FAST RETAILING

ANNUAL REPORT 2006

Year ended August 31, 2006

Photo：Tetsuya Niikura

To express the FAST RETAILING spirit in a nutshell, we are all about innovation and challenge.

We are willing to stand up and challenge the old existing bonds with strong conviction and high ambition for an even better world. We are changing the traditional structure of apparel retailing in Japan.

We are committed to developing good ideas, introducing them to the world, and contributing to society by changing the way people view and value their clothes. To this end, we believe that we should be a corporate group that attracts ambitious people with high standards.

Now, we are moving forward with a vision to become global. We are also moving beyond the world of casual clothes—to design and produce truly good clothes to enrich the lives of people throughout the world.

The FAST RETAILING Group, working closely with its partners around the world, aspires to realize this ideal.

FAST RETAILING

In September 2006, FAST RETAILING unveiled its new corporate logo. The Company commissioned Mr. Kashiwa Sato, the creative director of UNIQLO's global flagship store in New York's Soho area, to design its world-class logo—something FAST RETAILING felt it needed in light of its aspirations to become the world's leading apparel retail group. The FAST RETAILING spirit is all about challenge and innovation. How is this corporate spirit incorporated into the new logo? What is the concept behind the New York Soho store? These are the questions addressed in the discussion between FAST RETAILING Chairman, President & CEO Tadashi Yanai and Mr. Sato presented herein.

Kashiwa Sato

Creative and art director, Kashiwa Sato's innovative use of expression across a broad spectrum of genres—from product design to advertisement and space direction—has provided a steady stream of subjects for discussion. His work includes direction of FAST RETAILING's corporate identity (CI) and creative direction of the UNIQLO New York Soho store.

Meeting with Mr. Kashiwa Sato

Yanai: When a mutual acquaintance told me that I should meet with Mr. Sato, I was rather reluctant, weary of meeting with a "creator." Those who call themselves creators may or may not always be creative; there are so many self-proclaimed "creators" out there. But I was very impressed when I saw a TV special about Mr. Sato. So, I set out right away to meet him.

Sato: I found UNIQLO and its ventures fascinating and wanted to meet Mr. Yanai. I was curious about what kind of person he was. So, I was thrilled to meet him. We met for the first time in February 2006. After that, we threw ourselves with breakneck speed into an outrageous amount of work.

Yanai: Speed is important because there is power in the energy you have when you get the urge to do things. Mr. Sato and I have completely different occupations, but when I met him I got the feeling that we could speak the same language. I thought here is someone who we can entrust with getting our message out.

Sato: We may have similar aesthetic tastes in what we find beautiful or cool. I believe that aesthetic consciousness is going to be key to Japan going forward.

Why a Corporate Identity Now?

Yanai: A corporate logo represents a company. It is the company. A company should not create a corporate logo unless it is sure about where it wants to go and is committed to working to get there. It is not something to be done lightly. However, the shape of our Group changed, and we reached a turning point. FAST RETAILING and UNIQLO are now separate entities, and various companies have been added to the mix. So, we needed a new logo and language that everyone could really get.

Sato: A logo embodies the very essence of a company. Packing a company's philosophy and vision into a single logo is extremely difficult.

Yanai: That we were able to create a corporate logo shows that our Company has reached a certain scale. We were about to enter the next stage and needed some kind of unifying force.

Sato: Creating a logo is not about adding something new. It is about bringing the very essence of something to the foray and enhancing awareness of it. When the number of employees grows to this level, a corporate logo becomes a necessity. The new logo will serve as an important tool as various companies join the fold going forward.

Yanai: I see it like this. Each company has its own corporate DNA, and we can use our corporate logo as a sort of blender to ensure that any new DNA is properly mixed with the DNA that we already have.

Tadashi Yanai, FAST RETAILING
Chairman, President & CEO

"FAST RETAILING and UNIQLO are now separate entities, and various companies have been added to the mix. So, we needed a new logo and language that everyone could really get."

A Corporate Logo that Makes FAST RETAILING Shine

Sato: It may look like FAST RETAILING's logo was whipped up overnight, but a lot of thought actually went into the process. If a corporate logo retains any traces of uncertainty or confusion—if you can see that it took a lot of time to work out or that it was really hard to make a decision—then it can't possibly clarify the direction of the company.

Yanai: Creating the logo must have taken a tremendous amount of work, but I think it's good that people say things like "that must have been easy" when they see the logo. It shows that we have accomplished our purpose.

Sato: UNIQLO has stores and clothing that make the company's image accessible, but FAST RETAILING is a completely different story. FAST RETAILING is setting out to give shape to a much more abstract concept and move forward with a variety of activities. This made my task challenging. Not only that, but also all sorts of factors change depending on how you look at things. A logo displays its subject from one angle. I searched and searched to find the angle from which FAST RETAILING would shine the brightest.

Yanai: That must have been difficult. To take a company's concepts and direction and give that shape, put that into words. On top of that, you had to create something that was not the same and yet not different from UNIQLO while ensuring that our corporate DNA remains shared.

Sato: Just to choose a single color required numerous discussions with Mr. Yanai and an immense amount of consideration on my part. Red represents innovation, reform, passion, strength, independence, and a cutting edge, and these qualities overlap with UNIQLO's corporate DNA. In hindsight, red appears to have been the obvious choice. However, it was actually an extremely difficult decision to make.

"As for the design, it goes beyond the existing framework to new values and perspectives with the flag as a symbol of the unifying force behind this movement."

Values Represented by the New Logo

Yanai: A corporate logo must tie together what the company has done in the past, what it is doing now, and what it plans to do in the future. Our intention to continue to pursue innovation and take on new challenges has been incorporated into our logo.

Sato: As for the design, it goes beyond the existing framework to new values and perspectives with the flag as a symbol of the unifying force behind this movement. The three lines forming the flag dovetail with FAST RETAILING's corporate mission to change our clothes and the ways in which clothing is supplied, triggering changes in the market and industry standards, which, in turn, will make the world we live in a different place.

Yanai: The logo's gradual rise to the right ending in a sharp point alludes to our desire to bring about change in everyday life one step at a time. Our goal as a company is to put good ideas into action, lead, and trigger changes to make a difference. We aspire to achieve this by going beyond the realm of casual clothing to offer truly great clothing that enriches the lives of people around the world.

UNIQLO's "Super-Rational" New York Soho Store

Sato: With the Soho store, we are not looking to radically change the UNIQLO that we have come to know. Rather, we want to really get to the heart of UNIQLO, to build on that, and bring it into the spotlight. We want to make the most of UNIQLO's strengths and present them to the world.

Yanai: Our store is on Broadway, between Spring St. and Prince St. I think that this just may be the best location in Soho. With three stories, one below and two above ground, and about 3,300 square meters of floor space, this is UNIQLO's largest store ever. We want to make this a global flagship store packed with the very best in terms of products, sales displays, and service.

Sato: The store's concept is rooted in super-rationality. I thought it would be great if we could jack up the rational component of UNIQLO's DNA and transform that into entertainment and beauty. I also think that the presentation of products adds a great bit of fun to the store. The wall of T-shirts and the logos written in the Japanese *katakana* are so UNIQLO. We designed the graphics, store interior, and website to form one linked entity, and I think that turned out pretty much perfect.

Yanai: People jumped at the chance to work with Mr. Sato. In fact, they were a group of the most sought-after designers—people you would assume were booked solid.

Sato: That's for sure. Just getting together with Masamichi Katayama[*1] and Yugo Nakamura[*2] wasn't exactly easy. The three of us always ended up meeting at midnight or some other late hour.

***1: Masamichi Katayama**
Interior designer Masamichi Katayama is revered in Japan and overseas for his ability to balance a respect for tradition and style while adding a splash of the modern. Katayama undertook the design of the UNIQLO New York Soho store.

***2: Yugo Nakamura**
Web designer Yugo Nakamura's radical interfaces are constantly sparking revolutions in the fields of interaction design and interface design. Nakamura handled the direction of the website exclusively for the UNIQLO New York Soho store.

UNIQLO New York Soho store

“We also want for Americans and Europeans to say, ‘When I go to New York, I want to check out UNIQLO.”

Positioning the Soho Store as a Center for the Latest in UNIQLO and Japanese Culture

Yanai: As for products, the store has lots of items that are driven by the New York R&D center. We have such a huge variety of merchandise that some of our products are not sold in Japan, but the Soho store is to have everything. We even had stylists who are active on the global stage come in and rework our product categories and coordination efforts.

Sato: We also had UNIQLO release a compilation album featuring cutting-edge Japanese music. Essentially, the UNIQLO Soho store is going to be a place where you can find the latest in creation from Japan—from fashion, design, and music to web creation. I think that the timing of the store’s establishment is fantastic. Japan and Tokyo’s culture and design are extremely popular right now, and we’ve got what it takes to compete on a global level. This is UNIQLO’s chance to get out there on the big stage and show everyone what we’ve got. If we can get the ball rolling and really bring Japanese culture overseas, that would be fantastic.

Yanai: We want to create a place that is not only for the Japanese. We also want for Americans and Europeans to say, “When I go to New York, I want to check out UNIQLO.” We set up a UNIQLO store in New York’s Soho area because we wanted to build a showcase for the world. We want the store to be a place where people can get a sense of what the latest in UNIQLO and Japanese culture have to offer.

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Statements in this annual report with respect to FAST RETAILING’s plans, strategies, forecasts and other statements that are not historical facts are forward-looking statements that are based on management’s assumptions and beliefs derived from information currently available and invoke risks and uncertainties. Factors that could cause actual results to differ materially from such statements include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, FAST RETAILING’s ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.

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Message from the CEO

Chairman, President & CEO Tadashi Yanai

"One year into the transformation of our business structure, we are starting to see solid results. FAST RETAILING is on its way to becoming a global corporate group capable of achieving sustainable growth."

FAST RETAILING has begun to face direct competition from apparel companies around the world, and its management is being called upon to fulfill their obligations to diverse stakeholders. Viewing these trends as an opportunity, we kicked off organizational reforms one year ago, with an eye to ensuring the Company's ongoing growth in the global market. As well as these reforms, we have taken steps to make the organization more global, enhance Group management, and refocus on entrepreneurial values along with strengthening corporate governance under a holding company structure. These initiatives have started to produce solid results.

In our UNIQLO operations, we have embarked upon the creation of a new UNIQLO where store development, product development, and a large-format store strategy will drive the business's growth. As for overseas UNIQLO operations, we opened a global flagship store in the Soho district of New York. We are also pursuing M&A activities and new business expansion, and the Group's operations are as dynamic as ever.

Business Structure Transformation Yields Results

In fiscal 2006, ended August 31, 2006, FAST RETAILING achieved substantial gains in revenues and earnings, with consolidated net sales climbing 16.9% year on year, to ¥448.8 billion, and operating income rising 24.1%, to ¥70.4 billion. Solid growth in sales in the Group's core UNIQLO business as well as the addition of new consolidated subsidiaries contributed to the robust performance.

One year ago, we commenced our business structure transformation in line with the belief that "FAST RETAILING must promote globalization and Group management as well as refocus on entrepreneurial values in order to move to the next stage of growth." As part of the transformation, we established a holding company in November 2005 and set about bolstering the UNIQLO business and augmenting the Group's operations. Over the past year, we have accomplished many things.

The UNIQLO business has switched to a strategy of accelerating the opening of large-format stores with floor space of approximately 1,600 square meters, which have been positioned as growth drivers. In turn, the Company is shoring up the development of products for large-format stores and has embarked on a path of product development that leverages the Company's global R&D framework, with offices in Tokyo, New York, Paris, and Milan. In fact, products created under this framework hit store shelves in autumn 2006. Building on UNIQLO's long-standing forte in basic merchandise, we have infused our offerings with style and shape as well as bolstered our lineup of trendy fashion, primarily with respect to our women's items.

We are also working to develop flagship UNIQLO stores. Leveraging the success of the Ginza store's October 2005 debut, we opened a 3,300 square meter global flagship store in New York's Soho district in November 2006. The Soho store is a showcase for the world featuring the very best that UNIQLO has to offer in terms of products, sales displays, and service. We are looking to roll out flagship stores of this caliber in major cities around the world.

As for M&A and new business activities, our forays during the past year into apparel-related businesses that have growth potential and are expected to benefit from synergies with the UNIQLO business and raise the Group's corporate value paid off. First, in February 2006, we made PETIT VEHICULE S.A. a consolidated subsidiary, and in June of the same year, we made NELSON FINANCES S.A.S., a wholly owned subsidiary. Then, in August, we acquired a majority stake in CABIN CO., LTD., which operates a domestic chain of women's clothing stores, and subsequently made the company a consolidated subsidiary. Furthermore, in October, we launched a new casual brand of clothing called "g.u.," and in November, we acquired a stake in the shoe company VIEWCOMPANY CO.,LTD. In this way, we have instilled FAST RETAILING's brand portfolio with a more global flavor and progressed on our path toward becoming an apparel retailer with offerings for a broad array of customers.

The holding company FAST RETAILING is actively recruiting talent to assist with the management and bolster the corporate governance of these Group companies. We are enhancing these functions and establishing a solid foundation for Group management.

Large-Format Stores at the Heart of a New UNIQLO

In our domestic UNIQLO operations, we need to think out of the box both with regard to our stores and our products as well as push forward with sweeping reforms if we are to reinvent UNIQLO.

To date, UNIQLO has achieved high rates of growth by rapidly opening stores with standardized product lineups and floor space amounting to roughly 700 square meters in a typical location in the suburbs. However, now that we have a network of 730 stores throughout Japan, these stores and product lineups are only able to meet the relatively limited needs of our customers. By rolling out large-format stores with floor space of around 1,600 square meters, we aim to create a new UNIQLO that entices customers who used to only purchase basic items to take home a wider variety of products.

Over the past year, we have found that the efficiency of these large-format stores with floor space of about 1,600 square meters goes toe to toe with that of our standard stores. Based on our findings, we have decided to open 20 new large-format stores in fiscal 2007, ending August 31, 2007, after which we plan to pick up the pace and open 40 of these stores each year. On another front, we are scrapping existing stores and hope to expand the overall floor space of our domestic UNIQLO stores at a rate of around 10% per year.

Turning to new global R&D, we owe such successes as the autumn 2006 launch of SKINNY jeans to this framework. We caught wind of an emerging trend in the world's fashion markets, latched on, and became the first in Japan to introduce the latest in jeans. I believe that taking UNIQLO's "casual wear that can be worn by anybody, anywhere, everyday" concept and infusing it with added value—fashionability, trendiness, and new functional materials—in this way will enable us to attract new types of customers.

Until now, I feel that the perception that "fashion is something for certain young people" has pervaded. At UNIQLO, we believe that fashion is for anybody, anywhere, everyday. To this end, we should be able to offer customers from all walks of life reasonably priced, stylish clothing of world-class quality. We are seeking to uncover latent needs and working with our business partners to develop entirely new, sophisticated materials and products. We want to go beyond UNIQLO's "basic casual clothing" image to create a product lineup that makes it *the place you can get anything you wear.*

Overseas UNIQLO Business to Leverage Flagship Stores

In autumn 2005, we opened UNIQLO stores in the United States, Hong Kong, and South Korea, expanding our overseas UNIQLO operations to four countries, including previously established stores in England and China. We first saw signs of success in our overseas UNIQLO business at the Hong Kong store, which was opened in September 2005. This store has taken off because we were able to convey what makes UNIQLO products great and what the brand is about, thanks in part to the store's spacious floor space—about 1,000 square meters—and the fact that UNIQLO was not an unknown name in Hong Kong. Meanwhile, we learned from opening UNIQLO stores in shopping malls in the United States that it is difficult to sell products in new overseas markets where we do not have name recognition. This experience taught us a lesson about the importance of brand awareness in the success of overseas ventures. Taking this lesson to heart, we have switched to a strategy of opening flagship stores in local fashion centers to dramatically boost name recognition.

In November 2006, we took the first step of our new journey and opened a 3,300 square meter global flagship store in New York's Soho district from which we will proudly display UNIQLO's wares to the world. The Soho store embodies the very essence of the outstanding products, sales displays, and service that UNIQLO has to offer today. Our decision to open this store in the United States, where competition in the casual apparel market is cutthroat, was based on our belief that survival in this market will give us the strength to compete in the rest of the global market. In December 2006, we took another step forward and opened a 2,300 square meter flagship store in Pudong, Shanghai. We plan to continue our journey and roll out similar flagship stores in other fashion capitals around the world.

Embracing M&A Activities and Establishing a New Brand

Targeting consolidated net sales of ¥1 trillion and ordinary income of ¥150 billion in 2010, M&A and new business activities are FAST RETAILING's management top priorities. Over the past year, our M&A activities have gradually started to take shape. In February 2006, we made PETIT VEHICULE S.A. a subsidiary; in June 2006, we made NELSON FINANCES S.A.S. a wholly owned subsidiary; and in August 2006, we acquired more than 50% of the shares of CABIN CO., LTD., a company listed on the First Section of the Tokyo Stock Exchange, via a successful tender offer after which we made the company a subsidiary. In addition, in November 2006, we acquired a stake in the JASDAQ listed women's shoe retail company VIEWCOMPANY CO.,LTD.

The objective of M&A activities is to leverage UNIQLO's strengths as a Specialty Store Retailer of Private Label Apparel (SPA), enhance the Group's global brand portfolio, and build a business platform for FAST RETAILING and UNIQLO in major markets around the world.

Going forward, we plan to actively engage in M&A activities, investing between ¥300 billion and ¥400 billion in companies with global potential able to eventually deliver sales of ¥100 billion or higher and a ratio of ordinary income to net sales of 15% or higher, and working together with outstanding business managers to achieve high growth.

As for new business, we opened our first store featuring the new "g.u." brand in October 2006. We created g.u. to develop the market in Japan for "absolutely low prices." In contrast to our quest with UNIQLO to enhance added value with high-quality, fashionable merchandise, we are going after rock-bottom prices with g.u. In the global apparel market, U.S. companies such as Wal-Mart Stores, Inc., and Target Corporation have been successful in the low-end market; however, this market remains undeveloped in Japan—presenting a huge business opportunity. We plan to open up to 50 g.u. stores each year in a variety of locations, including stores in Daiei shopping centers via a business alliance with The Daiei, Inc., stores in other shopping centers, and roadside stores. We aim to realize highly efficient operations by leveraging the SPA know-how that we have gained through our UNIQLO operations in g.u.'s product planning, production management, and store operation.

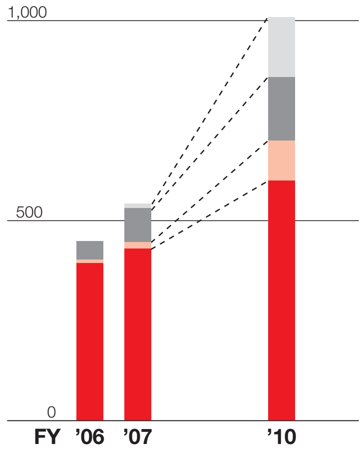
Working to Generate ¥1 Trillion in Group Net Sales

In the domestic UNIQLO business, we intend to accelerate the opening of large-format stores with a scrap-and-build approach while maintaining sales at existing stores. Not only that, but also we aim to increase profit margins by raising the accuracy of production adjustment and achieve growth in consolidated net sales and profits. In fiscal 2007, we will put UNIQLO's large-format store strategy into full play with the opening of a store with roughly 3,300 square meters of floor space in Japan.

We expect to see our overseas UNIQLO subsidiaries return to profitability, with the exception of our U.S. operations, which will remain in the red due to the costs associated with the November 2006 opening of our new store in the Soho district of New York.

Regarding other principal consolidated subsidiaries, we are looking to improve performance at ONEZONE CORPORATION as well as enlist the entire Group in the construction of a support framework for CABIN to put this subsidiary on a growth track. In addition, we will press ahead with the opening of new g.u. stores in line with our plans to develop this new chain of stores.

FAST RETAILING GROUP Sales Scenario 2006–2010 (Billions of Yen)



* Sales figures do not include the sales of equity-method companies such as LINK THEORY HOLDINGS CO.,LTD. and VIEWCOMPANY CO.,LTD.

FAST RETAILING's vision is "to achieve Group net sales of ¥1 trillion and ordinary income of ¥150 billion and become the world's leading apparel retail group in 2010." We are looking to generate sales of ¥600 billion in the domestic UNIQLO business, ¥100 billion in the overseas UNIQLO business, and ¥300 billion in Group operations to reach our ¥1 trillion sales target. However, this is not our ultimate goal. We want to be a corporate group that continues to grow even after we surpass the ¥1 trillion sales mark.

Becoming More Global via a Holding Company Structure

In November 2005, FAST RETAILING moved to a holding company structure to ensure its ongoing growth in the future. The new framework is designed to facilitate speedy decision making, flexible management of operating companies, Group-level management and globalization, and reinforcement of Group companies' corporate governance. The holding company's responsibilities include developing M&A activities, supporting individual businesses, and recruiting personnel to manage Group companies. In addition, we realigned and expanded audit, legal, finance, and other administrative departments during the fiscal year ended August 31, 2006 to bolster the Group's corporate governance, making headway in the construction of a management foundation for the Group.

Thinking About What Is Good for Society

FAST RETAILING is committed to being a responsible corporate citizen and has placed careful consideration of "what is good for society" at the heart of corporate social responsibility (CSR) initiatives throughout the Group. We want customers to enjoy their shopping experiences at our stores and to be satisfied with our products. We want our business partners to see their earnings rise. We want our employees and everyone else involved in our operations to be happy. We aspire to become a company that can achieve all these things.

