FAST RETAILING

ANNUAL REPORT 2010

Year ended August 31, 2010

Changing the world with truly great clothing

UNIQLO. MADE FOR ALL

It doesn't matter who you are or where you live, UNIQLO makes clothes that transcend all categories and social groups. Our clothes are made for all, going beyond age, gender, occupation, ethnicity and all the other ways that define people. Our clothes are simple and essential yet universal, so people can freely combine them with their own unique styles, in any way they choose, every day of the year. Everything we do is rooted deeply in our Japanese origin, always aspiring to excellence in quality, design and technology. However, we will always ensure that our clothes are affordable and accessible to everyone. UNIQLO is a way of thinking that's about constant change, diversity, and challenging conventional wisdom. At UNIQLO, we believe that everyone can benefit from simple, well-designed clothes. Because if all people can look and feel better every day, then maybe the world can be a little better too.

MADE FOR ALL

Training Managers to Lay the Groundwork for Global Success

Employees take part in the morning team talk just prior to the first UNIQLO store in Russia opening its doors in Moscow in April 2010.

To succeed in the global market requires top-notch talent.
At Fast Retailing, we have created a globally unified personnel framework that will reward individuals—regardless of nationality, race or gender—who generate results with opportunity and responsibility. We are committed to fostering and empowering store and business managers to succeed on the global stage.

A new kind of Japanese company

Since launching in October 2009, the UNIQLO Paris Opera global flagship store has proven immensely successful.

Starting in Japan, Fast Retailing initially grew rapidly by capitalizing on Japan's advanced manufacturing technology. Just as the Japanese automobile and the nation's innovative high-tech brands won worldwide acclaim before us, we seek to change the world as a new global company from Japan.

Group Highlights FY2010

■ Record sales and operating income

Net sales **¥814.8bln** (+18.9% y/y)

Operating income **¥132.3bln** (+21.9% y/y)

■ Dividend

Annual dividend per share rose by

70 yen to **230 yen**

■ UNIQLO International

Overseas network reaches

136 stores mainly in Asia

■ UNIQLO global flagship stores

Flagship stores open in Paris and
Shanghai to bring total to

four global flagship stores

■ Major advances made by g.u.

990-yen jeans and **490-yen** T-shirts
boost sales and reputation of
low-priced clothing brand

HEATTECH

Sales top

50 million units

+J collection

Collaborative line created with designer Ms. Jil Sander enjoys worldwide acclaim

Theory

Robust results in Japan and U.S.

CSR

All-Product Recycling Initiative:

7.7 million items

collected for reuse and recycling

Launch of **first social business** with Grameen Bank in Bangladesh

Contents

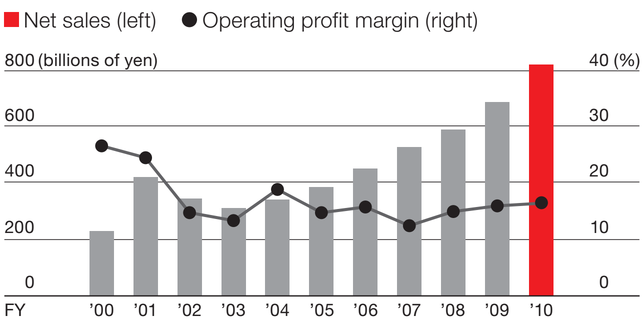
Summary of Consolidated Financial Statements

Fast Retailing Co., Ltd. and consolidated subsidiaries
Fiscal years ended August 31

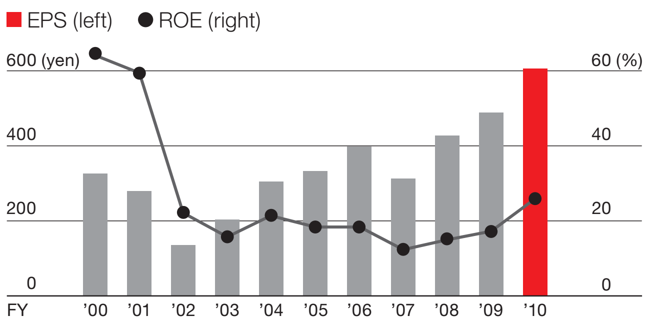
	2000	2001	2002	2003	2004
For the year:					
Net sales	¥ 228,985	¥ 418,561	¥ 344,170	¥ 309,789	¥ 339,999
Operating income	60,627	102,081	50,418	41,308	63,954
EBITDA*1	60,964	104,240	52,792	37,447	58,458
Net income	34,514	59,192	27,850	20,933	31,365
At year-end:					
Total assets	¥ 153,260	¥ 253,413	¥ 210,921	¥ 219,855	¥ 240,897
Total net assets*2	66,408	120,123	123,631	140,504	161,434
Interest-bearing debt	10,000	7,000	5,809	0	52
Free cash flow*3	63,705	67,382	(29,288)	25,651	23,390
Cash and equivalents*4	99,670	157,378	107,262	123,733	136,461
Depreciation and amortization	805	1,571	1,941	2,364	2,737
Capital expenditures	6,218	13,474	11,020	11,633	11,220
Reference indices:					
Operating profit margin (%)	26.5%	24.4%	14.7%	13.3%	18.8%
ROE (%)	69.0	63.5	22.5	15.9	20.8
Equity ratio (%)	43.3	47.4	58.6	63.9	67.0
Debt-equity ratio (%)	15.1	5.8	4.7	0.0	0.0
Dividend payout ratio (%)	11.5	10.7	17.7	27.1	37.7
Per share data: *5					
Net income (EPS) (yen)	¥ 325.50	¥ 279.02	¥ 134.77	¥ 203.05	¥ 304.92
Net assets (yen)*2	626.06	1,132.46	1,215.43	1,378.58	1,583.67
Cash dividends (yen)	37.50	30.00	45.00	55.00	115.00
Other data (at fiscal year-end):					
Market value*6	¥ 453,995	¥ 795,552	¥ 363,833	¥ 514,457	¥ 837,982
Total number of stores*7	433	519	585	622	655
Directly-operated stores in Japan	[421]	[507]	[558]	[582]	[635]
Directly-operated stores overseas	[0]	[0]	[15]	[26]	[9]
Total sales floor space (m^2)*8	186,801m^2	263,713m^2	305,504m^2	335,849m^2	363,901m^2
Number of full-time employees*9	1,265	1,598	1,853	1,776	1,782

*1. EBITDA = Income before income taxes + Interest expenses + Depreciation and amortization + Amortization of goodwill
*2. Beginning with the fiscal year ended August 31, 2006, minority interest has been included in net assets.
*3. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
*4. Cash and equivalents include cash, time deposits with maturities of generally three months or less and marketable securities.
*5. Per share data is adusted for stock splits.

Net Sales and Operating Profit Margin



EPS*5 and ROE



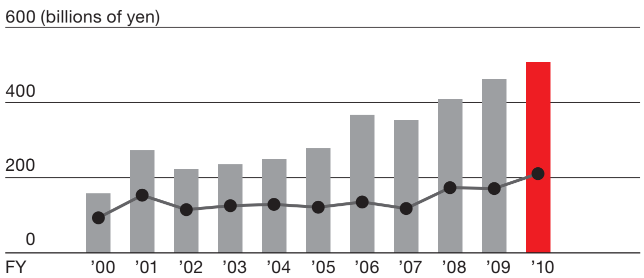
Millions of yen (except per share data and other data)*10 | Thousands of U.S. dollars*6

2005	2006	2007	2008	2009	2010	2010
¥ 383,973	¥ 448,819	¥ 525,203	¥ 586,451	¥ 685,043	**¥ 814,811**	**$9,638,171**
56,692	70,355	64,963	87,493	108,639	**132,378**	**1,565,862**
60,794	80,166	75,310	97,467	112,621	**137,132**	**1,622,096**
33,884	40,437	31,775	43,529	49,797	**61,681**	**729,607**
¥ 272,846	¥ 379,655	¥ 359,770	¥ 404,720	¥ 463,285	**¥ 507,287**	**$6,000,555**
182,349	240,479	243,283	264,014	261,413	**287,987**	**3,406,517**
6,185	22,774	24,429	20,016	35,400	**28,834**	**341,069**
(1,425)	15,570	(9,936)	71,915	24,941	**65,234**	**771,634**
121,061	141,404	119,216	169,888	169,574	**200,462**	**2,371,208**
3,681	5,364	6,567	8,523	9,765	**12,229**	**144,653**
11,649	16,261	26,441	21,017	22,601	**28,018**	**331,417**
14.7%	15.7%	12.4%	14.9%	15.9%	**16.2%**	**16.2%**
19.7	19.7	13.6	17.3	19.1	**22.6**	**22.6**
66.8	60.1	66.7	64.7	56.0	**56.3**	**56.3**
3.4	9.4	10.0	7.6	13.5	**10.0**	**10.0**
39.0	32.7	41.7	30.4	32.7	**38.0**	**38.0**
¥ 331.99	¥ 397.38	¥ 311.98	¥ 427.38	¥ 488.96	**¥ 605.99**	**$ 7.16**
1,791.61	2,240.77	2,357.79	2,572.09	2,550.86	**2,804.34**	**33.17**
130.00	130.00	130.00	130.00	160.00	**230.00**	**2.72**
¥ 894,201	¥1,161,507	¥ 720,240	¥1,180,600	¥1,182,720	**¥1,228,337**	**$ 145,292**
1,232	1,632	1,828	1,958	2,258	**2,203**	**2,203**
[775]	[1,093]	[1,233]	[1,310]	[1,454]	**[1,370]**	**[1,370]**
[157]	[196]	[247]	[294]	[397]	**[474]**	**[474]**
437,196m²	536,473m²	626,998m²	685,942m²	740,489m²	**847,523m²**	**847,523m²**
2,668	3,990	6,514	8,054	11,037	**11,596**	**11,596**

*6. Calculations are based on the closing share price of 11,580 yen on August 31, 2010 and an exchange rate of 84.54 yen to one U.S. dollar.
*7. Including franchise stores.
*8. Total sales floor space includes only directly-operated stores.
*9. Beginning with the fiscal year ended August 31, 2007, the number of entrusted operating officers has not been included in the number of full-time employees.
*10. Preparation of consolidated financial statements began in fiscal 2002.

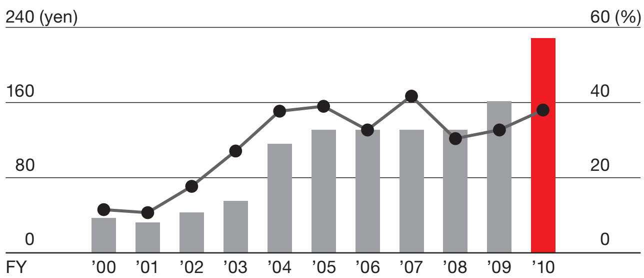
Total Assets and Cash and Equivalents

■ Total assets ● Cash and equivalents



Cash Dividends per Share*5 and Dividend Payout Ratio

■ Cash dividends per share (left) ● Dividend payout ratio (right)

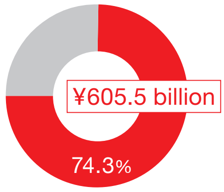


Group Highlights in FY2010

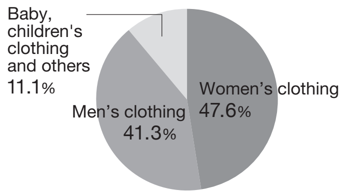
UNIQLO Japan

UNIQLO Japan is the nation's largest apparel retailer with a 5.5% share of the 10.7 trillion yen Japanese apparel market, and 808 stores nationwide. UNIQLO enjoyed significant rises in sales and operating income in fiscal 2010, riding an increase in product sales, including for HEATTECH, down jackets and Silky Dry innerwear. We are steadily opening large-scale, 1600-square-meter stores, with 102 large-scale stores operating at the end of fiscal 2010 and constituting approximately 20% of total sales. Moving ahead, we will focus on attracting new customers by opening large-scale stores in prime urban locations in Tokyo, Osaka, Nagoya and Fukuoka.

Breakdown of Net Sales



Sales by Product Category



UNIQLO Japan

FY2010	Billions of yen	YoY
Net sales	605.5	+12.5%
Operating income/loss	129.5	+17.0%
Store number	808 stores	+38 stores

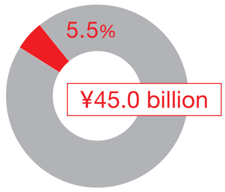
* Including franchise stores

The Fast Retailing Group is a holding company with the specialty retailer UNIQLO as its mainstay operation. The Group has enjoyed strong growth by offering high-quality casual wear at low prices based on its SPA (Specialty store retailer of Private label Apparel) business model, which spans product design, manufacture, distribution and retail. The first UNIQLO store opened in 1984. In 1998, our fleece campaign sparked a UNIQLO boom across Japan. Subsequently, we weathered a period of falling sales and operating income, but quickly boosted performance by expanding our lineup of women's wear.

First venturing into international markets in 2001, UNIQLO has operations in the U.K., the U.S., China, Hong Kong, South Korea, France, Singapore, Russia and elsewhere. At the end of fiscal 2010, we had 808 stores in Japan and 136 stores overseas. Since 2005, we have diversified the operational base of the Group through acquisitions. We have purchased the operations of France-based women's fashion developer Comptoir des Cotonniers, the French lingerie brand Princesse tam.tam, Japanese footwear retailers, and women's fashion developers Cabin and Theory.

Japan Apparel Operations

Breakdown of Net Sales



Jeans
¥990

FY2010	Billions of yen	YoY
Net sales	45.0	−12.5%
Operating income/loss	(1.5)	—
Store number	402 stores	−154 stores

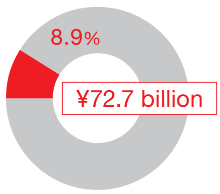
* Including franchise stores

Gov Retailing g.u.	Sales per store improved greatly and profitability rose for our low-priced g.u. brand thanks to hit 990-yen jeans, 490-yen T-shirts and other popular items. We plan to expand from the 115 stores in fiscal 2010 by 40 to 50 stores annually and open large-scale stores.
Footwear CANDISH	Our shoes business came under UNIQLO control in April 2010. Unprofitable stores were closed, concluding fiscal 2010 with 90 stores, which were then unified under Candish in September 2010.
Cabin ZAZIE enraciné	The performance of Cabin and its nationwide ZAZIE and enraciné women's fashion labels remained poor, so the firm was absorbed into Link Theory Japan in September 2010. Some stores will be transferred to PLST in fiscal 2011.

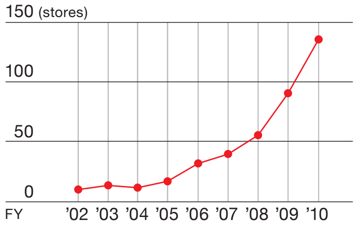
UNIQLO International

Asia generated particularly strong growth for UNIQLO International as total sales in fiscal 2010 doubled year on year to 72.7 billion yen, although this still only accounted for a fragment of UNIQLO Japan's sales of 605.5 billion yen. Profitability in Asia is rising and we have in place a business model for profitable future expansion. The opening of global flagships in New York, London and Paris is a key part of our strategy to boost recognition of the UNIQLO brand in the U.S. and Europe. We plan to open a global flagship store on New York's world-renowned Fifth Avenue in fall 2011, and then open stores in major European cities, starting in Germany and Spain.

Breakdown of Net Sales



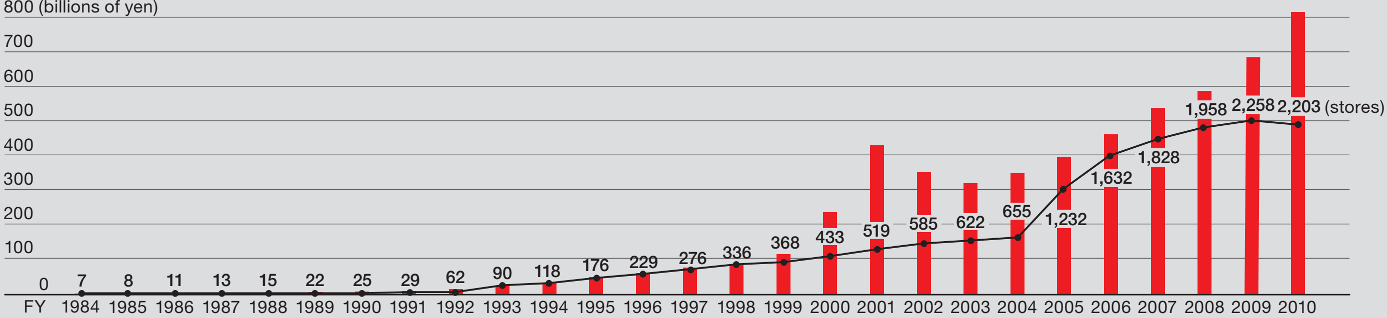
Number of Stores



FY2010	Billions of yen	YoY
Net sales	72.7	+92.6%
Operating income/loss	6.3	+293.0%
Store number	136 stores	+44 stores

UNIQLO International

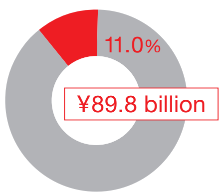
Sales and Stores of Fast Retailing Group



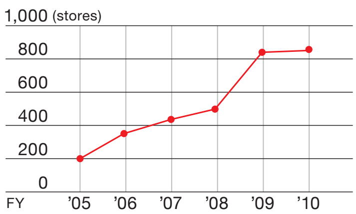
Note: On a consolidated basis from fiscal 2002.

Global Brand Operations

Breakdown of Net Sales



Number of Stores



FY2010	Billions of yen	YoY
Net sales	89.8	+61.6%
Operating income/loss	7.4	+104.0%
Store number	857 stores	+17 stores

* Including franchise stores

Theory

Although the post-Lehman slump tempered Link Corp.'s growth, profits at mainstay brand Theory soared in the U.S. and Japan due to the popularity of its simple, basic designs and quality materials. The 326 stores generated about 50 billion yen in sales in fiscal 2010.

Comptoir des Cotonniers

This casual, chic French label expanded in Europe, Japan and the U.S to reach 371 stores for fiscal 2010. Income dipped in fiscal 2009 as global conditions deteriorated, but recovered in fiscal 2010.

Princesse tam.tam

This unique brand, known for its creative original prints and bright colors, specializes in lingerie, home wear and swimwear. The brand boasts 160 well-known department-store outlets and boutiques in France and Europe, and was sold in 40 countries in fiscal 2010.

In fiscal 2010, strong performance by UNIQLO Japan and major advances by UNIQLO International powered Fast Retailing to record-setting net sales and operating income. Several exciting developments underpinned this success. Customers responded by showing their strong support for our HEATTECH winter line, which is made from highly functional materials. Our +J collection, a collaborative line created with the fashion designer Ms. Jil Sander, also met with acclaim around the world. New global flagship stores in Paris and Shanghai both proved resounding successes, and helped propel awareness of the UNIQLO brand to new heights.

I believe this year has brought us one step closer to realizing our corporate vision of changing clothes, changing conventional wisdom and changing the world. We want to deliver to people the world over the sheer joy, pleasure and satisfaction that comes from wearing truly great clothing—and to do this by creating clothing with new and unique value. We are committed to exploring any and all possibilities through clothing and bringing truly great products to everyone, everywhere—this is our mission.

Changing the World with Truly Great Clothing

I want to ensure that customers around the world can experience firsthand our clothing creations when they visit our UNIQLO, Theory, Comptoir Des Cotonniers, Princesse tam.tam and g.u. stores. Fast Retailing, as an innovative Japanese retailer and manufacturer of private label apparel, has set out to do nothing less than to transform the world of clothes.

In September 2010, we launched a social business in Bangladesh, one of the world's poorest nations. This ambitious initiative is seeking to establish an entirely local framework where all clothes are sourced, manufactured and sold locally, with prices capped at one dollar to ensure the clothing is affordable to the local population. One of our fondest challenges is that of contributing to society through clothes.

Going forward, we at Fast Retailing will continue to collectively do business using the best practices available, upholding the spirit inherent in our policies of Global One and ZEN-IN KEIEI, as we strive to achieve our goal of becoming the world's leading retailer of private label apparel.

December 2010

Tadashi Yanai

Tadashi Yanai
Chairman, President and CEO

Q How would you characterize your business performance in the year ended August 2010?

A The dip in profit in the second half helped us to refocus on the strengths of UNIQLO.

We achieved significant gains in both sales and operating income during fiscal 2010. In the first half, UNIQLO Japan performed extremely well due to robust fall and winter season sales and our HEATTECH apparel line proved a hit with consumers. Global recognition of the UNIQLO brand has increased dramatically over the year thanks to the success of our global flagship store in Paris and the strong global reception of our +J collection, created in conjunction with fashion designer Ms. Jil Sander.

However, the dip in profit at UNIQLO Japan in the second half revealed several underlying issues. In short, we were unable to communicate to consumers the merits of our high-quality, basic apparel, which has traditionally been one of our major strengths because we excessively expanded our product lineup. Reflecting on this contraction in profit, I am keenly and firmly reminded that our greatest strength is our ability to produce the clothing that customers truly desire—well-finished clothing made from high-quality materials.

Q What differentiates you from the fast-fashion* of H&M or Zara?

A Our strength is our finely crafted, high-quality basic clothing.

UNIQLO focused excessively on fashion over the 2010 spring and summer season. The balance between basic clothing and fashion items was skewed with an overemphasis on fashion. Net sales suffered as a result. We failed to maintain sufficient inventories of basic items, leading to unacceptable shortages in certain colors and sizes. Inevitably, this made customers less willing to buy.

We have learned from our mistakes and have emerged with a clearer idea of our future direction. I realize that we must proceed in a completely different way to H&M or Zara, which both tend to pursue fashion trends. At UNIQLO we stress producing well-finished clothes that can function as components of an overall outfit. Our clothes are made to fulfill customer needs and to even change lifestyles. Our task now is to further hone our range of basic clothes. I want us to create clothes of sophisticated design and superior functionality that will inspire our customers to rave about them. We have to convince people around the world that buying clothes means buying UNIQLO.

Q How do you plan to evolve your basic apparel products?

A UNIQLO will create more refined products like the +J collection.

We will further improve the finish of our clothes by paying even greater attention to materials, overall silhouette and detail. We will meticulously consider the mix of colors and sizes to ensure that shortages do not occur.

In our business, it is difficult to balance the subjective and the objective in apparel design. If designers and merchandisers only use their favorite designs and colors, then we cannot meet customer needs. Even if clothing concepts of designers hit the mark every season, the actual clothes will not sell if the designs are superficial and fail to express these concepts.

* Fast-fashion, similar to fast food, implies quick service, low prices and a casual atmosphere, and refers to low-priced apparel of reasonably good quality that reflects the latest trends.

UNIQLO's +J collection is jointly developed with fashion designer Ms. Jil Sander. Jil's attitude towards clothing creation is truly incredible. She is particularly masterful when it comes to garment shape and style. She will recreate and refresh her designs until she is completely satisfied—even when it comes to the minutest detail. That is why customers feel so satisfied with the fit of +J collection clothes the instant they try them on. UNIQLO must embrace this fundamental attitude, as well as the passion and attention to detail that Jil brings to creating clothes.

Q What is your strategy for expanding UNIQLO women's wear?

A We will attract new female customers by opening stores in prime urban locations.

We will not develop fashion items simply in pursuit of the latest trends. Instead, we plan to design products that balance the basics and fashion. I think that the right ratio for UNIQLO is apparel that is 70% or 80% basic. In addition to UNIQLO's traditionally strong T-shirt, sweater and jeans ranges, it can and should develop jackets, skirts and dresses in simple, flattering styles that fit well and suit all women.

The women's wear market in Japan is two or three times the size of that for men. However, at UNIQLO Japan women's wear and men's wear currently account for a similar proportion of total sales. That means there is great potential for growth in women's wear. Going forward, we plan to aggressively open new large-scale stores in prime department-store and roadside locations in the metropolitan cities of Tokyo, Osaka and Nagoya. I believe this will help us to attract a more affluent female demographic.


ニュースのある服。

ユニクロは、低価格をやめます。

ユニクロはこれまでずっと、より上質なカジュアルを市場最低価格で提供しようと努力してきました。それはこれからも変わることのない、私たちの基本的な姿勢です。しかしその低価格であることが、一部のお客様の「ユニクロは安物」という誤解につながっているのかもしれません。そこで私たちはこれから、もっともっと品質を上げ、誰もが価値を感じられる服をつくっていこうと思うのです。私たちは、安さだけが特長になるような商品は決してつくりません。ユニクロでは機能や着ごこち、風合いなどについて徹底的に検討し、世界中を探して最高級の素材を使用し、優秀な技術を持つスタッフによって上質なカジュアルづくりに取り組んできました。世界で最も質が高いと言われる内モンゴル産のカシミヤ、NASAのために開発された温度調節素材のアウトラストを使用したフリース、極上の風合いのためにイタリアで紡績したメリノウール、世界的な評価を得ている備後地方の生地を使ったデニム、肌ざわりの良さでは格別なヨーロッパの生地を使ったシャツ、世界の総生産量のわずか3%しか取れない超長綿のTシャツ、高いストレッチ性とシルエットの美しさを実現したストレッチパンツ。これらは、私たちが世界に誇れる商品だと自負しています。そしてこれからはさらに努力を続け、すべての商品を本当に価値のあるものにしていきます。これまでユニクロは、製品の企画開発、生産管理、流通から販売まで、すべてを私たち自身の責任で行ない、さまざまなコストを抑えることで販売価格を下げてきました。このシステムは、もちろん私たちの大切な財産です。ですから「低価格をやめる」といっても、価格を下げる努力をやめる訳ではありません。まず何よりも質があり、そして価格がある。私たちは、あらゆる人が着ることができるカジュアルを、あらゆる人にご満足いただける"好"価格で提供していきます。

In September 2004, UNIQLO released its Global Quality Proclamation in a full-page newspaper advertisement titled "UNIQLO is no longer just about low prices." This marked a turning point in corporate strategy under which the brand shifted its focus from low prices to one of high quality. Subsequently, UNIQLO has paid particular attention to the quality of the materials it uses. Please see page 42 and 43 for more detail.

Q Do you have other hit products in the pipeline that could rival the success of HEATTECH?

A There are some potential hit products among our current product ranges.

We certainly need to keep launching new revolutionary products like HEATTECH. Actually, I believe there are some budding hit products among those already on sale. HEATTECH was not an instant success. Instead, it evolved as a product over a period of several years. We gradually nurtured HEATTECH into a hit product by surveying a wide range of customers, making incremental improvements to the material and its functionality, as well as subtly enhancing the shape and style of HEATTECH garments.

