

FAST RETAILING's New Business Strategy

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FAST RETAILING CO., LTD.

Chairman & CEO

The FAST RETAILING vision

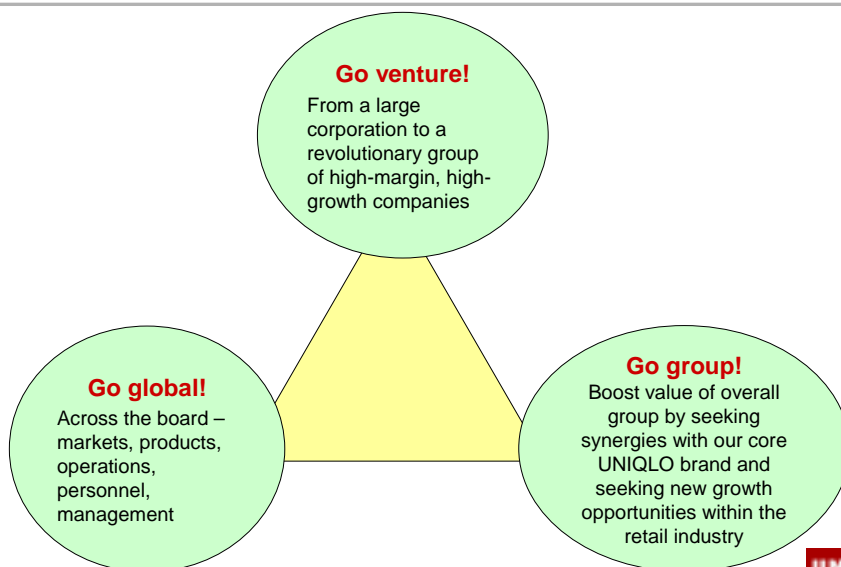
- Develop a truly revolutionary casual clothes that appeal to people the world over for anywhere and any time.
- Create a truly revolutionary global company to become the world's number one casual wear group.
- Achieve net sales of 1 trillion yen and ordinary income of 150 billion yen by 2010.

Revolutionizing the FR group structure

Major changes

- Rejuvenate our spirit as a group of venture companies with global aspirations
- Expand our presence in both retail industry and location, perfect our products, improve our corporate organization
- Shift to a holding company structure & maximize our M&A strategy
- Genuine & enthusiastic push into non-Japan markets

Revolutionizing the FR group structure



Where we want to be on FR group net sales by 2010 and how to get there

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An example of possible numerical stages towards ultimate goal of 1 trillion yen sales by 2010

(billions of yen)

	2006	2007	2008	2009	2010	Operating Income
UNIQLO - Japan	380	450	500	550	600	100
UNIQLO - non-Japan	5	10	30	50	100	10
theory, ONEZONE, National Standard, Aspesi, etc.	40	50	55	65	80	10
COMPTOIR DES COTONNIERS	15	25	30	35	40	10
New business pillar 1	50	60	80	90	100	10
New business pillar 2	-	60	70	90	100	10
New business pillar 3	-	-	80	90	100	10
FR Group (total)	490	655	845	970	1,120	160

This should be viewed purely as a hypothetical example of the possible numerical stages towards our ultimate goal. Concrete business forecasts are issued along with the announcement of our business results.

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UNIQLO potential within Japan

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Where we want to get to with the UNIQLO brand in Japan

	Sales floor area	Store numbers	Annual net sales	Total Sales
Large-scale stores	approx 660 tsubo (approx 1980 sq m)	200 stores	¥ 1.8bln	¥ 360.0bln
Regular stores	approx 220 tsubo (approx 660 sq m)	1000 stores	¥ 0.5bln	¥ 500.0bln
Small scale stores	approx 50 tsubo (approx 165 sq m)	1000 stores	¥ 0.15bln	¥ 150.0bln

Total domestic sales ¥1 trillion

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UNIQLO growth engines

Expand business type and location

Product development

Corporate organization

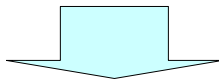
UNIQLO Growth engine

Expand business type and location

Strategic shift on business type & location

Old strategy: create multiple store network based on set format

New strategy: determine optimum store conditions prior to opening in terms of location, floor space, customer type, etc.



