FAST RETAILING

ANNUAL REPORT 2008
Year ended August 31, 2008

tokyo.interactive.ad.awards.jp 2008
Grand Prix
Integrated Campaign: Gold

New York Festivals 2008
International Advertising Awards
New Media: Grand Award

D&AD Awards 2008
Online/Digital Advertising
Black Pencil

D&AD Awards 2008
Websites/Microsites:
Yellow Pencil

Cannes Lions International
Advertising Festival
Titanium: Grand Prix

Cannes Lions International
Advertising Festival
Cyber: Grand Prix

2008

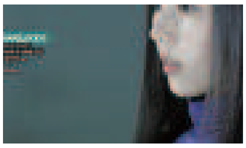
FAST RETAILING Goes Global...

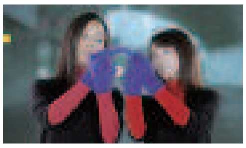
Our motive power is our spirit of innovation and challenge. Our stage is the vast expanse of the globe. Our mission is to inspire changes and challenge conventional wisdom in the apparel industry. Our goal is to enrich the lives of people by designing, producing, and selling better clothes. We are determined to go global, and ready to meet the challenges before us.

FAST RETAILING Around the World

UNIQLOCK

http://www.uniqlo.jp/uniqlock/

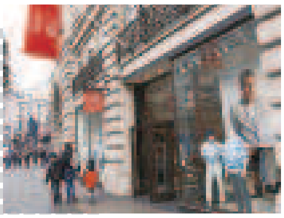



UNIQLOCK is a set of blog parts with a built-in clock function. Groups of girls wearing UNIQLO clothes introduce their original dances as the screen changes in time with the clock and the music. UNIQLOCK first appeared on UNIQLO's website in June 2007 as part of a UNIQLO polo shirt campaign, and, by June 2008, 41,632 blog parts had been established from 83 countries worldwide. During this period, the number of hits on UNIQLO's site rose to 120,900,278 from 212 countries. In addition to combining dance, music, and clock images, none of which depend on language, the site also drew attention because of its original advertising media delivery—through a blog. As a result, UNIQLOCK received Grand Prix awards at all three of the world's top international advertising events, the Titanium and Cyber Lions at the Cannes International Advertising Festival, the Interactive CLIO Awards, and the One Show Interactive (The cover).

UNIQLO Japan Posts Strong Sales and Income

For fiscal 2008, UNIQLO Japan sales increased 8.9%, to ¥462.3 billion, and operating income leapt 35.0%, to ¥86.4 billion. HEATTECH and BRA TOP achieved major breakthroughs, boosting the reputation of UNIQLO products for functional fabrics and high quality.
►►►Page 20



UNIQLO International Reports First Operating Income

UNIQLO has established stores in the U.K., China (including Hong Kong), South Korea, and the United States. Overseas operations moved into the black in fiscal 2008 with the success of the New York flagship store and steady performance in China and South Korea.
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UNIQLO Begins Global Campaigns

UNIQLO's global campaign for UT (print T-shirts), featuring Japanese pop-art *manga* designs, was a major hit in UNIQLO stores worldwide. Following on this, in winter 2008, UNIQLO communicated the excellent features of its HEATTECH functional fabrics. ►►►Page 22

UNIQLO Expands Its Production Centers

To respond to worldwide network expansion, while working with its Chinese production partners, UNIQLO is locating its production centers in Bangladesh and Southeast Asian countries with the aim of transitioning from its "made in China for sale in Japan" business model to a "made around the world for sale worldwide" model. ►►►Page 15

Global Procurement

UNIQLO procures the world's highest-quality fabrics, including European linen, Supima® Cotton from the United States, and cashmere from Inner Mongolia. ►►►Page 12
Fabrics for the PRINCESSE TAM.TAM line are carefully selected from the world's best-producing areas, including the island of Mauritius and the Mediterranean region.
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COMPTOIR DES COTONNIERS in Europe

COMPTOIR DES COTONNIERS originated in France and has become a popular women's apparel brand through advertising featuring real-life mother-and-daughter pairs selected in auditions. With 322 stores in Europe and 34 in Asia, it opened its first U.S. store in summer 2008.
►►►Page 30

Business Reforms in Japan Operations

CABIN focused on its core brands such as ZAZIE and enraciné and returned to profitability in fiscal 2008.
►►►Page 26
Subsidiaries G.U., ONEZONE, and VIEWCOMPANY merged in September 2008 to form GOV RETAILING.
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All-Product Recycling

UNIQLO recycles all its products, with collection campaigns held each March and September. In fiscal 2008, about 1.34 million items were recovered for recycling, and these were donated to refugee camps in Ethiopia and areas hit by cyclones. ►►►Page 40

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FAST RETAILING WAY <FR Group Corporate Philosophy>

Corporate Statement

Changing clothes. Changing conventional wisdom. Change the world.

The FAST RETAILING Group Mission

To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes

To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society

Our Values

Approaching issues from the customer perspective
Embracing innovation & challenge
Respecting and supporting individuals to foster both corporate and personal growth
Committing to ethical standards and correctness

Our Principles

Inspired by the FAST RETAILING Group Mission and Our Values, we will:
Do everything possible for our customers
Pursue excellence and aim for the highest possible level of achievement
Achieve strong results through the promotion of diversity and teamwork
Move speedily and decisively in everything we do
Conduct business in a very real way based on the current marketplace, products and facts
Act as global citizens with ethics and integrity

Group Net Sales and Operating Income by Business in Fiscal 2008

FAST RETAILING — Net Sales ¥586.4 billion; Operating Income ¥87.4 billion

UNIQLO Japan	UNIQLO International	Japan Apparel	Global Brand
UNIQLO Japan	UNIQLO U.K. China / Hong Kong Korea U.S. France	ZAZIE enraciné g.u. FOOT PARK CANDISH	COMPTOIR DES COTONNIERS PRINCESSE tam.tam PARIS LTH
Net Sales ¥462.3 billion Operating Income ¥86.4 billion	Net Sales ¥29.3 billion Operating Income ¥0.3 billion	Net Sales ¥49.4 billion Operating Loss ¥▲2.8 billion	Net Sales ¥43.7 billion Operating Income ¥7.7 billion

In addition to the figures above, consolidated net sales include ¥1.5 billion in revenues from commercial facilities. Sales of companies accounted for by the equity method (including LINK THEORY HOLDINGS and others) are not included in these sales figures. Group operating income includes the operating income of FAST RETAILING and ¥5.3 billion in amortization of goodwill.

Highlights of the Year Ended August 31, 2008

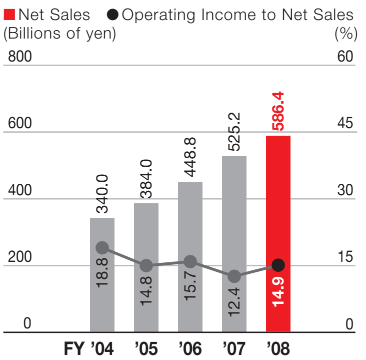
- **Consolidated results:** Net sales rose 11.7%, to ¥586.4 billion; operating income increased 34.7%, to ¥87.4 billion.
- **UNIQLO Japan:** Major breakthroughs with 20 million HEATTECH items and 3 million BRA TOP items sold.
- **UNIQLO Japan:** Opened 22 large-format stores.
- **UNIQLO Japan:** Promoted All-Product Recycling campaign, and total items collected to date rose to 2.13 million.
- **UNIQLO International:** Reported first operating profits, strong performances in China, including Hong Kong, and South Korea.
- **UNIQLO International:** Opened a global flagship in London, the first store in France, on the outskirts of Paris.
- **Japan Apparel:** CABIN progressed with management reforms, focused on core brands, and returned to profitability.
- **Japan Apparel:** Merged G.U., ONEZONE, and VIEWCOMPANY to create GOV RETAILING in September 2008.
- **Dividends:** Paid annual dividends of ¥130 per share, including an interim dividend of ¥65 per share.

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

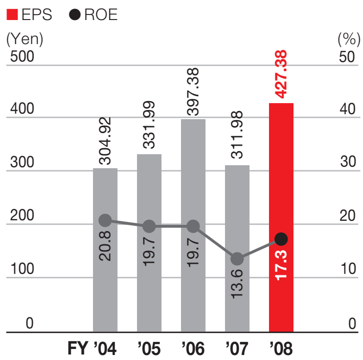
	Millions of Yen (except per share data and other data)			Thousands of U.S. Dollars
	2008	2007	2006	**2008**
For the year:				
Net sales	**¥ 586,451**	¥ 525,203	¥ 448,819	**$ 5,363,064**
Operating income	**87,493**	64,963	70,355	**800,119**
Operating income to net sales (%)	**14.9**	12.4	15.7	
Net income	**43,529**	31,775	40,437	**398,070**
Free cash flow	**71,915**	(9,936)	15,570	**657,659**
ROE (%)	**17.3**	13.6	19.7	
At year-end:				
Total assets	**404,720**	359,770	379,655	**3,701,142**
Total net assets	**264,014**	243,283	240,480	**2,414,394**
Equity ratio (%)	**64.7**	66.7	60.1	
Per share data (Yen, U.S. dollars):				
Net income	**427.38**	311.98	397.38	**3.91**
Cash dividends for the full year	**130.00**	130.00	130.00	**1.19**
Net assets	**2,572.09**	2,357.79	2,240.77	**23.52**
Stock information (At year-end):				
Stock price (Yen, U.S. dollars)	**11,130**	6,790	10,950	**101.78**
Market value (Billions of yen, millions of U.S. dollars)	**1,133**	691	1,115	**10,366**
Other data:				
Total number of stores	**1,961**	1,828	1,632	
Number of full-time employees	**8,054**	6,514	3,990	

Note: Figures are calculated based on foreign exchange rates as of August 31, 2008.

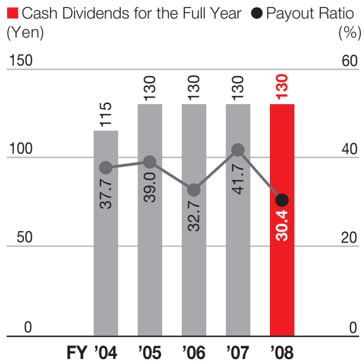
Net Sales and Operating Income %



EPS and ROE



Dividends and Payout Ratio



TADASHI YANAI
FAST RETAILING
Chairman, President and CEO

Becoming a Single, Worldwide Corporate Group

During fiscal 2008, ended August 31, 2008, FAST RETAILING attained significant gains in net sales and net income, driven especially by the performance of the UNIQLO Japan operations. This was made possible as a result of our day-to-day activities aimed at meeting the needs of our customers.

Our customers have grown more and more selective as the business climate deteriorated. However, over the past year, we have achieved major breakthroughs in our UNIQLO operations in Japan. These have included the success of our HEATTECH line for the fall and winter season of 2007 and our BRA TOP line for the spring and summer season of 2008. I feel our customers have grown more enthusiastic about our fabrics and product quality over the past year.

In fiscal 2008, our UNIQLO International operations turned a profit for the first time. Building on the success of its global flagship store in New York, UNIQLO is beginning to raise its profile as one of the global apparel retailing players in international markets. In Asia, we are reporting steady expansion and improvement in our performance in the Chinese market, and we have reached the stage where we can further progress with our store network expansion.

As the rapid spillover effects of the subprime loan crisis proved, the world economy is now completely global and information travels everywhere instantaneously. We have moved from a time when companies could compete in their domestic markets alone to a world where we must compete globally. The apparel retailing industry in Japan developed by reaping the benefits of Japan's economic growth, and it has been slow in adopting a global perspective. Going forward, however, only companies that can grow globally will be able to attain rapid expansion in their activities. For us, becoming No. 1 in Japan is not enough. We have to continue to reinvent ourselves to become an outstanding global manufacturing and retailing company.

As it has gained experience in manufacturing and selling several million units annually of each product, UNIQLO has listened to the voices of highly demanding customers in Japan and constantly made improvements to enhance customer satisfaction. I believe that UNIQLO's basic items have already won worldwide recognition for their quality, and they are already beginning to gain the support of customers in European, U.S., and Asian markets. To compete in world markets, we have to change our perspective from "products that will sell in Japan" to "products that will sell throughout the world."

Our goal at FAST RETAILING is to "become the world's No. 1 apparel retailer." We want to be a company that is world-class in terms of the size of our sales, profitability, customer satisfaction, diversity of talent, and contribution to society. The time has come to step up our drive toward globalization, Group integration, and putting entrepreneurial values into practice. To do this, we have to accelerate our initiatives to create a single, worldwide corporate group. This will require polishing all aspects of FAST RETAILING and UNIQLO, raising the level of management of the FAST RETAILING Group, and creating new businesses that, along with UNIQLO, will become the second and third pillars of our growth and development.

We are looking forward to continuing to meet the challenges FAST RETAILING must confront to become "a single, worldwide corporate group."

December 2008

Tadashi Yanai

Tadashi Yanai
Chairman, President and CEO

Working with the World

Q: FAST RETAILING reported major increases in net sales and net income for the year ended August 31, 2008. What were the driving factors?

A: We adjusted our strategies along with the constantly changing market conditions.

First, in our UNIQLO operations, we have been successful in developing hit products, such as HEATTECH, every season, and this has made a major contribution to our performance.

In business, it is important to formulate detailed plans and implement them, but in reality, conditions differ from planned scenarios every day and every week. We must take aggressive action to respond to these changing conditions. I believe our ability to change our strategies smoothly to match customer desires and the market environment drove the results. Examples include controlling discount sales and getting an early start each season.

Another change over the past year has been that I personally, as the top manager, have been in the workplace, and the awareness among employees of the need "to reinvent the Company" has grown stronger. Everyone has become dead serious about coming up with answers to the question, "how can we sell our products?"

In Japan and overseas, conditions in the apparel retail market were difficult, but I believe the fact that we were able to report a favorable performance was the result of the virtuous cycle we set in motion through our day-to-day activities.

Q: What is FAST RETAILING's global strategy?

