

Group Strategy

Market Environment

The climate for the world economy and consumer spending has undergone an almost total transformation over the past year. The U.S. financial crisis is beginning to impact the real economy and demand in all industries has declined, especially overseas. In the apparel and fashion areas, thriftiness has become more pronounced, along with greater customer selectivity.

Amid this environment, competition has become more intense, and, in the global economy, a shakeout is under way on a worldwide scale. In the apparel and retailing industries also, the world's top SPAs (Specialty Store Retailer of Private Label Apparel) that continue to grow are those succeeding in world markets. We believe that only those top players with global operations who observe demand trends carefully and meet customer needs for the right balance between price and quality will be able to expand their market share.

Group Strategy

For FAST RETAILING to compete among the world's top players, it is essential, at a minimum, for it to expand its portfolio of Group businesses and attain net sales of ¥1 trillion and recurring profit of ¥150 billion.

With an overall sales goal of ¥1 trillion, the Group's goals by business are ¥600 billion in UNIQLO Japan operations, ¥100 billion in UNIQLO International operations, and ¥300 billion in existing and new Japan Apparel and Global Brand operations. Among Group companies, UNIQLO Japan has the strongest business model. The Group aims to draw to the fullest extent on the know-how and experience of its personnel in this business to nurture and strengthen Group brands and profitability.

M&A Strategy

To further increase the sales and profitability of the FAST RETAILING Group, one option is M&A. The objectives of our M&A activities are, first, to acquire businesses overseas and in new markets to strengthen our business platform. M&A will enable us to expand our retail store network and obtain top-quality talent, even in new markets. The second objective of our M&A activities is to acquire brands with the potential for global development and thereby strengthen and expand our portfolio. COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM are examples of such acquisitions.

M&A Criteria and Decision-Making Process

The two most important criteria in assessing M&A deals are growth potential and profitability. The key condition for growth is whether the brand has the potential to develop globally. If the brand has a solid underlying concept, we can actively share our infrastructure—the financial resources of the FAST RETAILING Group; our know-how in store operations, production management and sales planning, inventory management, and other areas; production systems in China; and information systems—and work together to realize high growth and profitability.

Another important criterion in selecting M&A deals is whether the company's management shares the values of UNIQLO and the FAST RETAILING Group: in other words, whether the management has a spirit of innovation and challenge that will drive the company to create large, highly profitable, and high-growth, global businesses.

When making investment decisions, M&A proposals are carefully examined by the Board of Directors, which includes three external directors, and final judgments are based on assessment of investment returns and synergies.

* SPA stands for "Specialty Store Retailer of Private Label Apparel," meaning its activities are fully integrated from manufacturing through sales, including material procurement, design, product development, production, distribution, inventory management, and final sales.

Worldwide Apparel Specialty Retailers

Company Name (Flagship Brand)		End of Fiscal Year	Sales* (¥ Billions)	Change (% , Year on Year, Local Currency Basis)
Gap Inc.	U.S.	Jan. 2008	1,723.7	▲1.0
Inditex, S.A. (ZARA)	Spain	Jan. 2008	1,517.5	+15.1
Hennes & Mauritz AB (H&M)	Sweden	Nov. 2007	1,342.1	+14.5
Limited Brands, Inc.	U.S.	Jan. 2008	1,108.2	▲5.0
NEXT PLC	U.K.	Jan. 2008	666.2	+1.4
FAST RETAILING CO., LTD.	Japan	Aug. 2008	586.4	+11.7
Polo Ralph Lauren Corporation	U.S.	Mar. 2008	533.6	+13.6
Liz Claiborne Inc.	U.S.	Dec. 2007	500.5	▲1.4
Esprit Holdings Limited	China	June 2007	415.0	+26.9
Abercrombie & Fitch Co.	U.S.	Jan. 2008	410.0	+13.0

Source: Compiled from the annual reports of the companies listed above.

* Figures are calculated based on foreign exchange rates as of August 31, 2008.