Financial Section

CONTENTS

Six-Year Financial Summary

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

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

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

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

Management's Discussion and Analysis

1 Operating Environment and Management Strategy

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

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

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

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

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

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

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

Number of Stores by Business

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

Number of Directly-Managed Stores—UNIQLO Japan

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

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

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

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

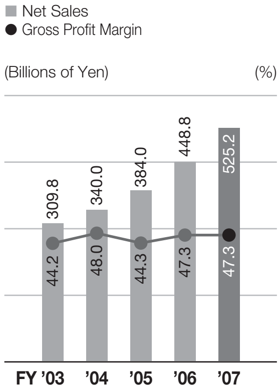
2 Results of Operations

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

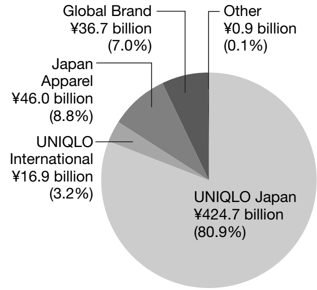
■ Consolidated Net Sales and Gross Profit

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

Net Sales and Gross Profit



Breakdown of Net Sales



Sales by Group Operation

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

Sales by Product Category

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

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

Breakdown of SG&A Expenses

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

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

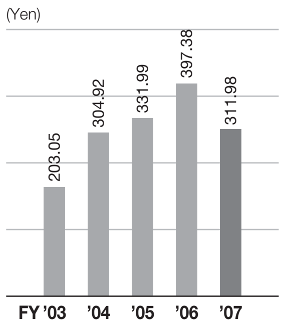
■ SG&A Expenses

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

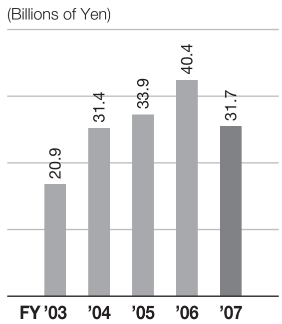
SG&A expenses in UNIQLO Japan in fiscal 2007 amounted to ¥128.6 billion (representing an increase of 12.7% year on year). This increase was generally at the level planned, but, as a result of a shortfall in sales compared with the plan, the ratio of SG&A expenses to sales increased. In addition to rises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

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

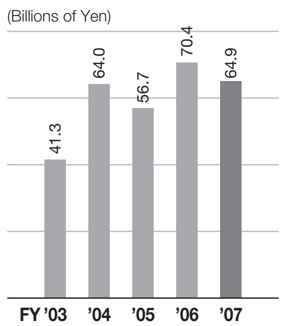
Earnings per Share



Net Income



Operating Income



■ Other Gains and Losses

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

■ Net Income

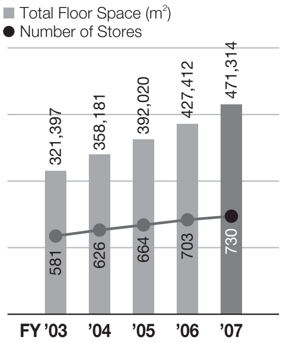
Net income for fiscal 2007 amounted to ¥31.7 billion, ¥8.6 billion lower than for the previous fiscal year. Net income per share was ¥311.98, ¥85.40 below the level for fiscal 2006.

Results by Group Operation

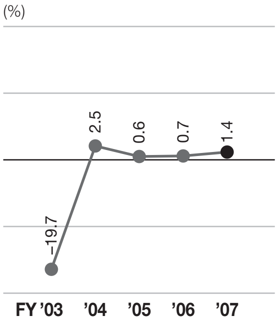
UNIQLO Japan Operations

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

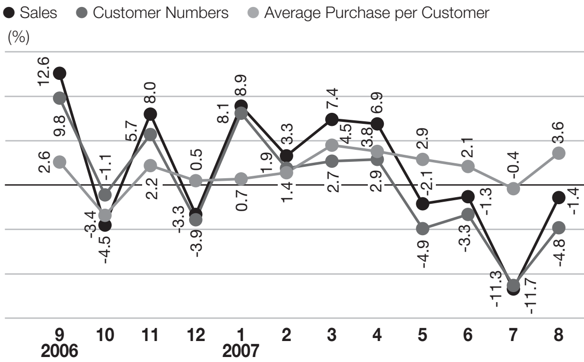
Number of Stores and Total Sales Floor Space (UNIQLO Directly-Managed Stores in Japan)



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



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



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

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

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

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

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

UNIQLO International Operations

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

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

Japan Apparel Operations

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

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

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

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

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

Global Brand Operations

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

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

3 Balance Sheets

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

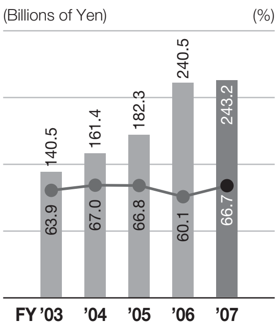
Fixed assets rose ¥12.4 billion, to ¥141.7 billion. This was mainly because of the increase in tangible fixed assets of ¥7.4 billion due to the rise in the number of UNIQLO stores.