A: To make UNIQLO the No. 1 player in Asia

First, it is essential for everyone, from management to employees at all levels, to have a global vision. We have to offer the best products throughout the world, using the best methods, through the best organization. Right now, the strongest organization in the FAST RETAILING Group is UNIQLO, but UNIQLO is half a "local player." Therefore, we have to make UNIQLO a 100% global player and make it the center of a strong, global group.

To become a global player, I believe we have to become No. 1 in all the markets we enter, but, as a first step, just as H&M and ZARA became No. 1 in Europe, we have to become the overwhelming No. 1 in Asia. To do this, we are planning to open more than 100 stores in China, including Hong Kong, as quickly as possible and establish a sales network of 100 stores or more in South Korea. In production, China is already our No. 1 manufacturing center, but, with an eye toward global production, we want to reduce the risks of over-concentration in one country.

Companies that succeed globally, even when the times of their success or their industries differ, have values and business processes that are relatively similar. Those that win and survive are able to adapt to the changing times and generate profits. Only the products and companies that are best matched to the times survive. UNIQLO must offer products that all types of people in overseas markets will purchase. This means creating the same conditions in each country overseas that UNIQLO has created in Japan. As a result, the UNIQLO brand will become known throughout the world.

Q: What does "focusing more on entrepreneurial values" mean to you?

A: I mean reviving our venture spirit.

The quality that employees of FAST RETAILING lack the most now is a venture, or entrepreneurial, spirit. In business, if we continue to think that each day is our first day at the Company or about what we have to do when we open a new store, we will succeed. This holds for brands, too. We should not accept brands as they have always been, but continue to think about what these brands should be in today's business environment. We should challenge the status quo with an acute awareness of the times, the market, and the industry.

Venture businesses either end up as great failures or big successes, but without failures we cannot succeed, so we should not be afraid of failures. As companies become larger and more stable, we tend to take more for granted, but we must go after what we want ourselves. We should question all the ways we have done things in the past and think about new ways of doing things. We should analyze conditions and renovate ourselves. That is what I mean by "focusing more on entrepreneurial values." Our corporate statement says, "Changing clothes. Changing conventional wisdom. Change the world." That means that each and every employee should think about how to change the world through "clothing." We tend to classify people into "idealists" or "realists." However, if you are not a person who knows and understands both ideals and realities, you cannot accomplish great work.

Q: Could you elaborate on your growth strategy going forward?

A: To become No. 1 in the world by 2020, we are taking aggressive steps.

The world economy has moved into a period of stagnation, and consumer confidence is at a low ebb. For retailing companies in Japan and overseas, forecasts are calling for even more difficult business conditions than we have experienced thus far. Going forward, products will not sell unless consumers believe they really need them. In UNIQLO's case—and this holds for HEATTECH—we work with our partners and plants and spend a long time to create high-value-added products that will not be easily imitated. Also, no other company is thinking as seriously as we are about jeans, and no other company is as concerned about the design content of printed T-shirts.

UNIQLO's domestic operations still have much further room for growth, depending on the approaches it takes. We are, therefore, going to continue to proceed with the opening of large stores and concentrate on expanding our lineup of products for women, as we strengthen our development capabilities for women's apparel.

In our overseas operations, we want to consolidate our position in Asia by opening flagship stores in the world's fashion centers with the aim of raising UNIQLO's brand profile. To become a truely global brand, we are going to have to attract more customers in overseas markets.

Turning to other FAST RETAILING Group companies, one of the big issues is improving profitability in the Japan Apparel operations. At GOV RETAILING, which was created through the merger of three Group companies in September 2008, we are continuing to improve the efficiency of management and confronting the challenges involved in creating a new footwear business and a low-priced apparel business. CABIN succeeded in showing a profit for the period ending August 2008, but we continue to work to raise its brand presence with the objective of doubling sales over the next several years.

In our global brand business operations, we are restraining new store openings in view of weakening economic conditions in Europe, but we are taking steps to realize synergies within the Group by combining the back-office functions of COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM and unifying Group production, merchandizing, and marketing activities.

Looking to the future, we have set objectives of ¥1 trillion in net sales and ¥150 billion in recurring profit for the Group. From a longer-term perspective, we have set a goal of "becoming the world's No. 1 apparel retail group" by 2020. To move closer to these goals, all management and staff must make a commitment to work together. If we can really renovate ourselves, I believe that 20% annual growth in net sales and recurring profit margins of 20% are within the realm of possibility.

Q: What are your thoughts on M&A?

A: M&A is one option for achieving growth.

The goal of our M&A activities is, first of all, to create the platform necessary to globalize our UNIQLO operations in a relatively short time. Especially in Europe and the United States, if there are M&A candidates that can help UNIQLO capitalize on its strengths, then we would consider them. The second goal of our M&A activities is to strengthen our brand portfolio. If we can add brands that we can develop globally, as with COMPTOIR DES COTONNIERS, PRINCESSE TAM.TAM, and Theory, we will be able to draw on the financial resources and business platforms of the FAST RETAILING Group and increase Group profitability.

In Japan, we have developed few areas other than basic casual apparel and, therefore, we are looking at virtually all companies in the fashion industry, from production through retailing. Since the apparel industry is very well established in Japan, some sectors are suffering from systemic fatigue, but if we join with good companies, I believe we can work together with them to achieve growth in sales and profit.

In any event, even under the current challenging market conditions, we can observe M&A activities. We believe that M&A is one of the strategic options that we must consider for continued growth.

Group Strategy

Market Environment

The climate for the world economy and consumer spending has undergone an almost total transformation over the past year. The U.S. financial crisis is beginning to impact the real economy and demand in all industries has declined, especially overseas. In the apparel and fashion areas, thriftiness has become more pronounced, along with greater customer selectivity.

Amid this environment, competition has become more intense, and, in the global economy, a shakeout is under way on a worldwide scale. In the apparel and retailing industries also, the world's top SPAs (Specialty Store Retailer of Private Label Apparel) that continue to grow are those succeeding in world markets. We believe that only those top players with global operations who observe demand trends carefully and meet customer needs for the right balance between price and quality will be able to expand their market share.

Group Strategy

For FAST RETAILING to compete among the world's top players, it is essential, at a minimum, for it to expand its portfolio of Group businesses and attain net sales of ¥1 trillion and recurring profit of ¥150 billion.

With an overall sales goal of ¥1 trillion, the Group's goals by business are ¥600 billion in UNIQLO Japan operations, ¥100 billion in UNIQLO International operations, and ¥300 billion in existing and new Japan Apparel and Global Brand operations. Among Group companies, UNIQLO Japan has the strongest business model. The Group aims to draw to the fullest extent on the know-how and experience of its personnel in this business to nurture and strengthen Group brands and profitability.

M&A Strategy

To further increase the sales and profitability of the FAST RETAILING Group, one option is M&A. The objectives of our M&A activities are, first, to acquire businesses overseas and in new markets to strengthen our business platform. M&A will enable us to expand our retail store network and obtain top-quality talent, even in new markets. The second objective of our M&A activities is to acquire brands with the potential for global development and thereby strengthen and expand our portfolio. COMPTOIR DES COTONNIERS and PRINCESSE TAM.TAM are examples of such acquisitions.

M&A Criteria and Decision-Making Process

The two most important criteria in assessing M&A deals are growth potential and profitability. The key condition for growth is whether the brand has the potential to develop globally. If the brand has a solid underlying concept, we can actively share our infrastructure—the financial resources of the FAST RETAILING Group; our know-how in store operations, production management and sales planning, inventory management, and other areas; production systems in China; and information systems—and work together to realize high growth and profitability.

Another important criterion in selecting M&A deals is whether the company's management shares the values of UNIQLO and the FAST RETAILING Group: in other words, whether the management has a spirit of innovation and challenge that will drive the company to create large, highly profitable, and high-growth, global businesses.

When making investment decisions, M&A proposals are carefully examined by the Board of Directors, which includes three external directors, and final judgments are based on assessment of investment returns and synergies.

* SPA stands for "Specialty Store Retailer of Private Label Apparel," meaning its activities are fully integrated from manufacturing through sales, including material procurement, design, product development, production, distribution, inventory management, and final sales.

Worldwide Apparel Specialty Retailers

Company Name (Flagship Brand)		End of Fiscal Year	Sales* (¥ Billions)	Change (%, Year on Year, Local Currency Basis)
Gap Inc.	U.S.	Jan. 2008	1,723.7	▲1.0
Inditex, S.A. (ZARA)	Spain	Jan. 2008	1,517.5	+15.1
Hennes & Mauritz AB (H&M)	Sweden	Nov. 2007	1,342.1	+14.5
Limited Brands, Inc.	U.S.	Jan. 2008	1,108.2	▲5.0
NEXT PLC	U.K.	Jan. 2008	666.2	+1.4
FAST RETAILING CO., LTD.	**Japan**	**Aug. 2008**	**586.4**	**+11.7**
Polo Ralph Lauren Corporation	U.S.	Mar. 2008	533.6	+13.6
Liz Claiborne Inc.	U.S.	Dec. 2007	500.5	▲1.4
Esprit Holdings Limited	China	June 2007	415.0	+26.9
Abercrombie & Fitch Co.	U.S.	Jan. 2008	410.0	+13.0

Source: Compiled from the annual reports of the companies listed above.
* Figures are calculated based on foreign exchange rates as of August 31, 2008.

UNIQLO Operations

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Fashionable and high-quality clothes that anyone can wear anywhere, anytime—that is what UNIQLO is all about. Our global operating systems weave together all processes from product design to final sales, including global R&D, procurement of world-class quality materials, production focused in China, and the operation of approximately 810 stores around the globe. This seamless system allows UNIQLO to consistently offer its customers high-quality products at reasonable prices.

Searching through the World

UNIQLO's apparel making begins with a search for the best fabrics in the world. As a result of a highly selective and thorough search involving careful consideration of all stages of the manufacturing process, from the regions to source raw materials to the fabric mill, UNIQLO is able to offer top-quality standard products.

UNIQLO's merino sweaters, which were featured in the fall and winter campaigns of 2008, are crafted from extra-fine merino, a pinnacle of excellence among the world's best wools.

UNIQLO is an SPA (Specialty Store Retailer of Private Label Apparel), meaning its activities are fully integrated from design through production and retailing. To offer high-quality products at low prices, UNIQLO, backed by its sales network of approximately 810 stores worldwide, controls all stages of the supply process—from product design to the procurement of materials, quality control, inventory adjustments, and other aspects—and insists on low-cost management. In addition, UNIQLO takes 100% of the raw material and inventory risks, thus differentiating itself from competitors. This is why UNIQLO can generate high levels of profitability in its business operations.

Product Design & Sales Planning

R&D

UNIQLO's R&D Center has operating bases in Tokyo and New York and researches world trends in fashion, lifestyles, and other areas. Based on this information, concepts for each season are decided at meetings held jointly with representatives of UNIQLO's merchandising, marketing, production, and other departments. Based on these concepts, the R&D Center creates designs, and then makes its selection of products from samples to coordinate product collections.

Research → Concept Creation → Design → Coordination → Sales → Research

Product Planning (Merchandizing) and Marketing (Promotion)

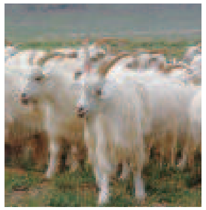
Men's

Women's

Kids'

Merchandisers lead product planning by categories—men's, women's, kids', and accessories—based on the concept of the season. The marketing department then plans and implements effective advertising for campaign products, using flyers and TV commercials.

Materials Planning and Procurement



Given the exceptionally large volume of sales, UNIQLO negotiates directly with leading material manufacturers and procures top-quality materials from around the world. Selection of materials for standard products and campaign items begins more than a year before sales. At the same time, UNIQLO conducts research to determine whether the materials meet its quality standards and whether these materials can be procured in sufficient quantity.

In addition, the team works strategically with TORAY and other materials manufacturers to develop new fabrics, such as HEATTECH.

Sales Planning and Production

The merchandising, R&D, marketing, and production departments work together to prepare numerical plans, develop product mixes to match the concept for the season, and adjust production according to current sales volume.

Inventory Control

The inventory control team monitors sales and inventory levels and maintains the optimal level of inventories at stores. In addition, the merchandisers and persons in charge of sales and production work together to adjust inventory inputs to stores and the timing of discount sales to minimize inventory risk.

Production

UNIQLO calls on about 70 partner factories located in China and other Asian countries for production and provides them with proactive technological support. To this end, UNIQLO sends a team of specialists called *takumis*, each with 30 years or more experience in Japan's textile industry, to these factories. The *takumis* are closely involved in all aspects of the production processes from the inspection of yarn to the shipment of final goods, and they keep a sharp eye on a wide range of things, including materials and yarn, weave patterns, dyeing, sewing, texture, finish, and safety issues.

UNIQLO's products are manufactured in lots of about one million at partner factories. To ensure evenness in quality for such a large volume of products, problem-solving capabilities backed by experience and know-how are indispensable. This is where the skills of the *takumis* are making a major contribution.

For example, in the dyeing process, to ensure that colors produced by tens of vats of dye, with a capacity of one ton each, are uniform, tasks do not stop at the confirmation of the process but must also extend to checking on the humidity and other environmental conditions accurately. The *takumis* provide advice to help make judgments regarding the subtle aspects of various dyeing processes and thereby prevent variations in quality.

At present, about 90% of UNIQLO products are manufactured in China. As UNIQLO's retail network is extended around the world, the production network is being extended to other countries in Asia, including Vietnam, Cambodia, and Bangladesh. Going forward, UNIQLO will insist on top-level quality management in its world-class manufacturing systems.

Photographs show examples of processing, sewing, and sorting operations at the merino sweater factory in China.

Arrival of Materials

Good materials are a requirement for making good sweaters. Wool is selected carefully for length, thinness, and texture, and delivered to the factory.

In the inbound inspection, materials are examined for impurities, knots, and variations in yarn thickness. If problems arise, the causes are investigated and corrective measures are taken.

