

Becoming a revolutionary global corporate group

~ Summary of past year & future strategy ~

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**Chairman, President & CEO
FAST RETAILING CO., LTD.**

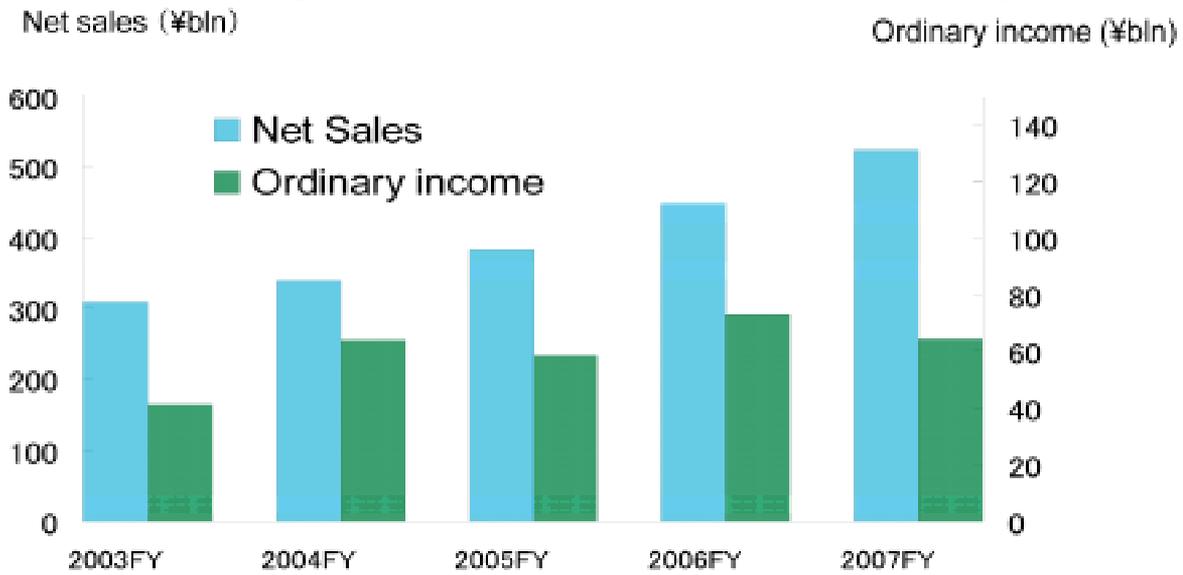
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I am Tadashi Yanai, Chairman, President and CEO of FAST RETAILING.

I plan to summarize our performance during the business year just past, and talk about our future operational strategy.

Net sales ¥525.2bln (+17.0% y/y)
Ordinary income ¥64.6bln (▲11.7% y/y)

Net sales & Ordinary income of FAST RETAILING (Consolidated)



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Unfortunately, while revenue rose in the year to August 2007, we did experience a fall in profit.

We are determined to ensure that the year through August 2008 results in a rise in both revenue and income.

- **UNIQLO Japan operation**
 - Bloated costs
 - Fell short on gross profit
- **UNIQLO International operation**
 - Asia is strong
 - Clarity of issues in Europe & US
- **Japan Apparel operation**
 - Restructuring underway (greater losses)
- **Global Brands operation**
 - Very strong & highly profitable

So first, let me go back over the year just completed through August 2007.

To give an overall summary, we experienced a rise in revenue, but a fall in profit at our mainstay UNIQLO Japan operation. The biggest feature here being that costs increased to a greater extent than sales. Furthermore, we were unable to meet our targets on gross profit due to unseasonable weather patterns, and a lack of strong new lead products.

At our UNIQLO International operation, there was a marked contrast between the strong performance in Asia and a not so favorable performance in Europe and the USA.

All subsidiaries of our Japan Apparel operation (such as domestic apparel-related businesses; including footwear retailers ONEZONE and VIEWCOMPANY, women's fashion chain CABIN, and low-priced casual wear G.U.) are currently undergoing various operational restructuring and are therefore in a period of increased losses.

By contrast, our Global Brands operation (including French casual brand COMPTOIR DES COTONNIERS and French lingerie PRINCESSE TAM.TAM, etc.) are performing extremely well and are proving highly profitable.

That is all I'm going to say about the past year's performance.

