

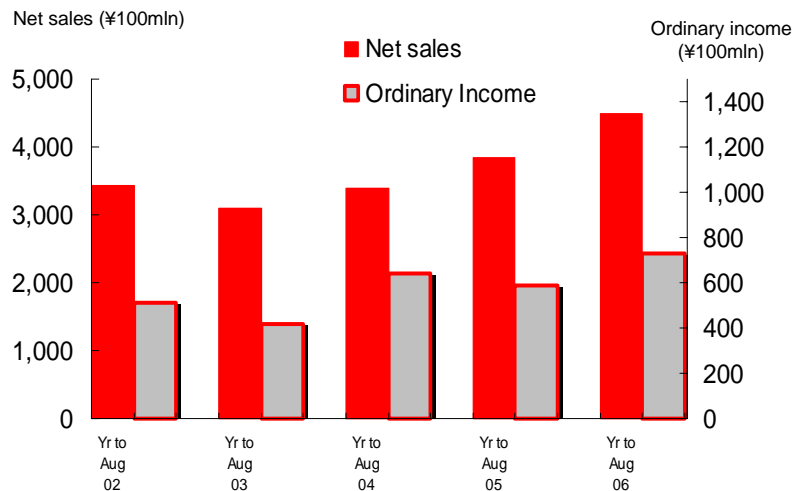
# **Changing your clothes, your outlook, your world**

**Tadashi Yanai**  
**Chairman & CEO**  
**FAST RETAILING CO., LTD.**



## Yr to Aug 2006 – FR group results

**Net sales reached ¥448.8bln (+16.9% y/y), ordinary income reached ¥73.1bln (+24.8% y/y) thanks to favorable domestic UNIQLO operation and contribution from new group companies.**



2

My name is Tadashi Yanai and I am Chairman and CEO of FAST RETAILING.

As you have already heard from our director, Mr. Matsushita, the FR group achieved a significant increase in both revenue and profit in the year to August 2006. Net sales rose 16.9% year on year to ¥448.8bln, and ordinary income rose 24.8% to ¥73.1bln.

Our domestic UNIQLO operation enjoyed a significant increase in profit following successful sales in autumn/winter and then again in spring/summer. We also managed to improve our profit margin compared to the previous year.

The new incorporation of comptoir des cotonniers developer NELSON FINANCES S.A.S. and PRINCESSE tam.tam developer PETIT VEHICULE S.A. as consolidated subsidiaries also contributed to the group's positive performance for the year.



## **FY2006 highlights & future direction**

- 1 . Favorable domestic UNIQLO operation**
- 2 . The new flagship store strategy for overseas UNIQLO operations**
- 3 . Proceed with M&A and new business**
- 4 . Establishment of holding company structure for firm support of group companies**

3

I would like to take a moment to look back at the things we did over the past year, and then look at how we want to move forward from here.

First, looking back over the year, our domestic UNIQLO operation was able to secure a stable increase in revenue with existing store sales rising 0.7% year on year. Gross margin also improved on the back of increased accuracy in our inventory management.

We still have some overseas UNIQLO operations that are not turning a profit. However, in the autumn, we changed the strategy for our international UNIQLO operations and are now focusing on flagship store development. We are planning to open flagship stores in Soho, New York in November and Pudong, Shanghai in December.

We have also seen some significant progress in our M&A and new business activities over the past year.

And the new holding company structure upon which the FR group is now based has also enabled us to strengthen our corporate governance and the management support system for group companies.

I would now like talk in a little more detail about these four points.

## Domestic UNIQLO operation

### Large-format stores to drive UNIQLO growth

- Confirmed strong growth potential at large stores
- Accelerate new store openings
- Large stores attract new type of customers, so UNIQLO can evolve

### New York R&D center up and running

- Boost knowledge of fashion garment development
- Planning similar scale R&D center in Paris



**Carving a new UNIQLO**

4

First, on the domestic UNIQLO operation, we have been able to validate and confirm the potential of our large-format 1650sqm stores over the past year.

We have decided to position the large-format stores as our future drivers of growth, and we are planning to accelerate new store openings with 20 new stores in the current business year, and 40 new store openings per year after that.

These large-format stores will attract a new type of customer to UNIQLO, and, in turn, help UNIQLO transform into a new, highly competitive business.

The New York R&D center began operating in earnest over the past year, and garments developed under the guidance of the New York center began entering the stores in the autumn.

One such example is our “skinny jeans” which went on sale this autumn way ahead of the competition.

In the past, UNIQLO was a brand that offered mass trend fashion items, but going forward we are looking to become a brand that can actually set fashion trends, as was the case with our skinny jeans.

We want to make UNIQLO into a brand that incorporates and expresses a whole range of information from up-to-date clothes, fashion items, style tips.

Furthermore, by creating product development centers in Paris and other parts of Europe on the same scale as the New York R&D center, we can acquire the very latest, up-to-date information from the very heart of the world’s major fashion cities.



## International UNIQLO operation

- **New stores in Hong Kong, Shanghai doing well**
- **Dramatically improve UNIQLO brand recognition in overseas markets with new flagship store strategy**
- **Opening flagship stores in fashion cities of the world**

**SOHO New York** (3,300sqm store to open Nov. 10)  
**Pudong, Shanghai** (2,300sqm store to open Dec. 9)

5

Touching now on our international UNIQLO operations, our Hong Kong store opened last October and our newly expanded Shanghai store that we opened in July have been enjoying favorable sales. We feel that this success is due to the large store space in both the Hong Kong and Shanghai stores which enables us to clearly communicate the UNIQLO image. We feel that we are able to bring out the very best in UNIQLO by offering the superior product display and service that we provide in our large-format stores in Japan.

