2002 ANNUAL REPORT

Year ended August 31, 2002

FAST RETAILING CO., LTD.

PROFILE

FAST RETAILING CO., LTD., is Japan's leading fashion apparel company, manufacturing and retailing casual clothing under the UNIQLO brand. The mission of the Company is to offer high-quality, fashionable basic casual wear that can be worn anytime, anywhere, and by anyone. The Company achieves high quality at affordable prices through its low-cost operations, which integrate control over product planning, production, distribution, and sales.

As of the end of August 2002, FAST RETAILING had 570 UNIQLO stores in Japan and 15 in the United Kingdom. Moreover, in September 2002, the Company opened two stores in Shanghai in the People's Republic of China and, in November 2002, commenced food sales through a newly established subsidiary, FR FOODS CO., LTD. FAST RETAILING is proud of its products and wants people around the world to wear and enjoy UNIQLO clothing. Today, the Company is devoting all of its energy to moving toward its next stage of growth.

HIGHLIGHTS OF THE YEAR

- **Net sales decreased 17.8% over the previous fiscal year, to ¥344.2 billion, and net income was down 52.9%, to ¥27.9 billion.**
- **Annual dividends of ¥55 per share were paid (following adjustment for stock split).**
- **Opened 77 stores and closed 26 based on our scrap-and-build strategy, to give a total of 570 stores at year-end in Japan.**
- **Established the UNIQLO Design Studio in April 2002 and aggressively recruited talented designers and pattern makers from Japan and overseas.**
- **Launched baby-wear at 74 of our stores in August 2002.**
- **Opened stores in the United Kingdom in our first expansion overseas (5 stores opened in fall 2001, 10 in spring 2002, 6 in fall 2002).**
- **New business in the food industry was announced (FR FOODS CO., LTD., established on September 2, 2002).**
- **Fleeces collected from customers as part of our fleece-recycling program exceeded the 60,000 mark (as of September 2002).**

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.

CONTENTS

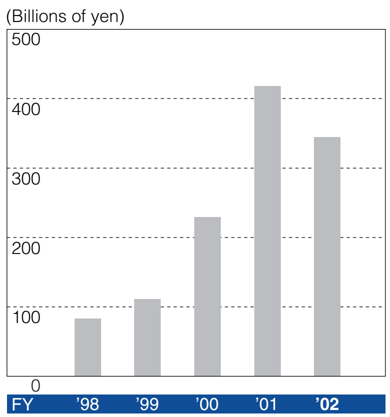
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

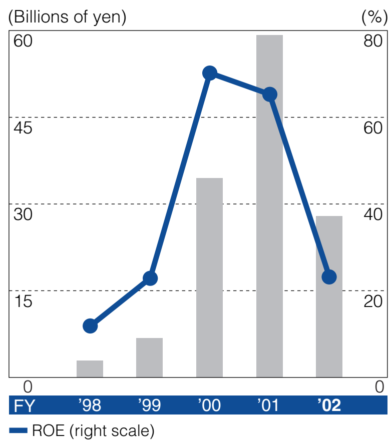
	Millions of yen except per share data			Thousands of U.S. dollars except per share data	% change
	2002	2001	2000	**2002**	**2002 vs 2001**
Net sales	**¥344,171**	¥ 418,561	¥ 228,986	**$2,787,938**	**–17.8%**
Operating income	**50,418**	102,081	60,628	**408,408**	**–50.6**
Net income	**27,851**	59,192	34,514	**225,606**	**–52.9**
ROE (%)	**23.2%**	65.3%	70.2%		
Per share data (yen and U.S. dollars):					
Net income	**¥ 269.54**	¥1,119.28	¥1,303.35	**$ 2.18**	**–75.9**
Cash dividends:					
Adjusted	**55.0**	60.0	37.5	**0.45**	**–8.3**
Unadjusted	**90.0**	120.0	150.0	**0.73**	**–25.0**
Cash and cash equivalents	**¥ 107,263**	¥ 157,379	¥ 99,670	**$ 868,878**	**–31.8**
Total assets	**210,922**	249,766	151,607	**1,708,562**	**–15.6**
Shareholders' equity	**123,632**	116,476	64,755	**1,001,474**	**+6.1**
Number of issued and outstanding shares	**106,073,656**	53,036,828	26,518,414		
Total number of stores	**585**	519	433		

Note: U.S. dollar amounts have been translated for convenience only at the rate of 123.45=US$1, the approximate exchange rate prevailing on August 31, 2002.

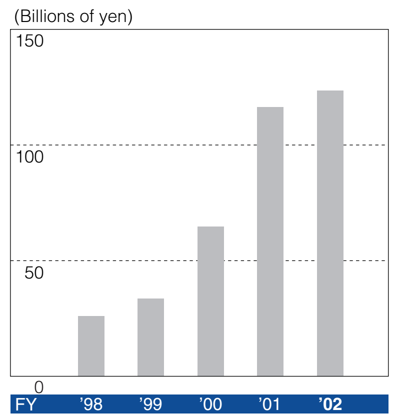
Net Sales



Net Income



Shareholders' Equity



MESSAGE FROM THE CHAIRMAN

Toward the Next Phase of Growth

In the fiscal year ending August 31, 2002, the Company posted its first drop in revenue and income since listing. As a result, we disappointed our customers and shareholders.

There were two reasons for this downturn. First, we placed too much emphasis on basic casual clothing in our merchandise mix. Our line-ups lacked a sense of fashion, and customers felt little incentive to buy our products. Therefore, from now on, we will develop a range of products that also have fashion appeal. Furthermore, we will put together a fresh merchandise mix for each season. We will also shorten lead times from product planning, to production, to actual delivery in order to respond quickly to market trends.

The second reason for our disappointing sales was the after-effect of the so-called UNIQLO boom. In only two years, our net sales climbed from ¥100 billion, to ¥400 billion. However, during the year under review, we fell short of our sales target of approximately ¥500 billion and we had to devote a lot of resources to countering this downturn.

Nevertheless, we remain firmly committed to becoming the world's number-one casual clothing company. In order to reach this goal, we will first work to achieve high profitability from net sales of ¥300 billion for the current fiscal year. In my opinion, once a company's sales have tripled, it cannot advance to the next stage of its development unless all of its fundamental structures are rebuilt. Regrettably, while FAST RETAILING has cleared the ¥100 billion hurdle, it has yet to break through the ¥300 billion barrier. The management team's mission is to get the Company through this ¥300 billion barrier and put it back on track for new growth as soon as possible.

The last year has seen the appointment of four key executives for the FAST RETAILING GROUP. First of all, I have every confidence in the drive and management capabilities of our newly appointed President & COO, Genichi Tamatsuka. At our subsidiary in the United Kingdom, Masatoshi Morita has assumed the post of CEO. Although the UK subsidiary's results for the fiscal year under review were disappointing, he will improve profitability in the current fiscal year. Makoto Hayashi became CEO of our subsidiary in China, which successfully launched two new stores in Shanghai on September 30, 2002. And, Osamu Yunoki has taken up his post as the President of FR FOODS CO., LTD., which was established on September 2, 2002. I am convinced that this food product business will make an important contribution to the FAST RETAILING GROUP in the long term.

In Japan as a whole, I think that there is a great shortage of young executives who are equipped to lead the way in the coming era. I want FAST RETAILING to aim to be a company that produces many such talented individuals with excellent management skills. And, these human resources will become the driving force that transforms FAST RETAILING into a truly global company.

November 2002

Tadashi Yanai

Chairman & Chief Executive Officer

We remain firmly committed to becoming the world's number-one casual clothing company.

MESSAGE FROM THE PRESIDENT

A Crucial Year

The current fiscal year will be crucial as we work to put the Company back on track for growth. In order to achieve renewed growth, I intend to do two things. First, we will reinforce those features of FAST RETAILING that have weakened and must be preserved. Second, we will actively tackle new initiatives.

To clarify those characteristics the Company must preserve, we should return to the roots of UNIQLO's growth. I think these essential elements are:

1) management philosophy;

2) highly efficient operations;

3) outstanding value for money;

4) primacy of customers and stores; and

5) disciplined management.

We began to lose sight of these qualities during the process of rapid growth. My mission is to re-emphasize these basic traits by further strengthening the commitment of all of our employees.

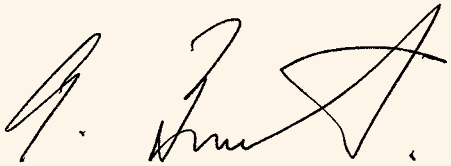
Our new initiatives can be separated into three major themes. These are: enhancing our merchandising, bolstering our selling power, and strengthening our business infrastructure to underpin the first two initiatives. Through these new initiatives, one of our strategies for the future is to develop our women's clothing business into an engine that will drive the Company toward recovery. Later in this report, we will cover our development of this category in more detail.

Our nonconsolidated net sales target for the fiscal year ending August 31, 2005, is ¥450 billion. We aim to have sales of our women's category account for ¥180 billion, or 40%, of this amount. Given that sales of our women's category for the fiscal year under review were ¥94 billion, or about 28% of net sales, our plan involves doubling sales of this category over three years.

I believe that a strong line-up of women's apparel is essential for UNIQLO to become an international brand. Consequently, I want to rapidly improve our women's collection, which I would give pretty low marks at present. I am confident that if we enhance this category, we can win a substantial share of the huge market for women's clothing.

My mission as President is to take a hands-on approach to our operations, and give our employees the leadership and support they need to develop the resilience to win against global competition. The management of FAST RETAILING has reached a new stage—shifting from the entrepreneurial era of Tadashi Yanai to a more team-oriented management. This shift is essential for our success in an environment of global competition. As the leader of this management team, my mid-term targets on a nonconsolidated basis for the fiscal year ending August 31, 2005, are to achieve net sales of ¥450 billion and operating income of ¥90 billion with an operating income margin of 20%. I am committed to achieving these numerical targets by reinforcing our foundations over the current fiscal year and by doing my utmost to put FAST RETAILING back on a growth track from the fiscal year ending August 31, 2004.

November 2002



Genichi Tamatsuka

President & Chief Operating Officer

I believe that a strong line-up of women's apparel is essential for UNIQLO to become an international brand.

MERCHANDISE DEVELOPMENT

Creating Fashionable Basics

The number of customers visiting our existing stores during the fiscal year under review fell 24%. We believe that our decline in sales resulted from our overly narrow definition of “basic casual wear.” Mindful of this, we have started creating fashionable basics by re-evaluating all of our products to reflect the popular colors and designs in each season. Our aim is to have the season’s most attractive products on the shelves of UNIQLO stores. To develop fashionable basic casuals, we will rigorously select the best colors, designs, styling, and materials.

First, in order to reflect the latest fashion trends, we will speed up our product planning cycles from three to six times a year, which will enable us to reassess our stores and merchandise mix every two months and plan products closer to their actual retail season. We are confident that these line-ups—featuring a large number of fashionable basic items—will give customers a real sense of the change in our products when they visit our stores.

