2000 ANNUAL REPORT

Year Ended August 31, 2000

FAST RETAILING CO., LTD.

PROFILE

FAST RETAILING CO., LTD., is the company behind the **UNIQLO** brand of casual clothing. The Company manages all facets of its business, from product planning and design, to production, distribution and sales. Its shares are listed on the First Section of the Tokyo Stock Exchange.

During fiscal 2000, ended August 31, 2000, the Company recorded net sales of ·229.0 billion, generated by 433 stores and 1,265 employees. Today, **FAST RETAILING** is Japan s No. 1 casual clothing chain.

CONTENTS

UNI QLO

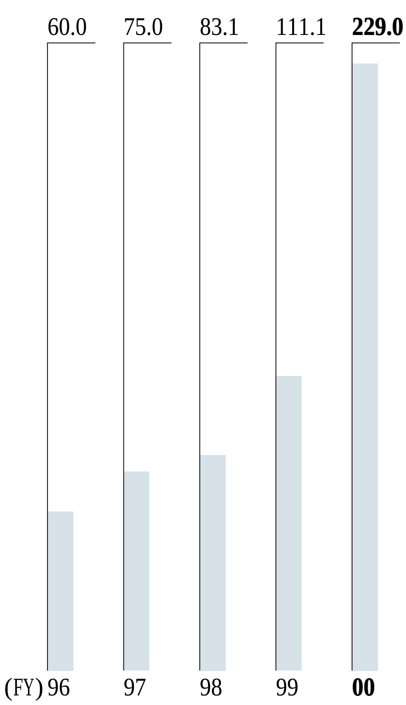
FORWARD-LOOKING STATEMENTS

Statements in this annual report, other than those of historical fact, are forward-looking statements about the future performance of **FAST RETAILING** that are based on management s assumptions and beliefs in light of information currently available, and involve known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

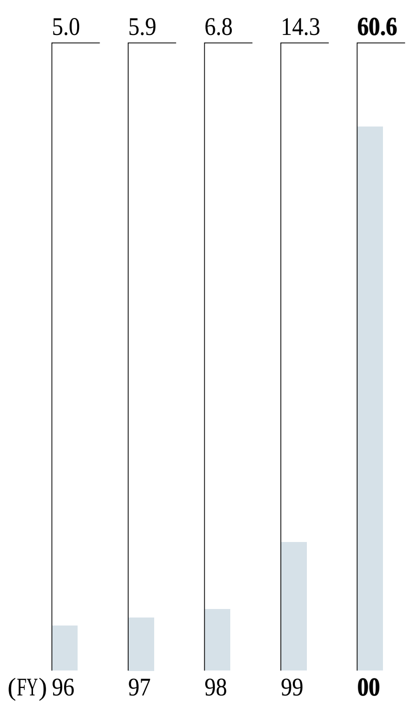
FINANCIAL HIGHLIGHTS

Years ended August 31	*Millions of Yen*					*Thousands of U.S. Dollars*
	2000	1999	1998	1997	1996	**2000**
Net sales	**¥ 228,986**	¥111,082	¥83,121	¥75,021	¥59,959	**$2,147,075**
Operating income	**60,628**	14,344	6,840	5,866	5,044	**568,473**
Net income	**34,514**	6,817	2,924	2,704	2,327	**323,621**
Diluted net income per share (yen)	**¥1,301.98**	¥ 259.29	¥111.49	¥113.38	¥115.04	**$ 12.21**
Dividends per share (yen)	**150.0**	27.0	10.0	10.0	10.0	**1.41**
Total assets	**¥ 153,261**	¥ 73,552	¥47,848	¥41,655	¥37,223	**$1,437,045**
Total shareholders equity	**66,409**	33,618	26,009	23,335	20,859	**622,680**
Number of shares issued	**26,518,414**	26,461,005	26,229,924	23,845,386	21,677,624	

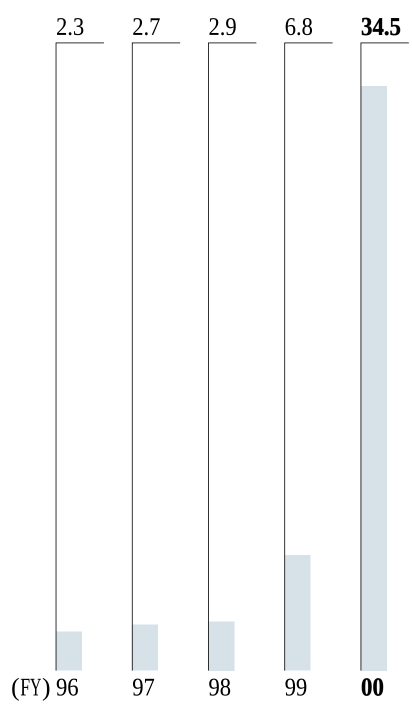
Notes: 1. U.S. dollar amounts have been translated for convenience only at the rate of ¥106.65=US$1, the approximate exchange rate prevailing on August 31, 2000.
2. FAST RETAILING maintains two subsidiaries, but due to their limited contribution to overall performance, has chosen not to prepare consolidated financial statements.



NET SALES
(Billions of Yen)



OPERATING INCOME
(Billions of Yen)



NET INCOME
(Billions of Yen)

UNIQLO is

a modern Japanese company

that inspires the world

to dress casual

Dear Shareholders

Fiscal 2000: A Year of Breakthroughs

Fiscal 2000 was a year of revolutionary breakthroughs for FAST RETAILING. Net sales for the period nearly doubled from the previous year, climbing to ·229.0 billion, and operating income recorded an astonishing 322.7% increase to ·60.6 billion. Net income soared to ·34.5 billion, about five times greater than net income for the previous year.

Although our essential business qualities have not changed over the past year, we boosted customers recognition and acceptance of the UNIQLO brand, which are the determining factors behind our accomplishments. Fiscal 2000 was the year in which more and more people began to receive our message that we are a modern Japanese company that inspires the world to dress casual. Today, consumers do not see UNIQLO as a chain of suburban casual clothing stores, but as Japan s No. 1 casual brand.

During fiscal 2000, we substantially changed our corporate structure. As a result, nearly all business indicators rose to their highest levels. We now foresee the future possibility of achieving annual net sales of ·500 billion.

Standing at the Crossroads

We have come to a turning point in our business development, where we are facing the challenge of establishing UNIQLO as a permanent national brand, such as the Gap in the United States or Marks & Spencer in the United Kingdom. Our entire management team is considering the options and paving a solid path for UNIQLO s growth, to avoid FAST RETAILING becoming a clothing industry has-been.

Getting Back to Basics

Our fundamental corporate policy is to continually provide consumers with quality and fashionable low-priced casual clothing. Therefore, we focus on realizing low-cost management and achieving well-planned customer services.

Promises to Our Customers

Our daily earnings depend entirely on the UNIQLO stores. Because of this, we have made three promises to our customers:

- To keep our floors impeccably clean for comfortable shopping
- To prevent insufficient stocking of advertised products. If stock is low, we quickly order replacements or substitutes
- To unconditionally accept product returns within three months of the purchase date.

We require all staff to keep these promises to ensure maximum customer satisfaction.

Entering a New Stage of Growth

We are currently at the doorway of a new stage of growth. We are creating a new, dynamic infrastructure based on a carefully planned business model. Although we will always stand by our basic principles, we are willing to set aside old conventions for planning, production, distribution and sales, and move forward with confidence. Of course, the goal remains the same to have loyal and satisfied customers.

Evolving into the Brand of Choice

UNIQLO started as a single shop, grew to be a chain of stores, and has now evolved into a highly visible brand. The first stage began in 1984, when the original UNIQLO store opened in Hiroshima. This stage represented the starting point of UNIQLO as a casual clothing store. The next defining period began when we opened 33 UNIQLO shops between the fall/winter seasons of 1991 and 1992, increasing the UNIQLO network to 55 directly operated stores. This marked the beginning of our existence as a casual clothing chain, and initiated an expansion plan calling for the opening of 30 stores per year. The third significant stage in our development was the opening of a flagship store in Harajuku, Tokyo s representative fashion district, sparking widespread recognition of the UNIQLO brand.

We always seek feedback from our customers, because they determine what type of company we are, what we sell and where our real value lies. FAST RETAILING has been extremely sensitive to the needs of customers and has aimed to immediately turn their wishes into actual products. We are building a brand, and at the same time, creating casual direct business. We need to directly connect production and sales, and become a company of targeted merchandising and marketing.

Until now, our key competitors have been specialty shops and large-scale discount stores. As we are

broadening the scope of our business, the UNIQLO brand will now compete with the world s fashion powerhouses.

