

October 8, 2009

FAST RETAILING CO., LTD.

Analysts' meeting Q&A

Business results for year to August 2009

You can view text of the main questions asked on October 8, 2009 about our results for the year to August 2009. Part of the content has been edited for the sake of brevity and clarity.

Q1: You mention China and South Korea constitute the key areas for future expansion of the UNIQLO International operation. What kind of profitability are operations in these nations generating now? To what level do you plan to develop these operations over the next 2 to 3 years compared to UNIQLO Japan?

A1: Toshihisa Tokunaga, Director of Corporate Management & Control – Profitability at our overseas operations in China and South Korea began improving from the year to August 2009 and are now reaching levels where future growth is also possible. Over the next two or three years we believe we will see profit strength sufficient to support the planned large-scale opening of new stores. Our current operating income margin at UNIQLO Japan stands at approximately 20%, and we hope to be able to achieve this 20% level in China and South Korea soon.

Q2: You seem to have expanded your new store opening horizons to include South East Asia, but do you have any plan to open stores in South East Asian nations, excluding Singapore, in the year to August 2010? What will be the timing of new store openings in that region?

A2: Toshihisa Tokunaga, Director of Corporate Management & Control – As far as South East Asia is concerned, we are so far only including store openings in Singapore for the current business year and, as a result, the number of new stores planned is not large. However, our basic stance is that we do want to open stores in surrounding nations as soon as we can.

Q3: We have heard that you are planning to conduct a global HEATTECH campaign this autumn/winter season. What kind of campaign is it likely to be?

A3: Tadashi Yanai, President & Chairman – Our HEATTECH products were first promoted on a global level only last year. We held a product exhibition for the media prior to the opening of our Paris global flagship store, and people were actually most interested in the HEATTECH range. It is probably the same be it in New York, Paris or London, but it is important to make local people aware of the HEATTECH range or get someone of influence in the local community to introduce HEATTECH. I think these things are important. I can't tell you the exact content of the upcoming campaign, but we plan to launch it big time from November.

Q4: UNIQLO Japan inventory levels had risen by ¥13.0bln year on year at the end of August 2009 as you brought forward orders for winter inventory and increased in-store inventory of core items. Can you tell us a little about the background behind this aggressive creation of inventory?

A4: Tadashi Yanai, President & Chairman – We believe it is important to switch seasonal goods early. UNIQLO Japan's sales performance in September was rather good, but this was because we switched seasonal ranges early. Of course you need to hold inventory if you are going to sell the latest fashionable seasonal products. As far as core items are concerned, we want to ensure that products don't run out before the season ends. Given the current poor conditions in our industry right now, everyone is perhaps a little scared wanting to make sure that no products are left over at the end or wanting to cut costs. But I suspect that they don't really have the necessary inventory. Our own position is that we are willing to positively take the risk required to ensure necessary inventory throughout.

Q5: Despite the fact that operating income hit a new record for the year to August 2009, your adjusted share price didn't quite reach a historic high did it? I would like to ask you as the CEO and biggest shareholder why this is so?

A5: Tadashi Yanai, President & Chairman – And I would like to ask everyone else why this is. I think it is probably because we are at such an early stage of this breakthrough and the market is half trusting and half doubting. We have talked about the globalization of UNIQLO for quite a long time now but we are finally now seeing the results of this policy beginning to blossom out. We are at the stage where we are just realizing a global market tens of times the size of Japan. And so, once people can see the true potential realization here a little more clearly, then we might expect the share price to reach a new high.

Q6: This is a question about the same store sales forecast assumption for UNIQLO Japan. The other day I went to the UNIQLO Ginza store, and despite its new super large format it was crammed packed full of customers. Your first-half assumption for UNIQLO Japan same-store sales is for an increase of +5.4% y/y. Given the 31.6% year-on-year increase in September, this means you are now estimating zero growth for the remaining 5 months. Is this because you are still not quite sure about sales? Or is it just a technically generated forecast figure with the September number revised?

