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)					
	2008	2007	2006	2005	2004	2003
For the year:						
Net sales	**¥ 586,451**	¥ 525,203	¥ 448,819	¥ 383,973	¥ 339,999	¥ 309,789
Operating income	**87,493**	64,963	70,355	56,692	63,954	41,308
Net income	**43,529**	31,775	40,437	33,884	31,365	20,933
ROE (%)	**17.3%**	13.6%	19.7%	19.7%	20.8%	15.9%
Per share data (yen):						
Net income	**¥ 427.38**	¥ 311.98	¥ 397.38	¥ 331.99	¥ 304.92	¥ 203.05
Diluted net income	**—**	—	397.26	—	—	—
Net assets	**2,572.09**	2,357.79	2,240.77	1,791.61	1,583.67	1,378.58
Cash dividends	**130.00**	130.00	130.00	130.00	115.00	55.00
Dividend payout ratio (%)	**30.4%**	41.7%	32.7%	39.0%	37.7%	27.1%
Net cash provided by operating activities	**¥ 87,336**	¥ 18,847	¥ 57,477	¥ 15,398	¥ 44,120	¥ 35,768
Net cash used in investing activities	**(15,421)**	(28,783)	(41,907)	(16,823)	(20,730)	(10,118)
Net cash provided by (used in) financing activities	**(19,054)**	(12,759)	1,932	(14,854)	(8,677)	(10,179)
Depreciation and amortization	**8,523**	6,567	5,364	3,681	2,737	2,364
Capital expenditures	**21,017**	26,441	16,261	11,649	11,220	11,633
At year-end:						
Cash and equivalents	**¥ 169,888**	¥ 119,216	¥ 141,404	¥ 121,061	¥ 136,461	¥ 123,733
Total assets	**404,720**	359,770	379,655	272,846	240,897	219,855
Total net assets	**264,014**	243,283	240,480	182,349	161,434	140,505
Equity ratio (%)	**64.7%**	66.7%	60.1%	66.8%	67.0%	63.9%
Interest-bearing debt	**20,016**	24,429	22,774	6,185	52	—
Debt-equity ratio (%)	**7.6%**	10.0%	9.4%	3.4%	0.0%	—
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	**1,961**	1,828	1,632	1,232	655	622
Directly-managed stores in Japan	**[1,310]**	[1,233]	[1,093]	[775]	[635]	[582]
Directly-managed stores overseas	**[294]**	[247]	[196]	[157]	[9]	[26]
Franchise stores	**[354]**	[348]	[343]	[300]	[11]	[14]
Commercial complex	**4**	1	—	—	—	—
Total sales floor space (m^2)	**685,942m^2**	626,998m^2	536,473m^2	437,196m^2	363,901m^2	335,849m^2
Number of full-time employees*	**8,054**	6,514	3,990	2,668	1,782	1,776

* 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 2008, ended August 31, 2008, the Japanese economy was adversely impacted by a deepening decline in consumer confidence as a result of sharp increases in prices of crude oil and other raw materials, the turmoil in world financial markets triggered by problems related to housing loans to individuals with lower credit standing (i.e., the subprime loan crisis) in the United States, and the deceleration of the global economy. As a result of these circumstances, the operating environment for the Japanese apparel retailing industry was severe. In addition, in the domestic market, where the decline in the population is continuing along with the trends toward smaller families and the demographic aging of the population, the number of persons in the younger age categories, who are major purchasers of apparel, is decreasing. Furthermore, the ratio of disposable income spent on apparel and footwear is declining. As a result, the market as a whole is expected to continue to shrink. The trend among consumers toward greater thriftiness and selectivity is forecast to grow more pronounced, and 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 has set a goal of "Becoming the world's No. 1 apparel retailer by 2020" and is implementing business reforms centered especially on promoting globalization, strengthening Group management, and refocusing on entrepreneurial values. "Promoting globalization" means taking a global perspective in all of our activities, including products, operations, human resources, and management, and, especially in the Group's core UNIQLO operations, undertaking full-scale expansion into overseas markets. "Strengthening Group management" means for all Group companies to share the sense of values embodied in the "FR WAY," and maximize the corporate value of the Group. "Refocusing on entrepreneurial values" means to continue innovation and challenge that will transform the Group's businesses into highly profitable, high-growth, world-scale operations.

Based on these business policies, we are steadily implementing measures to globalize the Group's core UNIQLO business. In the European and U.S. markets, we have established global flagship stores, and are working to raise the awareness of the UNIQLO brand and establish its position in world markets. Following the opening of our global flagship store in New York's Soho district in November 2006, we established another global flagship store on London's Oxford Street, one of Europe's leading shopping areas, in November 2007. In fall 2009, we are planning to open another flagship store in the Opera district in central Paris. At the same time, the development of UNIQLO's activities in the Asian region—China (including Hong Kong), and South Korea—is proceeding steadily, and these operations are showing a profit. Looking ahead, our plans call for accelerating the opening of new stores in Asia. We are moving ahead with plans for opening the first store in Singapore in spring 2009. During the year ending August 2009, we are scheduled to double the number of stores in the Asian region from the previous year to 78. We have also begun research aimed at opening our first stores in Russia and India, which will be new markets for the Group.

During fiscal 2008, UNIQLO posted its first operating profits in its overseas operations. Factors accounting for this were the improvement in profitability in UNIQLO operations in the United States, bringing these activities close to breakeven, and continued increases in profitability along with the robust performance of operations in the Asian region—China (including Hong Kong), and South Korea.

Number of Stores by Group Operation

	2008 End Aug.	2008 Open	2008 Close	2007 End Aug.	2006 End Aug.
UNIQLO	**813**	77	51	787	750
UNIQLO Japan:	**759**	59	48	748	720
Directly-managed	**740**	56	46	730	703
Franchise	**19**	3	2	18	17
UNIQLO International:	**54**	18	3	39	30
China	**13**	5	1	9	7
Hong Kong	**8**	4	0	4	1
South Korea	**18**	6	2	14	10
U.K.	**13**	2	0	11	8
U.S.	**1**	0	0	1	4
France	**1**	1	0	—	—
Japan Apparel Operations	**650**	43	95	605	538
Global Brand Operations	**498**	69	7	436	344
TOTAL	**1,961**	189	153	1,828	1,632

Number of Directly-Managed Stores—UNIQLO Japan

	2008	2007	2006	2005	2004
Stores opened	**56**	75	84	69	81
Stores closed	**46**	48	45	31	36
Net increase	**10**	27	39	38	45
Fiscal year-end	**740**	730	703	664	626

In UNIQLO Japan, we have positioned large-format stores with about 1,600 square meters of sales space as our growth drivers and have focused on opening stores in this size category while scrapping our smaller stores with about 500 square meters or less of sales space. 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, and key transportation centers.

Since opening the first of these large-format stores in Osaka's Shinsaibashi district in October 2004, we have worked to verify and make improvements in the sales efficiency, cost efficiency, and other aspects of these stores. We also opened megastores in spring 2007, namely: the Kobe Harborland store, with about 3,300 square meters of sales space in spring 2007, and the Setagaya Chitosedai store in Tokyo, which has about 3,000 square meters of sales space. During fiscal 2008, we opened a total of 22 new large-format stores, bringing the total number of stores in this size category to 50 at the end of fiscal 2008. These stores now account for about 10% of total sales. In fiscal 2009, we are scheduled to open 24 additional large-format stores, thus increasing the percentage of sales through these outlets.

Along with the development of additional large-format stores, we plan to alter the focus of product development from the previous standard-format store, which has between 700 square meters and 800 square meters of sales space, to large-format stores with about 1,600 square meters of sales space. In brief, under this new product development focus, we are working to increase our selection of women's apparel, which, in the market as a whole, is approximately double the size of the men's apparel market. Since our large-format stores have more space per store, they are positioned to expand sales of skirts, dresses, jackets, shirts, blouses, and other core items for women, which UNIQLO has not emphasized in the past. Our objective is to expand our share of sales of women's items, while continuing to maintain our current share of sales of men's items.

During fiscal 2008, UNIQLO reported strong sales in the domestic market. One of the factors accounting for this was the interest and support shown by customers in products crafted from UNIQLO's functional fabrics. For example, UNIQLO's "HEATTECH" line of products are made from special synthetic fibers that retain body heat, which were developed through our strategic partnership with TORAY INDUSTRIES, INC. During the fall/winter season of 2007, UNIQLO sold about 20 million of these items, thus making HEATTECH a major hit line. In addition, during the spring/summer season of 2008, UNIQLO's "BRA TOP" campaign product lineup generated considerable interest and contributed to attracting customers to UNIQLO stores. Looking ahead, we plan to continue to work with fabric manufacturers and introduce new product lines through the development of functional fabrics.

Another factor accounting for UNIQLO's strong performance was the robust sales of core products. This was due to the success of merchandizing focused on existing core products—which are UNIQLO strengths, including polo shirts, T-shirts, sweatshirts, jeans, sweaters, and down jackets—and expansion in in-store inventories of color variations of these core products.