Environmental initiatives are among our CSR activities. In September 2006, we conducted a one-month experiment at UNIQLO stores throughout Japan promoting the recycling of UNIQLO products. The recovered products were used as relief clothing and recycled for use as thermal insulation and fuel. We will continue to engage in similar environmental activities as part of efforts to fulfill our social responsibilities as a corporation.

To Our Shareholders

FAST RETAILING recognizes the importance of returning profits to shareholders. For the fiscal year ended August 31, 2006, the Company paid an annual cash dividend of ¥130 per share, which represents a dividend payout ratio of 32.7%. It is our duty to maximize our corporate value while maintaining a balance between shareholder dividends, internal reserves for stable growth, M&A investments for growth in Group businesses, and investments and financing to strengthen Group companies' operating bases.

FAST RETAILING intends to remain a group of apparel retailers that embraces innovation and takes on new challenges to create design and produce truly great clothes to enrich the lives of people around the world and to get our message across to customers.

December 2006

Tadashi Yanai

Chairman, President & CEO, Tadashi Yanai

The UNIQLO Business

Fashionable and high-quality clothes that anyone can wear anywhere, any time—that's 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 750 stores around the globe. This seamless system allows UNIQLO to consistently offer its customers high-quality products at reasonable prices.

FAST RETAILING

UNIQLO
- FAST RETAILING CO., LTD.
- UNIQLO(U.K.)LTD.
- FAST RETAILING (JIANGSU) APPAREL CO., LTD.
- UNIQLO USA, Inc.
- FRL Korea Co., Ltd.
- UNIQLO HONG KONG, LIMITED

g.u.
- G.U. CO., LTD.

CABIN
- CABIN CO., LTD. (Listed on First Section of the TSE)

COMPTOIR DES COTONNIERS
- Créations Nelson S.A.S.
- COMPTOIR DES COTONNIERS JAPAN CO., LTD.

PRINCESSE tam•tam PARIS
- PETIT VEHICULE S.A.

ONE ZONE
- ONEZONE CORPORATION

ASPESI
- ASPESI Japan Co., Ltd.

LTH
- LINK THEORY HOLDINGS CO.,LTD. (Listed on TSE Mothers, Equity-method affiliate)

VIEW COMPANY
- VIEWCOMPANY CO.,LTD. (Listed on JASDAQ Securities Exchange, Equity-method affiliate)

Overview of the UNIQLO Business

In Japan's highly competitive retail market, UNIQLO has positioned large-format stores as its growth driver and is accelerating their opening. Overseas, UNIQLO is carrying on its campaign to become a global brand and opened its first flagship store in New York's Soho district in 2006.

Market Environment

In the Japanese economy over the past year, corporate profitability and consumer confidence have improved, but expenditures on apparel have remained sluggish. According to government surveys, consumption expenditures per household for the one-year period to August 2006 were 1.6% lower than for the previous year, while expenditures on apparel were 2.8% below those of the previous year. The retail apparel market, which was estimated at ¥10 trillion in size in 2000 by the Japan Apparel Industry Association, appears to be on a declining trend because the percentage of income spent on apparel is dropping and the population is beginning to decline.

Although domestic demand, mainly for heavier apparel, expanded during the autumn/winter season of 2005, owing to the positive impact of colder weather, climate conditions were less favorable during the spring/summer season of 2006, thus leading to slower apparel expenditures. On the other hand, examination of the performance of apparel specialty stores nationwide shows that many companies ranking high in terms of sales have been able to improve their performance. As these companies have aggressively expanded their store networks, the intensely competitive "survival of the fittest" conditions continue to prevail.

Overseas, while the markets in industrialized areas—such as the United States, Europe, and Japan—are still large, rates of growth in the United States and the Asia-Pacific region are rising.

Store Location/Format and Product Development

UNIQLO opened its first store in 1984. Thereafter, it has established its SPA model, which integrates product design, production, distribution, and sales. By offering high-quality casual wear at unbeatably attractive prices through standardized roadside stores, UNIQLO attained significant growth in the 1990s. Especially from 1998 onward, UNIQLO posted substantial gains, partly because of the boom in fleece products. However, the reaction to this boom thereafter led to declines in net sales and income for the years ended August 31, 2002 and 2003, but sales and income staged a comeback beginning in the year ended August 2004. Since then, sales have increased along with UNIQLO's aggressive "scrap-and-build" strategy aimed at extending its store network.

Today, with more than 730 stores in Japan and increasingly more intense competition, further growth requires UNIQLO to identify and meet new customer needs by opening stores in other types of locations and formats than its standardized suburban stores and offer an even more attractive lineup of products in addition to basic items.

Regarding store locations and formats, along with standardized suburban roadside stores, UNIQLO is opening stores in diverse locations and formats to match customer requirements. The Ginza store in Tokyo, inaugurated in October 2005, has attained a high level of profit margins, although it is on an urban roadside, thus demonstrating that there are more possibilities for UNIQLO stores in new types of locations and formats. Going forward, UNIQLO has positioned larger stores as its growth driver and plans to accelerate the opening of such stores.

In product development, in autumn 2005, UNIQLO introduced its global R&D with offices in Tokyo, New York, Paris, and Milan. These offices gather information on product trends and market needs, design products, and take new products to the commercialization stage by coordinating UNIQLO's international supply chain. These activities enable UNIQLO to offer highly fashion-conscious products up to global standards.

Overseas Development

UNIQLO also believes that aggressive development of an international store network is another key to growth. Following the opening of stores in the United Kingdom in 2001, China in 2002, and the United States, South Korea, and Hong Kong in September 2005, UNIQLO opened its first global flagship store, with about 3,300 square meters of sales space in New York's Soho district in November 2006, thus taking UNIQLO one step further toward a global brand.

UNIQLO's Store Opening Strategy

UNIQLO is developing stores in new types of locations and formats and has begun to implement plans to accelerate the opening of large-format stores. In parallel, UNIQLO is also working to improve all aspects of its operations from products and sales floor presentations to customer service.

The Kasugai store, a large-format roadside store

The Shimachu Sagamihara store, a large-format store in a suburban shopping center

The JR Takatsuki store, an *ekinaka* store

Outline of the Store Opening Strategy

UNIQLO has positioned the further development of its store network, by both locations and formats, as a key element in its "business structure transformation." Beginning in autumn 2005, UNIQLO started to develop not only standardized stores with about 700 square meters of floor space but also large-format stores with about 1,600 square meters of floor space and smaller stores in *ekinaka/ekichika,* or locations in and in the vicinity of public transportation stations.

Accordingly, UNIQLO has opened seven new large stores (as of August 2006) in different types of locations, including urban roadside, suburban shopping centers, commercial facilities, and roadside locations. The product lineup of these large-format stores is not yet fully launched, but all of these stores exceeded their sales and profit targets for the year ended August 31, 2006. Because of this encouraging performance, UNIQLO plans to accelerate the opening of large-format stores. UNIQLO is scheduled to add 20 large-format stores during the year ending August 2007, but then raise the pace in fiscal 2008 and onward, with plans to add 40 such stores annually. As a result of adding mainly large-format stores to the network, these stores will account for about one-third of total UNIQLO retail floor area in 2010.

Among smaller stores, UNIQLO has thus far created 14 stores (as of November 2006) with 300 square meters or less of sales floor space located in *ekinaka/ekichika,* including stores in key railway stations and in underground shopping areas in the vicinity of public transportation facilities. Sales at these stores have proven to be robust, and UNIQLO plans to actively open new stores in this store category.

Why Large-Format Stores?

One of the reasons why UNIQLO is shifting to larger sales floor space is that developing products suited for sales in these more spacious stores will enable us to expand our customer base. Broadening the merchandise mix will have the following advantages: Since customers will have a choice of more fashion-conscious merchandise (not limited to our basic items), we can encourage more potential customers to shop in UNIQLO. Also, the expanded sales space of larger stores will enable us to offer a broader range of merchandise for women. Although UNIQLO's share of the women's apparel market is relatively small at present, the women's market is projected to be roughly twice the size of the men's market, thus implying an opportunity for UNIQLO to expand sales of our women's wear. Furthermore, if the sales space is expanded, UNIQLO will be able to encourage customers to buy more easily coordinated items through visual merchandising. By creating new, attractive sales areas, UNIQLO aims to give its customers a more enjoyable shopping environment and experience.

Patterns for Large-Format Store Openings

To steadily increase the number of its large-format stores, UNIQLO envisions a range of store-opening patterns. One of these is opening tenant stores inside shopping centers. Examples include the Diamond City Carat store, which UNIQLO opened when a major shopping center was undergoing renovation, and the Lazona Kawasaki store, which UNIQLO opened in a newly developed commercial facility. UNIQLO also intends to continue to add large-format stores on urban roadsides, similar to its Ginza store in Tokyo and the Shinsaibashisuji store in Osaka. Along with these initiatives, UNIQLO is also working to develop relationships with different types of retailers, including home centers and appliance discount stores. From autumn through winter 2006, UNIQLO opened its Homes Kasai store (a store within a home center) and the Yodobashi Umeda store (a store in an appliance discount store) in Osaka. Going forward, UNIQLO plans to accelerate the opening of roadside stores, such as the Kasugai store.

In November 2006, UNIQLO signed a business cooperation agreement for the development of large-format roadside stores having about 1,600 square meters of sales floor space with Daiwa House Industry Co., Ltd. Through joint development activities with this company, UNIQLO aims to move forward with the opening of large-format roadside stores in a short period.

UNIQLO's Overseas Strategy

The basis for brand recognition lies in the retail stores. We are showcasing the very best of UNIQLO and further establishing it as a global brand through our flagship strategy.

London: Oxford Street store


Seoul: Jamsil-LOTTE Mart World store


Hong Kong: Miramar Shopping Center store

Overseas Operations to Date

UNIQLO's entry into overseas markets began with the opening of a store in London, in September 2001, and in Shanghai, in September 2002, which was followed by the commencement of store operations in the United States, Hong Kong, and South Korea in autumn 2005. As of August 31, 2006, UNIQLO had 30 stores in overseas markets, and its annual overseas sales were ¥8.7 billion. By August 31, 2007, however, overseas sales are expected to rise to about ¥16 billion annually, through a total of 42 overseas stores.

When UNIQLO set up its London store, it was implementing an aggressive strategy calling for opening 50 overseas stores in three years, but due to the lack of a solid sales outlook, UNIQLO scaled back the plan, reducing the network of 21 that had already gone into operation to 6. In Shanghai also, UNIQLO adopted a "scrap-and-build" approach to add to its overseas experience. In autumn 2005, UNIQLO entered the United States, Hong Kong, and South Korea in retail venues it deemed best suited to the market. UNIQLO opened three stores in suburban shopping centers in the United States, then one large-format store in Hong Kong, and four stores in South Korea in partnership with the Lotte Shopping Co., Ltd. As a consequence, the Hong Kong store succeeded in exceeding annual sales of over ¥1 billion and has become the model for UNIQLO's entry into overseas markets. Factors contributing to the Hong Kong store's success were its large sales floor area of nearly 1,000 square meters and a wide selection of merchandise, combined with an active, broadly based publicity campaign accompanying the opening of the store as well as relatively wide brand recognition in that market.

Transition to a "Flagship Store" Strategy

With the Hong Kong store as a success model, UNIQLO has reviewed and honed its strategy for overseas expansion. Drawing on the lessons learned thus far that the most important success factors are raising the awareness of the UNIQLO brand in the host market and that the basis for brand awareness is retail stores, UNIQLO decided to launch a "global flagship store."

On November 10, 2006, UNIQLO opened a global flagship store in the Soho district of New York, with sales floor area of 3,300 square meters. If this New York Soho store can promote an understanding of UNIQLO among potential customers around the world, this should bring success not only in the United States but also in Europe and other parts of the world while also raising the value of the UNIQLO brand in Japan. At the same time, the success of the global flagship store is extremely important, because it will encourage even more capable individuals to join UNIQLO and play key roles in its overseas operations.

Since opening, the Soho store has performed as expected. The store has been covered extensively in the media, raising the awareness of UNIQLO in the United States. The Soho store is located right on Broadway, New York's best-known fashionable district, and is therefore not only well positioned to showcase the best products, shop floor, and service that UNIQLO can create but also transmit the latest in Japanese culture centered around the concept "From Tokyo to New York."

As a next step for the flagship store strategy overseas, UNIQLO opened a large-format store with about 2,300 square meters of floor space, on December 7, 2006, in a shopping mall in Shanghai's Pudong district. The Shanghai store also aims to give customers in Shanghai a clear impression of "UNIQLO's good quality and reasonable prices." Going forward, UNIQLO plans to open flagship stores in London, Paris, and the other major cities in Europe and position UNIQLO as a global brand.

We believe that if UNIQLO becomes a truly global brand, it will become an even stronger brand in Japan.

New York Soho store

UNIQLO's Global R&D

Items with more fashion developed by our new global R&D began to appear in our stores during the autumn/winter season of 2006. UNIQLO's global R&D builds on its main strength—basic, high-quality clothes—to offer stylish, coordinated lines.

Global R&D Comes on Line

To develop as a global brand, UNIQLO reviewed its product development system and, in autumn 2005, brought on line a global R&D capability with operating bases in Tokyo, New York, Paris, and Milan. Through this new global R&D, UNIQLO is able to draw on the talents of top-quality personnel worldwide and develop merchandise that meets top global standards. The first products developed by these R&D centers were placed on UNIQLO store shelves in autumn 2006. This has strengthened the lineup of fashionable UNIQLO merchandise and enabled its stores to offer customers a new level of style. For example, one successful coordinate offered to customers is a selection of SKINNY jeans and long knit cardigans, which are currently in vogue.

Thus far, UNIQLO has developed its lineup of basic goods and introduced them around the midpoint of the fashion cycle, but, drawing on its enhanced product creation capabilities, UNIQLO was able to develop and introduce SKINNY jeans as a new fashion concept before competitors. The concept for SKINNY was created by UNIQLO's global R&D product development system.

The global R&D has also focused its attention on bringing a higher degree of refinement to basic merchandise, which is UNIQLO's traditional strength. We are proud to report that, for the autumn/winter season of 2006, we were able to introduce a lineup of core products, including knitwear, cut and sewn products, fleece goods as well as outerwear and inner wear that is up to top world-quality standards.

Products developed by this global R&D will be keys to the success of the large-format store strategy that UNIQLO is implementing. Along with the growing size of stores, an important element will be the capability to develop even more attractive products.

R&D

R&D Center

Four R&D centers in Tokyo, New York, Paris, and Milan take the initiative, first, in gathering the latest information from fashion cities, Group store networks, business partners, and other sources on global trends, customer needs, lifestyles, and fabrics. Based on this information, creative directors and the top management of the merchandising and marketing departments hold meetings to make decisions on concepts for the coming season. Designs are prepared in each base, and, from the overwhelming number of designs presented, product lineups are coordinated to suit the markets of various countries.

Information gathering → **Concept creation** → **Design** → **Coordination**

Information gathering: The latest information is obtained from stores and the R&D centers.

Concept creation: Concepts are created with the R&D centers playing a key role.

Design: An overwhelming number of designs are developed.

Coordination: Product lineups for the season are coordinated.

Sales
Strategies developed by market, store size, and retail venue.

UNIQLO's Business Model

As an SPA (Specialty Store Retailer of Private Label Apparel) company, UNIQLO integrates the value chain from design to production, quality control, distribution, sales, and promotion.
UNIQLO's 750 stores around the world work as a team and adhere to low-cost management practices. It also takes on the risks associated with raw material procurement and inventories management.
This is why UNIQLO can differentiate itself from competitors and realize high profitability.

Sales

Japan

UNIQLO operates about 720 stores in Japan. These are primarily roadside stores and those located in shopping centers. The principal customer group for UNIQLO's products is the family. UNIQLO's goal is "to have the colors, sizes, and appropriate volume of merchandise items that customers want at all times." To this end, UNIQLO operates various types of stores in locations and venues that are best suited to its customers.

Pricing: There are two types of discounts: those for a limited period for promotion and those involving re-pricing of merchandise for clearance.

Limited-period discounts: Reductions in prices for a set period, such as "limited to weekends," with the aim of drawing customers. When the discount period is over, the prices go back to the original figures.

Re-pricing for clearance: A type of discounting intended to sell out slow-moving merchandise at an early date. UNIQLO takes title to 100% of the items produced by its subcontractors.

Personnel costs: The largest component of personnel costs is compensation to store employees. UNIQLO has standardized the layout, shelves, fitting rooms, and other aspects of its stores and facilitate operations based on written manuals.

Rents: Since about 60% of stores in Japan are located in suburban roadside areas, the ratio of rents to sales is relatively low. Upon opening stores in urban areas and shopping centers, realistic profitability analysis is done to prevent the rents from becoming excessive.

Overseas

UNIQLO opened its first store outside Japan in London in September 2001. As of November 30, 2006, UNIQLO operated 8 stores in the United Kingdom, 8 in China (including one in Hong Kong), 6 in the United States, and 11 in South Korea. In November 2006, UNIQLO opened a global flagship store in New York's Soho district. Going forward, plans call for opening more flagship stores, principally in fashion cities around the world.

Direct sales

By logging on to UNIQLO's online store, customers can enjoy shopping 24 hours a day. Sales through this online store amount to about ¥10 billion annually (Fiscal 2006), one of the largest volumes of any online shopping site in Japan. http://store.uniqlo.com/

Customer service

We work to reflect opinions and ideas from customers by telephone and e-mail in our products, stores, services, and management.

Products

Headquarters

Store development and design

The store development team is responsible for developing and designing stores that are conveniently located and offer a pleasant shopping experience for customers.

Distribution/Inventory management

To increase and decrease production flexibly based on sales data and thereby minimize inventory risk, the inventory control team adjusts the timing of changes in prices and controls the level of inventories.

Product planning (merchandising)/Marketing (promotion)

UNIQLO creates concepts based on information gathered by stores and the R&D centers around the world. With these concepts, division managers coordinate the overall product flow from product strategy to planning, sales, marketing, and visual merchandising (VMD).

Men's | Women's | Kids' | Accessories | Inner wear

Production and procurement

Quality control and production management offices/The *takumi* team

At the Shanghai, Shenzhen, and Ho Chi Minh City offices, UNIQLO's *takumi* team, composed of veteran Japanese technical specialists in sewing and plant management, with 30 years or more of experience in Japanese textile business transmits their know-how to partner plants and technicians in China. With their assistance, UNIQLO is working to enhance the quality and improve yields at the plants where it subcontracts production.

Development and procurement of materials

The Material Development Team travels around the world to negotiate directly with leading manufacturers in various countries and procure the best materials. This approach has made it possible for UNIQLO to offer merchandise made of luxurious cashmere at astonishingly low prices. Also, through its alliance with Toray Industries, Inc., UNIQLO is proceeding with the development of new fabrics.

Plants

About 90% of UNIQLO's products are made in China. UNIQLO procures products from about 50 subcontractor companies with 60 plants. UNIQLO regards these companies as long-term partners and actively provides them with technical support. The staff of the Shanghai, Shenzhen, and Ho Chi Minh City offices visit the plants on a weekly basis and, by implementing quality control, are able to maintain high levels of quality even with large production lots of a million units.

Materials

Materials manufacturers

In addition to buying 100% of materials on an outright basis, with the economies of scale coming from 750 stores around the world, UNIQLO has been able to lower its raw material costs. For example, the procurement lot for an item of 100,000 units would be regarded as a "mega-hit" in the apparel industry; however, in UNIQLO's case, the SKU (Stock Keeping Unit) per store even for this lot size would be only 10 or fewer. With large lot sizes, UNIQLO negotiates directly with the world's leading textile manufacturers.

UNIQLO's Merchandise

UNIQLO's mission is to design and produce really good clothes to enrich the lives of people around the world and get that message across to customers. This is the seminal idea in UNIQLO's craftsmanship.

UNIQLO's Web Marketing

In August 2006, UNIQLO's new website, UNIQLO MIX (http://uniqlo.jp/) went online. The site offers more than 200 of the latest merchandise items in the style of the season at all times. The search function allows customers to check on items both according to style and by type. Sales through UNIQLO's online site (http://store.uniqlo.com/) are on a growth trend. UNIQLO websites also provide the latest information on UNIQLO stores and other related topics as well as offer a medium for promotional campaigns aimed at inviting more customers to UNIQLO stores.

1. The top screen directs viewers to a wide range of styles.

2. By choosing a style they like, customers can access additional information on various styles and introductions to products.

3. Customers can purchase any item of their choice online on the spot.

UNIQLO's Materials

High-performance, high-quality materials are crucial in creating competitive products. UNIQLO's strengths come from its ability to develop such materials and source them dependably. Monitoring latest trends, UNIQLO is strengthening ties with manufacturers for ever newer and better materials.

Development of New Materials

UNIQLO gathers information on the world's newest and highest-quality materials while working continuously to enhance the competitiveness of its core materials and ensure the stable supply of materials. Development and procurement of materials is a joint effort, based on information from the market and apparel-related industries, conducted by UNIQLO's merchandising and marketing headquarters, its R&D centers, and its partner production plants in China.

UNIQLO also engages in the development of new materials through tie-ups with material manufacturers. One example is the strategic partnership UNIQLO has formed with Toray Industries, Inc. In June 2006, UNIQLO and Toray signed a comprehensive agreement for medium- to long-term procurement and supply. Under this agreement, the two companies will cross over the existing lines of demarcation between their respective businesses and create an integrated product development system extending from the materials stage through the sale of final products. Based on this partnership agreement, UNIQLO and Toray have specified five key concepts and directions for development—namely, "beauty and health," "super natural," "ecology," "function and comfort," and "new concepts"—and identified 73 themes for consideration to provide specific guidance for their joint materials development program. Moreover, UNIQLO and Toray are exchanging personnel to give greater momentum to these activities. Through these medium- to long-term initiatives, plans call for Toray to supply UNIQLO with more than ¥200 billion in materials and products on a cumulative basis during the five years to 2010. This will be a level unheard of thus far in the world's textile industry.