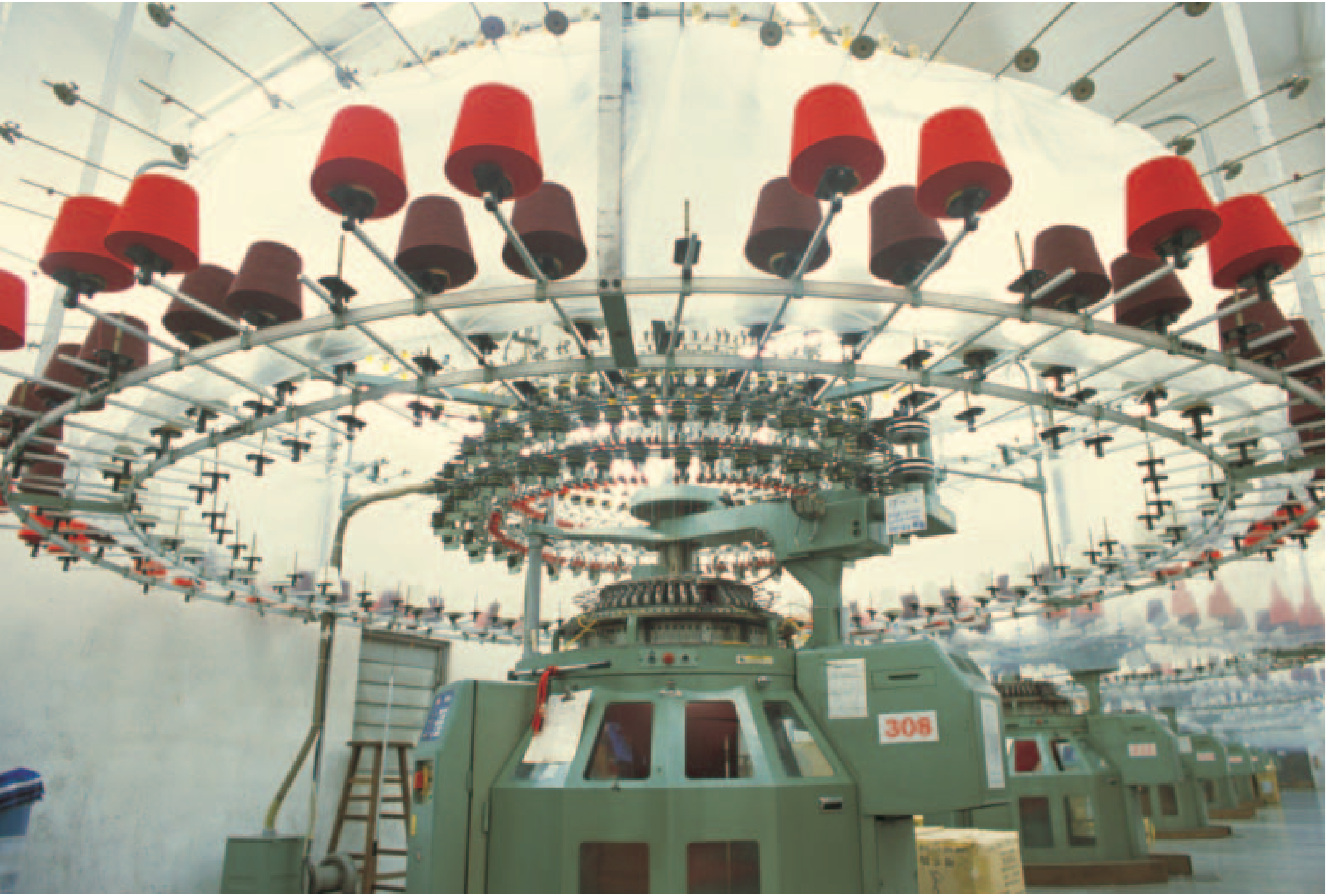
In particular, we are bolstering our line-up of fashionably styled products in our women’s clothing category. We had boosted this category at 70 of our large-type UNIQLO stores, as of the end of August 2002. In other words, we are expanding the selection of items, sizes, and colors that we offer in women’s clothing. Given that the market for women’s clothing is huge, we believe that making UNIQLO’s offerings in this category more fashion-conscious could greatly increase sales. With this in mind, our medium-term target is to have the women’s clothing category account for 40% of net sales.

In April 2002, we established the UNIQLO Design Studio in Tokyo, which we aim to make the center of our product development. We have transferred 50 staff members to this Studio to enhance their independence and creativity. At present, we are actively recruiting talented designers and pattern makers at home and abroad.

A NEW PRODUCT CATEGORY

In August 2002, we launched sales of our new baby-wear products at 74 stores. This new line has proved extremely popular, with sales at levels approximately twice as high as our original targets. We plan to increase the number of stores offering baby-wear to 140 by spring 2003. And, we intend to aggressively work on other new UNIQLO categories, such as footwear.

UNIQLO’s baby-wear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Shortening Lead Times

The key to producing fashionable basic casual wear lies in shortening lead times from product planning to sales. In order to shorten lead times and incorporate fashionable designs, it is essential to improve the level of integration of our business model, which is a coordinated system from production to sales. To achieve better integration, we must enhance the accuracy of demand forecasts, improve the management of inventory risk, and create closer links between sales and production at factories in the People's Republic of China.

Strengthening our partnerships with plants in China is an indispensable aspect of these efforts. During the year under review, we scrutinized the factories we work with and selected those plants that combine substantial production capacity with the ability to raise or lower production levels flexibly. As a result of this evaluation, we have reduced the number of factories we deal with by approximately 20% and we are now bolstering our partnerships with 50 companies that operate a total of 60 factories. For example, we regularly hold factory conventions in Shanghai at which we outline and share our basic direction and approach with our partner factories.

We are further improving the flexibility of our production system by speeding up the transmission of production plans from Japan to factories in China, which can alter their production levels accordingly. We are currently developing a fully interconnected network system that will allow us to make production adjustments for size and color.

Although some of the production lots for fashionable basic casual wear are smaller than average, this will not lead to a rise in production costs. By using the same raw materials, we are able to reduce production costs to the minimum. The Company's business model, which assumes 100 percent of the risk from procurement to sales and sells all products by the end of retail seasons, is what makes FAST RETAILING a highly profitable company.

TAKUMI PROJECT

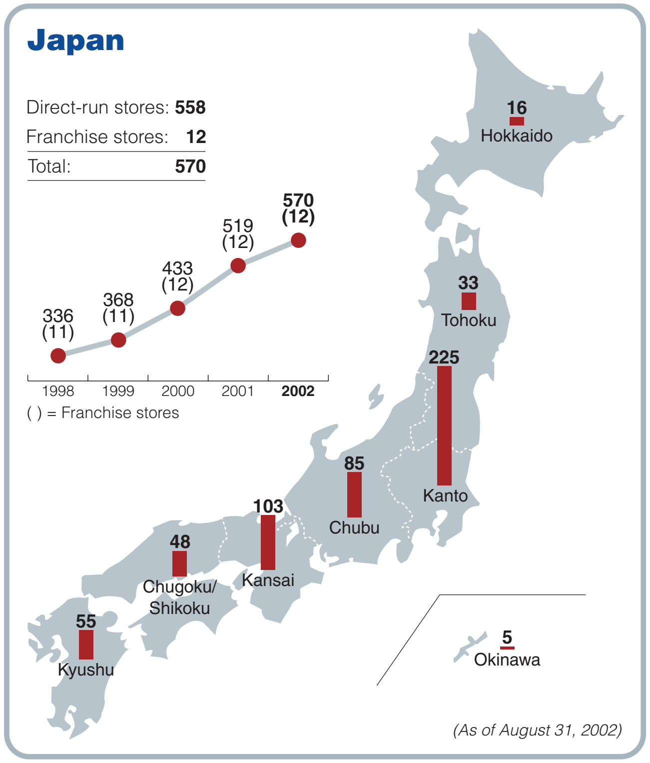
FAST RETAILING is directly involved in production management at our factories in China. At the heart of this management is a group of employees that we call the Takumi team. Each of the Japanese technical experts in this group has 30 to 45 years of experience in a broad range of specialist fields, including the selection of raw materials, spinning, dying, knitting, sewing, and plant management. The instruction and commitment of these technical experts, who really know what it takes to produce garments, ensures the world-class quality of UNIQLO's apparel. In this way, they are also passing their expertise on to the next generation.

STORE OPENING STRATEGY

Aiming for 1,000-Store Network

During the fiscal year under review, FAST RETAILING opened 77 new stores and closed 26, based on our scrap-and-build strategy, giving a net increase of 51 stores and a total of 570 stores at year-end. We shifted the focus of our store openings from stores in urban areas, which had been intended to ease store congestion, to road-side stores in regions lacking a UNIQLO presence. There is still a lot of potential for store expansion in the Japanese market. We aim to establish a solid position as a national chain store by expanding our network to 1,000 stores within the next several years. We also intend to increase the number of large-size stores through our scrap-and-build strategy.

We have begun a variety of trials at our "prototype" stores in order to assess new sales techniques, store layouts, fixtures, and methods of displaying products. For example, at our store in Shinjuku-sanchome, which opened in September 2002, we have doubled the amount of women's clothing to more than 50% of total products. In addition, this store has more clothing-coordination displays than our conventional stores. Through these prototype stores we will enhance our women's clothing sales areas and focus more on displaying products. We will work steadily on the conversion our existing stores into these new-look stores by spring 2003.



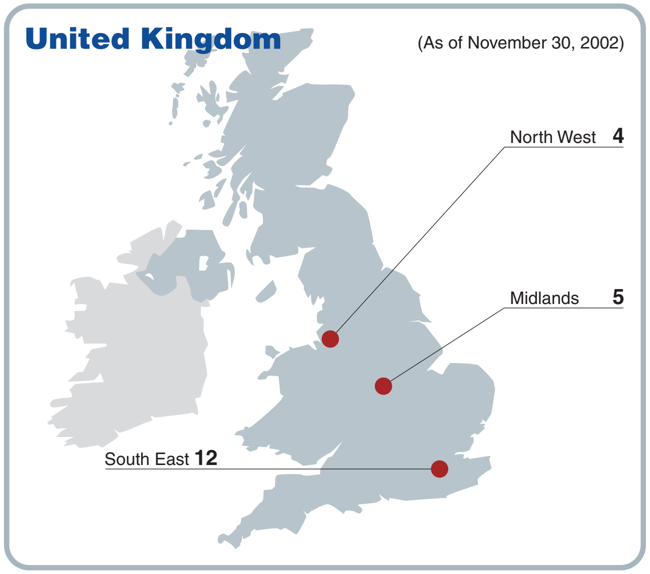
OVERSEAS STRATEGY

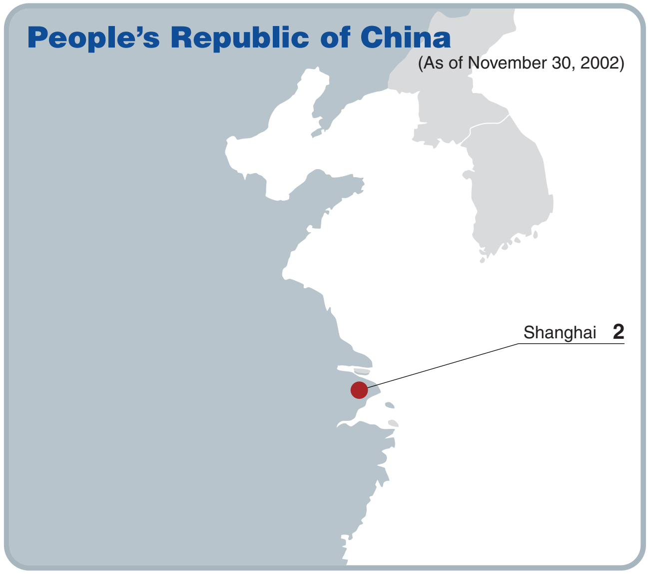
Expanding Overseas Markets

In September 2001 the Company opened its first overseas store in London. As of the end of November 2002, we had 21 UNIQLO stores in the United Kingdom. Our high-quality basic casual wear has been very well received by the British public, confirming the huge potential of this market.

Unfortunately, FAST RETAILING (UK) LTD. (FRUK) posted a deficit of ¥3.6 billion for the fiscal year under review. This was due to costs associated with advertisement and promotion expenditures, which were aimed at heightening recognition of the UNIQLO brand name, and prior investments for new store openings. Our goal for the current fiscal year is to strengthen FRUK's operating infrastructure and improve profitability.