HEATTECH was created from a new material jointly developed with synthetic fiber manufacturer Toray Industries, Inc. The Ultra Light Down material, which proved extremely popular in fall and winter 2010, was also the result of joint collaboration with Toray. Toray developed a new material that was light, thin and strong enough to keep the down feathers firmly in place. Using this as the outer material for down jackets, we were able to make them ultra light, weighing a mere 206 grams.

We continue to work with Toray to develop new materials. In July 2010, we embarked on our second five-year plan for this strategic partnership. Both companies have committed a total of 400 billion yen over the next five-year period to develop new materials.

Q Have you made any change to your marketing strategy or means of generating buzz?

A We use our global flagship stores as hubs to transmit our message, including our corporate philosophy.

It is important to persuade customers that UNIQLO is where they want to buy clothes. We need to appeal to customers. Our global flagship stores, be they in Shinsaibashi, Paris or Shanghai, all act as showcases for the UNIQLO brand. They are hubs that we can harness to market our brands to the world. We have secured one of the world's most prime retail locations, which will be home to our global flagship store on New York's Fifth Avenue when it opens in the fall of 2011. I expect that we will make an international splash when we begin relaying our brand message and our philosophy to the world.

It is important to promote our clothes through marketing, as well as through our corporate stance and by articulating what type of company Fast Retailing is. Creating truly great clothes, and acting as a truly good company—these are the means to building brand power. I want the whole world to know about our new social business in Bangladesh and our All-Product Recycling Initiative in Japan. Also, I want people to know about the Fast Retailing company spirit and that we are a good company that contributes to the world.

Q Can you talk about future strategy for UNIQLO International, and potential growth in Asian markets?

A To become number one in our industry in the world, we must attain a dominant position in Asia.

UNIQLO International is expanding favorably. We estimate overall net sales will reach 100 billion yen in fiscal 2011. We predict growth will be particularly strong in the Asian region including China, Hong Kong, South Korea, Taiwan, Singapore and Malaysia. We opened our Shanghai global flagship store in May 2010, and business there has been robust. Subsequently, our first store in Taiwan opened in October and our first store launched in Malaysia in November. Both enjoyed unprecedented welcomes from local consumers. The UNIQLO brand is well known in Asia and we are building a highly profitable business there, with new stores generating strong sales from the outset. Going forward, I want to further expand our presence in the region to include Thailand, Vietnam, Indonesia and the Philippines.

Ideally, I would like to open a total of 300 new stores each year: 100 in China, 100 in other parts of Asia and 100 in Japan, including g.u. stores. I am looking to accelerate our current pace of new store lanches, and to do this we will have to modify our approach to store openings. Related to this, China, South Korea and Taiwan are seeing increases in automobile ownership and middle-class populations in these markets are expected to swell. In Japan, UNIQLO generated rapid growth by opening roadside stores in previously undeveloped suburban areas, thus transforming them into viable business locations. Until now, UNIQLO International has focused its new store openings on shopping malls and high streets, however, in Asia I want to attempt the large-scale, roadside-store approach that worked in Japan.

Multi-colored illumination on the exterior of our new UNIQLO Shinsaibashi global flagship store, which opened in October 2010.

Q What progress have you made on personnel training, your key to expansion in Asia?

A We are building a global personnel framework and fostering employees who can succeed globally.

Indeed, staff training is a key issue for our expansion in China. We need talented staff if we are to accelerate the opening of new stores, but so far training hasn't progressed as well as I had expected. So, in the fall of 2010, we hired approximately 100 university graduates and started putting them through a very focused training program to enable them to succeed internationally. At the same time, I am looking to train managers to function in the global arena by bringing the most promising of our overseas hires to Japan to train, and by dispatching our most talented store managers from Japan to transplant our UNIQLO DNA at overseas locations. I plan to further globalize our Company by transforming our personnel training practices for new employees, our career development system and our compensation system by integrating them into a new uniform global framework.

Q Please tell us about your strategy for expansion in the U.S. and Europe.

A We will focus on opening global flagship and large-scale stores in major cities.

I am looking to open global flagship stores and large-scale stores in major U.S. and European cities. In the U.S., our New York Soho global flagship store, opened in November 2006, has performed extremely well. Despite being in its third year of operation, the store generated robust year-on-year sales growth of 40% in the business year ended August 2010. Underpinning UNIQLO's success in New York is the strong reputation of basic items such as sweaters, shirts and fleece in particular. The UNIQLO brand is also steadily establishing a strong position in the local market. I have high expectations that the scheduled fall 2011 opening of our global flagship store on New York's Fifth Avenue will spark an explosion in demand for UNIQLO products.

In Europe, UNIQLO opened its first store in Russia in April 2010. Now we are looking to open new stores one after the other in major European cities, starting in Germany and Spain.

Q Turning to M&A strategy, are you planning to acquire any companies to secure future UNIQLO expansion?

A We might consider M&A candidates that offer a platform for UNIQLO development.

I am always looking for large M&A opportunities in the U.S. and Europe. I want to open between five and 10 UNIQLO stores in Manhattan. Then I want to open stores in major U.S. cities such as Chicago, Los Angeles and San Francisco. However, if we were to attempt a nationwide U.S. store expansion, then one option would be to acquire a company that could serve as a strong base from which to launch such an expansion, or to enter a joint venture with a potential partner. In any case, when it comes to partnerships I think it is very important to pair up with business people who share a similar corporate philosophy.

The Fast Retailing Way

FR Group Corporate Philosophy

Changing clothes. Changing conventional wisdom. Change the world.

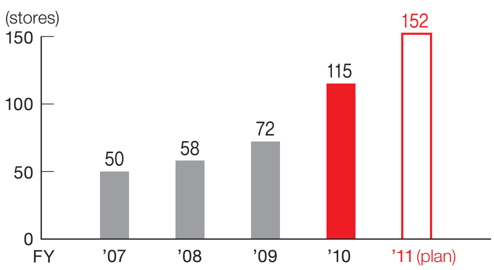
Group Mission

- To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes
- To enrich people's lives through our unique corporate activities, and to seek to grow and develop our company in unity with society

Q Among your Group businesses, g.u. is doing extremely well. What are your future plans for the brand?

A We believe that g.u. has great potential because the low-priced casual wear market is growing.

g.u. Store Numbers



Among Group businesses, our low-priced casual-wear g.u. brand is generating strong sales and profitability is rising. Going forward, we are looking to expand the g.u. network at a rate of between 40 to 50 stores annually, while also opening large-scale stores. I am also considering a possible expansion overseas at some point in the future. In the U.S., companies such as Walmart and Target offer the cheapest clothing and capture the largest market share. That is why I believe g.u. has great potential. In Japan too, people have started to enjoy wearing low-priced clothes and the different looks you can create with them. I expect that demand for lower-priced, fashion-conscious clothing—such as that sold under the g.u. brand—will continue to grow.

Q What does your strategy entail for Theory and Comptoir Des Cotonniers?

A I want to maximize synergies to create global brands.

Our Theory and Comptoir Des Cotonniers brand operations are also strong. Going forward, I want to pursue synergy benefits by linking the operations in Tokyo, New York and Paris. Theory is firmly established in the U.S. and Japan, but I am planning to introduce the brand into China and other Asian markets, and into European markets as well. In contrast, Comptoir Des Cotonniers has its operational base in France and other parts of Europe. I want to open stores for the brand in the U.S. and Asia. When the time comes, we should reap the benefits of various synergies, using established local infrastructure to accelerate the opening of new stores for other Group brands while boosting their recognition.

Tadashi Yanai
Chairman, President and CEO

Joined Fast Retailing in 1972. Chairman, President and CEO of UNIQLO Co., Ltd.; Director of Softbank Corp.; Chairman of Link Theory Japan Co., Ltd.; and Chairman of Gov Retailing Co., Ltd.

Q Can you explain the philosophy behind your Global One and ZEN-IN KEIEI policies as well as any future refinements?

A These mandate that each employee should adopt the mindset of a business manager to make us the best-managed company in the world.

I created the FR Way corporate philosophy because I wanted to make Fast Retailing a truly good company. Our corporate mission is to change clothes, change conventional wisdom and change the world by providing truly great clothes for all, everywhere in the world. We are a Japanese company, and we should respect and nurture the Japanese tradition from which we come. The FR Way is rooted in important Japanese cultural elements, including a passion for fine craftsmanship and an emphasis on superior customer service. The Japanese work ethic and teamwork also form an integral part of the FR Way philosophy.

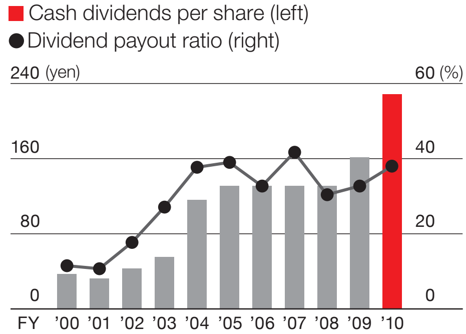
The FR Way is underpinned by the style of business stemming from Global One and ZEN-IN KEIEI. These require that the Group operate as a single entity. All employees are expected to adopt a business manager mindset and incorporate the best available global practices into their work. Any firm that has achieved success globally by necessity implements the concept of ZEN-IN KEIEI. I want to make our Group a place where all managers and staff are driven by strong ambition, where all members persistently strive to achieve goals while maintaining a strong awareness of the realities around them.

Q What is your view on your returns to shareholders?

A We offer a high dividend linked closely to business performance.

I believe that returning profits to shareholders is one of the most important considerations for management. Our policy is to offer high dividends that closely reflect business performance. Our basic stance is to use profits to fund future business expansion, to retain earnings to ensure healthy finances, and to provide shareholder returns. In fiscal 2010, we paid an annual dividend of 230 yen (consolidated payout ratio 38.0%). That constitutes a 70-yen increase in the annual dividend compared to the previous year.

■ Cash Dividends per Share and Dividend Payout Ratio



Note: Per share data is adusted for stock splits.

Our Approach to Corporate Governance

Fast Retailing enacts corporate governance to ensure proper management, a responsive and transparent management structure and growth to be the world's number one manufacturer and retailer of apparel. We have initiated various measures to ensure independence and strengthen the surveillance powers of the Board. Accordingly, we introduced the entrusted officer system to separate the decision-making and execution functions of management. Also, we appointed a majority of external directors to the Board, which heightened the Board's independence and surveillance functions.*1

The Group has adopted the corporate auditor governance model, which assigns responsibility for the oversight of corporate governance to the Board of Auditors,*2 and has established discretionary governance committees to augment the functions of the Board of Directors. Committees have been formed to oversee human resources, corporate social responsibility (CSR), disclosure, information technology (IT) investment, business ethics and the Code of Conduct (CoC). To fulfill their responsibility, these committees conduct expeditious and open discussions, making decisions in their respective areas of expertise. External Director Toru Hambayashi serves as the chairperson of the Human Resources Committee. Other committees consist of corporate auditors, external professionals, lawyers and operating officers.

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

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

Activities of the Board of Directors

The Board of Directors makes decisions pertaining to management and supervises the activities of the CEO and operating officers. Through the appointment of a majority of external directors, the board obtains highly professional and objective advice on a range of areas.

Brief backgrounds of external directors are as follows. Toru Hambayashi was president of one of Japan's general trading companies for years and is very familiar with the retail apparel industry. Nobumichi Hattori's experience includes work at a U.S.-based financial institution. He is presently a visiting professor at the Graduate School of Hitotsubashi University. Toru Murayama boasts a range of management-related knowledge and experience and is currently a corporate advisor to a leading U.S.-based consulting company. Specializing in management design, he also serves as a professor at Waseda University. Masaaki Shintaku has held top management positions at a U.S.-based information systems firm.

Topics discussed during fiscal 2010 included: approval of the annual budget and financial statements, Japan risk and the inherent risks of globalization, the FR Group Profit Sharing System, UNIQLO operations in Malaysia, the establishment of a joint social business venture with Grameen Bank in Bangladesh and medium to long-term strategies for UNIQLO global operations. In particular, board members received detailed briefings and thoroughly discussed M&A proposals, which will be important in securing future growth. The board enjoyed 100% attendance at the 13 meetings held in fiscal 2010.

Activities of the Auditors

Auditors serve to supervise the Board of Directors. The auditors also attend committee meetings as members or as observers to ensure that activities are being conducted appropriately and in accordance with the law, as well as to provide advice. The Board of Auditors consists of five members, four of whom are external auditors.*3 Takaharu Yasumoto is a certified public accountant, Norihiko Shimizu is a visiting professor at the Graduate School of Hitotsubashi University, and Akira Watanabe is an attorney at law. All external auditors provide objective opinions based on their expertise. In fiscal 2010, the average auditor attendance for the 13 meetings held by the Board of Directors was 93.8%, and the average attendance of auditors at the 13 meetings held by the Board of Auditors was 90.8%.

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

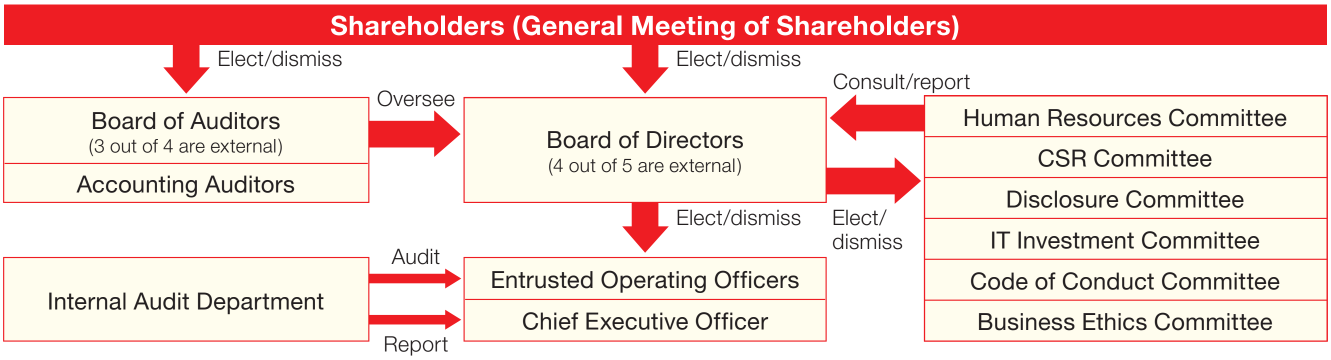
Fast Retailing's head office in Yamaguchi Prefecture, Japan

Director Remuneration Policy

Compensation for the Board of Directors is calculated within the amount limit for directors as approved at the general shareholders' meeting. In deliberating and deciding the compensation for individual board members, the Human Resources Committee considers a range of factors, including occupational duties, responsibilities, actual performance and contributions. Auditor compensation is calculated within the limits determined at the general shareholders' meeting, with individual compensation decided through mutual consultation between the auditors. Fiscal 2010 compensation to the five-member Board of Directors totaled 337 million yen, of which 37 million yen was paid to external directors, while compensation to the five auditors totaled 55 million yen, of which 40 million yen was paid to statutory auditors.

■ Corporate Governance at Fast Retailing

(As of December 1, 2010)



■ Composition of Committees

✓ Committee Members (As of December 1, 2010)

	Internal Director	External Directors				Full-time Auditor	External Auditors			Officers and other external professionals
	Yanai	Hambayashi	Hattori	Murayama	Shintaku	Tanaka	Yasumoto	Shimizu	Watanabe	
Human Resources Committee	✓	Chairperson	✓	✓	✓	✓	✓	✓		—
CSR Committee	✓					✓	✓			3
Disclosure Committee	✓					✓				4
IT Investment Committee	Chairperson									5
Code of Conduct Committee						✓				4
Business Ethics Committee						✓	✓		✓	3

Notes: 1. The individual in charge of information disclosure to the Tokyo Stock Exchange chairs the Disclosure Committee.
2. The individual in charge of the CSR Department chairs the CSR Committee, the CoC Committee and the Business Ethics Committee.

■ Committees and Their Responsibilities

■ Human Resources Committee

Chaired by External Director Toru Hambayashi, this committee is responsible for providing proposals and recommendations to the board regarding major organizational changes impacting the Fast Retailing Group and for revising personnel systems. In addition, the committee discusses and makes proposals and recommendations to the board concerning the election, dismissal, performance and compensation of directors, operating officers and the representative directors of Group companies.

■ CSR Committee

The CSR Committee discusses and makes decisions concerning CSR issues, including CSR activities and policies, CSR publications, environmental protection initiatives, community service activities, compliance and diversity issues. The head of the CSR Department chairs the committee, which is made up of members including experts from outside the company, statutory auditors and operating officers.

■ Disclosure Committee

Chaired by the individual responsible for disclosing information to the Tokyo Stock Exchange (TSE), committee meetings are held to enhance the transparency of management by providing timely, fair and simply stated disclosure of information. The committee makes decisions regarding information that is required to be disclosed to the TSE on a statutory or discretionary basis that could have a material impact on the judgment of investors.

■ IT Investment Committee

This committee discusses IT investment issues at a management level to achieve the optimal use of information system resources and to encourage reform of business operations. In addition, the committee assesses reports on the IT investment budget, verifies the suitability of investments with the help of the participation of external experts and evaluates the potential return on investment proposals.

■ Code of Conduct Committee

This committee is responsible for deliberations regarding responses to violations of the Fast Retailing Group Code of Conduct (CoC), giving advice related to the operation of the Compliance Hotline and increasing awareness about the CoC among officers and employees.

■ Business Ethics Committee

This committee aims to prevent the abuse of any potential superior bargaining power at Group companies. Examples of this include improper pressure on production plants, suppliers or other business partners. To this end, the committee calls on external experts to conduct surveys and implement questionnaire surveys to suppliers. The committee issues warnings and advice to various departments based on the survey results. The CSR Department head chairs the committee, which is made up of auditors and legal advisors.

From left: Toru Hambayashi, Toru Murayama, Tadashi Yanai, Masaaki Shintaku and Nobumichi Hattori

Messages from Our External Directors

Transitioning from ‘My Company’ to ‘Your Company’

Today Fast Retailing is at a stage where it is very important for it to transition from being a less-private “my company” under founder, CEO and major shareholder Tadashi Yanai, to becoming what I call “your company”—a more public corporation. As external directors, our task is to evaluate, on behalf of the various stakeholders, whether Fast Retailing is generating sound results. Given our varied backgrounds, we four external directors can voice valuable opinions unfettered by retail industry convention. While CEO Yanai is undeniably an amazing businessman he, nevertheless, sometimes needs to be subject to frank feedback, regardless of how unpalatable it might be.

The next few years will be key to the future of Fast Retailing. At the same time, this period will also test our powers as external directors. Opening new stores in the fast-growing Chinese market is a key growth strategy, but risks must be controlled. I will follow this dynamic closely by drawing on my experience as the CEO of a general trading company. The road ahead will be tough as the Group seeks further robust growth both domestically and internationally. That is precisely why it is imperative that Fast Retailing fosters a better corporate culture and pushes on with its aim of ZEN-IN KEIEI, where every employee adopts the mindset of a business manager.

Toru Hambayashi
External Director

Appointed November 2005. Former president of Nichimen Corp. then chairman and co-CEO of Nissho Iwai-Nichimen Holdings Corp. (currently Sojitz Corp.). Also an external director to Maeda Corp. and Unitika Ltd.

Objective Evaluation from a Capital Markets Perspective

Given my background managing M&A activities at a leading U.S. financial institution, I see my role as evaluating the corporate value of Fast Retailing from the perspective of capital markets and suggesting ways to improve that value. I constantly focus on how best to convey the Company's growth potential to the markets, how to improve the corporate Group, whether an M&A candidate would boost corporate value and how to attain steady gains in the share price.

During fiscal 2010, the transformation of Theory into a fully consolidated subsidiary came under my area of expertise. Before finally deciding on the appropriateness of the Theory acquisition, I had to clarify several issues including future levels of profit, potential growth and post-acquisition management systems. With recent profits expanding steadily, the Theory acquisition has proven successful. In the future, I will draw upon my experience, learning from past successes and failures when considering future large-scale M&A candidates. Fast Retailing is a company that aims to achieve unprecedented levels of growth. As such, the board as a whole plays an important role in ensuring that potential downside risks are considered.

Nobumichi Hattori
External Director

Appointed November 2005. Former managing director at Goldman Sachs NY, current M&A research specialist. Visiting professor at Hitotsubashi Graduate School of International Corporate Strategy and Waseda Graduate School of Finance, Accounting and Law. External director at Miraca Holdings Inc.

Building a Global Management Platform

Fast Retailing is a leading Japanese company taking its first steps toward becoming a global retailer. If the Company is to secure firm growth in world markets based on its superior UNIQLO business platform, we need a management framework that will be effective globally—covering business, services and human resources—and a management vision that can be shared by all employees. It is my role as an external director to provide different ideas and inspiration in pursuit of this aim.

I believe that one of the ironclad rules of management is having "big aspirations and acting cautiously," and that the role of external directors is to give accurate advice regarding resource allocation priorities, including personnel and time required. The Board of Directors is constantly debating and prioritizing the various means of generating growth. In the past, I have managed growth businesses for an international corporation, and have 30 years of experience as a consultant implementing business reforms across a wide range of industries. I plan to use that experience in various venues, including the IT Investment Committee, to debate and help craft a structural framework to serve the Company in the future.

Toru Murayama
External Director

Appointed November 2007. Former representative director and president, current corporate advisor to Accenture Japan Ltd. Also serves as professor on the Faculty of Science and Engineering, Waseda University.

Seek Solutions to Facilitate Long-term Growth

Fast Retailing is embarking on a new chapter as a global company. Having served as an external director for over a year now, I am keenly aware of the need to contribute to the company's long-term vision. I am intent on fulfilling the role that I expected of external directors when I managed a company. This entails striving to avoid potential risks, and help solve any risks that do emerge.

A company's performance is always compared to the previous year's results. Naturally performance fluctuates from year to year. But valuable experience can be gained from this volatility, and middle management is important when times are tough. Fast Retailing is a company looking to expand its business worldwide, and its employees should proudly embrace the challenges inherent in this. Don't be swayed by fluctuations in short-term performance, but be aware of the broader possibilities and how to realize them. The external directors come from varying backgrounds, making for lively debate. Mr. Yanai is always attentive and it is incumbent on the board to continue to work as a team to support him.

Masaaki Shintaku
External Director

Appointed November 2009. Former executive vice president of Oracle Corp. (U.S.) and chairman of Oracle Corp. Japan. Current advisory board member to NTT DoCoMo Inc. and vice chairman of the NPO Special Olympics Nippon.

Takaharu Yasumoto
External auditor since November 1993. President of the Yasumoto CPA office. Serves as external auditor for UNIQLO, Link Theory Japan and ASKUL Corp. Also guest professor at the Chuo Graduate School of International Accounting.

Norihiko Shimizu
External auditor since November 2004, serves as an external auditor for UNIQLO, Nissin Sugar Manufacturing Co., Ltd. and Yamaha Motor Co., Ltd. Also visiting professor of Graduate School of International Corporate Strategy at Hitotsubashi University.

Akira Tanaka
Full-time internal auditor since November 2006. Entered McDonald's Co. (Japan), Ltd. (currently, McDonald's Holdings Company (Japan) Ltd.) in September 1972 and later became deputy president and advisor of McDonald's (currently, McDonald's Holdings (Japan)).

Akira Watanabe
External auditor since November 2006. Attorney and representative of the Seiwa Meitetsu Law Office. Serves as external director to Japan Pile Corp. and Maeda Corp. Serves as external auditor to Kadokawa Group Holdings.

Auditor Message

Managing the Inherent Risks of Growth

Managing overall risks to the company is a vital role of the statutory auditor. The board is well balanced with external directors from varying backgrounds contributing their different perspectives on risk management. My past experience as a consultant on business strategy means that I offer advice on the hidden risks to long-term corporate growth and development. Management resources are limited, and so the process of choosing and concentrating those resources is very important. By focusing expansion in specific areas of strength, you can create an overwhelming competitive advantage. I offer opinions from a risk perspective, focusing on risks that management may have overlooked, or suggesting alternative means of pursuing growth involving less risk.

The Human Resources Committee discusses the evaluation of and compensation extended to top management and submits proposals and recommendations to the Board. Chaired by a very talented external director, and with other external auditors among its members, this committee is crucial to ensuring transparent governance. The lively exchange of views between external directors and statutory auditors is extremely beneficial in this important decision-making process.

Norihiko Shimizu
External Auditor

Fast Retailing has put in place a number of internal controls to ensure that business activities are conducted in accordance with the law and the guiding principles of the Group. These include enhancing corporate ethics and compliance through strict adherence to basic Group policies and rules, including the Group's management principles, the Fast Retailing Way (FR Way) and the Fast Retailing Code of Conduct (CoC), which were designed to constantly improve our corporate ethics and compliance. In conjunction with this, we have also established internal control systems for financial reporting and information disclosure. Our Internal Audit Department, which is entirely separate from Group business activities, and the Legal Department, which oversees compliance issues, work to ensure the smooth operation of this system. These departments regularly conduct risk analyses to manage risk.

Code of Conduct for Officers and Employees

The Fast Retailing Group CoC is implemented at each Group company. We strive to heighten awareness of the CoC by explaining it to all new employees, while officers and employees are required each year to confirm and sign a written pledge committing to comply with the CoC.

Each Group company has an internal reporting system, or "hotline." These hotlines can be accessed via telephone, e-mail or post by employees wanting to report or discuss any potential violation of the CoC or any concerns about their work. Employees receive confidential advice via the hotline pertaining to communication problems with managers, sexual harassment, working hours and paid vacation, or issues including problems related to the renewal of employment contracts. In addition, in some cases it is possible to receive advice from external legal counsel. The reports and concerns received are held in the strictest confidence and the circumstances behind consultations are investigated. When necessary, the CoC Committee*[1] will consider specific solutions and take action to make improvements.

*1. For more information on the CoC Committee, see page 21.

CoC and Monitoring Workplace Conditions at Partner Factories

UNIQLO works with approximately 70 manufacturing partner companies, principally in China and other countries in Asia. We endeavor to manage product safety and quality, and improve working conditions at factories. We regularly check working conditions at partner factories for inappropriate or unethical practices, such as child or forced labor. We encourage improvements and seek full disclosure of information. In 2004, UNIQLO instituted a Code of Conduct for Production Partners and called on specialized external institutions to monitor operations, particularly working conditions, at core partner factories which had signed a pledge to abide by the Code of Conduct for Production Partners. In addition to UNIQLO, other Group companies and brands including g.u., Cabin, Comptoir Des Cotonniers, and Princesse tam.tam began monitoring partner factories using uniform standards in 2010.*[2]

*2. For more information on monitoring activities, see page 59.