Profitwise, the trend toward improvement in the gross profit margin in UNIQLO Japan is continuing. This was due to the early introduction of the spring, summer, and autumn lines in 2008 and improved control of discount sales. As a result, the gross profit margin in fiscal 2008 shows major improvement compared with the previous fiscal year. Moreover, we worked to make the more effective use of personnel costs and advertising and promotion expenses, and these efforts resulted in improvement in the ratio of selling, general and administrative expenses to net sales.

Progress was also recorded in making management reforms in the Japan Apparel operations, resulting in a decline in losses for these businesses as a whole in fiscal 2008. At CABIN, management personnel were seconded from FAST RETAILING and UNIQLO to implement drastic reforms, and CABIN returned to profitability in fiscal 2008. In February 2008, we completed a tender offer for additional shares of VIEWCOMPANY, and that company became a wholly owned subsidiary of the Group. Then in September 2008, we merged G.U., ONEZONE, and VIEWCOMPANY into a single company, GOV RETAILING, and are now proceeding with management reforms in the newly created company. In addition to pursuing measures to increase management efficiency, we are aiming to expand GOV RETAILING's business operations through the creation of a low-cost apparel business and a new footwear business.

Our Global Brand operations in Europe include French casual brand COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM, a well-know French lingerie brand. The operations of COMPTOIR DES COTONNIERS were influenced by the sharp deterioration in economic conditions in Europe during the latter half of fiscal 2008 and reported a decline in profitability for the fiscal year as a whole. PRINCESSE TAM.TAM sustained its performance, but as economic conditions in Europe show further deceleration, a period of adjustment is forecast during fiscal 2009.

2 Results of Operations

In the fiscal year ended August 31, 2008, FAST RETAILING reported consolidated net sales of ¥586.4 billion, an increase of 11.7% over the previous fiscal year. Operating income amounted to ¥87.4 billion, 34.7% higher than for the prior year, and ordinary income was ¥85.6 billion, representing an increase of 32.7% over the previous year. Net income amounted to ¥43.5 billion, up 37.0% from the prior fiscal year.

■ Consolidated Net Sales and Gross Profit

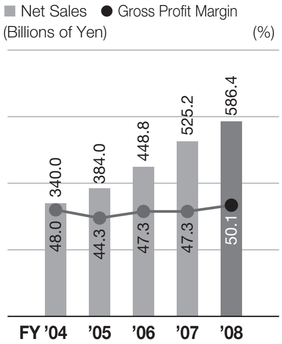
Consolidated net sales posted double-digit growth and amounted to ¥586.4 billion, an increase of 11.7% year on year. The principal factors accounting for the ¥61.2 billion gain in net sales were a rise in sales of ¥37.6 billion in the UNIQLO Japan business, a gain of ¥12.3 billion in UNIQLO International's sales, and a rise in sales in the Global Brand business of ¥7.0 billion. The consolidation of VIEWCOMPANY beginning in the second half of fiscal 2008 contributed ¥4.6 billion to consolidated net sales.

Gross profit amounted to ¥293.6 billion, 18.2% higher than in the previous fiscal year. The gross profit margin was 50.1%, which was 2.8 percentage points above the prior year. The principal factor accounting for this improvement was a rise of 3.1 percentage points in the gross profit margin in the UNIQLO Japan operations.

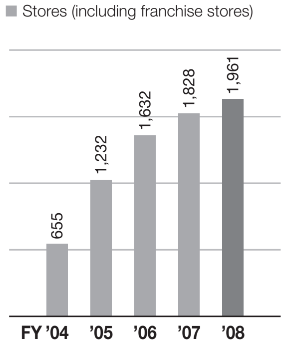
■ SG&A Expenses

SG&A expenses amounted to ¥206.1 billion, and the ratio of SG&A expenses to consolidated net sales was 35.2%, 0.3 percentage point higher than in fiscal 2007. This increase was due to a rise in the percentage composition of subsidiaries with relatively high SG&A ratios and an increase in amortization of goodwill of ¥1.0 billion, which brought total amortization of goodwill to ¥5.3 billion. This figure included ¥600 million in a one-time amortization of goodwill in connection with the transition of VIEWCOMPANY to the status of a wholly owned subsidiary. On the other hand, the ratio of SG&A expenses to sales in the UNIQLO

Net Sales and Gross Profit



Number of Stores



Breakdown of SG&A Expenses

	2008			2007			2006		
	Millions of Yen	% to Sales	% Change	Millions of Yen	% to Sales	% Change	Millions of Yen	% to Sales	% Change
Personnel	**¥ 76,952**	**13.1**	**+9.4**	¥ 70,370	13.4	+34.6	¥ 52,272	11.6	+25.6
Advertising and promotion	**27,793**	**4.7**	**+5.8**	26,261	5.0	+18.1	22,231	5.0	+9.8
Rent	**50,897**	**8.7**	**+17.1**	43,453	8.3	+26.4	34,377	7.7	+23.8
Depreciation/amortization	**8,523**	**1.5**	**+29.8**	6,567	1.3	+21.4	5,409	1.2	+122.3
Others	**42,024**	**7.2**	**+14.3**	36,780	7.0	+32.4	27,771	6.2	+29.0
Total	**¥206,189**	**35.2**	**+12.4**	¥183,431	34.9	+29.1	¥142,062	31.7	+25.1

Japan operations declined 0.5 percentage point because of lower personnel costs and advertising and promotion expenses.

■ Other Gains and Losses

Other gains in fiscal 2008 amounted to ¥1.0 billion. The principal other items were ¥0.3 billion in gain on forgiveness of subsidiary debt (restructuring obligations of ONEZONE) and a reversal of the allowance for doubtful accounts of ¥0.2 billion. Other losses amounted to ¥4.7 billion. These included principally ¥1.2 billion in business reform costs related to CABIN, ONEZONE, and VIEWCOMPANY; ¥1.2 billion losses on the closure of stores of CABIN and UNIQLO stores located in Japan and in the United Kingdom; ¥1.0 billion owing to the loss on disposal of fixed assets of UNIQLO Japan, CABIN, and other operations; and impairment losses of ¥0.8 billion reported in ONEZONE, CABIN, and other operations.

■ Net Income

Net income for fiscal 2008 amounted to ¥43.5 billion, 37.0% higher than fiscal 2007. Net income per share was ¥427.38.

Results by Group Operation

UNIQLO Japan Operations

The UNIQLO Japan operations, which account for 78.8% of consolidated net sales, reported an increase of 8.9% in sales in fiscal 2008, to ¥462.3 billion. Factors contributing to this rise in sales were an increase of 10 in the number of directly-managed stores compared with the end of the previous fiscal year, an expansion in the average sales area per store along with the implementation of UNIQLO's policy of operating large-format stores, and growth of 2.9% in sales of existing stores. During fiscal 2008, UNIQLO opened 56 directly-managed stores and closed 46 stores, leaving a total of 740 directly-managed stores. Of this total, large-format stores with 1,600 square meters in sales space rose by 22. Also, as a result of UNIQLO's scrap-and-build strategy, the average sales space per store rose to 688 square meters, representing an increase of 5.4% from the previous year.

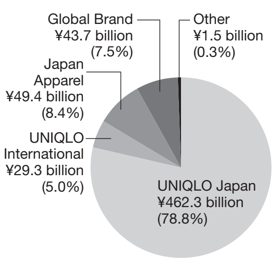
Sales by Group Operation

Billions of Yen	2008	2007	y/y Change	% Change
UNIQLO Japan:				
Net sales	**¥462.3**	¥424.7	¥37.6	+8.9
Operating income	**86.4**	64.0	22.4	+35.0
UNIQLO International:				
Net sales	**29.3**	16.9	12.4	+72.6
Operating income (loss)	**0.3**	(1.1)	1.4	—
Japan Apparel Operations:				
Net sales	**49.4**	46.0	3.4	+7.4
Operating loss	**(2.8)**	(3.5)	0.7	—
Global Brand Operations:				
Net sales	**43.7**	36.7	7.0	+19.1
Operating income	**7.7**	7.2	0.5	+7.7

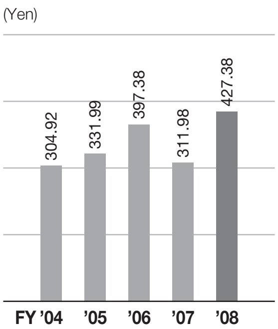
Sales by Product Category

	2008		2007	
	Millions of Yen	% of Sales	Millions of Yen	% of Sales
Men's clothing	**¥156,364**	**26.7**	¥149,094	28.4
Women's clothing	**145,243**	**24.8**	135,341	25.8
Children's clothing	**24,312**	**4.1**	24,014	4.6
Inner wear	**106,754**	**18.2**	88,515	16.9
Accessories	**21,456**	**3.7**	20,394	3.9
Subtotal	**454,131**	**77.4**	417,359	79.5
Franchise store, etc.	**8,211**	**1.4**	7,342	1.4
UNIQLO Japan, total	**462,243**	**78.8**	424,701	80.9
UNIQLO International	**29,344**	**5.0**	16,998	3.2
Japan Apparel Operations	**49,487**	**8.4**	46,086	8.8
Grobal Brand Operations	**43,765**	**7.5**	36,739	7.0
Other	**1,509**	**0.3**	678	0.1
Net sales	**¥586,451**	**100.0**	¥525,203	100.0

