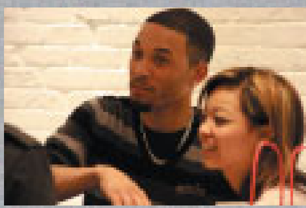
FAST RETAILING

ANNUAL REPORT 2007

Year ended August 31, 2007

FAST RETAILING Goes Global...



Our motive power is our spirit of innovation and challenge.

Our stage is the vast expanse of the globe.

Our mission is to inspire changes and challenge what is taken for granted in the apparel industry.

Our goal is to enrich the lives of people by designing, producing, and selling better clothes.

We are determined to go global, and ready to meet the challenges before us.

COMPTOIR DES COTONNIERS

UNIQLO

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RETAILING

PRINCESSE TAM.TAM

Theory

Real Riche

UNIQLO Accelerates the Opening of Large-Format Stores in Japan

UNIQLO in Japan is implementing a large-format store strategy. In spring 2007, UNIQLO successfully opened two stores with about 3,300m² of floor space—the Kobe Harborland store and Tokyo's Setagaya Chitosedai store. UNIQLO is pressing forward with product development with these large-format stores in mind and is winning even higher levels of customer satisfaction.

UNIQLO Setagaya Chitosedai store, Tokyo

FAST RETAILING Has a Strategy for the Future

New Flagship Stores Boost UNIQLO's Brand Profile Abroad

Following the opening of our global flagship store in New York's trendy Soho district, we opened another on London's Oxford Street in November 2007. UNIQLO is making its presence felt in the rest of the world through this new foothold in one of Europe's best-known shopping areas. In December 2007, we opened our first store in Paris, thus taking another step toward making UNIQLO a world brand.

UNIQLO 311 Oxford Street store, London

Recycling of All Products Begins

In September 2006, UNIQLO began a drive in Japan to promote the recycling of all its products. During the fiscal year ended August 31, 2007, UNIQLO made available about 140,000 products brought to its stores by customers for recycling as relief clothing for the needy overseas.

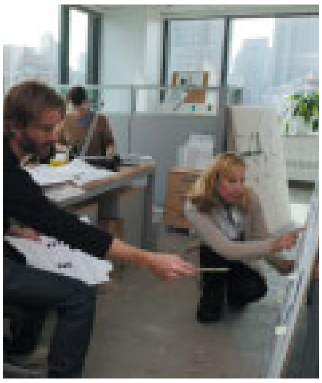
FAST RETAILING, with the UNIQLO casual wear brand as its core business, is continuing to expand and grow as an apparel retail group not only in Japan but also in world markets. In its core UNIQLO operations, the Group had 748 stores in Japan and 39 in overseas markets (as of August 31, 2007) and has established its highly profitable SPA business model (Specialty Store Retailer of Private Label Apparel), which integrates all stages from design through production and sales.

The FAST RETAILING Group is global in scope and comprises the UNIQLO business, which is opening more UNIQLO stores in Japan and overseas; Japan Apparel operations that include chain store retailers of apparel and shoes, such as CABIN, G.U., and ONEZONE; and Global Brands operations.

Global R&D to Develop World-Class Casual Basics

UNIQLO has introduced a global R&D structure with centers in Tokyo, New York, Paris, and Milan since autumn 2005.


Tokyo


New York


Paris


Milan

Enhancing Profitability of Japan Apparel Operations through Group Integration

During the fiscal year ended August 31, 2007, FAST RETAILING made CABIN, a chain retailer of women's apparel, a wholly owned subsidiary. Looking forward, plans call for implementing management reforms drawing fully on the strengths of the FAST RETAILING Group in improving operating efficiency. In addition, with 50 stores in operation as of spring 2007, the low-priced casual clothing retailer G.U. has established a solid operating foundation. Going forward, we will move ahead with the development of fashionable designs and make G.U. stores more attractive. ONEZONE is aiming for a distinctive lineup of products by increasing original products.

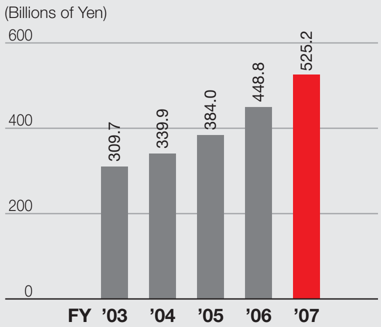
Globalizing the COMPTOIR DES COTONNIERS Brand

Based on the "Mother and Daughter" concept, the COMPTOIR DES COTONNIERS casual wear brand has a network of 226 stores in France. We plan to accelerate the opening of stores globally, focusing on European countries outside of France and Asian countries, especially Japan.


COMPTOIR DES COTONNIERS Notting Hill store, London

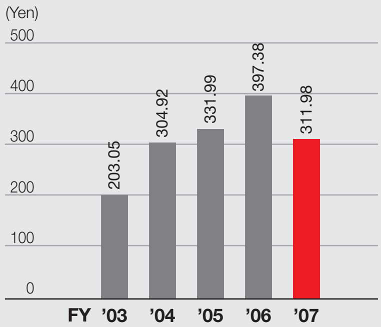
Net Sales

Group Net Sales Exceeded ¥500 Billion.



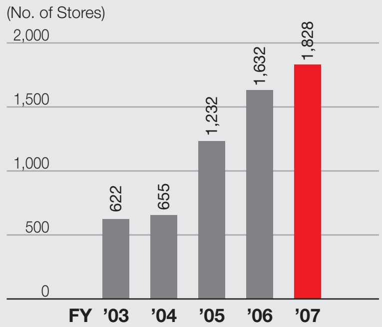
EPS

Earnings Per Share Were ¥311.98 (21.5% Lower Year on Year).



The Number of Group Stores

The Number of Group Stores Increased 196, to 1,828.



Continuing to Address New Challenges to Become a Truly Global Company

During fiscal 2007, the year ended August 31, 2007, we reported an increase in consolidated net sales but, regrettably, net income declined. Despite this, it was a year when we at FAST RETAILING gained conviction about the future course of our development. To reach the goal we have set of becoming "the world's No. 1 apparel retailer," we embarked aggressively on a series of initiatives, including increasing the number of larger UNIQLO stores in Japan, expanding UNIQLO's operations into overseas markets, and working toward the closer integration of the FAST RETAILING Group of companies. Fiscal 2007 was a year when we as a group of enterprises experienced "labor pains." Nonetheless, this experience has made all our management and staff not only think even more seriously about making our UNIQLO operations even stronger, but also focus more on entrepreneurial values, group integration, and globalization. I believe, therefore, that fiscal 2007 was a year that gave us new resolve and determination to attain these objectives.

In our UNIQLO operations, which are our core business, we opened a global flagship store in New York in November 2006, and it has been a success. Moreover, sales and earnings in our UNIQLO activities in the rest of Asia, such as China, including Hong Kong, and Korea, expanded, and we are in sight of new opportunities for development.

In proceeding with the expansion of our overseas operations, what has impressed me most is that our customers around the world have so highly appreciated the quality of UNIQLO products. We believe that our efforts to ensure top quality for our cashmere items, merino wool sweaters, printed T-shirts, jeans, and other products are now appreciated by customers not only in Japan but also around the globe. We believe that maintaining quality is precisely what will position us to be able to realize our strengths in overseas markets.

With this renewed awareness, in November 2007, we opened another global flagship store in London. In addition, in December we opened a concept shop in La Defense, outer Paris, marking UNIQLO's first foray into the French market. Going forward, we plan to step up our activities to establish stores not only in the European markets but also within the Asian markets, especially in China and Korea.

We reported a strong increase in sales but a decline in profits in our domestic UNIQLO operations for the fiscal year under review; the increases in expenses exceeded the positive benefits of higher sales. While a profit decline is never a welcome thing, it has served as a wake-up call for me and our staff, a reminder that we must return to fast decision making and low-cost management. Furthermore, we were not responsive enough to market nuances, which resulted in lowering gross margins.

During the fiscal year ending August 2008, UNIQLO in Japan is returning to its original concept of low-cost management while also working to rejuvenate its sense of speed and dynamism, which are essential elements of its corporate culture. High on our agenda for this fiscal year are attaining high profit margins by producing the optimal volume of superbly finished basic casual apparel suited to the needs of our customers.

During the fiscal year under review, UNIQLO in Japan began accelerating the opening of its new concept, large-format stores with about 1,600m^2 of sales space. The key to UNIQLO's growth in the domestic market going forward will be the success of this large-format store strategy. To make this strategy a success, it is clear that we must address the challenges of developing products for the women's market, which has a high potential for growth. To this end, we are moving forward to strengthen our global R&D capabilities.

In our Japan Apparel operations, we are still in the process of restructuring the activities of ONEZONE, CABIN, and other subsidiaries and enhancing the performance of G.U., one of our new businesses, but I believe we have not yet delivered satisfactory results. However, we are convinced that there is further potential demand in the markets for shoes, women's apparel, and low-priced casual apparel. By drawing together the Group's resources to provide support in management, infrastructure, and personnel, we are committed to putting these operations on the path to growth.

In our Global Brand operations, French casual COMPTOIR DES COTONNIERS and lingerie creator PRINCESSE TAM.TAM are reporting steady gains in performance. We are convinced that these businesses, which feature a clear brand concept, have major potential for growth. Looking ahead, we plan to continue our M&A activities to secure outstanding brands such as these and expand their business operations globally.

My belief is that unless we become a company capable of competing globally, we cannot survive in our domestic market. As the world changes around us hour by hour, the boundaries separating different industries and nations have been disappearing. Within this business environment, how can we survive? One of the answers to this question is that, just as UNIQLO has grown in Japan, we can and must develop UNIQLO's operations in world markets. At the same time, we also believe that FAST RETAILING must become a group of enterprises with several global brands that can expand into world markets. The target I have set of attaining "annual sales of ¥1 trillion" is not a final goal, but only a milestone along the way to further growth and development.

FAST RETAILING has a clear long-term strategy and is managing its activities to achieve a balanced, efficient business portfolio. We are intent on becoming a world-class enterprise not only in terms of net sales, profitability, and customer satisfaction, but also talents and diversity of our human resources, and our contributions to society. We intend to continue to address and overcome the challenges ahead of us to create and manufacture, then deliver and sell truly excellent apparel to our customers that will enrich the livelihood of the peoples of the world.

December 2007

Tadashi Yanai

Tadashi Yanai
Chairman, President and CEO

Building a Strong Portfolio and Aiming for Group Net Sales of ¥1 Trillion and Ordinary Income of ¥150 Billion in 2010

Market Environment

Growth in the world's apparel and fashion industries in recent years has been driven by the countries and regions of Europe, North America, Japan, and other developed countries in the fashion industry. In 2007, however, there were not conspicuous megatrends in the industry, and the business environment has become more challenging. Along with these, growth in the European, North American, and Japanese markets has slowed. In addition, economic conditions produced uncertainty due to the emergence of the subprime loan issues originating in the United States, and we believe this is gradually beginning to have an adverse impact on consumer attitudes toward apparel and other expenditures.

On the other hand, in emerging economies, such as China and Russia, that are experiencing rapid economic growth, consumer spending on apparel and fashion items is continuing to increase, propelled by the strong demand among the expanding middle-income classes. Yet, even in these emerging markets, demand is strong for global brands that are popular in the world's principal fashion centers, such as New York, Paris, Milan, London, and Tokyo.

Amid this market environment, most of the top SPA (Specialty Store Retailer of Private Label Apparel) players with a global presence are reporting rapid growth and expansion in market share based on their financial and development capabilities that derive from economies of scale. As markets become increasingly global, to survive in today's torrent, companies in the apparel and fashion industries are confronted with the need to develop product offerings that differentiate them from competitors and establish brands that appeal to consumers throughout the world.

Group Strategy

For FAST RETAILING to compete among the world's top players, we believe it is essential, at a minimum, for it to expand its portfolio of Group businesses that have world-class capabilities and attain net sales of ¥1 trillion. That is why we have set a goal of becoming "a Group with annual net sales of ¥1 trillion and ordinary income of ¥150 billion."

First, the Group's core UNIQLO operations have established a position as a top player among SPA enterprises that are integrated from manufacturing through retail sales. UNIQLO is moving ahead with the development of even more competitive materials and products by drawing on the economies of scale of its operations and partnerships with leading partners. In addition, to establish its position as a global brand, UNIQLO is implementing a flagship store strategy in the principal fashion cities in Europe and North America. In parallel with this strategy, in the fast-growing markets of Asia, UNIQLO is accelerating the opening of stores in China (including Hong Kong) and Korea.

In Japan Apparel operations, we see growth potential in the footwear business of ONEZONE and VIEWCOMPANY, the women's apparel chain store business of CABIN, and the low-price apparel business of G.U.

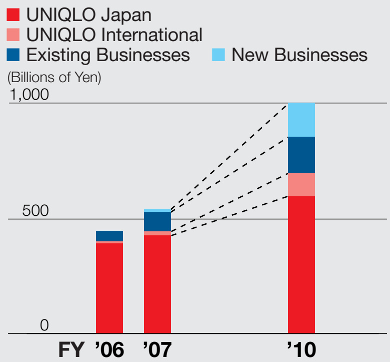
In Global Brand operations, COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM, and Theory are fully capable of competing in global markets. We plan to further develop and grow these brands in world markets and add strong brands to our portfolio through M&A.

Worldwide Apparel Specialty Stores

Company Name (Flagship Brand)	Country	End of Fiscal Year	Sales* (¥ Billions)	Change (%) (local base)
Gap Inc.	U.S.	Jan. 2007	1,850	-0.5
Inditex, S.A. (ZARA)	Spain	Jan. 2007	1,299	+21.6
Limited Brands, Inc.	U.S.	Jan. 2007	1,238	+10.0
Hennes & Mauritz AB (H & M)	Sweden	Nov. 2006	1,155	+11.7
NEXT PLC	U.K.	Jan. 2007	767	+5.7
Liz Claiborne Inc.	U.S.	Dec. 2006	579	+3.0
FAST RETAILING	Japan	Aug. 2007	525	+17.0
Polo Ralph Lauren Corporation	U.S.	Mar. 2007	498	+14.6
Esprit Holdings Limited	China	June 2007	441	+26.9
Abercrombie & Fitch Co.	U.S.	Jan. 2007	385	+19.2

Source: Compiled from the annual reports of the companies listed above.
* Figures calculated based on foreign exchange rates as of August 31, 2007.

Group Sales Scenario



Note: Net sales do not include companies accounted for under the equity method (such as LINK THEORY HOLDINGS CO.,LTD., and VIEWCOMPANY CO.,LTD.).

M&A Strategy

■ Objectives of M&A

We have two objectives in our M&A activities. The first is to acquire businesses in new areas to strengthen our business portfolio. The second is to gain access to new business platforms for greatly expanding overseas activities of UNIQLO and other Group businesses.

In strengthening our portfolio, we aim to develop our global brand businesses, by purchasing competitive brands capable of global expansion in the affordable luxury market, such as COMPTOIR DES COTONNIERS. Among the world's fashion apparel markets, the affordable luxury market has the highest growth potential, and we believe that in this market, too, an SPA enterprise—integrated from product design through manufacturing, marketing, and sales—will be able to prove its mettle.

Regarding the second objective of gaining access to new platforms, we believe that securing business bases through investments in and acquisitions of existing local enterprises overseas is the best possible way to accelerate the growth of UNIQLO and other Group brands in overseas markets.

Through M&A, FAST RETAILING aims to secure talented professionals who bring a global view to their work, and, at the same time, hopes to remain a dynamic and innovative group of enterprises by offering opportunities to employees who share the Group's vision.

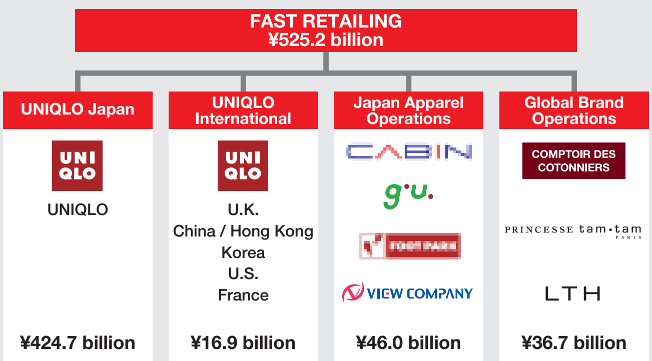
■ Investment Criteria and Decision-Making Process

The two criteria in selecting M&A deals are growth potential and profitability. The key condition related to growth potential is whether the acquiree has a good brand that has the potential to develop globally. COMPTOIR DES COTONNIERS and lingerie brand PRINCESSE TAM.TAM are good examples of such brands. If the acquiree has a good brand with a solid underlying brand concept, we will actively share our infrastructure—the financial resources of the FAST RETAILING Group, our know-how in store operations, sales planning, inventory management, production systems in China, and information systems—to realize high growth and profitability.

When making investment decisions, M&A proposals are prepared by a specialized unit and then assessed by related departments and officers and directors. Thereafter, the proposals are subjected to careful examination by the Board of Directors, which includes three external directors. Examination of proposed M&A deals includes the valuation of assets to be acquired, the projected return on investment, and the analysis of synergies with other Group businesses.

Going forward, FAST RETAILING will consider acquiring enterprises with the potential for global development that are capable of attaining annual net sales of ¥100 billion or more and a ratio of ordinary income to net sales of 15% or more. We intend to actively pursue our Group and M&A strategy, invest between ¥300 billion and ¥400 billion in acquisitions, as well as aim to achieve high and sustained growth of the Group.

Group Net Sales by Business in Fiscal 2007



Note: Net sales do not include companies accounted for under the equity method (such as LINK THEORY HOLDINGS CO.,LTD., and VIEWCOMPANY CO.,LTD.).

Strategic Milestones of the FAST RETAILING Group

2004	January	■ Acquired an equity stake in Link International Co., Ltd., developer of the THEORY brand
2005	March	■ Acquired ONEZONE CORPORATION
	May	■ Obtained management control of NELSON FINANCE S.A.S., developer of the COMPTOIR DES COTONNIERS brand
2006	February	■ Acquired PETIT VEHICULE S.A., developer of the PRINCESSE TAM.TAM brand
	March	■ Established G.U. CO., LTD.
	April	■ Invested in CABIN and concluded an operating alliance
	November	■ Invested in VIEWCOMPANY CO.,LTD.
2007	August	■ Made CABIN into a wholly owned subsidiary through a takeover bid

Corporate Governance

Masa Matsushita (47)
Director
Appointed in 2005
External Director, UNIQLO
President, FR FRANCE S.A.S.
External Director, LTH

Tadashi Yanai (58)
Chairman, President, and CEO
Appointed in 1972
CEO, UNIQLO
Director & Chairman, LTH
Director & Chairman, CABIN
External Director, VIEWCOMPANY

Toru Hanbayashi (70)
External Director
Appointed in 2005
Former President, Nichimen Corp.
Auditor, UNITIKA, Ltd.
External Director, MAEDA CORP.

Toru Murayama (53)
External Director
Appointed in 2007
Director & Chairman, Accenture Japan Ltd.
Visiting Professor, Waseda University

Nobumichi Hattori (50)
External Director
Appointed in 2005
Visiting Professor, Hitotsubashi University
External Director, Miraca Holdings Inc.

(As of December 31, 2007)

Creating a Reliable Corporate Governance Structure

Board of Directors to Enhance Transparency of Corporate Activities

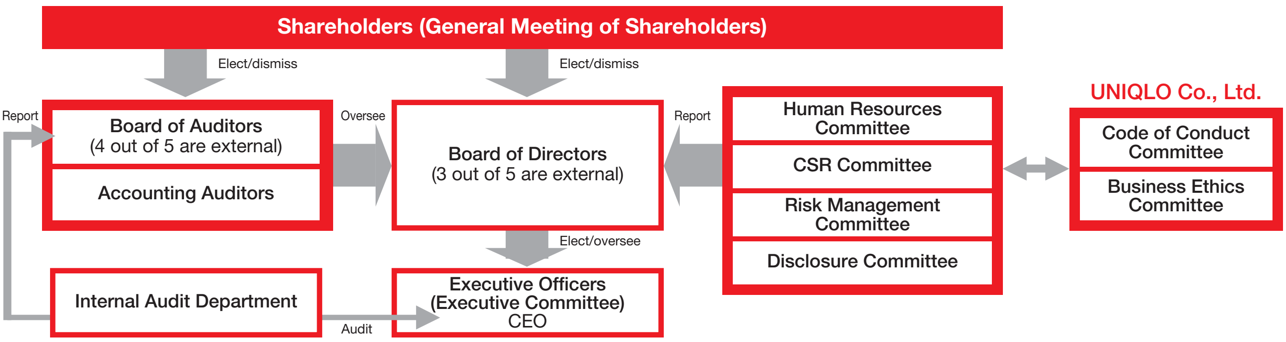
The Board of Directors receives its mandate from shareholders and makes decisions on important management matters. To ensure transparency in management, the Board—consisting of directors in charge of operations and external directors—discusses and makes decisions on such important matters as the annual budget, settlement of accounts, operating plans, proposals for acquisitions and investments, personnel matters related to Officers, organizational reforms, and dividend policy. Board deliberations are based on detailed information. For items that are considered especially important, the directors are briefed by related departments and usually hold a number of meetings.

During the fiscal year under review, the Board met 25 times to discuss a range of topics. These included the approval of the financial statements, issues related to UNIQLO's operations in Japan, UNIQLO's overseas development, growth strategies for Global Brand operations, making CABIN a wholly owned subsidiary, a bid for the acquisition of Barney's New York, strategies for the footwear business, improvements in internal controls, and compensation for directors.

Audit Committee to Oversee Management

The role of the auditors is to check the compliance of the Board of Directors in conducting their duties and the implementation of internal controls. The auditors participate in meetings of the Board and oversee the performance of directors. In addition, the auditors attend the meetings of the Personnel Committee, the CSR Committee, the Risk Management Committee, the Disclosure Committee, and other committees to observe whether business activities are being conducted in compliance with laws and regulations as well as whether internal controls are in place.

Corporate Governance at FAST RETAILING (as of December 31, 2007)



UNIQLO Operations

Fashionable and high-quality clothes that anyone can wear anywhere, any time – that's what UNIQLO is all about. Our global operating systems weave together all processes from product design to final sales, including global R&D, procurement of world-class quality materials, production focused in China, and the operation of 790 stores around the globe. This seamless system allows UNIQLO to consistently offer its customers high-quality products at reasonable prices.

UNIQLO Operations

UNIQLO Japan
- UNIQLO CO., LTD.

UNIQLO International
- UNIQLO(U.K.)LTD.
- FAST RETAILING(CHINA)TRADING CO., LTD.
- UNIQLO USA, Inc.
- FRL Korea Co., Ltd.
- UNIQLO HONG KONG, LIMITED
- UNIQLO FRANCE S.A.S.