Dyeing

Several dye shades are mixed to achieve the proper depth of color. To ensure products are dyed the same hue, maintaining temperature and humidity at the right levels in the dyeing process is vital.

By dyeing yarn before it is spun into thread, it is possible to ensure uniform permeation of dyes. Controlling the processes, including careful cleaning of the dyeing vats, is also important.

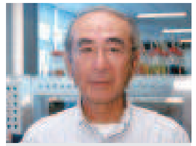
Quality and Production Controls

At UNIQLO's overseas offices in Shanghai, Shenzhen, Ho Chi Minh City, and elsewhere, about 170 staff responsible for quality and production control maintain close contact between the partner factories and the UNIQLO Head Office to monitor progress of production as well as identify problems. The staff visit partner factories three to four days each week to conduct quality and safety checks and confirm manufacturing specifications. Voices of customers at UNIQLO stores are fed back to the staff and used to make immediate improvements in product quality.

At weekly reporting sessions, UNIQLO staff identify problems related to materials and issues arising in the sewing and processing stages. Then persons responsible for follow-up are appointed to confirm corrective action to be taken and timing, thereby moving quickly to solve problems.

UNIQLO's *Takumi* Team

Since 2000, UNIQLO's *takumi* team, comprising veteran personnel trained and seasoned in Japan's textile industry, has played a substantive role in providing technical support to partner factories. These *takumis* have a diverse range of backgrounds and skills, and each of them plays a role in supporting the quality of UNIQLO products while transmitting their knowledge gained in Japan's once highly acclaimed apparel industry to the next generation.



Dyer *Takumi*: Kazuaki Iida

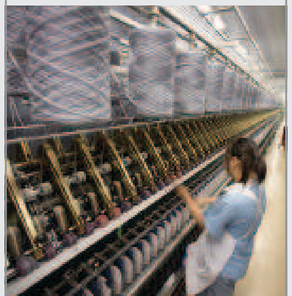
"The number of people in Japan who can teach technical skills to others has declined. I believe we should properly transmit Japan's highly detailed, special technologies."

Mr. Iida is engaged in providing technical guidance for the start-up of overseas dyeing and spinning companies. He provides guidance on the theories and practices of processing and finishing.

* For more about quality and safety control, please see page 42.

Spinning

By repeating the process of combining several rovings together and drawing them out, the fibers become parallel. Leaving a certain degree of slack is important to make the yarn soft and fluffy.



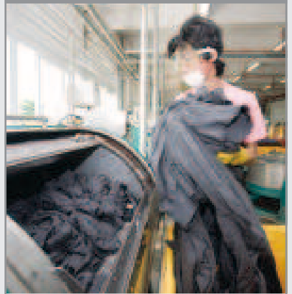
The yarn is then stretched out to about 20 times its length until it becomes a strand. To give the yarn a uniform thickness, it is essential to optimally maintain the high-speed, revolving spinning machines.

Knitting and Sewing

Garment parts are knitted in this process. To ensure the parts fit together properly, it is important to maintain uniform strength and monitor temperature and humidity.

The garment parts are joined carefully to make a sweater. While joining the knitted parts with the same kind of thread, the seamstress checks for any skipped stitches and damage to the fabric.

Processing and Finishing



During the processing and finishing stage, washing the garment gives sweaters softness and texture. The key at this stage is how to bring out the natural features of the fabric.

Finally, the garment is ironed carefully, depending on the nature of the fabric. Also, the finish and safety of the garment are confirmed through a series of inspections.

Weaver *Takumi*: Eiji Momoi

"The most important thing in relationships with partner companies is building trust. To develop good relationships, it is critical to meet with them as many times as possible and talk with them face to face."

Mr. Momoi has more than 20 years of experience in the knitting industry in Japan, including working in various processes from knitting through finishing as well as machine maintenance. He gives technical guidance at the Shenzhen office.

Expanding UNIQLO's Production Network

Since opening its first production offices in Shanghai and Shenzhen in 1999, UNIQLO has expanded its production in China. At present, about 90% of items are manufactured in partner factories in China. By continuing and strengthening initiatives with these partner factories, UNIQLO has been able to supply its high-quality products. Moreover, as UNIQLO's sales network has become global, it has worked to expand its production operations to other locations in Asia. In Southeast Asia, after opening a production office in Ho Chi Minh City in Vietnam in September 2008, UNIQLO opened another production office in Dacca, Bangladesh, where growth in the textile industry is anticipated. Looking to the future, UNIQLO will be working to reduce the risk of over-concentrating production in China as well as the cost of production, and plans call for eventually producing about one-third of items outside China.

Sales

Japan

UNIQLO has developed a network of about 760 stores in Japan, mainly in suburban roadside locations and inside shopping centers. UNIQLO is continuing to open new stores suited to their respective locations, ranging from large-format stores, with about 1,600 square meters of sales floor space, to standard-format stores, with about 700 to 800 square meters of space.

Frespo Yamagata Kita Store (shopping center)

Shinsaibashi Store (urban high street)

Ito Store (roadside)

To continue to offer apparel that can be worn "anytime, anywhere, and by anyone," UNIQLO manages its product composition and volume with the objective of having the optimal number of products in terms of colors and sizes.

UNIQLO conducts campaigns aimed at selling products suited to the season, such as cashmere and fleece. As part of these campaigns, UNIQLO distributes flyers on weekends and aims to attract customers by discounting featured products for limited periods. These limited-period discounts are aimed at sales promotion, and after the end of the promotional period, typically on weekends, prices go back to their original levels.

UNIQLO's principal expenses include wages, advertising, and rental costs. Wages consist mainly of salaries paid to store personnel, but, as a result of the standardization of work tasks in all stores, these personnel expenses are managed efficiently. The principal forms of advertising are the distribution of flyers and TV commercials.

The ratio of rent to sales is relatively low because about 60% of UNIQLO stores in Japan are situated on suburban roadside locations. Also, when opening outlets in shopping centers, UNIQLO prepares simulations in advance and works to minimize rental costs.

Setagaya Chitosedai Store (large-format store)

Online Store

UNIQLO offers merchandize at special prices 24 hours a day to customers in Japan via the UNIQLO Online Store.

http://store.uniqlo.com/jp/

Customer Service

We forward more than 80,000 opinions and requests annually that come from customers via telephone, postcard, and e-mail to the proper departments and reflect these in improvement in products, stores, and services.

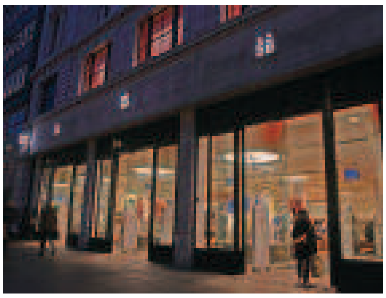
http://www.uniqlo.com/jp/corp/customer

Sales

International

UNIQLO began its entry into overseas markets with the opening of stores in London in September 2001. As of August 31, 2008, UNIQLO's overseas store network had expanded to 54 stores, including 21 in mainland China, including eight in Hong Kong, 18 in South Korea, 13 in the United Kingdom, 1 in the United States, and 1 in France. To best articulate the UNIQLO image and concepts, flagship stores have been opened in New York and London. While working to enhance UNIQLO's brand value, we are stepping up our program of opening stores in Asia. In spring 2009, we are planning to open our first store in Singapore, which will be our fourth region in Asia. In autumn 2009, we plan to open our third global flagship store in Paris.

LONDON



311 Oxford Street Store (Global Flagship)

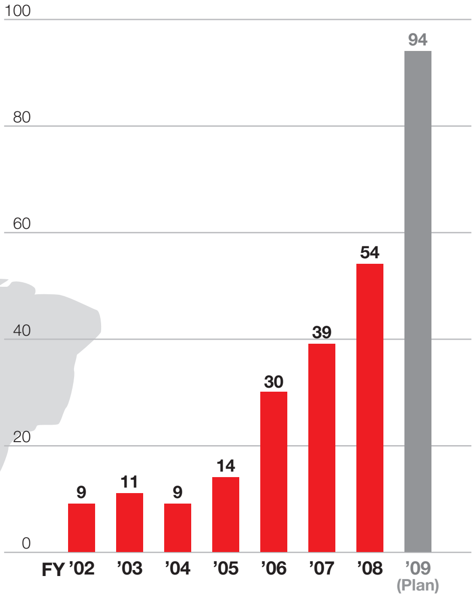
PARIS

La Defense Store

SHANGHAI

East Nanjing Road Store

Number of UNIQLO Stores Overseas



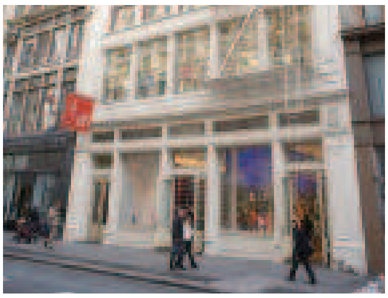
HONG KONG

City Walk Store

SEOUL

Myungdong Store

NEW YORK



Soho NY Store
(Global Flagship)

Communicating the "Reason to Buy"

Naoki Otoma Senior Officer and COO, UNIQLO CO., LTD.

Recently, consumers are becoming thriftier and less willing to purchase items that are not necessary. This is precisely why we at UNIQLO must fill our stores with colors and products as well as present a fun atmosphere in our stores. Precisely because consumer confidence is low, it is important to communicate clearly the "reason to buy."

The product itself, though, is only half of the "reason to buy." The other half comprises the non-product aspects, such as the services that our staff provide to give customers a pleasant shopping experience and whether the sales area makes it easy to view and buy the products. We try hard to get customers excited at our stores, and create a sales space they will remember.

Even with the same item, we have to highlight the differences from last year. In the fall and winter season of 2008, color skinny jeans were a big hit, showing that Japanese consumers are not hesitant to enjoy colors. We began to offer skinny jeans three years ago but as the styles have become tighter, we have used stretch fabrics, and these have become a regular part of the basic fashion wardrobe. So, it is important to evolve existing products. Basic items may not seem to change, but, by changing colors, fabrics, and the silhouette, we are able to propose new fashions.

What customers want most is "change." For individuals and companies, the origins of growth I believe are in "change." The products, sales area, and service all come together, and it is necessary to offer change. UNIQLO has grown by putting aside conventional wisdom in the apparel industry, developing products and creating sales spaces that appeal to people regardless of their gender or age. Going forward, we intend to go beyond conventional wisdom and continue to evolve to meet customer expectations.

Robust Performance Contributors

The slump in the world economy has become more pronounced, and Japanese consumers have also become apathetic. Despite this, UNIQLO reported 8.9% growth in sales and a 35.0% increase in operating income in fiscal 2008—both major gains.

There are three reasons for this robust performance. First, consumers are more aware of UNIQLO's high-quality, high-performance fabrics, such as our denim, cashmere, and HEATTECH, and, as a result, they have a better perception of the value of our products, and the balance we keep between prices and quality. Since the launch of HEATTECH products four years ago, we have made improvements, and, during the fall and winter season of 2007, the HEATTECH line became a major hit, with more than 20 million units sold.

The second reason is that we have focused more on selling our standard basic products, such as cotton T-shirts, merino sweaters, and jeans, increased inventories of the products, and created stores that make it simpler for customers to shop.

Finally, our sales campaigns have been effective. Our TV commercials for HEATTECH products in the fall and winter season of 2007 featuring Ryuhei Matsuda and Kumiko Aso drew considerable attention. Then, in the spring and summer season of 2008, our campaign to publicize our new "beauty bottoms" line, featuring Norika Fujiwara, and our BRA TOP campaign, featuring Kazue Fukiishi, were also successful.

More for Women in Large-Format Stores

The size of the women's apparel market in Japan is about twice that of the men's market, but the percentage of women's apparel in UNIQLO Japan sales is only about 40%. UNIQLO has considerable room to expand sales of women's apparel, and we believe we can expect high growth in this area.

In addition to the lineup of basic products that we have offered thus far, including tops, sweaters, and inner wear, we are planning to expand our offerings to include skirts, dresses, jackets, and blouses.

To expand our women's lineup and attain further growth in Japan's apparel market, there will be limitations on the range of items we can offer in our standard-format stores in the suburbs with between 700 square meters and 800 square meters of sales floor space. Therefore, we are moving forward with the development of large-format stores with about 1,600 square meters, or twice the sales floor space of standard-format stores.

During fiscal 2008, we opened 22 large-format stores in differing types of locations, including suburban shopping centers, commercial facilities, and roadsides. At the end of August 2008, we had 50 large-format stores in our UNIQLO Japan operations, and, during fiscal 2009, we plan to continue aggressive development of these stores.

China: From Producer to Consumer

Pan Ning **UNIQLO China Managing Director**

While UNIQLO has been popular in Hong Kong as a Japanese brand from the start, in Shanghai, the brand became known only after the opening of our large-format store there in 2006. However, the percentage of customers who pay repeat visits to our stores is high, and we have earned a reputation as a "high-quality Japanese brand" and a "reliable brand offering products for daily living."

In spring 2008, we opened two stores in Beijing, just as interest was rising in the then-upcoming Olympics, and launched our campaign promoting UT, or UNIQLO's printed T-shirts. It was a chilly day when we opened one of these, our Beijing Xidan store, but sales of our UT's were extremely strong, and drew much more attention than we had expected. Beijing is a capital city steeped in culture and history, and I imagine the cultural aspects of our UT line, including the fun exuded by our printed T-shirt designs and the attractiveness of Japanese pop art, supported our success.

In August 2008, we opened a large-format roadside store in San Li Tun (see photograph on the right), an area where many world-class brands have shops, and are moving ahead aggressively with the opening of stores in the Hua Bei region, which is centered around Beijing.

Thus far, China has been a production center for us, but, in recent years, it has attracted growing attention as a consumer market. When we consider China's vast land mass and population, it is conceivable that the size of the consumer market in China in the future could be 10 times larger than that of Japan. China is also increasingly a promising market for UNIQLO. What I have learned thus far is that consumers in Japan and China are basically the same and that consumers will give their support to brands that can respond accurately to their needs. I am confident that UNIQLO's business model can succeed throughout the world.

