

Going Global

Overview of Yr to Aug 2008
and our growth strategy

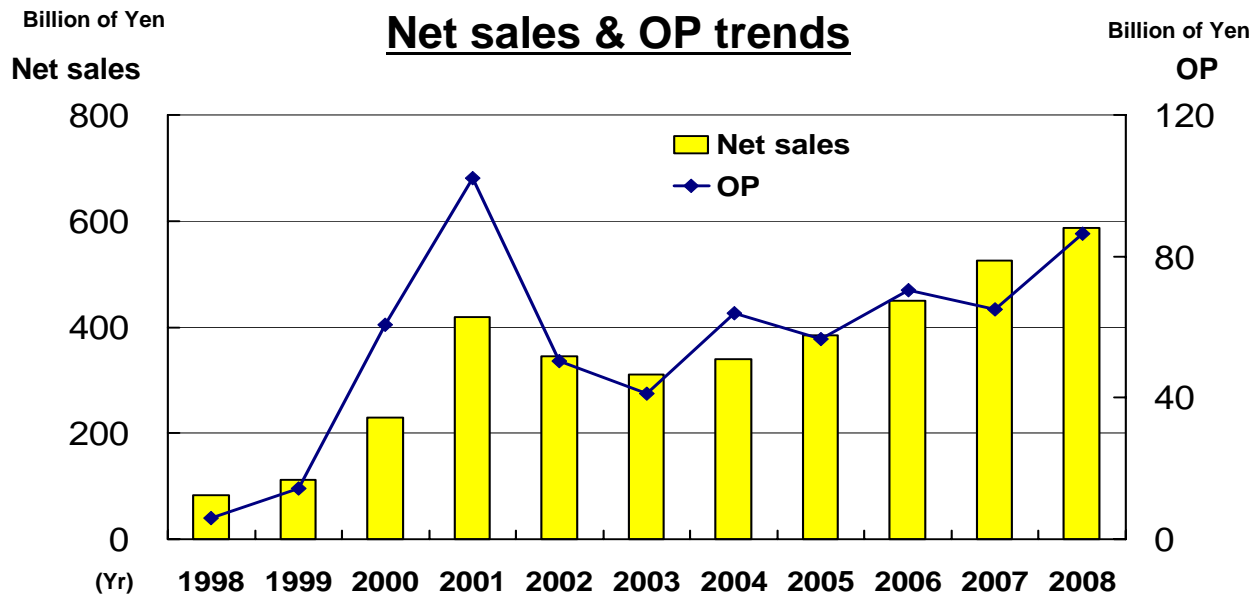
Tadashi Yanai

FAST RETAILING CO., LTD.

Chairman, President & CEO

Yr to Aug 08 – Consolidated results

Net sales **¥586.4bln (+ 11.7% y/y)**
Operating income **¥87.4bln (+ 34.7% y/y)**



Hello. I am Tadashi Yanai, the Chairman, President, & CEO of FAST RETAILING.

I would first like to give you an overview of our performance during the year ending August 2008 and then move on to talk about our future growth strategy.

As we have just heard from Mr. Yoshitaka, FAST RETAILING enjoyed a significant rise in both revenue and profit in the year to August 2008.

Net sales rose 11.7% year on year to ¥586.4bln, and operating income rose 34.7% to ¥87.4bln.

The business results for the year just past were extremely strong thanks both to the overwhelming support of our customers and the dedicated efforts of our employees.

Improved UNIQLO brand recognition

To create truly good clothes of fresh, unique value

- Greater appreciation of our materials/products
- Meeting customer needs, adjusting our daily sales approach – boosted revenue.
- Opened more large stores but capped expenses.
- Gross margin up – store & HQ close cooperation aids production adjustment, discounting control
- UNIQLO Intl – makes its first full-yr OP
- More management restructuring focused on CABIN, GU, ONEZONE & VIEWCOMPANY

First of all, let me run through the factors behind the strong performance for the year.

Existing store sales at UNIQLO Japan rose strongly, up 2.9% on the previous year.

I feel this is in part due to our success in getting across to customers the mission of the UNIQLO brand, “to create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes.”

