UNIQLO is a modern Japanese company that inspires the world to dress casual

2001 ANNUAL REPORT
Year ended August 31, 2001

FAST RETAILING CO., LTD.

PROFILE

FAST RETAILING CO., LTD., is the company behind the UNIQLO brand of casual clothing. The Company manages all facets of its business, from product planning and design, to production, distribution and sales. Its shares are listed on the First Section of the Tokyo Stock Exchange. During fiscal 2001, ended August 31, 2001, the Company recorded net sales of ¥418.6 billion, generated by 519 stores and 1,598 employees. Today, FAST RETAILING is Japan's No. 1 casual clothing company.

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Forward-Looking Statements

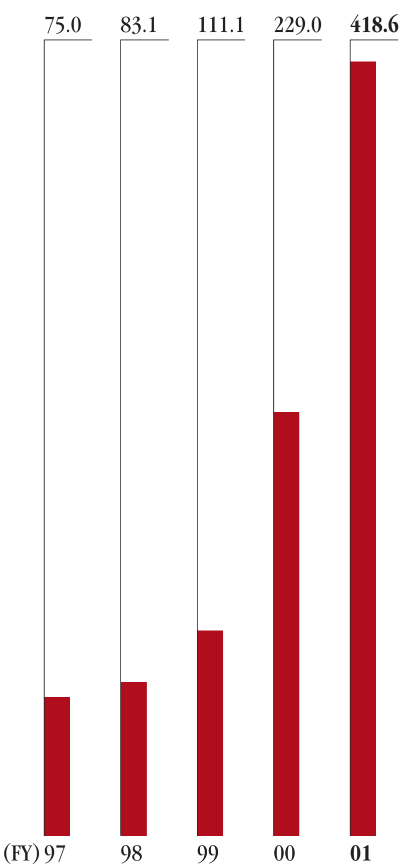
Statements in this annual report, other than those of historical fact, are forward-looking statements about the future performance of FAST RETAILING that are based on management's assumptions and beliefs in light of information currently available, and involve known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

FINANCIAL HIGHLIGHTS

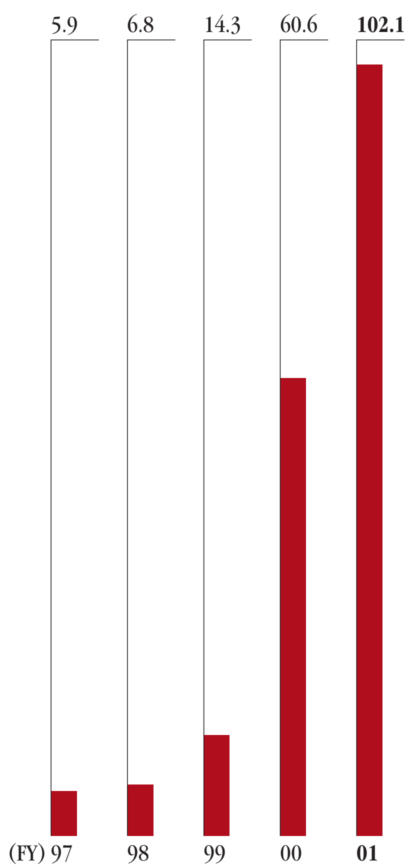
Years ended August 31	*Millions of Yen*					*Thousands of U.S. Dollars*
	2001	2000	1999	1998	1997	**2001**
Net sales	**¥ 418,561**	¥ 228,986	¥111,082	¥83,121	¥75,021	**$3,509,945**
Operating income	**102,081**	60,628	14,344	6,840	5,866	**856,025**
Net income	**59,192**	34,514	6,817	2,924	2,704	**496,369**
Basic net income per share (yen)	**¥1,116.06**	¥1,301.98	¥ 259.51	¥111.49	¥113.38	**$ 9.36**
Dividends per share (yen)	**120.0**	150.0	27.0	10.0	10.0	**1.01**
Total assets	**¥ 253,413**	¥ 153,261	¥ 73,552	¥47,848	¥41,655	**$2,125,057**
Total shareholders' equity	**120,123**	66,409	33,618	26,009	23,335	**1,007,321**
Number of issued and outstanding shares	**53,036,828**	26,518,414	26,461,005	26,229,924	23,845,386	

Notes: 1. U.S. dollar amounts have been translated for convenience only at the rate of ¥119.25=US$1, the approximate exchange rate prevailing on August 31, 2001.

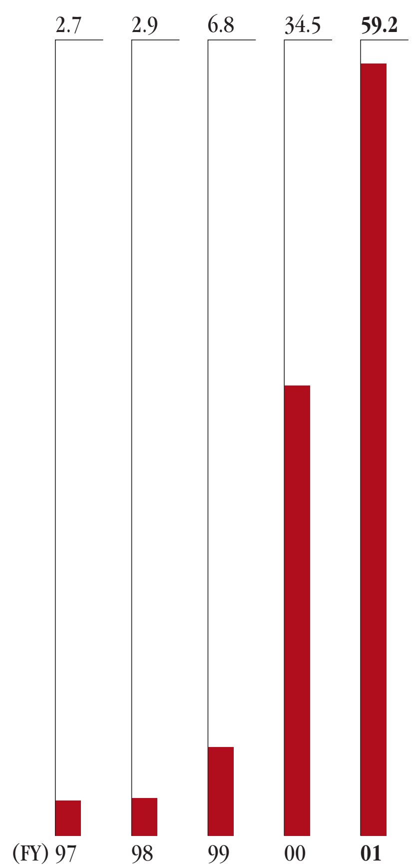
2. FAST RETAILING has three subsidiaries, but owing to their limited contribution to overall performance, has chosen not to prepare consolidated financial statements.



Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Net Income
(Billions of Yen)

FAST RETAILING believes

that when the clothes speak louder than

the person, the person cannot be heard.

we won't tell you what to wear

DEAR SHAREHOLDERS

Operating Income Exceeds ¥100 Billion in Fiscal 2001

In fiscal 2001, ended August 31, 2001, FAST RETAILING CO., LTD., saw increases in revenue and net income for the thirteenth consecutive year. Worldwide, there are only around thirty companies in the retail industry with operating income over ·100 billion, and in Japan only Seven-Eleven Japan, Co., Ltd., and our company have achieved this.

In fiscal 2001, net sales increased 82.8%, to ·418.6 billion, operating income rose 68.4%, to ·102.1 billion, and net income increased 71.5%, to ·59.2 billion. With net sales of ·111.1 billion in fiscal 1999 and ·229.0 billion in fiscal 2000, we have nearly quadrupled net sales figures in just two years.

Becoming a global company means achieving consistently high standards in all areas of business.

Launch of UNIQLO’s Global Expansion

The opening of four UNIQLO stores in London and surrounding areas in late September 2001 received an enthusiastic response from both the press and consumers. Major British media reported on the event and praised UNIQLO highly. A well-known consultant quoted in a British magazine said UNIQLO s customer-driven, design-led, vertically integrated business model from the East will be as significant in the next 10 years as the innovations of Marks & Spencer in the 1950s, Benetton in the 1980s and Zara in the 1990s. Although there are many challenges to be faced in the future, the launch of stores in London confirmed that FAST RETAILING s business concept and model affirms UNIQLO is capable of becoming the world s top casual wear company.

The launch of stores in the United Kingdom is FAST RETAILING s first step onto the international stage. We will continue evolving as a global company, entering new and developing markets and gradually diversifying our market portfolio. In the future, in an increasingly global market, companies that only operate domestically will become uncompetitive. Becoming a global company means achieving consistently high standards in all areas of business, including sales, product, marketing and supply chain management.

To consistently achieve high growth, a company must create an environment for people with initiative and talent to exercise their abilities.

Corporate Philosophy

I have always believed a company can grow, no matter what adverse conditions exist, as long as there is a will, a sense of direction, planning, ingenuity and action. I want to prove there is no reason why companies in Japan cannot mirror the success of venture companies in the United States, growing from nothing to gaining billions of dollars in sales in a short time. If a company wishes to continue achieving high growth with impressive revenues, it should create an environment for people with initiative and talent to exercise their abilities. It must be an excellent company by any measure.

We are confident our casual wear will be appreciated by people all over the world, regardless of age or gender. The same can be said for our management style, which follows 23 basic principles that are relevant throughout the world and represent the essence of any good company. There are only good companies and bad companies, and the basic management principles of a good company do not vary. Rather than simply be guided by a manager's impulses or individual management philosophy, a company must adopt basic principles that are effective in any business.

We are dedicated to becoming the world's leading casual wear company.

Our Mission and Vision

Our mission is to produce clothes that anyone can wear anytime, anyplace. We want to continuously offer fashionable, high-quality basic casual clothing at the lowest market price. The Company will therefore focus on creating and sustaining a low-cost structure to produce and sell clothes with the shortest possible lead time. We will determine the needs of our customers and offer them the superior service they demand. We will also provide a pleasant working environment that meets global standards and encourages innovation and a team spirit, rather than a top-down, bureaucratic culture. We will strive for high sales and growth in earnings as a result of these efforts and become a global casual wear company.

To once again triple the size of its operations in Japan, FAST RETAILING will need to make another quantum leap in terms of planning and execution. Currently, we have exceeded ¥400 billion in net sales. Our long-term goal is to achieve a total of ¥1.0 trillion in net sales in Japan and a further ¥1.0 trillion overseas. We are dedicated to achieving this goal and our vision of becoming the world's leading casual wear company.