UNIQLO International Shows First Profits

The world apparel market is estimated to be about ¥100 trillion annually in size, but UNIQLO accounts for only 0.5% of this market at present. As a result of the downturn in economic conditions, consumer confidence in Europe, the United States, and elsewhere is at a low ebb, and competition is intensifying. Even so, we still see considerable growth potential for UNIQLO in markets outside Japan.

For the fiscal year ended in August 2008, UNIQLO International reported its first profits. This was because of continued steady expansion in performance in China, including Hong Kong, and South Korea combined with a major improvement in profitability of our operations in the United States.

In China, we posted gains in performance as we made a major push to promote the same products as in Japan, focusing our efforts on the Ganghui Square store and the Zhengda store, and this led to a major improvement in brand awareness. In South Korea also, we are aggressively expanding our store network, with initiatives including the opening of a large-format store in the Myungdong area of Seoul.

At the same time, we are opening global flagship stores in the principal fashion cities of Europe and the United States as part of our drive to communicate the UNIQLO brand image. Following the opening of our Soho global flagship in New York, in November 2007, we opened another global flagship, on Oxford Street in London.

Growth Strategy

As we step up our drive to open stores in Asia, we plan to take the maximum advantage of our flagships in Europe and the United States to strengthen the UNIQLO brand.

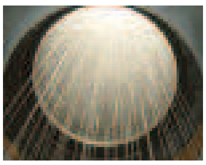
In China, we aim to open, as quickly as possible, a network of about 100 stores covering the Hua Bei region, which includes Beijing; the Hua Dong region, centered around Shanghai; and the Hua Nan region, which includes Hong Kong. To this end, we are working with UNIQLO Japan to build a strong store development team and train personnel. In South Korea also, we have formulated plans for a 100-store network centered around Seoul. We are also scheduled to open a store in Singapore in spring 2009.

In Europe and the United States, as a follow-up to our flagships in New York and London, we will open a global flagship in autumn 2009, with about 2,000 square meters of sales floor space to be located in the Opera district of Paris. We are also considering opening stores in Russia and India, where high economic growth is expected.

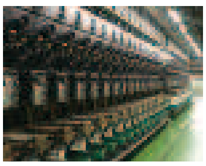
Also, we have started global marketing, focusing initially on the UT line, for spring and summer 2008 in order to communicate the quality and message of UNIQLO products throughout the world. In winter 2008, to raise awareness of the features of our HEATTECH products, we successfully implemented a global marketing campaign around the world.

UNIQLO San Li Tun Store, Beijing

HEATTECH
JAPAN TECHNOLOGY



"LOC II CEO® α" filaments are extruded from a star-shaped opening, and 48 are bundled to make one HEATTECH thread.



Production line at TORAY's Ishikawa mill specializing in production of "LOC II CEO® α"

UNIQLO's Heat-Retaining HEATTECH Fabric

HEATTECH fabrics absorb the moisture of the body and convert it to heat energy. These fabrics were created in a joint initiative between UNIQLO and TORAY.

We first introduced HEATTECH items, as "warm inner" garments for men, during the fall and winter season of 2004. We then introduced sales of HEATTECH items for women the next year. In 2007, we succeeded in developing improved HEATTECH products with an enhanced texture by permeating the fibers with milk protein, which gives the fabric a more moist and softer feel.

Features of HEATTECH products include suppleness, thinness, and comfort, almost as if you were not wearing them. Based on the strategic partnership between TORAY and UNIQLO since June 2006, HEATTECH fibers have evolved by a quantum leap, and have become a smash hit, giving customers a sense of inspiration and satisfaction. The fiber material used in HEATTECH is a synthetic fiber known as "LOC II CEO® α." Its features include suppleness, but with strength, and excellent dyeing properties. The development of this fiber was responsible for HEATTECH's superior functionality. TORAY has added a manufacturing line dedicated to "LOC II CEO® α" at its Ishikawa Plant to respond to rising demand.

HEATTECH products were extremely popular during the fall and winter of 2007, with demand running ahead of supply. Moreover, during the fall and winter of 2008, sales rose 40%, to a total of 28 million items.

Japan Apparel Operations

CONTENTS

Our Japan Apparel operations include CABIN, a retailer of women's apparel, and GOV RETAILING, which is managing the operations of g.u., a low-priced casual clothing retailer, as well as FOOTPARK and VIEW, which are footwear stores. These companies are working to draw on UNIQLO's know-how as an SPA (Specialty Store Retailer of Private Label Apparel) to become the second and third UNIQLOs in the Group.

CABIN

CABIN CO., LTD.
http://www.cabin.co.jp/

enraciné's KANAZAWA FORUS store

Continued Business Reforms Using FAST RETAILING's Management Resources

CABIN's brands ZAZIE, with its elegant designs, and enraciné, which balances naturalness and trendiness based on French-taste models, are popular choices among a broad spectrum of women.

History

Established in 1971, CABIN pioneered the SPA (Specialty Store Retailer of Private Label Apparel) approach in the women's apparel business in Japan and grew rapidly in the 1970s. Annual sales reached ¥65.7 billion in the fiscal year ended February 1992. While sales trended downward thereafter, even today, CABIN's apparel offerings are supported by a wide range of women.

In August 2006, FAST RETAILING raised its ownership stake in CABIN through a takeover bid and made it a wholly owned subsidiary. While drawing on the best of CABIN's intrinsic strengths as an SPA pioneer in women's apparel, FAST RETAILING is also actively drawing on its management resources and know-how to strengthen CABIN's operating base.

Products

The ZAZIE brand brings elegance to everyday fashions through the development of versatile, easy-to-coordinate knits and tops plus pants with an attractive leg line. During the 2009 spring/summer season, ZAZIE will offer stylish jackets, pants, and knits with a beautiful silhouette.

The enraciné brand offers natural, high-quality, and simple French casual wear for all women, with the theme of "casual wear with a comfortable feel." During the 2009 spring/summer season, the brand will aim for natural coordinate items with a soft feel.

INTERVIEW

I have been able to return the company to profitability after becoming president a year ago by revamping CABIN's earnings structure. I am confident that the methods developed by UNIQLO, including especially its optimal personnel management systems and methods for product planning, marketing, inventory control, sales, and administration, can be applied at CABIN. I am aiming to double sales in three years and draw a road map to become the No. 1 SPA chain retailer in women's apparel. CABIN's approach is "to sell fashion through interacting with customers," so it differs from UNIQLO, which focuses on store operations, but in both business models "the store is the main player," and I want to make sure everyone is fully aware that this is the key to the success of CABIN. This year, we are concentrating our product development, weekly merchandize offerings, visual merchandizing display, and new sales campaigns mainly on our four brands: enraciné, ZAZIE, Real Riche, and EAP.

Tetsuro Nakashima
President, CABIN CO., LTD.

ZAZIE

g.u.

FOOT PARK

CANDISH

GOV RETAILING CO., LTD.

http://www.gu-japan.com/
http://www.footpark.com/
http://www.viewcompany.net/

Integration for Efficiency and Competitiveness Completed

G.U., ONEZONE, and VIEWCOMPANY have been integrated to form GOV RETAILING.

GOV RETAILING will improve management efficiency by integrating the sales, merchandizing, marketing, and other functions of all businesses. GOV RETAILING will work with FAST RETAILING and UNIQLO in production, R&D, store development, IT systems, and administration to enhance productivity.

g.u.

The brand name g.u., which means "freedom" in Japanese and inspires consumers to "dress freely," opened its first store in Ichikawa, Chiba Prefecture, in October 2006. g.u. offers a broad range of affordable casual wear, from fashion items of the season to basic items. Especially because of the company's focus on women's tunic items, dresses, and colorful bottoms, g.u. has won the support of a broad following of customers. Going forward, g.u. will strive to offer absolutely low prices to increase sales. As of the end of August 2008, g.u. had a network of 58 stores nationwide.

g.u. SMARK Isesaki Store

FOOTPARK

FOOTPARK has created a network of footwear stores nationwide to offer a wide range of products that are functional and easy to wear while also conscious of fashion trends. By expanding its lineup of products developed in-house, from materials to design, FOOTPARK has been able to enhance the efficiency of its operations, from lineup composition and sales planning to the development of its sales areas. At the same time, through its "scrap-and-build" store development approach, the company has been able to renew its store locations and improve profitability. As of the end of August 2008, it had a network of 294 stores nationwide.

FOOTPARK Mina Machida Store

VIEW

Established in 1961, VIEWCOMPANY, a women's shoe specialty retailer, became a consolidated subsidiary of FAST RETAILING in February 2008. Its business has focused on products that offer reasonable prices and are trendy, while proceeding with "its scrap-and-build" program and cost-cutting. In addition to mainstay brand [vju:] and COO ICI, it developed another new branded store chain, CANDISH, in spring 2008. As of the end of August 2008, it had a network of 105 stores nationwide.

CANDISH Fujisawa OPA Store

Global Brand Operations

CONTENTS

Our mission in Global Brand operations is to use the financial resources and business base of FAST RETAILING to nurture new global brands based on good concepts. Brands with global potential that we are developing in Europe, Asia, and the United States include COMPTOIR DES COTONNIERS, which offers a superb lineup of French casual wear, and lingerie brand PRINCESSE TAM.TAM.

COMPTOIR DES COTONNIERS

Créations Nelson S.A.S.

http://www.comptoirdescotonniers.com/

Chic French Brand COMPTOIR DES COTONNIERS Ready to Go Global

COMPTOIR DES COTONNIERS is the French women's brand whose creative style and mother-and-daughter campaigns have won over a large public. Each season, real duos from around the world embody the collection image.

History

The saga began in 1995 with the opening of two boutiques in Paris and Toulouse. The brand developed its concept when the founder realized, dressing the shop window, that mothers and daughters often go shopping to spend enjoyable time together. When COMPTOIR DES COTONNIERS presented its image, embodied by real mothers and daughters, the concept quickly won a large following.

We opened overseas boutiques, first in Barcelona, Madrid, and Brussels, then Berlin, London, Lisbon, and Milan. The brand established itself in Tokyo and Seoul, and its first boutique in the United States opened in 2008, in the heart of New York's Soho district.

The developer of the COMPTOIR DES COTONNIERS brand, Créations Nelson, became a consolidated subsidiary of FAST RETAILING in May 2005.

Products

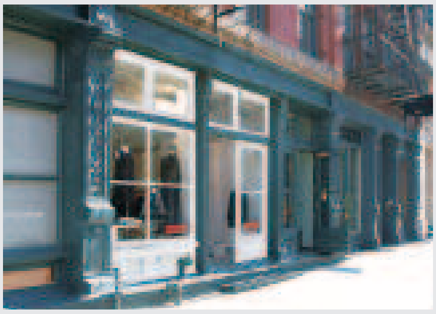
The collections reflect the image of the brand—authenticity, naturalness, and femininity. The clothes are designed so that the most sophisticated trends are reinterpreted to be constantly flattering. Its preoccupation with detail and the desire to be different have also led the brand to develop exclusive prints and fabrics.

Since 2004, COMPTOIR DES COTONNIERS has increased its offerings with not only a children's collection but also a lingerie line and accessories. Moreover, it offers a selection of Fair Trade products, such as trainers by Veja—a Brazilian brand made of 100% natural materials by a cooperative of small producers.

Casting sessions are organized in every country where the brand is present, and are featured on the website:
http://www.mothers-and-daughters.eu/

Growth Strategy

With retail sales amounting to ¥26 billion, COMPTOIR DES COTONNIERS's growth is due to both the increase in scope, or international development, and the strong performance of its existing network. While optimizing the French network of 226 shops, the brand is being developed in other European countries and in Asia with 96 and 34 points of sale (as of August 31, 2008), respectively. Since the first boutique opened in Tokyo in February 2006, 25 points of sale have been opened in Japan. Today, the COMPTOIR DES COTONNIERS product lines also include children's clothes, lingerie, and accessories.



New York Soho Store

Nathalie & Marion

PRINCESSE tam•tam PARIS

PETIT VEHICULE S.A.S.

http://www.princessetamtam.com/

PRINCESSE TAM.TAM to Offer Women Lingerie with Dreams, Spirit, and Freedom

Stylish and innovative, the French-born lifestyle brand PRINCESSE TAM.TAM cares less for the rules of the lingerie market than for fashion and creativity. Making a statement in support of free feminity, this affordable luxury brand aims for the world market.

History

Twenty-three years ago in France, lingerie was either “functional” or “sexy,” mostly in knitted fabrics. Madagascar born and raised, with bright colors and the perfume of the southern island still in mind, Loumia and Shama Hiridjee surprised Parisians with their colorful, printed bras in woven fabrics.

In 1985, PRINCESSE TAM.TAM presented its first collection in a prêt-a-porter show. Immediate orders from major department stores followed. In 1987, PRINCESSE TAM.TAM opened its first shop in Montparnasse. In the 1990s, the brand launched lines of home wear and swimsuits.

The developer of the PRINCESSE TAM.TAM brand, PETIT VEHICULE, became a FAST RETAILING subsidiary in February 2005.

Products

PRINCESSE TAM.TAM has diversified its products into three coordinated lines of lingerie, home wear, and swimwear. Innovations involve all aspects of the product—light-as-air fabrics, patterns, colors, unexpected prints, and delicious details. PRINCESSE TAM.TAM designs all its collections in-house.

While innovative and fashion-conscious, the products also reflect the artisanship of lingerie manufacturers in France. The collections ensure optimum shape in the purest silk, lace, and cotton. Fabrics and supplies are selected from well-known European manufacturers with production bases in the Mediterranean region, the Indian Ocean region, and Asian countries.

Growth Strategy

PRINCESSE TAM.TAM has its own network of 150 directly-operated shops, mainly in France, as of the end of August 2008. The products are being sold through major department stores, such as Galeries Lafayette and Printemps. Outside France, the brand has built a presence in 45 countries through a combination of 1,500 distributors, including such department stores as Harrods, Selfridges, La Rinascente, and Neiman Marcus, and an international network is expanding in Europe, Russia, the Middle East, and the Indian Ocean region.