In the People's Republic of China, we opened two UNIQLO stores in Shanghai on September 30, 2002. Just before they opened, lines of approximately 500 people formed outside these stores. In our view, our sales in China, which has the largest market potential in the world, could even surpass our sales in Japan.





Our Regent St. store in London

Launch of our Shanghai stores

NEW BUSINESSES

Food Business

On September 2, 2002, FAST RETAILING spun off its food products project to establish FR FOODS CO., LTD. The new company operates under the brand name SKIP, which expresses a sense of delight and fun. The mission of FR FOODS is to deliver tasty, safe food to customers at affordable prices by applying UNIQLO's integrated production-to-sales model.

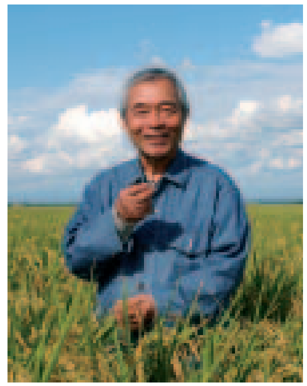
The techniques of the Nagata cultivation method (see right) will be used to grow vegetables, fruit, and rice. We will also produce milk and eggs by using animal feed made by the Nagata cultivation method. Initially, we will sell approximately 60 vegetable items, 30 fruit items, rice, milk, and eggs. In addition to launching Internet sales on November 15, 2002, FR FOODS has begun mobile sales using temporary stalls and delivery trucks. We are aiming for sales of ¥1.2 billion in our first year of operations.

Despite the low profit margins in Japan's retail sector, FAST RETAILING successfully achieved high profitability and rapid growth in its development of UNIQLO. This was made possible by our creation of a business model that fully controls operations from production to sales.

We will aggressively take on challenges in new business sectors, if we see that there is an opportunity to leverage our business model. While the decision whether to go ahead with any such ventures will be based upon an assessment of investment efficiency, we believe that there are many fields in which the UNIQLO model can be applied.

THE NAGATA CULTIVATION METHOD

This is a cultivation technique that Terukichi Nagata has spent more than 50 years developing. The main feature of this method is that crops are grown in poor soil using as little water and fertilizer as possible in order to stimulate the natural vitality of plants. The process of struggling to absorb nutrients produces delicious crops with high sugar and nutritional levels. Moreover, because the plants are hardy, pesticides can be kept to a minimum level.



SKIP™

e-skip.com

CORPORATE CITIZENSHIP

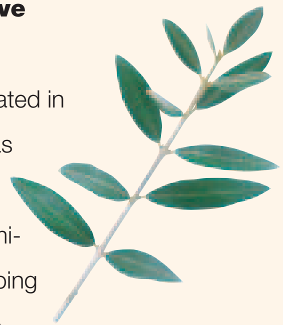
Social and Environmental Activities

Whatever its performance, a company must consider more than just business. As well as always giving our best in business, we also make positive contributions to society.

Fleece Recycling

We collect and recycle used UNIQLO fleeces from our customers. As of October 2002, we had collected more than 60,000 fleeces. These are then made into such products as thermal insulation materials, soundproofing materials, and sheets for construction sites. FAST RETAILING is not just about making and selling. We strive to take our manufacturing and retailing operations one step further by thinking ahead. We will continue developing recycling methods for clothing products other than fleeces.

Seto Inland Sea Olive Foundation



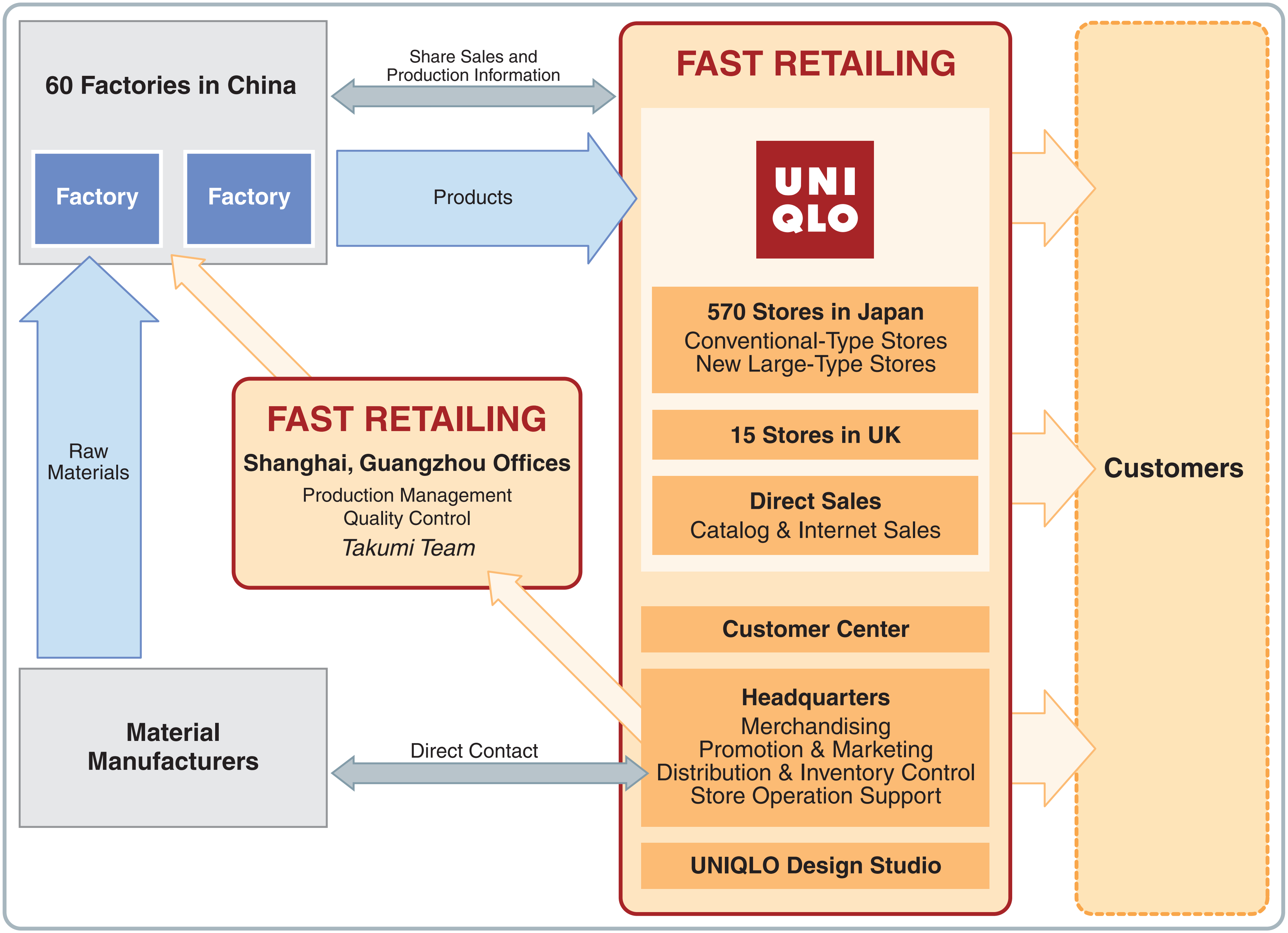
Teshima, an island situated in the Seto Inland Sea, has lost a great deal of its greenery due to contamination from illegal dumping of toxic industrial waste. Kohei Nakabo, an attorney, and Tadao Ando, an architect, established the Seto Inland Sea Olive Foundation with the aim of planting one million trees, mainly olive, on Teshima and other islands of the Inland Sea. Given the distinguished individuals that had launched the fund and its admirable goals, FAST RETAILING was only too pleased to participate. We have set up donation boxes at all UNIQLO stores and we match the amount of money collected and donate the total amount to the foundation. We will continue our work for this foundation to ensure that in five or ten years time, the whole of the Seto Inland Sea will once again become an area in which people can live in harmony with a bountiful natural environment. We want to help make this a beautiful area we can be proud to pass on to the next generation.

Initiatives for People with Disabilities

FAST RETAILING supports the Special Olympics Japan, which promotes the participation of people with disabilities in sports and in society as a whole. In August 2002, 250 of our employees and executives took part as volunteers in the Third Special Olympics Japan Summer National Games held in Tokyo.

In addition, the Company employs approximately 450 people with disabilities. According to Japanese law, at least 1.8% of a company's workforce must comprise employees with disabilities. As of August 2002, employees with disabilities made up 6.8% of UNIQLO's staff. As a company seeking to create clothes that everyone can wear, we also want to create a workplace in which everyone can work.

UNIQLO'S BUSINESS MODEL



FACTORS UNDERLYING UNIQLO'S HIGH PROFITABILITY

Operating Income = **Net Sales** (1.standard prices – 2.discount) – **Purchasing Costs** (3.raw material costs + 4.sewing and knitting costs + other purchasing costs) – **SG&A Expenses** (5.personnel + 6.rents + other SG&A expenses)

Net Sales	**1. standard prices**		Most prices are set at ¥1,000, ¥1,900 or ¥2,900, and we will maintain these as our standard prices. For example: T-shirts; ¥1,000, fleece jackets; ¥1,900, chino pants; ¥2,900 etc.
	2. discount		We have two types of discount sales: a) limited-period sales, b) clearance sales.
		a) limited-period sales	"Limited-period sales" are price reductions aimed at attracting customers. These discounts are only offered for specified periods such as "weekends only." Following this discount period, prices return to standard.
		b) clearance sales	"Clearance sales" are price reductions aimed at reducing slow-moving inventories. We take on 100% of the risk for products ordered from factories in China. Our flexible production management system allows us to increase or decrease production levels to reflect sales information. Consequently, we are able to minimize the deterioration of the gross profit margin resulting from clearance sales.
Purchasing Costs	**3. raw material costs**		We are able to minimize raw material costs through the economies of scale represented by our 570-store network in Japan—the largest in the industry. In addition, we are able to reduce materials costs by guaranteeing 100% purchase of raw materials ordered. For example, by industry standards, sales on a scale of 100,000 items for one product would be classified as a major hit product. However, this figure does not represent large-scale sales for FAST RETAILING; 100,000 items is less than 10 items per store on an SKU (Stock Keeping Unit) basis: 100,000 items ÷ 570 stores ÷ (5 colors X 4 sizes) = 8.8 items Furthermore, our size enables us to conduct direct price negotiations with major international textile manufacturers. It also allows us to aggressively pursue joint development of new materials such as highly functional "air-tech" material.
	4. sewing and knitting costs		We minimize sewing and knitting costs by improving efficiency and taking on 100% of the risk for production at consignment factories. We actively transfer technology to consignment production factories in China, which we view as long-term partners. The "Takumi team" at our offices in Shanghai and Guangzhou is a group of Japanese technical experts who are highly experienced in areas such as sewing and plant management. These employees go directly to consignment production factories and pass on the textile technology expertise they have acquired in Japan over 30-45 years to young Chinese technicians. Through such hands-on initiatives, we are working to improve the product quality and efficiency of consignment production plants.
SG&A Expenses	**5. personnel**		Part-time employees at stores account for most of personnel expenditure. We have been able to standardize store operations as a result of our stores' uniform layout, displays, shelves, and fitting rooms and our limited store types (conventional-type: 500m^2, new large-type: 800m^2). This allows us to run UNIQLO stores with minimum numbers of personnel.
	6. rents		Since the majority of our stores are stand-alone outlets in suburban areas, the ratio of rents to sales is kept low. And, when we open stores in urban areas or in shopping centers, we conduct detailed preliminary sales simulations to ensure that we avoid excessive rent burdens.

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).

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, transferred to the Company's newly constructed Head Office in Ube City, Yamaguchi Prefecture.

