2003 ANNUAL REPORT

Year ended August 31, 2003

FAST RETAILING CO., LTD.

Our Mission

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

Our Products

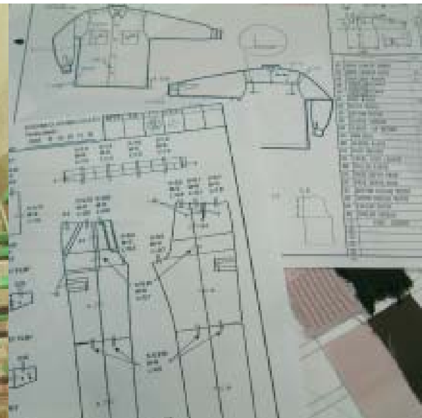
UNIQLO clothes can be worn anywhere, at anytime, and by anyone. Our goal is to continue offering fashionable, superior-quality basic casual wear at the lowest possible prices.

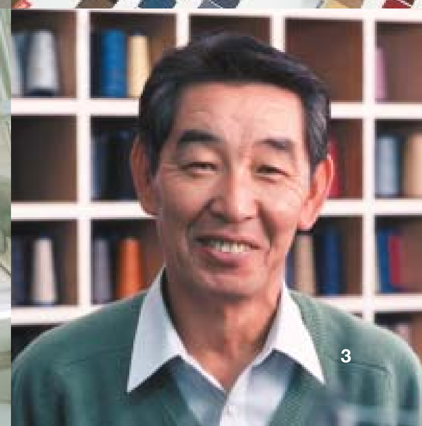
We want people of all ages to enjoy wearing our basic casual clothes for their fabric, color, and style. From our warm, light-weight but highly functional fleece jackets to our women's merino rib turtleneck sweaters in 12 different colors, we cater for one and all. Autumn 2003 also saw the launch of men's shirts made from choice European fabric and cashmere sweaters made from premium Inner Mongolian cashmere.

Our Production

FAST RETAILING maintains close control of all stages—from product planning, fabric development and procurement, and manufacturing to distribution and sales.

Based on customer feedback from stores, our in-house team of professionals at the UNIQLO Design Studio develops products that are manufactured by our trusted partner factories in China. Our Japanese technical experts—the Takumi team—have more than 30 years of experience. They provide on-site training to ensure consistent, top-class quality. Our new Strategic Fabric Team will build close relationships with fabric manufacturers worldwide and develop innovative materials.





Our Stores

We at UNIQLO put our customers' needs ahead of our own. As the most direct link to our customers, our stores are at the very heart of our business.

We have a network of more than 600 stores spanning the whole of Japan. The majority of our stores are free-standing, roadside outlets located in suburban areas. But you can also spot our UNIQLO logo in shopping centers and on downtown streets. By offering families a place where they can enjoy shopping together, our stores have become a familiar part of everyday life in Japan.

Our Employees

A merit-based organization, FAST RETAILING fairly evaluates each employee's ability and performance regardless of age, gender, or nationality.

The quality of our products and customer service depends heavily on the caliber of our employees. Therefore, nurturing and training our staff is of the utmost importance. A good example of our emphasis on each employee's ability is the superstar (SS) store manager system. Under this system, we give SS store managers considerable discretion in store operations. As an incentive, managers receive a share of store profits, which can be considerable when their store performs well. We look forward to the day when all of our managers become superstars.

Our Ambition

We aim to become the world's top casual clothing company.

We have consistently set our sights high because we strongly believe that there is no life without growth and no success without expansion. We have already gained valuable experience by setting up operations in the United Kingdom and China, and our strategy is to enter other Asian markets and the U.S. market in the near future. We are looking to use our excess cash for possible mergers and acquisitions that will achieve synergies with our UNIQLO operations. Our ambition is to become a corporate group with sales of ¥1 trillion by 2010.

Worldwide Apparel Specialty Stores

Company Name		Fiscal Year	Billions of Yen
Gap	U.S.	FY 2002	1,693.4
Limited Brands	U.S.	FY 2002	989.3
Hennes & Mauritz	Sweden	FY 2002	739.2
Inditex	Spain	FY 2002	507.0
Liz Claiborne	U.S.	FY 2002	435.5
Next	U.K.	FY 2003	407.3
FAST RETAILING	**Japan**	**FY 2003**	**309.8**
Polo Ralph Lauren	U.S.	FY 2003	285.8
Benetton Group	Italy	FY 2002	254.1
Tommy Hilfiger	U.S.	FY 2003	221.2
Matalan	U.K.	FY 2003	188.9
Abercrombie & Fitch	U.S.	FY 2003	186.9
Talbots	U.S.	FY 2002	186.9
Esprit	Hong kong	FY 2003	186.0
American Eagle Outfitters	U.S.	FY 2002	171.4

Note: Yen amounts have been translated using the approximate Tokyo foreign exchange market rate as of August 29, 2003.

Social Contribution and Environmental Projects

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

Fleece-Recycling Program

We collect and recycle used UNIQLO fleeces from our customers. As of October 2003, we had collected more than 126,000 items. These are then made into such products as soundproofing materials and sheets for construction sites. FAST RETAILING is not just about manufacturing and retailing. We seek to take our operations one step further and, to that end, will continue striving to develop recycling methods for clothing other than fleeces.

Initiatives for the Mentally and Physically Challenged

Photograph provided by Special Olympics Nippon

FAST RETAILING supports the Special Olympics Japan, which promotes the participation of people with mental and physical disabilities in sports and in society as a whole. Under Japanese law, at least 1.8% of a company's workforce must comprise employees with disabilities. As of August 2003, employees with disabilities made up 6.8% of UNIQLO's staff. As a company seeking to create clothes that everyone can wear, FAST RETAILING also wants to create a workplace in which everyone can work.

Seto Inland Sea Olive Foundation

Photograph provided by Sugano Kenji

Teshima, an island situated in the Seto Inland Sea, has lost a great deal of its greenery due to contamination from the illegal dumping of toxic industrial waste. Kohei Nakabo and Tadao Ando established the Seto Inland Sea Olive Foundation in 2000 with the aim of planting one million trees, mainly olive, on Teshima and other islands of the Inland Sea. We have set up donation boxes at all UNIQLO stores to give customers the chance to contribute to the foundation, and we match the amount of money collected.

Uniforms for Japan's Olympic Team

SHOW YOUR COLORS.

Following on from the 2002 Winter Olympics in Salt Lake City, FAST RETAILING will again make—free of charge—Japan's official team uniform for the 2004 Summer Olympics in Athens. To be created by designer Kenzo Takada based on the concept of *Show Your Colors*, the uniform will allow members of Japan's Olympic squad to express their individuality.

Consolidated Financial Highlights

FAST RETAILING CO., LTD. and consolidated subsidiaries

Fiscal years ended August 31

	Millions of yen except per share data			Thousands of U.S. dollars except per share data	% change
	2003	2002	2001	**2003**	**2003 vs 2002**
For the Year:					
Net sales	**¥309,789**	¥344,171	¥ 418,561	**$2,644,379**	**–10.0%**
Operating income	**41,308**	50,418	102,081	**352,608**	**–18.1**
Net income	**20,933**	27,851	59,192	**178,685**	**–24.8**
ROE (%)	**15.9%**	23.2%	65.3%		
Per share data (yen and U.S. dollars):					
Net income	**¥203.05**	¥269.54	¥1,119.28	**$1.73**	**–24.7**
Cash dividends:					
Adjusted	**55.00**	55.00	60.00	**0.47**	**—**
Unadjusted	**55.00**	90.00	120.00	**0.47**	**—**
At year-end:					
Cash and cash equivalents	**¥123,733**	¥ 107,263	¥ 157,379	**$1,056,193**	**+15.4**
Total assets	**219,855**	210,922	249,766	**1,876,697**	**+4.2**
Total shareholders' equity	**140,505**	123,632	116,476	**1,199,359**	**+13.6**
Number of issued and outstanding shares	**106,073,656**	106,073,656	53,036,828		
Total number of stores (including franchise stores)	**622**	585	519		

Note: U.S. dollar amounts have been translated for convenience only at the rate of ¥117.15=US$1, the approximate exchange rate prevailing on August 31, 2003.

Highlights of the Year

- **Net sales of ¥309.8 billion and operating income of ¥41.3 billion exceeded initial estimates despite lower revenues and earnings.**
- **Second-half revenues and earnings were up from the same period of the previous year, with net sales rising 3.7%, to ¥144.4 billion, and operating income increasing 50.5%, to ¥18.1 billion.**
- **Monthly sales at existing stores posted the first year-on-year increase in 23 months in August 2003.**
- **Annual dividends were maintained at ¥55.00 per share, for a payout ratio of 26.7%.**
- **The decision was made to acquire an ownership interest in U.S. company Theory LLC and a stake in Link International Co., Ltd. (September 2003).**
- **Our first stores in Shanghai, China, were opened, while our U.K. store network was strategically downsized.**

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.

A Message from the Chairman

I want to share with you my ambition of making FAST RETAILING a corporate group with sales of ¥1 trillion by 2010. As that aim suggests, our corporate strategy going forward is one of achieving positive growth and expanding our horizons.

Whether a company or an individual, I firmly believe that we have to make every effort to create and mold our own future. There is no other way to be highly successful in whatever it is we are doing. And, if we embark on something, we might as well make a success of it. Setting high goals helps us to grow and that, in turn, leads to greater success. That is and always has been our underlying business concept.

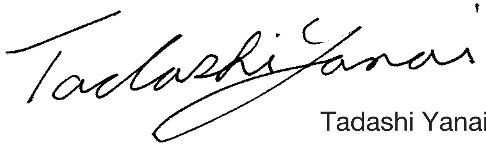
Having said that I want to make FAST RETAILING a ¥1 trillion corporate group by 2010, of course there are several hurdles that we must overcome to realize that goal.

One is to enhance the appeal of our UNIQLO clothes in the Japanese market. Another is to develop our operations overseas. And, we need to move into new business areas that have clear synergies with our UNIQLO operations and promote our diversification.