Guidelines to Prevent the Abuse of Superior Bargaining Power

We believe one of our most important tasks is to build equal and amicable relationships with our business partners.

UNIQLO is in a particularly strong position in terms of bargaining leverage, given that it operates approximately 950 stores worldwide and orders more than 500 million items annually. For this reason, Fast Retailing established its Business Ethics Committee*[3] in 2004 and takes a preventive approach seeking to avoid violations by requiring strict compliance with the Guidelines to Prevent the Abuse of Superior Bargaining Power.

The Business Ethics Committee annually administers a questionnaire survey to principal business partners. It also conducts a survey of all departments in the Fast Retailing Group four times a year in order to identify and, if necessary, to clarify any problems relating to transaction partners.

In fiscal 2010, we received survey responses from 177 businesses with which we have transactions. The replies covered a wide range of issues. Some were business-related matters, such as problems meeting delivery deadlines when orders were placed belatedly, or strong demands during price negotiations, while others related to business etiquette, including the clothes worn or the language used by our employees.

The CSR Department closely examines the results of these surveys and refers any potential problems to the Business Ethics Committee. In fiscal 2010, the committee investigated 10 problems.

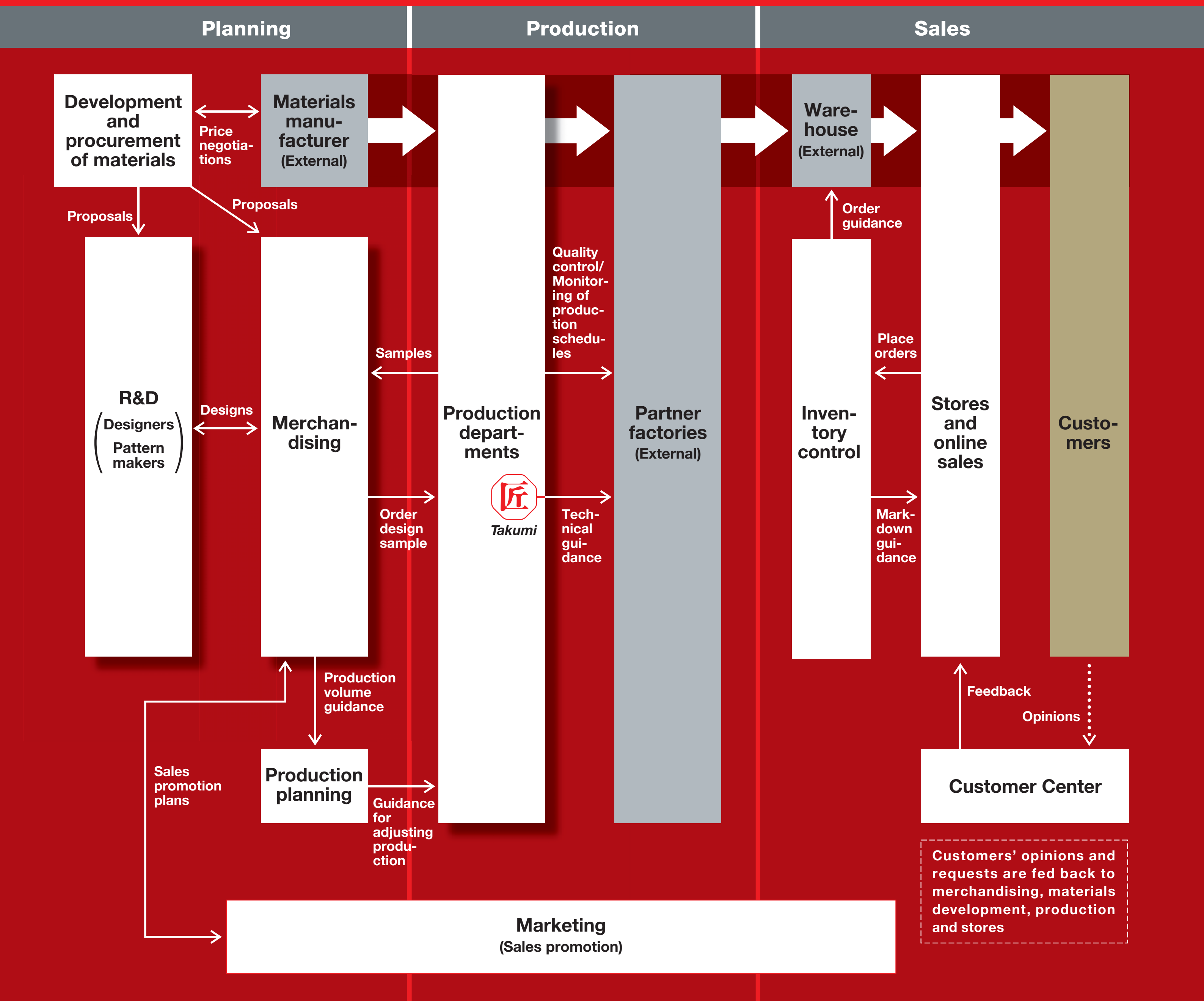
*3. For more information on the Business Ethics Committee, see page 21.

UNIQLO Operations

- Business Model
- Expanding Overseas
- Store Development
- Expanding Women's Wear
- Product Development
- Topics: +J collection

UNIQLO Business Model

UNIQLO has established a SPA (Specialty store retailer of Private label Apparel) business model encompassing all stages of the business—from design and production to final sale. By continuously refining this SPA model, UNIQLO successfully differentiates itself from other firms by developing unique products. We quickly make adjustments to production to reflect the latest sales environment and minimize store-operation costs, such as personnel costs and rent. This is how we at UNIQLO provide such high-quality clothing at such reasonable prices.



Planning | **Product concept** ➤ **Material selection** ➤ **Design samples** ➤

Research & Development (Designers/Pattern makers)

UNIQLO's R&D centers are constantly researching the latest fashions and lifestyles around the world as well as looking for new materials. Concept meetings are held roughly one year before a product launch. At these meetings, R&D designers meet with representatives from the merchandising, marketing, materials development and production departments for discussions and determine the concepts for upcoming seasons. Based on these concepts, UNIQLO's R&D centers prepare countless designs and sample products.

Development and Procurement of Materials

UNIQLO secures a stable, high-volume supply of top-quality materials at low costs by negotiating directly with material manufacturers. Materials development is especially important for core products. We source denim to specific spinning and dyeing specifications from the world-renowned Kaihara Corp. and develop new functional materials, such as HEATTECH, with synthetic fiber maker Toray Industries Inc.

Merchandising

Merchandisers fulfill a vital role from product planning through production. Having first met with the R&D designers, merchandisers then apply the concepts for each season in determining product plans, materials and designs.

Next, merchandisers decide the product lineup and volume for each season, paying particular attention to our meticulously crafted marketing strategy.

One other important task for our merchandisers is to decide when to increase or reduce production during a season. Decisions to adjust production in line with demand are taken jointly with the product planning department.

Production | **Set volume and begin production ➤ Dyeing and spinning ➤ Knitting and sewing**

Production Department

Quality and Production Control

UNIQLO has assigned about 250 staff and *takumi*, or expert textile craftsmen, to overseas offices in Shanghai, Shenzhen, Ho Chi Minh City and Dhaka. Staff in charge of production visit partner factories each week to resolve any issues that arise. Customer concerns regarding quality are communicated immediately to production departments and improvements are made promptly.

UNIQLO's Takumi Teams

"By offering instruction on dyeing technology to UNIQLO's partner factories, I can encourage workers to embrace a new production management philosophy and improve their factories. Our cultures may be different, but our aim is the same—to make good products. I am proud to pass on expert Japanese techniques to the next generation of Chinese technicians."

Kazuaki Iida
Dyer Takumi

■ UNIQLO Production Offices

Expanding Production Network

Approximately 85% of UNIQLO products are manufactured in China. Having expanded its global sales network in recent years, UNIQLO is actively expanding production in other Asian countries, namely Vietnam, Bangladesh and Thailand, in order to reduce reliance on China and lower costs. In the future, we aim to position one-third of production outside China.

Processing and finishing ➤ Product inspection ➤ Shipped to destination country ➤

The Cut and Sew Manufacturing Process

Spinning

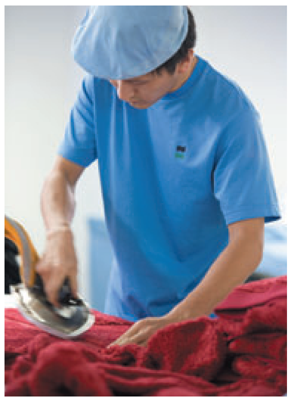
The spinning begins with the unraveling of raw yarn materials. Cotton is blended from multiple localities to ensure quality.

Dyeing

Computer-generated test colors are adjusted by skilled craftsmen with an eye for slight differences in color shade.

Knitting and sewing

The sewing process begins with cutting, followed by machine sewing, which requires both precision and patience.



Processing and finishing

Ironing and packing are performed with great care. Quality and safety inspections are conducted several times.

Sales | **Products reach the warehouse** ➤ **Shipped to stores**

Inventory Control

Inventory Control maintains the optimum level of store inventory by monitoring sales and inventory at stores on a weekly basis, and dispatching necessary inventory and new products to stores to fill their product orders. At the end of seasons, Inventory Control works with merchandisers and marketing to coordinate the timing of markdowns to ensure that inventory is completely sold.

Promotional flyer

Marketing

Each season, UNIQLO conducts promotional campaigns for core products such as fleece, down jackets, polo shirts or HEATTECH. During the campaign, UNIQLO advertises core products' unique qualities and newsworthy features on TV. Weekly flyers in national newspapers on Saturday offer the latest apparel at weekend-only limited-offer prices, generally 20% to 30% below regular prices.

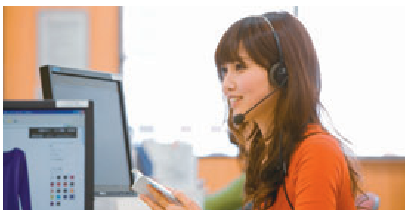
TV commercial

Online Store

Access UNIQLO's online store at:
http://www.uniqlo.com/jp/

Customer Center

The Customer Center receives more than 70,000 opinions and requests annually from customers via telephone, postcard and e-mail. These are forwarded to the appropriate departments to help improve products, stores and services.


Customer Center

In-store and online sales

UNIQLO Japan Stores

UNIQLO started as a chain of roadside stores with a typical sales area of 500 square meters per store. The subsequent upgrading of most stores to 800 square meters meant that we could display a richer array of products. Today, we are opening primarily large-scale stores of 1,600 square meters. Of a total 808 stores at the end of August 2010, 102 stores were large-scale stores, accounting for approximately 20% of UNIQLO Japan sales.

UNIQLO is also focusing on developing large-scale stores in urban locations, such as the UNIQLO Shinjuku Takashimaya Store, with a sales floor of 1,600 square meters, opened in April 2010. This was followed by the October 2010 opening of our first global flagship store in Japan, the Shinsaibashi store, with a sales area of 2,600 square meters. We plan to expand our large-scale store network to 200 stores, at a pace of 30 new stores per year.

UNIQLO Yamaguchi Store (roadside)

UNIQLO Aeon Mall Kisogawa Kirio Store (shopping center)

UNIQLO Kobe Motomachi Store (large-format, urban high street)

To Become the Top Brand in Asia on the Way to Being the World's Number One Apparel Retailer

UNIQLO Shanghai
West Nanjing Road Store
(global flagship store)

UNIQLO 311 Oxford Street Store
(global flagship store)

UNIQLO Paris Opera Store
(global flagship store)

Rapid Expansion in Asia

UNIQLO's Shanghai global flagship store, launched in May 2010, has been a resounding success with crowds flocking to the store launch. Located on a prominent corner of the city's main fashion street, Nanjing West Road, the Shanghai flagship is expected to generate explosive growth as UNIQLO's hub for promoting the brand in China.

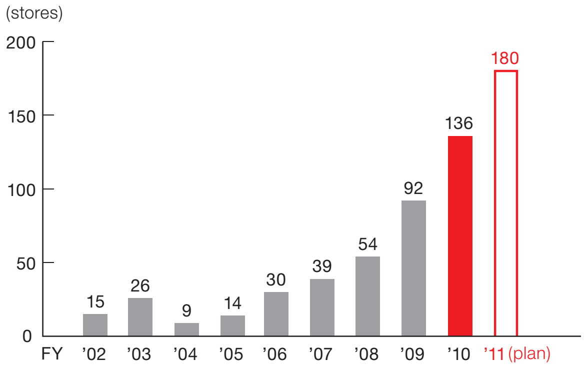
In order to become a leading world brand, UNIQLO must first become the dominant, number-one player in Asian markets. Since entering the Chinese market in 2002, UNIQLO has expanded its Asian store network to cover Hong Kong, South Korea, Singapore, Taiwan and Malaysia. UNIQLO International already generates approximately 70% of its total sales in Asia.

The reason why other competing brands such as H&M and Zara grew so rapidly over the past 10 years is because they looked beyond their domestic borders and expanded into international markets. We are also looking to generate similar growth by opening stores across the globe. At the end of fiscal 2010, UNIQLO's global store network had grown to 136 stores, which generate only 10.7% of total UNIQLO sales. Our current aim is to have UNIQLO International sales surpass total UNIQLO Japan sales.

UNIQLO Soho New York Store
(global flagship store)

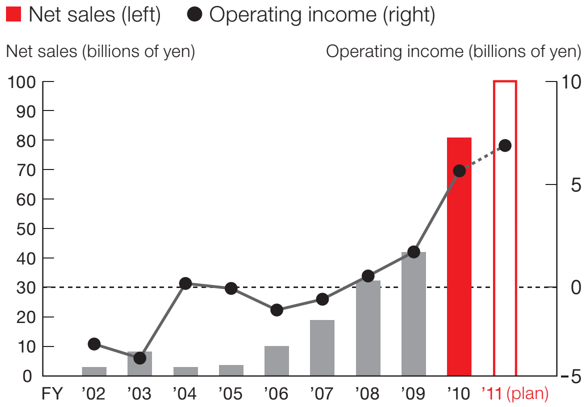
UNI QLO NEW YORK Nov 2006

UNIQLO International Store Network

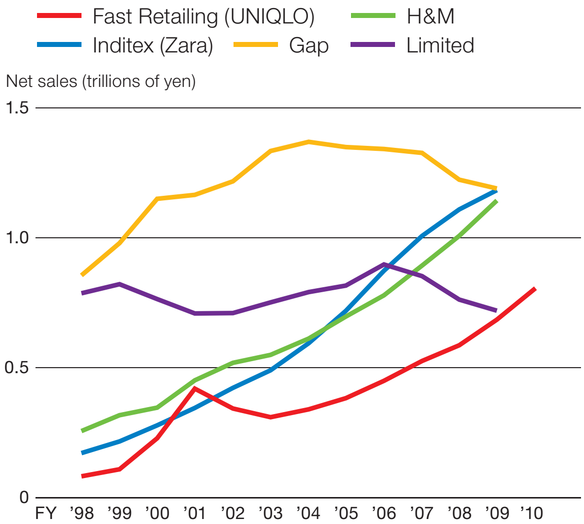


UNIQLO Shinsaibashi Store
(global flagship store)

UNIQLO International Business Performance



Sales Trends for Major Apparel Retailers



Notes: Data used is from each company annual report.
Calculations use end-of-August 2010 exchange rates.

Flagship Stores Boost the Brand

UNIQLO is seeking to build its brand through its network of global flagship stores. Global flagship stores serve as hubs to get out the UNIQLO message and concept of high-quality basics, while showcasing what sets UNIQLO apart from competitors such as H&M, Zara or Gap. The first global flagship store opened in New York's Soho area in fall 2006. Since then, global flagship stores have opened in London, Paris, Shanghai, and Osaka's Shinsaibashi area. Preparations are now underway to open another global flagship store on New York's Fifth Avenue in fall 2011.

Shanghai

Global Flagship Store Opened in May 2010

Interview

Tomokazu Kurose
Store Manager
UNIQLO Shanghai West Nanjing Road Store

Fostering Store Managers Who Embody UNIQLO's Core Values

As store manager at our Shanghai global flagship store, I believe that UNIQLO's success here will prove a great launching pad to expand our nationwide store network. More than anything, I think that Chinese customers appreciate UNIQLO's superior service. The key to this store's success has been UNIQLO's ability to apply its Global One approach to business management, under which we adopt the best methods from around the world. Making sure customers don't have to wait at checkout, keeping the store displays tidy, ensuring that there is always an ample range of sizes—it is the patient and persistent attention to these details that has successfully won over customers.

The most important part of my job is to instill this Global One ethic in our staff. A staff manual is not enough. China and Japan differ culturally, and the motivation and attitudes of staff also differ. I have to explain concepts repeatedly to bridge these differences and achieve the same level of heartfelt UNIQLO service we practice in Japan.

The Chinese market is poised for dramatic expansion. I expect the UNIQLO store network to grow in tandem with this. UNIQLO will require people who can firmly implement the Company's Global One management ethic. My mission is to train many good Chinese store managers from among our staff here in China.

When I consider the potential impact of my performance here on our future strategy in China and Asia, it drives home the significance of the work I am doing. I am confident that through open and frank communication we can overcome cultural differences. Although it takes time and effort to train good managers, it is great fun and one reason that I really love my job. When I think of the future and imagine the staff I have trained driving UNIQLO in the future, it is all worth it.

UNIQLO Tokyo Midtown Store

Interview

Takenari Motoda
Director
Store Development
Fast Retailing Co., Ltd.

Relentless Focus on Store Profitability

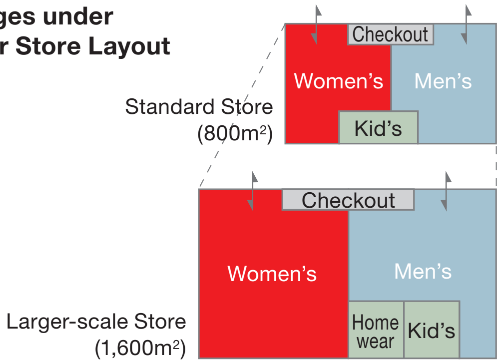
There is more to store development than simply renting land or securing space. First, you have to consider whether a specific location can work. Knowledge of the property market is not enough.

An understanding of the UNIQLO brand and business is crucial to conveying our growth potential and corporate vision to landowners and developers.

When developing new stores, UNIQLO has not pursued a strategy of trying to dominate by opening multiple stores in a concentrated area. Rather, UNIQLO has tried to cover a broader area, placing each store in its own space to avoid overlap. In choosing a location, we consider a range of factors,

Opportunity Ripe for Large-scale City Stores

■ Changes under Larger Store Layout



A Large-scale Store Business Model

As Japan's leading apparel retailer, UNIQLO established a nationwide store network of mainly suburban, roadside stores, only venturing into the urban arena in 1989 with a store in Tokyo's trendy Harajuku district. This Harajuku store was the catalyst that boosted the popularity of UNIQLO. From 2004, new store openings expanded rapidly, riding on the heels of the growing commercial shopping center boom. From 2005, UNIQLO began developing large-scale stores. The focus of current store development is shifting from standard stores with sales floors of around 800 square meters, to large-scale stores with sales floors of around 1,600 square meters or more.

In the apparel industry, sales and profitability per square meter typically decrease as sales floor area rises. However, by boosting sales and reducing costs with a richer mix of products, particularly for women, UNIQLO has established a profitable business model for large-scale stores.

Through fiscal 2010, UNIQLO expanded to 102 its network of large-scale stores, accounting for about 20% of UNIQLO Japan sales. The company is expanding its sales-floor space by concentrating on new large-scale store openings, and scrapping mid-scale stores that may cannibalize demand in new store areas.

Expand Market Share with Urban Stores

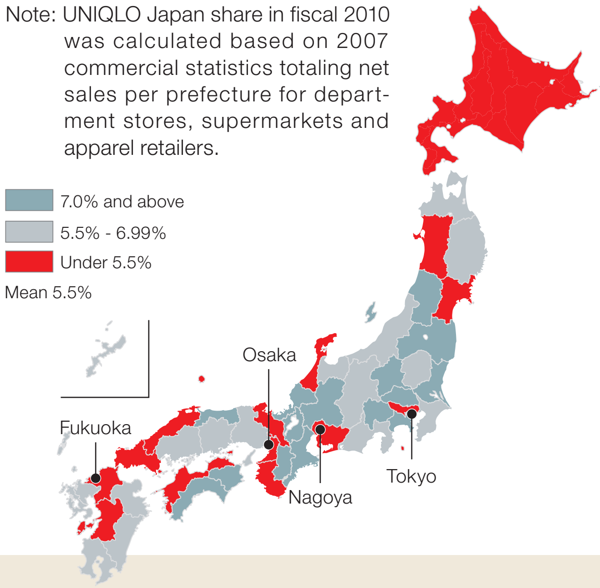
UNIQLO has a 5.5% share of Japan's domestic apparel market. To continue to grow, in addition to boosting sales of women's wear, UNIQLO is focused on increasing its share of the urban apparel market.

UNIQLO store operations have been disproportionately located outside of the populated major urban areas of Japan, namely Tokyo, Osaka, Nagoya and Fukuoka. Since 2009, UNIQLO has been opening more new stores in urban-high-street locations and in department stores. This is a win-win proposition for UNIQLO and the owners of these spaces. The rising profile of UNIQLO and its ability to attract customers appeals to owners of these locations, such as department stores and developers.

These prime-location stores are popular with customers and generate strong sales. The stores hold great potential for UNIQLO, both in attracting a broader range of customers as well as further boosting brand value.

■ UNIQLO Share of Sales by Prefecture

Note: UNIQLO Japan share in fiscal 2010 was calculated based on 2007 commercial statistics totaling net sales per prefecture for department stores, supermarkets and apparel retailers.



including the population within a particular commercial area, and access to major roads.

UNIQLO carefully assesses each opportunity using specific criteria for new store openings—including potential sales per store, profitability, the presence of competition—and the time needed to recoup the initial investment. That is the way we have done things in the past, and the way we do things now.

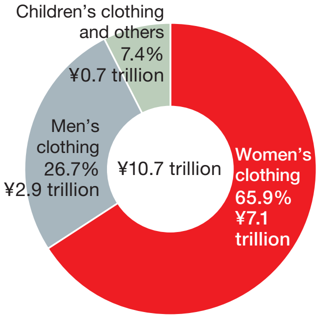
This repeated and meticulous approach to each individual store underpins the high level of profitability at UNIQLO.

Heightened UNIQLO brand awareness has enabled us to open stores in sought-after locations such as Tokyo's Ginza and Shinjuku areas. There are numerous plans in the pipeline to open stores in department store buildings and to continue new store penetration in urban areas. Using these locations, UNIQLO expects to attract new customers.

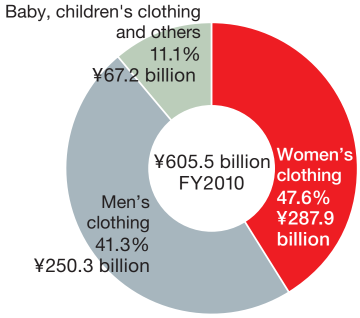
Currently, we are preparing to open further global flagship stores on New York's Fifth Avenue, in fall 2011, and then in Ginza, Tokyo. To successfully open flagship stores in major cities, those of us in charge of store development must constantly be attuned—like a hunter in search of prey—to what is going on so that we don't miss an opportunity.

Developing New Lifestyle-changing Clothes for Women: A Key to Growth

■ The Japanese Apparel Market



■ UNIQLO Japan Sales by Product Category



Note: The Japanese apparel market was calculated at 10.7 trillion yen based on the Ministry of Economy, Trade and Industry's 2007 commerce statistics survey, covering department stores, supermarkets and clothing retailers. These figures do not include Japanese kimono and sleepwear, or accessories such as footwear and bags.

Market for Women's Wear Twice that of Men's

Japan's total apparel market is estimated to be worth 10.7 trillion yen.* Of that, the women's wear market is worth 7.1 trillion yen, men's wear accounts for 2.9 trillion yen and kid's clothing 0.7 trillion yen. The women's wear market in Japan is therefore more than double the size of the market for men's clothing.

Starting as a casual wear shop for men, UNIQLO's strength in men's wear has helped it to achieve an 8.7% share of the 10.7-trillion-yen men's segment. But UNIQLO's share of the women's wear market is a mere 4.1%. In light of these figures, it is clear that developing more women's products holds the key to future growth.

Basic clothes are a core strength of UNIQLO, and no wardrobe is complete without them. UNIQLO believes that it can firmly capture the hearts and minds of women with clothes that offer the triple benefits of price, quality and style. UNIQLO aims to win over female customers of all ages by offering a reasonably priced, quality-finish garment range so attractive that no other competing brand can match it.

Developing More Attractive Women's Wear

In the past, cotton T-shirts, sweaters, jeans and innerwear featured strongly in UNIQLO's product mix for women. However, over the past few years, UNIQLO has worked to branch out by developing new items, including dresses, skirts, blouses, jackets and leggings. At UNIQLO, we are maintaining our popular basic items and developing new products—such as our Bra Top range—that have the power to change the lifestyles of women. Our designers and merchandisers share a passion for the challenge of creating new clothes.

In fiscal 2009, the proportion of total sales derived from women's wear overtook men's wear at UNIQLO Japan for the first time. Many harbor high expectations for the challenging but exciting work we have begun at UNIQLO to expand our range of products for women.

Interview

Mayoko Ito
Women's Designer
Product Development and Merchandising
UNIQLO Co., Ltd.

Designing Clothes with a Contemporary Feel

The mission of UNIQLO designers is to create clothes of simple design and silhouettes with a contemporary feel. I want to create clothes that focus on design, but also clothes that are comfortable to wear and of high quality. As a designer, I feel the most joy when customers of all ages are impressed by how wonderful a particular garment is.

I worked at major apparel designer brands and as a designer in Paris before joining UNIQLO. But working at UNIQLO brings home just how difficult it is to design basic clothes with a contemporary touch. Basic does not mean safe, passable clothes. The creation of true basic clothing is an art that requires attaining a delicate balance

and means incorporating just the right touch so that the clothes impress everyone. To achieve this, the sensibilities of individual designers are of course important. At the same time, I also believe it is important to be in touch with current global trends. I watch the latest trends and read newspapers and magazines in Japan as well as when I travel overseas.

Overseas the pursuit of individuality is very important when it comes to fashion. I think this is driving the massive demand for UNIQLO's basic garments as they are easy to coordinate. This is also why I feel global expansion is essential to our company's future.