· Improve profitability at UNIQLO Japan

Control gross margin

- ① Improve accuracy of product/manufacturing plans
- ② Review appropriate, functional sales planning
→ Better timed price changes, discounting
Avoid lost sales, large season-end price changes

Control production to match sales

Set up output system to minimize weather impact

Curb SG&A costs

Swift, clear SG&A control to reflect sales

· Improve profit at Japan Apparel operation

I would now like to talk about what we are doing to ensure higher profitability given current conditions.

First and foremost, we are looking to increase control of gross margins.

By increasing the accuracy of our planning, and reviewing sales plans to reflect current sales trends more closely, we are looking to avoid lost sales opportunities and the need for substantial price cuts and the end of every season.

Last year, we were aware that production controls to match sales had become an issue due to unusual weather.

In terms of SG&A costs, we are looking to implement swift, clear control to reflect current sales conditions.

I'll talk about this in more detail later. We are also pinpointing the need to improve profitability at Japan Apparel operations.

Key issues facing FR group

The old FAST RETAILING

The developer of UNIQLO in Japan

Specialty retail chain for low-cost basic casual wear

The new FAST RETAILING

A prominent operational developer in the world market

- Transforming UNIQLO into a large-scale casual wear store on the global stage
- Accelerate aggressive store openings worldwide
- Positive inroads into new related businesses around the world

I would now like to talk about the issues facing the FR group going forward. And I would like to start with the biggest issues directly facing us at present.

Speaking first from our current understanding, FAST RETAILING, with UNIQLO as its centerpiece, relies at present on the Japanese domestic mass market for a large part of its sales and profits.

To date, UNIQLO Japan has been a low-cost basic casual wear specialty house developing a chain of regular-sized stores across Japan.

We will have no future, however, if we cannot revolutionize our structure into a large-scale casual wear specialty house that can compete on the global stage. We believe strongly that there will be no tomorrow unless we can grow into a global major player that is capable of developing operations all over the world. For that reason, we are changing our structure and aggressively opening stores overseas. And we are also moving into apparel related businesses other than casual wear.

Within Japan these businesses include footwear retailers ONEZONE and VIEWCOMPANY, women's fashion chain CABIN, and low-priced casual wear G.U..

And to prepare our entrance into the affordable luxury market, the greatest potential growth area in the fashion industry, we have invested in the Theory brand in New York, and acquired French brands COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM.

As a result FAST RETAILING is currently embarking on a major shift from the developer of UNIQLO in Japan to a global main player with multiple global brands.

I would now like to go on to talk about each future challenge in more detail – the need to strengthen the UNIQLO Japan operation, expand the UNIQLO International operation, challenge Japan Apparel operation (our domestic apparel-related businesses), and ensure further growth for our Global Brands operation.

UNIQLO Japan operation

Theme for Year to August 2008

Restructure operations for the global stage

Current (Yr to Aug 07)

Developing "manufacture & retail with a message"

- Develop various fashion garments
- Boost market share with jeans revolution
- Open "UT STORE HARAJUKU." as the global standard for T-shirts
- Cashmere hugely popular in Europe/US



Future (Yr to Aug 08)

Perfecting "manufacture & retail with a message"

- Combine R&D, MD, marketing, production to develop "fashion basics" with strong product concepts
- Become known as the world's top big specialty store for "fashion basics"
- Deliver "information" and UNIQLO products to all through acceleration of large-store strategy

"Evolving our organization, structure, awareness to get results"

Organically link each function from R&D, MD, marketing, manufacturing, for a system that generates even stronger products

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First of all, we need to restructure our UNIQLO Japan operation to make it ready to fight on the world stage.

Our key phrase here is "Information-driven manufacturer & retailer of clothing".

We are working on a new type of retailing, that makes goods that can be sold anywhere in the world, develops new concepts that it then transforms into good casual clothes, then gets this message across to the customer so they are willing to buy the goods.

It has become clear, through the opening of various overseas stores, that what people like best about us is not simple basic clothes, or pure fashion, but rather our concept of fashionable basic casual wear.

UNIQLO wants to be recognized as the world's top large-scale specialty store for fashionable basics. In the year just past we have greatly improved and revolutionized our jeans range. And not only have we expanded our market share in jeans in Japan, but we have been recognized as a top brand in Japan, and received a strong reception elsewhere in the world.

We also want to take the lead as a global standard for T-shirts.

We set up the UT STORE HARAJUKU. in Tokyo's trendy Harajuku shopping district and we are looking to expand our T-shirt sales significantly from this business year.