Japan Apparel Operations

- CABIN CO., LTD.
- G.U. CO., LTD.
- ONEZONE CORPORATION
- VIEWCOMPANY CO.,LTD. (Listed on JASDAQ Securities Exchange, equity-method affiliate)

Global Brand Operations

- COMPTOIR DES COTONNIERS: Créations Nelson S.A.S.
- PRINCESSE tam•tam PARIS: PETIT VEHICULE S.A.S.
- LTH: LINK THEORY HOLDINGS CO.,LTD. (Listed on TSE Mothers, equity-method affiliate)

To a New Stage: "Clothes that Make News"

Most of our customers already have plenty of clothes. For them to purchase new clothes, there must be some new value added in design and/or function; we could call them "clothes with some news value." To communicate the true value of our products to customers, we have to change all aspects of the shopping experience, including store design, the sales floor, lineup of products, and our service.

Our large-format store strategy is part of this change and a process for taking UNIQLO to a new stage. In our large-format stores, it is important for us to raise the skills of each staff member to provide customer services that enhance the display and raise the level of customer satisfaction. We aim to communicate the features of our products, offer new products each season, and help our customers make their daily lives more comfortable. The growth driver for UNIQLO is to continue to offer that something new that customers are looking for.

Naoki Otoma
Senior Vice President and COO, UNIQLO CO., LTD.

Large-Format Store Strategy on Track

In fiscal 2007, consumer spending was sluggish while competition grew more intense. With the warmest winter on record and unseasonable spring and summer weather, UNIQLO Japan experienced a profit decline.

To continue to grow in this market environment, there are limitations on the strategy we have implemented thus far of selling basic apparel items through standard-format stores in the suburbs with between 700 square meters and 800 square meters of sales floor space. That is why UNIQLO has positioned large-format stores as its growth driver.

Under this large-format strategy, UNIQLO is opening stores in different types of locations, including urban street sides, suburban shopping centers, commercial facilities, and roadsides. At the end of August 2007, we had 28 large-format stores, and, in fiscal 2008, we are picking up the pace of openings of these large-format stores. In fiscal 2007, we opened megastores with about 3,300 square meters of sales floor space in Kobe's Harborland and in Tokyo's Setagaya Chitosedai district. Both of these have drawn strong customer interest.

Looking ahead, we will be working to increase the efficiency of these stores by optimizing the right lineup of products to take the best advantage of the strengths of these larger stores, while standardizing our customer service and store management.

Growth through Responding to Women's Needs

Women's apparel accounts for about 70% of the sales of the fashion apparel industry as a whole, but women's items account for only about 40% of UNIQLO's sales. We believe UNIQLO has considerable potential to increase sales of women's clothing and look to higher growth in sales by responding to women's apparel needs.

In fiscal 2007, we scored with skinny jeans, which became a great success, and were able to expand our share in the women's jeans market. Customers who bought skinny jeans are increasingly coming back to UNIQLO to buy another pair of jeans. We want to take advantage of the visits of new customers to our stores by expanding the lineup of new kinds of products that are more fashionable and not just offering basic items.

Under our large-format store strategy, we have more sales floor space and can put more emphasis on offering coordinated items through improved visual merchandising. We will display new and attractive women's apparel items in ways that are easy for customers to view and purchase. In large-format stores, we can display a wider range of goods and offer customers a much more enjoyable shopping experience.

UNIQLO Setagaya Chitosedai store

Masayuki Nagatake
President, UNIQLO(U.K.)LTD.

Advancing to Win in the World's Fashion Capital

UNIQLO products are world class qualitywise. What they need next is just brand power. When the UNIQLO brand becomes widely known around the world, I believe there is a good chance of expanding our share of world markets.

In November 2007, we opened a global flagship store, the 311 Oxford Street store, with sales floor space of about 2,300 square meters, located on London's Oxford Street. At the same time, we opened another store, the 170 Oxford Street store, with about 1,300 square meters of sales floor space. We chose these locations because this area is the fashion capital for casual wear, where the world's leading brands compete for customer attention. By joining the lineup of fashion brands in Europe's largest shopping area, we aim to increase the awareness of the UNIQLO brand and raise its appeal, its presentation, and its attractiveness. Once anyone tries on UNIQLO clothes, they will understand their value. Making our flagship stores in Europe a success after succeeding with our U.S. flagship store will open the way for UNIQLO to become No.1 in the world in the apparel industry.

Growth in International Operations Accelerates

The world apparel market is said to be about ¥100 trillion in size annually, but UNIQLO's share at present is only 0.4%. Even though the world market is becoming more competitive, we believe that it is an attractive stage for our business, with considerable growth potential.

The lesson we have learned from our entry into overseas markets, which began with the opening of a store in London in September 2001, is that "the basis of brand awareness is the store." That is why we are confident that the most effective strategy is the opening of global flagship stores in major countries.

At present, UNIQLO is developing its overseas activities in the United Kingdom; the United States; mainland China, including Hong Kong; Korea; and France. In fiscal 2007, UNIQLO's overseas sales totaled ¥16.9 billion, about twice the ¥8.7 billion reported in fiscal 2006.

The stages of growth and development vary from country to country and strategies also differ. However, by drawing on the know-how accumulated thus far, we are working to optimize our operations. Going forward, we plan to accelerate the opening of UNIQLO stores overseas and consolidate our foothold as a global brand.

Opening Global Flagship Stores

We opened our first flagship store in November 2006 in New York's Soho district, where the world's top brands have gathered to display their fashions. With sales floor space of about 3,300 square meters, the Soho New York store has raised the awareness of the UNIQLO brand.

In November 2007, we opened another global flagship store in London's Oxford Street area, which is one of Europe's leading shopping areas. Then in December 2007, we opened our first store in France, a concept shop, situated in La Defense, outer Paris. We are also making plans to open a global flagship store in the center of Paris. These stores have the role of communicating UNIQLO's top-level creativity to the fashion centers of the Americas and Europe and to the rest of the world.

In Asia, where demand for apparel is growing at an impressive pace, we opened our first large-format store, with about 2,300 square meters of sales floor space, successfully in China in December 2006—the Shanghai Zengda store. In fiscal 2008, we have plans for further store openings, including a large-format store in Beijing and new stores in Hong Kong.

In Korea, we opened a large-format store, with 2,300 square meters of sales floor space in the Myongdong district of Seoul in December 2007, and we are moving forward with plans for opening additional stores in Seoul.

UNIQLO 311 Oxford Street store, London

UNIQLO's Business Model

UNIQLO is an SPA (Specialty Store Retailer of Private Label Apparel), meaning its activities are fully integrated from design through production and retailing. To offer high-quality products at low prices, UNIQLO, backed by its sales network of approximately 790 stores worldwide, controls all stages of the supply process—from product design to the procurement of materials, quality control, inventory adjustments, and other aspects—and insists on low-cost management. In addition, UNIQLO takes 100% of the raw materials and inventory risks. This is exactly the reason why UNIQLO can differentiate itself from competitors and generate profits.

R&D Center

R&D Center



UNIQLO's R&D Center has operations in Tokyo, New York, Paris, and Milan and researches world trends in fashion and lifestyles. Based on this information, concepts for each season are decided at meetings held jointly with representatives of UNIQLO's merchandising and marketing departments. Based on these concepts, the R&D Center creates designs simultaneously in these four cities, then makes its selection of products from samples to structure and arranges product lineups for individual countries.

Research → Concept Creation → Design → Coordination → Sales

Head Office

Store Development and Design

The store development and design team conducts simulations of sales and profitability and decides on store locations. Stores are designed to suit various retail venues and floor space.

Sales Planning and Production

The merchandising, R&D, and marketing departments work together to prepare numerical plans, develop product mixes to match the concept for the season, and adjust production according to sales volume.

Inventory Control

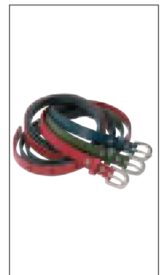
The inventory control team, working with the merchandising, sales, and production departments, monitors sales activity and inventory levels to minimize inventory risk.

Product Planning (Merchandising) and Marketing (Promotion)


Men's


Women's


Kids'


Accessories


Inner wear

Based on the concept for the season, sales plans and product mixes are prepared by product categories (men's, women's, kids', accessories, and inner wear). The marketing department then advertises campaign products using flyers and TV commercials.

Materials Planning and Procurement

The materials planning team negotiates directly with leading materials manufacturers and procures top-quality materials from around the world. In addition, in cooperation with materials manufacturers, the team works to develop new fabrics.

Production

UNIQLO calls on about 70 partner factories located in China and the rest of Asia for production and provides them with proactive technological support. UNIQLO has formed a team of specialists called *takumis*, each with experience of 30 years or more in Japan's textile industry who are seconded to these factories. The *takumis* are closely involved in all aspects of the production processes from inspection of yarn to the shipment of final goods, and they keep a sharp eye on a wide range of things, including materials and yarn, weave patterns, dyeing, sewing, texture, finish, and safety issues.

UNIQLO's products are manufactured in large lots of about one million at partner factories. To ensure level quality for such a large volume of products, problem-solving capabilities backed by experience are indispensable. That is where the skills of the *takumis* are making a major contribution. For example, in the dyeing process, to ensure that colors produced by tens of vats of dye, with a capacity of one ton each, are uniform, tasks do not stop at the confirmation of the process but must also extend to checking on the humidity and setting conditions accurately.

At present, about 90% of UNIQLO products are manufactured in China. As UNIQLO's retail network is extended around the world, the production network is being extended to other countries in Asia, including Vietnam. Going forward, UNIQLO will insist on quality management in its world-class manufacturing systems.

(Photographs: partner factories.)

Spinning

The spinning begins with the unraveling of raw yarn materials. To ensure stable quality, cotton from several areas is blended.

More than 10,000 cones for winding yarn must have the same degree of tension to ensure that yarn production is uniform.

Weaving

Although weaving processes are automated, texture and quality are measured and assessed by experienced masters.

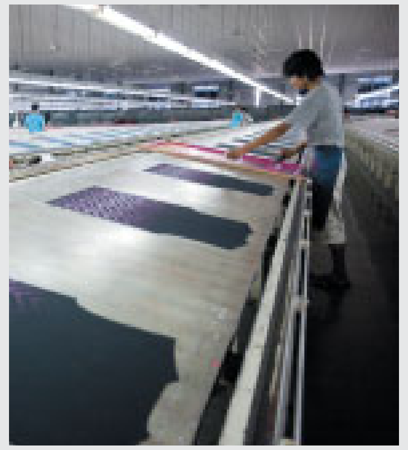
Plant personnel check for flaws in the woven cloth using a translucent light board.

Dyeing

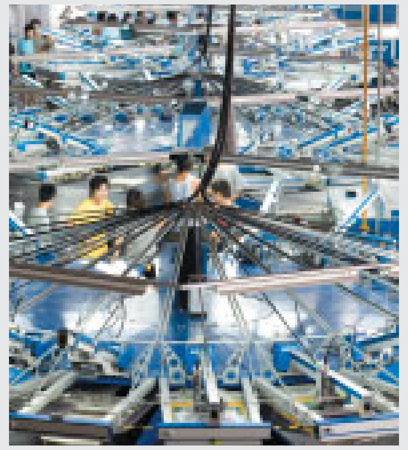
Strips of cloth joined together are dyed as they pass through the liquid flow dyeing machine.

Dyeing solutions prepared by computer are adjusted through artisans' eyes to detect subtle shades.

Processing



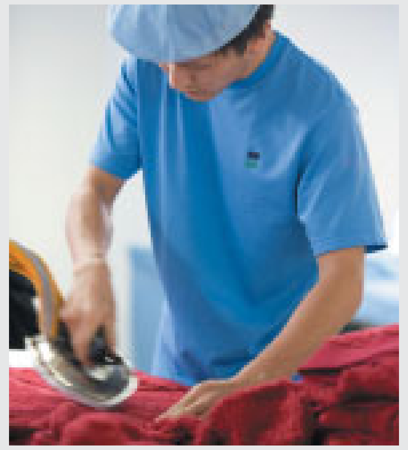
Gradations and detailed patterns are finished by hand carefully to create a beautiful finished product.



Large-scale equipment finishes multi-color prints flawlessly and is capable of processing large lots.

Sewing and Finishing

The sewing process begins with cutting and machine sewing. Sewing requires attention to detail and patience.



Ironing and packing are performed with great care. Quality and safety inspections are conducted several times.

Quality and Production Controls

At UNIQLO's Shanghai office, about 120 members of staff are responsible for quality and production supervision. They maintain close contact between the partner factories and the UNIQLO Head Office to confirm progress toward the completion of production runs as well as identifying and solving problems. The staff visits partner factories three to four days each week to conduct quality and safety checks and confirm manufacturing specifications. As a result of these initiatives, UNIQLO aims to make improvements in product quality and production process yields.

At weekly reporting sessions, UNIQLO staff identifies problems related to materials and issues arising in the sewing and processing stages, and supervisors confirm the deadlines for taking action to address these issues.

Shintaro Shiba, Production Control
UNIQLO representatives conduct intense discussions with production partners to maintain quality.

* For more about quality and safety control, please see page 39.

UNIQLO's *Takumi* Team

Since 2000, UNIQLO's *takumi* team, comprising veteran personnel trained and seasoned in Japan's textile industry, plays a substantive role in providing technical support to partner factories. These *takumis* have a diverse range of backgrounds and skills, and each of them plays a role in supporting the quality of UNIQLO products while transmitting his knowledge gained in Japan's once highly acclaimed apparel industry to the next generations.

Tadamichi Tokuoka
"The basics are extremely important in nurturing craftsmanship. There are still many things that even I do not know."

A specialist in dyeing woven materials, Tokuoka worked as a dyer for more than 40 years, matching colors and performing finishing in the textile industry.

Michio Ota
"Becoming friends and talking to them on the same level are essential. Another essential is to show successful cases as fast as you can."

Ota is a *takumi* specializing in quality control. He has worked in the dyeing field since the 1950s, when Kyoto's dyeing industry was at its height.

Hidenori Konishi
I can see our processes getting better and better right before my eyes. Nothing could make me happier!"

In charge of the sewing processes, from cutting to inspection, Konishi has earned a reputation for technical guidance with an eye for detail.

Global R&D

Creating Clothes with Style

Yukihiro Katsuta
Vice President, UNIQLO CO., LTD.

To this day, there are still situations where clothes are not something we put on but something that puts us on. UNIQLO's role is to offer clothes customers want to wear now in the way they feel comfortable. In other words, we want to keep offering clothes that all our customers feel they must have in their wardrobes.

In the jeans market, UNIQLO is becoming an established brand. Our goal is to have UNIQLO become an established presence in each apparel category. When customers think of cashmere, they think of UNIQLO, and the same for T-shirts.

I have asked our R&D staff members to develop clothing that takes account of coordination and styling. Our apparel offerings now are predominately items that look attractive when worn, rather than just being appealing when displayed in stores. I believe that, when all of our stores are able to suggest exactly the right styling, UNIQLO's apparel will shine even brighter.

Developing Clothes through Our Global R&D

There was a time when fashion trends began with European collections originating mainly in Paris and Milan and then gradually spread to the Americas, Japan, and the rest of Asia. However, now, along with the globalization of apparel markets, fashion trends move around the world simultaneously.

At UNIQLO, we inaugurated a global R&D Center in autumn 2005 that links the key fashion cities of Tokyo, New York, Paris, and Milan. At these four fashion centers, we identify worldwide trends and latent needs, decide on season concepts, and then create designs simultaneously in each center. Selecting from these designs, we structure and arrange product lineups suited to different markets, and, beginning with the fall and winter seasons of 2006, we began to offer in earnest apparel that was created through this very global R&D.

One of the representative hit products generated by this approach is skinny jeans that closely fit the wearer's leg line. Based on this idea, provided by our global R&D people, we went to great lengths to create the right silhouette and carefully select the best materials. These efforts were rewarded, because after these skinny jeans went on the market, UNIQLO sold more than four million pairs in fiscal 2007, and skinny jeans became associated with UNIQLO in our customers' minds.

Recognizing UNIQLO'S Core Competency

As we worked to develop our international operations, we recognized that UNIQLO's strengths lie in creating basic casual clothes. Along with the development of products linked to trends and latent customer needs, it is necessary each season to evolve our basic items, which are UNIQLO's core competency. Even with standard items, we insist uncompromisingly on reviewing and evolving materials and details to breathe new life into each and every item.

In addition, to continue to grow in Japan and establish a brand that appeals to customers around the world, standard items are increasingly necessary in each category—including cut-and-sewn, outerwear, knit, and inner wear—to drive sales.

That is why developing merchandise that customers can only find at UNIQLO is important. Thus far, we have drawn on our strengths in materials to develop our fleece, "Heat-Tech", and other original products. In the case of "Heat-Tech" inner wear, we are working with TORAY INDUSTRIES, INC., our strategic partner, and are now marketing our "Heat-Tech Moist" series, which, in addition to having high heat retention properties and stretchability, has improved moisture-retaining properties.

UNIQLO's Business Model

Sales

Japan

UNIQLO has developed a network of about 750 stores, mainly in roadside locations and inside shopping centers. Today, UNIQLO is moving forward with the opening of stores optimally suited to their respective locations, ranging from large-format stores, with about 1,600 square meters of sales floor space, to standard stores, with about 700 to 800 square meters of space.

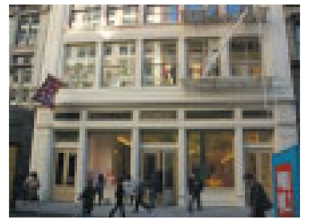
To continue to offer apparel that can be worn "anytime, anywhere, and by anyone," UNIQLO manages its product composition and volume with the objective of having the optimal number of products in terms of colors and sizes.

UNIQLO conducts campaigns aimed at selling products suited to the season, such as cashmere and fleece. As part of these campaigns, UNIQLO distributes flyers on weekends and aims to attract customers by discounting featured products for limited periods. These limited period discounts are aimed at sales promotion, and after the end of the promotional period, prices go back to their original levels.

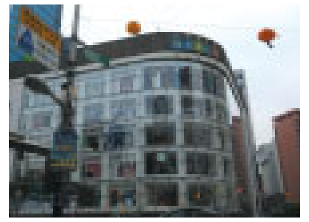
UNIQLO's principal expenses include wages, rent, and advertising costs. Wages consist mainly of salaries paid to store personnel, but, as a result of the standardization of work tasks in all stores, these personnel expenditures are used efficiently. The ratio of rent to sales is relatively low because about 60% of UNIQLO stores in Japan are situated on suburban roadside locations. Also, when setting up outlets in shopping centers, UNIQLO prepares simulations in advance and works to minimize rental costs. The principal forms of advertising are the distribution of flyers and TV commercials.

International

170 Oxford Street store, London



The Soho New York store



The Lotte Young Plaza, Seoul

The Miramar Shopping Center store, Hong Kong

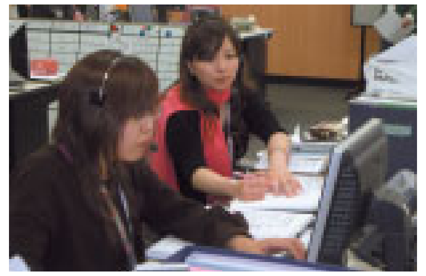
Middle Huaihai Road store, Shanghai

UNIQLO began its entry into retail markets overseas in September 2001 with the opening of stores in London. As of August 2007, UNIQLO had 11 stores in the United Kingdom, 13 stores in China (including 4 in Hong Kong), 1 store in the United States, and 14 in Korea. After opening a global flagship store in New York's Soho district in November 2006, UNIQLO opened another global flagship store on London's Oxford Street. We believe that the Chinese and Korean markets also have enormous growth potential and are moving forward aggressively with plans to open more stores in those markets, including large-format stores.

Online Store

UNIQLO offers merchandise at special prices 24 hours a day to customers in Japan via the UNIQLO Online Store.
http://store.uniqlo.com/jp/

Customer Service



We forward the opinions and requests that come from customers via telephone, postcard, and e-mail to the proper departments and reflect these in improvements in products, stores, and services.

UNIQLO to Offer “What Everyone Always Wanted”

Topic 1: **World Designers Meet 100% Cashmere**

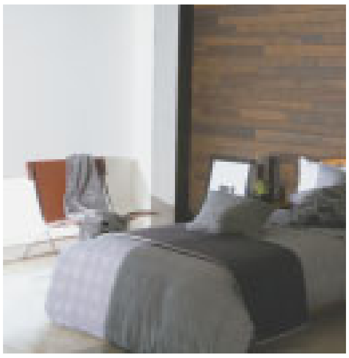
Focusing the World’s Creative Talent on UNIQLO Cashmere

UNIQLO is marking the fifth year since introducing its Cashmere Series. For the autumn and winter seasons of 2007, UNIQLO added some new touches to the luxury feel of its cashmere materials by focusing the world’s creative talent to offer an even more refined cashmere style. UNIQLO brought together the full forces of its global R&D Center designers, then added items created in collaboration with some of the world’s leading designers, including Adam Jones, Lutz and Patmos, and Keita Maruyama, to fully renew the image of the UNIQLO cashmere lineup—and create a buzz heard around the world.

Topic 2: **HOTELS HOMES**

A New Brand to Satisfy the Desire for Hotel-Style Amenity at Home

HOTELS HOMES is a new brand of home products, including towels, bedsheets, and shampoo, that only UNIQLO could create because of its unyielding insistence on quality in materials. The theme of the new brand series is “offering hotel quality,” and the HOTELS HOMES ensemble features body-care items made from natural oils without any additives, bedsheets and towels soft and gentle to the touch created from the best-quality materials, and other amenities. As we offer items essential for daily life, we are looking forward to growth of the new brand line.



Topic 3: **stylish white**

UNIQLO and TORAY Develop Pants That Captivate Women’s Hearts

Women often say they want “summer bottoms that are comfortable but also discreetly opaque.” UNIQLO has responded by creating its “stylish white” line of women’s pants. The stylish white bottoms, co-developed with TORAY in spring 2007 to respond to womens’ needs, are made of polyester yarn infused with a high-density ceramic material, then woven into fabric using a fine crimping process that yields a material that is virtually opaque and difficult to see through from the outside.

Japan Apparel Operations

Our Japan Apparel operations include CABIN, a retailer of women's apparel, G.U., a low-priced casual clothing retailer, and ONEZONE, a shoe retailer. We continue to tackle new markets, making use of the know-how UNIQLO has amassed as a Specialty Store Retailer of Private Label Apparel (SPA).

