

UNIQLO

anybody, everywhere, everyday. **FAST RETAILING CO., LTD.**

2004 Annual Report Year ended August 31, 2004

QLO



Our Mission

FAST RETAILING CO., LTD. is a modern Japanese company that owns and operates the UNIQLO casual clothing brand. Our mission is to inspire the world to dress casual.

A Message from the Chairman



In the fiscal year ended August 31, 2004, FAST RETAILING posted higher revenues and earnings for the first time in three years. These business results confirm that we have regained much of the old momentum that drove our lightning-quick business expansion. Nevertheless, it would not do to simply declare FAST RETAILING is back on the tracks to renewed growth—or to simply continue with the policies that brought us here. We have absorbed the lessons and experience of our previous rapid expansion phase, and from that base formulated a new, three-pronged strategy to restore our steep growth

trajectory and give it a steady and long run. First, we will create in our clothing and stores true world-class quality; second, we will systematically become a truly global company; and third, we will pursue new opportunities in apparel-related areas that fit with UNIQLO's brand.

In late September, we surprised everyone by running ads announcing that UNIQLO was disassociating itself from low-cost clothes. The ads were meant to shock. It had become apparent to us that consumers had the impression that, because UNIQLO products are low in price, that somehow they must also be cheap or shoddy. Now, the announcement did not mean we were abandoning our successful business model. We offer an outstanding balance of price and quality (in other words, relative product value) that rivals the world's leading apparel retailers. Rather, it is our intention to completely overturn this misperception of our clothing being merely “good for the price.” We will transform the public's image of UNIQLO from “relatively good clothing” to “absolutely good clothing.” We will create clothing of world-class quality that people the world over will want to wear. Not only that, but we will create stores of world-class quality where people the world over will want to shop.

To convey the absolute quality of our merchandise, we need a retailing environment that gives us room to coordinate clothing dis-

We do not intend to stop until we become the world's No. 1 casual apparel company.

plays and create a convincing atmosphere for customers of quality through and through. For this reason, it is necessary for UNIQLO to operate large-scale stores with sales floor space two-to-three times larger than present.

On October 9th, we opened a UNIQLO PLUS megastore of 2,100 square meters in Osaka's Shinsaibashi district. The purpose of this store is to realize the world-class quality to which UNIQLO aspires. Global competitors, Gap, Next, Zara and H&M compete against department stores in London and New York by operating large-scale stores of 3,000 square meters or more in high-street locations or shopping centers. Their store merchandise and presentations are similar to those of department stores. Specialty retailers in Japan may also move in the same direction.

The second part of our growth strategy is globalization. UNIQLO now operates stores in London and Shanghai, and in October 2004 we announced our intention to enter South Korea. We are establishing a joint venture company with Lotte Shopping Co., Ltd. and plan to open our first stores in South Korea in the autumn of 2005. We have also begun detailed planning for entry into the U.S. market. These plans have a significance far beyond the mere opening of overseas stores: they mean that UNIQLO must necessarily become a global brand and FAST RETAILING a global corporation.

The final pillar of our growth strategy is development of apparel-related areas. We intend to continue to aggressively engage in business alliances, equity participation and mergers and acquisitions that build win-win relationships. We will pursue this business development on a global basis such that it benefits shareholders, management and employees of the Company and its business partners.

We are committed to implementing this three-pronged strategy and ensuring that the Company returns steadfastly to a path of growth. This strategy remains true to our core identity, namely "a modern Japanese company that owns and operates the UNIQLO casual brand with the mission to inspire the world to dress casual."

On the basis of this identity, we aim to become the world's No. 1 casual apparel company.

November 2004



Tadashi Yanai
Chairman and Chief Executive Officer

An Interview with the President



Q. What in your view was the most important achievement during fiscal 2004?

A. I think it was very significant that we were able to make a convincing recovery with increases in revenues and earnings for the first time in three years. In fiscal 2004, our existing-store sales rose 2.5% year on year in Japan, fueled by an increase in foot traffic—particularly women. Since establishing the UNIQLO Design Studio in April 2002, we have worked hard to strengthen the women's clothing line. As a

result, we are now attracting many more female customers, and the contribution to sales from the women's clothing category increased from 25% to 29%. Including women's undergarments, the contribution was 37%. We also drew more customers with new products that resulted from product development based on meticulous attention to materials—sweaters of cashmere and fine Italian merino wool, European-fabric dress shirts, and T-shirts made from extra-fine cotton yarn.

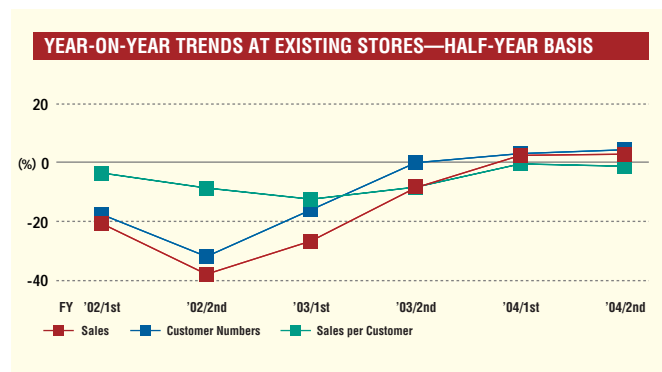
As a result of these developments, operating income for fiscal 2004 rose a full 54.8% to ¥64.0 billion, on consolidated net sales of ¥340.0 billion.

Q. The forecast for your existing-store results in Japan for fiscal 2005 calls for growth of 3.6% in sales—higher than in fiscal 2004. How will you do that?

A. In Japan, we are taking a multi-level response, depending on the line. In men's clothing, we are revamping the line to increase revenues. For instance, this autumn we have introduced a new men's jacket style. As a result of meticulous—there's that word again—attention to the silhouette and fabrics, I think we have succeeded in creating jackets that offer an unprecedented level of styling. In men's products, we will move forward with the development of sophisticated casual wear that reflects this careful attention.

In women's merchandise, we will further develop our lines to maintain the growth momentum. I want us to increase our appeal by expanding and enhancing the women's accessories line—items like belts and bags. We will of course also implement further quality improvements in the basic line. Women's undergarments is a product category we have yet to seriously develop, and we have begun a full-scale introduction of brassieres and casual, comfortable underwear. We expect sales of these products to grow quickly.

We foresee on a year-on-year increase in foot traffic owing to the efforts I just described, and this will drive our sales. The 3.6% figure factors in our assumption that the average sale per customer for the full fiscal 2005 will be flat, due to the impact in the first half of the year of the price reduction caused by now including consumption tax in indicated prices, as required by law.



Q. What do you mean by the expression “merchandise that reflects meticulous attention to fabrics?”

A. Consider, for instance, the winter merchandise introduced this autumn. New items include cashmere sweaters, new fleece jackets made using Outlast®, a temperature self-regulating material developed at NASA, premium down jackets made using high-quality down from Poland, and underwear made using our own Heat Tech Plus functional fabric.

Cashmere is known as the gold standard of fabrics and has long been regarded as something elegant and far removed from everyday living, but we have succeeded in creating cashmere sweaters that can be worn as casually as a T-shirt. We are not happy merely selling products to meet existing needs: rather, as with our cashmere sweaters, and the fleece items of a few years ago, I think we find success in transforming people's notions and creating new demand. Incidentally, we expect unit sales of cashmere sweaters this year to double the figure for last year, and even now, UNIQLO cashmere products supply one-fourth of all demand for cashmere in Japan.



Q. The UNIQLO PLUS store opened in October. What is the objective behind opening a megastore?

A. On October 9th, we opened the UNIQLO PLUS megastore in the Shinsaibashi district in the heart of Osaka. This store has 2,100 square meters of sales floor space, about three times that of regular UNIQLO stores. I'm pleased to report that since the store opened, sales have developed at a pace that exceeds the planned level. At UNIQLO PLUS we would like to engage in various experiments in visual merchandising: that is, the testing of various approaches to merchandise and store presentation. By developing and offering new products previously unavailable at UNIQLO we will test our ability to

tap new customer segments. We will also experiment with visual displays to propose ways of coordinating merchandise, emphasizing the quality of the merchandise itself and testing new store fixtures.

Our goal with UNIQLO PLUS is to achieve the same high level of return on investment we enjoy with our standard UNIQLO stores. During the year ended August 2005, we intend to open two or three UNIQLO PLUS stores with the aim to study merchandising, store operation, cost efficiency, and other factors and create a store format that does not reduce capital efficiency. However, we are not rushing the development of a megastore format: we want to take our time and come up with something really good within a year or so.

Q. If the UNIQLO PLUS Shinsaibashisuji store succeeds, will you accelerate openings of flagship stores in central city locations?

A. We aren't necessarily wedded to the idea of flagship stores in central city locations. First of all, it is necessary to verify the optimal floor space, somewhere between 1,500 and 2,000 square meters. Also, we are not committed only to inner city locations such as Shinsaibashisuji: there is also the possibility of opening larger roadside stores or becoming an anchor tenant in shopping centers.

The likely key to the future success of UNIQLO PLUS is whether such a format can be made to thrive in the suburbs, a market at which we particularly excel. As of August 31, 2004, we operated 637 UNIQLO stores in Japan, of which about half were small stores of 500 square meters or less. We are implementing a scrap and build policy affecting between 20 and 40 stores a year, and these UNIQLO PLUS megastores will likely become one option under this policy.

Although the world's leading specialist clothing retail chains—Gap, Next, Zara and H&M—operate megastores with sales floor space of 2,000 square meters or more, no specialist apparel retail chain operating such megastores has yet appeared in Japan. In that sense, UNIQLO PLUS megastores offer great potential.

WORLDWIDE APPAREL SPECIALTY STORES

COMPANY NAME	FISCAL YEAR	SALES (BILLIONS OF YEN)
Gap U.S.	2003	1,742.0
Limited Brands U.S.	2003	981.7
Hennes & Mauritz Sweden	2003	822.2
Inditex Spain	2003	609.8
Next U.K.	2004	496.9
Liz Claiborne U.S.	2003	466.0
FAST RETAILING Japan	2004	340.0
Polo Ralph Lauren U.S.	2004	291.1
Benetton Group Italy	2003	246.5
Esprit Hong Kong	2004	230.3
Matalan U.K.	2004	207.0
Tommy Hilfiger U.S.	2004	206.1
Abercrombie & Fitch U.S.	2003	187.7
Talbots U.S.	2003	178.5
American Eagle Outfitters U.S.	2003	167.0

Note: Yen amounts have been translated using the approximate Tokyo foreign exchange rate as of August 31, 2004.



Q. What is your overseas strategy? Why do you plan to enter the fiercely competitive U.S. market?

A. The reason we set our sights on overseas markets is that foreign companies are entering the Japanese market one after another, and we believe that, unless we can learn to compete with them in their home markets, we cannot hope to prevail even in Japan. Once we develop the skills and resources to succeed in the U.S. casual wear market—the most fiercely competitive of overseas markets—we will have the ability to compete against the global heavyweights, such as Gap.

Another consideration is that going to a difficult market like the United States will make our own weaknesses apparent. Here's an example: setting up operations in the United Kingdom made us keenly aware of the weaknesses of our women's merchandise. Ultimately,



we strengthened our women's line in Japan as well, and that drove the recovery of sales here.

Also, we posted substantial losses in the U.K. after we rushed into store network expansion. What we learned from that experience was that there are three stages to corporate growth. The first is to turn a profit. Once you have profitability, then you can grow smoothly by increasing the number of stores each year under your own power. The third stage is to find the way to a breakthrough and go for expansion. In the U.K., we have passed through the first stage and into the second. When we enter the U.S. market, we will not seek to open many stores straightaway. Instead, we plan an initial stage in which we open one or at most a few test stores and study the market.

Q. China's entry into the World Trade Organization would likely end the quota system. Will this impact your business performance?

