

Business Strategy Conference

Date: September 4, 2007

Panel: Mr. Tadashi Yanai, Chairman, President & CEO of FAST RETAILING CO., LTD.  
Mr. Masa Matsushita, EVP, member of the Board of FAST RETAILING CO., LTD.  
Mr. Naoki Otoma, Senior Vice President & COO of UNIQLO CO., LTD.  
Mr. Tsuyoshi Monden, Vice President of FAST RETAILING CO., LTD.

### **QUESTION & ANSWER SESSION**

**( Some of the questions have been edited or abbreviated for the sake of clarity)**

Q1: You have said in the past that one of the prerequisites for competing effectively in the global market is to achieve a profit margin on a par with other global corporations. On reviewing your past year's performance, has your view changed at all on this point?

A1: Mr. Tadashi Yanai

There is no change in our thinking here. I believe that it is impossible to compete in the global market unless your profitability equals or exceeds that of other global players. We have developed our large store strategy in order to boost profitability. In order to develop an operation that can fight and beat competitors in a similar arena, we have to actually open up new large stores in the global market, and polish our local competitiveness by actually developing our products and operations in those locations.

Q2: Can you tell us if you have any kind of benchmark in your UNIQLO international operation in terms of the right conditions for opening new stores on a large scale?

A2: Mr. Tadashi Yanai

It is the same whether we are talking about the Japanese or international markets. The operating income to net sales ratio has to be in the order of 10% to enable us to expand production. When we achieve such a level, I would accelerate our opening of UNIQLO stores internationally.

A2: Mr. Tsuyoshi Monden

As Mr. Yanai has stated, a 10% operating margin is one benchmark that we focus on in our UNIQLO international operation. However, in both our UK and US operations, the current priority is on up-front investment for the purpose of brand building, and so the steps are different depending on which country we are talking about.

Q3: So given your plans to open flagship stores in London and Paris, are we to understand that this up front investment in the UNIQLO international arm is continuing? Are you planning to invest aggressively in areas such as materials, operations, and personnel in the year to August 2008?

A3: Mr. Tadashi Yanai

We do plan to continue to invest aggressively in materials, operations and personnel in the future. Japanese textiles technology is viewed highly throughout the world. UNIQLO has a strong buying power, and so we are looking to use this power to procure high quality materials not only in Japan but in other parts of the world as well. In the area of operational development, I feel it is essential that we either refine our own operations to offer greater value added, or we acquire this expertise through M&A activities. On the subject of personnel, we are working to create a powerful, close-knit team, attracting top personnel in both Japan and other parts of the world.

Q4: What do you see as UNIQLO's strengths compared to other global competitors such as ZARA, H&M, GAP, etc.?

A4: Mr. Tadashi Yanai

I think our strength lies in the high quality of goods produced by Japanese manufacturers. But we also have to become more proficient at getting that message of strength across in the global market. Sadly, Japanese companies are extremely weak in their promotion techniques. We believe that the quickest way to bring the UNIQLO message to the greatest number of people worldwide is to build flagship stores and allow people to actually experience UNIQLO quality for themselves.

Q5: In developing UNIQLO in the global market, where do the greatest business opportunities lie in your opinion?

A5: Mr. Tadashi Yanai

I believe there are not very many companies that make high quality clothing of truly good fabric at the price that UNIQLO can offer. Toyota is a stellar example of a Japanese company in the automobile sector, and Sony is a fine example of the same in the consumer electronics sector. In the same way, I want to build our empire to a level where the people of Europe and America turn straight to UNIQLO when they want to buy clothes.

In terms of business opportunities, our popular range of jeans is currently selling extremely well in Japan, and jeans are also selling well in London and New York. Our cashmere products are also popular in London and New York. I believe that if we continue to make every product to a high standard and earn recognition as a retailer of high quality clothing, this will lead to fresh business opportunities for us in the future.