Compared to other apparel retailers, UNIQLO is meticulous when commercializing clothing, creating samples and conducting checks multiple times to ensure a properly finished product. We designers attend to the minute details—such as buttons, fasteners and tape—to achieve the most refined end product possible. I aspire to keep making quality clothing available at reasonable prices to delight our customers.

Using the World's Best Materials to Maximize Quality and Functionality

Six Years Since Our Global Quality Declaration

Since announcing our Global Quality Declaration in September 2004, UNIQLO has witnessed a significant shift in its brand image. Once seen as a brand offering low-priced clothing, today UNIQLO is now known for its quality clothing made from the world's best materials. Since the declaration, the internal product development system has been overhauled and the company has left no stone unturned in its persistent, uncompromising drive to create clothes at reasonable prices, using high-quality and functional materials.

In Search of the World's Best Materials

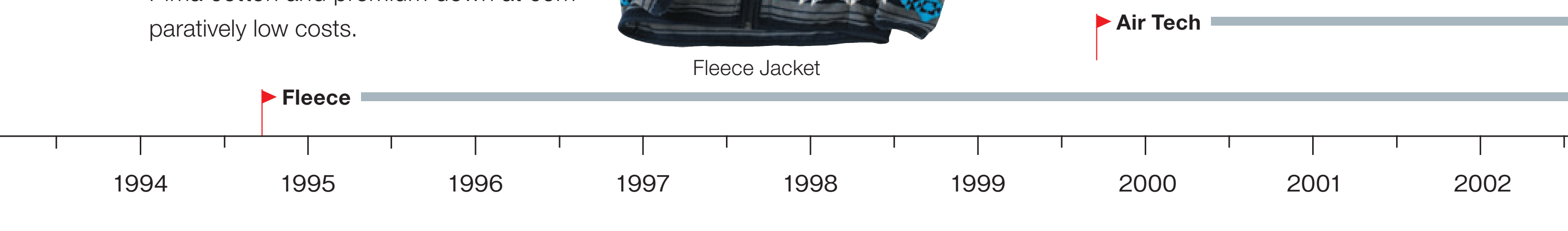
In the past, you would have expected to pay several hundred dollars for a cashmere sweater. But today, UNIQLO cashmere sweaters can be had for under $100. By negotiating directly with global materials manufacturers and ordering in bulk, UNIQLO has succeeded in procuring high-quality materials such as cashmere, American Pima cotton and premium down at comparatively low costs.

New Functional Materials to Create Demand

UNIQLO seeks to generate new demand by developing new functional materials in collaboration with fiber manufacturers. UNIQLO has developed innovative materials with its partners, including HEATTECH, which was created with synthetic fiber manufacturer and strategic partner Toray Industries, Inc. Incremental improvements over the years have assured the continued success of HEATTECH each season. Still, for a new functional material to have any value, it must be developed into a product that harnesses its specific attributes. For that reason, UNIQLO is committed to developing more and more functional products—such as materials that protect against UV rays, or materials with deodorizing properties—to fulfill the needs of customers.


Fleece Jacket


Cashmere Sweater



Interview

Koichi Akae
Manager
Global Operation Dept. Staple Fibers Dept.
Toray Industries, Inc.

HEATTECH Success: The Product of Unconventional Thinking

For two years from April 2007, I worked on site in UNIQLO's Production Department. Together we made a revolutionary new product called HEATTECH. At first, I was struck by the extremely fast pace at which the work progressed at UNIQLO. I felt that many of the things that UNIQLO was asking for were just impossible and I would often struggle to explain these requests to people back at Toray. Obviously, apparel manufacturers and materials manufacturers bring different approaches to creating new products. Still, we knew that UNIQLO was confident that Toray would succeed, so we just persisted until we found a way.

Toray initially provided HEATTECH

■ **Key UNIQLO strategic materials and products**

material to make warm winter innerwear, but the original product was considered too hard for women's innerwear. We then made many improvements, developing a softer material that was a mix of acrylic, rayon, polyester fibers and milk protein. It was technically very difficult to develop material that both generated and retained heat while maintaining a dry, soft feel. Then, on top of that, HEATTECH material needed to be easy to dye bright and appealing colors.

The success of HEATTECH was due to two companies from different industries being willing to think outside the box and work together. Naturally, we are keen collaborate to further abandon convention and invent more innovative materials.

UNIQLO and Toray Strategic Partnership

Toray Industries and UNIQLO partnered in 2006 to develop innovative products to meet customer needs. In 2010, the two companies agreed to a second five-year strategic plan, under which they are looking to expand their alliance globally. Together the firms aim to engage in business transactions worth 400 billion yen over the five-year period from 2011 through 2015.

‘Basics need to be redefined constantly. They are the product of an ongoing experiment with new materials and fresh inspirations.’ — Ms. Jil Sander

+J

Open the Future

Luxury will be simplicity.
Purity in design, beauty and comfort for all.
Quality for the people.
Basics are the common language.
The future is here: +J.

The +J collection is a groundbreaking collaborative project launched with internationally acclaimed fashion designer Ms. Jil Sander, known for her eponymous luxury brand. Since the collection débuted in October 2009, it has enjoyed an enthusiastic following in the world’s fashion cities including Tokyo, Paris, London, New York, Shanghai and Hong Kong.

+J is the ideal marriage of purity and sophistication. Hailing from polar ends of the fashion spectrum, luxury and democracy are now united by a common philosophy: Style is not for an elite few, and fashion can look beautiful on everyone. We have thrown down the gauntlet, seeking to create fresh styles and new clothing for the future —this is the true embodiment of the +J concept and its theme “Open the Future” —a shining example of the even brighter future that awaits UNIQLO.

Open

An Interview with Ms. Jil Sander

Ms. Jil Sander

Born in Germany. After studying textile engineering and design, she traveled to the United States where she worked as an editor at a fashion magazine in New York before in 1968 opening a boutique in Hamburg, Germany. Today she continues to work as a fashion designer.

Q A year has passed since UNIQLO launched the +J collection. Looking back, how do you feel?

A I am very happy about the warm reception of this collection. It is extremely rewarding to see our UNIQLO +J concept of quality fashion for everyone embraced and our customer base continuing to grow.

I am overwhelmed by what we achieved in such a short time. From the first day, +J had a large fan community confident in finding what they were looking for. I am very happy that we didn't disappoint them and that the pool of +J customers is growing constantly. I think that my vision of quality fashion for everyone is on a good path, even though there is much left to do and to improve. We have been graced with a lot of positive press coverage in every country where +J is on offer. This is a strong incentive to broaden the line and to keep raising its standard.

Q You have said you will be taking the +J collection in a new direction. What do you see in the future?

A We will work further to distinguish +J from ephemeral fashion as we pursue the essence of a truly contemporary style combining outstanding materials with sophisticated design. In short, +J is out to prove that basic clothes can create unprecedented innovation and style.

The +J collection has a handwriting that will never change, but it should become more and more visible from season to season. Our goal is to develop a truly contemporary style on a global basis and at the same time to map the future of fashion via avant–garde solutions in the field of fabric research and sophisticated design. +J wants to establish itself as a laboratory for the possibilities of mass production. All too long, fashion's tendencies have been dictated by a catwalk culture which concentrated on the outrageous, the eccentric, and the ephemeral. +J wants to prove that something truly new can arise from the basics market. The philosophy of basics is still in its infancy. We haven't even started to explore the stylistic potential of pure lines and natural silhouettes, of clothes which are in tune with our new century and at the same time comfortable and practical. As more and more well educated people are entering the global work force, the desire for understatement will grow. More and more customers will look for clothes that don't pretend, but deliver quality and underline rather than outshine the individual personality. As you can see in the Fall/Winter +J collection 2010, this may, for example, lead stylistically to redoing sportswear with a couture sensibility. In this vein, we will keep looking for new solutions as the logical outcome of advances of the past.

Q The +J collction is bringing change to UNIQLO. How will this affect the future of the company?

A UNIQLO is exploring future possibilities based on +J. Both an exceptionally talented and creative team as well as time will be required to make UNIQLO's highly visionary and idealistic concepts a reality.

We will do everything step by step. You need to study the repercussions of what you did in order to progress intelligently. The new core of UNIQLO needs to be firmly established before we expand. But +J is indeed a laboratory for future possibilities of UNIQLO. We are looking for new providers, we develop new procedures, and we are in the process of drafting a new brand identity. Once, the DNA is regenerated, it can be implemented on a larger scale. But you need a well trained creative force of textile engineers, pattern-makers and design assistants to translate +J advances into the whole of UNIQLO. All this takes a bit of time, you have to change the wheel of a vast machinery while you keep driving. If UNIQLO succeeds with the plan to expand in the west in a major way, the matrix of what the company has to offer needs to be in place. I see the possibility of becoming a major brand worldwide with an agenda that is truly visionary, idealistic and in tune with the morals of the democratic 21st century: affordable fashion which is beautiful, sophisticated and of the best possible quality: clothes for all people.

the Future

theory

HELMUT LANG

COMPTOIR DES COTONNIERS

PRINCESSE tam•tam PARIS

Global Brand Operations

- Theory
- Comptoir des Cotonniers
- Princesse tam.tam
- g.u.

t h e o r y

HELMUT LANG

P L S T

Theory Ginza Store, Tokyo

Business Overview

Theory is a brand for contemporary women founded in New York City. Ricky C. Sasaki, friend of brand founder Andrew Rosen, introduced Theory to Japan in 1998. Fast Retailing first invested in Link Theory Japan in January 2004, subsequently making it a fully owned subsidiary in March 2009. In fiscal 2010, the company generated combined sales of about 50 billion yen from 326 stores located primarily in Japan and the U.S.

Theory: Inspiring Modern Women as a Leading Contemporary Market* Brand

Interview

Ricky C. Sasaki
President and CEO,
Link Theory Japan Co., Ltd.

We Continue to Win Women's Hearts With Theory's Quintessential Appeal

The Theory concept is to create fashionable basic clothes to suit the contemporary lifestyle of women today. I believe the biggest reason why women continue to wear Theory clothes is because we are careful to uphold the brand's traditional approach, which our customers have always appreciated. That is the strength of the Theory brand. The stretch fabric used in Theory clothes fits well and creates a beautiful silhouette. Theory clothing items are perfect for the working woman's lifestyle because they are easy to coordinate. Simply wearing Theory clothes instills confidence as Theory is all about putting the wearer, not the clothes, at the center of attention.

Theory clothes are basic, making it possible to incorporate fashion trends into the designs. Theory launched nearly a decade ago, but we want to ensure the brand never loses its vitality. That is why we have made Olivier Theyskens our new artistic director starting with the 2011 fall and winter collection. Theyskens made a name for himself as an up-and-coming designer at Paris Fashion Week. Going forward, we will maintain the essence of Theory as we further develop our styles and clothing concept by incorporating a sense of luxury, which will further heighten the appeal of Theory clothes.

*The contemporary market serves modern customers by providing reasonably priced clothing of designer quality.

Training Staff to Carry the Theory Brand Concept into New Markets

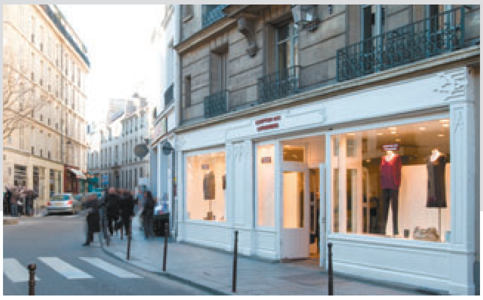
The Theory brand generated extremely strong results in fiscal 2010. One key factor underlying this robust performance was the recovery in Theory sales in the United States, previously dampened by the fallout from the collapse of Lehman Brothers. We were able to bring about this recovery in sales by reducing our U.S. management operations. Going forward, I shall focus on the wholesale business to major department stores such as Saks Fifth Avenue. I am also intent on increasing the number of Theory stores under direct management. Theory has also expanded its performance in Japan, where our customer service drives repeat sales. The fall in cost of sales generated by the strong yen also improved the profitability of Theory Japan.

Moving ahead, we see the markets of China and Europe as promising. The women whose needs Theory seeks to meet all share a common lifestyle wherever they are in the world. Many customers from Europe visit our New York Theory flagship store in New York's trendy meatpacking District to buy Theory clothes, because they don't have a Theory store in their home countries.

As a member of the Fast Retailing Group, it is easier for us to enter new markets and we will be looking to further expand Theory's share in these promising new markets. To achieve this goal, the most important task will be to train staff who fully understand the Theory concept and who can carry the Theory brand to new customers.

A Chic French Fashion Brand Renowned for its Creative Style

COMPTOIR DES COTONNIERS



Comptoir Des Cotonniers France Pavee Store

Business Overview

Comptoir des Cotonniers (CDC) sprang from boutiques opened in 1995 in Paris and Toulouse, located in the south of France. While mindful of the day's more-refined fashion trends, the brand nurtures a sense of natural authenticity and flattering femininity. Since 1997, the brand has promoted its core mother-daughter image by featuring real mothers and daughters selected by audition.

CDC became a consolidated subsidiary of Fast Retailing in fiscal 2005. At the end of fiscal 2010, the brand had 371 stores: 229 stores in France, 102 stores in other parts of Europe, 36 stores in Japan and Asia and four stores in the United States.

Harness Synergies for Global Expansion

CDC profit contracted in fiscal 2009 as economic conditions deteriorated following the shock of the failure of Lehman Brothers. However, performance recovered in fiscal 2010 as same-store sales resumed their upward trend. We expect revenue and income to rise in fiscal 2011.

Having expanded CDC's French network in major department stores and high-street locations, we are now opening stores in Europe and Asia. We also plan to expand the brand in the United States by strengthening links with our New York-based Theory operation. In this way, we can successfully reap synergistic benefits within the Group to forge a global brand and a global network.

PETIT VEHICULE S.A.S. | http://www.princessetamtam.com/

Stylish French Collection Enjoyed by Women in 40 Countries

PRINCESSE tam•tam PARIS

Princesse tam.tam Paris St Antoine Store

Business Overview

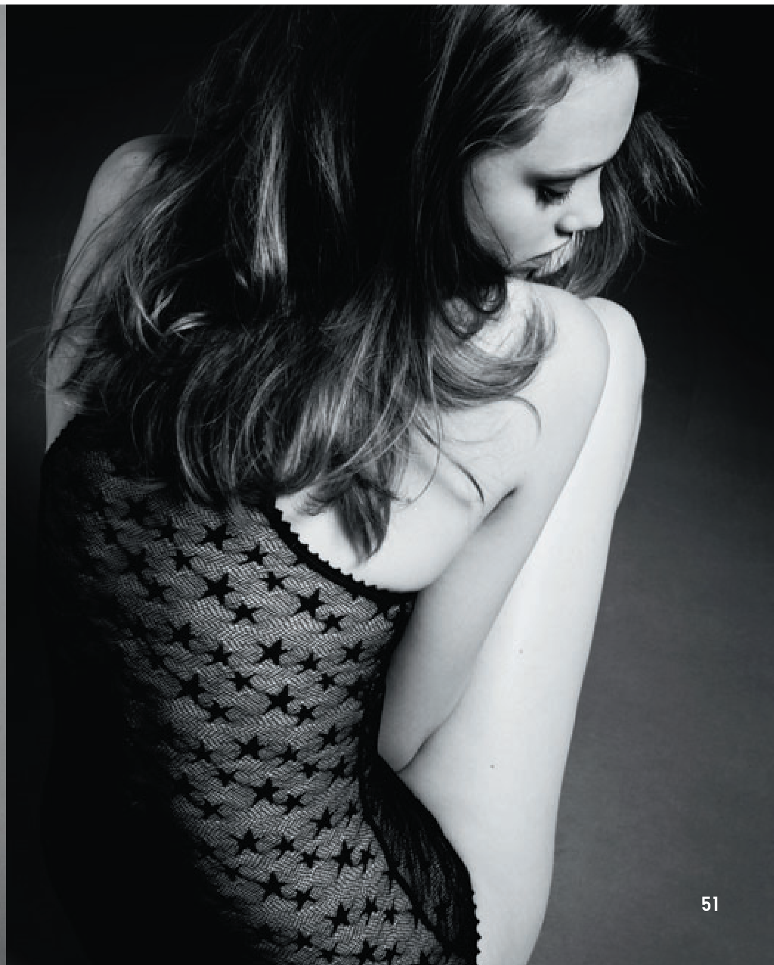
Princesse tam.tam (PTT) is a French lingerie brand. Sisters Loumia and Sharma Hiridjee won acclaim for the brand's original prints and bright colors in a pret-a-porter show in 1985, and opened their first store in Montparnasse, Paris in 1987. The brand concept of "lingerie that presents women as they are" appeals to many women and tends to attract long-term, repeat customers. PTT joined the Fast Retailing Group in fiscal 2006. At the end of fiscal 2010, the brand boasted a network of approximately 1,000 outlets spanning 40 countries, anchored by a strong presence in the leading department stores and boutiques of France and other parts of Europe.

Boosting Operational Efficiency and Profitability

PTT has three main lines: lingerie, home wear and swimwear. Benefiting from the craftsmanship of France's lingerie industry, all garments are made from only the finest silks and cottons and crafted with the utmost detail.

At the end of fiscal 2010, PTT had 160 directly-operated stores, mainly in France. In addition, collections are sold through major department stores such as Galeries Lafayette and Printemps. Outside France, the brand is developing a network that includes leading department stores.

Income dipped in fiscal 2010 as the brand's wholesale business was reduced. We are now working to make the operation more efficient and thus boost profitability.

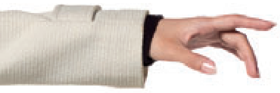


g.u.

Business Overview

At the end of fiscal 2010, Gov Retailing operated 115 stores selling low-priced. g.u. clothes. We have established a successful model for selling low-priced clothing by integrating the processes of design, manufacture and retailing. Gov Retailing was formed in September 2008 by merging g.u., with the footwear firms Onezone and Viewcompany. These footwear operations were subsequently transferred to UNIQLO in April 2010.

Power of g.u.: Fashion at Amazingly Low Prices Driving Growth



g.u. Shinsaibashi Store (flagship store)

Interview

Osamu Yunoki
Chief Executive Officer
Gov Retailing Co., Ltd.

At Half the Price of UNIQLO g.u. Has Started Out Strong

When we opened our first specialty store selling low-priced g.u. clothing in fall 2006, we were looking to offer clothes at half the price of UNIQLO. Initially, the brand lacked recognition and struggled. But this changed in March 2009 when the launch of g.u. 990-yen jeans caught people's attention. Since then, sales per store have expanded favorably and the brand has begun to generate solid profits.

Today g.u. is facing another stage of development. The flagship store in Shinsaibashi, Osaka is a good example of a successful g.u. urban store and highlights the fact that customers who shop in city centers also have a strong need for g.u.'s fashion and low prices. Since it opened in October 2010, the store has drawn customers, especially young women. Until now, we have tended to open g.u. stores in shopping centers, or in roadside locations formerly occupied by UNIQLO.

However, the Shinsaibashi store has opened up a greater range of potential locations for new stores. We are looking to open 40 to 50 new stores annually. In order to achieve this, I shall be pushing ahead in earnest with a variety of new store formats, including roadside stores, large-scale stores in shopping malls and urban stores.

Growing Sales To Expand Around the World

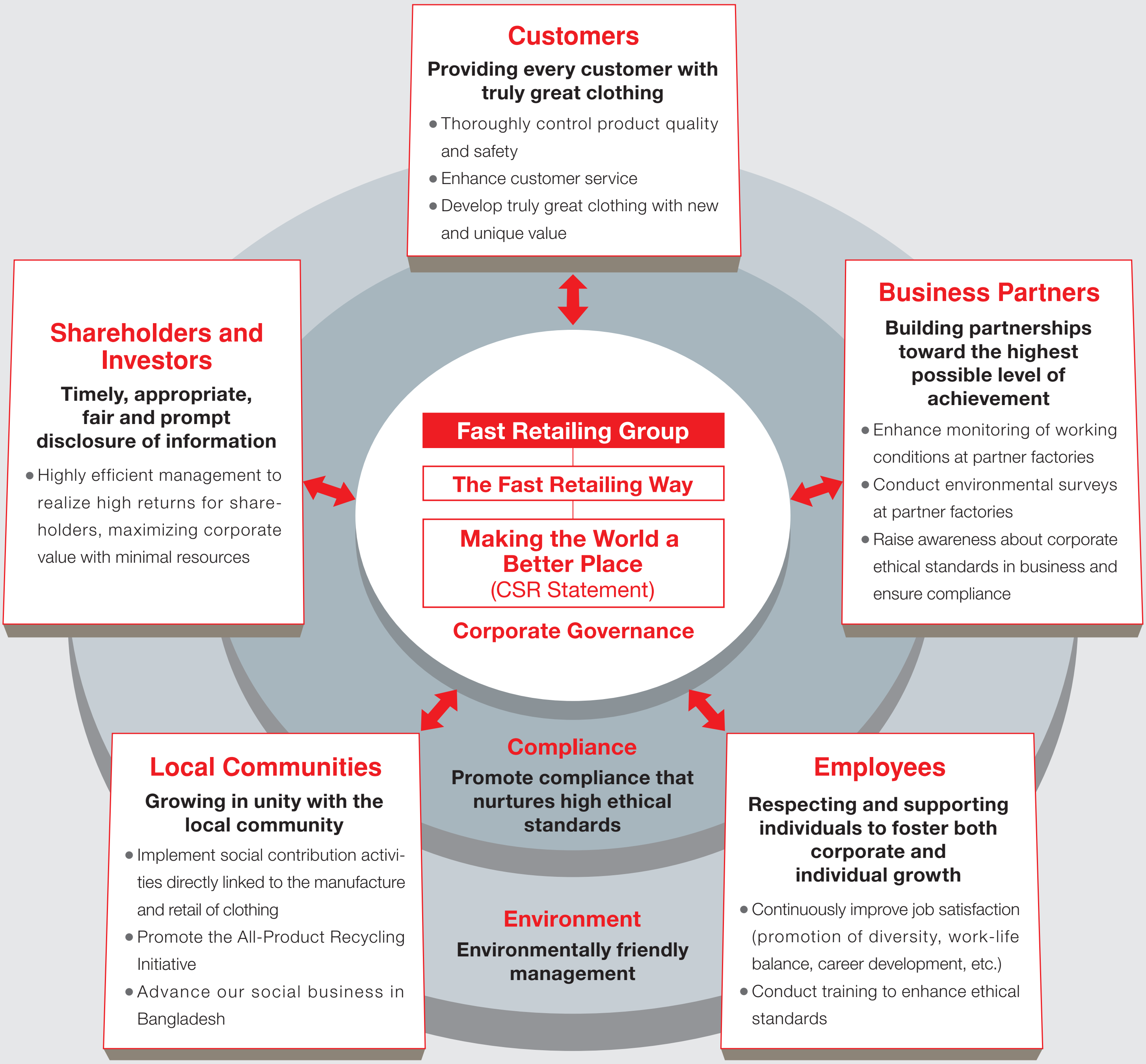
In fiscal 2010, g.u. performed extremely well. Store openings proceeded as planned, profitability improved and the operation generated significant gains in sales and profit. This was due to the launch of our 990-yen jeans, as well as additional products such as low-priced fleece and T-shirts.

The g.u. brand strength lies in offering the latest seasonal fashions at low prices. To further fortify the brand, we need to now develop more fashionable women's wear. On the manufacturing side as well, we are working to reduce production costs by concentrating orders with specific material manufacturers.

Gov Retailing's mid-term targets include expanding its store network to 200 stores and pushing sales to 50 billion yen by fiscal 2013. To reach these targets we will open stores in prime locations. The g.u. and UNIQLO brands are complimentary. The g.u. brand offers customers clothes costing half the price of similar items sold in UNIQLO stores, making the brands different enough that they can coexist profitably, even if they are in parallel establishments. I would also like to see g.u. begin to expand globally in the near future. We believe the successful expansion of UNIQLO globally suggests there is also ample need for a brand like g.u. in the world.

The Fast Retailing CSR Vision: Making the World a Better Place

Stakeholders and Priority Issues



Promoting Our CSR Vision

Fast Retailing's approach to corporate social responsibility (CSR) is one of steering the world in a better direction through clothing. The time has passed when companies could fulfill their social responsibility merely by returning to society a portion of their profits and engaging in volunteer activities. We find it more meaningful to conduct CSR activities within our core business, namely the production and sale of clothing.

As one of the world's top fashion retailers, selling nearly 600 million items of clothing each year, Fast Retailing is fulfilling its responsibility in a number of areas. In manufacturing, we require that our partner factories comply with all laws relating to the work environment and ensure respect for human rights. Furthermore, beyond product quality, we also strive to ensure safety in manufacturing and to promote environmental protection activities. We contribute to society through our All-Product Recycling Initiative, under which we accept pre-owned UNIQLO and g.u. apparel for recycling and distribution to refugees and internally displaced persons worldwide.

In September 2010, we started a social business in Bangladesh. The business relies on an entirely local business cycle—spanning design and production to end sale—and creates new jobs. Clothing prices are capped at one dollar to ensure they are affordable to the local population. Through this process we are helping to address some of the nation's most intractable social problems, such as poverty, sanitation, health and education.

As Fast Retailing continues to emerge as a global company, we will need to employ more people all over the world, and we will need to train and educate our global personnel. We strive to respect and support each of our employees as individuals to foster both corporate and individual growth. We also aim to continuously improve employee satisfaction through the promotion of diversity, work and life balance, career development and other important considerations.

Fast Retailing's CSR Committee serves as a mechanism to implement our CSR vision and activities. The committee brings an objective perspective to clarifying and confirming the Company's CSR priorities, and promotes concrete CSR activities that are derived from the heart of our core business—the world of clothes.