A. In a word, no. Because historically no import quota restrictions have applied on exports from China to Japan, there will be no impact to speak of. However, it is quite possible that the abolition of quotas will prompt U.S. and European specialty store retailers to increase their dealings with clothing factories in China. For this reason, as we move forward we will want to deepen the close bonds we enjoy with

partner factories and ensure that we are the best business partner for them. Once each year, we hold a “factory convention” where the management of partner factories in China and the management of FAST RETAILING thoroughly discuss issues of mutual concern and look to the future. The topics discussed at the convention include mutual ways to prevail against global competition, achieving top-drawer quality and the coordination of production adjustments based on sales. I believe that the most important thing is to have relationships based on deep sharing of values and forthright discussion of issues.

Q. What is your view on future engagement in mergers and acquisitions?

A. Our focus is on apparel and apparel-related businesses, which offer basic synergy with the UNIQLO business. At the beginning of 2004, we took an equity position in LINK HOLDINGS CO.,LTD., which markets the *theory* brand in the United States and Japan. I think this equity participation involves synergy for both LINK and FAST RETAILING: we have much to learn from LINK about the global fashion business, and we in turn can contribute in such areas as design of internal operations and information systems. To aggressively pursue business alliances, equity participation, and mergers and acquisitions during fiscal 2004, we established the new Business Development Department.

Q. What are your future plans for shareholder returns?

A. For the fiscal year ended August 31, 2004 we paid a cash dividend of ¥115, which represents a 37.7% dividend payout ratio. Our basic policy is to equally allocate net income among cash dividends, internal reserves, and investments. I believe shareholders can look forward to more pleasantly exciting times as we move out into the global arena.

November 2004



Genichi Tamatsuka
President and Chief Operating Officer





UNIQLO means high-value casual clothing for *anybody, everywhere, everyday.*





We aim to become the world's No. 1 casual apparel company.



a: UNIQLO has introduced premium-quality down jackets made of Polish down In November 2004, UNIQLO introduced Premium Down outerwear, a clothing line made using down from Poland. Polish down is widely regarded as the finest in the world. This high-quality down outerwear is the result of the dispersal of manufacturing processes to optimal locations around the world: we collect the down in Poland, sort it in Taiwan, and sew the garments in Vietnam.

b: Undergarments made using Heat Tech Plus are increasingly popular Heat Tech Plus material for men's and women's undergarments offers high-performance characteristics: 1) an exothermic property that absorbs moisture and converts it to heat; 2) an insulating function by means of hollow threads for 65% of the fabric; 3) a drying function for the rapid drying of perspiration; and 4) an antibacterial, deodorizing function that prevents odor.


c: New fleece made using Outlast®, a fabric developed for NASA astronauts In 2004, UNIQLO introduced Outlast® Fleece made using a revolutionary new material. The fibers in Outlast® incorporate micro-capsules only two to three microns in diameter that contain a special substance which absorbs excess heat from the body and releases it again when the temperature drops. The new fleece keeps wearers comfortable over a wider range of temperatures.

Our Products

Fashioning Satisfaction—Casually, at the Speed of *Fast*.

At UNIQLO, the basic merchandising concept is to offer clothes that can be worn by anyone, anywhere, anytime. Our goal is to offer fashionable, high-quality basic casual wear at reasonable prices so that everyone can enjoy the quality, color and style of UNIQLO clothing.





Sweaters made of the highest grade of cashmere In the autumn of 2003, UNIQLO introduced a line of top-quality cashmere sweaters that sold explosively. Only UNIQLO is able to offer cashmere sweaters, that ordinarily sell from ¥10,000 to ¥30,000, at reasonable prices ranging from ¥4,990 to ¥8,990. In 2004, a dramatic expansion of the color selection to 108 colors and designs resulted in the doubling of unit sales.

a: The UNIQLO Design Studio has a staff of 80 talented professionals. The Company established the UNIQLO Design Studio in April 2002. We have aggressively employed world-class designers and patterners and assembled a staff of 80 highly skilled professionals. We believe that painstaking attention to design and silhouette is especially important in creating basic products.

Our Production

Closing the circle:
planning to manufacturing to sales—and back again.

The Company maintains close control over every aspect of the business, from product planning, development and procurement of fabrics and clothing design, all the way through to manufacturing, distribution and sales.

Based on customer feedback from our stores, the UNIQLO Design Studio develops products that are manufactured by partner factories in China with which we have forged strong relationships. The Takumi Team of technical experts, veterans in the textile industry in Japan with more than 30 years of experience, ensures consistently world-class quality by providing technical guidance to overseas partner factories. Our Strategic Fabrics Team is strengthening relationships with the leading fabric manufacturers around the world and developing new materials.



a

b: Some 90% of UNIQLO products are manufactured in China. FAST RETAILING trades with 60 factories in Asia. Most of these factories are in China, where each day we closely monitor production. The factories maintain a fast and flexible production system for adjusting production on the basis of mid-season production planning from Japan.

e: UNIQLO procures materials from across the globe. UNIQLO men's crew neck cashmere sweaters are priced at ¥7,990 (\$75). Our system for global raw material procurement is the reason we can engage in high-volume production using valuable cashmere. The Strategic Fabrics Team maintains a hectic travel schedule as they directly negotiate with the world's leading manufacturers.

c: UNIQLO engages in painstaking production and quality control. Members from our Shanghai Office visit partner factories each week for quality- and production-progress control. This strong collaboration with partner companies is the key to maintaining a high level of quality even when producing millions of garments.

f: The Takumi Team of technical experts underpins UNIQLO's high quality. The Takumi Team consists of 15 members in Shanghai, a convenient base for instructing our partner factories in China in the advanced techniques of Japan's textile industry, including spinning, dyeing, knitting, sewing and factory management.

d: We pay careful attention to every detail in clothing patterns. This autumn, we renewed our men's line by, for example, introducing men's jackets that reflect meticulous attention to patterns and fabrics. We have achieved excellent sales with this merchandise, and will continue to aim for world-class excellence in product development.

g: UNIQLO takes its business partner relationships seriously. We are building a future with our partner factories in China grounded on a shared value: the commitment to produce world-class clothing. In February 2004, we invited representatives from partner factories to Japan for the third annual factory convention, a venue for frank discussions between management of partner factories and FAST RETAILING.

b



c



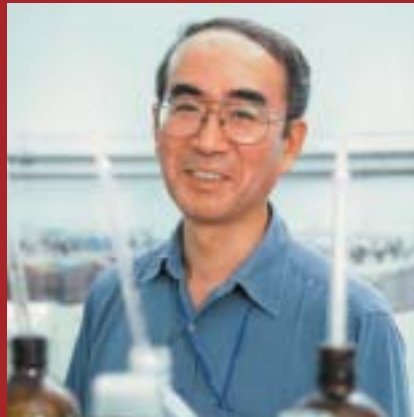
d



e



f



g



a: Families are UNIQLO's core customers. Most of the customers at suburban UNIQLO stores are families enjoying weekend shopping. Our comprehensive selection of merchandise for men, women, children and infants makes our stores the ideal spot for people of all ages to enjoy shopping.

b: The percentage of women customers is on the rise. In fiscal 2004, the number of women customers increased dramatically, propelling an overall increase in sales. Strong support from women of all ages, but especially those in their thirties, drove the share of women's merchandise sales, including underwear, to 37%.

c: Product displays impart a sense of profusion. UNIQLO is short for "Unique Clothing Warehouse," and a distinctive feature of our stores is voluminous displays. We try always to fully stock all colors and sizes.

Our Stores

At UNIQLO, we put our customers' needs ahead of our own.



UNIQLO stores are the most direct link to our customers, so we create distinctive merchandise and sales floors that faithfully project the heart and soul of the Company. We operate more than 600 stores, both stand-alone roadside stores in suburban areas and stores in shopping centers. A familiar sight in neighborhoods all across Japan, UNIQLO stores have become a popular shopping destination for the entire family.





Some 70% of UNIQLO stores are roadside locations. The standard UNIQLO format is a suburban free-standing roadside store with a sales floor area of 700 square meters and ample parking space for customers. Although we have opened a rather high number of stores in shopping centers during the past year or two, even now, about 70% of our stores are roadside stores.

a: UNIQLO has inaugurated an employee franchise system. The employee franchise system enables seasoned FAST RETAILING employees to strike out on their own, establish companies and operate UNIQLO franchise stores. Since October 2002, three store managers have opened independent UNIQLO franchises. For store managers, the system provides the ultimate challenge in a rewarding career path.

b: UNIQLO cultivates “superstar” store managers. UNIQLO gives its qualified “superstar” store managers greater authority: for instance, the authority to order store inventory. Superstar store managers are motivated by higher compensation based on the business performance of their stores. To date, we have named about 40 superstar store managers.

Our People

Upside Motivation:
rewarding initiative and performance at every level.

FAST RETAILING is a strictly merit-based company. We evaluate each employee’s ability and performance regardless of age, gender or nationality.

It is our people who provide customers with a compelling shopping experience and deliver the ultimate in merchandise and service. In the development and training of employees, we aim to maintain an organization in which each store manager, supervisor, merchandiser and head-office employee functions as a consummate professional, demonstrating the commitment of an independent entrepreneur.

b



a



a: The U.K. subsidiary turned a profit in fiscal 2004. We entered the U.K. market in September 2001. In June 2003, we reduced the number of stores from 21 to 5 in an operational restructuring that produced a profit in fiscal 2004. The U.K. subsidiary is now able to open new stores in fiscal 2005. We operated 6 stores in the U.K. as of November 30, 2004.

b: Steady store network expansion in Shanghai. In September 2002, FAST RETAILING set up operations in China, where the consumer products market is growing rapidly. Through a scrap and build program, we have steadily increased the number of stores we operate in Shanghai to 7 as of November 30, 2004 and aim to turn a profit in fiscal 2005.

c: FAST RETAILING has taken an equity stake in the company that markets the *theory* brand. In January 2004, FAST RETAILING acquired 47.1% of LINK HOLDING CO.,LTD., marketer of the *theory* brand in Japan and the United States, and made the company an equity-method affiliate. The popular brand of business wear generates about ¥25 billion in sales and is expected to grow further in the coming years.

Our Ambition

We aim to become the No. 1 casual apparel company.

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At FAST RETAILING, we always set our sights high because we believe that the key to growth and success is challenging goals. Our ambition is to become a corporate group with sales of ¥1 trillion by 2010. Drawing on valuable experience gained setting up operations in the United Kingdom and China, in the autumn of 2005 we plan to enter the market in South Korea. We have also established a company through which to enter the U.S. market in the near future. We will consider utilizing our excess cash for mergers and acquisitions with apparel and apparel-related companies that fit with our UNIQLO operations.

b



c



Corporate History

Mar. 1949

Men's Shop Ogori Shoji founded as a private enterprise in Ube City, Yamaguchi Prefecture.



Feb. 1999

The Company's stock listed on the First Section of the Tokyo Stock Exchange.

May 1963

Ogori Shoji Co., Ltd. established, with capital of ¥ 6 million, as a successor to the original business.

Sep. 1991

The Company's name changed from Ogori Shoji to FAST RETAILING, a name that succinctly expresses its business philosophy.

Oct. 1998

The ¥1,900 fleece campaign attracted great public attention.

Apr. 1999

Shanghai Office established to further enhance production management operations.

Jun. 1984

The first UNIQLO store specializing in casual clothing, opened in Hiroshima City (UNIQLO Fukuromachi store; closed in August 1991).

Jul. 1994

The Company's stock listed on the Hiroshima Stock Exchange.



Apr. 2000

Headquarters functions moved to Tokyo to promote merchandising and marketing and to carry out operations more efficiently.



Nov. 1996

Tokyo Office opened in Shibuya, Tokyo, to reinforce the Company's in-house product planning and development capabilities.

Nov. 1998

The first downtown store opened in the fashionable Harajuku district of Tokyo.

Oct. 2000

Internet online sales business launched to foster new sales channels and improve customer convenience.

Jun. 1985

The first UNIQLO roadside store opened. Following immediate success, the format was adopted as the new standard.

Feb. 1998

Head Office constructed in Yamaguchi Prefecture, to further enhance central management functions and operational efficiency.



