

**FAST RETAILING 2006 INTERIM BUSINESS RESULTS: ANALYST MEETING Q&A**

FY2006 Interim Results Meeting (Date: April 13, 2006)

You can now see the main Q&A content in text form from our analyst meeting following the announcement of FAST RETAILING's results for the six months to February 2006. For clarity's sake, some answers have been shortened or edited.

**Q1: In the slide referring to the UNIQLO Japan operation, you use "internal figures." How does this data compare to your initial forecasts at the beginning of the year?**

Mr Matsushita: The internal figures were compiled purely for your reference. The data consists of the former FAST RETAILING parent company figures for the months of September and October prior to the shift to a holding company. Then, we added 4 months of actual results from November for UNIQLO JAPAN CO., LTD. (the operator of UNIQLO) and FAST RETAILING CO., LTD., the holding company. This figure does not include operation of commercial facilities. When we compare these reference figures with our initial interim forecasts, they do actually compare favorably. In the first six months, the internally generated data for the UNIQLO operation show net sales ¥4.2bln higher than initial forecasts, and gross profit ¥2.9bln above initial estimates. SG&A costs came in ¥0.6 – 0.7bln below the initial forecast. As a result, operating income exceeded initial forecasts by around ¥3.6bln.

**Q2: I understand that you have been developing more fashion-focused items particularly in women's wear for your large-format stores. But what kind of response have you had so far?**

Mr. Yanai: We have seen a response for sure. And I am convinced that it is the right thing to do to focus more on the fashion element for our women's garments going forward. It is a case of trial and error, but we are determined to push ahead with this.

**Q3: Mr. Yanai, you talked earlier about infrastructure measures to help reduce production lead time. Can you tell us more on this?**

Mr. Yanai: When looking at reducing production lead time, in the past, for instance, our information revolved around manufacturer capability. However, now, we have changed our information system to cover the entire supply chain. We can closely monitor and adjust the whole process such as which factory has completed how many goods, and how soon they can be delivered and where. In addition, we are also working on a new system to strengthen the lines of communication with raw material manufacturers or sewn product manufacturers, and to consider how best to go about things so that we are all thinking as one. Please understand, it is not just about reducing production lead times, it is also about producing ever better quality goods, and recognizing and responding more clearly to customer needs. The relationship cannot be one of factory versus manufacturer. Instead, we have to ensure that the factory circumstances are incorporated into our information system as if they were truly our own.

Q4: We heard that the new brand of casual clothing to be sold in Daiei stores would not overlap with the UNIQLO brand. But what can you do to ensure that they do not overlap?

Mr. Yanai: Since the new company has only just been set up, there are still many things to sort out. But since there is a considerable potential to expand this business, I think that the first and foremost priority is to ensure that we get the right management personnel on board and create a good management team. I think that the customer needs will be different to those of UNIQLO. Therefore, we must first get a clear and firm idea about just what these customer needs are, then translate those into actual products. That is the type of process we will go through and the type of organization we will create.

Q5: Have any of the companies that you have invested in or acquired actually provided any expertise that you could directly reflect in the UNIQLO brand? How would you rank the success of your capital investments?

Mr. Yanai: On the question of experience gained, take LINK THEORY HOLDINGS for example. They offer a very strong fashion brand and we have been able to learn much from their way of manufacturing fashion productions, or methods of fitting. Again, in the US, having now launched a UNIQLO operation there, we have the opportunity to meet all sorts of local business people in the apparel industry. The fact that we have already invested in the theory brand makes it much easier to negotiate with local companies in the US since they know whom they are dealing with. In Europe, we are learning from ASPESI about Italian designs, how they are made, and what type of fabric they use, etc.

Q6: What type of experience are you looking to acquire through your M&A activities? For example, would you be looking for superior knowledge on production planning, or how to create slightly different types of products?

Mr. Yanai: One thing that is particularly vital for us when looking to expand overseas is to find a local partner who can act as a platform for large scale local development of our brands.

Mr. Matsushita: When looking at M&A opportunities overseas we are looking for expertise in areas that we lack. Although we are not doing this at present, as FAST RETAILING develops in the future, we might want to look, for example, at clothing in a higher price bracket. On non-apparel products, we already have the ONEZONE footwear operation and UNIQLO is trying its hand with accessories. So, I think that we are looking for the best opportunities from a broad range of perspectives, be it horizontal or vertical expansion of our clothing products or geographical expansion.

Q7: What type of customers do you expect will be attracted to the new brand being developed by G.U.? Also can you tell us something about how you view profitability for the new brand? I heard that your target was to open a total of 200 – 300 stores, but what are your store opening plans? I'd also very much like to know more about rental conditions between you and Daiei.

Mr. Yanai: The new brand will target families. Young families. In terms of profitability, we always try to get new businesses up to at least 5% profitability at the earliest opportunity. Ultimately, I would like to get the new brand profitability up to around 10%. On our store plans, as soon as we have any concrete details we will let you know. However, I would like to expand as far as 200 – 300 stores in the future.

As regards rent negotiations between ourselves and Daiei, we are battling to ensure that we both get the most mutual benefit out of the agreement and both are able to generate a reasonable profit from it.

Q8: Can you tell about the background of Mr Stephen Dacus, Executive Vice President and how much control does he have over UNIQLO's overseas operations? Can you also comment on business expectations for the US UNIQLO operation in the coming fiscal year?

Mr. Dacus: First of all on my own background, I have been in Japan a long time and have managed other companies. Prior to that, I worked as a certified public accountant. If you ask me how much control I have over UNIQLO's overseas operations, the president of each overseas UNIQLO subsidiary answers directly to me. And we have not yet disclosed any figures on the US UNIQLO operation beyond August this year

Q9: Do you think that the main impetus behind your strong performance in the first half was as direct result of internal measures and strategies adopted by your company, or did external factors play a part?

Mr. Yanai: I think that the climate was the one most significant factor. I would like to think that was all due to our own efforts but, no, I would have to say that the weather was the most important factor. However, having said that, we have taken action on every issue at every turn, and these are not just mid to long-term strategies but rather policy decisions made week in and week out.