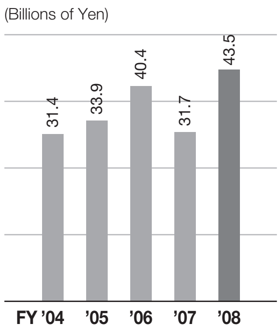
Breakdown of Net Sales



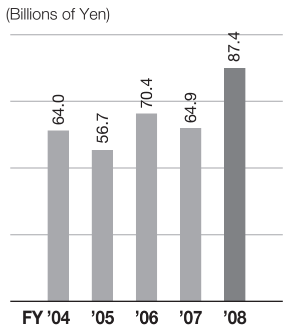
Earnings per Share



Net Income



Operating Income



Sales at existing stores in fiscal 2008 rose 2.9%, as the number of customers expanded 0.8% and purchases per customer increased 2.1%. The increase in the number of customers was due to the contribution of sales promotion activities, including campaigns, and the customer drawing power of hit products, including HEATTECH and BRA TOP. The increase in purchases per customer was the result of control of discounts over the course of the fiscal year, which led to an increase in the percentage of items with relatively high unit prices in total sales.

The gross profit margin of UNIQLO Japan operations rose 3.1 percentage points, to 48.5%. Although the disposal of fall items in the first half of the fiscal year had a temporary impact on the gross profit margin, this was offset by major breakthroughs in sales of HEATTECH inner garments. During the second half of the fiscal year under review, UNIQLO focused on the theme of "maximizing profits" and the continued control of discount sales, both of which contributed to profit margins.

The ratio of SG&A expenses to sales declined 0.5 percentage point. This was due to a decline in the ratio of personnel costs to sales of 0.5 percentage point, owing to a reduction in labor time input as a result of improvement in efficiency in store operations, a decline in staff hiring and recruitment costs and a shortening of time required for training activities as a result of the increase in the number of regional full-time regular employees. In addition, since campaign activities were conducted less frequently than in the previous year, broadcasting and other related costs declined, resulting in a decrease in the ratio of advertising and promotion expenses to sales by 0.4 percentage point. On the other hand, the ratio of rental costs to sales rose 0.3 percentage point because of the opening of more stores in shopping centers and urban commercial facilities.

Because of the improvements in the gross profit margin and the ratio of SG&A expenses to sales, the operating margin in UNIQLO Japan increased 3.6 percentage points, to 18.7% year on year. Moreover, the level of operating income rose a substantial 35.0% year on year.

UNIQLO International Operations

During the fiscal year ended August 31, 2008, UNIQLO International operations posted sales of ¥29.3 billion, which was 72.6% higher than for the previous fiscal year. In addition, operating income amounted to ¥300 million, representing an improvement of ¥1.4 billion over the prior year.

The number of stores increased especially in the Asian region, such as China, including Hong Kong, and South Korea, and, at the end of the fiscal year, UNIQLO International had 54 stores in total, which was 15 stores more than at the end of fiscal 2007. As a result of expansion in income in the Asian region and improvement in the profitability of operations in the United States, UNIQLO International showed its first operating income. UNIQLO operations in the United States came close to reaching breakeven. This was because the costs associated with opening the flagship store in New York's Soho district have been fully paid, and sales at the Soho store have expanded steadily since the store's opening in November 2006. On the other hand, operations of UNIQLO in the United Kingdom have continued to show a loss as a result of the costs mainly associated with the opening of UNIQLO's global flagship store in London.

Japan Apparel Operations

In fiscal 2008, sales of Japan Apparel operations amounted to ¥49.4 billion, an increase of 7.4% over the previous fiscal year, and the operating loss was ¥2.8 billion, which represented a ¥700 million improvement compared with that of the previous fiscal year.

CABIN, a retail chain marketing women's apparel, returned to profitability in fiscal 2008 as a result of management measures that included concentrating resources on that company's core brands, closing unprofitable stores, and improving the efficiency of CABIN headquarters operations. Performance of G.U. was almost according to initial plans and losses were reduced. At ONEZONE, improvements were made in profitability by expanding sales of products designed by that company and the closing of unprofitable outlets. VIEWCOMPANY became a consolidated subsidiary of FAST RETAILING in the second half of fiscal 2008, but sales slowed along with the deceleration in the economy during the latter half and that company reported an operating loss.

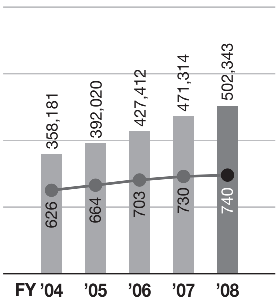
Global Brand Operations

Sales of the Global Brand business for fiscal 2008 totaled ¥43.7 billion, a gain of 19.1% over the previous fiscal year. Operating income stood at ¥7.7 billion, 7.7% higher than that in the prior fiscal year.

As a result of an increase in the number of stores, sales of COMPTOIR DES COTONNIERS rose about 9% but were below the target for the year and profitability declined. On the other hand, gains in sales and income were reported by the PRINCESSE TAM.TAM. business. LINK THEORY HOLDINGS, an affiliate accounted for under the equity method, reported a loss for the fiscal year ended August 2008, and as a result of the exercise of stock options, FAST RETAILING reported investment losses of ¥230 million in connection with its equity interest in LINK THEORY HOLDINGS.

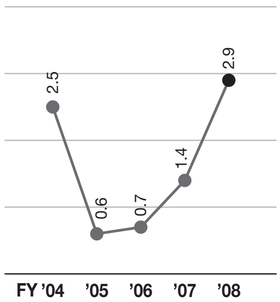
Number of Stores and Sales Floor Space (UNIQLO Japan)*

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



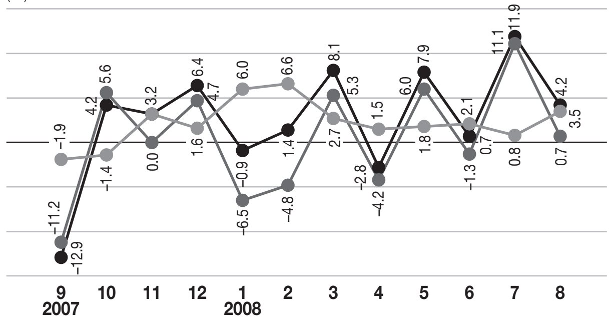
*Directly-managed stores only

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



Year-on-Year Monthly Sales at Existing Stores in FY2008 (UNIQLO Japan)*

● Sales ● Customer Numbers ● Average Purchase per Customer



3 Balance Sheets

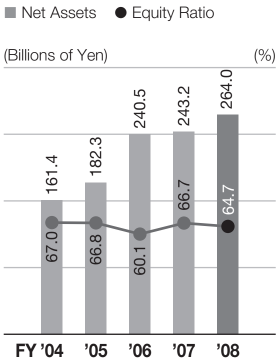
Total assets as of August 31, 2008, amounted to ¥404.7 billion, ¥44.9 billion higher than at the end of the previous fiscal year. Within this total, current assets increased ¥45.7 billion, to ¥263.6 billion. The principal factor accounting for this increase in current assets was an increase of ¥50.6 billion in cash and equivalents resulting from the increase in cash flow in UNIQLO Japan operations and other factors.

Inventories declined ¥1.3 billion, to ¥53.7 billion. By principal segment, inventories of UNIQLO Japan operations declined ¥3.6 billion while inventories of UNIQLO International operations rose ¥1.2 billion. Although the number of directly-managed stores of UNIQLO Japan rose by 10, sales over the course of the fiscal year continued to be firm, and inventories declined.

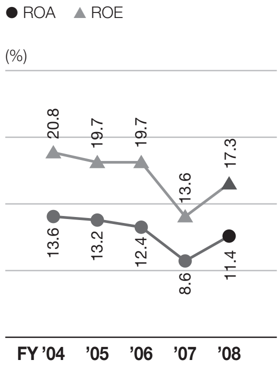
Fixed assets declined ¥700 million, to ¥141.0 billion. This was mainly because of a decrease of ¥2.1 billion in intangible fixed assets accompanying the further amortization of goodwill and a decline of ¥2.0 billion in investments in subsidiaries and affiliates resulting from the inclusion of VIEWCOMPANY (which was formerly accounted for under the equity method) within the scope of consolidation as a subsidiary. These two factors fully offset the increase in tangible fixed assets of ¥2.9 billion resulting from the expansion in the number of UNIQLO stores.

Net assets rose ¥20.7 billion, to ¥264.0 billion. Although dividend payments amounted to ¥12.7 billion, net unrealized gains on hedge transactions were down ¥6.4 billion, and net unrealized gains (losses) on securities decreased ¥1.2 billion, these factors were more than offset by the ¥43.5 billion in net income reported for the fiscal year.