Ensure UNIQLO is for anyone, anywhere, anytime

Focus: large-scale suburban stores (1,650 – 3,300 sq m)

Focus: small scale city center stores (30 – 330 sq m)

Potential for UNIQLO domestic annual sales

There is still untapped potential for domestic UNIQLO sales totaling a maximum ¥96.0bln per year

	Sales floor area	Monthly sales per tsubo (3.3 sq m)	Monthly net sales	Annual net sales	New stores per year	Increase in annual net sales
Large-scale stores	approx 660 tsubo (approx 1980 sq m)	¥250,000	¥ 150mln	¥ 1.8bln	20 stores	¥ 36.0bln
Regular stores	approx 220 tsubo (approx 660 sq m)	¥250,000	¥ 50mln	¥ 0.6bln	50 stores	¥ 30.0bln
Small scale stores	approx 50 tsubo (approx 165 sq m)	¥500,000	¥ 25mln	¥ 0.3bln	100 stores	¥ 30.0bln
Total						¥ 96.0bln

- 1 These annual net sales numbers are different from those in slide 8
- 2 In calculating the latent market potential for increased annual net sales, we have not incorporated store closures through scrap and build or reduced income at existing stores resulting from the new store competition.

UNIQLO growth engine

Product development

- Optimize product development by employing the right staff around the world to generate the best global mix in terms of quality, quantity, etc.
- Develop a UNIQLO product structure that best suits a particular location, floor space and customer base.

Develop products on a global scale

Establish an R&D headquarters, employ the right staff around the world to generate the best global mix in terms of quality, quantity, etc.

Establish R&D branch offices in various parts of the world to ensure product development that is both global but at the same time best suits local needs.

Tokyo
New York
Paris
Milan
Shanghai
London
Hong Kong



Product development structure

Our ultimate aim is to develop products that suit a high efficiency retail structure with shop floors up to 3,300 square meters.

Introduce a division system
Clearly define each collection
Foster divisional responsibility
Allow individual division stores

Men's division
Women's division
Kids' division
Goods division
Inner/underwear division

Segment and thereby strengthen product development teams

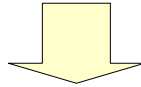
Men	2 teams
Women	3 teams
Kids	2 teams
Inner/Underwear	2 teams
Goods	2 teams
Sports	1 team
Jeans	1 team
Home	1 team

Create additional value

UNIQLO's past hit garments have been fleece, cashmere and dry clothing.

Why?

Not only did these products satisfy the simple basic mass trend in the market, but they also uncovered a latent customer need, thus generating fresh, recurrent demand.



**Develop products/campaigns that can boast
10 million items sold**

The global all-inclusive casual retailers (SPAs)

First generation SPAs: GAP, LIMITED (late 80s, early 90s)

Development of specific casual garments, jeans.

Mainly basic garments with some seasonal themes

Second generation SPAs: ZARA, H&M (Late 90s onwards)

- Suggest latest fashion, themes, looks
Information value over and above product value
- Very high margin clothes, momentary surges in sales
- Women's wear; set themes monthly, sell out monthly
shift from theme of the season to theme of the month

(SPA is a retailer involved in the whole process of clothes creation from design through manufacture, distribution & sale.)

Creating a third generation SPA

- **Redefine and redesign our entire business and product structure to create the world's number one SPA**
 - Aim to become both the world's number one global SPA and also the best selling regional or local SPA.
 - Ensure that anyone wherever they are in the world can buy world class, high quality products in their own local area
 - Add a tinge of fashion to daily necessities
 - Ensure world class, absolute quality
- **Realize world class products, world first saleable concepts**
 - Affordable High-performance
Offer high performance wear never before conceived (sportswear, etc)
 - Affordable Luxury
Offer current "luxury goods" at affordable prices

Creating a third generation SPA

- **Collect information on what sells around the world in terms of themes, concepts, mass trends, fashion, styles, fabrics, designs, products, store design. Put all of that information in a pot to create our own special product and product development recipe and then produce the goods.**
- **Be sure to disseminate information across the world**
 - Design everyday clothing necessities and essential items with an up to date, unique style, quality, and hint of fashion that we can be proud of anywhere in the world.
 - Ensure a clear and full product line-up, product information and corporate image, then disseminate this across the world.

Corporate organization

To achieve sales of 1 trillion yen and ordinary income of 150 billion yen by 2010, we must also recreate our company.

< Current situation at FAST RETAILING >

We don't have suitable or sufficient in-house management experience to support future global growth. Neither do we have the right system in place at present to nurture future managers.

FOCUS: What corporate structure, what system do we need to win and achieve our 2010 goals on the heavily competitive global retail stage?