In closing, I would like to express my gratitude to all shareholders and ask for their continuing support of FAST RETAILING.

Tadashi Yanai, President & Chief Executive Officer
November 2001

achieving a stable revenue structure

product lineup

marketing

personnel development

supply chain management

achieving a stable revenue structure

FAST RETAILING's business model is based on an integrated system in which the Company controls all facets of operations, including product planning, material development, design, procurement of raw materials, production, distribution and sales. This model allows us to offer customers high-quality basic casual clothing at low prices and has resulted in two years of dramatic growth. The launch of stores in London in September 2001—our first step into the global market—was marked with an enthusiastic reception.

In fiscal 2002, ending August 31, 2002, our domestic business will make the transition from a period of rapid growth to one of stable growth. We are making concerted efforts to stabilize the revenue structure, one of our most important concerns, by strengthening our product lineup, marketing, personnel development and supply chain management, thus improving our operating strengths.

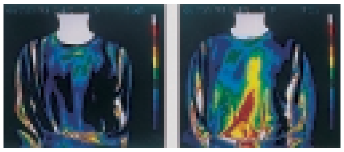
1 achieving a more complete product lineup

Applying many years of apparel manufacturing experience in Japan, one of our product directors conducts technical training at a partner factory in China.

FAST RETAILING's basic philosophy is that the way we dress is the way we first demonstrate our individuality, but that a clothing item is merely one part of a person's overall look. We aim to create items of clothing people can select to form their own sense of style—rather than clothes with overbearing or dominating designs. Based on this conviction, we have improved material development and design and implemented meticulous quality control. As a result, our customers have praised UNIQLO products for their high quality and reasonable prices, and we have gained a competitive advantage in the field of basic casual wear. In fiscal 2002, we will continue to develop and improve products that will win customer support.

Although 90% of its products are consigned to partners in China and the remaining 10% for production in Southeast Asia, FAST RETAILING monitors quality in all these factories. In China, we have established two production management offices and a clothing production experts project in which product directors familiar with every aspect of clothing production bring to our factories technology and knowledge accumulated over many years.

Within our integrated system, covering every aspect from production to sales, we are reviewing the early stages of the production process and developing new materials in cooperation with global material manufacturers. One recent success was the popularity of our polo shirts and T-shirts sold in spring and summer 2001, which were made of a material with moisture-absorbent and fast-drying qualities. We also developed the "heat-tech" sweater, made of a new material possessing warmth-retention qualities, for sale in fall and winter 2001. We will continue to offer new materials to stimulate potential consumer demand.



A B

The diagram shows surface temperature variations for a person wearing a heat-tech sweater made from materials with special warmth-retention properties. After the item of clothing is put on (A), it soon warms up and retains heat (B). These materials have been developed in collaboration with some of the world's leading fiber manufacturers.

Because basic casual wear is simple, its designs and colors must be appealing. The launch of stores in the United Kingdom was an opportunity for us to form a design team with some of the world's top casual clothing designers, and this team is currently planning innovative products.

2 conveying our brand message through marketing

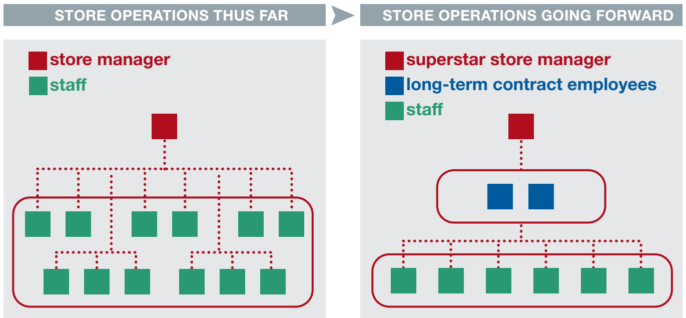
To communicate our message of clothes for everyone, in our catalogs we feature ordinary people wearing our products, rather than models.

Our message, that we are a modern Japanese company that inspires the world to dress casual, is strong because of its simplicity and clarity. Through aggressive and effective marketing we have accurately conveyed this message to customers, using such promotional media as newspapers, magazines, television, catalogs and fliers, as well as in-store sales promotions and visual merchandising. The promotion of our core products—fleeces, "air-tech" jackets and fast-drying polo shirts—has demonstrated the tremendous marketing power of this influential media mix.

However, we are careful to spend our marketing budgets effectively. In fiscal 2001, marketing expenses accounted for only 4.6% of net sales. Using this figure as our benchmark, we plan to conduct even more efficient marketing activities in fiscal 2002.

3 supporting retailing through personnel development

Our original personnel system of "superstar" store managers and long-term contract employees supports our sales strengths. FAST RETAILING's belief in the idea of independent sales people inspires its staff. Because of the recent increase in the number of UNIQLO customers, we have doubled store staff, making it difficult to improve efficiency by previous methods. We are thus creating a structure, as shown below, of superstar store managers and long-term contract employees to ensure stores are run more efficiently.



Superstar store managers make independent decisions without waiting for instructions from the head office, bearing responsibility for sales, inventory and profit in their own stores. A high proportion of their remuneration comprises performance-based incentives. We currently employ approximately 30 superstar store managers, but plan to place them in every UNIQLO store within a few years. A special curriculum for their training has been developed.

The long-term contract employee system is another important feature of personnel development. This system aims to retain talented part-time employees for long periods in roles of supporting the manager and acting as the core of store operations. There are currently approximately 320 such employees, and a further 500 are participating in training for these positions. We aim to have 1,000 long-term contract employees in the near future. As only one to two managers and assistant managers in a store are full-time employees and the remaining 50 employees are part-timers, long-term contract employees are essential to our store operations.

Our stores are staffed with teams of friendly, knowledgeable customer advisers who are always on hand.

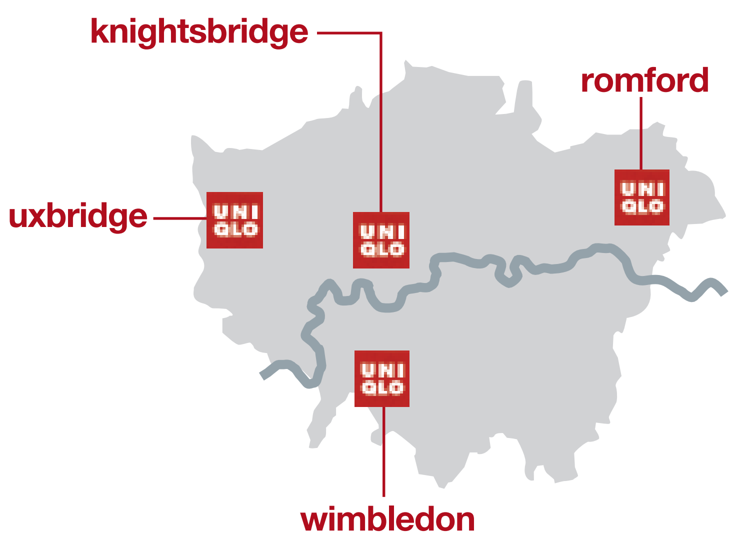
4 improving supply chain management

The period of transition from rapid to stable growth demands a more precise supply chain management system. In the past few years, dramatic sales growth intensified the challenge for merchandisers to produce replacement stock. As growth stabilizes, however, we need a system that enables timely decisions regarding supplemental production of popular products and cancellation of slower moving products. We have improved merchandisers' awareness of these changes, and are implementing a supply chain management system that places greater attention on current product sales and changes in future demand predictions. FAST RETAILING's "flat" organization allows for accurate and quick transmission of information within the company and clear delegation of responsibilities between employees to improve the precision of inventory management.

UNIQLO stores extend throughout Japan, a country that experiences large differences in climate between northern and southern regions. This has allowed FAST RETAILING to improve its demand predictions. For example, the sales trends of fall and winter products in Hokkaido, Japan's northernmost island, provide leading indicators for the rest of the country. Based on such information, we are able to tactically coordinate demand predictions with production.

successful launch of stores in london

“welcome”



successful launch of stores in london

FAST RETAILING opened four UNIQLO stores in London and surrounding areas on September 28, 2001. Sales exceeded our expectations, and lines of more than 200 customers formed before doors opened, forcing us to manage the number of customers entering the stores. A feature published in the October 10, 2001, edition of the *Daily Mail* awarded UNIQLO stores the highest ranking for basic casual wear, demonstrating that the British market has given our products high marks for quality and affordability.

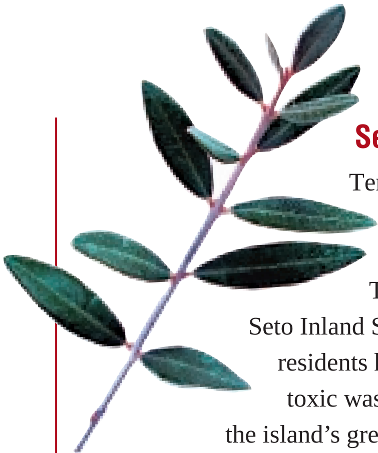
The products sold in the United Kingdom are made from identical materials to those sold in Japan, but feature Western styles and fit. Our prices are 30-40% lower than those of our competitors, confirming our perception that our stores are highly competitive, even in London.