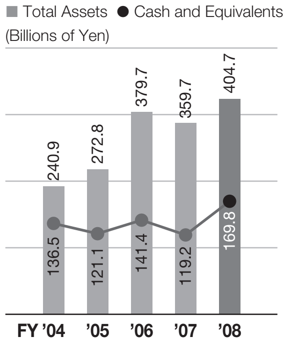
Net Assets and Equity Ratio



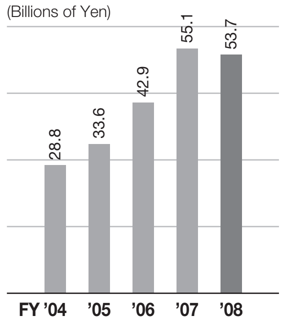
ROA and ROE



Total Assets and Cash and Equivalents



Inventories



4 Cash Flows

Cash and equivalents at the end of fiscal 2008 amounted to ¥169.8 billion, ¥50.6 billion higher than at the end of the previous fiscal year. The principal movements in cash flows were as follows:

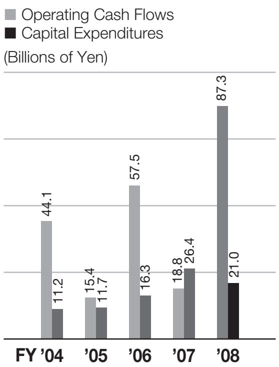
Net cash provided by operating activities rose ¥68.4 billion, to ¥87.3 billion. This was mainly due to an increase in income before income taxes and minority interest of ¥19.2 billion, the effect of a ¥17.9 billion increase in trade payables, the impact of a decrease in inventories of ¥13.6 billion, and the effect of a decline in income taxes paid of ¥19.7 billion. Please note that the decline in income taxes paid for fiscal 2008 was due to substantial tax payments in fiscal 2007 in connection with the transition to a holding company structure in November 2005.

Net cash used in investing activities amounted to ¥15.4 billion, a decline of ¥13.3 billion compared with the previous fiscal year. The principal factors accounting for this decrease were a decline of ¥3.2 billion in purchase of property and equipment and a drop of ¥3.4 billion in payments for lease deposits.

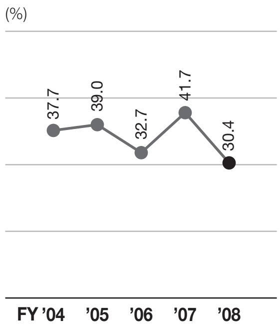
Net cash used in financing activities rose ¥6.2 billion, to ¥19.0 billion. Principal factors accounting for this increase included a decline of ¥3.7 billion in proceeds from long-term debt.

The Group's policy for retained earnings and free cash flow is 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.

Operating Cash Flows and Capital Expenditures



Dividend Payout Ratio



■ Dividend Policy

FAST RETAILING regards returning a portion of profits to its shareholders as one of its highest priorities and has adopted basic policies 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 policies are 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. The Group maintained its dividend payout ratio on a consolidated basis for the fiscal year ended August 31, 2008, at more than 30%.

5 Outlook for Fiscal 2009 (As of January 9, 2009)

For the fiscal year ending August 31, 2009, FAST RETAILING targets net sales of ¥627.0 billion, an increase of 6.9% year on year, operating income of ¥99.0 billion, an increase of 13.2%, and net income of ¥50.0 billion, an increase of 14.9%. Net income per share is forecast to rise to ¥490.92, and plans call for paying a cash dividend of ¥150 per share, including ¥75 as an interim dividend. Outlooks by segment are as follows.

1. Consolidated Outlook for Fiscal Year Ending August 31, 2009

Billions of Yen	Annual	% Change	First Half	% Change	Second Half	% Change
Net sales	**¥627.0**	+6.9	¥349.0	+10.3	¥278.0	+2.9
Gross profit	**313.0**	+6.6	174.0	+10.9	139.0	+1.7
SG&A expenses	**214.0**	+3.8	110.0	+7.2	104.0	+0.5
Operating income	**99.0**	+13.2	64.0	+17.9	35.0	+5.4
Net income	**50.0**	+14.9	35.0	+22.2	15.0	+0.7

2. Outlook of Number of Stores by Business

	2008	2009 (Planned)			
	End Aug.	Open	Close	Net Increase	End Aug.
UNIQLO	813	95	34	+61	**874**
UNIQLO Japan:	759	54	33	+21	**780**
Directly-managed	740	52	32	+20	**760**
Franchise	19	2	1	+1	**20**
UNIQLO International:	54	41	1	+40	**94**
China	13	19	0	+19	**32**
Hong Kong	8	4	0	+4	**12**
South Korea	18	14	0	+14	**32**
Singapore	—	2	0	+2	**2**
U.K.	13	2	1	+1	**14**
U.S.	1	0	0	0	**1**
France	1	0	0	0	**1**
CABIN	193	41	17	+24	**217**
g.u.	58	9	7	+2	**60**
FOOTPARK	294	2	59	(57)	**237**
VIEW	105	3	8	(5)	**100**
COMPTOIR DES COTONNIERS	348	19	2	+17	**365**
PRINCESSE TAM.TAM	150	15	0	+15	**165**
Total	1,961	184	127	+57	**2,018**

3. Outlook of Sales by Group Operation

Billions of Yen	2009 (Planned)	2008	y/y Difference	(%)
UNIQLO Japan:				
Net sales	**¥502.0**	¥462.3	¥39.7	+8.6
Operating income	**100.0**	86.4	13.6	+15.7
UNIQLO International:				
Net sales	**41.0**	29.3	11.7	+39.7
Operating income	**1.0**	0.3	0.7	+177.8
Japan Apparel Operations:				
Net sales	**50.0**	49.4	0.6	+1.0
Operating loss	**(1.0)**	(2.8)	1.8	—
Global Brand Operations:				
Net sales	**31.0**	43.7	(12.7)	(29.1)
Operating income	**3.0**	7.7	(4.7)	(61.3)

UNIQLO Japan Operations

UNIQLO is anticipating 8.6% growth in its sales in Japan, to ¥502.0 billion, and 15.7% expansion in operating income, to ¥100.0 billion, for the fiscal year ending August 31, 2009. Sales of existing stores are forecast to rise 5.8%, and UNIQLO aims to add 20 new stores on a net basis. UNIQLO will continue to focus on opening large-format stores with about 1,600 square meters of sales floor space and plans to open 24 such stores in fiscal 2009. UNIQLO will strengthen its lineup of women's items in these large-format stores in order to improve sales efficiency on a square-meter basis. In addition, it will work to lower the ratio of personnel costs through standardizing store operations at large-format stores.

Forecasts for fiscal 2009 call for a 0.1 percentage point decline in the gross profit margin, to 48.4%. During the first half, the gross profit margin is to improve by 0.7 percentage point from the previous fiscal year, but, in the second half, a 1.0 percentage point decline is expected from the relatively high 49.5% recorded for the same period a year earlier. The SG&A expense ratio is expected to show a 1.3 percentage point improvement, mainly due to a lower ratio of personnel costs to net sales and a decline in the ratio of rent to net sales as a result of increases in revenue at existing stores.

UNIQLO International Operations

UNIQLO is forecasting a 39.7% rise in sales in its operations overseas in fiscal 2009, to ¥41.0 billion, and a 177.8% gain in operating income, to ¥1.0 billion. In the robust markets of Asia, principally China, including Hong Kong, and South Korea, UNIQLO is planning to adopt a cautious but active stance toward opening new stores while carefully monitoring developments in the market environment. In addition, in spring 2009,

Consolidated Subsidiaries*1

Consolidated Subsidiaries		Share Ownership
UNIQLO Business		
UNIQLO CO., LTD.	Japan	100.0%
UNIQLO(U.K.)LTD.	U.K.	100.0%
FAST RETAILING (JIANGSU) APPAREL CO., LTD.	China	83.3%*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%
UNIQLO FRANCE S.A.S.	France	100.0%
Non-UNIQLO Business		
ONEZONE CORPORATION	Japan	100.0%
FR FRANCE S.A.S.	France	100.0%
Créations Nelson S.A.S.	France	100.0%
PETIT VEHICULE S.A.S.	France	95.0%
CABIN CO., LTD.	Japan	100.0%
G.U. CO., LTD.	Japan	100.0%
VIEWCOMPANY CO., LTD.	Japan	100.0%
Equity-Method Affiliated:		
LINK THEORY HOLDINGS CO.,LTD.	Japan	32.3%

*1: Percentage ownership as of August 31, 2008
*2: Percentage ownership of voting shares: 83.3%

UNIQLO is scheduled to enter a new market with the opening of a store in Singapore.

UNIQLO in the United States aims to increase profitability through expansion in sales of its global flagship store. UNIQLO(U.K.) will no longer have opening costs for its global flagship store to cover in fiscal 2009 and is scheduled to reduce its losses through stronger inventory control.