Our message to the market is that we are a modern Japanese company that inspires the world to dress casual. UNIQLO is not a discount clothing store, nor is it a specialty store or a clothing manufacturer. It is a unique business unto itself.

Taking on the World

FAST RETAILING is aiming to become an internationally recognized retailer. Making UNIQLO accessible globally will be a vital step in getting more people to understand who we are and what we are about. Overseas markets are home to many large-scale competitors and rivalry is always intense, particularly in cities such as New York, London and Paris. To compete in these markets, we will need to have a minimum of ·300 billion in annual net sales, an established position as Japan s leading fashion company and an internationally positioned brand.

In closing, I would like to express my gratitude to all shareholders and ask for your continuing support of FAST RETAILING.

Tadashi Yanai, President & Chief Executive Officer
November 2000

Principles and Future Direction of Fast Retailing

Business Model

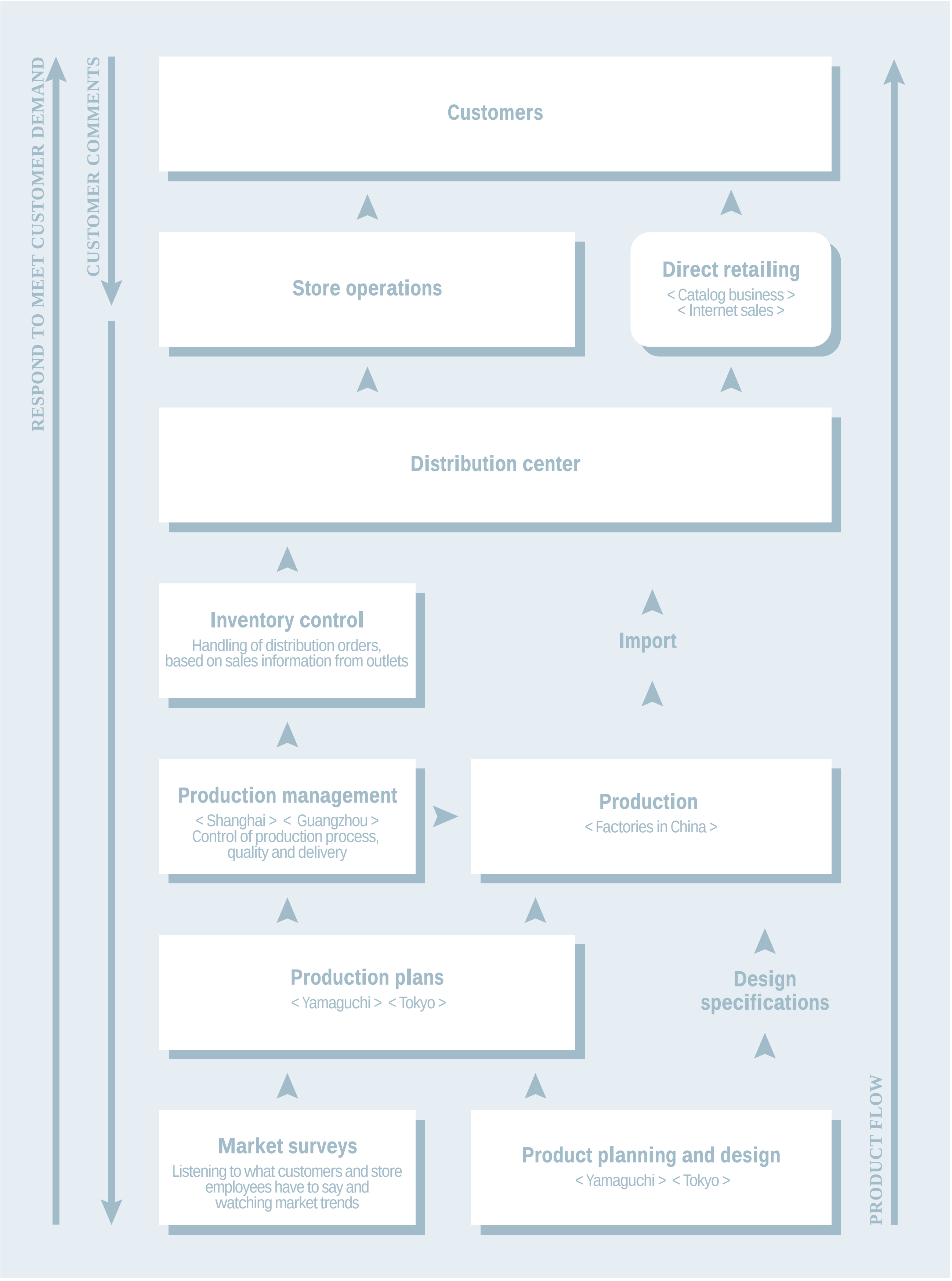
Our corporate mission is to continually offer fashionable, good quality, basic casual clothing at the most reasonable prices, for people of all ages and backgrounds. To accomplish this, we have established an integrated system to control all facets of operations, including product planning, material development, design, procurement of raw materials, production, distribution and sales. To maintain maximum quality for our products and services, and at the same time to curtail prices, we have established partnerships with highly skilled companies worldwide. We also recognize that FAST RETAILING must take full responsibility for all risks, especially those relating to volume of production, to let our business partners contribute proactively. Currently we have relationships with major materials manufacturers, top-tier production plants in China and Southeast Asia, Japanese trading houses and distribution companies. As a result, we are able to run an efficient, high-quality and low-cost operation.

Merchandising & Production

All our product planning and design is handled in-house. About 90% of production is consigned to partners in China, while the rest of manufacturing is conducted in Southeast Asia. To create competitive products, specifications for product planning, design, pattern-making and tailoring are based on information gathered from market surveys, in-store customer feedback and our call centre. Raw materials are the most important elements of product value and quality. We have strengthened our relationships with material manufacturers and textile companies to ensure steady procurement of materials. This effort has improved our product development capabilities.

We continue to expand our overseas facilities to ensure product quality. We established a production management office in Shanghai to deepen relations with our production partners in China and promote better quality assurance. To further enhance quality control, we opened an office in Guangzhou, China, in September 1999. To directly reflect the requests of customers, the employees at these two offices manage quality and production flow of the plants.

In determining production for each fiscal year, we consider the previous year s sales volume, market predictions, promotional activities and other factors. Along with our projections for demand, we draw up production plans for each factory and product. We are refining our supply chain management system, including production flow management, supplemental output, capacity adjustments and inventory control, to deliver the right volume of products at the right time.

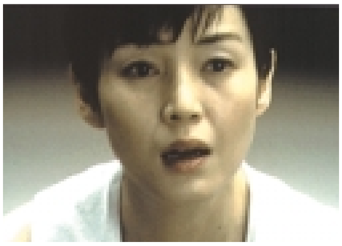

RESPOND TO MEET CUSTOMER DEMAND
CUSTOMER COMMENTS
Customers
Store operations
Direct retailing
< Catalog business >
< Internet sales >
Distribution center
Inventory control
Handling of distribution orders, based on sales information from outlets
Import
Production management
< Shanghai > < Guangzhou >
Control of production process, quality and delivery
Production
< Factories in China >
Production plans
< Yamaguchi > < Tokyo >
Design specifications
Market surveys
Listening to what customers and store employees have to say and watching market trends
Product planning and design
< Yamaguchi > < Tokyo >
PRODUCT FLOW

Supply Chain Management

The objective of supply chain management is to ensure stores always carry the optimal volume of products in the colors and sizes desired by customers. We must synchronize demand and production at the stock keeping unit (SKU) level, and maintain an appropriate inventory level at each store.

We are currently designing a system that is able to match supply with demand. Under this system, we will track weekly and monthly sales, revise promotional plans and continually update sales forecasts for each product based on its color and size. These projections will then be used to revise production plans and adjust inventory. We are also restructuring our order and distribution system to control inventories at each store.

Marketing



The first component of our marketing operations consists of performing regular promotions focused on a core product that we have the utmost confidence in selling. These activities maintain a steady volume of foot traffic in our stores. We utilize a variety of media, such as advertisements, publicity events, in-store visual merchandising and the Internet, to convey precise product image and seasonal product information. We have been successful in expanding our sales using these marketing tools.

Brand building is the second key aspect of our marketing program and involves the entire Company. We strive to convey an integrated UNIQLO identity to customers through our stores, products, advertisements and other communication opportunities.

Finally, market analysis helps us improve products and services. Every member of the Company works together to understand our customers, to provide the steady flow of services and products they seek.

Store Operations

At UNIQLO stores, the customer always comes first. We focus on what customers want to buy, and not on what we want to sell. Our store staff put themselves in the customer s shoes to create an ideal shopping environment. We are committed to making sure everyone who buys UNIQLO is satisfied.