- **UNIQLO Operations**
  - **UNIQLO Japan**
    - UNIQLO CO., LTD.
  - **UNIQLO International**
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    - FAST RETAILING(CHINA)TRADING CO., LTD.
    - UNIQLO USA, Inc.
    - FRL Korea Co., Ltd.
    - UNIQLO HONG KONG, LIMITED
    - UNIQLO FRANCE S.A.S.
- **Japan Apparel Operations**
  - CABIN: CABIN CO., LTD.
  - g.u.: G.U. CO., LTD.
  - FOOT PARK: ONEZONE CORPORATION
  - VIEW COMPANY: VIEWCOMPANY CO.,LTD. (Listed on JASDAQ Securities Exchange, equity-method affiliate)
- **Global Brand Operations**
  - COMPTOIR DES COTONNIERS: Créations Nelson S.A.S.
  - PRINCESSE tam.tam PARIS: PETIT VEHICULE S.A.S.
  - LTH: LINK THEORY HOLDINGS CO.,LTD. (Listed on TSE Mothers, equity-method affiliate)

Japan Apparel Operations

ZAZIE Kurashiki AEON Mall store

CABIN Co., Ltd.

http://www.cabin.co.jp/

Working to strengthen operations as a wholly owned Group subsidiary

CABIN's brands—ZAZIE, Real Riche, and enraciné—make it popular among a broad spectrum of women. The ZAZIE brand brings elegance to everyday fashions, the Real Riche brand targets working women, and the enraciné brand offers casual wear for relaxed settings.

History

Originally established in 1971, CABIN pioneered the SPA approach in the women's apparel business in Japan and grew rapidly in the 1970s, with annual sales reaching ¥65.7 billion in the fiscal year ended February 1992. While annual sales have trended downward since then, in fiscal 2007, CABIN recorded sales of ¥21.7 billion and drew a wide array of women to the 211 stores it operates in Japan.

In August 2007, FAST RETAILING raised its ownership stake in CABIN and made the retailer a wholly owned subsidiary. While drawing on the best of CABIN's intrinsic strengths as an SPA pioneer in women's apparel, FAST RETAILING will also actively apply its management resources and know-how to further strengthen CABIN's operating foundation.

Products

The ZAZIE brand brings elegance to everyday fashions. The Real Riche brand, targeted at independent-minded working women, is a stylish apparel line with pieces suitable for workplace settings as well as for holidays and weekends. Its autumn/winter 2007 collection features simple but stylish items, centering on fresh takes on the layered knit basics; glamorous, colorful coats; authentic trench coats with chic details; and smart-looking modern classics in black. This collection offers businesswomen items that are feminine but also practical. Taking its inspiration from natural French fashion, the enraciné line of casual wear is comfortable enough to wear at home and other relaxed settings and comes in fun and trendy styles that steer clear of the cutting edge.


Yokohama LaLaport enraciné store

Growth Strategy

We have launched programs to rebuild CABIN's mainstay brands—ZAZIE, Real Riche, enraciné, and ê.a.p. The basic concept behind each brand has been clearly spelled out, and we are working to strengthen aspects of product development, such as design and the selection of fabrics and other materials. We are also sending people from our domestic UNIQLO operations with expertise in marketing, merchandising, and store operations to help CABIN make changes that will further solidify its business foundation. CABIN operated 211 stores in Japan as of the end of August 2007.

Real Riche

G.U. CO., LTD.

http://www.gu-japan.com/

g.u.

Good quality at accessible prices—fun casual wear that offers freedom of choice

With an extensive range of variations at accessible prices, the g.u. brand of casual wear for the entire family offers everyone greater freedom to wear what he or she wants.

History

G.U. was established in March 2006 as a wholly owned subsidiary of FAST RETAILING and opened the first g.u. store inside the Daiei Minami Gyotoku store in October 2006. After opening 25 stores in the autumn/winter 2006 season, the subsidiary opened another 25 stores in the spring/summer 2007 season, for a total of 50 stores in operation. Our aim is to rapidly boost G.U.'s scale as a member of the FAST RETAILING Group by applying the experience gained through our UNIQLO operations, including know-how in store operations, product development, store development, and inventory control.

Products

Targeted mainly at families, the g.u. line appeals with low-priced products to a broad array of consumers. New products are introduced weekly with a wide-ranging selection, from trendy items for those looking for the latest styles that are easy to mix and match in stylish combinations as well as loose-fitting clothing that creates a relaxed silhouette.

Product development efforts will focus on women's fashions. For the 2007 autumn/winter season, we focused on leg fashions, drumming up interest with our new collection of g.u. leggings and tights 100.

The Kobe Harborland Bee's Kiss g.u. Store

Growth Strategy

G.U. has developed a network of 50 directly-managed run stores, most of which are located in the Kanto and Kansai metropolitan regions, as of August 2007. Plans in 2008 call for the development of store formats by opening stores in various venues and locations, such as shopping centers and roadside sites. Our aim in developing a product lineup that is low priced and fashionable is to ensure g.u. stores remain a popular destination for our customers.

ONEZONE CORPORATION

http://www.onezone.jp/

FOOT PARK

ONEZONE to create a new shoe retailing chain

With footwear for fun, relaxed lifestyles, FOOTPARK offers reasonably priced shoes of quality and utility for families.

History

ONEZONE's principal business is FOOTPARK, a specialty shoe retailing chain with a total of 330 stores throughout Japan. FOOTPARK stores stock an extensive range of footwear basics that emphasize performance and comfort but also feature fashionable touches.

ONEZONE became a wholly owned subsidiary of FAST RETAILING in March 2005. With the Group's full support, ONEZONE has moved forward since then with a reform program that encompasses everything from product planning and store strategies to operations and management systems.

Products

ONEZONE has chiefly sold shoes procured from footwear manufacturers, but from spring 2007 it began to increase the number of original footwear products made from selected materials and designs. Among them, women's flats and boots have become best-sellers at FOOTPARK stores as they appeal to women seeking comfortable footwear made from quality materials that come in up-to-date designs and colors. Another commercial success for FOOTPARK is a line of comfortable sport shoes it developed with uppers that repel water and inner linings made from a new moisture-wicking fabric called "Air Breath." ONEZONE seeks to offer new value in shoes going forward as its product development efforts add to its series of original footwear.

FOOTPARK Kichijoji Sunroad Store

Growth Strategy

With consumers shifting their shopping to large new commercial hubs, ONEZONE has started a reassessment of its network of roadside stores situated outside of major shopping districts. ONEZONE aims to improve the locations of its FOOTPARK stores by taking such steps as opening stores together with the FAST RETAILING Group. The FOOTPARK Kichijoji Sunroad Store, on a busy street in Tokyo opened in October 2007, has reported a robust sales performance. In product development, ONEZONE will step up efforts aimed at increasing its collection of original products.

VIEWCOMPANY CO.,LTD.

http://www.viewcompany.net/

Nationwide retailer specializing in women's footwear

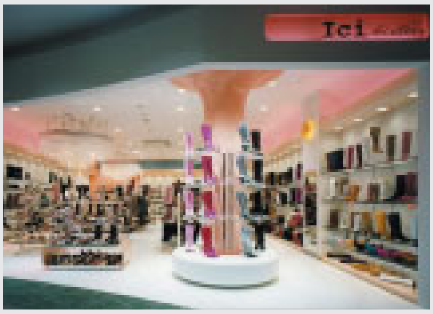
The [vju:] store appeals to women from teens to those in their 30s and 40s with affordable prices; the COO ICI store targets women in their early 20s with an extensive selection.

History

Founded in 1961, VIEWCOMPANY listed on JASDAQ (stock code: 3033) in April 2006, and in October of the same year formed an operating and capital alliance with the FAST RETAILING Group to strengthen its store operations and enhance its development of private-label products. The mainstay brand [vju:] stores chiefly stock an assortment of shoes targeting women in their teens through to their 30s and 40s. VIEWCOMPANY's nationwide network of 103 stores includes COO ICI stores, which are premised on the concept of creating a special place suited to whatever scenes women envision, and SHOES WORLD stores, which carry a broad array of footwear for families.

Products

VIEWCOMPANY stores are popular among a broad range of consumers thanks to their line of fashionable products at reasonable prices and the personalized service provided by store staff. In the fiscal year ended February 2007, natural brown leather strap Bandar Pumps, which are open and breathable like sandals but dressy enough for the workplace, sold especially well among women in their 20s and boosted sales. Likewise, Resort Sandals were well received by women in the 20s, 30s, and 40s, and contributed to sales. Of our offerings for the autumn/winter 2008 season, our ankle-high booties can be worn with miniskirts, jeans, and colorful tights, and have become a top seller. Another popular item is our Jockey Boots, which allow wearers to tuck their jeans snuggly into the boot opening.



ICI SISTERS Sakai Store

Growth Strategy

VIEWCOMPANY is working to improve its management efficiency by standardizing store operations, with the aim of building a resilient corporate structure in the face of mounting competition. Our aims are to provide customers with a friendly environment through the renovation of existing stores and increase the ratio of original products matching consumer needs through the use of market information from FAST RETAILING Group companies. We consider the fiscal year ending February 2008 to be the year of our "second founding," and in that spirit we are pressing ahead with business reform measures aimed at putting us on a new growth path.

Global Brand Operations

Our mission in Global Brand operations is to use the financial resources and business base of FAST RETAILING to nurture new international brands based on excellent concepts. Brands with global potential that we are developing in Europe, Asia, and the United States include COMPTOIR DES COTONNIERS, which offers a superb lineup of French casual wear, and lingerie brand PRINCESSE TAM.TAM.

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Sophie and her daughter Léa

Créations Nelson S.A.S.

http://www.meresetfilles.jp/

COMPTOIR DES COTONNIERS

Chic French brand COMPTOIR DES COTONNIERS ready to go global

COMPTOIR DES COTONNIERS is the French women's brand whose creative style and the mother and daughter campaigns have won over a large public. Each season, real duos from around the world embody the collection image.

History

The saga began in 1995 with the opening of two boutiques in Paris and Toulouse. The trade name COMPTOIR DES COTONNIERS referred to the natural fabrics, with a human dimension of exchange and proximity with the customers.

The brand developed its core values further in 1997, when the founder realized, dressing the shop window, that mothers and daughters often go shopping and spend enjoyable time together. When the COMPTOIR DES COTONNIERS presented its image embodied by real mothers and daughters, the concept quickly won a large following in France.

Overseas boutiques were opened, starting with European cities: first Barcelona, Madrid, and Brussels, then Berlin, London, Lisbon, and Milan. In the meantime, the brand established itself in Tokyo and Seoul.

Products

The collections reflect the image of the brand—authenticity, naturalness, and femininity. The clothes are designed so that the most sophisticated trends are reinterpreted to be constantly flattering.

Its preoccupation with detail and the desire to be different have also led the brand to develop exclusive prints and fabrics.

Since 2004, COMPTOIR DES COTONNIERS has increased its offer with not only a children's collection but also with a lingerie line and accessories. COMPTOIR DES COTONNIERS, moreover, offers a selection of Fair Trade products such as trainers by Veja – a Brazilian brand made in 100% natural materials by a cooperative of small producers.

Casting sessions are organized in every country where the brand is present, and are featured on the Website:
www.mothers-and-daughters.com


COMPTOIR DES COTONNIERS Boutique rue Pavée

Growth Strategies

With retail sales amounting to ¥24 billion, COMPTOIR DES COTONNIERS growth is due both to the increase in scope, or international development, and to the strong performance of the existing network. While optimizing the French network of 226 shops, the brand has developed in other European countries and in Asia, respectively, 59 and 29 points of sales (as of August 31, 2007). Since the first boutique in Tokyo in February 2006, 20 points of sale have been opened in Japan. The COMPTOIR DES COTONNIERS brand has recently launched children's, lingerie, and accessories lines and will continue to enhance its product offerings for further growth.

INTERVIEW

Creative Director of COMPTOIR DES COTONNIERS
Brigitte Comazzi

Q: What do you think is unique about the brand COMPTOIR DES COTONNIERS?

The brand is very original because it communicates with customers by having them identify with real mothers and daughters. For 10 years, COMPTOIR DES COTONNIERS has been illustrating the special rapport between mothers and daughters by selecting and featuring completely anonymous mother and daughter pairs, who display their close and easy relationship, in the brand's advertising campaigns. We are the only brand to communicate with real people, not with stars, nor with celebrities or models. When people look at our ads, they feel a very close identification since the link between mothers and daughters is authentic, human, and universal. I can almost hear them saying, "Oh, these mothers and daughters are like us." Those feelings of proximity and intimacy are very important for us.

Q: Are there any French or Parisian elements in the brand? How do you present the brand in other countries in Europe and Asia?

The Parisian look is natural, feminine, never showing off – never too much.

With a style that mixes the current trends with a constant simplicity, our collection embodies the charm and elegance of the "Parisian" chic for the contemporary woman. And I think that is what women from other countries like: the French touch.

Q: Tell us what is particularly great about COMPTOIR DES COTONNIERS clothes?

The preoccupation with details, refinement, and the desire to be different leads us to develop exclusive prints and fabrics. The cuts are sophisticated, finishes are meticulous, and the style always reflects the latest trends.

Q: What do you believe were the keys to the success of the 2007 collections?

The collections were more feminine. The dresses demonstrated their strengths with new proportions. We worked on more contemporary silhouettes introducing, for example, new volume and fullness for coats and created successful prints. We highlighted some garments with touches of colors. Some looks went on also to express new, chic basics.

Q: As a creative director, have you changed anything?

I brought more feminine, fashionable elements to the collections and more diversity, with new silhouettes, fabrics, or color range while building naturally on the brand's fashion "code." The most sophisticated trends are reinterpreted so as to be constantly in line with our image.

Q: How do you capture the trends, and where does your inspiration come from?

You need to look at the customers, at people on the street, TV, books, cinema, everything. You need to be very open-minded and curious. We travel a lot to feel the trend in the United States, Japan, or Europe. We also have a good relationship within the design team; we speak a lot, exchanging different points of view. So, inspiration is everywhere.

PETIT VEHICULE S.A.S.

httpwww.princessetamtam.com/

PRINCESSE tam•tam
PARIS

PRINCESSE TAM.TAM to offer women lingerie with dreams, spirits and freedom

Stylish and innovative, the French-born lifestyle brand PRINCESSE TAM.TAM cares less for the rules of the lingerie market than for fashion and creativity. Making a statement in support of free feminity, this affordable luxury brand aims for the world market.

History

Twenty-two years ago in France, lingerie was either functional or "sexy," mostly in knitted fabrics. Madagascar born and raised, bright colors and perfume of the southern island still in mind, Loumia and Shama Hiridjee surprised Parisians with their colorful, printed bras in woven fabrics.

In 1985, PRINCESSE TAM.TAM presented its first collection in a prêt-à-porter show. Immediate orders from major department stores followed. In 1987, PRINCESSE TAM.TAM opened its first shop in Montparnasse. In the 1990s, the brand launched lines of homewear and swimsuits.

The developer of the PRINCESSE TAM.TAM brand, PETIT VEHICULE, became a FAST RETAILING subsidiary in February 2005.

Products

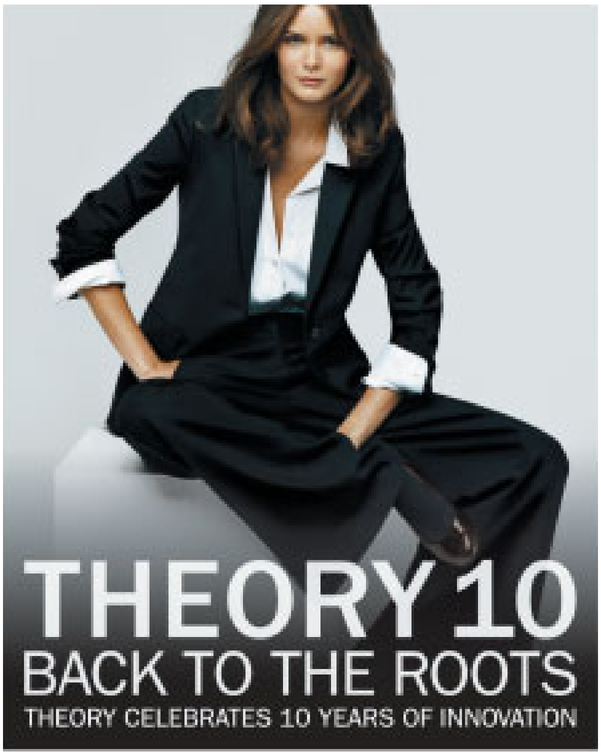
PRINCESSE TAM.TAM has diversified its products into three coordinated lines of lingerie, homewear, and swimwear. Innovations involve all aspects of the product, fabrics, designs, and patterns to accessories and prints. PRINCESSE TAM.TAM designs all its collections in-house.

While innovative and fashion-conscious, the product also reflects the artisanship of lingerie manufacturers in France. Fabrics and supplies are selected from well-known European manufacturers with production bases in the Mediterranean region, the Indian Ocean region, and Asian countries.

PRINCESSE TAM.TAM Boutique rue Bonaparte

Growth Strategies

PRINCESSE TAM.TAM has its own network of 131 directly operated shops mainly in France as of June 2007. The products are being sold through major department stores, such as Galeries Lafayette and Printemps. Outside France, the brand has built a presence in 45 countries through a combination of 1,500 distributors, including such department stores as Harrods, Selfridges, La Rinascente, and Neiman Marcus, and an international network is expanding, in Europe, Russia, the Middle East, and the Indian Ocean region.



LINK THEORY HOLDINGS CO.,LTD.

http://www.link-theory.com/

LTH

Born in New York and adorning the life scenes of today's women

Theory is a brand that began life in New York and offers a style springing from the concept of "new basic," which features second-to-none comfort and a sophisticated look, with a touch of the trendy.

History

The Theory brand moved into the ranks of global brands almost immediately after its inception in New York in 1997. Theory became widely known in Japan in 1999 when Andrew Rosen, Theory's founder, and his longtime friend Ricky C. Sasaki, now the CEO of LINK THEORY HOLDINGS CO.,LTD. (LTH), introduced the brand to the domestic market through Link International Co., Ltd., which is now LTH. In 2003, LTH acquired the U.S.-based Theory LLC., which held the brand's licenses. This acquisition opened the way for LTH to establish a global business franchise for the Theory brand.

FAST RETAILING took its equity stake in January 2004, and LTH subsequently listed on the Tokyo Stock Exchange's Mothers market in June 2005.

Products

The Theory brand, conceived in response to the needs of contemporary women, embodies a modern sensibility without sacrificing comfort. Theory's easy-to-wear pieces use high-quality stretch fabrics to create a flattering fit and a beautiful silhouette. Offering utility that suits women living in today's world, the Theory brand is widely acclaimed for collections that are attuned to the diverse lifestyles of contemporary women.

The theme of Theory's collections for 2007 was "THEORY 10: BACK TO THE ROOTS." Featured items that go back to Theory's roots were basics whose essence has not changed since its birth a decade ago; Theory's collections continue to appeal to many women that love fashion.


Theory Paris store

Growth Strategy

Already a leading brand in the contemporary market in Japan and the United States, Theory is working to strengthen its foundation in Europe. LTH set up a Theory marketing office in London in 2007 and opened a directly-managed store in Paris. The aim is to attain sustainable growth by improving efficiency in the U.S. and Japanese markets and accelerating the growth of LTH's European operations. LTH is developing brands such as Helmut Lang and Premise as follow-ups to Theory to become a global enterprise and a leader in the contemporary market.

Corporate Social Responsibility

Making the World a Better Place

We at FAST RETAILING seek to enrich people's lives around the world by continuing to innovate the way we do business in the apparel retail industry.

As a modern company contributing consistent value to the world today, we strive to manage our firm correctly. We aim to grow along with and not at the expense of society, and to help formulate the global standards of the future. We aspire to make the world a better place!

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What You May Not Need, Someone Else Does

UNIQLO's Clothes Recycling Expanded from Fleeces to All Products

The first items UNIQLO began to recycle were its fleeces. These items were widely used and loved by UNIQLO customers, but, when they were no longer needed and discarded, they place a burden on the environment. Determined to address this problem seriously, UNIQLO began fleece-recycling activities.

Beginning in September 2006, these recycling activities, which began with fleeces, have been expanded to include "all products sold in UNIQLO stores." Recycling campaigns are held every year in March and September at UNIQLO stores.

Most Items Received from Our Customers Can Still Be Worn

Under UNIQLO's recycling campaigns, customers are requested to bring used clothing to UNIQLO stores. In September 2006, about 140,000 items were collected for recycling, and this figure expanded to 300,000 items in March 2007 and then to 430,000 in September 2007. About 90% of these items were still in wearable condition. We believe that the best way to respond to the goodwill of customers is to reuse the garments customers have left with UNIQLO for recycling.

We made inquiries at various international organizations and considered differing methods for making these items available for reuse. We learned that making garments available for reuse is more difficult than we had imagined, and had to solve a range of problems. These included providing for the costs of necessary storage, transportation, and distribution of the donated apparel items, making applications to the countries that would receive the items, the sorting and appropriate distribution of the garments, and the choice of partners to work with.

After discovering that there were many constraints, we finally found our way to the United Nations High Commissioner for Refugees (UNHCR). Apparel items are in short supply at refugee camps, and UNIQLO items are able to fill these needs. To provide for the temporary storage of the apparel items and transport, we secured the full cooperation of the Japan Relief Clothing Center, a non-profit organization.

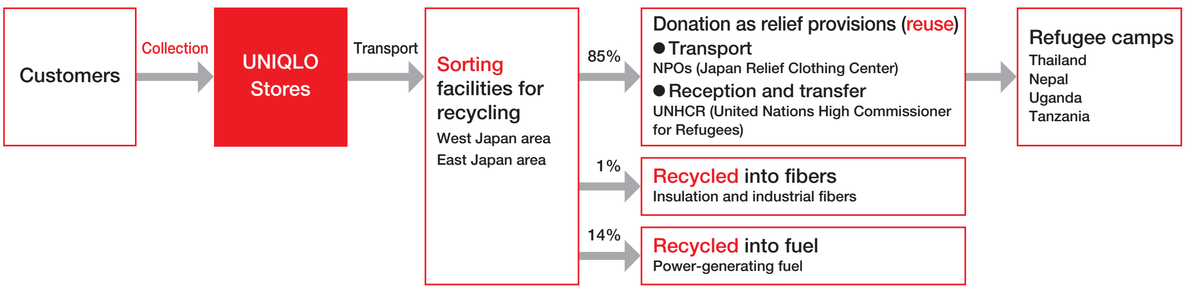
UNIQLO bore the full burden of a series of costs, including transportation expenses, warehousing costs, and the cost of sorting the apparel items into men's and women's and by season.

Items Delivered to Refugee Camps in Thailand, Nepal, Uganda, and Tanzania

Decisions on which refugee centers the apparel items would be delivered to were made in consultation with UNHCR, based on the level of urgency and need. As a result, the apparel items recovered in September 2006 were delivered to refugees in Thailand and Nepal (with deliveries actually made in February 2007). In addition, about 85% of the approximately 300,000 items recovered in the September recycling initiative were given to refugee camps in Uganda and Tanzania through UNHCR (with deliveries made in November 2007).

