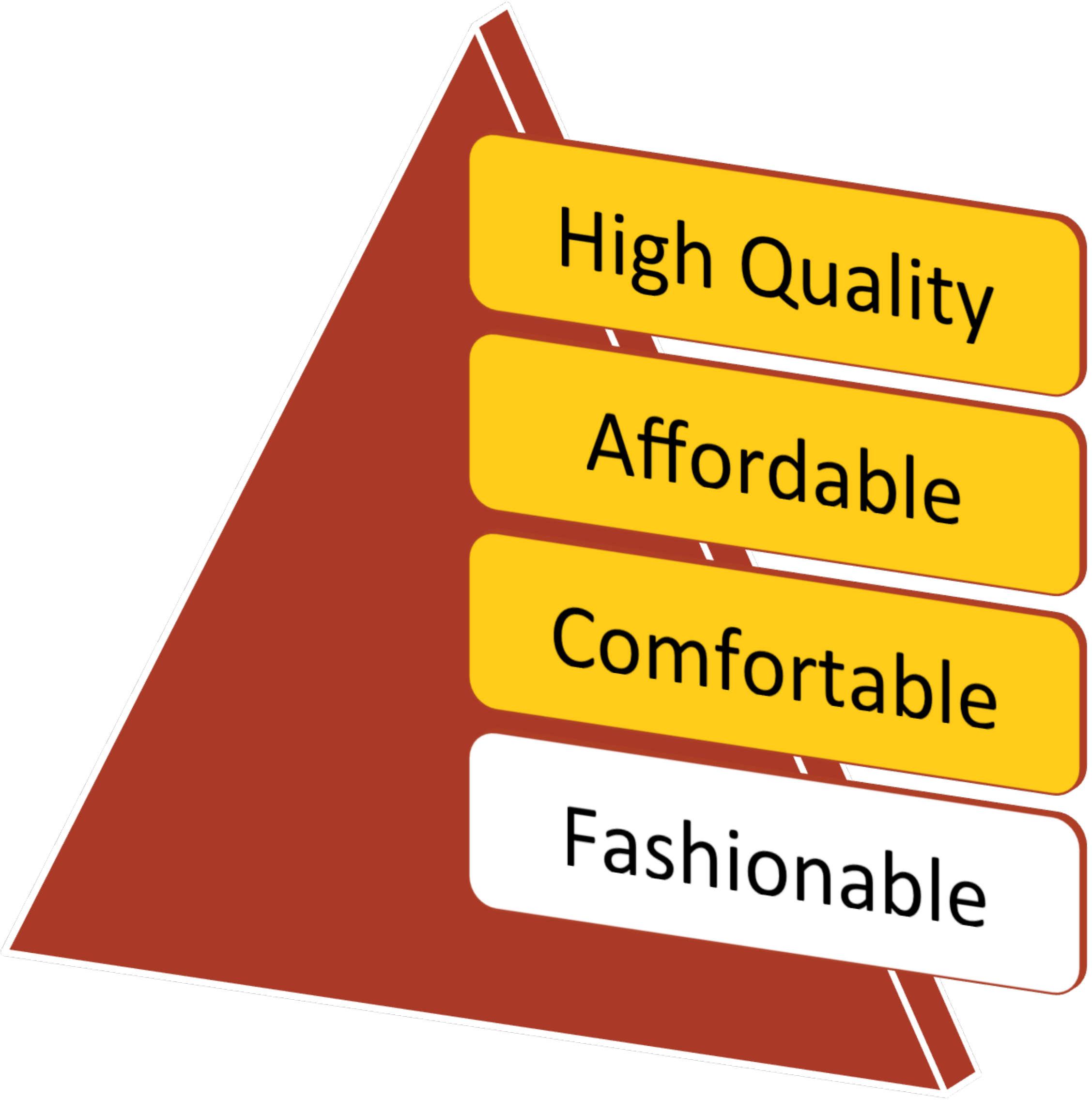
Asian Brands

Situation Analysis: Competitors





Situation Analysis: Customers



Product:
Customers looking for back to basics comfortable yet affordable quality (e.g. high performance heattech fabric) lifewear, complemented by a dash of design