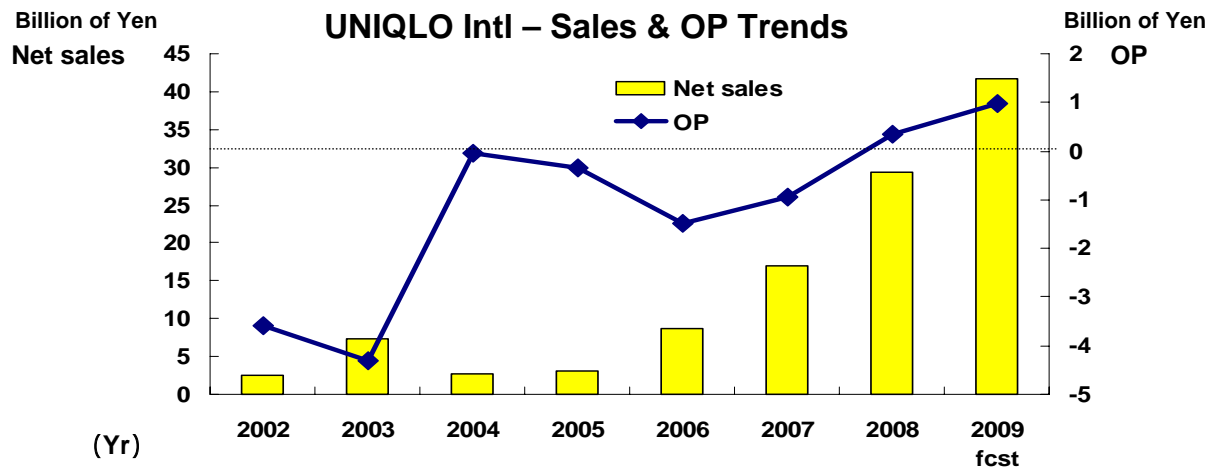
I feel that customers appreciate and support UNIQLO materials and garments more than before now. The evaluation of our functional products has increased dramatically including our HEAT TECH Innerwear which boosted our sales in winter 2007, and our Bra Top range which went on sale fully in the spring of 2008.

We have also been able to boost revenue as the entire staff has responded to customer requests to meet their needs, and adjusted their daily sales approach to suit the reality on any one day.

Other elements also contributed to the significant increase in profit in the year to August 2008 – the opening of more large-scale stores while capping expenses, the improvement in gross margins resulting from production adjustments and greater control over discounting generated by close store and headquarter cooperation, the first operating profit at our UNIQLO International segment, and the ongoing operational restructuring at Japan Apparel firms, CABIN, G.U., ONEZONE AND VIEWCOMPANY.

First profit for UNIQLO Intl

- **Double store numbers in Asia (+39 stores) in Yr to Aug 09**
 - Open first Singapore store in Spring 2009
- **NY SOHO global flagship store comes close to break even**
- **UK Oxford Street global flagship store**
 - Men's wear highly praised by UK fashion business magazine *Drapers*
- **To open Paris global flagship store in Autumn 09 (2150sqm)**
- **Begin studying potential for store openings in India & Russia**



Next, I would like to talk about the breakthrough made by UNIQLO International. This year for the first time, UNIQLO International turned an operating profit. At last, each country operation is ready to move onto the next stage.

We will continue a similar policy through the year to August 2009, expanding new store openings mainly in Asia, and developing our global flagship store strategy in Europe and the US. We are planning to open our first UNIQLO store in Singapore in Spring 2009. We are planning to accelerate store openings in China, and we hope to double our store network in Asia by opening a further 39 new stores in China, Hong Kong, South Korea and Singapore. We want to achieve a 100-store network in China & Hong Kong and a 100-store network in South Korea as soon as possible.

The New York SOHO global flagship store is also seeing business expand favorably and is just about breaking even. UNIQLO's brand positioning in the US market is certainly much firmer.

We opened our global flagship store on London's Oxford Street in Autumn 2007. In its April issue of UK fashion business magazine *Drapers*, UNIQLO scored the highest marks out of the selected men's apparel retailers on Oxford Street. Our global flagship stores are definitely contributing considerably to increased recognition of the UNIQLO brand.

We are planning to open our global flagship store in Opera, central Paris in Autumn 2009 with a 2150sqm shop floor.

We have also begun market surveys in India and Russia, both strong potential markets for casual wear clothing. We want to continue UNIQLO's gradual spread into the world's markets.

Global merchandising to prevail in the world market

Our group's product development capacity fully dedicated to create products that people everywhere truly desire

- **Double, treble women's products**
 - **Strengthen fashion basics**
 - **Enhance dresses, skirts, jackets, blouses, coats to ensure complete women's collection**

- **Develop epoch-making functional clothing**
 - **HEAT TECH Innerwear, HEAT TECH material pants**
 - **Bra Top and other functional innerwear**
 - **AIR TECH jackets, premium down**
 - **high quality outdoor wear**
 - **Stylish White Pants (non-see through white)**

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It is not just a question of opening a string of UNIQLO stores in global markets one by one. Rather we are looking to transform UNIQLO itself into a global operation worthy of the world's number one position.

First on products, our entire group's product development capacity must be fully dedicated to the creation of products that people all over the world truly desire.