There was concern about the possible adverse impact on local apparel industries when the apparel items were stolen or delivered. For this reason, UNIQLO employees and the UNIQLO executive officer in charge of CSR went to the local areas to confirm that apparel supplied by customers was actually delivered to their destination.

Flow of UNIQLO All-Product Recycling



These recycling activities are being undertaken with the cooperation of many groups of people, including our customers, other corporations, NPOs, UNHCR, and the recipient countries.

Collection: Products that are no longer needed are directly collected from customers at UNIQLO stores.
Sorting: The products are sorted at two facilities in Japan into either reusables or recyclables.
Reuse: Reusable clothing is donated to refugees as relief provisions in cooperation with the UNHCR and NPOs.
Recycling: Depending on the material recyclable clothing is used as fuel for electric power generation or as material for new fiber products.

Kazuhiro Nitta, Vice President in charge of CSR, presents garments directly to refugees in a camp in Nepal.
Nitta says, "Speaking with the refugees, I had opportunities to rethink the role clothes play in people's lives—keeping peace of mind and making life cheerful. For UNIQLO to continue this initiative is for us to keep learning about life and people."

CSR Policy

Our Standard for CSR Activities: "Is It Good for Society?"

Our Approach

We believe the ultimate goal of CSR activities is to change the world for the better. Companies fulfill their social responsibilities by creating value through their business, making profits and paying taxes, and maintaining employment. Corporate responsibilities also include the proper allocation of earnings to shareholders, partners, employees, and management. Morever, we believe truly global companies should look beyond national borders and ethnic identities and consider how they can better contribute to those who suffer from international disputes, catastrophes, and other circumstances beyond their control.

In our day-to-day business activities, we constantly ask ourselves: "Is it good for society?" FAST RETAILING always considers this before taking action.

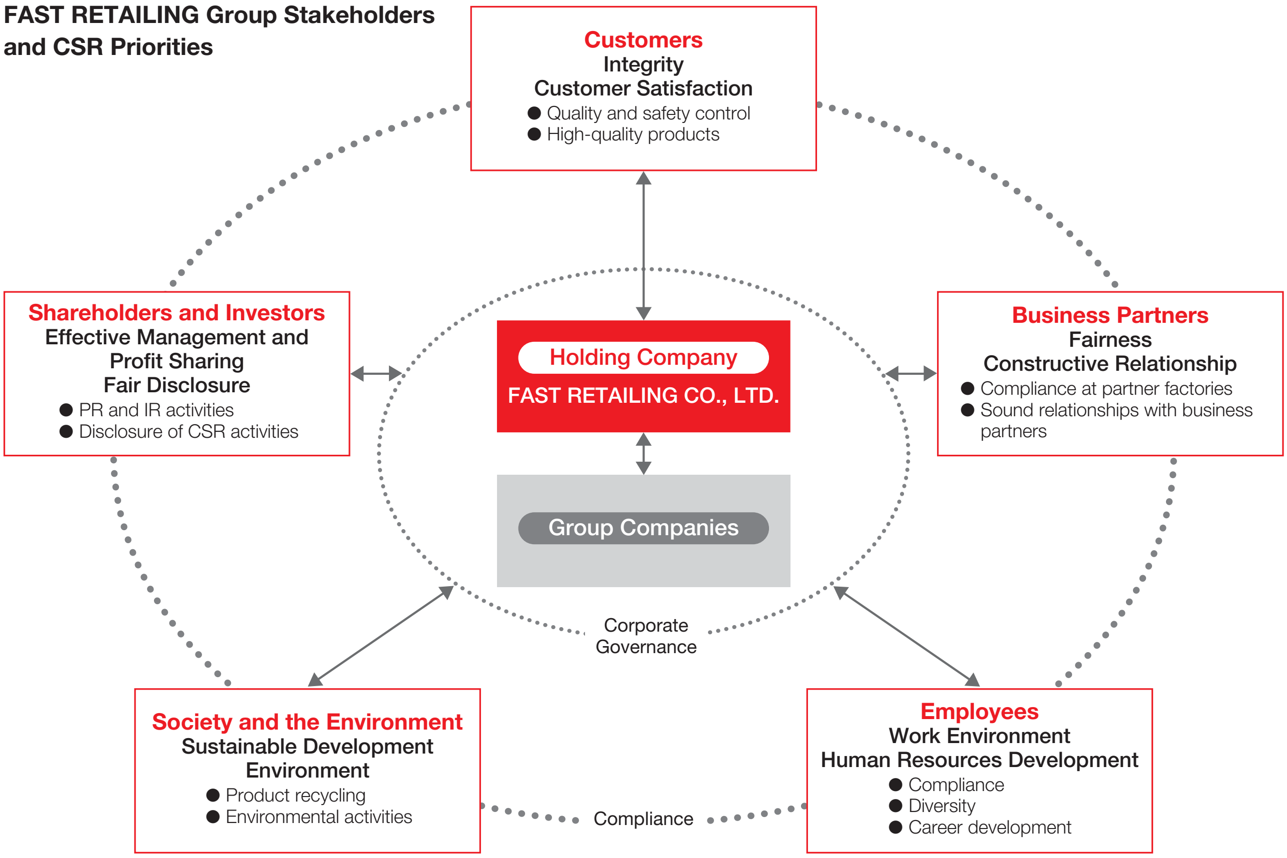
Promoting CSR Activities

To promote CSR activities, in November 2005, FAST RETAILING formed the CSR Committee on a Groupwide basis. This committee meets every other month and is chaired by the vice president in charge of CSR. Members include external directors, the CEO, other officers, and influencers from outside the Group. The committee is responsible for clarifying the priorities for CSR activities (see below) and discussing such issues as compliance, diversity, quality and safety management, the environment, and community service.

In 2006, we issued our first CSR Report 2006 and distributed it to all employees to enhance their understanding of CSR activities. We believe this report can serve as a tool to ensure proper disclosure and improve our communication with our stakeholders.

You can access our CSR report on our Website at:
http://www.fastretailing.com/eng/csr

FAST RETAILING Group Stakeholders and CSR Priorities



Compliance in Decision Making and Business Processes

Our Code of Conduct

In September 2004, FAST RETAILING set its Code of Conduct (CoC) and introduced it to all employees. As our business activities have become global in scope, we have also prepared English, Chinese, Korean, French versions in addition to the original Japanese-language version, and, as of the end of fiscal 2007, all Group companies* had adopted our CoC. We conduct training for employees to confirm the CoC once a year.

*Excluding equity-method affiliates

Compliance Hotline (Reporting/Counseling)

In case employees have concerns about their work or become concerned about violations of the CoC, we have established a hotline to allow them to report their concerns and provide information as well as receive counseling on a confidential basis. All employees can use this hotline and receive advice from external legal counsel. Reports and the content of advice are kept in strict confidence, and, when necessary, the CoC committee decides on appropriate measures in response.

Guidelines to Prevent Improper Behavior Based on Superior Positions

FAST RETAILING believes that it must take the initiative in ensuring that it does not misuse its superior bargaining position. UNIQLO in particular, which has 790 stores around the world and orders large volumes of merchandise, is believed to be in a position to easily use its superior bargaining position against its partners. For this reason, UNIQLO established its Business Ethics Committee in 2004 and has prepared Guidelines to Prevent Improper Behavior Based on Superior Positions. UNIQLO conducts periodic surveys to determine whether its employees are exerting improper pressure on its principal partners in Japan and overseas. The committee then gives guidance to units that appear to have problems in this area.

Code of Conduct for Production Partners

UNIQLO emphasizes compliance throughout its supply chain. With this in mind, in 2004, UNIQLO prepared a “Production Partner Code of Conduct” for its approximately 70 principal production factories overseas, principally in China, and designated those factories that signed a pledge to abide by this CoC as its partner factories. At these facilities, a third party monitors activities, with the aims of protecting the human rights of the people employed by these factories and improving their response to environmental issues.

If, as a result of monitoring activities, certain workplaces receive a classification of C (deficiencies in labor contracts, working hours, or other matters) or D (use of child labor or forced labor), UNIQLO visits these factories and provides advice. Factories that fail to receive ratings of A or B after their second monitoring are subject to cutbacks or the suspension in transactions.

Quality and Safety of UNIQLO Products

UNIQLO has formed quality and safety control teams in its Japan and Shanghai offices. They are responsible for confirming that all products meet UNIQLO’s internal standards for product quality and safety and for responding to customer inquiries regarding quality.

Japan Industrial Standards (JIS) specifications have been adopted for all apparel products sold in Japan, and systems for inspection and supervision are in place to check on whether products meet UNIQLO’s even stricter quality and safety standards. In addition, since safety criteria outside Japan vary from country to country, UNIQLO has established quality and safety standards that meet the standards of each country and has established systems for strict inspection and supervision. Samples of all materials used in UNIQLO products are subjected to inspections for safety (including inspections for the fastness of dyes, formalin, and other substances) by third-party public inspection agencies and other organizations. In addition, various inspections are carried out in the production and distribution stages.

In the event that problems related to products are discovered, the safety of customers is confirmed, and investigations are conducted on the causes of these problems. Depending on the circumstances, UNIQLO may conduct recalls or suspend sales and production. In addition, UNIQLO discloses related information to its customers through its Website, newspapers, and other media.

Testing for formalin conducted at partners’ factories

Creating Work Environments with People from Diverse Backgrounds

Promoting Diversity

As part of its commitment to promoting diversity, UNIQLO inaugurated its Female Store Manager Project. This project offers support for long-term career building to UNIQLO's female store managers, who account for about 20% of all UNIQLO store managers in Japan. In addition, UNIQLO publishes a magazine entitled style that highlights the activities of female employees and holds a "Women's Forum" conference periodically on the theme of career development for women. Male supervisors and other male employees are invited to these conferences, and they stimulate a lively exchange of opinions.

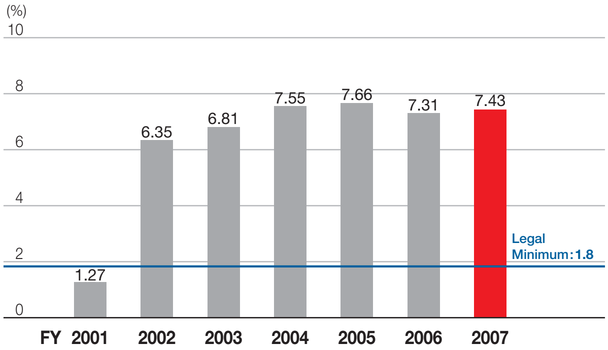
Improving "Work/Life Balance"

One of UNIQLO's main aims is to create an environment where employees can work with ease and feel secure, and in keeping with this, there is a system in place that allows time off for child-rearing and caring for sick family members as well as a consulting function for mental health care. In the Tokyo Office, Tuesdays through Fridays each week are "no overtime days," and there is a cap on overtime hours per month at UNIQLO stores. UNIQLO has initiated a program to promote a good work/life balance that includes encouraging the use of allotted vacation time.

Employment of Persons with Disabilities

Beginning in 2001, UNIQLO has adopted a goal of having at least one worker with disabilities on the staff of each of its stores, thus providing UNIQLO staff with opportunities to work with team members from diverse backgrounds. As of June 2007, 7.43% of UNIQLO employees have disabilities, thus making UNIQLO one of the leaders of such initiatives in Japan among companies with 5,000 or more employees. These initiatives have been recognized, and in June 2007, UNIQLO received the "Award for Supporting Re-Challengers" from Japan's Cabinet Office.

Employment Ratio of Persons with Disabilities



Note: The employment ratios for the years through 2006 are as of March 31 of each year; the employment ratio for 2007 is as of June 1, 2007.

Regional Regular Employee Program

Beginning in April 2007, UNIQLO introduced a program for regular employees that allows them to be employed in a specific region and not be subject to rotation among different areas. This program is targeted at capable employees who otherwise would not aspire to become regular employees because of the issues that regional job rotation would pose for their personal lives and it provides them with opportunities for a fuller work life. As of September 2007, about 1,900 persons had become regional regular employees, and UNIQLO is scheduled to provide this status to about 5,000 employees by the end of March 2009.

Chizuru Takeda of the Ginza Store Comments:

"The regional regular employee program has definitely raised my motivation."

"I joined UNIQLO as a part-time employee, but took advantage of this new program to become a regular, permanent employee. I thoroughly enjoyed serving customers but wanted to move to a more-responsible position. My motivation went way up when I became a permanent staff, and I told myself I'm going to give it all I got!"

Serving Communities in Ways Only an SPA Enterprise Can

Energy Conservation in UNIQLO Stores

UNIQLO conducts a range of activities to conserve energy and resources in its stores. These activities began in 2003 with a 10% reduction in electric power usage and this was followed by success in making a 10% cut in 2006 in the use of cardboard for transporting products to UNIQLO retail stores and an approximate 10% reduction in 2007 in shopping bag raw materials through the use of lighter, polyethylene materials. In October 2007, UNIQLO implemented its Environmental Policy and Environmental Guidelines. Looking ahead, UNIQLO is moving forward with initiatives that will make more specific reductions in the burden its activities place on the natural environment.

Emergency Disaster Relief

Based on customer views that UNIQLO should supply goods to assist refugees and people victimized by natural disasters, in 2001 UNIQLO began to provide clothing and make donations to people living in regions plagued by conflicts and the effects of natural disasters.

Support for the Special Olympics

The Special Olympics is an international sports organization that provides opportunities to persons with intellectual disabilities for training and participation in games and competitions. UNIQLO became an official partner offering support for these activities beginning with the Special Olympics Nippon in 2002. UNIQLO personnel participated as volunteer staff members at the Summer National Games Kumamoto in November 2006, and UNIQLO donated about 3,000 uniforms to the Japan national team participating in the 2007 World Summer Games Shanghai in October 2007.

Initiatives to Recycle All Products

In September 2006, UNIQLO launched a program to provide customers the opportunity to recycle all the products sold in its stores. UNIQLO now implements programs to recover such goods at its stores in March and September each year. Since the beginning of this program, items recovered have been as follows:

Apparel items collected (estimates):	September 2006	140,000
	March 2007	300,000
	September 2007	430,000

Note: For further details on Recycling Initiatives, please refer to pages 36 and 37.

Support for the Setouchi Olive Foundation

The Setouchi Olive Foundation engages in the planting of olive trees on the islands in Japan's Seto Inland Sea, including Teshima Island, where illegal dumping of industrial waste, the extraction of sand and other soil deposits, and harmful gas emissions have damaged the beautiful natural environment of the area.

UNIQLO endorses the activities of the foundation and has supported its activities by placing donation boxes at all its stores throughout Japan since 2001 and matching the funds collected at its stores with its own contributions to the foundation.

Through the UNIQLO Volunteer Club, a total of 200 FAST RETAILING employees have participated in the planting of olive trees as of October 2007. Participants in these tree-planting activities have included personnel from UNIQLO stores nationwide, Head Office employees, and operating officers. Residents of Teshima Island spoke to participants about the history of environmental pollution on the island and related problems, and these activities provided those involved with an opportunity to experience environmental issues firsthand.

Planting olive trees

- **Number of trees planted: 57,144**
- **Total donations received from customers: ¥103,637,519**

As of November 2007.

Financial Section

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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					
	2007	2006	2005	2004	2003	2002
For the year:						
Net sales	**¥ 525,203**	¥ 448,819	¥ 383,973	¥ 339,999	¥ 309,789	¥ 344,171
Operating income	**64,963**	70,355	56,692	63,954	41,308	50,418
Net income	**31,775**	40,437	33,884	31,365	20,933	27,851
ROE (%)	**13.6%**	19.7%	19.7%	20.8%	15.9%	23.2%
Per share data (yen):						
Net income	**¥ 311.98**	¥ 397.38	¥ 331.99	¥ 304.92	¥ 203.05	¥ 269.54
Diluted net income	**—**	397.26	—	—	—	—
Net assets	**2,357.79**	2,240.77	1,791.61	1,583.67	1,378.58	1,215.43
Cash dividends:						
Adjusted	**130.00**	130.00	130.00	115.00	55.00	55.00
Unadjusted	**130.00**	130.00	130.00	115.00	55.00	90.00
Dividend payout ratio (%)	**41.7%**	32.7%	39.0%	37.7%	27.1%	20.4%
Net cash provided by (used in) operating activities	**¥ 18,847**	¥ 57,477	¥ 15,398	¥ 44,120	¥ 35,768	¥ (19,361)
Net cash used in investing activities	**(28,783)**	(41,907)	(16,823)	(20,730)	(10,118)	(9,927)
Net cash provided by (used in) financing activities	**(12,759)**	1,932	(14,854)	(8,677)	(10,179)	(20,431)
Depreciation and amortization	**6,567**	5,364	3,681	2,737	2,364	1,942
Capital expenditures	**26,441**	16,261	11,649	11,220	11,633	11,020
At year-end:						
Cash and equivalents	**¥ 119,216**	¥ 141,404	¥ 121,061	¥ 136,461	¥ 123,733	¥ 107,263
Total assets*1	**359,770**	379,655	272,846	240,897	219,855	210,922
Total net assets*1	**243,283**	240,480	182,349	161,434	140,505	123,632
Equity ratio (%)	**66.7%**	60.1%	66.8%	67.0%	63.9%	58.6%
Interest-bearing debt	**24,429**	22,774	6,185	52	—	5,809
Debt-equity ratio (%)	**10.0%**	9.4%	3.4%	0.0%	—	4.7%
Other data:						
Number of shares outstanding	**106,073,656**	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656
Total number of stores	**1,828**	1,632	1,232	655	622	585
Directly-managed stores in Japan	**[1,233]**	[1,093]	[775]	[635]	[582]	[558]
Directly-managed stores overseas	**[247]**	[196]	[157]	[9]	[26]	[15]
Franchise stores	**[348]**	[343]	[300]	[11]	[14]	[12]
Total sales floor space (m^2)	**664,625m^2**	549,851m^2	437,196m^2	363,901m^2	335,849m^2	305,504m^2
Number of full-time employees*2	**6,514**	3,990	2,668	1,782	1,776	1,853

*1 Beginning with the fiscal year ended August 31, 2006, minority interests have been included in net assets.

*2 Beginning with the fiscal year ended August 31, 2007, the number of entrusted operating officers has not been included in the number of full-time employees.

Management's Discussion and Analysis

1 Operating Environment and Management Strategy

During fiscal 2007, ended August 31, 2007, the Japanese economy was supported by improvement in employment accompanying gains in corporate performance and the rising trend in capital investment. The effects of these positive developments finally began to have a moderately favorable impact on the household sector. However, in the apparel industry, along with the foreseen trends toward demographic aging of the population and the decline in the population, since the number of persons in the younger age categories, who are major purchasers of apparel, is decreasing and the ratio of disposable income spent on apparel and footwear is declining, the market as a whole is expected to continue to shrink. For this reason, the intensely competitive, "survival of the fittest" conditions in the market are expected to continue.

Amid this operating environment, to sustain growth, the FAST RETAILING Group made the transition to a holding company structure in November 2005 and began to implement business reforms centered especially on refocusing on entrepreneurial values, promoting globalization, and strengthening Group management. By "refocusing on entrepreneurial values," we mean to make certain that a corporate culture takes root that emphasizes high growth and a spirit of innovation and challenge, while rejecting the tendency to take it easy now. "Promoting globalization" means taking a global perspective in all of our activities, including products, operations, human resources, and management, while, at the same time, undertaking full-scale expansion into overseas markets. "Strengthening Group management" means taking full advantage of the possibilities of the new holding company structure form of organization and entering related growth businesses through M&A and setting up new enterprises. We also mean realizing synergies with UNIQLO CO., LTD., and maximizing the value of the Group as a whole.

Based on these business policies, in our mainstay UNIQLO operations, we have located R&D centers in Tokyo, New York, Paris, and Milan that draw on the capabilities of top-level personnel from around the world, and they are moving forward with product development. In addition, working with TORAY INDUSTRIES, INC., Kaihara Co., Ltd., and other strategic partners, we are jointly developing fabrics and undertaking other activities that are further raising the level of quality of and differentiating UNIQLO products.

In our store opening strategy, we are implementing a program to "scrap" our smaller-format stores with about 500 square meters or less of sales space and aggressively replacing them with larger stores. Regarding store locations, along with our suburban freestanding roadside stores, which have been the standard format thus far, we are locating new stores in urban areas, large shopping centers, key transportation stations, and other high traffic locations, and we are carefully monitoring their sales and profit performance as well as their potential for growth. We are placing particular emphasis on opening large-format stores with about 1,600 square meters of sales space, which are about twice the size of previous standard stores (which have between 700 square meters and 800 square meters of sales space). In 2007, we also opened a new store in Kobe's Harborland district and in Tokyo's Setagaya Chitosedai area, with 3,300 square meters of sales space.

Overseas, in November 2006, we opened a global flagship store in New York's trendy Soho district with about 3,300 square meters of sales floor space. Similarly, in December 2006, we opened our largest store in Asia outside Japan in the Pudong district of Shanghai. This new store has offered top-level products, shop space, and services, thus making a major contribution to increasing the brand awareness and brand power of UNIQLO.

In the UNIQLO Japan operations during the fiscal year under review, our campaigns to promote products suited to the season were effective. As a result of the strong performance of skinny jeans and other "bottoms" apparel, sales per customer rose, thus contributing to higher sales at existing stores. Also, along with the rise in directly-managed stores, sales overall showed an increase. However, because of the decline in gross margins, owing to the clearance sales because of unseasonable weather conditions and other factors, and the increase in advertising costs for building brand power, profit declined.

UNIQLO International operations reported excellent performances in mainland China, including Hong Kong, and

Number of Stores by Business

	2007			2006	2005
	End Aug.	Open	Close	End Aug.	End Aug.
UNIQLO	**787**	92	55	750	693
UNIQLO Japan:	**748**	76	48	720	679
Directly-managed	**730**	75	48	703	664
Franchise	**18**	1	0	17	15
UNIQLO International:	**39**	16	7	30	14
U.K.	**11**	4	1	8	6
China	**9**	2	0	7	8
U.S.	**1**	3	6	4	—
South Korea	**14**	4	0	10	—
Hong Kong	**4**	3	0	1	—
CABIN	**211**	28	18	201	—
G.U.	**50**	50	0	—	—
ONEZONE	**332**	21	19	330	329
ASPESI	**12**	5	0	7	—
COMPTOIR DES COTONNIERS	**305**	64	3	244	200
PRINCESSE TAM.TAM	**131**	33	2	100	—
TOTAL	**1,828**	293	97	1,632	1,232

Number of Directly-Managed Stores—UNIQLO Japan

	2007	2006	2005	2004	2003
Stores opened	**75**	84	69	81	76
Stores closed	**48**	45	31	36	53
Net increase	**27**	39	38	45	23
Fiscal year-end	**730**	703	664	626	581

Korea, and we were able to report sales almost twice as high as in the previous fiscal year in each of these areas and a movement into the black profitwise. Although we continued to report losses in the United Kingdom and the United States because of costs associated with the opening of global flagship stores, sales experienced steady expansion. For UNIQLO International operations as a whole, we reported a major increase in sales and a decline in losses.