Service:
Fast delivery e.g. JD in China

Decision Matrix: Supply Chain Model

**5 being highest*	A. Existing model (External Suppliers in Asia)	B. Full vertical integration in all markets	C. Hybrid (External Suppliers in 1st tier Asian markets; JV supply chain in localized markets)
On-time Delivery	**2**	**4**	**4**
Access to networks	**3**	**2**	**5**
Cost of implementation/ manufacturing	**2**	**1**	**4**
Ease of implementation	**5**	**1**	**3**
Operational/ Market Risks	**3**	**2**	**3**
Quality Assurance	**4**	**5**	**4**
Total score	**19**	**15**	**23**

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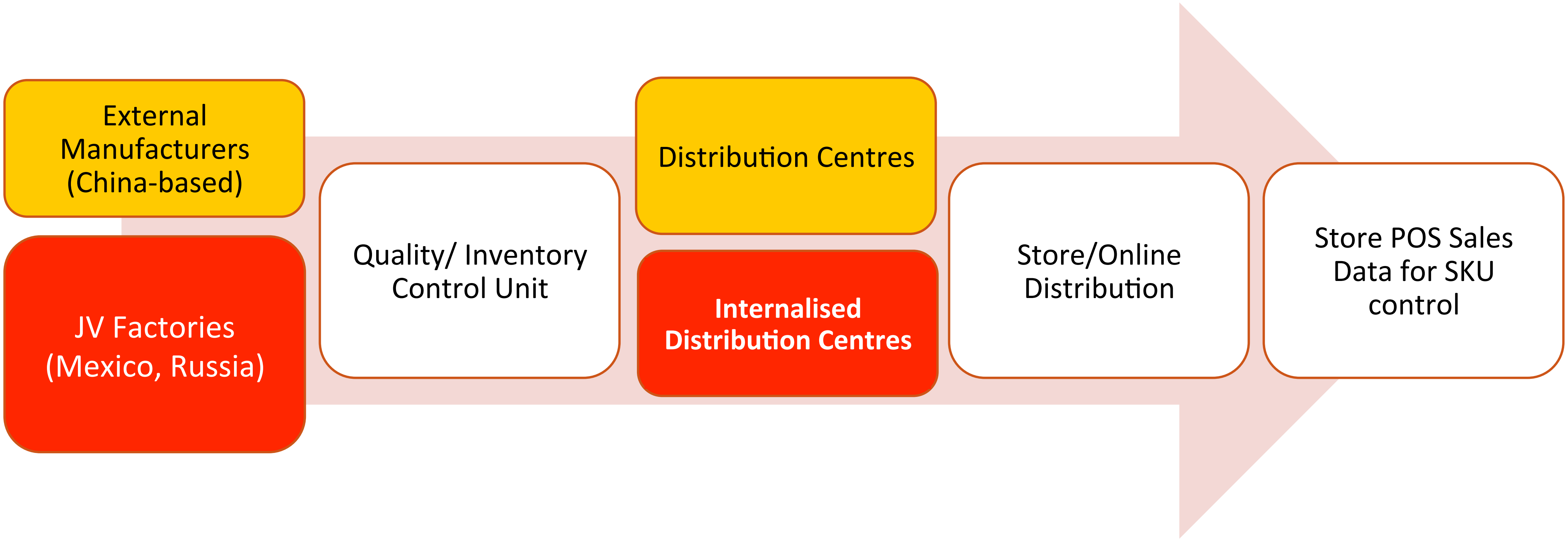
Recommendation: Hybrid Supply Chain Model



Recommendation: Market Expansion in US & Europe

Operations
- Open flagship stores in top and tier-2 cities e.g. London
- Introduce franchising model

Products
- Stick to value proposition
- Continuously adapt to changing market trends

Marketing
- Demand-based flexible pricing
- Bundling Promotion to boost volume
- Crossover with celebs/ brands

Online
- Ramp up own online marketplace
- Partner with e-commerce giants e.g. Amazon

Quality Control
- Takumi team for US/ Europe
- Semi-Annual QC conference

Recommendation: Market Expansion in Asia

Operations

- Shift 1/3 production out of China to SE Asia/ India
- Beef up franchising
- Explore localized distribution centres