By getting over these hurdles, FAST RETAILING should succeed in generating higher income levels and attaining rapid growth.

I strongly believe that there is no life without growth and no success without expansion. I plan to continue tackling head-on the challenges we face and to turn my business aims into reality. I am confident our tireless efforts to build a competitive company that aims high will see UNIQLO become a worldwide brand.

November 2003



Tadashi Yanai

Chairman & Chief Executive Officer

An Interview with the President

Q. You became president of FAST RETAILING about a year ago. How did the Company meet its targets for fiscal 2003, ended August 31, 2003?

A. Even though revenues and earnings were down from the previous fiscal year, we exceeded our initial estimates, with consolidated net sales of ¥309.8 billion and operating income of ¥41.3 billion in fiscal 2003. We were able to meet our targets for sales, gross margins, and SG&A expenses thanks to three key factors.

First, changing our product strategy had a favorable impact on sales. In particular, we attracted larger numbers of women in their 30s by offering products with a fashion flavor. There has also been an upward trend in customer numbers year on year at existing stores since April 2003.

Second, because we have full control over our integrated system from production through sales, we can maintain gross profit margins simply by adjusting manufacturing output. In fiscal 2003, the gross profit margin improved from 43.7% in the previous year to 44.2%. Moreover, in the second half it rose 2.9 percentage points year on year, to 45.7%. Not only did we improve the gross profit margin, but we also reduced consolidated inventories 32.7% from the previous year-end—a considerable achievement.

And third, we made cost control one of our top priorities in fiscal 2003. Our goal was to secure higher profit despite net sales of ¥300 billion—down from the fiscal 2001 peak of ¥400 billion. In that respect, a ¥4.2 billion reduction in SG&A expenses year on year was another major achievement.

Q. You mentioned that changing your product strategy helped boost sales. What concrete changes have you made?

A. We freshened up our offerings by expanding our lineups of fashionable items, which attracted more female customers to our stores. As a result, the women's clothing category, accounted for 25.0% of net sales, up 2.9 percentage points from the previous fiscal year.

Sales of women's clothing are climbing steadily, putting us on track to realize our medium-term target of growing the category to account for more than 30% of net sales.

Q. In fiscal 2004, FAST RETAILING is expected to post increased revenues and earnings for the first time in three years. What are your strategies for the year ahead?

A. We aim to expand market shares for both men's and women's clothing. In addition, we will make greater inroads into the underwear and loungewear markets by launching new products, such as bras. In women's clothing, we will work to complete our UNIQLO WOMEN collection by continuing to develop appealing lineups that strike a balance between basic casuals and more fashionable items. Regarding men's clothing, last year we ran out of stock of some basic summer items. This was a timely reminder of how popular basic items are among our male customers and how key these items are to our overall product lineup. With that in mind, this year's focus for men's clothing will be to enhance the quality of basic items by selecting only the best fabrics and designs. In September 2003, we set up the Strategic Fabric Team. This team will look to establish relationships with world-class fabric producers to create new quality, reasonably priced clothes in the way that UNIQLO is famous for.

As for our stores, we want managers and sales staff to focus more aggressively on attaining sales and profit growth. All store managers are being encouraged to set numerical performance targets for their stores. We are also enhancing our training for store managers and supervisors through the UNIQLO University program.

Regarding our operational infrastructure, we are steadily implementing our G4 Project. The aim is to build production adjustment systems to avoid product shortages or oversupply. The G4 project is not simply about installing new operational software systems but involves a review of all operational flows from scratch.

In summer 2003, several new systems developed at head office came online. And, we plan the staged renewal of other operational systems over the next few years.

Q. Which products have been popular with customers in the 2003 fall/winter season so far?

A. This season, we experimented with some new, actually quite outstanding garments. For example, cashmere sweaters that hit stores this fall. Sales have already surpassed initial estimates, despite the fact that this is the first time UNIQLO stores have carried cashmere sweaters. We estimate that we have already won about 20% of Japan's cashmere sweater market. Not only have we ensured quality by using only the finest cashmere yarn from Inner Mongolia, but we are offering the sweaters at extremely low prices—only ¥7,900 for a men's sweater and ¥4,900 for a women's short-sleeved turtleneck. Our strategy is to create demand by making these lines affordable to customers who have never worn cashmere.

Q. By incorporating some fashion elements into your women's clothing, do you increase the risk of unsold merchandise?

A. No, I don't think so. On the whole, companies that handle fashion garments do tend to carry excess inventory. While some of our clothes have a fashion flavor, they remain first and foremost basic casuals that customers of any age group can wear. And thanks to brisk sales, we were left with no excess inventory from our 2003 spring/summer women's collection.

Also, our flexible inventory control system minimizes the risk of being left with unsold stock. We control inventories of both fashionable items and basic items by analyzing weekly sales and inventory data in detail. If a particular product isn't selling well, we either bring forward scheduled price discounts or halt production.

Q. Does FAST RETAILING have less of an advantage in the casual clothing market than it used to?

A. Although competition in the casual wear market is becoming fiercer every year as more foreign companies enter the Japanese market, we will not sacrifice quality in a bid to lower prices. In fact, our integrated system from production through sales still gives us a

considerable competitive edge by enabling us to rapidly develop and bring to market high-quality, low-priced basic casuals that meet customer needs.

Over the past few years, our casual wear has become extremely popular in the Japanese market. But, there is always more to do. We continue to work hard to create new basic casuals that break the mold by offering outstanding quality at unheard-of prices.

Q. What level of sales is needed at existing stores to achieve nonconsolidated net sales of ¥330 billion in fiscal 2004?

A. We estimate that 1.1% year-on-year sales growth at existing stores will produce nonconsolidated net sales of ¥330 billion. In fiscal 2003, sales at existing stores were down 19.7% year on year due to decreases of 9.3% in the number of customers visiting stores and 11.5% in average sales per customer for the full fiscal year. In the second half of the year, however, the decline in customer numbers bottomed out year on year, edging down 0.2%, while the decrease in average sales per customer was only 8.5%. In fiscal 2004, we aim to attract more customers by enhancing the appeal of our clothes and implementing effective sales campaigns.

Despite the ongoing decline in sales per customer, our pricing strategy remains unchanged. The prices of some new products made from premium fabrics, such as cashmere sweaters, Italian fine merino sweaters, and men's shirts made from high-quality fabrics produced in Europe, are slightly higher. However, our standard prices remain the same, at ¥1,000, ¥1,900, and ¥2,900.

Q. Is the UNIQLO baby-wear line selling well?

A. Baby-wear sales have been brisk since we launched the line in summer 2002. At the approximately 200 UNIQLO stores that sell baby clothes, the growing popularity of the products has boosted customer visits. By further enhancing our baby-wear lineups, we aim to attract more young mothers in their 20s and 30s. Looking ahead, we are confident that baby-wear will continue to draw customers.

Q. FAST RETAILING opened only 32 new UNIQLO stores in Japan in the second half of fiscal 2003. What are your store opening plans for the current fiscal year?

A. We intend to resume a steady pace of store openings, with a net increase of 50 stores planned for fiscal 2004. We expect to open 90 new stores and to close 40, giving a total of 645 stores at the end of fiscal 2004. Let me point out that none of our stores are making a loss. However, we do need to look at raising store efficiency. Large-scale stores with sales floors between 700 and 1,000 square meters are much more effective for marketing new underwear and loungewear lines and boosting the share of women's wear. However, of a total 595 stores at the end of August 2003, only about 200 were large-scale stores. We are therefore mainly opening new, large-scale stores. Specifically, we are focusing on scrapping small stores with sales floors less than 500 square meters or parking for less than 30 vehicles and then building large-scale stores nearby. Almost all of the 40 stores to be closed this year come under this scheme.

Q. How are you motivating your staff to become more results oriented and how do you see the employee franchise store system contributing?

A. Our superstar store manager system is one merit-based scheme in place. And, we are also hoping to encourage more managers to consider employee franchises. Store manager Toshiji Yanaga opened our first employee franchise store in Kurume Kamitsu in October 2003. Although he is the only person participating in the employee franchise store system, there are several candidates who may take advantage of the system in the current fiscal year. Ultimately, we would like to see each and every one of our 600 store managers become franchisees. But to ensure the success of the system, we know we must assess potential franchisees carefully. So for now, we are targeting around 10 to 20% of store managers to become franchisees over about the next five years.

Q. What is FAST RETAILING's strategy in overseas markets, including the United Kingdom and China?

A. We want to continue taking on the challenge of establishing a presence overseas. Just as foreign competitors are entering the Japanese market, we are developing our operations abroad. This is because we believe that if we can't win in world markets, then we can't be truly competitive in our domestic market either. With this in mind, over the next few years we hope to enter the U.S. market and to build a greater presence in other Asian markets.

In the United Kingdom, we downsized our operations to 5 stores by closing 16 stores in June 2003. We realized that we had given too much priority to the goal of opening 50 stores in three years. We therefore decided to change our strategy, contracting the business and focusing on the profitability of each store. Once that solid foundation is established, we can again look to expand our U.K. operations. Sales at the remaining five stores are firm, and we expect the U.K. subsidiary to post a profit in fiscal 2004.

Based on our experience in the United Kingdom, we will expand our operations in China gradually, paying close attention to the performance of each store with a view to realizing overall profitability in fiscal 2005. At the end of fiscal 2003, we had five stores in Shanghai, and we believe there is substantial growth potential for our casual wear operations in the Chinese market.

In the medium term, we have also set our sights on entering the U.S. market and other Asian markets. However, at present our priority is to turn a profit at our U.K. and Chinese businesses.

Q. What was the thinking behind the Company's decision to acquire U.S.-based Theory LLC in collaboration with Link International Co., Ltd.?

A. We decided to acquire an ownership interest in Theory because of its strong profitability and potential for growth. Launched in New York in 1996, the *theory* apparel brand has become popular among modern contemporary men and women in the U.S. and Japan, and it has annual combined sales of more than ¥20 billion.