Corporate Social Responsibility (CSR)

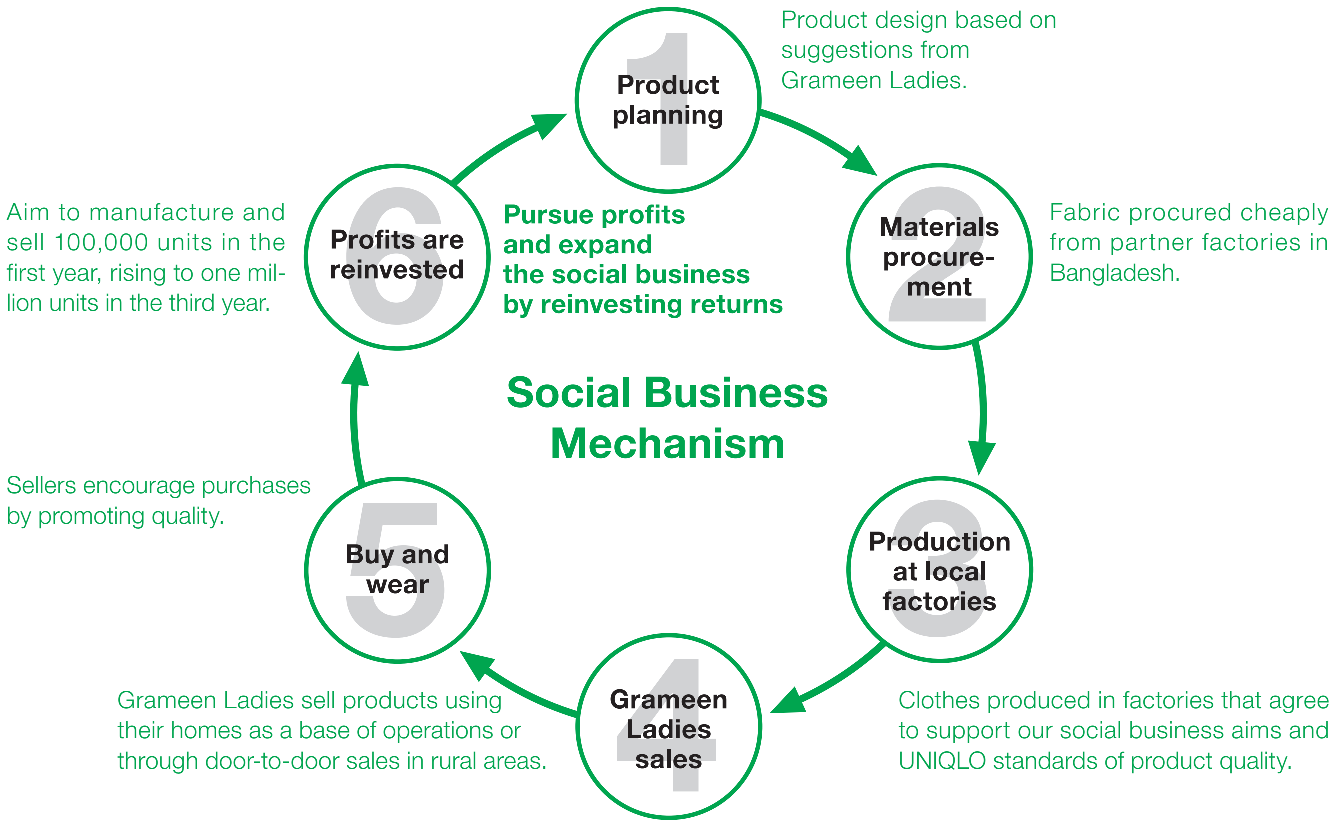
- **Promoting Our CSR Vision**
- **Social Business**
- **All-Product Recycling Initiative**
- **Monitoring of Labor Conditions**

Social Business Launched in Bangladesh with Grameen Bank

In July 2010, Fast Retailing and the Grameen Bank agreed to set up a joint venture to pursue a social business in Bangladesh. A social business is not about offering short-lived, volunteer support. Rather, a social business makes a long-term commitment, as a business, to tackle and alleviate difficult social issues.

Bangladesh is one of the poorest nations in the world. With this social business we have established a framework where the entire process—from clothing design and manufacture to retail—can be conducted locally, and the price of clothes is capped at one dollar to ensure they are affordable to the local population.

In September 2010, the Grameen Ladies sales force began selling these clothes under the project. Grameen Ladies, women pursuing greater independence through loans from the Grameen Bank, say they will send their children to school with the money they make selling clothes. In this way, at Fast Retailing we are working to support and nurture independence through these activities, which have the potential to open the door to new, more promising futures for the children of Bangladesh.




Professor Muhammad Yunus (right), founder and managing director of Grameen Bank, shakes hands with Fast Retailing CEO and President Tadashi Yanai.

The Grameen Bank and Fast Retailing have agreed to establish a joint venture for the purpose of pursuing social business in Bangladesh.

Grameen Bank is Bangladesh's largest microcredit institution, founded in 1983 by Professor Muhammad Yunus. The bank extends collateral-free loans to the unemployed and the poor. The bank's total loans amount to approximately 70 billion yen. The bank has eight million borrowers, 97% of whom are woman.

The Grameen Bank, along with founder and managing director Professor Muhammad Yunus, were jointly awarded the Nobel Peace Prize in 2006 for their efforts to create economic and social development from below.

Grameen Ladies who sell Grameen UNIQLO products in rural areas.

Child refugees in Kazakhstan with clothing aid from UNIQLO.

Maximizing the Value of Apparel Through Clothing Donations to Displaced People Worldwide

UNIQLO's All-Product Recycling Initiative began in 2001 with the Fleece Recycling Program. This was expanded in 2006 to cover all UNIQLO products collected from customers. Today we accept clothing year-round. Another Group company, g.u., also began accepting clothing items in October 2010.

Between 80% and 90% of the clothing collected is suitable for reuse as donations distributed to camps for refugees and internally displaced persons, or as clothing disaster aid relief for asylum seekers and victims of natural disasters. So far, we have donated clothing to refugee camps in Nepal, Uganda, Tanzania, Ethiopia, Georgia and Pakistan. We have also donated clothing as disaster relief to people in 17 countries hit by natural disasters, including cyclones. In 2010, we made our first donation to displaced persons in Kazakhstan.

The number of items recycled is growing annually and we have collected approximately 7.7 million articles to date. There are an estimated 36 million displaced persons worldwide. Our ultimate aim is to deliver relief clothing to every one of them.

We also want to expand our activities beyond displaced persons, to help needy people in some of the world's poorest countries. In such places, infant deaths occur due to a lack of clean cloth in which to wrap them immediately after birth. Children die from infectious diseases partly because they don't have any clean clothes. We plan to provide clothing relief to help such people.

We are also encouraging social activities in schools. In fiscal 2010, we developed a High School Product Recycling Initiative and implemented it at six metropolitan high schools in conjunction with the Tokyo Metropolitan Board for Education. For example, our employees volunteered to help with an extracurricular class on the topic at the Tokyo Metropolitan Chihaya High School. This inspired the students from the school to collect 1,296 articles of clothing at the school's cultural festival for reuse and recycling. These types of activities have won much praise. They are considered highly significant because they provide an opportunity for students to experience firsthand the true spirit of serving others while also heightening young people's understanding of business and international society.

Eiko Sherba
Corporate Social Responsibility Department
Fast Retailing Co., Ltd.

Clothing Aid Protecting Kazakhstan Refugees from Extreme Cold

Fast Retailing donated clothing aid to refugees in the Republic of Kazakhstan, home to about 4,000 refugees, for the first time in August 2010. Most countries we have distributed clothing aid to have had giant but temporary influxes of people seeking refuge from wars or natural disasters. In Kazakhstan, the majority of refugees have come fleeing political or religious persecution.

Many of these refugees fled their homelands with little more than the clothes on their backs. With Kazakhstan temperatures falling below minus 20 degrees Celsius come winter, warm clothing is a must. Preparations for winter were already underway when I visited to donate clothing in August. That is why we delivered mainly winter items such as fleece jackets and other outerwear.

The larger a refugee's family, the more donated items the individual can take home. The transformation on the faces of recipients—who would approach looking solemn and leave with their arms full of clothes, smiling broadly—made me feel incredibly glad that we came. The recipients, most of whom had never heard of UNIQLO, were clearly pleased and impressed with our clothing donations and told us that no other company had ever donated so many clothes. After my experience at the Kazakhstan camp, I am even more determined to continue providing clothing support to those who need it.

A family of refugees in Kazakhstan smile after choosing their UNIQLO clothes.

Monitoring of Conditions at Partner Factories

Since 2004, Fast Retailing has adopted a Code of Conduct (CoC) for production partners and used external auditing institutions to monitor labor conditions, primarily at partner factories that have signed a pledge to abide by the CoC.

Child and forced labor are of course forbidden, but other abuses, such as submitting workers to extremely long overtime and continued periods of work do sometimes occur. In some cases, these problems may arise in part due to the behavior of Fast Retailing as we place orders. When problems are discovered, rather than simply penalizing the partner factory, we seek to establish a framework for partner factories to voluntarily resolve the issue and reconfirm the inherent benefits of good working conditions.

We monitor factories twice a year. In fiscal 2010, four factories were assigned a Grade E, two for the false reporting of working hours or wages and two for instances of child labor. When we learned of the instances of child labor, we immediately reported survey findings to the factories and demanded improvements. One month later, CSR representatives visited the factories to confirm that improvements had been made and that child labor was no longer taking place. After subsequently discussing this issue in the Business Ethics Committee, Fast Retailing decided to reduce the volume of orders given to the offending factories.

■ Monitoring Results at the end of August 2010

Grade	Description	Number of factories	
		FR Group	
		Total	UNIQLO
A	No violations	10	9
B	One or more minor violations	53	52
C	One or more major violations	68	50
D	One or more severe violations	39	19
E	Highly unethical, serious offense subject to immediate review of contract	4	2
Total		174	132

Grade E case

False Reporting

Monitoring activities in November 2009 at one factory turned up discrepancies between salary slips and records of hours worked. Subsequently, a CSR representative visited the factory, which admitted to submitting fabricated records that did not accurately reflect the actual hours worked by employees. Fast Retailing demanded that accurate records of working hours be submitted, insisted that workers be compensated for the difference in work hours and subsequently reduced its business with the factory.

Financial Section

- Six-Year Financial Summary
- Management's Discussion and Analysis
- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Changes in Net Assets
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Report of Independent Auditors

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					
For the year:	**2010**	2009	2008	2007	2006	2005
Net sales	**¥ 814,811**	¥ 685,043	¥ 586,451	¥ 525,203	¥ 448,819	¥ 383,973
Operating income	**132,378**	108,639	87,493	64,963	70,355	56,692
EBITDA*1	**137,132**	112,621	97,467	75,310	80,166	60,794
Income before income taxes and minority interest	**116,867**	95,487	81,994	62,713	72,752	58,016
Net income	**61,681**	49,797	43,529	31,775	40,437	33,884
At year-end:						
Total assets	**507,287**	463,285	404,720	359,770	379,655	272,846
Total net assets*2	**287,987**	261,413	264,014	243,283	240,479	182,349
Interest-bearing debt	**28,834**	35,400	20,016	24,429	22,774	6,185
Net cash provided by operating activities	**88,623**	59,214	87,336	18,847	57,477	15,398
Net cash used in investing activities	**(23,389)**	(34,273)	(15,421)	(28,783)	(41,907)	(16,823)
Free cash flow*3	**65,234**	24,941	71,915	(9,936)	15,570	(1,425)
Net cash provided by (used in) financing activities	**(28,897)**	(16,847)	(19,054)	(12,759)	1,932	(14,854)
Cash and cash equivalents*4	**200,462**	169,574	169,888	119,216	141,404	121,061
Depreciation and amortization	**12,229**	9,765	8,523	6,567	5,364	3,681
Capital expenditures	**28,018**	22,601	21,017	26,441	16,261	11,649
Reference indices:						
Operating profit margin (%)	**16.2%**	15.9%	14.9%	12.4%	15.7%	14.7%
ROE (%)	**22.6**	19.1	17.3	13.6	19.7	19.7
Equity ratio (%)	**56.3**	56.0	64.7	66.7	60.1	66.8
Debt-equity ratio (%)	**10.0**	13.5	7.6	10.0	9.4	3.4
Dividend payout ratio (%)	**38.0**	32.7	30.4	41.7	32.7	39.0
Per share data:						
Net income (EPS) (yen)	**¥ 605.99**	¥ 488.96	¥ 427.38	¥ 311.98	¥ 397.38	¥ 331.99
Net assets (yen)*2	**2,804.34**	2,550.86	2,572.09	2,357.79	2,240.77	1,791.61
Cash dividends (yen)	**230.00**	160.00	130.00	130.00	130.00	130.00
Other data: (at fiscal year-end)						
Number of shares outstanding	**106,073,656**	106,073,656	106,073,656	106,073,656	106,073,656	106,073,656
Number of subsidiaries	**90**	96	21	21	19	9
Total number of stores	**2,203**	2,258	1,958	1,828	1,632	1,232
Directly-operated stores in Japan	**[1,370]**	[1,454]	[1,310]	[1,233]	[1,093]	[775]
Directly-operated stores overseas	**[474]**	[397]	[294]	[247]	[196]	[157]
Franchise stores	**[359]**	[407]	[354]	[348]	[343]	[300]
Commercial complexes	**4**	4	4	1	—	—
Total sales floor space (m^2)*5	**847,523m^2**	740,489m^2	685,942m^2	626,998m^2	536,473m^2	437,196m^2
Number of full-time employees*6	**11,596**	11,037	8,054	6,514	3,990	2,668

*1. EBITDA = Income before income taxes + Interest expenses + Depreciation and amortization + Amortization of goodwill
*2. Beginning with the fiscal year ended August 31, 2006, minority interest has been included in net assets.
*3. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
*4. Cash and equivalents include cash, time deposits with maturities of generally three months or less and marketable securities.
*5. Total sales floor space includes only directly-operated stores.
*6. Beginning with the fiscal year ended August 31, 2007, the number of entrusted operating officers has not been included in the number of full-time employees.

Management's Discussion and Analysis

1 Operating Environment and Management Strategy

During fiscal 2010, the international economy showed signs of recovery as economic stimulus measures implemented by individual countries positively impacted corporate profits. By contrast, Japanese business conditions remained severe as the labor market deteriorated and deflation spurred consumers to be increasingly thrifty and selective. The rapid rise in the yen is seen further worsening economic conditions for Japan.

The Japanese apparel market continues to shrink. As the population ages, there are fewer younger customers—traditionally major purchasers of clothes—and those remaining have reduced purchasing power. In addition, leading apparel retailers from Europe and the United States are entering Japan and Asia in earnest, offering highly fashionable products at low prices. This promises increasingly intense competition among global retailers.

Within this environment, the Fast Retailing Group has set a goal of becoming the world's number one apparel retailer. The Group is continuing its drive to "promote globalization, strengthen Group management and refocus on entrepreneurial values." Particular effort has been dedicated to expanding UNIQLO operations globally through the aggressive opening of stores in Asia, including China, Hong Kong, South Korea, Singapore, Taiwan and Malaysia. The opening of global flagship stores has also strengthened UNIQLO's operational base.

In fiscal 2010, UNIQLO opened two global flagship stores: the Paris Opera Store and the Shanghai West Nanjing Road Store. These stores have been extremely successful and serve to showcase the UNIQLO brand and boost brand recognition globally. In product development, UNIQLO seeks to pioneer fresh sources of demand by launching revolutionary products such as HEATTECH, Sarafine and Silky Dry innerwear, which are made with made from functional materials developed with materials manufacturers. The +J collection, developed in cooperation with fashion designer Ms. Jil Sander, was introduced into stores worldwide in a strategic bid to boost the international presence and power of the UNIQLO brand.

Within Japan Apparel operations, the low-priced casual g.u. brand generated significant increases in both sales and profit. The footwear operation was further rationalized as unprofitable Footpark stores were closed. In April 2010, control of the footwear business was transferred to UNIQLO Co., Ltd. to boost management and operational efficiency. Women's fashion developer Cabin was merged with Link Theory Japan Co., Ltd. in 2010. The brands currently operated by Cabin will be withdrawn in early 2011. Within the Global Brands segment, the Theory operation generated increased sales and profit.

Overall, consolidated net sales rose 18.9% year on year to ¥814.8 billion and operating income expanded 21.9% to ¥132.3 billion, a record for the second consecutive year.

Number of Stores by Group Operation

Units: Stores	2010 End Aug.	2010 Open	2010 Close	2009 End Aug.	2008 End Aug.
UNIQLO Japan:	**808**	78	40	770	759
Directly-operated	**788**	77	39	750	740
Large-scale	**102**	33	2	71	50
Standard	**686**	44	37	679	678
Franchise	**20**	1	1	20	19
UNIQLO International:	**136**	46	2	92	54
China	**54**	23	2	33	13
Hong Kong	**13**	2	0	11	8
South Korea	**48**	18	0	30	18
Singapore	**3**	1	0	2	—
U.K.	**14**	0	0	14	13
U.S.	**1**	0	0	1	1
France	**2**	1	0	1	1
Russia	**1**	1	0	—	—
Japan Apparel Operations:	**402**	62	216	556	647
Footwear	**90**	0	189	279	399
g.u.	**115**	47	4	72	58
Cabin	**197**	15	23	205	190
Global Brand Operations:	**857**	70	53	840	498
Theory*	**326**	50	30	306	—
Comptoir des Cotonniers*	**371**	18	15	368	348
Princesse tam.tam*	**160**	2	8	166	150
Total	**2,203**	256	311	2,258	1,958

* Including franchise stores

FR Operations by Business Segment

Group operational segments through FY2010

<table>
<tr><td>UNIQLO Japan</td><td>UNIQLO operations in Japan</td></tr>
<tr><td>UNIQLO International</td><td>UNIQLO overseas operations</td></tr>
<tr><td rowspan="3">Japan Apparel</td><td>g.u.</td></tr>
<tr><td>Footwear</td></tr>
<tr><td>Cabin</td></tr>
<tr><td rowspan="3">Global Brands</td><td>Theory</td></tr>
<tr><td>Comptoir des Cotonniers</td></tr>
<tr><td>Princesse tam.tam</td></tr>
</table>

Group operational segments from FY2011

<table>
<tr><td rowspan="2">UNIQLO Japan</td><td>UNIQLO operations in Japan</td></tr>
<tr><td>Footwear*</td></tr>
<tr><td>UNIQLO International</td><td>UNIQLO overseas operations</td></tr>
<tr><td rowspan="4">Global Brands</td><td>Theory</td></tr>
<tr><td>Comptoir des Cotonniers</td></tr>
<tr><td>Princesse tam.tam</td></tr>
<tr><td>g.u.*</td></tr>
</table>

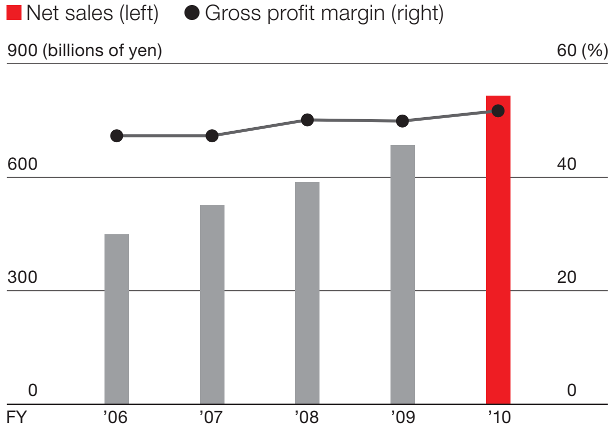
Notes: 1. Cabin Co., Ltd. merged with Link Theory Japan Co., Ltd. effective September 1, 2010. Cabin operations from fiscal 2011 will be included in the Global Brands category.
2. Our footwear operation merged with UNIQLO Co., Ltd. on April 1, 2010.

* Denotes operations which have changed segments.

2 Net Sales

Consolidated net sales posted double-digit growth of 18.9% year on year totaling ¥814.8 billion. Breaking down the ¥129.7-billion increase in sales: UNIQLO Japan sales rose ¥67.3 billion, UNIQLO International sales rose ¥35.0 billion and Global Brands sales increased ¥34.2 billion. Japan Apparel sales dipped ¥6.4 billion as Footpark stores were closed.

Net Sales and Gross Profit Margin



3 Gross Profit Margin

Gross profit expanded 23.2% year on year to ¥420.8 billion. The gross profit margin improved 1.8 percentage points to 51.7%, thanks to a 1.4-percentage-point improvement from UNIQLO Japan.

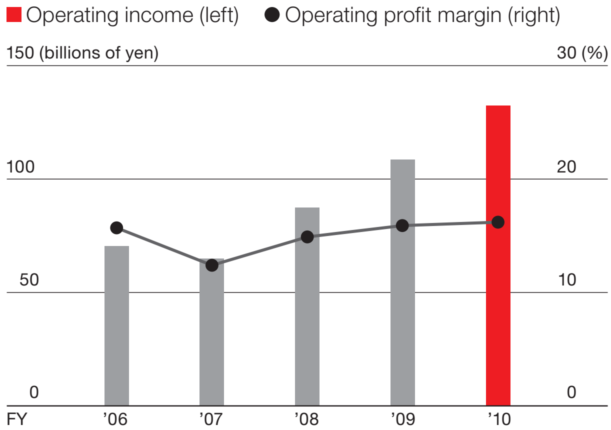
4 Selling, General and Administrative Expenses

Breakdown of SG&A Expenses

FY	2010			2009			2008		
	Millions of yen	% to sales	% change	Millions of yen	% to sales	% change	Millions of yen	% to sales	% change
Personnel	**¥101,303**	**12.4**	**+19.5**	¥ 84,797	12.4	+10.2	¥ 76,952	13.1	+9.4
Advertising and promotion	**37,665**	**4.6**	**+22.7**	30,697	4.5	+10.4	27,793	4.7	+5.8
Rent	**79,136**	**9.7**	**+33.5**	59,287	8.7	+16.5	50,897	8.7	+17.1
Depreciation/amortization	**12,229**	**1.5**	**+25.2**	9,765	1.4	+14.6	8,523	1.5	+29.8
Others	**58,170**	**7.1**	**+20.3**	48,342	7.1	+15.0	42,024	7.2	+14.3
Total	**¥288,503**	**35.4**	**+23.9**	¥232,888	34.0	+12.9	¥206,189	35.2	+12.4

SG&A expenses totaled ¥288.5 billion, representing an increase in the SG&A to net sales ratio of 1.4 percentage points. The deterioration in the SG&A ratio was due largely to a 0.5-point increase in the ratio at UNIQLO Japan, and the increasing proportion of business generated by the UNIQLO International and Global Brands segments, both of which have comparatively high SG&A ratios.

Operating Income and Operating Profit Margin



5 Operating Income

As a result, operating income expanded ¥23.7 billion, or 21.9%, year on year to ¥132.3 billion. The operating profit margin was 16.2%, representing a 0.3 percentage point rise.

6 Non–Operating Profit/Loss and Extraordinary Profit/Loss

Non-operating expenses totaled ¥9.6 billion in fiscal 2010. This figure includes exchange losses of ¥7.5 billion stemming from valuation losses on loans to overseas subsidiary companies, as well as losses on advance payments by Japan-based UNIQLO in foreign currencies on behalf of UNIQLO International subsidiaries.

The Group also posted an extraordinary loss of ¥7.8 billion. This includes an impairment loss of ¥4.4 billion, and a ¥0.9 billion provision for business closure losses. The impairment loss covers ¥3.0 billion impairment of goodwill related to Cabin and Princesse tam.tam operations, and ¥1.4 billion in impaired store assets relating mainly to Cabin stores. The provision for business closure losses was related to the decision to cease Cabin-operated brands.

As a result, EBITDA totaled ¥137.1 billion. The EBITDA margin rose 0.4 percentage points to 16.8%.*

* See page 61 for the formula used to calculate EBITDA.

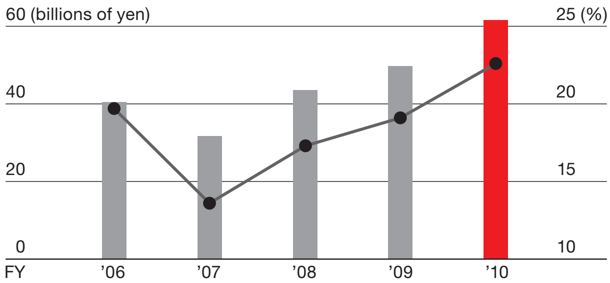
7 Income Taxes and Other Taxes

Income taxes totaled ¥54.3 billion, including corporate income taxes, resident taxes and enterprise taxes which together totaled ¥54.2 billion, as well as deferred income taxes of ¥0.1 billion. The effective tax rate was 46.4%, 5.9 percentage points higher than the statutory income tax rate of 40.5%. This elevated tax rate breaks down as follows: 4.3 percentage points for increased reserves against valuation changes, 2.6 percentage points for amortization of goodwill and 1.0 percentage point for impairment of goodwill.

8 Net Income

Net income rose 23.9% year on year to ¥61.6 billion. Net income per share was ¥605.99, up ¥117.03 year on year. ROE rose 3.5 percentage points to 22.6%. The annual dividend increased ¥70 per share to ¥230. As a result, the dividend payout ratio was 38.0% on a consolidated basis.

Net Income and ROE



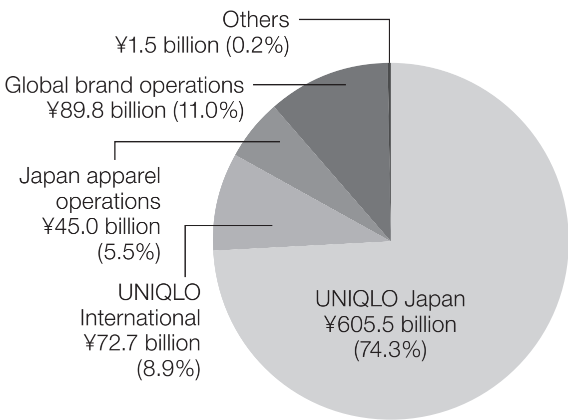
9 Results by Group Operation

Sales by Group Operation

FY	2010 Billions of yen	2010 Y/Y change	2010 % change	2009 Billions of yen	2008 Billions of yen
UNIQLO Japan:					
Net sales	**¥605.5**	¥67.4	+12.5	¥538.1	¥462.3
Operating Income	**129.5**	18.8	+17.0	110.7	86.4
UNIQLO International:					
Net sales	**72.7**	35.0	+92.6	37.7	29.3
Operating Income	**6.3**	4.7	+293.0	1.6	0.3
Japan Apparel:					
Net sales	**45.0**	(6.5)	−12.5	51.5	49.4
Operating Income (loss)	**(1.5)**	(1.0)	—	(0.5)	(2.8)
Global Brands:					
Net sales	**89.8**	34.3	+61.6	55.5	43.7
Operating Income	**7.4**	3.8	+104.0	3.6	7.7

Notes: 1. The above figures do not include net sales or operating income for Fast Retailing, or the amortization of goodwill for the Group. As such, adding them together will not yield the total consolidated sales or operating income.
2. Link Theory Japan became a consolidated subsidiary from the third quarter of fiscal 2009 and its sales and operating income are included in Global Brands.