Sep. 2001

First four UNIQLO overseas stores opened in London, U.K.



Nov. 2002

Started food business under the SKIP brand name.
Tadashi Yanai named Chairman and CEO, and Genichi Tamatsuka named President and COO.



Oct. 2004

The first megastore, UNIQLO PLUS, opened in the Shinsaibashi district of Osaka.

Apr. 2002

UNIQLO Design Studio established as an independent organization with over 50 designers and pattern makers.

Oct. 2003

The cashmere campaign stimulated high consumer interest.

Feb. 2004

National Standard Inc., marketer of the *national standard* women's apparel brand, became a consolidated subsidiary.



Apr. 2004

Operations of food business (SKIP) terminated.

Oct. 2004

Announced plans to set up joint venture with Lotte Shopping Co., Ltd. for UNIQLO store operation in South Korea.

Sep. 2002

Began operations in China by opening two UNIQLO stores in Shanghai.

Jan. 2004

The Company took an equity stake in LINK INTERNATIONAL CO.,LTD. (now LINK HOLDINGS CO.,LTD.), marketer of the *theory* apparel brand.

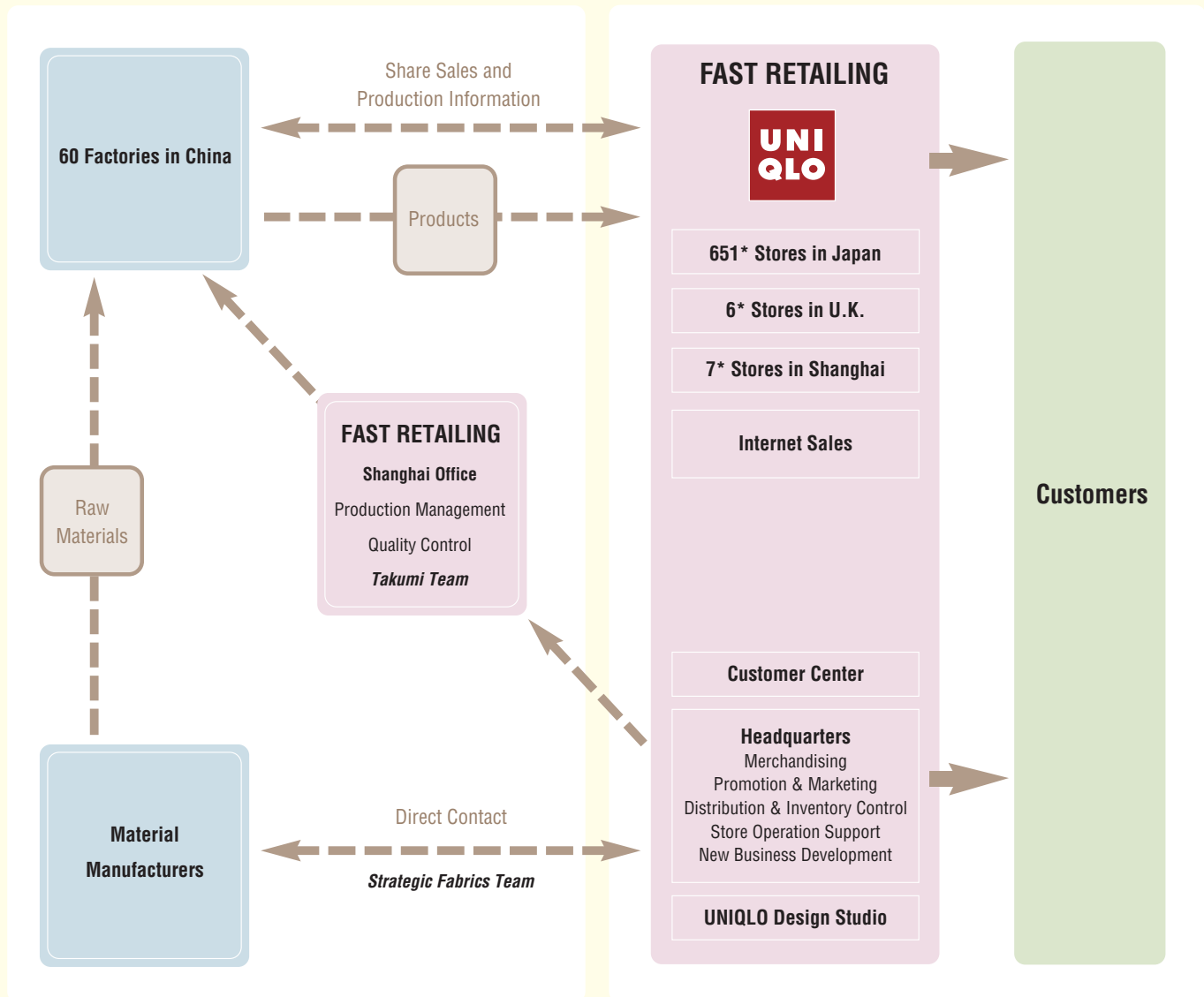
SALES AND STORES OF FAST RETAILING GROUP

■ Stores
■ Sales



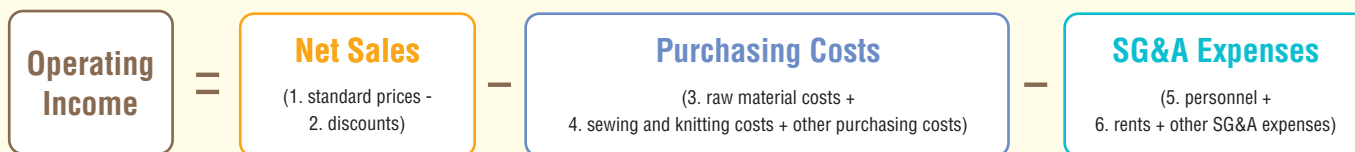
Note: The Company's consolidated financial reporting began from FY2002. Figures before FY2002 are non-consolidated basis.

UNIQLO's Business Model



*As of November 30, 2004

Factors Underlying UNIQLO's High Profitability



1. standard prices Most prices are set at ¥1,000, ¥1,990 or ¥2,990, which we seek to maintain as our standard prices. For example: T-shirts, ¥1,000; fleece jackets, ¥1,990; chino pants, ¥2,990.

2. discounts Standard prices are discounted through two types of sales.

Limited-period sales are price reductions for the purpose of attracting customers. These discounts are offered for specified periods, such as weekends only. After the discount period, prices return to standard.

Clearance sales are price reductions aimed at reducing slow-moving inventories. We assume 100% of the risk for products we order from factories. However, our flexible production management system allows us to increase or decrease output levels to reflect timely sales information. Consequently, we are able to minimize reliance on clearance sales and the deterioration of the gross profit margin that results.

3. raw material costs We are able to hold down raw material costs through the economies of scale afforded by our 600-store network in Japan—the largest in the industry. We receive additional discounts by guaranteeing 100% purchase of raw materials ordered. As an example of the scale by which we operate, by industry standards, sales of 100,000 items for one product would be classified as a major hit product. However, this figure is not large for FAST RETAILING. For us, 100,000 items is less than 10 items per store on an SKU (Stock Keeping Unit) basis.

Furthermore, our size enables us to negotiate prices directly with major international fabric manufacturers. It also allows us to aggressively pursue joint development of new materials, such as highly functional Heat Tech material.

4. sewing and knitting costs We minimize sewing and knitting costs by taking on 100% of the risk for production at partner factories and working with them to improve efficiency. We actively transfer advanced textile production technology to partner factories in China, which we view as long-term relationships. The Takumi Team at the Shanghai office is a group of veteran Japanese technical experts with over 30 years' experience in such areas as sewing and plant management. The team goes directly to partner factories and passes on their expertise to young Chinese technicians. Through such close partnerships we are making a long-term investment in product quality and plant efficiency.

5. personnel Part-time employees at stores account for the bulk of personnel expenditure. Standardized store operations stemming from uniform store layouts, displays, shelving, and fitting rooms and our limited store formats. This allows us to run UNIQLO stores effectively with smaller staffs.

6. rents Since about 70% of our stores are free-standing, roadside outlets in suburban areas, the ratio of rents to sales is kept low. And, when we open stores in urban areas or in shopping centers, we conduct detailed preliminary sales simulations to avoid excessive rent burdens.

Social Contribution and Environmental Projects

In all of our social contribution and environmental activities we apply the basic principle of beginning by volunteering with whatever we can do to help.



Disaster Relief Activities

UNIQLO has long provided clothing to victims of natural disasters, war or terrorism. Following the floods in Niigata Prefecture in July 2004, we donated 24,000 items of clothing such as T-shirts and undergarments. In response to the Niigata Chuetsu Earthquake in October 2004, we donated 44,000

items, mainly outerwear such as Outlast® fleece and Air Tech jackets. When disaster strikes, we will continue to mount a rapid response and do whatever we can to help.



photograph provided by SONA

Special Olympics

FAST RETAILING continues to actively support the Special Olympics, the international sports body for mentally challenged people. We provide numerous kinds of support, including provision of uniforms and volunteer employee participation. We will donate official uniforms for the 150

members of the Japanese team and 17,800 uniforms for the volunteers and staff at the 2005 Special Olympics World Winter Games in Nagano. FAST RETAILING employees will also volunteer at the Games.



Fleece Recycling Program

Since August 2001, FAST RETAILING has conducted a program to recover and recycle our fleece products that customers no longer need. We feel this project is appropriate for a company that engages in end-to-end product planning, production, distribution

and sales. Thanks to the cooperation of our customers, as of October 31, 2004, we had collected 210,942 fleece articles. By continuing the program, we hope to reduce the load our operations place on the environment.



Uniforms for Japan's Olympic Team

As with the Salt Lake City Winter Olympics in February 2002, FAST RETAILING produced and donated free of charge the official apparel worn by Japan's team at the 2004 Summer Olympics in Athens. Created by designer Kenzo Takada around the concept

Show Your Colors, the official apparel was a harmonious balance of individuality and uniformity. It was our small contribution to an Olympics in which athletes, supporters and citizens could participate through individual expression.

Financial Section

Six-Year Financial Summary	26
Management's Discussion and Analysis	27
Consolidated Balance Sheets	32
Consolidated Statements of Income	34
Consolidated Statements of Shareholders' Equity	35
Consolidated Statements of Cash Flows.	36
Notes to Consolidated Financial Statements	37
Report of Independent Auditors	43

Six-Year Financial Summary

FAST RETAILING CO., LTD. and consolidated subsidiaries
Fiscal years ended August 31

Millions of Yen except per share data and other data

	2004	2003	2002	2001	2000	1999
For the year:						
Net sales	¥339,999	¥309,789	¥344,171	¥ 418,561	¥ 228,986	¥111,082
Operating income	63,954	41,308	50,418	102,081	60,628	14,344
Net income	31,365	20,933	27,851	59,192	34,514	6,817
ROE (%)	20.8%	15.9%	23.2%	65.3%	70.2%	22.9%
Per share data (yen):						
Net income	¥ 304.92	¥ 203.05	¥ 269.54	¥1,119.28	¥1,303.35	¥ 259.51
Shareholders' equity	1,583.67	1,378.58	1,215.43	2,203.45	2,446.34	1,270.47
Cash dividends:						
Adjusted	115.00	55.00	55.00	60.00	37.50	6.75
Unadjusted	115.00	55.00	90.00	120.00	150.00	27.00
Dividend payout ratio (%)	37.7%	27.1%	20.4%	10.7%	11.5%	10.5%
Net cash provided by (used in) operating activities*	¥ 44,120	¥ 35,768	¥ (19,361)	¥ 80,581	¥ 68,790	¥ —
Net cash used in investing activities*	(20,730)	(10,118)	(9,927)	(13,199)	(5,085)	—
Net cash used in financing activities*	(8,677)	(10,179)	(20,431)	(10,955)	(3,766)	—
Depreciation and amortization	2,737	2,364	1,942	1,571	805	741
Capital expenditures	11,220	11,633	11,020	13,474	6,218	3,363
At year-end:						
Cash and cash equivalents	¥136,461	¥123,733	¥107,263	¥ 157,379	¥ 99,670	¥ 39,768
Total assets**	240,897	219,855	210,922	249,766	151,607	73,552
Total shareholders' equity**	161,434	140,505	123,632	116,476	64,755	33,618
Equity ratio (%)	67.0%	63.9%	58.6%	46.6%	42.7%	45.7%
Long-term debt	52	—	4,000	7,000	10,000	10,000
Debt-equity ratio (%)	0.03%	—	4.7%	6.0%	15.4%	30.6%
Other data:						
Number of shares outstanding	106,073,655	106,073,656	106,073,656	53,036,828	26,518,414	26,461,005
Total number of stores	655	622	585	519	433	368
Direct-run stores in Japan	[635]	[582]	[558]	[507]	[421]	[357]
Franchise stores in Japan	[11]	[14]	[12]	[12]	[12]	[11]
Overseas stores	[9]	[26]	[15]	[—]	[—]	[—]
Total sales floor space (m ²)	363,901m ²	335,849m ²	305,504m ²	263,713m ²	186,801m ²	157,424m ²
Number of full-time employees	1,822	1,844	1,853	1,598	1,265	1,055

* Statements of cash flows are disclosed from the fiscal year ended August 31, 2000.