The four stores are situated in Knightsbridge, in central London; a suburban high street in Wimbledon; a retail park in Romford; and a suburban mall in Uxbridge. We will analyze results from these diverse locations to develop an optimum real estate strategy. As in Japan, the interior and exterior of UNIQLO stores in the United Kingdom are simple and functional. The sophisticated design by Conran & Partners has received high acclaim. Promotion in the early period following our launch is crucial to secure brand recognition in the U.K. market. As in Japan, we will use an effective mix of television commercials, fliers and advertisements on public transportation and in newspapers.

We plan to open approximately 50 stores over three years in London and other major cities in the United Kingdom. Our business targets are to break even after two years and achieve an operating margin of 10% after three years.

The opening of our first U.K. stores was widely covered by the British press and broadcast media.

other initiatives



Seto Inland Sea Olive Fund

Ten years of illegal dumping of toxic industrial waste contaminated the environment of Teshima, an island situated in the Seto Inland Sea. Many years of efforts by residents have resulted in the removal of toxic waste and contaminated soil, but the island's greenery has still not been restored. The Seto Inland Sea Olive Fund aims to restore the olive forests of the coast and islands in the Inland Sea, including Teshima, to revive nature in the region. This movement was initiated by Kohei Nakabo, an attorney, and Tadao Ando, an architect. As the fund was started by these respected people and has a significant purpose, FAST RETAILING was pleased to participate. UNIQLO stores throughout Japan have donation boxes and posters to collect contributions from customers. We match the total amount contributed by our customers, effectively doubling the sum collected.

The first commemorative tree planting event for the Seto Inland Sea Olive Fund was held on November 15, 2000. Local elementary and middle school students helped plant the trees.

Olympic Support

On April 19, 2001, FAST RETAILING and the Japanese Olympic Committee (JOC) agreed to form a JOC official sponsorship. As a company making clothes for everyone, we feel an affinity with JOC, an organization advocating "Everyone's Olympics." Furthermore, FAST RETAILING decided to produce and supply the official uniforms of the Japanese representatives participating in the 19th Winter Olympic Games, to be held in Salt Lake City in 2002. An official uniform selection committee, comprising experts in clothing design and other fields and former Olympic participants, debated and chose the uniforms, which express "action and comfort" and provide protection from the wind and cold. The opening ceremony uniform is made from air-tech and fleece materials with superior comfort and warmth. We will provide our accumulated knowledge of clothing to assist in this new endeavor to create "Everyone's Olympics."

FAST RETAILING will supply the official uniforms for Japan's representatives at the 19th Winter Olympic Games. Shown above are the formal uniform (left) and opening ceremony uniform (right).

Equal Opportunity

FAST RETAILING aims to be a company where anyone can work in conditions of equality. We are creating a working environment that does not discriminate in terms of nationality, ethnicity, gender, age, marital status, disability or religious belief.

FAST RETAILING currently employs 441 disabled staff, accounting for 5.9% of all its employees. The minimum amount of disabled staff to work required by Japanese law is 1.8%. We would like to recruit more disabled staff members to work in our stores and we recognize the huge contribution people from diverse backgrounds can make to our business.

FINANCIAL SECTION

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SIX-YEAR FINANCIAL SUMMARY

Years ended August 31	Millions of Yen					
	2001	2000	1999	1998	1997	1996
Net sales	**¥418,561**	¥228,986	¥111,082	¥83,121	¥75,021	¥59,959
Net income	**59,192**	34,514	6,817	2,924	2,704	2,327
Total shareholders' equity	**120,123**	66,409	33,618	26,009	23,335	20,859
Total assets	**253,413**	153,261	73,552	47,848	41,655	37,223
	Yen					
Shareholders' equity per share	**¥2,264.91**	¥2,504.25	¥1,270.47	¥991.58	¥978.59	¥962.23
Dividends per share	**120.00**	150.00	27.00	10.00	10.00	10.00
Interim dividends	**60.00**	50.00	7.00	5.00	5.00	5.00
Basic net income per share	**1,116.06**	1,301.98	259.51	111.49	113.38	115.04
Dividend payout ratio (%)	**10.7**	11.50	10.46	8.97	8.82	9.32
Return on equity (%)	**63.5**	69.0	22.9	11.9	12.2	11.8
Equity ratio (%)	**47.4**	43.3	45.7	54.4	56.0	56.0
Number of issued and outstanding shares	**53,036,828**	26,518,414	26,461,005	26,229,924	23,845,386	21,677,624
Number of stores	**519**	433	368	336	276	229
Number of franchise stores	**12**	12	11	11	11	10
Number of regular employees	**1,598**	1,265	1,055	950	798	622

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The financial information in this section is based on the nonconsolidated financial statements presented in this annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in Japan. FAST RETAILING has three subsidiaries, but owing to their limited contribution to overall performance, has chosen not to prepare consolidated financial statements.

RESULTS OF OPERATIONS

Net Sales

In fiscal 2001, ended August 31, 2001, net sales continued to experience tremendous growth, jumping 82.8%, to ¥418.6 billion. This was attributable to a 41.7% increase in the revenues of existing stores, the opening of 86 new stores, net (opened 111, closed 25), and rising catalog and online sales. Furthermore, our effective media mix has improved recognition of the UNIQLO brand, increasing the number of customers to our stores 87.1%.

		Millions of Yen	
	2001	2000	1999
Net sales	**¥418,561**	¥228,986	¥111,082

All categories experienced high growth, in particular Cut & Sewn, Women's Clothing and Accessories. The Company's expanded lineup of fleece and sweat products boosted sales in the Cut & Sewn category 102.0%, to ¥109.5 billion. In fall and winter 2000, approximately 26 million fleece items were sold, including fleece accessories. Polo shirts and T-shirts made of fast-drying materials sold during spring and summer 2001 also contributed to higher sales. In the Women's Clothing category, sales increased 93.9%, to ¥99.4 billion, owing to higher net sales of jeans and pants made of stretch materials. Sales of socks, underwear, bags and belts were also impressive, leading to ¥72.5 billion in sales in the Accessories category, a 91.0% rise. Catalog and online sales, which commenced in fiscal 2000, ended August 31, 2000, expanded widely, to ¥15.5 billion, from ¥1.5 billion. Catalog and online sales are included in each category's sales, as shown below.

Sales by Category

		Millions of Yen	
	2001	2000	1999
Children's Clothing	**¥ 23,701**	¥ 14,929	¥ 6,110
Women's Clothing	**99,411**	51,272	18,745
National Brands	**–**	83	10,205
Outerwear	**24,799**	15,302	8,448
Sweaters	**18,498**	10,911	6,225
Cut & Sewn	**109,495**	54,203	21,734
Shirts	**28,162**	18,548	8,684
Slacks (Pants)	**36,943**	22,656	12,252
Accessories	**72,539**	37,981	16,534
Subtotal	**413,548**	225,885	108,937
Products supplied to franchise stores	**4,279**	2,689	1,821
Administrative charges	**584**	352	272
Fees from in-store alterations	**149**	60	52
Net sales	**¥418,561**	¥228,986	¥111,082

Notes:
1. Net sales for the year ended August 31, 2001, include catalog and online sales amounting to ¥15,533 million.
2. Figures for products supplied to franchise stores represent sales of merchandise to franchises.
3. Administrative charges are royalty income received from franchises.
4. Fees from in-store alterations comprise income from fitting and mending, such as hemming.
5. The above figures do not include consumption tax.

Before Japan's new Site Location Law replaced the Large-Scale Retail Stores Law, restricting the location of stores, we received many offers to become tenants in shopping centers. Because of this factor, and to improve service by easing overcrowding, we opened 111 new stores in fiscal 2001, 44 more than in fiscal 2000. The large-scale opening of stores in urban areas to reduce overcrowding resulted in a division of trading areas, which slowed the growth rates of existing stores. Overall sales, however, continued to see high growth and market share continued to expand.

We also continued our strategy of closing stores to build larger stores nearby, closing 25 in fiscal 2001. As a result, our network of UNIQLO stores grew to 519 outlets nationwide, including 12 franchises, by the end of fiscal 2001. Total retail space grew 41.2%, to 263,713.45 square meters. Store expansion continued to be particularly noticeable in the Kanto region, with 58 new stores and four closures.

Store Openings and Closures

	2001	2000	1999
Store openings	**111**	67	38
Store closures	**25**	3	6
Increase in store numbers	**86**	64	32
Capital spending (millions of yen)	**¥13,474**	¥6,218	¥3,363

Note:
Total capital spending for fiscal 2001 includes forward investments for stores to be opened during fiscal 2002, ending August 31, 2002.

Number of Stores by Region

	2001	2000	1999
Hokkaido	**12**	9	7
Tohoku	**26**	22	19
Kanto	**197**	143	102
Chubu	**77**	68	63
Kansai	**95**	84	74
Chugoku	**24**	21	20
Shikoku	**16**	15	15
Kyushu	**55**	55	53
Okinawa	**5**	4	4
Direct-run stores	**507**	421	357
Franchises	**12**	12	11
Total	**519**	433	368
Total floor space (m^2)	**263,713.45**	186,801.10	157,424.03

Income

Earnings continued to expand in fiscal 2001. Gross profit increased 77.6%, to ¥199.8 billion. Operating income grew 68.4%, to ¥102.1 billion. Operating margin dropped 2.1%, to 24.4%, owing to gross profit margin in the second half falling below the planned amount, compared with unexpectedly wide sales expansion in the first half. Despite the drop in operating margin, it remained the highest among Japanese retailers.