UNIQLO has recorded major successes in its development of materials with partner companies. These include the creation of a new denim cloth with Kaihara Corporation and the development of stretch materials for bottom garments with Kurabo Industries Ltd.

Materials Development with Leading Denim Manufacturer Kaihara Corporation

Kaihara's rich assortment of samples contributes to product development.

The denim for UNIQLO's Original Basic Jeans is created at Kaihara's Sanwa Mill (in Hiroshima Prefecture).

The Kaihara Historical Museum

UNIQLO had the first opportunity to work with Kaihara Corporation, one of the world's leading manufacturers of denim, in 1998 when UNIQLO opened its first urban center store in the trendy Harajuku district of Tokyo. Around this time, UNIQLO had completed business reforms that transformed it into an SPA corporation capable of integrating the manufacturing and sales of its own original brand products. UNIQLO was just beginning to expand its store network into urban centers, focusing on the marketing of merchandise typified by fleece products. However, UNIQLO had just started to sell its original jeans, and the materials development and dependable supply capabilities offered by Kaihara gave strong support to UNIQLO's activities. Mr. Yoshiharu Kaihara, the chairman of Kaihara, recalls, "I was truly shocked when UNIQLO came out with pairs of high-quality jeans priced at ¥2,900."

Thereafter, UNIQLO's jeans business underwent major development as it worked with Kaihara to develop new denim materials. One example of the success of this partnership has been "Original Basic Jeans," which were introduced in January 2006. At present, UNIQLO sells about 10 million pairs of jeans annually. Most of these are made with denim manufactured by Kaihara.

Kaihara was established in 1893 as a local-based company in Japan to manufacture "Bingo splashed-pattern material," a fabric for kimonos. Over its more than 110 years of history, Kaihara introduced the latest technological innovations in indigo dyeing and weaving, and, in the 1970s became a denim material manufacturer by applying its traditional technology for creating a beautiful shade of indigo blue to the denim production business. Kaihara developed the first fully integrated system for denim production in the industry, covering yarn spinning, dyeing, weaving, and final processing. Today, Kaihara boasts a 50% market share in denim production in Japan and has earned the high acclaim and respect of the world's leading denim producers. Kaihara carefully selects quality cotton from producing countries around the world, spins it into yarn in its own mills, dyes the yarn with its original technology for indigo blue, then transforms it into denim cloth with state-of-the-art looms.

One of the distinguishing features of Kaihara is that it does not stop at being a supplier of material on order from jeans manufacturers. Kaihara conducts research on new dyeing and final processing methods and applies washing and bio-treatment processing to generate proposals to jeans manufacturers for new products.

UNIQLO's Production

UNIQLO regards its apparel subcontractors as its partners and provides them with cutting-edge technology through its "*takumi* team," a group of textile industry experts, and its overseas offices in charge of production.

Plant of a subcontractor partner company in China

Production System

As UNIQLO's store network has become global, with stores in the United Kingdom, the United States, South Korea, and in Shanghai and Hong Kong in China, its production bases have spread from China to other countries in Asia. As its production network becomes increasingly multinational, UNIQLO is seeking to continue to maintain the highest levels of production supervision and management.

UNIQLO thinks of the 50 companies it calls on for production and their total of 60 plants as "business partners bound by strong ties of trust" and provides them with active, in-depth technical support. For example, UNIQLO has formed a *takumi* team comprising 22 technical personnel, each with 30 years or more of experience in Japan's textile industry. This team is responsible for the overall supervision of all aspects of plant management and operation—from spinning to knitting, weaving, dyeing, sewing, finishing, and shipping—as well as for transmitting its *takumi* team skills to the plants. The *takumi* team becomes involved in the production process from the design stage and does not stop at providing technical guidance but also offers support for process management, training, and other aspects of operations.

Taking dyeing as an example, to obtain the exact same colors tens of times using a dyeing vat with a capacity of about one ton, it is essential to set exacting specifications for each manufacturing process. To attain uniform quality in producing merchandise items numbering in the hundreds of thousands of items, the *takumi* team's skills are indispensable.

At present, UNIQLO's overseas production management department has three offices overseas, in Shanghai and Shenzhen in China and in Ho Chi Minh City in Vietnam. The 150 production management specialists in these offices make on-site visits every week to partner plants, conduct random inspections of merchandise, and check manufacturing specifications in detail.

Through these conscientious day-to-day activities, UNIQLO maintains its manufacturing quality at world-class levels.

UNIQLO as Information Epicenter

In addition to offering apparel inspired by newly discovered concepts that match the trends, needs, and lifestyles of the times, UNIQLO seeks to serve as a source of new images and ideas.

Topic 1 2006 UNIQLO Corporate Collaboration T-Shirts

In April 2006, UNIQLO introduced a new merchandise line entitled "2006 UNIQLO Corporate Collaboration T-Shirts" displaying graphics of corporate logo marks and other images. This was part of the UNIQLO T-Shirt Project that UNIQLO conducted under the theme of "More than just a T-Shirt."

In 2006, the fourth year of this project, 103 companies participated and 127 designs were prepared based on the products and services of participating companies, including enterprises with operations around the world as well as traditional Japanese companies.

Topic 2 Designers Invitation Project

In autumn 2006, UNIQLO introduced its Designers Invitation Project for the first time. Seven up-and-coming designer groups that show their collections in Paris, Tokyo, and elsewhere were invited to have their collections commercialized by UNIQLO. Between 8 and 11 items were chosen from each designer's collection, and the items were coordinated to achieve a total look. Beginning in spring 2007, New York designers will also participate in this project.

Topic 3 Classic Concert Held to Coincide with the Chino & Cargo Pants Campaign

On March 2, 2006, in collaboration with the Tokyo Metropolitan Symphony Orchestra, UNIQLO sponsored a concert entitled "Classic Meets Casual." Wearing white cargo pants, the orchestra performed rondos and other compositions that everyone could enjoy. The aim of the concert was to suggest that classical music could be played and enjoyed more casually, and to introduce Chino and Cargo pants, a core product lineup that UNIQLO has introduced to follow denim pants.

Group Business

FAST RETAILING aims to become the world's leading group of apparel retailers, engaging in M&A and entering new businesses. In line with this vision, FAST RETAILING is building its brand portfolio by actively acquiring brands that have potential for global development and strengthening its business platform for taking UNIQLO and other brands into world markets.

FAST RETAILING

UNIQLO
- FAST RETAILING CO., LTD.
- UNIQLO(U.K.)LTD.
- FAST RETAILING (JIANGSU) APPAREL CO., LTD.
- UNIQLO USA, Inc.
- FRL Korea Co., Ltd.
- UNIQLO HONG KONG, LIMITED

g.u.
- G.U. CO., LTD.

CABIN
- CABIN CO., LTD. (Listed on First Section of the TSE)

COMPTOIR DES COTONNIERS
- Créations Nelson S.A.S.
- COMPTOIR DES COTONNIERS JAPAN CO., LTD.

PRINCESSE tam•tam PARIS
- PETIT VEHICULE S.A.

ONE ZONE
- ONEZONE CORPORATION

ASPESI
- ASPESI Japan Co., Ltd.

LTH
- LINK THEORY HOLDINGS CO.,LTD. (Listed on TSE Mothers, Equity-method affiliate)

VIEW COMPANY
- VIEWCOMPANY CO.,LTD. (Listed on JASDAQ Securities Exchange, Equity-method affiliate)

Overview of Group Operations

To compete in the increasingly global fashion and apparel markets, we are actively engaging in M&A and new business development, targeting Group sales of ¥1 trillion and ordinary income of ¥150 billion in 2010.

Market Environment

As of late, two major trends have emerged in the fashion and apparel markets. First, companies operating in the global arena are expanding their business activities. As symbolized by the rise in the number of World Trade Organization (WTO) member countries, the free trade zone has grown and the fashion and apparel markets have become increasingly borderless. Against this backdrop, companies with economic clout and development capabilities are leveraging their economies of scale to grow their share of the global market.

Second, globalization has spurred greater simultaneity in fashion trends around the world. It used to be that fashion originated from European collections, mainly Paris collections, after which they found their way to the United States, Asia, and other parts of the world. Now, however, trends spread like wildfire around the globe. In addition, innovations in information technology have increased the speed with which fashion information travels throughout the world.

As a result, we are moving to an era where apparel retailers must discover needs on a global level and continue to pursue efficiency while developing world-class products and building extensive sales networks to survive.

Goal of M&A and New Business Activities

Given the current state of the fashion and apparel markets, we believe that the Group will need to generate a minimum of ¥1 trillion in sales to shore up its portfolio of globally accepted brands and compete as one of the world's leading companies. Therefore, we are giving high priority to the expansion of M&A and new business activities.

One of the things that FAST RETAILING examines prior to proceeding with M&A activities is a corporation's capacity to leverage the strengths that UNIQLO has amassed over the years as a Specialty Store Retailer of Private Label Apparel (SPA). Two companies that meet this criterion are ONEZONE CORPORATION, a shoe retailer that we acquired in spring 2005, and CABIN CO., LTD., which we made a subsidiary in August 2006. In October 2006, we rolled out our first g.u. store, making use of SPA know-how to develop the low-price apparel market. Although Wal-Mart Stores, Inc., and Target Corporation have had success with low-price apparel in the United States, this market remains undeveloped in Japan—presenting a huge business opportunity.

Another thing that we focus on when considering M&A activities is whether the brands have possibility to grow globally. Examples of such brands are the women's clothing brand Comptoir des Cotonniers and the lingerie brand PRINCESSE TAM.TAM. Moreover, we hope to build a platform for FAST RETAILING and UNIQLO in the world's major markets through M&A activities, using acquired corporations around the globe as footholds for the establishment of a framework that will facilitate UNIQLO's overseas development and accelerate the growth of acquired brands.

Going forward, FAST RETAILING's M&A targets will be fashion-related companies with global potential able to eventually generate annual sales of over ¥100 billion and a ratio of ordinary income to net sales of 15% or higher. We will continue to forge ahead with our Group strategies and plan to invest between ¥300 billion and ¥400 billion over the next few years to realize sustainable high growth, with the aim of achieving consolidated annual net sales of ¥1 trillion and ordinary income of ¥150 billion in 2010.

Worldwide Apparel Specialty Stores

Company Name (Flagship Brand)	Country	End of Fiscal Year	Sales (Billions of yen)
Gap Inc.	U.S.	Jan. 2006	1,880
Limited Brands, Inc.	U.S.	Jan. 2006	1,138
Inditex, S.A. (ZARA)	Spain	Jan. 2006	1,015
Hennes & Mauritz AB (H & M)	Sweden	Nov. 2005	997
NEXT PLC	U.K.	Jan. 2006	694
Liz Claiborne Inc.	U.S.	Dec. 2005	569
FAST RETAILING	**Japan**	**Aug. 2006**	**449**
Polo Ralph Lauren Corporation	U.S.	Mar. 2006	440
Esprit Holdings Limited	China	June 2006	352
Abercrombie & Fitch Co.	U.S.	Jan. 2006	327
American Eagle Outfitters, Inc.	U.S.	Jan. 2006	271
Benetton Group S.p.A.	Italy	Dec. 2005	266
Matalan Retail Limited	U.K.	Feb. 2006	239
The Talbots, Inc.	U.S.	Jan. 2006	212
Tommy Hilfiger Corporation	U.S.	Mar. 2006	209

Source: Complied from the annual reports of the companies listed above.

G.U. CO., LTD.

Share ownership 100.0%   Consolidated subsidiary
http://www.gu-japan.com/

g.u. Daiei Minami Gyotoku store

A new brand is born, offering casual wear for the entire family at affordable prices.
Aiming for rapid growth by drawing on the know-how accumulated in the UNIQLO business.

g.u.

The brand name “g.u.” is close in sound to the Japanese word “jiyu,” which means “freedom.” It conveys the message “Dress freely.” The logo mark shows that g.u. was born from the seeds of FAST RETAILING, and the typeface chosen expresses “the fun of movement” and is printed in a shade of green that conveys the images of “natural” and “gentle.” The concept of g.u. is expressed as “casual wear for the family that offers highly fashionable products with an impressive range of variations, unparalleled low prices, and dependable quality.” We aim to build g.u. to become a groundbreaking brand in Japan’s apparel market.

G.U. CO., LTD. was established in March 2006 as a wholly owned subsidiary of FAST RETAILING and opened its first g.u. brand store inside the Daiei Minami Gyotoku store. Plans call for opening 25 stores in time for the autumn/winter season of 2006 and another 25 stores in time for the spring/summer season of 2007, for a total of 50 stores on an annual basis. We plan to develop the g.u. business model by opening stores in a range of locations and venues, including stores within shopping centers and roadside stores. As a new brand within the FAST RETAILING Group, we will aim for rapid growth by applying the experience gained through our UNIQLO operations, including know-how for store operations, product development, store development, and inventory control.

CABIN CO., LTD.

Share ownership 50.0% (51.7% of the voting rights) Consolidated subsidiary
http://www.cabin.co.jp/

CABIN


ZAZIE


enranciné

CABIN is a retailer offering women's casual wear with a sense of brightness and health.
CABIN was a pioneer of SPA, which integrates the value chain from product design to sales.

ZAZIE

The concept behind the ZAZIE brand is "elegant clothing for adults to wear every day." Each item in the ZAZIE brand line is basic, but customers can choose individual items freely from a rich variety of colors, combine them to their liking, and keep up with the style trends of the season.

enraciné

The enraciné brand concept is "daily casual wear for mothers raising children." This brand line emphasizes being cute, refreshing, and natural, and aims to offer casual, comfortable apparel that people can enjoy in their daily lives. Based on the enraciné vision, the line also offers selected wear for kids and everyday accessories.

In August 2006, FAST RETAILING acquired more than 50% of the stock (51.7% of the voting rights) of CABIN CO., LTD. (CABIN), the developer of a fashion-conscious "CABIN" brand of women's apparel and a consolidated subsidiary of FAST RETAILING. As of August 31, 2006, CABIN operated 201 stores; the company had annual sales of ¥21.2 billion for the year ended February 2006 and is listed on the First Section of the Tokyo Stock Exchange (exchange code: 8164).

CABIN was originally established in 1971 and experienced growth as a pioneer of the SPA approach, which integrates manufacturing and retailing, in the women's apparel business in Japan. After undergoing rapid expansion in the 1970s, annual sales reached ¥65.7 billion for the fiscal year ended February 1992, then began a continuing decline. Looking ahead, CABIN aims to attain recovery in performance as a member of the FAST RETAILING Group.

FR FRANCE S.A.S.*

Share ownership 100.0% Consolidated subsidiary

Créations Nelson S.A.S.

http://www.comptoirdescotonniers.com/

COMPTOIR DES COTONNIERS

Spreading its popular French brand throughout Europe and to the rest of the world.

Since its first boutique opening in 1995, the chic Parisian ready-to-wear label, Comptoir des Cotonniers has been synonymous with Mothers and Daughters.

This original concept plays on the core values of authenticity and proximity, to build up a real emotional relationship between the brand and its customers. Targeting urban, fashionable and active women, the collection offers a sophisticated, natural, and feminine wardrobe.

In June 2006, FAST RETAILING fully acquired NELSON FINANCES S.A.S., which operates through its business vehicle Créations Nelson S.A.S. and develops the COMPTOIR DES COTONNIERS brand. The company had 244 boutiques (as of August 2006), mainly located in France but also in Spain, Belgium, Germany, United Kingdom, Luxembourg, Italy, Portugal, and Japan. For the fiscal year ending August 31, 2006, the company reached sales of ¥17.1 billion, and operating income of ¥4.8 billion, thus achieving a high profit margin. The implementation of the brand in the Japanese market started in February 2006. Expansion of the boutique network in Japan is planned for main fashion areas, such as the Aoyama district in Tokyo.

PETIT VEHICULE S.A.

http://www.princessetam-tam.com/

PRINCESSE tam•tam PARIS

Introduced in 1985, PRINCESSE TAM.TAM is a chic French lingerie, nightwear, and swimwear brand.

PRINCESSE TAM.TAM is a lingerie brand established by the Hiridjee sisters of France. The brand concept is “creating foundation garments for women that enable them to be themselves.” The brand offers women lingerie that is at once highly fashionable, creative, and romantic, by using original prints, subtle colors, and a wide choice of cuts and fabrics. The brand proposes a range of products to women that reflect close attention to detail.

In February 2006, FAST RETAILING made PETIT VEHICULE—the company that develops the PRINCESSE TAM.TAM lingerie brand, mainly in France—a subsidiary. PRINCESSE TAM.TAM products are sold through 100 stores (as of August 2006), including leading department stores, such as the Galeries Lafayette and Printemps in Paris. Plans are to expand the store network to cover the countries of Europe.

* FR FRANCE S.A.S. is a holding company, which has Créations Nelson and PETIT VEHICULE as subsidiaries.

ONEZONE CORPORATION

Share ownership 100.0%   Consolidated subsidiary
http://www.onezone.jp/

ONE Z ONE

FOOTPARK Ageo Atago store

ONEZONE is moving forward with reforms with the full support of the FAST RETAILING Group.

The concept behind the FOOTPARK shoe store chain is to offer customers shoe fashions that will contribute to a free and pleasant lifestyle. FOOTPARK stores provide a selection of footwear that matches various life scenes and current trends at reasonable prices. The atmosphere in these stores is lively and creates a feeling of being at home that helps customers to relax and enjoy shopping.

FAST RETAILING made ONEZONE a wholly owned subsidiary in March 2005 and entered the footwear business. ONEZONE has a total of 330 stores throughout Japan (as of August 2006), mostly situated along roadsides, under the FOOTPARK and other names. ONEZONE ranks fifth nationwide, with annual sales of ¥21.5 billion for the fiscal year ended August 31, 2006. Going forward it is working to improve profitability through opening stores in new locations such as shopping centers and increasing the percentage of original products in its shoe lineup. The FAST RETAILING Group is providing its full support to ONEZONE and is seeking to establish a new shoe retailing chain.

ASPESI Japan Co., Ltd.

Share ownership 60.0%   Consolidated subsidiary

ASPESI

ASPESI Italy's Milan store

Developing the ASPESI brand in Japan, known in Italy as the "daily wear of the Milanese."

ASPESI began as a shirt brand in 1967 developed by founder Alberto Aspesi and was headquartered in the suburbs of Milan. The range of items created through a combination of high-quality fabrics with a natural-looking unstarched finish and simple patterns became recognized as the daily wear of the Milanese because of their comfortable fit and have developed a wide following in their home country of Italy.

ASPESI Japan Co., Ltd., the retailer of the ASPESI brand in Japan, became a subsidiary of FAST RETAILING in September 2005. In Italy, thus far, ASPESI has grown by selling products through specialty stores, but it is now opening its own directly-managed stores that allow it to better convey the brand's philosophy. In September 2006, ASPESI opened a flagship store on Milan's Via Monte Napoleone. Similarly, in Japan, ASPESI Japan began to open shops in autumn 2006, mainly in department stores located in major urban centers and had nine stores nationwide as of November 2006.

LINK THEORY HOLDINGS CO.,LTD.

Share ownership 33.9% Equity-method affiliate
http://www.link-theory.com/

LTH

Theory Aoyama Main store

LTH, with New York-born Theory, is playing a leading role in the world's contemporary apparel market.

The Theory brand was born in New York in 1997 in response to the needs of contemporary women who want comfortable, modern, and sexy daily wear. Theory's lineup of apparel has won strong customer acclaim because it offers contemporary women clothing suited to a variety of life scenes and features comfort, a beautiful silhouette accentuated by high-quality stretch fabrics, and functionality.

In January 2004, FAST RETAILING made a direct equity investment in LINK THEORY HOLDINGS CO.,LTD. (LTH), which had acquired Theory Holdings Inc. in the United States in September 2003. LTH was then listed on the TSE Mothers exchange in June 2005 (exchange code: 3373) and is aiming for global growth under its vision of "being a leader in the world's contemporary apparel market and contributing to customers' affluent lifestyles."

For the fiscal year ended August 31, 2006, LTH reported consolidated sales of ¥47.7 billion, an increase of 33.8% year on year. However, because of the amortization of goodwill associated with the acquisition of German apparel company Rosner, operating income declined 28.4%, to ¥3.3 billion.

VIEWCOMPANY CO.,LTD.

Share ownership 33.4% Equity-method affiliate
http://www.viewcompany.net/

VIEW COMPANY

COO ICI Harajuku store

VIEWCOMPANY operates a chain of 100 stores throughout Japan, specializing in women's footwear.

In its principal business area of women's footwear, VIEWCOMPANY, under the "vju:" brand, is working to enhance its offerings to customers through "a more diverse lineup of products, fashion consciousness, reasonable prices, and excellence in customer service."

The concept behind the "COO ICI" brand is to create "a special space where women can encounter their new selves, try on shoes appropriate to various life scenes."

In October 2006, FAST RETAILING concluded an operating and capital alliance with VIEWCOMPANY, which is listed on JASDAQ (exchange code: 3033). In addition to its "vju:" brand, VIEWCOMPANY's network of 100 stores includes more family-oriented SHOES WORLD stores and its original "COO ICI" store brand. Through its alliance with FAST RETAILING, VIEWCOMPANY aims to strengthen its store operations, with original products, and enhance its store network to attain substantially higher growth.