In Japan, Link is the licensee for the *theory* brand. In September 2003, FAST RETAILING and Link agreed to jointly acquire an ownership interest in Theory. Under this agreement, Link will own 89.0% of Theory's stock and FAST RETAILING will take a 47.1% stake in Link. As a result, Link will become an affiliate of FAST RETAILING accounted for by the equity method.

We will work with Link to develop *theory* into a global brand. FAST RETAILING not only aims to develop a network of directly managed *theory* stores in the United States based on Theory's existing wholesale operations, but it also intends to break into European and Asian markets. In the medium term, we may even consider collaborating with Theory with a view to launching new brands. In addition, Theory's local connections and expertise in the U.S. apparel industry will provide FAST RETAILING with a useful bridgehead into the U.S. market.

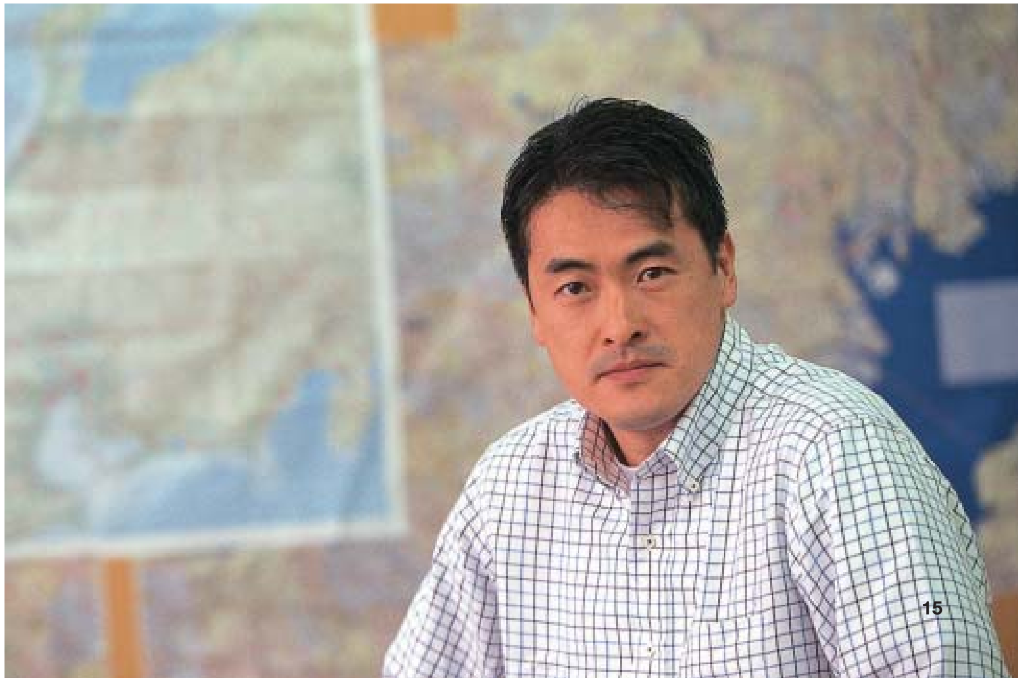
Q. With respect to FAST RETAILING's year-end cash balance of ¥120 billion, what are the Company's investment plans and policy on returning profits to shareholders?

A. Cash and cash equivalents at the end of fiscal 2003 stood at ¥123.7 billion. FAST RETAILING aims to increase its corporate value by pursuing M&A or investments targeting companies that can achieve synergies with its UNIQLO operations and help reach its sales target of ¥1 trillion by 2010. To those ends, we will allocate annual earnings equally between retained earnings to ensure stable growth, active investment and M&A in related businesses, and higher shareholder dividends.

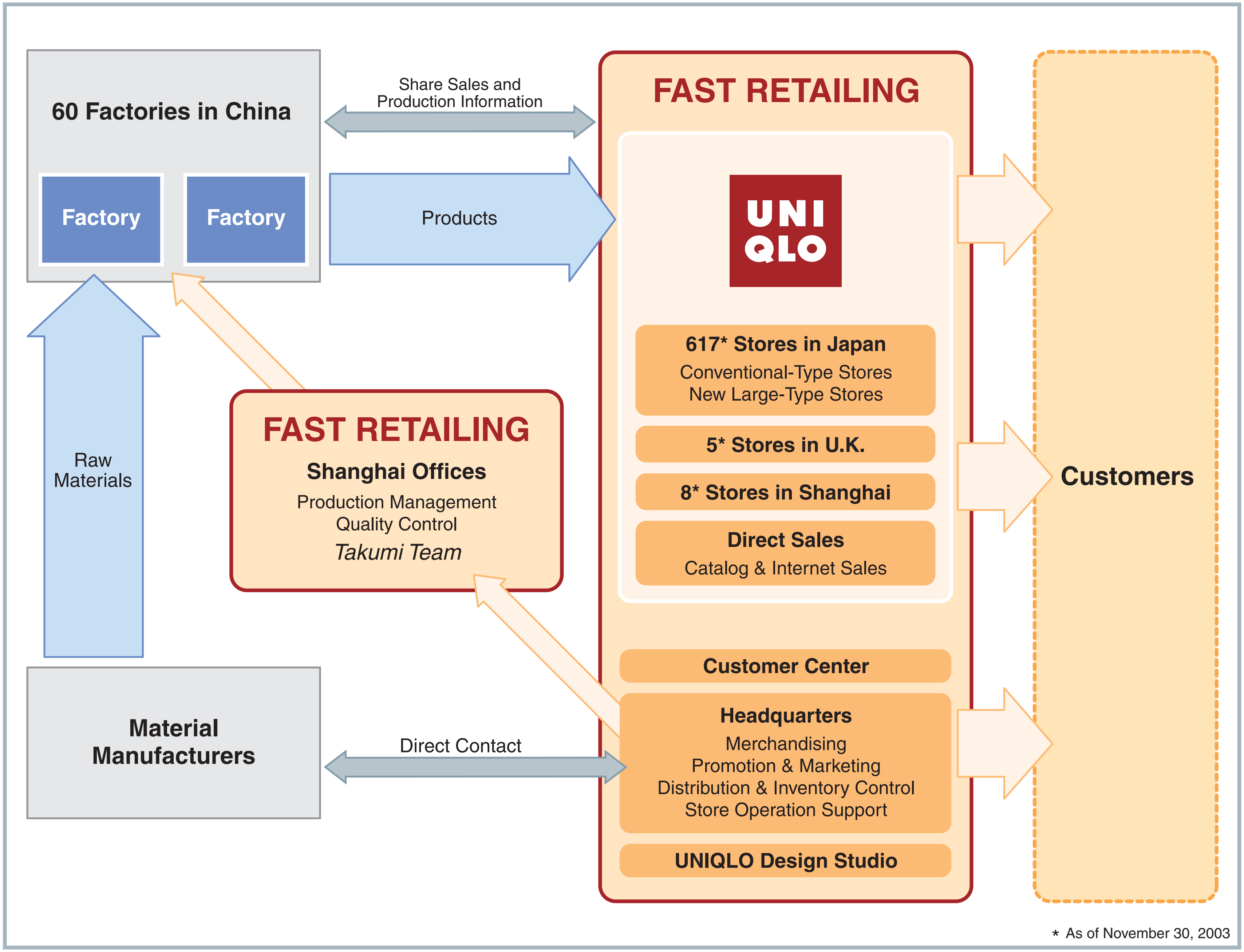
November 2003

Genichi Tamatsuka

President & Chief Operating Officer



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.
	2. discount		We have two types of discount sales: limited-period sales and clearance sales.
		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.
		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 output 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 network of 600 stores 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 ÷ 581 stores ÷ (5 colors X 4 sizes) = 8.6 items Furthermore, our size enables us to conduct direct price negotiations with major international fabric 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 is a group of Japanese technical experts who are highly experienced in such areas 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 free-standing, roadside outlets in suburban areas, the ratio of rents to sales is kept low. And, when we open stores in urban areas or in shopping centers, we conduct detailed preliminary sales simulations to 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 that 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 7 franchise stores.

July 1994
- The Company's stock listed on the Hiroshima Stock Exchange (which 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 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 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.

August 2003
- UNIQLO (U.K.) LTD. established as part of the restructuring of U.K. operations.

September 2003
- Decided to acquire an ownership interest in U.S. company Theory LLC and to become a shareholder of Link International Co., Ltd.

November 2003
- The Company's network of UNIQLO stores in Japan grew to more than 600 direct-run stores (603) and 14 franchise stores.