April 1994
- The Company's sales network grew to more than 100 direct-run stores (109) 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.

March 1996
- The Company's sales network grew to more than 200 direct-run stores (205) and 10 franchise stores.

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

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 more than 300 direct-run stores (309) 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, Osaka Office and Tokyo Office 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.
- Trial-run of catalog sales conducted to explore the development of new sales avenues.

April 2000
- The Company's sales network grew to more than 400 direct-run stores (417) and 12 franchise stores.
- 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.
- Prepared to set up shops in train stations, through a tie-up with East Japan Railway Co. and its related KIOSK stores.

October 2000
- Internet online sales business launched to foster new sales channels and improve customer convenience.

April 2001
- Joined with the Japanese Olympic Committee in an official sponsorship.
- The Company's sales network grew to more than 500 direct-run stores (507) and 12 franchise stores.

August 2001
- Established FAST RETAILING (JIANGSU) APPAREL CO., LTD., a 71.43% equity subsidiary, as the cornerstone of future business development in China.

September 2001
- Opened four stores in the United Kingdom, in Knightsbridge, Wimbledon, Uxbridge, and Romford.

April 2002
- To bolster product development capabilities, UNIQLO Design Studio established as an independent organization with approximately 50 designers and pattern makers from FAST RETAILING.

September 2002
- Spun off food products project to establish FR FOODS CO., LTD.
- Opened Shinjuku-sanchome store, with a strong emphasis on women's clothing.
- Began operations in China by opening two stores in Shanghai.

November 2002
- Started full-fledged operation of food business under the SKIP brand name.
- Opened large-type store in Sannomiya, Kobe, which will become the Company's flagship store in western Japan.

FINANCIAL SECTION

SIX-YEAR FINANCIAL SUMMARY

FAST RETAILING CO., LTD. and consolidated subsidiary
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Net sales	**¥344,171**	¥418,561	¥228,986	¥111,082	¥83,121	¥75,021
Operating income	**50,418**	102,081	60,628	14,344	6,840	5,866
Net income	**27,851**	59,192	34,514	6,817	2,924	2,704
ROE (%)	**23.2%**	65.3%	70.2%	22.9%	11.9%	12.2%
Per share data (yen):						
Net income	**¥ 269.54**	¥1,119.28	¥1,303.35	¥ 259.51	¥111.49	¥113.38
Shareholders' equity	**1,215.43**	2,203.45	2,446.34	1,270.47	991.58	978.59
Cash dividends:						
Adjusted	**55.00**	60.00	37.50	6.75	2.50	2.27
Unadjusted	**90.00**	120.00	150.00	27.00	10.00	10.00
Dividends payout ratio (%)	**17.7%**	10.7%	11.5%	10.5%	9.0%	8.8%
Net cash provided by (used in) operating activities*	**¥(19,361)**	¥80,581	¥68,790	—	—	—
Net cash used in investing activities*	**(9,927)**	(13,199)	(5,085)	—	—	—
Net cash used in financing activities*	**(20,431)**	(10,955)	(3,766)	—	—	—
Depreciation and amortization	**1,942**	1,571	805	741	653	416
Capital expenditures	**11,020**	13,474	6,218	3,363	6,127	5,141
At year-end:						
Cash and cash equivalents	**¥107,263**	¥157,379	¥ 99,670	¥39,768	¥14,204	¥14,467
Total assets**	**210,922**	249,766	151,607	73,552	47,848	41,655
Total shareholders' equity**	**123,632**	116,476	64,755	33,618	26,009	23,335
Equity ratio (%)	**58.6%**	46.6%	42.7%	45.7%	54.4%	56.0%
Long-term debt	**4,000**	7,000	10,000	10,000	—	—
Debt-equity ratio (%)	**4.7%**	6.0%	15.4%	30.6%	—	—
Other data:						
Number of shares outstanding	**106,073,656**	53,036,828	26,518,414	26,461,005	26,229,924	23,845,386
Total number of stores	**585**	519	433	368	336	276
Direct-run stores in Japan	**[558]**	[507]	[421]	[357]	[325]	[265]
Franchise stores in Japan	**[12]**	[12]	[12]	[11]	[11]	[11]
Overseas stores	**[15]**	[—]	[—]	[—]	[—]	[—]
Total sales floor space (m^2)	**305,504m^2**	263,713m^2	186,801m^2	157,424m^2	143,487m^2	116,003m^2
Number of regular employees	**1,853**	1,598	1,265	1,055	950	798

* Statements of cash flows are disclosed from the fiscal year ended August 31, 2000.
** Due to changes in regulations relating to financial statements, treasury stock, which was recorded in "Investments and other assets" in balance sheets until the previous fiscal year, will be recorded as a deduction item in "Shareholder's equity" from this annual report onward.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial information included in the following section is based on the consolidated financial statements presented in this annual report, which have been prepared in accordance with accounting principles generally accepted in Japan. In addition, to reflect the start of operations at our first consolidated subsidiary, FAST RETAILING (U.K.) LTD., in August 2001, we have presented consolidated financial statements this year, and will continue to do so henceforth.

STORE NETWORK

Basic Strategy

We will aggressively open new stores, with a view to establishing a 1,000-store network in Japan within the next several years. These efforts will not simply involve expanding our network. Our aim is for each store to be the number-one store in its area. To achieve this we will increase the size of stores so that they can handle our expanded line-ups such as women's clothing, children's clothing, and baby-wear. This will entail opening large-type stores with sales floor space of approximately 800 square meters, rather than the conventional stores of 500 square meters that we have opened in the past. We will increase the ratio of large-type stores in our network by closing stores under 500 square meters as part of our scrap-and-build strategy.

During the year under review, we changed our store opening strategy. Up until the previous fiscal year—UNIQLO's phase of rapid growth—we focused on opening stores in urban areas where we already had stores to ease customer crowding at these outlets. However, during the year under review, we adopted a strategy of mainly opening stores in suburban areas where UNIQLO had yet to establish a presence.

In addition, our overseas expansion continues. In September 2001, we began operations in the United Kingdom and in September 2002, we opened our first UNIQLO stores in the People's Republic of China.

Store Openings and Closures

In Japan, we opened 77 stores and closed 26 during the year under review, giving us 558 direct-run stores and 12 franchises, or a total of 570 stores at fiscal year-end. Overseas, we opened four stores in London in September 2001. We subsequently opened a further 11 stores in the United Kingdom and had a total of 15 stores overseas at fiscal year-end.

Total sales floor space at fiscal year-end rose 41,791 square meters, or 15.8%, to 305,504 square meters. Due to our efforts to make existing stores larger, the average sales floor space per store increased 56 square meters, or 11.7%, to 535 square meters.

Stores openings and closures in Japan

	2002	2001	2000	1999	1998
Stores opened	**77**	111	67	38	78
Stores closed	**(26)**	(25)	(3)	(6)	(18)
Net increase of stores	**51**	86	64	32	60

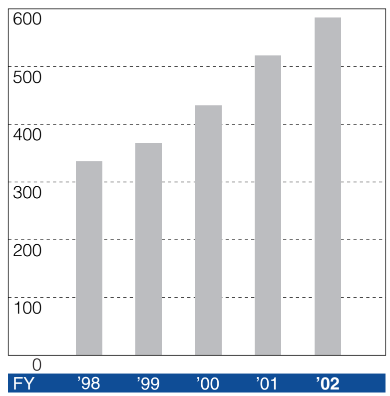
Note: The above figures are for direct-run stores only.

Net increase in stores in Japan by region

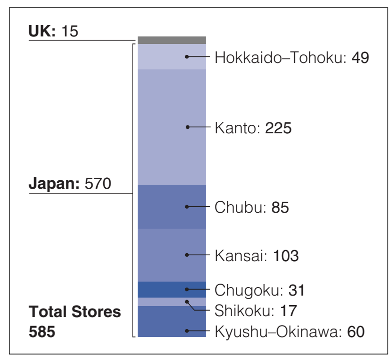
	2002	2001	2000	1999	1998
Hokkaido–Tohoku	**11**	7	5	4	15
Kanto	**28**	54	41	16	9
Chubu	**6**	9	5	2	5
Kansai	**5**	11	10	10	9
Chugoku	**0**	3	1	1	3
Shikoku	**1**	1	0	(1)	8
Kyushu–Okinawa	**0**	1	2	0	11
Total	**51**	86	64	32	60

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

Total Number of Stores



Breakdown of Total Stores by Region



(As of August 31, 2002)

RESULTS OF OPERATIONS

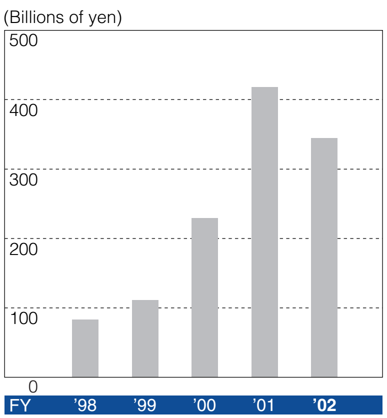
Net Sales

For the fiscal year ended August 31, 2002, net sales decreased ¥74.4 billion, or 17.8%, to ¥344.2 billion. Despite new store openings, which gave a net increase of 51 stores at year-end, domestic sales were down 18.4% compared to the previous year, to ¥341.6 billion. This was due to a 28.6% fall in sales in our existing stores, caused by a 24.7% decrease in the number of customers visiting our stores and a 5.2% drop in average sales per customer. This decline in customer numbers reflected the diminishing appeal of our products. The decrease in average sales per customer was mainly the result of price discounts required for inventory adjustments, which lowered the price of individual items. The average net sales per store were down 26.1%, from ¥0.8 billion in the previous year, to ¥0.6 billion. Starting in September 2001, our first year of operations in the United Kingdom recorded net sales of ¥2.5 billion.

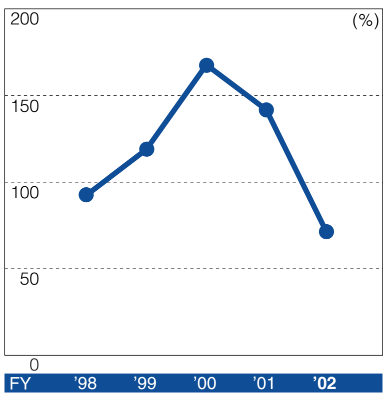
Sales by Product Category

With the exception of our outerwear category, which posted solid results in the first half of the fiscal year under review, sales of all other categories were below the levels of the previous fiscal year. Sales of our cut & sewn category, which includes fleeces and T-shirts and represents 25.2% of our sales, saw a 20.8% downturn. In addition, sales of our women's clothing category, which was the driving force behind our rapid growth in the previous fiscal year and accounts for 22.1% of our sales, also recorded a 23.5% decrease. These disappointing results were due to our overemphasis on basic clothing products. Going forward, we will offer more fresh products for each retail season by developing fashionable basic clothing products.

Net Sales



Year-on-Year Sales Change for Existing Stores in Japan



Sales by product category

	Millions of yen		
	2002	2001	2000
Children's clothing	**¥19,818**	¥23,701	¥14,929
Women's clothing	**76,077**	99,411	51,272
National brand	**–**	–	83
Outerwear	**26,017**	24,799	15,302
Sweaters	**15,665**	18,498	10,911
Cut & sewn	**86,666**	109,495	54,203
Shirts	**22,934**	28,162	18,548
Slacks (pants)	**32,783**	36,943	22,656
Accessories	**59,182**	72,539	37,981
Subtotal	**339,142**	413,548	225,885
Products supplied to franchise stores	**3,676**	4,280	2,689
Administrative charges	**1,087**	584	352
Fees from in-store alterations	**266**	149	60
Net sales	**¥344,171**	¥418,561	¥228,986

Notes: 1. Figures for products supplied to franchise stores represent sales of merchandise to franchises.
2. Administrative charges are royalty income received from franchises.
3. Fees from in-store alterations comprise income from fitting and mending, such as hemming.
4. The above figures do not include consumption tax.