Our current campaign cashmere items have proved extremely popular particularly in Europe and the US, with cashmere becoming tantamount to UNIQLO itself in some areas.

Next, is our development of large-format stores. There is no way around the fact that we have to develop large-format stores and open a large number of them in order to participate fully in the world market. The world's key specialty stores are already competing as large-format stores. And we feel that the large-store format will become the trump card in the successful survival and further growth of UNIQLO in Japan.

Through these measures, we are aiming to perfect our creation of "Information-driven manufacturer & retailer of clothing".

And, to that aim, we are evolving our organization, our structure and our awareness.

UNIQLO International operation

Theme for Year to August 2008

Brand building

Current (Yr to Aug 07)

- Prove flagship store potential
- Global flagship store popular in USA, boosted UNIQLO brand visibility.
- Existing store sales are recovering in UK, but need to redefine the UNIQLO brand.
- China, Hong Kong, Korea operations all in profit with a clear understanding of what UNIQLO is all about.

Future (Yr to Aug 08)

- Accelerate flagship store strategy
- Focus management resources on US flagship store to make it profitable.
- Advertise the UNIQLO brand in UK and beyond with opening of London flagship store.
- Put China, Hong Kong, Korea on sustained growth track.
- Open antenna shop and flagship store in France.

Everyone working for UNIQLO as committed key players transcending national borders, maximizing UNIQLO Japan resources.

**Create a UNIQLO to suit each nation,
but with all the best things that UNIQLO has to offer**

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The key phrase for our international UNIQLO operation is brand building.

We are opening flagship stores in the fashion cities of Europe and the US.

The aim here is to increase visibility of the UNIQLO brand by offering the very best of UNIQLO in the very best surroundings. People will then actually get to buy our products, and this will establish UNIQLO in the minds of people all over the world.

Our US and UK operations are improving on the profitability front.

We are now looking to turn a profit on a single store basis at our New York SOHO flagship store in the US.

In the UK, we are opening a global flagship store in London and expect this to take us into a fresh stage in our UK operation.

We are accelerating store openings in China and South Korea.

We will be opening a large number of stores in China to try and create a dominant position in the individual areas of Hong Kong, Shanghai, and Beijing.

In South Korea, we are opening a 2300sqm large-format store in Myongdong, Seoul.

And we are also planning to open an additional three stores in Seoul city.

Furthermore, we will be opening our antenna shop in Paris in December, and we are scheduled to open a global flagship store there in the near future.

In order to succeed, we need for all staff involved in UNIQLO operations to transcend national borders and commit themselves fully as key players in the UNIQLO quest.

Establishing such an approach will enable us to create a truly strong UNIQLO to suit each particular nation.

Japan Apparel operation

Theme for year to Aug 2008

Operational restructuring

Current (Yr to Aug 07)

Confirm operational restructuring

- Injecting more capital into CABIN to make it a subsidiary.
- Opened 50 g.u. stores as originally promised but sales fell short of expectations.
- Began developing own designs and new stores, but ONEZONE profitability still poor.

Future (Yr to Aug 08)

Develop new business models

- Fundamental management reform at CABIN under group of 10 led by new President Tetsuro Nakashima.
- Establish brand position for g.u., and boost brand recognition in market.
- ONEZONE – Transform from footwear distribution centers into a new-style suburban shoe chain through efficient management, stronger MD, scrap & build.

Fully engage UNIQLO product, sales, planning, management resources and knowledge across the entire FR group

Ensure operational profitability, and swift regeneration

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We are currently restructuring the Japan Apparel operation.

We have dispatched a group of over 10 management personnel from UNIQLO to CABIN CO., LTD. led by new President Tetsuro Nakashima. We are aiming to reform the brand, organization and structure in order to create a leading Japanese women's wear specialty chain at the earliest possible opportunity.

Moving onto our new g.u. operation, unfortunately performance in the first year of operation fell far short of our initial expectations.

However, we have not changed our position in terms of our desire to establish a completely new, unique, low-cost clothing operation going forward in Japan. The FR group is rallying to support the g.u. operation.

Firstly, the FR group is conducting public relations in order to increase recognition of the g.u. brand.

In addition, we are improving the design quality, as well as expanding the sizes on offer, and ensuring that we generate a constant stream of fashionable garments.

We are also pursuing the lowest prices possible.

We will be working to cut costs radically to bring the g.u. operation into the black two years from now.

At ONEZONE, we are implementing a new business model.

