Financial Section

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

UNIQLO Japan	UNIQLO operations in Japan
UNIQLO International	UNIQLO overseas operations
Japan Apparel	g.u.
	Footwear
	Cabin
Global Brands	Theory
	Comptoir des Cotonniers
	Princesse tam.tam

Group operational segments from FY2011

UNIQLO Japan	UNIQLO operations in Japan
	Footwear*
UNIQLO International	UNIQLO overseas operations
Global Brands	Theory
	Comptoir des Cotonniers
	Princesse tam.tam
	g.u.*

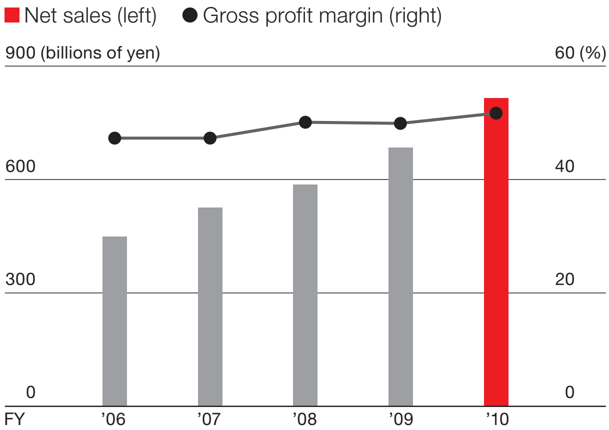
Notes: 1. Cabin Co., Ltd. merged with Link Theory Japan Co., Ltd. effective September 1, 2010. Cabin operations from fiscal 2011 will be included in the Global Brands category.
2. Our footwear operation merged with UNIQLO Co., Ltd. on April 1, 2010.

* 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.

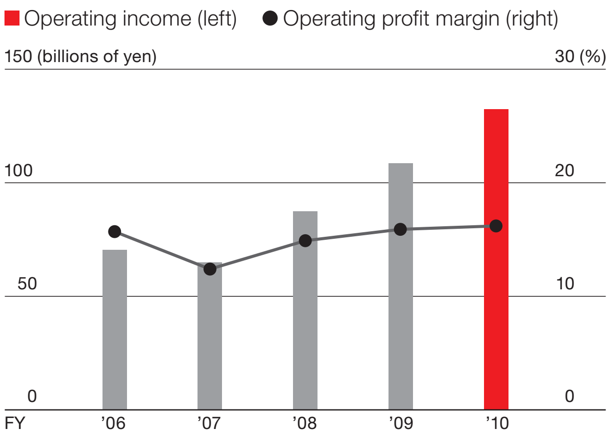
4 Selling, General and Administrative Expenses

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.

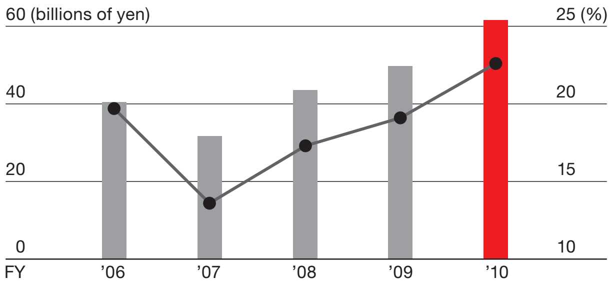
7 Income Taxes and Other Taxes

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



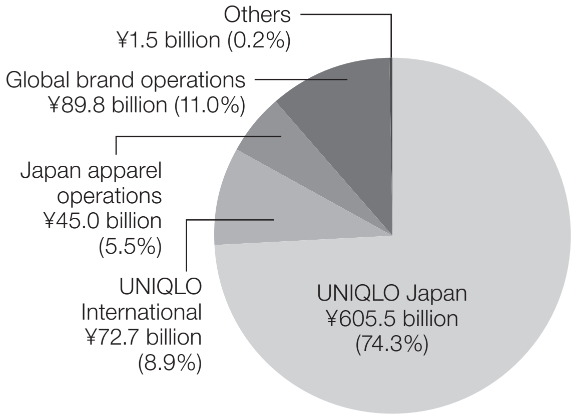
9 Results by Group Operation

Sales by Group Operation

FY	2010			2009	2008
	Billions of yen	Y/Y change	% change	Billions of yen	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