COMPTOIR DES COTONNIERS, the French ready-to-wear label, organizes each season a "Mother and Daughter" casting and finds new "muses" to embody its brand image. This original concept appeals to the customers, thus building up a real emotional relationship with the brand. Candidates are selected from more than 10,000 anonymous "Mother and Daughter" pairs. The couples chosen appear in the seasonal advertising campaign and fashion show.

Following the launch of Comptoir des Cotonniers in Japan in February 2006, a nationwide casting was held locally. The selected Japanese mother and her daughter participated successfully to the 2006/2007 Autumn-Winter campaign and the fashion show in Paris.

Making the World a Better Place

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.

As a modern company contributing consistent value to the world today, we strive to manage our firm correctly. We aim to grow along with and not at the expense of society, and to help formulate the global standards of the future. We aspire to make the world a better place!

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39 Employees and Social Contribution

Thinking About What Is Best for Society

At FAST RETAILING, we are always thinking about how to make the world a better place. We believe that this is part of our role in society and act accordingly. We are committed to fulfilling our responsibilities to various stakeholders. We want to engage in corporate activities that are beneficial to society and we want all the people involved in our business to be happy.

CSR (Corporate Social Responsibility)

CSR Issues

Priorities

In November 2005, FAST RETAILING set up a Groupwide CSR Committee and identified the themes and priorities to fulfill our responsibilities and actions to take in order to build and maintain good relationships with various stakeholders.

We determined that our first order of business is to establish transparent corporate governance as well as compliance and internal controls that ensure that our business activities remain fair and sound, both of which are vital to the achievement of our goal to become "the world's leading apparel retail group." We also identified the need to pursue efficiency and enhance customer services while working to improve the ways employees work and are compensated.

Further, our SPA business model dictates that we go beyond maintaining product quality and safety standards by verifying that our business partners' compliance initiatives are up to par and promoting efforts to reduce our impact on the environment throughout the entire product lifecycle as we develop our business globally.

In December 2006, FAST RETAILING issued its first CSR report. For the latest information on our CSR activities, please access the following URL.
http://www.fastretailing.com/eng/csr/

FAST RETAILING Group Stakeholders and CSR Priorities

Shareholders, Investors, and Mass Media	Aim for highly efficient business operations with high dividends, and conduct proper information disclosure. ● PR and IR activities ● Disclosure of CSR information
Customers	Pursue customer satisfaction through sincere interaction with customers and through quality products/service offerings. ● Quality and safety management ● High-quality products
Employees	Provide a working environment in which employees can thrive and pursue rewarding careers. ● Compliance ● Diversity ● Career development
Business Partners	Build sound and friendly relationships. ● Compliance at supplier factories ● Sound relationships with business partners
Communities and the Environment	Contribute to the development of communities and the realization of sustainable societies. ● Activities that contribute to society ● Product recycling ● Environmental conservation

Toru Hambayashi
External Director

Nobuo Domae
Executive Vice President

Tadashi Yanai
Chairman,
President & CEO

Masa Matsushita
Executive Vice President

Nobumichi Hattori
External Director

Corporate Governance

Strengthening Corporate Governance

In November 2005, the FAST RETAILING Group moved to a holding company structure to bolster its corporate governance. At the same time, the Group instituted an operating officer system, clearly separating managerial oversight, which is handled by the Board of Directors, from business execution, which is the role of the operating officers. In addition, the Group appoints external directors and auditors to reinforce oversight and the checks and balances governing management and business execution.

Regarding management deliberation and decision-making committees, the Board of Directors meets at least once a month to consider issues and make decisions on important managerial matters. In addition, the Executive Committee meets on a weekly basis, enabling top management to review and execute strategies and business plans promptly. Moreover, to oversee and govern Group companies, members of management meet on a monthly basis to examine operating results and other matters to detect any problems at an early stage and solve them rapidly.

Governance Structure

To implement corporate governance effectively, the following committees have been formed under the Board of Directors: the Personnel Committee (FAST RETAILING), the CSR Committee (FAST RETAILING), the Code of Conduct Committee (UNIQLO), and the Business Ethics Committee (UNIQLO).

The CSR Committee discusses issues related to compliance systems, corporate citizenship, environmental conservation, and other CSR programs. This committee, which is chaired by the Executive Vice President in charge of CSR, meets once a month and is attended by the CEO, operating officers, senior managers, and experts from outside the Group.

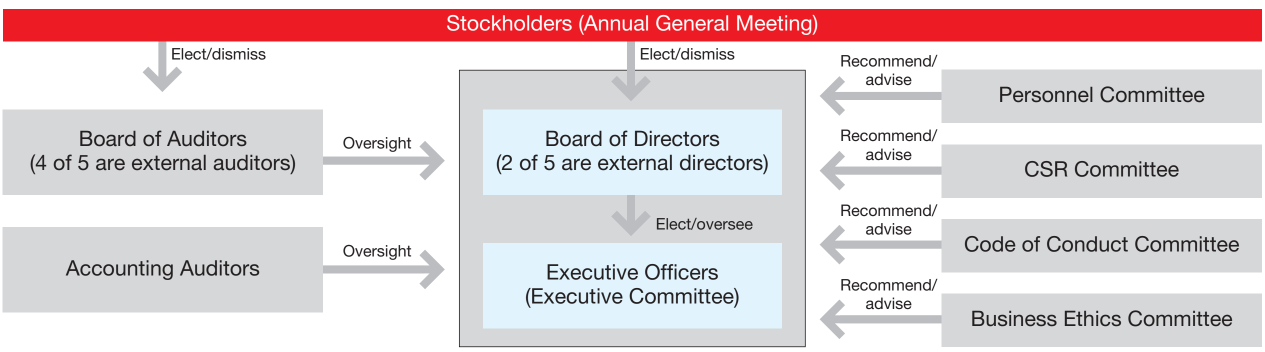
The monthly Code of Conduct Committee is chaired by a standing corporate auditor and is attended by operating officers and outside attorneys. The committee discusses issues on the awareness and observance of the Code of Conduct among management and employees, and identifies compliance-related matters and works to resolve them.

The Business Ethics Committee meets on a monthly basis to discuss measures to prevent actions that would place undue pressure on business partners. Chaired by an independent auditor, the committee's membership also includes the operating officer in charge of the Legal Department and outside attorneys. This committee is also responsible for discussing appropriate policies on various ethical issues to enable UNIQLO to become and act as a global company.

Going Forward

We believe that harmony between the Group's interests and those of its stakeholders is essential for achieving the sustainable development of the FAST RETAILING Group. To this end, we are reinforcing our foundation for corporate governance while fostering communication with our stakeholders. In addition, efforts are under way on a continuing basis to review and improve management of the Group as a whole to build a governance structure that is right for the Group as well as enhance it going forward.

Corporate Governance at FAST RETAILING (as of December 31, 2006)



Compliance and Internal Control

The FAST RETAILING Group regards compliance as a fundamental requirement for fulfilling its corporate social responsibilities. The Group companies strive not only to comply with the law but also to ensure that all the Group's management and employees act in accordance with business ethics and social norms. To strengthen compliance, we established the Code of Conduct for all management and employees in September 2004, which sets standards for morally and ethically appropriate behavior. In addition, in May 2006, the Group set forth its basic policies for an internal control system and is moving forward with initiatives to ensure proper handling of information and risk management activities.

FAST RETAILING is progressively applying the Code of Conduct to Group companies, and, as of August 31, 2006, the code had been introduced at 6* of the principal 12 Group companies. In those companies, all management and employees are asked to sign an agreement once a year to confirm their understanding of and compliance with the content of the Code of Conduct.

At UNIQLO, we operate an anonymous hotline for receiving information from and providing advice to employees, when they have concerns regarding whether certain business activities may be in violation of the Code of Conduct. Moreover, in July 2005, based on the Group's personal information handling guidelines, entering departments that handle important private information pertaining to customers is restricted by fingerprint identification systems and access to databases containing private information is also restricted.

* FAST RETAILING, UNIQLO, UNIQLO(U.K.)LTD., FAST RETAILING (JIANGSU) APPAREL CO., LTD., ONEZONE CORPORATION, and COMPTIOR DES COTONNIERS JAPAN CO., LTD.

Relationships with Business Partners

To prevent what is described in Japan's Antimonopoly Law as "abuse of a dominant bargaining position," UNIQLO seeks to build relationships of trust with suppliers and others based on equal partnership through such measures as preparation of *Guidelines for the Prevention of Improper Behavior Based on Superior Positions* and the meetings of the Business Ethics Committee.

As a part of these activities, to confirm that there are no discrepancies in activities of our management and employees, we send business partners periodic surveys to ask about their dealings with UNIQLO. The survey contains questions about presumable business situations; upon the completion of the survey, the results are discussed at the Business Ethics Committee, and, when necessary, further investigations are undertaken.

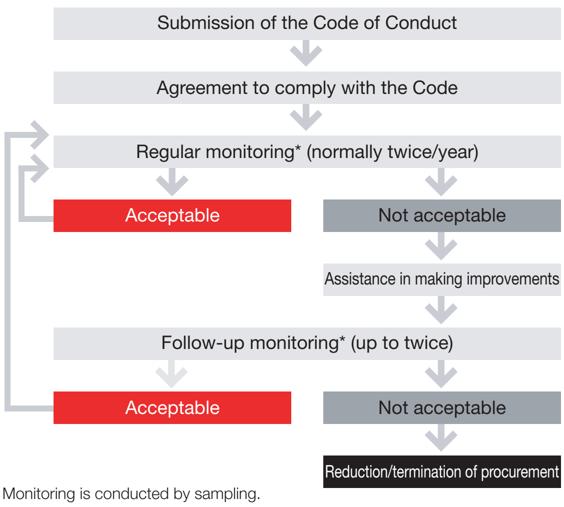
In addition, efforts are made to strengthen the compliance systems at the production partners' plants. In January 2004, we drew up the Code of Conduct for Production Partners and requested the partners to comply with its provision. Subsequently, compliance monitoring activities at partners' plants are carried out, and when potential violations are identified, proactive efforts are made to address and resolve them with the production partners.

In preparing the Code of Conduct for Production Partners, reference was made to the treaties and advisories issued by the International Labor Organization (ILO), and the 11 items of the code have been established relating mainly to the working environment. Currently, this code of conduct has been adopted by the principal sewing plants that manufacture products under the UNIQLO brand. Looking ahead, plans call for having this code adopted progressively by other production partners.

Code of Conduct Contents

- Providing Products and Services to Customers
  Ensuring customer safety, handling of customer information, etc.
- The FR Employee's Creed
  Prohibition of sexual harassment, abuse of power, etc.
- Relations with Suppliers
  Prohibition of putting undue pressure on business partners, etc.
- Shareholder and Investor Relations
  Prohibition of insider trading, etc.
- Relations with Local Communities
  Understanding of local practices, compliance with laws, contribution to the community, etc.
- Global Environment
  Reducing environmental impact, etc.
- The Company's Assets
  Preventing damage or theft of company assets, protecting intellectual property, etc.
- Information Management
  Prohibition of divulging information, etc.

Code of Conduct for Production Partners: Procedures and Evaluation Standards



* Monitoring is conducted by sampling.

Employees and Social Contribution

Promoting Diversity

FAST RETAILING has been promoting diversity through such activities as elimination of discrimination from employee hiring, work assignments, evaluation, and compensation; creation of a workplace where all employees can work energetically; and proactive employment of females and handicapped people.

For example, to enable female store managers to plan their careers from a long-term perspective, UNIQLO takes into account individual situations and necessity to the extent possible as regards transfers after marriage, setting working hours, taking vacations, and other personnel matters.

In addition, UNIQLO actively promotes the hiring of persons with disabilities, and, in March 2001, we set a goal of employing one person with disabilities per store. As of March 31, 2006, about 80% of UNIQLO stores had attained this goal, bringing the percentage of employment of persons with disabilities to 7.3%, well above the legally required rate of 1.8%.

UNIQLO has established a Women's Career Promotion Department, which provides career training for female employees and managerial training for male superiors. In July 2006, to promote diversity through hiring persons with disabilities and of non-Japanese nationality, the department was renamed as the Career Development and Diversity Team. Looking ahead, UNIQLO plans to further promote diversity and, with an eye toward globalization of its activities, to hire non-Japanese people and promote them to key positions.

Environmental Protection Activities

The FAST RETAILING Group complies with the law regarding the environment in all phases of its business processes, from design to manufacturing, distribution, sales, and disposal, and we aim to reduce the burden on the environment arising from our business activities in a sustainable manner.

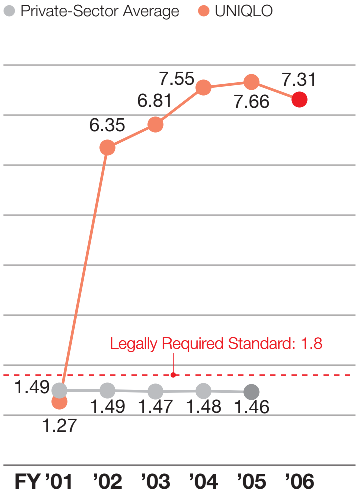
In August 2001, UNIQLO began collecting and recycling of the fleece products that its customers no longer wished to own. As of August 2006, we had recycled around 350,000 individual fleece products. Going forward, aiming to expand the scope of this recycling program, UNIQLO has instituted a project to recover and recycle all items it has sold thus far. The first recovery activities under this new program took place from September 1 through September 30, 2006. After recovery, clothing in good condition was donated to developing countries, and all other products collected were put through recycling processes that use methods, with low environmental impact, appropriate to the materials used in the products. Looking forward, UNIQLO is considering going beyond just the recycling of products and is striving for "recyclable product design" and "environmental impact reduction in all supply chain processes."

Contributing to Society

UNIQLO endorses the Setouchi Olive Foundation's mission to plant olive and other trees on the islands in Japan's Seto Inland Sea, including Teshima Island where there was an illegal dumping of industrial waste. Since 2001, UNIQLO has provided support to the foundation. Specifically, UNIQLO solicits donations from customers via donation boxes placed at all stores. UNIQLO then matches these customer contributions and presents the total amount to the foundation.

In addition, UNIQLO has lent a hand to the Special Olympics Japan, an international sports organization that offers opportunities to mentally challenged persons to engage in sporting activities, since 2002.

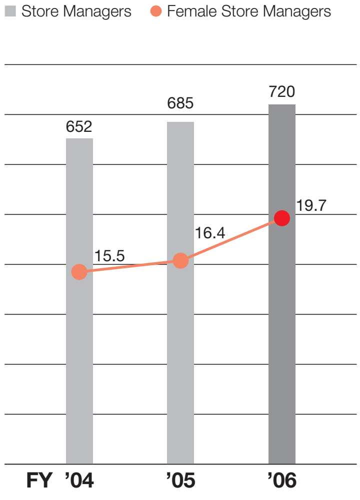
Employment Ratio for Persons with Disabilities (%)



* Figures are as of March 31 of each year.

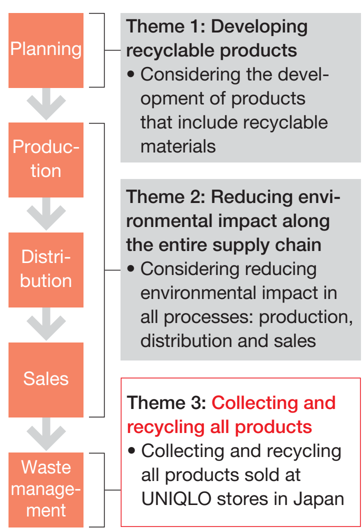
Female Store Managers

(Number of Managers, %)



* Figures are as of August 31 of each year.

Areas of Environmental Activities



Financial Section

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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					
	2006	2005	2004	2003	2002	2001
For the year:						
Net sales	**¥ 448,819**	¥ 383,973	¥ 339,999	¥ 309,789	¥ 344,171	¥ 418,561
Operating income	**70,355**	56,692	63,954	41,308	50,418	102,081
Net income	**40,437**	33,884	31,365	20,933	27,851	59,192
ROE (%)	**19.7%**	19.7%	20.8%	15.9%	23.2%	65.3%
Per share data (yen):						
Net income	**¥ 397.38**	¥ 331.99	¥ 304.92	¥ 203.05	¥ 269.54	¥1,119.28
Diluted net income	**397.26**	—	—	—	—	—
Net assets	**2,240.77**	1,791.61	1,583.67	1,378.58	1,215.43	2,203.45
Cash dividends:						
Adjusted	**130.00**	130.00	115.00	55.00	55.00	60.00
Unadjusted	**130.00**	130.00	115.00	55.00	90.00	120.00
Dividend payout ratio (%)	**32.7%**	39.0%	37.7%	27.1%	20.4%	10.7%
Net cash provided by (used in) operating activities	**¥ 57,477**	¥ 15,398	¥ 44,120	¥ 35,768	¥ (19,361)	¥ 80,581
Net cash used in investing activities	**(41,907)**	(16,823)	(20,730)	(10,118)	(9,927)	(13,199)
Net cash provided by financing activities	**1,932**	(14,854)	(8,677)	(10,179)	(20,431)	(10,955)
Depreciation and amortization	**5,364**	3,681	2,737	2,364	1,942	1,571
Capital expenditures	**16,261**	11,649	11,220	11,633	11,020	13,474
At year-end:						
Cash and equivalents	**¥ 141,404**	¥ 121,061	¥ 136,461	¥ 123,733	¥ 107,263	¥ 157,379
Total assets*	**379,655**	272,846	240,897	219,855	210,922	249,766
Total net assets*	**240,480**	182,349	161,434	140,505	123,632	116,476
Equity ratio (%)	**60.1%**	66.8%	67.0%	63.9%	58.6%	46.6%
Interest-bearing debt	**22,774**	6,185	52	—	5,809	7,000
Debt-equity ratio (%)	**9.4%**	3.4%	0.0%	—	4.7%	6.0%
Other data:						
Number of shares outstanding	**106,073,656**	106,073,656	106,073,656	106,073,656	106,073,656	53,036,828
Total number of stores	**1,632**	1,232	655	622	585	519
Directly-managed stores in Japan	**[1,093]**	[775]	[635]	[582]	[558]	[507]
Directly-managed stores overseas	**[196]**	[157]	[9]	[26]	[15]	[—]
Franchise stores	**[343]**	[300]	[11]	[14]	[12]	[12]
Total sales floor space (m^2)	**531,819m^2**	437,196m^2	363,901m^2	335,849m^2	305,504m^2	263,713m^2
Number of full-time employees	**3,990**	2,668	1,782	1,776	1,853	1,598

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

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

Management's Discussion and Analysis

1 Operating Environment and Management Strategy

During fiscal 2006, ended August 31, 2006, the Japanese economy remained on a recovery trend, as corporate profitability recorded continued improvement, supported by strong private capital investment and expansion in domestic demand. In the apparel industry, however, a number of factors are expected to bring a continuing shrinkage in the size of the overall market. These include demographic trends, such as a decline in the population of younger people, who are important purchasers of clothing, against an overall background of aging and a decline in the population as a whole as well as a drop in the percentage of disposable income that consumers spend on clothing and footwear. In view of these and other factors, we believe that the intensely competitive, "survival of the fittest" conditions prevailing in the market will continue.

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

Based on these business policies, in our mainstay UNIQLO operations, we have introduced a new product development system focused around R&D centers in Tokyo, New York, Paris, and Milan that draws on the capabilities of top-level personnel from around the world. In addition, we have thoroughly reviewed UNIQLO's store format and customer service and are beginning trial activities to display more coordinated items and provide better, more responsive, and customer-centric service. In our store opening strategy, we have embarked on an aggressive program to "scrap" our smaller-format stores and actively replace them with large-format stores. Regarding store locations, along with our suburban freestanding roadside stores, which have been the standard format thus far, we are locating new stores in urban areas, large shopping centers, key transportation stations, and other high traffic places, and we are carefully monitoring their sales and profit performance as well as their potential for growth.

As a result of these various initiatives, domestic UNIQLO sales were firm not only during the autumn and winter seasons but also the spring and summer seasons despite quite unfavorable weather conditions. Moreover, we were successful in improving our gross profit margin and reducing advertising and promotional expenditures. As a consequence, domestic UNIQLO posted gains in both sales and income.

Beginning in September 2005, we began to open new stores in the United States, Hong Kong, and South Korea in addition to our existing stores in the United Kingdom and China. In the United States, based on our experience in operating stores in suburban shopping malls, we adopted a flagship store strategy to substantially improve the awareness of the UNIQLO brand in urban areas.

Among Group operations, in February 2006, we acquired the management rights in PETIT VEHICULE S.A., the developer of "PRINCESSE TAM.TAM," a well-known French lingerie brand. Then, in June 2006, we made NELSON FINANCES S.A.S., the developer of the French casual brand COMPTOIR DES COTONNIERS (for which we purchased management rights in May 2005), a wholly owned subsidiary. Also, we established FR FRANCE S.A.S. as an intermediary holding company (between FAST RETAILING in Japan and our corporate holdings in France), with the aims of establishing strong corporate governance over our businesses in France and significantly expanding the Group's business base in the area.

In April 2006, we purchased an equity interest in CABIN CO., LTD., a TSE-listed company, which operates a chain of women's apparel stores in Japan, and followed this investment with an amicable takeover bid for CABIN in August 2006, thus making it a subsidiary of the Group. In November 2006, we purchased a 33.4% equity stake in VIEWCOMPANY CO.,LTD., the developer of a women's footwear brand that is listed on the JASDAQ exchange, to strengthen our footwear business activities. On the other hand, National Standard Inc., which developed the National Standard brand of ladies' apparel, was unable to follow through on its business growth plans, and we dissolved that company in March 2006 and completed liquidation in August 2006. New business activities in Japan included the establishment of G.U. CO., LTD., in March 2006, to develop the family casual brand g.u. and the opening of the first g.u. store in October 2006.