We believe customer satisfaction is critical to continuous earnings growth. Because almost all interaction with customers takes place at UNIQLO stores, we believe it is vital to gear all in-store undertakings toward building a long-lasting base of satisfied customers. Therefore, we view our basic corporate structure as follows:

Customer ⇔ UNIQLO Stores ⇔ Store Support Centre

The store support centre comprises all FAST RETAILING s operations performed outside the store. The center provides support for our stores and, as a result, structures its functions around them.

Improving productivity is currently a key issue, not just for the retailing industry but for many other industries as well. Improving the productivity of each store is particularly important for our company, because we directly manage a majority of our outlets. We aim to boost output capacity to levels equivalent to that of a high-tech company, by employing a small staff of elite salespersons at each store. It is necessary to improve the management capability of each store manager and train sales staff to ensure a high level of product knowledge and service skill. We will achieve these goals through:

1. Implementation of the “superstar” store manager system

Once store managers reach a certain level of expertise, they are promoted to superstar manager and given authority to make a wide range of decisions. These managers assume responsibility for the store s performance as if it were their own business. Their remuneration is closely linked to the store s sales performance.

2. Training and increasing the number of long-term contract employees

Our success depends on our people, who provide customers with the best services. Training people to run our stores properly is crucial to keeping customers satisfied. By understanding and committing to the UNIQLO brand concept, each employee can help grow the brand and satisfy customers.

Store Development

During fiscal 2000, we opened 67 stores and closed three. Nearly half of these new stores were opened in shopping centers in major cities, including shopping plazas in train stations. Since opening our first metropolitan flagship store in Harajuku in November 1998, we have been dedicated to developing the urban market. We have also continued to expand in suburban areas, particularly in local shopping centers, where a third of new suburban stores were opened. Some 42 stores were established in the Kanto region, mainly in Kanagawa and Tokyo, reflecting our strong desire to increase our presence in the Tokyo metropolitan area.

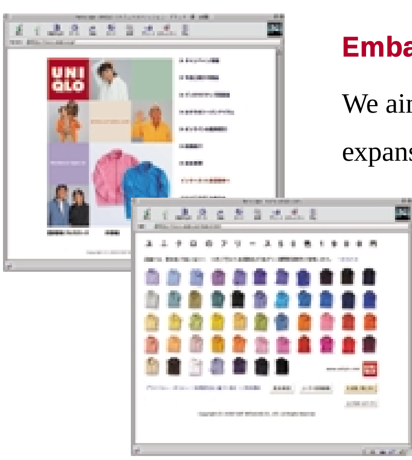
Our expansion strategy from fiscal 2001 onward is to (1) capture large markets through store openings in major cities such as Tokyo, (2) expand floor space to handle larger sales and increased visitors, and (3) open stores in shopping malls located in commercial areas. Full-scale scrap-and-build programs are in line to promote the floor-space expansion of existing stores. We plan to open 110 stores and close 30 in fiscal 2001, and open 120 stores and close 40 during fiscal 2002 and 2003. We expect about 80 net store openings each year for the next three years.

In fall/winter 2000, we plan to open two small stores within the premises of train stations in conjunction with East Japan Railway Co. and its related KIOSK stores.

Direct Retailing

In September 1999, we initiated a trial run of our catalog business, to promote the establishment of a direct retailing avenue and provide added value to our products and services outside our stores. The catalog business proved to be a ·1.5 billion market in its first year. To respond to higher customer demand for direct sales, we decided to start a full-scale catalog business from fiscal 2000. In January 2000, we established an affiliation with Simree Co., Ltd., a catalog sales operator. Another direct sales avenue that will offer further convenience for customers is Internet sales, which we began in October 2000.

For us this is not just a means of providing trustworthy direct sales to increase earnings. It is the beginning of a new retailing concept that will allow anyone to buy UNIQLO products from anywhere and at any time they want.

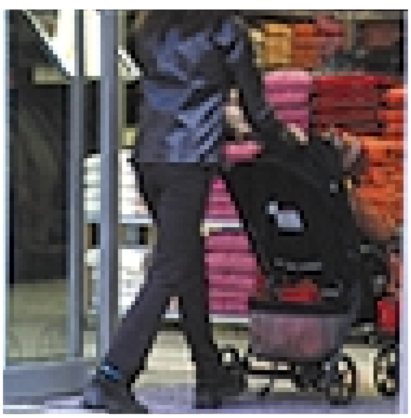


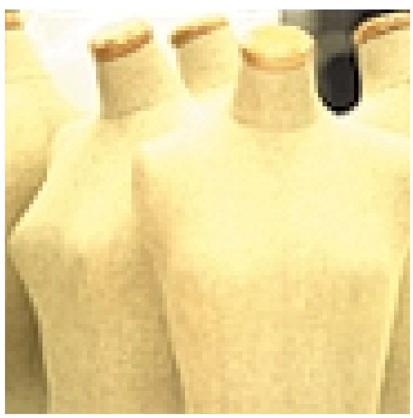
Embarking Overseas

We aim to become a global brand. We chose the United Kingdom to be the first step in our expansion abroad, and established FAST RETAILING (U.K.) LTD, a 100%-owned subsidiary, in June 2000. Our first London store will open in fall 2001. We aspire to open 50 stores in the United Kingdom over the next three to four years. By putting all our efforts into the U.K. market, we hope to gain wide acceptance and make UNIQLO its No. 1 casual clothing store. We plan to create an organization supported by highly skilled staff, and run a business that will blend with the local business environment.

TV COMMERCIALS
&
CAMPAIGNS

STORES





financial section

Six-Year Financial Summary

Years ended August 31	*Millions of Yen*					
	2000	1999	1998	1997	1996	1995
Net sales	**¥228,986**	¥111,082	¥83,121	¥75,021	¥59,959	¥48,692
Net income	**34,514**	6,817	2,924	2,704	2,327	2,108
Total shareholders equity	**66,409**	33,618	26,009	23,335	20,859	18,707
Total assets	**153,261**	73,552	47,848	41,655	37,223	33,258
	Yen					
Shareholders equity per share	**¥2,504.25**	¥1,270.47	¥991.58	¥978.59	¥962.23	¥1,725.89
Dividends per share	**150.00**	27.00	10.00	10.00	10.00	10.00
Interim dividends	**50.00**	7.00	5.00	5.00	5.00	5.00
Diluted net income per share	**1,301.98**	259.29	111.49	113.38	115.04	203.62
Dividend payout ratio (%)	**11.50**	10.46	8.97	8.82	9.32	5.14
Return on equity (%)	**69.0**	22.9	11.9	12.2	11.8	11.9
Equity ratio (%)	**43.3**	45.7	54.4	56.0	56.0	56.2
Number of shares issued	**26,518,414**	26,461,005	26,229,924	23,845,386	21,677,624	10,838,812
Number of stores	**433**	368	336	276	229	176
Number of franchise stores	**12**	11	11	11	10	9
Number of regular employees	**1,265**	1,055	950	798	622	534

Management's Discussion and Analysis of Financial Conditions and Results of Operations

The financial information in this section is based on the nonconsolidated financial statements found elsewhere in this annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in Japan. FAST RETAILING maintains two subsidiaries, but due to their limited contribution to overall performance, has chosen not to prepare consolidated financial statements.

RESULTS OF OPERATIONS

Net Sales

During fiscal 2000, ended August 31, 2000, consumer spending in Japan failed to make a full-scale recovery. Reflecting this, fashion retailers unable to respond to consumers needs continued to struggle. FAST RETAILING, however, was able to meet its customers demands by successfully launching campaigns for products such as fleece jackets, denim jackets and stretch pants. We effectively highlighted product value through visual merchandising and in-store promotions, and through newspaper, magazine, television and other media promotions. As a result, we significantly outperformed our initial sales outlook. Thanks to these effective promotional strategies, we boosted consumer recognition of the UNIQLO brand and recorded favorable sales for a broad range of clothing items. Visitors to our existing stores grew 72.2% from the previous year and foot-traffic at our direct-run outlets soared 115.4%. Sales at existing stores climbed 67.7%, while sales at direct-run stores skyrocketed 107.1%. Consequently, we recorded net sales of ·229.0 billion, a 106.1% increase on the previous fiscal year s ·111.1 billion .

	Millions of Yen		
	2000	1999	1998
Net sales	**¥228,986**	¥111,082	¥83,121

All categories saw brisk growth, with the exception of National Brands brands of other companies which we plan to discontinue. In particular, our Women s Clothing category lineup expanded, and through sales of such products as stretch pants and denim jackets, recorded a spectacular 173.5% improvement, to ·51.3 billion. Our Cut & Sewn category also posted strong sales growth of 149.4%, to ·54.2 billion. It should be noted that from fiscal 2000, catalog sales have been included in each category s sales. Catalog sales for the period amounted to ·1.5 billion .