Boutique RUE DU MARCHE ST. HONORE

LTH

LINK THEORY HOLDINGS CO.,LTD.
http://www.link-theory.com/

Born in New York and Adorning the Life Scenes of Today's Woman

Theory is a brand that began life in New York and offers a style springing from the concept of "new basic," which features second-to-none comfort and a sophisticated look, with a touch of the trendy.

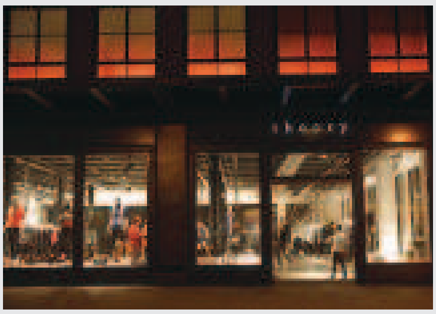
History
The Theory brand moved into the ranks of global brands almost immediately after its inception in New York in 1997. Theory became widely known in Japan in 1999 when Andrew Rosen, Theory's founder, and his longtime friend Ricky C. Sasaki, now the CEO of LINK THEORY HOLDINGS CO.,LTD. (LTH), introduced the brand to the Japanese market. In 2003, LTH acquired U.S.-based Theory LLC., which held the brand's licenses. This acquisition opened the way for LTH to establish a global business franchise for the Theory brand. LTH's sales in Japan exceed ¥20 billion, and its sales in the United States amount to the equivalent of nearly ¥30 billion. Going forward, it plans to expand its business in Europe and other parts of Asia, including China.

FAST RETAILING acquired its equity stake in January 2004.

Products
All Theory brand items are crafted of high-quality, Italian stretch fabrics that are exceptionally easy to wear, create a flattering fit, and offer a perfectly designed, beautiful silhouette, and thus respond to the sometimes conflicting needs of contemporary women.

While being simple and basic, the Theory line has won the acclaim and support principally of working women because of its urban, trendy styling and the opportunities it offers for self-expression through coordinates that answer to individual tastes. Looking ahead, the line will focus on items that go back to Theory's roots and continue to appeal to the hearts of the many women who love the uniquely exquisite finish of Theory brand items.

Growth Strategy
Already a leading brand in the contemporary market in Japan and the United States, Theory is working to strengthen its foundation in Europe. LTH opened a directly-managed store in Paris in 2007 and followed this with another directly-managed store in London in 2008. The aim is to attain sustainable growth by improving profitability in the United States and the Japanese market and accelerating the growth of LTH's operations in Europe and the rest of Asia outside Japan, especially China. In addition, LTH is developing other brands, such as Helmut Lang, as follow-ups to Theory, with the objective of further strengthening its position as a Group company that is a leading player in the contemporary market.



Theory Gansevoort Store

Governance, Internal Control, and CSR

CONTENTS

We at FAST RETAILING seek to enrich people's lives around the world by continuing to innovate the way we do business in the apparel retail industry.

To continue to add value to the world today, we strive to ensure the integrity of our management. We aim to grow along with and not at the expense of society, and to help formulate the global standards of the future.

Corporate Governance

Board of Directors

(From left: Toru Hanbayashi, Nobumichi Hattori, Toru Murayama, Tadashi Yanai, and Masa Matsushita)

Tadashi Yanai	**Chairman, President, and CEO since 1972.** CEO, UNIQLO; Director & Chairman, Link Theory HD; Director & Chairman, CABIN; Director & Chairman, GOV RETAILING; External Director, SOFTBANK CORP.
Masa Matsushita	**Director since 2005.** External Director, UNIQLO; External Director, Link Theory HD
Toru Hanbayashi	**External Director since 2005.** Former President, Nichimen Corp.; Auditor, UNITIKA Ltd.; External Director, MAEDA CORP., and others
Nobumichi Hattori	**External Director since 2005.** Chaired Professor, Hitotsubashi University; External Director, Miraca Holdings, Inc.
Toru Murayama	**External Director since 2007.** Director & Chairman, Accenture Japan Ltd.; Visiting Professor, Waseda University

(As of December 31, 2008)

Our Approach

FAST RETAILING strives to strengthen its corporate governance to ensure proper management action and to continue to grow to be the world's No. 1 apparel retailing group, while working in harmony with society.

To that end, we have initiated various measures to ensure the independence and strengthen the surveillance powers of the Board of Directors. These have included adopting the entrusted officer system in November 2005 to separate the decision-making and execution functions of management, and, beginning in November 2007, appointing a majority of external directors to the Board[*1].

The Group oversees its governance with the Board of Auditors[*2], but has also established discretionary governance committees to augment the functions of the Board of Directors in the areas of human resources, CSR, risk management, disclosure, IT investment, and its Code of Conduct. These committees conduct responsive and open discussions and make decisions within their respective areas. An external director serves as the chairperson of the Human Resources Committee, and corporate auditors and lawyers participate either as members or observers on other committees.

*1. External directors as provided for in Article 2-15 of Japan's Company Law

*2. Under Japan's Company Law, large, listed companies may select either the corporate auditor governance model or "company with committees" governance model. Fast Retailing has adopted the corporate auditor model.

Activities of the Board of Directors

The Board of Directors makes decisions on major management matters and supervises the activities of the representative directors and officers. As a result of the appointment of a majority of external directors, the Board obtains highly professional and objective advice in a broad range of areas.

The backgrounds of external directors in brief are as follows: Mr. Toru Hanbayashi was the president of one of Japan's general trading companies for many years and has in-depth familiarity with the apparel retailing industry as a whole. Mr. Nobumichi Hattori's experience includes years of work in a U.S.-based investment bank, and he has in-depth knowledge of M&A. Mr. Toru Murayama is the top manager of a leading U.S.-based consulting company.

Topics discussed during fiscal 2008 included: Approval of the annual budget and financial statements, the Group's bid for Barney's, the Group's medium-term plans, issues confronting UNIQLO operations, the tender offer for VIEWCOMPANY, the integration of ONEZONE, G.U., and VIEWCOMPANY, growth strategies for the Global Brand business, and improvements in internal control systems.

On M&A proposals, Board members receive full briefings that are important for our growth and members discuss these in detail on a number of occasions before making final decisions. During fiscal 2008, the Board of Directors met 18 times and the attendance of all directors at all meetings was 100%.

Messages from External Directors

From “My Company” to “Your Company”

FAST RETAILING is unique in that, as the founder, Tadashi Yanai is also a major shareholder and serves as Chairman, President, and CEO. While the Group’s governance is being conducted properly based on his vision, integrity, and leadership, the time has come for FAST RETAILING to make the transition from being “My Company” to being “Your Company,” or a company for all stakeholders. For this reason, I believe the surveillance functions of the Board over management are important and feel a strong sense of responsibility in my role as external director. The three external directors, who account for a majority of the Board, express their views proactively at Board meetings, and perform other governance roles.

For FAST RETAILING to grow, it is necessary to “nurture a better corporate culture” by bringing together veterans and mid-career hires from outside and having them take new initiatives. The next step will be to make this culture a solid one and to develop many future leaders. As a member of the Human Resources Committee, I will continue to provide suggestions from my objective perspective on such matters as organizational changes, selection of officers, and nurturing of the successors of current management.

Toru Hanbayashi External Director
External director since November 2005, Mr. Hanbayashi was formerly the president of Nichimen Corp. and then became chairman and co-CEO of Nichimen-Nissho Iwai Holdings Co., Ltd. (now, Sojitsu Co., Ltd.). At present, he serves as an international executive adviser for the People’s Government of Shaanxi Province in China. He has extensive experience in China-related business activities.

Building a Global Management Platform

The single most important issue for FAST RETAILING now is how to build a management platform for the next stage without losing the Company’s speed and spirit of challenge and innovation. In general, the ideas of top and middle management often differ significantly in their points of view and how they conceptualize the stage of a company’s development; however, during the growth stage, employees must also make judgments and act in accordance with management’s thinking. As the Group becomes more global and diverse, more employees with different ideas join it, and it is important to enable all employees around the world to share and act based on management’s viewpoints. UNIQLO has an outstanding business platform. With this base, we are in a position to create a single, global platform for implementing the best management methods around the world.

The Board of Directors is constantly discussing the priorities to be assigned to Group growth scenarios. For each of our investments, including M&A, we discuss not only returns on individual investments but also how the investment can be positioned within FAST RETAILING’s growth strategy. As an external director, my role is to draw on my base of experience as a manager of a global consulting company, to provide advice on what is essential for FAST RETAILING’s next stage in growth and what issues should have the highest priority.

Toru Murayama External Director
External director since November 2007, Mr. Murayama served as CEO and is currently chairman of Accenture Japan Ltd. At Accenture Japan, his accomplishments include formulating and implementing strategic plans for clients in many industries and sectors, ranging from company-level re-engineering to strengthening sales and marketing functions. He is also a visiting professor at the Research Institute of Waseda University.

A Capital Market Perspective

M&A is a major issue for growth-oriented FAST RETAILING. Our objective is not to manage a fund that buys and sells companies, but to participate in the management of those companies, make the business profitable, and increase corporate value. The difficulty in corporate M&A is to get acquired companies to show a performance that exceeds the premium paid by the buyer. If this cannot be done, the company should focus on its core businesses. Good M&A deals come with confidence that we “can report strong growth and improvement.” If all we can say is “we will probably get by,” such deals are not worth going after. Synergies for the acquirer’s core business may also result from M&A. For example, ONEZONE and VIEWCOMPANY could have synergies for UNIQLO in the footwear business.

FAST RETAILING has acquired many companies. This experience is valuable because by gaining know-how in negotiations and management a pattern of success will emerge. My role as external director is to always ask, “what value can we gain from this acquisition?” I also give my judgment on whether the acquisition price is too high and express my point of view on how the capital markets will assess our M&A activities.

Nobumichi Hattori External Director
External director since November 2005. Formerly a managing director of Goldman Sachs and Company, he draws on his knowledge and experience as manager in charge of M&A advisory services in Japan. He also teaches at the Graduate School of International Corporate Strategy, Hitotsubashi University.

Board of Auditors

(From left: Minoru Ota, Akira Tanaka, Akira Watanabe, Norihiko Shimizu, and Takaharu Yasumoto)

Akira Tanaka	**Full-time Auditor since 2006.**	Former Senior Officer, UNIQLO CO., LTD.; Former Deputy President and Director, McDonald's Co. (Japan), Ltd.
Takaharu Yasumoto	**External Auditor since 1993.**	Registered member of Japanese Institute of Certified Public Accountants; President, Yasumoto CPA Office; Auditor, UNIQLO; Auditor, Link Theory HD; Auditor, ASKUL CORP.
Norihiko Shimizu	**External Auditor since 2004.**	Auditor, UNIQLO; Auditor, Nissin Sugar Manufacturing Co., Ltd.; Auditor, Yamaha Motor Co., Ltd.; Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Akira Watanabe	**External Auditor since 2006.**	Lawyer; Representative, Seiwa Meitetsu Law Office; External Director, JAPAN PILE CORP.; External Director, MAEDA CORP.; Auditor, KADOKAWA GROUP HOLDINGS
Minoru Ota	**External Auditor since 2006.**	Lawyer; Partner, Nagashima Ohno & Tsunematsu; Professor, Keio Law School

(As of December 31, 2008)

The Auditors

The role of the auditors is to check the compliance of the Board of Directors in conducting its duties. The auditors also attend committee meetings as members or as observers to ensure that activities are being conducted appropriately as well as to provide advice. The Board of Auditors has five members, four of whom are external auditors*. External Auditor Takaharu Yasumoto is a certified public accountant; Norihiko Shimizu is a visiting professor at the Graduate School of International Corporate Strategy, Hitotsubashi University; and Akira Watanabe and Minoru Ota are attorneys at law and provide objective opinions based on their areas of expertise. Auditors attended 98% of the meetings of the Board of Directors in fiscal 2008, and 99% of the meetings of the Board of Auditors held in fiscal 2008.

* Pursuant to Article 2-16 of Japan's Company Law

Committees

Human Resources Committee

Chaired by External Director Toru Hanbayashi, this committee is responsible for providing proposals and recommendations regarding the election, dismissal, evaluation of performance, and compensation of directors, officers, and the representative directors of Group companies.

CSR Committee

Chaired by the officer in charge of CSR, this committee considers matters including CSR policy, environmental preservation, community service, compliance, and diversity. The committee incorporates the objective opinions of experts outside the Group and external auditors. During fiscal 2008, this committee was convened to discuss all-product recycling, diversity, monitoring of production facilities, and environmental preservation.

Risk Management Committee

This committee considers matters related to policy, methods, and the monitoring of risk management. Members of the committee include a director, officers in charge of legal matters and finance, and the director and COO of UNIQLO.

Disclosure Committee

Chaired by the person responsible for disclosure to the Tokyo Stock Exchange Co., Ltd. (TSE), meetings of the committee are held to enhance the transparency of management by providing timely, fair, and clear disclosure regarding the Group's business and financial matters. The committee makes decisions regarding information related to matters that are to be disclosed on both statutory and discretionary bases to the TSE that would have a material impact on the judgments of investors. The content of such disclosure may be found on the Company's website in Japanese and in English.

IT Investment Committee

Decisions regarding IT investments are made at the management level to optimize the allocation of IT resources. The committee assesses reports on the IT investment budget, verifies the appropriateness of investments with the participation of third-party experts, and evaluates the return on investment proposals.

Code of Conduct Committee

This committee is responsible for implementation of the FAST RETAILING Code of Conduct, responding to and conducting deliberations upon code violations, and giving advice related to the operation of the "compliance hotline," which enables employees to report and receive counseling related to code violations. The committee is chaired by the officer in charge of CSR; participants and observers include auditors and corporate lawyers.

Business Ethics Committee (UNIQLO)

This committee aims to prevent such behavior as using the superior position of Group companies to place improper pressure on partners (production plants, suppliers, and others). This committee is chaired by the officer in charge of CSR, and members and observers include auditors and corporate lawyers.