Among Japan Apparel operations, G.U. CO., LTD., began opening stores for g.u., its new brand of low-price casual apparel in October 2006. Although G.U. showed losses initially, the number of stores reached 50 at the end of August 2007, and it is continuing to establish its business base. In August 2007, we succeeded in making a friendly takeover bid for CABIN CO., LTD., which is developing a chain of retail stores specializing in women's apparel, thus raising our voting ownership percentage from 51.7% to 96.9%. CABIN reported a slight loss for the fiscal year, because of a lackluster performance during its summer apparel campaign, but going forward, we will move ahead with our operational reforms to full capacity. ONEZONE CORPORATION, a Group company in the footwear business, is continuing to take initiatives to implement business restructuring as the operating environment in its sector remains severe. Also, in November 2006, we underwrote a third-party placement of shares for VIEWCOMPANY CO.,LTD., an enterprise in the women's footwear business (listed on the JASDAQ exchange), and that company joined our Group as a company accounted for under the equity method.

In our Global Brand operations, performances of Créations Nelson S.A.S., a company developing the COMPTOIR DES COTONNIERS French casual brand in Europe, and PETIT VEHICULE S.A.S., a company developing the PRINCESSE TAM.TAM line, a well-known French lingerie brand, both reported continued robust performances. These two companies have made major contributions to developing the Group's business base in Europe.

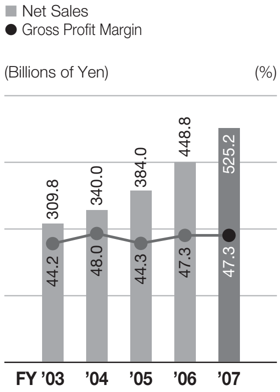
2 Results of Operations

In the fiscal year ended August 31, 2007, FAST RETAILING reported consolidated net sales of ¥525.2 billion, an increase of 17.0% over the previous fiscal year. Operating income amounted to ¥64.9 billion, 7.7% lower than for the prior fiscal year. Ordinary income was ¥64.6 billion, a decline of 11.7% year on year, and net income was ¥31.7 billion, 21.4% lower than for the previous year.

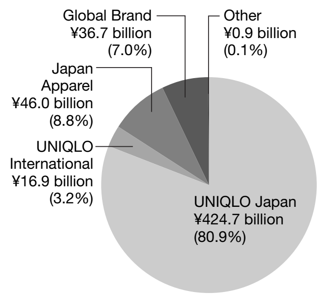
■ Consolidated Net Sales and Gross Profit

Consolidated net sales experienced double-digit growth in percentage terms and amounted to ¥525.2 billion, an increase of ¥76.3 billion (or 17.0%) year on year. The increase in net sales came from a ¥31.1 billion rise in sales of UNIQLO Japan, an ¥8.2 billion increase in sales of UNIQLO International, a ¥23.8 billion rise in sales of Japan Apparel operations (including sales of CABIN CO., LTD., which was newly consolidated for the fiscal year ended August 2007), and a ¥13.9 billion increase in Global Brand operations, including sales of the PRINCESSE TAM.TAM business, which were newly consolidated for the full fiscal year.

Net Sales and Gross Profit



Breakdown of Net Sales



Sales by Group Operation

Billions of Yen	2007	2006	y/y Change	% Change
UNIQLO Japan:				
Net sales	**¥424.7**	¥393.6	¥31.1	+7.9
Operating income	**64.0**	68.8	(4.8)	(7.1)
UNIQLO International:				
Net sales	**16.9**	8.7	8.2	+94.5
Operating loss	**(1.1)**	(1.4)	0.3	—
Japan Apparel Operations:				
Net sales	**46.0**	22.2	23.8	+107.0
Operating loss	**(3.5)**	(0.8)	(2.7)	—
Global Brand Operations:				
Net sales	**36.7**	22.8	13.9	+60.6
Operating income	**7.2**	4.6	2.6	+55.0

Sales by Product Category

	2007		2006	
	Millions of Yen	% of Sales	Millions of Yen	% of Sales
Men's clothing	**¥149,094**	**28.4**	¥155,462	34.6
Women's clothing	**135,341**	**25.8**	121,959	27.2
Children's clothing	**24,014**	**4.6**	22,944	5.1
Inner wear	**88,515**	**16.9**	66,361	14.8
Accessories	**20,394**	**3.9**	19,260	4.3
Subtotal	**417,359**	**79.5**	385,989	86.0
Franchise store, etc.	**7,342**	**1.4**	7,619	1.7
UNIQLO operations, total	**424,701**	**80.9**	393,608	87.7
UNIQLO International	**16,998**	**3.2**	8,737	1.9
CABIN	**21,770**	**4.1**	—	—
ONEZONE	**20,047**	**3.8**	21,467	4.8
COMPTOIR DES COTONNIERS	**24,267**	**4.6**	17,292	3.9
PRINCESSE TAM.TAM	**12,471**	**2.4**	5,456	1.2
Apparel-related business*	**4,269**	**0.8**	1,634	0.4
Other (Commercial facilities)	**678**	**0.1**	622	0.1
Net sales	**¥525,203**	**100.0**	¥448,819	100.0

*Apparel-related business includes sales of G.U. and ASPESI Japan.

Breakdown of SG&A Expenses

	2007			2006			2005		
	Millions of Yen	% to Sales	% Change	Millions of Yen	% to Sales	% Change	Millions of Yen	% to Sales	% Change
Personnel	**¥ 70,370**	**13.4**	**+34.6**	¥ 52,272	11.6	+25.6	¥ 41,620	10.9	+15.2
Advertising and promotion	**26,261**	**5.0**	**+18.1**	22,231	5.0	+9.8	20,246	5.3	+10.7
Rent	**43,453**	**8.3**	**+26.4**	34,377	7.7	+23.8	27,773	7.2	+8.4
Depreciation/amortization	**6,567**	**1.3**	**+21.4**	5,409	1.2	+122.3	2,433	0.6	+32.2
Others	**36,780**	**7.0**	**+32.4**	27,771	6.2	+29.0	21,524	5.6	+24.0
Total	**¥183,432**	**34.9**	**+29.1**	¥142,063	31.7	+25.1	¥113,598	29.6	+14.5

Gross profit rose ¥35.9 billion, to ¥248.3 billion. The gross profit margin was 47.3%, approximately the same as for the previous fiscal year, as a 1.1 percentage point decline in the UNIQLO Japan gross profit margin was offset by the contribution of high-margin Global Brand operations.

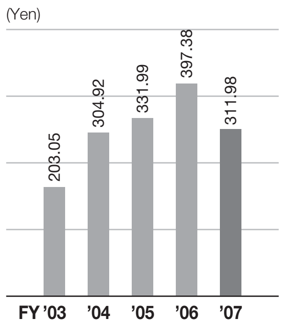
■ SG&A Expenses

SG&A expenses on a consolidated basis increased ¥41.3 billion, to ¥183.4 billion, and the ratio of SG&A expenses to consolidated net sales increased to 34.9%, compared with 31.7% for the previous fiscal year. This increase in expenses was due to a rise in the ratio of SG&A expenses to sales in the UNIQLO Japan operations, the consolidation of certain subsidiaries with high ratios of SG&A expenses to sales, and an increase in the amortization of goodwill.

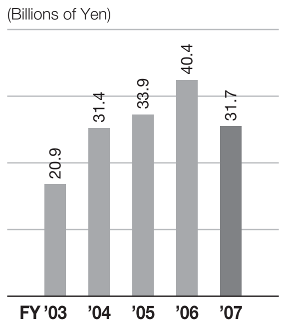
SG&A expenses in UNIQLO Japan in fiscal 2007 amounted to ¥128.6 billion (representing an increase of 12.7% year on year). This increase was generally at the level planned, but, as a result of a shortfall in sales compared with the plan, the ratio of SG&A expenses to sales increased. In addition to rises in expenses owing to expansion in employment, personnel, and advertising expenses incurred in connection with measures to strengthen the UNIQLO brand, rental costs rose along with the rise in the number of stores located in buildings in urban centers, shopping centers, and other locations.

The consolidation of certain subsidiaries with higher ratios of expenses to sales was also a factor driving the ratio of SG&A expenses to sales higher. These were CABIN and G.U., which were newly consolidated, PRINCESSE TAM.TAM business, which was consolidated for the full year, and consolidation of COMPTOIR DES COTONNIERS business, which has a higher expenses ratio and reported a substantial rise in sales for the fiscal year. In addition, amortization of goodwill rose ¥3.1 billion from the previous fiscal year, to ¥4.2 billion for the fiscal year under review. Of this total, amortization of goodwill in connection with the acquisition of Créations Nelson S.A.S. and PETIT VEHICULE S.A.S. together amounted to ¥3.8 billion, and amortization in connection with the purchase of CABIN shares for the fiscal year was ¥0.4 billion.

Earnings per Share



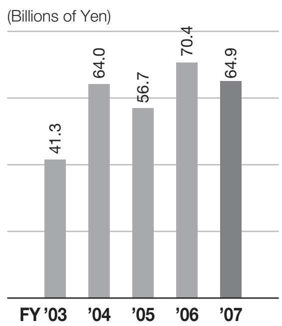
Net Income



■ Other Gains and Losses

Other gains amounted to ¥1.9 billion. The principal other items were a gain of ¥1.4 billion on the sale of certain fixed assets of CABIN and ¥0.2 billion resulting from the reversal of the allowance for doubtful accounts of ONEZONE. Other losses were ¥3.7 billion, consisting primarily of ¥1.1 billion in losses due to the removal of fixed assets and other losses incurred in connection with the closure of stores in the UNIQLO Japan and CABIN operations; ¥1.4 billion in losses due to the impairment of assets in the ONEZONE, CABIN, and UNIQLO USA; and ¥0.6 billion in the one-time amortization of goodwill accompanying the write-down of the value of VIEWCOMPANY stocks.

Operating Income



■ Net Income

Net income for fiscal 2007 amounted to ¥31.7 billion, ¥8.6 billion lower than for the previous fiscal year. Net income per share was ¥311.98, ¥85.40 below the level for fiscal 2006.

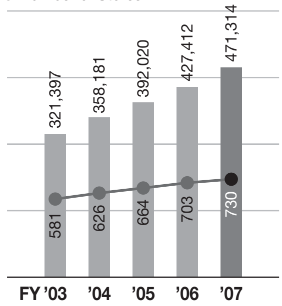
Results by Group Operation

UNIQLO Japan Operations

The UNIQLO Japan operations, which account for 81% of consolidated net sales, reported an increase of 7.9% in sales in fiscal 2007, to ¥424.7 billion. Factors contributing to this rise in sales were an increase of 27 in the number of directly-managed stores compared with the end of the previous fiscal

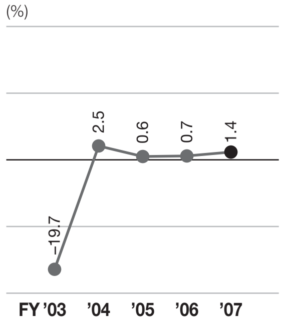
Number of Stores and Total Sales Floor Space (UNIQLO Directly-Managed Stores in Japan)

■ Total Floor Space (m^2)
● Number of Stores



Year-on-Year Sales Trend at Existing Stores (UNIQLO Stores in Japan)

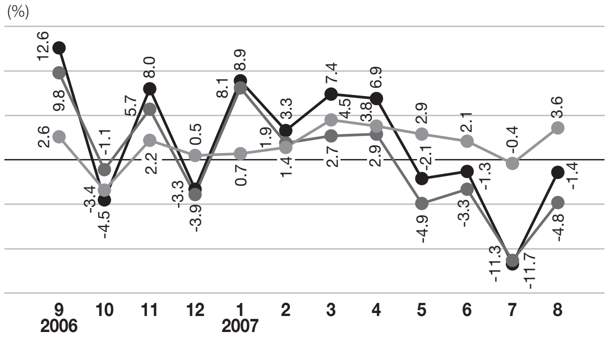
(%)



Year-on-Year Monthly Sales at Existing Stores in FY2007 (UNIQLO Japan)

● Sales ● Customer Numbers ● Average Purchase per Customer

(%)



year, an expansion in the sales area per store along with the implementation of UNIQLO's policy of opening of large-format stores, and growth of 1.4% in sales of existing stores. During fiscal 2007, UNIQLO opened 75 stores and closed 48, leaving a total of 730 directly-managed stores and 748 stores (including franchise stores) at the end of the fiscal year. Of this total number of stores, large-format stores with 1,600 square meters in sales space rose by 21. Also, as a result of UNIQLO's scrap and build strategy, the average sales space per store rose to 653 square meters, representing an increase of 7.2% from the previous year.

In the development of its store network, UNIQLO has taken initiatives since fiscal 2005 to open stores other than the standard suburban freestanding roadside stores. New stores have been situated in a greater variety of new locations and venues, such as urban centers, and have included large-format stores and specialized stores. With regard to location, during fiscal 2007, there was a rush to set up new, larger commercial outlets in the retail industry accompanying the revision of the three urban development laws governing store location and size, and UNIQLO responded to this development by aggressively opening new stores in shopping centers and urban commercial buildings with high levels of customer drawing power. Regarding roadside stores in urban areas, the new store located in Tokyo's Setagaya Chitosedai residential area reported a robust sales performance for the fiscal year under review. With regard to store venue and size, UNIQLO moved forward with the development of new stores suited to individual shopping areas, while adhering strictly to in-house standards. Store development focused on large-format stores with 1,600 square meters of sales space, standard stores with sales space ranging from 700 square meters to 800 square meters, and smaller stores with about 160 square meters located inside railway stations and other high-traffic locations. In addition, in April 2007 UNIQLO refurbished its store in Tokyo's fashionable Harajuku district and opened a new "UT STORE HARAJUKU" specializing in T-shirts.

UNIQLO has positioned large-format stores as its growth driver, and, since opening the first of these in the Shinsaibashi area of Osaka in October 2004, had opened a total of 7 such outlets through the end of August 2006, and the number grew to 28 through August 2007. Before beginning to open large-format stores, UNIQLO had expanded by concentrating on standard store locations handling standard merchandise and providing standard services; however, along with the movement to open large-format stores, UNIQLO has been able to expand the in-store inventory of colors and sizes of best-selling items and expand sales space for women's items, which are expected to be a higher-growth area.

During fiscal 2007, sales of existing outlets rose 1.4% over the previous fiscal year. Although the number of customers decreased 0.2%, overall sales rose because of an increase in sales per customer of 1.5%. The number of customers in the second half of the fiscal year was down 3.5%, but this was because of unseasonable weather conditions from the latter half of May onward, which resulted in a lackluster performance during the summer season. The rise in sales per customer was due to expansion in sales of denim products, such as skinny jeans, which resulted in an increase in average product prices.

The gross profit margin of the UNIQLO Japan operations decreased 1.1 percentage points, to 45.4%. The principal reason for this decline was an increase in discount sales of inventories owing to the unusually warm winter weather in the first half of the fiscal year. In the second half, we strengthened our numerical monitoring functions to adjust the balance among production, sales, and inventories and thus gained control over the gross profit margin.

UNIQLO International Operations

During the fiscal year ended August 31, 2007, UNIQLO International operations posted sales of ¥16.9 billion, almost twice the level for the previous fiscal year. With the opening of global flagship stores in the United Kingdom and the United States, expenses are continuing to run ahead of sales resulting in losses, but operations in mainland China, including Hong Kong, and Korea are posting smooth performances and reporting profits. As a result, UNIQLO International operations as a whole reported a loss of ¥1.1 billion for the fiscal year under review, smaller than the ¥1.4 billion loss for the previous fiscal year.

In its overseas operations, UNIQLO is implementing a "flagship store strategy" aimed at strengthening the UNIQLO brand. In November 2006, UNIQLO successfully opened a global flagship store in New York's trendy Soho district with 3,300 square meters of sales floor space. In addition, UNIQLO opened another global flagship store on London's Oxford Street in November 2007, and its first concept shop in outer Paris in December 2007 in La Defense district. In fiscal 2008, plans call for opening a global flagship store in Paris.

Japan Apparel Operations

Japan Apparel operations include ONEZONE, a footwear retail chain; CABIN, a retail chain marketing women's apparel; and G.U., a retailer of g.u. brand low-price casual apparel. In fiscal 2007, sales of Japan Apparel operations amounted to ¥46.0 billion, more than double the level of the previous fiscal year, and the operating loss was ¥3.5 billion.

During the fiscal year under review, ONEZONE worked to standardize the operations of its stores and strengthen its lineup of products designed in-house, but was unable to achieve recovery in sales in fiscal 2007 and is continuing to post losses.

CABIN moved forward with management reforms during the fiscal year, working to draw on the strengths of UNIQLO's SPA business model (integrated from apparel production to retail sales), but these efforts were not fully reflected in performance for fiscal 2007, and the company reported a small loss.

The Group's newest business, G.U. opened 50 stores during fiscal 2007 and consolidated its business base. During the latter half of the fiscal year, G.U. reviewed and revised the composition of its merchandise lineup, including increasing the percentage of women's apparel and took steps to cut costs. However, because the g.u. brand is still not widely recognized, the company was unable to generate sufficient sales per store and reported an operating loss.

Another noteworthy development during the fiscal year was the underwriting by the Group of a third-party placement of shares of VIEWCOMPANY, a company specializing in footwear for women. As a result, VIEWCOMPANY became a Group company accounted for under the equity method.

Global Brand Operations

The Global Brand operations include Créations Nelson, which is developing the French casual brand COMPTOIR DES COTONNIERS and PETIT VEHICULE, which is developing the lingerie brand PRINCESSE TAM.TAM. Sales of the Group's Global Brand business for the fiscal year under review were ¥36.7 billion (an increase of 60.6% year on year), and operating income as a whole amounted to ¥7.2 billion (a gain of 55.0% year on year). These gains were due to an increase of approximately 13%, in euro terms, of existing store sales of COMPTOIR DES COTONNIERS business and the consolidation of the results of PRINCESSE TAM.TAM business for the full fiscal year.

LINK THEORY HOLDINGS CO.,LTD., a Group company accounted for under the equity method, wrote down the value of German company Rossner GmbH stock by ¥4.9 billion. As a result, the Group reported equity in losses of an affiliate (LINK THEORY HOLDINGS) accounted for under the equity method of ¥1.9 billion among operating expenses.

3 Balance Sheets

Total assets as of August 31, 2007, amounted to ¥359.7 billion, ¥19.8 billion lower than at the end of the previous fiscal year. Within this total, current assets declined ¥32.3 billion, to ¥217.9 billion, owing to a decrease in cash and marketable securities of ¥27.8 billion. The principal factors accounting for the decline in cash and deposits included the expenditure of ¥13.1 billion for the purchase of shares of CABIN and ¥2.2 billion for the acquisition of shares of VIEWCOMPANY and an increase in outlays of ¥18.8 billion because of a change in the timing of payment of corporate income taxes. Inventories rose ¥12.3 billion, with ¥8.9 billion of this increase accounted for by UNIQLO Japan operations and ¥2.3 billion due to UNIQLO International operations.

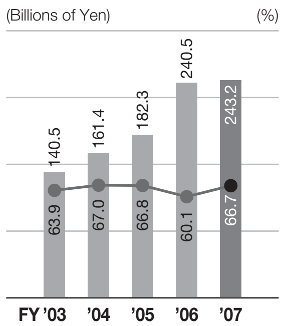
Fixed assets rose ¥12.4 billion, to ¥141.7 billion. This was mainly because of the increase in tangible fixed assets of ¥7.4 billion due to the rise in the number of UNIQLO stores.

Total liabilities decreased ¥22.6 billion, to ¥116.4 billion. This was principally because of a decline in accrued income taxes of ¥15.9 billion compared with the end of the previous fiscal year.

Net assets rose ¥2.8 billion, to ¥243.2 billion. Although dividend payments amounted to ¥13.7 billion, minority interests declined ¥9.1 billion, and net unrealized gains on hedge transactions were down ¥5.9 billion, these factors were offset by net income for the fiscal year of ¥31.7 billion.

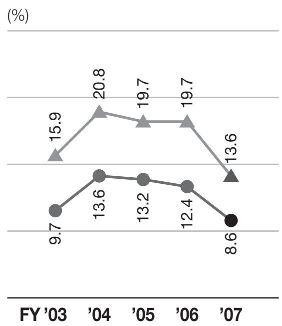
Net Assets and Equity Ratio

■ Net Assets
● Equity Ratio



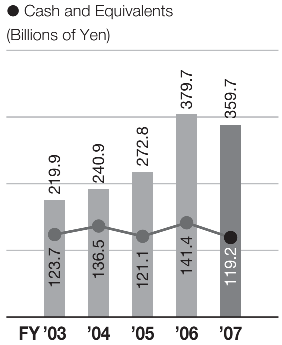
ROA and ROE

● ROA ▲ ROE

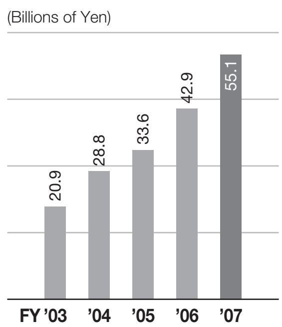


Total Assets and Cash and Equivalents

■ Total Assets
● Cash and Equivalents



Inventories



4 Cash Flows

Cash and equivalents (hereinafter referred to as "cash") at the end of fiscal 2007 amounted to ¥119.2 billion, ¥22.1 billion lower than at the end of the previous fiscal year. The principal movements in cash flows were as follows:

Net cash provided by operating activities fell ¥38.6 billion, to ¥18.8 billion. This was mainly due to ¥62.7 billion in income before income taxes and minority interests, income taxes paid of ¥55.9 billion, and an income tax refund of ¥12.7 billion.

Net cash used in investing activities amounted to ¥28.7 billion, ¥13.1 billion lower than during the previous fiscal year. This was principally owing to investments in affiliated companies of ¥15.4 billion and purchases of tangible fixed assets amounting to ¥14.4 billion.

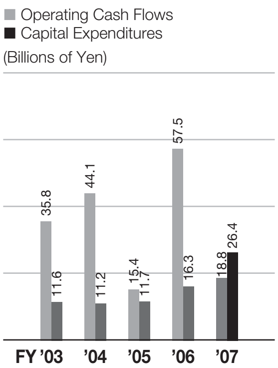
Net cash used in financing activities totaled ¥12.7 billion (versus net cash provided by financing activities of ¥1.9 billion in the previous fiscal year), ¥14.6 billion lower than during the prior fiscal year. This was mainly due to dividends paid of ¥13.7 billion.