Breakdown of Net Sales by Operation



Note: The Others component includes revenue from the leasing of real estate.

UNIQLO Japan

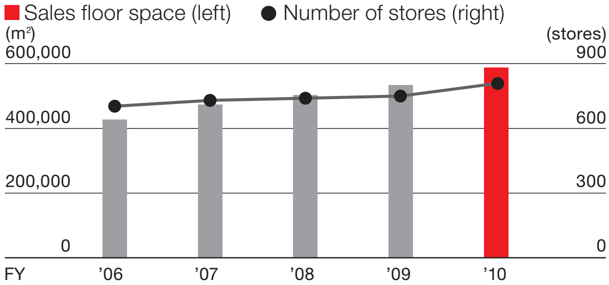
Sales at UNIQLO Japan, accounting for 74.3% of consolidated sales, rose 12.5% to ¥605.5 billion. This strong growth was underpinned by 4.7% growth in same-store sales, and a net increase of 38 directly-operated stores. The sales area of directly-operated stores increased 10.1% year on year. Breaking down the 4.7% growth in same-store sales, customer numbers increased 5.2%, and purchases per customer decreased by 0.5%. In the first half, same-store sales rose an impressive 13.1% and HEATTECH sales soared to 47 million units versus 20 million units the year before. New products such as Premium Down Ultra Light Jackets also performed strongly. Conversely, in the second half, same-store sales dipped 6.4% due to unseasonably cool spring weather impacting sales of spring/summer items, and a later heat wave delayed demand for fall garments. In addition, a shortage of inventory hurt sales of core, basic items. UNIQLO Japan is concentrating on larger stores to drive growth, opening 31 new large-scale stores and boosting the average per-store floor space 5.1% to 745.8 square meters. UNIQLO Japan opened 77 directly-operated stores and closed 39 locations for a net increase of

38 stores.

Gross profit margin increased 1.4 percentage points to 49.5%. In the first half, the figure improved considerably thanks to robust sales of HEATTECH items and fall/winter garments. In addition, while the Group uses foreign exchange forward contracts to hedge against currency volatility, as sales far outstripped initial estimates, it became necessary to purchase additional product in the second quarter at spot foreign exchange rates. The stronger yen resulted in an unexpected benefit of nearly ¥3.0 billion and boosted the gross profit margin. By contrast, in the second half, the gross profit margin dipped year on year as summer inventory was sold off in August but demand for fall garments was delayed by the heat wave.

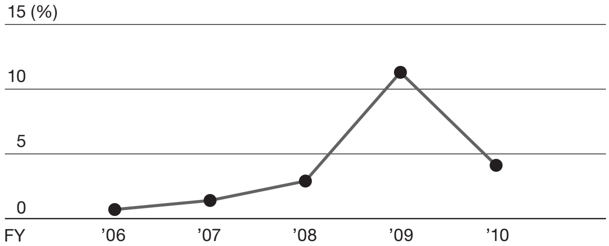
The ratio of SG&A expenses to sales increased 0.5 percentage point. In the first half, the SG&A ratio benefited from strong sales, but the fall in same-store sales in the second half knocked the full-year ratio lower. Nevertheless, the full-year SG&A ratio of 28.1% is considered well within the range of past data. As a result, the operating profit margin increased 0.8 percentage point to 21.4%. Operating income gained 17.0% year on year to ¥129.5 billion.

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



* Directly-operated stores only

Same-Store Sales Year-on-Year (UNIQLO Japan)*



* Directly-operated stores only

UNIQLO International

UNIQLO International's sales roughly doubled, rising 92.6% to ¥72.7 billion. Operating income soared nearly fourfold from ¥1.6 billion year on year to ¥6.3 billion. Operations in Asia expanded favorably, and the loss posted by UNIQLO U.K. was markedly reduced.

The number of UNIQLO International stores increased by 44 stores to 136 at the end of fiscal 2010. Asia accounts for roughly 70% of UNIQLO International sales, with 118 overseas stores located there. New store openings have been accelerated principally in China and South Korea. UNIQLO operations in China, South Korea, Hong Kong and Singapore each posted double-digit growth in same-store sales, and UNIQLO's performance in China was further enhanced by the May 2010 opening of the fourth global flagship store.

Profitability of UNIQLO in the United States and Europe is also improving. Sales at the New York global flagship store expanded an impressive 40% year on year. UNIQLO concluded a lease agreement in April 2010 for a global flagship store on New York's Fifth Avenue that will pave the way for further expansion in the market.

UNIQLO expanded its European operations with the opening of its Paris global flagship store in October 2009. The success of this flagship store and the +J collection have dramatically increased awareness of the UNIQLO brand. In the U.K., sales per store rose strongly and profitability improved. UNIQLO also opened its first store in Russia in April 2010.

Japan Apparel

Japan Apparel sales dipped 12.5% year on year to ¥45.0 billion, and the operating loss swelled by ¥1.0 billion to ¥1.5 billion. While the low-priced casual g.u. brand posted major gains in sales and profit, footwear operations and women's apparel chain Cabin posted further losses.

The g.u. store network added 43 new stores for a total of 115 stores at the end of fiscal 2010. Footpark stores were closed in the first half in a bid to boost efficiency, but continued falling revenue resulted in a larger operating loss for the footwear operation. The operation was incorporated into UNIQLO in April 2010, and stores unified under the Candish name in September. Cabin was merged with Link Theory Japan in September 2010 and Cabin's brands will be withdrawn in early 2011.

Global Brands

Global Brands' sales rose 61.6% year on year to ¥89.8 billion, and operating income increased 104.0% to ¥7.4 billion fueled mainly by strength in the Theory business. Theory U.S. profits expanded strongly buoyed by favorable same-store sales growth. Theory Japan also enjoyed steady growth in sales and improved profitability helped by lower procurement costs due to the strong yen. As estimated, operating income held steady at Comptoir des Cotonniers. Performance dipped at Princesse tam.tam as the wholesale business was actively reduced.

10 Balance Sheet

Total assets at the end of fiscal 2010 were ¥507.2 billion, ¥44.0 billion higher than at the end of fiscal 2009. Current assets increased ¥47.4 billion to ¥345.6 billion primarily due to increased cash flow from UNIQLO Japan. This boosted the balance of cash and marketable securities by ¥32.1 billion. Inventory assets, however, decreased ¥0.5 billion to ¥74.0 billion. Although inventory levels at UNIQLO Japan increased ¥2.0 billion to ¥51.1 billion, the closure of Footpark stores reduced inventories on a consolidated basis.

Fixed assets fell ¥3.4 billion to ¥161.6 billion. This decline was due mainly to impairment of goodwill and amortization which reduced the year-end balance by ¥10.6 billion, while tangible assets increased ¥4.1 billion as the number of UNIQLO Japan stores rose.

Current liabilities rose ¥27.0 billion year on year to ¥202.6 billion. This rise was due mainly to an increase in the exchange rate forward contracts (liabilities) account of ¥17.3 billion owing to the appreciation of the yen. However, hedge accounting principles apply to this account and therefore there is no impact on profitability.

Long-term liabilities decreased ¥9.5 billion to ¥16.6 billion as ¥12.1 billion of the long-term debt total became short-term debt. Total short-term and long-term interest-bearing liabilities fell ¥9.6 billion to ¥23.2 billion.

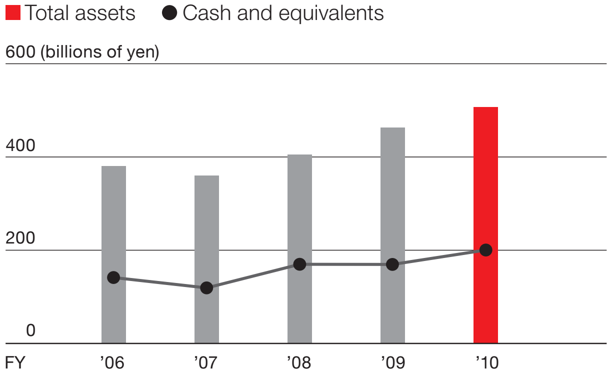
Net assets increased ¥26.5 billion to ¥287.9 billion. This was driven by an increase in net income of ¥61.6 billion, dividend payments totaling ¥20.3 billion, an increase in net unrealized losses on hedge transactions of ¥10.6 billion and an increase in net unrealized losses on securities of ¥4.5 billion. As a result, the ratio of net assets to total liabilities and assets rose 0.3 percentage point to 56.3%.

Consolidated Subsidiaries

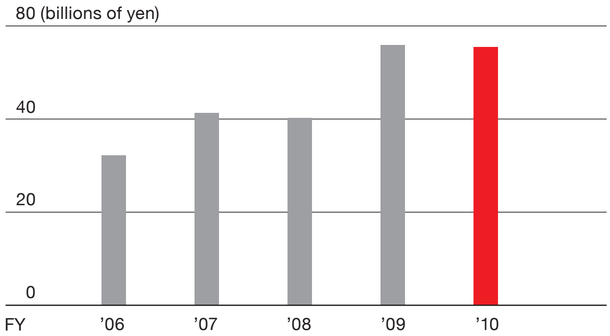
Company name	Share ownership
Holding Companies	
FAST RETAILING CO., LTD.	—
FAST RETAILING USA, Inc.	100.0%
FAST RETAILING FRANCE S.A.S.	100.0%
UNIQLO Business	
UNIQLO CO., LTD.	100.0%
FAST RETAILING(CHINA)TRADING CO., LTD.	100.0%
UNIQLO HONG KONG, LIMITED	100.0%
FRL Korea Co., LTD.	51.0%
UNIQLO (SINGAPORE) PTE. LTD.	51.0%
UNIQLO(U.K.)LTD.	100.0%
UNIQLO FRANCE S.A.S.	100.0%
Limited Liability Company UNIQLO (RUS)	100.0%
Non-UNIQLO Business	
LINK THEORY JAPAN CO., LTD.	100.0%
Créations Nelson S.A.S.	100.0%
PETIT VEHICULE S.A.S.	100.0%
GOV RETAILING CO., LTD.	100.0%

Note: Percentage ownership as of August 31, 2010

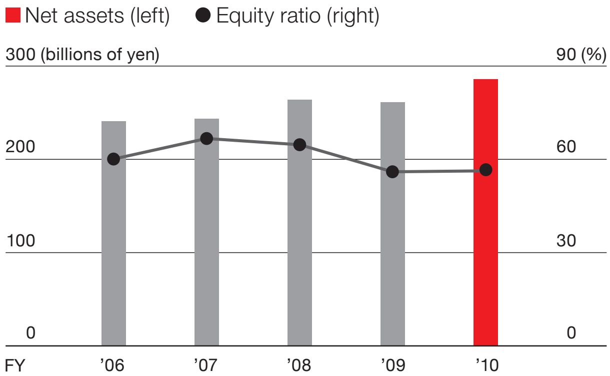
Total Assets and Cash and Equivalents



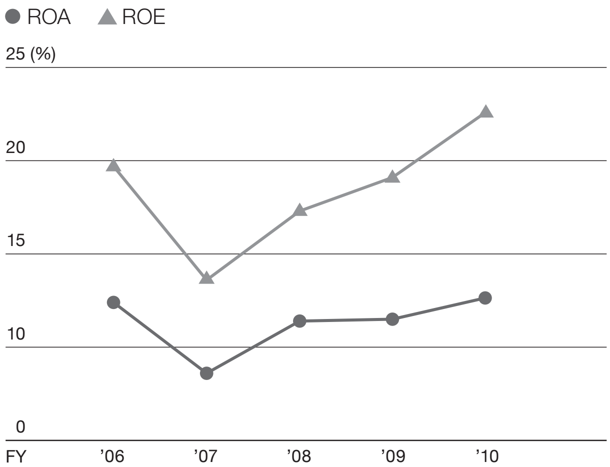
Inventories



Net Assets and Equity Ratio



ROA and ROE



11 Cash Flows

In fiscal 2010, net cash from operating activities was ¥88.6 billion, net cash used in investing activities was ¥23.3 billion and net cash used in financing activities was ¥28.8 billion. As a result, free cash flow amounted to ¥65.2 billion and the balance of cash and cash equivalents at the end of fiscal 2010 totaled ¥200.4 billion.

Net Cash Inflow from Operating Activities: ¥88.6 bln

On the income side, net income before income taxes and minority interest in fiscal 2010 amounted to ¥116.8 billion, depreciation and amortization was ¥12.2 billion, amortization of goodwill was ¥7.5 billion, foreign exchange losses were ¥5.2 billion and impairment losses were ¥4.4 billion.

On the expenditure side, working capital, inventories and increased purchasing debt together amounted to ¥3.9 billion. In addition, net income taxes paid amounted to ¥57.9 billion.

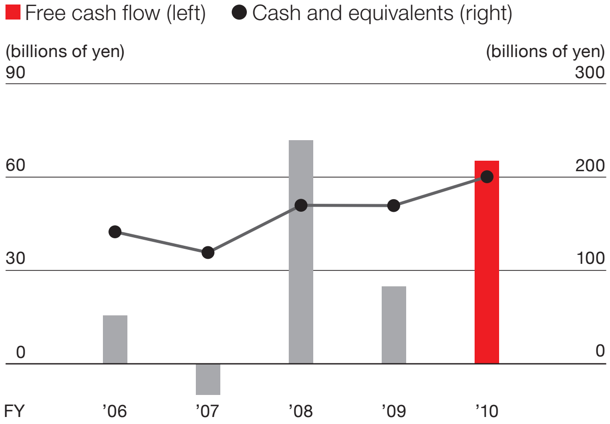
Net Cash Outflow for Investing Activities: ¥23.3 bln

Cash used to purchase property and equipment, primarily to increase UNIQLO's store network, totaled ¥17.1 billion, while payments for lease deposits totaled ¥5.6 billion. Capital expenditures totaled ¥28.0 billion on a consolidated basis, with UNIQLO Japan accounting for ¥10.6 billion of this total.

Net Cash Outflow for Financing Activities: ¥28.8 bln

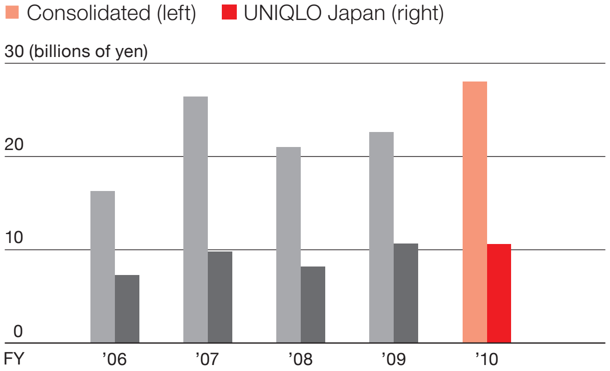
Dividends paid amounted to ¥20.3 billion. Short-term debt repayments totaled ¥3.6 billion and long-term debt repayments totaled ¥2.8 billion.

Free Cash Flow and Cash and Equivalents



Note: Free cash flow = Net cash provided in operating activities + Net cash used in investing activities

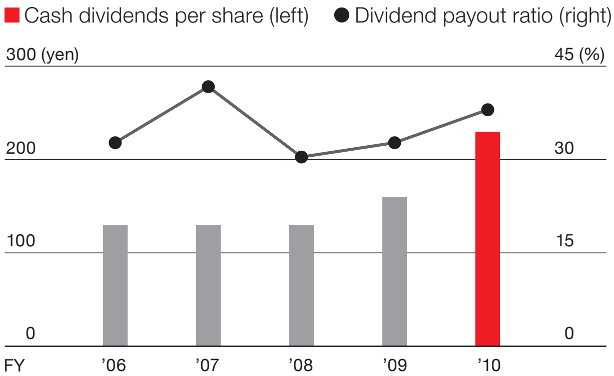
Capital Expenditures (Consolidated and UNIQLO Japan)



12 Dividend Policy

Fast Retailing regards returning a portion of profits to its shareholders as one of its highest priorities. As such, the Group has adopted basic policies of constantly working to improve Group performance and allocating an appropriate amount of profit, depending on performance, to shareholders on a continuing basis. Fast Retailing's policy is to pay high dividends linked to performance after giving consideration to funds required to expand Group operations, increase profits and maintain financial soundness. The Group's dividend payout ratio for fiscal 2010 was 38.0%, thus maintaining a payout ratio above 30%.

Cash Dividends per Share and Dividend Payout Ratio



13 Outlook for Fiscal 2011 (As of October 8, 2010)

In fiscal 2011, Fast Retailing forecasts a year-on-year 5.1% increase in net sales to ¥856.0, a 14.3% decrease in operating income to ¥113.5 billion and a decrease of 17.3% in net income to ¥51.0 billion. Income per share is forecast at ¥501.06 with an annual dividend of ¥170 per share.

UNIQLO Japan

UNIQLO Japan is anticipating 2.1% growth in sales to ¥628.0 billion and operating income of ¥105.5 billion, down 17.4%. Same-store sales are forecast to shrink 4.7% in fiscal 2011. For the first half, UNIQLO forecasts same-store sales will shrink 9.8% year on year versus the outstanding first half the previous year and also owing to the heat wave which delayed sales of fall garments. Same-store sales are expected to recover in the second half, rising 3.0%.

UNIQLO plans a net increase of 36 stores, boosting the total number of stores to 824 by the end of fiscal 2011. Thirty of those stores will be large-scale stores, bringing the total number of such stores to 132.

The Shinsaibashi store, UNIQLO's fifth global flagship store and first in Japan, dominated the news when it launched in Osaka on October 1, 2010. Going forward, UNIQLO aims to aggressively open large-scale, urban stores on high streets, in department stores and shopping malls in a bid to boost sales and expand the brand's market share in major cities, such as Tokyo, Osaka, Nagoya and Fukuoka, where it has comparatively less market share. In tandem with this, UNIQLO has also set its sights on expanding its women's lineup of products to secure a greater share of the women's apparel market.

The gross profit margin is forecast to total 49.0%. Including changes due to accounting standards, the actual year-on-year decline in gross profit margin would be 3.2 percentage points. In the first half, gross profit margin is predicted to fall 4.2 percentage points. With the hot weather delaying the season's start, we anticipate more price reductions on fall items. Last year, HEATTECH sold so well that we experienced stock shortages and did not hold limited-offer promotions. This year, we increased HEATTECH production at the outset and therefore expect an increase in limited-offer promotions. In addition, last year we enjoyed an unforeseen benefit from the strong yen when we had to make spot purchases of extra product in the second quarter. No similar benefit is anticipated this year. In the second half, gross profit margin is expected to contract 1.7 percentage points as the rise in materials costs impacts our cost of sales. SG&A expenses are anticipated to rise 0.8 percentage on an actual basis to 29.2%.

Outlook of Sales by Group Operation

FY	2011 (plan)	2010		
	Billions of yen	Billions of yen	Y/Y change	% change
UNIQLO Japan:				
Net sales	**¥628.0**	¥615.1	¥12.9	+2.1
Operating Income	**105.5**	127.7	(22.2)	−17.4
UNIQLO International:				
Net sales	**100.0**	72.7	27.3	+37.4
Operating Income	**8.5**	6.3	2.2	+33.2
Global Brands:				
Net sales	**125.0**	125.2	(0.2)	−0.2
Operating Income	**8.5**	7.8	0.7	+8.3

Note: Group operations have been organized into new segments from fiscal 2011. The fiscal 2011 forecast and fiscal 2010 data display the new segments.

Fiscal 2011 Store Forecast by Business

FY	2011 (plan)				2010
Units: Stores	Open	Close	Net increase	End Aug.	End Aug.
UNIQLO Japan:	60	24	+36	**844**	808
Directly-operated	60	24	+36	**824**	788
Large-scale	30	0	+30	**132**	102
Standard	30	24	+6	**692**	686
Franchise	0	0	0	**20**	20
UNIQLO International:	47	3	+44	**180**	136
China	23	1	+22	**76**	54
Hong Kong	2	0	+2	**15**	13
Taiwan	1	0	+1	**1**	—
South Korea	14	0	+14	**62**	48
Singapore	2	0	+2	**5**	3
Malaysia	1	0	+1	**1**	—
U.K.	2	2	0	**14**	14
U.S.	0	0	0	**1**	1
France	0	0	0	**2**	2
Russia	2	0	+2	**3**	1
Footwear:	0	1	(1)	**89**	90
Global Brand Operations:	146	222	(76)	**1,093**	1,169
Theory	61	10	+51	**377**	326
Comptoir des Cotonniers	43	6	+37	**408**	371
Princesse tam.tam	2	6	(4)	**156**	160
g.u.	40	3	+37	**152**	115
Cabin	0	197	(197)	**0**	197
Total	253	250	+3	**2,206**	2,203

Note: Including franchise stores

UNIQLO International

UNIQLO International sales are forecast to reach ¥100.0 billion, up 37.4% year on year, and operating income ¥8.5 billion, up 33.2%, bolstered by aggressive expansion in Asia. Excluding the nearly ¥3.0 billion in rent and opening costs for the New York Fifth Avenue global flagship store, an approximately 80% rise in operating income is expected year on year. In fiscal 2011, UNIQLO will continue its aggressive store expansion in Asia, expanding store networks in China and South Korea and growing its presence in new markets such as Taiwan and Malaysia. The number of overseas stores is anticipated to rise to 180 in fiscal 2011. UNIQLO is continuing its global flagship strategy in Europe and the United States and aiming to open stores in major German and Spanish cities.

Global Brands

Sales are forecast to fall 0.2% year on year to ¥125.0 billion, while operating income is expected to rise 8.3% to ¥8.5 billion. Theory U.S. is expected to boost operating income for the Theory operations overall. Comptoir des Cotonniers is expected to generate increased sales and profits. Sales at Princesse tam.tam are forecast to fall as the wholesale business is further reduced, but operating income is expected to increase due to cost cutting. The g.u. operation is expected to generate increased sales and profits with many new stores to open.

14 Risk Factors

Management regards the following to be the principal risk factors associated with the operations 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) Specific 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 maximize its corporate value by optimizing its business portfolio through synergies with companies and operations targeted through M&A activities. 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 its business results.

(b) Management personnel risk

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

(c) Competitive risk

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

(d) Risk of reliance on certain regions for production

The majority of merchandise sold through UNIQLO business operations, which are the core activities of the Group, are imports manufactured in China and other countries in Asia. For this reason, in the event that major changes occur in the political, economic and/or legal environment, or in the event of natural disasters in China or other countries where production takes place, there is a possibility that this could have an impact on the Group's ability to supply products.

(e) Risk of operations outside Japan

The Group is developing its business activities through M&A and actively expanding its operations overseas. As the Group's businesses open many stores in countries around the world, the ratio of overseas sales to the Group's net sales is expected to rise. In conjunction with this, the uncertainties related to changes in market needs and product trends, economic fluctuations, political and social turbulence, or changes in legal regulations and/or other conditions in these overseas markets could have an adverse impact on business results.

(f) Foreign currency risk

Transactions for the majority of the products imported for the UNIQLO business, which is the Group's core business, are conducted in U.S. dollars. The Group has concluded forward foreign exchange contracts to cover imports for approximately the coming three years, and, therefore, by locking in the foreign exchange rate for its imports, endeavors to stabilize its procurement costs. However, if there are major movements in exchange rates that persist for prolonged periods, this could have an adverse impact on the Group's business results.

(2) General business risks

The Group recognizes the following risks associated with the management and conduct of operations: (1) risk of product liability, (2) risk of leakage of personal information, (3) risk of weather conditions, (4) risk of disasters, (5) risk of disputes and lawsuits and (6) risk of changes in economic conditions and consumption trends.

Consolidated Balance Sheets

Fast Retailing Co., Ltd. and consolidated subsidiaries
August 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (notes 1)
ASSETS	2010	2009	2010
Current assets:			
Cash and deposits (notes 3)	¥ 62,466	¥ 43,876	$ 738,897
Notes and accounts receivable-trade	15,371	15,213	181,829
Less-allowance for doubtful accounts	(169)	(175)	(2,010)
Net trade receivables	15,201	15,038	179,819
Short-term investment securities (notes 3 and 5)	139,472	125,875	1,649,781
Inventories (notes 4)	74,079	74,580	876,265
Deferred tax assets (notes 6)	29,715	22,187	351,502
Income taxes receivable	12,455	4,771	147,338
Other	12,233	11,842	144,701
Total current assets	345,625	298,171	4,088,303
Noncurrent Assets:			
Property, plant and equipment:			
Buildings and structures	70,320	64,309	831,804
Furniture and equipment	8,830	7,961	104,456
Land	3,880	3,891	45,906
Leased assets	6,354	2,590	75,162
Construction in progress	869	1,784	10,287
Total	90,256	80,537	1,067,616
Less accumulated depreciation	(40,111)	(34,590)	(474,473)
Net property, plant and equipment	50,144	45,946	593,143
Intangible assets:			
Goodwill	28,798	39,399	340,653
Other (notes 12)	19,041	15,913	225,236
Total intangible assets	47,840	55,312	565,889
Investments and other assets:			
Investment securities (notes 5)	844	686	9,985
Stocks of subsidiaries and affiliates	—	104	—
Deferred tax assets (notes 6)	4,494	3,354	53,166
Lease and guarantee deposits (notes 12)	40,415	40,500	478,058
Construction assistance fund receivables	16,044	17,350	189,792
Other	2,723	2,201	32,217
Less-allowance for doubtful accounts	(844)	(344)	(9,987)
Total investments and other assets	63,678	63,854	753,231
Total noncurrent assets	161,662	165,114	1,912,263
Total assets	¥ 507,287	¥ 463,285	$ 6,000,566

See accompanying notes to consolidated financial statements.