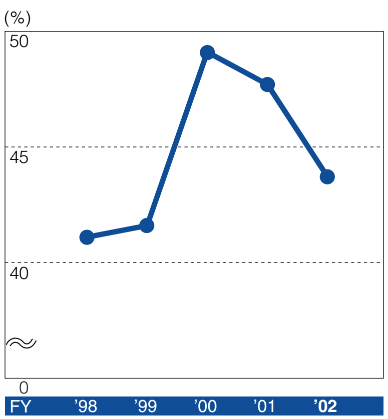
Gross Profit Margin

The gross profit margin was down 4.0 percentage points, to 43.7%. In the first half of the year, the gross profit margin fell 4.7 percentage points compared to the same period of the previous fiscal year, to 44.3%. This decline was due to sales that were substantially lower than we had expected, which forced us to discount prices to dispose of surplus inventory. In the second half, although we downwardly revised sales targets and reduced initial production volumes, the gross profit margin deteriorated 3.6 percentage points year-on-year, to 42.8%. This was primarily due to a strong tendency for customer spending to concentrate on limited-period-discount products, as well as a stepping up of the pace of summer clothing inventory disposal to avoid carrying over stock to the next season.

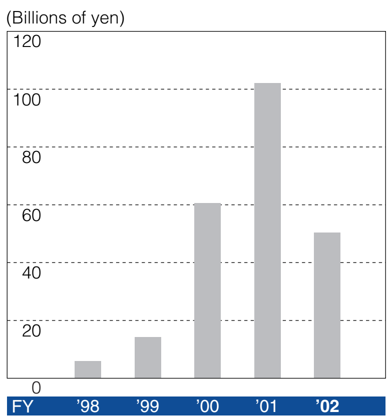
SG&A Expenses

SG&A expenses were up ¥2.2 billion, or 2.3%, to ¥100.0 billion. This increase, together with a significant fall in net sales, led to a deterioration of 5.7 percentage points in the ratio of SG&A expenses to net sales, to 29.1%. Personnel costs were down ¥1.4 billion, to ¥36.5 billion; however, the ratio to net sales decreased 1.5 percentage points, to 10.6%. In addition, despite decreased net sales, advertising and promotion costs were ¥19.7 billion—approximately the same level as the previous fiscal year. In our view, a reduction in advertising and promotion at a time when sales were in a downward phase would have risked triggering further falls in sales. However, we will consider reassessing the cost-effectiveness of our spending on advertising and promotion, while paying close attention to sales trends. Rents rose ¥3.9 billion, to ¥21.8 billion, due to costs associated with new store openings and the scrap-and-build strategy aimed at enlarging existing stores.

Gross Profit Margin



Operating Income



Breakdown of SG&A expenses

	2002			2001			2000		
	Millions of yen	% of sales	% change	Millions of yen	% of sales	% change	Millions of yen	% of sales	% change
Personnel	**¥36,452**	**10.6%**	**–3.8%**	¥37,891	9.1%	+79.3%	¥21,128	9.2%	+86.8%
Advertisting and promotion cost	**19,670**	**5.7**	**+3.1**	19,083	4.6	+90.2	10,036	4.4	+51.3
Rents	**21,754**	**6.3**	**+21.7**	17,872	4.3	+72.7	10,347	4.5	+29.4
Depreciation and amortization	**1,931**	**0.6**	**+22.9**	1,571	0.4	+95.0	806	0.4	+8.7
Others	**20,180**	**5.9**	**–5.4**	21,324	5.0	+123.3	9,550	4.2	+84.4
Total	**¥99,987**	**29.1%**	**+2.3%**	¥97,741	23.4%	+88.4%	¥51,867	22.7%	+62.8%

Operating Income and Net Income

Operating income decreased 50.6%, to ¥50.4 billion, or 14.6% of net sales. In addition, income before income taxes was down 50.8%, to ¥50.4 billion. Income taxes were ¥22.6 billion, compared with ¥43.3 billion in the previous fiscal year. As a result, net income decreased 52.9%, to ¥27.9 billion, or 8.1% of net sales. ROA was 12.1% and ROE was 23.2%.

LIQUIDITY AND FINANCIAL CONDITION

Assets, Liabilities, and Shareholders' Equity

In the consolidated balance sheets, while fixed assets and shareholders' equity increased, current assets and current liabilities fell sharply. Consequently, total assets decreased ¥38.8 billion, or 15.6%, to ¥210.9 billion.

Total current assets were down ¥45.8 billion, or 21.6%, compared to the previous fiscal year, to ¥166.6 billion. Cash and marketable securities at year-end decreased ¥50.1 billion compared to the previous year-end, to ¥107.3 billion. This was primarily due to the payment of ¥52.1 billion in income taxes and ¥12.4 billion used in stock buyback operations for 2 million shares in January and February 2002. Although our store network increased by 51 stores, inventory levels remained approximately the same, edging up ¥0.6 billion from the previous year-end, to ¥31.0 billion. This was mainly due to the steady progress we made in inventory adjustments for summer products and our reduction of initial production volumes for the fall/winter season.

Total current liabilities decreased ¥43.0 billion, or 34.2%, to ¥82.6 billion. This was attributable to a ¥15.4 billion fall in accounts payable, to ¥48.1 billion, associated with lower sales. As a result, the current ratio was 201.7%, compared with 169.2% in the previous fiscal year.

Meanwhile, net property and equipment rose ¥2.6 billion, or 19.7%, to ¥15.9 billion, which was mainly due to a ¥3.7 billion rise in buildings and structures. Investments and other assets were up ¥3.6 billion, or 15.2%, to ¥27.6 billion, which was primarily attributable to increased lease deposits and construction fund receivables. These increases were associated with 92 new store openings in Japan and the United Kingdom. Despite the purchase of ¥12.4 billion of treasury stock, shareholders' equity was up ¥7.2 billion, or 6.1%, to ¥123.6 billion, as a result of a ¥20.1 billion rise in retained earnings. Consequently, the stockholders' equity ratio rose from 46.6% in the previous fiscal year, to 58.6%.

Further, the Company implemented a two-for-one stock split on April 19, 2002, for its shareholders as of the end of February 2002, which resulted in a total of 106,074 thousand shares issued at year-end.

Cash Flows

In cash flows from operating activities, although income before income taxes was ¥50.4 billion, income taxes paid of ¥52.1 billion and other cash outflows resulted in ¥19.4 billion net cash used in operating activities. Since the amount of interim income taxes paid was determined based on the Company's profit levels in the previous year, excess income taxes were paid due to the substantial decrease in the Company's income during the year under review. We therefore anticipate that our income tax burden will be reduced considerably in the fiscal year ending August 31, 2003.

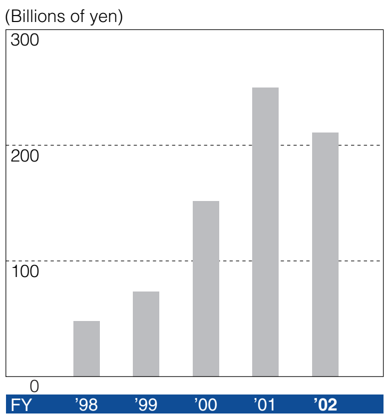
Net cash used in investing activities was ¥9.9 billion, primarily associated with investments of ¥1.2 billion in our subsidiary in China and investments of ¥10.4 billion for store openings.

In cash flows from financing activities, net cash used in financing activities was ¥20.4 billion, due to repayments of long-term debt amounting to ¥3.0 billion, purchase of treasury stock of ¥12.4 billion, and dividends paid of ¥6.7 billion. As a result, cash and cash equivalents at end of year decreased ¥50.1 billion, to ¥107.3 billion.

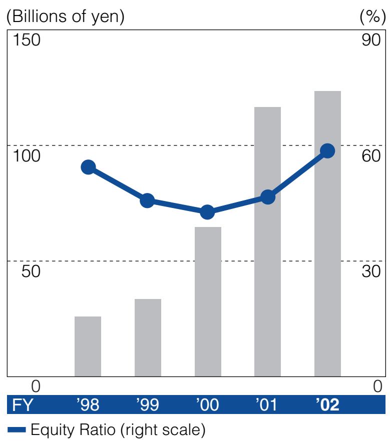
DIVIDEND POLICY

Until the previous fiscal year, our dividend payout ratio was approximately 10%. Our basic dividend policy is to enhance this to more than 15% from the fiscal year ended August 31, 2002. We paid a dividend of ¥20 per share for the second half of the year ended August 31, 2002. As a result, dividends paid per share for the full year decreased by ¥5 compared to the previous fiscal year, to ¥55 (following adjustment

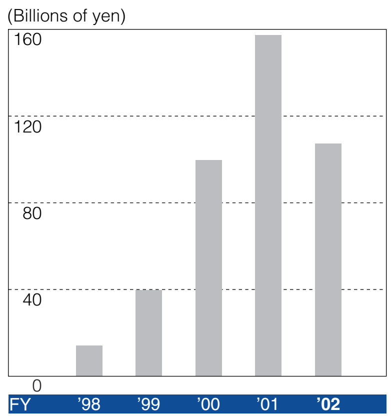
Total Assets



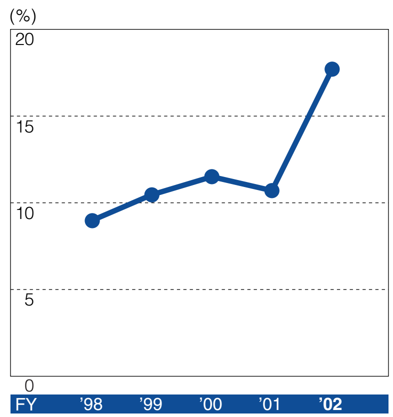
Shareholders' Equity



Cash and Cash Equivalents



Dividend Payout Ratio



for stock split). The nonconsolidated payout ratio improved 7.0 percentage points, to 17.7%. Furthermore, for the year ending August 31, 2003, we anticipate a dividend payout of ¥40 per share and a payout ratio of 17.0%.

OUTLOOK

For the fiscal year ending August 31, 2003, in addition to FAST RETAILING (U.K.), two more subsidiaries—FAST RETAILING (JIANGSU) APPAREL and FR FOODS—will be included in consolidation. FAST RETAILING (JIANGSU) APPAREL opened two stores in Shanghai in September 2002 and will open a further five stores during the current fiscal year for a total of seven stores. FR FOODS was established in September 2002 to develop our food business and began full-fledged operations from November 2002. For the fiscal year 2003, we forecast net sales of ¥309.5 billion, operating income of ¥37.3 billion, and net income of ¥20.2 billion.

Separate forecasts for the parent Company and its subsidiaries are as follows. With regard to the parent Company, which is responsible for UNIQLO operations in Japan, we anticipate decreased sales and profit, with net sales of ¥300.0 billion, operating income of ¥41.0 billion, and net income of ¥24.0 billion. However, we expect that the impact of enhanced merchandise and expansion of our store network will lead to an increase in sales and profit in the second half. Further, we forecast unavoidable deficits in the first year of operations of our subsidiaries FR FOODS and FAST RETAILING (JIANGSU) APPAREL, due to substantial expense burdens associated with store openings, advertising and promotion, and prior investments. While we anticipate that, continuing from the fiscal year under review, FAST RETAILING (U.K.) will again post a deficit in the current fiscal year, our target is to strengthen its operating infrastructure and lay the groundwork for a profitable organization.