The Group's policy for retained earnings and free cash flow will be to work to attain continuing stable growth through investments in M&A aimed at expanding Group business activities and other investments to strengthen the operating positions of Group companies.

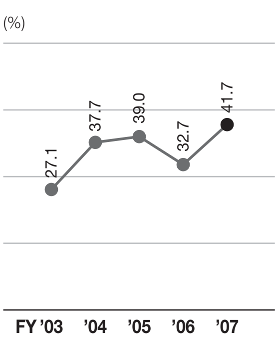
■ Dividend Policy

FAST RETAILING regards returning a portion of profits to its shareholders as one of its highest priorities and has adopted a basic policy of constantly working to improve Group performance and allocating an appropriate amount of profit, depending on performance, to shareholders on a continuing basis. FAST RETAILING's policy is to pay cash dividends, in line with performance, after taking account of funds required for the expansion of the businesses of the Group and increasing profits as well as maintaining financial soundness.

Operating Cash Flows and Capital Expenditures



Dividend Payout Ratio (Consolidated)



5 Outlook for Fiscal 2008*

For the fiscal year ending August 31, 2008, FAST RETAILING anticipates 8.5% growth in net sales, to ¥570.0 billion; a 12.1% increase in operating income, to ¥72.8 billion; and 22.1% growth in net income, to ¥38.8 billion. Net income per share is forecast to rise to ¥380.95, and plans call for paying a cash dividend of ¥130 per share (¥65 as an interim dividend and another ¥65 for the second half of the fiscal year).

UNIQLO Japan Operations

UNIQLO anticipates 5.5% growth in sales, to ¥448.0 billion, and 10.9% expansion in operating income, to ¥71.0 billion. Sales of existing stores are forecast to decrease 1.0% but a rise is expected from the net addition of 37 directly-managed stores. UNIQLO plans to accelerate the openings of large-format stores with sales floor space of 1,600 square meters. Along with this increase in the number of larger stores, UNIQLO will focus on the development of products for these stores and, at the same time, will work to achieve greater efficiency in the operation of these stores to make them just as efficient and profitable as existing standard stores.

In addition, by strengthening coordination between sales and production, UNIQLO will endeavor to control discount rates and is anticipating a modest improvement in the gross profit margin. Moreover, UNIQLO plans to continue to pursue low-cost management through sufficient regard for cost effectiveness.

UNIQLO International Operations

UNIQLO is forecasting a 76.5% rise in sales in its operations overseas, to ¥30.0 billion. UNIQLO will continue to develop its global flagship stores in the fashion cities of Europe and the United States and consolidate its brand position in world markets. Going forward, UNIQLO plans to open new stores aggressively in the rest of Asia where high profitability is expected, secure additional sales and income, and expand the UNIQLO business around the world.

Japan Apparel Operations

Growth in sales of about 2.1%, to ¥47.0 billion, is expected for the Japan Apparel operations of the FAST RETAILING Group. Management reforms will be implemented to increase the profitability of the CABIN, G.U., and ONEZONE businesses.

The know-how developed in the Group's UNIQLO operations, including highly efficient store management, systems for offering high-quality products in a timely way, new store development, and low-cost management will be made available to these Group businesses to assist them in establishing efficient management foundations and make an early move onto the path to growth.

*As of October 2007

1. Consolidated Outlook for Fiscal Year Ending August 31, 2008

Billions of Yen	Annual	% Change	First Half	% Change	Second Half	% Change
Net sales	¥570.0	+8.5	¥304.3	+7.1	¥265.7	+10.2
Gross profit	273.6	+10.2	145.0	+10.2	128.6	+10.2
SG&A	200.8	+9.5	99.1	+12.0	101.7	+7.1
Operating income	72.8	+12.1	45.9	+6.4	26.9	+23.4
Net income	38.8	+22.1	24.8	+9.5	14.0	+53.8

2. Outlook of Number of Stores Opened and Closed by Business

	2007	2008			
	End Aug.	Open	Close	Net Increase	End Aug.
UNIQLO	**787**	103	48	+55	842
UNIQLO Japan:	**748**	85	47	+38	786
Directly-managed	**730**	84	47	+37	767
Franchise	**18**	1	0	+1	19
UNIQLO International:	**39**	18	1	+17	56
U.K.	**11**	2	0	+2	13
China	**9**	6	1	+5	14
U.S.	**1**	0	0	0	1
South Korea	**14**	6	0	+6	20
Hong Kong	**4**	3	0	+3	7
France	**0**	1	0	+1	1
CABIN	**211**	10	10	0	211
G.U.	**50**	7	0	+7	57
ONEZONE	**332**	20	30	(10)	322
ASPESI	**12**	0	1	(1)	11
COMPTOIR DES COTONNIERS	**305**	49	3	+46	351
PRINCESS TAM.TAM	**131**	22	0	+22	153
Total	**1,828**	211	92	+119	1,947

3. Outlook of Sales by Group Operation

Billions of Yen	2008	2007	y/y Difference	(%)
UNIQLO Japan:				
Net sales	**¥448.0**	¥424.7	¥23.3	+5.5
Operating income	**71.0**	64.0	7.0	+10.9
UNIQLO International:				
Net sales	**30.0**	16.9	13.1	+76.5
Operating loss	**(0.4)**	(1.1)	0.7	—
Japan Apparel Operations:				
Net sales	**47.0**	46.0	1.0	+2.1
Operating loss	**(1.7)**	(3.5)	1.8	—
Global Brand Operations:				
Net sales	**43.0**	36.7	6.3	+16.4
Operating income	**7.4**	7.2	0.2	+3.2

Global Brand Operations

In fiscal 2008, growth of 16.4%, to ¥43.0 billion, is expected in the Group's Global Brand operations. In the COMPTOIR DES COTONNIERS business, which is expanding steadily, plans call for aggressively opening new stores outside France in other EU countries and accelerating the global development of this brand. In the PRINCESSE TAM.TAM business, we will strengthen the sales network, focusing principally on France.

In all of the Group's businesses, we will pursue measures to strengthen Group management and expand operations globally. Along with these activities, we will work to consolidate business bases in the world's principal cities, accelerate growth going forward, and attain the objective of being a highly profitable apparel retailing group.

Consolidated Subsidiaries

Consolidated Subsidiaries		Share Ownership*1
UNIQLO Business		
UNIQLO CO., LTD.	Japan	100.0%
UNIQLO(U.K.)LTD.	U.K.	100.0%
FAST RETAILING (JIANGSU) APPAREL CO., LTD.	China	71.4%*2
FAST RETAILING(CHINA) TRADING CO., LTD.	China	100.0%
UNIQLO USA, Inc.	U.S.	100.0%
FRL Korea Co., Ltd.	South Korea	51.0%
UNIQLO HONG KONG, LIMITED	Hong Kong	100.0%
Non-UNIQLO Business		
ONEZONE CORPORATION	Japan	100.0%
FR FRANCE S.A.S.	France	100.0%
Créations Nelson S.A.S.	France	99.9%
PETIT VEHICULE S.A.S.	France	95.0%
UNIQLO FRANCE S.A.S.	France	100.0%
ASPESI Japan Co., Ltd.	Japan	60.0%
CABIN CO., LTD.	Japan	93.9%*3
G.U. CO., LTD.	Japan	100.0%
Equity-Method Affiliated:		
LINK THEORY HOLDINGS CO.,LTD.	Japan	33.9%
VIEWCOMPANY CO.,LTD.	Japan	33.4%

*1: Percentage ownership as of August 31, 2007
*2: Percentage ownership of voting shares: 83.3%
*3: Percentage ownership of voting shares: 96.9%

6 Risk Factors

Management regards the following to be the principal risk factors associated with the business of FAST RETAILING and other members of the Group that could have a material impact on the decisions of investors. Management engages in rigorous risk avoidance and risk management in recognition of the possibility of these risks and strives to respond appropriately should any of these risks arise.

(1) Risks associated with the implementation of corporate strategy

(a) Corporate acquisition risk

The Group engages in M&A activities as one of its management strategies for the expansion of its operations. Through these activities, the Group seeks to pursue synergies with companies and operations that are the objectives of its M&A activities and optimize its business portfolio, thereby aiming to maximize the Group's business value. However, in cases where the Group is unable to realize the expected profit and benefits of M&A activities, this could have an adverse impact on business results.

(b) Management personnel risk

Among members of the Group's management team, including Tadashi Yanai, Chairman, President & CEO, each has a major role to play in his/her respective areas of responsibility. In the event that any member of management becomes unable to fulfill his/her duties, this could have an adverse impact on business results.

(c) Competitive risk

In each of its businesses, the customers of the Group are consumers who are always highly discriminating about merchandise, services, and price, and the Group engages in tough competition with other companies in its industry in Japan. In the event that the relative competitive strength of the Group deteriorates, this could have an adverse impact on business results.

(d) Risk of reliance on certain regions for production

The largest percentage of merchandise sold in UNIQLO business operations, which are the core activity of the Group, is manufactured in China and other countries in Asia and then imported. For this reason, in the event that major changes occur in the political, economic, and/or legal environment or natural disasters are experienced in China and other producing countries, this could have an adverse impact on business results.

(e) Risk of UNIQLO operations outside Japan

The Group is developing its business activities through M&A and actively expanding its UNIQLO operations overseas (in the United Kingdom, mainland China, including Hong Kong, the United States, Korea, and France). At present, the overseas operations of UNIQLO account for only a relatively small percentage of consolidated net sales, but, going forward, the Group will establish additional flagship stores in countries overseas and increase the number of other stores as well as set up UNIQLO operations in additional countries. Accordingly, the ratio of UNIQLO's overseas sales to its net sales is believed likely to rise. Along with this trend, if the Group is unable to deal with the uncertainties of changes in market needs and product trends in these overseas markets or if economic fluctuations occur, political and social conditions become turbulent, or changes occur in legal regulations and/or other conditions, these circumstances could have an adverse impact on business results.

(f) Foreign currency risk

The majority of the product imports of the UNIQLO business, which is the Group's core business, are denominated in U.S. dollars. The Group has concluded forward foreign exchange contracts to cover imports for the coming three years approximately and, therefore, by locking in the foreign exchange rate for its imports, endeavors to stabilize its procurement costs. However, if there is a major trend toward a weaker yen and a stronger U.S. dollar and this trend persists for a prolonged period, this could have an adverse impact on business results.

(2) General business risks

The Group recognizes the following risks associated with the management and conduct of operations: (a) risk of product liability, (b) risk of leakage of personal information, (c) risk of weather conditions, (d) risk of disasters, (e) risk of disputes and lawsuits, and (f) risk of changes in economic conditions and consumption trends.

Consolidated Balance Sheets

FAST RETAILING CO., LTD. and consolidated subsidiaries
August 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (note 1)
ASSETS	**2007**	2006	**2007**
Current assets:			
Cash (note 3)	**¥ 64,091**	¥121,950	**$ 552,175**
Marketable securities (notes 3 and 4)	**55,237**	25,237	**475,894**
Trade notes and accounts receivable	**9,849**	8,397	**84,854**
Less—Allowance for doubtful accounts	**(110)**	(128)	**(948)**
Net trade receivables	**9,739**	8,269	**83,906**
Inventories	**55,173**	42,862	**475,342**
Deferred tax assets (note 5)	**1,752**	928	**15,094**
Income tax refund receivable	**5,837**	12,793	**50,289**
Exchange rate forward contracts	**17,514**	27,695	**150,892**
Other	**8,635**	10,592	**74,395**
Total current assets	**217,978**	250,326	**1,877,987**
Fixed assets:			
Property and equipment:			
Land	**3,980**	4,299	**34,290**
Buildings and structures	**50,652**	41,555	**436,392**
Furniture and equipment	**4,719**	3,302	**40,657**
Construction in progress	**2,117**	761	**18,239**
Total	**61,468**	49,917	**529,578**
Less—Accumulated depreciation	**(24,129)**	(20,024)	**(207,883)**
Net property and equipment	**37,339**	29,893	**321,695**
Intangible assets:			
Goodwill	**32,536**	32,997	**280,314**
Other	**10,466**	8,225	**90,170**
Total intangible assets	**43,002**	41,222	**370,484**
Investments and other assets:			
Investments in securities (note 4)	**907**	1,146	**7,814**
Investments in subsidiaries and affiliates (note 4)	**5,817**	6,626	**50,116**
Lease deposits	**34,196**	29,639	**294,615**
Construction assistance fund receivables	**19,169**	20,288	**165,150**
Deferred tax assets (note 5)	**684**	552	**5,893**
Other	**1,455**	975	**12,536**
Less—Allowance for doubtful accounts	**(777)**	(1,012)	**(6,694)**
Total investments and other assets	**61,451**	58,214	**529,430**
Total fixed assets	**141,792**	129,329	**1,221,609**
Total assets	**¥359,770**	¥379,655	**$3,099,596**

See accompanying notes to consolidated financial statements.

LIABILITIES	Millions of Yen 2007	2006	Thousands of U.S. Dollars (note 1) 2007
Current liabilities:			
Accounts payable	**¥ 40,568**	¥ 42,794	**$ 349,513**
Portion of long-term debt due within one year (note 6)	**4,484**	—	**38,632**
Accrued income taxes (note 5)	**14,393**	30,340	**124,003**
Deferred tax liabilities (note 5)	**4,499**	8,047	**38,761**
Other	**26,614**	31,311	**229,293**
Total current liabilities	**90,558**	112,492	**780,202**
Long-term liabilities:			
Long-term debt (note 6)	**19,432**	19,584	**167,416**
Accrued retirement and severance obligations (note 7)	**393**	437	**3,386**
Other	**6,104**	6,662	**52,588**
Total long-term liabilities	**25,929**	26,683	**223,390**
Total liabilities	**116,487**	139,175	**1,003,592**
Net assets:			
Capital (note 8)	**10,274**	10,274	**88,516**
Additional paid-in capital (note 8)	**4,999**	4,999	**43,069**
Retained earnings (note 9)	**228,958**	211,135	**1,972,586**
Treasury stock, at cost (note 10)	**(15,546)**	(15,540)	**(133,936)**
Net unrealized holding gains (losses) on securities	**369**	465	**3,179**
Net unrealized gains on hedge transactions	**10,393**	16,385	**89,541**
Foreign currency translation adjustments	**697**	509	**6,005**
Minority interests	**3,139**	12,253	**27,044**
Total net assets	**243,283**	240,480	**2,096,004**
Commitments and contingencies (note 12)			
Total liabilities and net assets	**¥359,770**	¥379,655	**$3,099,596**

Consolidated Statements of Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (note 1)
	2007	2006	2005	2007
Net sales	**¥525,203**	¥448,819	¥383,973	**$4,524,882**
Cost of sales	**276,808**	236,401	213,683	**2,384,837**
Gross profit	**248,395**	212,418	170,290	**2,140,045**
Selling, general and administrative expenses (note 13)	**183,432**	142,063	113,598	**1,580,357**
Operating income	**64,963**	70,355	56,692	**559,688**
Other income (expenses):				
Interest and dividend income	**1,314**	1,045	790	**11,321**
Equity in income (losses) of affiliates accounted for under equity method, net	**(2,078)**	274	1,086	**(17,903)**
Foreign currency exchange gain	**1,884**	1,805	374	**16,232**
Gain on sales of investments in securities	**98**	578	—	**844**
Interest expenses	**(1,775)**	(854)	(344)	**(15,292)**
Gain on change in shares of an affiliated company	**—**	—	2,612	**—**
Gain on forgiveness of subsidiary debt	**—**	837	3,212	**—**
Gain on sales of fixed assets	**1,409**	—	—	**12,139**
Reversal of allowance for doubtful accounts	**209**	203	—	**1,801**
Loss on revaluation of inventories	**—**	—	(1,599)	**—**
Loss on disposal of fixed assets	**(650)**	(861)	(244)	**(5,600)**
Impairment loss (note 14)	**(2,118)**	(228)	—	**(18,248)**
Loss on closure of stores	**(467)**	(193)	(351)	**(4,023)**
Loss on termination of leases	**—**	(202)	—	**—**
Amortization of consolidation adjustment account	**—**	—	(4,236)	**—**
Other, net	**(76)**	(7)	23	**(655)**
Total	**(2,250)**	2,397	1,323	**(19,384)**
Income before income taxes and minority interests	**62,713**	72,752	58,015	**540,304**
Income taxes (note 5):				
Current	**31,145**	32,613	23,411	**268,329**
Deferred	**(371)**	(1,680)	647	**(3,196)**
Total	**30,774**	30,933	24,058	**265,133**
Minority interests	**164**	1,382	73	**1,413**
Net income	**¥ 31,775**	¥ 40,437	¥ 33,884	**$ 273,757**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2007, 2006 and 2005

	Millions of Yen								
	Capital	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedge transactions	Foreign currency translation adjustments	Minority interests	Total
Balance at August 31, 2004	¥10,274	¥4,579	¥163,982	¥(16,035)	¥(1,352)	¥ —	¥ (14)	¥ —	¥161,434
Net income	—	—	33,884	—	—	—	—	—	33,884
Cash dividends (note 9)	—	—	(13,223)	—	—	—	—	—	(13,223)
Directors' bonuses (note 9)	—	—	(350)	—	—	—	—	—	(350)
Increase in treasury stock (note 10)	—	—	—	(6)	—	—	—	—	(6)
Net change during the year	—	—	—	—	676	—	(66)	5,146	5,756
Balance at August 31, 2005	10,274	4,579	184,293	(16,041)	(676)	—	(80)	5,146	187,495
Effect of newly consolidated subsidiaries	—	—	(254)	—	—	—	—	—	(254)
Net income	—	—	40,437	—	—	—	—	—	40,437
Cash dividends (note 9)	—	—	(13,225)	—	—	—	—	—	(13,225)
Directors' bonuses (note 9)	—	—	(116)	—	—	—	—	—	(116)
Increase in treasury stock (note 10)	—	—	—	(4)	—	—	—	—	(4)
Decrease in treasury stock (note 10)	—	420	—	505	—	—	—	—	925
Net change during the year	—	—	—	—	1,141	16,385	589	7,107	25,222
Balance at August 31, 2006	10,274	4,999	211,135	(15,540)	465	16,385	509	12,253	240,480
Effect of newly consolidated subsidiaries	**—**	**—**	**(203)**	**—**	**—**	**—**	**—**	**—**	**(203)**
Net income	**—**	**—**	**31,775**	**—**	**—**	**—**	**—**	**—**	**31,775**
Cash dividends (note 9)	**—**	**—**	**(13,749)**	**—**	**—**	**—**	**—**	**—**	**(13,749)**
Increase in treasury stock (note 10)	**—**	**—**	**—**	**(6)**	**—**	**—**	**—**	**—**	**(6)**
Decrease in treasury stock (note 10)	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**0**
Net change during the year	**—**	**—**	**—**	**—**	**(96)**	**(5,992)**	**188**	**(9,114)**	**(15,014)**
Balance at August 31, 2007	**¥10,274**	**¥4,999**	**¥228,958**	**¥(15,546)**	**¥ 369**	**¥10,393**	**¥697**	**¥ 3,139**	**¥243,283**

	Thousands of U.S. Dollars (note 1)								
	Capital	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Net unrealized gains (losses) on hedge transactions	Foreign currency translation adjustments	Minority interests	Total
Balance at August 31, 2006	$88,516	$43,069	$1,819,032	$(133,885)	$4,006	$141,165	$4,385	$105,566	$2,071,854
Effect of newly consolidated subsidiaries	**—**	**—**	**(1,749)**	**—**	**—**	**—**	**—**	**—**	**(1,749)**
Net income	**—**	**—**	**273,757**	**—**	**—**	**—**	**—**	**—**	**273,757**
Cash dividends (note 9)	**—**	**—**	**(118,454)**	**—**	**—**	**—**	**—**	**—**	**(118,454)**
Increase in treasury stock (note 10)	**—**	**—**	**—**	**(51)**	**—**	**—**	**—**	**—**	**(51)**
Decrease in treasury stock (note 10)	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**0**
Net change during the year	**—**	**—**	**—**	**—**	**(827)**	**(51,624)**	**1,620**	**(78,522)**	**(129,353)**
Balance at August 31, 2007	**$88,516**	**$43,069**	**$1,972,586**	**$(133,936)**	**$3,179**	**$ 89,541**	**$6,005**	**$ 27,044**	**$2,096,004**

See accompanying notes to consolidated financial statements.
Beginning with the fiscal year ended August 31, 2006, minority interests have been included in net assets.