There were two reasons for the decrease in operating margin. First, our promotional strategy, which emphasized low prices, led to strong demand from customers and an increase in the sales growth of products exceeding predictions. Second, unseasonably low temperatures after July 2001 led to more price markdowns than expected. Although gross profit margin decreased, the figure did not differ greatly from our expectations.

In selling, general and administrative (SG&A) expenses, "others" saw the highest increases, owing to outsourcing fees for the catalog and online sales business.

Breakdown of SG&A Expenses

	2001			2000			1999		
	Millions of Yen	*Percentage to Sales*	*Percentage Change*	*Millions of Yen*	*Percentage to Sales*	*Percentage Change*	*Millions of Yen*	*Percentage to Sales*	*Percentage Change*
Personnel	**¥37,891**	**9.0**	**+79.3**	¥21,128	9.2	+86.8	¥11,310	10.2	+28.0
Advertising and promotion costs	**19,083**	**4.6**	**+90.2**	10,036	4.4	+51.3	6,632	6.0	+11.3
Rents	**17,872**	**4.3**	**+72.7**	10,347	4.5	+29.4	7,998	7.2	+14.5
Depreciation and amortization	**1,571**	**0.4**	**+95.0**	806	0.4	+8.7	741	0.7	+13.4
Others	**21,324**	**5.0**	**+123.3**	9,550	4.2	+84.4	5,180	4.7	-8.9
Total	**¥97,741**	**23.3**	**+88.4**	¥51,867	22.7	+62.8	¥31,861	28.8	+13.3

As a result, income before income taxes rose 70.9%, to ¥102.5 billion. Net income jumped 71.5%, to ¥59.2 billion, from ¥34.5 billion. Return on sales was 14.1% and return on equity (ROE) was 63.5%.

Our policy is to secure a stable management foundation over the long-term and continue providing value to our shareholders based on our performance. Thanks to favorable earnings, we were able to issue a ¥120 cash dividend in fiscal 2001. As a result, total dividends paid amounted to ¥6.3 billion, with a dividend payout ratio of 10.7%. The dividend-to-equity ratio was 5.3%.

LIQUIDITY AND FINANCING

Assets, Liabilities and Shareholders' Equity

The increase in net sales boosted total assets 65.3%, to ¥253.4 billion, from ¥153.3 billion in fiscal 2000. Total current assets rose 68.7%, to ¥212.4 billion, while fixed assets, comprising property and equipment, intangible assets, and investments and other assets, increased 49.8%, to ¥41.0 billion.

The increase in total current assets is attributable to the growth in cash and marketable securities, which totaled ¥157.4 billion at the end of the fiscal year. Marketable securities increased 140.8%, to ¥111.3 billion. The Company concentrates on safe and liquid investments, and its marketable securities mainly comprise money management funds and medium-term government securities funds. Reflecting increased net sales, inventories advanced 47.3%, to ¥30.4 billion, and trade notes and accounts receivable rose 102.1%, to ¥3.7 billion. Forward exchange contracts and net deferred unrealized gain on forward exchange contracts are noted as unrealized profit on forward exchange profits for future payment for goods in U.S. dollars.

As a result of opening new stores, lease deposits rose 42.9%, to ¥9.6 billion, and construction assistance fund receivables increased 32.4%, to ¥12.9 billion. Following the introduction of stock options, we recorded ¥3.6 billion in new treasury stock, up ¥2.0 billion from the previous year.

Higher transaction amounts led to a 48.3% increase in accounts payable, to ¥63.5 billion. Accrued income taxes rose 32.6%, to ¥30.5 billion. Business expansion resulted in total current liabilities of ¥125.6 billion, an increase of 64.9%.

Total long-term liabilities fell 27.7%, to ¥7.7 billion. As a result, total liabilities rose 53.5%, to ¥133.3 billion. The Company's current ratio increased from 165.3%, to 169.2%.

Total shareholders' equity jumped 80.9%, to ¥120.1 billion, owing to an increase in retained earnings of 102.5%, to ¥103.8 billion. The Company's equity ratio increased from 43.3%, to 47.4%.

At the June 19, 2000, Board of Directors' meeting, it was decided that a two-for-one stock split would be initiated for shareholders registered as of August 31, 2000, with the split taking place on October 20, 2000. Following the stock split, the number of issued and outstanding shares amounted to 53,036,828, up from 26,518,414 shares.

Cash Flows

Reflecting a 70.9% increase in income before income taxes, to ¥102.5 billion, cash and cash equivalents at end of year rose 57.9%, to ¥157.4 billion, despite store openings in Japan and the development of the U.K. subsidiary following its establishment the previous year.

Net cash provided by operating activities amounted to ¥80.6 billion, mainly owing to net sales growth leading to the increase in income before income taxes. Net cash used in investing activities totaled ¥13.2 billion, primarily owing to ¥6.5 billion in purchase of property and equipment, as well as ¥4.0 billion in payments for construction assistance fund receivables and ¥3.0 billion in payments for lease deposits required to open 86 new direct-run outlets (net) and renovate existing stores.

Net cash used in financing activities totaled ¥11.0 billion. This included ¥5.8 billion for dividends paid, ¥2.3 billion for purchase of treasury stock and ¥3.0 billion for repayments of long-term debt.

OUTLOOK

Global Expansion and Domestic Stability

Fiscal 2002 will be a period of transition from rapid to stable growth. The launch of stores in London and surrounding areas on September 28, 2001, represented our first step into global markets, and we will promote our business model for further global expansion and growth.

The stabilization of our earnings structure is the most important issue for our domestic business. We are therefore (i) improving our product lineup, (ii) securing a healthy gross profit margin through demand predictions and supply chain management, and (iii) improving our management control, focusing on personnel expenditure.

While maintaining a balance between sales, profits and customer service, we are continuing our strategy of closing stores to build larger ones. In fiscal 2002, we plan to open approximately 90 stores and close about 30.

BALANCE SHEETS

FAST RETAILING CO., LTD.

August 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	**2001**
ASSETS			
Current assets:			
Cash (Note 3)	**¥ 46,035**	¥ 53,432	**$ 386,038**
Marketable securities (Notes 1(d) and 3)	**111,344**	46,238	**933,702**
Trade notes and accounts receivable	**3,685**	1,823	**30,901**
Less–Allowance for doubtful accounts	**(12)**	(7)	**(101)**
Net trade receivables	**3,673**	1,816	**30,800**
Inventories (Note 4)	**30,416**	20,646	**255,061**
Prepaid expenses	**1,549**	1,070	**12,990**
Deferred tax assets (Note 9)	**2,637**	2,394	**22,113**
Forward exchange contracts	**16,419**	–	**137,686**
Other (Note 5)	**355**	309	**2,977**
Total current assets	**212,428**	125,905	**1,781,367**
Property and equipment:			
Land	**2,052**	2,052	**17,208**
Buildings and structures	**15,228**	9,297	**127,698**
Furniture and equipment	**188**	131	**1,576**
Construction in progress	**502**	218	**4,210**
	17,970	11,698	**150,692**
Less–Accumulated depreciation	**(4,674)**	(3,212)	**(39,195)**
Net property and equipment	**13,296**	8,486	**111,497**
Intangible assets	**56**	44	**470**
Investments and other assets:			
Investments in securities (Note 1(d))	**72**	62	**604**
Treasury stock (Note 6)	**3,647**	1,654	**30,583**
Investments in subsidiaries and affiliates	**1,147**	282	**9,618**
Lease deposits	**9,554**	6,688	**80,117**
Construction assistance fund receivables (Note 12)	**12,876**	9,723	**107,975**
Deferred tax assets (Note 9)	**140**	76	**1,174**
Other	**197**	341	**1,652**
Total investments and other assets	**27,633**	18,826	**231,723**
Total assets	**¥253,413**	¥153,261	**$2,125,057**

See accompanying notes to financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	**2001**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	**¥ 63,533**	¥ 42,834	**$ 532,772**
Accrued income taxes (Note 9)	**30,500**	23,000	**255,765**
Accrued expenses	**14,977**	10,248	**125,593**
Net deferred unrealized gain on forward exchange contracts	**16,419**	–	**137,686**
Other (Note 5)	**133**	87	**1,115**
Total current liabilities	**125,562**	76,169	**1,052,931**
Long-term liabilities:			
Long-term debt (Note 7)	**7,000**	10,000	**58,700**
Accrued pension liability (Note 8)	**106**	–	**889**
Other (Note 5)	**622**	683	**5,216**
Total long-term liabilities	**7,728**	10,683	**64,805**
Total liabilities	**133,290**	86,852	**1,117,736**
Shareholders' equity:			
Capital (Note 10)	**3,274**	3,274	**27,455**
Additional paid-in capital	**11,579**	11,579	**97,098**
Legal reserve (Note 11)	**818**	324	**6,860**
Retained earnings (Note 11)	**103,752**	51,232	**870,038**
Net unrealized holding gain on securities (Note 1(d))	**700**	–	**5,870**
Total shareholders' equity	**120,123**	66,409	**1,007,321**
Commitments and contingencies (Note 12)			
Total liabilities and shareholders' equity	**¥253,413**	¥153,261	**$2,125,057**

STATEMENTS OF INCOME

FAST RETAILING CO., LTD.