Japan Apparel Operations

Growth in sales of about 1.0%, to ¥50.0 billion, and a decrease in operating losses are expected for Japan Apparel operations. Although conditions surrounding the apparel industry are becoming more severe, CABIN is expected to continue to show a profit as the Group moves forward with management reforms, including application of the UNIQLO SPA (Speciality Store Retailer of Private-Label Apparel) approach and other management know-how of the Group. Specific measures will include concentrating management resources on core brands, improving profitability, and reducing costs through concentration of material procurement.

In GOV RETAILING, which was established through the merger of G.U., ONEZONE, and VIEWCOMPANY, the Group plans to reduce losses by taking steps to centralize the headquarters functions of the three predecessor companies while also working to reduce costs through joint production and procurement within the Group.

Global Brand Operations

In fiscal 2009, sales of Global Brand operations are forecast to decline 29.1%, to ¥31.0 billion, and operating income is expected to decline 61.3%, to ¥3.0 billion. Sales of COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM are both expected to be adversely affected by the economic downturn in Europe and by the appreciation of the yen, thus resulting in decreases in sales and operating income.

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. 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

Members of the Group's management team, led by Tadashi Yanai, Chairman, President & CEO, have a major role to play in their 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 merchandize, services, and price, and the Group engages in tough competition with other companies in its industry in Japan and overseas. 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 merchandize sold in UNIQLO business operations, which are the core activities 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 that have an impact on the supply of goods from these regions, 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, China (including Hong Kong), the United States, South Korea, France, and Singapore). At present, the UNIQLO International operations 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 International's sales to the Group's net sales is likely to rise. Along with this trend, the uncertainties of changes in market needs and product trends, economic fluctuations, political and social turbulence, or changes in legal regulations and/or other conditions in these overseas markets 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 approximately the coming three years, 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 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 its 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, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (note 1)
ASSETS	2008	2007	2008
Current assets:			
Cash (notes 3 and 11)	**¥ 67,248**	¥ 64,091	**$ 614,979**
Marketable securities (notes 3 and 4)	**102,912**	55,237	**941,125**
Trade notes and accounts receivable	**13,411**	9,849	**122,643**
Less—Allowance for doubtful accounts	**(109)**	(110)	**(997)**
Net trade receivables	**13,302**	9,739	**121,646**
Inventories (note 11)	**53,778**	55,173	**491,797**
Deferred tax assets (note 5)	**2,545**	1,752	**23,274**
Income tax refund receivable	**6,959**	5,837	**63,640**
Exchange rate forward contracts	**6,607**	17,514	**60,421**
Other	**10,345**	8,635	**94,604**
Total current assets	**263,696**	217,978	**2,411,486**
Fixed assets:			
Property and equipment:			
Land	**3,995**	3,980	**36,534**
Buildings and structures	**57,764**	50,652	**528,249**
Furniture and equipment	**6,170**	4,719	**56,424**
Construction in progress	**897**	2,117	**8,203**
Total	**68,826**	61,468	**629,410**
Less—Accumulated depreciation	**(28,509)**	(24,129)	**(260,713)**
Net property and equipment	**40,317**	37,339	**368,697**
Intangible assets:			
Goodwill	**28,122**	32,536	**257,174**
Other (note 11)	**12,716**	10,466	**116,287**
Total intangible assets	**40,838**	43,002	**373,461**
Investments and other assets:			
Investments in securities (note 4)	**669**	907	**6,118**
Investments in subsidiaries and affiliates (note 4)	**3,756**	5,817	**34,348**
Lease deposits (note 11)	**35,629**	34,196	**325,825**
Construction assistance fund receivables	**18,076**	19,169	**165,304**
Deferred tax assets (note 5)	**730**	684	**6,676**
Other	**1,551**	1,455	**14,184**
Less—Allowance for doubtful accounts	**(542)**	(777)	**(4,957)**
Total investments and other assets	**59,869**	61,451	**547,498**
Total fixed assets	**141,024**	141,792	**1,289,656**
Total assets	**¥404,720**	¥359,770	**$3,701,142**

See accompanying notes to consolidated financial statements.

LIABILITIES	Millions of Yen 2008	2007	Thousands of U.S. Dollars (note 1) 2008
Current liabilities:			
Accounts payable	¥ 57,035	¥ 40,568	$ 521,582
Portion of long-term debt due within one year (notes 6 and 11)	3,201	4,484	29,273
Accrued income taxes (note 5)	24,570	14,393	224,691
Deferred tax liabilities (note 5)	3	4,499	27
Other	33,782	26,614	308,935
Total current liabilities	118,591	90,558	1,084,508
Long-term liabilities:			
Long-term debt (notes 6 and 11)	16,288	19,432	148,953
Accrued retirement and severance obligations (note 7)	253	393	2,314
Other (note 11)	5,574	6,104	50,973
Total long-term liabilities	22,115	25,929	202,240
Total liabilities	140,706	116,487	1,286,748
Net assets:			
Capital (note 8)	10,274	10,274	93,955
Additional paid-in capital (note 8)	4,999	4,999	45,716
Retained earnings (note 9)	259,756	228,958	2,375,455
Treasury stock, at cost (note 10)	(15,556)	(15,546)	(142,259)
Net unrealized gains (losses) on securities	(928)	369	(8,487)
Net unrealized gains on hedge transactions	3,940	10,393	36,031
Foreign currency translation adjustments	(517)	697	(4,728)
Minority interest	2,046	3,139	18,711
Total net assets	264,014	243,283	2,414,394
Commitments and contingencies (note 12)			
Total liabilities and net assets	¥404,720	¥359,770	$3,701,142

Consolidated Statements of Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (note 1)
	2008	2007	2006	**2008**
Net sales	**¥586,451**	¥525,203	¥448,819	**$5,363,064**
Cost of sales	**292,769**	276,808	236,401	**2,677,357**
Gross profit	**293,682**	248,395	212,418	**2,685,707**
Selling, general and administrative expenses (note 13)	**206,189**	183,432	142,063	**1,885,588**
Operating income	**87,493**	64,963	70,355	**800,119**
Other income (expenses):				
Interest and dividend income	**2,240**	1,314	1,045	**20,485**
Equity in income (losses) of affiliates accounted for under equity method, net	**(379)**	(2,078)	274	**(3,466)**
Foreign exchange gain (loss)	**(2,001)**	1,884	1,805	**(18,299)**
Gain on sale of investments in securities	**—**	98	578	**—**
Interest expenses	**(1,635)**	(1,775)	(854)	**(14,952)**
Gain on forgiveness of subsidiary debt	**301**	—	837	**2,753**
Gain on sale of fixed assets	**123**	1,409	—	**1,125**
Reversal of allowance for doubtful accounts	**212**	209	203	**1,939**
Loss on disposal of fixed assets	**(1,005)**	(650)	(861)	**(9,191)**
Impairment loss (note 14)	**(896)**	(2,118)	(228)	**(8,194)**
Loss on closure of stores	**(1,290)**	(467)	(193)	**(11,797)**
Loss on termination of leases	**—**	—	(202)	**—**
Restructuring expenses	**(1,296)**	—	—	**(11,852)**
Other, net	**127**	(76)	(7)	**1,161**
Total	**(5,499)**	(2,250)	2,397	**(50,288)**
Income before income taxes and minority interest	**81,994**	62,713	72,752	**749,831**
Income taxes (note 5):				
Current	**38,890**	31,145	32,613	**355,647**
Deferred	**(762)**	(371)	(1,680)	**(6,968)**
Total	**38,128**	30,774	30,933	**348,679**
Minority interest	**337**	164	1,382	**3,082**
Net income	**¥ 43,529**	¥ 31,775	¥ 40,437	**$ 398,070**

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, 2008, 2007 and 2006

	Millions of Yen								
	Capital	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedge transactions	Foreign currency translation adjustments	Minority interest	Total
Balance at August 31, 2005	¥10,274	¥4,579	¥184,293	¥(16,041)	¥ (676)	¥ —	¥ (80)	¥ 5,146	¥187,495
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
Effect of newly consolidated subsidiaries	—	—	(254)	—	—	—	—	—	(254)
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
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
Effect of newly consolidated subsidiaries	—	—	(203)	—	—	—	—	—	(203)
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
Net income	**—**	**—**	**43,529**	**—**	**—**	**—**	**—**	**—**	**43,529**
Cash dividends (note 9)	**—**	**—**	**(12,731)**	**—**	**—**	**—**	**—**	**—**	**(12,731)**
Increase in treasury stock (note 10)	**—**	**—**	**—**	**(10)**	**—**	**—**	**—**	**—**	**(10)**
Decrease in treasury stock (note 10)	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**0**
Net change during the year	**—**	**—**	**—**	**—**	**(1,297)**	**(6,453)**	**(1,214)**	**(1,093)**	**(10,057)**
Balance at August 31, 2008	**¥10,274**	**¥4,999**	**¥259,756**	**¥(15,556)**	**¥ (928)**	**¥ 3,940**	**¥ (517)**	**¥ 2,046**	**¥264,014**

	Thousands of U.S. Dollars (note 1)								
	Capital	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains (losses) on securities	Net unrealized gains (losses) on hedge transactions	Foreign currency translation adjustments	Minority interest	Total
Balance at August 31, 2007	$93,955	$45,716	$2,093,809	$(142,167)	$ 3,374	$ 95,043	$ 6,374	$28,706	$2,224,810
Net income	**—**	**—**	**398,070**	**—**	**—**	**—**	**—**	**—**	**398,070**
Cash dividends (note 9)	**—**	**—**	**(116,424)**	**—**	**—**	**—**	**—**	**—**	**(116,424)**
Increase in treasury stock (note 10)	**—**	**—**	**—**	**(93)**	**—**	**—**	**—**	**—**	**(93)**
Decrease in treasury stock (note 10)	**—**	**0**	**—**	**1**	**—**	**—**	**—**	**—**	**1**
Net change during the year	**—**	**—**	**—**	**—**	**(11,861)**	**(59,012)**	**(11,102)**	**(9,995)**	**(91,970)**
Balance at August 31, 2008	**$93,955**	**$45,716**	**$2,375,455**	**$(142,259)**	**$ (8,487)**	**$ 36,031**	**$ (4,728)**	**$18,711**	**$2,414,394**

See accompanying notes to consolidated financial statements.