Consolidated Statements of Cash Flows

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (note 1)
	2007	2006	2005	**2007**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 62,713**	¥ 72,752	¥ 58,015	**$ 540,303**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**6,567**	5,364	3,681	**56,578**
Impairment loss	**2,118**	228	—	**18,248**
Amortization of goodwill	**4,254**	1,150	4,254	**36,650**
Equity in (income) losses of affiliates accounted for under equity method, net	**2,078**	(274)	(1,086)	**17,903**
Gain on change in shares of an affiliated company	**—**	—	(2,612)	**—**
Decrease in allowance for doubtful accounts	**(263)**	(248)	(158)	**(2,266)**
Increase (decrease) in accrued retirement and severance obligations	**(55)**	79	(11)	**(474)**
Interest and dividend income	**(1,314)**	(1,045)	(790)	**(11,321)**
Interest expenses	**1,775**	853	344	**15,292**
Foreign currency exchange gain	**(608)**	(160)	(40)	**(5,238)**
Loss on disposal of fixed assets	**650**	861	244	**5,600**
Gain on sales of fixed assets	**(1,409)**	—	—	**(12,139)**
Gain on forgiveness of subsidiary debt	**—**	(837)	(3,212)	**—**
Increase in trade receivables	**(1,132)**	(2,108)	(626)	**(9,753)**
(Increase) decrease in inventories	**(11,809)**	(4,465)	1,456	**(101,740)**
(Increase) decrease in other assets	**6,408**	(152)	(163)	**55,208**
Increase (decrease) in trade payables	**(2,529)**	4,368	(15,669)	**(21,789)**
Increase (decrease) in other liabilities	**(4,243)**	5,858	(1,487)	**(36,556)**
Bonuses to directors	**(175)**	(116)	(350)	**(1,508)**
Other	**(163)**	85	250	**(1,404)**
Total	**62,863**	82,193	42,040	**541,594**
Interest and dividend received	**1,365**	1,045	885	**11,760**
Interest paid	**(1,700)**	(756)	(327)	**(14,646)**
Repayments of debt associated with reorganizing subsidiary	**(482)**	(609)	(380)	**(4,153)**
Income taxes paid	**(55,993)**	(24,396)	(26,820)	**(482,407)**
Income taxes refund	**12,794**	—	—	**110,227**
Net cash provided by operating activities	**18,847**	57,477	15,398	**162,375**
Cash flows from investing activities:				
Net decrease (increase) in time deposits	**16**	(73)	—	**138**
Purchase of investment securities	**(181)**	—	(1,000)	**(1,559)**
Proceeds from redemption of securities	**6,172**	1,000	—	**53,175**
Investments in subsidiaries	**(15,400)**	(20,744)	(1,604)	**(132,679)**
Acquisition of newly consolidated subsidiaries	**—**	(9,688)	(6,211)	**—**
Proceeds from acquisition of newly consolidated subsidiaries	**—**	—	2,387	**—**
Purchase of debt	**—**	—	(2,560)	**—**
Purchase of property and equipment	**(14,427)**	(8,716)	(3,577)	**(124,296)**
Proceeds from sale of property and equipment	**2,271**	222	76	**19,566**
Payments for lease deposits	**(7,414)**	(3,105)	(3,908)	**(63,875)**
Collections of lease deposits	**2,830**	1,393	1,219	**24,382**
Payments for construction assistance fund receivables	**(1,112)**	(2,316)	(2,919)	**(9,580)**
Collections of construction assistance fund receivables	**2,231**	1,802	1,744	**19,221**
Purchase of intangible assets	**(3,487)**	(2,123)	(918)	**(30,042)**
Other, net	**(282)**	441	448	**(2,430)**
Net cash used in investing activities	**(28,783)**	(41,907)	(16,823)	**(247,979)**
Cash flows from financing activities:				
Net increase (decrease) in short-term debt	**(169)**	291	—	**(1,456)**
Proceeds from long-term debt	**3,844**	15,432	13	**33,118**
Repayments of long-term debt	**(3,308)**	(1,624)	(19)	**(28,500)**
Repayments of bonds	**—**	—	(1,616)	**—**
Proceeds from (payment for) treasury stocks, net	**(6)**	920	(5)	**(52)**
Dividends paid	**(13,747)**	(13,223)	(13,219)	**(118,437)**
Other	**627**	136	(8)	**5,402**
Net cash provided by (used in) financing activities	**(12,759)**	1,932	(14,854)	**(109,925)**
Effect of exchange rate changes on cash and equivalents	**153**	1,454	908	**1,318**
Net change in cash and equivalents	**(22,542)**	18,956	(15,371)	**(194,211)**
Cash and equivalents at beginning of year (note 3)	**141,404**	121,061	136,461	**1,218,265**
Cash and equivalents of newly consolidated subsidiaries	**354**	1,387	—	**3,050**
Cash and equivalents of deconsolidated subsidiaries	**—**	—	(29)	**—**
Cash and equivalents at end of year (note 3)	**¥119,216**	¥141,404	¥121,061	**$1,027,104**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

1 Basis of Presentation and Financial Statement Translation

(a) Basis of Presentation

The accompanying consolidated financial statements of FAST RETAILING CO., LTD. ("the Company") and its 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. The accounts of overseas subsidiaries and the other affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective country of domicile. 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 Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen, and, solely for the convenience of the reader, have been translated into United States (U.S.) dollars at the rate of ¥116.07=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2007. This translation should not be construed as a presentation that any amounts shown could be converted into U.S. dollars.

2 Basis of Consolidation and Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following 21 subsidiaries (19 in 2006) over which the Company has power of control through substantial ownership of majority voting rights.

G.U. CO., LTD. and FAST RETAILING (CHINA) TRADING CO., LTD. have been included within the scope of consolidation from the fiscal year ended August 31, 2007.

	Ownership Percentage	
Major Consolidated Subsidiaries	**2007**	2006
UNIQLO CO., LTD.	**100%**	100%
UNIQLO (U.K.) LTD.	**100%**	100%
FAST RETAILING (JIANGSU) APPAREL CO., LTD.	**83%**	83%
FAST RETAILING (CHINA) TRADING CO., LTD.	**100%**	—
UNIQLO USA, Inc.	**100%**	100%
FRL Korea Co., Ltd.	**51%**	51%
UNIQLO HONG KONG, LIMITED	**100%**	100%
ONEZONE CORPORATION	**100%**	100%
COMPTOIR DES COTONNIERS JAPAN CO., LTD.	**100%**	100%
ASPESI Japan Co., Ltd.	**60%**	60%
GLOBAL RETAILING CO., LTD.	**100%**	100%
GLOBAL INVESTMENT CO., LTD.	**100%**	100%
FR FRANCE S.A.S.	**100%**	100%
Créations Nelson S.A.S.	**100%**	100%
UNIQLO FRANCE S.A.S.	**100%**	100%
PETIT VEHICULE S.A.S.	**95%**	95%
CABIN CO., LTD.	**97%**	52%
G.U. CO., LTD.	**100%**	100%

The consolidated financial statements of the Company as of and for the years ended August 31, 2007 include accounts of FAST RETAILING (JIANGSU) APPAREL CO., LTD., FAST RETAILING (CHINA) TRADING CO., LTD. and PETIT VEHICULE S.A.S. as of June 30. Significant transactions, which would materially affect the Company's consolidated financial position and results of operations, with these subsidiaries during the period from July 1 to August 31 have been adjusted for the Company's consolidation purposes.

CABIN CO., LTD. changed its fiscal year-end, February 28 to August 31 in order to correspond with the Company.

LINK THEORY HOLDINGS CO., LTD. and VIEWCOMPANY CO., LTD. have been accounted for using the equity method.

The Company purchased shares of VIEWCOMPANY CO., LTD. in November 2006 and it has been accounted for under the equity method from the fiscal year ended August 31, 2007. VIEWCOMPANY closes its accounts on February 20, and, since the time between VIEWCOMPANY's closing of accounts is more than three months from the time of the Company's closing of accounts, figures based on a provisional closing of accounts covering the period from November 21, 2006 through August 20, 2007 have been used in preparing the consolidated accounts.

The Company does not consolidate with respect to the Company's two other subsidiaries and one other affiliate, as the Company determined those companies to be insignificant, individually and in the aggregate, to total assets, revenue, net income and retained earnings of the accompanying consolidated financial statements.

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

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

(b) Cash and Equivalents

For the purpose of consolidated statements of 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.

(c) Short-term Investments and Investments in Securities

In accordance with "Accounting Standards for Financial Instruments" of the Business Accounting Deliberation Council ("the BADC"), securities other than investments in an affiliated company are classified into one of the following three categories, and the Company accounts for the securities as follows:

- Trading securities, which are debt and equity securities that the Company holds for the purpose of earning profits on short-term movement of the fair market values, are reported at fair market value, with unrealized holding gains and losses included in earnings.
- Held-to-maturity securities, which are debt securities that the Company has the positive intent and ability to hold to maturity, are reported at amortized cost.
- Available-for-sale securities, which are debt and equity securities with fair market values that are classified as neither trading securities nor held-to-maturity securities, are reported at fair market value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and are reported as a net unrecognized holding gain or loss, net of the related tax effect, in a separate component of net assets until realized. In computing the realized gain or loss, costs of available-for-sale securities are principally determined by the average method.

Held-to-maturity securities and available-for-sale securities with no fair market value are carried at cost.

Investments in unconsolidated subsidiaries and the other affiliates that are not accounted for under the equity method are reported at cost determined by the average method.

(d) Allowance for Doubtful Accounts

An allowance for doubtful accounts, including trade notes and accounts receivable and certain investments and other assets, is provided against probable future losses on collection. The Company and subsidiaries designate certain accounts as highly doubtful accounts and provide a specific allowance for these accounts based on the management's detailed credit analysis. Other than these accounts, the Company provides an allowance for doubtful accounts based on the Company's historical average charge-off ratio.

(e) Inventories

Most inventories are stated at cost. The cost is mainly determined by the specific identification method.

(f) Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by the declining-balance method for the Company and its certain domestic subsidiaries except for the buildings acquired by certain domestic subsidiaries after April 1, 1998 for which the straight-line method is used. Depreciation is computed principally by the straight-line method for overseas subsidiaries. The ranges of principal estimated useful lives are as follows:

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

(g) Intangible Assets

Goodwill is amortized on a straight-line basis over their respective estimated useful lives, not exceeding 20 years, unless it is deemed insignificant.

Software for internal use is amortized on a straight-line method over 3 to 5 years of the estimated available period.

(h) Retirement and Severance Benefits

The Company and certain subsidiaries in Japan have defined contribution plans.

Certain other domestic subsidiaries have defined benefit plans for the employees' retirement and severance. Accrued retirement and severance obligations under the defined benefit plans are provided based on estimated projected benefit obligation and plan assets at the end of the fiscal year.

Actuarial gains and losses are recognized as income or expense on a straight-line basis over certain years, beginning with the next fiscal year of occurrence, principally over seven years, not exceeding the expected average remaining working lives of the employees participating in the plans.

(i) Leases

"Accounting Standards for Leases" of the BADC permits lessees to account for as operating leases as to finance leases without transfer of ownership of leased assets from the lessor to the lessee, while it requires that finance leases resulting in the transfer of the ownership by the end of the lease term shall be accounted for as capital leases by recognizing assets and the corresponding obligation on the lessee's balance sheet. All finance leases of the Company and subsidiaries in Japan are accounted for as operating leases, and the lease payment is expensed over the lease term as it becomes payable. Leases of overseas subsidiaries are accounted for as capital leases.

(j) Revenue Recognition

The Company and subsidiaries recognize sales revenue upon the sale of merchandise to customers where the title of the merchandise transfers to the customers.

(k) 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” of the BADC, 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 overseas subsidiaries are translated into the reporting currency or yen.

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.

The income and expenses of consolidated overseas subsidiaries were converted using the exchange rates prevailing on the date of the closing of accounts, but the average exchange rate for the period has been used from the fiscal year ended August 31, 2007, aiming to increase the accuracy of its subsidiaries’ financial results in the consolidated financial statements.

A comprehensive adjustment resulting from translation of assets, liabilities, and net assets is reported as foreign currency translation adjustments, a separate component of net assets.

(l) Derivative Financial Instruments and Hedge Accounting

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

For debts dominated in foreign currencies that are hedged using foreign currency forward contracts, the Company and its certain subsidiaries record such debts at the contracted forward rates and no gain or loss is recognized.

The Company and its certain subsidiaries manage risks associated with adverse fluctuations in foreign currency exchange rates and changes in interest rates on securities, using foreign currency forward contracts and interest rate swaps, respectively. The Company is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest-rate contracts; however, it does not anticipate non-performance by any of these counterparties, and all of them are financial institutions with high credit ratings. The Company does not hold or issue derivative financial instruments for speculative trading purposes. The Company has developed hedging policies to control various aspects of derivative financial transactions including authorization levels, transaction volumes and counterparty credit guidelines. Under the policies, in particular, the finance group of the Company executes, manages and reports the hedge transactions on a timely basis.

The Company compares periodically cumulative changes in hedging instruments with those of hedged items when assessing effectiveness of the hedge. In case crucial terms of assets or liabilities designated for hedges are identical, the Company does not perform such assessment.

(m) Reclassification

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

3 Cash and Equivalents

Cash and equivalents as of August 31, 2007 and 2006 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Cash	**¥ 64,091**	¥121,950	**$ 552,175**
Time deposits with maturity over three months	**(112)**	(129)	**(965)**
Marketable securities	**55,237**	25,237	**475,894**
Securities other than MMFs	**—**	(5,654)	**—**
Cash and equivalents	**¥119,216**	¥141,404	**$1,027,104**

4 Short-term Investments and Investments in Securities

Investments in securities as of August 31, 2007 and 2006 are classified as available-for-sale securities.

The following tables summarize acquisition costs and fair values of securities with available fair values as of August 31, 2007 and 2006:

(a) Securities with available fair values

	Millions of Yen		
As of August 31, 2007	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	**¥ 342**	**¥ 699**	**¥357**
Other	**3,425**	**3,969**	**544**
Securities with available fair values not exceeding acquisition cost:			
Equity securities	**2**	**2**	**(0)**
Other	**—**	**—**	**—**
Total	**¥3,769**	**¥4,670**	**¥901**

As of August 31, 2006	Millions of Yen Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	¥ 342	¥ 619	¥277
Other	3,425	3,791	366
Securities with available fair values not exceeding acquisition cost:			
Equity securities	2	2	(0)
Other	—	—	—
Total	¥3,769	¥4,412	¥643

As of August 31, 2007	Thousands of U.S. Dollars Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	**$ 2,946**	**$ 6,022**	**$3,076**
Other	**29,508**	**34,195**	**4,687**
Securities with available fair values not exceeding acquisition cost:			
Equity securities	**17**	**17**	**(0)**
Other	**—**	**—**	**—**
Total	**$32,471**	**$40,234**	**$7,763**

The following table summarizes book values of securities with no fair values as of August 31, 2007 and 2006.

(b) Securities with no available fair values

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Equity securities	**¥ 205**	¥ 524	**$ 1,766**
Mutual funds	**39,844**	15,792	**343,276**
Cash liquidity fund	**11,018**	—	**94,925**
Cash reserve funds	**405**	—	**3,489**
Others	**0**	5,654	**0**

5 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 40.5% for the year ended 2007, 2006 and 2005.

Reconciliations between the statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for 2007 and 2005 are as follows:

	2007	2005
Statutory income tax rate:	**40.5%**	40.5%
Increase in valuation allowance	**5.8**	—
Equity in earnings of affiliated company	**—**	(2.6)
Loss in earnings of affiliates	**1.3**	—
Amortization of goodwill	**2.6**	3.0
Other	**(1.1)**	0.6
Effective income tax rate	**49.1%**	41.5%

The reconciliation for 2006 is not presented because the difference between the aggregate statutory tax rate and the effective income tax rate was immaterial.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of August 31, 2007 and 2006 are presented as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Total gross deferred tax assets:			
Accrued business tax	**¥ 1,053**	¥ 2,105	**$ 9,072**
Accrued bonus	**1,558**	1,721	**13,423**
Allowance for doubtful debts	**—**	375	**—**
Loss on impairment	**1,178**	788	**10,149**
Long-term prepaid expenses	**376**	376	**3,239**
Operating loss carryforward	**10,579**	7,221	**91,143**
Other	**2,652**	1,522	**22,848**
	17,396	14,108	**149,874**
Valuation allowance	**(12,064)**	(8,458)	**(103,937)**
	5,332	5,650	**45,937**
Total gross deferred tax liabilities:			
Net unrealized gains on hedge transactions	**(7,129)**	(11,215)	**(61,420)**
Accrued business tax	**(—)**	(666)	**(—)**
Net unrealized holding gains on securities	**(256)**	(316)	**(2,206)**
Other	**(10)**	(20)	**(86)**
	(7,395)	(12,217)	**(63,712)**
Net deferred tax assets (liabilities)	**¥ (2,063)**	¥ (6,567)	**$ (17,775)**

Net deferred tax assets as of August 31, 2007 and 2006 are reflected in the consolidated balance sheets under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets—current	**¥ 1,752**	¥ 928	**$ 15,094**
Deferred tax assets—non-current	**684**	552	**5,892**
Deferred tax liabilities—current	**(4,499)**	(8,047)	**(38,761)**
Net deferred tax assets	**¥(2,063)**	¥(6,567)	**$(17,775)**

6 Long-term Debt

Long-term debt as of August 31, 2007 and 2006 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unsecured loans mainly from Japanese financial institutions, 4.08% interest on average, due 2008 through 2014	**¥23,916**	¥22,105	**$206,048**
Less current portion	**4,484**	2,521	**38,632**
	¥19,432	¥19,584	**$167,416**

The annual maturities of long-term debt subsequent to August 31, 2007 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 4,484	$ 38,632
2009	3,348	28,845
2010	2,631	22,667
2011	13,019	112,165
2012	221	1,904
Thereafter	213	1,835
	¥23,916	$206,048

7 Accrued Retirement and Severance Obligations

The Company has defined contribution plans. Expenses related to the defined contribution plans amounted to ¥196 million ($1,689 thousand), ¥249 million and ¥176 million for the years ended August 31, 2007, 2006 and 2005, respectively.

Certain consolidated subsidiaries have defined benefit plans to provide lump-sum retirement benefits to the employees. The service costs under the defined benefit pension plans were ¥213 million ($1,835 thousand) and ¥61 million for the years ended August 31, 2007 and 2006, respectively. Benefit obligations and plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligations	**¥4,121**	¥3,925	**$35,504**
Less: Plan assets	**(3,792)**	(3,707)	**(32,670)**
Unfunded benefit obligations	**329**	218	**2,834**
Unrecognized gain resulting from adoption of new accounting standard	**35**	107	**302**
Unrecognized actuarial gain (loss)	**(8)**	50	**(69)**
Unrecognized prior service benefit	**37**	62	**319**
Accrued retirement and severance obligations	**¥ 393**	¥ 437	**$ 3,386**

8 Capital and Additional Paid-in Capital

The Company's common stock has no par value in accordance with the Japanese Corporate Law (JCL). Under the JCL, at least 50% of the paid-in amount 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, 2007. Issued and outstanding shares were 106,073,656 shares for each of the three years in the period ended August 31, 2007.

9 Legal Reserves and Dividends

The JCL requires an amount equal to at least 10% of distributions of retained earnings be appropriated as legal reserves, which are included in additional paid-in capital and retained earnings, until they equal 25% of stated capital. Under the JCL, capital, additional paid-in capital and retained earnings, including legal reserves, can generally be transferred to each other upon resolution of the shareholders' meeting.

Additional paid-in capital and retained earnings less legal reserves and certain adjustments thereto may be available for dividends by resolution of the board of directors' meeting. Distributions of retained earnings during the years ended August 31, 2006 and 2005, respectively, represent dividends and directors' bonuses paid out during those periods. The accompanying consolidated financial statements do not include any provision for dividends of ¥60 ($0.52) per share, aggregating ¥6,111 million ($52,649 thousand). These dividends were approved at the meeting of the Board of Directors held on November 5, 2007 in respect of the fiscal year ended August 31, 2007.

10 Treasury Stock

The JCL allows repurchase of treasury stock to the extent of distributable funds appropriated by resolution of the director's meeting. In addition, the shareholders may request the Company to repurchase their shares of less than a trading unit (100 shares) upon request pursuant to the provision of the JCL.

The changes in shares of treasury stock for the years ended August 31, 2007, 2006 and 2005 are summarized as follows.

	Shares	Millions of Yen	Thousands of U.S. Dollars
Balance as of August 31, 2004	4,357,859	¥16,035	
Repurchase of common stock	787	6	
Balance as of August 31, 2005	4,358,646	16,041	
Repurchase of common stock	495	4	
Issuance of treasury stock, net	(137,232)	(505)	
Balance as of August 31, 2006	4,221,909	15,540	$133,884
Repurchase of common stock	711	6	52
Issuance of treasury stock, net	(60)	(0)	(0)
Balance as of August 31, 2007	**4,222,560**	**¥15,546**	**$133,936**

11 Pledged Assets

As of August 31, 2007, the following assets are pledged as collateral for debts and other liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Pledged assets:		
Time deposits	¥ 107	$ 922
Inventories	58	500
Other intangible assets	2,029	17,481
Lease deposits	130	1,120
	¥2,324	$20,023
Corresponding liabilities:		
Portion of long-term debt due within one year	¥ 476	$ 4,101
Other current liabilities	12	103
Long-term debt	1,643	14,155
Other long-term liabilities	219	1,887
	¥2,350	$20,246

12 Commitments and Contingencies

The Company had the following contingent liabilities as of August 31, 2007.

	Millions of Yen	Thousands of U.S. Dollars
Loan guarantees for:		
Employees' benefit society	¥20	$172

13 Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended August 31, 2007, 2006 and 2005 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Advertising and promotion	**¥26,261**	¥22,231	¥20,246	**$226,251**
Salaries	**52,126**	38,578	31,510	**449,091**
Rent	**37,404**	28,518	22,158	**322,254**
Depreciation	**6,567**	5,409	2,433	**56,578**
Amortization of goodwill	**4,254**	1,150	—	**36,650**
Allowance for doubtful accounts	**10**	72	55	**86**
Provision for accrued bonus—directors	**—**	175	—	**—**

14 Impairment Loss

During the fiscal year ended August 31, 2007, impairment losses have been recognized for buildings, structures, and certain other assets of some subsidiaries, namely UNIQLO USA, Inc., ONEZONE CORPORATION, and CABIN CO., LTD.

The Company and consolidated subsidiaries identify groups of assets on a store basis as the smallest identifiable group of assets that generates cash inflow from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The impairment loss was recognized for store assets with a significant decline in profitability. The total impairment loss of ¥1,476 million ($12,717 thousand), which represents an amount by which the carrying amount exceeds the recoverable amount, was recognized as other expense for the year ended August 31, 2007. They consisted of the following assets:

Assets	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures	¥1,293	$11,140
Furniture and equipment	111	956
Leased assets	42	362
Other	30	258
	¥1,476	$12,716

The recoverable value of retail store assets is estimated using the net sales price or value in use approaches. The value in use of such assets is estimated by discounting future cash flows from these assets at discount rates ranging from 3.6% to 7.0% per annum. In addition, the unamortized amount of goodwill of a certain company accounted for under the equity method has been treated as an impairment loss of ¥642 million ($5,531 thousand) and presented among other expenses because this amount was deemed to be unrecoverable.

15 Leases

All finance leases of the Company and subsidiaries in Japan, which do not result in the transfer of ownership of leased assets to the lessee, are accounted for as operating leases as permitted. Pro forma information of such finance leases are presented as follows as if such finance leases were capitalized. In the pro forma information, depreciation expenses are determined by the straight-line method over the lease term with no salvage value. Also, total interest expense is determined as a differential of total lease payment and acquisition cost of the leased assets, and the interest method is used for allocation over the lease term.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Furniture, equipment and other:			
Acquisition costs	**¥16,992**	¥16,985	**$146,394**
Accumulated depreciation	**8,867**	10,374	**76,394**
Impairment	**66**	22	**569**
Net balance	**¥ 8,059**	¥ 6,589	**$ 69,431**

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Lease payments	**¥3,358**	¥3,584	¥4,195	**$28,931**
Reversal of allowance for loss on impairment of leased assets	**10**	—	—	**86**
Depreciation expenses	**3,191**	3,425	3,998	**27,492**
Interest expenses	**169**	118	153	**1,456**
Impairment loss	**42**	22	—	**362**

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2007 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥2,535	$21,840
2009 and thereafter	5,709	49,186
	¥8,244	$71,026

Future minimum lease payments relating to operating leases as of August 31, 2007 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥13	$112
2009 and thereafter	10	86
	¥23	$198

16 Per Share Data

Net income per share for the years ended August 31, 2007, 2006 and 2005 is as follows:

	Yen			U.S. Dollars
	2007	2006	2005	**2007**
Basic	**¥311.98**	¥397.38	¥331.99	**$2.69**
Diluted	**—**	397.26	—	**—**

Under "Earnings Per Share" of the Accounting Standards Board of Japan, 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 the exercise of rights relevant to potential shares. No diluted net income per share for 2007 and 2005 has been presented because there was no item with dilutive effect for those years.