Years ended August 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2001	2000	1999	**2001**
Net sales	**¥418,561**	¥228,986	¥111,082	**$3,509,945**
Cost of sales (Note 5)	**218,739**	116,491	64,887	**1,834,289**
Gross profit	**199,822**	112,495	46,205	**1,675,656**
Selling, general and administrative expenses	**97,741**	51,867	31,861	**819,631**
Operating income	**102,081**	60,628	14,344	**856,025**
Other income (expenses):				
Interest and dividend income	**1,062**	618	169	**8,906**
Interest expenses	**(137)**	(159)	(155)	**(1,149)**
Store closure cost	**(52)**	(8)	(133)	**(436)**
Loss on disposal of fixed assets	**(75)**	(42)	–	**(629)**
Loss on termination of lease	**(439)**	–	–	**(3,681)**
Loss on sale of marketable securities	–	(509)	–	–
Liquidation loss of a subsidiary	–	(295)	–	–
Retirement benefits for directors	–	(122)	(49)	–
Other, net (Note 5)	**93**	(109)	(195)	**780**
	452	(626)	(363)	**3,791**
Income before income taxes	**102,533**	60,002	13,981	**859,816**
Income taxes (Note 9)**:**				
Current	**44,151**	27,346	7,549	**370,239**
Deferred	**(810)**	(1,858)	(385)	**(6,792)**
	43,341	25,488	7,164	**363,447**
Net income	**¥ 59,192**	¥ 34,514	¥ 6,817	**$ 496,369**

	Yen			U.S. Dollars
	2001	2000	1999	**2001**
Per share data:				
Net income				
Basic	**¥1,116.06**	¥1,301.98	¥259.51	**$9.36**
Diluted	**¥ –**	¥ –	¥259.29	**$ –**

See accompanying notes to financial statements.

STATEMENTS OF SHAREHOLDERS' EQUITY

FAST RETAILING CO., LTD.

Years ended August 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 2)
	2001	2000	1999	**2001**
Capital:				
Balance at beginning of year	**¥ 3,274**	¥ 3,174	¥ 2,774	**$ 27,455**
Exercise of warrant	**–**	100	400	**–**
Balance at end of year	**¥ 3,274**	¥ 3,274	¥ 3,174	**$ 27,455**
Additional paid-in capital:				
Balance at beginning of year	**¥ 11,579**	¥11,460	¥10,979	**$ 97,098**
Exercise of warrant	**–**	119	481	**–**
Balance at end of year	**¥ 11,579**	¥11,579	¥11,460	**$ 97,098**
Legal reserve:				
Balance at beginning of year	**¥ 324**	¥ 129	¥ 96	**$ 2,717**
Transfer from retained earnings	**494**	195	33	**4,143**
Balance at end of year	**¥ 818**	¥ 324	¥ 129	**$ 6,860**
Retained earnings:				
Balance at beginning of year	**¥ 51,232**	¥18,855	¥12,159	**$429,619**
Net income	**59,192**	34,514	6,817	**496,369**
Cash dividends	**(5,818)**	(1,852)	(314)	**(48,788)**
Bonuses to directors	**(360)**	(90)	–	**(3,019)**
Transfer to legal reserve	**(494)**	(195)	(33)	**(4,143)**
Cumulative effect of change in accounting principle (Note 1(k))	**–**	–	226	**–**
Balance at end of year	**¥103,752**	¥51,232	¥18,855	**$870,038**
Net unrealized holding gain on securities:				
Balance at beginning of year	**¥ –**	¥ –	¥ –	**$ –**
Net change during the year	**700**	–	–	**5,870**
Balance at end of year	**¥ 700**	¥ –	¥ –	**$ 5,870**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

FAST RETAILING CO., LTD.

Years ended August 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2001	2000	**2001**
Cash flows from operating activities:			
Income before income taxes	**¥102,533**	¥60,002	**$ 859,816**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**1,571**	805	**13,174**
Increase (decrease) in allowance for doubtful accounts	**(21)**	69	**(176)**
Increase in accrued pension liability	**106**	–	**889**
Interest and dividend income	**(1,062)**	(618)	**(8,906)**
Interest expenses	**137**	159	**1,149**
Exchange losses (gains)	**(87)**	37	**(730)**
Write-down of investment securities	**85**	11	**713**
Liquidation loss of a subsidiary	**–**	85	**–**
Loss on disposal of fixed assets	**75**	42	**629**
Increase in trade receivables	**(1,862)**	(1,175)	**(15,614)**
Increase in inventories	**(9,770)**	(10,620)	**(81,929)**
Increase in other assets	**(512)**	(371)	**(4,294)**
Increase in trade payables	**20,699**	23,674	**173,577**
Increase in accrued expenses and other liabilities	**4,777**	6,179	**40,059**
Bonuses to directors	**(360)**	(90)	**(3,019)**
	116,309	78,189	**975,338**
Interest and dividends received	**1,062**	618	**8,906**
Interest paid	**(139)**	(141)	**(1,166)**
Income taxes paid	**(36,651)**	(9,876)	**(307,346)**
Net cash provided by operating activities	**80,581**	68,790	**675,732**
Cash flows from investing activities:			
Purchase of investment securities	**(865)**	(165)	**(7,254)**
Proceeds from sale of investment securities	**–**	201	**–**
Purchase of property and equipment	**(6,456)**	(2,559)	**(54,138)**
Collections of loan receivables	**–**	161	**–**
Payments for lease deposits	**(3,024)**	(2,045)	**(25,358)**
Collections of lease deposits	**220**	219	**1,845**
Payments for construction assistance fund receivables	**(3,993)**	(1,614)	**(33,484)**
Collections of construction assistance fund receivables	**840**	677	**7,044**
Purchase of intangible fixed assets	**(14)**	(9)	**(117)**
Other, net	**93**	49	**779**
Net cash used in investing activities	**(13,199)**	(5,085)	**(110,683)**
Cash flows from financing activities:			
Proceeds from issuance of common stock	**–**	199	**–**
Repayments of long-term debt	**(3,000)**	(300)	**(25,157)**
Purchase of treasury stock	**(2,251)**	(1,734)	**(18,876)**
Proceeds from sale of treasury stock	**258**	74	**2,163**
Dividends paid	**(5,818)**	(1,852)	**(48,788)**
Other	**(144)**	(153)	**(1,208)**
Net cash used in financing activities	**(10,955)**	(3,766)	**(91,866)**
Effect of exchange rate changes on cash and cash equivalents	**1,282**	(37)	**10,750**
Net change in cash and cash equivalents	**57,709**	59,902	**483,933**
Cash and cash equivalents at beginning of year (Note 3)	**99,670**	39,768	**835,807**
Cash and cash equivalents at end of year (Note 3)	**¥157,379**	¥99,670	**$1,319,740**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FAST RETAILING CO., LTD.
Years ended August 31, 2001, 2000 and 1999

Note 1

BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying financial statements have been prepared from the accounts maintained by FAST RETAILING CO., LTD. ("the Company"), in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying financial statements, certain reclassifications have been made for the convenience of the readers outside Japan. In addition, the notes to the financial statements include additional information that is not required under the accounting principles generally accepted in Japan.

The accompanying financial statements include only the accounts of the Company. The accounts of its subsidiaries are not consolidated, due to their insignificance. Investments in subsidiaries and affiliates are stated at cost.

(b) Certain Significant Differences Between Generally Accepted Accounting Principles (GAAP) in Japan and the United States

Certain significant differences between the accounting principles and practices adopted by the Company and those of the United States as of and for the year ended August 31, 2001, are summarized as follows:

	Millions of Yen		*Thousands of U.S. Dollars*	
	Shareholders' Equity	*Net Income*	*Shareholders' Equity*	*Net Income*
	Increase (Decrease)			
Treasury stock	**¥ (3,647)**	–	**$ (30,583)**	–
Net deferred unrealized gain on forward exchange contracts	**¥ 9,556**	–	**$ 80,134**	–

Notes: 1. Under U.S. GAAP, treasury stock acquired for purposes other than retirement may be shown separately as a reduction from shareholders' equity.
2. Under U.S. GAAP, changes in fair value of the derivative instruments designated as cash flow hedges are reported as accumulated other comprehensive income, a component of shareholders' equity.

(c) Cash and Cash Equivalents

Effective September 1, 2000, the Company adopted "Statement of Cash Flows" issued by the Business Accounting Deliberation Council. For the purpose 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 equivalent.

(d) Marketable Securities and Investment in Securities

Effective September 1, 2000, the Company adopted "Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into one of the following three categories and accounted for as follows:

- Securities that are generally used with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.

• Securities classified as neither trading securities nor held-to-maturity securities are classified as other securities and measured at fair value. Unrealized holding gains and losses are excluded from earnings and reported on a net basis as a separate component of shareholders' equity until realized.

At the beginning of the year, the Company reviewed the classification of all securities and classified all securities as other securities. Other securities with fair value are principally carried at fair value with unrealized holding gains and losses excluded from earnings and reported on a net basis as a separate component of shareholders' equity until realized. Other securities without fair value are carried at cost. In computing realized gains or losses, cost of other securities was principally determined by the moving average method.