Internal Control

To institute proper internal control, we aim to clarify rules and processes as well as establish risk management systems to facilitate the proper and efficient management and conduct of the Company's business activities. Along with the globalization of business operations and integration of Group companies, internal control systems must be applied to the entire Group.

Activities include surveillance of compliance, updating of internal regulations, establishment of internal control systems for financial reporting under Japan's Financial Instruments and Exchange Law (J-SOX), risk management, the proper administration of confidential information, and the creation of frameworks for monitoring through internal auditing.

The Group is taking the following initiatives related to compliance.

Code of Conduct for Officers and Employees

FAST RETAILING adopted its Code of Conduct in September 2004. As our activities became more global in scope, we also issued English, Chinese, Korean, and French versions, and as of the end of August 2007, all Group companies* had adopted our Code of Conduct. We conduct annual training sessions for officers and employees to confirm their understanding of the code.

* Excluding equity-method affiliates

Compliance Hotline (For Reporting and Counseling)

For employees with concerns about their work or violations of the Code of Conduct, we have instituted a hotline to allow them to report their concerns as well as receive counseling on a confidential basis. All employees can access this hotline and receive advice from external legal counsel. Reports and the content of advice are kept in strict confidence and persons in charge follow up. When necessary, the Code of Conduct Committee decides on appropriate measures in response.

Protection of Personal Information

In its Code of Conduct training program, UNIQLO includes the importance of the proper handling of personal information. Measures include enforcing guidelines for the handling of personal information, controlling access to areas where important personal information is handled through fingerprint identification, and other limitations on access to personal data.

Code of Conduct for Production Partners

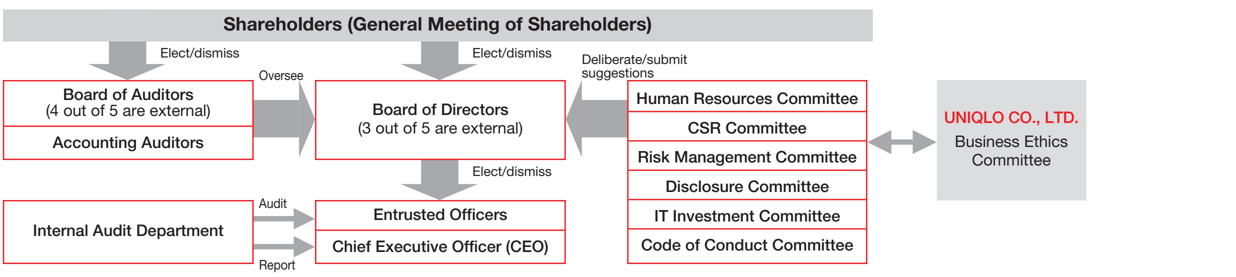
UNIQLO emphasizes compliance throughout its supply chain. Accordingly, in 2004, it instituted a "Code of Conduct for Production Partners." UNIQLO designates approximately 70 principal sewing plants overseas that have signed a pledge to abide by this code as its partner factories. We call on third parties to monitor their activities, with the aim of ensuring a proper work environment at these factories.

Guidelines to Prevent Improper Behavior Based on Superior Position

FAST RETAILING believes that it must take the initiative in ensuring that it does not misuse its superior bargaining position. UNIQLO, in particular, which has approximately 810 stores around the world and orders large volumes of merchandize, is believed to be in a position to use its superior bargaining position. For this reason, UNIQLO established its Business Ethics Committee in 2004 and has set "Guidelines to Prevent Improper Behavior Based on Superior Position." UNIQLO conducts annual surveys to determine whether its employees are exerting improper pressure on its principal partners in Japan and overseas, and, when problems arise, takes corrective action.

Corporate Governance at FAST RETAILING

(As of December 31, 2008)



Composition of Committees

✓ Committee member ★ Observer

	Internal Directors		External Directors			Full-time Auditor	External Auditors				Officers and other external professionals
	Yanai	Matsushita	Hanbayashi	Hattori	Murayama	Tanaka	Yasumoto	Shimizu	Watanabe	Ota	
Human Resources Committee	✓		Chairperson	✓	✓	★	★	★			—
CSR Committee	✓	✓					✓				3
Risk Management Committee	Chairperson	✓				★					3
Disclosure Committee	✓	✓				★					6
IT Investment Committee	Chairperson				★	★					3
Code of Conduct Committee						✓				★	5
UNIQLO Business Ethics Committee						✓	✓		★		4

The chairperson of the Disclosure Committee is the officer in charge of investor relations. And the chairperson of the CSR Committee, the Code of Conduct Committee, and the UNIQLO Business Ethics Committee is the officer in charge of CSR.

What You May Not Need, Someone Else Does

All-Product Recycling

UNIQLO's recycling, which began with the recycling of fleece products, has been expanded to encompass all its products. Customers can bring used clothes they no longer need to UNIQLO stores, and these items are then reused as donated apparel or recycled by converting them to fuel. UNIQLO believes its responsibility to society is to make maximum use of the value of the apparel it sells, or, in other words, to take responsibility to the end of the product lifecycle and minimize resources wasted.

All-Product Recycling began in September 2006, and now, twice a year in March and September, UNIQLO stores accept used apparel from customers. With the cooperation of our customers, the number of recycled items has expanded steadily. For the year ended August 31, 2008, about 1,340,000 items were collected, nearly double the 720,000 items collected in 2007.

Donations to Refugee Camps around the World

Most items collected are cleaned and put in good condition. As a result, about 90% can be donated to refugee camps in Tanzania, Uganda, Ethiopia, and elsewhere.

However, activities to provide refugees with recycled apparel are still not sufficient, because there are still substantial shortages of clothes, and because the need for clothing is continuing to rise for sanitary reasons. UNIQLO works closely with the United Nations High Commissioner for Refugees (UNHCR)* in delivering apparel to refugee camps. However, if recycled clothing is simply sent abroad with little consideration, it may not meet the needs of refugee camps. For example, in some climates there is a need for summer wear such as T-shirts, while in other areas, winter apparel may be necessary. Some refugee camps may be in desperate need of children's clothing. We try our best to respond to these specific needs as well as to the fact that in some areas for religious reasons some colors and designs may not be appropriate. Since basic items account for most of UNIQLO's products, they are often suitable for the members of most ethnic groups, religions, and cultures. Nevertheless, it is essential to conduct preliminary research and select the appropriate items for various regions.

At the same time that we confirm whether the items we donate are suited to the needs of individual refugee camps, to eliminate the risk of theft or sale of the items, UNIQLO's CSR staff and the officers visit the camps themselves to ensure that the clothes we donate have been delivered to the proper destinations.

Items Delivered to Refugee Camps in Ethiopia

In 2008, as civil war and internal conflicts continued in parts of Africa, we donated apparel items to Eritreans and Somalis in Ethiopian refugee camps. Also, in January 2008, we supplied emergency assistance in the form of 130,000 apparel items to victims of cyclones in Bangladesh, and then again, in May 2008, we supplied another 200,000 items to cyclone victims in Myanmar.

Countries where UNIQLO Provided Support in Fiscal 2008

November 2007: Uganda—140,000 items to the Oyama Riwadwari refugee camp
November 2007: Tanzania—80,000 items to the Lugufu refugee camp
January 2008: Bangladesh—130,000 items to the cyclone-stricken area
May 2008: Myanmar—200,000 items to the cyclone-stricken areas
June 2008: Ethiopia—105,000 items to the Shimelba refugee camp
Kebribeyah Aubare—45,000 items to the refugee camp

***UNHCR: A United Nations agency that provides protection and assistance for more than 31.7 million refugees and displaced persons in various parts of the world.**

INTERVIEW Eiko Koshiba, Group CSR Department, FAST RETAILING CO., LTD.

Something UNIQLO Is Uniquely Positioned to Do

In June 2008, I visited refugee camps in Ethiopia to deliver recycled clothes. I will never forget the smiles on the faces of the people living in those harsh conditions as they selected the colors and designs and showed them to family members. I learned a lot by going there and giving the clothes to people directly. For example, Islamic people, for religious reasons, were less concerned about fit and preferred loose garments. Also, there are differences in apparel-related customs although UNIQLO products are basic items, and we encountered relatively few issues related to religion. A love for fashion seems to be universal. In Kebribeyah Aubare, where the number of refugees from Somalia is increasing, there is an especially acute shortage of children's apparel. I saw with my own eyes that since there is a shortage of apparel, children cannot go to school and women cannot go out of their homes. This gave me a renewed understanding of the role of clothing. For refugees, medicine and food receive preference, while clothing takes second place, but providing recycled apparel is something that UNIQLO is uniquely positioned to do. I truly want us to continue to expand these activities.

1. Ethiopia's Shimelba refugee camp.
2. Young men in UNIQLO T-shirts. There are many former soldiers who have taken refuge from Eritrea in Ethiopia's Shimelba refugee camp.
3. Women in colorful UNIQLO T-shirts in Shimelba refugee camp. Recipients enjoy matching UNIQLO items with native African apparel and traditional accessories.
4. To prevent theft and sales of donated clothes and to ensure that they are delivered to the camps properly, UNIQLO's staff and the officer in charge of CSR visit the camps and hand out the clothes themselves.

With All Our Stakeholders "Making the World a Better Place"

Our Approach

FAST RETAILING's basic approach to CSR is to make the world a better place by designing, producing, and selling clothes essential for people's lives. We also seek to enrich people's lives by innovating the way we do business in the apparel retail industry. To continue creating value for the world, we aim to manage our business activities with integrity, grow with society, and help formulate the global standards of the future.

Promoting CSR Activities

FAST RETAILING's CSR Committee promotes CSR activities, and is chaired by the officer in charge of CSR. Members of the committee include experts from outside the Group, an external auditor, the CEO, and the officer in charge of HR.

The committee endeavors to clarify the priority positioning of CSR activities within the Group and discusses topics related to compliance, diversity, environmental conservation, and community services.

CSR Issues

FAST RETAILING aims to address the concerns of and develop together with its broad range of stakeholders, which includes customers, business partners, shareholders and investors, employees, and the community.

Offering *Customers* Quality Apparel

We offer apparel of true value and are also steadily implementing quality and safety management initiatives. When issues related to products arise, we take quick corrective action as well as identify the cause and disclose information.

Building Close Ties with *Business Partners*

FAST RETAILING makes products using proper methods and works to build true partnerships with companies that share its sense of values and strive to contribute to society.

Disclosure and Returns for *Shareholders* and *Investors*

We disclose information in a timely, proper, and fair manner. At the same time, we work to manage our operations with high levels of efficiency, while offering a high return to and protecting the interests of stakeholders based on the proper functioning of our corporate governance framework.

Promoting the Development of *Employees*

FAST RETAILING strives to create a work environment where a diversity of employees, including Regional Regular Employees and those with disabilities, find it easy to work and aims to achieve continuing improvement in employee satisfaction.

In Harmony with the *Community* and *Environment*

Our activities include UNIQLO's All Product Recycling, reducing the burden on the natural environment, and supporting the Setouchi Olive Foundation as well as the Special Olympics Nippon.

Managing Product Quality and Safety

UNIQLO checks that all the products it sells meet its global standards for quality and safety through the activities of its personnel responsible for quality and safety management at offices mainly in Tokyo, Shanghai, Shenzhen, and Ho Chi Minh City.

UNIQLO manufactures in conformity with the "UNIQLO Global Quality and Safety Standards," which are the strictest and most demanding of any such standards established by countries around the world. All materials used in UNIQLO products are subjected to sample testing (for dye fastness, formalin, and other aspects) by public third-party inspection bodies and other organizations to confirm their safety. In addition, UNIQLO conducts various kinds of tests at the production and distribution stages.

In the event that issues related to certain products are found, UNIQLO first and foremost confirms the safety of customers, and then identifies the causes of the problems. UNIQLO may then recall the products of its own initiative or cease sales and manufacturing. Related information is then made public via the Internet, newspapers, and other media.

In 2008, UNIQLO made two voluntary recalls of defective products. We sincerely regret the concern that these two recalls may have caused among our customers and, going forward, we are strengthening our testing and product inspection procedures and thoroughly restructuring our quality and safety management systems to prevent recurrences of such issues.

Voluntary Product Recalls in 2008

September 2008

Products recalled:	**Boa fleece blankets and bags, Boa fleece room shoes**
Reason:	**Products contained metal fragments from the teeth of brushes used to fluff up fleece materials**
Number:	**17 (involving about 80,000 items sold or in inventory)**

November 2008

Products recalled:	**Kids' (girls') Stretch Slim Straight Jeans**
Reason:	**Metal decorations protruded inside the garment as a result of improper installation of rivets (decorative parts)**
Number:	**11 (involving about 80,000 items sold or in inventory)**

Integrity and Employee Contribution

For Our Business Partners

UNIQLO works with about 70 production partners in China and other countries in Asia to maintain product safety and quality. Also, to ensure that UNIQLO products are made under proper working conditions, UNIQLO conducts periodic monitoring, makes recommendations, and discloses related information.

Since 2004, UNIQLO has adopted its Code of Conduct for Production Partners, and calls on third parties to monitor its principal sewing factories that have signed pledges to abide by the Code of Conduct.

Factories of partner companies are ranked on a scale from A to D, based on monitoring results. Depending on the seriousness of violations, UNIQLO may immediately decide to review its relationships with factories where issues have occurred. UNIQLO's top priority in monitoring is to prevent the use of child labor and forced labor. When restrictions against these types of labor are not followed, such factories receive the lowest ranking of D. In such cases, UNIQLO staff in charge visit these factories and request that improvements be made as quickly as possible and then see that follow-up monitoring is conducted. If these factories are found to still be in violation of code regulations and improvements have not been made, UNIQLO reduces or suspends its transactions with such companies.