Net assets per share as of August 31, 2007 and 2006 are as follows:

	Yen		U.S. Dollars
	2007	2006	**2007**
Basic	**¥2,357.79**	¥2,240.77	**$20.31**

17 Related Party Transactions

The Company sells its products to a customer, which is wholly owned by a family member of one of the Company's directors, as a franchisee. The terms of the transactions are consistent with those of other franchisees under the Company's standard franchise agreement. The sales of products to the customer amounted to ¥43 million for the year ended August 31, 2006.

There were no related party transactions during the year ended August 31, 2007.

18 Business Combinations

Transactions under common control in the year ended August 31, 2007

(a) Outline of the Transactions

(1) Name and lines of business of the combined company
Name: CABIN CO., LTD.
Line of business: Retail sales of women's apparel

(2) Method of combination
Purchase of subsidiary CABIN's shares through a tender offer

(3) Name of the combined company after the business combination
CABIN CO., LTD. (CABIN)

(4) Outline and objective of the transaction
FAST RETAILING CO., LTD. (the "Company"), implemented a public tender offer for the shares of CABIN, from July 23, 2007, through August 20, 2007, and purchased a total of 18,346,003 shares. As a result, the Company owned 93.9% of CABIN's shares following the tender offer (which represented voting rights of 96.9%).

The objective of this transaction was to make CABIN a wholly owned subsidiary of the Company to strengthen the cooperative relationships between the FAST RETAILING Group (the "Group"), including the Company and its subsidiaries and affiliates, and CABIN, with the aim of restructuring the business operations of CABIN. As a result of the consummation of the tender offer, a structure has been created that will allow for the rapid execution of business measures as well as the flexible and nimble implementation of management strategies. The Company's intention is to make a transition to business arrangements that more clearly reflect the commitment of the Group.

(b) Outline of Accounting Treatment

This transaction corresponds to a transaction with a minority shareholder. The amount corresponding to the ownership interest represented by the additional shares purchased is subtracted from minority interests; the increase in the ownership interest of the parent company as a result of the purchase of additional shares is offset against the additional investment amount; then, the differential between the additional interest and the additional investment amount is treated as goodwill.

(c) Details of Acquisition Cost of the Company Acquired

	Millions of Yen	Thousands of U.S. Dollars
Payments for purchase of common shares	¥13,025	$112,217
Direct costs incurred in the acquisition	138	1,189
Total acquisition cost	¥13,164	$113,414

(d) Amount of Goodwill Incurred, Reasons for Recognizing Goodwill, Amortization Method and Amortization Term

(1) Amount of goodwill: ¥3,079 million ($26,527 thousand)

(2) Reasons for recognizing goodwill: The acquisition price paid for the purchase of additional CABIN shares was in excess of the decline in minority interests resulting from the acquisition of additional shares.

(3) Method and term of amortizing the goodwill: straight-line basis over seven years

19 Segment Information

Information by Business Segment

As net sales, operating income and total assets from the Apparel-related business of the Company and its consolidated subsidiaries constituted more than 90% of the consolidated totals for the years ended August 31, 2007 and 2006, the information by business segment for fiscal 2007 and 2006 is not presented.

Information by Geographic Area

As net sales and total assets in Japan constituted more than 90% of the consolidated totals, the information by geographic area for fiscal 2006 is not presented.

	Millions of Yen					
Year ended August 31, 2007	Japan	Europe	Others	Total	Eliminations and Corporate	Consolidated
I. Net sales and operating income (loss):						
External sales	¥471,711	¥39,766	¥13,726	¥525,203	¥ —	¥525,203
Intersegment sales	—	206	43	249	(249)	—
Total	471,711	39,972	13,769	525,452	(249)	525,203
Operating expenses	412,270	35,708	14,054	462,032	(1,792)	460,240
Operating income (loss)	¥ 59,441	¥ 4,264	¥ (285)	¥ 63,420	¥ 1,543	¥ 64,963
II. Total assets	¥211,094	¥57,719	¥12,977	¥281,790	¥77,980	¥359,770

	Thousands of U.S. Dollars					
Year ended August 31, 2007	Japan	Europe	Others	Total	Eliminations and Corporate	Consolidated
I. Net sales and operating income (loss):						
External sales	$4,064,022	$342,604	$118,256	$4,524,882	$ —	$4,524,882
Intersegment sales	—	1,775	370	2,145	(2,145)	—
Total	4,064,022	344,379	118,626	4,527,027	(2,145)	4,524,882
Operating expenses	3,551,908	307,642	121,082	3,980,632	(15,438)	3,965,194
Operating income (loss)	$ 512,114	$ 36,737	$ (2,456)	$ 546,395	$ 13,293	$ 559,688
II. Total assets	$1,818,678	$497,278	$111,804	$2,427,760	$671,836	$3,099,596

Notes: 1. Countries and regions are classified according to geographic proximity.
2. Principal countries and regions other than Japan are
Europe: France, United Kingdom
Others: Asia outside Japan, North America
3. Expenses included in Eliminations and Corporate that could not be allocated among geographic areas amounted to ¥9,396 million ($80,951 thousand) and included the expenses of the Company's administrative departments.
4. Corporate assets of ¥83,293 million ($717,610 thousand) included within Eliminations and Corporate principally consisted of cash available for management (cash, deposits, and securities) and assets of the administration departments of the Company.

Overseas Net Sales

As overseas net sales constituted less than 10% of consolidated net sales, the overseas net sales information for fiscal 2006 is not presented.

	Millions of Yen			Thousands of U.S. Dollars		
Year ended August 31, 2007	Europe	Others	Total	Europe	Others	Total
I. Overseas net sales	¥39,972	¥13,769	¥ 53,741	$344,378	$118,627	$ 463,005
II. Consolidated net sales			¥525,203			$4,524,882
III. Percentage of overseas sales in consolidated net sales	7.6%	2.6%	10.2%	7.6%	2.6%	10.2%

Notes: 1. Countries and regions are classified according to geographic proximity.
2. Principal countries and regions in each geographic area
Europe: France, United Kingdom
Others: Asia outside Japan, North America
3. Overseas net sales are defined as net sales of the Company and its consolidated subsidiaries in countries or regions outside Japan.

Report of Independent Auditors

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, 2006 and 2007, and the related consolidated statements of income, change in net assets, and cash flows for the three years in the period ended August 31, 2007, 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, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years then ended 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, 2007 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 1.

Ernst & Young Shin Nihon

November 26, 2007

History

1949.3
Men's Shop Ogori Shoji founded as a private enterprise in Ube City, Yamaguchi Prefecture.

1963.5
Ogori Shoji Co., Ltd., established, with capital of ¥6 million, as a successor to the original business.

1984.6
The first UNIQLO store specializing in casual clothing opened in Hiroshima City (UNIQLO Fukuromachi store; closed in August 1991).

1985.6
The first UNIQLO roadside store opened. Following immediate success, the format was adopted as the new standard.

1991.9
The Company's name changed from Ogori Shoji to FAST RETAILING CO., LTD.

1994.7
The Company's stock listed on the Hiroshima Stock Exchange.

1997.4
The Company's stock listed on the Second Section of the Tokyo Stock Exchange.

1998.2
The Head Office constructed in Yamaguchi Prefecture.

1998.10
The ¥1,900 fleece campaign attracted great public attention.

1998.11
The first downtown store opened in the fashionable Harajuku district of Tokyo.

1999.2
The Company's stock listed on the First Section of the Tokyo Stock Exchange.

1999.4
The Shanghai Office established to further enhance production management.

2000.4
The headquarter functions moved to Tokyo to promote merchandising and marketing.

2000.10
Internet online sales business launched.

2001.9
UNIQLO's first overseas expansion began with store openings in London.

2002.4
UNIQLO Design Studio (current R&D Center) established.

2002.9
Opened first two UNIQLO stores in Shanghai, China.

2002.11
Started food business under the SKIP brand name (exited the business in April 2004).

2003.10
The cashmere campaign stimulated high consumer interest.

2004.1
Took an equity stake in Link International Co.,Ltd. (now LINK THEORY HOLDINGS CO.,LTD.), marketer of the Theory apparel brand.

2004.2
National Standard Inc., marketer of the national standard women's apparel brand, became a consolidated subsidiary. (Withdrew in March 2006)

2004.10
Opened the first large-format UNIQLO store in Shinsaibashi, Osaka.

2004.12
Established UNIQLO Design Studio, New York, Inc. design subsidiary to help strengthen the R&D function.

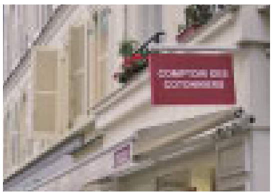
2005.3
Footwear retail chain ONE-ZONE CORPORATION (store names include FOOTPARK, etc.) became a consolidated subsidiary.

UNIQLO is the cornerstone of the business portfolio of FAST RETAILING CO., LTD., which was founded in 1963. The first UNIQLO store was opened in Hiroshima in 1984, and, since then, the Company opened a series of stores throughout Japan and listed its shares on the Hiroshima Stock Exchange in 1994. Its network of stores grew to become Japan's largest apparel chain, with more than 300 stores as of 1997. The store that opened in the trendy Harajuku district in 1998 was UNIQLO's first store in urban Tokyo, and a fleece campaign in October of the same year created a surge in demand for its products.

Net sales doubled in the years ended August 31, 2000 and 2001, but net sales and income fell back. To sustain growth, the Company moved in November 2005 to a holding company structure and took steps to refocus on the entrepreneurial values, enhance Group management, and make its operations more global.

2005.5
Obtained management control of NELSON FINANCES S.A.S., developer of the COMPTOIR DES COTONNIERS French casual clothing brand.

2005.5
Established COMPTOIR DES COTONNIERS JAPAN CO., LTD., with the aim of developing the brand in Japan.



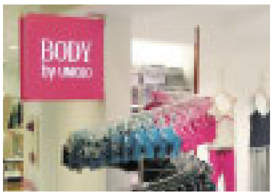
2005.9
ASPESI Japan Co., Ltd., set up as a consolidated subsidiary to market the Italian ASPESI brand in Japan.

2005.9
Opened first UNIQLO store in South Korea (Seoul).

2005.9
Opened first store in United States (New Jersey).

2005.9
Opened first store in Hong Kong (Tsim Sha Tsui shopping district).

2005.9
Opened first women's inner wear specialty store, BODY by UNIQLO, in Tokyo's Ginza shopping district.

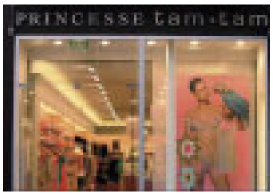


2005.9
Opened UNIQLO flagship store in Ginza, Tokyo.

2005.10
Opened first UNIQLO KIDS store.

2005.11
Shifted to a holding company structure to strengthen UNIQLO operations and drive new business expansion.

2006.2
PETIT VEHICULE S.A. becomes a FAST RETAILING subsidiary developing the PRINCESSE TAM.TAM brand in France and other parts of Europe.



2006.3
Established G.U. CO., LTD. to develop low-priced casual clothing g.u. brand stores.

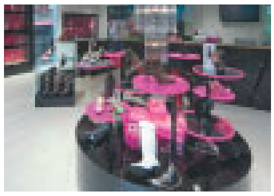
2006.4
Invested in CABIN CO., LTD. to develop, design, and retail women's clothing (store names include ZAZIE, enraciné, etc.) (Became a subsidiary in August 2006)

2006.6
UNIQLO CO., LTD. formed a business tie-up to create a strategic partnership with TORAY INDUSTRIES, INC.

2006.9
Commenced activities to recycle all UNIQLO products.

2006.10
The first g.u. store opened in Ichikawa City, Chiba Prefecture.

2006.11
Signed a business and capital alliance agreement with VIEWCOMPANY CO.,LTD., developer of the chain of VIEW and COO ICI shoe stores for women.



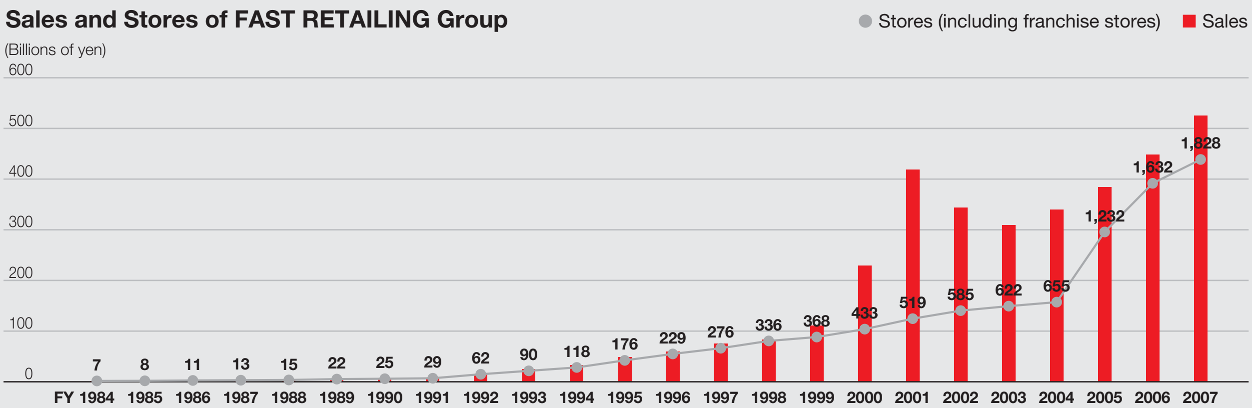
2006.11
UNIQLO New York Soho store opened in New York City as the first global flagship store with 3,300 square meters of sales floor space.

2007.3
Opened the Kobe Harborland store, the largest UNIQLO store in Japan, with over 3,300 square meters of floor space.

2007.4
Opened T-shirt specialty store UT STORE HARAJUKU.

2007.11
Opened a global flagship store on London's Oxford Street.

Sales and Stores of FAST RETAILING Group



Note: On a consolidated basis from fiscal 2002.

Investor Information

(As of August 31, 2007)

Securities Code: 9983

Stock Exchange Listing: First Section on TSE

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)	14,789

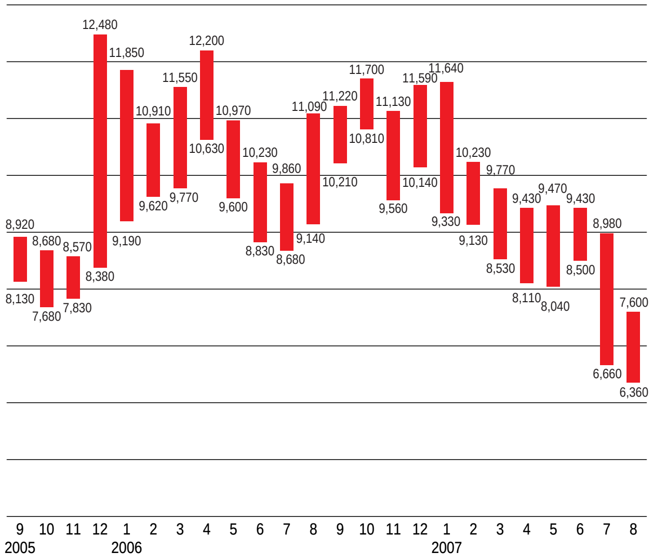
Principal Shareholders

	Number of shares	Percentage of total shares in issue (%)
Tadashi Yanai	28,297,284	26.68
Japan Trustee Services Bank, Ltd.	6,756,000	6.37
The Master Trust Bank of Japan, Ltd.	6,675,500	6.29
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.	4,222,560	3.98
MASTERMIND Co., Ltd.	3,610,000	3.40
Trust Custody Services Bank, Ltd.	2,396,200	2.26
Teruyo Yanai	2,327,848	2.19

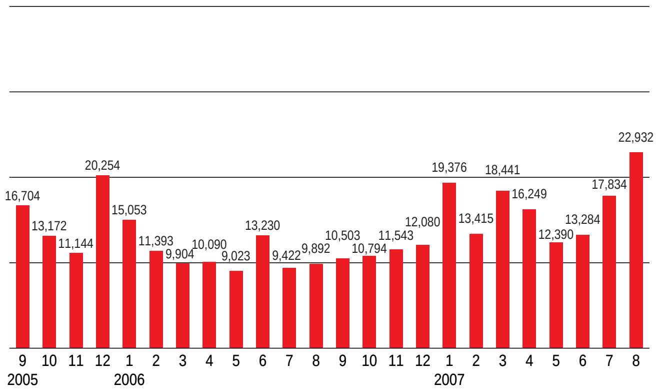
Shareholder Breakdown

	Number of shareholders	Number of shares (Thousands)	Percentage of total shares in issue (%)
Individuals and others	14,149	48,911	46.11
Foreign investors	346	19,433	18.33
Other financial institutions	80	21,213	20.00
Companies and corporations	155	8,992	8.48
Securities companies	59	7,512	7.08
Total	14,789	106,073	100.00

Stock Price (Yen)



Trading Volume (Thousands of Shares)



The latest IR information can be found on our Website at: http://www.fastretailing.com/eng/ir/

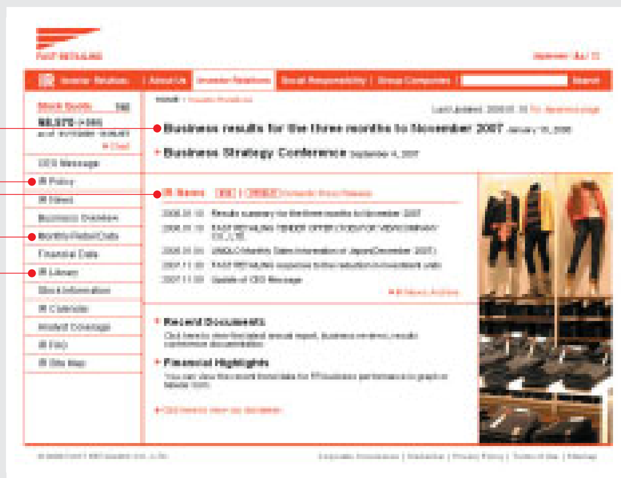
You can view a video of our latest business results meeting here.

Our basic policies for IR activities are available here.

Click here for the latest news releases.

You can check on the monthly trends in UNIQLO Japan sales here.

The latest IR publications, including annual reports and business reviews, are available here.



FAST RETAILING was selected as one of the recipients of Daiwa Investor Relations Co., Ltd.'s Best IR Website Award in 2007.

Corporate Information

Corporate Data (As of December 31, 2007)

FAST RETAILING CO., LTD.

Head Office
717-1, Sayama, Yamaguchi City,
Yamaguchi 754-0894, Japan

Tokyo Office
Kitanomaru Square,
13-12, Kudan-kita 1-chome,
Chiyoda-ku,
Tokyo 102-0073, Japan

Established
May 1, 1963

Paid-in Capital
¥10,274 million

Line of Business
Control and management of overall Group activities as owner and holding company

Number of Full-time Employees
(Consolidated)
6,514 (As of August 31, 2007)

Settlement Date
August 31

Annual Shareholders' Meeting
End of November

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Number of Shares per Trading Unit
100

Board of Directors
(As of December 31, 2007)

Tadashi Yanai
Chairman, President & CEO

Masa Matsushita
Executive Vice President

Toru Hambayashi*1

Nobumichi Hattori*1

Toru Murayama*1

Statutory Auditors' Board
(As of December 31, 2007)

Akira Tanaka

Takaharu Yasumoto*2

Norihiko Shimizu*2

Akira Watanabe*2

Minoru Ota*2

*1 External board member
*2 External auditor

Main Group Companies
(As of December 31, 2007)

<Consolidated Subsidiaries>

UNIQLO CO., LTD.
717-1, Sayama, Yamaguchi City,
Yamaguchi 754-0894, Japan

UNIQLO(U.K.)LTD.
Top Floor 93-97 Clarence Street,
Kingston Upon Thames, Surrey,
KT1 1QY, U.K.

FAST RETAILING(CHINA) TRADING CO., LTD.
Rm. 1602, Xuhui Garden Building,
No.1089, Zhongshan Er Road (South),
Shanghai, China 200030

UNIQLO USA, Inc.
101 Avenue of the Americas, 11th Floor,
New York, NY 10013, U.S.A.

FRL Korea Co., Ltd.
5F, 24-11 Chungmuro 1ga,
Jung-gu, Seoul, 100-011, Korea

UNIQLO HONG KONG, LIMITED
No. 806, 8/F., Miramar Tower, No. 132
Nathan Road, TST, Kowloon, Hong Kong

FR FRANCE S.A.S.
17 avenue de l'Opera, 75001 Paris, France

Créations Nelson S.A.S.
58 rue St Lazare, 75009 Paris, France

PETIT VEHICULE S.A.S.
39 rue Maurice Gunsbourg F-94851
Ivry-sur-Seine cedex, France

G.U. CO., LTD.
Kudan IS Building 5F,
3-5, Kudan-kita 1-chome, Chiyoda-ku,
Tokyo 102-0073, Japan

ONEZONE CORPORATION
Shishikura Building,
10-11, Kiba 5-chome,
Koto-ku, Tokyo 135-0042, Japan

CABIN CO., LTD.
Lions Mansion Nishishinjuku 1F,
15-5, 3-chome, Shinjuku-ku,
Tokyo 160-0023, Japan

ASPESI Japan Co., Ltd.
Pansée Building 2F,
13-11, Minami-Aoyama 5-chome,
Minato-ku, Tokyo 107-0062, Japan

<Affiliated Company under the Equity Method>

LINK THEORY HOLDINGS CO.,LTD.
4-35, Minami-Aoyama 5-chome,
Minato-ku, Tokyo 107-0062, Japan

VIEWCOMPANY CO.,LTD.
Daiko-Shinosaka Building 11F,
3-39 Miyahara 4-chome, Yodogawa-ku,
Osaka City, Osaka 532-0003, Japan

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

Investor Relations Department
FAST RETAILING CO., LTD.
Kitanomaru Square, 13-12, Kudan-kita 1-chome,
Chiyoda-ku, Tokyo 102-0073, Japan
Telephone: +81-3-6272-0070
Facsimile: +81-3-6272-0076

Forward-Looking Statements

Statements in this annual report with respect to the Company's plans, strategies, forecasts, and other statements that are not historical facts are forward-looking statements that are based on management's judgment in light of currently available information. Factors that could cause actual results to differ materially from our earnings forecasts include, without limitation, global economic conditions, our response to market demand for and competitive pricing pressure on products and services, and currency exchange rate fluctuations.

FAST RETAILING CO., LTD.
www.fastretailing.com

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