We want to double or even treble sales of women's wear.
We are particularly keen to become the world's number one in fashion basics.

For the complete UNIQLO women's collection, we will be looking to offer a product range as only UNIQLO can. This will involve a further strengthening and enriching of core garments such as dresses, skirts, jackets, blouses and coats.

We are also pressing ahead with the development of epoch-making functional products with broad appeal.

We are developing functional garments the likes of which have never been seen before – our HEAT TECH Innerwear, HEAT TECH material pants, functional innerwear such as the Bra Top range, AIRTECH jackets, premium down and other high quality outdoor wear, non-see through Stylish White Pants, etc.

Global flagships, large-format stores to dominate

Build global flagships & large-format stores to enable customers around the world to experience the best of UNIQLO.

- **Global flagship stores**

- Information center for UNIQLO brand identity

- **Large-format store development**

- Expand large-format store network in Japan (74 by end Aug 09)
- Large-scale stores to go global
- Institute a system to open 200 large stores per year around the world

Next, I would like to talk about the development of our global flagship stores and large-scale stores that enable customers around the world to experience the very best of UNIQLO.

UNIQLO is beginning to be more widely recognized in Europe, the US and Asia as the leading Japanese casual wear brand.

This recognition has come about as the global flagship stores in New York and London fulfill their function as information centers for the UNIQLO brand identity, and as the world's customers have directly experienced the best of UNIQLO and actually held UNIQLO products in their own hands in large-scale stores in South Korea, Hong Kong, China and across Japan.

We are planning to open 24 new large-scale stores in Japan in the current year to end August 2009 bringing the total number of large-scale stores to 74 by the end of the business year.

We are pressing ahead with the development of large-scale stores in China and South Korea as well. Going forward, we will be looking to create a system whereby we can open 200 large-scale stores per year around the world.

Global marketing to top world markets

**Stores around the world to spread the UNIQLO message
– high quality, value, fashion**

- **Began marketing strategic global products**
 - **Spring 08 – began UT T-shirt global marketing**
 - **Autumn 08 - Explain features of functional materials
with HEAT TECH global marketing**
 - **Spread a clear UNIQLO brand message to the world**

Next, I would like to talk about global marketing.

We conducted our first global marketing campaign from Japan in Spring 2008 to promote our UT, or UNIQLO graphic T-shirts. The campaign resounded around the world as we tested the Japanese *manga* designs out on people and markets all over the globe.

In the winter of 2008, we were able to inform people about the super qualities of our HEAT TECH functional products through our HEAT TECH global marketing.

We want to create clothes that customers from around the world truly want to have and wear, and to spread a clear UNIQLO brand message to the world.

Globalize production

Future aim to produce more than 1/3 goods outside China to diversify production base and reduce costs

- **Expand manufacturing region**
 - Expand production scale in Vietnam
 - Sep 08 – Set up Bangladesh production mgmt office
 - Begin studying manufacturing options in India
- **Incorporate Japan's top textile technology**
 - Send team of textile production engineers to Vietnam and Bangladesh as well

Next, I would like to talk about our aims for global production.

In the future, we will be looking to manufacture over one third of our entire production volume in countries outside of China in order to diversify production base and bring down costs.

While working to expand the scale of our production in Vietnam, and in September, we also established a production management office in Bangladesh. We have also begun to study the potential for production sites in India.

As we expand our geographical manufacturing base, we shall be dispatching our team of textile production engineers to Vietnam and also to Bangladesh in order to ensure continued high quality products.

Coordinated production & sales

Accurate sales forecasts and firm production plans

- **Production & sales link**
 - Customer desires reflected in planning and manufacture.
 - Facilitate stock keeping unit management by adjusting all parts of process from materials through manufacture.
- **Gross margin control**
 - Maximize profitability and customer satisfaction by controlling limited-period promotions and changes in sales prices linked to sales trend.

Next, I would like to talk about the UNIQLO coordination between production and sales.

Over the past 18 months we have been deliberately preparing materials and creating an extremely detailed production volume plan – a business model that firmly links production and sales. In other words a production/sales system that ensures customer desires are directly reflected in product development and manufacture.

By preparing accurate sales forecasts, materials and factories in advance, we have had considerable success in creating a workable system of production adjustment. This system even allows for smooth SKU management according to color, size, etc.

We have also been looking to further boost profitability and customer satisfaction by controlling discounting even more minutely including limited-period promotions and changes in sales prices.