As part of our drive to strengthen Group management, we are engaged in the preparation of a corporate identity program for FAST RETAILING and, in September 2006, adopted a corporate logo with a statement, The FAST RETAILING Group is not bound by the traditional structure of the retail apparel business and aims to design, produce, and sell really good products to enrich the lives of people of the world.

Regarding our management goals, we are aware that continuing to increase profitability is one of our highest management priorities. Accordingly, we have set Group targets for fiscal 2010 of ¥1 trillion in net sales and ¥150 billion in ordinary income.

Number of Stores by Business

	2006			2005	2004
	End Aug.	Open	Close	End Aug.	End Aug.
UNIQLO	**750**	109	52	693	646
UNIQLO Japan:	**720**	89	48	679	637
Directly-managed*1	**703**	84	45	664	626
Franchise	**17**	5	3	15	11
UNIQLO overseas:	**30**	20	4	14	9
U.K.	**8**	2	0	6	3
China*2	**7**	2	3	8	6
U.S.	**4**	5	1	—	—
South Korea	**10**	10	0	—	—
Hong Kong	**1**	1	0	—	—
ONEZONE	**330**	5	4	329	—
COMPTOIR DES COTONNIERS	**244**	47	3	200	—
PETIT VEHICULE*2	**100**	10	1	—	—
CABIN	**201**	—	—	—	—
ASPESI	**7**	0	6	—	—
National Standard	**0**	1	11	10	9
TOTAL	**1,632**	172	77	1,232	655

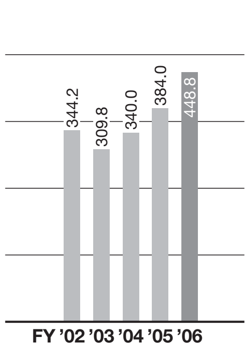
*1: UNIQLO's directly-managed stores include small stores located inside or in the vicinity of transportation stations, "BODY by UNIQLO" women's inner wear specialty stores, and "UNIQLO KIDS" stores specializing in items for children and babies.
*2: Because of differences in accounting periods, the number of stores for businesses in UNIQLO China and PETIT VEHICULE are for the years ended June 30.

Number of Directly-Managed Stores Opened and Closed—UNIQLO Japan

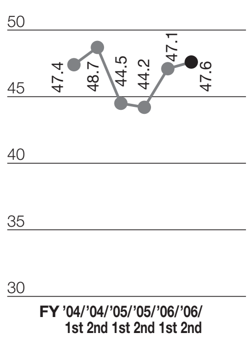
	2006	2005	2004	2003	2002
Stores opened	**84**	69	81	76	77
Stores closed	**45**	31	36	53	26
Net increase	**39**	38	45	23	51
Fiscal year-end	**703**	664	626	581	558

2 Results of Operations

Net Sales (Billions of Yen)

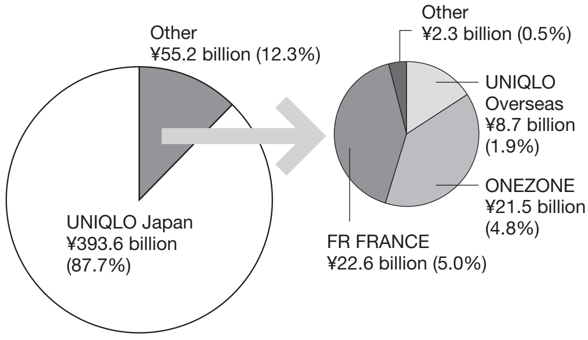


Gross Profit Margin for Fiscal Half Years (%)



In the fiscal year ended August 31, 2006, FAST RETAILING reported consolidated net sales of ¥448.8 billion, an increase of 16.9% over the previous fiscal year. Operating income amounted to ¥70.4 billion, a gain of 24.1% year on year; ordinary income reached ¥73.1 billion, up 24.8% from a year earlier; and net income was ¥40.4 billion, 19.3% higher than for the prior fiscal year.

Breakdown of Net Sales



Consolidated Net Sales and Gross Profit

The principal factors accounting for the double-digit percentage rise in net sales of ¥64.8 billion, or a 16.9% increase year on year, to ¥448.8 billion, were strong sales of winter apparel and steady growth in sales of spring and summer items in the Group's core UNIQLO business in Japan and the contributions of newly consolidated subsidiaries. By primary source of net sales, domestic UNIQLO operations accounted for ¥28.3 billion of the increase in net sales; NELSON FINANCES, the developer of the COMPTOIR DES COTONNIERS brand, contributed ¥14.5 billion; PETIT VEHICULE, the developer of the PRINCESSE TAM.TAM brand, accounted for ¥5.4 billion; and ONEZONE CORPORATION, an operator of a chain of shoe stores in Japan, contributed ¥9.2 billion.

Gross profit rose ¥42.1 billion over the previous fiscal year, to ¥212.4 billion, thus increasing the gross profit margin to 47.3%, 3.0 percentage points higher than for the prior year. This improvement in profitability was the result of a decline in discount sales in domestic UNIQLO operations and the consolidation of NELSON FINANCES and PETIT VEHICULE, which have relatively high gross profit margins.

■ Domestic UNIQLO Business

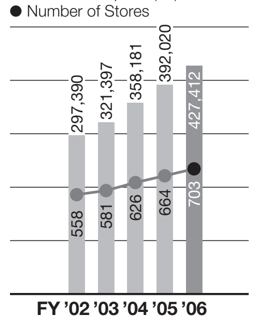
Net Sales

The domestic UNIQLO business, which accounts for 87.7% of consolidated net sales, posted a solid gain of 7.7% in sales for the fiscal year ended August 31, 2006. The principal factors accounting for this rise were an increase of 39 directly-managed stores on a year-end comparison basis and the resulting gain in total sales floor area of 9.0%. In fiscal 2006, UNIQLO opened 84 new stores and closed 45 as part of its "scrap-and-build" program, bringing the total number of directly-managed stores to 703 at the end of the fiscal year. Another factor contributing to higher sales was the favorable performance of new stores, including large-format stores in Ginza and elsewhere, with approximately 1,600 square meters of sales floor space. In addition, sales at existing stores were 0.7% higher than in the previous fiscal year.

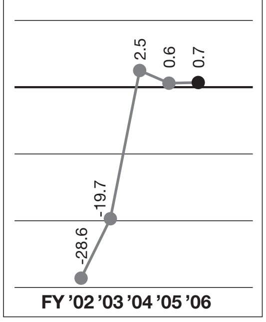
In the development of its store network, UNIQLO has taken initiatives since fiscal 2005 to open stores other than the standard suburban freestanding roadside stores. New stores have been developed in a greater variety of locations, such as urban centers, and have included large-format stores and specialized stores. With regard to location, in fiscal 2006, UNIQLO aggres-

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

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

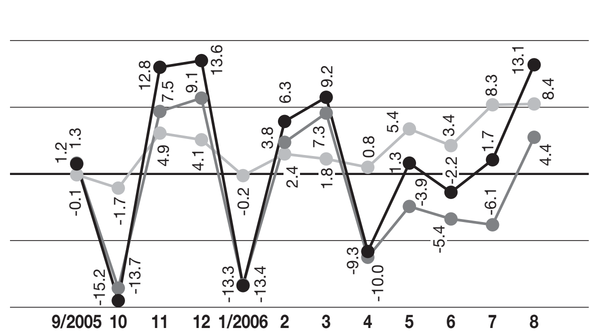


Year-on-Year Sales Trend at Existing Stores (UNIQLO Stores in Japan) (%)



Year-on-Year Monthly Sales at Existing Stores in FY2006 (UNIQLO Japan) (%)

● Sales ● Customer Numbers ● Average Purchase per Customer



sively opened stores in urban commercial buildings, in shopping centers, and elsewhere. Regarding the types of stores, UNIQLO has developed large-format, standard-format, and small-scale stores suited to individual shopping areas, while keeping a watchful eye on sales and profitability.

UNIQLO built seven large-format stores by the end of fiscal 2006, with sales floor space of about 1,600 square meters, including the Ginza store (an urban roadside store, Tokyo), the Shinsaibashisuji store (an urban roadside store, Osaka), the Kasugai store (a suburban roadside store, Aichi), and the Mina Tenjin store (developed within a commercial facility, Fukuoka). Thus far, UNIQLO’s growth has been sustained by its policy of opening stores that offer standard locations, standard products, and standard services; however, the new large-format stores offer collections centered on a monthly theme in addition to basic items and apparel with a feeling of trendiness. As a result, these stores have been successful in increasing customer-drawing power, appealing especially to fashion-conscious women. So far, the level of profitability of the large-format stores is as good as that of existing standard stores. Looking ahead, UNIQLO plans to accelerate the openings of large-format stores and has set goals of opening 20 such stores in fiscal 2007 and 40 stores annually thereafter.

For UNIQLO’s standard stores, with about 700 square meters of sales floor space, plans call for giving consideration to opening new stores on a “scrap-and-build” basis in areas that will involve a minimum of cannibalization of sales of other UNIQLO stores, while strictly maintaining UNIQLO’s internal criteria. In the category of stores with about 160 square meters of floor space, those stores located within or in the vicinity of transportation stations, and thus having good access to some form of transportation, have shown strong performances, with monthly sales of about ¥210,000 per square meter. Accordingly, UNIQLO plans to actively increase the number of these smaller stores going forward. On the other hand, specialty stores, such as those handling mainly children’s and babies’ and women’s inner wear, have yet to meet the target of about ¥150,000 in monthly sales per square meter, and, for the time being, UNIQLO is focusing on how to increase the profitability of the stores opened thus far.

Sales by Product Category

	2006		2005	
	Millions of Yen	% of Sales	Millions of Yen	% of Sales
Men’s clothing	**¥155,462**	**34.6**	¥151,173	39.3
Women’s clothing	**121,959**	**27.2**	112,484	29.3
Children’s clothing	**22,944**	**5.1**	22,250	5.8
Underwear	**66,361**	**14.8**	57,453	15.0
Accessories	**19,260**	**4.3**	15,873	4.1
Subtotal	**385,989**	**86.0**	359,236	93.5
Franchise store, etc.	**7,619**	**1.7**	6,069	1.6
UNIQLO operations, total	**393,608**	**87.7**	365,305	95.1
UNIQLO overseas	**8,737**	**1.9**	3,078	0.8
ONEZONE*1	**21,467**	**4.8**	12,227	3.2
COMPTOIR DES COTONNIERS*2	**17,292**	**3.9**	2,642	0.7
PETIT VEHICULE*3	**5,456**	**1.2**	—	—
Apparel-related business	**1,634**	**0.4**	719	0.2
Other (Rents)	**622**	**0.1**	—	—
Net sales	**¥448,819**	**100.0**	¥383,973	100.0

*1: The business of ONEZONE CORPORATION is shoe retailing.
*2: The COMPTOIR DES COTONNIERS business sells apparel items in Japan and overseas under the COMPTOIR DES COTONNIERS brand.
*3: The PETIT VEHICULE business sells mainly apparel items in Europe under the PRINCESSE TAM.TAM brand.

Sales at existing stores in fiscal 2006 were a slight 0.7% above the previous year. During the fiscal year, unfavorable weather conditions resulted in slower customer traffic in the months of October 2005, and April and May 2006, thus leading to a 2.3% decline in the number of customers for the fiscal year as a whole. Despite this development, the average purchase per customer rose 3.1%, thus leading to the overall increase in existing store sales for the fiscal year. Although the number of customers per month fluctuates substantially due to weather conditions, a number of factors helped boost sales and the amount spent per customer. These included the success of campaigns that took account of market trends, the offering of inner garments featuring highly functional Heat Tech materials and other high-value-added products, including women’s fashionable items, and the introduction of jackets and other “cool biz” items that UNIQLO had not offered previously.

Product development will be indispensable in supporting the accelerated opening of large-format stores and growth of sales at existing stores. Initiatives will include developing more sophisticated versions of basic items, which have been one of UNIQLO’s strengths, introducing more fashionable goods, and developing merchandise that takes account of fashion trends. Since autumn 2005, when UNIQLO’s global R&D, comprising bases in Tokyo, New York, Paris, and Milan, went into operation, UNIQLO has collected information on product trends, customer needs, lifestyles, fabrics and other materials, and other topics. As an overwhelmingly large number of designs, proposals, and other contributions are made at the bases and commercialized through the coordination of production and sales, UNIQLO will be able to make timely introductions of products that are competitive in terms of quality, price, and design.

Gross Profit Margin

The gross profit margin for domestic UNIQLO business increased 2.0 percentage points, to 46.5%. The principal reason for this improvement was a smaller volume of discount pricing than in the previous fiscal year. As a result of improvement in the accuracy of merchandise order placement activities, the amount of discounting to reduce inventories was lower than in the prior year for the autumn and winter as well as the spring and summer seasons in fiscal 2006.

■ UNIQLO Business Operations Overseas

During the fiscal year ended August 31, 2006, UNIQLO opened stores in Hong Kong, South Korea, and the United States, and overall overseas operations generated sales of ¥8.7 billion. With the exception of the Hong Kong store, overseas operations posted losses, but operations in the United Kingdom, China, and South Korea are expected to show a profit for the year ending August 31, 2007. In addition, UNIQLO USA, Inc. is expected to show a shrinkage in losses.

Going forward, UNIQLO's overseas operations will make a shift toward a "flagship store" strategy to build the UNIQLO brand and improve sales and profitability. Following on from the success in domestic operations of the Ginza flagship store, which has provided a platform for expressing the newest from UNIQLO and transmitting its latest ideas to customers, UNIQLO opened a global flagship store in Soho, New York in November 2006. The Soho store is UNIQLO's largest store in the world, with approximately 3,300 square meters of sales floor space. In addition, in December 2006, UNIQLO opened another flagship store with about 2,300 square meters, in Shanghai's Pudong district.

As a result of this transition to the full-scale development of overseas operations through the flagship store strategy, the business operations that UNIQLO has developed thus far in Japan will be well positioned to achieve global synergies not only in terms of brand awareness but also in merchandise, store operations, marketing, and other areas.

■ Group Business Operations

Other principal Group business activities include operations in France, ONEZONE, a footwear retail chain in Japan, CABIN, which was consolidated within the Group in August 2006, and equity-method affiliates LINK THEORY HOLDINGS CO.,LTD., and VIEWCOMPANY CO.,LTD.

Operations in France managed by FR FRANCE, an intermediary holding company, are Créations Nelson's COMPTOIR DES COTONNIERS brand, and PETIT VEHICULE, which manages PRINCESSE TAM.TAM, a lingerie brand. Both companies are posting strong performances and contributed a cumulative ¥22.6 billion in sales and ¥5.0 billion in operating income to the Group's consolidated accounts for the year ended August 31, 2006. FR FRANCE is forecasting stable expansion in performance for the year ending August 31, 2007. As a result of the cost of opening new stores in European countries and developing the COMPTOIR DES COTONNIERS brand in Japan (which is currently showing a loss), consolidating the Créations Nelson accounts would result in Group profitability at about the same level as in fiscal 2006, but PETIT VEHICULE (which will be consolidated for the full year in fiscal 2007) is forecasting increases in sales and income of approximately 10%.

ONEZONE reported a sales performance in fiscal 2006 that was below the planned level and unfortunately posted an operating loss. This company plans to increase the number of stores by 10 stores in fiscal 2007 and is working to achieve recovery in performance. ONEZONE intends to improve its performance during fiscal 2007 by making thorough changes in its shoe procurement practices, strengthen its product lines, and make drastic changes in its merchandise mix. FAST RETAILING plans to provide its full support to ONEZONE to facilitate its recovery in performance.

At the end of August 2006, the Group successfully conducted an amicable takeover bid for CABIN, a company listed on the TSE First Section, and it became a consolidated subsidiary of the Group. CABIN is looking to report annual sales of ¥22.9 billion and operating income of ¥800 million in the twelve months during FAST RETAILING's fiscal 2007. To strengthen that company's management, human resources, corporate planning, production planning, and administrative functions, personnel have been seconded from FAST RETAILING and UNIQLO, from October 1, 2006, to begin activities to support CABIN's management.

SG&A Expenses

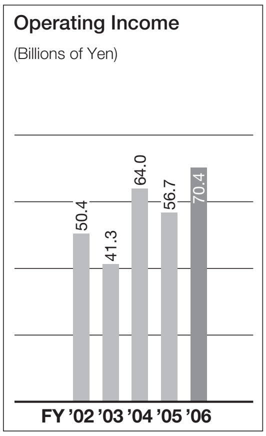
SG&A expenses on a consolidated basis increased ¥28.5 billion, to ¥142.1 billion, and the ratio of SG&A expenses to consolidated net sales increased to 31.7%, compared with 29.6% for the previous fiscal year. This increase in expenses was due to an increase in the number of Head Office personnel, which is intended to strengthen the Group's management base in the medium-to-long term, proactive investments for expansion of business operations, and consolidation of subsidiaries with a higher ratio of SG&A expenses to sales.

SG&A expenses in domestic UNIQLO operations in fiscal 2006 were higher than those in the previous fiscal year, but the ratio of SG&A expenses to net sales remained flat and such expenses were at the planned levels. Within the ratio of SG&A expenses to net sales, the ratio of expenditures for personnel costs deteriorated as hiring expenses and salaries increased, and the ratio of rental costs also deteriorated, as UNIQLO increased the number of stores located in urban areas and shopping centers. However, as a result of more-efficient marketing and promotional activities, the ratio of advertising and promotional expenditures improved.

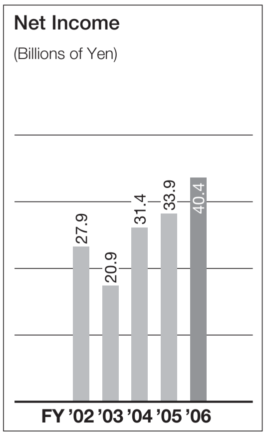
Amortization of goodwill in the consolidated accounts amounted to ¥1.15 billion for fiscal 2006. Of this total, ¥190 million was incurred in connection with making ASPESI Japan Co.,

Breakdown of SG&A Expenses

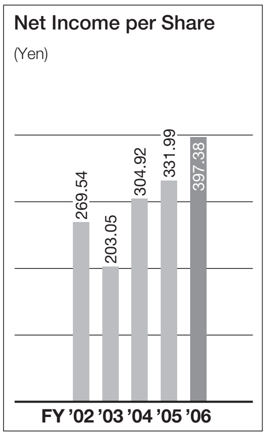
	2006			2005			2004		
	Millions of Yen	% to Sales	% Change	Millions of Yen	% to Sales	% Change	Millions of Yen	% to Sales	% Change
Personnel	**¥ 52,272**	**11.6**	**+25.6**	¥ 41,620	10.9	+15.2	¥36,137	10.6	+6.0
Advertising and promotion	**22,231**	**5.0**	**+9.8**	20,246	5.3	+10.7	18,286	5.4	-5.1
Rent	**34,377**	**7.7**	**+23.8**	27,773	7.2	+8.4	25,622	7.5	+7.0
Depreciation/amortization	**5,409**	**1.2**	**+122.3**	2,433	0.6	+32.2	1,840	0.6	-19.0
Others	**27,771**	**6.2**	**+29.0**	21,524	5.6	+24.0	17,353	5.1	+7.4
Total	**¥142,063**	**31.7**	**+25.1**	¥113,598	29.6	+14.5	¥99,240	29.2	+3.6



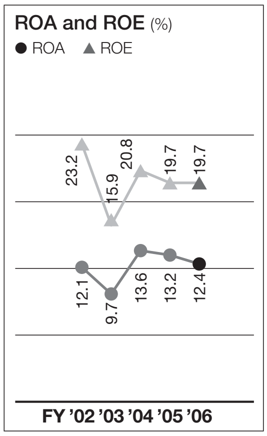
Operating Income



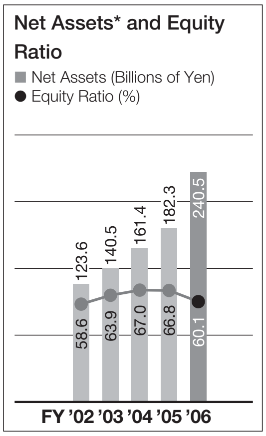
Net Income



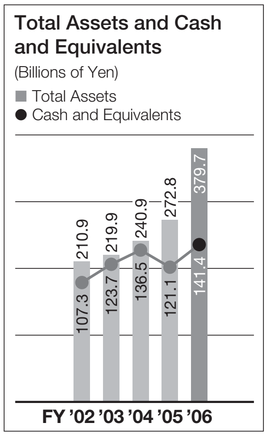
Net Income per Share



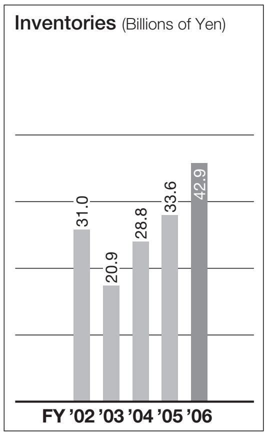
ROA and ROE (%)



Net Assets* and Equity Ratio



Total Assets and Cash and Equivalents



Inventories

Ltd., a subsidiary in September 2005; ¥570 million was due to the purchase of additional shares of NELSON FINANCES in June 2006; and ¥380 million was incurred in connection with making PETIT VEHICULE a subsidiary in February 2006.