For Our Employees

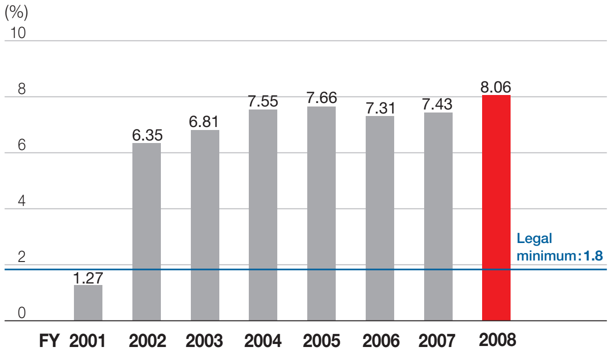
FAST RETAILING promotes the development of workplaces where a diversity of persons, regardless of age, gender, and nationality, work together, thus aiming to attract talented individuals and give them assignments that will draw fully on their leadership abilities in global businesses.

Initiatives include employing persons with disabilities and introducing a Regional Regular Employee program. In Japan, UNIQLO has won national recognition for employing one or more persons with disabilities at each store.

Also, in 2007, UNIQLO introduced a program for regular employees that allows them to be employed in a specific region and not be subject to rotation among different areas. As of September 2008, 2,046 persons have become Regional Regular Employees throughout Japan, and this program has enabled UNIQLO to retain capable employees as permanent employees.

At the same time, to create work environments with an improved "work/life balance," UNIQLO has specified that there will be no overtime days four days a week, added more special vacation days, encouraged the use of paid vacation days, reduced overtime, and instituted health-awareness programs.

Employment Ratio of Persons with Disabilities



Note: The employment ratios for the years through 2006 are as of March 31 of each year, but the ratios for 2007 and thereafter are as of June 1 of each year.

INTERVIEW **Kumiko Shibano, Regional Regular Employee, UNIQLO Shinsaibashi Store**

Making Work Rewarding by Using Our Own Ideas to Improve UNIQLO Stores

I have been in charge of visual merchandizing since the opening of UNIQLO's Shinsaibashi Store in 2004 and, during that time, we have worked to make our store No. 1 in Japan. In the meantime, I always wanted to broaden my horizons and take forward steps. Since I became a Regional Regular Employee, I have actually been more involved in communication with other stores and with the headquarters, and the scope of my responsibilities has increased. I love it when I see the improvements in the store based on my ideas and get compliments from customers on our visual displays.

Working in Harmony with Society and the Environment

Reducing Environmental Impact

As FAST RETAILING goes global, it is giving greater attention to issues related to environmental preservation. In October 2007, we instituted our Environmental Policy and Environmental Guidelines. Based on these, we have taken initiatives to reduce the burden our activities place on the environment. To this end, we have reexamined all our business processes to eliminate waste of any kind and provide maximum added value with a minimum consumption of resources.

First, we set a goal of reducing the use of polyethylene packages to wrap goods when shipping merchandize from the factory. We found that by wrapping some items together, rather than individually, we could reduce the number of polyethylene packages by about 10.8 million annually in fiscal 2008, a reduction five times greater than in fiscal 2007.

Also, to increase transport loading efficiency in distribution and delivery, we reduced the weight of corrugated paperboard boxes. Then, beginning in fiscal 2008, we reduced and concentrated the number of our logistics centers to eliminate waste in distribution and contribute to a reduction in CO_2 emissions.

As an additional step, we distributed our *Manual for Energy and Resource Saving in Stores*, containing instructions for aggressive measures to lower the use of electric power and other resources.

The Setouchi Olive Foundation

The Setouchi Olive Foundation, a non-profit organization, began its activities to restore the natural environment of Teshima island and the surrounding shorelines of Japan's Inland Sea area, where the ecosystem has been damaged by illegal dumping of industrial waste. UNIQLO supports the activities of this foundation, and, since 2001, has placed donation boxes in all its stores throughout Japan. In addition, the CSR officer and UNIQLO staff serve as members of the Setouchi Olive Foundation Operating Committee.

FAST RETAILING employees participate in tree planting on a voluntary basis, and UNIQLO provides financial support to cover the expenses of the employees' volunteer activities.

Special Olympics Nippon

The Special Olympics is an international sports organization that provides opportunities to persons with intellectual disabilities for training and participation in games and competitions. UNIQLO became an official partner offering support for these activities beginning in 2002 and has donated uniforms to volunteer staff members and supported the games. In fiscal 2008, UNIQLO donated 3,650 uniforms for the Winter National Games held in Yamagata Prefecture in March as well as for sports experience campaigns held in various parts of Japan. About 80 UNIQLO staff members from the Head Office and stores participated as volunteers in these events.

In addition, in October 2007, UNIQLO donated uniforms to the Japanese team members participating in the 2007 Special Olympics World Summer Games held in Shanghai.

Award ceremony at the Special Olympics Nippon in Yamagata

Volunteers planting olive trees

The 2007 Special Olympics World Summer Games in Shanghai

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

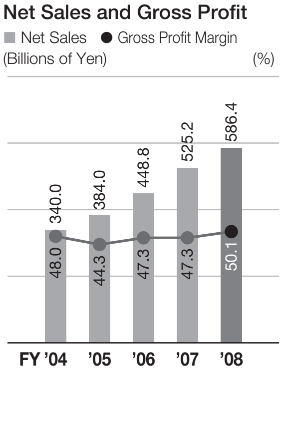
Consolidated net sales posted double-digit growth and amounted to ¥586.4 billion, an increase of 11.7% year on year. The principal factors accounting for the ¥61.2 billion gain in net sales were a rise in sales of ¥37.6 billion in the UNIQLO Japan business, a gain of ¥12.3 billion in UNIQLO International's 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.

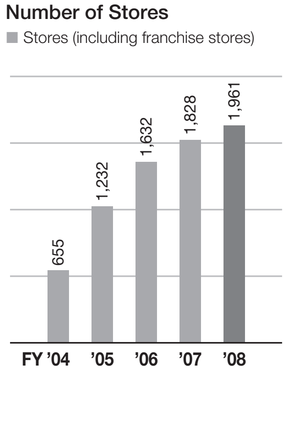
■ SG&A Expenses

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.

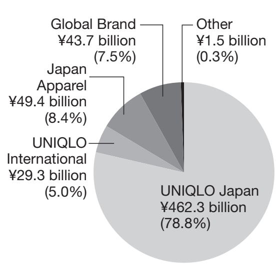
Sales by Group Operation

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

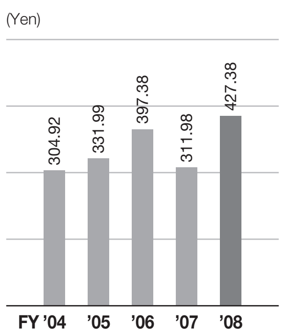
Sales by Product Category

	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

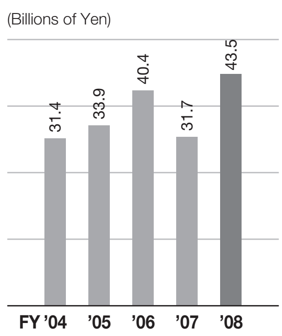
Breakdown of Net Sales



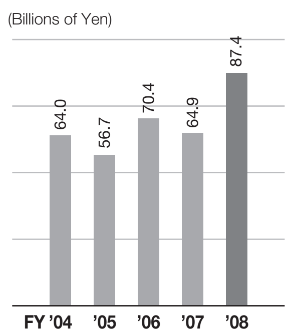
Earnings per Share



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.

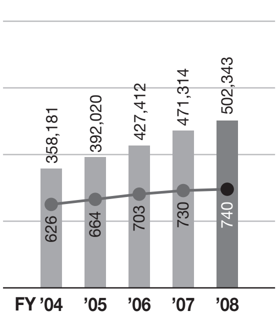
Global Brand Operations

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)*

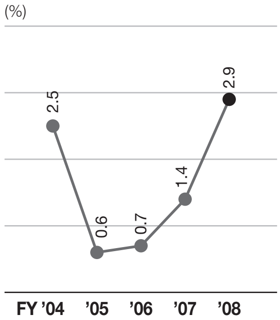
■ Sales Floor Space (m^2)
● Number of Stores



*Directly-managed stores only

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

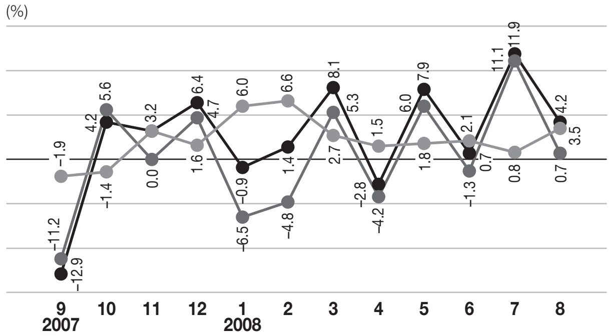
(%)



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

● Sales ● Customer Numbers ● Average Purchase per Customer

(%)



3 Balance Sheets

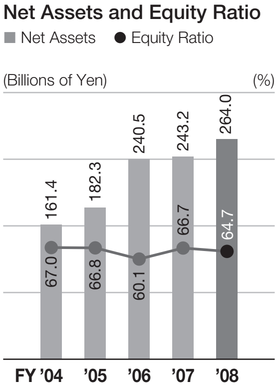
Total assets as of August 31, 2008, amounted to ¥404.7 billion, ¥44.9 billion higher than at the end of the previous fiscal year. Within this total, current assets increased ¥45.7 billion, to ¥263.6 billion. The principal factor accounting for this increase in current assets was an increase of ¥50.6 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.

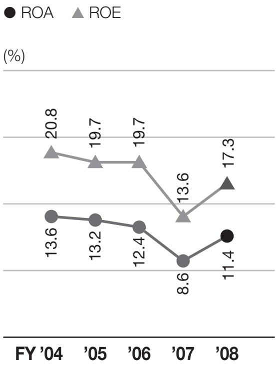
Fixed assets declined ¥700 million, to ¥141.0 billion. This was mainly because of a decrease of ¥2.1 billion in intangible fixed assets accompanying the further amortization of goodwill and a decline of ¥2.0 billion in investments in subsidiaries and affiliates resulting from the inclusion of VIEWCOMPANY (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.

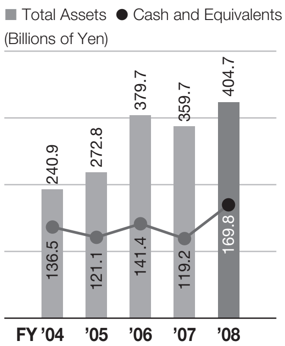
Net Assets and Equity Ratio



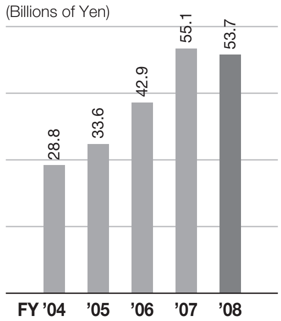
ROA and ROE



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:

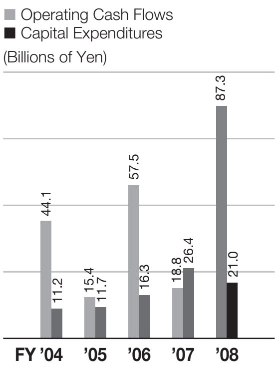
Net cash provided by operating activities rose ¥68.4 billion, to ¥87.3 billion. This was mainly due to an increase in income before income taxes and minority interest of ¥19.2 billion, the effect of a ¥17.9 billion increase in trade payables, the impact of a decrease in inventories of ¥13.6 billion, 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.

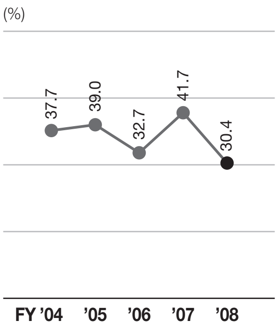
Net cash used in financing activities rose ¥6.2 billion, to ¥19.0 billion. Principal factors accounting for this increase included a decline of ¥3.7 billion in proceeds from long-term debt.

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

ASSETS	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (note 1) 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	Millions of Yen 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.

Notes to Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

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

History

UNIQLO is the cornerstone of the business portfolio of FAST RETAILING CO., LTD., which was founded in 1963. The first UNIQLO store was opened in Hiroshima in 1984. Thereafter, UNIQLO opened a series of stores, mainly in roadside locations, and by 1997, it had become Japan's largest apparel chain store, with more than 300 outlets located throughout the country. In 1998, the Company opened its first store in the Tokyo area, and, as a result of its successful sales campaign for fleece products in October that year, a UNIQLO "boom" ensued. The Company is implementing the SPA (Specialty Store Retailer of Private Label Apparel) business model, which has enabled it to grow rapidly with high profitability. Especially in fiscal 2000 and 2001, UNIQLO reported rapid advances in performance, and sales topped ¥400 billion. Thereafter, though, the Company experienced several lean years, with declining net sales and net income, but by shifting to expansion of its sales of women's apparel, performance recovered and the Company regained the ¥400 billion level of sales in fiscal 2006. UNIQLO began moving ahead with the opening of large-format stores with about 1,600 square meters of floor space in 2004. Overseas, following the opening of its first store in the United Kingdom in 2001, UNIQLO has since opened outlets in China (including Hong Kong), the United States, France, and Singapore.

To diversify its business base, the Company began acquisitions in 2005 and, subsequently, has acquired COMPTOIR DES COTTONIERS, a French women's apparel chain; PRINCESSE TAM.TAM, a French lingerie retailer; and companies in Japan, including CABIN, a women's fashion SPA, and footwear retailers ONEZONE and VIEWCOMPANY.

1940

1949.3
Men's Shop Ogori Shoji founded as a private enterprise in Ube City, Yamaguchi Prefecture.

1960

1963.5
Ogori Shoji Co., Ltd., established, with capital of ¥6 million, as a successor to the original business.

1980

1984.6
The first UNIQLO store specializing in casual clothing opened in Hiroshima (UNIQLO Fukuromachi store; closed in August 1991).

