

**“ We won’t stop until we
become the world’s leading
casual clothes company ”**

Tadashi Yanai

Fast Retailing Co., Ltd
Chairman & CEO



My name is Tadashi Yanai and I am the Chairman and CEO of
FAST RETAILING CO., LTD.

A recovery for UNIQLO

**~ Sales and profits both rise
for the first time in 3 years**

Ensuring a firm growth track

- ~ Products of undeniable global quality
- ~ Become a true global company
- ~ Develop new business in clothes-related areas

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In the business year through August 2004, FAST RETAILING CO., LTD achieved net sales of ¥339.9bln and ordinary income of ¥64.1bln. That represents the first rise in both sales and profits for three years.

In the past we have experienced sales in one year of just ¥100bln rising then to ¥200bln the following year and then to ¥400bln in the year after that. That means that net sales went from ¥100bln to ¥400bln in just two years. However, after that things began to turn downwards again with sales falling to ¥340bln three years ago, ¥300bln two years ago and then finally recovering to ¥340bln last year.

We feel this represents a clear signal that we have recovered from the downturn following the previous boom. And this year should confirm that we are definitely back on a firm growth track.

In order to ensure that we do get firmly onto that growth track from here, we are putting three strategies into place.

The first is to aim to produce products of global quality. The second strategy is to ensure that FAST RETAILING becomes a truly global company and thirdly we are looking develop new business in apparel-related areas.

I'd like to take this opportunity today to take you through each of these strategies in turn and explain our thinking and actions to date.

Global quality products

「UNIQLO distances itself from low-cost clothes」

- ~ to dispel misconception that “UNIQLO is cheap”
- ~ shift from relative satisfaction for price
absolute satisfaction over price

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The first strategy is to strive to ensure that all of our products are of absolute, indisputable quality.

On September 27th, FAST RETAILING made a shocking comment in a newspaper advertisement about its business model. We declared that UNIQLO is abandoning low-cost clothes. And the reason for making that declaration was to clarify UNIQLO's future direction in the clearest way possible.

We felt that UNIQLO's high-quality, low-cost strategy to date had often given rise to the misconception that UNIQLO brand clothes are cheap and shoddy. I feel very strongly that, although UNIQLO clothes are currently relatively cheap, quality compares favorably to even the top global names. However, on the other hand, I also felt that UNIQLO's clothes have become known first and foremost for their low cost with people viewing our clothes as good quality for the price. In other words, UNIQLO offers only relative satisfaction for a low price.

Going forward we are aiming to focus even more on quality producing clothes that are not just fairly good quality but clothes that compare absolutely with any of the top global brands and stores in terms of quality. Then we aim to sell strong quality goods cheaper than anyone else in the world.

Global quality products

The success of our easy-to-wear cashmere sweaters proves that we can create and offer undeniably good clothes that truly enhance our everyday lives.

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Take our cashmere sweaters for example. We began selling high quality cashmere sweaters last year and almost immediately managed to capture around 20% to 30% of the Japanese cashmere market. We are planning to double our volume of cashmere sales this year. This example illustrates how UNIQLO does not simply fulfill current demand in existing markets but creates entirely new demand streams, in this case, by changing the attitude towards cashmere and transforming it into an affordable, easy-to-wear product for all.

To date cashmere was known as the jewel of all fibers with one sweater costing several hundreds of dollars on average. Hardly something that you would consider for everyday use. However, we at UNIQLO changed all that enabling consumers to incorporate cashmere into their everyday lives just as they would a T-shirt.

We at UNIQLO aim to create and offer undeniably good clothes that truly enhance our everyday lives.

Global quality products

Focus on large-scale stores in quest for absolute quality clothes

- ~ GAP, NEXT, ZARA, H & M
- ~ Large-scale stores to compete with department stores

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If we had a single strength that we would want to challenge on the world market, it would be the universally-recognized, absolute quality of our garments. To ensure that we can adequately advertise this absolute commitment to quality, we need to increase our number of large-scale stores of 1,000 or 1,500 square meters. Such store size would enable us to coordinate our clothes displays and create a suitable atmosphere to convince customers that our garment quality stands up to the scrutiny of even the top global brands. Large-scale store development is now a must for UNIQLO for this very reason.

In addition, globally competitive speciality stores such as NEXT, GAP, ZARA, H&M have high-street stores and shopping center stores in London and New York. They can compete with department stores since their store size ranges from a minimum 1,500 square meters to over 3,000 square meters. Their garments and stalls are designed in a similar way to department stores. We expect that Japanese speciality stores will move in a similar direction. While we at UNIQLO have a full range of women's men's and kids lines, we need larger stores of at least 1,500 square meters in order to offer a complete collection in any one location. Recently we opened a very large UNIQLO store of 2,150 square meters in Shinsaibashisuji, Osaka. This will become a flagship store in our quest to realize and be recognized for our indisputably high quality garments.

A truly global company

FAST RETAILING: Our aim is not simply to expand store numbers overseas but become a truly global company

- ~ Confirm a profit in UK and China
- ~ Consolidate expansion plans in US & Korea

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Our second strategy for growth is to become a truly global company.

UNIQLO currently has stores outside Japan in London, England and Shanghai, China.

Our operation in the UK tipped into the black in the business year just past and we expect a similar trend in China this year. But it is not just a question of turning a small profit but boosting efficiency to levels where we can expand our store base and increase production through our own local presence and strength.

We are also now ready to positively expand our presence in other parts of the world. Recently we announced our intention to expand into South Korea. We are establishing a joint venture company with South Korea's leading distributor Lotte Shopping and we plan to open our first UNIQLO store there in the fall of 2005.

In addition, we are also consolidating concrete plans to launch our UNIQLO brand in the United States market. But we are not just looking to set up physical stores in other global locations. Rather, we are committed to transforming UNIQLO and FAST RETAILING themselves into global brands and our management operation into a company that will be respected and recognized on a global basis. Key to this strategy is the hiring, cultivation and useful employment of young, innovative managers into our company structure.

Develop new business

WIN-WIN partnerships –business tie-ups, capital injections and M&A that mutually enhance business performance

- ~ Strengthen our global management capability (through Business Development Section etc)
- ~ Expand focus beyond Japan to the world

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The third pillar in our firm growth strategy is the development of new business.

Last year we embarked on a capital tie up with Link Holdings to develop the Theory brand in both the US and Japan. Sales have been favorable in both Japan and the US. Our stores in both countries are located in the best department stores and customer satisfaction has proved extremely high.

One reason for this admirable success is the strong business drive of the excellent managers on this project. For its part, UNIQLO has benefited greatly from some fresh input on product creation and display. At the same time UNIQLO has been able to contribute considerably given its superior experience in internal management structures and information systems.

The Theory investment is a good example of a WIN WIN partnership. We are looking to positively increase such partnerships where shareholders, management and staff can all enjoy mutual benefits whether it be through business tie ups, capital injections or M&A.

There are countless business areas within the realm of apparel, fashion and lifestyle industries in both Japan and the US where we have not yet tried our hand. We at FAST RETAILING feel we have the resources and capacity to expand our business experience, boost our business profits and contribute to our overall industry development. We are earnestly looking to further strengthen our management capabilities through our Business Development Section and other management initiatives. And we are also looking positively at any attractive opportunities for business tie ups, capital injections or M&A beyond Japan's borders.

The world's No.1 casual wear company

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I can assure you today that we will not rest until we have become the world's number one casual wear company.