Sales by Category

	Millions of Yen		
	2000	1999	1998
Children s Clothing	**¥ 14,929**	¥ 6,110	¥ 3,865
Women s Clothing	**51,272**	18,745	12,132
National Brands	**83**	10,205	9,862
Outerwear	**15,302**	8,448	6,135
Sweaters	**10,911**	6,225	5,095
Cut & Sewn	**54,203**	21,734	16,273
Shirts	**18,548**	8,684	5,772
Slacks (Pants)	**22,656**	12,252	9,720
Accessories	**37,981**	16,534	12,254
Subtotal	**225,885**	108,937	81,108
Products supplied to franchise stores	**2,689**	1,821	1,540
Administrative charges	**352**	272	288
Fees from in-store alterations	**60**	52	185
Total sales	**¥228,986**	¥111,082	¥83,121

Notes:
1. Administrative charges are royalty income received from franchises.
2. Fees from in-store alterations comprise income from fitting and mending, such as hemming.
3. The above figures do not include consumption tax.

We continued to actively expand in urban areas. We opened 67 direct-run stores and one franchise, including stores located in urban shopping areas and station buildings. We also closed down three stores to rebuild larger stores in nearby areas. Owing to our efforts, our network of UNIQLO stores grew to 433 outlets nationwide, including 12 franchises, by the end of fiscal 2000. Store expansion was considerably noticeable in the Kanto region, with 42 new stores and one closure, and in the Kansai region, with 10 store openings.

Store Openings and Closures

	2000	1999	1998
Store openings	**67**	38	78
Closures	**3**	6	18
Increase in store numbers	**64**	32	60
Capital spending (millions of yen)	**¥6,218**	¥3,363	¥6,127

Note:
Total capital spending for the period of ·6.2 billion includes forward investments for stores to be opened during fiscal 2001, ending August 31, 2001.

Number of Stores by Region

	2000	1999	1998
Hokkaido-Tohoku	**31**	26	22
Kanto	**143**	102	86
Chubu	**68**	63	61
Kansai	**84**	74	64
Chugoku	**21**	20	19
Shikoku	**15**	15	16
Kyushu-Okinawa	**59**	57	57
Direct-run stores	**421**	357	325
Franchises	**12**	11	11
Total	**433**	368	336
Total floor space (m^2)	**186,801.10**	157,424.03	143,487.78

Income

Earnings and profit structure improved significantly. Gross profit increased 143.5% from the previous year, to ·112.5 billion. Operating income escalated 322.7%, to ·60.6 billion. The Company s operating margin rose from 12.9%, to 26.5%. This increase in performance was due mainly to solid sales at both existing stores and outlets newly added during the fiscal year. Owing to fewer losses on markdowns, the ratio of selling, general and administrative (SG&A) expenses to net sales fell from 28.7%, to 22.7%. The ratio of personnel expenses to net sales dropped from 10.2%, to 9.2%. The ratio of advertising and promotion costs to net sales declined from 6.0%, to 4.4%, and the ratio of rents to net sales was curtailed to 4.5%, from 7.2%.

Breakdown of Key Expenses

	2000			1999			1998		
	Millions of Yen	*Percentage to Sales*	*Percentage Change*	*Millions of Yen*	*Percentage to Sales*	*Percentage Change*	*Millions of Yen*	*Percentage to Sales*	*Percentage Change*
Personnel	**¥21,128**	**9.2**	**186.8**	¥11,310	10.2	128.0	¥ 8,837	10.6	126.0
Advertising and promotion costs	**10,036**	**4.4**	**151.3**	6,632	6.0	111.3	5,959	7.2	108.1
Rents	**10,347**	**4.5**	**129.4**	7,998	7.2	114.5	6,986	8.4	124.3
Depreciation and amortization	**806**	**0.4**	**108.8**	741	0.7	113.5	653	0.8	158.2
Others	**9,550**	**4.2**	**184.4**	5,180	4.6	106.5	4,862	5.8	126.0
Total	**¥51,867**	**22.7**	**162.8**	¥31,861	28.7	116.7	¥27,297	32.8	121.8

Thanks to cost cutting, income before income taxes rose 329.2%, to ·60.0 billion. Net income for the period increased 406.3%, to ·34.5 billion. Return on sales improved from 6.1%, to 15.1%. Return on equity (ROE) expanded to 69.0%, from 22.9%.

Our policy is to secure a stable management foundation over the long-term and continue providing value to our shareholders based on our performance. Thanks to favorable earnings, we were able to issue a ·150 cash dividend, up from ·27 for fiscal 1999. As a result, total dividends paid rose to ·4.0 billion, 457.0% higher than a year earlier, with a dividend payout ratio of 11.5%. The dividend-to-equity ratio rose to 6.0%, compared with 2.1% in the previous term.

LIQUIDITY AND FINANCING

Assets, Liabilities and Shareholders' Equity

Cash rose 118.2%, to ·53.4 billion, while marketable securities increased 202.5%, to ·46.2 billion. The Company concentrates on safe and liquidable investments, and its marketable securities mainly comprise money market funds and medium-term government securities funds. Meanwhile, merchandise rose 104.6%, to ·20.1 billion. Reflecting these figures, the Company s total current assets increased 141.5%, from ·52.1 billion in the previous fiscal term, to ·125.9 billion .

Total investments and other assets grew 29.0%, to ·18.8 billion, because of store expansion, including payments for deposits and construction assistance fund receivables. FAST RETAILING recorded ·1.7 billion in treasury stock following the implementation of a stock option plan this fiscal year. As a result of these factors, total assets expanded 108.4% from ·73.6 billion, to ·153.3 billion .

Total current liabilities grew in tandem with business, rising 161.3%, to ·76.2 billion. This consisted mainly of an increase in accounts payable, 123.6% higher than a year earlier, to ·42.8 billion, and a 315.9% rise in accrued income taxes, to ·23.0 billion. Total long-term liabilities dipped 0.9%, to ·10.7 billion. Consequently, total liabilities were up

117.5%, to ·86.9 billion. The Company s debt ratio went up from 118.8% in the preceding year to 130.8%, and its current ratio decreased from 178.9%, to 165.3%.

Total shareholders equity rose 97.5% to ·66.4 billion, from ·33.6 billion, as a result of an increase in retained earnings. The Company s equity ratio dropped from 45.7%, to 43.3%.

At the June 19, 2000, Board of Directors meeting, it was decided that a two-for-one stock split would be initiated for shareholders registered as of August 31, 2000, with the split taking place on October 20, 2000. Following the stock split, the number of outstanding shares was 53,036,828, up from 26,518,414 shares.

CASH FLOWS

Despite store openings, the launch of catalog sales and the establishment of the U.K. subsidiary, cash and cash equivalents at end of year rose 150.6%, from ·39.8 billion at the beginning of the year, to ·99.7 billion, reflecting an increase in income before income taxes.

Net cash provided by operating activities was ·68.8 billion, mainly due to expanded sales, which brought income before income taxes to ·60.0 billion. Net cash used in investing activities was ·5.1 billion, owing to the opening of 67 stores and renewal of existing stores, of which the Company spent ·2.6 billion for purchases of property and equipment , and used ·3.7 billion for payments for construction assistance fund receivables and payments for deposits .

Meanwhile, net cash used in financing activities was ·3.8 billion. This included ·1.9 billion for cash dividends paid and ·1.7 billion for purchase of treasury stock .

OUTLOOK

FAST RETAILING will continue to improve. During the next fiscal year, the Company is looking to solve its store crowding problem and boost customer satisfaction through engaging in scrap-and-build projects to expand floor space, and by opening new stores. The scheme includes the opening of about 110 urban and suburban stores, with about 30 closures scheduled.

We plan to hold full-scale campaigns to promote seasonal products and attract more customers. To achieve this, we will ensure sufficient production and distribution capacity. We will also fortify our backup production and system for tracking product inventory based on SKU, to make sure our stores will have sufficient stock of products. Strengthened distribution of catalogs will support the procurement of a wider customer range and repeat orders for our catalog business. We will also strive to get our Internet sales on track.

BALANCE SHEETS

FAST RETAILING CO., LTD.