Financial Section

Six-Year Financial Summary

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

	Millions of yen except per share data and other data					
	2003	2002	2001	2000	1999	1998
For the year:						
Net sales	**¥309,789**	¥344,171	¥418,561	¥228,986	¥111,082	¥83,121
Operating income	**41,308**	50,418	102,081	60,628	14,344	6,840
Net income	**20,933**	27,851	59,192	34,514	6,817	2,924
ROE (%)	**15.9%**	23.2%	65.3%	70.2%	22.9%	11.9%
Per share data (yen):						
Net income	**¥ 203.05**	¥ 269.54	¥1,119.28	¥1,303.35	¥ 259.51	¥111.49
Shareholders' equity	**1,378.58**	1,215.43	2,203.45	2,446.34	1,270.47	991.58
Cash dividends:						
Adjusted	**55.00**	55.00	60.00	37.50	6.75	2.50
Unadjusted	**55.00**	90.00	120.00	150.00	27.00	10.00
Dividend payout ratio (%)	**26.7%**	20.1%	10.7%	11.5%	10.5%	9.0%
Net cash provided by (used in) operating activities*	**¥ 35,768**	¥(19,361)	¥ 80,581	¥68,790	¥ —	¥ —
Net cash used in investing activities*	**(10,118)**	(9,927)	(13,199)	(5,085)	—	—
Net cash used in financing activities*	**(10,179)**	(20,431)	(10,955)	(3,766)	—	—
Depreciation and amortization	**2,364**	1,942	1,571	805	741	653
Capital expenditures	**11,633**	11,020	13,474	6,218	3,363	6,127
At year-end:						
Cash and cash equivalents	**¥123,733**	¥107,263	¥157,379	¥ 99,670	¥39,768	¥14,204
Total assets**	**219,855**	210,922	249,766	151,607	73,552	47,848
Total shareholders' equity**	**140,505**	123,632	116,476	64,755	33,618	26,009
Equity ratio (%)	**63.9%**	58.6%	46.6%	42.7%	45.7%	54.4%
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**	106,073,656	53,036,828	26,518,414	26,461,005	26,229,924
Total number of stores	**622**	585	519	433	368	336
Direct-run stores in Japan	**[582]**	[558]	[507]	[421]	[357]	[325]
Franchise stores in Japan	**[14]**	[12]	[12]	[12]	[11]	[11]
Overseas stores	**[26]**	[15]	[—]	[—]	[—]	[—]
Total sales floor space (m^2)	**335,849m^2**	305,504m^2	263,713m^2	186,801m^2	157,424m^2	143,487m^2
Number of full-time employees	**1,844**	1,853	1,598	1,265	1,055	950

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

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

Management's Discussion and Analysis

STORE NETWORK

Basic Strategy

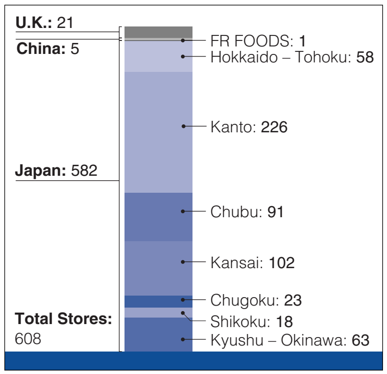
FAST RETAILING will aggressively open new stores with a view to establishing a 1,000-store network in Japan in the near future. However, in undertaking our network expansion activities we will not compromise on profitability; each new store has to satisfy stringent profitability benchmarks. Our network development strategy is focused on opening free-standing stores at suburban roadside locations in areas where UNIQLO has yet to have a presence. These stores have low ratios of rent to sales, which make them highly profitable. We attract customers to these roadside stores by inserting fliers in newspapers to advertise such sales campaigns as weekend-only discounts. As we develop our store network, we also aim to increase store size to accommodate expanded lineups of such products as underwear and women's and children's clothing. In line with its scrap-and-build strategy, FAST RETAILING is opening stores based on a new standard sales floor space of 800 square meters while closing its existing 500-square-meter-type stores. As a result of such efforts in recent years, the ratio of large-scale stores in the domestic network has been steadily increasing, accounting for one-third at fiscal year-end.

At our stores in the United Kingdom and China, we offer lineups with roughly the same standard prices as at our UNIQLO stores in Japan. In June 2003, we closed 16 U.K. stores that were performing poorly and focused management resources on the 5 remaining stores. We do not plan any further store openings in the United Kingdom in fiscal 2004, ending August 2004. Instead, our main goal is to achieve profitability in our U.K. operations in the current year. In China, where we launched our first stores in September 2002, we will carefully assess profitability before opening additional stores.

Store Openings and Closures

In Japan, we opened 76 direct-run UNIQLO stores and closed 53, giving a net increase of 23 direct-run stores in fiscal 2003. This comparatively low annual growth in store numbers was the result of a more conservative approach to store openings that emphasized profitability and the aggressive implementation of a scrap-and-build policy focused on increasing average store size. At fiscal year-end, we had 581 direct-run UNIQLO stores and 14 franchise stores, for a total of 595 stores.

Breakdown of Total Direct-Run Stores by Region



(As of the end of fiscal 2003)

In overseas and new businesses, the U.K. subsidiary opened 6 stores and had 21 stores at May 31, 2003, its fiscal year-end. However, 16 of those stores were closed in June. In China, a new market for us, our apparel subsidiary opened five stores, and our newly launched food subsidiary opened one store.

Total sales floor space at fiscal year-end rose 30,345 square meters, to 335,849 square meters. Thanks to efforts to expand the size of existing stores, the average sales floor space per operational store increased 1.9% from the previous fiscal year, to 545 square meters.

Number of stores opening and closures in Japan

	2003	2002	2001	2000	1999
Stores opened	**76**	77	111	67	38
Stores closed	**53**	26	25	3	6
Net increase	**23**	51	86	64	32

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

Net increase (decrease) in stores by region

	2003	2002	2001	2000	1999
Hokkaido – Tohoku	**9**	11	7	5	4
Kanto	**1**	28	54	41	16
Chubu	**8**	6	9	5	2
Kansai	**2**	5	11	10	10
Chugoku	**–1**	0	3	1	1
Shikoku	**1**	1	1	0	–1
Kyushu – Okinawa	**3**	0	1	2	0
United Kingdom	**6**	15	–	–	–
China	**5**	–	–	–	–
Total	**34**	66	86	64	32

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

RESULTS OF OPERATIONS

Net Sales

In fiscal 2003, ended August 31, 2003, FAST RETAILING posted a ¥34.4 billion, or 10.0% decrease in consolidated net sales, to ¥309.8 billion. Nonconsolidated sales were down 11.7% from the previous fiscal year, to ¥301.8 billion. While new store openings gave a net increase of 23 domestic direct-run UNIQLO stores at year-end, sales at existing stores fell 19.7% year on year. However, second-half nonconsolidated sales were up 1.7% from the same period of the previous year, to ¥139.8 billion. Although this turnaround was partly attributable to new store openings, the slowdown of the year-on-year decline in sales at existing stores in the second half also contributed to the upturn. In fact, we substantially reduced the 26.8% drop in first-half sales at existing stores to 8.7% in the second half. Year-on-year monthly sales at existing stores increased for the first time in 23 months in August 2003. In addition, the decrease in average sales per customer year on year at direct-run stores slowed from 12.8% in the first half to 8.5% in the second half. We also saw a recovery in customer numbers at direct-run stores—from a 7.5% year-on-year decrease in the first half to an 8.1% increase in the second half—thanks to successful sales campaigns and enhanced product appeal targeting mainly the women's clothing category.

Overseas, our U.K. subsidiary registered sales of ¥6.8 billion in its second year of operations. In fiscal 2003, our subsidiary in China and our food business subsidiary began operations, posting sales of ¥0.6 billion and ¥0.7 billion, respectively.

By product category, although overall sales decreased, sales in the women's clothing category, accounting for 25.0% of total sales, and the children's clothing category, representing 6.5%, rose as a result of enhanced product appeal.

Sales by product category

	Millions of yen		
	2003	2002	2001
Children's clothing	**¥ 20,193**	¥ 19,818	¥ 23,701
Women's clothing	**77,587**	76,077	99,411
Outerwear	**18,312**	26,017	24,799
Sweaters	**12,930**	15,665	18,498
Cut & sewn	**69,150**	86,666	109,495
Shirts	**18,771**	22,934	28,162
Slacks (pants)	**29,532**	32,783	36,943
Accessories and underwear	**56,850**	59,182	72,539
Subtotal	**303,325**	339,142	413,548
Products supplied to franchise stores	**3,906**	3,676	4,280
Administrative charges	**1,375**	1,087	584
Fees from in-store alterations	**529**	266	149
Food business	**654**	–	–
Net sales	**¥309,789**	¥344,171	¥418,561

Notes: 1. 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.

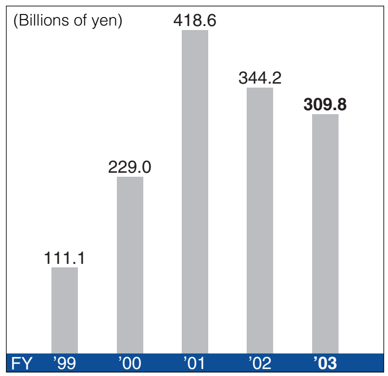
Gross Profit Margin

The gross profit margin increased 0.5 percentage points, to 44.2%. Compared with gross profit margins of 43.7% in the previous fiscal year and 42.9% in the first half of fiscal 2003, it is particularly noteworthy that in the second half the gross profit margin improved to 45.8%. For three consecutive half-year periods through the first half of fiscal 2003, sales remained well below targets. During that time, increased price discounts associated with the disposal of end-of-season surplus inventory or inventory carried over from previous years' seasons led to an unavoidable deterioration in gross margins. In the second half of fiscal 2003, however, we were able to minimize such price discounts thanks to higher-than-expected second-half sales that prevented inventory surpluses and to disposals of carry-over inventory that had been implemented by the end of the first half.

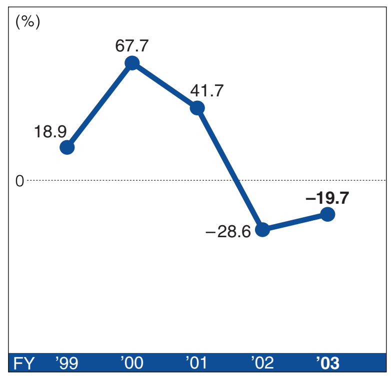
SG&A Expenses

The Company reduced selling, general and administrative (SG&A) expenses ¥4.2 billion, to ¥95.8 billion. This success was due to enhanced operational efficiency made possible by the stabilization of sales and an across-the-board review of expenses that heightened all employees' cost awareness. However, the ratio of SG&A expenses to net sales rose 1.9 percentage points, to 30.9%, because of the decline in sales. Personnel costs decreased ¥2.3 billion, to ¥34.1 billion, while the ratio to net sales edged up 0.4 percentage points, to 11.0%. Advertising and promotion cost were maintained at roughly the same level as in the previous fiscal year, edging down ¥0.4 billion, at ¥19.3 billion. In our view, reducing expenditure on

Net Sales



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



advertising and promotion at a time when sales were trending downward would likely have led to a steeper decline in sales. Rents increased ¥2.2 billion, to ¥23.9 billion, mainly due to costs associated with new store openings and the enlargement of existing stores, which were undertaken as part of our scrap-and-build activities.