Japan Apparel reform

Full-on group effort

Creating a highly profitable manufacturer/retailer structure by optimizing personnel and experience within the group

- **CABIN**

- President Nakashima mainly spearheaded reform in Autumn 07
- Turned an operating profit in yr to Aug 08 following brand mergers, unprofitable store closures and slimming down of HQ
- Drastic corporate changes to double sales a few years on

- **GOV RETAILING CO., LTD.**

- Sep 08 – G.U., ONEZONE, VIEWCOMPANY merger
- Boost efficiency by merging 3 companies' common functions
- Create completely new footwear & low-cost clothing businesses
- Create a second and a third UNIQLO

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The restructuring of our Japan Apparel segment continues to be a big issue for the FAST RETAILING group.

By fully utilizing UNIQLO's wealth of personnel and experience, the aim is to structurally transform this segment's companies' into high-profit generating manufacturer retailers.

Take CABIN as the first example. In the Autumn of 2007, UNIQLO's former merchandising director Mr Nakashima spearheaded a reform program including the merging of brands, closure of unprofitable stores, and slimming down of headquarter facilities. As a result, CABIN generated an operating profit for the year to August 2008.

Now, we are looking to fundamentally change the structure of the company and, in doing so, double overall net sales within a few years.

In the current business year, we are planning improve brand power and boost operational efficiency by focusing on a few core brands.

Another aspect of our reform of the Japan Apparel segment is to generate a profit at GOV RETAILING CO., LTD at the earliest timing possible. We sought to boost efficiencies by joining common functions when we merged the three companies G.U., ONEZONE and VIEWCOMPANY in September 2008.

GOV RETAILING will not be looking to reform existing operations, but rather to create entirely new, fresh and unique footwear and low-cost clothing businesses.

In other words, we are looking to create a second, and a third UNIQLO.

Press ahead with globalization

Pursue synergies as a group – group nurturing of global brands with potential across various world markets.

- **COMPTOIR DES COTONNIERS**

- Growing favorably as a global brand

- 348 direct-run stores end Aug 08: France 226, Spain 28, Belgium 14, Germany 16, UK 15, Portugal 2, Italy 18, Switzerland 3, USA 1, Japan 25

- Challenge the US market with New York SOHO store Aug 08

- **PRINCESSE TAM.TAM**

- Strengthening management to create a proper global company

- **Aim to boost group synergies**

- Amalgamating back office functions, Group-based production, merchandising, marketing...

Next, I would like to talk about our Global Brands operation.

COMPTOIR DES COTONNIERS is growing favorably as a global brand.

In the year to end August 2008, we opened 43 stores within the EU and 5 stores in Japan. And in August 2008, we opened the first COMPTOIR DES COTONNIERS store in New York's SOHO.

We are continuing to radically transform PRINCESSE TAM.TAM from a family firm into a strong corporation in preparation for brand expansion.

We are beginning to merge back office operations for COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM.

Going forward, we want to generate synergy benefits in manufacturing, merchandising and marketing as a group.

M&A Objectives

To become the world's number one apparel retailer developing multiple global brands throughout the world.

- **Buy companies that can provide a platform for UNIQLO & create large-scale business in Europe and the US.**
- **Strengthen our global brand portfolio**
 - **Purchase brands such as COMPTOIRS DES COTONNIERS and PRINCESSE TAM.TAM and turn them into global brands.**

Let me now move on to talk about our M&A strategy.

As I have said before, we are looking to conduct M&A in the region of ¥300 – 400 billion.

The objective of any M&A decision would be either to:

- 1) Purchase companies that can provide a platform for UNIQLO in the European and US markets, and build a basis upon which to develop large-scale business in Europe and the US.
- 2) To expand and enrich our global brand portfolio. We are looking to purchase brands as we did with COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM and nurture them as global brands.

Statement

**Changing clothes. Changing conventional wisdom.
Change the world.**

The FAST RETAILING Group mission:

To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes.

To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society.

We are working to further share our ideals, values and actions across the entire FR group.

This is the FR WAY or the FAST RETAILING Group's corporate philosophy.

The FAST RETAILING Group statement is:

"Changing clothes. Changing conventional wisdom. Change the world."

The FAST RETAILING Group mission is:

"To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes."

And:

"To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society."

Going Global

– Refine FAST RETAILING & UNIQLO and make each group operation a top-level, world-class company.

- **Become the one and only FAST RETAILING group in the world**
- **Create the world's best FAST RETAILING & UNIQLO**
- **Create the world's best group company, and develop it throughout the world.**

Going forward we shall be working towards our goal of becoming truly global– refining FAST RETAILING & UNIQLO and making each group operation a top-level, world-class company.

What does that mean?

It means to become the one and only FAST RETAILING group in the world.

To create the world's best FAST RETAILING and UNIQLO.

To create the world's best group company and develop it throughout the world.

Thank you.