August 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	**2000**
ASSETS			
Current assets:			
Cash (Note 3)	**¥ 53,432**	¥24,485	**$ 501,005**
Marketable securities (Notes 3 and 12)	**46,238**	15,283	**433,548**
Trade notes and accounts receivable	**1,823**	648	**17,098**
Less—Allowance for doubtful accounts	**(7)**	(6)	**(67)**
Net trade receivables	**1,816**	642	**17,031**
Inventories (Note 4)	**20,646**	10,026	**193,587**
Prepaid expenses	**1,070**	899	**10,030**
Deferred tax assets (Note 7)	**2,394**	545	**22,447**
Other	**309**	264	**2,898**
Total current assets	**125,905**	52,144	**1,180,546**
Property and equipment:			
Land	**2,052**	2,051	**19,237**
Buildings and structures	**9,297**	7,106	**87,173**
Furniture and equipment	**131**	81	**1,229**
Construction in progress	**218**	1	**2,046**
	11,698	9,239	**109,685**
Less—Accumulated depreciation	**(3,212)**	(2,464)	**(30,112)**
Net property and equipment	**8,486**	6,775	**79,573**
Intangible assets	**44**	35	**406**
Investments and other assets:			
Investments in securities (Note 12)	**62**	166	**587**
Treasury stock (Notes 5 and 12)	**1,654**	–	**15,505**
Investments in subsidiaries and affiliates (Note 12)	**282**	202	**2,646**
Lease deposits	**6,688**	4,979	**62,709**
Construction assistance fund receivables (Note 10)	**9,723**	8,829	**91,163**
Deferred tax assets (Note 7)	**76**	66	**714**
Other	**341**	356	**3,196**
Total investments and other assets	**18,826**	14,598	**176,520**
Total assets	**¥153,261**	¥73,552	**$1,437,045**

See accompanying notes to financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	**2000**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt (Note 6)	**¥ –**	¥ 300	**$ –**
Accounts payable	**42,834**	19,160	**401,629**
Accrued income taxes (Note 7)	**23,000**	5,530	**215,659**
Accrued expenses	**10,248**	4,086	**96,097**
Other	**87**	75	**813**
Total current liabilities	**76,169**	29,151	**714,198**
Long-term liabilities:			
Long-term debt (Note 6)	**10,000**	10,000	**93,765**
Other	**683**	783	**6,402**
Total long-term liabilities	**10,683**	10,783	**100,167**
Total liabilities	**86,852**	39,934	**814,365**
Shareholders' equity:			
Common stock, ·50 par value :			
Authorized 80,000,000 shares;			
Issued and outstanding			
26,518,414 shares—2000			
26,461,005 shares—1999	**3,274**	3,174	**30,698**
Additional paid-in capital	**11,579**	11,460	**108,569**
Legal reserve (Note 8)	**324**	129	**3,038**
Retained earnings (Note 8)	**51,232**	18,855	**480,375**
Total shareholders equity	**66,409**	33,618	**622,680**
Commitments and contingencies (Note 10)			
Total liabilities and shareholders equity	**¥153,261**	¥73,552	**$1,437,045**

STATEMENTS OF INCOME

FAST RETAILING CO., LTD.

For the Years Ended August 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2000	1999	1998	**2000**
Net sales	**¥228,986**	¥111,082	¥83,121	**$2,147,075**
Cost of sales	**116,491**	64,877	48,984	**1,092,270**
Gross profit	**112,495**	46,205	34,137	**1,054,805**
Selling, general and administrative expenses	**51,867**	31,861	27,297	**486,332**
Operating income	**60,628**	14,344	6,840	**568,473**
Other income (expenses):				
Interest and dividend income	**618**	169	117	**5,798**
Interest expenses	**(159)**	(155)	(21)	**(1,491)**
Loss on sale of marketable securities	**(509)**	–	–	**(4,772)**
Loss on sale of construction assistance fund receivables (Note 10)	**–**	(221)	–	**–**
Loss on stores closed	**(8)**	(133)	(151)	**(77)**
Loss on disposal of fixed assets	**(42)**	–	–	**(393)**
Write-down of investment securities	**(11)**	(3)	(27)	**(105)**
Liquidation loss of a subsidiary	**(295)**	–	(28)	**(2,769)**
Retirement benefits for directors	**(122)**	(49)	–	**(1,140)**
Other, net	**(98)**	29	247	**(918)**
	(626)	(363)	137	**(5,867)**
Income before income taxes	**60,002**	13,981	6,977	**562,606**
Income taxes (Note 7)**:**				
Current	**27,346**	7,549	4,053	**256,412**
Deferred	**(1,858)**	(385)	–	**(17,427)**
	25,488	7,164	4,053	**238,985**
Net income	**¥ 34,514**	¥ 6,817	¥ 2,924	**$ 323,621**

	Yen			U.S. Dollars
	2000	1999	1998	**2000**
Per share data:				
Net income				
Basic	**¥1,301.98**	¥259.51	¥111.49	**$12.21**
Diluted	**¥1,301.98**	¥259.29	¥111.49	**$12.21**

See accompanying notes to financial statements.

STATEMENTS OF SHAREHOLDERS EQUITY

FAST RETAILING CO., LTD.

For the Years Ended August 31, 2000, 1999 and 1998

	Millions of Yen			*Thousands of U.S. Dollars (Note 2)*
	2000	1999	1998	**2000**
Common stock:				
Balance at beginning of year	**¥ 3,174**	¥ 2,774	¥ 2,774	**$ 29,765**
Exercise of warrant	**100**	400	–	**933**
Balance at end of year	**¥ 3,274**	¥ 3,174	¥ 2,774	**$ 30,698**
Additional paid-in capital:				
Balance at beginning of year	**¥11,460**	¥10,979	¥10,979	**$107,450**
Exercise of warrant	**119**	481	–	**1,119**
Balance at end of year	**¥11,579**	¥11,460	¥10,979	**$108,569**
Legal reserve (Note 8):				
Balance at beginning of year	**¥ 129**	¥ 96	¥ 70	**$ 1,207**
Transfer from retained earnings	**195**	33	26	**1,831**
Balance at end of year	**¥ 324**	¥ 129	¥ 96	**$ 3,038**
Retained earnings (Note 8):				
Balance at beginning of year	**¥18,855**	¥12,159	¥ 9,511	**$176,796**
Net income	**34,514**	6,817	2,924	**323,621**
Cash dividends	**(1,852)**	(314)	(250)	**(17,367)**
Bonuses to directors	**(90)**	–	–	**(844)**
Transfer to legal reserve	**(195)**	(33)	(26)	**(1,831)**
Cumulative effect of change in accounting principle (Note 1(i))	**–**	226	–	**–**
Balance at end of year	**¥51,232**	¥18,855	¥12,159	**$480,375**

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

FAST RETAILING CO., LTD.

For the Year Ended August 31, 2000

	Millions of Yen	*Thousands of U.S. Dollars (Note 2)*
	2000	**2000**
Cash flows from operating activities:		
Income before income taxes	**¥60,002**	**$562,606**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	**805**	**7,555**
Increase in allowance for doubtful accounts	**69**	**651**
Interest and divided income	**(618)**	**(5,798)**
Interest expenses	**159**	**1,491**
Exchange losses	**37**	**351**
Write-down of investment securities	**11**	**105**
Liquidation loss of a subsidiary	**85**	**797**
Loss on disposal of fixed assets	**42**	**393**
Increase in trade receivables	**(1,175)**	**(11,019)**
Increase in inventories	**(10,620)**	**(99,583)**
Increase in other assets	**(371)**	**(3,483)**
Increase in trade payables	**23,674**	**221,973**
Increase in accrued expenses and other liabilities	**6,179**	**57,945**
Bonuses to directors	**(90)**	**(844)**
	78,189	**733,140**
Interest and dividend received	**618**	**5,801**
Interest paid	**(141)**	**(1,321)**
Income taxes paid	**(9,876)**	**(92,605)**
Net cash provided by operating activities	**68,790**	**645,015**
Cash flows from investing activities:		
Purchases of investment securities	**(165)**	**(1,547)**
Proceeds from investment securities	**201**	**1,883**
Purchases of property and equipment	**(2,559)**	**(23,995)**
Collections of loans	**161**	**1,505**
Payments for deposit	**(2,045)**	**(19,171)**
Collections of deposit	**219**	**2,057**
Payments for construction assistance fund receivables	**(1,614)**	**(15,139)**
Collections of construction assistance fund receivables	**677**	**6,350**
Purchase of intangible fixed assets	**(9)**	**(82)**
Other, net	**49**	**457**
Net cash used in investing activities	**(5,085)**	**(47,682)**
Cash flows from financing activities:		
Proceeds from issuance of common stock	**199**	**1,865**
Principal payments of long-term debt	**(453)**	**(4,249)**
Purchase of treasury stock	**(1,734)**	**(16,259)**
Proceeds from sales on treasury stock	**74**	**699**
Cash dividends paid	**(1,852)**	**(17,367)**
Net cash used in financing activities	**(3,766)**	**(35,311)**
Effect of exchange rate changes on cash and cash equivalents	**(37)**	**(351)**
Net change in cash and cash equivalents	**59,902**	**561,671**
Cash and cash equivalents at beginning of year (Note 3)	**39,768**	**372,882**
Cash and cash equivalents at end of year (Note 3)	**¥99,670**	**$934,553**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FAST RETAILING CO., LTD.