Other Gains and Losses

The Group reported other gains of ¥1.3 billion. The principal items within this total included a gain on the foregiveness of debt of subsidiary ONEZONE amounting to ¥800 million and other factors. Other losses amounted to ¥1.7 billion. Principal items included ¥900 million in losses incurred due to the removal of certain fixed assets and the recognition of an impairment loss of ¥200 million in ONEZONE.

Net Income

Net income for fiscal 2006 amounted to ¥40.4 billion, representing an increase of ¥6.6 billion over the previous fiscal year. Net income per share was ¥397.38, ¥65.39 higher than for the prior year.

3 Balance Sheets

Total assets as of August 31, 2006, amounted to ¥379.7 billion, ¥106.8 billion higher than at the end of the previous fiscal year. This increase was primarily due to a gain in cash of ¥47.2 billion and an increase in goodwill of ¥22.2 billion. Current assets recorded a gain of ¥70.3 billion, to ¥250.3 billion. Tangible assets rose ¥36.5 billion, to ¥129.3 billion, primarily because of the consolidation of additional subsidiaries accompanying mergers and acquisitions, investments in new stores, and other factors.

Liabilities amounted to ¥139.2 billion at fiscal year-end, ¥53.8 billion higher than at the previous fiscal year-end. This was principally because of additional borrowings of ¥14.6 billion accompanying the need for funding to acquire stocks for French operations and an increase in corporate income taxes payable of ¥18.1 billion due to higher income and other factors.

Reflecting the increase in net income, net assets rose ¥58.1 billion compared with the previous fiscal year-end, to ¥240.5 billion. Management believes that the levels of the Group’s capital and liquidity are sufficient for the conduct of its operations.

* According to Japan’s Company Law, which went into effect in August 2006, minority interests are included in net assets. Please note that shareholders’ equity figures prior to the year ended August 2005 do not include minority interests.

4 Cash Flows

Cash and equivalents (hereinafter referred to as "cash") at the end of fiscal 2006 amounted to ¥141.4 billion, ¥20.3 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**

Net cash provided by operating activities rose ¥42.1 billion, to ¥57.5 billion. This gain was mainly due to ¥72.7 billion in income before income taxes and minority interests, which was partially offset by income taxes paid of ¥24.3 billion.

● **Net cash used in investing activities**

Net cash used in investing activities amounted to ¥41.9 billion, ¥25.1 billion higher than in the previous fiscal year. This rise was mainly due to investments in subsidiaries of ¥20.7 billion.

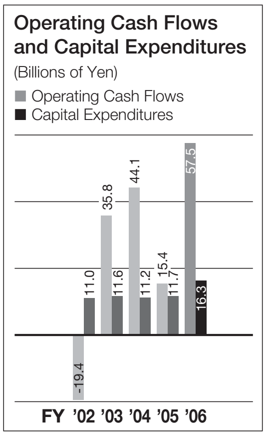
● **Net cash provided by financing activities**

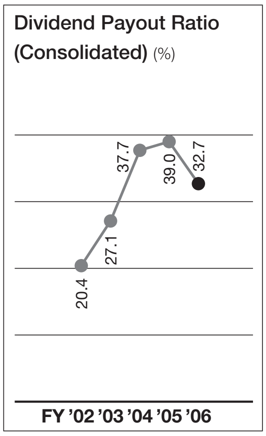
Net cash provided by financing activities increased ¥16.8 billion from the previous fiscal year and amounted to ¥1.9 billion, versus net cash used in financing activities of ¥14.9 billion in fiscal 2005. This was mainly the result of proceeds from long-term debt amounting to ¥15.4 billion, which were largely offset by dividends paid of ¥13.2 billion.

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

Dividend Policy

The Group regards returning a portion of profits to its shareholders as one of its highest priorities and has adopted a basic policy of constantly working to improve Group performance and allocating an appropriate amount of profit, depending on performance, to shareholders on a continuing basis. The Group's policy is to pay high dividends, in line with performance, after taking account of the future expansion of the Group, meeting requirements for funds to increase profits, and the soundness of its financial position.





5 Outlook*

For the fiscal year ending August 31, 2007, FAST RETAILING anticipates 18.6% growth in net sales, to ¥532.5 billion; a 7.7% increase in operating income, to ¥75.8 billion; and 1.4% growth in net income, to ¥41.0 billion. Net income per share is forecast to rise to ¥402.55, and plans call for paying a cash dividend of ¥140 per share.

UNIQLO Business Activities

UNIQLO Japan is forecasting expansion in sales of 9.3% and growth in operating income of 5.4% for the fiscal year ending August 31, 2007. Existing stores are expected to report growth of 1.4%, and the number of UNIQLO's directly-managed run stores are forecast to increase by 37 stores in net. Among new stores, UNIQLO plans to open 20 large-format stores with about 1,600 square meters of sales floor space. The gross profit margin is anticipated to decrease by 0.1 percentage point.

In domestic operations, UNIQLO will aggressively expand the number of large-format stores, which we position as growth drivers. Also, UNIQLO will work to enhance the finish and sophistication of its merchandise lineup, while also substantially strengthening its capabilities for production management and inventory control, and thereby be well positioned to offer customers the items they want in a timely fashion. Moreover, UNIQLO will continue to pursue low-cost operations, taking account of cost effectiveness. In overseas operations, UNIQLO will continue to add new stores, following on from the opening of flagship stores in New York and Shanghai. The Group will also strengthen its management support capabilities for UNIQLO operations overseas to make the transition to a more highly efficient management.

Group Business Activities

In its new business operations, the Group will work to clarify the management strategies of newly acquired and newly established companies. The Group will also make use of management resources, including personnel and know-how from domestic UNIQLO operations, on a priority basis, to take maximum advantage of the special features and strengths of each business, with the goals of attaining sustained growth and strengthening the foundations of these businesses. To attain further growth, the Group must expand its existing business operations while also building the Group through M&A and the globalization of business activities. M&A will be an indispensable tool for attaining the Group's target of sustainable growth, but, to maintain high profitability, the Group will work to expand its operations based on the following business policies.

First, we will have our subsidiaries and affiliates draw on the strengths of UNIQLO's SPA (Specialty Store Retailer of Private Label Apparel) apparel manufacturing and retailing model. We will also offer Group companies we have acquired UNIQLO's know-how in high-efficiency store operations, capabilities for providing high-quality products on a timely

* As of January 2007

basis, store development know-how, low-cost management, and other such strengths, with the goal of helping them reform their own operations.

Next, we intend to expand our portfolio of brands by acquiring those that can be expanded and developed on a global scale, helping them to grow, and creating new groups of brands.

In addition, by establishing platforms in the major markets around the world, we will aim to accelerate UNIQLO's international expansion and the business development of operations following new acquisitions. Then, we will work to realize a global management system rooted in markets throughout the world.

1. Consolidated Outlook for Fiscal Year Ending August 31, 2007

Billions of Yen	Annual	% Change	First Half	% Change	Second Half	% Change
Net sales	¥532.5	+18.6	¥282.0	+18.2	¥250.5	+19.2
Gross profit	256.2	+20.6	132.7	+18.0	123.5	+23.5
SG&A	180.4	+27.0	88.5	+32.3	91.9	+22.3
Operating income	75.8	+7.7	44.2	(2.9)	31.6	+27.3
Net income	41.0	+1.4	24.0	(9.6)	17.0	+22.3

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

	2006	2007			
	End Aug.	Open	Close	Net Increase	End Aug.
UNIQLO	**750**	96	46	+50	800
UNIQLO Japan:	**720**	83	45	+38	758
Directly-managed*1	**703**	82	45	+37	740
Franchise	**17**	1	0	+1	18
UNIQLO overseas:	**30**	13	1	+12	42
U.K.	**8**	2	0	+2	10
China*2	**7**	2	0	+2	9
U.S.	**4**	3	1	+2	6
South Korea	**10**	5	0	+5	15
Hong Kong	**1**	1	0	+1	2
g.u.	**—**	50	0	+50	50
ONEZONE	**330**	22	12	+10	340
COMPTOIR DES COTONNIERS	**244**	64	4	+60	304
PETIT VEHICULE*2	**100**	28	1	+27	127
CABIN	**201**	30	16	+14	215
ASPESI	**7**	6	1	+5	12
Total	**1,632**	296	80	+216	1,848

*1: UNIQLO's directly-managed stores include small stores located inside or in the vicinity of transportation stations, "BODY by UNIQLO" women's inner wear specialty stores, and "UNIQLO KIDS" stores specializing in items for children and babies.

*2: Because of differences in accounting periods, the financial results for businesses in UNIQLO China and PETIT VEHICULE are for the years ended June 30.

3. Outlook of UNIQLO Business by Country, for Fiscal Year Ending August 31, 2007

Billions of Yen	Japan	U.K.	China	U.S.	South Korea	Hong Kong
Net sales	¥430.2	¥3.8	¥2.1	¥3.4	¥4.3	¥1.9
Operating income (loss)	72.5	0.1	0.0	(0.7)	0.1	0.3
Store openings (net increase)	83 (+38)	2 (+2)	2 (+2)	3 (+2)	5 (+5)	1 (+1)
Stores at fiscal year-end	758	10	9	6	15	2

4. Outlook of Consolidated Companies, for Fiscal Year Ending August 31, 2007

Billions of Yen	G.U.	ONEZONE	FR FRANCE	CABIN	ASPESI Japan
Net sales	¥5.3	¥22.5	¥33.9	¥22.9	¥1.1
Operating income (loss)	(0.9)	(0.3)	5.7	0.8	(0.0)

Consolidated Subsidiaries

Consolidated Subsidiaries		Share Ownership*1
UNIQLO Business		
UNIQLO CO., LTD.	Japan	100.0%
UNIQLO(U.K.)LTD.	U.K.	100.0%
FAST RETAILING (JIANGSU) APPAREL CO., LTD.	China	71.4%*2
FAST RETAILING(CHINA)TRADING CO., LTD.	China	100.0%
UNIQLO USA, Inc.	U.S.	100.0%
FRL Korea Co., Ltd.	South Korea	51.0%
UNIQLO HONG KONG, LIMITED	Hong Kong	100.0%
Non-UNIQLO Business		
ONEZONE CORPORATION	Japan	100.0%
FR FRANCE S.A.S.	France	100.0%
Créations Nelson S.A.S.	France	99.9%
COMPTOIR DES COTONNIERS JAPAN CO., LTD.	Japan	100.0%
PETIT VEHICULE S.A.	France	95.0%
GLOBAL RETAILING CO., LTD.	Japan	100.0%
GLOBAL INVESTMENT CO., LTD.	Japan	100.0%
UNIQLO FRANCE S.A.S.	France	100.0%
ASPESI Japan Co., Ltd.	Japan	60.0%
CABIN CO., LTD.	Japan	50.0%*3
Equity-Method Affiliated:		
LINK THEORY HOLDINGS CO.,LTD.	Japan	33.9%
VIEWCOMPANY CO.,LTD.	Japan	33.4%

*1: Percentage ownership as of November 30, 2006
*2: Percentage ownership of voting shares: 83.3%
*3: Percentage ownership of voting shares: 51.7%

6 Operational Risks

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 objects of its M&A activities and optimize its business portfolio, thereby aiming to maximize the Group's business value. However, in cases where the Group is unable to realize the expected profit and benefits of M&A activities, this could have an adverse impact on business results.

(b) Management personnel risk

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

(c) Competitive risk

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

(d) Risk of reliance on certain regions for production

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

(e) Risk of UNIQLO operations outside Japan

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

(f) Foreign currency risk

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

(2) General business risks

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

Consolidated Balance Sheets

FAST RETAILING CO., LTD. and consolidated subsidiaries
August 31, 2006 and 2005

ASSETS	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (note 2) 2006
Current assets:			
Cash (note 3)	**¥121,950**	¥ 74,759	**$1,039,553**
Marketable securities (notes 3 and 4)	**25,237**	46,302	**215,131**
Trade notes and accounts receivable	**8,397**	4,472	**71,580**
Less—Allowance for doubtful accounts	**(128)**	(9)	**(1,091)**
Net trade receivables	**8,269**	4,463	**70,489**
Inventories	**42,862**	33,594	**365,374**
Deferred tax assets (note 5)	**928**	2,894	**7,911**
Income tax refund receivable	**12,793**	—	**109,053**
Exchange rate forward contracts	**27,695**	11,791	**236,084**
Other	**10,592**	6,248	**90,291**
Total current assets	**250,326**	180,051	**2,133,886**
Fixed assets:			
Property and equipment:			
Land	**4,299**	2,594	**36,646**
Buildings and structures	**41,555**	25,977	**354,232**
Furniture and equipment	**3,302**	2,771	**28,148**
Construction in progress	**761**	364	**6,487**
Total	**49,917**	31,706	**425,513**
Less—Accumulated depreciation	**(20,024)**	(13,030)	**(170,693)**
Net property and equipment	**29,893**	18,676	**254,820**
Intangible assets:			
Goodwill	**32,997**	10,787	**281,280**
Other	**8,225**	6,366	**70,114**
Total intangible assets	**41,222**	17,153	**351,394**
Investments and other assets:			
Investments in securities (note 4)	**1,146**	7,431	**9,769**
Investments in subsidiaries and affiliates (note 4)	**6,626**	7,421	**56,483**
Lease deposits	**29,639**	22,587	**252,655**
Construction assistance fund receivables (note 13)	**20,288**	19,775	**172,943**
Deferred tax assets (note 5)	**552**	454	**4,705**
Other	**975**	574	**8,312**
Less—Allowance for doubtful accounts	**(1,012)**	(1,276)	**(8,627)**
Total investments and other assets	**58,214**	56,966	**496,240**
Total fixed assets	**129,329**	92,795	**1,102,454**
Total assets	**¥379,655**	¥272,846	**$3,236,340**

See accompanying notes to consolidated financial statements.

LIABILITIES	Millions of Yen 2006	2005	Thousands of U.S. Dollars (note 2) 2006
Current liabilities:			
Accounts payable	**¥ 42,794**	¥ 33,718	**$ 364,794**
Accrued income taxes (note 5)	**30,340**	12,213	**258,631**
Deferred tax liabilities (note 5)	**8,047**	—	**68,596**
Net deferred unrealized gain on exchange rate forward contracts	**—**	11,791	**—**
Other	**31,311**	16,491	**266,908**
Total current liabilities	**112,492**	74,213	**958,929**
Long-term liabilities:			
Long-term debt (note 6)	**19,584**	4,945	**166,942**
Accrued retirement and severance obligations (note 7)	**437**	200	**3,725**
Other	**6,662**	5,992	**56,790**
Total long-term liabilities	**26,683**	11,137	**227,457**
Total liabilities	**139,175**	85,350	**1,186,386**
Minority interests	**—**	5,147	**—**
Net assets:			
Capital (note 8)	**10,274**	10,274	**87,580**
Additional paid-in capital (note 8)	**4,999**	4,579	**42,614**
Retained earnings (note 9)	**211,135**	184,293	**1,799,804**
Treasury stock, at cost (note 10)	**(15,540)**	(16,041)	**(132,470)**
Net unrealized holding gains (losses) on securities	**465**	(676)	**3,964**
Net unrealized gains on hedge transactions	**16,385**	—	**139,673**
Foreign currency translation adjustments	**509**	(80)	**4,339**
Minority interests	**12,253**	—	**104,450**
Total net assets	**240,480**	182,349	**2,049,954**
Commitments and contingencies (note 13)			
Total liabilities, minority interests and shareholders' equity	**¥379,655**	¥272,846	**$3,236,340**

Changes in Accounting Policies

The Company has made the following changes in its accounting policies in response to the passage of Japan's Company Law in May 2006.

Balance Sheets

The Shareholders' Equity section on the balance sheets has been eliminated, and a new section, Net Assets, has been added. With this change, all accounting items that can be classified as assets have been included under Assets, and all accounting items classifiable as liabilities have been included under Liabilities. Accounting items that are not classifiable as assets or liabilities have been entered under Net Assets, which is the numerical difference between total assets and total liabilities. For comparison purposes, the items formerly included in Shareholders' Equity have been included under Net Assets.

Consolidated Statements of Income

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (note 2)
	2006	2005	2004	2006
Net sales	**¥448,819**	¥383,973	¥339,999	**$3,825,923**
Cost of sales	**236,401**	213,683	176,805	**2,015,182**
Gross profit	**212,418**	170,290	163,194	**1,810,741**
Selling, general and administrative expenses (note 14)	**142,063**	113,598	99,240	**1,211,005**
Operating income	**70,355**	56,692	63,954	**599,736**
Other income (expenses):				
Interest and dividend income	**1,045**	790	506	**8,908**
Equity in income (losses) of affiliates accounted for under equity method, net	**274**	1,086	(4,584)	**2,336**
Foreign currency exchange gain (loss)	**1,805**	374	(233)	**15,387**
Gain on sales of investments in securities	**578**	—	—	**4,927**
Interest expenses	**(854)**	(344)	(169)	**(7,280)**
Gain on change in shares of an affiliated company	**—**	2,612	—	**—**
Gain on forgiveness of subsidiary debt	**837**	3,212	—	**7,135**
Reversal of allowance for doubtful accounts	**203**	—	—	**1,730**
Loss on revaluation of inventories	**—**	(1,599)	—	**—**
Loss on disposal of fixed assets	**(861)**	(244)	(414)	**(7,340)**
Impairment loss (note 15)	**(228)**	—	—	**(1,944)**
Loss on closure of stores	**(193)**	(351)	(280)	**(1,645)**
Loss on termination of leases	**(202)**	—	(1,002)	**(1,722)**
Loss on liquidation of subsidiary	**—**	—	(1,042)	**—**
Amortization of consolidation adjustment account	**—**	(4,236)	(137)	**—**
Other, net	**(7)**	23	(151)	**(60)**
Total	**2,397**	1,323	(7,506)	**20,433**
Income before income taxes and minority interests	**72,752**	58,015	56,448	**620,169**
Income taxes (note 5):				
Current	**32,613**	23,411	23,837	**278,007**
Deferred	**(1,680)**	647	1,246	**(14,321)**
Total	**30,933**	24,058	25,083	**263,686**
Minority interests	**1,382**	73	—	**11,781**
Net income	**¥ 40,437**	¥ 33,884	¥ 31,365	**$ 344,702**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2006, 2005 and 2004

	Millions of Yen								
	Capital	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized holding gain (loss) on securities	Foreign currency translation adjustments	Net unrealized gain (loss) on derivatives	Minority interests	Total
Balance at August 31, 2003	¥ 3,274	¥11,579	¥141,406	¥(16,027)	¥ 181	¥ 92	¥ —	¥ —	¥140,505
Effect of newly consolidated subsidiary	—	—	136	—	—	—	—	—	136
Transfer of additional paid-in capital to capital	7,000	(7,000)	—	—	—	—	—	—	
Net income	—	—	31,365	—	—	—	—	—	31,365
Cash dividends (note 9)	—	—	(8,645)	—	—	—	—	—	(8,645)
Directors' bonuses (note 9)	—	—	(280)	—	—	—	—	—	(280)
Net change during the year	—	—	—	—	(1,533)	(106)	—	—	(1,639)
Increase in treasury stock (note 10)	—	—	—	(8)	—	—	—	—	(8)
Balance at August 31, 2004	10,274	4,579	163,982	(16,035)	(1,352)	(14)	—	—	161,434
Net income	—	—	33,884	—	—	—	—	—	33,884
Cash dividends (note 9)	—	—	(13,223)	—	—	—	—	—	(13,223)
Directors' bonuses (note 9)	—	—	(350)	—	—	—	—	—	(350)
Net change during the year	—	—	—	—	676	(66)	—	—	610
Increase in treasury stock (note 10)	—	—	—	(6)	—	—	—	—	(6)
Balance at August 31, 2005	10,274	4,579	184,293	(16,041)	(676)	(80)	—	5,147	187,495
Effect of newly consolidated subsidiaries	—	—	(254)	—	—	—	—	—	(254)
Net income	—	—	40,437	—	—	—	—	—	40,437
Cash dividends (note 9)	—	—	(13,225)	—	—	—	—	—	(13,225)
Directors' bonuses (note 9)	—	—	(116)	—	—	—	—	—	(116)
Net change during the year	—	—	—	—	1,141	589	16,385	7,106	18,115
Increase in treasury stock (note 10)	—	—	—	(4)	—	—	—	—	(4)
Decrease in treasury stock (note 10)	—	420	—	505	—	—	—	—	925
Balance at August 31, 2006	¥10,274	¥ 4,999	¥211,135	¥(15,540)	¥ 465	¥509	¥16,385	¥12,253	¥240,480

	Thousands of U.S. Dollars (note 2)								
	Capital	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized holding gain (loss) on securities	Foreign currency translation adjustments	Net unrealized gain (loss) on derivatives	Minority interests	Total
Balance at August 31, 2005	$87,580	$39,033	$1,570,991	$(136,740)	$(5,763)	$ (682)	$ —	$ 46,202	$1,600,621
Effect of newly consolidated subsidiaries	—	—	(2,165)	—	—	—	—	—	(2,165)
Net income	—	—	344,702	—	—	—	—	—	344,702
Cash dividends (note 9)	—	—	(112,735)	—	—	—	—	—	(112,735)
Directors' bonuses (note 9)	—	—	(989)	—	—	—	—	—	(989)
Net change during the year	—	—	—	—	9,727	5,021	139,673	58,248	212,669
Increase in treasury stock (note 10)	—	—	—	(35)	—	—	—	—	(35)
Decrease in treasury stock (note 10)	—	3,581	—	4,305	—	—	—	—	7,886
Balance at August 31, 2006	$87,580	$42,614	$1,799,804	$(132,470)	$ 3,964	$4,339	$139,673	$104,450	$2,049,954