Furthermore, from the fiscal year ending August 31, 2004, we aim to put the Company's operations in Japan on track for renewed growth. On a nonconsolidated basis, our targets for the year ending August 31, 2005, are net sales of ¥450.0 billion and operating income of ¥90.0 billion. We also aim to achieve profitable operations at FAST RETAILING (U.K.) in the fiscal year ending August 31, 2004, and at FAST RETAILING (JIANGSU) APPAREL and FR FOODS in the fiscal year ending August 31, 2005.

Consolidated outlook for fiscal year ending August 31, 2003

Billions of yen	Annual	Year-on-year % change	First half	Year-on-year % change	Second half	Year-on-year % change
Net sales	¥309.5	–10.1%	¥159.9	–21.9%	¥149.6	+7.4%
Gross profit	139.1	–7.5	70.4	–22.4	68.7	+11.5
SG&A expenses	101.8	+1.8	52.3	0.0	49.5	+3.7
Operating income	37.3	–26.0	18.1	–52.8	19.2	+59.5
Net income	¥ 20.2	–27.5%	¥ 9.6	–55.7%	¥ 10.6	+69.2%
Store openings (net increase)	113 (74)		53 (29)		60 (45)	

Nonconsolidated outlook for fiscal year ending August 31, 2003

Billions of yen	Annual	Year-on-year % change	First half	Year-on-year % change	Second half	Year-on-year % change
Net sales	¥300.0	–12.2%	¥156.5	–23.3%	¥143.5	+4.4%
Gross profit	135.0	–9.7	69.0	–23.6	66.0	+11.5
SG&A expenses	94.0	–1.6	48.5	–3.9	45.5	+1.0
Operating income	41.0	–24.1	20.5	–48.6	20.5	+45.0
Net income	¥ 24.0	–23.9%	¥ 12.0	–48.0%	¥ 12.0	+42.2%
Store openings (net increase)	94 (55)		44 (20)		50 (35)	

Nonconsolided numerical targets for fiscal year ending August 31, 2005

Billions of yen (% of net sales)

	2002		2003		2004		**2005**	
Net sales	¥341.6	(100.0)	¥300.0	(100.0)	¥370.0	(100.0)	**¥450.0**	**(100.0)**
Gross profit	149.5	(43.8)	135.0	(45.0)	170.0	(45.9)	**207.0**	**(46.0)**
SG&A expenses	95.5	(28.0)	94.0	(31.3)	110.0	(29.7)	**117.0**	**(26.0)**
Operating income	¥ 54.0	(15.8)	¥ 41.0	(13.7)	¥ 60.0	(16.2)	**¥ 90.0**	**(20.0)**

CONSOLIDATED BALANCE SHEETS

FAST RETAILING CO., LTD. and consolidated subsidiary
August 31, 2002 and 2001

ASSETS	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 2) 2002
Current assets:			
Cash (Note 3)	**¥ 67,772**	¥ 46,035	**$ 548,983**
Marketable securities (Notes 3 and 4)	**39,491**	111,344	**319,895**
Trade notes and accounts receivable	**3,143**	3,685	**25,460**
Less—Allowance for doubtful accounts	**(5)**	(12)	**(41)**
Net trade receivables	**3,138**	3,673	**25,419**
Inventories (Note 5)	**30,995**	30,416	**251,073**
Deferred tax assets (Note 6)	**294**	2,637	**2,382**
Forward exchange contracts	**19,229**	16,419	**155,763**
Other	**5,678**	1,904	**45,995**
Total current assets	**166,597**	212,428	**1,349,510**
Property and equipment:			
Land	**2,052**	2,052	**16,622**
Buildings and structures	**18,916**	15,228	**153,228**
Furniture and equipment	**390**	188	**3,159**
Construction in progress	**317**	502	**2,568**
	21,675	17,970	**175,577**
Less—Accumulated depreciation	**(5,765)**	(4,674)	**(46,699)**
Net property and equipment	**15,910**	13,296	**128,878**
Intangible assets	**784**	56	**6,351**
Investments and other assets:			
Investments in securities (Note 4)	**64**	72	**518**
Investments in subsidiaries and affiliates	**1,332**	1,147	**10,790**
Lease deposits	**11,156**	9,554	**90,369**
Construction assistance fund receivables (Note 14)	**14,310**	12,876	**115,917**
Deferred tax assets (Note 6)	**139**	140	**1,126**
Other	**630**	197	**5,103**
Total investments and other assets	**27,631**	23,986	**223,823**
Total assets	**¥210,922**	¥249,766	**$1,708,562**

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 2) 2002
Current liabilities:			
Short-term debt (Note 7)	¥ 1,809	¥ —	$ 14,654
Accounts payable	48,146	63,533	390,004
Accrued income taxes (Note 6)	—	30,500	—
Net of deferred unrealized gain on forward exchange contracts	19,229	16,419	155,763
Other	13,403	15,110	108,570
Total current liabilities	82,587	125,562	668,991
Long-term liabilities:			
Long-term debt (Note 8)	4,000	7,000	32,402
Accrued pension liability (Note 9)	—	106	—
Other	703	622	5,695
Total long-term liabilities	4,703	7,728	38,097
Total liabilities	87,290	133,290	707,088
Shareholders' equity:			
Capital (Note 10)	3,274	3,274	26,521
Additional paid-in capital	11,579	11,579	93,795
Retained earnings (Note 11)	124,686	104,570	1,010,012
Net unrealized holding gain on securities	181	700	1,466
Foreign currency translation adjustments	(67)	—	(543)
Treasury stock, at cost (Note 12)	(16,021)	(3,647)	(129,777)
Total shareholders' equity	123,632	116,476	1,001,474
Commitments and contingencies (Note 14)			
Total liabilities and shareholders' equity	¥210,922	¥249,766	$1,708,562

CONSOLIDATED STATEMENTS OF INCOME

FAST RETAILING CO., LTD. and consolidated subsidiary
For the Years Ended August 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2001	2000	**2002**
Net sales	**¥344,171**	¥418,561	¥228,986	**$2,787,938**
Cost of sales	**193,766**	218,739	116,491	**1,569,591**
Gross profit	**150,405**	199,822	112,495	**1,218,347**
Selling, general and administrative expenses	**99,987**	97,741	51,867	**809,939**
Operating income	**50,418**	102,081	60,628	**408,408**
Other income (expenses):				
Interest and dividend income	**677**	1,062	618	**5,484**
Exchange gains	**353**	—	—	**2,859**
Interest expenses	**(407)**	(137)	(159)	**(3,297)**
Store closure cost	**(65)**	(52)	(8)	**(527)**
Loss on disposal of fixed assets	**(709)**	(75)	(42)	**(5,743)**
Loss on termination of lease	**—**	(439)	—	**—**
Loss on sale of marketable securities	**—**	—	(509)	**—**
Liquidation loss of a subsidiary	**—**	—	(295)	**—**
Retirement benefits for directors	**—**	—	(122)	**—**
Other, net	**179**	93	(109)	**1,451**
	28	452	(626)	**227**
Income before income taxes	**50,446**	102,533	60,002	**408,635**
Income taxes (Note 6):				
Current	**19,878**	44,151	27,346	**161,020**
Deferred	**2,717**	(810)	(1,858)	**22,009**
	22,595	43,341	25,488	**183,029**
Net income	**¥ 27,851**	¥ 59,192	¥ 34,514	**$ 225,606**

	Yen			U.S. dollars (Note 2)
	2002	2001	2000	**2002**
Per share data:				
Net income:				
Basic	**¥ 269.54**	¥1,119.28	¥1,303.35	**$2.18**
Diluted	**—**	—	—	**—**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FAST RETAILING CO., LTD. and consolidated subsidiary
For the Years Ended August 31, 2002, 2001 and 2000

	Millions of yen					
	Capital	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
Balance at August 31, 1999	¥3,174	¥11,460	¥ 18,984	¥ —	¥ —	¥ —
Exercise of warrant	100	119	—	—	—	—
Net income	—	—	34,514	—	—	—
Cash dividends (Note 11)	—	—	(1,852)	—	—	—
Directors' bonuses (Note 11)	—	—	(90)	—	—	—
Decrease (increase) in treasury stock (Note 12)	—		—	—	—	(1,654)
Balance at August 31, 2000	3,274	11,579	51,556	—	—	(1,654)
Cumulative effect of changes in accounting principle	—	—	—	700	—	—
Net income	—	—	59,192	—	—	—
Cash dividends (Note 11)	—	—	(5,818)	—	—	—
Directors' bonuses (Note 11)	—	—	(360)	—	—	—
Decrease (increase) in treasury stock (Note 12)	—	—	—	—	—	(1,993)
Balance at August 31, 2001	3,274	11,579	104,570	700	—	(3,647)
Effect of newly consolidated subsidiary	**—**	**—**	**(354)**	**—**	**—**	**—**
Net income	**—**	**—**	**27,851**	**—**	**—**	**—**
Cash dividends (Note 11)	**—**	**—**	**(6,732)**	**—**	**—**	**—**
Directors' bonuses (Note 11)	**—**	**—**	**(649)**	**—**	**—**	**—**
Net change during the year	**—**	**—**	**—**	**(519)**	**(67)**	**—**
Decrease (increase) in treasury stock (Note 12)	**—**	**—**	**—**	**—**	**—**	**(12,374)**
Balance at August 31, 2002	**¥3,274**	**¥11,579**	**¥124,686**	**¥ 181**	**¥(67)**	**¥(16,021)**

	Thousands of U.S. dollars (Note 2)					
	Capital	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
Balance at August 31, 2001	$26,521	$93,795	$ 847,063	$5,670	$ —	$ (29,542)
Effect of newly consolidated subsidiary	**—**	**—**	**(2,868)**	**—**	**—**	**—**
Net income	**—**	**—**	**225,606**	**—**	**—**	**—**
Cash dividends (Note 11)	**—**	**—**	**(54,532)**	**—**	**—**	**—**
Directors' bonuses (Note 11)	**—**	**—**	**(5,257)**	**—**	**—**	**—**
Net change during the year	**—**	**—**	**—**	**(4,204)**	**(543)**	**—**
Decrease (increase) in treasury stock (Note 12)	**—**	**—**	**—**	**—**	**—**	**(100,235)**
Balance at August 31, 2002	**$26,521**	**$93,795**	**$1,010,012**	**$1,466**	**$(543)**	**$(129,777)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FAST RETAILING CO., LTD. and consolidated subsidiary
For the Years Ended August 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes	¥ 50,446	¥102,533	$ 408,635
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,942	1,571	15,731
Decrease in allowance for doubtful accounts	(3)	(21)	(24)
Increase (decrease) in accrued pension liability	(106)	106	(859)
Interest and divided income	(677)	(1,062)	(5,484)
Interest expenses	407	137	3,297
Exchange gains	(95)	(87)	(770)
Write-down of investment securities	—	85	—
Loss on disposal of fixed assets	709	75	5,743
(Increase) decrease in trade receivables	541	(1,862)	4,382
Increase in inventories	(647)	(9,770)	(5,241)
Increase in other assets	(2,312)	(512)	(18,728)
Increase (decrease) in trade payables	(15,367)	20,699	(124,480)
(Decrease) increase in accrued expenses and other liabilities	(1,733)	4,777	(14,038)
Bonuses to directors	(649)	(360)	(5,257)
	32,456	116,309	262,907
Interest and dividend received	677	1,062	5,484
Interest paid	(421)	(139)	(3,410)
Income taxes paid	(52,073)	(36,651)	(421,814)
Net cash provided by (used in) operating activities	(19,361)	80,581	(156,833)
Cash flows from investing activities:			
Purchase of investment securities	—	(865)	—
Purchase of property and equipment	(5,151)	(6,456)	(41,725)
Payments for lease deposits	(2,291)	(3,024)	(18,558)
Collections of lease deposits	633	220	5,127
Payments for construction assistance fund receivables	(2,938)	(3,993)	(23,799)
Collections of construction assistance fund receivables	1,505	840	12,191
Purchase of intangible fixed assets	(640)	(14)	(5,184)
Investments in subsidiaries	(1,215)	—	(9,842)
Other, net	170	93	1,377
Net cash used in investing activities	(9,927)	(13,199)	(80,413)
Cash flows from financing activities:			
Increase in short-term debt	1,809	—	14,654
Repayments of long-term debt	(3,000)	(3,000)	(24,301)
Purchase of treasury stock	(12,365)	(2,251)	(100,162)
Proceeds from sales on treasury stock	—	258	—
Dividends paid	(6,732)	(5,818)	(54,532)
Other	(143)	(144)	(1,159)
Net cash used in financing activities	(20,431)	(10,955)	(165,500)
Effect of exchange rate changes on cash and cash equivalents	(867)	1,282	(7,023)
Net change in cash and cash equivalents	(50,586)	57,709	(409,769)
Cash and cash equivalents at beginning of year (Note 3)	157,379	99,670	1,274,840
Cash and cash equivalent of newly consolidated subsidiary	470	—	3,807
Cash and cash equivalents at end of year (Note 3)	¥107,263	¥157,379	$ 868,878