August 31, 2000, 1999 and 1998

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

FAST RETAILING CO., LTD. (the Company) maintains its books of account in accordance with the provisions set forth in the Japanese Commercial Code, the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying financial statements, certain reclassifications have been made for the convenience of the readers outside Japan. In addition, the notes to the financial statements include additional information, which is not required under the accounting principles generally accepted in Japan.

The accompanying financial statements include only the accounts of the Company. The accounts of its subsidiaries are not consolidated due to there being no material effect on total assets, net sales, net income and retained earnings, respectively.

(b) Foreign Currency Translation

Foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date, except for those covered by firm forward exchange contracts which are translated at such contract rates. At the year end, monetary current assets and current liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and monetary non-current assets and liabilities denominated in foreign currency are translated into yen at historical rates. However, material unrealized translation losses on monetary non-current assets and liabilities have to be calculated using the rates of exchange in effect at the balance sheet date. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

(c) Inventories

Inventories are stated at cost. Cost is determined by the specific identification method on a lot basis.

(d) Property and Equipment

Property and equipment, including significant renewals and additions, is stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the respective assets.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(e) Leases

Under Japanese accounting standards for leases, finance leases that have been deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating leases.

The Company has accounted for finance leases as operating leases, since the Company s leases do not have the terms of transfer of ownership.

(f) Marketable Securities and Investments in Securities

Listed securities are stated at the lower of cost or market, cost being determined by the moving average method. Other than listed securities are stated at cost, cost being determined by the average method.

(g) Investments in Subsidiaries and Affiliates

Investments in subsidiaries and affiliates are stated at cost.

(h) Allowance for Doubtful Accounts

The Company provides for doubtful accounts principally at an estimated amount of probable bad debt plus the maximum amount deductible under Japanese tax regulations.

(i) Income Taxes

Effective September 1, 1998, the Company adopted Accounting Standards for Deferred Income Taxes issued by the Business Accounting Deliberation Council. These standards require that deferred income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Previously, deferred tax assets and liabilities arising from temporary differences were not recognized.

The cumulative effect of the change in accounting principle for deferred income taxes was to increase retained earnings at September 1, 1998, by ·226 million .

(j) Net Income per Share

The computation of basic net income per share is based on the weighted average number of shares outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of warrants.

(k) Cash and Cash Equivalents

For the year ended August 31, 2000, the Company adopted Statement of Cash Flows issued by the Business Accounting Deliberation Council. For the purpose of the statement of cash flows, all highly liquid investments with insignificant risk of changes in value, which have original maturities of three months or less, are considered cash equivalents.

2. BASIS OF FINANCIAL STATEMENT TRANSLATION

The accompanying financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ·106.65 to U.S.$1.00, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2000.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2000 and 1999, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2000	1999	**2000**
Cash	**¥53,432**	¥24,485	**$501,005**
Marketable securities	**46,238**	15,283	**433,548**
Cash and cash equivalents	**¥99,670**	¥39,768	**$934,553**

4. INVENTORIES

Inventories as of August 31, 2000 and 1999, are summarized as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2000	1999	**2000**
Merchandise	**¥20,124**	¥ 9,838	**$188,692**
Supplies	**522**	188	**4,895**
	¥20,646	¥10,026	**$193,587**

5. STOCK OPTION PLAN

At a shareholders meeting held on November 26, 1999, shareholders approved that the Company may purchase 50,600 shares of its common stock within the period from November 26, 1999, to the closing of the next ordinary shareholders meeting, with an upper limit to an aggregate purchase cost of ·2,500 million ($23,441 thousand). Certain officers and other employees may be granted the option to purchase the Company s common stock at exercise price of lower of 102.5% of the average purchase cost or the market price at the date of grant. Granted persons can exercise 50% of the granted option from November 27, 2001 to November 26, 2002, and can exercise 100% from November 27, 2002 to August 31, 2004.

According to the shareholders approval, the Company purchased 48,200 shares of its common stock. The aggregate purchase cost was ·1,654 million ($15,505 thousand) during the year ended August 31, 2000 .

6. LONG-TERM DEBT

Long-term debt is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Unsecured loans from Japanese banks			
1.88% to 1.95% interest, due 2003	**¥10,000**	¥10,000	**$93,765**
3.05% unsecured bonds, due 2000	**–**	300	**–**
	10,000	10,300	**93,765**
Less—Current portion	**–**	(300)	**–**
	¥10,000	¥10,000	**$93,765**

The aggregate annual maturities of long-term debt after August 31, 2001, are as follows:

Year ending August 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2003	¥10,000	$93,765

7. INCOME TAXES

The Company is subject to a number of taxes based on income, which in the aggregate resulted in normal income tax rates of approximately 41.8% and 46.9% for the years ended August 31, 2000 and 1999, respectively. A reconciliation between the Company s effective tax rate and the normal tax rate for the years ended August 31, 2000 and 1999, are as follows:

	2000	1999
Normal income tax rate	**41.80%**	46.90%
Per capita tax	**0.33**	1.09
Surtax on undistributed profit of family corporation	**–**	3.02
Other	**0.36**	0.23
Effective tax rate	**42.49%**	51.24%

Tax effects of temporary differences that give rise to a significant portion of the deferred tax assets as of August 31, 2000 and 1999, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2000	1999	**2000**
Deferred tax assets:			
Accrued business tax	**¥2,035**	¥453	**$19,081**
Loss on sales of construction assistance fund receivables	**76**	66	**714**
Other	**359**	92	**3,366**
Total deferred tax assets	**¥2,470**	¥611	**$23,161**

8. LEGAL RESERVE

The Japanese Commercial Code provides that an amount equal to at least 10% of appropriations paid in cash, such as cash dividends and directors bonuses, shall be appropriated as legal reserve until such reserve equals 25% of stated common stock. This reserve is not available for dividends, but may be used to reduce a deficit by approval at the general meeting of shareholders or may be transferred to stated common stock by resolution of the Board of Directors.

Cash dividends, directors bonuses and appropriations to the legal reserve charged to retained earnings during the years ended August 31, 2000, 1999 and 1998, represent dividends and bonuses paid out during those years and the related appropriations to the legal reserve. The accompanying financial statements do not include any provision for the semiannual dividends of ·100 ($0.94) per share totaling ·2,647 million ($24,819 thousand) or directors bonuses of ·360 million ($3,376 thousand), approved by the Board of Directors in respect of the year ended August 31, 2000 .

9. RELATED PARTY TRANSACTIONS

Balances and transactions with subsidiaries and affiliates as of and for the years ended August 31, 2000, 1999 and 1998, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2000	1999	**2000**
Due from subsidiaries and affiliates	**¥ 1**	¥ 9	**$ 5**
Due to subsidiaries and affiliates	**¥ 4**	¥ 2	**$ 38**

	Millions of Yen			*Thousands of U.S. Dollars*
	2000	1999	1998	**2000**
Purchases	**¥ 93**	¥ 96	¥ 337	**$ 872**
Miscellaneous income	**¥ 19**	¥ 19	¥ 19	**$ 175**

10. COMMITMENTS AND CONTINGENCIES

The Company had the following contingent liabilities as of August 31, 2000:

	Millions of Yen	*Thousands of U.S. Dollars*
Loan guarantees for:		
Unconsolidated subsidiaries and affiliates	**¥126**	**$1,183**
Employees mutual society	**¥ 8**	**$ 77**

Construction assistance fund receivables represent an interest-free loan granted to real estate owners to construct stores. The constructed stores are leased by the Company from real estate owners. The Company transferred the construction assistance fund receivables to a trust bank during the year ended August 31, 1999. This transfer contains a recourse provision where the Company has an obligation to repurchase the transferred construction assistance fund receivables if the landowner fails to repay. The total outstanding transferred construction assistance fund receivables to a trust bank amounted to ·2,676 million ($25,089 thousand) as of August 31, 2000 .

11. LEASES

Lease payments relating to finance leases accounted for as operating leases for the years ended August 31, 2000, 1999 and 1998, amounted to ·1,626 million ($15,245 thousand), ·1,416 million and ·1,313 million, respectively .

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2000, are as follows:

Year Ending August 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2001	¥1,516	$14,217
Thereafter	¥3,494	$32,764

12. MARKET VALUE INFORMATION OF SECURITIES

The following is a summary of book value, market value and net unrealized holding gains of marketable securities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2000	1999	**2000**
Non-current assets			
Book value	**¥1,695**	¥145	**$15,894**
Market value	**1,715**	160	**16,078**
Unrealized holding gains	**¥ 20**	¥ 15	**$ 184**

The market value of listed securities is mainly based on the closing prices of the Tokyo Stock Exchange.