Breakdown of SG&A expenses

	2003			2002			2001		
	Millions of yen	% of sales	% change	Millions of yen	% of sales	% change	Millions of yen	% of sales	% change
Personnel	**¥34,103**	**11.0%**	**–6.4%**	¥36,452	10.6%	–3.8%	¥37,891	9.1%	+79.3%
Advertising and promotion cost	**19,276**	**6.2**	**–2.0**	19,670	5.7	+3.1	19,083	4.6	+90.2
Rents	**23,943**	**7.8**	**+10.1**	21,754	6.3	+21.7	17,872	4.3	+72.7
Depreciation and amortization	**2,272**	**0.7**	**+17.7**	1,931	0.6	+22.9	1,571	0.4	+95.0
Others	**16,160**	**5.2**	**–19.9**	20,180	5.9	–5.4	21,324	5.0	+123.3
Total	**¥95,757**	**30.9%**	**–4.2%**	¥99,987	29.1%	+2.3%	¥97,741	23.4%	+88.4%

Operating Income and Net Income

Operating income decreased 18.1%, to ¥41.3 billion, or 13.3% of net sales. However, operating income exceeded our initial estimates of ¥37.3 billion. Moreover, operating income was up 50.5% year on year in the second half.

The Company recorded extraordinary losses of ¥6.8 billion, mainly due to costs associated with the downsizing of our U.K. store network of ¥4.7 billion, which included losses on closure of stores and payment of severance benefits.

As a result of the abovementioned, net income was down 24.8%, to ¥20.9 billion, or 6.8% of net sales. However, this figure was above our initial estimate of ¥20.2 billion. ROA was 9.7% and ROE was 15.9%.

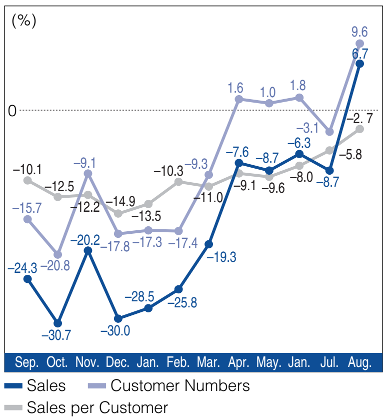
LIQUIDITY AND FINANCIAL CONDITION

Assets, Liabilities, and Shareholders' Equity

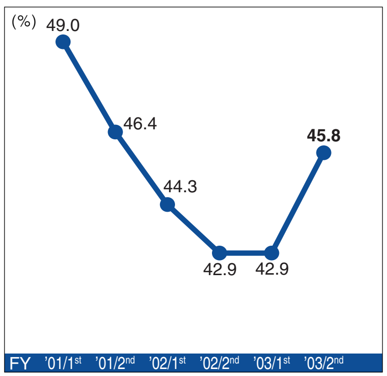
In the consolidated balance sheets, total assets were up ¥8.9 billion at the end of fiscal 2003. Current assets and fixed assets both increased, while liabilities decreased due to debt repayment. As a result, retained earnings and shareholders' equity grew. On the assets side, particularly noteworthy were a rise in cash and a reduction in inventories.

Total current assets increased ¥3.9 billion, to ¥170.5 billion. Cash and marketable securities amounted to ¥123.7 billion, up ¥16.5 billion from the previous year-end. This improvement was largely due to net cash provided by operating activities of ¥35.8 billion. Despite a net increase of 35 stores at fiscal year-end, inventories decreased ¥10.1 billion from the previous year-end, to ¥20.9 billion. Based on our policy of trying to sell all products by the end of each retail season, not only did we rapidly dispose of inventories carried over from the previous fiscal year, we sold out all of fiscal 2003 products before the end of their respective retail seasons. Total current liabilities declined ¥4.1 billion from the previous year-end, to ¥78.5 billion.

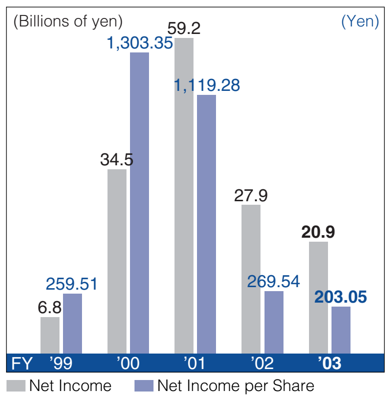
Year-on-Year Monthly Trends at Existing Stores in FY03 (UNIQLO Stores in Japan)



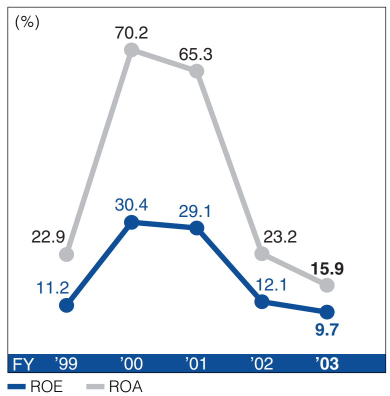
Gross Profit Margin for Fiscal Half Years



Net Income and Net Income per Share



ROA and ROE



This decrease was primarily due to the repayment of ¥1.8 billion in short-term debt and a ¥4.9 billion reduction in accounts payable, to ¥43.2 billion, which reflected lower sales. As a result, the current ratio was 217.2%.

Fixed assets rose ¥5.0 billion, to ¥49.3 billion. The Company accounted for a ¥2.0 billion increase in buildings and structures, lease deposits, and construction assistance fund receivables from the previous year-end, to ¥40.8 billion, which was associated with the opening of 88 new stores. Meanwhile, the repayment of ¥4.0 billion of long-term debt resulted in a ¥3.9 billion reduction in long-term liabilities, to ¥0.8 billion.

Total shareholders' equity was up ¥16.9 billion, to ¥140.5 billion, and the shareholders' equity ratio rose from 58.6% at the end of the previous fiscal year, to 63.9%.

Cash Flows

Net cash provided by operating activities totaled ¥35.8 billion, mainly attributable to income before income taxes of ¥34.8 billion, which more than compensated for income taxes paid of ¥10.1 billion.

Net cash provided by operating activities offset net cash used in investing activities of ¥10.1 billion, which was primarily related to new store openings and other investments, and ¥10.2 billion net cash used in financing activities, which was associated with repayments of ¥6.0 billion and dividends paid of ¥4.1 billion.

Consequently, cash and cash equivalents at end of year rose ¥16.5 billion, to ¥123.7 billion.

DIVIDEND POLICY

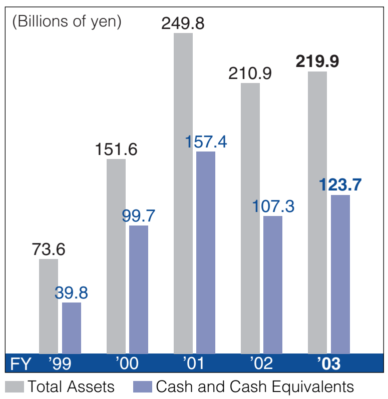
We paid a dividend of ¥35.00 per share for the second half of the year ended August 31, 2003, for a full-year dividend of ¥55.00 per share. The consolidated payout ratio was 26.7%. In the current fiscal year, ending August 31, 2004, we anticipate a dividend payout of ¥100.00 per share and a payout ratio of 30.9%. Looking ahead, we will seek to achieve an equal allocation of annual earnings to maintain sufficient internal funds for sustained growth; to invest aggressively in related new businesses, including M&A; and to return profits to shareholders through higher dividends.

OUTLOOK

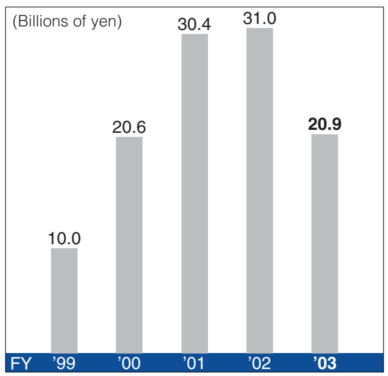
In the current fiscal year, ending August 31, 2004, FAST RETAILING expects to post its first full-year increases in revenues and earnings for three years. We anticipate consolidated net sales of ¥335.2 billion, operating income of ¥59.0 billion, and net income of ¥32.9 billion. Separate performance forecasts for the parent company and its subsidiaries for fiscal 2004 are as follows.

We estimate that the parent company, which is responsible for UNIQLO operations in Japan, will achieve growth in revenues and earnings, with net sales of ¥330.0 billion, operating income of ¥59.6 billion, and net income of ¥33.6 billion. We expect to achieve this growth by increasing existing store sales 1.1% and by expanding our store network. In our scrap-and-build program, we plan to open 90 stores and close 40, for a net increase of 50 stores. As well as revenue growth, we expect the gross profit margin to continue its second-half recovery and improve to 46.1%.

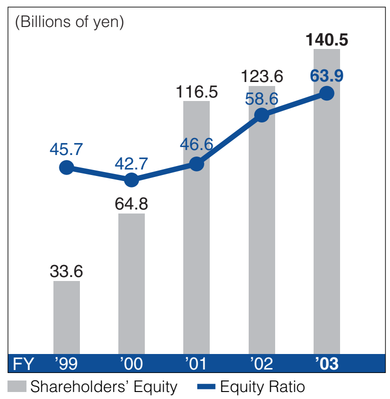
Total Assets and Cash and Cash Equivalents



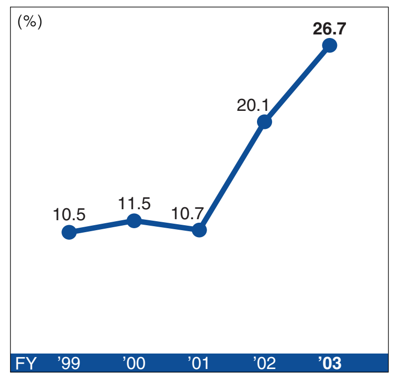
Inventories



Shareholders' Equity and Equity Ratio



Dividend Payout Ratio



FAST RETAILING has three consolidated subsidiaries: UNIQLO (U.K.) LTD., which has assumed control of U.K. operations from FAST RETAILING (U.K.) LTD.; FAST RETAILING (JIANGSU) APPAREL CO., LTD. (FRJS), which is responsible for operations in China; and FR FOODS CO., LTD., which undertakes food-related operations in Japan. And, in September 2003 an agreement was reached whereby we will become a shareholder of Link International Co., Ltd. (Link), and make Link an affiliate accounted for by the equity method. However, because details had not been finalized as of December 2003, the impact of making Link an affiliate has not been allowed for in performance forecasts for fiscal 2004. In U.K. operations, we aim to realize a profit of ¥90 million in the current fiscal year by drastically reducing headquarters costs while focusing management resources on the five stores left after downsizing the store network in June 2003. FRJS and FR FOODS are expected to record deficits in the current fiscal year, given that both subsidiaries are in their second year of operation and continue to carry substantial cost burdens associated with prior investment for store openings and advertising and promotion. We aim to realize profitability in both of those operations in fiscal 2005.