** Due to changes in regulations relating to financial statements, treasury stock, which was recorded in "Investments and other assets" in the balance sheets until the fiscal year ended August 31, 2001, is recorded as a deduction item in "Shareholders' equity."

Management's Discussion and Analysis

STORE NETWORK

Basic Strategy

FAST RETAILING will aggressively open new stores with the aim of establishing a network of 1,000 stores in Japan. However, in pursuing store network expansion we have made achieving high profit margins an absolute condition, clearly set down in internal standards. In pursuit of our goal, we will not haphazardly give precedence to scale expansion over profitability. Our concept for store network development is to focus on opening roadside stores and stores in suburban shopping centers in areas where UNIQLO does not have a presence. We are primarily opening free-standing stores (which have low ratios of rent to sales) in areas where they will not compete with other UNIQLO stores, with a focus on suburban roadside locations. We attract customers to suburban roadside stores mainly by inserting flyers each week in newspapers distributed in store catchment areas to publicize featured products offered at special weekend-only prices and other attractions. As we develop the store network we will increase store sizes to accommodate expansion of the product range. Specifically, as a rule, newly opened stores will not follow the previous standard of small-scale stores with sales floor space of 500 square meters, but will adhere to a new "standard format" with floor space of 800 square meters. In addition, we will increase the ratio of stores in the new standard format as we replace smaller stores under our scrap and build program. As of August 31, 2004, stores in the standard format accounted for about half of the stores in Japan.

As an experiment with a larger store formats, in October 2005 we opened the Shinsaibashisuji Store in Osaka, the first UNIQLO PLUS megastore. This store has a sales floor area of 2,100 square meters. We will use this new store format to test market product lines of prototype styles, experiment with new visual merchandising approaches and test our ability to tap new customer segments. We will also aggressively extend successful aspects of this format to ordinary UNIQLO stores.

At our stores in the United Kingdom and China, we offer roughly the same merchandise and prices as at our UNIQLO stores in Japan. We turned a profit in the U.K. in fiscal 2004 with a network of five stores, and will resume the opening of new stores while giving careful consideration to profitability. In China, where we opened our first stores in September 2002, we aim to reach a profit in fiscal 2005 and, as elsewhere, will proceed with new store openings only after carefully assessing the profitability of each new location.

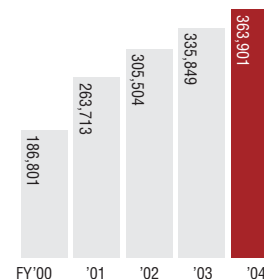
Store Openings and Closures

During fiscal 2004, we opened 81 directly run UNIQLO stores in Japan and closed 36 stores in connection with the scrap and build program, which aims to increase store size, resulting in a net increase of 45 stores. At fiscal year-end we had a network of 637 stores: 626 directly run stores and 11 franchise stores.

In overseas and new business, in the United Kingdom we closed two stores in a scrap and build program, bringing the number of stores to three at the fiscal year-end. In China we opened three stores and closed two, increasing the number of stores to six at the fiscal year-end. When National Standard was made a consolidated subsidiary, 9 National Standard stores were added to the Group.

As a result of these developments, total sales floor space at fiscal year-end increased by 28,052 square meters to 363,901 square meters. Efforts to increase store size resulted in a 1.6% increase in the average sales floor space per open store to 553.8 square meters.

Total Sales Floor Space (m²)



Number of Stores Opened and Closed in Japan

	2004	2003	2002	2001	2000
Stores opened	81	76	77	111	67
Stores closed	36	53	26	25	3
Net increase	45	23	51	86	64

Note: The above figures are for direct-run UNIQLO stores only.

Net Increase (decrease) of Stores by Region

	2004	2003	2002	2001	2000
Hokkaido – Tohoku	12	9	11	7	5
Kanto	7	1	28	54	41
Chubu	8	8	6	9	5
Kansai	6	2	5	11	10
Chugoku	6	-1	0	3	1
Shikoku	0	1	1	1	0
Kyushu – Okinawa	6	3	0	1	2
Japan total	45	23	51	86	64
United Kingdom	-2	-10	15	—	—
China	1	5	—	—	—
Grand total	44	18	66	86	64

Note: The above figures are for direct-run UNIQLO stores only.

RESULTS OF OPERATIONS

Net Sales

In the fiscal year ended August 31, 2004, FAST RETAILING posted consolidated net sales of ¥340.0 billion, an increase of 30.2 billion or 9.8% from the previous fiscal year. UNIQLO sales in Japan were ¥335.9 billion (an increase of 11.3% year on year). New store openings brought a net increase of 45 stores at the fiscal year-end. Sales at existing stores increased by 2.5% over the previous year, resulting in an overall sales increase for the first time in three years. This was achieved by a 3.5% increase in the number of customers through strengthening of women's merchandise and successful sales campaigns. This gain offset the effects of the mandated inclusion of consumption tax in indicated prices, which reduced prices and decreased the average sale per customer for the full year by 1.0%.

Operations in the United Kingdom recorded sales of ¥1.7 billion in their third year in business, and operations in China posted sales of ¥1.0 billion in their second year. Food operations, which in March 2004 the Company decided to wind up on account of poor performance, posted sales of ¥1.0 billion. National Standard, which became a consolidated subsidiary during the term, posted sales of ¥0.3 billion.

By product category, sales in the women's clothing category increased by

Sales by Product Category

	Millions of Yen		
	2004	2003	2002
Children's clothing	¥ 21,647	¥ 20,193	¥ 19,818
Women's clothing	99,389	77,587	76,077
Outerwear	14,556	18,312	26,017
Sweaters	14,948	12,930	15,665
Cut & sewn	70,747	69,150	86,666
Shirts	20,505	18,771	22,934
Slacks (pants)	30,488	29,532	32,783
Accessories and underwear	61,205	56,850	59,182
Subtotal	333,485	303,325	339,142
Products supplied to franchise stores	3,459	3,906	3,676
Administrative charges	1,036	1,375	1,087
Fees from in-store alterations	638	529	266
Other business	1,381	654	—
Net sales	¥339,999	¥309,789	¥344,171

Notes: 1. Products supplied to franchise stores represent sales of merchandise to franchisees.

2. Administrative charges are royalty income received from franchisees.

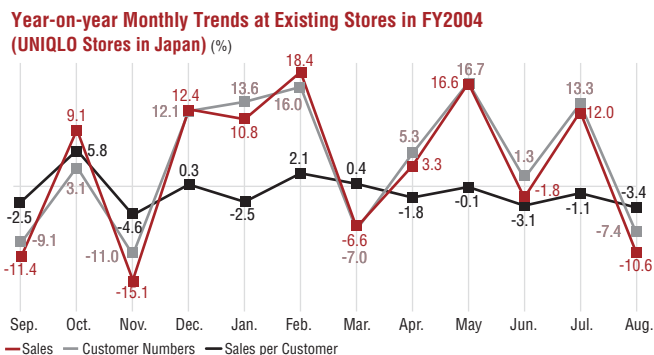
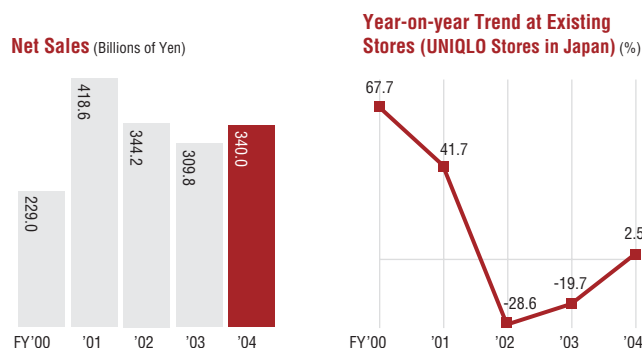
3. Fees from in-store alterations comprise income from fitting and mending, such as hemming.

4. The above figures do not include consumption tax.

28.1% year on year, benefiting from efforts to enhance product appeal. Sales in the men's clothing sector increased by 15.6%, thanks in part to cashmere sweaters, a hit product introduced for the 2003 autumn season. Except for the men's outerwear sector, in which sales decreased by 20.5% owing to the warm winter, sales in all product categories exceeded prior-year levels.

Gross Profit Margin

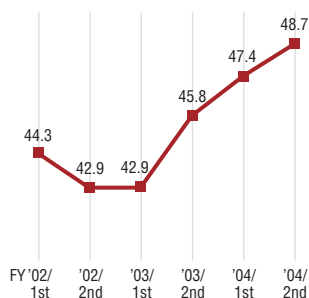
The gross profit margin jumped sharply by 3.8 percentage points to 48.0%, exceeding by 1.9 percentage points the 46.1% level in the initial plan. Two factors contributed to the improvement. First, sales exceeded initial planning targets, reducing the ratio of discounted merchandise. Second, the Company flexibly increased production of major best-selling products. This latter factor is a key element of our merchandising/logistics strategy made possible by close working relationships with manufacturing partners.



SG&A Expenses

Although SG&A expenses increased by ¥3.4 billion year on year, systematic cost control made it possible to lower the ratio of SG&A expenses to sales to 29.2%, an improvement of 1.7 percentage points from the previous term. Personnel costs were reduced by 0.4 percentage points year on year to 10.6% of sales; advertising and promotion costs were 5.4% of sales (an improvement of 0.8 points); and rents were 7.5% of sales (an improvement of 0.3 points). By systematically controlling these costs, the Company succeeded in reducing the ratio of SG&A expenses to sales and maintaining FAST RETAILING's low-cost structure.

Gross Profit Margin for Fiscal Half Years (%)



Breakdown of SG&A Expenses

	2004			2003			2002		
	Millions of yen	% of sales	% change	Millions of yen	% of sales	% change	Millions of yen	% of sales	% change
Personnel	¥36,137	10.6	+6.0	¥34,103	11.0	-6.4	¥36,452	10.6	-3.8
Advertising and promotion cost	18,287	5.4	-5.1	19,276	6.2	-2.0	19,670	5.7	+3.1
Rents	25,622	7.5	+7.0	23,944	7.8	+10.1	21,754	6.3	+21.7
Depreciation and amortization	1,841	0.6	-19.0	2,273	0.7	+17.7	1,931	0.6	+22.9
Others	17,353	5.1	+7.4	16,161	5.2	-19.9	20,180	5.9	-5.4
Total	¥99,240	29.2	+3.6	¥95,757	30.9	-4.2	¥99,987	29.1	+2.3

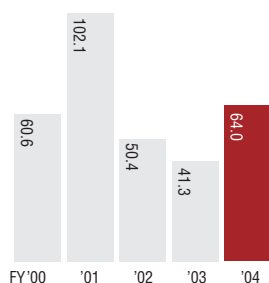
Operating Income and Net Income

Operating income and ordinary income rose sharply: operating income increased by 54.8% year on year to ¥64.0 billion (a ratio of operating income to sales of 18.8%).