Products

- Stick to value proposition
- Continuously adapt to changing market trends
- Cross pollination between markets

Marketing

- Bundling Promotion to boost volume
- Crossover with celebs/brands

R&D

- Better POS Forecast for accurate SKU
- Heavier consumer studies

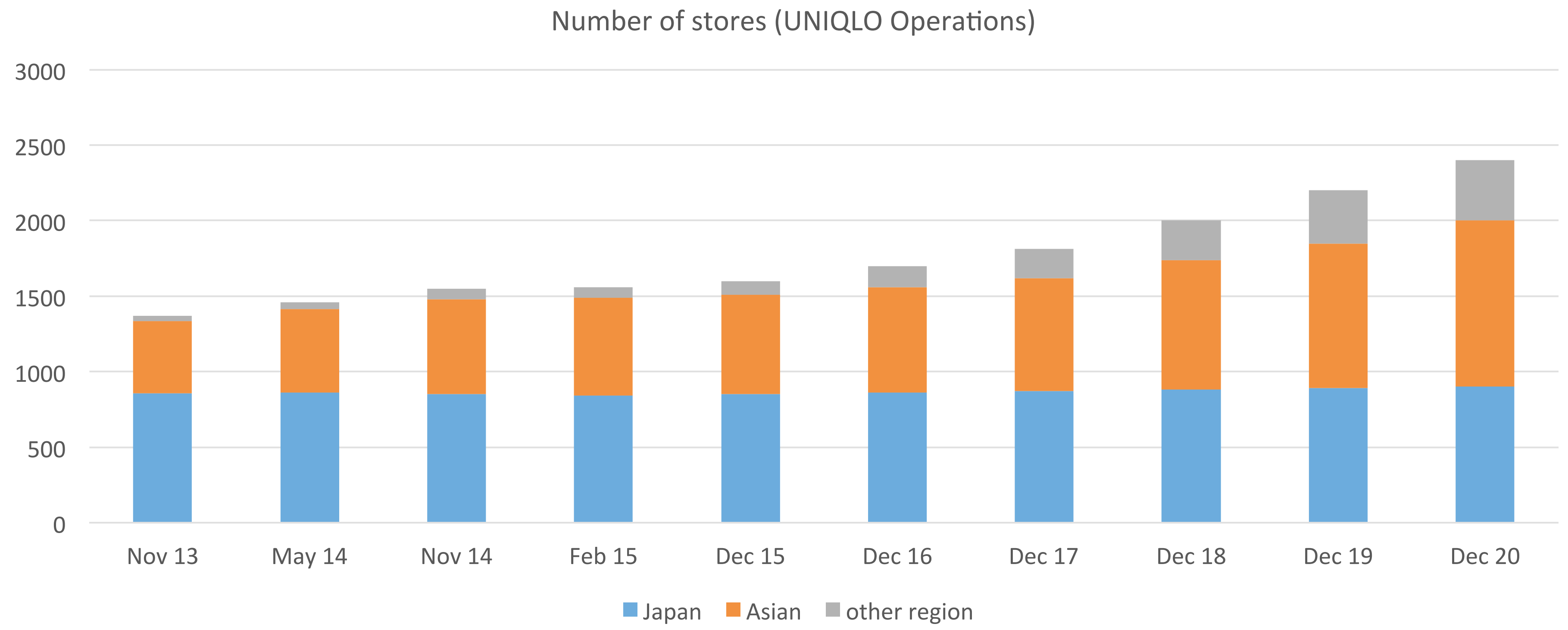
Quality Control

- Takumi team extension
- Semi-Annual QC conference

Recommendation: Continuous Innovation

- Simplification
  - Develop culture for continuous improvements - enhance Kaizen and JIT procedures
  - Rewards
  - Market research and big data analytics
- Build to Print – Ensures quality products
- R&D Centre – develop new technologies and products
- Open and collaborative sharing platform