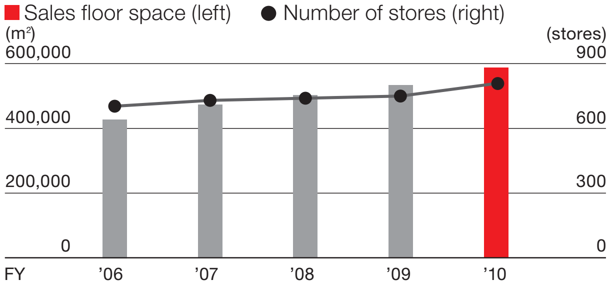
Sales at UNIQLO Japan, accounting for 74.3% of consolidated sales, rose 12.5% to ¥605.5 billion. This strong growth was underpinned by 4.7% growth in same-store sales, and a net increase of 38 directly-operated stores. The sales area of directly-operated stores increased 10.1% year on year. Breaking 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.

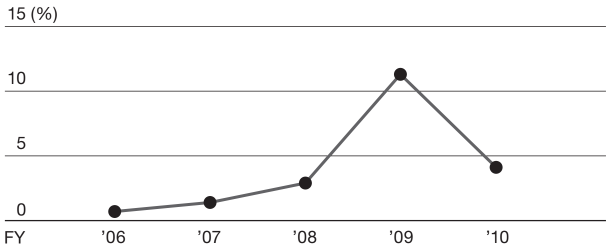
The ratio of SG&A expenses to sales increased 0.5 percentage point. In the first half, the SG&A ratio benefited from strong sales, but the fall in same-store sales in the second half knocked the full-year ratio lower. Nevertheless, the full-year SG&A ratio of 28.1% is considered well within the range 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.

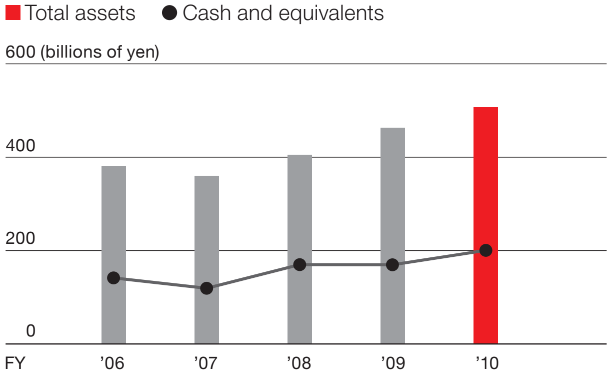
Net assets increased ¥26.5 billion to ¥287.9 billion. This was driven by an increase in net income of ¥61.6 billion, dividend payments totaling ¥20.3 billion, an increase in net unrealized losses on hedge transactions of ¥10.6 billion and an increase in net unrealized losses on securities of ¥4.5 billion.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

Consolidated Subsidiaries

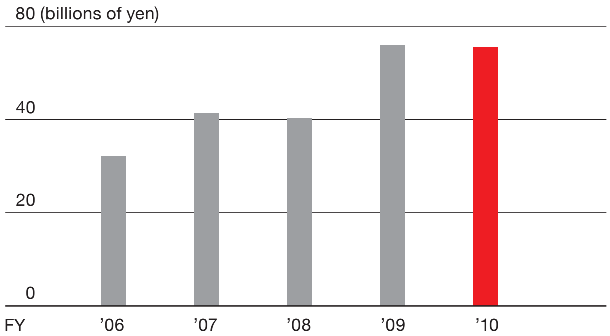
Company name	Share ownership
Holding Companies	
FAST RETAILING CO., LTD.	—
FAST RETAILING USA, Inc.	100.0%
FAST RETAILING FRANCE S.A.S.	100.0%
UNIQLO Business	
UNIQLO CO., LTD.	100.0%
FAST RETAILING(CHINA)TRADING CO., LTD.	100.0%
UNIQLO HONG KONG, LIMITED	100.0%
FRL Korea Co., LTD.	51.0%
UNIQLO (SINGAPORE) 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