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FAST RETAILING CO., LTD. and consolidated subsidiary

1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Fast Retailing Co., Ltd. ("the Company") in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, and its foreign subsidiary in conformity with those of the country of its domicile. These may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated financial statements, including the notes to the consolidated financial statements presented herein have been compiled from the consolidated financial statements filed with the Ministry of Finance as required by the Security and Exchange Law of Japan ("the MOF Report") and certain reclassifications have been made in the MOF Report, and additional information which is not required under accounting principles generally accepted in Japan is included for the convenience of readers outside Japan.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Fast Retailing U.K. Limited ("FRUKL"). FRUKL was established in June 2000 as a casual clothes retailing company in the U.K. The results of FRUKL have been included in the Company's consolidated financial statements since September 1, 2001. Prior year financial statements were not restated because FRUKL's results of operations, financial position or cash flows did not have a significant impact on the Company's financial statements. All the significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

Effective September 1, 2000, the Company adopted "Statement of Cash Flows" issued by the Business Accounting Deliberation Council. For the purpose of the cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value, with maturities of generally three months or less when purchased, to be cash equivalents.

(d) Short-Term Investments and Investments in Securities

Effective September 1, 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into one of the following three categories and accounted for as follows:

- Securities that the Company held with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as available-for-sale securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as net unrecognized holding gain (loss) in a separate component of stockholders' equity until realized, or with unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as unrecognized holding gains in a separate component of stockholders' equity until realized.

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

Previously, marketable securities were stated principally at the lower of cost or market, cost determined by the moving-average method. Investments in other than marketable securities were stated at cost.

As a result of application of this standard, net income for the year ended August 31, 2001 decreased by ¥85 million compared with the previous accounting treatment.

(e) Inventories

Inventories are stated at cost, cost being determined by specific identification method.

(f) Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by the declining-balance method over the following estimated useful lives of the respective assets.

Buildings and structures	10 to 50 years
Furniture and equipment	5 to 8 years

(g) Leases

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

(h) Income Taxes

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

(i) Retirement and Severance Benefits

Effective September 1, 2000, the Company adopted "Accounting Standards for Retirement and Severance Benefits" issued by the Business Accounting Deliberation Council. Under this standard, retirement and severance benefits for employees is provided based on the projected benefit obligation and the pension assets.

Previously, under the unfunded defined benefit pension plans, retirement and severance benefits had been made for the estimated accrued liability to which employees were entitled if they were to voluntarily retire or sever immediately at the balance sheet date, and under the funded defined benefit pension plan, annual contributions had been charged to income when paid.

As a result of the application of this standard, operating income and income before income taxes decreased by ¥48 million and ¥106 million compared with the previous accounting treatment. The transition difference of ¥58 million arising from the adoption of the new accounting standard is charged to expenses for the year ended August 31, 2001.

(j) Foreign Currency Translation

Effective September 1, 2000, the Company adopted the revised "Accounting Standards for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date or, if only the relation between foreign currency transactions and related firm forward exchange contracts meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments", those covered by firm forward exchange contracts can be translated at such contract rates. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

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

Previously, foreign currency transactions were 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 were translated at such contract rates. At year-end, monetary current assets and current liabilities denominated in foreign currencies were translated into yen at the rates of exchange in effect at the balance sheet date, and other monetary assets and liabilities denominated in foreign currencies were translated into yen at historical rates, however, material unrealized translation losses on other monetary assets and liabilities had to be computed using the rates of exchange in effect at the balance sheet date. The adoption of this standard did not have a material effect on net income for the year ended August 31, 2001.

(k) Derivative Financial Instruments

Effective September 1, 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principle, net assets and liabilities arising from derivative financial transactions are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions, that meet the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments," are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as a liability or asset until gains or losses relating to the hedge is recognized.

Previously, forward exchange contracts were accounted for as foreign currency transactions. Such contracts were translated at contract rates, and interest rate swap transactions were accounted for as if interest rates under the interest rate swap transactions were originally applied to underlying borrowings and debentures. As a result of the application of this standard, there was no effect on net income for the year ended August 31, 2001.

(l) Net Income Per Share

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 to assume the exercise of warrant.

(m) Reclassifications

Certain reclassifications have been made in prior years' financial statements to conform to classification used in the current year.

2 BASIS OF FINANCIAL STATEMENT TRANSLATION

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥123.45=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2002. This translation should not be construed as a presentation that any amounts shown could be converted into U.S. dollars.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2002 and 2001 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Cash	**¥ 67,772**	¥ 46,035	**$548,983**
Marketable securities	**39,491**	111,344	**319,895**
Cash and cash equivalents	**¥107,263**	¥157,379	**$868,878**

4 SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Investments in securities as of August 31, 2002 and 2001 are classified as available-for-sale securities. A summary of cost, unrealized holding gross gains, unrealized holding gross losses and aggregate fair value by major type of securities is as follows:

	Millions of yen							
	2002				2001			
	Cost	Gross gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	¥ 63	¥7	¥(6)	¥ 64	¥ 63	¥10	¥(1)	¥ 72
Mutual funds	39,491	–	–	39,491	111,344	–	–	111,344
	¥39,554	¥7	¥(6)	¥39,555	¥111,407	¥10	¥(1)	¥111,416

	Thousands of U.S. dollars			
	2002			
	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:				
Equity securities	$ 510	$57	$(49)	$ 518
Mutual funds	319,895	–	–	319,895
	$320,405	$57	$(49)	$320,413

5 INVENTORIES

Inventories as of August 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Merchandise	¥30,699	¥30,097	$248,676
Supplies	296	319	2,397
	¥30,995	¥30,416	$251,073

6 INCOME TAXES

The Company and subsidiary are subject to a number of taxes based on income. The aggregate normal tax rate for the Company was approximately 41.8% for the years ended 2002, 2001 and 2000.

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

	2002	2001	2000
Normal income tax rate	41.8%	41.8%	41.8%
Change in valuation allowance	2.1	–	–
Other	0.9	0.5	0.7
Effective income tax rate	44.8%	42.3%	42.5%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of August 31, 2002 and 2001 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Total gross deferred tax assets:			
Inventories	¥ 233	¥ 200	$ 1,887
Accrued business tax	–	2,619	–
Accrued bonus	291	229	2,357
Operating loss carryforward	1,199	–	9,713
Other	217	231	1,759
	1,940	3,279	15,716
Valuation allowance	(1,199)	–	(9,713)
	741	3,279	6,003
Total gross deferred tax liabilities:			
Refundable business tax	(178)	–	(1,442)
Net unrealized holding gain on securities	(130)	(502)	(1,053)
	(308)	(502)	(2,495)
Net deferred tax assets	¥ 433	¥2,777	$ 3,508

Net deferred tax assets as of March 31, 2002 and 2001 are reflected in the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets — current	**¥294**	¥2,637	**$2,382**
Deferred tax assets — noncurrent	**139**	140	**1,126**
Net deferred tax assets	**¥433**	¥2,777	**$3,508**

7 SHORT-TERM DEBT

Unsecured bank borrowing as of August 31, 2002 amounted to ¥1,809 million ($14,654 thousand).

The weighted average interest rate on short-term debt outstanding as of August 31, 2002 was 4.29%.

8 LONG-TERM DEBT

Long-term debt is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Unsecured loans from Japanese banks 1.88% to 1.95% interest, due 2003	**¥4,000**	¥7,000	**$32,402**

The aggregate annual maturities of long-term debt after August 31, 2002 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2003	¥4,000	$32,402

9 RETIREMENT AND SEVERANCE BENEFITS

The Company had a defined benefit pension plan (tax qualified pension plan) to provide retirement and severance benefits to substantially all employees. At August 31, 2002, the Company terminated a defined benefit pension plan through providing a defined contribution plan. Defined benefits were not provided under the successor plan.

The funded status of the Company's pension plan as of August 31, 2001 was summarized as follows:

	Millions of yen
	2001
Projected benefit obligation	¥(488)
Plan assets at fair value	382
Amount recognized in the consolidated balance sheet	¥(106)

Net periodic benefit cost for the defined benefit pension plan for the years ended August 31, 2002 and 2001 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥126**	¥98	**$1,021**
Interest cost	**15**	11	**122**
Expected return on plan assets	**(8)**	(6)	**(65)**
Amortization of transition obligation	**–**	58	**–**
Amortization of actuarial loss	**58**	35	**469**
Net periodic pension cost	**¥191**	¥196	**$1,547**

The entire transition difference of ¥58 million arising from the adoption of the new accounting standard was amortized in the year ended August 31, 2001, and amortized cost was included in "Other income (expenses)—Other."

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

	2002	2001
Discount rate	**3.0%**	3.0%
Expected rate of return on plan assets	**2.0%**	2.0%

10 COMMON STOCK

The Japanese Commercial Code (JCC) had required that at least 50% of the issue price of new shares, with minimum of the par value thereof, were designated as stated capital. Proceeds in excess of the amount designated as stated capital are credited to additional paid-in capital.

Effective October 1, 2001, the JCC was amended to eliminate the provision of common stock par value resulting in all common stock being recorded with no par value. Under the amended JCC, at least 50% of the issue price of new shares is designated as stated capital, and proceeds in excess of the amount designated as stated capital are credited to additional paid-in capital.

The Company has authorized for issuance 200 million shares of common stock with no par value as of August 31, 2002. Issued and outstanding shares and change in shares for the years ended August 31, 2002, 2001 and 2000 are summarized as follows.

	Issued and outstanding shares
Balance as of August 31, 1999	26,461,005
Exercise of warrant	57,409
Balance as of August 31, 2000	26,518,414
Issued upon stock split	26,518,414
Balance as of August 31, 2001	53,036,828
Issued upon stock split	53,036,828
Balance as of August 31, 2002	106,073,656

11 LEGAL RESERVE AND DIVIDENDS

The JCC had provided that an amount equal to at least 10% of appropriations of retained earnings to be paid in cash, such as cash dividends and directors' bonuses, be appropriated as a legal reserve until such reserve equals 25% of stated capital. The legal reserve is not available for dividends but may be used to reduce a capital deficit by resolution of the shareholders' meeting or may be transferred to capital by resolution of the Board of Directors.