LIABILITIES	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (notes 1) 2010
Current liabilities:			
Notes and accounts payable-trade	**¥ 54,098**	¥ 56,930	**$ 639,920**
Short-term loans payable	**7,414**	11,775	**87,704**
Current portion of long-term loans payable (notes 7 and 12)	**9,944**	3,098	**117,629**
Forward exchange contracts	**58,245**	40,846	**688,972**
Income taxes payable (notes 5)	**31,512**	27,022	**372,755**
Deferred tax liabilities (notes 5)	**—**	0	**—**
Provision	**6,615**	1,665	**78,258**
Other	**34,786**	34,263	**411,478**
Total current liabilities	**202,618**	175,602	**2,396,716**
Noncurrent liabilities:			
Long-term loans payable (notes 7 and 12)	**5,865**	17,980	**69,378**
Provision	**45**	1,130	**537**
Other (notes 12)	**10,771**	7,158	**127,411**
Total noncurrent liabilities	**16,681**	26,269	**197,326**
Total liabilities	**219,300**	201,871	**2,594,042**
Net assets:			
Capital stock (notes 9)	**10,273**	10,273	**121,528**
Capital surplus (notes 9)	**5,000**	5,000	**59,148**
Retained earnings (notes 10)	**336,739**	295,442	**3,983,194**
Treasury stock, at cost (notes 11)	**(16,260)**	(16,254)	**(192,337)**
Valuation difference on available-for-sale securities	**(13,917)**	(9,353)	**(164,621)**
Deferred gains or losses on hedges	**(34,940)**	(24,289)	**(413,303)**
Foreign currency translation adjustments	**(1,456)**	(1,179)	**(17,229)**
Minority interest	**2,548**	1,774	**30,143**
Total net assets	**¥ 287,987**	¥ 261,413	**$ 3,406,523**
Commitments and contingencies (notes 13)			
Total liabilities and net assets	**¥ 507,287**	¥ 463,285	**$ 6,000,566**

Consolidated Statements of Income

Fast Retailing Co., Ltd. and consolidated subsidiaries
For the years ended August 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (notes 1)
	2010	2009	2008	**2010**
Net sales	**¥ 814,811**	¥ 685,043	¥ 586,451	**$9,638,177**
Cost of sales	**393,930**	343,515	292,769	**4,659,688**
Gross profit	**420,881**	341,528	293,682	**4,978,489**
Selling, general and administrative expenses (notes 14)	**288,503**	232,888	206,189	**3,412,623**
Operating income	**132,378**	108,639	87,493	**1,565,867**
Other income (expenses):				
Interest and dividend income	**344**	847	2,240	**4,080**
Penalty income	**137**	258	—	**1,632**
Equity in earnings (losses) of affiliates	**—**	(1,383)	(379)	**—**
Interest expenses	**(500)**	(917)	(1,635)	**(5,919)**
Foreign exchange gains (losses)	**(7,559)**	(5,793)	(2,001)	**(89,416)**
Gain on sales of noncurrent assets	**—**	—	123	**—**
Gain on forgiveness of subsidiary debt	**—**	—	301	**—**
Reversal of allowance for doubtful accounts	**62**	149	212	**735**
Reversal of provision for directors' retirement benefits	**—**	184	—	**—**
Gain on abolishment of retirement benefit plan	**289**	—	—	**3,423**
Reversal of provision for loss on business liquidation	**205**	—	—	**2,434**
Gain on insurance adjustment	**144**	—	—	**1,711**
Loss on retirement of noncurrent assets	**(772)**	(836)	(1,005)	**(9,139)**
Loss on closure of stores	**(447)**	(448)	(1,290)	**(5,294)**
Impairment loss (notes 15)	**(4,433)**	(2,242)	(896)	**(52,440)**
Restructuring expenses	**—**	—	(1,296)	**—**
Provision for loss on business liquidation (notes 19)	**(985)**	(1,571)	—	**(11,651)**
Office transfer expenses	**—**	(1,008)	—	**—**
Loss on business withdrawal	**(395)**	—	—	**(4,683)**
Other, net	**(1,601)**	(392)	127	**(18,942)**
Total	**(15,510)**	(13,152)	(5,499)	**(183,468)**
Income before income taxes and minority interest	**116,867**	95,487	81,994	**1,382,398**
Income taxes (notes 6):				
Current	**54,363**	44,939	38,890	**643,049**
Deferred	**(147)**	493	(762)	**(1,748)**
Total	**54,215**	45,433	38,128	**641,301**
Minority interest	**971**	257	336	**11,488**
Net income	**¥ 61,681**	¥ 49,797	¥ 43,529	**$ 729,610**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fast Retailing Co., Ltd. and consolidated subsidiaries
For the years ended August 31, 2010, 2009 and 2008

	Millions of yen								
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interest	Total net assets
Balance at August 31, 2007	¥10,273	¥4,999	¥228,958	¥(15,546)	¥ 368	¥ 10,393	¥ 696	¥3,139	¥243,283
Net income	—	—	43,529	—	—	—	—	—	43,529
Dividends from surplus (notes 10)	—	—	(12,731)	—	—	—	—	—	(12,731)
Increase in treasury stock (notes 11)	—	—	—	(10)	—	—	—	—	(10)
Decrease in treasury stock (notes 11)	—	0	—	0	—	—	—	—	0
Net change during the year	—	—	—	—	(1,296)	(6,453)	(1,213)	(1,092)	(10,057)
Balance at August 31, 2008	10,273	4,999	259,756	(15,556)	(928)	3,939	(517)	2,046	264,014
Net income	—	—	49,797	—	—	—	—	—	49,797
Dividends from surplus (notes 10)	—	—	(14,258)	—	—	—	—	—	(14,258)
Increase in treasury stock (notes 11)	—	—	—	(697)	—	—	—	—	(697)
Decrease in treasury stock (notes 11)	—	0	—	0	—	—	—	—	1
Change of scope of consolidation	—	—	147	—	—	—	—	—	147
Net change during the year	—	—	—	—	(8,424)	(28,229)	(662)	(272)	(37,589)
Balance at August 31, 2009	10,273	5,000	295,442	(16,254)	(9,353)	(24,289)	(1,179)	1,774	261,413
Net income	**—**	**—**	**61,681**	**—**	**—**	**—**	**—**	**—**	**61,681**
Dividends from surplus (notes 10)	**—**	**—**	**(20,357)**	**—**	**—**	**—**	**—**	**—**	**(20,357)**
Increase in treasury stock (notes 11)	**—**	**—**	**—**	**(5)**	**—**	**—**	**—**	**—**	**(5)**
Decrease in treasury stock (notes 11)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Change of scope of consolidation	**—**	**—**	**(27)**	**—**	**—**	**—**	**—**	**—**	**(27)**
Net change during the year	**—**	**—**	**—**	**—**	**(4,564)**	**(10,650)**	**(276)**	**774**	**(14,717)**
Balance at August 31, 2010	**¥10,273**	**¥5,000**	**¥336,739**	**¥(16,260)**	**¥(13,917)**	**¥(34,940)**	**¥(1,456)**	**¥2,548**	**¥287,987**

	Thousands of U.S. dollars (notes 1)								
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Minority interest	Total net assets
Balance at August 31, 2009	$121,528	$59,148	$3,494,704	$(192,268)	$(110,634)	$(287,319)	$(13,953)	$20,985	$3,092,190
Net income	**—**	**—**	**729,610**	**—**	**—**	**—**	**—**	**—**	**729,610**
Dividends from surplus (notes 10)	**—**	**—**	**(240,798)**	**—**	**—**	**—**	**—**	**—**	**(240,798)**
Increase in treasury stock (notes 11)	**—**	**—**	**—**	**(69)**	**—**	**—**	**—**	**—**	**(69)**
Decrease in treasury stock (notes 11)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Change of scope of consolidation	**—**	**—**	**(322)**	**—**	**—**	**—**	**—**	**—**	**(322)**
Net change during the year	**—**	**—**	**—**	**—**	**(53,987)**	**(125,984)**	**(3,276)**	**9,159**	**(174,088)**
Balance at August 31, 2010	**$121,528**	**$59,148**	**$3,983,194**	**$(192,337)**	**$(164,621)**	**$(413,303)**	**$(17,229)**	**$30,143**	**$3,406,523**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Fast Retailing Co., Ltd. and consolidated subsidiaries
For the years ended August 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (note 1)
	2010	2009	2008	2010
Net cash provided by (used in) operating activities:				
Income before income taxes and minority interests	¥ 116,867	¥ 95,487	¥ 81,994	$ 1,382,398
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	12,229	9,765	8,523	144,661
Impairment loss	4,433	2,242	896	52,440
Amortization of goodwill	7,534	6,450	5,315	89,128
Increase (decrease) in allowance for doubtful accounts	510	(283)	(260)	6,038
Decrease (increase) in provision for retirement benefits	(245)	57	(130)	(2,901)
Increase in other provisions	3,932	1,542	—	46,514
Interest and dividends income	(344)	(847)	(2,240)	(4,080)
Interest expenses	500	917	1,635	5,919
Foreign exchange losses	5,237	1,396	369	61,956
Equity in losses of affiliates	—	1,383	379	—
Loss on retirement of noncurrent assets	772	836	1,005	9,139
Giain on sales of noncurrent assets	—	—	(123)	—
Decrease (increase) in notes and accounts receivable-trade	(578)	63	(3,505)	(6,844)
Decrease (increase) in inventories	(1,478)	(17,576)	1,851	(17,488)
Increase (decrease) in notes and accounts payable-trade	(1,878)	(1,150)	15,378	(22,224)
Increase in other assets	(2,177)	(1,061)	(2,104)	(25,754)
Increase in other liabilities	829	393	7,117	9,809
Other, net	1,051	896	605	12,441
Subtotal	147,197	100,513	116,706	1,741,153
Interest and dividend income received	347	897	2,210	4,112
Interest expenses paid	(521)	(1,053)	(1,647)	(6,169)
Repayments of debt associated with reorganizing subsidiary	(475)	(512)	(501)	(5,620)
Income taxes paid	(62,810)	(47,680)	(36,257)	(742,974)
Income taxes refund	4,886	7,049	6,827	57,802
Net cash provided by (used in) operating activities	88,623	59,214	87,336	1,048,304
Net cash provided by (used in) investing activities:				
Decrease (increase) in time deposits	(1,299)	95	(95)	(15,366)
Proceeds from sales and redemption of short-term and long term investment securities	14	31	9	175
Purchase for property, plant and equipment	(17,150)	(9,910)	(11,187)	(202,871)
Proceeds from sales of property, plant and equipment	6	145	172	77
Purchase of intangible assets	(4,172)	(3,123)	(4,597)	(49,353)
Payments of lease and guarantee deposits	(5,689)	(8,029)	(3,978)	(67,302)
Payment for collections of lease and guarantee deposits	4,538	2,487	3,396	53,689
Payments for construction assistance fund receivables	(1,005)	(1,537)	(1,253)	(11,893)
Collections of construction assistance fund receivables	2,247	2,143	2,333	26,587
Payments for purchase of shares of consolidated subsidiary	—	(14,465)	(1,013)	—
Other, net	(880)	(2,110)	791	(10,414)
Net cash provided by (used in) investing activities	(23,389)	(34,273)	(15,421)	(276,671)
Net cash provided by (used in) financing activities:				
Net increase (decrease) in short-term loans payable	(3,647)	6,838	214	(43,147)
Proceeds from long-term loans payable	—	6,000	56	—
Repayments of long-term loans payable	(2,811)	(3,541)	(4,896)	(33,259)
Proceeds from (payment for) treasury stocks, net	(5)	(696)	(9)	(69)
Redemption of bonds	—	(11,070)	0	—
Cash dividends paid	(20,350)	(14,257)	(12,729)	(240,719)
Other, net	(2,081)	(120)	(1,688)	(24,621)
Net cash provided by (used in) financing activities	(28,897)	(16,847)	(19,054)	(341,815)
Effect of exchange rate changes on cash and cash equivalents	(5,449)	(8,488)	(2,188)	(64,456)
Net increase (decrease) in cash and cash equivalents	30,887	(396)	50,671	365,362
Cash and cash equivalents at beginning of period (note 3)	169,574	169,888	119,216	2,005,850
Increase in cash and cash equivalents from newly consolidated subsidiary	—	82	—	—
Cash and cash equivalents at end of period (note 3)	¥200,462	¥169,574	¥169,888	$2,371,212

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Fast Retailing Co., Ltd. and consolidated subsidiaries

1 Basis of Presentation

(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 Financial Instruments and Exchange Act of Japan. Effective September 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18). In accordance with PITF No. 18, the accompanying consolidated financial statements for the years ended August 31, 2010 and 2009 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items. Until August 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile. In addition, for the convenience of readers outside Japan, the accompanying consolidated financial statements, including the notes thereof, have been reclassified and contain additional information which is not required under accounting principles generally accepted in Japan.

(b) Basis of Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into United States (U.S.) dollars at the rate of ¥84.54=$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of August 31, 2010. This translation should not be construed as a presentation that any amounts shown could be converted into U.S. dollars.

2 Basis of Consolidation and Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the 90 subsidiaries (96 in 2009) over which the Company has power of control through substantial ownership of majority voting rights.

Limited Liability Company UNIQLO (RUS), accounted for as a non-consolidated subsidiary in the year to August 31, 2009, commenced operations and thus increased in importance during the current fiscal year. That company has therefore been included within the scope of consolidation from this fiscal year under review.

Regarding UNIQLO USA, Inc., that company name has changed to Fast Retailing USA, Inc. in this current fiscal year under review.

The name of Link International Co., Ltd. has been changed to Link Theory Japan Co., Ltd. following that company's absorption of Link Theory Holdings Co., Ltd. and Link Sales Corporation.

Regarding Link Theory Holdings Co., Ltd., following the absorption of that company by consolidated subsidiary Link International Co., Ltd. during the fiscal year under review, the company has been removed from the scope of consolidation.

The liquidation of G.U. Co., Ltd. and Viewcompany Co., Ltd. was completed in December 2009.

Given the financial closing date of Fast Retailing(China) Trading Co., Ltd. and Theory Shanghai International Trading Co., Ltd. is December 31, financial statements of those two companies prepared at the interim closing date of June 30 have been used previously in the preparation of consolidated financial statements. However, in an attempt to unify financial closing dates with the Company, financial statements from those two companies based on a provisional settlement of accounts compiled at the consolidated closing date have been used from this current fiscal year under review. As a result, consolidated financial statements for the fiscal year under review include financial statements from those two companies covering the 14-month period from July 1, 2009 through August 31, 2010.

The main subsidiaries are as follows:

Consolidated subsidiaries	Ownership percentage 2010	2009
UNIQLO CO., LTD.	**100%**	100%
UNIQLO(U.K.)LTD.	**100%**	100%
FAST RETAILING(CHINA)TRADING CO., LTD.	**100%**	100%
FAST RETAILING USA, Inc.	**100%**	100%
FRL KOREA CO., LTD.	**51%**	51%
UNIQLO HONG KONG, LIMITED	**100%**	100%
GOV RETAILING CO., LTD.	**100%**	100%
FR FRANCE S.A.S.	**100%**	100%
Créations Nelson S.A.S.	**100%**	100%
UNIQLO FRANCE S.A.S.	**100%**	100%
PETIT VEHICULE S.A.S.	**100%**	100%
CABIN CO., LTD.	**100%**	100%
LINK THEORY JAPAN CO.,LTD.	**100%**	100%
UNIQLO (SINGAPORE) PTE.LTD.	**51%**	51%
Limited Liability Company UNIQLO (RUS)	**100%**	100%
UNIQLO TRADING CO., LTD.	**100%**	—

The financial closing date of UNIQLO Trading Co., Ltd. is December 31, and therefore a provisional statement of accounts compiled at the consolidated closing date is being used in the preparation of consolidated financial statements. In an attempt to unify financial closing dates with the Company, the financial closing dates of Link Theory Holdings (Europe) GmbH and the consolidated subsidiaries of that company have been changed from June 30 to August 31. As a result, consolidated financial statements for the fiscal year under review include financial statements from those companies covering the 14-month period from July 1, 2009 through August 31, 2010. In addition, and for the same reason, the financial closing date of LK International (H.K.) Ltd. has been changed from May 31 to August 31. As a result, consolidated financial statements for the fiscal year under review include financial statements from that company covering the 15-month period from June 1, 2009 through August 31, 2010.

The Company does not account for its three other subsidiaries, as the Company determined those companies to be insignificant, individually and in the aggregate, to total assets, revenue, net income and retained earnings of the accompanying consolidated financial statements.

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

(b) Cash and Cash Equivalents

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

(c) Short-Term Investment Securities and Investment Securities

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

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

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

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

(d) Allowance for Doubtful Accounts

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

(e) Allowance for Bonuses

As provisioning for the payment of bonuses to employees of the Company and its consolidated subsidiaries, an appropriate portion of the estimated total bonus payment requirement has been accounted for the fiscal year under review.

(f) Inventories

Most inventories are stated at the lower of cost or market. The cost is mainly determined by the specific identification method. "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued July 5, 2006) is applied from the fiscal year beginning September 1, 2009.

(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 ranges of principal estimated useful lives are as follows:

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

(h) Intangible Assets

Goodwill is amortized on a straight-line basis over the respective estimated useful lives of property and equipment, 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) Retirement and Severance Benefits

The Company has defined contribution plans.

Certain consolidated subsidiaries both inside and outside of Japan have either defined contribution plans or defined benefit plans.

(j) Leased Assets

Before the fiscal year ended August 31, 2008, finance lease transactions that did not involve a transfer of ownership were accounted for using the same method as operating leases. Since the fiscal year beginning September 1, 2008, "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on June 17, 1993 (First Committee of Business Accounting Council), revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994 (Accounting System Committee of Japan Institute of Certified Public Accountants), revised on March 30, 2007) are applied and all finance lease transactions are capitalized, except for the finance lease transactions executed on or before August 31, 2008 that do not involve a transfer of ownership that are accounted for by the same method as former fiscal years.

(k) Revenue Recognition

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

(l) Foreign Currency Translation

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

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

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

Shareholders' equity accounts are translated at historical rates.

The income and expenses of consolidated overseas subsidiaries are translated at the quarterly average exchange rates.

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

(m) 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" issues by the BADC are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as a net asset until gains or losses relating to the hedge are recognized.

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

The Company and its certain subsidiaries manage risks associated with adverse fluctuations in foreign currency exchange rates using foreign currency forward contracts. 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 or 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 hedge effectiveness. In case crucial terms of assets or liabilities designated for hedges are identical, the Company does not perform such assessment.

(n) Reclassifications

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

3 Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash	**¥ 62,466**	¥ 43,876	**$ 738,897**
Time deposits with maturities over three months	**(1,476)**	(177)	**(17,465)**
Marketable securities	**139,472**	125,875	**1,649,781**
Cash and cash equivalents	**¥200,462**	¥169,574	**$2,371,211**

4 Inventories

Inventories as of August 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise	¥72,776	¥72,229	$860,847
Supplies	1,303	2,351	15,417
Total	¥74,079	¥74,580	$876,265

The value of inventories is stated after reducing book values when the contribution of inventories to profitability declines, and the associated loss on the write-down of inventories is included in cost of sales.

5 Short-Term Investment Securities and Investments Securities

Investment securities as of August 31, 2010 and 2009 are classified as available-for-sale securities.

The following tables summarize acquisition costs and fair values of securities with available fair values as of August 31, 2010:

	Millions of yen		
As of August 31, 2010	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	¥ —	¥ —	¥ —
Other	—	—	—
Securities with available fair values not exceeding acquisition cost:			
Equity securities	312	185	(126)
Other	139,877	139,472	(404)
Total	¥140,189	¥139,658	¥(531)

	Millions of yen		
As of August 31, 2009	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	¥ —	¥ —	¥ —
Other	296	357	61
Securities with available fair values not exceeding acquisition cost:			
Equity securities	310	270	(40)
Other	3,130	2,991	(139)
Total	¥3,736	¥3,618	¥(118)

	Thousands of U.S. dollars		
As of August 31, 2010	Acquisition cost	Fair value	Unrealized gains (losses)
Securities with available fair values exceeding acquisition cost:			
Equity securities	$ —	$ —	$ —
Other	—	—	—
Securities with available fair values not exceeding acquisition cost:			
Equity securities	3,693	2,195	(1,497)
Other	1,654,571	1,649,785	(4,785)
Total	$1,658,264	$1,651,981	$(6,283)

6 Income Taxes

The Company and subsidiaries are subject to a number of taxes based on income. The aggregate statutory tax rates for the Company was approximately 40.5% for the years ended 2010, 2009 and 2008.

Reconciliations between the statutory income tax rate and the effective income tax rates as a percentage of income before income taxes and minority interests for fiscal 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Statutory income tax rate:	40.5%	40.5%	40.5%
Increase in reserves for valuation changes	4.3	2.9	3.8
Amortization of goodwill	2.6	2.8	2.6
Impairment of goodwill	1.0	0.7	—
Lower income tax rates applicable to income in certain foreign countries	(1.2)	—	(1.2)
Other	(0.8)	0.7	0.8
Effective income tax rates	46.4%	47.6%	46.5%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of August 31, 2010 and 2009 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets--current	¥29,715	¥22,187	$351,502
Total gross deferred tax assets:			
Accrued business tax	2,172	1,936	25,696
Accrued bonus	2,260	2,110	26,739
Loss on impairment	1,102	810	13,039
Operating loss carryforward	18,408	14,209	217,746
Deferred losses on hedges	23,299	16,559	275,607
Other	12,507	10,465	147,949
	59,751	46,089	706,778
Valuation allowance	(25,540)	(19,591)	(302,110)
	34,210	26,498	404,667
Total gross deferred tax liabilities:			
Other	(2,521)	(956)	(29,824)
	(2,521)	(956)	(29,824)
Net deferred tax assets	¥31,689	¥25,542	$374,843

A breakdown of net deferred tax assets as of August 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets–current	**¥29,715**	¥22,187	**$351,502**
Deferred tax assets–non-current	**4,494**	3,354	**53,166**
Deferred tax liabilities–current	**(17)**	0	**(210)**
Deferred tax liabilities–non-current	**(2,503)**	—	**(29,614)**
Net deferred tax assets	**¥31,689**	¥25,542	**$374,843**

7 Long-Term Debt

Long-term debt as of August 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Unsecured loans mainly from Japanese financial institutions, with weighted average interest of 1.13% due 2011 through 2014	**¥15,809**	¥21,078	**$187,007**
Less current portion	**9,944**	3,098	**117,629**
	¥ 5,865	¥17,980	**$69,378**

The annual maturities of long-term debt subsequent to August 31, 2010 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2011	¥9,944	$117,629
2012	1,176	13,919
2013	1,451	17,173
2014	3,236	38,285
Thereafter	—	—
	¥15,809	$187,007

8 Accrued Retirement and Severance Obligations

The Company has defined contribution plans.

Certain consolidated subsidiaries both inside and outside of Japan have either defined contribution plans or defined benefit plans.

Benefit obligations and plan assets as of August 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligations	**¥45**	¥3,113	**$537**
Less: Plan assets	**—**	(2,328)	**—**
Unfunded benefit obligations	**45**	785	**537**
Unrecognized actuarial loss	**—**	(478)	**—**
Accrued retirement and severance obligations	**¥45**	¥ 307	**$537**

The components of net retirement benefit costs for the years ended August 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Service cost	**¥147**	¥152	¥230	**$1,746**
Interest cost	**60**	75	55	**711**
Expected return on plan assets	**(69)**	(88)	(129)	**(826)**
Expenses related to defined contribution plans	**324**	293	280	**3,833**
Others	**29**	94	19	**353**
	¥491	¥526	¥455	**$5,819**

9 Capital Stock and Capital Surplus

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

The Company has authorized for issuance 300 million shares of common stock with no par value as of August 31, 2010. Issued and outstanding shares were 106,073,656 shares for each of the three years in the period ended August 31, 2010.

10 Legal Retained Earnings

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

Capital surplus and retained earnings less legal reserves and certain adjustments thereto may be available for dividends by resolution of the meeting of the Board of Directors. The accompanying consolidated financial statements do not include any provision for dividends of ¥115 ($1.36) per share, aggregating to ¥11,705 million ($138,458 thousand). These dividends were approved at the meeting of the Board of Directors held November 8, 2010 in respect of the fiscal year ended August 31, 2010.

11 Treasury Stock

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

The changes in shares of treasury stock for the years ended August 31, 2010, 2009 and 2008 are summarized as follows:

	Number of shares	Millions of yen	Thousands of U.S. dollars
Balance as of August 31, 2007	4,222,560	¥15,546	
Repurchase of common stock	1,038	10	
Issuance of treasury stock, net	(16)	(0)	
Balance as of August 31, 2008	4,223,582	15,556	
Repurchase of common stock	64,876	698	
Issuance of treasury stock, net	(112)	(0)	
Balance as of August 31, 2009	4,288,346	¥16,254	$192,268
Repurchase of common stock	412	5	68
Issuance of treasury stock, net	—	—	—
Balance as of August 31, 2010	**4,288,758**	**¥16,260**	**$192,337**

12 Pledged Assets

As of August 31, 2010, the following assets are pledged as collateral for debts and other liabilities:

	Millions of yen	Thousands of U.S. dollars
Pledged assets:		
Other intangible assets	¥485	$5,737
Lease deposits	5	60
	¥490	$5,797
Corresponding liabilities:		
Portion of long-term debt due within one year	¥214	$2,540
Long-term debt	270	3,196
Other long-term liabilities	5	60
	¥490	$5,797

13 Commitments and Contingencies

The Company had the following contingent liabilities as of August 31, 2010.

	Millions of yen	Thousands of U.S. dollars
Loan guarantees for:		
Employees' benefit society 2010	¥25	$306
Loan guarantees for:		
Employees' benefit society 2009	23	281

14 Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended August 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Advertising and promotion	**¥37,665**	¥30,697	¥27,793	**$445,529**
Salaries	**76,408**	62,911	56,603	**903,814**
Rent	**74,825**	55,521	45,596	**885,093**
Depreciation	**12,229**	9,765	8,523	**144,661**
Amortization of goodwill	**7,534**	6,450	5,315	**89,128**
Allowance for doubtful accounts	**—**	64	14	**—**

15 Impairment Loss

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

The impairment loss was recognized for store assets with a significant decline in profitability. The total impairment loss of ¥1,395 million ($16,510 thousand), ¥510 million and ¥896 million, which represents an amount by which the carrying amount exceeds the recoverable amount, was recognized as other expense for the years ended August 31, 2010, 2009 and 2008, respectively. They consisted of the following assets:

	Millions of yen			Thousands of U.S. dollars
Assets	**2010**	2009	2008	**2010**
Buildings and structures	**¥ 953**	¥386	¥708	**$11,280**
Furniture and equipment	**135**	27	59	**1,608**
Leased assets	**97**	—	110	**1,154**
Land	**—**	97	—	**—**
Other	**208**	—	19	**2,466**
	¥1,395	¥510	¥896	**$16,510**

The recoverable value of retail store assets is estimated using the value in use approach. Retail store assets are assumed to have no recoverable value if the expected future cash flows derived from those assets is negative.

In addition, regarding goodwill associated with a portion of consolidated subsidiaries, an impairment loss of ¥3,037 million ($35,929 thousand) corresponding to the portion of the unamortized balance determined to be unrecoverable due to profitability decreases was recorded as an extraordinary loss. The recoverable value of goodwill is estimated based on discounting the anticipated future cash flows at a discount rate of 10% per annum.