We are slimming down the head office, strengthening the structure for product planning and development, and looking to manufacture and sell more revolutionary products.

At the same time, we are also looking to furnish a product lineup that better suits current customer needs.

ONEZONE doesn't need a further revolution along similar lines. Rather it needs a complete change in its business model, to transform itself into a new suburban footwear chain.

By doing the things outlined above, we will be fully engaging UNIQLO product, sales, planning, management resources and knowledge to help put our apparel-related businesses on a swift and firm path towards full regeneration.

Global Brands operation

Theme for year to August 2008

Further expansion & growth

Current (Yr to Aug 07)

Favorable expansion of operations

- COMPTOIR DES COTONNIERS has 285 stores across the EU and 20 stores in Japan with sales of 24.2bln yen.
- PRINCESSE TAM.TAM generates sales of 12.4 bln yen through direct-run and wholesale operations, with annual growth of 10%.

Future (Yr to Aug 08)

Promoting global operations

- Strengthen COMPTOIR DES COTONNIERS sales network within the EU, opening 30-40 stores per year. Continue aggressive store opening in Japan turning a profit in 2009.
- Further strengthen PRINCESSE TAM.TAM operational base in France, establish EU brand position.

Continue aggressive management, and ever higher business quality

Create a truly global brand

We are looking to further expand and grow our Global Brand operation.

We plan to continue aggressive opening of new COMPTOIR DES COTONNIERS stores within the EU. And we are also expanding the COMPTOIR DES COTONNIERS Japan operation significantly from the current 20 direct-run stores.

We plan to solidify the basis for the PRINCESSE TAM.TAM operation in France, and then look to expand the store network to neighboring countries such as Germany and the UK.

Overall then, we are looking to grow each and every operation into a truly global brand.

Our M&A approach

Why do M&A?

Making FR a highly profitable, globally competitive corporate group

M&A aims

- ① Ensure a return on investment
- ② Enjoy growth of M&A investment
- ③ Expand brand portfolio
- ④ Platform to boost group growth
- ⑤ Acquire management personnel
- ⑥ Promote globalization of FR group
- ⑦ FR's own corporate branding

Synergy effects

- ① Strengthen business processes through shared knowledge and information, and mutual communication among personnel.
(product planning & development, MD, production, store development & operation, sales operations, etc.)
- ② Sharing of operational infrastructure
(production, distribution, procurement & purchasing, R&D, sale, information systems, planning, etc.)

Creating a strong group of interconnected companies worthy of victory in the global economy

The FR group – a global company, with UNIQLO as its core, developing multiple brand businesses worldwide

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Next, I would like to talk about our M&A approach.

First of all, why do we conduct such M&A?

You can see the list of aims and effects on the slide, but, in short, we do it to become a strong winner in the global economy.

The world economy is currently changing from the aggregate of individual national economies to a global economy.

I believe that all many things are no longer restricted by borders including information, money, personnel, products, etc.

The winners of the future will be winners in the global economy rather than individual nations.

We want FAST RETAILING and UNIQLO to become victors in the global economy.

Unfortunately, in the world of fashion, Japan is just a small nation on the very eastern edge of the map. And, the Japanese economy does not have a huge potential for further development in the future. Given that scenario, I believe that companies that can compete on the global stage will be able to compete in Japan as well. By the same token, if you can only compete reasonably well in Japan, the future for your company will be uncertain.

I would like you to imagine for the moment the UNIQLO of the future being the same as the original UNIQLO. And if that is the case, I don't believe we have a future.

If in 10 years time, we at FAST RETAILING are still only selling basic casual wear and continue as a Japan centric company developing UNIQLO in suburban locations, would we be an attractive company? I for one don't think so.

So how should FAST RETAILING and UNIQLO develop?

Our corporate goal is to become a highly profitable, globally competitive company.

In other words, our goal is to become a group of apparel retailers from around the world with UNIQLO as its core. A group of retailers that can develop multiple global brand businesses around the world.

And, to that aim, we are prepared to invest capital of ¥300 - ¥400 bln going forward.

**To become a highly profitable,
globally competitive corporation**

We aim to become...

**a group of apparel retailers based
around the world that develops global
markets for multiple global brands,
with UNIQLO at the core.**

Just to reiterate then,

Our corporate aim is to become a highly profitable, globally competitive corporation.

We are aiming to become a group of apparel retailers based around the world that develops global markets for multiple global brands, with UNIQLO at the core.

Thank you.