

Q&A on NELSON FINANCES acquisition (Brand: COMPTOIR DES COTONNIERS)

Event: News conference by FAST RETAILING CO., LTD. acquires
French firm NELSON FINANCES(Brand: COMPTOIR DES COTONNIERS)

Date: May 12, 2005

Attendees:

FAST RETAILING CO., LTD.

Tadashi Yanai, Chairman & CEO

Hiroshi Tanaka, Executive Vice President, member of the Board

Naoki Otoma, Senior Vice President, member of the Board

Alpha Associés Conseil

Mr. Alain Blanc-Brude, Managing General Partner

Créations Nelson S.A.

Mr. Frederic Biousse, CEO

Introductions

FAST RETAILING Chairman Tadashi Yanai

The fact that the Comptoir des Cotonniers(CDC) is such a wonderful brand in itself was a great incentive for us to go ahead with this management takeover. CDC is already recognized as the number one casual clothes brand in France and we feel that there is great potential to expand the brand throughout the whole of Europe going forward. In addition, we feel that the brand can be developed successfully first in Japan and Asia and then eventually into the US too. I am convinced that CDC will be an extremely strong and valuable partner for the FAST RETAILING group in its quest for global expansion.

The second motivation for this deal from FAST RETAILING's perspective was our respect for the way in which CDC is managed as a company and the resulting efficiencies that it enjoys. I wouldn't be surprised if CDC actually enjoyed the most efficient management in Europe out of all of the apparel companies that involve themselves in the complete process from manufacturing through retail. We have great respect for this business model that resembles the lean and efficient operation at our own UNIQLO operation.

I have great confidence in the current management of the CDC brand. I feel that Mr Biousse, the CEO of Créations Nelson S.A., and his team will be very successful as we look to boost CDC's growth in Europe and see the brand develop along with FAST RETAILING's global expansion plans.

To give you an idea of where we want to get to here, look back to our capital investment in Link Theory Holdings (the developer of the theory brand). We were able to expand that brand considerably in its original New York location and also into Japan. We hope to be able to do the same thing on the same scale with CDC this time coming into Japan from a European base in Paris, France.

Alpha Associés Conseil, Managing General Partner, Mr. Alain Blanc-Brude

As Mr. Yanai just mentioned, CDC had been looking for a strong partner who could help us expand our European market potential and also help us break into the Asian and particularly the Japanese market.

FAST RETAILING's network and experience of production in China is also very attractive to us.

In addition, a particularly important point was the fact that FAST RETAILING and NELSON see eye to eye on many issues of corporate cultural and ambiance.

These three factors featured strongly in our decision to accept FAST RETAILING as our business partner.

Créations Nelson S.A., CEO, Mr. Frederic Biousse

The CDC brand has enjoyed a very strong growth since its creation in 1995 due to its ingenious market positioning that is both attractive and dynamic.

The CDC brand has proved very popular in Europe to date thanks to its creative designs, its reasonable prices and, in addition, its attractive “mother-daughter” concept, the provision of multi generation clothing under one roof enabling families to communicate while shopping together. We are convinced that this injection of capital from FAST RETAILING will allow us to expand CDC’s growth even further and challenge new horizons.

Summary of Q&A session

【Question 1】 What position and recognition does the CDC brand have in France? How well developed is the brand in that country?

【Answer 1】 We can boast one of the highest levels of sales for middle to upper level women’s apparel brands in France. Currently, we have 186 outlets in France either in department stores or in roadside shops. We are the number one French casual wear women’s brand on display in French department stores such as Galeries Lafayette and Printemps.

【Question 2】 Can you tell us exactly when the share transfer will take place and how much it will cost?

【Answer 2】 We are planning to complete the share transfer in the month of May. We are not prepared to disclose the exact cost of this purchase at present. However, if you refer to our news release detailing an increase in capital for our FR FRANCE S.A.S. subsidiary, you can see that we have conducted a capital increase in the region of 75 million euros (around ¥10 billion) at FR FRANCE to enable the subsidiary to carry out the management takeover. Therefore you can deduce from that the purchase did not exceed that figure.