A6: Toshihisa Tokunaga, Director of Corporate Management & Control – Regarding our estimate for the rate of increase in sale store sales, the 11.3% year-on-year increase attained in the year to August 2009 was a fairly high level and so we first of all constructed our current plan based on how the rate of increase in the current period through August 2010 could compare. Yes the increase in same store sales in September was strong but sales in numerical terms in September are not a large part of the whole, and in fact the impact of sales during the peak period October to December is larger. Therefore, we couldn't generate our first-half forecast based solely on the September figures.

Q7: I understand that brand visibility at UNIQLO International, particularly in China, is comparatively improved but how does this compare with H&M and ZARA, etc.?

A7: Tadashi Yanai, President & Chairman – I think that in China our appreciation rating is as high or higher than H&M and ZARA. I think that UNIQLO is recognized as a global brand in China. And we want to win an overwhelming share in Shanghai and Beijing. To that aim, I consider the most important upcoming event is the planned opening of the Shanghai global flagship store next spring. We also want to become a dominant force by opening mainly large-format stores in both Shanghai and Beijing in the future.

Q8: Your estimated rise in same store sales for UNIQLO Japan in the first half is +5.4% year on year. However, are you already manufacturing products to accommodate, for instance, a +10% year-on-year increase? At the end of the season, could you end up falling short of target gross profit margin even with an actual rate of 5.4%?

A8: Toshihisa Tokunaga, Director of Corporate Management & Control – Basically we are tailoring our scheduled production to suit a +5.4% rise in same store sales, and therefore we are manufacturing at present according to that plan. We will make the final decision approximately one month from now whether to increase production or not based on the current sales trend.

A8: Tadashi Yanai, President & Chairman – On the question of production increases, we decide this after checking all product ranges each week and debating them in a meeting, so if we decide to increase production, we can indeed increase production considerably, and the same goes for any decision to reduce production too.

Q9: A question on business costs at UNIQLO Japan, you are forecasting a 12.8% increase year on year for the year through August 2010. What cost items are behind this predicted increase?

A9: Toshihisa Tokunaga, Director of Corporate Management & Control – As sales took off in the year to August 2009 we found ourselves slightly short of staff in our stores, and so personnel costs are set to rise in the year to August 2010. Store rents are also seen rising slightly as we open more stores in urban locations where rents can be higher than for our existing suburban stores. So our cost ratio will increase but we still see that as a reasonable level.

Q10: You talked about aiming for a 20% operating income ratio in Asian areas such as China, Hong Kong and South Korea within 3 years. But how does this compare for instance with profitability at Japanese stores? Can you also tell us about the hiring situation at your Chinese headquarter organization?

A10: Toshihisa Tokunaga, Director of Corporate Management & Control – We cannot tell yet whether the operating income ratio will reach 20% in the next two or three years. Given

that sales per store are smaller than in Japan, those stores have not yet reached as high a level of profitability as Japanese stores. In addition, since we are opening stores in Asia in urban commercial facilities, the rents are currently higher than in Japan.

A10: Tadashi Yanai, President & Chairman – I am thinking of employing a considerable number of fresh university graduates in China and in South Korea. If we can do that, then I want to hire the most talented personnel. For instance, we might train them for several years in Japan and then post them back to South Korea and China. And then those people in turn will develop our international operations. That is the kind of “global best” hiring and training that we consider.

Q11: This is a question about your consolidated business estimates for the year to August 2010. You experienced a one-off foreign exchange loss and posted a special loss in the year to August 2009, so will those elements not feature in the year to August 2010? Indeed, it appears that you are incorporating non-operating losses and special losses for the current year so could you explain those details?

A11: Toshihisa Tokunaga, Director of Corporate Management & Control – Although the total amount will be smaller than last year, the yen continues to strengthen in this current period too and therefore we are incorporating into our forecasts non-operating items such as foreign exchange losses on loans to overseas subsidiaries. As far as special losses are concerned, this would be the regular store closure losses, etc. and so we are not incorporating such a large amount for that item.