We have shifted our strategy for overseas UNIQLO operations, and are now focused on dramatically improving local recognition of the UNIQLO brand through flagship stores.

The planned opening of our 3300sqm flagship store in New York's SOHO area on November 10 is a first step in this direction.

The SOHO store will be a global flagship store to showcase UNIQLO to the world. We will be offering the very best of UNIQLO through superior products, shop floor and service.

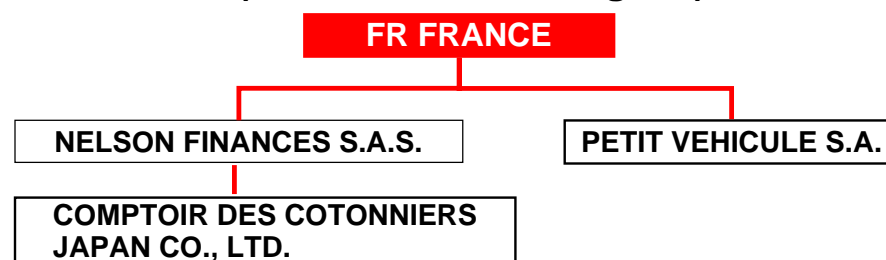
We are also planning to open a 2300sqm flagship store in Shanghai in December.

We want to develop such flagship stores throughout all of the world's major fashion cities.

## Progress on M&A, new business

Jan-04	Invest in theory brand developer LINK INTERNATIONAL (now LINK THEORY HOLDINGS)
Mar-05	Make footwear retail chain operator ONEZONE CORPORATION an FR subsidiary
May-05	Acquire management rights to comptoir des cotonniers developer NELSON FINANCES
Sep-05	Acquire ASPESI JAPAN CO., LTD. the Japan sales subsidiary of ASPESI
Feb-06	PRINCESSE tam.tam lingerie brand developer PETIT VEHICULE - FR subsidiary
Jun-06	NELSON FINANCES becomes a fully-owned FR subsidiary
Aug-06	CABIN Co., Ltd. (TSE 1st Section) - FR subsidiary after successful TOB
Oct-06	Open first g.u. store in Daiei's Minami Gyotoku store

### FR FRANCE (intermediate holding co.) established



6

Several examples of clear, concrete progress in our M&A strategy are evident over the past year.

PETIT VEHICULE S.A. became an FR subsidiary in February 2006.

We made NELSON FINANCES S.A. a fully-owned subsidiary in June, and then CABIN Co., Ltd. (TSE First Section) became an FR subsidiary when we purchased 50% of the company's stock in a successful take over bid in August.

Furthermore, we are set to open the first store for our new g.u. brand tomorrow.

On our governance system for group companies, we established FR FRANCE, our intermediate holding company in France. FR FRANCE is now managing our French operation including NELSON FINANCES and PETIT VEHICULE. Looking ahead, I would like to create a portfolio of European brands by purchasing new brands through FR FRANCE.

**Break free from existing business model,  
use the skill of the entire FR group to  
create a new chain of footwear stores.**

One year has passed since we acquired ONEZONE CORPORATION back in March 2005.

We are now clear that we have to create a completely new business here.

The entire FR group will lend its skill and support to the creation of a new footwear chain.

ONEZONE and FR will cooperate as we start from scratch across the board from product makeup, store type and design, location, services.



## CABIN Co., Ltd.

### **Acquired Aug 2006 (investment ratio 50%)**

with 51.7% management rights

**Begin management support by dispatching 5 FR personnel in October 2006 to strengthen management, personnel, planning, production design, administrative management.**

**1 . Supply chain management overhaul**

**2 . Organizational overhaul**

**3 . Review store openings, business, brand**

**Create leading Japanese chain for women's clothing**

8

We make CABIN Co., Ltd. a consolidated subsidiary of FR on August 24, 2006.

We then began management support by dispatching five personnel from FR in order to strengthen the areas of management, personnel, planning, production design and administrative management.

To put it in more concrete terms, I want to introduce sweeping changes including a revolution in supply chain management and organizational structure. I want to review store openings and possible large-format stores, store business and branding.

I want CABIN to become once again a leading Japanese specialty chain in women's clothing.





## Holding company

**Strengthen systems for management support and governance of group companies.**

**Confirm FAST RETAILING's corporate identity**



**“Changing your clothes, your outlook, your world”**

9

Approximately one year has passed since we shifted to a holding company structure in November 2005.

As we have proceeded to develop M&A and new business activities, we have also strengthened the management support and governance systems required to help these new firms grow.

Right now, we are in a phase of transition from a firm that operates a ¥400bln UNIQLO operation in Japan to a company that can generate sales of over 1 trillion yen and further grow into a global brand with a bright future.

That is the meaning behind the new logo that we created for the FAST RETAILING holding company. It expresses the FR spirit of innovation and challenge.

We really are committed to creating a revolutionary, global company that offers everyone the opportunity to buy really good clothes anywhere, anytime.

Thank you.