1985.6
The first UNIQLO roadside store opened. Following immediate success, the format was adopted as the new standard.

1990

1991.9
The Company's name changed to FAST RETAILING CO., LTD.

1994.7
The Company's stock listed on the Hiroshima Stock Exchange.

1997.4
The Company's stock listed on the Second Section of the TSE.

1998.2
The Head Office constructed in Yamaguchi Prefecture.

1998.10
The ¥1,900 fleece campaign attracted great public attention.

1998.11
The first downtown store opened in the fashionable Harajuku district of Tokyo.

1999.2
The Company's stock listed on the First Section of the TSE.

1999.4
The Shanghai Office established to further enhance production management.

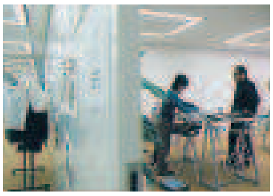
2000

2000.4
The headquarters functions moved to Tokyo to promote merchandizing and marketing.

2000.10
Internet online sales business launched.

2001.9
UNIQLO's first overseas expansion began with store openings in London.

2002.4
UNIQLO Design Studio (current R&D Center) established.



2002.9
Opened first two UNIQLO stores in Shanghai, China.

2002.11
Started food business under the SKIP brand name (exited the business in April 2004).

2003.10
The cashmere campaign stimulated high consumer interest.

2004.1
Took an equity stake in Link International Co.,Ltd. (now LINK THEORY HOLDINGS CO.,LTD.), marketer of the Theory apparel brand.

2004.10
Opened the first large-format UNIQLO store in Shinsaibashi, Osaka.

2004.12
Established UNIQLO Design Studio, New York, Inc. design subsidiary to help strengthen the R&D function.

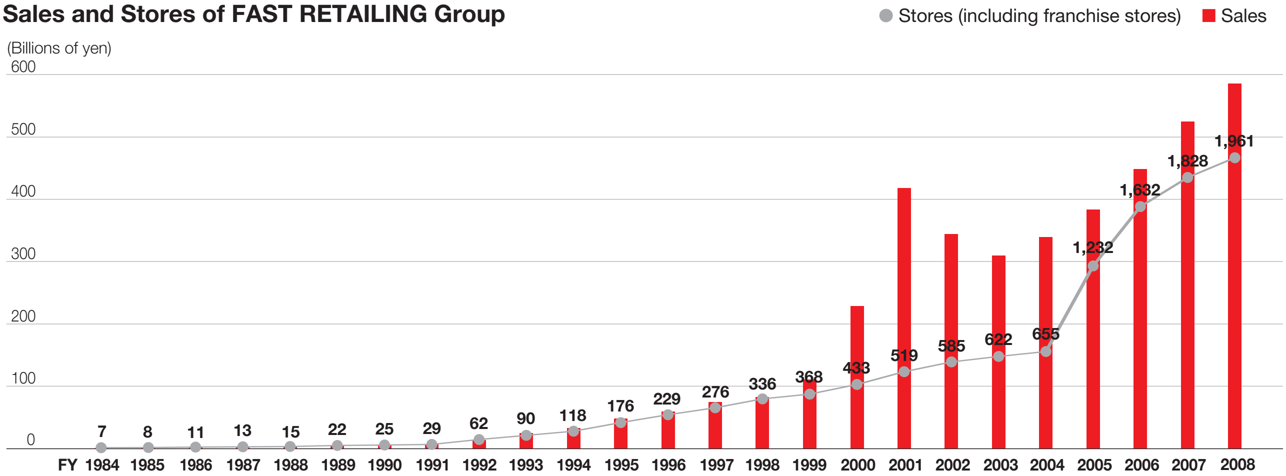
2005.3
Footwear retail chain ONEZONE CORPORATION (store names include FOOTPARK, etc.) became a consolidated subsidiary. (Currently GOV RETAILING)

2005.5
Obtained management control of NELSON FINANCES S.A.S., developer of the COMPTOIR DES COTONNIERS French casual clothing brand.

2005.9
Opened first UNIQLO store in South Korea (Seoul).

2005.9
Opened first store in United States (New Jersey).

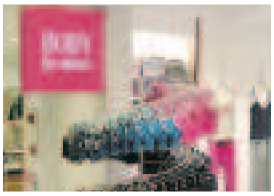
Sales and Stores of FAST RETAILING Group



Note: On a consolidated basis from fiscal 2002.

2005.9
Opened first store in Hong Kong (Tsim Sha Tsui shopping district).

2005.9
Opened first women's inner wear specialty store, BODY by UNIQLO, in Tokyo's Ginza shopping district.

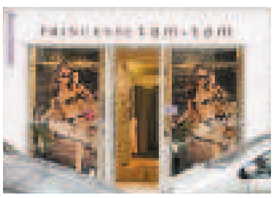


2005.9
Opened UNIQLO store in Ginza, Tokyo.

2005.10
Opened first UNIQLO KIDS store.

2005.11
Shifted to a holding company structure to strengthen UNIQLO operations and drive new business expansion.

2006.2
PETIT VEHICULE S.A.S. becomes a consolidated subsidiary developing the PRINCESSE TAM.TAM brand in France and other parts of Europe.



2006.3
Established G.U. CO., LTD. to develop low-priced casual clothing g.u. brand stores. (Currently GOV RETAILING)

2006.4
Invested in CABIN CO., LTD. to develop, design, and retail women's clothing (store names include ZAZIE, enraciné, etc.). (Became a consolidated subsidiary in August 2006)

2006.6
UNIQLO CO., LTD. formed a business tie-up to create a strategic partnership with TORAY INDUSTRIES, INC.

2006.9
Commenced UNIQLO All-Product Recycling.

2006.10
The first g.u. store opened in Ichikawa City, Chiba Prefecture.

2006.11
Invested in ladies' shoe specialty chain retailer VIEWCOMPANY CO.,LTD., which became a wholly owned subsidiary in February 2008. (Currently GOV RETAILING)

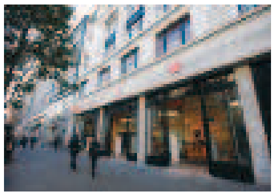
2006.11
UNIQLO New York Soho store opened in New York City as the first global flagship store, with 3,300 square meters of sales floor space.

2007.3
Opened the Kobe Harborland store, the largest UNIQLO store in Japan, with over 3,300 square meters of floor space.

2007.4
Opened T-shirt specialty store UT STORE HARAJUKU.

2007.10
First HEATTECH campaign spurred a huge surge in sales.

2007.11
Opened a global flagship store on London's Oxford Street.



2007.12
First UNIQLO store in France opened in Paris suburb, La Defense.

2008.8
Entry into Singapore in joint venture with Wing Tai Retail for UNIQLO business.

2008.9
Subsidiaries G.U., VIEWCOMPANY, and ONEZONE merged into newly formed GOV RETAILING CO., LTD.

2008.11
Conducted global sales campaigns for HEATTECH in five major cities overseas.

2008.11
Invested in joint venture CPAT (SINGAPORE) PRIVATE LTD., with the aim of developing a production base in Bangladesh.

Investor Information

(As of August 31, 2008)

Securities Code: 9983

Stock Exchange Listing: First Section on TSE

Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares	106,073,656
Number of shareholders (including holders of treasury stock)	6,574

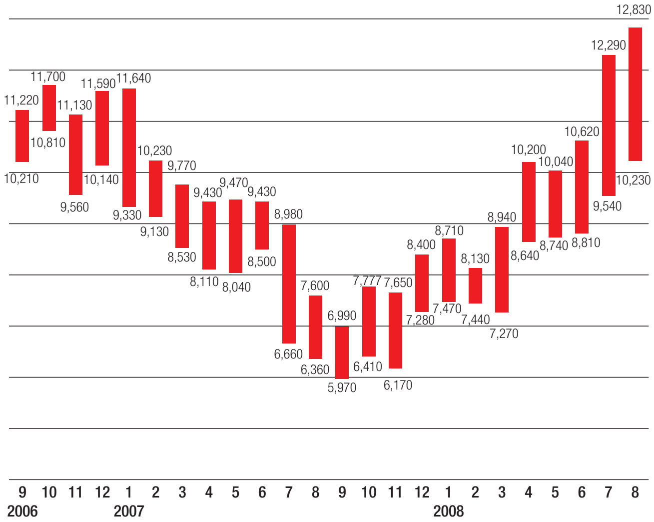
Principal Shareholders

	Number of shares	Percentage of total shares in issue (%)
Tadashi Yanai	28,297,284	26.68
The Master Trust Bank of Japan, Ltd.	7,113,600	6.71
Nomura Securities Co., Ltd.	5,780,025	5.45
Japan Trustee Services Bank, Ltd.	5,328,500	5,02
Kazumi Yanai	4,781,808	4.51
Koji Yanai	4,780,600	4.51
Fight & Step Co., Ltd.	4,750,000	4.48
FAST RETAILING CO., LTD.	4,222,582	3.98
MASTERMIND Co., Ltd.	3,610,000	3.40
BNP PARIBAS SECURITIES (JAPAN) LIMITED	3,063,224	2.89

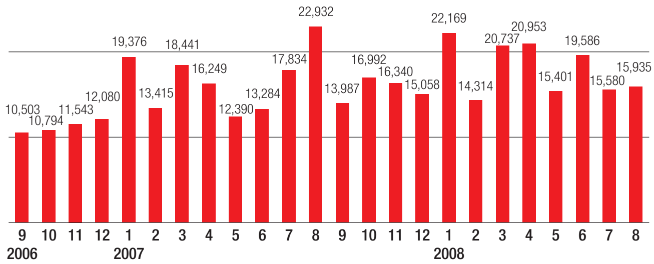
Shareholder Breakdown

	Number of shareholders	Number of shares (Thousands)	Percentage of total shares in issue (%)
Individuals and others	6,009	46,600	43.93
Other financial institutions	57	19,984	18.84
Foreign investors	378	20,505	19.33
Companies and corporations	81	8,877	8.37
Securities companies	49	10,105	9.53
Total	6,574	106,073	100.00

Stock Price (Yen)



Trading Volume (Thousands of Shares)



The latest IR information can be found on our website at: http://www.fastretailing.com/eng/ir/

You can view a video of our latest business results meeting here.

Our basic policies for IR activities are available here.

Click here for the latest news releases.

You can check on the monthly trends in UNIQLO Japan sales here.

The latest IR publications, including annual reports and business reviews, are available here.

FAST RETAILING was selected as one of the recipients of Daiwa Investor Relations Co., Ltd.'s Best IR Website Award in 2008.

Corporate Information

Corporate Data
(As of December 31, 2008)

FAST RETAILING CO., LTD.

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

Tokyo Office
Kitanomaru Square,
13-12, Kudan-kita 1-chome,
Chiyoda-ku,
Tokyo 102-0073, Japan

Established
May 1, 1963

Paid-in Capital
¥10,274 million

Line of Business
Control and management of overall Group activities as owner and holding company

Number of Full-time Employees
(Consolidated)
8,054 (As of August 31, 2008)

Settlement Date
August 31

Annual Shareholders' Meeting
End of November

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Number of Shares per Trading Unit
100

Board of Directors
(As of December 31, 2008)

Tadashi Yanai
Chairman, President & CEO

Masa Matsushita
Director & Senior Officer

Toru Hanbayashi[*1]

Nobumichi Hattori[*1]

Toru Murayama[*1]

Statutory Auditors' Board
(As of December 31, 2008)

Akira Tanaka

Takaharu Yasumoto[*2]

Norihiko Shimizu[*2]

Akira Watanabe[*2]

Minoru Ota[*2]

*1 External director
*2 External auditor

Main Group Companies
(As of December 31, 2008)

<Consolidated Subsidiaries>
UNIQLO CO., LTD.
717-1, Sayama, Yamaguchi City,
Yamaguchi 754-0894, Japan

UNIQLO(U.K.)LTD.
Top Floor 93-97 Clarence Street,
Kingston Upon Thames, Surrey,
KT1 1QY, U.K.

FAST RETAILING(CHINA)TRADING CO., LTD.
Rm. 1602, Xuhui Garden Building,
No.1089, Zhongshan Er Road (South),
Shanghai, China 200030

UNIQLO USA, Inc.
101 Avenue of the Americas, 11th Floor,
New York, NY 10013, U.S.A.

FRL Korea Co., Ltd.
5F, 24-11 Chungmuro 1ga,
Jung-gu, Seoul 100-011, Korea

UNIQLO HONG KONG, LIMITED
No. 806, 8/F., Miramar Tower, No. 132
Nathan Road, TST, Kowloon, Hong Kong,
China

FR FRANCE S.A.S.
17 avenue de l'Opera, 75001 Paris, France

Créations Nelson S.A.S.
58 rue St Lazare, 75009 Paris, France

PETIT VEHICULE S.A.S.
39 rue Maurice Gunsbourg F-94851
Ivry-sur-Seine cedex, France

COMPTOIR DES COTONNIERS JAPAN Co., Ltd.
Aoyama MS Building 9F,
7-5, Jingumae 3-chome, Shibuya-ku,
Tokyo 105-0001, Japan

CABIN CO., LTD.
Nihon Jisho Dai-ichi Building 8F,
13-5, Kudan-kita 1-chome,
Chiyoda-ku, Tokyo 102-0073, Japan

GOV RETAILING CO., LTD.
Nihon Jisho Dai-ichi Building 11F,
13-5, Kudan-kita 1-chome,
Chiyoda-ku, Tokyo 102-0073, Japan

<Affiliated Company under the Equity Method>
LINK THEORY HOLDINGS CO.,LTD.
4-35, Minami-Aoyama 5-chome,
Minato-ku, Tokyo 107-0062, Japan

Additional copies of this annual report and other information may be obtained by contacting:

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Forward-Looking Statements

Statements in this annual report with respect to the Company's plans, strategies, forecasts, and other statements that are not historical facts are forward-looking statements that are based on management's judgment in light of currently available information. Factors that could cause actual results to differ materially from our earnings forecasts include, without limitation, global economic conditions, our response to market demand for and competitive pricing pressure on products and services, and currency exchange rate fluctuations.

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