Consolidated outlook for fiscal year ending August 31, 2004

Billions of yen	Annual	Year-on-year % change	First half	Year-on-year % change	Second half	Year-on-year % change
Net sales	¥335.2	+8.2%	¥178.9	+8.2%	¥156.3	+8.2%
Gross profit	154.5	+12.7	82.8	+16.6	71.7	+8.5
SG&A expenses	95.5	–0.3	47.5	–0.7	48.0	+0.1
Operating income	59.0	+42.8	35.3	+52.2	23.7	+30.8
Net income	32.9	+57.3	19.7	+65.5	13.3	+46.5
Store openings (net increase)	107 (49)		47 (13)		60 (36)	

Nonconsolidated outlook for fiscal year ending August 31, 2004

Billions of yen	Annual	Year-on-year % change	First half	Year-on-year % change	Second half	Year-on-year % change
Net sales	¥330.0	+9.4%	¥176.5	+9.0%	¥153.5	+9.8%
Gross profit	152.4	+13.1	81.8	+16.9	70.6	+9.0
SG&A expenses	92.8	+5.1	46.1	+5.1	46.7	+5.2
Operating income	59.6	+28.2	35.7	+36.7	23.9	+17.3
Net income	33.6	+78.0	20.1	+78.0	13.5	+83.0
Store openings (net increase)	90 (50)		39 (21)		51 (29)	

Breakdown of consolidated outlook for fiscal 2004

		UNIQLO business			Food business
Billions of yen	Consolidated	Japan	U.K.	China	
Net sales	¥335.2	¥330.0	¥2.2	¥1.0	¥2.0
Net income/loss	32.9	33.6	0.1	–0.2	–0.6
Store openings (net increase)	107 (49)	90 (50)	0 (–16)	3 (1)	14 (14)
Stores at fiscal year-end	657	631	5	6	15

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

Acquisition of Theory

In September 2003, FAST RETAILING and Link agreed to jointly acquire an ownership interest in the U.S. company Theory LLC, maker of the well-known apparel brand *theory*. One of the top brands targeting modern contemporary men and women, *theory* enjoys annual combined sales of more than ¥20.0 billion in the United States and Japan. We decided to acquire an ownership interest in Theory because of its profitability and potential for growth. We will work with Link to develop *theory* into a global brand. And, we will consider collaborating with Theory with a view to launching new brands. FAST RETAILING is also looking at the possibility of using Theory's local connections and expertise as a bridgehead into the U.S. market. FAST RETAILING invested ¥6.7 billion in Link and became a 47.1% shareholder. In addition, Link and FAST RETAILING provided Theory with a joint debt guarantee of $99 million.

Consolidated Balance Sheets

FAST RETAILING CO., LTD. and consolidated subsidiaries
August 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2003**	2002	**2003**
Current assets:			
Cash (Note 3)	**¥ 76,447**	¥ 67,772	**$ 652,557**
Marketable securities (Notes 3 and 4)	**47,286**	39,491	**403,636**
Trade notes and accounts receivable	**4,277**	3,143	**36,509**
Less—Allowance for doubtful accounts	**(3)**	(5)	**(26)**
Net trade receivables	**4,274**	3,138	**36,483**
Inventories (Note 5)	**20,867**	30,995	**178,122**
Deferred tax assets (Note 6)	**4,365**	294	**37,260**
Forward exchange contracts	**13,863**	19,229	**118,335**
Other	**3,435**	5,678	**29,322**
Total current assets	**170,537**	166,597	**1,455,715**
Property and equipment:			
Land	**2,052**	2,052	**17,516**
Buildings and structures	**19,011**	18,916	**162,279**
Furniture and equipment	**300**	390	**2,561**
Construction in progress	**255**	317	**2,177**
	21,618	21,675	**184,533**
Less—Accumulated depreciation	**(6,898)**	(5,765)	**(58,882)**
Net property and equipment	**14,720**	15,910	**125,651**
Intangible assets	**3,352**	784	**28,613**
Investments and other assets:			
Investments in securities (Note 4)	**584**	64	**4,985**
Investments in subsidiaries and affiliates	**876**	1,332	**7,478**
Lease deposits	**12,114**	11,156	**103,406**
Construction assistance fund receivables (Note 14)	**16,402**	14,310	**140,008**
Deferred tax assets (Note 6)	**128**	139	**1,093**
Other	**1,142**	630	**9,748**
Total investments and other assets	**31,246**	27,631	**266,718**
Total assets	**¥219,855**	¥210,922	**$1,876,697**

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 2) 2003
Current liabilities:			
Short-term debt (Note 7)	¥ —	¥ 1,809	$ —
Accounts payable	43,236	48,146	369,065
Accrued income taxes (Note 6)	7,750	—	66,155
Net deferred unrealized gain on forward exchange contracts	13,862	19,229	118,327
Other	13,682	13,403	116,791
Total current liabilities	78,530	82,587	670,338
Long-term liabilities:			
Long-term debts (Note 8)	—	4,000	—
Other	820	703	7,000
Total long-term liabilities	820	4,703	7,000
Total liabilities	79,350	87,290	677,338
Shareholders' equity:			
Capital (Note 10)	3,274	3,274	27,947
Additional paid-in capital (Note 10)	11,579	11,579	98,839
Retained earnings (Note 11)	141,406	124,686	1,207,051
Net unrealized holding gain on securities	181	181	1,545
Foreign currency translation adjustments	92	(67)	785
Treasury stock, at cost (Note 12)	(16,027)	(16,021)	(136,808)
Total shareholders' equity	140,505	123,632	1,199,359
Commitments and contingencies (Note 14)			
Total liabilities and shareholders' equity	¥219,855	¥210,922	$1,876,697

Consolidated Statements of Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2003	2002	2001	**2003**
Net sales	**¥309,789**	¥344,171	¥418,561	**$2,644,379**
Cost of sales	**172,724**	193,766	218,739	**1,474,383**
Gross profit	**137,065**	150,405	199,822	**1,169,996**
Selling, general and administrative expenses (Notes 9 and 15)	**95,757**	99,987	97,741	**817,388**
Operating income	**41,308**	50,418	102,081	**352,608**
Other income (expenses):				
Interest and dividend income	**374**	677	1,062	**3,192**
Foreign currency exchange gain	**142**	353	—	**1,212**
Interest expenses (Notes 7 and 8)	**(332)**	(407)	(137)	**(2,834)**
Loss on closure of stores	**(178)**	(65)	(52)	**(1,519)**
Loss on disposal of fixed assets	**(627)**	(709)	(75)	**(5,352)**
Loss on termination of leases	**(1,288)**	—	(439)	**(10,995)**
Loss on liquidation of subsidiary	**(4,665)**	—	—	**(39,821)**
Other, net (Note 9)	**17**	179	93	**145**
	(6,557)	28	452	**(55,972)**
Income before income taxes	**34,751**	50,446	102,533	**296,636**
Income taxes (Note 6)**:**				
Current	**17,873**	19,878	44,151	**152,565**
Deferred	**(4,055)**	2,717	(810)	**(34,614)**
	13,818	22,595	43,341	**117,951**
Net income	**¥ 20,933**	¥ 27,851	¥ 59,192	**$ 178,685**

	Yen			U.S. dollars (Note 2)
	2003	2002	2001	**2003**
Primary net income per share	**¥203.05**	¥269.54	¥1,119.28	**$1.73**
Diluted net income per share	**—**	—	—	**—**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2003, 2002 and 2001

	Millions of yen						
	Capital	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total
Balance at August 31, 2000	¥3,274	¥11,579	¥ 51,556	¥ —	¥ —	¥ (1,654)	¥ 64,755
Cumulative effect of changes in accounting principle	—	—		700	—	—	700
Net income	—	—	59,192	—	—	—	59,192
Cash dividends (Note 11)	—	—	(5,818)	—	—	—	(5,818)
Directors' bonuses (Note11)	—	—	(360)	—	—	—	(360)
Net change during the year	—	—	—	—	—	—	
Increase in treasury stock (Note 12)	—	—	—	—	—	(1,993)	(1,993)
Balance at August 31, 2001	3,274	11,579	104,570	700	—	(3,647)	116,476
Effect of newly consolidated subsidiary	—	—	(354)	—	—	—	(354)
Net income	—	—	27,851	—	—	—	27,851
Cash dividends (Note 11)	—	—	(6,732)	—	—	—	(6,732)
Directors' bonuses (Note 11)	—	—	(649)	—	—	—	(649)
Net change during the year	—	—	—	(519)	(67)	—	(586)
Increase in treasury stock (Note 12)	—	—	—	—	—	(12,374)	(12,374)
Balance at August 31, 2002	3,274	11,579	124,686	181	(67)	(16,021)	123,632
Net income	**—**	**—**	**20,933**	**—**	**—**	**—**	**20,933**
Cash dividends (Note 11)	**—**	**—**	**(4,068)**	**—**	**—**	**—**	**(4,068)**
Directors' bonuses (Note 11)	**—**	**—**	**(145)**	**—**	**—**	**—**	**(145)**
Net change during the year	**—**	**—**	**—**	**—**	**159**	**—**	**159**
Increase in treasury stock (Note 12)	**—**	**—**	**—**	**—**	**—**	**(6)**	**(6)**
Balance at August 31, 2003	**¥3,274**	**¥11,579**	**¥141,406**	**¥181**	**¥92**	**¥(16,027)**	**¥140,505**