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

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

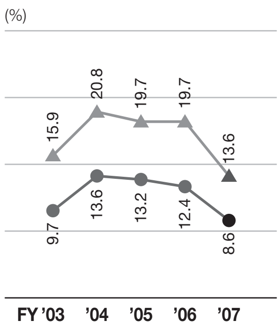
Net Assets and Equity Ratio

■ Net Assets
● Equity Ratio



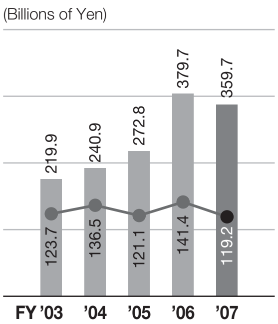
ROA and ROE

● ROA ▲ ROE

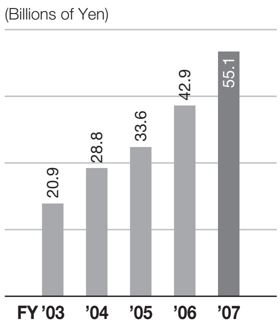


Total Assets and Cash and Equivalents

■ Total Assets
● Cash and Equivalents



Inventories



4 Cash Flows

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

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

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

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

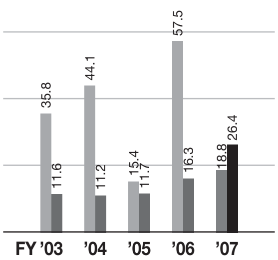
The Group's policy for retained earnings and free cash flow will be to work to attain continuing stable growth through investments in M&A aimed at expanding Group business activities and other investments to strengthen the operating positions of Group companies.

■ Dividend Policy

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

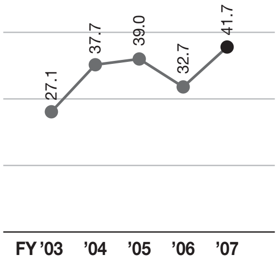
Operating Cash Flows and Capital Expenditures

■ Operating Cash Flows
■ Capital Expenditures
(Billions of Yen)



Dividend Payout Ratio (Consolidated)

(%)



5 Outlook for Fiscal 2008*

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

UNIQLO Japan Operations

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

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

UNIQLO International Operations

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

Japan Apparel Operations

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

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

*As of October 2007

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

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

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

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

3. Outlook of Sales by Group Operation

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

Global Brand Operations

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

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

Consolidated Subsidiaries

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

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

6 Risk Factors

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

(1) Risks associated with the implementation of corporate strategy

(a) Corporate acquisition risk

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

(b) Management personnel risk

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

(c) Competitive risk

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

(d) Risk of reliance on certain regions for production

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

(e) Risk of UNIQLO operations outside Japan

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

(f) Foreign currency risk

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

(2) General business risks

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

Consolidated Balance Sheets

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

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

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

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

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

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

Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

1 Basis of Presentation and Financial Statement Translation

(a) Basis of Presentation

The accompanying consolidated financial statements of FAST RETAILING CO., LTD. ("the Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. The accounts of overseas subsidiaries and the other affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective country of domicile. In addition, for the convenience of readers outside Japan, the accompanying consolidated financial statements, including the notes thereof, have been reclassified and contain additional information which is not required under accounting principles generally accepted in Japan.

(b) Basis of Financial Statement Translation

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

2 Basis of Consolidation and Summary of Significant Accounting Policies

(a) Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

(b) Cash and Equivalents

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

(c) Short-term Investments and Investments in Securities

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

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

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

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

(d) Allowance for Doubtful Accounts

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

(e) Inventories

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

(f) Property and Equipment

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

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

(g) Intangible Assets

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

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

(h) Retirement and Severance Benefits

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

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

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

(i) Leases

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

(j) Revenue Recognition

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

(k) Foreign Currency Translation

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

The financial statements of the consolidated overseas subsidiaries are translated into the reporting currency or yen.

All assets and liabilities are translated at the rates of exchange in effect at the balance sheet date.

Shareholders' equity accounts are translated at historical rates.

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

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

(l) Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(m) Reclassification

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

3 Cash and Equivalents

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

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

4 Short-term Investments and Investments in Securities

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

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

(a) Securities with available fair values

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

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

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

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

(b) Securities with no available fair values

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

5 Income Taxes

The Company and subsidiaries are subject to a number of taxes based on income. The aggregate statutory tax rate for the Company was approximately 40.5% for the year ended 2007, 2006 and 2005.

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

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

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

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

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

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

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

6 Long-term Debt

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

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

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

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

7 Accrued Retirement and Severance Obligations

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

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

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

8 Capital and Additional Paid-in Capital

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

The Company has authorized for issuance 300 million shares of common stock with no par value as of August 31, 2007. Issued and outstanding shares were 106,073,656 shares for each of the three years in the period ended August 31, 2007.

9 Legal Reserves and Dividends

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

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

10 Treasury Stock

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

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

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

11 Pledged Assets

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

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

12 Commitments and Contingencies

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

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

13 Selling, General and Administrative Expenses

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

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

14 Impairment Loss

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

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

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

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

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

15 Leases

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

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

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

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

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

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

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

16 Per Share Data

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

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

Under "Earnings Per Share" of the Accounting Standards Board of Japan, net income per share is based on the weighted average number of shares of common stock outstanding during the respective years. On a diluted basis, both net income and shares outstanding are adjusted assuming the exercise of rights relevant to potential shares. No diluted net income per share for 2007 and 2005 has been presented because there was no item with dilutive effect for those years.

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

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

17 Related Party Transactions

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

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

18 Business Combinations

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

(a) Outline of the Transactions

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

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

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

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

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

(b) Outline of Accounting Treatment

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

(c) Details of Acquisition Cost of the Company Acquired

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

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

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

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

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

19 Segment Information

Information by Business Segment

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

Information by Geographic Area

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

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

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

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

Overseas Net Sales

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

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

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

Report of Independent Auditors

The Board of Directors
FAST RETAILING CO., LTD.

We have audited the accompanying consolidated balance sheets of FAST RETAILING CO., LTD. and consolidated subsidiaries as of August 31, 2006 and 2007, and the related consolidated statements of income, change in net assets, and cash flows for the three years in the period ended August 31, 2007, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FAST RETAILING CO., LTD. and consolidated subsidiaries as of August 31, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended August 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon

November 26, 2007