Effective October 1, 2001, the JCC was amended to require an amount of equal to at least 10% of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until the total of additional paid-in capital and legal reserve equals 25% of stated capital. In addition to reduction of a deficit and transfer to stated capital, either additional paid-in capital or legal reserve may be available for dividends by resolution of the shareholders' meeting to the extent that the amount of total additional paid-in capital and legal reserve exceeds 25% of stated capital.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended August 31, 2002 and 2001 represent dividends and directors' bonuses paid out during those periods and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥20 ($0.16) per share, aggregating ¥2,034 million ($16,476 thousand), or related appropriations for directors' bonuses amounting to ¥145 million ($1,175 thousand). These appropriations were approved at the general shareholders' meeting held on November 27, 2002 in respect of the year ended August 31, 2002.

12 TREASURY STOCK

The JCC had imposed certain restrictions on acquisition and disposal of treasury stock.

Effective October 1, 2001, the JCC eliminated the provisions of these restrictions and allowed repurchase of treasury stock to the extent of distributable funds appropriated by resolution of the shareholders' meeting.

In addition, the shareholders may request the Company to repurchase their shares less than a trading unit (100 shares) upon request pursuant to the provision of the JCC. The shares less than a trading unit cannot be publicly traded and have not been given to exercise its voting rights.

The change in shares of treasury stock for the years ended August 31, 2002 and 2001 are summarized as follows.

	Shares	Millions of yen	Thousands of U.S. dollars
Balance as of August 31, 1999	–	¥ –	$ –
Repurchase of common stock	50,300	1,733	
Treasury stock issued	(2,100)	(79)	
Balance as of August 31, 2000	48,200	1,654	
Repurchase of common stock	88,200	2,169	
Treasury stock issued	(8,800)	(176)	
Two-for-one common stock split	48,200	–	
Balance as of August 31, 2001	175,800	3,647	29,542
Repurchase of common stock	2,002,479	12,374	100,235
Two-for-one common stock split	2,176,963	–	–
Balance as of August 31, 2002	4,355,242	16,021	129,777

13 STOCK OPTION PLAN

The shareholders' meeting held on November 26, 1999 approved that the Company may purchase 50,600 shares of common stock within the period from November 26, 1999 to the closing of the next ordinary shareholders' meeting with an aggregate purchase cost cap of ¥2,500 million for the stock option plan. Certain officers and certain other employees may be granted options to purchase common stock at an exercise price of lower of 102.5% of the average purchase cost or market price at the grant date. Eligible persons can exercise 50% of the granted options from November 27, 2001 to November 26, 2002 and can exercise 100% from November 27, 2002 to August 31, 2004. In accordance with the shareholders' approval, the Company purchased 48,200 shares for ¥1,654 million in 2000.

The shareholders' meeting held on November 28, 2000 approved that the Company may purchase 88,500 shares of common stock within the period from November 28, 2000 to the closing of the next ordinary shareholders' meeting with an aggregate purchase cost cap of ¥4,000 million for the stock option plan. Certain officers and certain other employees may be granted options to purchase the common stock at an exercise price of lower of 102.5% of the average purchase cost or market price at the grant date. Eligible persons can exercise 100% of granted option from November 29, 2002 to August 31, 2005. In accordance with the shareholders' approval, the Company purchased 88,200 shares for ¥2,169 million in 2001.

At the shareholders' meeting held on November 29, 2001, a stock option plan was approved. Under this plan, certain directors and certain employees may be granted option to purchase common stock of 106,100 shares in total at an exercise price of higher of 102.5% of market price at the date of grant or the average market price of the preceding month. Those eligible can exercise the option when the market price exceeds 150% of the exercise price for at least 20 business days within the term of exercise, which is from November 30, 2003, to August 31, 2006.

14 COMMITMENTS AND CONTINGENCIES

The Company has the following contingent liabilities as of August 31, 2002.

Year ending August 31, 2002	Millions of yen	Thousands of U.S. dollars
Loan guarantees for:		
Affiliates	¥19	$154
Employees' benefit society	11	89

Construction assistance fund receivables represent an interest free loan granted to real estate owners to construct stores that will be leased by the Company. The Company transferred the construction assistance fund receivables to a trust bank during 1999. This transfer contains a recourse provision that the Company has an obligation to repurchase the transferred construction assistance fund receivables if the landowner fails to repay. The total outstanding transferred construction assistance fund receivables to a trust bank amounted to ¥1,829 million ($14,816 thousand) as of August 31, 2002.

15 LEASES

Lease payments relating to finance lease accounted for as operating lease for the years ended August 31, 2002, 2001 and 2000 amounted to ¥3,866 million ($31,316 thousand), ¥2,717 million and ¥1,626 million, respectively.

Future minimum lease payments relating to finance lease accounted for as operating lease as of August 31, 2002 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 3,968	$ 32,143
Thereafter	10,069	81,563
	14,037	113,706

16 FINANCIAL INSTRUMENTS

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated balance sheets of FAST RETAILING CO., LTD. as of August 31, 2002 and 2001, and the related consolidated statements of income and shareholders' equity for each of the three years in the period ended August 31, 2002, and the consolidated statements of cash flows for each of the two years in the period ended August 31, 2002, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the financial position of FAST RETAILING CO., LTD. and its subsidiary as of August 31, 2002 and 2001, and of the results of their operations for each of the three years in the period ended August 31, 2002, and their cash flows for each of the two years in the period ended August 31, 2002, in accordance with accounting principles generally accepted in Japan.

As described in Note 1 to the accompanying consolidated financial statements, FAST RETAILING CO., LTD. has adopted new accounting standards for pension plan, financial instruments and foreign currency transactions in the preparation of the consolidated financial statements for the year ended August 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended August 31, 2002 are presented solely for the convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the financial statements.

Shin Nihon & Co.

Tokyo, Japan
November 27, 2002

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

INVESTOR INFORMATION

(As of August 31, 2002)

Stock Information

Number of shares authorized	200,000,000
Number of issued and outstanding shares	106,073,656
Number of shareholders (include treasury stocks)	14,609

* A stock split on a two-for-one basis was carried out on April 19, 2002, for shareholders as of February 28, 2002.

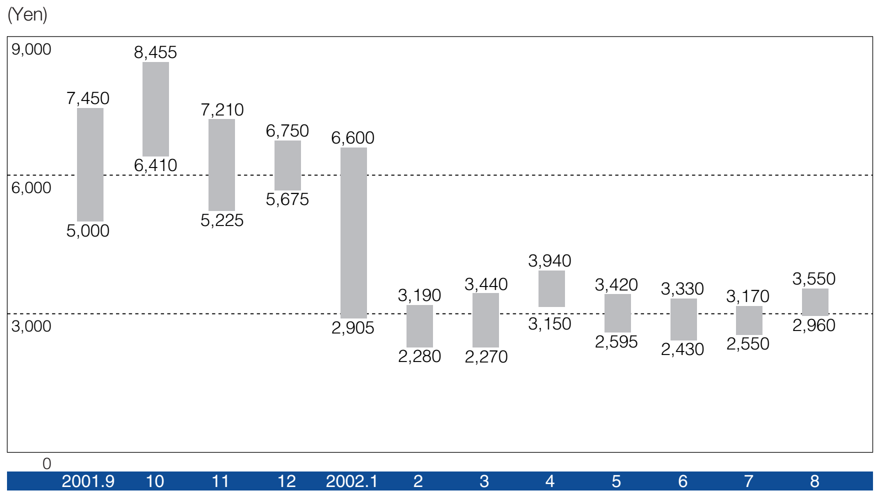
Principal Shareholders

	Number of shares	Percentage of total shares in issue
Tadashi Yanai	28,297,284	26.68%
Kazumi Yanai	9,531,808	8.99
Koji Yanai	8,390,600	7.91
The Chase Manhattan Bank, N.A. London	4,548,640	4.29
Japan Trustee Services Bank, Ltd. (Trust Account)	4,453,300	4.20
FAST RETAILING CO., LTD.	4,355,242	4.11
State Street Bank and Trust Company	3,206,942	3.02
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,953,700	2.78
UFJ Trust Bank Limited (Trust Account “A”)	2,916,900	2.75
Teruyo Yanai	2,327,848	2.19

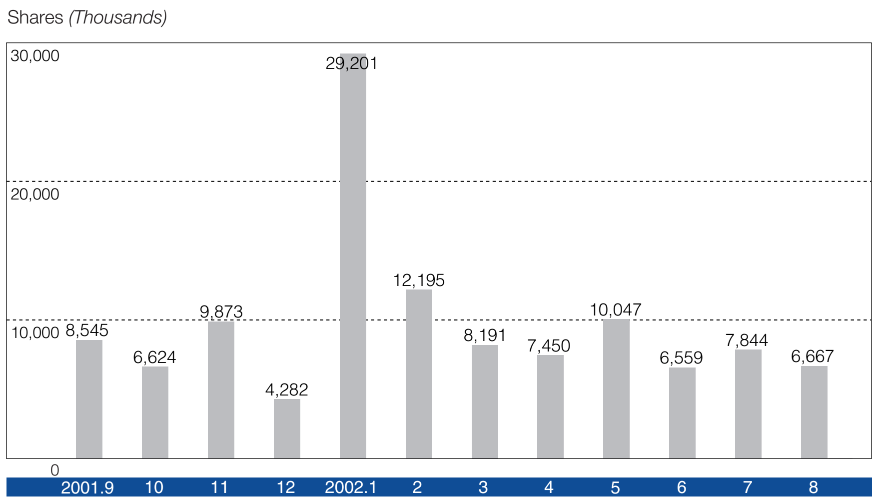
Shareholder Breakdown

	Number of shareholders	Numbr of shares (Thousands)	Percentage of total shares in issue
Individual and others	13,945	58,832	55.47%
Foreign investors	319	22,614	21.31
Other financial institutions	109	21,894	20.65
Companies and corporations	186	777	0.73
Securities companies	50	1,957	1.84
Total	14,609	106,074	100.00%

Adjusted Stock Price



Trading Volume



* A stock split on a two-for-one basis was carried out on April 19, 2002, for shareholders as of February 28, 2002.

CORPORATE INFORMATION

Corporate Data (As of August 31, 2002)

FAST RETAILING CO., LTD.

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

Tokyo Office
Shibuya Mark City West, 12-1, Dogenzaka 1-chome,
Shibuya-ku, Tokyo 150-0043, 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, women, and children of all ages. Operates stores under the name of UNIQLO.

Regular Employees (parent company only)
1,631

Settlement Date
August 31

Annual Shareholders' Meeting
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

Consolidated Subsidiaries (As of November 30, 2002)

FAST RETAILING (U.K.) LTD.
24 Britton Street, London EC1M 5UA, U.K.

FAST RETAILING (JIANGSU) APPAREL CO., LTD.
1 Zhaofeng Road, Kunshan Caoan Development Area,
Jiangsu, China

FR FOODS CO., LTD.
Shibuya Mark City West, 12-1, Dogenzaka 1-chome,
Shibuya-ku, Tokyo 150-0043, Japan

Board of Directors and Auditors (As of November 30, 2002)

Tadashi Yanai
Chairman & Chief Executive Officer

Genichi Tamatsuka
President & Chief Operating Officer

Yuji Horibata
Senior Managing Director

Nobuo Domae
Managing Director & Chief Information Officer

Masatoshi Morita
Managing Director (FAST RETAILING (U.K.) LTD. CEO)

Shuichi Nakajima
Director

Naoki Otoma
Director

Makoto Hayashi
Director (FAST RETAILING (JIANGSU) APPAREL CO., LTD. CEO)

Toshiharu Ura
Standing Corporate Auditor

Kiyomi Iwamura
Standing Corporate Auditor

Takaharu Yasumoto
Corporate Auditor

Soroku Matsumoto
Corporate Auditor


Tadashi Yanai


Genichi Tamatsuka


Yuji Horibata


Nobuo Domae


Masatoshi Morita


Shuichi Nakajima


Naoki Otoma


Makoto Hayashi

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