Forecast: Geographical Presence

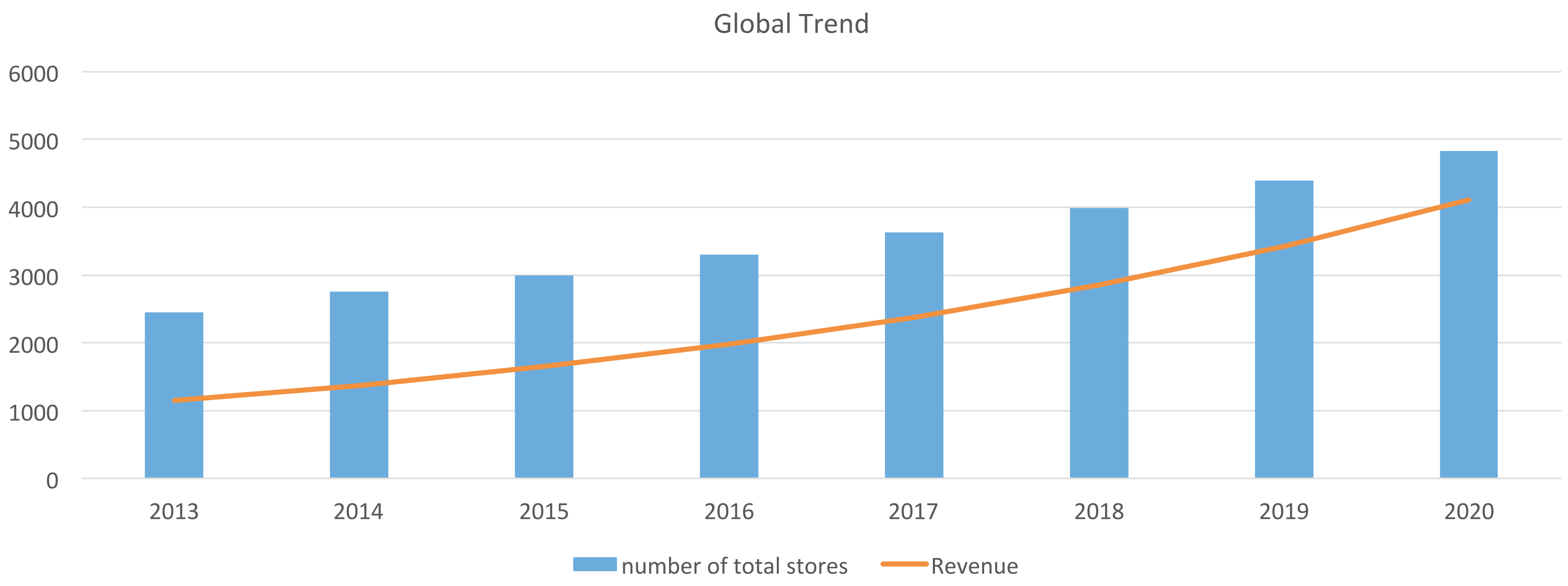


Assumptions:

- 10% growth rate in number of stores.
- Japan is saturated – slight increase in number of stores.
- Franchisee heavy in US and Europe.
- Asian – rest of Asia excluding Japan.

For US Market	2014	2015	2020
number of stores	17	39	175
Revenue (billion Yen)	NA	NA	100

Forecast: Financial Outlook



Assumptions:

- 20% growth rate of global revenues.
- Number of stores includes franchisees.

Forecast: Revenue for re-investment

	Previous	Now	2020
number of suppliers	120	40	60~80
order size (in million pieces)		350	840

20% Growth in revenue – keep the current momentum

10% Store Growth YoY (Franchisee heavy in places expensive in opening new stores, such as US.)

Increase the order size, i.e. volume to narrow the cost. – economy of scale

Generated revenue to reinvest

Timeline

	Short Term 2016-2017	Long Term 2018-2020
Supply Chain Management	- Identify and shortlist potential manufacturing partners for JV in / Europe - Conduct cost-benefit analysis of neighboring countries	- Gradually internalize more supply chain fragments - Review and optimize supply chain model
Market Expansion	- Expand US/ Europe market via organic/franchise growth - Ramp up online marketplace - Uphold expansion in Asia - Extend QA team	- Identify similar demographic cities - Continuous adaptation to market changes for product

Vision

UNIQLO

Global Expansion