	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, at cost	Total
Balance at August 31, 2002	$27,947	$98,839	$1,064,329	$1,545	$(572)	$(136,757)	$1,055,331
Net income	**—**	**—**	**178,685**	**—**	**—**	**—**	**178,685**
Cash dividends (Note 11)	**—**	**—**	**(34,725)**	**—**	**—**	**—**	**(34,725)**
Directors' bonuses (Note 11)	**—**	**—**	**(1,238)**	**—**	**—**	**—**	**(1,238)**
Net change during the year	**—**	**—**			**1,357**	**—**	**1,357**
Increase in treasury stock (Note 12)	**—**	**—**	**—**	**—**	**—**	**(51)**	**(51)**
Balance at August 31, 2003	**$27,947**	**$98,839**	**$1,207,051**	**$1,545**	**$785**	**$(136,808)**	**$1,199,359**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2003	2002	2001	**2003**
Cash flows from operating activities:				
Income before income taxes	**¥ 34,751**	¥ 50,446	¥102,533	**$ 296,636**
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	**2,364**	1,942	1,571	**20,179**
Decrease in allowance for doubtful accounts	**(5)**	(3)	(21)	**(43)**
Increase (decrease) in accrued pension liability	**–**	(106)	106	**—**
Interest and dividend income	**(374)**	(677)	(1,062)	**(3,192)**
Interest expenses	**332**	407	137	**2,834**
Foreign currency exchange gain	**(28)**	(95)	(87)	**(239)**
Write-down of investment securities	**—**	—	85	**—**
Loss on liquidation of subsidiary	**2,437**	—	—	**20,802**
Loss on disposal of fixed assets	**626**	709	75	**5,344**
(Increase) decrease in trade receivables	**(1,179)**	541	(1,862)	**(10,064)**
(Increase) decrease in inventories	**10,262**	(647)	(9,770)	**87,597**
(Increase) decrease in other assets	**469**	(2,312)	(512)	**4,004**
Increase (decrease) in trade payables	**(4,871)**	(15,367)	20,699	**(41,579)**
Increase (decrease) in accrued expenses and other liabilities	**(477)**	(1,733)	4,777	**(4,072)**
Bonuses to directors	**(145)**	(649)	(360)	**(1,238)**
Other	**10**	—	—	**86**
	44,172	32,456	116,309	**377,055**
Interest and dividend received	**374**	677	1,062	**3,193**
Interest paid	**(350)**	(421)	(139)	**(2,988)**
Income taxes paid	**(10,124)**	(52,073)	(36,651)	**(86,419)**
Refund of income taxes	**1,696**	—	—	**14,477**
Net cash provided by (used in) operating activities	**35,768**	(19,361)	80,581	**305,318**
Cash flows from investing activities:				
Purchase of investment securities	**(299)**	—	(865)	**(2,552)**
Purchase of property and equipment	**(3,574)**	(5,151)	(6,456)	**(30,508)**
Proceeds from sale of property and equipment	**13**	—	—	**111**
Payments for lease deposits	**(1,596)**	(2,291)	(3,024)	**(13,624)**
Collections of lease deposits	**642**	633	220	**5,480**
Payments for construction assistance fund receivables	**(3,816)**	(2,938)	(3,993)	**(32,574)**
Collections of construction assistance fund receivables	**1,724**	1,505	840	**14,716**
Purchase of intangible fixed assets	**(2,645)**	(640)	(14)	**(22,578)**
Investments in subsidiaries	**(758)**	(1,215)	—	**(6,470)**
Other, net	**191**	170	93	**1,631**
Net cash used in investing activities	**(10,118)**	(9,927)	(13,199)	**(86,368)**
Cash flows from financing activities:				
Net increase (decrease) in short-term debt	**(1,955)**	1,809	—	**(16,688)**
Repayments of long-term debt	**(4,000)**	(3,000)	(3,000)	**(34,144)**
Purchase of treasury stock	**(6)**	(12,365)	(2,251)	**(52)**
Proceeds from sale of treasury stock		—	258	**—**
Dividends paid	**(4,074)**	(6,732)	(5,818)	**(34,776)**
Other	**(144)**	(143)	(144)	**(1,229)**
Net cash used in financing activities	**(10,179)**	(20,431)	(10,955)	**(86,889)**
Effect of exchange rate changes on cash and cash equivalents	**(73)**	(867)	1,282	**(623)**
Net change in cash and cash equivalents	**15,398**	(50,586)	57,709	**131,438**
Cash and cash equivalents at beginning of year (Note 3)	**107,263**	157,379	99,670	**915,604**
Cash and cash equivalents of newly consolidated subsidiaries	**1,072**	470	—	**9,151**
Cash and cash equivalents at end of year (Note 3)	**¥123,733**	¥107,263	¥157,379	**$1,056,193**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

1 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying consolidated financial statements 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 subsidiaries in conformity with those of the countries of their 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 the following subsidiaries.

Company	Ownership percentage
Fast Retailing (U.K.) Ltd.	100%
FR Foods Co., Ltd.	100%
Fast Retailing (Jiangsu) Apparel Co., Ltd.	83%

FR Foods Co., Ltd. began its operations in November 2002, and its accounts have been included in the accompanying consolidated financial statements since then.

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

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

(c) Cash and Cash Equivalents

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

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

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

(e) Inventories

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

(f) Property, Plant and Equipment

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

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

(g) Leases

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

Retirement and severance benefits for employees are provided based on the projected benefit obligation and the pension assets.

(j) Revenue Recognition

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

(k) Foreign Currency Translation

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

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

(l) Derivative Financial Instruments

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 are recognized.

(m) Net Income Per Share

Effective September 1, 2002, the Company adopted "Earnings Per Share" issued by the Accounting Standards Board of Japan (ASBJ). Under this standard, net income per share is based on the weighted average number of shares of common stock outstanding during the respective years. On a diluted basis, both net income and shares outstanding are adjusted assuming exercise of rights relevant to potential shares. If the Company computed the net income per share in accordance with the standards prior to the adoption of the afore-mentioned "Earnings Per Share", net income per share for the fiscal year ended August 31, 2003 would be ¥205.80.

2 BASIS OF FINANCIAL STATEMENT TRANSLATION

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into the United States (U.S.) dollars at the rate of ¥117.15=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2003. 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, 2003 and 2002 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Cash	**¥ 76,447**	¥ 67,772	**$ 652,557**
Marketable securities	**47,286**	39,491	**403,636**
Cash and cash equivalents	**¥123,733**	¥107,263	**$1,056,193**

4 SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Investments in securities as of August 31, 2003 and 2002 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							
	2003				2002			
	Cost	Gross gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	**¥ 362**	**¥228**	**¥(6)**	**¥584**	¥ 63	¥7	¥(6)	¥ 64
Mutual funds	**37,786**	**–**	**–**	**37,786**	39,491	–	–	39,491
Others	**9,448**	**72**	**(21)**	**9,499**	–	–	–	–
	¥47,596	**¥300**	**¥(27)**	**¥47,869**	¥39,554	¥7	¥(6)	¥39,555

	Thousands of U.S. dollars			
	2003			
	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:				
Equity securities	**$ 3,090**	**$1,946**	**$(51)**	**$ 4,985**
Mutual funds	**322,544**	**–**	**–**	**322,544**
Others	**80,649**	**614**	**(179)**	**81,084**
	$406,283	**$2,560**	**$(230)**	**$408,613**

5 INVENTORIES

Inventories as of August 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Merchandise	**¥20,511**	¥30,699	**$175,083**
Supplies	**356**	296	**3,039**
	¥20,867	¥30,995	**$178,122**

6 INCOME TAXES

The Company and subsidiaries 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 2003, 2002 and 2001.

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

	2003	2002	**2003**
Normal income tax rate	**41.8%**	41.8%	41.8%
Change in valuation allowance	**(1.8)**	2.1	–
Other	**(0.2)**	0.9	0.5
Effective income tax rate	**39.8%**	44.8%	42.3%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of August 31, 2003 and 2002 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Total gross deferred tax assets:			
Inventories	**¥ –**	¥ 233	**$ –**
Accrued business tax	**645**	–	**5,506**
Accrued bonus	**800**	291	**6,829**
Accrued loss on liquidation of subsidiary	**2,863**	–	**24,438**
Operating loss carryforward	**567**	1,199	**4,840**
Other	**317**	217	**2,706**
	5,192	1,940	**44,319**
Valuation allowance	**(576)**	(1,199)	**(4,916)**
	4,616	741	**39,403**
Total gross deferred tax liabilities:			
Refundable business tax	**–**	(178)	**–**
Net unrealized holding gain on securities	**(123)**	(130)	**(1,050)**
	(123)	(308)	**(1,050)**
Net deferred tax assets	**¥4,493**	¥ 433	**$38,353**

Net deferred tax assets as of August 31, 2003 and 2002 are reflected in the consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets — current	**¥4,365**	¥294	**$37,260**
Deferred tax assets — noncurrent	**128**	139	**1,093**
Net deferred tax assets	**¥4,493**	¥433	**$38,353**

The Company changed the effective tax rate utilized to calculate deferred tax assets and liabilities that are expected to be realized after September 1, 2004 from 41.8% to 40.5%. The change was caused due to promulgation of the Local Tax Reform Act on March 31, 2003. The change in the effective tax rate does not have a material impact on deferred tax assets and net income for the fiscal year ended August 31, 2003.

7 SHORT-TERM DEBT

Unsecured bank borrowing as of August 31, 2002 amounted to ¥1,809 million.