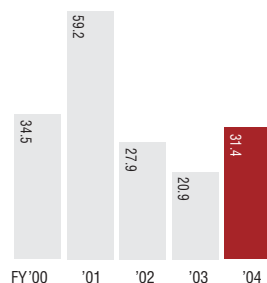
The Company booked extraordinary losses of ¥7.7 billion. These included a loss of ¥1.0 billion on termination of business operations, attendant on withdrawal from the food business, and a loss of ¥4.7 billion in connection with the lump-sum amortization of goodwill on consolidation of Link Holding Co., which became an equity method affiliate during the term.

As a result of these developments, net income increased sharply year on year to ¥31.3 billion (a ratio of net income to sales of 9.2%), well above the ¥29.5 billion in the initial plan. Both ROA and ROE improved from the previous year: ROA was 13.6%, and ROE was 20.8%.

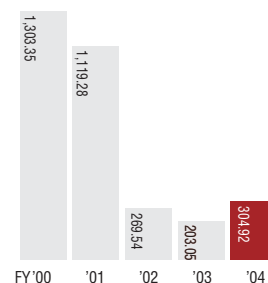
Operating Income (Billions of Yen)



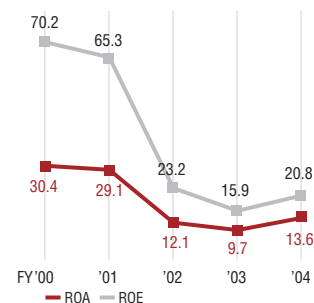
Net Income (Billions of Yen)



Net Income per Share (Yen)



ROA and ROE (%)



LIQUIDITY AND FINANCIAL CONDITIONS

Assets, Liabilities and Shareholders' Equity

In the consolidated balance sheets, total assets at the fiscal 2004 year-end increased ¥21.0 billion from the previous term. Current assets and property and equipment increased, liabilities rose slightly and higher retained earnings brought a sharp increase in shareholders' equity. During August 2004, the Company transferred ¥7.0 billion from additional paid-in capital to capital, bringing capital to ¥10.2 billion as of August 31, 2004.

Current assets increased by ¥9.6 billion from the previous term to ¥180.2 billion. Cash and marketable securities increased by ¥12.7 billion to ¥136.5 billion, an increase primarily attributable to ¥44.1 billion in net cash provided by operating activities. Inventories increased by ¥7.9 billion to ¥28.8 billion. Three factors contributed to the increase, the first being higher in-store inventory owing to the greater number of stores. The Company also adjusted upward the level of merchandise at warehouses to minimize out-of-stock losses, and the proportion of merchandise purchased directly from overseas suppliers

increased, with the effect that title to the goods transferred at an earlier date. Current liabilities of ¥78.3 billion were nearly unchanged from ¥78.5 billion the previous term. As a result, the current ratio increased to 230.2%.

Fixed assets increased by ¥11.4 billion to ¥60.7 billion. The principal reason for the change was a ¥3.1 billion increase in buildings and structures, lease deposits and

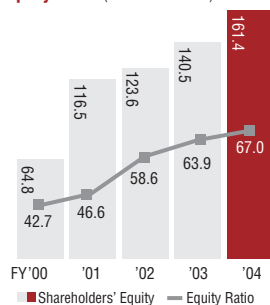
construction assistance fund receivables attendant on the opening of 90 new stores. Liabilities of ¥79.5 billion were nearly unchanged from ¥79.4 billion the previous term.

Shareholders' equity increased ¥20.9 billion from the previous term to ¥161.4 billion. As a result, the shareholders' equity ratio rose from 63.9% to 67.0%.

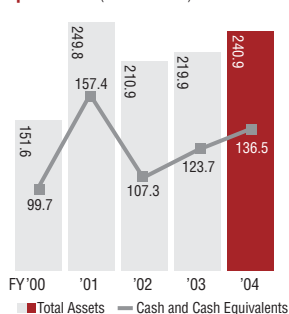
Cash Flows

FAST RETAILING generated ¥44.1 billion in net cash from operating activities during the fiscal year ended August 31, 2004, an increase of ¥8.3 billion, or 23.2 percent compared with the previous fiscal year. This figure was mainly attributable to net income before income taxes and minority interests of ¥56.4 billion. There were payments of ¥1.8 billion, due to termination of business operations at FR Foods, and ¥16.7 billion in income taxes. Cash provided by operations offset ¥20.7 billion in cash used in investing activities in connection with payments to affiliates, the acquisition of marketable securities, new store openings and ¥8.6 billion in cash used in financing activities, chiefly dividends paid. Consequently, net cash increased by ¥12.3 billion during the term, bringing the year-end balance of cash and cash equivalents to ¥136.5 billion.

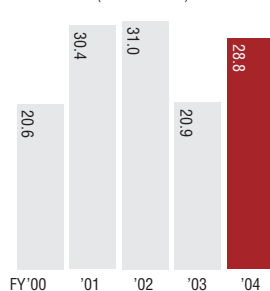
Shareholders' Equity and Equity Ratio (Billions of Yen/%)



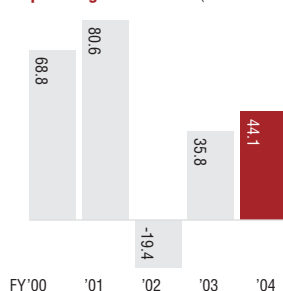
Total Assets and Cash and Cash Equivalents (Billions of Yen)



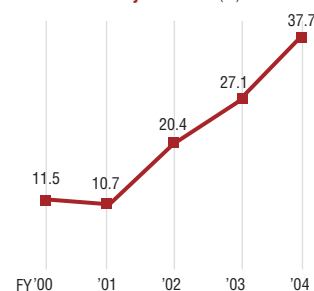
Inventories (Billions of Yen)



Operating Cash Flows (Billions of Yen)



Dividend Payout Ratio (%)



including mergers and acquisitions, and high dividends to return profits to the shareholders. The Company will continue to implement this policy.

OUTLOOK

In the fiscal year ending August 31, 2005, FAST RETAILING anticipates double-digit growth in revenues and earnings for the second consecutive year. The Company forecasts consolidated net sales of ¥384.8 billion, operating income of ¥71.7 billion, ordinary income of ¥72.8 billion and net income of ¥40.8 billion.

Management expects the parent company, which manages UNIQLO operations in Japan, to post net sales of ¥380.0 billion, operating income of ¥71.6 billion, and net income of ¥40.0 billion. We forecast a 3.6% increase year on year in sales at existing stores. We plan to maintain the fiscal 2004 pace of new store openings, anticipating a net increase of 53 stores, following the opening of 73 stores (including 2 or 3 UNIQLO PLUS stores) and closure of 20 stores. At the same time, we expect the gross profit margin to decrease by 1.1 percentage points to 46.9% owing to a low gross profit margin for the first half, brought about by price reductions attendant on the change in March 2004 to the inclusion of consumption tax in indicated prices. The Company regards a gross margin of between 46% and 48% to be appropriate, and the anticipated 46.9% gross margin for fiscal 2005 falls within the appropriate range. The 48.0% gross margin achieved in fiscal 2004 was over-performance. The Company anticipates a year-on-year improvement of 0.9 percentage points in the ratio of SG&A expenses to sales due to the anticipated increase of existing store sales. As a result, the Company plans for the ratio of operating income to sales to reach 18.6%, roughly the same as in fiscal 2004.

The Company has five consolidated subsidiaries, three operating companies and two investment companies. UNIQLO (U.K.) controls operations in the United Kingdom, FRJS controls operations in China, and National Standard markets the National Standard brand and operates 9 stores in Japan. Link Holdings, which markets the *theory* brand in Japan and the United States, is an equity method affiliate. In fiscal 2005, FAST RETAILING aims to increase earnings from U.K. operations from ¥10 million to ¥160 million and plans to turn a profit of ¥30 million during the third year of business for operations in China. However, we expect National Standard to continue to operate at a loss in its second year as a consolidated subsidiary. We expect to record ¥750 million in equity method investment returns from Link Holdings. FR Foods, which is in the process of being liquidated, will be excluded from consolidation in fiscal 2005.

TOPICS—SOUTH KOREA AND THE UNITED STATES

In October 2004, FAST RETAILING agreed to establish a joint venture company with Lotte Shopping Co., Ltd. a leading retail company in South Korea, and began preparations for opening its first stores in the Korean market in the autumn of 2005. FAST RETAILING plans to contribute about ¥300 million in capital and hold 51% equity ownership in the joint venture. As a result of this partnership with a leading Korean retail company, the Korean operations are expected to quickly secure market share and turn a profit at an early date. The Company has also begun concrete preparations to enter the U.S. market. Our aim is not merely to open stores overseas, but to become a truly global corporation.

1. Consolidated Outlook for Fiscal Year Ending August 31, 2005

Billions of Yen	Annual	Year-on-year % change	First half	Year-on-year % change	Second half	Year-on-year % change
Net sales	¥384.8	+13.2	¥207.4	+13.4	¥177.4	+12.9
Gross profit	180.4	+10.5	96.2	+11.0	84.2	+9.9
SG&A expenses	108.7	+9.5	54.8	+15.7	53.9	+3.9
Operating income	71.7	+12.0	41.4	+5.4	30.3	+22.5
Net income	40.8	+30.1	23.4	+31.3	17.4	+28.6
Store openings (net increase)	77(57)		45(34)		32(23)	

2. Non-Consolidated Outlook for Fiscal Year Ending August 31, 2005

Billions of Yen	Annual	Year-on-year % change	First half	Year-on-year % change	Second half	Year-on-year % change
Net sales	¥380.0	+13.1	¥205.0	+13.4	¥175.0	+12.8
Gross profit	178.0	+10.1	95.0	+10.7	83.0	+9.3
SG&A expenses	106.4	+9.8	53.7	+16.4	52.7	+3.9
Operating income	71.6	+10.4	41.3	+4.1	30.3	+20.2
Net income	40.0	+13.0	23.0	+8.0	17.0	+20.5
Store openings (net increase)	73(53)		41(30)		32(23)	

3. Breakdown of Consolidated Outlook for Fiscal 2005

Billions of Yen	Consolidated	Parent	UNIQLO (U.K.)	FRJS	National Standard Inc.
Net sales	¥384.8	¥380.0	¥2.9	¥1.1	¥0.9
Net income/Loss	40.8	40.0	0.2	0.0	(0.1)
Store openings (net increase)	77(57)	73(53)	3(3)	1(1)	0(0)
Stores at fiscal year-end	714	692	6	7	9

Note: The above figures are for direct-run stores only.