Previously, marketable securities were stated principally at the lower of cost or market, cost determined by the moving average method. Investments in other than marketable securities were stated at cost.

The following is a summary of book value, market value and net unrealized holding gains of securities as of August 31, 2000:

	Millions of Yen		
	2000		
	Book Value	*Market Value*	*Net Unrealized Holding Gains*
Marketable securities	¥46,238	¥46,238	¥ –
Investments in securities	62	82	20
	¥46,300	¥46,320	¥20

(e) Inventories

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

(f) Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the respective assets.

(g) Leases

Under Japanese accounting standards "Accounting for Leases," finance lease that transfers ownership of the property to the lessee by the end of the lease term shall be classified as capital lease and recorded as an asset and an obligation. Other finance lease may be classified as operating lease. The Company classifies all other finance lease as operating lease, and lease expense is charged to expenses over the lease term as it becomes payable.

(h) Pension Plan

Effective September 1, 2000, the Company adopted "Accounting Standard for Retirement Benefits" issued by Business Accounting Deliberation Council. In accordance with this standard, pension benefits for employees are provided based on the estimated benefit obligation and the pension assets. Previously, under an unfunded defined benefit pension plan, accrued pension benefits were recorded for the estimated accrued liability to which employees were entitled if they were to retire or sever employment immediately at the balance sheet date. Annual contributions are charged to income under the funded defined pension plan.

As a result of the application of this standard, operating income and income before income taxes decreased by ¥48 million ($403 thousand) and ¥106 million ($889 thousand), respectively.
The transition difference of ¥58 million ($486 thousand) arising from the adoption of the new accounting standard is charged to expenses in the year ended August 31, 2001, and the amortization cost is included in "Other income (expenses)–Other, net."

(i) Foreign Currency Translation

Effective September 1, 2000, the company adopted the revised "Accounting Standard for Foreign Currency Translation" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen using the rates in effect at the transaction date. 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. Gains or losses resulting from the translation, including gains and losses on settlement, are credited or charged to income as incurred.

Previously, foreign currency transactions were translated into yen on the basis of the rate in effect at the transaction date. At year-end, current monetary assets and liabilities denominated in foreign currencies were translated into yen at the rates of exchange in effect at the balance sheet date, and other monetary assets and liabilities denominated in foreign currencies were translated into yen at historical rates with material unrealized translation losses on other monetary assets and liabilities calculated using the rates of exchange in effect at the balance sheet date. As a result of the application of this standard, there was no effect on net income for the year ended August 31, 2001.

(j) Derivative Financial Instruments

Effective September 1, 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principle, net assets and liabilities arising from derivative financial transactions are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions that meet the criteria of hedge accounting as regulated under this standard are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as a liability or asset until such gains or losses relating to the hedge are recognized.

Previously, forward exchange contracts were accounted for as foreign currency transactions. Such contracts were translated at contract rates, and interest rate swap transactions were accounted for as if interest rates under the interest rate swap transactions were originally applied to underlying borrowings and debentures. As a result of the application of this standard, there was no effect on net income for the year ended August 31, 2001.

(k) Income Taxes

Effective September 1, 1998, the Company adopted "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. This standard requires that deferred income taxes be accounted for under the asset and liability method. Under this method, 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 temporary differences are expected to be recovered or settled. Previously, deferred tax assets and liabilities arising from temporary differences were not recognized.

The cumulative effect of the change in accounting principle for adopting deferred income taxes was ¥226 million at September 1, 1998.

(l) Net Income per Share

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 to assume the exercise of warrants.

(m)Reclassification

Certain reclassifications have been made to the prior year financial statements to conform with the 2001 presentation.

Note 2

BASIS OF FINANCIAL STATEMENT TRANSLATION

The accompanying financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥119.25 to U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2001. This translation should not be construed as a representation that any amounts could be converted into U.S. dollars.

Note 3

CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2001 and 2000, consist of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2001	2000	**2001**
Cash	**¥ 46,035**	¥53,432	**$ 386,038**
Marketable securities	**111,344**	46,238	**933,702**
	¥157,379	¥99,670	**$1,319,740**

Note 4

INVENTORIES

Inventories as of August 31, 2001 and 2000, are summarized as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2001	2000	**2001**
Merchandise	**¥30,097**	¥20,124	**$252,386**
Supplies	**319**	522	**2,675**
	¥30,416	¥20,646	**$255,061**

Note 5

BALANCES AND TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES

Due from (to) unconsolidated subsidiaries as of August 31, 2001 and 2000, and transactions with unconsolidated subsidiaries for the years ended August 31, 2001, 2000 and 1999, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2001	2000	**2001**
Due from unconsolidated subsidiaries	**¥27**	¥1	**$226**
Due to unconsolidated subsidiaries	**¥ 4**	¥4	**$ 34**

	Millions of Yen			*Thousands of U.S. Dollars*
	2001	2000	1999	**2001**
Purchases	**¥ –**	¥93	¥96	**$ –**
Rental fee income	**¥18**	¥19	¥19	**$151**

Note 6

STOCK OPTION PLAN

At the shareholders' meeting held on November 26, 1999, it was approved that the Company may purchase 50,600 shares of common stock within the period from November 26, 1999, to the closing of the next ordinary shareholders' meeting, with an aggregate purchase cost cap of ¥2,500 million for the stock option plan. Certain officers and certain other employees may be granted options to purchase common stock at an exercise price of lower of 102.5% of the average purchase cost or the market price at the grant date. Those eligible can exercise 50% of the granted options from November 27, 2001, to November 26, 2002, and can exercise 100% from November 27, 2002, to August 31, 2004. In accordance with the shareholders' approval, the Company purchased 50,300 shares for ¥1,734 million in 2000.

At the shareholders' meeting held on November 28, 2000, it was approved that the Company may purchase 88,500 shares of common stock within the period from November 28, 2000, to the closing of the next ordinary shareholders' meeting, with an aggregate purchase cost cap of ¥4,000 million ($33,543 thousand) for the stock option plan. Certain officers and certain other employees may be granted options to purchase the common stock at an exercise price of lower of 102.5% of the average purchase cost or the market price at the grant date. Those eligible can exercise 100% of the granted option from November 29, 2002, to August 31, 2005. In accordance with the shareholders' approval, the Company purchased 88,200 shares for ¥2,169 million ($18,189 thousand) in 2001.

Note 7

LONG-TERM DEBT

Long-term debt is summarized as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2001	2000	**2001**
Unsecured loans from Japanese banks at 1.88% to 1.95% interest, due 2003	**¥7,000**	¥10,000	**$58,700**

The aggregate annual maturity of long-term debt after August 31, 2002, is as follows:

Year ending August 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2003	¥7,000	$58,700

Note 8

PENSION PLAN

The Company has a noncontributory defined benefit pension plan (tax qualified pension plan) to provide retirement and severance benefits to substantially all employees.

The funding status of the plan as of August 31, 2001, is summarized as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
	2001	**2001**
Projected benefit obligation	**¥488**	**$4,092**
Plan assets	**382**	**3,203**
Accrued pension liability	**¥106**	**$ 889**

Net periodic pension cost for the year ended August 31, 2001, consists of the following:

	Millions of Yen	*Thousands of U.S. Dollars*
	2001	**2001**
Service cost	**¥ 98**	**$ 822**
Interest cost	**11**	**92**
Expected return on plan assets	**(6)**	**(50)**
Amortization of transition obligation	**58**	**486**
Amortization of actuarial loss	**35**	**294**
Net periodic pension cost	**¥196**	**$1,644**

The entire transition difference of ¥58 million arising from the adoption of the new accounting standard is amortized in the year ended August 31, 2001, and amortized cost was included in "Other income (expenses)–Other, net."

Actuarial assumptions used to determine cost and benefit obligation for the pension plan are as follows:

	2001
Discount rate	**3.0%**
Expected rate of return on plan assets	**2.0%**

Note 9

INCOME TAXES

The Company is subject to a number of taxes based on income, which in the aggregate resulted in a normal income tax rate of approximately 41.8% for the years ended August 31, 2001 and 2000. Reconciliation between the normal income tax rate and effective income tax rate for the years ended August 31, 2001 and 2000, are as follows:

	2001	2000
Normal income tax rate	**41.80%**	41.80%
Per capita tax	**0.20**	0.33
Other	**0.27**	0.36
Effective tax rate	**42.27%**	42.49%

Tax effects of temporary differences that give rise to a significant portion of the deferred tax assets as of August 31, 2001 and 2000, are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2001	2000	**2001**
Deferred tax assets:			
Accrued business tax	**¥2,619**	¥2,035	**$21,962**
Loss on sale of construction assistance fund receivables	**54**	76	**453**
Other	**104**	359	**872**
Total deferred tax assets	**¥2,777**	¥2,470	**$23,287**

Note 10

SHARE CAPITAL

The Company has authorized for issuance 200 million shares of common stock with a ¥50 ($0.42) par value as of August 31, 2001. Issued and outstanding shares, change in shares and share capital for the years ended March 31, 2001, 2000 and 1999, are summarized as follows:

	Issued and Outstanding Shares	*Share Capital (Millions of Yen)*
Balance as of September 1, 1998	26,229,924	¥2,774
Exercise of warrant	231,081	400
Balance as of August 31, 1999	26,461,005	3,174
Exercise of warrant	57,409	100
Balance as of August 31, 2000	26,518,414	3,274
Issued upon stock split	26,518,414	–
Balance as of August 31, 2001	**53,036,828**	**¥3,274**

Under the Japanese Commercial Code, the Company may issue, through stock split without consideration, new shares to existing shareholders pursuant to resolution of the board of directors. The Company allows such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split cannot be less than ¥500.