The drive for higher growth

Fostering the drive for higher growth

Short span training to enable managers to branch out early
Create a corporate structure/system attractive to external management personnel

Break the inertia at UNIQLO that comes with the sense of success

Reform our personnel, evaluation, remuneration and corporate governance systems

Refute sense of security, inertia that often accompanies a large company structure, renew our venture spirit

Urge each and every staff member to fundamentally review their attitude to work and become more proactive.

Separate governance and management

Start from scratch across the board from executive board members, operating officers, all personnel. Give everyone a blank sheet and encourage everyone to think, act and create like a founding member of our company.

- Clarify responsibilities with executive board members responsible for deep reaching corporate governance and operating officers the day to day management decision making.
- Operating officers will delegate daily management and commit firmly to its success.
- When they achieve results, staff should enjoy similar long-term incentives to founding members.

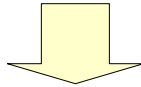
The shift to a holding company structure

- Attract good business and talented managers
- Realize a fresh venture, global and group spirit
- Establish a group company governing structure

The need for talented managers and how to get them

UNIQLO's global market share is but a mere 0.4%.

We need a variety of talented managers to help up develop our business in the so far untapped 99.6% remaining market.

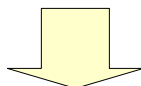


M&A strategy key to attracting the variety of talented managers we need.

The "theory" lesson

What we learned from "theory" capital injection

- Set up in New York 8 years ago, Tokyo business begun 7 years ago
- Amalgamated US & Japan businesses, listed on Tokyo Stock Exchange "Mothers"
- Current annual business ¥35.0bln, current forecast for ordinary profit ¥4.2bln, market cap ¥100bln
- Future potential as a global brand with annual sales of over ¥100bln



**You can take on the world market
with a good concept and talented managers**

The importance of M&A

If we can find good business opportunities and talented managers from around the world, we can create a global business, and quickly secure annual sales of ¥100bln and ordinary profit of over 10%.

What we can gain from M&A

- Time effective route to creating an operational structure
- Attract world class global managers
- Strengthen functions where FR group traditionally weak
- Speed up the growth of acquired companies
- Speed up corporate renewal
- Create a platform for overseas businesses

M&A target areas and scale

- **Firms in the fashion industry with global growth potential**
- **Firms that can achieve future annual sales of over ¥100bln and ordinary profit to sales margin of over 10%.**
- **Funds for investment: ¥300 – 400bln over next 3 years**

Plans for COMPTOIR DES COTONNIERS brand

Within the next five years ···

**Amalgamate Japanese and French management,
aim for annual sales of ¥40bln
and ordinary profit of ¥10bln by 2010.**

The listing of group companies

< Aim >

- Growth of independently successful firms and self-fulfillment of talented management
- Realize a vibrant corporate climate and seriously committed management pool

Merits for companies within FR group

Participating companies can benefit from established business platforms and infrastructure to greatly boost their competitiveness and growth potential.

(management experience, management personnel, production, store management, business systems, distribution systems, fund procurement, etc)

Valuable synergy benefits through sharing of specific experience across the group, swapping of personnel, joint platforms, improved purchasing power.

UNIQLO development outside of Japan

- Acquisition or tie-up with companies in Europe, America and China that can provide the platform infrastructure and personnel for UNIQLO's local development.
- Aim to establish companies that can quickly achieve sales of ¥10bln and ordinary profit margin over 10% in each area.
- M&A is an important tool in achieving this aim.

2005 Autumn: UNIQLO overseas development, flagship stores and new business areas

< Overseas development >

- US New Jersey 3 stores
- South Korea Seoul 3 stores
- China Beijing 2 stores
- Hong Kong 1 store
- UK Regent Street store 1 store (expansion)

< Flagship stores >

- Ginza store

< New business areas >

- Speciality women's underwear store: BODY by UNIQLO
- Speciality kids store: UNIQLO KIDS
- Outlet in Ikebukuro TOBU Department store:
new urban style UNIQLO

From UNIQLO PLUS to a new style of UNIQLO

The “UNIQLO PLUS” store name and concept has run its course.

The future direction of our UNIQLO stores will not be decided by what we can “add” to the set UNIQLO format. Instead, UNIQLO stores themselves will develop a more flexible brand centered on large scale outlets.

Stores will be established according to a variety of variables from location, floor space, varied customer needs and circumstances. Our UNIQLO stores will be the optimum place for anyone to buy what they want, when they want to buy it.

The FAST RETAILING vision

To create a revolutionary global company providing truly fine casual clothes that anyone can buy, anywhere, at any time.

To become the world's number one casual wear corporate group with sales of 1 trillion yen and ordinary income of 150 billion yen by 2010.