Consolidated Balance Sheets

FAST RETAILING CO., LTD. and consolidated subsidiaries
August 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2004	2003	2004
ASSETS			
Current assets:			
Cash (note 3)	¥ 83,862	¥ 76,447	\$ 763,214
Marketable securities (notes 3 and 4)	52,599	47,286	478,695
Trade notes and accounts receivables	3,224	4,277	29,341
Less—Allowance for doubtful accounts	(3)	(3)	(27)
Net trade receivables	3,221	4,274	29,314
Inventories (note 5)	28,803	20,867	262,131
Deferred tax assets (note 6)	3,755	4,365	34,174
Exchange rate forward contracts	—	13,863	—
Net deferred unrealized loss on exchange rate forward contracts	3,158	—	28,740
Other	4,756	3,435	43,284
Total current assets	180,154	170,537	1,639,552
Property and equipment:			
Land	2,501	2,052	22,761
Buildings and structures	20,911	19,011	190,308
Furniture and equipment	363	300	3,304
Construction in progress	282	255	2,566
	24,057	21,618	218,939
Less—Accumulated depreciation	(8,238)	(6,898)	(74,973)
Net property and equipment	15,819	14,720	143,966
Intangible assets	4,852	3,352	44,158
Investments and other assets:			
Investments in securities (note 4)	6,093	584	55,451
Investments in subsidiaries and affiliates	2,273	876	20,686
Lease deposits	12,468	12,114	113,469
Construction assistance fund receivables (note 13)	18,600	16,402	169,276
Deferred tax assets (note 6)	537	128	4,887
Other	101	1,142	919
Total investments and other assets	40,072	31,246	364,688
Total assets	¥240,897	¥219,855	\$2,192,364

See accompanying notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2004	2003	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	¥ 44,707	¥ 43,236	\$ 406,871
Accrued income taxes (note 6)	14,840	7,750	135,056
Exchange rate forward contracts	3,158	—	28,740
Net deferred unrealized gain on exchange rate forward contracts	—	13,862	—
Other	15,558	13,682	141,591
Total current liabilities	78,263	78,530	712,258
Long-term liabilities:			
Long-term debt (note 7)	52	—	473
Other	1,148	820	10,448
Total long-term liabilities	1,200	820	10,921
Total liabilities	79,463	79,350	723,179
Minority interests			
	—	—	—
Shareholders' equity:			
Capital (note 9)	10,274	3,274	93,502
Additional paid-in capital (note 9)	4,579	11,579	41,673
Retained earnings (note 10)	163,982	141,406	1,492,373
Net unrealized holding gain (loss) on securities	(1,352)	181	(12,304)
Foreign currency translation adjustments	(14)	92	(127)
Treasury stock, at cost (note 11)	(16,035)	(16,027)	(145,932)
Total shareholders' equity	¥161,434	¥140,505	\$1,469,185
Commitments and contingencies (note 13)			
Total liabilities and shareholders' equity	¥240,897	¥219,855	\$2,192,364

Consolidated Statements of Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2004	2003	2002	2004
Net sales	¥339,999	¥309,789	¥344,171	\$3,094,276
Cost of sales	176,805	172,724	193,766	1,609,074
Gross profit	163,194	137,065	150,405	1,485,202
Selling, general and administrative expenses (notes 8 and 14)	99,240	95,757	99,987	903,167
Operating income	63,954	41,308	50,418	582,035
Other income (expenses):				
Interest and dividend income	506	374	677	4,605
Equity in losses of affiliates accounted for under equity method, net	(4,584)	—	—	(41,718)
Foreign currency exchange gain (loss)	(233)	142	353	(2,121)
Interest expenses (note 7)	(169)	(332)	(407)	(1,538)
Loss on closure of stores	(280)	(178)	(65)	(2,548)
Loss on disposal of fixed assets	(414)	(627)	(709)	(3,768)
Loss on termination of leases	(1,002)	(1,288)	—	(9,119)
Loss on liquidation of subsidiary	(1,042)	(4,665)	—	(9,483)
Amortization of consolidation adjustment account	(137)	—	—	(1,247)
Other, net	(151)	17	179	(1,374)
	(7,506)	(6,557)	28	(68,311)
Income before income taxes and minority interests	56,448	34,751	50,446	513,724
Income taxes (note 6):				
Current	23,837	17,873	19,878	216,937
Deferred	1,246	(4,055)	2,717	11,340
	25,083	13,818	22,595	228,277
Minority interests				
Net income	¥ 31,365	¥ 20,933	¥ 27,851	\$ 285,447
Per share information:				
	Yen			U.S. Dollars (Note 2)
	2004	2003	2002	2004
Primary net income per share	¥304.92	¥203.05	¥269.54	\$2.78
Diluted net income per share	—	—	—	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2004, 2003 and 2002

	Millions of Yen						
	Capital	Additional paid-in capital	Retained earnings	Net unrealized holding gain (loss) on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
Balance at August 31, 2001	¥ 3,274	¥11,579	¥104,570	¥ 700	¥ —	¥ (3,647)	¥116,476
Effect of newly consolidated subsidiary	—	—	(354)	—	—	—	(354)
Net income	—	—	27,851	—	—	—	27,851
Cash dividends (note 10)	—	—	(6,732)	—	—	—	(6,732)
Directors' bonuses (note 10)	—	—	(649)	—	—	—	(649)
Net change during the year	—	—	—	(519)	(67)	—	(586)
Increase in treasury stock (note 11)	—	—	—	—	—	(12,374)	(12,374)
Balance at August 31, 2002	3,274	11,579	124,686	181	(67)	(16,021)	123,632
Net income	—	—	20,933	—	—	—	20,933
Cash dividends (note 10)	—	—	(4,068)	—	—	—	(4,068)
Directors' bonuses (note 10)	—	—	(145)	—	—	—	(145)
Net change during the year	—	—	—	—	159	—	159
Increase in treasury stock (note 11)	—	—	—	—	—	(6)	(6)
Balance at August 31, 2003	3,274	11,579	141,406	181	92	(16,027)	140,505
Effect of newly consolidated subsidiary	—	—	136	—	—	—	136
Transfer of additional paid-in capital to capital	7,000	(7,000)	—	—	—	—	—
Net income	—	—	31,365	—	—	—	31,365
Cash dividends (note 10)	—	—	(8,645)	—	—	—	(8,645)
Directors' bonuses (note 10)	—	—	(280)	—	—	—	(280)
Net change during the year	—	—	—	(1,533)	(106)	—	(1,639)
Increase in treasury stock (note 11)	—	—	—	—	—	(8)	(8)
Balance at August 31, 2004	¥10,274	¥ 4,579	¥163,982	¥(1,352)	¥(14)	¥(16,035)	¥161,434

	Thousands of U.S. Dollars (Note 2)						
	Capital	Additional paid-in capital	Retained earnings	Net unrealized holding gain (loss) on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
Balance at August 31, 2003	\$29,796	\$105,379	\$1,286,913	\$ 1,647	\$ 837	\$(145,859)	\$1,278,713
Effect of newly consolidated subsidiary	—	—	1,238	—	—	—	1,238
Transfer of additional paid-in capital to capital	63,706	(63,706)	—	—	—	—	—
Net income	—	—	285,447	—	—	—	285,447
Cash dividends (note 10)	—	—	(78,677)	—	—	—	(78,677)
Directors' bonuses (note 10)	—	—	(2,548)	—	—	—	(2,548)
Net change during the year	—	—	—	(13,951)	(964)	—	(14,915)
Increase in treasury stock (note 11)	—	—	—	—	—	(73)	(73)
Balance at August 31, 2004	\$93,502	\$ 41,673	\$1,492,373	\$(12,304)	\$(127)	\$(145,932)	\$1,469,185

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2004	2003	2002	2004
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 56,448	¥ 34,751	¥ 50,446	\$ 513,724
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,737	2,364	1,942	24,909
Amortization of consolidation adjustment account	137	—	—	1,247
Equity in losses of affiliates accounted for under equity method, net	4,584	—	—	41,718
Increase (decrease) in allowance for doubtful accounts	15	(5)	(3)	137
Decrease in accrued pension liability	—	—	(106)	—
Interest and dividend income	(506)	(374)	(677)	(4,605)
Interest expenses	169	332	407	1,538
Foreign currency exchange gain	(7)	(28)	(95)	(64)
Loss on disposal of fixed assets	414	626	709	3,768
Loss on liquidation of subsidiary	1,042	2,437	—	9,483
(Increase) decrease in trade receivables	1,119	(1,179)	541	10,184
(Increase) decrease in inventories	(8,488)	10,262	(647)	(77,248)
(Increase) decrease in other assets	(948)	469	(2,312)	(8,628)
Increase (decrease) in trade payables	2,195	(4,871)	(15,367)	19,976
Increase (decrease) in accrued expenses and other liabilities	3,679	(477)	(1,733)	33,482
Bonuses to directors	(280)	(145)	(649)	(2,548)
Other	154	10	—	1,402
	62,464	44,172	32,456	568,475
Interest and dividend received	415	374	677	3,777
Interest paid	(170)	(350)	(421)	(1,547)
Payments associated with restructuring of subsidiaries' business	(1,841)	—	—	(16,755)
Income taxes paid	(16,748)	(10,124)	(52,073)	(152,421)
Refund of income taxes	—	1,696	—	—
Net cash provided by (used in) operating activities	44,120	35,768	(19,361)	401,529
Cash flows from investing activities:				
Purchase of investment securities	(5,626)	(299)	—	(51,201)
Investments in subsidiaries	(6,741)	(758)	(1,215)	(61,349)
Purchase of property and equipment	(3,444)	(3,574)	(5,151)	(31,343)
Proceeds from sale of property and equipment	—	13	—	—
Payments for lease deposits	(1,514)	(1,596)	(2,291)	(13,779)
Collections of lease deposits	1,036	642	633	9,428
Payments for construction assistance fund receivables	(3,642)	(3,816)	(2,938)	(33,145)
Collections of construction assistance fund receivables	1,476	1,724	1,505	13,433
Purchase of intangible fixed assets	(2,619)	(2,645)	(640)	(23,835)
Other, net	344	191	170	3,131
Net cash used in investing activities	(20,730)	(10,118)	(9,927)	(188,660)
Cash flows from financing activities:				
Net increase (decrease) in short-term debt	—	(1,955)	1,809	—
Repayments of long-term debt	—	(4,000)	(3,000)	—
Purchase of treasury stock	(6)	(6)	(12,365)	(55)
Dividends paid	(8,639)	(4,074)	(6,732)	(78,622)
Other	(32)	(144)	(143)	(291)
Net cash used in financing activities	(8,677)	(10,179)	(20,431)	(78,968)
Effect of exchange rate changes on cash and cash equivalents	(2,448)	(73)	(867)	(22,280)
Net change in cash and cash equivalents	12,265	15,398	(50,586)	111,621
Cash and cash equivalents at beginning of year (note 3)	123,733	107,263	157,379	1,126,074
Cash and cash equivalent of newly consolidated subsidiaries (note 16)	759	1,072	470	6,908
Cash and cash equivalent of deconsolidated subsidiaries	(296)	—	—	(2,694)
Cash and cash equivalents at end of year (note 3)	¥136,461	¥123,733	¥107,263	\$1,241,909

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements of Fast Retailing Co., Ltd. (“the Company”) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. In addition, for the convenience of readers outside Japan, the accompanying consolidated financial statements, including the notes thereof, have been reclassified and contain additional information which is not required under accounting principles generally accepted in Japan.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries.

Company	Ownership Percentage	
	2004	2003
Fast Retailing (U.K.)Ltd	—	100%
Uniqlo (U.K.) Ltd.	100%	—
FR Foods Co., Ltd.	100%	100%
Global Retailing Co., Ltd.	100%	—
Global Investment Co., Ltd.	100%	—
National Standard Inc.	72%	—
Fast Retailing (Jiangsu) Apparel Co., Ltd.	83%	83%

Uniqlo (U.K.) Ltd. began its operations in September 2003 upon assignments of assets and liabilities of Fast Retailing (U.K.)Ltd. For the year ended August 31, 2004, accounts of Fast Retailing (U.K.)Ltd are not consolidated, as it has been in the process of liquidation and insignificant.

FR Foods Co., Ltd. began its operations in November 2002, and its accounts have been included in the accompanying consolidated financial statements since then. In April 2004, FR Foods Co., Ltd. ceased its operation and was in the process of liquidation as of August 31, 2004.

Fast Retailing (Jiangsu) Apparel Co., Ltd. began its operations in September 2002 in People’s Republic of China. The accompanying consolidated financial statements include accounts of its sales division, as the Company is entitled to profit and loss attributable to the sales operations for which the Company has responsibility pursuant to joint venture contract entered into between the Company and Jiangsu Chenfeng Group Co., Ltd., a joint venture partner.

National Standard Inc. became a subsidiary of the Company in February 2004 upon acquisition of the shares. Both Global Retailing Co., Ltd. and

Global Investment Co., Ltd. were incorporated in October 2003, of which accounts have been consolidated by the Company since then.

All the significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements of the Company include accounts of FR Foods Co., Ltd. as of and for a year ending June 30, and accounts of Fast Retailing (Jiangsu) Apparel Co., Ltd. and National Standard Inc. as of June 30 and May 31, respectively, which is the end of interim reporting period. Significant transactions, which would materially affect the Company’s consolidated financial position and results of operations, with these subsidiaries during the periods from either May 31 or June 30 to August 31 have been adjusted for the Company’s consolidation purposes.