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

Consolidated Statements of Cash Flows

FAST RETAILING CO., LTD. and consolidated subsidiaries
For the Years Ended August 31, 2006, 2005 and 2004

	Millions of Yen			Thousands of U.S. Dollars (note 2)
	2006	2005	2004	2006
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 72,752**	¥ 58,015	¥ 56,448	**$ 620,169**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**5,364**	3,681	2,737	**45,725**
Impairment loss	**228**	—	—	**1,944**
Amortization of goodwill	**1,150**	4,254	137	**9,803**
Equity in (income) losses of affiliates accounted for under equity method, net	**(274)**	(1,086)	4,584	**(2,336)**
Gain on change in shares of an affiliated company	**—**	(2,612)	—	**—**
(Decrease) increase in allowance for doubtful accounts	**(248)**	(158)	15	**(2,114)**
Increase (decrease) in accrued retirement and severance obligations	**79**	(11)	—	**673**
Interest and dividend income	**(1,045)**	(790)	(506)	**(8,908)**
Interest expenses	**853**	344	169	**7,271**
Foreign currency exchange gain	**(160)**	(40)	(7)	**(1,364)**
Loss on disposal of fixed assets	**861**	244	414	**7,340**
Loss on liquidation of subsidiary	**—**	—	1,042	**—**
Gain on forgiveness of subsidiary debt	**(837)**	(3,212)	—	**(7,135)**
(Increase) decrease in trade receivables	**(2,108)**	(626)	1,119	**(17,969)**
(Increase) decrease in inventories	**(4,465)**	1,456	(8,488)	**(38,062)**
Increase in other assets	**(152)**	(163)	(948)	**(1,296)**
Increase (decrease) in trade payables	**4,368**	(15,669)	2,195	**37,235**
Increase (decrease) in other liabilities	**5,858**	(1,487)	3,679	**49,936**
Bonuses to directors	**(116)**	(350)	(280)	**(989)**
Other	**85**	250	154	**725**
Total	**82,193**	42,040	62,464	**700,648**
Interest and dividend received	**1,045**	885	415	**8,908**
Interest paid	**(756)**	(327)	(170)	**(6,444)**
Payments associated with restructuring of subsidiaries' business	**—**	—	(1,841)	**(5,191)**
Repayments of debt associated with reorganizing subsidiary	**(609)**	(380)	—	**—**
Income taxes paid	**(24,396)**	(26,820)	(16,748)	**(207,962)**
Net cash provided by operating activities	**57,477**	15,398	44,120	**489,959**
Cash flows from investing activities:				
Purchase of long-term time deposits	**(73)**	—	—	**(622)**
Purchase of investment securities	**—**	(1,000)	(5,626)	**—**
Proceeds from redemption of securities	**1,000**	—	—	**8,524**
Investments in subsidiaries	**(20,744)**	(1,604)	(6,741)	**(176,831)**
Acquisition of newly consolidated subsidiaries (note 19)	**(9,688)**	(6,211)	—	**(82,585)**
Proceeds from acquisition of newly consolidated subsidiaries (note 19)	**—**	2,387	63	**—**
Purchase of debt	**—**	(2,560)	—	**—**
Purchase of property and equipment	**(8,716)**	(3,577)	(3,444)	**(74,299)**
Proceeds from sale of property and equipment	**222**	76	—	**1,892**
Payments for lease deposits	**(3,105)**	(3,908)	(1,514)	**(26,468)**
Collections of lease deposits	**1,393**	1,219	1,036	**11,875**
Payments for construction assistance fund receivables	**(2,316)**	(2,919)	(3,642)	**(19,743)**
Collections of construction assistance fund receivables	**1,802**	1,744	1,476	**15,361**
Purchase of intangible assets	**(2,123)**	(918)	(2,619)	**(18,097)**
Other, net	**441**	448	281	**3,759**
Net cash used in investing activities	**(41,907)**	(16,823)	(20,730)	**(357,234)**
Cash flows from financing activities:				
Net increase in short-term debt	**291**	—	—	**2,481**
Proceeds from long-term debt	**15,432**	13	—	**131,549**
Repayments of long-term debt	**(1,624)**	(19)	—	**(13,844)**
Repayments of bonds	**—**	(1,616)	—	**—**
Proceeds from (payment for) treasury stocks, net	**920**	(5)	(6)	**7,841**
Dividends paid	**(13,223)**	(13,219)	(8,639)	**(112,718)**
Other	**136**	(8)	(32)	**1,159**
Net cash provided by (used in) financing activities	**1,932**	(14,854)	(8,677)	**16,468**
Effect of exchange rate changes on cash and equivalents	**1,454**	908	(2,448)	**12,395**
Net change in cash and equivalents	**18,956**	(15,371)	12,265	**161,588**
Cash and equivalents at beginning of year (note 3)	**121,061**	136,461	123,733	**1,031,974**
Cash and equivalents of newly consolidated subsidiaries	**1,387**	—	759	**11,823**
Cash and equivalents of deconsolidated subsidiaries	**—**	(29)	(296)	**—**
Cash and equivalents at end of year (note 3)	**¥141,404**	¥121,061	¥136,461	**$1,205,385**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FAST RETAILING CO., LTD. and consolidated subsidiaries

1 Basis of Presentation and Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements 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 Securities and Exchange Law of Japan. The accounts of overseas subsidiaries and the other affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective country of domicile. In addition, for the convenience of readers outside Japan, the accompanying consolidated financial statements, including the notes thereof, have been reclassified and contain additional information which is not required under accounting principles generally accepted in Japan.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries over which the Company has control through substantial ownership of majority voting rights.

Consolidated Subsidiaries	Ownership Percentage 2006	2005
UNIQLO CO., LTD.	**100%**	—
UNIQLO (U.K.) LTD.	**100%**	100%
FAST RETAILING (JIANGSU) APPAREL CO., LTD.	**83%**	83%
National Standard Inc.	**—**	85%
UNIQLO USA, Inc.	**100%**	—
FRL Korea Co., Ltd.	**51%**	—
UNIQLO HONG KONG, LIMITED	**100%**	—
ONEZONE CORPORATION	**100%**	100%
COMPTOIR DES COTONNIERS JAPAN CO., LTD.	**100%**	—
ASPESI Japan Co., Ltd.	**60%**	—
GLOBAL RETAILING CO., LTD.	**100%**	100%
GLOBAL INVESTMENT CO., LTD.	**100%**	100%
FR FRANCE S.A.S.	**100%**	100%
NELSON FINANCES S.A.S.	**100%**	51%
UNIQLO FRANCE S.A.S.	**100%**	100%
PETIT VEHICULE S.A.	**95%**	—
CABIN CO., LTD.	**52%**	—

On November 1, 2005, the Company restructured the corporate organization to establish a holding company structure in accordance with approval of shareholders of the Company at the extraordinary shareholders' meeting held in September 2005. The Company segmented its UNIQLO-brand casual wear operations in Japan, including the whole process from planning and design through manufacture and sale of the casual wear, then transferred the operations to SUNROAD CO., LTD., the Company's wholly owned unconsolidated subsidiary. SUNROAD CO., LTD. was renamed UNIQLO CO., LTD. Due to the increase in significance of the subsidiary, the company consolidated its accounts from the fiscal year ended August 31, 2006.

UNIQLO USA, Inc., FRL Korea Co., Ltd., UNIQLO HONG KONG, LIMITED and COMPTOIR DES COTONNIERS JAPAN CO., LTD. began their operations during the fiscal year ended August 31, 2006. Due to the increase in significance of these subsidiaries, the Company consolidated their accounts from the fiscal year ended August 31, 2006.

The Company acquired control over ASPESI Japan Co., Ltd. in September 2005 and has consolidated its accounts since then.

FR FRANCE S.A.S. acquired control over PETIT VEHICULE S.A. in February 2006. The Company has consolidated the accounts of PETIT VEHICULE S.A. since then.

The Company acquired shares of CABIN CO., LTD. in April 2006, which had been accounted for under the equity method until the Company acquired control over CABIN CO., LTD. in August 2006. The Company consolidated only the balance sheet accounts of CABIN CO., LTD. and its three subsidiaries, as if the control was acquired on the last day of the fiscal year.

National Standard Inc. was liquidated in August 2006.

GLOBAL RETAILING FRANCE S.A.S. was renamed as UNIQLO FRANCE S.A.S. on August 25, 2006.

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

The consolidated financial statements of the Company as of and for the year ended August 31, 2006 and 2005 include accounts of FAST RETAILING (JIANGSU) APPAREL CO., LTD. and PETIT VEHICULE S.A. as of June 30. Significant transactions, which would materially affect the Company's consolidated financial position and results of operations, with this subsidiary during the period from July 1 to August 31 have been adjusted for the Company's consolidation purposes.

NELSON FINANCES S.A.S., FR FRANCE S.A.S. and UNIQLO FRANCE S.A.S. (formerly GLOBAL RETAILING FRANCE S.A.S.) changed their fiscal year-end, February 28, April 30 and April 30, respectively, to August 31 in order to correspond with the Company.

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

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

The Company does not consolidate nor apply the equity method with respect to the Company's three other subsidiaries and one other affiliated company, 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.

(c) 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.

(d) Short-term Investments and Investments in Securities

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

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

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

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

(e) 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 designates certain accounts as highly doubtful accounts and provides a specific allowance for these accounts based on the management's detailed credit analysis. Other than these accounts, the Company provides an allowance for doubtful accounts based on the Company's historical average charge-off ratio.

(f) Inventories

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

(g) 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 estimated useful lives are as follows:

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

(h) Intangible Assets

Until the fiscal year ended August 31, 2005, the consolidation adjustment account, which was computed as a differential of the excess amount of investment cost over the net amount of assets and liabilities at fair value, was expensed as incurred due to the absence of reasonable basis to the estimate period over which economic benefits of the investment are expected to take effect.

Effective the fiscal year ended August 31, 2006, goodwill is amortized on a straight-line basis over their respective estimated useful lives, not exceeding 20 years, unless it is deemed insignificant.

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

(i) Impairment of Fixed Assets

Effective September 1, 2005, the Company adopted "Accounting Standard for Impairment of Fixed Assets" issued by the BADC and related implementation guidance issued by Accounting Standards Board of Japan. Under this standard and implementation guidance, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An amount by which the carrying amount exceeds the recoverable amount is recognized as an impairment loss. The recoverable amount of fixed assets is the greater of the net selling price or the present value of future cash flows expected to be derived from the fixed assets.

As a result of the adoption of this standard, income before income taxes and minority interests for the year ended August 31, 2006 decreased by ¥228 million ($1,943 thousand).

(j) Retirement and Severance Benefits

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

Certain other domestic subsidiaries have defined benefit plans for the employees' retirement and severance. Accrued retirement and severance obligations under the defined benefit plans are provided based on estimated projected benefit obligation and plan assets at the end of the fiscal year. As a result of adopting "Accounting Standards for Retirement Benefits" of the BADC, the gain of ¥496 million was incurred, which is recognized as a deduction of retirement expense on a straight-line basis over seven years.

Prior service benefits and costs are recognized as income or expense on a straight-line basis over certain years, principally over seven years, not exceeding the expected average remaining working lives of the employees active at the date of occurrence of prior service benefits and costs.

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.

(k) 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 the Company's finance leases 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.

(l) Income Taxes

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

In March 2003, certain local tax laws were amended to introduce additional local corporate business taxes based on value-added and capital as well as lowering the tax rate of the corporate business taxes based on income. These amendments apply to the Company effective the fiscal year ended August 31, 2005. In accordance with the Practical Solutions Report of Accounting Standards Board of Japan, the Company classifies ¥572 million of the additional local corporate business taxes based on value-added and capital into selling, general and administrative expenses on the consolidated statement of income for the year ended August 31, 2005.

(m) Revenue Recognition

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

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

(o) 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 liability or 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 records such debts at the contracted forward rates and no gain or loss is recognized.

The Company manages 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.

(p) Directors' Bonuses

Effective from September 1, 2005, the Company accounted for directors' bonuses in accordance with "Accounting Standard for Directors' Bonuses" issued by the Accounting Standards Board of Japan. Under this standard, directors' bonuses are expensed as incurred and shown under SG&A expenses, whereas the Company previously accounted for them as a deduction of retained earnings.

As a result of the adoption of this standard, operating income and income before income taxes and minority interests for the fiscal year ended August 31, 2006 decreased by ¥175 million ($1,492 thousand.)

(q) Reclassification

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

2 Basis of Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen, and, solely for the convenience of the reader, have been translated into United States (U.S.) dollars at the rate of ¥117.31=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2006. This translation should not be construed as a presentation that any amounts shown could be converted into U.S. dollars.

3 Cash and Equivalents

Cash and equivalents as of August 31, 2006 and 2005 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Cash	**¥121,950**	¥ 74,759	**$1,039,553**
Time deposits with maturity over three months	**(129)**	—	**(1,101)**
Marketable securities	**25,237**	46,302	**215,131**
Securities other than MMFs	**(5,654)**	—	**(48,198)**
Cash and equivalents	**¥141,404**	¥121,061	**$1,205,385**

4 Short-term Investments and Investments in Securities

Investments in securities as of August 31, 2006 and 2005 are classified as available-for-sale securities. A summary of cost, gross unrealized gains, gross unrealized losses and book value by major type of securities is as follows:

	Millions of Yen			
As of August 31, 2006	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Available-for-sale securities:				
Equity securities	**¥ 868**	**¥277**	**¥(0)**	**¥ 1,145**
Mutual funds	**15,792**	**—**	**—**	**15,792**
Others	**9,080**	**366**	**—**	**9,446**
	¥25,740	**¥643**	**¥(0)**	**¥26,383**

	Millions of Yen			
As of August 31, 2005	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Available-for-sale securities:				
Equity securities	¥ 363	¥476	¥ —	¥ 839
Mutual funds	34,915	—	—	34,915
Others	18,012	27	(60)	17,979
	¥53,290	¥503	¥(60)	¥53,733

	Thousands of U.S. Dollars			
As of August 31, 2006	Cost	Gross unrealized gains	Gross unrealized losses	Book value
Available-for-sale securities:				
Equity securities	**$ 7,399**	**$2,361**	**$(0)**	**$ 9,760**
Mutual funds	**134,617**	**—**	**—**	**134,617**
Others	**77,402**	**3,120**	**—**	**80,522**
	$219,418	**$5,481**	**$(0)**	**$224,899**

Within the above available-for-sale securities, some of the securities are not subject to unrealized gains/losses, and, instead, are booked at a cost value. A summary of those securities is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Equity securities	**¥ 524**	¥ 20	**$ 4,467**
Mutual funds	**15,792**	34,914	**134,618**
Others	**5,654**	6,570	**48,197**

Included in the above "Others" of 2006 are corporate bonds, which amount to ¥5,626 million, and mature within a one-year period.

Investments in subsidiaries and affiliates as of August 31, 2005 includes ¥450 million in paid-in amounts for shares of COMPTOIR DES COTONNIERS JAPAN CO., LTD., which was newly incorporated as a subsidiary on September 1, 2005.

5 Income Taxes

The Company and subsidiaries are subject to a number of taxes based on income. The aggregate statutory tax rate for the Company was approximately 40.5% for the year ended 2006, 2005 and 41.8% for the year ended 2004.

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

	2005	2004
Statutory income tax rate:	40.5%	41.8%
Equity in earnings of affiliated company	(2.6)	3.4
Amortization of consolidation adjustment account	3.0	—
Other	0.6	(0.8)
Effective income tax rate	41.5%	44.4%

The difference between the aggregate statutory tax rate and the effective income tax rate for the year ended August 31, 2006, 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, 2006 and 2005 are presented as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Total gross deferred tax assets:			
Accrued business tax	**¥ 2,105**	¥ 729	**$ 17,944**
Accrued bonus	**1,721**	1,190	**14,671**
Allowance for doubtful debts	**375**	516	**3,197**
Loss on impairment	**788**	387	**6,717**
Long-term prepaid expenses	**376**	376	**3,205**
Operating loss carryforward	**7,221**	4,844	**61,555**
Net unrealized holding loss on securities	**—**	631	**—**
Other	**1,522**	1,068	**12,974**
	14,108	9,741	**120,263**
Valuation allowance	**(8,458)**	(6,223)	**(72,100)**
	5,650	3,518	**48,163**
Total gross deferred tax liabilities:			
Net unrealized gains on hedge derivatives	**(11,215)**	—	**(95,601)**
Accrued business tax	**(666)**	—	**(5,677)**
Net unrealized holding gain on securities	**(316)**	(170)	**(2,694)**
Other	**(20)**	—	**(171)**
	(12,217)	(170)	**(104,143)**
Net deferred tax assets (liabilities)	**¥ (6,567)**	¥ 3,348	**$ (55,980)**

Net deferred tax assets as of August 31, 2006 and 2005 are reflected in the consolidated balance sheets under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Deferred tax assets—current	**¥ 928**	¥2,894	**$ 7,911**
Deferred tax assets—non-current	**552**	454	**4,705**
Deferred tax liabilities—current	**(8,047)**	—	**(68,596)**
Net deferred tax assets	**¥(6,567)**	¥3,348	**$(55,980)**

6 Long-term Debt

Long-term debt as of August 31, 2006 and 2005 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Unsecured loans mainly from Japanese financial institutions, 3.77% interest on average, due 2007 through 2012	**¥22,105**	¥6,185	**$188,432**
Less current portion	**2,521**	1,240	**21,490**
	¥19,584	¥4,945	**$166,942**

The annual maturities of long-term debt subsequent to August 31, 2006 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 2,521	$ 21,490
2008	2,462	20,987
2009	3,752	31,983
2010	1,016	8,661
2011	5,453	46,484
Thereafter	6,901	58,827
	¥22,105	$188,432

7 Accrued Retirement and Severance Obligations

The Company has defined contribution plans. Expenses related to the defined contribution plans amounted to ¥249 million ($2,123 thousand), ¥176 million and ¥169 million for the years ended August 31, 2006, 2005 and 2004, respectively.

Certain consolidated subsidiaries have defined benefit plans to provide lump-sum retirement benefits to the employees. The service costs under the defined benefit pension plans were ¥61 million ($520 thousand) and ¥9 million for the years ended August 31, 2006 and 2005, respectively. Benefit obligations and plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Projected benefit obligations	**¥3,925**	¥278	**$33,458**
Less: Plan assets	**(3,707)**	(78)	**(31,600)**
Unfunded benefit obligations	**218**	200	**1,858**
Unrecognized gain resulting from adoption of new accounting standard	**107**	—	**912**
Unrecognized actuarial gain	**50**	—	**426**
Unrecognized prior service benefit	**62**	—	**529**
Accrued retirement and severance obligations	**¥ 437**	¥200	**$ 3,725**

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 issue price of new shares is designated as stated capital, and proceeds in excess of the amount designated as stated capital are credited to additional paid-in capital.

The Company has authorized for issuance 300 million shares of common stock with no par value as of August 31, 2006. Issued and outstanding shares were 106,073,656 shares for each of the three years in the period ended August 31, 2006.

9 Legal Reserves and Dividends

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

Additional paid-in capital and retained earnings less legal reserves and certain adjustments thereto may be available for dividends by resolution of the board of directors' meeting. Cash dividends during the years ended August 31, 2005 and 2004, respectively, represent dividends and directors' bonuses paid out during those periods. The accompanying consolidated financial statements do not include any provision for dividends of ¥65 ($0.55) per share, aggregating ¥6,620 million ($56,432 thousand). These dividends were approved by shareholders at the annual shareholders' meeting held on November 24, 2006 in respect of the fiscal year ended August 31, 2006.

10 Treasury Stock

The JCL allows repurchase of treasury stock to the extent of distributable funds appropriated by resolution of the shareholders' meeting. In addition, the shareholders may request the Company to repurchase their shares of less than one 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, 2006, 2005 and 2004 are summarized as follows.

	Shares	Millions of Yen	Thousands of U.S. Dollars
Balance as of August 31, 2003	4,356,942	¥16,027	
Repurchase of common stock	917	8	
Balance as of August 31, 2004	4,357,859	16,035	
Repurchase of common stock	787	6	
Balance as of August 31, 2005	4,358,646	16,041	$136,740
Repurchase of common stock	495	4	34
Issuance of treasury stock, net	(137,232)	(505)	(4,304)
Balance as of August 31, 2006	**4,221,909**	**¥15,540**	**$132,470**

11 Stock Option Plan

At the shareholders' meeting held on November 29, 2001, a stock option plan was approved. Under this plan, certain directors and certain employees were granted options to purchase common stock of 143,200 shares in total at an exercise price of ¥6,740, as adjusted upon stock split, which had been determined at the higher of 102.5% of the market price at the date of grant or the average market price of the preceding month. Those eligible could exercise the options when the market price exceeded 150% of the exercise price for at least 20 business days within the term of exercise, which was from November 30, 2003, to August 31, 2006.

Stock option activities during the year ended August 31, 2006 were as follows:

	Number of Shares
Outstanding at beginning of year	143,200
Granted	—
Exercised	137,200
Expired	6,000
Outstanding at end of year	—
Exercisable at end of year	—

The weighted average price of stocks when exercised is ¥10,346.

12 Pledged Assets

As of August 31, 2006, the following assets are pledged as collateral for debts and other liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Pledged assets:		
Time deposits	¥ 92	$ 784
Inventories	69	588
Buildings and structures	1,511	12,880
Land	1,765	15,046
Other intangible assets	1,400	11,934
Lease deposits	675	5,754
	¥5,512	$46,986
Corresponding liabilities:		
Other current liabilities	¥ 360	$ 3,068
Long-term debt	1,400	11,934
Other long-term liabilities	278	2,370
	¥2,038	$17,372

13 Commitments and Contingencies

The Company had the following contingent liabilities as of August 31, 2006.