Note 11

LEGAL RESERVE

The Japanese Commercial Code provides that an amount equal to at least 10% of appropriations paid in cash, such as cash dividends and directors' bonuses, shall be appropriated as legal reserve until such reserve equals 25% of stated common stock. This reserve is not available for dividends, but may be used to reduce a deficit by approval at the annual shareholders' meeting or may be transferred to stated common stock by resolution of the Board of Directors.

Cash dividends, directors' bonuses and appropriations to the legal reserve charged to retained earnings during the years ended August 31, 2001, 2000 and 1999, represent dividends and bonuses paid out during those years and the related appropriations to the legal reserve. The accompanying financial statements do not include any provision for the semiannual dividends of ¥60 ($0.50) per share totaling ¥3,171 million ($26,591 thousand), or directors' bonuses of ¥649 million ($5,442 thousand), approved by the Board of Directors in respect of the year ended August 31, 2001.

Note 12

COMMITMENTS AND CONTINGENCIES

The Company had the following contingent liabilities as of August 31, 2001:

	Millions of Yen	*Thousands of U.S. Dollars*
	2001	**2001**
Loan guarantees for:		
Unconsolidated subsidiaries and affiliates	**¥2,399**	**$20,117**
Employees' benefit society	**¥ 5**	**$ 42**

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 the trust bank amounted to ¥2,253 million ($18,893 thousand) as of August 31, 2001.

Note 13

LEASES

Lease payments relating to finance lease accounted for as operating lease for the years ended August 31, 2001, 2000 and 1999, amounted to ¥2,717 million ($22,784 thousand), ¥1,626 million and ¥1,416 million, respectively.

Future minimum lease payments relating to finance lease accounted for as operating lease as of August 31, 2001, are as follows:

Year ending August 31	*Millions of Yen*	*Thousands of U.S. Dollars*
2002	¥2,722	$22,826
Thereafter	¥7,138	$59,857

Note 14

DERIVATIVES

The Company utilizes forward exchange contracts to hedge certain foreign currency transactions related to foreign currency purchase commitments. The purpose of the Company's hedging activities in the form of forward exchange contracts is to protect the Company from the related market risks.

The Company also utilizes interest rate swap agreements to minimize the impact of interest rate movements related to its outstanding debt on the Company's operating results. The purpose of interest rate swap agreements is to effectively modify the characteristics of interest applied to the outstanding debt.

Effective September 1, 2000, the Company adopted "Accounting Standards for Financial Instruments" as discussed in Note 1(j).

As of August 31, 2000, the following forward exchange contracts were outstanding:

	Millions of Yen		
	2000		
	Notional Amount	*Market Value*	*Unrealized Gain*
Purchased forward exchange contracts denominated in U.S. dollars	¥131,955	¥135,127	¥3,172

As of August 31, 2000, the following interest rate swap contracts were outstanding:

	Millions of Yen		
	2000		
	Notional Amount	*Market Value*	*Unrealized Gain (Loss)*
Interest rate swap contracts:			
Floating rate to fixed rate	¥3,000	¥59	¥59
Fixed rate to floating rate	¥3,000	¥(2)	¥(2)

Note 15

SUBSEQUENT EVENT

At the shareholders' meeting held on November 29, 2001, a stock option plan was approved. Under this plan, certain directors and certain employees may be granted option to purchase common stock of 106,100 shares in total at an exercise price of higher of 102.5% of the market price at the date of grant or the average market price of the preceding month. Those eligible can exercise the option when the market price exceeds 150% of the exercise price for at least 20 business days within the term of exercise, which is from November 30, 2003, to August 31, 2006.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FAST RETAILING CO., LTD.

We have audited the balance sheets of FAST RETAILING CO., LTD., as of August 31, 2001 and 2000, and the related statements of income and shareholders' equity for each of the three years in the period ended August 31, 2001, and the statements of cash flows for each of the two years in the period ended August 31, 2001, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements, expressed in yen, present fairly the financial position of FAST RETAILING CO., LTD., as of August 31, 2001 and 2000, and the results of its operations for each of the three years in the period ended August 31, 2001, and the cash flows for each of the two years in the period ended August 31, 2001, in accordance with accounting principles generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the accompanying financial statements, FAST RETAILING CO., LTD., has adopted new accounting standards for retirement benefits, financial instruments and foreign currency translation in the preparation of its financial statements for the year ended August 31, 2001.

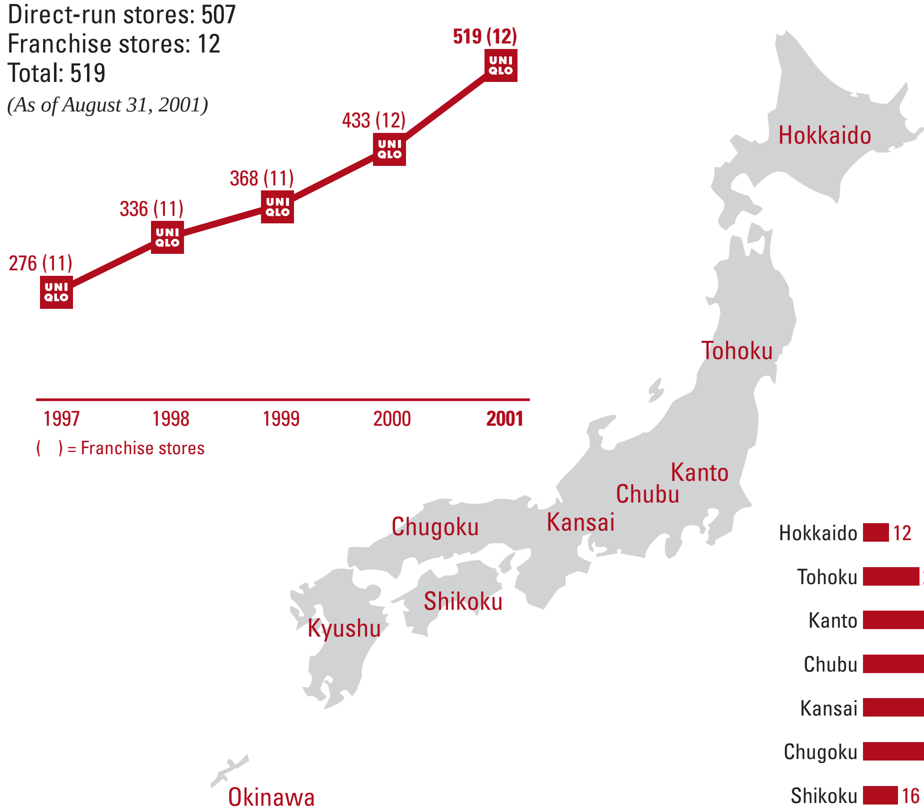
The U.S. dollar amounts in the accompanying financial statements with respect to the year ended August 31, 2001, are presented solely for the convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the financial statements.

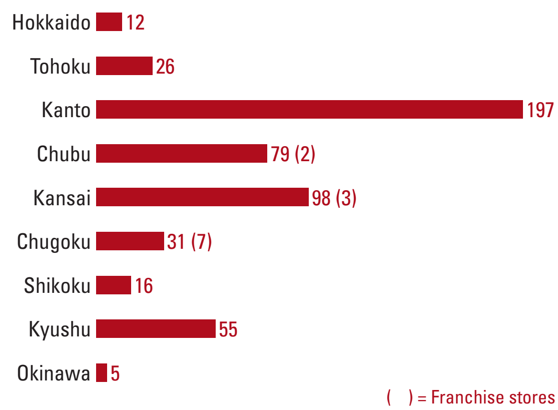
Shin Nihon & Co.

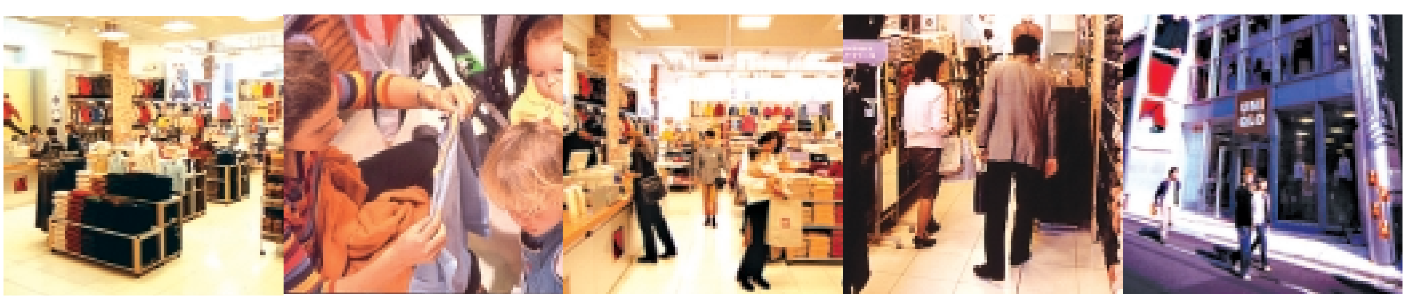
Shin Nihon & Co.
Tokyo, Japan
November 29, 2001

STORE NETWORK

Direct-run stores: 507
Franchise stores: 12
Total: 519
(As of August 31, 2001)







CORPORATE HISTORY

March 1949
Men's Shop Ogori Shoji founded as a private enterprise in Ube City, Yamaguchi Prefecture.