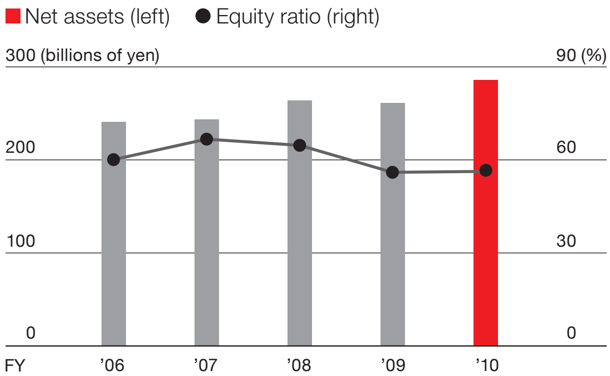
Total Assets and Cash and Equivalents



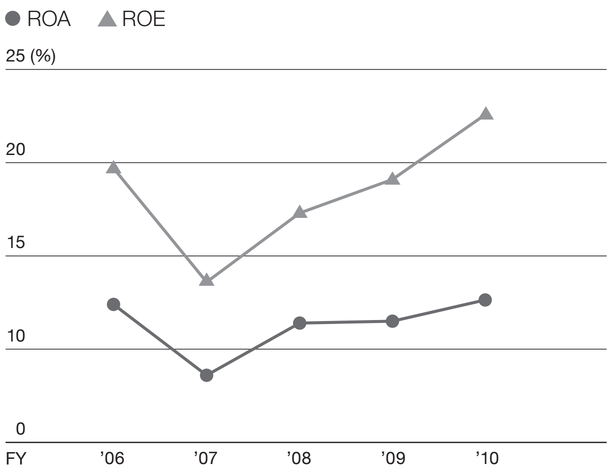
Inventories



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

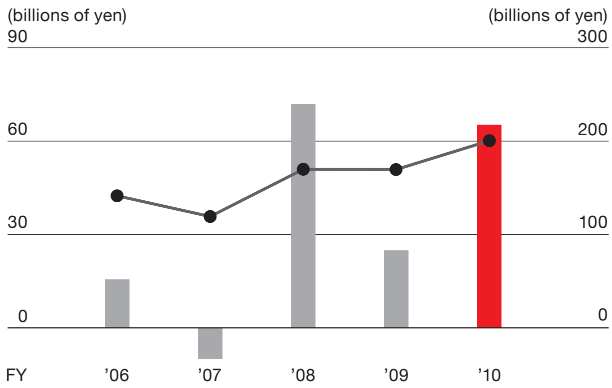
Cash used to purchase property and equipment, primarily to increase UNIQLO's store network, totaled ¥17.1 billion, while payments for lease deposits totaled ¥5.6 billion. Capital expenditures totaled ¥28.0 billion on a consolidated basis, with UNIQLO Japan accounting for ¥10.6 billion of this total.

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

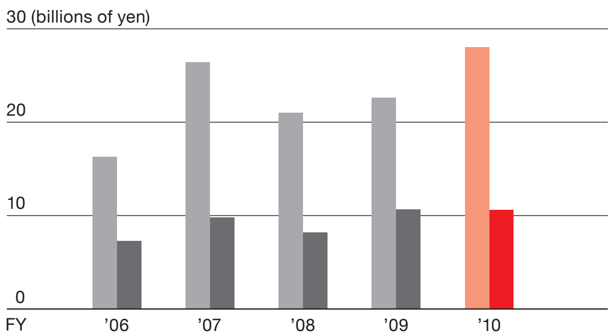
Free cash flow (left) ● Cash and equivalents (right)



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

Capital Expenditures (Consolidated and UNIQLO Japan)

Consolidated (left) UNIQLO Japan (right)

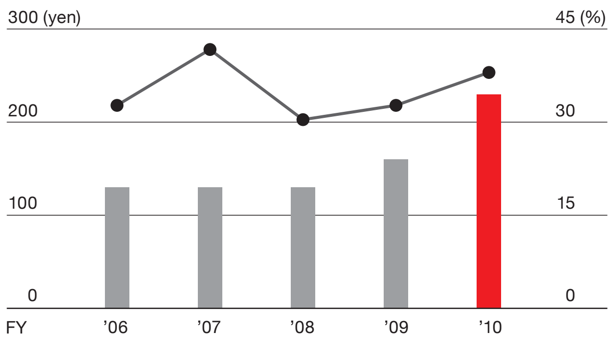


12 Dividend Policy

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

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



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	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.

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.

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%**	—

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 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									Thousands of U.S. dollars		
	Year ended August 31, 2010			Year ended August 31, 2009			Year ended August 31, 2008			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