All the assets and liabilities of newly consolidated subsidiaries are evaluated at fair value.

Consolidation adjustment account, which is computed as a differential of amount excess of investment cost over the net amount of assets and liabilities at fair value, is expensed as incurred due to absence of reasonable basis to estimate period over which economic benefits of the investment is expected to take effect. Absence of such basis is mainly attributable to nature of apparel industry where a company is exposed to risk of change in fashion and brand tends to determine the corporate value.

Link Holding Co., Ltd. became an affiliated company in January 2004, and has been accounted for using the equity method, as the Company has the ability to exercise significant influence over operational and financial policies of the investee company.

(c) Cash and Cash Equivalents

For the purpose of consolidated statement of the cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value, with maturities of generally three months or less when purchased, to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Securities are to be classified into one of following three categories and accounted for as follows:

- Securities that the company held with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as available-for-sale securities and measured at fair

value, with either unrealized holding gains and losses excluded from earnings and reported as net unrecognized holding gain or loss in a separate component of shareholders' equity until realized, or with unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as unrecognized holding gains in a separate component of shareholders' equity until realized.

The Company measured available-for-sale securities at fair value and reported unrealized holding gains and losses as "Net unrealized holding gain or loss on securities" in a separate component of shareholders' equity. Available-for-sale securities without fair values are carried at cost. In computing realized gain or loss, cost of available-for-sale securities was principally determined by the moving-average method.

(e) Inventories

Inventories are stated at cost. The cost is determined by the specific identification method, except for inventories held by FR Foods Co., Ltd. and National Standard Inc., which is determined by the last cost method and the retail method, respectively.

(f) Property, Plant and Equipment

Property and equipment is stated at cost. Depreciation is computed by the declining-balance method for the Company and its domestic subsidiaries and principally by the straight-line method for overseas subsidiaries over the following estimated useful lives of the respective assets.

Buildings and structures	8 to 50 years
Furniture and equipment	5 to 8 years

(g) Leases

Under Japanese "Accounting Standards for Leases," a finance lease that transfers ownership of the property to the lessee by the end of the lease term shall be classified as a capital lease and shall be recorded as an asset and an obligation, and other than such finance lease is permitted to be classified as an operating lease. The Company classified all other finance leases as operating lease, and lease expense is charged to expense over the lease term as it becomes payable.

(h) Income Taxes

Deferred income taxes are accounted for under the asset and liability method in accordance with "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. Under the asset and liability method of the standard, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using

enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(i) Revenue Recognition

The Company recognizes sales revenue upon sale of merchandise to customers where title of the merchandise transfers to the customers.

(j) Foreign Currency Translation

Foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date or, if only the relation between foreign currency transactions and related firm forward exchange contracts meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments," those covered by firm forward exchange contracts can be translated at such contract rates. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the rates of exchange in effect at the balance sheet date; shareholders' equity accounts are translated at historical rates; income and expenses are translated at the rates of exchange in effect at the balance sheet date; and a comprehensive adjustment resulting from translation of assets, liabilities and shareholders' equity is reported as "Foreign currency translation adjustments," a separate component of shareholders' equity.

(k) Derivative Financial Instruments

In principal, net assets and liabilities arising from derivative financial transactions are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions that meet the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments," are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as a liability or asset until gains or losses relating to the hedge are recognized.

(l) Net Income Per Share

Effective September 1, 2002, the Company adopted "Earnings Per Share" issued by the Accounting Standards Board of Japan (ASBJ). Under this standard, net income per share is based on the weighted average number of shares of common stock outstanding during the respective years. On a diluted basis, both net income and shares outstanding are adjusted assuming exercise of rights relevant to potential shares. No diluted net income per

share for 2004, 2003 and 2002 has been presented because there was no item with dilutive effect for those years. If the Company computed the net income per share in accordance with the standards prior to the adoption of the aforementioned "Earnings Per Share," net income per share for the fiscal year ended August 31, 2003 would be 205.80 yen.

2. BASIS OF FINANCIAL STATEMENT TRANSLATION

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into the United States (U.S.) dollars at the rate of ¥109.88=\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2004. This translation should not be construed as a presentation that any amounts shown could be converted into U.S. dollars.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2004 and 2003 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash	¥ 83,862	¥ 76,447	\$ 763,214
Marketable securities	52,599	47,286	478,695
Cash and cash equivalents	¥136,461	¥123,733	\$1,241,909

4. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Investments in securities as of August 31, 2004 and 2003 are classified as available-for-sale securities. A summary of cost, unrealized holding gross gains, unrealized holding gross losses and aggregate fair value by major type of securities is as follows:

	Millions of Yen							
	2004				2003			
	Cost	Gross gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	¥ 362	¥239	¥ (2)	¥ 599	¥ 362	¥228	¥ (6)	¥ 584
Mutual funds	35,748	—	—	35,748	37,786	—	—	37,786
Others	22,477	336	(468)	22,345	9,448	72	(21)	9,499
	¥58,587	¥575	¥(470)	¥58,692	¥47,596	¥300	¥(27)	¥47,869

	Thousands of U.S. Dollars			
	2004			
	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:				
Equity securities	\$ 3,294	\$2,175	\$ (18)	\$ 5,451
Mutual funds	325,336	—	—	325,336
Others	204,560	3,058	(4,259)	203,359
	\$533,190	\$5,233	\$(4,277)	\$534,146

5. INVENTORIES

Inventories as of August 31, 2004 and 2003 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise	¥28,316	¥20,511	\$257,699
Supplies	487	356	4,432
	¥28,803	¥20,867	\$262,131

6. INCOME TAXES

The Company and subsidiaries are subject to a number of taxes based on income. The aggregate statutory tax rate for the Company was approximately 41.8% for the years ended 2004, 2003 and 2002.

Reconciliations between the normal income tax rate and the effective income tax rate as a percentage of income before income taxes are as follows:

	2004	2003	2002
Statutory income tax rate	41.8%	41.8%	41.8%
Equity in earnings of affiliated company	3.4	—	—
Change in valuation allowance	—	(1.8)	2.1
Other	(0.8)	(0.2)	0.9
Effective income tax rate	44.4%	39.8%	44.8%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of August 31, 2004 and 2003 are presented below:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Total gross deferred tax assets:			
Accrued business tax	¥1,293	¥ 645	\$11,767
Accrued bonus	1,264	800	11,504
Accrued loss on liquidation of subsidiary	—	2,863	—
Operating loss carryforward	2,750	567	25,027
Net unrealized holding gain on securities	963	—	8,764
Other	814	317	7,408
	7,084	5,192	64,470
Valuation allowance	(2,750)	(576)	(25,027)
	4,334	4,616	39,443
Total gross deferred tax liabilities:			
Net unrealized holding gain on securities	(42)	(123)	(382)
Net deferred tax assets	¥4,292	¥4,493	\$39,061

Net deferred tax assets as of August 31, 2004 and 2003 are reflected in the consolidated balance sheets under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets – current	¥3,755	¥4,365	\$34,174
Deferred tax assets – non-current	537	128	4,887
Net deferred tax assets	¥4,292	¥4,493	\$39,061

7. LONG-TERM DEBT

Long-term debts are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Unsecured loans mainly from Japanese financial institutions 1.6% to 1.675% interest, due through April 2007	¥52	¥ —	\$473

8. RETIREMENT AND SEVERANCE BENEFITS

The Company had a defined benefit pension plan (tax qualified pension plan) to provide retirement and severance benefits to substantially all employees.

At August 31, 2002, the Company terminated a defined benefit pension plan through providing a defined contribution plan. Defined benefits were not provided under the successor plan.

Net periodic benefit cost for the defined benefit pension plan is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Service cost	¥ —	—	¥126	\$ —
Interest cost	—	—	15	—
Expected return on plan assets	—	—	(8)	—
Amortization of actuarial loss	—	—	58	—
Net periodic pension cost	¥ —	—	¥191	\$ —

Actuarial assumptions used to determine costs and projected benefit obligations are principally as follows:

	2004	2003	2002
Discount rate	—	—	3.0%
Expected rate of return on plan assets	—	—	2.0%

The Company and certain subsidiaries in Japan have defined contribution plans. Expenses related to the defined contribution plans amounted to ¥169 million (\$1,538 thousand) and ¥172 million for the year ended August 31, 2004 and 2003, respectively.

9. CAPITAL AND ADDITIONAL PAID-IN CAPITAL

The Company's common stock has no par value in accordance with the Japanese Commercial Code (JCC). Under the JCC, at least 50% of the issue price of new shares is designated as stated capital, and proceeds in excess of the amount designated as stated capital are credited to additional paid-in capital.

The Company has authorized for issuance 300 million shares of common stock with no par value as of August 31, 2004. Issued and outstanding shares and change in shares for the years ended August 31, 2004, 2003 and 2002 are summarized as follows.

	Issued and outstanding shares
Balance as of August 31, 2001	53,036,828
Issued upon stock split	53,036,828
Balance as of August 31, 2002	106,073,656
Balance as of August 31, 2003	106,073,656
Balance as of August 31, 2004	106,073,656

10. LEGAL RESERVE AND DIVIDENDS

The JCC requires an amount equal to at least 10% of distributions of retained earnings be appropriated as a legal reserve until total of additional paid-in capital and legal reserve equals 25% of stated capital. In addition to reduction of a deficit and transfer to stated capital, either additional paid-in capital or legal reserve may be available for dividends by resolution of the shareholders' meeting to the extent that the amount of total additional paid-in capital and legal reserve exceeds 25% of stated capital.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended August 31, 2004, 2003 and 2002 represent dividends and directors' bonuses paid out during those periods and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for dividends of ¥65 (\$0.59) per share, aggregating ¥6,611 million (\$60,166 thousand), and ¥21,000 million (\$191,118 thousand) of the appropriations. These dividends and appropriations were approved by shareholders at the annual shareholders' meeting held on November 25, 2004 in respect of the fiscal year ended August 31, 2004.

11. TREASURY STOCK

The JCC allows repurchase of treasury stock to the extent of distributable funds appropriated by resolution of the shareholders' meeting. In addition, the shareholders may request the Company to repurchase their shares less than a trading unit (100 shares) upon request pursuant to the provision of the JCC. The shares less than a trading unit cannot be publicly traded and have not been given to exercise voting rights.

The changes in shares of treasury stock for the years ended August 31, 2004, 2003 and 2002 are summarized as follows.

	Shares	Millions of Yen	Thousands of U.S. Dollars
Balance as of August 31, 2001	175,800	¥ 3,647	
Repurchase of common stock	2,002,479	12,374	
Two-for-one common stock split	2,176,963	—	
Balance as of August 31, 2002	4,355,242	16,021	
Repurchase of common stock	1,700	6	
Balance as of August 31, 2003	4,356,942	16,027	\$145,859
Repurchase of common stock	917	7	64
Balance as of August 31, 2004	4,357,859	¥16,034	\$145,923

12. STOCK OPTION PLAN

The shareholders' meeting held on November 26, 1999 approved that the Company may purchase 50,600 shares of common stock within the period from November 26, 1999 to the closing of next ordinary shareholders' meeting with an aggregate purchase cost cap of ¥2,500 million for the stock option plan. Certain officers and certain other employees were granted options to purchase common stock at 9,363 yen of an exercise price, as adjusted upon stock splits, which had been determined at the lower of 102.5% of the average purchase cost or market price at the grant date. An eligible person could exercise 50% of the granted options from November 27, 2001 to November 26, 2002 and could exercise 100% from November 27, 2002 to August 31, 2004. In accordance with the shareholders' approval, the Company purchased 48,200 shares for ¥1,654 million in 2000.