Beginning with the fiscal year ended August 31, 2006, minority interest has been included in net assets.

Consolidated Statements of Cash Flows

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2008, 2007 and 2006

	Millions of Yen			Thousands of U.S. Dollars (note 1)
	2008	2007	2006	**2008**
Cash flows from operating activities:				
Income before income taxes and minority interest	**¥81,994**	¥ 62,713	¥ 72,752	**$ 749,831**
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:				
Depreciation and amortization	**8,523**	6,567	5,364	**77,942**
Impairment loss	**896**	2,118	228	**8,194**
Amortization of goodwill	**5,315**	4,254	1,150	**48,605**
Equity in (income) losses of affiliates accounted for under equity method, net	**379**	2,078	(274)	**3,466**
Decrease in allowance for doubtful accounts	**(260)**	(263)	(248)	**(2,378)**
Increase (decrease) in accrued retirement and severance obligations	**(130)**	(55)	79	**(1,189)**
Interest and dividend income	**(2,240)**	(1,314)	(1,045)	**(20,485)**
Interest expenses	**1,635**	1,775	853	**14,952**
Foreign exchange (gain) loss	**369**	(608)	(160)	**3,374**
Loss on disposal of fixed assets	**1,005**	650	861	**9,191**
Gain on sales of fixed assets	**(123)**	(1,409)	—	**(1,125)**
Gain on forgiveness of subsidiary debt	**—**	—	(837)	**—**
Increase in trade receivables	**(3,505)**	(1,132)	(2,108)	**(32,053)**
(Increase) decrease in inventories	**1,851**	(11,809)	(4,465)	**16,927**
(Increase) decrease in other assets	**(2,104)**	6,408	(152)	**(19,241)**
Increase (decrease) in trade payables	**15,378**	(2,529)	4,368	**140,631**
Increase (decrease) in other liabilities	**7,117**	(4,243)	5,858	**65,085**
Bonuses to directors	**—**	(175)	(116)	**—**
Other	**606**	(163)	85	**5,542**
Total	**116,706**	62,863	82,193	**1,067,269**
Interest and dividend received	**2,210**	1,365	1,045	**20,210**
Interest paid	**(1,647)**	(1,700)	(756)	**(15,062)**
Repayments of debt associated with reorganizing subsidiary	**(502)**	(482)	(609)	**(4,590)**
Income taxes paid	**(36,258)**	(55,993)	(24,396)	**(331,577)**
Income taxes refund	**6,827**	12,794	—	**62,433**
Net cash provided by operating activities	**87,336**	18,847	57,477	**798,683**
Cash flows from investing activities:				
Net decrease (increase) in time deposits	**(95)**	16	(73)	**(869)**
Purchase of investment securities	**—**	(181)	—	**—**
Proceeds from redemption of securities	**9**	6,172	1,000	**82**
Investments in subsidiaries	**—**	(15,400)	(20,744)	**—**
Acquisition of newly consolidated subsidiaries	**(1,013)**	—	(9,688)	**(9,264)**
Purchase of property and equipment	**(11,187)**	(14,427)	(8,716)	**(102,305)**
Proceeds from sale of property and equipment	**172**	2,271	222	**1,573**
Payments for lease deposits	**(3,978)**	(7,414)	(3,105)	**(36,378)**
Collections of lease deposits	**3,396**	2,830	1,393	**31,056**
Payments for construction assistance fund receivables	**(1,253)**	(1,112)	(2,316)	**(11,458)**
Collections of construction assistance fund receivables	**2,333**	2,231	1,802	**21,335**
Purchase of intangible assets	**(4,597)**	(3,487)	(2,123)	**(42,039)**
Other, net	**792**	(282)	441	**7,243**
Net cash used in investing activities	**(15,421)**	(28,783)	(41,907)	**(141,024)**
Cash flows from financing activities:				
Net increase (decrease) in short-term debt	**214**	(169)	291	**1,957**
Proceeds from long-term debt	**56**	3,844	15,432	**512**
Repayments of long-term debt	**(4,896)**	(3,308)	(1,624)	**(44,774)**
Proceeds from (payment for) treasury stocks, net	**(9)**	(6)	920	**(82)**
Dividends paid	**(12,729)**	(13,747)	(13,223)	**(116,406)**
Other	**(1,690)**	627	136	**(15,455)**
Net cash provided by (used in) financing activities	**(19,054)**	(12,759)	1,932	**(174,248)**
Effect of exchange rate changes on cash and equivalents	**(2,189)**	153	1,454	**(20,018)**
Net increase (decrease) in cash and equivalents	**50,672**	(22,542)	18,956	**463,393**
Cash and equivalents at beginning of year (note 3)	**119,216**	141,404	121,061	**1,090,224**
Cash and equivalents of newly consolidated subsidiaries	**—**	354	1,387	**—**
Cash and equivalents at end of year (note 3)	**¥169,888**	¥119,216	¥141,404	**$1,553,617**

See accompanying notes to consolidated financial statements.

1 Basis of Presentation and Financial Statement Translation

(a) Basis of Presentation and Financial Statement Translation

The accompanying consolidated financial statements of FAST RETAILING CO., LTD. ("the Company") and 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 Financial Instruments and Exchange Act 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 ¥109.35=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2008. 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 (21 in 2007) over which the Company has power of control through substantial ownership of majority voting rights.

Major Consolidated Subsidiaries	Ownership Percentage 2008	2007
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%**	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%
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.	**100%**	97%
VIEWCOMPANY CO.,LTD.	**100%**	33%
G.U. CO., LTD.	**100%**	100%

The Company acquired shares of VIEWCOMPANY CO.,LTD. in November 2006, which had been accounted for under the equity method, until the Company acquired control over VIEWCOMPANY CO.,LTD. in February 2008. The Company has consolidated its accounts since then.

ASPESI Japan Co., Ltd. was excluded from consolidation because of the sale of all the shares on July 8, 2008 that were owned by the Company.

The consolidated financial statements of the Company as of and for the years ended August 31, 2008 and 2007 include accounts of FAST RETAILING (JIANGSU) APPAREL CO., LTD. and FAST RETAILING (CHINA) TRADING CO., LTD. as of June 30, and VIEWCOMPANY CO.,LTD. as of August 20, which are the end of the interim period. 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 for FAST RETAILING (JIANGSU) APPAREL CO., LTD. and FAST RETAILING (CHINA) TRADING CO., LTD., and August 21 to August 31 for VIEWCOMPANY CO.,LTD. have been adjusted for the Company's consolidation purposes.

As PETIT VEHICULE S.A.S. changed its fiscal year-end, from December 31 to August 31, in order to correspond with the Company, the results of 14 months from July 2007 to August 2008 have been included in the consolidated financial statements of fiscal 2008.

LINK THEORY HOLDINGS CO.,LTD. has been accounted for using the equity method.

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 affiliate 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.

Available-for-sale securities with no fair market value are carried at cost.

Investments in unconsolidated subsidiaries and the other affiliate 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 its subsidiaries designate certain accounts as highly doubtful accounts and provide 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 its 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 have defined contribution plans.

Certain other 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 are translated at the quarterly average exchange rates.

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 nonperformance 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) Reclassifications

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

Consolidated Balance Sheets

Certificates of deposit, which had been included in the cash account in prior fiscal years, have been recorded in the marketable securities account starting from the current fiscal year in accordance with JICPA Accounting Committee Report No. 14, "Practical Guidelines Concerning Accounting for Financial Instruments". The balances of certificates of deposit as of August 31, 2008 and 2007 were ¥26,786 million ($244,957 thousand) and ¥7,000 million, respectively.