【Question 3】 How is it that you have a 31.53% share ownership and a 51.00% voting power?

【Answer 3】 The number of voting right attached to each share can differ according to French law. There are basically three types: shares that carry a single voting right, shares that carry 3 voting rights and shares that carry 4 voting rights. Therefore, since the shares we will own carry varying voting rights, this generates a difference in the actual share stake and the actual voting power resulting from the deal.

【Question 4】 If in two years time, you decide to purchase the whole Alpha Funds stake in NELSON, you will own 62.85% of the company but what will your voting power be?

【Answer 4】 The number of voting rights attached to any additional shares for purchase will be decided at the time of sale. However, our contract states that FAST RETAILING’s voting power will equal or exceed its share stake.

【Question 5】 Could you envisage a situation where you do not increase your share stake in the coming 2 years?

【Answer 5】 We will be looking for the right timing but we do plan to increase our stake by the additional 31.32% over the next two years. We state clearly in our press release issued today that we will take over the entire stake that Alpha Funds owns in NELSON and that represents a total stake of 62.85%.

【Question 6】 This is a question for Alpha Funds but were you approached by any other firm wanting to become a partner for NELSON in addition to FAST RETAILING?

【Answer 6】 We were not looking to actively sell our stake. This deal was put together with FAST RETAILING as a joint partner to help further develop the CDC brand. Rather than discussing the purchase or sale of the firm, we were discussing joint control of a single brand with the aim of nurturing and expanding that brand together.

【Question 7】 Can you tell us how management will be struggled post transfer?

【Answer 7】 We are not planning to send any personnel from FAST RETAILING to join the NELSON management team. We are asking Mr. Biousse to continue his most competent management of NELSON. However we do plan to take on the responsibility for developing the CDC brand in Japan. And to that aim I envisage that we may ask for Mr. Biousse's cooperation in the sending of staff to France to better understand the company's quintessential style and brand.

【Question 8】 Do you plan to incorporate CDC's concept design into your UNIQLO operation?

【Answer 8】 Not at all. CDC and UNIQLO are completely different brands aimed at completely different customer strata. However, where it would make sense for us to cooperate would be on manufacturing and information systems.

【Question 9】 Will CDC be able to utilize UNIQLO's Chinese manufacturing facilities?

【Answer 9】 That is quite likely and that, I believe, was one of the key attractions for CDC in deciding to partner with FAST RETAILING.

【Question 10】 You mention that one motivation for this deal was to efficiently utilize CDC's existing know how and network in Europe. What do you mean exactly by that?

【Answer 10】 We are currently preparing to open our first UNIQLO stores in the US in the autumn of 2005. It is often much easier for us to approach local members of the industry by introducing FAST RETAILING as the owner and developer of the "theory" brand. It allows for ease of negotiation and also enables us to attain accurate and useful on-the-ground information through theory's established network. I hope that this deal will grant us similar benefits through our link with a Paris based firm in France.

【Question 11】 Are you looking to develop the UNIQLO brand in Europe?

【Answer 11】 At some point in the future yes, I would like to see UNIQLO expand further into Europe. However, the UNIQLO operation is completely different to that of CDC and so there is no immediate direct link here.

【Question 12】 Do you see this as a stepping stone into the continental European market? Are conditions there considerably different from in the UK where you already have a developing presence?

【Answer 12】 Yes that is a clear attraction. And yes, I do feel that the fashion world is different in the UK and continental Europe.

【Question 13】 How do you plan to proceed with the development of the CDC brand domestically within Japan? When do you envisage opening your first CDC store here?

【Answer 13】 We have no clear date set yet but we would like to begin opening some CDC stores as soon as possible. Currently the CDC brand in France is sold in both department store outlets and direct-run standalone roadside stores so we would expect to follow a similar structure for the brand's development in Japan.

【Question 14】 What standards will you be following at FAST RETAILING's for any future corporate takeovers or cooperation?

【Answer 14】 Our criteria are as follows: companies that have clear and significant growth potential, companies that are managed efficiently and equal our standards at UNIQLO.