The shareholders' meeting held on November 28, 2000 approved that the Company may purchase 88,500 shares of common stock within the period from November 28, 2000 to the closing of next ordinary shareholders' meeting with an aggregate purchase cost cap of ¥4,000 million for the stock option plan. Certain officers and certain other employees were granted options to purchase the common stock at 6,304 yen of an exercise price, as adjusted upon stock splits, which had been determined at the lower of 102.5% of the average purchase cost or market price at the grant date. An eligible person can exercise 100% of the granted options from November 29, 2002 to August 31, 2005. In accordance with the shareholders' approval, the Company purchased 88,100 shares for ¥2,169 million in 2001.

At the shareholders' meeting held on November 29, 2001, a stock option plan was approved. Under this plan, certain directors and certain employees were granted options to purchase common stock of 106,100 shares in total at 6,740 yen of an exercise price, as adjusted upon stock splits, which had been determined at the higher of 102.5% of market price at the date of grant or the average market price of preceding month. Those eligible can exercise the options when the market price exceeds 150% of the exercise price for at least 10 business days within the term of exercise, which is from November 30, 2003, to August 31, 2006.

13. COMMITMENTS AND CONTINGENCIES

The Company has the following contingent liabilities as of August 31, 2004.

	Millions of Yen	Thousands of U.S. Dollars
Loan guarantees for:		
Employees' benefit society	¥19	\$173
Franchise store	33	300
Affiliated company – Theory Holdings Inc.	12,947	117,829

Construction assistance fund receivables represent an interest free loan granted to real estate owners to construct stores that will be leased by the Company. The Company transferred the construction assistance fund receivables to a trust bank during 1999. This transfer contains a recourse provision that the Company has an obligation to repurchase the transferred construction assistance fund receivables if the landowner fails to repay. The total outstanding transferred construction assistance fund receivables to a trust bank amounted to ¥983 million (\$8,946 thousand) as of August 31, 2004.

14. LEASES

Lease payments relating to finance leases accounted for as operating leases for the years ended August 31, 2004, 2003 and 2002 amounted to ¥4,732 million (\$43,065 thousand), ¥4,941 million and ¥3,866 million, respectively.

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2004 are as follows:

Year Ending August 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥4,049	\$36,849
2006 and thereafter	5,722	52,075
	¥9,771	\$88,924

15. FINANCIAL INSTRUMENTS

The Company is exposed to market risks arising from fluctuations in foreign currency exchange rates. The Company entered into forward exchange contract for the purpose of hedging these risk exposures. Forward exchange contracts are utilized to manage foreign currency exchange rate risk from receivables, payables and forecasted transactions which are denominated in foreign currency.

The Company has no derivative financial instruments for trading purposes. In addition, the Company may be exposed to losses in the event of nonperformance by counterparties to financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are authentic financial institutions. The Company has also developed hedging policies to control various aspects of derivative financial transactions including authorization levels, transaction volumes and counterparty credit guidelines.

16. ACQUISITION OF NATIONAL STANDARD INC.

The Company acquired newly-issued shares of National Standard Inc. in February 2004, resulting in 71.8% of interests in the entity. The assets and liabilities acquired, cost of the shares and proceeds from acquisition of

shares are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥216	\$1,966
Noncurrent assets	58	528
Amortization of consolidation adjustment account	137	1,247
Current liabilities	(204)	(1,857)
Noncurrent liabilities	(66)	(601)
Minority interest	(1)	(9)
Cost of acquired shares	140	1,274
Debts converted to capital stock	(140)	(1,274)
Cash and cash equivalent	(63)	(573)
Proceeds from acquisition of shares	63	573

17. SUBSEQUENT EVENTS

(a) A Joint Venture Agreement in South Korea

At the Board of Directors' meeting on October 12, 2004, the Company decided to form a corporate joint venture with Lotte Shopping Co., Ltd. to enhance business in South Korea, and entered into a joint venture agreement. Key provisions of the agreement and the corporate joint venture are as follows.

Name	To be determined before formation of the joint venture	
Representative	To be determined before formation of the joint venture	
Capital stock	6 billion Korean won (approximately ¥600 million)	
End of fiscal year	August 31	
Ownership interests	Fast Retailing Co., Ltd.	51%
	Lotte Shopping Co., Ltd.	49%
Formation	December 2004 (planned)	
Commencement of operations	September 2005 (planned)	
Business objectives	Selling casual cloths with UNIQLO brand in the South Korea	

(b) New Subsidiary in the United States

At the Board of Directors' meeting on November 18, 2004, the Company decided to incorporate a subsidiary in the United States as a part of preparation for expansion of the Company's business in foreseeable future in the United States. The planned new subsidiary is outlined as follows:

Name	UNIQLO USA, Inc.	
Representative	Nobuo Domae, Executive Vice President of the Company	
Location	New York, USA	
Paid-in capital	\$6,000 thousand	
Ownership interests	100%	
End of fiscal year	August 31	
Planned incorporation	November 2004	
Business objectives	Selling casual cloths with UNIQLO brand in the United States	

Report of Independent Auditors



■ Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

■ Tel: 03 3503 1100
Fax: 03 3503 1197

The Board of Directors FAST RETAILING CO., LTD.

We have audited the accompanying consolidated balance sheets of FAST RETAILING CO., LTD. and consolidated subsidiaries as of August 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended August 31, 2004, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FAST RETAILING CO., LTD. and consolidated subsidiaries as of August 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended August 31, 2004, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended August 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young Shin Nihon

November 25, 2004

Investor Information

(As of August 31, 2004)

Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares	106,073,656
Number of shareholders (including holders of treasury stock)	8,718

Principal Shareholders

	Number of shares	Percentage of total shares in issue
Tadashi Yanai	28,297,284	26.68%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,718,100	6.33
Japan Trustee Services Bank, Ltd. (Trust Account)	5,308,800	5.00
Kazumi Yanai	4,781,808	4.51
Koji Yanai	4,780,600	4.51
Fight & Step Co., Ltd.	4,750,000	4.48
FAST RETAILING CO., LTD.	4,357,859	4.11
The Chase Manhattan Bank, N.A. London	3,653,412	3.44
MASTERMIND Co., Ltd.	3,610,000	3.40
State Street Bank and Trust Company	3,256,682	3.07

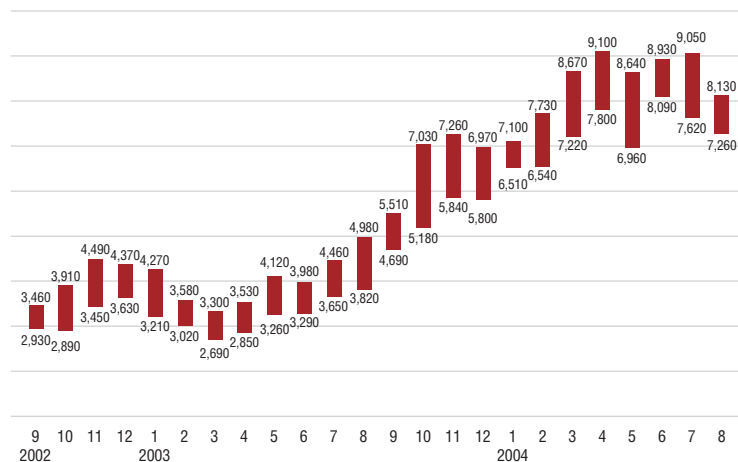
Shareholder Breakdown

	Number of shareholders	Number of shares (Thousands)	Percentage of total shares in issue
Individuals and others	8,098	48,000	45.25%
Foreign investors	380	25,957	24.47
Other financial institutions	92	21,200	19.99
Companies and corporations	109	8,919	8.41
Securities companies	39	1,998	1.88
Total	8,718	106,074	100.00%

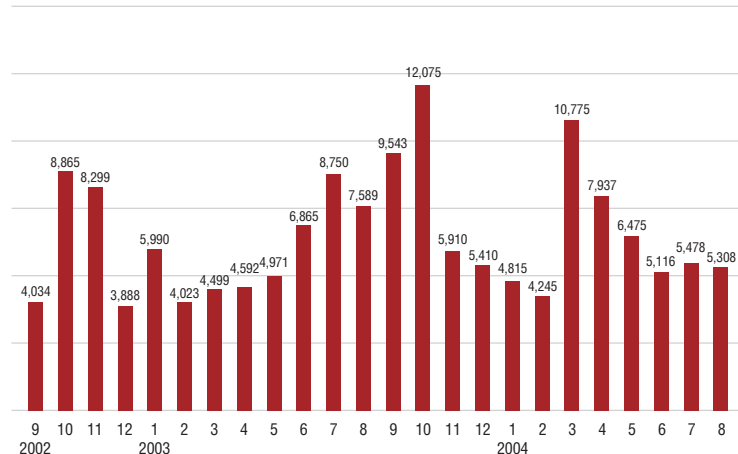
Additional copies of this annual report and other information may be obtained by contacting:

Investor Relations Department
 FAST RETAILING CO., LTD.
 Nissay Aroma Square 16F, 37-1, Kamata 5-chome, Ota-ku,
 Tokyo 144-8721, Japan
 Telephone: +81-3-3730-7730 Facsimile: +81-3-3730-7649

Stock Price (Yen)



Trading Volume (Thousands of Shares)



Forward-looking Statements

Statements in this annual report with respect to FAST RETAILING's plans, strategies, forecasts and other statements that are not historical facts are forward-looking statements that are based on management's assumptions and beliefs derived from information currently available and invoke risks and uncertainties. Factors that could cause actual results to differ materially from such statements include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, FAST RETAILING's ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.

Corporate Information

CORPORATE DATA (As of August 31, 2004)

FAST RETAILING CO., LTD.

Head Office

717-1 Oaza Sayama, Yamaguchi City,
Yamaguchi 754-0894, Japan

Tokyo Office

Nissay Aroma Square, 37-1,
Kamata 5-chome,
Ota-ku, Tokyo 144-8721, Japan

Established

May 1, 1963

Paid-in Capital

¥10,274 million

Line of Business

Retail chain operator specializing in in-house
designed casual clothing for men, women,
and children of all ages.

Operates stores under the name of UNIQLO.

Number of Full-Time Employees

1,822

Settlement Date

August 31

Annual Shareholders' Meeting

End of November

Transfer Agent

The Mitsubishi Trust & Banking Corp.
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Number of Shares per Trading Unit

100

Independent Public Auditors

ERNST&YOUNG SHINNIHON

MAIN GROUP COMPANIES

(As of November 30, 2004)

<Consolidated Subsidiaries>

UNIQLO (U.K.) LTD.

25-27 Shaftesbury Avenue, London W1D 7EG, U.K.

FAST RETAILING (JIANGSU) APPAREL CO., LTD.

RM.1602, No.1089, Zhongshan Er Road (South),
Shanghai, China

National Standard Inc.

B3 Berna Heights, 4-11 Hiroo 5-chome,
Shibuya-ku, Tokyo 150-0012, Japan

<Affiliated Company under the Equity-method>

LINK HOLDINGS CO.,LTD.

5-39 Minami-aoyama 6-chome, Minato-ku,
Tokyo 107-0062, Japan

MEMBERS OF THE BOARD AND AUDITORS

(As of November 30, 2004)

Tadashi Yanai

Chairman & Chief Executive Officer

Genichi Tamatsuka

President & Chief Operating Officer

Nobuo Domae

Executive Vice President

Hiroshi Tanaka

Executive Vice President

Akira Tanaka

Executive Vice President

Shuichi Nakajima

Senior Vice President

Naoki Otoma

Senior Vice President

Makoto Hayashi

*Senior Vice President member of the Board
(FAST RETAILING (JIANGSU) APPAREL CO., LTD. CEO)*

Toshiharu Ura

Standing Corporate Auditor

Kiyomi Iwamura

Standing Corporate Auditor

Takaharu Yasumoto

Corporate Auditor

Tatsuo Kubota

Corporate Auditor

Norihiko Shimizu

Corporate Auditor



Tadashi Yanai



Genichi Tamatsuka



Nobuo Domae



Hiroshi Tanaka



Akira Tanaka



Shuichi Nakajima



Naoki Otoma



Makoto Hayashi

anybody, everywhere, everyday.



FAST RETAILING CO., LTD.

www.uniqlo.co.jp/english