3 Cash and Equivalents

Cash and equivalents as of August 31, 2008 and 2007 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Cash	**¥ 67,248**	¥ 64,091	**$ 614,979**
Time deposits with maturity over three months	**(272)**	(112)	**(2,487)**
Marketable securities	**102,912**	55,237	**941,125**
Cash and equivalents	**¥169,888**	¥119,216	**$1,553,617**

4 Short-term Investments and Investments in Securities

Investments in securities as of August 31, 2008 and 2007 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, 2008 and 2007:

(a) Securities with Available Fair Values

	Millions of Yen		
As of August 31, 2008	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	**¥ 327**	**¥ 450**	**¥123**
Other	**3,425**	**3,917**	**492**
Securities with available fair values not exceeding acquisition cost:			
Equity securities	**17**	**14**	**(3)**
Total	**¥3,769**	**¥4,381**	**¥612**

	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)
Total	¥3,769	¥4,670	¥901

	Thousands of U.S. Dollars		
As of August 31, 2008	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	**$ 2,990**	**$ 4,115**	**$1,125**
Other	**31,322**	**35,821**	**4,499**
Securities with available fair values not exceeding acquisition cost:			
Equity securities	**155**	**128**	**(27)**
Total	**$34,467**	**$40,064**	**$5,597**

The following table summarizes book values of securities with no fair values as of August 31, 2008 and 2007.

(b) Securities with No Available Fair Values

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Equity securities	**¥ 203**	¥ 205	**$ 1,856**
Mutual funds	**45,138**	39,844	**412,785**
Cash liquidity fund	**25,069**	11,018	**229,255**
Cash reserve funds	**—**	405	**—**
Certificates of deposit	**26,786**	—	**244,957**
Others	**2,000**	0	**18,290**

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 years ended 2008, 2007 and 2006.

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 fiscal 2008 and 2007 are as follows:

	2008	2007
Statutory income tax rate:	**40.5%**	40.5%
Increase in reserves for valuation changes	**3.8**	5.8
Loss in earnings of affiliates	**—**	1.3
Amortization of goodwill	**2.6**	2.6
Lower income tax rates applicable to income in certain foreign countries	**(1.2)**	—
Other	**0.8**	(1.1)
Effective income tax rate	**46.5%**	49.1%

The reconciliation for fiscal 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, 2008 and 2007 are presented as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Total gross deferred tax assets:			
Accrued business tax	**¥ 1,698**	¥ 1,053	**$ 15,528**
Accrued bonus	**1,792**	1,558	**16,388**
Loss on impairment	**1,246**	1,178	**11,395**
Long-term prepaid expenses	**—**	376	**—**
Operating loss carryforward	**11,848**	10,579	**108,349**
Other	**3,823**	2,652	**34,961**
	20,407	17,396	**186,621**
Valuation allowance	**(14,516)**	(12,064)	**(132,748)**
	5,891	5,332	**53,873**
Total gross deferred tax liabilities:			
Net unrealized gains on hedge transactions	**(2,619)**	(7,129)	**(23,950)**
Net unrealized holding gains on securities	**—**	(256)	**—**
Other	**—**	(10)	**—**
	(2,619)	(7,395)	**(23,950)**
Net deferred tax assets (liabilities)	**¥ 3,272**	¥ (2,063)	**$ 29,923**

Net deferred tax assets as of August 31, 2008 and 2007 are reflected in the consolidated balance sheets under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets—current	**¥2,545**	¥ 1,752	**$23,274**
Deferred tax assets—non-current	**730**	684	**6,676**
Deferred tax liabilities—current	**(3)**	(4,499)	**(27)**
Net deferred tax assets (liabilities)	**¥3,272**	¥(2,063)	**$29,923**

6 Long-term Debt

Long-term debt as of August 31, 2008 and 2007 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Long-term loans mainly from financial institutions, 5.41% interest on average, due 2009 through 2014	**¥19,489**	¥23,916	**$178,226**
Less current portion	**3,201**	4,484	**29,273**
	¥16,288	¥19,432	**$148,953**

The annual maturities of long-term debt subsequent to August 31, 2008 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 3,201	$ 29,273
2010	2,686	24,563
2011	13,194	120,659
2012	220	2,012
2013	130	1,189
Thereafter	58	530
	¥19,489	$178,226

7 Accrued Retirement and Severance Obligations

The Company and certain subsidiaries have defined contribution plans. Certain other subsidiaries have defined benefit plans.

Benefit obligations and plan assets as of August 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligations	**¥3,492**	¥4,121	**$31,934**
Less: Plan assets	**(2,940)**	(3,792)	**(26,886)**
Unfunded benefit obligations	**552**	329	**5,048**
Unrecognized gain resulting from adoption of new accounting standard	**—**	35	**—**
Unrecognized actuarial loss	**(311)**	(8)	**(2,844)**
Unrecognized prior service benefit	**12**	37	**110**
Accrued retirement and severance obligations	**¥ 253**	¥ 393	**$ 2,314**

The components of net retirement benefit costs for the years ended August 31, 2008, 2007 and 2006 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Service cost	**¥230**	¥213	¥ 61	**$2,103**
Interest cost	**55**	53	1	**503**
Expected return on plan assets	**(129)**	(124)	(6)	**(1,180)**
Expenses related to defined contribution plans	**280**	196	249	**2,561**
Others	**19**	(41)	—	**174**
	¥455	¥297	¥305	**$4,161**

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, 2008. Issued and outstanding shares were 106,073,656 shares for each of the three years as of August 31, 2008.

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 retained earnings, until the additional paid-in capital and the legal reserve 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 meeting of the Board of Directors. The accompanying consolidated financial statements do not include any provision for dividends of ¥65 ($0.59) per share, aggregating ¥6,620 million ($60,540 thousand). These dividends were approved at the meeting of the Board of Directors held November 10, 2008 in respect of the fiscal year ended August 31, 2008.

10 Treasury Stock

The JCL allows repurchase of treasury stock to the extent of distributable funds appropriated by resolution of the meeting of the Board of Directors. 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, 2008, 2007 and 2006 are summarized as follows.

	Shares	Millions of Yen	Thousands of U.S. Dollars
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	
Repurchase of common stock	711	6	
Issuance of treasury stock, net	(60)	(0)	
Balance as of August 31, 2007	4,222,560	15,546	$142,167
Repurchase of common stock	1,038	10	93
Issuance of treasury stock, net	(16)	(0)	(1)
Balance as of August 31, 2008	**4,223,582**	**¥15,556**	**$142,259**

11 Pledged Assets

As of August 31, 2008, the following assets are pledged as collateral for debts and other liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Pledged assets:		
Time deposits	¥ 265	$ 2,423
Inventories	47	430
Other intangible assets	1,524	13,937
Lease deposits	68	622
	¥1,904	$17,412
Corresponding liabilities:		
Portion of long-term debt due within one year	¥ 450	$ 4,115
Long-term debt	1,151	10,526
Other long-term liabilities	177	1,619
	¥1,778	$16,260

12 Commitments and Contingencies

The Company had the following contingent liabilities as of August 31, 2008.

	Millions of Yen	Thousands of U.S. Dollars
Loan guarantees for:		
Employees' benefit society	¥20	$183

13 Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended August 31, 2008, 2007 and 2006 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	**2008**
Advertising and promotion	**¥27,793**	¥26,261	¥22,231	**$254,166**
Salaries	**56,603**	52,126	38,578	**517,631**
Rent	**45,596**	37,404	28,518	**416,973**
Depreciation	**8,523**	6,567	5,409	**77,942**
Amortization of goodwill	**5,315**	4,254	1,150	**48,605**
Allowance for doubtful accounts	**14**	10	72	**128**
Provision for accrued bonus—directors	**—**	—	175	**—**

14 Impairment Loss

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 ¥896 million ($8,194 thousand), ¥1,476 million and ¥228 million, which represents an amount by which the carrying amount exceeds the recoverable amount, was recognized as other expense for the years ended August 31, 2008, 2007 and 2006, respectively. They consisted of the following assets:

Assets	Millions of Yen 2008	2007	2006	Thousands of U.S. Dollars 2008
Buildings and structures	**¥708**	¥1,293	¥196	**$6,475**
Furniture and equipment	**59**	111	3	**539**
Leased assets	**110**	42	23	**1,006**
Other	**19**	30	6	**174**
	¥896	¥1,476	¥228	**$8,194**

During the fiscal year ended August 31, 2008, impairment losses have been recognized for buildings, structures, and certain other assets of some subsidiaries, namely UNIQLO(U.K.)LTD., ONEZONE CORPORATION, and CABIN CO., LTD.

The recoverable value of retail store assets is estimated using the value in use approach. Retail store assets assumed to have no recoverable value if the expected future cash flows derived from those assets is negative. The recoverable value of retail store assets expected to generate positive future cash flows is estimated based on discounting the anticipated future cash flows at discount rates ranging from 3.6% to 7.0% per annum.