May 1963
Ogori Shoji Co., Ltd., established, with capital of ¥6 million, as a successor to the original business.

June 1984
The first UNIQLO store, specializing in casual clothing, opened in Hiroshima City (UNIQLO Fukuromachi store; closed in August 1991).

September 1991
The Company's name changed from Ogori Shoji to FAST RETAILING, a name which succinctly expresses its business philosophy.

March 1994
To maximize efficiency, central management functions, previously dispersed, transferred to the Company's newly constructed Head Office in Ube City, Yamaguchi Prefecture.

April 1994
The Company's sales network grew to 109 direct-run stores and seven franchise stores.

July 1994
The Company's stock listed on the Hiroshima Stock Exchange (the Exchange was abolished in 2000).

February 1996
FAST RETAILING entered into a joint venture with Nichimen Corp., and local capital in Shandong Province, China. FAST RETAILING took a 28.75% equity interest in the venture, with the aim of securing a reliable supply of products.

March 1996
The Company's sales network grew to 205 direct-run stores and 10 franchise stores.

November 1996
Tokyo Office opened in Shibuya, Tokyo, to reinforce the Company's in-house product planning and development capabilities.

April 1997
The Company's stock listed on the Second Section of the Tokyo Stock Exchange.

November 1997
The Company's sales network grew to 309 direct-run stores and 11 franchise stores.

February 1998
Head Office newly constructed in Yamaguchi City, Yamaguchi Prefecture, to further enhance central management functions and operational efficiency.

To strengthen in-house merchandise development, Osaka Office and Tokyo Office closed and integrated into a single office set up in Shibuya.

November 1998
The first downtown store opened in the fashionable Harajuku district of Tokyo.

February 1999
The Company's stock listed on the First Section of the Tokyo Stock Exchange.

April 1999
Shanghai Office established to further enhance production management operations.

September 1999
Guangzhou Office established.

September 1999
Trial-run of catalog sales conducted to explore the development of new sales avenues.

January 2000
Decision made to team up with Simree Co., Ltd., to shorten the implementation period of full-fledged catalog sales. (Collaboration took effect from June 2000.)

April 2000
The Company's sales network increased to 417 direct-run stores and 12 franchise stores.

April 2000
To promote merchandising and marketing and to carry out operations more efficiently, new Tokyo Office established in the West Wing of Mark City, a shopping and office complex in Shibuya, integrating merchandising functions from the Yamaguchi prefecture Head Office and the Tokyo Design Office.

June 2000
Established FAST RETAILING (U.K.) LTD.

June 2000
Prepared to set up shops in train stations, through a tie-up with East Japan Railway Co. and its related KIOSK stores.

October 2000
Internet online sales business launched to foster new sales channels and improve customer convenience.

November 2000
UNIQLO stores in Shibuya-Jinnan and Osaka-Umeda opened as the flagship stores of east and west Japan, respectively.

April 2001
Joined with the Japanese Olympic Committee in an official sponsorship.

The Company's sales network increased to 507 direct-run stores and 12 franchise stores.

August 2001
Established FAST RETAILING (JIANGSU) APPAREL CO., LTD., a 71.43% equity subsidiary, as the cornerstone of future business development in China.

September 2001
Opened four stores in the United Kingdom, in Knightsbridge, Wimbledon, Uxbridge and Romford.

INVESTOR INFORMATION

August 31, 2001

Stock Information

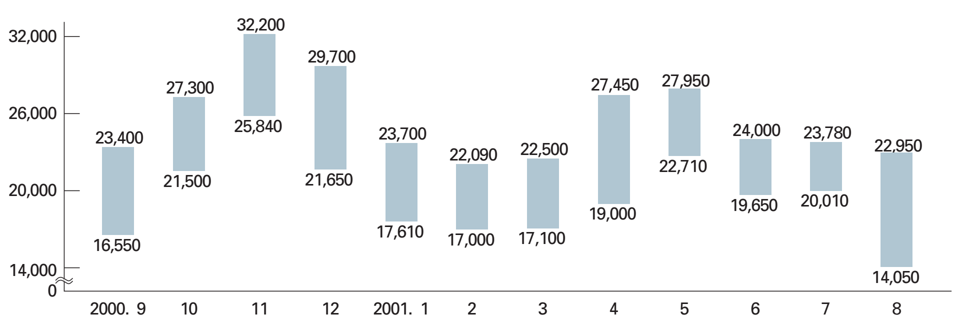
Number of shares authorized:	200,000,000
Number of issued and outstanding shares:	53,036,828
Number of shareholders:	7,587

**A stock split on a two-for-one basis was carried out on October 20, 2000, for shareholders as of August 31, 2000.*

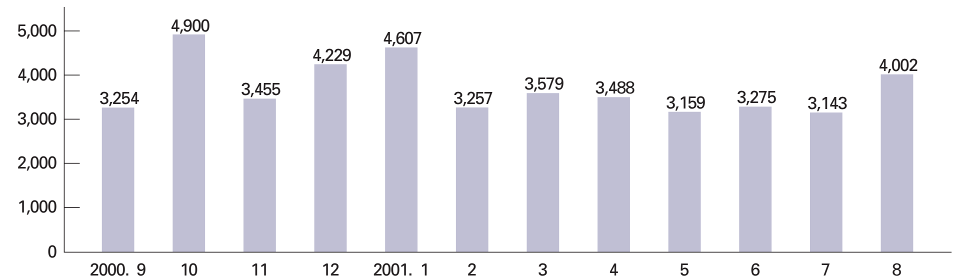
Principal Shareholders	*Number of Shares*	*Percentage of Total Shares in Issue*
Tadashi Yanai	14,148,642	26.68
Kazumi Yanai	4,765,904	8.99
Koji Yanai	4,195,300	7.91
Japan Trustee Services Bank, Ltd. (Trust Account)	2,322,800	4.38
The Mitsubishi Trust & Banking Corp. (Trust Account)	1,609,200	3.03
Teruyo Yanai	1,163,924	2.19
The Dai-ichi Mutual Life Insurance Co. (Special Account)	770,100	1.45
The Toyo Trust & Banking Co., Ltd. (Trust Account)	726,700	1.37
The Chase Manhattan Bank, N.A. London	701,265	1.32
Morgan Stanley and Co., Inc.	683,100	1.29

Shareholder Breakdown	*Number of Shareholders*	*Number of Shares (Thousands)*	*Percentage of Total Shares in Issue*
Individuals and others	6,806	26,412	49.79
Foreign investors	473	13,687	25.81
Other financial institutions	136	12,383	23.35
Companies and corporations	120	289	0.55
Securities companies	52	264	0.50
Total	7,587	53,036	100.00

Stock Price *(Yen)*



Trading Volume *Shares (Thousands)*



CORPORATE DATA
August 31, 2001

Corporate Information

Name: FAST RETAILING CO., LTD.
Head Office: 717-1 Oaza Sayama, Yamaguchi City, Yamaguchi 754-0894, Japan
Established: May 1, 1963
Paid-in capital: ·3,274 million
Line of business: Retail chain operator specializing in in-house designed casual clothing for men and women of all ages. Operates stores under the name of UNIQLO.
Regular employees: 1,598
Settlement date: August 31
Annual shareholders meeting: End of November
Transfer agent: The Mitsubishi Trust & Banking Corp., 2-11-1 Nagata-cho, Chiyoda-ku, Tokyo 100-8212, Japan
Number of shares per trading unit: 100

Board of Directors and Auditors

Tadashi Yanai, President & Chief Executive Officer
Takashi Sawada, Executive Vice President & Chief Operating Officer
Yuji Horibata, Senior Managing Director
Nobuo Domae, Managing Director & Chief Information Officer
Masatoshi Morita, Managing Director & Chief Financial Officer
Genichi Tamatsuka, Managing Director
Shuichi Nakajima, Director
Toshiharu Ura, Standing Corporate Auditor
Kiyomi Iwamura, Standing Corporate Auditor
Takaharu Yasumoto, Corporate Auditor
Soroku Matsumoto, Corporate Auditor

From left to right
Top: Nobuo Domae, Shuichi Nakajima, Genichi Tamatsuka, Masatoshi Morita
Bottom: Takashi Sawada, Tadashi Yanai, Yuji Horibata

FAST RETAILING CO., LTD.

Head Office: 717-1 Oaza Sayama, Yamaguchi City, Yamaguchi 754-0894, Japan
Tokyo Office: Shibuya Mark City West,13th floor, 12-1, Dogenzaka 1-chome,
Shibuya-ku, Tokyo 150-0043, Japan
FAST RETAILING (U.K.) LTD: 3rd floor, 24 Britton Street, London EC1M 5UA, U.K.
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