	Millions of Yen	Thousands of U.S. Dollars
Loan guarantees for:		
Employees' benefit society	¥18	$153

Construction assistance fund receivables represent an interest free loan granted to real estate owners to construct stores that will be leased by the Company. The Company transferred the construction assistance fund receivables to a trust bank during 1999. This transfer contains a recourse provision that the Company has an obligation to repurchase the transferred construction assistance fund receivables if the landowner fails to repay. The total outstanding transferred construction assistance fund receivables to a trust bank amounted to ¥201 million ($1,713 thousand) and ¥560 million as of August 31, 2006 and 2005, respectively.

14 Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended August 31, 2006, 2005 and 2004 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Advertising and promotion	**¥22,231**	¥20,246	¥18,286	**$189,506**
Salaries	**38,578**	31,510	27,233	**328,855**
Rent	**28,518**	22,158	18,553	**243,099**
Depreciation	**5,409**	2,433	1,840	**46,108**
Amortization of goodwill	**1,150**	—	—	**9,803**
Allowance for doubtful accounts	**72**	55	21	**613**
Provision for accrued bonus—directors	**175**	—	—	**1,491**

15 Impairment Loss

During the fiscal year ended August 31, 2006, the Company recognized an impairment loss of long-lived assets, including land, buildings and structures in the FOOTPARK, Aratamabashi store and others.

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 and land with a significant decline in profitability and/or market price. The total impairment loss of ¥228 million ($1,944 thousand), which represents an amount by which the carrying amount exceeds the recoverable amount, was recognized as other expense for the year ended August 31, 2006. They consisted of following assets:

Assets	Millions of Yen	Thousands of U.S. Dollars
Buildings	¥ 90	$ 772
Structures	106	905
Furniture and equipment	3	25
Land	4	33
Leased assets	23	195
Other	2	14
	¥228	$1,944

The recoverable amounts of the property groups and land are measured by the net realizable value and posted price, respectively. The discount rate of 7% is used for the calculation of the present value of future cash flows.

16 Leases

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

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Furniture, equipment and other:			
Acquisition costs	**¥16,985**	¥20,167	**$144,787**
Accumulated depreciation	**[10,374]**	[13,279]	**[88,432]**
Impairment	**22**	—	**188**
Net balance	**¥ 6,589**	¥ 6,887	**$ 56,167**

	Millions of Yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Lease payments	**¥3,584**	¥4,195	¥4,732	**$30,551**
Depreciation expenses	**3,425**	3,998	4,500	**29,196**
Interest expenses	**118**	153	234	**1,006**
Impairment loss	**22**	—	—	**188**

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2006 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥2,726	$23,237
2008 and thereafter	4,045	34,481
	¥6,771	$57,718

Future minimum lease payments relating to operating leases as of August 31, 2006 are as follows:

Year ending August 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥12	$104
2008 and thereafter	4	38
	¥17	$142

17 Per Share Data

Net income per share for the years ended August 31, 2006, 2005 and 2004 are as follows:

	Yen			U.S. Dollars
	2006	2005	2004	2006
Basic	**¥397.38**	¥331.99	¥304.92	$3.39
Diluted	**397.26**	—	—	3.39

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 2005 and 2004 has been presented because there was no item with dilutive effect for those years.

Net assets per share as of August 31, 2006 and Shareholders' equity per share as of 2005 are as follows:

	Yen		U.S. Dollars
	2006	2005	2006
Basic	**¥2,240.77**	¥1,791.61	**$19.10**

18 Related Party Transactions

The Company sells its products to a customer, which is wholly owned by a family member of one of the Company's directors, as a franchisee. The terms of the transactions are consistent with those of other franchisees under the Company's standard franchise agreement. The sales of products to the customer amounted to ¥43 million ($367 thousand) and ¥285 million for the years ended August 31, 2006 and 2005, respectively.

19 Acquisitions of Newly Consolidated Subsidiaries

During the fiscal year ended August 31, 2006, the Company acquired ASPESI Japan Co., Ltd. of which assets and liabilities, cost of the shares and payments from the acquisition are summarized as follows:

ASPESI Japan Co., Ltd.	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 365	$ 3,111
Fixed assets	103	878
Goodwill	187	1,594
Current liabilities	(179)	(1,525)
Non-current liabilities	(21)	(179)
Minority interests	(107)	(912)
Cost of acquired shares	348	2,967
Cash and equivalents	(164)	(1,398)
Payments for acquisition of shares	¥(184)	$(1,569)

During the fiscal year ended August 31, 2006, the Company also acquired PETIT VEHICULE S.A. of which assets and liabilities, cost of the shares and payment for the acquisition are summarized as follows:

PETIT VEHICULE S.A.	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 4,753	$ 40,516
Fixed assets	2,631	22,427
Goodwill	5,400	46,031
Current liabilities	(2,585)	(22,035)
Non-current liabilities	(1,294)	(11,030)
Minority interests	(464)	(3,955)
Cost of acquired shares	8,441	71,954
Cash and equivalents	(664)	(5,660)
Payments for acquisition of shares	¥ (7,777)	$ (66,294)

During the fiscal year ended August 31, 2006, the Company also acquired CABIN CO., LTD. of which assets and liabilities, cost of the shares and payment for the acquisition are summarized as follows:

CABIN CO., LTD.	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥15,456	$131,753
Fixed assets	11,573	98,653
Goodwill	3,148	26,834
Current liabilities	(3,544)	(30,210)
Non-current liabilities	(392)	(3,341)
Minority interests	(11,473)	(97,800)
Cost of acquired shares	14,768	125,889
Cash and equivalents	(13,041)	(111,167)
Payments for acquisition of shares	¥ (1,727)	$ (14,722)

20 Subsequent Events

As its special board meeting held on October 26, 2006, the Company signed an agreement to form a capital and business alliance with JASDAQ-listed VIEWCOMPANY CO.,LTD. (exchange code 3033), a developer of women's shoes stores. The Company also decided to take up the allocation of new shares to a third party offered by VIEWCOMPANY. The Company has positioned its footwear operation close behind its apparel business and has worked to strengthen and expand its operation. In addition to supporting the future growth of VIEWCOMPANY through this business and capital alliance, the Company will be looking to benefit from VIEWCOMPANY's expertise in women's footwear retailing to further strengthen and expand the Company's own footwear operation. VIEWCOMPANY will be an equity-method affiliate and expected to help boost the overall corporate value of the Group. Outline of VIEWCOMPANY CO.,LTD., is as follows:

Name	VIEWCOMPANY CO.,LTD.
Representative	Yosuke Matsumura
Location	Yodogawa-ku, Osaka
Paid-in capital	¥0.56 billion
Established	May 20, 1972
End of fiscal year	February 20
Total shares issued	5,050,000 shares
No. of employees	284 (as of Aug. 20, 2006)
Net sales	¥10,577 million (for fiscal year ended Feb. 2006)
Main business location	97 stores nationwide (as of Aug. 20, 2006)

Major shareholders before the business and capital alliance

Yosuke Matsumura	41.3%
HSBC Fund Service Sparx Asset Management Corp.	7.5%
Employee stock ownership plan	6.0%

(as of Aug. 2006)

Details of the new stock allocation to a third party are as follows:

Number of shares issued	2,533,000 shares (common stock)
Current total VIEWCOMPANY shares issued	5,050,000 shares
Total VIEWCOMPANY shares post third-party allocation	7,583,000 shares
Number of shares allocated to the Company	2,533,000 shares
Allocation price	¥870 per share
Total acquisition price	¥2,203 million
Application, Payment date	Monday, Nov. 13, 2006
Transfer of new shares	Monday, Nov. 13, 2006

Holdings before and after share acquisition

Company holding before share allocation	0 shares (0.0%)
Company holding after share allocation	2,533,000 shares (33.4%)

Report of Independent Auditors

The Board of Directors
FAST RETAILING CO., LTD.

We have audited the accompanying consolidated balance sheets of FAST RETAILING CO., LTD. and consolidated subsidiaries as of August 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended August 31, 2006, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FAST RETAILING CO., LTD. and consolidated subsidiaries as of August 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended August 31, 2006, 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, 2006 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 2.

Ernst & Young Shin Nihon

November 24, 2006

History

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 City (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 from Ogori Shoji to FAST RETAILING CO., LTD., a name that succinctly expresses its business philosophy.

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

1996.11
The Tokyo Office opened in Shibuya, Tokyo, to reinforce the Company's in-house product planning and development capabilities.

1997.4
The Company's stock listed on the Second Section of the Tokyo Stock Exchange.

1998.2
The Head Office constructed in Yamaguchi Prefecture, to further enhance central management functions and operational efficiency.

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 Tokyo Stock Exchange.

1999.4
The Shanghai Office established to further enhance production management operations.

2000

2000.4
The headquarters functions moved to Tokyo to promote merchandising and marketing and to carry out operations more efficiently.

2000.10
Internet online sales business launched to foster new sales channels and improve customer convenience.

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

2002.4
UNIQLO Design Studio (current Tokyo R&D Center) established as an independent organization with over 50 designers and pattern makers.

2002.9
Began operations in China by opening two UNIQLO stores in Shanghai.

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

2003.6
Moved Tokyo headquarters to Kamata, Ota-ku, Tokyo.

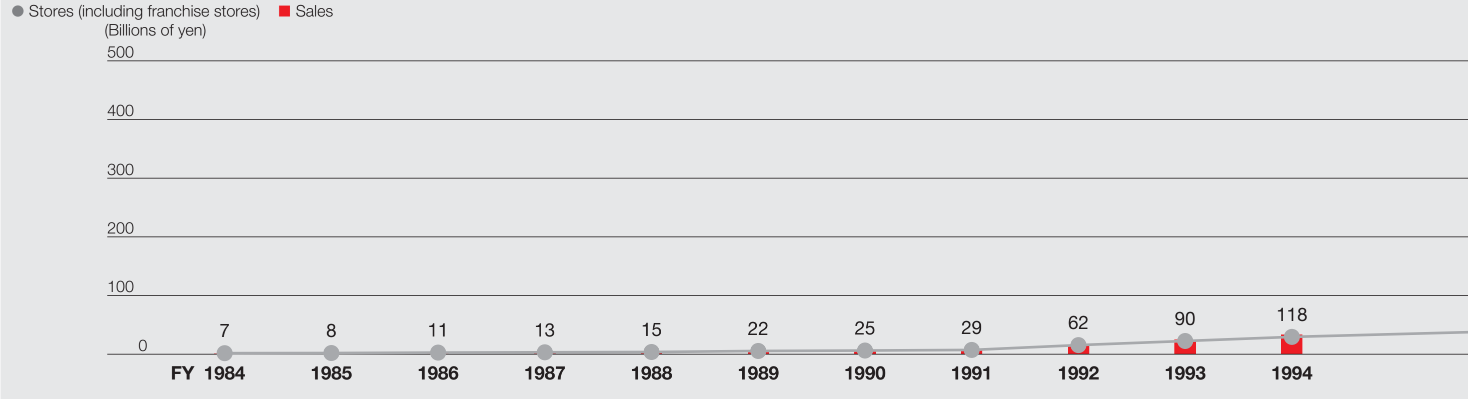
2003.10
The cashmere campaign stimulated high consumer interest.

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

2004.2
National Standard Inc., marketer of the national standard women's apparel brand, became a consolidated subsidiary. (Withdrew in March 2006)

Sales and Stores of FAST RETAILING Group

● Stores (including franchise stores) ■ Sales



Note: On a consolidated basis from fiscal 2002.

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

2004.12
Established UNIQLO Design Studio (current NY R&D Center), 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.

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

2005.5
Established COMPTOIR DES COTONNIERS JAPAN CO., LTD., with the aim of developing the brand in Japan

2005.9
ASPESI Japan Co., Ltd., set up as a consolidated subsidiary to market the Italian ASPESI brand in Japan.

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

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

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

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

2005.9
Opened UNIQLO flagship 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. becomes a FAST RETAILING subsidiary developing the PRINCESSE TAM.TAM brand in France and other parts of Europe.

2006. 2
The first COMPTOIR DES COTONNIERS store opened in Japan.

2006. 3
Tokyo headquarters transferred to Kudan-kita, Chiyoda-ku.

2006. 3
Established G.U. CO., LTD. to develop low-priced casual clothing g.u. brand stores.

2006. 4
Invested in CABIN CO., LTD. to develop, design, and retail women's clothing (store names include ZAZIE, enraciné, etc.) (Became a subsidiary in August 2006)

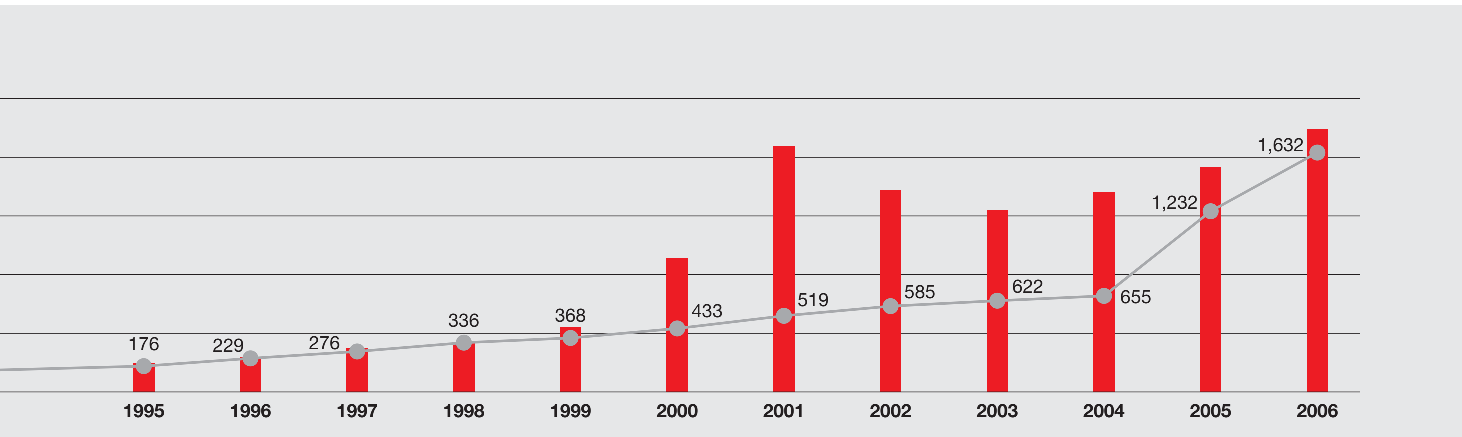
2006. 6
NELSON FINANCES S.A.S. became a FAST RETAILING subsidiary following additional stock purchase.

2006. 6
UNIQLO CO., LTD. formed a business tie-up to create a strategic partnership with Toray Industries, Inc.

2006. 10
The first g.u. store opened in Ichikawa City, Chiba Prefecture.

2006. 11
Signed a business and capital alliance agreement with VIEW-COMPANY CO.,LTD., developer of the chain of VIEW and COO ICI shoe stores for women.

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.



Investor Information (As of August 31, 2006)

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)	8,861

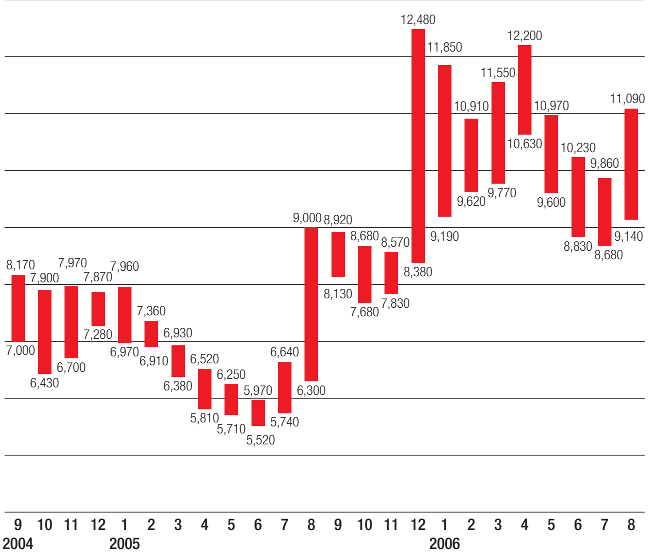
Principal Shareholders

	Number of shares	Percentage of total shares in issue (%)
Tadashi Yanai	28,297,284	26.68
The Master Trust Bank of Japan, Ltd. (Trust account)	8,281,500	7.81
Japan Trustee Services Bank, Ltd. (Trust account)	6,337,400	5.97
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.	4,221,909	3.98
MASTERMIND Co., Ltd.	3,610,000	3.40
Teruyo Yanai	2,327,848	2.19
CALYON DMA OTC	2,262,900	2.13

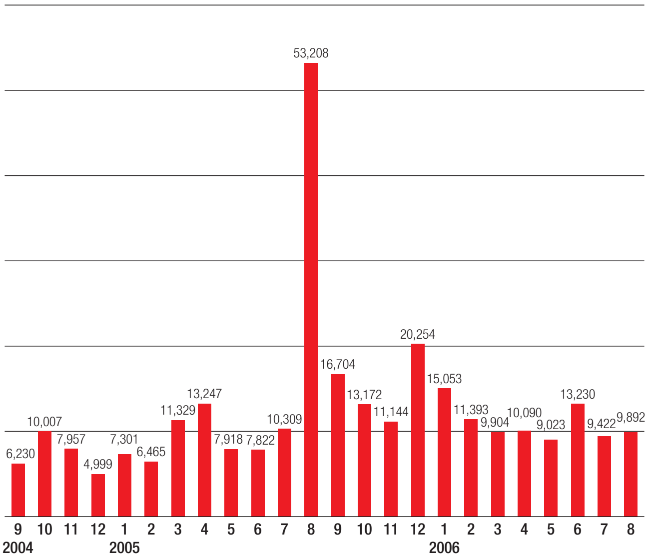
Shareholder Breakdown

	Number of shareholders	Number of shares (Thousands)	Percentage of total shares in issue (%)
Individuals and others	8,318	47,480	44.77
Foreign investors	323	23,106	21.78
Other financial institutions	78	21,820	20.57
Companies and corporations	98	8,858	8.35
Securities companies	44	4,807	4.53
Total	8,861	106,073	100.00

Stock Price (Yen)



Trading Volume (Thousands of Shares)



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

Investor Relations Department
FAST RETAILING CO., LTD.
Kitanomaru Square, 13-12, Kudan-kita 1-chome,
Chiyoda-ku, Tokyo 102-0073, Japan
Telephone: +81-3-6272-0070
Facsimile: +81-3-6272-0076

Forward-Looking Statements

Statements in this annual report with respect to FAST RETAILING's plans, strategies, forecasts and other statements that are not historical facts are forward-looking statements that are based on management's assumptions and beliefs derived from information currently available and invoke risks and uncertainties. Factors that could cause actual results to differ materially from such statements include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, FAST RETAILING's ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.

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Corporate Information

Corporate Data (As of February 28, 2007)

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)
3,990 (As of August 31, 2006)

Settlement Date
August 31

Annual Shareholders' Meeting
End of November

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
4-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-0005, Japan

Number of Shares per Trading Unit
100

Board of Directors

(As of February 28, 2007)

Tadashi Yanai
Chairman, President & CEO

Nobuo Domae
Executive Vice President

Masa Matsushita
Executive Vice President

Toru Hambayashi[*1]

Nobumichi Hattori[*1]

Statutory Auditors' Board

(As of February 28, 2007)

Akira Tanaka

Takaharu Yasumoto[*2]

Norihiko Shimizu[*2]

Akira Watanabe[*2]

Minoru Ota[*2]

*1 External board member
*2 External auditor

Main Group Companies

(As of February 28, 2007)

<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 (JIANGSU) APPAREL CO., LTD.
RM.1602, No.1089, Zhongshan Er Road (South), Shanghai 200030, China

FAST RETAILING(CHINA) TRADING CO., LTD.
15F, No. 899, Lingling Rd., Xuhuiqu,
Shanghai 200030, China

UNIQLO USA, Inc.
76 Green Street, 3rd Floor New York,
NY 10012, U.S.A.

FRL Korea Co., Ltd.
5F, Samgu Building, 70 Sogong-dong,
Joong-gu, Seoul, 100-070, South Korea

UNIQLO HONG KONG, LIMITED
No. 806, 81F., Miramar Tower, No. 132
Nathan Road, TST, Kowloon, Hong Kong

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.
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 150-0001, Japan

G.U. CO., LTD.
Kudan IS Building 5F,
3-5, Kudan-kita 1-chome, Chiyoda-ku,
Tokyo 102-0073, Japan

ONEZONE CORPORATION
Kitanomaru Square 3F,
13-12, Kudan-kita 1-chome,
Chiyoda-ku, Tokyo 102-0073, Japan

CABIN CO., LTD.
Lions Mansion Nishishinjuku 1F,
15-5, 3-chome, Shinjuku-ku,
Tokyo 160-0023, Japan

ASPESI Japan Co., Ltd.
Pansée Building 2F,
13-11, Minami-Aoyama 5-chome,
Minato-ku, Tokyo 107-0062, Japan

<Affiliated Company under the Equity Method>

LINK THEORY HOLDINGS CO.,LTD.
3-6, Minami-Aoyama 7-chome,
Minato-ku, Tokyo 107-0062, Japan

VIEWCOMPANY CO.,LTD.
Nissey-Shinosaka Building 11F,
4-30 Miyahara 3-chome, Yodogawa-Ku,
Osaka City, Osaka 532-0003, Japan

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 domestic UNIQLO sales here.

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

FAST RETAILING CO., LTD.

www.fastretailing.com

Printed in Japan