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 is 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		
	2008		
	Buildings and structures	Furniture, equipment and other	Total
Acquisition costs	**¥300**	**¥14,210**	**¥14,510**
Accumulated depreciation	**36**	**6,161**	**6,197**
Impairment	**—**	**176**	**176**
Net balance	**¥264**	**¥ 7,873**	**¥ 8,137**

	Millions of Yen	
	2007	
	Furniture, equipment and other	Total
Acquisition costs	¥16,992	¥16,992
Accumulated depreciation	8,867	8,867
Impairment	66	66
Net balance	¥ 8,059	¥ 8,059

	Thousands of U.S. Dollars		
	2008		
	Buildings and structures	Furniture, equipment and other	Total
Acquisition costs	**$2,743**	**$129,950**	**$132,693**
Accumulated depreciation	**329**	**56,342**	**56,671**
Impairment	**—**	**1,610**	**1,610**
Net balance	**$2,414**	**$ 71,998**	**$ 74,412**

	Millions of Yen 2008	2007	2006	Thousands of U.S. Dollars 2008
Lease payments	**¥3,009**	¥3,358	¥3,584	**$27,517**
Reversal of allowance for loss on impairment of leased assets	**18**	10	—	**165**
Depreciation expenses	**2,863**	3,191	3,425	**26,182**
Interest expenses	**179**	169	118	**1,637**
Impairment loss	**110**	42	22	**1,006**

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2008 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥2,670	$24,417
2010 and thereafter	5,764	52,711
	¥8,434	$77,128

Future minimum lease payments relating to operating leases as of August 31, 2008 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 61	$ 558
2010 and thereafter	272	2,487
	¥333	$3,045

16 Per Share Data

Net income per share for the years ended August 31, 2008, 2007 and 2006 is as follows:

	Yen 2008	2007	2006	U.S. Dollars 2008
Basic	**¥427.38**	¥311.98	¥397.38	**$3.91**
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 2008 and 2007 has been presented because there was no item with dilutive effect for those years.

Net assets per share as of August 31, 2008 and 2007 are as follows:

	Yen 2008	2007	U.S. Dollars 2008
Basic	**¥2,572.09**	¥2,357.79	**$23.52**

17 Related Party Transactions

There were no related party transactions during the year ended August 31, 2007 and August 31, 2008.

18 Restructuring Expenses

The restructuring expenses, which consisted mainly of severance-related expenses of ¥821 million ($7,508 thousand) and head office relocation expenses of ¥175 million ($1,600 thousand) for the year ended August 31, 2008, are related to the business restructuring of certain consolidated subsidiaries.

19 Business Combinations

Business combinations for the year ended August 31, 2008 were as follows.

Acquisition of VIEWCOMPANY CO., LTD.

(a) Outline of the Acquisition

(1) Name and lines of business of company acquired:
Name: VIEWCOMPANY CO.,LTD. (VIEWCOMPANY)
Line of business: Footwear manufacture, processing, wholesale and retail

(2) Purpose for acquisition:
The Company decided to reposition VIEWCOMPANY as a consolidated subsidiary after coming to the conclusion that it was necessary to reform VIEWCOMPANY's business activities and accelerate its growth by rejuvenating its operations and making the transition to a business structure that more clearly reflects the commitment of the FAST RETAILING Group ("the Group").

(3) Date of acquisition: February 28, 2008

(4) Legal form of share purchase: Purchase of VIEWCOMPANY's shares through a tender offer

(5) Name of the company after acquisition: VIEWCOMPANY CO.,LTD.

(6) Acquired voting rights:
The Company implemented a public tender offer for the shares of VIEWCOMPANY, from January 11, 2008, through February 27, 2008, and purchased a total of 4,971,000 shares. As a result, the Company owned 99.0% of VIEWCOMPANY's shares (which represented voting rights of 99.0%).

(b) Period of the Acquired Company's Results Included in the Consolidated Financial Statements

VIEWCOMPANY's financial results during the period from February 21, 2008 to August 20, 2008 are consolidated. VIEWCOMPANY's financial results during the period from August 21, 2007 to February 20, 2008 are accounted for as equity in loss of affiliates accounted for under the equity method (based on voting rights of 33.4%).

(c) Details of Acquisition Cost

	Millions of Yen	Thousands of U.S. Dollars
Payments for purchase of common shares	¥2,908	$26,594
Direct costs incurred in the acquisition	148	1,353
Total acquisition cost	¥3,056	$27,947

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

(1) Amount of goodwill: ¥583 million ($5,331 thousand)

(2) Reasons for recognizing goodwill: The acquisition price paid for the purchase of additional VIEWCOMPANY shares was in excess of the market value of the net assets resulting from the acquisition of additional shares.

(3) Method and term of amortizing the goodwill: Goodwill was amortized as an expense during the year ended August 31, 2008.

(e) Assets Acquired and Liabilities Assumed on the Date of Acquisition

	Millions of Yen	Thousands of U.S. Dollars
Cash	¥2,107	$19,268
Lease deposits	2,091	19,122
Others	2,236	20,448
Total assets acquired	¥6,434	$58,838
Accounts payable	¥1,803	$16,488
Others	859	7,856
Total liabilities assumed	¥2,662	$24,344

Transactions under Common Control

(a) Outline of the Transaction

(1) Name and lines of business of the combined companies:
Name: VIEWCOMPANY CO.,LTD. (VIEWCOMPANY)
Line of business: Footwear manufacture, processing, wholesale and retail
Name: G.U. CO., LTD. (GU)
Line of business: Retailing the g.u. casual wear brand

(2) Legal form of business combination:
The transfer of the operations of VIEWCOMPANY and GU to ONEZONE CORPORATION was conducted solely through the payment of cash and other financial assets.

(3) Name of the combined company after the business combination: GOV RETAILING CO., LTD.

(4) Outline and objective of the transaction:
The Company reached the conclusion that merging operations of these three group companies, currently involved in developing footwear and low price clothing operations, into one was the best way to realize the establishment of a footwear and low price clothing operation, which offers new value to customers, with the Company as the main driving force by using the Group's management resources most effectively.

Accordingly, ONEZONE CORPORATION will be the successor company to the operations currently conducted by GU and VIEWCOMPANY.

(b) Outline of Accounting Treatment

Accounting treatment with respect to this transaction is in accordance with "Transactions under common control, etc." set forth in "Accounting Standard for Business Combinations" of the BADC and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" of the Accounting Standards Board of Japan.

20 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, 2008 and 2007, the information by business segment for fiscal 2008 and 2007 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, 2008	Japan	Europe	Others	Total	Eliminations and Corporate	Consolidated
I. Net sales and operating income:						
External sales	**¥514,864**	**¥49,475**	**¥22,112**	**¥586,451**	**¥ —**	**¥586,451**
Intersegment sales	**—**	**337**	**—**	**337**	**(337)**	**—**
Total	**514,864**	**49,812**	**22,112**	**586,788**	**(337)**	**586,451**
Operating expenses	**432,843**	**47,819**	**19,434**	**500,096**	**(1,138)**	**498,958**
Operating income	**¥ 82,021**	**¥ 1,993**	**¥ 2,678**	**¥ 86,692**	**¥ 801**	**¥ 87,493**
II. Total assets	**¥239,764**	**¥57,210**	**¥14,877**	**¥311,851**	**¥92,869**	**¥404,720**

	Millions of Yen					
Year ended August 31, 2007	Japan	Europe	Others	Total	Eliminations and Corporate	Consolidated
I. Net sales and operating income:						
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, 2008	Japan	Europe	Others	Total	Eliminations and Corporate	Consolidated
I. Net sales and operating income:						
External sales	**$4,708,404**	**$452,446**	**$202,214**	**$5,363,064**	**$ —**	**$5,363,064**
Intersegment sales	**—**	**3,081**	**—**	**3,081**	**(3,081)**	**—**
Total	**4,708,404**	**455,527**	**202,214**	**5,366,145**	**(3,081)**	**5,363,064**
Operating expenses	**3,958,326**	**437,302**	**177,723**	**4,573,351**	**(10,406)**	**4,562,945**
Operating income	**$ 750,078**	**$ 18,225**	**$ 24,491**	**$ 792,794**	**$ 7,325**	**$ 800,119**
II. Total assets	**$2,192,629**	**$523,182**	**$136,049**	**$2,851,860**	**$849,282**	**$3,701,142**

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. Corporate operating expenses consist primarily of the administration expenses of the Company, which are not allocated to segments by geographic area. Corporate operating expenses for fiscal 2008 and 2007 were ¥12,584 million ($115,080 thousand) and ¥9,396 million, respectively.
4. Corporate assets consist primarily of cash available for management (cash, deposits, and securities) and administrative assets of the Company. Corporate assets as of August 31, 2008 and 2007 were ¥110,741 million ($1,012,720 thousand) and ¥83,293 million, respectively.

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, 2008			Year ended August 31, 2007			**Year ended August 31, 2008**		
	Europe	Others	Total	Europe	Others	Total	Europe	Others	Total
I. Overseas net sales	**¥49,475**	**¥22,112**	**¥ 71,587**	¥39,972	¥13,769	¥ 53,741	**$452,446**	**$202,213**	**$ 654,659**
II. Consolidated net sales			**¥586,451**			525,203			**$5,363,064**
III. Percentage of overseas sales in consolidated net sales	**8.4%**	**3.8%**	**12.2%**	7.6%	2.6%	10.2%	**8.4%**	**3.8%**	**12.2%**

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, 2007 and 2008, and the related consolidated statements of income, change in net assets, and cash flows for the three years then ended, 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 at August 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the three 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, 2008 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 ShinNihon LLC

November 28, 2008