16 Leases

With finance leases for which ownership is not transferred to the lessee and which commenced on or prior to August 31, 2008, the Company employs accounting methods normally applicable to ordinary rental transactions. The information on these lease transaction is as follows:

	Millions of yen		
	2010		
	Furniture, equipment and other	Buildings and structures	Total
Acquisition costs	¥9,889	¥490	¥10,379
Accumulated depreciation	6,821	259	7,080
Impairment	188	—	188
Net balance	¥2,878	¥231	¥ 3,110

	Millions of yen		
	2009		
	Furniture, equipment and other	Buildings and structures	Total
Acquisition costs	¥12,326	¥942	¥13,268
Accumulated depreciation	6,979	528	7,507
Impairment	188	—	188
Net balance	¥ 5,159	¥414	¥ 5,573

	Thousands of U.S. dollars		
	2010		
	Furniture, equipment and other	Buildings and structures	Total
Acquisition costs	$116,975	$5,800	$122,775
Accumulated depreciation	80,689	3,064	83,753
Impairment	2,234	—	2,234
Net balance	$ 34,051	$2,736	$ 36,787

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Lease payments	¥2,428	¥3,136	¥3,009	$28,729
Reversal of allowance for loss on impairment of leased assets	40	91	18	480
Depreciation expenses	2,293	2,967	2,863	27,132
Interest expenses	92	168	179	1,098
Impairment loss	—	13	110	—

Future minimum lease payments relating to finance leases accounted for as operating leases as of August 31, 2010 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2011	¥1,806	$21,372
2012 and thereafter	1,279	15,139
	¥3,086	$36,511

Future minimum lease payments relating to operating leases as of August 31, 2010 are as follows:

Year ending August 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 2,245	$ 26,559
2012 and thereafter	16,809	198,832
	¥19,054	$225,391

17 Per Share Data

Net income per share for the years ended August 31, 2010, 2009 and 2008 is as follows:

	Yen			U.S. dollars
	2010	2009	2008	2010
Basic	¥605.99	¥488.96	¥427.38	$7.16
Diluted	—	—	—	—

Under "Earnings Per Share" issued by 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 2010, 2009 and 2008 has been presented because there was no item with dilutive effect for those years.

Net assets per share as of August 31, 2010 and 2009 are as follows:

	Yen		U.S. dollars
	2010	2009	2010
Basic	¥2,804.34	¥2,550.86	$33.17

18 Related Party Transactions

There were no related party transactions during the years ended August 31, 2010 and 2009.

19 Provision for Loss on Business Liquidation

The provision for loss on business liquidation accompanied a decision to close stores due to the cessation of business operations involving Cabin Co., Ltd.

20 Business Combinations

Business combinations for the year ended August 31, 2010 were as follows.

Business Combination between the Companies under Common Control

(a) Overview including names and line of business of combining companies, the legal form of business combination, the names of companies following combination and their future business aim.

(1) Name and lines of business of company to be combined, and the legal form of combination:

Name: Link Theory Holdings (US) Inc. and 45 other companies

Line of business: The opening and operation of stores marketing the Theory and Helmut Lang brands.

Legal form of business combination: An assignment of business priced against UNIQLO USA, Inc. stock, with Link Theory Holdings (US) Inc. as the assignor company, and UNIQLO USA, Inc. the assignee company.

Name: UNIQLO Design Studio, New York, Inc.

Line of business: The design of UNIQLO brand products.

Legal form of business combination: An investment in kind with Fast Retailing Co., Ltd contributing UNIQLO Design Studio, New York, Inc. stock to Fast Retailing USA, Inc.

UNIQLO USA, Inc. has changed its business name as follows:

Subsidiary name change: UNIQLO USA, Inc.

New name: Fast Retailing USA, Inc.

Line of business:The opening and operating of UNIQLO stores in the U.S. The control and management through stock and equity holdings of companies operating the Theory brand in the U.S.

(2) Company name after business combination:

Fast Retailing USA, Inc.

(3) Overview of business including business purpose:

In pursuit of its ultimate goal of GLOBAL ONE business management, the Company is seeking to consolidate the management and operation of the Group's activities in the U.S., and to generate synergy benefits and greater business efficiencies through the following reorganization:

- The operator of UNIQLO in the U.S., UNIQLO USA, Inc., has changed its name to Fast Retailing USA, Inc. and become a holding company for U.S. business activities.
- Operators of the Theory brand in the U.S. (Theory LLC and 44 other companies) have been made 100% subsidiaries of Fast Retailing USA, Inc.
- Link Theory Holdings (US) Inc., the former intermediate holding company covering theory operations in the U.S., was dissolved once control of the theory operations in the U.S. had been fully transferred to Fast Retailing USA, Inc.

(b) Overview of related accounting procedure

This item is accounted for as business activities under common control based on the "Accounting Standards for Business Combinations" ASBJ statement issued on October 31, 2003, and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" ASBJ Guidance No10 issued on November 15, 2007.

21 Derivatives

Derivatives trading not applicable under hedge accounting criteria as of August 31, 2010 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Contract value	¥2,568	$30,385
Portion of contract value exceeding one year	386	4,573
Market value	2,562	30,316
Appraisal loss	(6)	(76)

Derivatives trading applicable under hedge accounting criteria as of August 31, 2010 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Contract value	¥601,133	$7,110,641
Portion of contract value exceeding one year	347,007	4,104,653
Market value	542,894	6,421,743

22 Financial Instruments

For the year ended August 31, 2010

(a) The Group policy toward financial instruments

Regarding the procurement of funds, the Fast Retailing Group seeks to ensure effective utilization of group funds through the Group's CMS (Cash Management Service). The Group also borrows funds from financial institutions. Any temporary surplus funds are invested mainly in fixed-interest instruments with minimal capital risk. The Group policy regarding derivatives instruments is to use foreign currency forward contracts to alleviate foreign currency risk, but not to conduct any speculative derivatives trading.

(b) Financial portfolio components and the risk

Marketable securities are held mainly in MMF funds which are exposed to market risk.

Lease and guarantee deposits related mainly to lease agreements are exposed to the credit risk of the counterparties.

Operating liabilities such as notes and accounts payable all carry a maturity date of one year or less.

(c) Risk management for financial instruments

(1) Management of credit risk (contractual default, etc.)

Regarding lease and guarantee deposits, the Company seeks to minimize risk by monitoring regularly the business conditions of the counterparties so as to be aware of any worsening of debt conditions at the earliest opportunity.

(2) Management of market risk (fluctuations in exchange and interest rates)

Regarding foreign currency denominated operating liabilities, the Company, as a general rule, uses foreign currency forward contracts to hedge against potential adverse fluctuations in foreign exchange rates over time.

Regarding marketable securities, the Company regularly monitors the current share price and financial status of the issuer.

(3) Management of fund procurement liquidity risk (the failure to honor payment obligation at maturity date)

The Company manages the liquidity risk by maintaining ready liquidity, while compiling and updating funding plans on a timely basis.

(d) Supplementary note on the estimated fair value of financial instruments

The fair value of financial instruments can be based on market value, or, when no market price is available, a rationally estimated amount. These rationally estimated amounts can fluctuate given that their estimation involves differing prerequisites that incorporate some variable factors.

Consolidated balance sheet amount, fair value and difference between them of financial instruments as of August 31, 2010 are as follows:

	Millions of yen		
	2010		
	Balance sheet amount	Fair value	Difference
Cash and deposits	¥62,466	¥62,466	¥ —
Short-term investment securities	139,472	139,472	—
Lease and guarantee deposits	40,415	39,656	(758)
Notes and accounts payable-trade	(54,098)	(54,098)	—
Income taxes payable	(31,512)	(31,512)	—
Derivatives transactions	(58,245)	(58,245)	—
Derivative transactions not applicable under hedge accounting criteria	(6)	(6)	—
Derivatives transactions applicable under hedge accounting criteria	(58,239)	(58,239)	—

	Thousands of U.S. dollars		
	2010		
	Balance sheet amount	Fair value	Difference
Cash and deposits	$ 738,897	$ 738,897	$ —
Short-term investment securities	1,649,781	1,649,781	—
Lease and guarantee deposits	478,058	469,083	(8,975)
Notes and accounts payable-trade	(639,920)	(639,920)	—
Income taxes payable	(372,755)	(372,755)	—
Derivatives trading	(688,972)	(688,972)	—
Derivatives trading not applicable under hedge accounting criteria	(76)	(76)	—
Derivatives trading applicable under hedge accounting criteria	(688,898)	(688,898)	—

Note: Method used in estimating the fair value of financial instruments and other matters related to marketable securities and derivatives transactions

[Assets]

Cash and deposits

Given that cash and deposits are of short duration, their current value approximates their book value, and therefore the fair value is deemed to be that book value.

Marketable securities

The fair value of marketable securities is determined by their market value on the stock exchange.

Given financial instruments such as MMFs and negotiable deposits are of short duration, their current value approximates book value, and therefore the fair value is deemed to be that book value.

Lease and guarantee deposits

Given that lease and guarantee deposits are considered redeemable after a fixed period, their market value is calculated at a present value discounted across the period to maturity at the government bond interest rate closest to the maturity date.

[Liabilities]

Notes and accounts payable and Income taxes payable

Given that these financial instruments are of short duration, their fair value approximates book value, and therefore the fair value is deemed to be that book value.

23 Subsequent Event

Introduction of stock-based compensation in the form of stock acquisition rights for the group employees.

At the Board of Directors' meeting held on October 8, 2010, the Company decided to introduce the stock-based compensation in the form of stock options to the employees of the Company and its subsidiaries, and granted the options to the employees on November 8, 2010.

24 Segment Information

Information by Business Segment

As net sales, operating income and total assets from the Apparel-related business of the Company and its consolidated subsidiaries constituted more than 90% of the consolidated totals for the years ended August 31, 2010 and 2009, the information by business segment for fiscal years 2010 and 2009 is not presented.

Information by Geographic Area

Year ended August 31, 2010	Millions of yen Japan	Europe	Others	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss):						
External sales	¥680,958	¥50,450	¥83,402	¥814,811	¥ —	¥814,811
Intersegment sales	166	527	2,441	3,136	(3,136)	—
Total	681,125	50,978	85,844	817,947	(3,136)	814,811
Operating expenses	553,146	52,656	77,213	683,015	(582)	682,433
Operating income (loss)	¥127,979	¥ (1,678)	¥ 8,631	¥134,932	¥ (2,553)	¥132,378
II. Total assets	¥268,621	¥35,150	¥50,235	¥354,007	¥153,280	¥507,287

Year ended August 31, 2009	Millions of yen Japan	Europe	Others	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss):						
External sales	¥606,329	¥38,665	¥40,047	¥685,043	¥ —	¥685,043
Intersegment sales	72	469	1,035	1,576	(1,576)	—
Total	606,401	39,135	41,082	686,620	(1,576)	685,043
Operating expenses	497,941	41,454	38,263	577,659	(1,256)	576,403
Operating income (loss)	¥108,460	¥ (2,319)	¥ 2,819	¥108,960	¥ (320)	¥108,639
II. Total assets	¥253,125	¥45,927	¥34,909	¥333,962	¥129,323	¥463,285

Year ended August 31, 2008	Millions of yen Japan	Europe	Others	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss):						
External sales	¥514,864	¥49,475	¥22,112	¥586,451	¥ —	¥586,451
Intersegment sales	—	337	—	337	(337)	—
Total	514,864	49,812	22,112	586,789	(337)	586,451
Operating expenses	432,843	47,819	19,434	500,098	(1,139)	498,958
Operating income (loss)	¥ 82,020	¥ 1,992	¥ 2,677	¥ 86,690	¥ 802	¥ 87,493
II. Total assets	¥239,764	¥57,210	¥14,876	¥311,851	¥ 92,869	¥404,720

Year ended August 31, 2010	Thousands of U.S. dollars Japan	Europe	Others	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss):						
External sales	$8,054,867	$596,768	$ 986,541	$9,638,177	$ —	$9,638,177
Intersegment sales	1,975	6,237	28,885	37,098	(37,098)	—
Total	8,056,842	603,006	1,015,426	9,675,275	(37,098)	9,638,177
Operating expenses	6,543,011	622,854	913,332	8,079,198	(6,887)	8,072,310
Operating income (loss)	$1,513,831	$ (19,848)	$ 102,094	$1,596,077	$ (30,210)	$1,565,867
II. Total assets	$3,177,448	$415,785	$ 594,217	$4,187,451	$1,813,114	$6,000,566

Notes: 1. Countries and regions are classified according to geographic proximity.
2. Principal countries and regions other than Japan are
Europe: France and the United Kingdom
Others areas: China/Hong Kong, Korea, Singapore, the United States of America and Russia
3. Corporate operating expenses consist primarily of the administration expenses of the Company (which are not allocated to segments by geographic area). Corporate operating expenses for fiscal 2010, 2009 and 2008 were ¥16,769 million ($198,356 thousand), ¥15,510 million and ¥12,584 million, respectively.
4. Corporate assets consist primarily of cash available for management (cash, deposits and securities) and administrative assets of the Company. Corporate assets as of August 31, 2010, 2009 and 2008 were ¥176,408 million ($2,086,686 thousand), ¥145,781 million and ¥110,741 million, respectively.

Overseas Net Sales

	Millions of yen: Year ended August 31, 2010			Year ended August 31, 2009			Year ended August 31, 2008			Thousands of U.S. dollars: Year ended August 31, 2010		
	Europe	Others	Total	Europe	Others	Total	Europe	Others	Total	Europe	Others	Total
I. Overseas net sales	¥49,881	¥84,551	¥134,432	¥38,199	¥ 40,795	¥ 78,995	¥49,475	¥ 22,112	¥ 71,587	$590,037	$1,000,132	$1,590,169
II. Consolidated net sales			814,811			685,043			586,451			9,638,177
III. Percentage of overseas sales in consolidated net sales	6.1%	10.4%	16.5%	5.6%	6.0%	11.5%	8.4%	3.8%	12.2%	6.1%	10.4%	16.5%

Notes: 1. Countries and regions are classified according to geographic proximity.
2. Principal countries in each geographic area.
(1) Europe: France and the United Kingdom
(2) Other geographic areas: China/Hong Kong, Korea, Singapore, the United States of America and Russia
3. Overseas net sales are defined as net sales of the Company and its consolidated subsidiaries in countries or regions outside Japan.

Report of Independent Auditors

The Board of Directors
Fast Retailing Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fast Retailing Co., Ltd. and consolidated subsidiaries as of August 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended August 31, 2010, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fast Retailing Co., Ltd. and consolidated subsidiaries at August 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the each of three years in the period ended August 31, 2010, 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, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon LLC

November 26, 2010

1949.3
Men's Shop Ogori Shoji is founded in Ube City, Yamaguchi Prefecture, Japan.

1963.5
Ogori Shoji Co., Ltd., is established with capital of 6 million yen.

1984.6
The first UNIQLO store, the Fukuromachi store in Hiroshima, opens specializing in casual apparel (closed in August 1991).

1985.6
First UNIQLO roadside store opens. Proving an immediate success, the format is adopted as the new standard.

1991.9
Company name is changed to Fast Retailing Co., Ltd..

1994.7
Company stock is listed on the Hiroshima Stock Exchange.

1998.2
Head office is constructed in Yamaguchi Prefecture, Japan.

1998.10
1,900 yen fleece campaign succeeds in attracting immense public attention.

1998.11
First urban UNIQLO store opens in the fashionable Harajuku district of Tokyo.

1999.2
Company stock is listed on the First Section of the Tokyo Stock Exchange.

1999.4
Shanghai Office is established to further enhance production management.

2000.4
Headquarter functions move to Tokyo to promote merchandising and marketing.

2000.10
Launch of online sales business.

2001.9
UNIQLO launches first overseas store in London.

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

2002.9
First UNIQLO China store opens in Shanghai.

2002.11
SKIP brand food business starts (exits the business in April 2004).

2003.10
Cashmere campaign generates high level of consumer interest.

2004.1
Invests in Link International Co., Ltd. (now Link Theory Japan Co., Ltd.), developer of Theory brand apparel.

2004.10
Opens the first large-scale UNIQLO store in Shinsaibashi, Osaka (closed in 2010).

2004.12
Establishes the UNIQLO Design Studio, New York, Inc.

2004.12
Establishes a joint venture with Lotte Shopping Co., Ltd., of South Korea to expand the UNIQLO business there.

2005.3
Footwear retail chain Onezone Corp. becomes a subsidiary (brought under UNIQLO Co., Ltd. in April 2010).

2005.5
Acquires Nelson Finance S.A.S (currently Creation Nelson S.A.S) as a subsidiary developing the Comptoir des Cotonniers brand.

2005.9
First South Korea UNIQLO store opens in Seoul.

2005.9
First U.S. UNIQLO store opens in New Jersey (closed in 2006).

2005.9
First Hong Kong UNIQLO store opens in the Tsim Sha Tsui shopping district.

2005.9
UNIQLO large-scale store opens in Ginza, Tokyo.

2005.11
Adopts holding company structure.

2006.2
Acquires Petit Vehicule S.A.S. as a subsidiary developing the Princesse tam.tam brand.

2006.4
Invests in women's apparel company Cabin Co., Ltd. (becomes a subsidiary in August 2006, merges with Link Theory Japan Co., Ltd. in September 2010).

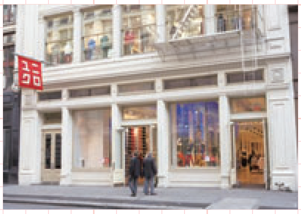
2006.6
UNIQLO forms a strategic business partnership with Toray Industries, Inc.

2006.9
UNIQLO All-Product Recycling Initiative commences.

2006.10
First g.u. store opens in Chiba Prefecture.

2006.11
Invests in women's shoe speciality chain retailer Viewcompany Co., Ltd. (becames a subsidiary in February 2008 and comes under UNIQLO Co., Ltd. in April 2010).

2006.11
UNIQLO Soho New York Store opens as the first global flagship store.



2007.3

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

2007.4
Opens specialty T-shirt store, UT Store Harajuku.

2007.11
UNIQLO 311 Oxford Street Store opens in London as second global flagship store.

2007.12
First UNIQLO France store opens in the Paris suburb La Defense.

2008.9

Subsidiaries g.u. Co., Ltd., Viewcompany Co., Ltd. and Onezone Corp. merge into Gov Retailing Co., Ltd. (footwear business comes under UNIQLO Co., Ltd. in April 2010).

2009.3

g.u. markets 990-yen jeans to broad public acclaim.

2009.3
Link Theory Japan Co., Ltd. becomes a subsidiary.

2009.4
First UNIQLO Singapore store opens in the Tampines district.

2009.10
UNIQLO opens the third global flagship store, the UNIQLO Paris Opera Store.

2009.10
Begins sales of +J collection, collaborative line produced with designer Ms. Jil Sander, at UNIQLO stores worldwide.

2010.4

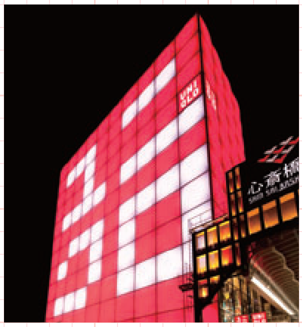
First UNIQLO Russia store opens in Moscow.

2010.5
UNIQLO opens fourth global flagship store, the Shanghai West Nanjing Road Store in China.

2010.7
UNIQLO and Toray Industries, Inc. announce second five-year plan, extending their strategic partnership.

2010.7
Agrees to establish a joint venture with Grameen Bank to pursue a social business intiative in Bangladesh.

2010.10
First UNIQLO global flagship store in Japan opens in Shinsaibashi, Osaka.



2010.10
First g.u. flagship store opens in Shinsaibashi, Osaka.

2010.10
First UNIQLO Taiwan store opens in Taipei.

2010.11
First UNIQLO Malaysia store opens in Kuala Lumpur.

(As of August 31, 2010)

Securities Code: 9983

Stock Exchange Listing: Tokyo Stock Exchange (First Section)

Stock Information

Number of shares authorized	300,000,000
Number of issued and outstanding shares (including holders of treasury stock)	106,073,656
Number of shareholders (including holders of treasury stock)	17,113

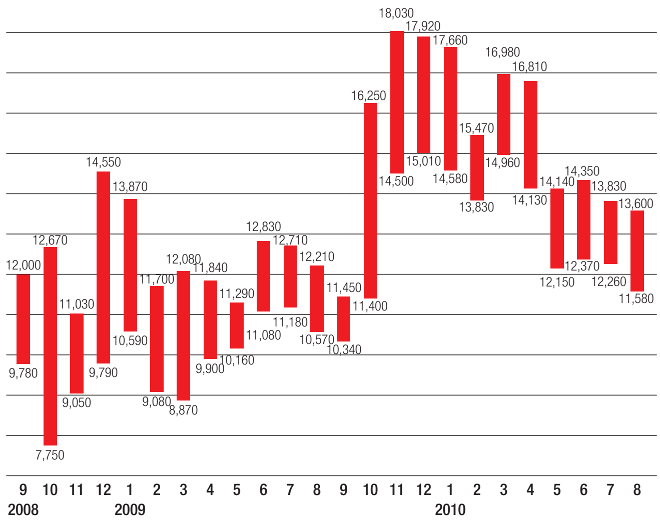
Principal Shareholders

	Number of shares	Percentage of total shares in issue (%)
Tadashi Yanai	28,297,284	26.68
The Master Trust Bank of Japan, Ltd.	6,712,300	6.33
Japan Trustee Services Bank, Ltd.	6,165,200	5.81
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.	4,288,758	4.04
Mastermind Co., Ltd.	3,610,000	3.40
Trust & Custody Services Bank, Ltd.	2,333,500	2.20
Teruyo Yanai	2,327,848	2.19

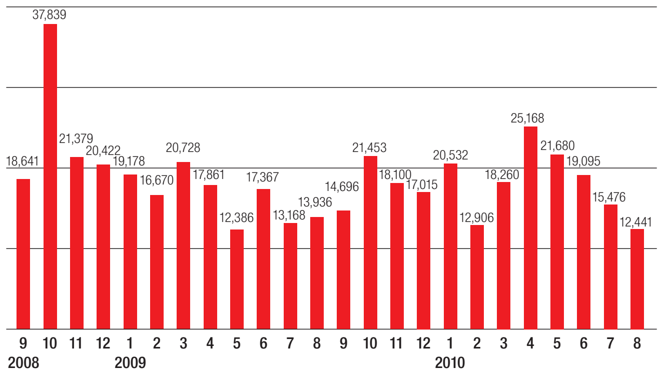
Shareholder Breakdown

	Number of shareholders	Number of shares (Thousands)	Percentage of total shares in issue (%)
Individuals and others	16,280	48,134	45.38
Foreign investors	494	20,882	19.69
Other financial institutions	86	20,126	18.97
Securities companies	76	8,170	7.70
Companies and corporations	177	8,757	8.26
Total	17,113	106,073	100.00

Stock Price (yen)



Trading Volume (thousands of shares)



Information available in the Investor Relations (IR) section of our website

You can access materials and videos of our latest business results, meetings and press conferences.

Monthly Retail Data: You can view monthly sales for UNIQLO Japan.

IR Library: You can access the latest IR publications, including the Annual Report, Fact Book, Business Review and CSR Report.

IR Calendar: You can access the schedule for monthly announcements, business results meetings and other events.

IR News: You can access the latest IR news releases.

CEO Message: You can access the latest message from the president of Fast Retailing.

http://www.fastretailing.com/jp/ir/

Corporate Data
(As of December 31, 2010)

FAST RETAILING CO., LTD.
Head Office
717-1, Sayama, Yamaguchi City,
Yamaguchi 754-0894, Japan

Tokyo Office
Midtown Tower,
7-1, Akasaka 9-chome, Minato-ku,
Tokyo 107-6231, 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)
11,596 (As of August 31, 2010)

Settlement Date
August 31

Annual Shareholders' Meeting
End of November

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, Japan
Telephone: 0120-232-711
(From Japan)

Number of Shares per Trading Unit
100

Board of Directors
(As of December 31, 2010)

Tadashi Yanai
Chairman, President & CEO

Toru Hambayashi*1

Nobumichi Hattori*1

Toru Murayama*1

Masaaki Shintaku*1

Statutory Auditors' Board
(As of December 31, 2010)

Akira Tanaka

Takaharu Yasumoto*2

Norihiko Shimizu*2

Akira Watanabe*2

Main Group Companies
(As of December 31, 2010)

Consolidated Subsidiaries

UNIQLO CO., LTD.
717-1, Sayama, Yamaguchi City,
Yamaguchi 754-0894, Japan

UNIQLO(U.K.)LTD.
3rd Floor, 311 Oxford Street,
London, W1C 2HP, U.K.

FAST RETAILING(CHINA)TRADING CO., LTD.
6th Floor, No.969, West Nangjing Road,
Shanghai, 200041, China

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

FRL Korea CO., LTD.
5th Floor, 24-11 Chungmuro 1ga,
Jung-gu, Seoul, 100-011, Korea

UNIQLO HONG KONG, LIMITED
Room 704-705,
7th Floor, Miramar Tower,
No. 132 Nathan Road, Tsim Sha Tsui,
Kowloon, Hong Kong

UNIQLO TAIWAN LTD.
7FC, No.89, Sung Ren Rd.
Xin Yi District, Taipei City, 11073

UNIQLO (SINGAPORE) PTE. LTD.
107 Tampines Road,
Singapore 535129

UNIQLO (MALAYSIA) SDN. BHD.
Lot 1.01, Level 1, 1, First Avenue,
Bandar Utama 47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

Limited Liability Company
UNIQLO (RUS)
10th Floor of Citydel Business Centre,
9 Zemlyanoy Val. Moscow,
105064 Russian Federation

FAST RETAILING FRANCE S.A.S.
Créations Nelson S.A.S.
PETIT VEHICULE S.A.S.
50/52 Boulevard Haussmann
75009, Paris, France

LINK THEORY JAPAN CO., LTD.
COMPTOIR DES COTONNIERS JAPAN CO., LTD
GOV RETAILING CO., LTD.
Midtown Tower,
7-1, Akasaka 9-chome, Minato-ku,
Tokyo 107-6231, Japan

*1. External director
*2. External auditor

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

Investor Relations
Corporate Management & Control
FAST RETAILING CO., LTD.
Midtown Tower,
7-1, Akasaka 9-chome, Minato-ku,
Tokyo 107-6231, Japan
Telephone: +81-3-6862-9983
Facsimile: +81-3-6865-0076

Forward-Looking Statements

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

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FAST RETAILING CO., LTD
www.fastretailing.com

UNIQLO Shinsaibashi global flagship store

Printed in Japan