Book values of non-marketable securities excluded from the above information consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2000	1999	**2000**
Current assets:			
Short-term government, municipal and corporate bond funds	**¥46,238**	¥15,283	**$433,548**
Non-current assets:			
Unlisted stocks	**¥ 21**	¥ 21	**$ 198**
Affiliated companies	**¥ 282**	¥ 202	**$ 2,646**

13. DERIVATIVES

The Company utilized forward exchange contracts to hedge certain foreign currency transactions related to foreign purchase commitments. The purpose of the Company s hedging activities in the form of forward exchange contracts is to protect the Company from the related market risks.

The Company also utilized interest rate swap agreements to minimize the impact of interest rate movements related to its outstanding debt on the Company s operating results. The purpose of interest rate swap agreements is to effectively modify the characteristics of interest applied to the outstanding debt.

As of August 31, 2000 and 1999, the following forward exchange contracts were outstanding:

	Millions of Yen					
	2000			1999		
	Notional Amount	*Market Value*	*Unrealized Gain*	*Notional Amount*	*Market Value*	*Unrealized Loss*
Purchased forward exchange contracts denominated in U.S. dollars	**¥131,955**	**¥135,127**	**¥3,172**	¥50,610	¥48,240	¥(2,370)

	Thousands of U.S. Dollars		
	2000		
	Notional Amount	*Market Value*	*Unrealized Gain*
Purchased forward exchange contracts denominated in U.S. dollars	**$1,237,273**	**$1,267,011**	**$29,738**

As of August 31, 2000 and 1999, the following interest rate swap contracts were outstanding:

	Millions of Yen					
	2000			1999		
	Notional Amount	*Market Value*	*Unrealized Gain (Losses)*	*Notional Amount*	*Market Value*	*Unrealized Gain (Losses)*
Interest rate swap contracts:						
Floating rate to fixed rate	**¥ 3,000**	**¥ 59**	**¥ 59**	¥ 4,000	¥ 68	¥ 68
Fixed rate to floating rate	**¥ 3,000**	**¥ (2)**	**¥ (2)**	¥ 4,000	¥ (13)	¥ (13)

	Thousands of U.S. Dollars		
	2000		
	Notional Amount	*Market Value*	*Unrealized Gain*
Interest rate swap contracts:			
Floating rate to fixed rate	**$ 28,129**	**$ 558**	**$ 558**
Fixed rate to floating rate	**$ 28,129**	**$ (17)**	**$ (17)**

14. SUBSEQUENT EVENTS

On June 19, 2000, the Board of Directors authorized a two-for-one split of its common stock to shareholders recorded on August 31, 2000, effective October 20, 2000. This will result in the issuance of 26,518,414 additional shares.

At a shareholders meeting held on November 28, 2000, it was approved that the Company may purchase an additional 88,500 shares of the Company s common stock within the period from November 28, 2000, to the closing of the next ordinary shareholders meeting, with an upper limit to an aggregate purchase cost of ·4,000 million ($37,506 thousand) for stock option.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FAST RETAILING CO., LTD.

We have audited the balance sheets of FAST RETAILING CO., LTD., as of August 31, 2000 and 1999, and the related statements of income and shareholders equity for each of the three years in the period ended August 31, 2000, and the statement of cash flows for the year ended August 31, 2000, all expressed in Japanese 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 audit.

We conducted our audit in accordance with generally accepted auditing standards, procedures and practices in Japan and, accordingly, our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FAST RETAILING CO., LTD., as of August 31, 2000 and 1999, and of the results of its operations for each of the three years in the period ended August 31, 2000, and the cash flows for the year ended August 31, 2000, in accordance with accounting principles generally accepted in Japan applied on a consistent basis.

The accompanying financial statements as of and for the year ended August 31, 2000, have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 2 to the financial statements.

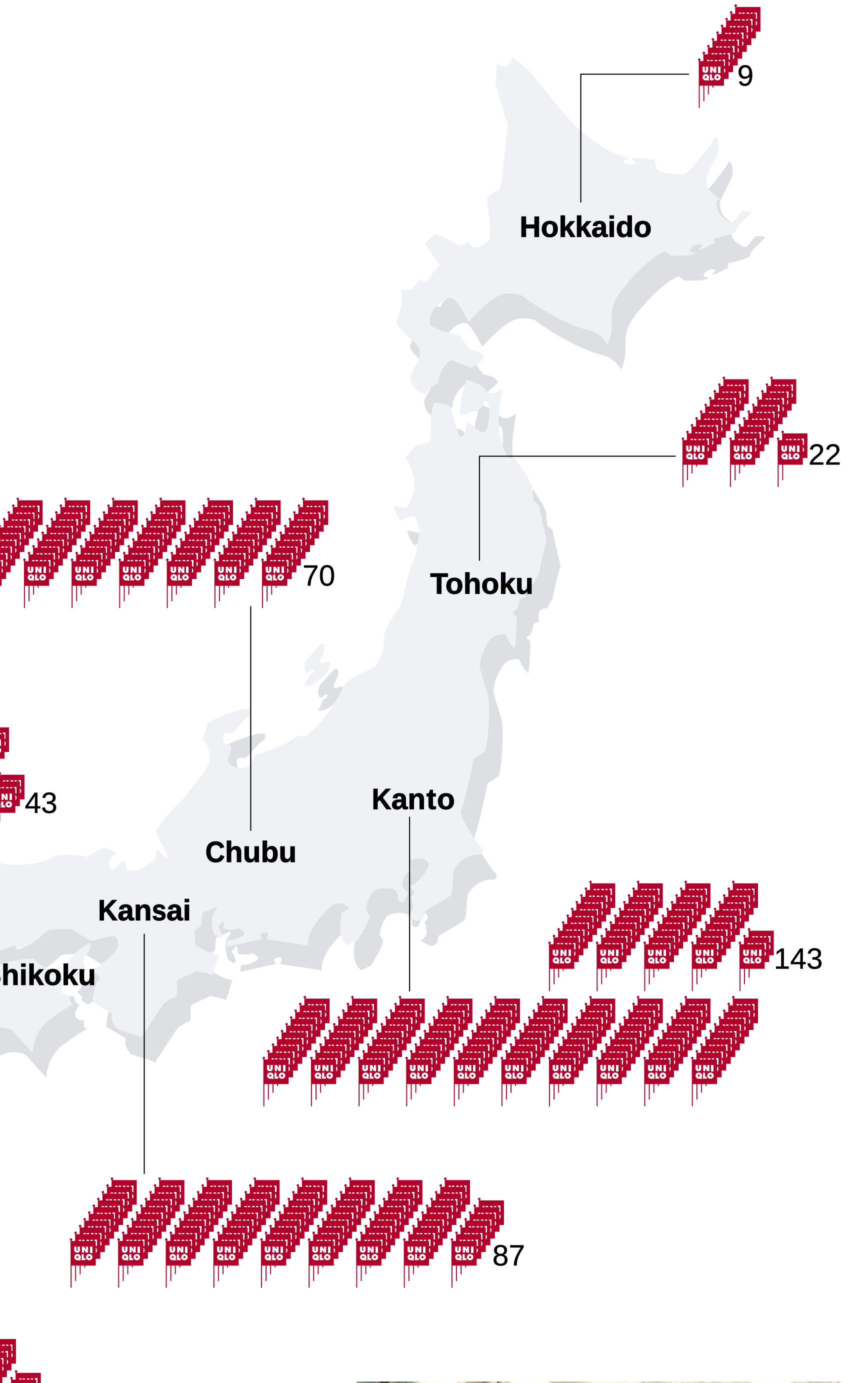
Century

Century Ota Showa & Co
Tokyo, Japan
November 28, 2000

See Note 1 to the financial statements, which explains the basis of preparing the financial statements of FAST RETAILING CO., LTD., under Japanese accounting principles and practices.

Store Network

Direct-run stores: 421
Franchise stores: 12
Total: 433
(As of August 31, 2000)



Corporate History

March 1949
Men s Shop Ogori Shoji founded as a private enterprise in Ube City, Yamaguchi Prefecture.

May 1963
Ogori Shoji Co., Ltd., established, with capital of ·6 million, as a successor to the original business.

June 1984
The first UNIQLO store, specializing in casual clothing, opened in Hiroshima City (UNIQLO Fukuromachi store; closed in August 1991).

July 1988
Point of sale (POS) systems installed at all stores.

February 1989
Osaka Merchandising and Design Office established in Suita City, Osaka Prefecture to facilitate in-house development of clothing.

September 1990
Computer system introduced to manage and process sales and product information.