The weighted average interest rate on short-term debt outstanding as of August 31, 2002 was 4.29%. The borrowing was repaid during the year ended August 31, 2003.

8 LONG-TERM DEBTS

Long-term debts are summarized as follows:

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

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.

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

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
Service cost	**¥ –**	¥126	¥ 98	**$ –**
Interest cost	**–**	15	11	**–**
Expected return on plan assets	**–**	(8)	(6)	**–**
Amortization of transition obligation	**–**	–	58	**–**
Amortization of actuarial loss	**–**	58	35	**–**
Net periodic pension cost	**¥ –**	¥191	¥196	**$ –**

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:

	2003	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 of 300 million shares of common stock with no par value as of August 31, 2003. Issued and outstanding shares and change in shares for the years ended August 31, 2003, 2002 and 2001 are summarized as follows:

	Issued and outstanding shares
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
Balance as of August 31, 2003	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, 2003, 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 dividends of ¥35 ($0.30) per share, aggregating ¥3,560 million ($30,388 thousand), or related appropriations for directors' bonuses amounting to ¥280 million ($2,390 thousand). These dividends and appropriations were approved by shareholders at the annual shareholders' meeting held on November 26, 2003 in respect of the fiscal year ended August 31, 2003.

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 voting rights.

The changes in shares of treasury stock for the years ended August 31, 2003, 2002 and 2001 are summarized as follows:

	Shares	Millions of yen	Thousands of U.S. dollars
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	
Repurchase of common stock	2,002,479	12,374	
Two-for-one common stock split	2,176,963	–	
Balance as of August 31, 2002	4,355,242	16,021	136,756
Repurchase of common stock	1,700	6	52
Balance as of August 31, 2003	4,536,942	¥16,027	$136,808

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 the common stock at an exercise price at the lower of 102.5% of the average purchase cost or market price at the grant date. An eligible person 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 ($33,543 thousand) for the stock option plan. Certain officers and certain other employees may be granted options to purchase the common stock at an exercise price at the lower of 102.5% of the average purchase cost or market price at the grant date. An eligible person can exercise 100% of the granted options from November 29, 2002 to August 31, 2005. In accordance with the shareholders' approval, the Company purchased 88,100 shares for ¥2,169 million in 2001.

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

14 COMMITMENTS AND CONTINGENCIES

The Company has the following contingent liabilities as of August 31, 2003:

Year ended August 31, 2003	Millions of yen	Thousands of U.S. dollars
Loan guarantees for:		
Employees' benefit society	¥12	$102
Franchise store	60	512

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 ¥1,406 million ($12,001 thousand) as of August 31, 2003.

15 LEASES

Lease payments relating to finance leases accounted for as operating leases for the years ended August 31, 2003, 2002 and 2001 amounted to ¥4,941 million ($42,176 thousand), ¥3,866 million and ¥2,717 million, respectively.

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2003 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 4,715	$ 40,248
2005 and thereafter	9,649	82,364
	¥14,364	$122,612

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.

17 SUBSEQUENT EVENTS

At the Board of Directors' meeting on September 9, 2003, the Company decided to acquire, with Link International Co., Ltd. (Link), ownership interest in the Theory Group, which owns and markets the apparel brand "theory" in the United States of America. Also, the Company decided to acquire 47.1% of ownership interest in Link. Key provisions of the transaction are as follows:

Investee company	Link International Co., Ltd.
Acquisition cost	¥6,700 million
Ownership interest	47.1%
Planned closing date	November 2003

In connection with the above transaction, the Company has provided $99 million of guarantee for Theory Holdings Inc., which was incorporated for the purpose of acquisition of ownership interest in the Theory Group in the United States of America.

Report of Independent Auditors

The Board of Directors and Shareholders
Fast Retailing Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fast Retailing Co., Ltd. and consolidated subsidiaries as of August 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended August 31, 2003, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fast Retailing Co., Ltd. and consolidated subsidiaries as of August 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended August 31, 2003, in conformity with accounting principles and practices generally accepted in Japan.

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended August 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Shin Nihon & Co

Tokyo, Japan
November 26, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Fast Retailing Co., Ltd. and consolidated subsidiaries under accounting principles and practices generally accepted in Japan.

Investor Information

(As of August 31, 2003)

Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares	106,073,656
Number of shareholders (including holders of treasury stock)	9,590

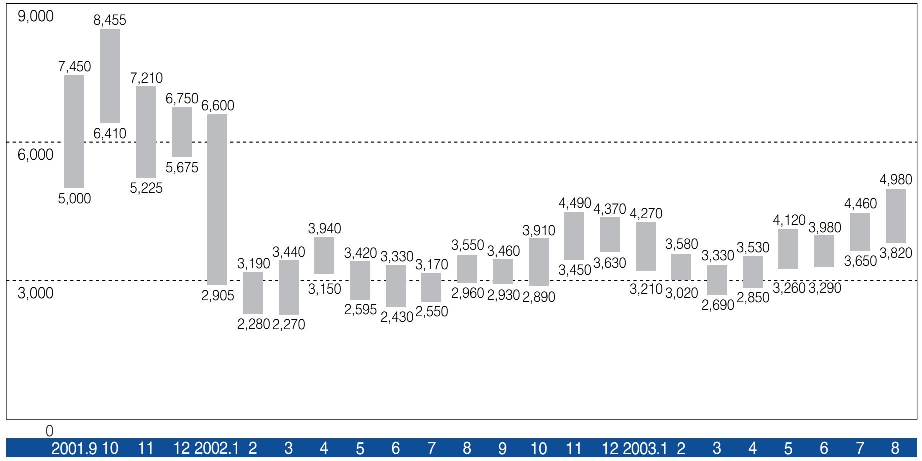
Principal Shareholders

	Number of shares	Percentage of total shares in issue
Tadashi Yanai	28,297,284	26.68%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,895,500	5.56
Japan Trustee Services Bank, Ltd. (Trust Account)	4,861,300	4.58
The Chase Manhattan Bank, N.A. London	4,783,540	4.51
Kazumi Yanai	4,781,808	4.51
Koji Yanai	4,780,600	4.51
Fight & Step Co., Ltd.	4,750,000	4.48
FAST RETAILING CO., LTD.	4,356,942	4.11
State Street Bank and Trust Company	3,673,563	3.46
MASTERMIND Co., Ltd.	3,610,000	3.40

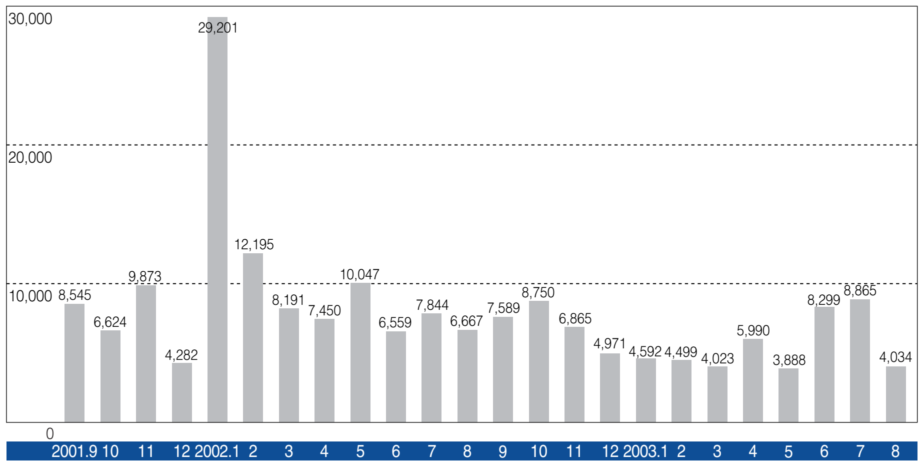
Shareholder Breakdown

	Number of shareholders	Number of shares (Thousands)	Percentage of total shares in issue
Individuals and others	9,030	48,651	45.86%
Foreign investors	301	22,880	21.57
Other financial institutions	90	22,239	20.97
Companies and corporations	129	9,004	8.49
Securities companies	40	3,299	3.11
Total	9,590	106,073	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, 2003)

FAST RETAILING CO., LTD.

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

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

Established
May 1, 1963

Paid-in Capital
¥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.

Number of Full-Time Employees (parent company only)
1,466

Settlement Date
August 31

Annual Shareholders' Meeting
End of November

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

Number of Shares per Trading Unit
100

Independent Public Auditors
Shin Nihon & Co.

Consolidated Subsidiaries (As of November 30, 2003)

UNIQLO (U.K.) LTD.
25-27 Shaftesbury Avenue, London W1D 7EG, U.K.

Note: On August 7, 2003, UNIQLO (U.K.) LTD. assumed control of U.K. operations from FAST RETAILING (U.K.) LTD., which is currently conducting follow-up operations related to store closures.

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

FR FOODS CO., LTD.
5-17-8, Yotsuya, Fuchu City, Tokyo 183-0035, Japan

Board of Directors and Auditors
(As of November 30, 2003)

Tadashi Yanai
Chairman & Chief Executive Officer

Genichi Tamatsuka
President & Chief Operating Officer

Nobuo Domae
Managing Director & Chief Information Officer

Masatoshi Morita
Managing Director & Chief Financial Officer

Akira Tanaka
Managing Director

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

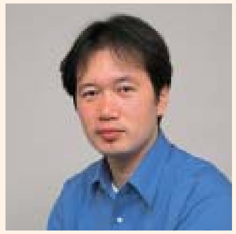
Takaharu Yasumoto
Corporate Auditor

Masao Matsui
Corporate Auditor

Tatsuo Kubota
Corporate Auditor


Tadashi Yanai

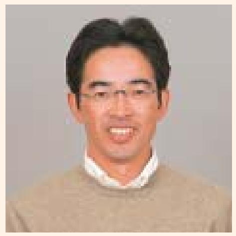

Genichi Tamatsuka


Nobuo Domae


Masatoshi Morita


Akira Tanaka


Shuichi Nakajima


Naoki Otoma


Makoto Hayashi

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