September 1991
The Company s name changed from Ogori Shoji to FAST RETAILING, a name which succinctly expresses its business philosophy.

March 1994
To maximize efficiency, central management functions, previously dispersed, were transferred to the Company s newly constructed Head Office in Ube City, Yamaguchi Prefecture.

April 1994
The Company s sales network grew to 109 direct-run stores and seven franchise stores.

July 1994
The Company s stock listed on the Hiroshima Stock Exchange (the Exchange was abolished in 2000).

February 1996
FAST RETAILING entered into a joint venture with Nichimen Corp., and local capital in Shandong Province, China. FAST RETAILING took a 28.75% equity interest in the venture, with the aim of securing a reliable supply of products.

November 1996
Tokyo Office opened in Shibuya, Tokyo, to reinforce the Company s in-house product planning and development capabilities.

March 1996
The Company s sales network grew to 205 direct-run stores and 10 franchise stores.

April 1997
The Company s stock listed on the Second Section of the Tokyo Stock Exchange.

November 1997
The Company s sales network grew to 309 direct-run stores and 11 franchise stores.

February 1998
Head Office newly constructed in Yamaguchi City, Yamaguchi Prefecture, to further enhance central management functions and operational efficiency.

To strengthen in-house merchandise development, the Osaka Office and Tokyo Office were closed and integrated into a single office set up in Shibuya.

November 1998
The first downtown store opened in the fashionable Harajuku district of Tokyo.

February 1999
The Company s stock listed on the First Section of the Tokyo Stock Exchange.

April 1999
Shanghai Office established to further enhance production management operations.

September 1999
Guangzhou Office established.

September 1999
Trial-run of catalog sales conducted to explore the development of new sales avenues.

January 2000
Decision made to team up with Simree Co., Ltd., to shorten the implementation period of full-fledged catalog sales. (Collaboration took effect from June 2000.)

April 2000
The Company s sales network increased to 417 direct-run stores and 12 franchise stores.

April 2000
To promote merchandising and marketing and to carry out operations more efficiently, new Tokyo Office established in the West Wing of Mark City, a shopping and office complex in Shibuya, integrating merchandising functions from the Yamaguchi prefecture Head Office and the Tokyo Design Office.

June 2000
Established FAST RETAILING (U.K.) LTD, as the first step in overseas development of the UNIQLO brand.

June 2000
Prepared to set up shops in train stations, through a tie-up with East Japan Railway Co. and its related KIOSK stores, to improve accessibility and heighten customer recognition of the UNIQLO name.

Investor Information

Stock Information *(As of August 31, 2000)*

Number of shares authorized: 80,000,000

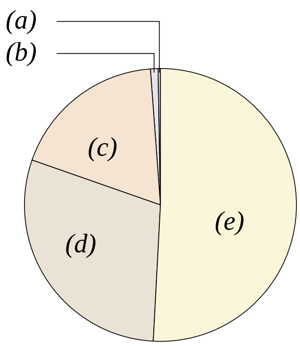
Number of shares issued and outstanding: 26,518,414

Number of shareholders: 6,523

Principal Shareholders

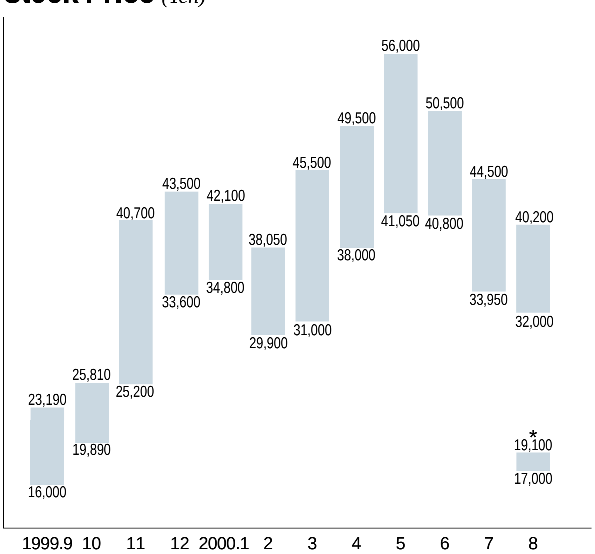
	Number of shares	*Percentage of total shares in issue*
Tadashi Yanai	7,074,321	26.68
Kazumi Yanai	2,382,952	8.99
Koji Yanai	2,097,650	7.91
The Sumitomo Trust & Banking Co., Ltd. (Trust Account)	979,100	3.69
The Mitsubishi Trust & Banking Corp. (Trust Account)	896,800	3.38
Teruyo Yanai	581,962	2.19
The Toyo Trust & Banking Co., Ltd. (Trust Account)	519,500	1.96
The Dai-ichi Mutual Life Insurance Co. (Special Account)	429,400	1.62
The Chase Manhattan Bank, N.A. London	299,400	1.13
Japan Securities Finance Co., Ltd.	293,500	1.11

Shareholder Breakdown



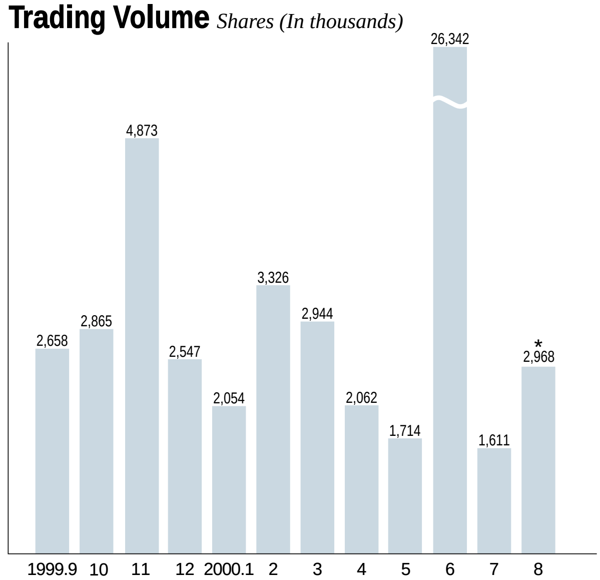
	Number of shareholders	*Number of shares (in thousands)*	*Percentage of total shares in issue*
(a) Securities companies	22	73	0.28
(b) Companies and corporations	178	237	0.90
(c) Foreign investors	319	4,900	18.48
(d) Other financial institutions	152	7,823	29.50
(e) Individuals and others	5,852	13,483	50.84
Total	6,523	26,518	100.00

Stock Price *(Yen)*



*Stock price after the stock split

Trading Volume *Shares (In thousands)*



*Including trading volume after the stock split

Corporate Data

Corporate Information *(As of August 31, 2000)*

Name: FAST RETAILING CO., LTD.
Head Office: 717-1 Oaza Sayama, Yamaguchi City, Yamaguchi 754-0894, Japan
Established: May 1, 1963
Paid-in capital: ·3,274 million
Line of business: Retail chain operator specializing in in-house designed casual clothing for men and women of all ages. Operates stores under the name of UNIQLO.
Regular employees: 1,265
Settlement date: August 31
Annual shareholders meeting: Around end of November
Transfer agent: The Mitsubishi Trust & Banking Corp., 2-11-1 Nagata-cho, Chiyoda-ku, Tokyo 100-8212, Japan
Number of shares per trading unit: 100

Board of Directors and Auditors *(As of November 28, 2000)*

Tadashi Yanai, President & Chief Executive Officer
Takashi Sawada, Executive Vice President & Chief Operating Officer
Yuji Horibata, Senior Managing Director
Nobuo Domae, Managing Director & Chief Information Officer
Masatoshi Morita, Managing Director & Chief Financial Officer
Genichi Tamatsuka, Managing Director
Shuichi Nakajima, Director
Toshiharu Ura, Standing Corporate Auditor
Kiyomi Iwamura, Standing Corporate Auditor
Takaharu Yasumoto, Corporate Auditor
Soroku Matsumoto, Corporate Auditor

From left to right
Top: Takashi Sawada, Shuichi Nakajima, Genichi Tamatsuka, Masatoshi Morita
Bottom: Nobuo Domae, Tadashi Yanai, Yuji Horibata

FAST RETAILING CO., LTD.

Head Office: 717-1 Oaza Sayama, Yamaguchi City, Yamaguchi 754-0894, Japan
Tokyo Office: Shibuya Mark City West,13th floor, 12-1, Dogenzaka 1-chome,
Shibuya-ku, Tokyo 150-0043, Japan
FAST RETAILING (U.K.) LTD: 3rd floor, 24 Britton Street, London EC1M 5UA, U.K. (Effective Feb. 1, 2001)
Corporate Information: http://www.uniqlo.co.jp
Internet Sales: http://www.uniqlo.com